Growth and Equity Effects of Agricultural Marketing Efficiency Gains in India

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Abstract

Agriculture is the largest source of employment in India, and food accounts for about half of consumer expenditures. Moving agricultural products from the farm to consumers more efficiently could result in large gains to producers, consumers, and India’s overall economy. This analysis uses a computable general equilibrium model with agricultural commodity detail and households disaggregated by rural, urban, and income class to study the potential impacts of reforms that achieve efficiency gains in agricultural marketing and reduce agricultural input subsidies and import tariffs. More efficient agricultural marketing generates economywide gains in output and wages, raises agricultural producer prices, reduces consumer food prices, and increases private consumption, particularly by low-income households. These gains could help to offset some of the medium-term adjustment costs for some commodity markets and households associated with reducing agricultural subsidies and tariffs.

Keywords: India, agriculture, policy reform, marketing efficiency, tariffs, subsidies, households, computable general equilibrium model.

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