Farm policies off target: study

On the wane:Between 2014 and 2016, gross farm revenues dipped 6% annually.R.V. Moorthy

Despite the general perception that Indian farmers are beneficiaries of major subsidies, a new report says the overall effect of policy interventions between 2014 and 2016 is, in fact, a 6% annual reduction of gross farm revenues. Consumers, on the other hand, pay an average 25% less for commodities as a result of policy interventions.

According to researchers at the Organisation for Economic Cooperation and Development (OECD) — an intergovernmental body of 36 developed countries — and the Indian think tank ICRIER, who analysed policies that affected the agricultural sector over the two-year period, government interventions were more consumer-centric than producer-centric.

Many curbs

The report “Agriculture Policies in India”, which was released this week, points out that Indian farmers face regulations and restrictions — both in the domestic market and also when they attempt to export their produce — which often lead to producer prices that are lower than comparable international levels. The researchers argue that “despite large subsidies for fertilizers, power and irrigation, which offset somewhat the price-depressing effect of market interventions, the overall effect of policy intervention over the 2014-16 period is a 6% annual reduction of gross farm revenues.”

While consumers have benefited from the government’s efforts to keep prices low, a poorly targeted, inefficient and wasteful public distribution system means that malnutrition and food insecurity continue to persist, says the report.

The report has several suggestions for policymakers, including reform of market regulations, strengthening initiatives such as eNAM and allowing private players to play a larger role in the sector.

Regulatory ecosystem

It also recommends a strengthening of the regulatory environment governing land issues, strengthening access to credit, especially long-term loans, and developing collective-action groundwater and watershed management and correcting measures — including electricity pricing — which incentivise the overuse of water. With regard to the PDS, the report suggests gradual reduction and a move towards cash transfers and allowing the private sector to manage remaining stock operations.

To make trade work for Indian agriculture, import tariffs must be reduced and export restrictions relaxed to create a more stable and predictable market environment.

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