

PRICE AND AGRICULTURAL PRODUCTION IN KERALA

Agricultural policy of the developing countries has been criticised in the alleged attempt on the part of the policy makers to keep the farm prices low. Very low farm prices curb the investment incentive of the agricultural producer. An efficient system of prices is a necessary economic pre-requisite in modernising and increasing agricultural production. The object of the study is to assess the extent to which the change in prices have influenced the area, production and productivity of the major crops in the State.

The data used in the study were collected from the Bureau of Economics and Statistics, Kerala. Eight major crops (Table 1) which cover approximately 91% of the net area sown in the State were taken up for the study. The average prices, area, production and productivity of these crops during the course of a decade ending 1965-66 were considered. For easy and effective comparison the data were converted in to index numbers with the 1956-57 figures as base. The annual compound rate of changes in factors were calculated and the data are presented in Table 1.

The increase in price had a significant influence on the area and production of arecanut and banana. The annual compound rates of change in price were 7.8 and 7.5 for arecanut and banana respectively. The corresponding rates of change in productivity were 0.8 and 1.3. In the case of tapioca though there was an increase of 79.73 per cent in price the increase in area was 10 per cent only. But the production and productivity recorded a remarkable rise viz. 113.6 per cent and 94.18 per cent respectively. The annual compound rate of change in productivity was 7.6. While the minimum rise in price was seen in the case of cashew the area under this crop recorded the maximum increase. The production and productivity also showed an increase. The maximum rise in price was recorded in the case of coconut and though the area increased significantly the production increased by 4.8 per cent only &nd the productivity declined to 87.55 per cent. In the case of ginger also a similar trend was seen. In the case of pepper though there was a rise in price and increase in area the production decreased significantly. For paddy no significant relationship existed between the rise in price and increase in production. The study thus reveals that as far as production is concerned different crops react in different ways to change in price.

Table 1**Index number of average farm price, area, production and productivity of some important crops for 1965-66 and the annual compound rate of change**

(Base 1956-57 - 100)

Name of crop	Price		Area		Production		Productivity	
		*		*		*		*
1. Paddy	237.54	10.1	105.1	0.6	112.4	1.3	106.94	0.7
2. Pepper	200.53	8.0	114.5	1.5	79.6	-2.5	69.52	-2.2
3. Ginger	216.27	8.9	116.7	1.7	102.9	0.3	88.17	-1.4
4. Coconut	250.90	10.8	119.7	2.1	104.8	0.6	87.55	-1.5
5. Arecanut	196.92	7.8	135.6	3.5	146.1	4.3	107.74	0.8
6. Banana	192.06	7.5	108.4	0.9	121.3	2.2	111.90	1.3
7. Tapioca	179.73	6.8	110.0	1.0	213.6	8.7	194.18	7.6
8. Cashewnut	160.97	5.4	149.6	4.6	167.0	5.9	111.63	1.3

*Annual compound rate of change