



Plough to plate, hand held by the Indian state

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(Mains 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; economics of animal-rearing.)

Context:

- For a long time the economic policy making globally has dogmatically adhered to the notion that a progressively reduced role of the state would automatically deliver greater economic growth and welfare to the people.
- But experience of the world suggests that state has played the leading role in provisioning the most critical aspects of life: water, sanitation, education, health, food and nutrition.

Specificities of agriculture

- There are very specific characteristics of agriculture which imply that the Indian state must continue to intervene in multiple markets, and make critical investments, to ensure the welfare of both farmers and consumers.
- Due to a variety of limiting factors, from uncertainties of the weather to soil fertility and water availability, increasing returns to scale are very difficult to achieve in farming.
- This underscores the need for the right kind of public investment in agriculture.
- Again, economies of scale allow producers in industry to make profits by cutting unit costs, even as prices fall, while those who fail to make the cut, get eliminated from competition.
- But in agriculture, members of the family can be drafted to work on the family's farm, as also in other farm and non-farm work.
- This phenomenon is quite widespread in India today: of the nine crore rural families who draw their main income from unskilled manual labour, four crore are small and marginal farmers.

- Through overwork and self-exploitation, peasant farmers are able to cling on to their land.

Both farmers and consumers suffered:

- Production processes in agriculture cannot be organised in an assembly line.
- Almost 86% of India's farmers are 'small and marginal', too poor to afford warehousing facilities and therefore compelled to bring their harvest to the market at around the same time.
- Since demand for food crops is typically price inelastic thus during a bumper crop, while prices fall, the resulting rise in demand is not enough to salvage farmer incomes.
- Correspondingly, for poor consumers, unregulated markets for foodgrains mean that during a drought they either starve or are forced to buy very expensive commodities, hoarded up by traders.

The vicious cycle of exploitation:

- In agriculture marketing traders double up as moneylenders and the operation of a deeply exploitative grid of interlocked markets afflicts most farmers.
- In the credit market, usurious interest rates (often as high as 60%-120% per annum) create a debt trap for farmers from which it is virtually impossible to escape.
- The repayments due are 'adjusted' through exploitative practices in the input, output, labour and land-lease markets.
- The moneylender combines the roles of input supplier, crop buyer, labour employer and land lessor.
- This interlocked grid works in tandem with the oppressive caste system, with the poorer, 'lower' caste farmers, facing a cumulative and cascading spiral of expropriation.
- All the above reasons provide a strong case for state intervention in multiple agricultural markets.

Green revolution has its own demerits:

- The Green Revolution has sowed the seeds of its own destruction.
- More than 300,000 farmers have committed suicide in the last 30 years, a phenomenon completely unprecedented in Indian history.
- There is growing evidence of a steady decline in water tables and water quality.
- The yield response to application of increasingly expensive chemical inputs is falling, which has meant higher costs of cultivation, without a corresponding rise in output.
- Around 90% of India's water is consumed in farming, and of this, 80% is used up by rice, wheat and sugarcane.

- Farmers continue to grow these water-intensive crops even in water-short regions primarily because of an assured market for rice and wheat in the form of public procurement, which still covers only a very low proportion of India's crops, regions and farmers.

Diversify public procurement:

- The Food Corporation of India and the Agricultural Prices Commission (Commission for Agricultural Costs and Prices, or CACP since 1985) were set up in 1965.
- The idea was that as farm output rises with the Green Revolution, farmers are assured that their surplus would be bought by the government at a price high enough to leave them a margin.
- The crops procured were then made available to consumers at subsidised rates through the Public Distribution System (PDS).
- Thus, government intervention protected farmers during bumper crops and dipped into the buffer stock to protect consumers during droughts.
- This is how India got its much vaunted food security over the past several decades.
- Thus, the need is to greatly expand the basket of public procurement to include more crops, more regions and more farmers.
- If done right, this single reform would secure multiple win-wins: higher and more sustainable farmer incomes, greater water security and better consumer health.
- Procurement must be local and follow the logic of regional agro-ecology.
- Huge volumes of water could be saved if cropping patterns are diversified to include a variety of millets (rightly called 'nutri-cereals' now), pulses and oilseeds.

Ensuring a steady market:

- To incentivise farmers to make changes in cropping patterns, governments must include them in procurement operations.
- A useful benchmark could be 25% of the actual production of the commodity for that particular season as proposed under the 2018 Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA) scheme.
- The locally procured crops should be incorporated into anganwadi supplementary nutrition and school mid-day meal programmes.
- This would create a large and steady market for farmers
- It also helps in tackling India's twin syndemic of malnutrition and diabetes, since these crops have a much lower glycemic index and high content of dietary fibre, vitamins, minerals, protein and antioxidants.

- Public investment in specific infrastructure required for millets and pulses, especially those grown through natural farming, would also help expand their cultivation.

Strengthen mandi system:

- India has a network of 2,477 *mandis* and 4,843 sub-*mandis* to safeguard farmers from exploitation by large retailers.
- This network needs to be greatly expanded as today, only 17% of farm produce passes through *mandis*.
- To provide farmers access within a radius of five kilometres, India needs 42,000 *mandis*, which are also in need of urgent reform.
- Rather than moving in the direction of weakening or dismantling *mandis*, the need is to make their functioning more transparent and farmer-friendly.

Rural India will be focal point:

- Ever since the Second Five Year Plan initiated in 1956, the central plank of Indian economic policy has been to get people off the land and move them into industry and urban areas.
- However, even after all these efforts, the United Nations estimates that in the year 2050, around 800 million people will continue to live in rural India.
- Given this unique Indian demographic transition, agriculture will need to be greatly strengthened.
- Strengthening agriculture and rural economy is even more required especially bearing in mind the situation of urban metropolis for current and future migrants.

Conclusion:

- In a context characterised by grave and growing inequalities, no reform can succeed in real sense without strengthening the weak and the excluded.
- Agriculture can be reformed by radically enhanced state capacities and qualitatively better regulatory oversight, rather than by opening up spaces for more predatory action.

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