

FARMERS' FORUM

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Issues and Ideas for Indian Agriculture

Unravelling the Agri-Pricing Conundrum 07

Dr Ramesh Chand
Alok Sinha
Dr Bibek Debroy
Devinder Sharma
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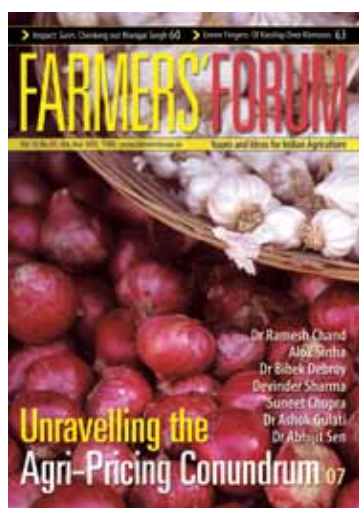
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Disincentivizing the Farmer

A farmer tells his child: 'Study well and get a job or you will suffer like me.'

The plea from the hapless farmer to his child is not an isolated one, but a reality that plays out time and again across villages in the developing world. Parents do not want their children to farm. As governments across the world clamour to avoid urban civilian unrest triggered by rising food prices since 2008, farmers are increasingly being considered as mere suppliers of cheap food. India imports onions fearing that the urban electorate will vote the incumbent government out of power over rising food inflation. There are no such worries on account of depressed prices for farmers.

Ironically, food producers are themselves suffering from hunger, poverty and malnutrition. No transformation is ever easy, but this farm conundrum is like a jigsaw puzzle in which the pieces do not seem to fit. A lot of those pieces do not even reside in the farm, and the question is: where does one begin the search? A logical answer would suggest that one begins by involving farmers in the decision-making process. Animal husbandry, fisheries and poultry are means of quickly supplementing small farm family income. Risk mitigation, weather forecasting, access to transparent markets, effective regulatory mechanism, road connectivity, bridging the yield gaps are some of the required steps as experience has proved. Partnerships with the private sector need to be forged and trade across boundaries needs to be encouraged.

These are very important tools to employ but experience also cautions one about the pitfalls of unfair agreements. Prices of major commodities in the world are dependent on subsidies given to farmers in rich countries, which distort prices to the point that farmers in poor countries suffer as their produce becomes less competitive. Subsequently, it even disincentivizes local investment in agriculture research and development, which is the key for any successful transformation. The puzzle becomes complex with sustained action against Indian research systems by foreign-funded NGOs that are more articulate in advocating a particular kind of action to ill-prepared politicians and subservient government officials.

How did things get this complex? Population growth has driven

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04

DISSATISFACTION ON FARMS WILL INEVITABLY REACH THE DOORSTEP OF THE FINANCIALLY WELL-ENDOWED IN FORMS LIKE MIGRATIONS AND TERRORISM

productivity for the past 10,000 years. It has been said that the environment is what we are making of it. In the prehistoric times, when humans were hunters and food gatherers, no more than few million people could be sustained on the earth. Improvements in technology allowed the practice of agriculture with constantly increasing production. The world population has expanded to 7.2 billion and will increase to nine billion by 2050 before stabilizing. As a consequence, the world will need to produce as much food in the next 50 years as it did in the last 10,000 years and that in the face of climate change. Climate change is only beginning to be understood now with its devastating impact on regions between 23.5° north – called the Tropic of Cancer – and 32° north. That is the heartland of agrarian India.

The question is: does India have any option, but to prepare for this threat by investing in agriculture research and development? That R&D in agriculture is suffering is evident from the fact that food inflation is at a three-year high and supply is unable to keep up with the rising demand. The farmer is unable to cope with price volatility, climatic shocks or even to pull himself out of poverty while also suffering from malnutrition. Government apathy persists despite the knowledge that the investment in agriculture R&D is the second fastest way to end poverty and malnutrition (after development of rural roads). The successful implementation of the road construction programme 'Pradhan Mantri Grameen Sadak Yojna' has led to improved connectivity

in rural India with decent roads. Funding of agriculture research has, however, shown no such alacrity in the government space.

The expenditure of the private sector on agriculture research and development, however, is humongous with Monsanto spending \$1,533 million, Syngenta \$1,253 million and Bayer \$1,167 million in 2012, to cite some examples. On paper, theoretically India possibly spends more but much of it (possibly 90 per cent) is expended on running universities, paying salaries and probably, only 10 per cent goes into hard research. This is notwithstanding the fact that Indian research institutions have not done enough for farmers to feel proud in many years. Even if the government's figures are taken at face value, India spends half of what China does on agriculture R&D. India's expenditure as a percentage of the agriculture GDP is 10 times less than the USA's. As a percentage of its GDP, India spends much less than Brazil, Malaysia and even Kenya!

