

Agricultural Reforms: The Game Changing Agenda of NDA Government



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Since 1970 Agriculture sector has experienced cyclical growth path around long-run annual average of 2.8 per cent. This is in sharp contrast to performance of non agriculture sector which shows acceleration in growth over time particularly after 1991 when the country embraced economic reforms. As a consequence the disparities in growth path of agriculture and non agriculture sectors increased sharply after early 1990s. These disparities got translated to disparities in per worker income in agriculture and non agriculture and income of cultivators and non farm workers. A worker in agriculture sector earned less than one fifth of income of non agriculture worker and a cultivator (farmer) earned less than one

third of the income of a non farm worker during 2011-12. Slow growth in agricultural income and rising disparities are the major source of persistent agrarian distress in the country which has become a serious challenge for the country.

NDA government at the Centre has adopted two pronged strategy to address the twin challenges of raising agricultural growth and enhancing welfare of farmers. The strategy is a significant departure from the past where the country chased only production and related targets but did not explicitly specify any target for farmers income. It is first time in the history of planned development of the country that a target to double farmers income by the year 2022 is included in the development discourse. This is very important as close to half of households in the country meet their livelihood from earnings from agriculture and allied activities. Improving income and well being of such large section of the society is crucial to achieve the PM’s vision of *Sabka Saath Sabka Vikaas*.

The two pronged strategy includes development initiatives and policy reforms in agriculture sector.

The development initiatives are: **Soil Health Card, Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), Pradhan Mantri Fasal Bima Yojana (PMFBY), Paramparagat Krishi Vikas Yojana**, increased supply of institutional credit to agriculture and procurement and buffer stock of pulses.



Soil Health Card



Pradhan Mantri Krishi Sinchayee Yojana



Pradhan Mantri Fasal Bima Yojana



Paramparagat Krishi Vikas Yojana

These initiatives and measures aim at raising agricultural growth, improving efficiency, reducing cost, and bringing resilience in production. These measures will definitely contribute towards raising income of the farmers but they will not bring big increase. Based on past experience it is estimated that these measures will take about 25 years to double farmers income. Thus to achieve the goal of substantial increase in income of farmers in next 5-7 years additional measures have to be taken. These include radical changes in policy environment relating to production, marketing and other aspects of agriculture. The absence of such

reforms is a major factor for rising disparities between agriculture and non agriculture sectors and current state of farmers and agriculture.

The importance of reforms in agriculture sector was realised and emphasised by several experts during 1990s when country felt significant gains of reforms in non farm sector for the economy. Accordingly, some efforts were made in early 2000s to liberalise agricultural marketing and internal trade. A Model **APMC** Act (2003) was proposed to replace the old Agriculture Produce Market Regulation Act in various states. Milk and Milk Product order was reformed to attract private investments in dairy processing. Another significant reform undertaken in year 2002 was removal of restrictions (licensing and permit) on purchases, movement and stock of agricultural commodities under the Essential Commodities Act. The changes made in ECA were completely withdrawn during 2006 and 2007. Model APMC Act was partly adopted by some states that too in a patchy and diluted form. Out of states of the country about two third changed the Act but only one third notified it. Even the provisions notified covered only small segment of agriculture.

Realising the importance of policy reforms in raising growth and farmers income and also serving consumers interest the Central government first came with the initiative of **E-NAM** (electronic trading platform for national agricultural market) followed by a set of reforms in agricultural marketing and some other areas.



E-NAM

The E-NAM was launched on 14 April 2015 as a Central Sector Scheme. It provides financial assistance of Rs. 75 lakh, for each mandi brought under E-NAM, for putting in place required infrastructure and mechanism for electronic

auction of farm produce. This will network existing APMC Mandis to create Pan India unified agricultural market using NAM portal and enable any trader in any part of the state/country to participate in the bidding process of agricultural commodities using on-line platform. This will have multiple benefits like spatial integration of agricultural market, higher competition, transparency in auction process, access to a nationwide market for the farmer, prices commensurate with quality of his produce, online payment and availability of better quality produce and at more reasonable prices to the consumer. This will modernise agricultural markets and change the entire complexion of agricultural marketing.

This was followed by an agenda for farmer friendly agricultural reforms in three areas namely Agricultural Markets, Land Lease and Forestry on Farm and private lands prepared by NITI Aayog. Our agricultural markets did not evolve with time and suffered from poor infrastructure and competition due to legal and regulatory restriction.

The reforms in agricultural market require provisions for:

- Setting up private mandis
- Direct marketing (purchases) from farmers
- Contract farming
- E –trading
- Single point levy
- Direct sale to consumers by farmers
- Single traders license
- Special treatment to fruits and vegetables and
- Rationalisation of taxes/fee/ levy in market.

The aim of these reforms is to attract modern capital to agricultural marketing, provide alternative options to farmers to sell their produce, promote competition and value chains, reduce number of intermediaries and their margins through integrated supply chain, and add scale to market operations. All these changes will bring higher price realisation to farmers and reasonable price for consumers. Some states who have implemented part of these reforms are showing significant gains to producers as well as consumers. Experience shows that the spread and success of green revolution in various states was determined by remunerative and assured prices. ENAM and market reforms will enable farmers to realise higher prices for their produce which will have miraculous effect on agricultural transformation.

The second area of reforms pertain to liberalisation of leasing agricultural land. Liberalised land lease market offers solution to several problems of Indian agriculture like consolidation of operational holdings, fallow lands, access to institutional credit, and productive use of land belonging to farmers unwilling or unable to engage in farming. A transparent land leasing law that allows the potential lessor or tenant or sharecropper to engage in written contracts with the landowner is a win-win reform. Under the model law, the landowner will also be able to lease land without fear of losing it to the lessor.



The biggest advantage of liberalised and secure land lease market will be that it will ease the exit of those farmers who find farming unattractive or non-viable and economically strengthen those farmers who want to stay in the farming and raise the scale of operational holdings. Among other things, this will also permit the consolidation of operational land holding so essential in the face of declining size of and fragmented land holdings.

NITI Aayog has prepared “model land leasing acts” that can be used by various states to reform their existing land lease provisions and acts keeping in view the differences in existing laws, land tenure systems and special circumstances of hilly states. NITI Aayog is facilitating States to enact their land-leasing laws and create awareness amongst different stakeholders about the benefits of land leasing.

Third area selected for reforms is forestry or tree plantation on private land. Forestry on private land is regulated by restrictions on felling of trees and transit permit for marketing of tree products. These regulations have put high barrier and disincentive to growing trees on private lands. To relax these restrictions and to facilitate raising of trees on private lands the **Ministry of Environment, Forest & Climate Change**, Government of India has circulated Advisory to States. India meet major part of timber demand from import and there is very good scope of supplement farmers income from sale of tree produce. The reforms also propose setting up of timber and wood based industry to cater to increased supply of timber.

While Central government is providing financial incentive for E-NAM, proposing agenda for reforms in agriculture sector and persuading states to implement various reforms their implementation rests with the states. These reforms will play a big role in harnessing potential of agriculture sector, raising farmers’ income substantially, and transforming agriculture.

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