

Instability and Price Volatility of Wheat Production in India

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ABSTRACT

Production instability and price volatility of agricultural commodities are the two major issues concerning farmers and the policy makers. They affect investment decisions and production of farmers. Policymakers would face the challenges of balancing food security and sustaining economic growth. This paper has attempted to study about the production instability and price volatility of wheat, which is a major source of calorie consumption in India. The study has tried to analyse the instability and volatility in two different time periods which are 1999-2008 (before food price inflation) and 2008-2016 (after food price inflation) according to the availability of data. Analysis was done on state and district level data from six states (Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh, Punjab and Haryana) which were found to be the major wheat producing states. This study has used simple methods of instability and volatility for the analysis. The results of the study have shown that there is an increased instability in the second period compared to the first period in the production of wheat in states of Bihar, Uttar Pradesh, Haryana, and Punjab. The states of Rajasthan and Madhya Pradesh showed decreased instability in production. Analysis of irrigation data found that the area of wheat irrigated has increased in these two states and hence the instability in production has decreased. The price volatility analysis of the districts of the six states has shown that the values have decreased for states like Bihar, Uttar Pradesh, Punjab and Haryana but increased for Rajasthan and Madhya Pradesh. All the six states experienced increased vulnerability of wheat farmers either due to production instability or price volatility in the past decade, thus warranting the policy action. Pending more research into detailed causes of vulnerability, the paper broadly suggested ensuring of minimum support prices to all farmers to ward of price volatility and better water management to reduce instability.