



Removing the roots of farmers' distress

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Steps like limited procurement, boosting productivity and consolidating land holdings can help reduce agrarian distress

- Recently, there has been active discussion on the strategies addressing farm distress.
- Agrarian distress, in the present context, is mainly in terms of low agricultural prices and, consequently, poor farm incomes.
- Low productivity in agriculture and related supply side factors are equally important.
- An issue that is connected is the declining average size of farm holdings and the viability of this size for raising farm incomes.
- Here are possible solutions.

Prices and incomes

- Prices play a key role in affecting the incomes of farmers.
- The consumer price index (CPI) also shows that the rise in prices for agriculture was much lower than general inflation in recent years.
- Market prices for several agricultural commodities have been lower than those of minimum support prices (MSP).
- All these trends show that the terms of trade to be moving against agriculture in the last two years.
- A few schemes have been suggested to address the problem of managing declining output prices when output increases significantly.
- The scheme of 'price deficiency compensation' is one such mechanism which amounts to paying the difference between market price and the MSP.
- At the other extreme is the 'open procurement system' that has been in vogue quite effectively in the case of rice and wheat, where procurement is open ended at the MSP.
- A 'price deficiency' scheme may compensate farmers when prices decrease below a certain specified level.
- However, market prices may continue to fall as supply exceeds 'normal

demand’.

- An alternative is the limited procurement scheme. Under this scheme, the government will procure the ‘excess’, leaving the normal production level to clear the market at a remunerative price.
- Some States have introduced farm support schemes, examples being the Rythu Bandhu Scheme (Telangana) and the Krushak Assistance for Livelihood and Income Augmentation (KALIA) scheme (Odisha).
- Thus, raising the MSP, price deficiency payments or income support schemes can only be a partial solution to the problem of providing remunerative returns to farmers.
- A sustainable solution is market reforms to enable better price discovery combined with long-term trade policies favourable to exports.

Low productivity

- The next issue is the low productivity of Indian agriculture.
- Basics such as seeds, fertilizers, credit, land and water management and technology are important and should not be forgotten.
- Similarly, investment in infrastructure and research and development are needed.
- Water is the leading input in agriculture. More than 60% of irrigation water is consumed by two crops: rice and sugar cane.
- Basically, it is not investment alone but efficiency in water management in both canal and groundwater that is important.
- Technology can help to reduce ‘yield gaps’ and thus improve productivity.
- Government policies have been biased towards cereals particularly rice and wheat.
- There is a need to make a shift from rice and wheat-centric policies to millets, pulses, fruits, vegetables, livestock and fish.

Land size

- Another major issue relates to the shrinking size of farms which is also responsible for low incomes and farmers’ distress.
- The viability of marginal and small farmers is a major challenge for Indian agriculture.
- Many small farmers cannot leave agriculture because of a lack of opportunities in the non-farm sector.
- In this context, a consolidation of land holdings becomes important to raise farmer incomes.

- Unfortunately, there is little discussion now on land fragmentation and consolidation of farm holdings.
- We need to have policies for land consolidation along with land development activities in order to tackle the challenge of the low average size of holdings.
- Farmers can voluntarily come together and pool land to gain the benefits of size.
- Through consolidation, farmers can reap the economies of scale both in input procurement and output marketing.

Conclusion

- To conclude, farmers' distress is due to low prices and low productivity.
- The suggestions we have made, such as limited procurement, measures to improve low productivity, and consolidation of land holdings to gain the benefits of size, can help in reducing agrarian distress.
- We need a long-term policy to tackle the situation.

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