



Tackling the Price Volatility in Agricultural Markets

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The price volatility of agricultural commodities poses widespread uncertainty among farmers and consumers, especially in developing countries like India, and is continuing to be the major challenge among the researchers and policy makers because of its devastating effects on sustainable farming, particularly the small and marginal farmers and food and nutritional security, particularly the poor consumers. Moreover, India is predominantly an agriculture-based country in which agriculture and allied activities contributes about 17 percent to the country's GVA and provides employment to about 55 percent of the population. On one hand, the consumers want low affordable price of the produce, whereas the farmers want high and remunerative price. Therefore, the government is continuously facing the problem of achieving its twin objectives of ensuring remunerative prices for farmers and affordable prices for consumers.

There are many options to stabilise the price of agricultural commodities. Formation and strengthening of farmer producer organizations (FPOs) is one of the important strategies for management of price volatility. FPOs help its member producers, especially marginal and small farmers to sell their produces in bulk at a price higher than when sold individually. The state line departments and Krishi Vigyan Kendras (KVK) should come forwards to facilitate the formation and strengthening of FPOs. Direct marketing and contract farming enables farmers to sell their produce directly to the consumers or contracting firms without the involvement of the middlemen. Cases of direct marketing like Apni Mandis in Punjab and Haryana, Rythu Bazaars in Andhra Pradesh, Uzhavar Santhaigal in Tamil Nadu and Safal outlets across Delhi-NCR regions, have enabled farmers to get remunerative prices of the produces. Contract farming provides many advantages to the farmers such as assured price, assured market, credit, inputs, extension services, risk sharing, employment generation and reducing the cost of production and transaction.

Establishment of robust market surveillance and market intelligence is another important option to tackle the price volatility. There should be constant monitoring of prices and market arrivals of agricultural commodities by some agencies of the government, which should also provide advance market information to the government. Farmers should be facilitated to check prices of agricultural commodities across the market before selling their produce. The Government of India launched the electronic National Agriculture Market or e-NAM on 14 April 2016 with the primary objective to create a unified national market for agricultural commodities by networking of existing APMC mandis, which will lead to better price discovery for farmers. The state government and the grass root level organisations like KVKs should encourage and facilitate farmers and other stakeholders for utilising the e-NAM services.

Adoption of scientific crop technologies will not only help farmers to reduce the impact of price volatility, but also help the consumers to get the commodities affordable purchasing price. Adoption of technologies like improved varieties, irrigation system, scientific nutrient management and other package of practices will help farmers to achieve high yield, leading to higher income. Value addition of the agricultural produces should be promoted among farmers and organized sectors like SHGs, NGO members, etc for selling their products at higher prices. Stabilisation of prices for horticultural commodities will require creation of more storage capacity with good facilities like humidity and temperature control system. However, the number of cold storages in the country are still less, and majority of them are not upgraded and non-functioning. Government should see the possibility of upgrading and repairing the non-functioning storages besides constructing new ones in major producing areas, so that farmers could store their perishable produces at times when there is a market glut.

Effective management of price volatility will improve farmers' income and consumers' food and nutritional security. There are many ways and strategies for stabilising the prices of agricultural commodities. There should be an appropriate combination of various strategies for effectively tackling the negative effects of price volatility on farmers and consumers. The state governments and policy makers should take these measures into consideration for formulation of policies and plans for tackling the price volatility in future.