

Modelling Distress Sale in Agriculture: Evidence from Maharashtra, India

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Abstract : This study focusses on the issue of distress sale in horticulture sector in India, which faces unique challenges, given the perishable nature of horticulture crops, seasonal production and paucity of post-harvest produce management links. Distress sale, from a farmer's perspective may be defined as urgent sale of normal or distressed goods, at deeply discounted prices (way below the cost of production) and it is usually characterized by unfavorable conditions for the seller (farmer). The small and marginal farmers, often involved in subsistence farming, stand to lose substantially if they receive lower prices than expected prices (typically framed in relation to cost of production). Distress sale maximizes price uncertainty of produce leading to substantial income loss; and with increase in input costs of farming, the high variability in harvest price severely affects profit margin of farmers, thereby affecting their survival. The objective of this study is to model the occurrence of distress sale by tomato cultivators in the Indian state of Maharashtra, against the background of differential access to set of factors such as - capital, irrigation facilities, warehousing, storage and processing facilities, and institutional arrangements for procurement etc. Data is being collected using primary survey of over 200 farmers in key tomato growing areas of Maharashtra, asking information on the above factors in addition to seeking information on cost of cultivation, selling price, time gap between harvesting and selling, role of middleman in selling, besides other socio-economic variables. Farmers selling their produce far below the cost of production would indicate an occurrence of distress sale. Occurrence of distress sale would then be modelled as a function of farm, household and institutional characteristics. Heckman-two-stage model would be applied to find the probability/likelihood of a famer falling into distress sale as well as to ascertain how the extent of distress sale varies in presence/absence of various factors. Findings of the study would recommend suitable interventions and promotion of strategies that would help farmers better manage price uncertainties, avoid distress sale and increase profit margins, having direct implications on poverty.

Keywords : distress sale, horticulture, income loss, India, price uncertainty

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