



AGRICULTURE NEEDS PROPER REGULATORY SYSTEM

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(GS-3: Issues related to direct and indirect farm subsidies and minimum support prices; Public Distribution System-objectives, functioning, limitations, revamping; issues of buffer stocks and food security; Technology missions)

Context:

- The intense debates around the recently enacted farm laws have brought to light the issue of developing a sound regulatory framework to promote India's agricultural growth.
- While the country is divided on the need for the three new farm laws, the fact remains that farmers, mainly smallholders, across India continue to face various constraints in carrying out farming activities.
- They include constraints in accessing agricultural inputs, markets, finance, human resources, and information, which are critical for increasing farmers' competitiveness.

Role of the Government:

- Governments can play a critical role in developing a suitable regulatory system that would enable farmers to overcome their constraints.
- By enacting laws and regulations government influence farmers' access to agricultural inputs, cost of production, farmers' participation in agricultural markets and value chains, the competitiveness of farmers, and private investment in the farming sector.

Enabling the Business of Agriculture (EBA) 2019:

- A recent publication by the World Bank titled Enabling the Business of Agriculture (EBA) 2019 provides some interesting insights about India's standing on regulatory framework.

- Based on eight indicators, the EBA measures the extent to which government regulatory systems in 101 countries worldwide make it easier for their farmers to operate agricultural activities.
- The indicators are supplying seed, registering fertilizer, securing water, registering machinery, sustaining livestock, protecting plant health, trading food, and accessing finance.
- These indicators measure the strength of a country's agricultural regulatory environment pertaining to market integration and entrepreneurship in agriculture.
- The EBA is akin to the Doing Business project of the World Bank, which ranks the ease of doing business in countries.

India's poor standing:

- Among 101 countries covered, India ranked 49 on the EBA aggregate score.
- France, Croatia, and the Czech Republic are the three top-ranking countries.
- Among emerging groups of 20 (EG 20) countries, India has the second least favourable regulatory environment for farming activities after South Africa.
- Turkey is the top-performing country among EG 20 countries, followed by Argentina, Brazil, the Russian Federation, Mexico and China.

Comparison of India and other countries:

- India lags behind its close competitors in world agriculture, namely China, Brazil, and the Russian Federation.
- Compared to these three countries, India has the weakest performance on five out of eight indicators.
- They are registering fertilizer and machinery, securing water, sustaining livestock, and protecting plant health indicators.
- Registering fertilizer and machinery indicators measure domestic laws and regulations that provide farmers access to fertilizer and agricultural machinery.
- The regulatory processes that help farmers make appropriate decisions regarding the level of investment in irrigation are measured by securing water indicator.
- Sustaining livestock indicator captures the quality of regulations affecting farmers' access to livestock farming inputs.
- The quality of legislation on phytosanitary standards (SPS) is captured through the protecting plant health indicator.
- Inadequate access to quality agricultural inputs such as fertilizers, water, and mechanical power can cause productivity loss, higher cost of food production and uncertainty,
- It also lowers the capacity of farmers to produce surpluses, adopt new plant varieties and accept new opportunities to improve their income.

- The regulatory system that governs irrigation management is essential for reducing the variability of farm output, prices, and incomes, minimising vulnerability to natural shocks and incentivising the production of riskier and high returns crops.
- Gaining access to the global agricultural value chain requires a sound regulatory framework on SPS.
- For instance, thanks to active involvement by the SPS authority, namely National Agrarian Health Service (SENASA-Peru), Peru had become one of the world's leading exporters of asparagus.

Seed supply:

- The comparative score of India on supplying seed, trading food, and accessing finance indicators is high.
- Supplying seed indicator evaluates laws and regulations that ensure timely release of seed to farmers.
- A robust seed supply system is required for improving yield and adopting new crop varieties.
- The trading food indicator assesses laws and regulations that facilitate exporting of farm products by farmers.
- The regulatory framework on the use of warehouse receipts is assessed using accessing finance indicator.
- A robust warehouse receipts system enables the farmers to obtain the credit needed to invest in agriculture.
- Warehouse receipt operators accept deposits of crops and provide warehouse receipts to farmers as evidence of deposited crops.
- By using warehouse receipts as collateral, farmers can receive credit.
- The EBA project results reveal that, compared to its close competitors, the strength of India's agricultural regulatory environment is weak on the whole and with respect to key performance indicators.

Conclusion:

- The future of world agriculture and food production is expected to increasingly depend on middle-income countries such as China, India, Brazil, and Indonesia.
- To make the best use of this great opportunity, India needs to put in place an agricultural regulatory system.
- That would make it easier for its farmers to conduct agricultural activities, thereby improving their productivity, competitiveness, and income.

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