

FOREWORD

Agricultural Price Policy has assumed greater significance in the current phase of liberalisation. Historically, after the Jha Committee report of the mid-sixties, the first detailed statement of Price Policy came in the form of a booklet from the Agricultural Costs and Prices Commission in 1986. The Price Policy elaborated in this document included various instruments as well as perceived impact of these instruments on the agricultural economy. During the following years annual reports from the Agricultural Costs and Prices Commission indicated the changes that had taken place in the Price Policy scenario. But these were not put together at one place. In the present context, the open economy within the liberalisation process has opened up new challenges for undertaking new initiatives in this policy sphere. The connotation under which the Price Policy was formulated earlier as well as the parameters of the economy have now undergone substantial changes. Therefore, it became quite imperative to make necessary amends in the Price Policy. The debate about the necessary changes in the present circumstances has already begun in the country at the national level as well as state level. This has induced us to have a fresh look at the major instruments of Price Policy, viz., Minimum Support Price, Procurement and Public Distribution System. The area of Public Distribution System has been reviewed carefully by the Expert Committee on Long Term Grain Policy. However, the other two areas have remained more at the discussion level. This study is an attempt at analysing the effectiveness of Minimum Support Prices (MSP) in Karnataka as an instrument of Price Policy.

In the ADRT Unit, we had the privilege of preparing the proposal of the study and coordinate the wider study across the ten states in the country. This study on Karnataka focusses on arriving at the determinants of effectiveness of MSP and its impact on the agricultural economy of the State. The study reveals that in the case of Karnataka State, the MSP Policy has not played its intended role in the overall Price Policy. In fact, the MSP Policy has provoked intense debate on the political front than impacting the economic parameters in any positive manner. The study also suggests quite a few policy steps to improve the effectiveness of the policy tool in the State of Karnataka. Karnataka, being the pioneering State in establishing an Agricultural Prices Commission under the Chairmanship of a senior Agricultural Economist, has paved the way to incorporate quite a few policy changes in the recent past. It is expected that the other states will also follow suit. I believe that the study will be quite useful in the policy circles and in the Price Policy formulation of the State as well as the country.

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Gopal K. Kadekodi
Director, ISEC