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PLOUGH TO PLATE, HAND HELD BY THE INDIAN STATE

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

For at least four decades now, economic policy making globally has dogmatically adhered to the notion that a progressively reduced role of the state would automatically deliver greater economic growth and welfare to the people. Since reform, by definition, is taken to mean only one thing, sector after sector is compulsively sought to be moved in this direction, even if overwhelming evidence, over many years from all over the world, indicates that it is the state that has played the leading role in provisioning the most critical aspects of life: water, sanitation, education, health, food and nutrition. There are very specific characteristics of agriculture, as also crucial elements of the socio-historical context, which imply that the Indian state must continue to intervene in multiple markets, and make critical investments, to ensure the welfare of both farmers and consumers.

Due to a variety of limiting factors, from uncertainties of the weather to soil fertility and water availability, increasing returns to scale are very difficult to achieve in farming. This underscores the need for the right kind of public investment in agriculture. Again, economies of scale allow producers in industry to make profits by cutting unit costs, even as prices fall, while those who fail to make the cut, get eliminated from competition. But in agriculture, members of the family can be drafted to work on the family’s farm, as also in other farm and non-farm work. This phenomenon is quite widespread in India today: of the nine crore rural families who draw their main income from unskilled manual labour, four crore are small and marginal farmers. Through overwork and self-exploitation, peasant farmers are able to cling on to their land.

Again, production processes in agriculture cannot be organised in an assembly line; they need to begin at the appropriate phase of the climatic annual cycle. This means that all farmers harvest their crop at the very same time; 86% of India’s farmers are ‘small and marginal’, too poor to afford warehousing facilities and are, therefore, compelled to bring their harvest to the market at around the same time. Since demand for food crops is typically price inelastic, during a bumper crop, while prices fall, the resulting rise in demand is not enough to salvage farmer incomes. Correspondingly, for poor consumers, unregulated markets for foodgrains mean that during a drought they either starve or get pauperised, being forced to buy very expensive commodities, conveniently hoarded up by traders.

These traders double up as moneylenders and the operation of a deeply exploitative grid of interlocked markets afflicts most farmers. In the credit market, usurious interest rates (often as high as 60%-120% per annum) create a debt trap from which it is virtually impossible to escape. The repayments due are ‘adjusted’ through exploitative practices in the input, output, labour and land-lease markets. The moneylender combines the roles of input supplier, crop buyer, labour employer and land lessor. This interlocked grid works in tandem with the oppressive caste system, with the poorer, ‘lower’ caste farmers, facing a cumulative and cascading spiral of expropriation. All the above reasons provide a strong case for state intervention in multiple agricultural markets.

The Food Corporation of India and the Agricultural Prices Commission (Commission for Agricultural Costs and Prices, or CACP since 1985) were set up in 1965. The idea was that as farm output rises with the Green Revolution, farmers are assured that their surplus would be bought by the government at a price high enough to leave them a margin. The crops procured were then made available to consumers at subsidised rates through the Public Distribution

System (PDS). Thus, government intervention protected farmers during bumper crops and dipped into the buffer stock to protect consumers during droughts. This is how India got its much vaunted food security over the past several decades.

However, the Green Revolution also sowed the seeds of its own destruction. More than 300,000 farmers have committed suicide in the last 30 years, a phenomenon completely unprecedented in Indian history. There is growing evidence of a steady decline in water tables and water quality. The yield response to application of increasingly expensive chemical inputs is falling, which has meant higher costs of cultivation, without a corresponding rise in output. Around 90% of India's water is consumed in farming, and of this, 80% is used up by rice, wheat and sugarcane. Farmers continue to grow these water-intensive crops even in water-short regions primarily because of an assured market — for rice and wheat in the form of public procurement, which still covers only a very low proportion of India's crops, regions and farmers.

Thus, we need to greatly expand the basket of public procurement to include more crops, more regions and more farmers. If done right, this single reform would secure multiple win-wins: higher and more sustainable farmer incomes, greater water security and better consumer health. Procurement must be local and follow the logic of regional agro-ecology. Huge volumes of water could be saved if cropping patterns are diversified to include a variety of millets (rightly called 'nutri-cereals' now), pulses and oilseeds.

To incentivise farmers to make this change, governments must include them in procurement operations. A useful benchmark could be 25% of the actual production of the commodity for that particular season (to be expanded up to 40%, if the commodity is part of the PDS), as proposed under the 2018 Pradhan Mantri Annadata Aay SanraksHan Abhiyan (PM-AASHA) scheme.

Government procured just 3% of pulses, seeds targeted under PM-AASHA scheme

The locally procured crops should then be incorporated into *anganwadi* supplementary nutrition and school mid-day meal programmes. This would mean a large and steady market for farmers, while also making a huge contribution to tackling India's twin syndemic of malnutrition and diabetes, since these crops have a much lower glycemic index, while providing higher content of dietary fibre, vitamins, minerals, protein and antioxidants. Public investment in specific infrastructure required for millets and pulses, especially those grown through natural farming, would also help expand their cultivation.

India has a network of 2,477 *mandis* and 4,843 sub-*mandis* to safeguard farmers from exploitation by large retailers. This network needs to be greatly expanded as today, only 17% of farm produce passes through *mandis*. To provide farmers access within a radius of five kilometres, India needs 42,000 *mandis*, which are also in need of urgent reform. Rather than moving in the direction of weakening or dismantling *mandis*, we need to make their functioning more transparent and farmer-friendly.

Ever since the Second Five Year Plan initiated in 1956, the central plank of Indian economic policy has been to get people off the land and move them into industry and urban areas. However, even after all these efforts, the United Nations estimates that in the year 2050, around 800 million people will continue to live in rural India. Given this unique Indian demographic transition, agriculture will need to be greatly strengthened, especially bearing in mind the complete nightmare our urban metropolises are, for current and future migrants. In a context characterised by grave and growing inequalities, as also a historically skewed balance of power, no reform can succeed that does not strengthen the weak and the excluded. Agriculture can only be reformed by radically enhanced state capacities and qualitatively better regulatory oversight, rather than by opening up spaces for more predatory action by those already entrenched in positions of overwhelming power in the economy.

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