Agricultural Distress in India

Why in News?

The last two years have been filled with images of farmers protests by the way of dumping vegetables by the roadside and resorting to distress sales of grains and pulses.

Reasons

- **Poor policy and Planning:** In the past, Government strategy primarily focused on raising agricultural output and improving food security rather than recognising the need to raise farmer’s income,
- **Absence of direct measure to promote farmers welfare.**
- **Declining average size of farm holdings:** Increasing demographic pressure, disguised employment in agriculture and conversion of agricultural land for alternative uses, have drastically reduced the average land holding.
- **Dependence on rainfall and climate:** Indian agriculture is heavily dependent on monsoon and ever-increasing global temperature has made agriculture more prone to extreme weather events.
- **Collapsing farm prices:** Low global prices have affected exports and the cheaper imports have hurt domestic prices in the country.
- **Lack of easy credit** to agriculture and dependence on money lenders.
- **Fragmented supply chains:**
  - Large gaps in storage, Cold chains
  - Limited connectivity
  - Absence of marketing infrastructure
- **Lack of Mechanisation:** Introduction of latest technology has been limited due to various reasons like accessibility for credit and low awareness.
- Crop production is always at risk because of pests and diseases.
- **Shortage of inputs** like seeds and irrigation facilities.
- **Profiteering** by middlemen.
Impact

- The above factors have resulted in low income for farmers which is evident from the **incidence of poverty** among farm households.
- The low and highly fluctuating farm income is causing a **detrimental effect on the interest in farming and farm investments** and is also forcing more and more cultivators, particularly younger age group, to leave farming.
- The country also witnessed a sharp increase in the number of **farmers suicides** in the last decades.
- This can cause an adverse effect on the future of **food security** and the state of agriculture in the country.

**The National Commission on Farmers (NCF) and Evergreen Revolution**

- NCF was constituted on November 18, 2004, under the chairmanship of Professor M.S. Swaminathan.
- Its recommendations mainly focused on issues of access to resources and social security entitlements and contain suggestions for inclusive growth of farmers and the agriculture sector in India.
- On the issue of Minimum Support Price, the committee recommended providing farmers with a minimum support price at 50% above the cost of production classified as C2 by the Commission for Agricultural Costs and Prices (CACP).
- CACP proposes three definitions of production costs:
  - **A2**: Actual paid-out expenses incurred by farmers — in cash and kind on seeds, fertilisers, pesticides etc.
  - **A2+FL**: It is A2 cost plus an imputed value of unpaid family labour.
  - **C2**: It accounts for the rentals or interest loans, owned land and fixed capital assets over and above A2+FL.
- The Committee recommended the MSP to be basic cost and prescribed MSP 50% above C2.

**Solutions**

- **Development initiatives** including infrastructure, technological interventions, farmer friendly policies and institutional mechanisms can increase the agricultural growth and farmers income.
- **Technology** can help to reduce ‘yield gaps’ and thus improve productivity.
- The **water-use efficiency** can be improved significantly with better use of technologies that include drip irrigation.
The quantitative framework for **doubling farmers income** has the following seven sources of growth:

- Increase in productivity of crops
- Increase in production of livestock
- Improvement in the efficiency of input use (cost saving)
- Increase in crop intensity
- Diversification towards high-value crops
- Improved price realization by farmers
- The shift of cultivators to non-farm jobs

**Improvements in allied sectors:** Many small farmers cannot leave agriculture because of a lack of opportunities in the non-farm sector. Hence, allied sectors like horticulture, food processing, poultry etc needs to be pushed. For instance, government initiative like Project CHAMAN, AGRI-UDAAN programme, Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters (SAMPADA) etc. are notable.

**Cooperative Farming:** In this context, consolidation of land holdings also becomes important to raise farmer incomes. Farmers can voluntarily come together and pool land to gain the benefits of size. Through consolidation, farmers can reap the economies of scale both in input procurement and output marketing.

- There is a need to make a **shift from rice and wheat-centric policies to millet, pulses, fruits, vegetables, livestock and fish.**
- The creation of a **competitive, stable and unified national market** is needed for farmers to get better prices.

**Government Steps to reduce Agrarian Distress**

- The goal set to **double farmers' income by 2022-23** is central to promote farmers welfare, reduce agrarian distress and bring parity between the income of farmers and those working in non-agricultural professions.
- In recent years, the Central government has taken various measures like the **PM Fasal Bima Yojana (PMFBY), PM Krishi Sinchai Yojana (PMKSY), electronic National Agricultural market (e-NAM), Soil health card, Neem-coated urea** etc.
- Agriculture is a major component of **Priority Sector Lending (PSL),** and the target for bank lending to agriculture has been revised upwards every year.
- In addition to food subsidy under PDS, the government also provides **fertilizer subsidy** year after year.
- In the budget of 2018 for farmers, the Union budget has announced **MSPs at 50% above the production cost.**
- It also proposed to launch **“Operation Greens”** in the agriculture sector on the same lines of the milk sector’s “Operation Flood”.
• The 2019 budget announced a farm support scheme (PM-KISAN) for farmers owning up to 2 hectares of lands.
• Some States have introduced farm support schemes, examples being the Rythu Bandhu Scheme (Telangana) and the Krushak Assistance for Livelihood and Income Augmentation (KALIA) scheme (Odisha)

Conclusion

• The ever changing agriculture sector requires proactive policy management which can maximize benefits for all stakeholders.
• Raising the MSP, price deficiency payments or income support schemes can only be a partial solution to the problem of providing remunerative returns to farmers.
• A sustainable solution is market reforms to enable better price discovery combined with long-term trade policies favourable to exports.
• For better price for farmers, agriculture has to go beyond farming and develop a value chain comprising farming, wholesaling, warehousing, logistics, processing and retailing.
• The most effective and least distortionary way to support farmers would be through direct benefit transfers.
• What is abundantly clear is that loan waivers aren’t the panacea they’re made out to be politically. Those who want to help India’s farmers should be working much harder to figure out what they really need.