



Negative signals

Posted at: 15/12/2018

Negative signals-Falling food prices will intensify rural distress; the solution is meaningful agricultural reform

- It is now time for the government to worry about falling prices, especially of food.
- Retail inflation dropped to a 17-month low of 2.33% in November, as compared to 3.31% in October, primarily due to the fall in the prices of various essential food items.
- Food prices fell by a huge 6.96 percentage points compared to a year ago and, at minus 2.61%, are now in deflationary territory for the second successive month.
- But it is bad news for the producers of basic food items who are located in the distress-affected rural parts of the country, with falling farm incomes also impacting landless labour and rural demand.
- At the heart of this problem is the unpredictability of farm prices, which are known to exhibit extreme levels of volatility owing to various supply-side issues that plague the agricultural sector.

Relief Measures

- Ahead of the general election next year, State governments across the country are likely to resort to short-term relief measures such as farm loan waivers to temporarily relieve farmers of their deep distress.
- There will also be pressure to announce higher minimum support prices for various agricultural goods.
- It is another matter that no government has ever had the wherewithal to deliver on such lofty promises.
- But none of these measures will help farmers, who have increasingly taken the protest route of late to make their demands heard, in any meaningful manner in the long run.

Conclusion

- Real agricultural reform is crucial to enable farmers to freely make their

own business decisions without the grabbing hand of the government.

The Hindu



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