

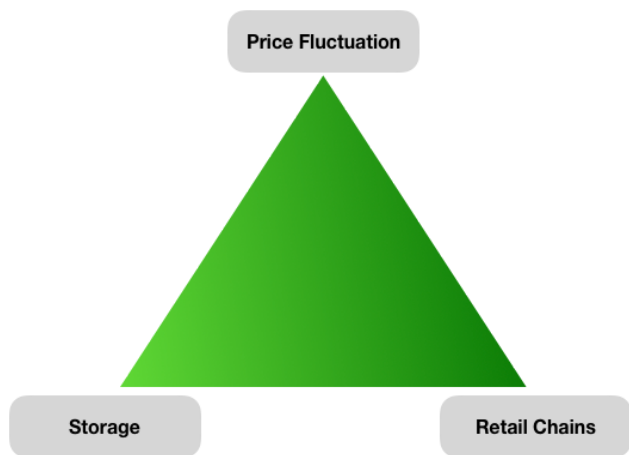
SPOTLIGHT	INSIGHTS	STORYBOARD	EVENTS	INTERVIEW	BOOK REVIEW
	<u>INSIGHTS 1</u> Revenue department in Telangana - Building systems and capabilities	<u>INSIGHTS 2</u> Why should farmers struggle to sell their produce?		<u>INSIGHTS 3</u> Can local authorities solve the issues plaguing the MSME sector?	

Why should farmers struggle to sell their produce?

In the recent Telugu film Maharshi, the protagonist, Rishi Kumar, an aspirational computer engineer goes on to become the CEO of a large multinational technology company based in the USA. He then shifts his base to a village in India to support his close friend, Ravi who is fighting against the relocation of his village due to a gas pipeline project. He learns from his friend that most of the people dislocated were agricultural householders who were forced to stare at an uncertain future due to loss of livelihoods. Despite owning agricultural lands many migrate

to urban areas to work as daily wage labourers as these multi-crop farmlands, which were once cultivated in three seasons, were turned to barren lands systematically by willful negligence and lack of institutional support from the government. As in the case of a typical public purpose infrastructure project in India, the government employs various persuasive means for the rehabilitation and resettlement of project affected villagers. Rishi then champions the cause his friend stood for and becomes successful in fomenting public

resistance against the land acquisition. He does this by taking the whole land 'on lease' and encouraging the cultivators to plough their own lands, thus reviving the production and also their hopes including that of a rice mill owner. It is at this point that he stumbles on the real problem that surfaces - price realisation. After delving into some research he discovers that 'the devil's triangle' which is taking the lives of farmers is formed by Price fluctuation in the market, lack of storage facilities, and obtrusive retail chains which benefit the middlemen.



Within its limited 'scope', the film does well on its part by asking a fundamental question - "Why should farmers struggle to save/sell their produce?"

The purpose of this write up is not to critique the film, but to put forth a policy perspective and roadmap for agriculture. We will try and understand the systemic issues which are strangling the farm sector and how to unleash them, what needs to be done to infuse new life into the farm sector for it to sustain on its own rather than relying on life support in the form of loan waivers, and let it flourish to shield the farmer's lives from the above mentioned 'triangle'.

Unleashing the chains

There are broadly four policy failures - formulated with good intentions but ended up as uninvited guests eating away farmer's produce without his knowledge but with a legal mandate.

1. Essential commodities act-

This was originally enacted during the world war period by the British government to ensure sufficient quantity of grains in the market by regulating the storage, distribution, and pricing of certain essential commodities. But it is being used by the government even now on commodities like onions and potatoes to check price rise - consumer inflation so to speak but politically speaking the real reason is to appease the urban constituency. In the event of prices rapidly sliding down the hill, it is the farmers who get washed away.

Frequent changes in the stock holding limits act as a disincentive for the traders to invest in storage infrastructure and effects functioning of processing industries both of which are essential for better price discovery for the farmers. It is time to do away with this act.

