

AN AGRICULTURE-LED REVIVAL AS FLAWED CLAIM

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

A rather confident statement heard in the midst of India's COVID-19-induced economic slowdown is this: "Agriculture will lead India's economic revival". But how valid is this claim put forward by government spokespersons and some observers?

Four major arguments are offered. First, India's food grain production in 2019-20 was 3.7% higher than in 2018-19. The procurement of *rabi* wheat in 2020-21 was 12.6% higher than in 2019-20. These indicate, it is argued, resilience in the agricultural sector. Second, food inflation in the Q1 of 2020-21, at 9.2%, was higher than in the previous year due to "sustained demand for food". This shows a shift of terms of trade in favour of agriculture. Third, the area under *kharif* sowing in 2020-21 was 14% higher than in 2019-20. Higher *kharif* sowing was accompanied by higher tractor and fertilizer sales, which bodes well for economic recovery. Fourth, the government's economic package for agriculture — as part of the [20-lakh crore Atmanirbhar Bharat package](#) — will further position agriculture as the engine of revival.

Also read | [Worst seems to be over, farm sector to cushion virus impact on economy, says FinMin report](#)

Let us now consider each of the above claims.

During the lockdown, State governments in many northern States put in considerable efforts to ensure that procurement did not suffer. As a result, procurement of *rabi* wheat was higher in 2020-21. However, this claim hides more than it reveals. As per official data, only 13.5% of paddy farmers and 16.2% of wheat farmers in India sell their harvest to a procurement agency at an assured Minimum Support Price (MSP). The rest sell their output to private traders at prices lower than MSP.

One should, then, be looking not at procurement but market arrivals. I compared total market arrivals of 15 major crops in India between March 15 and June 30 in 2019 and 2020. The market arrivals of all the 15 crops were lower in 2020 than in 2019. It was only in paddy, lentil, tomato and banana that market arrivals in 2020 constituted more than 75% of market arrivals in 2019. In wheat, barley, potato, cauliflower, cabbage and lady's finger, market arrivals in 2020 were between 50% and 75% of market arrivals in 2019. For gram, pigeon pea, onion, peas and mango, market arrivals in 2020 were less than half of market arrivals in 2019. In wheat, the most important *rabi* crop, only 61.6% of the arrivals in 2019 was recorded in 2020.

Thus, the most important problem faced by farmers during the lockdown was the loss of markets, stemming from the disruption in supply chains, closure of *mandis* and a fall in consumer food demand. Farmers suffered major loss of incomes, and higher procurement was hardly alleviating. In addition, there were major losses in the milk, meat and poultry sectors; industry associations estimate the total loss for the poultry industry at 25,000 crore.

The Hindu Explains | [What are the measures announced by the government to deal with the farm crisis?](#)

Inflation rates estimated using consumer price indices are not representative of farmer's prices. Inflation was largely due to disruptions in supply chains and rise in trader margins. I examined the wholesale market prices for 15 agricultural commodities between March 15 and June 30, 2020. Prices of most crops declined. For example, average paddy prices were about 1,730 per

quintal on March 23, but 1,691 per quintal on June 30. Average wheat prices were 2,045 per quintal on April 1, but 1,865 per quintal on June 30. A moderate uptick in prices was visible in a few vegetables, but not before June 2020.

The dark side of higher rural inflation in India is that small and marginal farmers are not net sellers, but net buyers of food. So, it was not just that farmer's prices fell; most were also forced to pay more for food purchases. There is also strong evidence from small sample surveys that rural households reduced food purchases during the lockdown. Thus, the claims that higher rural inflation benefited farmers, and that it was due to higher food demand, are misplaced.

Comment | [Reducing farm distress during a pandemic](#)

There is no surprise in the growth of *kharif* sowings in 2020. Given that *rabi* incomes fell during the lockdown, many rural households may have returned to farming or intensified farming for food- and income-security. Lakhs of migrant workers returned to their villages from urban areas. They may have taken up agriculture in previously fallow or uncultivated lands. Data on monthly employment released by the Centre for Monitoring Indian Economy (CMIE) show that the number of persons employed as "farmers" in June and July 2019 were 11.2 crore and 11.4 crore, respectively. But in June and July 2020, these numbers rose to 13 crore and 12.6 crore, respectively.

These are indicators of distress, not prosperity. It is no cause for celebration also because the rural unemployment rates rose sharply in 2020, to 22.8% (April), 21.1% (May) and 9.5% (June). Even in August 2020, rural unemployment rates were higher than in February 2020 or August 2019.

