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Research Paper

PRICE EXPECTATION BEHAVIOUR OF FARMERS TO COTTON ACREAGE IN TAMIL NADU STATE

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ABSTRACT

Expectations are a link between the present and future and they are keys to study processes by which decisions are made. In the empirical investigation carried out in the present study, it had been found that farmers did anticipate future prices. The estimates of acreage response could be greatly improved if it was known what prices had actually been expected by different farmers in different size groups for cotton crop in the study area of Tamil Nadu. The findings of the present study reveal that majority of farmers expected that price alone was the motivating factor in deciding acreage allocation.

KEYWORDS: cotton, cotton crop, cultivation, crop area,

INTRODUCTION

Supply functions can be derived by using cross sectional data depending upon the objectives in view. The cross-section analysis is done with data on resources level, feasible activities and anticipated factor - product prices and would help to use the resources optimally. The problem of the present study seeks to examine the impact of price on the variations of cotton crop area. Its interest lies in ascertaining whether there is evidence of price bearing on crop area change, and if so how persuasive, it is, and in qualifying the impact of price on area.

SELECTION OF THE AREA

Cross sectional primary data have been collected from personal field investigation from major cotton growing districts of Tamil Nadu. A total number of 120 farmers are selected from villages, namely, Adanur, Periya Seeragapadi, Nallampalli, Puliyakulam, Chittode, Alambadi, Kadavur, Chitrakkottai, Velarkulam and Ammanpuram of ten districts to form an effective random sample on the basis of cotton crop cultivation. The farmers in each village were grouped with respect to size of holding. It was then divided into three categories

viz., small (less than 2.5 acres), semi medium (2.5 to 5 acres) and medium (above 5 acres). Four farmers were then selected in a random manner from each of these three groups making a total sample size of twelve in each village. Thus, in all, 10 villages were selected from ten chosen districts and the data obtained from 120 farmers formed the effective sample.

FINDINGS OF THE STUDY

Since cotton as an agricultural cash crop is susceptible to monthly variations, it was decided to find out whether they loomed any significantly in their price expectations. It is true that farmers considered price of the farm harvest period as the basis for formulating expectations. In the present study sample farmers were questioned as to why they did not consider inter-year variations. They invariably replied that yearly variations take into account normal fluctuations and do not indicate the direction of price change as such. However, some farmers who also took these yearly variations into consideration stated that likely trend in prices can be more clearly perceived by the inclusion of monthly price variations.

TABLE 1
NUMBER OF FARMERS BY EXPECTANCY GROUPS
(HAVING COMMON CHARECTERISTICS) BY SIZE OF FARM

Expectation Behaviour	Small	Semi Medium	Medium	Total
I	16	15	16	47
II	9	7	8	24
III	10	14	13	37
IV	5	4	3	12

Source: Field Investigation

- I - Expecting always in the direction suggested by yearly variations and no consideration to monthly differentials.
- II - Expecting always in the direction suggested by yearly variations but monthly differentials are also considered.
- III - Direction of expectation is reversed sometimes and no consideration for monthly differences.
- IV - Direction of expectation is reversed sometimes and monthly differentials too are considered.

Table 1 includes the expectancy groups including monthly differentials. Expectation behaviour I, suggests the yearly variations with no consideration to monthly differentials. As many as 47 farmers belong to this category. The possibility is also there for the duration of expectation behaviour to be reversed from that

suggested by yearly variations with no consideration to monthly differentials. This is the opinion of 37 farmers in category III. Thus 84 farmers did not take note of monthly differences in formulating their price expectations. Only 36 farmers did consider monthly differences in prices. However, 24 farmers expected the prices in the direction suggested by yearly variations (category II) while 12 farmers experienced a reverse direction of expectation (category IV). Thus, the study establishes that differentials in monthly do not loom large in price expectations in the case of majority of farmers. Due weightage is also given to various parameters like age, experience in farm business, market knowledge, level of education, actual extent of participation and the nature of outside contact for their influence on expectation behaviour. Hence the nature of these parameters with reference to sample farmers needs explanation.

