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POLICY MUST TACKLE NOT JUST DISSATISFACTION OF LARGE FARMERS, BUT DISTRESS OF MOST VULNERABLE

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The two main policy interventions repeatedly discussed in recent months to tackle farmer distress — loan waivers and minimum support prices (MSP) — treat all farmers (large/small, male/female) alike. But farmers are heterogeneous. They differ especially by income, land owned and gender. And farmer dissatisfaction is not the same as farmer distress. Better-off farmers are dissatisfied but politically vocal; poor farmers are distressed and many kill themselves in silence. It is the truly distressed we need to reach, but our policies only address the dissatisfied.

First, take loan waivers. Today, most economists agree that waivers are a bad idea: They deplete state finances, undermine bank culture, and barely reach 20-25 per cent farmers who have access to institutional credit, but not the marginal farmers or labourers who depend on moneylenders, or get no credit at all. Having a bank debt is not, in itself, a sign of distress. Farming, like other businesses, needs loans, and access to formal credit signifies credit worthiness. It is the marginal and small farmers who depend mainly on private lenders, and whose loans don’t get waived, who are in distress.

Second, raising MSPs will help surplus producing farmers, but not net buyers of farm produce — marginal farmers, farm labourers and urban consumers. A 2015 IIM-A report on Marketed and Marketable Surplus found that marginal farmers (up to one hectare land) contributed only 5 per cent of marketed surplus rice and 4 per cent of wheat, even in the major rice and wheat surplus states. And they sold only 39 per cent and 25 per cent of their marketed rice and wheat to government agencies, compared with the 70 per cent and 90 per cent sold by large farmers. Further, the Shanta Kumar Committee reports that only 6 per cent of farmers gained from selling these crops to any procurement agency.

Third, the policy of direct transfers to farmers also ignores the inequality between farmers. Telangana gave Rs 9,900/ha/season to all landowning farmers. Hence, the very large landowners gained — not only from owning large tracts, but in both seasons, since with irrigation they can cultivate in both kharif and rabi seasons; while pure-tenants and labourers got nothing. Nor did women farmers get anything, few of whom own land. Odisha recently announced that it will pay both farmers and labourers, but like Telangana, it will pay per household and not per person. Both states thus ignore women’s claims, and also the substantial evidence that it is income in a mother’s hands that greatly improves child nutrition and education, rather than income only in the father’s hands.

In fact, neither state has recognised intra-household inequalities, or paid heed to the large proportion of women farmers who are either principal cultivators or de-facto responsible for farms with male out-migration. Both categories are growing: Women farmers directly operating holdings, for example, grew from 12.8 per cent in 2010-11 to 13.9 per cent in 2015-16 (agricultural censuses). And in 2010, women farmers constituted 15 per cent of farmer suicides in five major states.

In NSSO's Situation Analysis Survey, when 50,000 farmers across India were asked if they liked farming, 40 per cent said they did not. This included both better-off and poor farmers, and both men and women. As discussed in my article ('The seeds of discontent,' IE January 15, 2017), the better-off farmers, with more land, credit and education have high aspirations and are deeply dissatisfied, not in the least by the lack of formal sector jobs for themselves and their children. The poorer farmers are distressed given poor returns from agriculture. Women fall in both categories.

To address these woes, we need a multi-pronged strategy of income support, government investment, and institutional innovations, and not a one-size-fits-all approach. First, to overcome immediate distress, direct transfers are preferable to loan waivers, but transfers should be limited to smallholders (those owning 2 ha or less), pure-tenants and agricultural labourers. And the funds should go to women in the family for best results.

Second, to reduce the long-term distress of poor farmers, agricultural investment in priority areas is imperative. Topping my list is irrigation, water conservation, and storage for surplus produce. Even 70 years after Independence, only 44 per cent of our irrigable area is irrigated. This must increase, but not via groundwater mining, which is unsustainable. Consider Punjab's massive groundwater depletion. After the state introduced free electricity for irrigation in 1997, canal irrigated land declined by 40 per cent between 1997-2002, while groundwater extraction rose sharply, as did the area under paddy. Now, Punjab's water table is falling by 2.3 ft/yr or more, with no penalties for overdrawing. In contrast, Gujarat's success in agriculture (9.6 per cent growth rate between 1999-2009) lay particularly in rainwater harvesting. This needs replication wherever possible. Also, water use efficiency by farmers is essential: Low-cost techniques of drip irrigation could be one method.

Third, some 70 per cent of farmers cultivate one hectare or less, in scattered plots. This is non-viable. Andrew Foster and Mark Rosenzweig, in their 2011 report, 'Are Indian farms too small?', find that as farm size in India increases from very small to eight ha, profits/ha rise substantially. So why don't we encourage land and labour pooling? In my research on Kerala, I compared women's group farms using leased land with individual family farms (95 per cent of which were male managed), in Thrissur and Alappuzha. The annual average value of output was 1.8 times greater and annual average profits were five times higher on group farms, which did especially well in commercial crops such as bananas and vegetables, despite depending on leased land. Groups helped increase farm size, brought scale economies, saved on hired labour, improved credit access and enhanced bargaining power in input and output markets. Institutional reform has long been a blind spot in India's farm policy. It needs to be an integral part of schemes to help poor farmers (both men and women). Groups can also reduce farmer isolation and the likelihood of suicides.

Fourth, dietary changes require more focus on non-foodgrains for food security, including vegetables which are more profitable and inland fisheries, a key source of protein. Finally, both to overcome farmer distress and farmer dissatisfaction, creating jobs for farmers' children in their vicinity, not in cities, is essential, through ancillary industries, food processing, SMEs, and so on. This would provide much needed supplementary income for farmers in distress. Doubling farmers' incomes does not need doubling farm incomes. It needs increasing their incomes from both farm and non-farm sources.

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