

# THE FARM IN THE SPOTLIGHT

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

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The recent state assembly elections have brought the spotlight back on farm-loan waivers. This policy response has continued to divide analysts and stakeholders. Those who support loan waivers claim that the broader rural economy and more particularly farmers are facing stress. They say that the waivers would address this stress. Those who argue against the loan waivers question its efficacy. The claim that loan waivers, while consuming substantial fiscal resources, end up benefiting less than 10 per cent of the deserving farmers. But is this issue that straightforward? The debate fails to appreciate how the government's focus is being reoriented to comprehensively address the structural gaps that led to demands of loan waivers in the first place. The important specifics are detailed below.

By all accounts, India is predominantly a rural country with 70 per cent of its population living in rural areas. More than 60 per cent of rural households reported agriculture as their primary source of income. In some states, as much as 80 per cent rural families are dependent on agriculture. Therefore, it is not surprising why agriculture has always been crucial for all governments. However, interestingly, in the past, the agriculture development policy revolved largely around the "economic" aspect of agriculture. The "people" aspect got less attention. What does this mean? A recent paper by Ramesh Chand, Member NITI Aayog elaborates this point. Chand writes, "Past strategy for development of the agriculture sector in India has focused primarily on raising agricultural output and improving food security.... The experience shows that in some cases, growth in output brings similar increase in farmers' income but in many cases farmer's income did not grow much with increase in output". The point being that while sectoral outputs and crop production grew considerably, the condition of farmers did not show proportionate improvement. This gap is precisely what the Modi government has been working to bridge in the last four- and-a-half years.

The policy focus is being re-oriented to bring farmers and their families to the centrestage. For the first time, doubling the income of farmers (as opposed to merely increasing outputs or crop production) in a time-bound manner has been adopted as a stated objective. A judicious multi-pronged strategy has been put in place for realising this goal.

For all mandated crops, the Minimum Support Price (MSP) has been recently increased to 150 per cent of the production cost incurred in the season 2018-19. One of the steepest increase in the recent time, this was done to ensure that every farmer can earn at least a 50 per cent markup on his/her input costs. To ensure that the benefits of this MSP increase do not remain merely on paper, an umbrella initiative — Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA) — was also launched. This initiative comprises three different options (including piloting procurement by private agencies) to help farmers realise benefits of the increased MSP even where government agencies fail to procure their produce. These strategies are being complemented by measures to enhance farmers' access to markets and protect them from inherent risks that agriculture faces. To achieve the first goal, an agri e-marketplace (e-National

Agriculture Market or e-NAM) has been setup. This marketplace integrates 585 agricultural mandis spread across 16 states and two union territories into one platform. To achieve the second, the Pradhan Mantri Fasal Bima Yojana (PMFBY) was launched. This is a low cost insurance plan that protects farmers against various risks. Data shows that till date, about 14.5 crore farmers have enrolled for this scheme with the claim ratio in the last kharif season (kharif 2017) reaching 86 per cent (an improvement from 73 per cent in the season 2016-17).

The above re-orientation is being attempted without diluting the focus on sustaining the agriculture sector output. In fact, capital investments in agriculture have been stepped up by around 75 per cent — from around Rs 1.21 lakh crore during 2009-14 to around Rs 2.11 lakh crore during 2014-19. Most of these investments are targeted to improve critical infrastructure deficits such as storage, irrigation and logistics and modernise agriculture technology. Credit availability has also been increased consistently. As a result, the output of foodgrains for 2017-18 is expected to reach record levels of around 285 million tonnes — from 252 million tonnes in 2014-15. The yield per hectare has also shown improvement.

All this substantiates the fact that the broader agriculture economy is moving in the right direction. But it doesn't mean that things have become perfect for farmers. For years, governments failed to adequately address the challenges faced by farmers. As a result, they continue to remain entrenched in a chronic cycle of indebtedness. It is in this context that one needs to see the current reforms in the agriculture space.

By bringing farmers and their families onto the policy centrestage, the government is not only trying to assure incomes, but it is also trying to create a safety net for them. Increase in the MSP, and implementation of PM-AASHA, PMFBY and e-NAM are integral components of this strategy. In addition to these, efforts are also being made to provide basic essentials such as house, electricity, toilets and clean cooking gas to the needy households in rural areas. Include these, and one can visualise the various contours of the larger development programme being rolled out for farmers.

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