Agricultural Policy Monitoring and Evaluation 2024

For Prelims: **Organisation for Economic Co-operation and Development**, **Market Price Support**, **Minimum Support Price**, **Digital Agriculture Mission**

For Mains: Impact of Government Procurement & Distribution, Government Policies and Initiatives, Agricultural Policy and Its Impact on Indian Farmers

Source: DTE

Why in News?

Recently, the **Organisation for Economic Co-operation and Development (OECD)** in its ***Agricultural Policy Monitoring and Evaluation 2024 report*** highlighted that India implicitly taxed its farmers **USD 120 billion in 2023,** the highest among 54 countries.

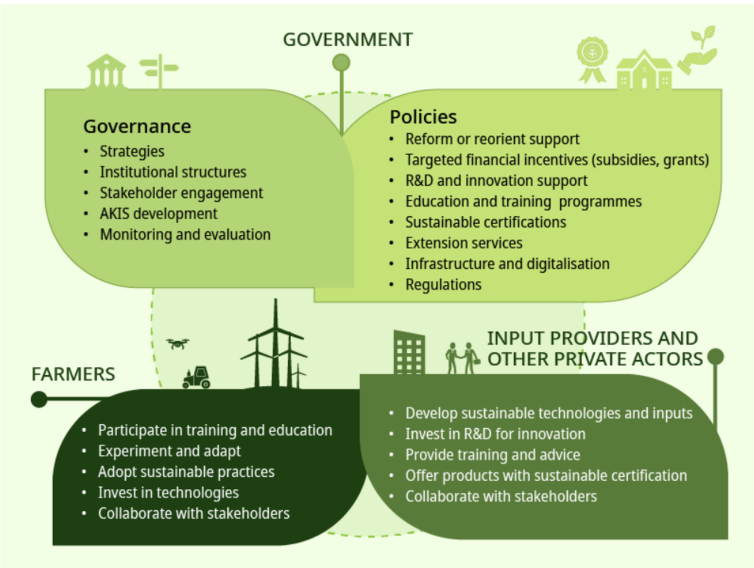
- This is a result of government policies like export bans and duties, which aim to keep **food prices low for consumers** but impose significant costs on the **agricultural sector.**

What are the Key Highlights of the OECD's Report?

- **Financial Support to Agriculture:** Total support for the agricultural sector across 54 countries averaged **USD 842 billion per year from 2021 to 2023.** Although it dropped in 2022 and 2023 compared to the 2021 peak, it still remained much higher than levels before the **Covid-19 pandemic.**
  - **Market Price Support (MPS)** fell by USD 28 billion between 2021-23 but still remained a major part of total support.
    - MPS is a policy measure that aims to keep the **price of a specific agricultural product on the domestic market** at a certain minimum (government set) level, which **helps to raise domestic prices above world prices.**
- **Agricultural Support in India:** In 2023, India's **export restrictions** on **rice**, sugar, onions, and **de-oiled rice bran** led to a negative MPS, causing a USD 110 billion loss.
  - As a result, farmers **received less for their produce than they would have without these policies,** leading to a significant reduction in their income.
  - India's overall market price support in **2023 was negative,** amounting to a **USD 110 billion loss,** meaning **farmers received less for their produce than they would have without these policies.**
    - India had the highest negative price support, followed by Vietnam and Argentina. **India accounted for 62.5% of all global negative price support in 2023.** This share has grown significantly from 61% in 2000-02 to 75% in 2021-23, highlighting the increasing burden on Indian farmers.
    - Despite positive support through **subsidies** **and** **Minimum Support Price(MSP)** totaling USD 10 billion, the price-depressing policies overwhelmed these measures.
- **Global Agricultural Challenges:** Ongoing conflicts, such as **Russia's war against Ukraine**

and **unrest in the Middle East,** have disrupted agricultural markets, particularly affecting trade and global supply chains.
    - The increasing frequency and severity of **extreme weather events** continue to challenge agricultural production and productivity.
        - Some countries have implemented **export restrictions,** further distorting international trade in agricultural commodities
    - Increasing **farmer's protests across nations** underscore the economic and social struggles faced by farmers, reflecting deep-seated issues in agricultural systems.
    - Global agricultural productivity growth has slowed, threatening the **ability to meet growing global food demands while maintaining sustainability.**
        - Governments are linking payments to farming practices that support land health, **biodiversity**, and **sustainability**, but Environmental Public Goods Payments(EPGP) make up only 0.3% of total producer support.
            - EPGP is a way to fund the provision of public goods that benefit the environment, such as **climate protection.**
- **Recommendations:** Governments need to establish measurable goals for sustainable productivity, investing in monitoring systems like **total factor productivity (TFP)** and **agri-environmental indicators (AEIs).**
    - TFP measures the efficiency of agricultural inputs in producing outputs. TFP growth shows that farmers can produce more with the same or fewer resources, making it a key metric for sustainable agriculture.
    - AEIs measure key environmental **impacts and risks from agriculture and assess producers' management practices.** They help explain agriculture's performance and its underlying causes.
    - The report highlights the need for **innovation to boost productivity** and calls for a **larger share of producer support** to be tied to **sustainable farming practices.**

