Determine Floor Prices for Rice Product Using Cost Approach

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ABSTRACT

One of the policies that is being implemented in order to support the production of strategic products in the country is guaranteed purchasing policy. What is clear is that the guaranteed purchase law in Iran faces a number of fundamental problems, the most important of which is the inappropriateness of guaranteed prices with the cost of production. The purpose of this study is to determine the price of rice foam using the cost of the translog cost system. The data needed to estimate the cost function, including inputs and input prices and production amounts, were obtained from a sample of 117 brassers in Babol in 1394. The approach used in this study is irrelevant seemingly unrelated regression (ISUR). Estimating returns to scale indicates that there is a bullish return to the scale in the surveyed rice fields. The price of foam per kg of rice was 27248 Rls, which is higher than the guaranteed price announced by the government, and farmers have suffered a loss of 3,248 Rials per kilo of rice. Hence, it is suggested that policies and other policy tools be used instead to provide appropriate conditions for the effectiveness of supportive policies. One of these policies could be to replace the guaranteed price policy instead of guaranteeing agricultural products with the use of stock exchanges.

Keywords: Guaranteed Price, Floor Price, Cost System, Babol City.