



# Negative signals

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## **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.

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