What governments, farmers and others are doing for sustainable productivity growth



Source: OECD (2024), OECD Agricultural Policy Monitoring and Evaluation: Innovation for Sustainable Productivity Growth (Figure 1.13)

Organisation for Economic Co-operation and Development

- The **OECD**, founded in 1961, is an international organisation of 38 democratic countries committed to the market economy, headquartered in **Paris, France**.
    - It aims to promote **prosperity, equality, opportunity, and well-being** through the publication of **economic reports, data, analyses, and forecasts**, and by working to eliminate **bribery and financial crime** globally.
- The OECD collaborates with its Member countries and a range of partners on key global issues.

- **India** has been an OECD **Key Partner** since 2007, alongside countries like **Brazil, China, Indonesia**, and **South Africa**, though it is **not a member.**
- The OECD also maintains a **"blacklist"** of **uncooperative tax havens** and has working relationships with non-member economies such as India.

- **Reports and Indices by OECD:** Government at a Glance, and **OECD Better Life Index.**

How do Indian Agricultural Policies Negatively Impact Farmers?

- **Negative Market Price Support:** India's policies have resulted in a **negative market price support for farmers.** From 2014 to 2016, the producer support estimate (PSE) was around -6.2%, driven by negative market price support (-13.1%).
    - PSE is a metric that measures the annual value of transfers from consumers and the government **to agricultural producers.**
- **Export Restrictions and Bans:** Imposing export bans and quotas on essential commodities like rice and sugar limits market access, driving down domestic prices.
- **Regulatory Constraints**: The **Essential Commodities Act, 1955** and **Agricultural Produce Market Committee (APMC) Act in 2003** impose **stringent regulations on the pricing, stocking, and trading of agricultural commodities.**
    - These Acts, while aimed at ensuring food security, often **result in lower farm gate prices due to price controls** and low procurement prices set by the government, which are sometimes **below international market prices, leading to a price-depressing effect for producers.**
- **Low Minimum Support Prices (MSP)**: The MSP is intended to protect farmers, but it **has been set lower than international prices during certain periods**, leading to farmers receiving less than they would have in an open market environment.
- **Inefficiencies in Marketing**: Lack of modern infrastructure and high transaction costs reduce the prices farmers receive for their produce, adding to price suppression.
- **Inefficient Resource Allocation:** **subsidies for fertilisers,**, irrigation, and electricity provide short-term relief but fail to address long-term issues like **climate change,** market access, and **declining agricultural research,** which ultimately hinder sustainable growth and profitability for farmers.

India's Initiatives Related to Agriculture

- **National Mission on Sustainable Agriculture**
- **Paramparagat Krishi Vikas Yojana (PKVY)**
- **Sub-mission on AgroForestry (SMAF)**
- **Rashtriya Krishi Vikas Yojana**
- **AgriStack**
- **Digital Agriculture Mission**
- **Unified Farmer Service Platform (UFSP)**
- **Mission Organic Value Chain Development for North Eastern Region (MOVCDNER)**

Way Forward

- **Reform Export Policies:** Gradually ease export bans and quotas, invest in infrastructure (**cold storage, transportation, processing)**, and align MSPs with international market prices to boost competitiveness and ensure fair compensation.
- **Shift in Budgetary Priorities:** Redirect resources towards improving resilience, sustainability, infrastructure, and reducing supply chain inefficiencies.
- **Better Market Functioning:** Foster greater integration between state and central policies to improve coordination, reduce fragmentation, and address sector challenges.
- **Promote Digital Platforms:** Encourage direct marketing and **e-commerce** like **National**

Agriculture Market (e-NAM) to connect farmers with consumers, reducing reliance on traditional markets.

Drishti Mains Question:

Discuss the impact of India's agricultural policies on its farmers. How do policies such as export bans and Minimum Support Prices affect the agricultural sector?

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. In India, which of the following can be considered as public investment in agriculture? (2020)

1. Fixing Minimum Support Price for agricultural produce of all crops
2. Computerization of Primary Agricultural Credit Societies
3. Social Capital development
4. Free electricity supply to farmers
5. Waiver of agricultural loans by the banking system
6. Setting up of cold storage facilities by the governments

Select the correct answer using the code given below:

(a) 1, 2 and 5 only

(b) 1, 3, 4 and 5 only

(c) 2, 3 and 6 only

(d) 1, 2, 3, 4, 5 and 6

Ans: (c)

Mains:

Q. Given the vulnerability of Indian agriculture to vagaries of nature, discuss the need for crop insurance and bring out the salient features of the Pradhan Mantri Fasal Bima Yojana (PMFBY). **(2016)**

Q. Explain various types of revolutions, took place in Agriculture after Independence in India. How these revolutions have helped in poverty alleviation and food security in India? **(2017)**