Why do farmers go marching?

Why are Indian farmers perpetually in revolt? The question has been raised by many after the recent farmers' march to Mumbai and simmering rebellions across the States in recent years.

No doubt, agriculture is one segment of the economy on which vote-conscious governments haven't skimped on outlays. Over the years, Central governments have allocated ever-rising sums towards procurement, input subsidies and rural employment schemes, while States have periodically announced loan waivers.

But that farmer protests have persisted, and even intensified, perhaps shows that many of these schemes aren't addressing the right set of problems. The reasons for agricultural distress have changed quite dramatically in recent years.

From shortage to plenty

A few years ago, farmers seeking to register their protest used to do so beside wilted crops and parched farmlands.

But in the last couple of years, farmers from Mandsaur to Salem have given vent to their angst by dumping vast quantities of unsold produce — tomatoes, grapes, onions and milk — on lakebeds and national highways.

Historically, agricultural distress in India has been linked to truant monsoons, input shortages and lacklustre yields which frequently put growers on the road to penury.

In recent years though, it is surplus output and unremunerative prices that have decimated farm incomes more often.

Trends in India's agricultural output over the last twenty years present an eye-opener to this problem of plenty.

For an extended period from 1998-99 to 2009-10, India's rice output stayed stuck at 85 million tonnes to 95 million tonnes, with drought years such as 2002 and 2004 seeing sharp downward blips.

As consumption hovered at 80 to 90 million tonnes in this period, shortages were more frequent than surpluses.

But after climbing to 105 million tonnes in 2011-12, India's rice production has stayed well above the 100 million-tonne mark for the last six years, even scaling110 million tonnes in 2016-17. With offtake still stuck at about 90 million tonnes, there's been persisting excess stock in the market. As a result, in the last five years, wholesale prices of paddy have crept up at a 2.4% annual rate.

The wheat story is similar. From a yearly average of about 75 million tonnes in the decade to 2010-11, wheat output leapfrogged to average 94 million tonnes in the last six years. Output, now at 97-98 million tonnes, is now neck-and-neck with domestic demand (about 100 million tonnes) and it may only be a matter of time before it overshoots it. With rising supplies, wholesale wheat prices have inched up at a 2% yearly rate in the last five years.

Not too long ago, India was facing a severe shortage of pulses, with output struggling to keep up with the rising protein intake of the masses. But farmers have dramatically ramped up pulses production too. From an annual average of 14 million tonnes in the decade to 2010-11, it has averaged 18 lakh tonnes in the last six years. India harvested a record pulses crop of 23 million tonnes in 2017, matching the official demand estimate, thus dampening once-high market prices for a range of dals. This script of galloping surpluses dampening prices has played out in commercial crops such as sugarcane and tea too.

If unremunerative prices have dogged other crops, fruit and vegetable farmers have been up against the high perishability of their produce. In the last fifteen years, India has doubled its potato output, trebled its tomato harvest and managed a fourfold increase in onion output. But poor storage facilities and State laws that keep farmers bound to their local mandis, have exposed farmers to wild swings in prices.

Driving the output

It is noteworthy that agricultural output has held up at relatively high levels in recent years, despite erratic monsoons. This could be because the droughts in 2014 and 2015 have been far less severe than those in 2009 or 2002.

In 2014, a drought year, the country still harvested 105 million tonnes of rice, 86 million tonnes of wheat and 17 million tonnes of pulses. Hefty hikes in the Centre’s Minimum Support Prices (MSPs) have also had a big role to play in farmers ratcheting up output. In the last ten years, the support prices for wheat and paddy have risen 73% and 108% and those on pulses have trebled. In recent years, State governments have also competed furiously with the Centre, announcing bonuses and their own support prices for crops such as onions, tomatoes, potatoes and even green chillies.

Illusory profits

It is early days yet to say if recent improvements in India’s farm output are here to stay. But after responding enthusiastically to signals from MSPs for many years, farmers have lately found the mechanism failing them. Market prices for many crops have tended to plunge and stay below their official MSPs for extended periods.

For one, though the Centre announces MSPs for 24 crops, the bulk of its procurement operations (via FCI) are restricted to just two — rice and wheat, with NAFED chipping in on pulses.

State-level procurement operations are even more adhoc, lacking both direction and funding. Therefore, while a farmer may plant mustard, grapes or onions in any given year based on the MSP promise, there’s really no guarantee that he will get that price when he visits the mandi.

Two, even in crops where the Centre or State agencies are active, their market interventions tend to be too selective and sporadic to make any real difference to a majority of farmers. Despite the Centre doubling down on procurement in 2017-18, it will mop up only about a third of India’s rice and wheat output and a tenth of the pulses harvest. So, if good monsoons result in more crops moving into surplus zone, market forces will continue to prevail over MSPs.

Three, given that the Centre’s market interventions on rice and wheat have proved so ineffectual despite large spends, it is unclear how the Centre or copycat States will fund MSPs in a host of other crops.

New fixes

To be fair, the NDA has been trying out new policy fixes to address such problems. It is piloting ‘price deficiency payments’ in place of MSPs to compensate farmers for price-related losses.

It plans to replace input subsidies with direct cash transfers. It has kick-started a national electronic market for produce and is nudging States to repeal their APMC Acts, which prevent farmers from selling in markets of their choice.

But its aggressive inflation-fighting efforts and on-off trade policies still work to the detriment of farmers. In the last couple of years, despite supply gluts, the Centre has continued with sizeable imports of wheat and pulses at low tariffs.

Handling of spikes

Seasonal spikes in prices of sugar, atta or rice are often met with export taxes, minimum export prices or even outright export bans.

States, on their part, continue to be quite adamant about levying high taxes and hanging on to the draconian mandis, which force farmers to rely heavily on middlemen.

This puts the Indian farmer in a ‘Heads I win, tails you lose’ situation. If market prices of crops hit rock-bottom, the government is helpless to rescue them. But if prices soar, the government prevents them from making hay by clamping down.

All this makes it clear why Indian farmers are seething. It’s for the same reason that salaried employees are often unhappy. Who would like being rewarded peanuts, after being highly productive?

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