TABLE 2
NUMBER OF FARMERS BY EXPECTANCY GROUPS
(HAVING COMMON CHARECTERISTICS) AND BY AGE GROUPS

Expectation Behaviour	By Age Group (Age in Years)			
	Age			Total
	Less than 35	35 to 50	Above 50	
I	20	22	7	49
II	12	11	2	25
III	14	15	5	34
IV	4	5	3	12
Total	50	52	18	120

Source: Field Investigation

For the purpose of estimating the influence of age on price expectation the farmers belonging to three age groups viz., less than 35 years, 35 – 50 years and above 50 years were considered. The young farmers in the age group of less than 35 years numbered 50 out of whom 34 represented expectational behaviour in categories I and III where no differential in monthly prices was taken into account. In the middle group 37 out of 52 farmers did not take into account the monthly variations in prices. Similarly in the age group of above 50 years 12 out of 18 farmers did not take into account monthly variations. 149 expected it to be in the directions suggested by yearly variation (category I) and

34 farmers expected prices to be in the reverse direction of yearly variation. Considering yearly variation in categories II and IV, out of 16 in the young farmers category, 12 expected the prices to be in the direction suggested by yearly variations. So also were the 11 out of 16 in the middle age farmers category. However, in the last age group 3 felt that the direction of expectation to be reversed sometimes, while 2 found it to be in the direction suggested by yearly variations. Again, taking categories III and IV of expectational behaviour giving weightage to the direction of expectation to be reversed to that suggested by yearly variations, out of 46 farmers, 28 farmers were in the above 35 years of age group.

TABLE 3
NUMBER OF FARMERS BY EXPECTANCY GROUPS (HAVING COMMON CHARECTERISTICS)
AND BY DURATION OF OCCUPATION

Expectation Behaviour	Duration in Occupation				Total
	Less than 5 years	5 to 10 years	10 to 15 years	Above 15 years	
I	9	13	16	10	486
II	6	7	8	2	23
III	7	9	14	6	36
IV	3	3	4	3	13
Total	25	32	42	21	120

Source: Field Investigation

Experience in the cultivation of cotton and other crops was considered as an important parameter in affecting expectation behaviour. Taking categories I and III in Table 3 where no consideration for monthly prices was made, out of 84 farmers, 38 were having less than ten years of farm experience. The remaining 46 farmers were with more than ten years of farm experience. In category II where expectations always fell in the direction suggested by yearly variations along with monthly price variations, 13 farmers were having experience of less than ten years. On the other hand in

category IV, 6 out of 13 farmers had less than ten years of experience in the cultivation of cotton and felt that the direction of expectation is reversed. Combining these inferences of the sample farmers by all and expectations in Table 2 and Table 3, it is very evident that the sample farmers were highly experienced (70 above 35 years of age and 60 with more than 10 years of experience in cotton cultivation). Therefore, the results of their expectation behaviour may be taken to be supported by evidence of experience.

TABLE 4
NUMBER OF FARMERS BY EXPECTANCY GROUPS
(HAVING COMMON CHARECTERISTICS) AND BY MARKET KNOWLEDGE

Expectation Behaviour	Market Knowledge			Total
	Poor & Very Poor	Very Good & Good	Excellent	
I	4	17	26	47
II	6	14	3	23
III	4	22	11	37
IV	3	4	6	13
Total	17	57	46	120

