

Fields of despair

Rural wage growth has fallen to a 14-month-low of 4.9 per cent in October, confirming a declining trend visible since the second half of 2017. This is a reflection of agrarian distress arising from the crash in farm produce prices. Indeed, Labour Bureau data shows the drop in all-India average annual wage growth to be even sharper for agricultural occupations — from 8.1 per cent in July to 4.7 per cent in October. It is obvious that farmers, faced with low crop realisations, have sought to protect whatever little margins that are left by transferring some of their burden to agricultural labourers. A not-so-good and well-distributed monsoon, unlike in 2016, has also led to lower plantings this time. That has, in turn, reduced the demand for farm labour, putting further pressure on wages.

The agrarian distress problem is partly an outcome of depressed global prices for most farm commodities — be it cereals, pulses, edible oil, cotton or milk powder. This has rendered agri-exports from the country relatively uncompetitive, while also exposing farmers to the threat of increased imports. But domestic policy is equally to blame. The [Narendra Modi](#) government has been more hawkish on inflation than its predecessor. While that may not by itself be bad, the urge to keep food prices in check has often extended to imposing restrictions on exports as well as domestic trade and stockholding, even while allowing imports of most agri products at very low or even nil duty. Only in the last six months or so have these curbs been gradually withdrawn along with measured tariff hikes on imports. One hopes this dismantling of controls harking back to the licence raj era is permanent. The Modi government would do well to signal this in the upcoming Union Budget. Farmers, like other businessmen, are entitled to a stable and predictable trade policy regime.

But the current crisis in rural India isn't just about agriculture. According to the National Sample Survey Office, only 57.8 per cent of rural Indian households in 2012-13 were "agricultural". Moreover, even in their case, 40.2 per cent of income on an average was from non-farm sources. In fact, the dip in all-India average rural wage growth for non-agricultural occupations between July and October worked out lower — from 5.7 per cent to 5.1 per cent. Non-farm employment in rural areas today is largely in informal and unorganised enterprises, which are likely to have taken a hit after demonetisation and introduction of the GST. Addressing the transitional problems of this sector — which acts as an "employment sink" for the rural masses — is as important as fixing issues specific to agriculture.

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