

Agricultural Output Cost-Pricing Analysis: Issues in the Context of Economic Liberalisation in India

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The new economic policy set in motion since mid-1991 has progressively started posing new challenges to as well as creating new opportunities for the Indian economy. Direct and indirect impact of these policy changes are bound to affect the agricultural sector of the Indian economy. It is argued that impact of overall liberalisation of the economy would be higher investment and growth in agriculture induced by favourable terms of trade. In all these arguments, dominant role of market forces, both domestic and international, is visualized to be of crucial importance. In keeping with these policy changes, therefore, Indian agriculture not only has to become cost effective but also competitive internationally as well as in domestic market. In this changing scenario and under changing circumstances it would be of major interest to examine and analyse the extent to which the technological change introduced in Indian agriculture in seventies has had wider spread as also the cost effectiveness of such technological changes. The present study is an attempt in that direction. The study envisages to examine the nature of and extent of changes in production, input use patterns, factor input proportions, cost structure and value of output brought about by the interaction of price factor and technological change in agriculture during the last two decades.

I Introduction

Although far-reaching policy changes have not been introduced directly as yet in the agricultural sector in the wake of economic reforms in India initiated in the beginning of nineties, there are indications and evidences of movement in that direction. The approach in this regard has admittedly been cautious and gradual because reforms in agricultural sector have far-reaching consequences and implications for agricultural growth, food security, employment generation and poverty alleviation. However, liberalisation is expected to provide a powerful thrust to growth and modernisation of agriculture in near future (Rao, 1994). Agricultural Policy Resolution formulated and being given final shape is a pointer in that direction. It proposes to give agriculture the status of industry thereby visualizing cultivators as entrepreneurs seeking to maximize profits subject to resource constraints. It is believed that such a change in status would bring about the best from the farming community in augmenting agricultural production in desired mix not only for meeting the domestic needs, but also for generating export surplus in years to come. With the signing of the agreement on Dunkel Draft Report, giving rise to World Trade Organization from January 1995, it is believed that the opportunities for enhanced agricultural exports, not only traditional but also non-traditional, have opened up considerably which the country can ill-afford to ignore. In

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