Source: Field Investigation

Price expectation behaviour is largely influenced by knowledge of farmers five rates as poor, very poor, good, very good and excellent were considered to rate their market knowledge. This market knowledge was judged with various criteria like listening to radio, reading newspapers, listening to television news, contact with market centres and discussion with fellow cultivators. Table 4 gives the consolidated results. It is evident from the table that 103 farmers out of 120 could be rated in the category of having good, very good and excellent market knowledge. Thus the inferences drawn about the expectational behaviour could be said to have been supported by market

knowledge again 43 farmers in category I and 33 in category III with very good and excellent market knowledge did not believe in taking into account monthly variations in prices. Of the farmers who felt that monthly variations do matter i.e. in categories II and IV, of the total 36 farmers, 9 had very poor market knowledge. The remaining 27 had very good or excellent market knowledge. Here again 17 farmers in category II had felt that monthly variations had to be considered though the expectations fell in the direction suggested by yearly variations. Thus only 10 farmers in category IV with very good market knowledge felt that their expectations appear to be reverse with weightage given for monthly variations.

TABLE 5
NUMBER OF FARMERS BY EXPECTANCY GROUPS
(HAVING COMMON CHARECTERISTICS) AND BY EDUCATION

Expectation Behaviour	Education			Total
	Illiterate	Primary Pass	Above VIII Std	
I	6	27	17	50
II	5	10	9	24
III	11	12	12	35
IV	3	4	4	11
Total	25	53	42	120

Source: Field Investigation

It is true that in agricultural operations, education plays an important role in formulating price expectation behaviour. The sample in the study area bears testimony to this. Table 5 shows the level of education of the farmers with respect to the four expectational behaviour while 95 farmers had some education and 25 farmers were illiterate. 17 farmers from the illiterate group represented expectational behaviour in categories I and III where no differences in monthly prices was taken

note of. Among the literate farmers 68 out of 95 did not take cognizance of monthly variations in prices. Out of 68 farmers as many as 44 expected prices to be in the direction suggested by yearly variation (category I) and 24 expected prices to be in the reverse direction of monthly variations (category III). From the above inferences one is led to believe that educated farmers give weightage to the expectation in the direction suggested by yearly variations.

TABLE 6
NUMBER OF FARMERS BY EXPECTANCY GROUPS (HAVING COMMON CHARECTERISTICS)
AND BY NATURE OF PARTICIPATION

Expectation Behaviour	Nature of Participation			Total
	Active in all Operations	Supervision		
I	35	11		46
II	21	3		24
III	31	8		39
IV	8	3		11
Total	95	25		120

Source: Field Investigation

The nature of participation in agricultural operations with a bearing on expectational behaviour for prices was taken into account in Table 6. The sample farmers active in all operations numbered 95. The remaining 25 claimed more of a supervisory role, most of them belong to the semi medium farms. Hence out of

85 farmers falling in the categories of I and III which did not consider monthly variations in prices, 66 were active in all operations and to that extent the work of their wisdom could be relied upon in ruling out monthly variations

TABLE 7
NUMBER OF FARMERS BY EXPECTANCY GROUPS
(HAVING COMMON CHARECTERISTICS) AND BY OUTSIDE CONTACT

Expectation Behaviour	Outside Contact		Total
	Good	Very Good	
I	90	56	146
II	36	34	70
III	87	24	111
IV	26	7	33
Total	239	121	360

Source: Field Investigation

The final variable considered was the extent of outside contact with farmer's association, marketing meeting, membership in regulated and cooperative

markets and their participation in extension activities conducted by research cell on agriculture. As many as 239 farmers had good outside contact while the

remaining 121 had very good contact. This shows that farmers were not insulated from the outside world. They were aware of changes going on around them, thanks to the mass media technology with reference to categories I and III where no monthly variations were considered there were more farmers (177) with good knowledge. In categories II and IV 34 farmers having very good contact with outside world found that their expectations were in line with their yearly variations while 7 with very good knowledge found it to be reverse.

CONCLUSION

The highlights of the main findings of the empirical investigation are 'acreages are price responsive'. Farmers while making cotton acreage allocation respond quickly, effectively and normally to

price changes. The degree of responsiveness is more in the case of medium farmers than in the case of semi medium and small farmers. Thus any price policy, if it is to be fruitful should keep the magnitudes of fluctuations in the prices within the short limits.

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