



Mains Practice Questions

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Q. To deal with agrarian crisis, government has been adopting short term measures like farm loan waivers, MSP for crops without addressing the real causes of farm distress. Discuss the reasons for present agrarian crisis, impact of populist measures and suggest long term reforms needed in agrarian sector.(250 words)

13 Dec, 2018 GS Paper 3 Economy

Approach:

- List reasons for the agrarian crisis.
- Briefly mention the steps government has taken to address farm distress.
- Explain the impact of short-term populist measures in agriculture.
- Suggest long-term measures to bring sustainable reforms in the agrarian sector.

Introduction

- Agriculture employs more than 50% of the total workforce in India and contributes around 17-18% to the country's GDP. Compared to the 4.9% growth in 2016-17, agriculture growth slowed down to 2.1% in 2017-18.
- The push to adopt high-yielding varieties, the system of purchase at Minimum Support Prices (MSP) that covered costs and offered a remunerative return, and the sale of foodgrains through the public distribution system at subsidised prices to protect the consumer and clear acquired stocks are some steps taken by the government to address the current agrarian distress.
- From trade liberalisation, deregulation and a greater role for market forces to the proposal of doubling the farmers' income by 2022 and several announcements of farm loan waiver have failed to address the real reasons behind the persisting farm distress.

Body

Reasons for Present Agrarian Crisis

- Lack of infrastructure development which includes irrigation facilities. Lack of comprehensive groundwater and surface-water management, to provide all farmers sustained and equitable access.
- The decline in investment in agriculture leading to slow technological development in the sector.
- Higher input costs: Increasing monetization and mechanization of agriculture has also increased the cost of cultivation.
- Frequent droughts and increasing vulnerability to climate change followed by loss of biodiversity.
- Lack of market interventions and lack of institutional credit availability for small and marginal farmers who do not have collateral.

Impact of Populist Measures

- **Minimum Support Price (MSP):**
 - the market prices continue to remain below the MSP in the absence of market intervention by the government.
 - Not all crops under MSP are procured by the government.
 - No stable policy regime of procurement and disposal of various commodities and lack of marketing infrastructure.
 - Higher MSPs lead to food inflation. The MSP formula based on just cost is not followed by proper procurement policy.
- **Loan waivers:**
 - diversion of funds for loan waivers which can be used for capital investment.
 - It provides temporary relief measure.
- **Lack of implementation:**
 - Various Price Support Scheme, Price Deficiency Payment (PDP) and Private Procurement & Stockist Scheme that were announced have not been implemented by most of the states.
 - Agriculture is a state subject, and there remains a gap between Centre and States' approach to agrarian distress.

Long-Term Reforms Needed

- **Connecting to market:** large-scale agri-marketing reforms.
- **Reforming APMC markets** to abolishing the Essential Commodities Act and rolling back all export restrictions.
 - Encouraging contract farming, allowing private agri-markets in competition with APMC markets, opening and expanding futures trading, negotiable warehouse receipt system, focus on e-NAM with a due system of assaying, grading, delivery and dispute settlement mechanisms.
- **Investment in infrastructure and research:** Supply-side reforms including those pertaining to technological improvements and water management to boost productivity in a sustainable manner. Large-scale investments in building infrastructure, market access, storage, technology and revival of the non-farm sector to absorb the excess labour from agriculture.
- **Policy intervention:** Need to move from price support policies or loan waivers to income/investment support on a per acre basis.
 - Avoiding leakages:** The money should be directly deposited into the farmers' accounts, linked with their Aadhaar number, and the information sent to their mobile phones through an SMS.
- **Public-Private Partnerships** are needed to build efficient value chains, especially of perishables, creating more number of jobs.
- As the **Chakravarty Committee on Banking** had suggested, long-range market cost of delivering rural financial services is needed. Making rural lending not just a part of 'Priority Lending' but also a business.

Conclusion

- **Telangana's Rythu Bandhu scheme** under which the government gives Rs 4,000 per acre (that is, about Rs 10,000/ha) as investment support to farmers before every sowing season can be replicated by other states as well.

Farmers can use the money to buy seeds, fertilisers, and pesticides rather than borrow from informal sources at exorbitant interest rates and fall into a debt trap in case of crop failure.

- The government has been making efforts through Soil Health Cards, PM Krishi Sinchayee Yojana, Agricultural Produce and Livestock Marketing (Promotion & Facilitation) Act, 2017, Kisan RuPay Card, CHAMAN Project. However, effective implementation and continuous monitoring are required to make the benefits reach its targeted beneficiaries.