We need to talk about rural distress

A century ago, farmers in Bihar's Champaran district were forced to set aside 15% of their land to cultivate indigo under the *Tinkathia* system. Once planted, the farmers were still subjected to a variety of extortionist cesses, or *abwabs*. They rose in revolt but were crushed by the East India Company until the arrival of a barrister from South Africa. Yet, a century after **Mahatma Gandhi fought against the exploitation of farmers**, India's agrarian community still remains under siege.

At a granular level, marginal farming in India is a highly complex and decision-intensive process. Farmers have to make a variety of decisions starting with the choice of crops (annual or short term) and their time of tillage. Then there are rising prices of agricultural inputs, availability of water, soil suitability and pest management. All these factors create a narrow window of economic benefit for the marginal farmer. A wrong decision can wreak havoc.

This uncertainty is reflected in rural debt levels. A Panjab University study showed that in Punjab, large farmers with holdings greater than 10 hectares typically had a debt-to-income ratio of 0.26, while for medium farmers, 4-10 ha, and semi-medium farmers, 2-4 ha, it was 0.34 — all seemingly affordable. However, small, 1-2 ha, and marginal farmers, less than a hectare, faced a greater burden of debt, with a debt-to-income ratio of 0.94 and 1.42, respectively; over 50% of their loans are from non-banking sources.

With average landholding size decreasing from 2.3 ha in 1971 to 1.16 ha in 2011, and average input prices rising, cultivation costs have also increased. A farmer now typically earns 2,400 a month per hectare of paddy and about 2,600 a month per hectare of wheat, while farm labourers earn less than 5,000 a month. Real farm wages have grown at an average annual growth rate of 2.9% between 1991 and 2012, with farm wages declining between 2002 and 2007. Effectively, about 30.5 million left farming between 2004-05 and 2010-11, seeking employment in the secondary and tertiary sectors. In 2011, the Planning Commission estimated that the size of this agricultural workforce would shrink to less than 200 million by 2020.

Farm suicides get attention of Supreme Court

The consequence is farmers committing suicides. Farmer suicides have also grown primarily in States with limited irrigation and variable rainfall, comprising 87.5% of all farmer suicides in 2015. Over 3,21,428 farmers committed suicide in the last 20 years.

Large farmers in Maharashtra typically have access to modern pumps, consuming huge amounts of water and leaving hardly anything for small and marginal farmers. Fertilizer and pesticide prices have also risen, causing marginal farmers to adopt organic means. The limited availability and high cost of high-yielding seed varieties also hampers agricultural productivity. Given such constraints, farmers have limited scope for crop diversification, choosing to focus primarily on staple crops such as wheat and rice, where the government offers a price guarantee for produce and the availability of post-harvest infrastructure.

Institutional support has been provided in various forms since Independence. Established in 1982, the National Bank for Agriculture and Rural Development has sought to provide financing support for tube-well irrigation, farm mechanisation and other ancillary activities. The introduction of a nationwide agriculture loan waiver in 1990 had a deleterious impact on the provision of rural credit, providing a short-term palliative while breeding credit indiscipline among farmers and leading to a shortfall in rural credit growth.

Why can't the government provide a higher income for farmers, asks M.S. Swaminathan

The 2004-05 Union Budget sought to double agricultural credit, while a 2% interest subvention was provided in 2006, allowing farmers to avail of kisan credit card (KCC) loans at 7% per annum (up to 3 lakh). Another agricultural loan waiver was sanctioned in 2009, just before the Lok Sabha election. In 2011, the government provided a further 3% interest subvention for farmers making immediate payments on their KCC loans. More recently, the **Uttar Pradesh government's farm loan waiver scheme** has been replicated in Maharashtra, Punjab and Karnataka and estimated to total up to 0.5% of India's GDP. Similar demands are growing in Madhya Pradesh, Rajasthan and Haryana. Small and marginal farmers certainly deserve greater support from the government. However, India's agricultural policy has historically disincentivised the creation of a formal credit culture among farmers. When the next election is likely to bring about another farm loan waiver, why would any farmer seek to pay off his loans early? Such schemes can also prompt farmers to take on risky ventures that are beyond their capacity.

Ideally, India ought not to have rural distress. We have the second largest amount of arable land in the world. Yet, less than 35% of this land is irrigated, with the remainder subject to fluctuations in rainfall.

The writing is on the wall. India's small and marginal farmers will need another agricultural loan waiver. However, this cannot continue in the future. There are other ways to mitigate their plight. Greater subsidies could be extended for the purchase of agricultural equipment, fertilizers and pesticides, while the medical insurance coverage could be expanded through the Rashtriya Swasthya Bima Yojna. In addition, the scope of the Mahatma Gandhi National Rural Employment Guarantee Act could be increased. Allowing marginal farmers to be paid for tilling their own fields could reduce their input costs. Such measures could also increase their net income.

Finally, we need a national conversation on rural distress. Unlike the Champaran Satyagraha, national attention has been curiously lacking. We ought to discuss the Swaminathan Commission's report in a full week's sitting of Parliament and decide which direction India's agriculture goes. With empathy for India's farmers and a truthful assessment of on-the-ground farming reality, we must make the right choices for Indian agriculture.

Feroze Varun Gandhi is a Member of Parliament representing the Sultanpur constituency for the BJP

The new U.S. Fed Chairman is unlikely to opt for policies that might upset the President's plan

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