Sustaining Structural Reforms in Agriculture

What is the issue?

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- Union government’s measures have not been adequate to address agrarian distress in a short span of time.
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- Sustaining structural reforms are needed instead of short-term reliefs like loan waivers, input subsidies, etc.
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What are the reasons behind agrarian distress?

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- When compared to other developing economies in India **monsoon dependency** is very high, limiting crop diversification to a great extent.
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- **Input costs** have gone up significantly recently while the farm gate prices of agricultural produce have continued to remain subdued.
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- Bulk of farming activities in India is undertaken by marginal farmers, share-croppers or landless agricultural labourers with **limited access** to institutional finance.
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- Value chain in the agricultural sector has been exploitative i.e only about one-third of the retail prices paid by final consumers reach the producers, unlike two-thirds in case of milk.
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- Public distribution system does not have the capacity to undertake procurement operations for 24 crops for which Minimum Support Price (MSP) is announced. Click here to know more about MSP related concerns.
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- Post-harvest technology is underdeveloped.
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What are the measures taken by government?

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- In recent years, the Centre has taken several initiatives such as the Pradhan Mantri Fasal Bima Yojana (PMFBY), electronic National Agricultural Market (e-NAM), soil health card, Neem-coated urea etc.
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- In India agriculture is a major component of priority sector lending, and the target for bank lending to agriculture has also been revised upwards every year.
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- Union budget 2018 announced that NITI Aayog would devise modalities for extending credit to this segment of people from the formal sector.
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- The Government also provides fertiliser subsidy year after year besides food subsidy through PDS.
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What are the shortfalls in government's measure?

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- PMFBY provides protection against crop failure, but farmers are facing market failure for which they do not have any cover.
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- Government is yet to address the concerns of farmers who produce commodities that are outside the MSP.
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- Procurement is limited to major crops like paddy/rice and wheat.
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- Union budget proposed to raise the MSP by at least by one and a half times the cost of production, but it is yet to clarify about the cost which it is going to use.
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- Union government is also planning to compensate farmers for selling their produce below the MSP, but the scheme would incur high expenditure.
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What reforms are to be done?

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- **Operation Greens -**Recent Budget has proposed the introduction of ‘Operation Greens’ for perishable commodities such as potato, tomato and onion to stabilise their prices.
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- This needs to be implemented soon to benefit both producers and consumers.
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- **Composite Insurance -** An alternative composite crop insurance scheme needs to introduced, which should cover both crop failure and market failure.
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- **Agrarian Market -** Government had proposed to upgrade 22,000 haats (local markets) to Gramin Agricultural Markets.
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- It needs to be implemented by involving all stakeholders such as farmers, proposed farmer producers companies (FPCs), and State governments.
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- **Post-harvest Technology -** In order to double farmers’ income, there is a need to involve them in post-harvest technology through innovative programmes.
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- Government needs to setup dedicated centres for training and supporting farmers to produce value added products such as ketchup, jam, wafers, pickles, etc.
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- **Crop Diversification -** Recently Finance ministry has made sizeable allocations for forestry, animal husbandry and the restructured National Bamboo Mission as a part of crop diversification.
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- This can be successfully achieved by sooner implementation of interlinking of rivers a flagship programme of the Government.
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Source: Business Line

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