Farm policies for India

Farmers from across the country are out on Delhi’s streets agitating just as the deliberations for the 2018 budget are beginning and it’s time to seek solutions to the structural issues that plague the system.

The “one-size-fits-all” policy created for the farm sector is self-destructive in design and programmes meant to double farmer incomes are collapsing. The Pradhan Mantri Fasal Bima Yojna (PMFBY) is a classic case where the best intentions of the prime minister were muddled in the policy’s fine-print. The PMFBY is designed to provide crop insurance and the Central government shares part of the premium subject to conditions. To receive the Central government’s share, the state has to walk the dotted line, come hell or high water; whether the region is rain-fed or irrigated; whether the cropping density is less than 100 per cent or upwards of 200 per cent. Simply allowing each state to design its own crop insurance scheme and yet receiving the Central government share of the premium would yield the desired results.

Similarly, an incentive of Rs 75 lakh per mandi is given by the Centre to the states for linking each market with E-NAM, the electronic platform for trading commodities. Much of the recorded turnover is, in fact, a sham. States like Haryana log in all FCI purchases as E-NAM transactions. Rather than force E-NAM on states, incentivising each state to have the electronic platform which meets the basic criteria of interoperability with other states is the correct path.

Recently, worried by the way the Regional Economic Comprehensive partnership (RCEP) for trade within Asia was shaping up, I advocated that the Central government shouldn’t negotiate international trade treaties on agriculture commodities without the consent (which differs from “consultation”) of state governments. I was told that as per the Constitution of India, trade negotiations are under the purview of the Centre, even though agriculture is in the domain of the states.

That is precisely the reason that every time food prices rise, the Centre intervenes to rein in inflation by facilitating the unhindered import of agricultural commodities. This constantly drives down farm-gate prices. But when prices fall, the Central government remains apathetic.

To offset these annual losses, states should demand that the Centre set a floor price for all such farm produce, where only the Central government shells out the shortfall between the market price and floor price via a “Price Deficiency Payment”. At present, farmers and states are penalised for the fallout of a policy not sanctioned by them and have to share the cost. Additionally, to prepare Indian farmers for global assimilation, funding for programmes such as the Rashtriya Krishi Vigyan and the sub-mission on agriculture mechanisation should be doubled and the funding ratio should be changed from 60:40 to 80:20, where the Central government’s contribution rises to 80 per cent.

When different states announced farm loan waivers, banks were asked to provide farm loan data. Scrutiny of the data revealed the horrifying fact that public and private sector banks have indiscriminately given loans of over Rs one lakh crore to gullible farmers based on their asset value rather than economic viability. In the frantic quest to meet their own priority-sector lending targets, they have given these loans beyond the farmers’ scale of finance or actual value of crop sold each year by individual farmers. The culpability of banks has been established by the RBI through an in-house study conducted by the Financial Inclusion and Development Department — there was no way the loans could have been repaid. Now, that the malafide intent of the banks in giving loans to desperate farmers has been established, it’s time to institute a class action lawsuit for the complete waiver of all such farm loans. The question is: Which jurist will have the courage to accept such an audacious case and what will be the stand of the ministry of finance? Will it side with the poor farmers or with the banks which are too big to fail?

For farmers to prosper, hundreds of changes are required but, more importantly, a devaluation of the Indian rupee is essential. Even how funds devolve to the states in a federal structure has to be looked at afresh by the 15th Finance Commission but states are either innocent of the emergent contradictions or too financially dependent and meek to challenge these notions

Not that fund utilisation is much better in the states, where policy is influenced by the whims of individual short-sighted policy-makers. Each state needs to be nudged and funded to create a data bank and adopt a blockchain process for government decision-making. Big data analytics will usher in improved governance and transparency.

In the recently concluded “World Food Day” extravaganza of the food processing ministry, investments for over Rs one lakh crore were signed. The only lasting impression, however, was the Guinness World Record for cooking 918 kg of khichdi at the event; probably because no intelligent soul was convinced by the propaganda. Sadly, the “mega food park” policy, like the “farm policy”, has been botched. The PMO can’t be naïve enough to believe in either. It’s time to end the policy khichdi by merging the ministry of food processing with the ministry of agriculture and farmer welfare to create synergy.

The age-old perception of farmers that the BJP works only for the urban middle classes is being reinforced. The PM must either listen to the farmers or it’s beyond doubt that, come 2019, the policy anomalies will drive the farmers into a fury that will engulf the establishment. For how long can the leadership continue to hope for support grounded on farmers’ expectations of off-farm jobs and achhe din?

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