



Middlemen Gain as Farmers Earn Less in Agri Produce: RBI

For Prelims: [Reserve Bank of India \(RBI\)](#), [high inflation](#), [Consumer Price Index \(CPI\)](#), [Wholesale Price Index \(WPI\)](#), [National Agriculture Market \(e-NAM\) platform](#), [Farmer Producer Organizations \(FPOs\)](#), [Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan \(PM-KUSUM\) scheme](#), [Pradhan Mantri Fasal Bima Yojana \(PMFBY\)](#), [Soil Health Card Scheme](#), [Pradhan Mantri Krishi Sinchai Yojana \(PMKSY\)](#)

For Mains: Key Initiatives Related to Agriculture, Inflation and its impact on the food, Middlemen as facilitators and barriers in the agriculture sector.

Source: [TH](#)

Why in News?

The four working papers released by the [Reserve Bank of India \(RBI\)](#), indicated that during periods of [high inflation](#) in the **fruits and vegetables sector**, **middlemen and retailers** appeared to capture a significant portion of the price paid by consumers, thereby **benefiting at the expense of farmers**.

Inflation

- **Definition: Inflation** is defined as the rate at which the **general level of prices for goods and services rises**, leading to a **decrease in purchasing power**.
- **Measurement:** In India, inflation is mainly measured through 2 price indices – the [Wholesale Price Index \(WPI\)](#) and the [Consumer Price Index \(CPI\)](#).
- **Types of Inflation:**
 - **Demand-Pull Inflation:** Occurs when **demand for goods and services exceeds supply**.
 - **Cost-Push Inflation:** Results from an **increase in the costs of production**, leading to **higher prices** for consumers.
 - **Structural inflation:** It is a type of inflation that's caused by **structural weaknesses in an economy**, and is often experienced in developing countries.
- **Impact on Economy: Moderate inflation** is considered a **sign of a growing economy**, but high inflation can erode purchasing power, create uncertainty, and negatively impact savings and investments.

What are the Key Findings of the RBI Papers?

- Four working papers from **the RBI's Department of Economy & Policy Research** found that farmers received a much lower share of the consumer rupee in the case of fruits (e.g., bananas, grapes, mangoes) and essential vegetables (e.g., tomatoes, onions, potatoes) compared to dairy, poultry, and pulses.

- According to the paper **Livestock and Poultry Inflation in India**:
 - Farmers receive about **70% of the consumer rupee for milk and 75% for eggs**.
 - For poultry meat, farmers and aggregators together receive about 56%.
 - The **Consumer Price Index (CPI) for Milk** shows price fluctuations influenced by factors like **feed costs and availability**.
 - Higher availability of milk results in lower prices.
 - Higher feed costs lead to increased milk prices.
- The paper **Price Dynamics and Value Chain of Fruits in India** estimates:
 - Farmers receive **about 31% of the consumer rupee for bananas**, 35% for grapes and 43% for mangoes.
 - Grape farming is **capital and labor-intensive** and price volatility is influenced by **seasonality, climate conditions, and input costs**.
 - Grape production is concentrated in **Maharashtra and Karnataka**.
 - Exports grapes primarily to the **Netherlands and Bangladesh**, while **imports from China**.
- The paper **Pulses Inflation in India** finds:
 - Farmers receive 75% of the consumer rupee for gram (chana), 70% for moong and 65% for tur.
 - Both demand and supply-side factors, such as **stock levels, rural wages, input costs, and structural bottlenecks**, are determinants of pulses inflation.
- The paper **Vegetables Inflation in India** estimates:
 - Farmers receive **33% for tomatoes, 36% for onions, 37% for potatoes**.
 - Key factors affecting vegetable inflation are **input costs, rainfall, and wages, along with supply-side shocks** like weather conditions and market behavior.
 - Vegetable prices are highly volatile due to **short crop cycles, perishability, regional production concentration, and seasonal weather** conditions.

RBI's Department of Economy & Policy Research

- It serves as a knowledge hub focused on **macroeconomic policy-oriented research** to support policy-related decision-making.
- The department's research agenda addresses key macroeconomic challenges in India, covering areas such as **monetary policy, growth and inflation dynamics, financial markets, macroeconomic forecasting, the banking sector, financial stability, and external sector management**.
- The DEPR is responsible for publishing the **RBI's key statutory reports**, including the Annual Report and the Report on Trend and Progress of Banking in India.
 - It also publishes other important resources such as State Finances (A Study of Budgets), and the Handbook of Statistics on Indian States.

What are the Measures Suggested by the RBI Research Papers?

- **Fruits and Vegetables:**
 - **Expanding Private Markets:** To reduce dependency on middlemen and enhance market access for farmers.
 - Expanding such markets can **encourage competitive pricing and reduce the inefficiencies** in traditional wholesale markets (mandis).
 - **Government Initiatives:** Measures such as **buffer stocks**, **Price Stabilization Fund (PSF)**, and the **Operation Greens** scheme aim to reduce price volatility and increase value realization for farmers.
 - **Enhancing Use of the e-NAM Platform:** Promoting the use of the **National Agriculture Market (e-NAM) platform** is critical for ensuring transparency and reducing price distortions.
 - **Promoting Farmer Collectives:** **Farmer Producer Organizations (FPOs)** are being promoted to **empower small and marginal farmers**.

