

**GOVERNMENT OF INDIA  
AGRICULTURE  
LOK SABHA**

UNSTARRED QUESTION NO:1289  
ANSWERED ON:29.11.2011  
RISE IN PRICE OF FARM PRODUCE  
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**Will the Minister of AGRICULTURE be pleased to state:**

- (a) whether it is a fact that overheads are causing a rise in the prices of farm produce including organic and horticulture products in the country;
- (b) if so, the details thereof;
- (c) whether the middlemen are making profits whereas the farmers and the consumers are not benefited out of it; and
- (d) if so, the reaction of the Government thereto and the measures being taken by the Government to save the farmers from the clutches of the middlemen?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE, FOOD PROCESSING INDUSTRIES AND PARLIAMENTARY AFFAIRS (SHRI HARISH RAWAT)

(a) & (b): According to Commission for Agricultural Costs and Prices (CACP) report, the Wholesale Price Index (WPI) with base 2004-05=100 for farm inputs during the period June, 2010 to May, 2011 reveal that it has increased by 46.83 per cent for diesel oil (LDO), 13.59 per cent for lubricants, 8.71 per cent for tractors and 7.63 percent for fertilizers as a whole. The increased price in real terms for these inputs during this period would have upward pressure on input cost of production. Other inputs like electricity for irrigation, pesticides, non-electrical machinery, fodder, cattle feed and diesel oil (HSDO) prices increased ranging from about 1 to 4.5 per cent.

(c) & (d): There are number of intermediaries operating in the supply chain of agricultural produce including organic and horticulture products to the consumers, such as commission agents, traders, wholesalers, distributors etc. The price realization by the farmer depends upon these intermediaries operating in the channel of marketing, type of marketing channels adopted and distance of market from producing areas. Intermediaries reduce the farmers' share in consumers' rupee on the one hand and enhanced price for consumers on the other. It has been observed that the number of intermediaries ranges from 6-8 in case of agricultural produce, including perishables. As per the Millennium study (2004) conducted by the Ministry of Agriculture the share of producers in consumers spending varies from 32% to 68% in case of fruits, vegetables and flowers. In addition, lack of proper marketing infrastructure and storage also lead to high wastage of commodities resulting in high marketing cost and increase in the ultimate price paid by the consumer.

In order to facilitate better price realization by the farmers and better quality produce at reasonable rates to consumers, the Government of India has taken a number of reform initiatives in agriculture sector. One of the reform initiatives was to formulate a Model Act, which was circulated to States/ UTs during 2003 with the request to amend their APMC Act to provide for alternate marketing channel like direct marketing, contract farming, setting up of markets in private and cooperative sector etc. This will facilitate direct sales by the farmers to the purchasers which will reduce the role of middlemen and ensure the remunerative price to the farmers by reducing the marketing cost.