

PUNJAB, HARYANA NEED TO LOOK BEYOND MSP CROPS

Relevant for: Indian Economy | Topic: Issues related to direct & indirect Farm Subsidies and MSP

The region comprising [Punjab](#), Haryana and western Uttar Pradesh, was an early adopter of Green Revolution technology. It was also a major beneficiary of various policies adopted to spread modern agriculture technology in the country. The package of technology and policies produced quick results which enabled India to move from a country facing a severe shortage of staple food to becoming a nation close to self-sufficiency in just 15 years.

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Procurement of marketed surplus of paddy (rice) and wheat at Minimum Support Price (MSP) completely insulated farmers against any price or market risks. And, at the same time, it ensured a reasonably stable flow of income from these two crops. Over time, the technological advantage of rice and wheat over other competing crops further increased as public sector agriculture research and development allocated their best resources and scientific manpower to these two crops. Other public and private investments in water and land and input subsidies were the other favourable factors.

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Thus, wheat in *rabi* and paddy in *kharif* turned out to be the best in terms of productivity, income, price and yield risk and ease of cultivation among all the field crops (cereals, pulses, oilseeds). It is no surprise then that the area share of rice and wheat in the total cropped area rose from 48% in Punjab and 29% in Haryana in the early 1970s to 84% and 60%, respectively in recent years. While wheat was being cultivated in this region since long, paddy cultivation was totally new for most farmers in Punjab and Haryana. The progress and specialisation towards these two crops served the great national goal of securing the food security of the country.

During the mid-1980s, some inimical trends related to the rice-wheat crop system in general and paddy cultivation in particular surfaced followed by serious second generation problems of the Green Revolution. Some experts foresaw the serious consequences of continuation of paddy cultivation in the region and suggested diversification away from the rice-wheat system in the mid-1980s.

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Since then a large number of reports and policy documents have been prepared to develop alternative options to reduce the area under paddy — necessitated by its adverse effect on natural resources, the ecology, the environment, and fiscal resources. Serious concerns have also been expressed about plateauing productivity and stagnant income from rice-wheat cultivation. However, the area under these two crops has only increased rather than fallen. In order to develop viable options to infuse dynamism in the agriculture economy of this Green Revolution belt, there is a need to understand: what attracts farmers to rice-wheat crops, why it needs to be changed, and how it can be changed.

High productivity, assured MSP which is often above open market price, free power, and fertilizer subsidy underlie the higher income per unit area from wheat and paddy cultivation. Land-labour ratio is also very favourable in Punjab when compared to other States; on an

average a farmer owns and cultivates 2.14 hectares net sown area as against 1.42 hectares in Haryana and 1.17 hectares at the national level.

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An estimate of income (derived from National Accounts Statistics) shows that all agriculture activities taken together generate an annual net income of 5.31 lakh per cultivator in Punjab; it is 3.44 lakh in Haryana while the all-India average is 1.7 lakh (reference year, 2017-18). A question often asked is that if per farmer agriculture incomes in Haryana and Punjab are two to three times more than the national average, then why is there so much talk of farmers' distress in these two States?

The reasons seem to be the loss of growth momentum in the income from the agriculture sector, which has fallen to 1% in Haryana and 0.6% in Punjab after 2011-12. This is quite low by any standard and not keeping in pace with an increase in households' expenditure. The prospects of further growth in agricultural income from the crop sector dominated by rice and wheat are very dim.

With the productivity of rice and wheat reaching a plateau, there is pressure to seek an increase in MSP to increase income. However, demand and supply do not favour an increase in MSP in real terms. In India, the per capita intake of rice and wheat is declining and consumers' preference is shifting towards other foods. It may look strange that the average spending by urban consumers is more on beverage and spices than on all cereals. On the supply side, rice production is rising at the rate of 14% per year in Madhya Pradesh, 10% in Jharkhand and 7% in Bihar.

Obviously, the advantage of rice production is shifting towards these States. This will further increase pressure on the procurement and buffer stock of rice. Rice and wheat procurement in the country has more than doubled after 2006-07 and buffer stocks have swelled to an all time high. The country does not find an easy way to dispose of such large stocks and they are creating stress on the fiscal resources of the government. The implication of all these changes is that farmers in the region will find it difficult to increase their income from rice-wheat cultivation and they must be provided alternative choices to keep their income growing.

Procurement of almost the entire market arrivals of rice and wheat at MSP for more than 50 years has affected the entrepreneurial skills of farmers to sell their produce in a competitive market where prices are determined by demand and supply and competition. Thus, to enable Punjab and Haryana farmers to move toward high-paying horticulture crops requires institutional arrangements on price assurance such as contract farming.

The biggest casualty of paddy cultivation and the policy of free power for pumping out groundwater for irrigation is this: the depletion of groundwater resources. In the last decade, the water table has shown a decline in 84% observation wells in Punjab and 75% in Haryana. It is feared that Punjab and Haryana will run out of groundwater after some years if the current rate of overexploitation of water is not reversed. In the last couple of years, the burning of paddy stubble and straw has become another serious environmental and health hazard in the whole region.

Another rather more serious challenge for the two States is to provide attractive employment to rural youths. As it is well known, most of the farm work in these two States is undertaken by migrant labour. The younger generation is not willing to do manual work in agriculture and looks for better paying salaried jobs in non-farm occupations. Government jobs are few and far less than the number of job seekers.

Thus, the option left is to create jobs in the private industry and the services sector. This requires private investments in suitable areas. Punjab has witnessed a flight of private capital from the State during the rise of militancy which hurt the State economy, employment and the revenues of the State. This setback has pushed the rank of the State in per capita income from number one in the 1970s and the early 1980s to number 13 among the major States of the country. For further progress and to meet the aspirations of rural youth to get satisfactory employment, the State needs large-scale private investments in modern industry, services, and commerce besides agriculture.

The solution to the ecological, environmental and economic challenges facing agriculture in the traditional Green Revolution States is not in legalising MSP but to shift from MSP crops to high value crops and in the promotion of non-farm activities. Rather than focusing on a few enterprises, Punjab and Haryana should look at a large number of area-specific enterprises to avoid gluts. This will require a mechanism to cover price and market risks. Farmers' groups and farmer producer organisations can play a significant role in the direct marketing of their produce.

Both Punjab and Haryana need to promote economic activities with strong links with agriculture tailored to State specificities. Some options for this are: promotion of food processing in formal and informal sectors; a big push to post-harvest value addition and modern value chains; a network of agro- and agri-input industries; high-tech agriculture; and a direct link of production and producers to consumption and consumers without involving intermediaries.

The traditional Green Revolution States of Punjab and Haryana would need to shed "business as usual" approach and embrace an innovative development strategy in agriculture and non-agriculture to secure and improve the future of farming and rural youth.

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