Agriculture contributes only about 15% to India's Gross Value Added (GVA). Thus, even if agriculture grows by 4%, it is likely to contribute only 0.6 percentage points to GVA growth. To contribute a full one percentage point to GVA growth, agriculture will have to grow by 6%, which is unlikely in 2020-21. This is not to deny a potential rise in demand from higher *rabi* procurement, higher *kharif* sowing and flow of cheap credit, which together appear to have resulted in higher purchase of tractors and fertilizers. But the counteracting tendencies in rural areas — i.e., lower crop prices, lower market arrivals and higher unemployment — would overwhelm these "green shoots".

Comment | [End the harassment of farmers now](#)

Rural expectations were high when the Atmanirbhar Bharat package was announced. However, the details were disappointing. Total fresh spending for agriculture in the package is a trickle: less than 5,000 crore. The rest are schemes already included in the past Budgets, announcements with no financial outgo or liquidity/loan measures routed through banks.

The package also failed to provide financial support to farmers. PM-KISAN, or Pradhan Mantri Kisan Samman Nidhi, is hardly an ideal scheme. But instead of frontloading the instalments of PM-KISAN, the government should have doubled the payments to farmers from 6,000 a year to 12,000 a year. Instead of raising the minimum support price (MSP) for *kharif* paddy by 53 per quintal (which, actually, was the lowest rise in over a decade), or cotton by 260 per quintal, the government should have set all MSPs at 150% of the C2 cost (comprehensive cost) of production.

The economic fallout of COVID-19

Instead of a moratorium on loan repayments, the government should have waived the interest

on loans taken by farmers in 2019 and 2020. Instead of vague loan-based schemes in animal husbandry, the government should have announced a package of direct assistance for the crisis-ridden poultry and meat sectors amounting to at least 20,000 crore. Instead of loan-based schemes to support private investment in dairy, the government should have arranged direct financial assistance to small milk producers, for whom milk prices have literally plummeted.

In all, the government's strategy appears to be to squeeze farmers without investing in agriculture or rural employment. Such an approach would not just fail; it would also be counterproductive. Rural incomes will remain depressed, and push the economy further into a vicious cycle of poor demand, low prices and low growth. The government should discard its role as a passive observer, and decisively intervene in rural India with a substantial fiscal stimulus. The earlier the better as delays would only compound mistakes.

R. Ramakumar is NABARD Chair Professor, Tata Institute of Social Sciences, Mumbai

You have reached your limit for free articles this month.

To get full access, please subscribe.

Already have an account ? [Sign in](#)

Start your 14 days free trial. [Sign Up](#)

Find mobile-friendly version of articles from the day's newspaper in one easy-to-read list.

Move smoothly between articles as our pages load instantly.

Enjoy reading as many articles as you wish without any limitations.

A one-stop-shop for seeing the latest updates, and managing your preferences.

A select list of articles that match your interests and tastes.

We brief you on the latest and most important developments, three times a day.

*Our Digital Subscription plans do not currently include the e-paper ,crossword, iPhone, iPad mobile applications and print. Our plans enhance your reading experience.

Dear reader,

We have been keeping you up-to-date with information on the developments in India and the world that have a bearing on our health and wellbeing, our lives and livelihoods, during these difficult times. To enable wide dissemination of news that is in public interest, we have increased the number of articles that can be read free, and extended free trial periods. However, we have a request for those who can afford to subscribe: please do. As we fight disinformation and misinformation, and keep apace with the happenings, we need to commit greater resources to news gathering operations. We promise to deliver quality journalism that stays away from vested interest and political propaganda.

Dear subscriber,

Thank you!

Your support for our journalism is invaluable. It's a support for truth and fairness in journalism. It has helped us keep apace with events and happenings.

The Hindu has always stood for journalism that is in the public interest. At this difficult time, it becomes even more important that we have access to information that has a bearing on our health and well-being, our lives, and livelihoods. As a subscriber, you are not only a beneficiary of our work but also its enabler.

We also reiterate here the promise that our team of reporters, copy editors, fact-checkers, designers, and photographers will deliver quality journalism that stays away from vested interest and political propaganda.

Suresh Nambath

Please enter a valid email address.

Subscribe to The Hindu now and get unlimited access.

Already have an account? [Sign In](#)

Start your 14 days free trial [Sign Up](#)

You can support quality journalism by turning off ad blocker or purchase a subscription for unlimited access to The Hindu.

[Sign up for a 30 day free trial.](#)

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com

Crack