# From Plate to Plough: How to help the farmer

Farm distress is likely to be one of the major focal points of the upcoming Union Budget. Agri-GDP growth has fallen to around 2 per cent per annum in the first four years of the Modi government; the real incomes of farmers have fallen as well. The growth in the agriculture sector is much below the Centre's target and the government does not seem to be on course to double farmers' incomes by 2022. With assembly elections in 10 states due later this year, the states going to the polls are making attempts to woo farmers. While some have announced loan waivers, others are trying to fix farmers' woes emanating from tumbling farm prices. Here, we focus on two pilot projects to see if they can be scaled-up at the all India level.

The first is the Bhavantar Bhugtan Yojana (BBY), essentially a price deficiency payment (PDP) scheme, being undertaken by the government of Madhya Pradesh. BBY applies to eight kharif crops — soybean, maize, urad, tur, moong, groundnut, til, ramtil. The Haryana government has announced a somewhat similar scheme for four vegetables — potatoes, onions, tomatoes and cauliflower. The second pilot scheme we talk about is underway in Telangana, where the government gives all farmers an investment support for their working capital needs.

Under the BBY, farmers have to first register on a portal. Their sown area is verified by government officials. They are then asked to bring their produce to mandis at a time fixed by the state government. Based on average productivity of a crop in the district and area cultivated by the farmer, the quantity of each produce that is eligible for deficiency payment is also determined by the government. Farmers receive the difference between average sale price (ASP) and MSP directly into their bank accounts. The scheme seems interesting as it provides an alternative to physical procurement of commodities at minimum support prices (MSPs). The ASP is calculated as the simple average of the weighted modal prices of the relevant crops in the regulated mandis of Madhya Pradesh and two adjoining states. The price information is drawn from the Centre's agmarknet.gov.in portal.

For kharif 2017-18, so far, data related to five crops (soybean, maize, groundnut, urad and moong) has been finalised for price deficiency payment. The market prices of til and ramtil are higher than the MSP and therefore they do not qualify for price deficiency payment. The tur season will start from February.

The graph shows the key results of BBY for October-December, 2017. It is interesting to note that only 32 per cent of urad production in Madhya Pradesh got the yojana's benefit despite the fact that ASP of urad was 42 per cent below its MSP. In other words, 68 per cent of urad production was sold at prices below MSP, without any compensation under BBY. In the case of soybean, the state's prime kharif crop, the percentage of production benefiting from this scheme is even lower — only 18.5 per cent, despite its ASP being 12 per cent below the MSP. And for maize, groundnut and moong, the coverage is even poorer (see graph).

The Madhya Pradesh government claims to have paid about Rs 1,900 crore as compensation to farmers for these five crops. But that pertains to only those farmers registered on its portal. A larger proportion of farmers are not registered on the portal and they have been selling their produce at huge losses. These farmers have not received any compensation. In fact, those not registered under BBY have to suffer bigger losses because traders are suppressing the market. We have calculated their loss by multiplying the production not covered under BBY with the price difference between MSP and ASP. The actual prices in Madhya Pradesh are even lower than the ASP, which is the average of modal prices of three states. The total loss for these five crops comes to Rs 6,534 crore. So, if the scheme was fully successful and covered entire production, the Madhya Pradesh government's revenue outgo would be Rs 8,434 crore, and not Rs 1,900 crore. This would be more than 90 per cent of the state's total budget for agriculture. In sum, BBY is not inclusive, covers less than 25 per cent of the farmers' loss, involves too much micro-management by government officials and is prone to market manipulation.

Haryana's scheme for four vegetables is even worse as the presumed MSP (Rs 400 per quintal for potatoes and tomatoes and Rs 500 per quintal for onions and cauliflower) does not even cover the full cost of production as estimated by the Union Ministry of Agriculture and the National Horticulture Board for these crops.

In contrast to these programmes is the government of Telangana's input support scheme. Announced in the second week of January, the scheme's objective is to relieve farmers from taking loans from moneylenders by giving them Rs 4,000 per acre for the kharif and rabi seasons. It is envisaged that the farmer will use this money for purchase of inputs ranging from seeds to fertilisers to machinery and hired labour. The area eligible for investment support is 14.21 million acre — the government's annual bill for the project, thus, comes to around Rs 5,685 crore.

The Telangana model does not require the farmer to register his cultivated area and crops. The farmer is free to grow a crop of his choice and sell it anytime in a mandi of his choice. This model is crop-neutral, more equitable, more transparent, and gives farmers the freedom to choose. Incidentally, China has a similar scheme: It gives aggregate input subsidy support on a per acre basis. The scheme does not distort markets and is worth following. Will the Union Budget make such a bold move to redress farmers' woes?

END