2. Agricultural Mandis - Regulated by APMC act this wholesale market mechanism was

established to protect the farmers from exploitation of intermediaries. Farmers have to sell their produce only in the government regulated agricultural mandis which have become an annoyance due to corruption, cartelization where traders fix the prices to their advantage and delay payments to farmers. Monopolistic behaviour of these markets due to lack of competition made them impotent with dysfunctional and outdated infrastructure, no facilities for gradation and standardization thus hampering value addition.

Only 13 states have made the necessary amendments to APMC act allowing private wholesaling and contract farming etc but not much has happened on the ground mainly because of the stubbornness of the existing politically painted Agricultural marketing committees. Even recently installed E-NAM system which was supposed to break the monopoly of the local mandi by electronically linking mandis across the nation is still used for

trade within the same mandis or between intrastate mandis. For instance, Nizamabad which was in news recently due to farmers' protests against falling turmeric prices, has in fact won the best eNAM mandi award.

3. Agricultural export import policy-

“Our trade policies are inadvertently anti farmer with consumer bias” - *Ashok Gulati, Agro-economist*

Restrictions on export of food grains to check domestic food inflation and on non-food crops, allowing imports of cheap edibles oils resulted in India's agricultural exports falling down and an upwards in imports.

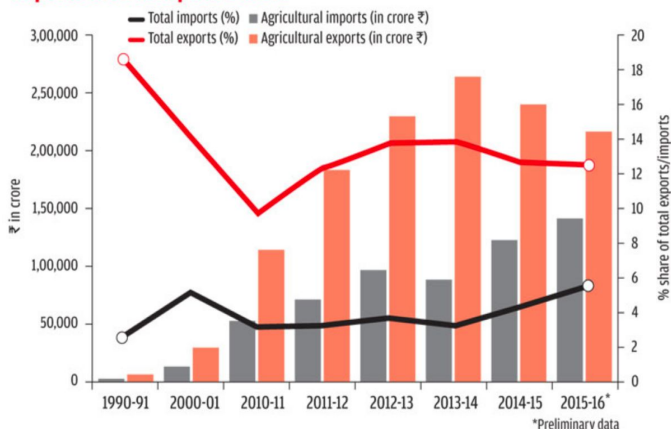
Source- Downtoearth

India is the highest importing country of Pulses which peaked in FY2017 with 6.6million tonnes because of duty free imports for to curb price rise. Domestic production of pulses started increasing only after market interventions by public stockholding, import quotas and not because of sustained efforts in encouraging production.

4. PDS and MSP

MSP was introduced in the 1960s to benefit farmers and encourage them to invest in improving the productivity of major food grains. The public distribution system in India works by government procurement of food grains from farmers at issue prices/MSP, stockholding and then channelling them to fair price shops to sell at subsidised rates. But the entire architecture is mired with leakages in the distribution channels, the limited reach of MSP resulting in distorted outcomes - cropping pattern favouring wheat and rice, benefits appropriated by a host of

Over the years, India's agrarian exports have fallen while its imports show an upward trend



middlemen, and nutritional deficiency. In effect, the government spends lakhs of crores (for food subsidy Rs. 1,71,298 crores, Budget 2018-19), food grains procurement, etc but ends up hurting the farm sector.

According to Dalwai committee set up by the government in 2016, farmers may be getting a little as 25% of what the final consumers pay. In fact according to “Review of agricultural policies in India’ a publication by OECD overall effect is that policy intervention actually reduces gross farm revenues by over 6% per year (2014-16)¹. Clearly, there is a serious mismatch between policy intentions and desired outcomes. It is time to level policy irregularities and remove unwanted weeds (read acts) before sowing new seeds. For the agri-sector and Indian economy to reap a better harvest, there is a

¹[http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/CA\(2018\)4/FINAL&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/CA(2018)4/FINAL&docLanguage=En)

need for new methods and new policy tools.

