Policy Reforms for Addressing Agrarian Distress

Why in news?

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Agrarian distress in India is increasing in recent times due to various reasons.

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What are recent agrarian distress?

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- Farmers' groups in Mumbai have pressed for loan waivers, price support measures and compensation for drought.
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- Producers of onion, chilies, tomato and garlic have to contend with volatile prices all the time.
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- In Madhya Pradesh, the Bhavantar scheme (price difference payment scheme) does not seem to be working well enough, while e-NAM remains a work in progress.
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What are the issues in agriculture market?

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- India's farms policy is retrospective and just revolving around loan waivers and generous price support.
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- Government's policy to raise support prices of cereals, pulses and coarse grains to 150 per cent of the cost of production, will drag the government to the WTO for allegedly breaching its farm subsidy entitlement and 'distorting' world markets.
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- The MSP is seen to distort prices by incentivizing output meanwhile, union government has allowed rice exporters a 5 per cent subsidy under

the ‘Merchandise Export from India Scheme’, a program already been targeted by the US at the WTO.
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- Under the WTO’s Agreement on Agriculture, developing countries are entitled to product-specific subsidies up to 10 per cent of the value of its product, but there are flaws in adapting the policy.
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- The current value of the produce is based on a 1987-88 reference price rather than a more recent year, as a result of which the value of the product is severely underestimated.
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- Farm extension services for huge swings in area sown are merely based on the basis of imperfect market information instead of scientific principles.
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- Marketing infrastructure is inadequate, especially for small producers who lack the capacity to store their produce.
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What measures needs to be taken in this regard?

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- For rural household incomes to ‘double’ in the next five or seven years, the focus should extend to increasing productivity, crop diversification and reducing cost.
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- Diversification into livestock really lifts incomes of cultivator households, multi-pronged response is needed in this regard.
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- While allowing producers to access markets other than the APMC and removing curbs on stocks and exports, the Centre must ensure that the model Agriculture Livestock and Marketing (Promotion and Facilitation) Act, 2017, takes marketing reforms a few steps forward.
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- PPPs in creating market yards and storages should be fast-tracked, this must be accompanied by real-time tracking of inventories and development of storage and processing capacity.
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- Abundant supply of goods in the markets is a misnomer in a country where per capita consumption of eggs, milk, fruits, pulses and horticulture

products can be increased by a considerable margin without still approaching global levels.
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- Developed countries have to comply with an average ceiling rather than a product-specific one, as a result of which they can subsidize select products.
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- However, efforts should be on to move to income support steps that are WTO-compatible, given the limited reach of MSP.
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Source: Business Line

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