- FPOs can **help farmers pool resources, enhance bargaining power**, and improve access to inputs, credit, and markets.
 - **Building Cold Storage Facilities:** To **minimise post-harvest losses**, particularly for perishable fruits and vegetables. **India loses about 30-40% of its fruits and vegetables due to inadequate cold storage.**
 - Increased investment in cold chain infrastructure can extend the shelf life of produce, stabilizing prices and benefiting both farmers and consumers.
- **Pulses:**
 - **Infrastructure Improvements:** Need for **structural reforms in agricultural markets** such as **investment in rural infrastructure.**
 - These measures are **essential for ensuring sustained price stability** and improving farmers' income over the long term.
 - **Varietal Development for Higher Yields:** Promote **climate-resilient and short-duration seed varieties** to enhance production.
 - For example, **ICAR's Pusa Arhar-16** reduces the maturity period of tur from 180 to 120 days, **increasing yield by 15%.**
 - **Scaling up Procurement and Buffer Reserves:** Strengthen government procurement of domestic and imported pulses for market intervention.
 - **National Agricultural Cooperative Marketing Federation of India's** strategic buffer stock has helped manage inflation.
- **Milk:**
 - **Rationalising Trade Policy:** Adjust **tariffs on imported products** like **skimmed milk powder (SMP) and butter** to stabilise prices, while protecting domestic farmers.
 - **Promoting Germplasm Imports:** Relax restrictions on **importing cattle/buffalo germplasm** to introduce temperate breeds for crossbreeding, thus boosting milk productivity in the medium to long term.
 - **Enhancing Value Chain Infrastructure:** Prioritise investment in **bulk milk chilling (BMC) centers**, modern dairy plants, and small processing units.
 - **Improved processing and storage infrastructure** will enhance the export competitiveness of dairy products.
 - **Integrated Animal Health Plans:** Establish fast medical response units to tackle frequent disease outbreaks like **foot-and-mouth disease.**
- **Policy Suggestions for Poultry Sector:**
 - **Removing Trade Policy Distortions:** **Rationalise duties on poultry imports**, particularly during periods of high demand, to reduce meat inflation and increase market competition.
 - **Developing Infrastructure:** Encourage **FDI** and **public-private partnerships (PPP)** to improve cold chain facilities, processing infrastructure, and farm management.
 - **Reducing Production Costs:** Prioritise policies to **enhance high quality maize and soybean productivity**, as they constitute **the bulk of poultry feed costs.**
 - **Institutional Support for Small Producers:** Encourage the **collectivisation of small poultry farmers** to improve access to quality inputs and markets.
 - Cooperative models such as **Amul** could help smallholders reduce transaction costs and gain fair prices.

What are the Key Initiatives Related to Agriculture?

- [Pradhan Mantri Fasal Bima Yojana \(PMFBY\)](#)
- [Soil Health Card Scheme](#)
- [Pradhan Mantri Krishi Sinchai Yojana \(PMKSY\)](#)
- [e-National Agriculture Market \(e-NAM\)](#)
- [Paramparagat Krishi Vikas Yojana \(PKVY\)](#)
- [Digital Agriculture Mission](#)
- [Unified Farmer Service Platform \(UFSP\)](#)
- [National e-Governance Plan in Agriculture \(NeGP-A\)](#)
- [Mission Organic Value Chain Development for North Eastern Region \(MOVCDNER\)](#)

Conclusion

Despite farmers' contributions to the economy, their **share of the consumer rupee remains disproportionately low**, particularly in the fruits and vegetables sector. Addressing these disparities is essential for fostering a more **equitable distribution of income** and ensuring that farmers receive fair compensation for their produce. Comprehensive policy measures are necessary to empower farmers, promote sustainable practices, and enhance the overall efficiency of the agricultural sector.

Drishti Mains Question:

What measures can be implemented to ensure equitable distribution of income for farmers and how might these measures contribute to the overall stability and sustainability of the agricultural sector ?

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. Under the Kisan Credit Card scheme, short-term credit support is given to farmers for which of the following purposes? (2020)

1. Working capital for maintenance of farm assets
2. Purchase of combine harvesters, tractors and mini trucks
3. Consumption requirements of farm households
4. Post-harvest expenses
5. Construction of family house and setting up of village cold storage facility

Select the correct answer using the code given below:

- (a) 1, 2 and 5 only
- (b) 1, 3 and 4 only
- (c) 2, 3, 4 and 5 only
- (d) 1, 2, 3, 4 and 5

Ans: (b)

Mains:

Q. How did land reforms in some parts of the country help to improve the socio-economic conditions of marginal and small farmers? (2021)

Q. What are the impediments in marketing and supply chain management in developing the food processing industry in India? Can e-commerce help in overcoming this bottleneck? (2015)