Making Agriculture Viable

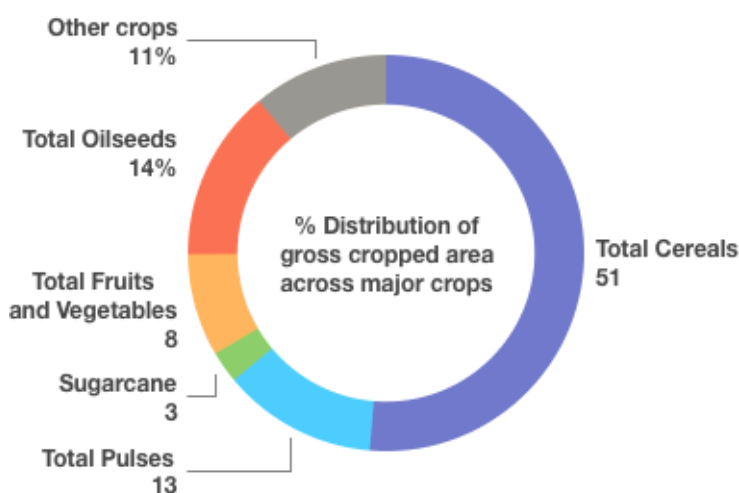
The apocalyptic view that farmers should not leave agriculture so that there is enough food produced for everyone is no longer a valid argument. Though half of the population in India is still dependent on Agriculture people moving out of agriculture is inevitable and is also necessary to tackle the disguised unemployment. The real challenge is to improve productivity and diversifying the production basket.

Country comparison of yields for Rice, Wheat in 2012

	Rice (kg per hectare)	Wheat (kg per hectare)
World	4548	3090
USA	8349	3115
China	6775	4987
India	3721	3177
Egypt	9530	6582

Source - Niti Ayog Publication

Food grains in India cater to 64% of the gross cropped area and yet the yield of major crops like rice and wheat is way behind China for instance.



While improving the yield has to do with better inputs like good quality seeds, fertilizers, and irrigation, etc it must be noted that continued fragmentation of agricultural lands hinders the benefits of economies of scale. Unlike in the film, land leasing in reality, as a relic of failure of land reforms, is a long pending reform, much needed for corporate farming and contract farming. Encouraging small producers

organisations/FPOs everywhere would be more viable and transformational in the form of access to better credit facilities, technology awareness, processing, and value addition, thus improving bargaining capacity of farmers as in the case Amul.

Agri-Supply Chains

Urbanisation and growing health awareness have changed people's food preferences with a surge in demand for fruits and vegetables, eggs, meat, etc. The emergence of supermarkets benefitted farmers - The farming community must stop relying on MSP and allied entrepreneurs should look beyond rice mills and venture into supply chains of other commodities like horticulture. Organised agri supply chains (production, processing, distribution and retailing) can pull agricultural GDP to new heights.

Currently, the farmers are shortchanged by long

unorganised supply chains dominated by middlemen. Policies which are aimed at remunerative prices for farmers one side and checking food inflation for consumers on the other side cannot work together unless the supply chain is short, organised, streamlined, and interlinked.

Storage Infrastructure

Storage infrastructure acts as a moderator of the price fluctuations, an important marketing function which also generates employment.

Massive investments in cost-effective storage infrastructure are the need of the hour. Ability to store his produce and avail loans through the negotiable warehouse receipts hedges the farmers against price volatility and distress sale. A farmer would no longer be fleeced by the trade cartels. PPP Investments in cold storage

technologies needs to be encouraged for storing perishable commodities like vegetables. End to end cold storage supply chain with appropriate multimodal transportation links with railways and highways need to be given a push through various tax incentives, subsidies, and predictable policies.

Way forward

Efficient linkages to market would automatically herald quality, improve productivity, infuse technology and if linked to global agri-supply chains - such an ecosystem would attract private investments, FDI, and technology startups into agribusiness sector boosting agricultural trade(both domestic and international) and radically transform the agricultural sector in India. ▪

- Sujith Kumar N