This is where the country needs to introspect if sustainability is to be restored to agriculture and in the lives of those who practice it. Failing this, the dissatisfaction on the farms in other parts of the world will inevitably reach the doorstep of the financially well-endowed, in forms such as migrations and terrorism. ●



Ajay Vir Jakhar

Ajay Vir Jakhar
Editor

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Ajay Vir Jakhar

To the Editor

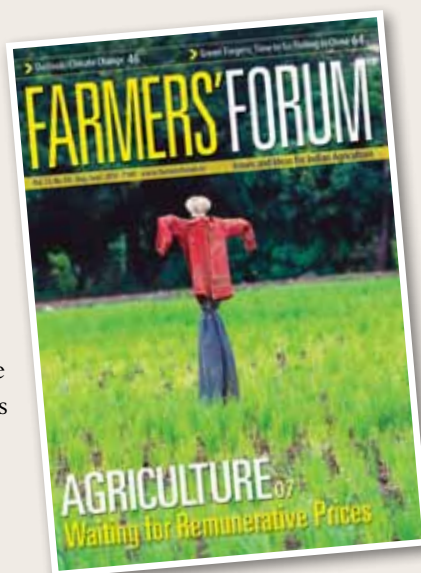
India's farmland crisis

Sir – Apropos your editorial “Subsidizing Inefficiency; Not Farming”, (*Farmers' Forum*, August-September, 2013) one can only watch with dismay as the government plays ducks and drakes with the farmer's life. I totally agree with your point that if the government invested more rationally in agriculture research, extension, infrastructure and access to cheap credit for marginal and small farmers, it could make individual farming families prosper and render India net sufficient in food. What is happening instead is a curious mix of actions that go by the name of policies that are actually threatening the Indian farmer on a scale without precedence, as you say. What is frightening is that no political party seems to have any clue about what the farming community needs and how this utter neglect of farmer interests can push the country into the throes of different kinds of insecurities, food being only one of them.

Harkishan Singh,
Karnal, Haryana

Traveller's tales

Sir – Thank you for your delightful piece under the Green Fingers section: “Time to go fishing in China” (*Farmers' Forum*, August-September, 2013), Learning about the fascinating world of Mrs Jain He of village Dazha was most interesting and I am happy that you overcame your inhibitions and shared the informal interview with readers. China is still an unknown quantity for



More information please

Sir – Permit me to congratulate you on sincerely taking up various issues confronting farmers in various issues and explaining them for your readers. *Farmers' Forum*, August-September, 2013 edition was really informative. This is a special request to provide in-depth analysis of the Kisan Credit Card loans because the average farmer does not quite understand what these schemes entail. Your expert advice would be most welcome.

Vinod Kumar
New Delhi

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most Indians and yet the life at Jain in her farm could well be any of ours. Do keep recounting tales from your many trips and share with us the knowledge you gain. They make for most satisfying reading.

Pankaj Sharma,
Agra, Uttar Pradesh

Caffeine charge

Sir – ‘Beating themselves up; Araku tribals show the way’ by Sheetal Mehra (*Farmers' Forum*, August-September, 2013) describing the work at the Naandi Foundation at the Araku Valley Tribal Region was more invigorating than any cup of coffee that I have had. It shows the potential of our people only if properly guided and encouraged. Such stories lead to hope in India's future and I hope while exposing the travails of the countryside you will also keep publishing such inspiring stories.

Samir Ghosh,
Kolkata, West Bengal

No will

Sir – Apropos of your cover story (*Farmers' Forum* August-September 2013), I entirely agree with Surinder Sud's conclusion that agricultural pricing and marketing continue to remain in a state of disarray despite a plethora of well-meaning suggestions from various committees for reforms because there is no political will at either the central or state levels to act. It is all a matter of lip service for the farm sector. Whither Indian farmer!

Pratap Singh,
Ranchi, Jharkhand



Unravelling the Agri-Pricing Conundrum

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Even as the government publicly thanks the farming community for achieving record food production – courtesy huge advertisements in newspapers – it does not seriously ask whether the farmer is earning a decent income for his work that provides the nation with food security. Setting off the discussion on ‘Pricing of Agricultural Products in India’ on August 8, 2013 at the Amaltas Hall, India Habitat Centre, New Delhi, Ajay Vir Jakhar, chairman of the Bharat Krishak Samaj, pointed out that pricing of agriculture commodities is very crucial to farmer prosperity because it not only ensures fair returns to the farmer but also benefits the entire nation. “It is time that the feeling of gratitude to farmers translates into better profits for the farming community and we really think that putting these advertisements in the newspapers is not enough but hopefully they make for a good start”.

As a farmer organization, Bharat Krishak Samaj has also been trying to differentiate between increased agricultural production and farmer prosperity because while proper policies can make them similar goals, policies as they obtain today

IT IS TIME THAT THE FEELING OF GRATITUDE TO FARMERS TRANSLATES INTO BETTER PROFITS FOR THE FARMING COMMUNITY

have made them disparate goals, said Ajay Jakhar.

