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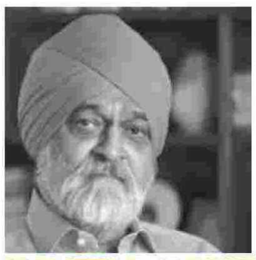
THEIR VIEW

Six steps to tackle farm distress and make farming profitable

Income transfers are not the one-stop solution to agrarian distress. Farm profitability deserves highest priority



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was the deputy chairman of the erstwhile Planning Commission

PTI

Farm distress is in the news, with much speculation on whether today's interim budget will announce some new income transfer scheme. We will know soon enough, but we need to distinguish the role of income transfers from what is needed to deal with farmer distress. Here are six issues political parties need to keep in mind as they consider different alternatives for the next year.

Farm distress is different from alleviating poverty: About 70% of farmers cultivate less than 1 hectare and have a farm income less than ₹9,000 per month. This group is definitely poor and deserves to benefit from any basic income transfer scheme that might be introduced. But the remaining 30% of farmers account for about 75% of agricultural production and an even larger proportion of marketed surplus. This category is not poor, but they are distressed because they find farming is not as profitable as it should be. We need to make farming more profitable so that it can attract farmers to invest more in farming, and thus generate the higher levels of income that are needed in these aspirational times. Prosperous farms in turn will raise agricultural wage rates and also demand for non-agricultural products, many of which will be produced in rural areas, and increase rural employment.

Increasing agricultural productivity: Water is the most important input for higher productivity, especially in the 60% of area that is rain-fed. State governments focus far too much on large irrigation schemes, which absorb a great deal of resources, and benefit only a small portion of the land. It would be much more cost-effective to shift to less capital-intensive minor irrigation and water conservation projects. The funding problem of launching such a programme could be solved by making the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) a vehicle for increased investment in minor irrigation, water conservation and water harvesting projects. Such projects have a higher material content component than is currently permitted under MGNREGA. We can solve this problem by reducing the wage component in MGNREGA. The total allocation for MGNREGA in the budget could be raised substantially so that the total employment generated is not reduced.

We also need to take steps to protect agricultural production from the effects of climate change. This calls for a carefully designed long-term programme identifying the priority projects needed district-by-district, starting with the districts judged to be most vulnerable. The restructured MGNREGA described above could be converged with a separate climate change adaptation programme for each district. The centre will have to bear most of the cost of this effort as well.

Better technology: Improved seeds are critical for higher productivity, but both Indian Council of Agricultural Research and the state agricultural universities have done poorly in this area. The centre could give a lead in restructuring the ICAR and its 120 affiliated institutes by introducing major governance changes that would make research more result-oriented. Farmers often complain they are denied access to genetically modified (GM) technology because of lobbying by vested interests. And yet, brinjal developed in India is still not allowed in India, but is flourishing in Bangladesh. It is essential to clarify policy in this area to allow scientific testing of new GM technology. We also need to revive extension, which has collapsed in every state. With smartphones now widely used, it should be possible for the government to create apps that enable farmers to get high-quality advice on their mobile phones from a central advice centre in each state on how to deal with plant diseases based on photos exchanged on the cell phone. This is an area where innovative public-private partnerships could also be encouraged.

Marketing increased production: Getting remunerative prices is obviously critical for profitability. Most of the discussion on this subject focuses on how minimum support prices (MSPs) should be fixed. These issues are less important than others. The cost reported by the Commission on Agricultural Costs and Prices (CACP) is an average and there is wide variation around it. So, more than half the farmers will not get the margin over their cost that is announced. In any case, prices cannot be fixed independently of world market conditions. The CACP is supposed to take into account world price trends also. More importantly, MSPs work only where there is an effective procurement system. This exists for wheat and rice because the government needs to procure for the public distribution system. Two steps that don't cost any money will help promote modern marketing. The states should replace their exiting Agricultural Produce Market Committee Acts with a new modern law that will encourage private markets in competition with *mandis*. The centre should abolish the Essential Commodities Act, which prevents the emergence of large private traders, as the ability to impose stock limits under the Act creates huge uncertainty, ruling out private investment.

Foreign trade policies: Export-import policies must be made pro-farmer so that they are able to get the full benefits of higher prices abroad. Farmers should be protected from any sudden collapse in world prices by an appropriate adjustment in duties. Similarly, if it is felt that exports need to be moderated, it should be done through duties and not export bans. Farmers complain that the government fails to anticipate world price developments and is also extremely slow in responding. This can be sped up if there is a cabinet committee chaired by the finance minister and includes the ministers of agriculture and civil supplies which can be serviced by Niti Aayog.

Income transfers: No one can object to an income transfer scheme that gets to the poor efficiently and does not disrupt fiscal prudence. But it is not a substitute for the many things we need to do to increase farm profitability. The Rythu Bandhu scheme of Telangana and the Krushak Assistance for Livelihood and Income Augmentation scheme of Odisha are both income transfer schemes. They are not linked to investment in the farm in any way. Rhythu Bandhu is also tilted towards rich landowners. We have to wait and see what new ideas emerge for the next year. But we should keep in mind that income transfers, whatever their other merits, are not going to solve the problem of farmer distress. For that, we need to increase farm profitability.