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Factors Affecting Fertiliser Use Intensity among Farm Size Groups: Perception about Fertiliser Subsidy Policy in Bangladesh

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Abstract

The major objectives of the paper are to explore farmer's perceptions about fertiliser subsidy policy and to estimate the influence of determinants that affect farm level fertiliser usage in Bangladesh. Primary data were collected from three regions of the country. In total, 299 respondents were interviewed who were classified in four groups according to farm size i.e., marginal, small, medium and large. Both descriptive and econometric analyses are done to achieve the objectives. Fertilisers play an important role in achieving improved agricultural productivity in Bangladesh. As such, government implicitly subsidises fertiliser market to keep price within the purchasing capacity of farmers. In spite of universal subsidy policy setup, a wide variation in fertiliser use intensity is observed across different farm size groups. Financially constrained farmers are using lower amounts of fertiliser in their crop fields which implied the relative distribution of benefits of this subsidy among medium and large farmers as revealed from field survey. With regard to farmer's perception, about 72 percent sampled marginal farmers are unaware that government is providing huge subsidy on the fertiliser market. Instead, they claim that they are getting no help from government to bear the rising costs of rice production. This is mainly due to ineffective extension services in survey areas. Overall, only 31 percent farmers were satisfied with current policy and market prices which also highlights uneven distribution of subsidy benefit.

Ordinary least square regression indicates that output prices relative to fertiliser price received by the farmers, off-farm income, labour use and extension services are significantly affecting fertiliser use intensity of different farm size groups. Farmers' financial conditions and their purchasing capability are crucial in deciding about the amount of fertiliser to be used. Moreover, farmers are more concerned about the output prices that they received instead of fertiliser prices that they paid. On the basis of these findings, the authors recommend that policy makers should revise the subsidy policy in order to reduce the distortions of resource allocation and also to secure the welfare of the farmers.

Keywords: Fertiliser use intensity, subsidy