The panelists were Abhijit Sen, member Planning Commission, Ashok Gulati, chairman, Agriculture Costs and Prices Commission; Suneet Chopra, joint secretary, All India Agriculture Workers’ Union and member, Central Committee of the Communist Party of India (Marxist); Ramesh Chand, director of the National Centre for Agriculture Economics and Policy Research; Alok Sinha, former chairman and Managing Director of the Food Corporation of India; Bibek Debroy Professor at the Centre for Policy Research and columnist; and Devinder Sharma, food policy analyst and activist. Independent journalist and educator, Paranjoy Guha Thakurta, moderated the discussions.

The cover story provides edited excerpts. ●

COVER
STORY

Towards Distortionist Pricing Policies

Dr Ramesh Chand

Recent years have seen widespread and growing dissatisfaction with agriculture prices at all levels. Talk to any producer and he complains that he is not getting a remunerative price for his produce. Talk to any consumer and he says that he is not getting a fair return for his money. How has this situation come about? There are genuine reasons that a farmer feels dissatisfied and the first and foremost is that in many cases the farm harvest price (FHP) is lower than the minimum support price (MSP). When this happens, it results in a feeling of betrayal that government is, on the one hand, saying that this is the minimum that should be paid to the farmer but, on the other hand, closes its eyes when that minimum does not accrue to the farmer.

As this awareness about MSP increases, the feeling of betrayal and unfair treatment gets entrenched, with the minimum support price not being paid in many markets and for many commodities. Yet, even when the MSP of wheat is announced as Rs 1,280; that amount may accrue to farmers in three or four states but not in others. It is the same with paddy and other crops.

The second reason is that the gap between FHP and retail price is increasing, as evident from the recent food inflation. The FHP has increased but, in most cases, has been half of what the increase has been in retail or wholesale prices. There is evidence that there is food inflation and that much of the high price is not accruing to producers but to the middleman in the marketing chain. The FHP increase may be around five per cent but wholesale price rise is around 10 per cent or 11 per cent.

The third reason is that farm income and income of farmer from farming and allied activities have not kept pace with rise in family expenditure, which really translates into the farmer's income not growing; at least at a perceptual level. As far as growth rate in farm income at the national level is concerned, it is not lower than the growth rate in GDP. Even in the last seven to eight years, the growth rate in farm income at aggregate level has been between three per cent and four per cent but the expenditure of the farming family has grown at a much faster rate for obvious reasons of the rise in cost of education, medical treatment, housing and such others. The growth rate in income from farming and non-farm sources has not kept pace



DR RAMESH CHAND
Director,
National Centre
for Agriculture
Economics and
Policy Research

with the growth rate of expenditure.

One has reached a situation where the economic logic of pricing – that price should be left to be determined by demand and supply – is losing its appeal everywhere. Everybody wants price to be determined according to his or her interest but the important issue is the manner in which the government responds to this state of affairs. The government responds in two ways: direct intervention with MSP at procurement or indirect intervention, through market regulation, infrastructure creation, institutions, trade policy and tariff.

Over time, the emphasis of the government has shifted from direct intervention. In the early seventies, the consumer was the main focus. As Prof. Dantwala said: low food prices is instant socialism for poor and, despite all talk about what socialism is, if a poor person gets food at affordable prices, it means instant socialism. Thus, in the seventies, there was very little increase in MSP. For many years the MSP was frozen or increased by Re 1 or Rs 2 a quintal. In fact, an increase of Rs 5 or Rs 6 a quintal was considered very big. That was in the seventies when prices per capita were below international prices but this had some adverse effect on growth. The growth in output was poor because there was too much concern for consumers and too little concern for producers. This had to be changed. At the same time farmers became quite active in the political system and started articulating their concerns sharply and influencing political decision making in almost all parties.

Growth in agricultural output and markets since mid 1970s

Year	Crop output		
	Index number TE1981-2=100	Quantity mt#	Regulated markets
1976	85.2	--	3528
1980	102.1	--	4446
1991	148.4	285.5	6217
2001	179.1	373.7	7161
2008	201.8	483.7	7566
Compound growth rate %			
1976 to 1991	3.769	--	3.849
1980 to 1991	3.458	--	3.095
1991 to 2001	1.898	2.729	1.424
2001 to 2008	1.719	3.755	0.789

Includes foodgrains, oilseeds, cotton, fruits and vegetables

Sources: 1. Agricultural Statistics in India, Department of Agriculture and Cooperation, Ministry of Agriculture, GOI, New Delhi, various issues. 2. Manual on Agricultural Prices and Marketing, CSO-MAPM-2010, CSO, Ministry of Statistics and Programme Implementation, GOI, New Delhi, October, 2010, Annexure VIII.



Facilities / amenities in regulated markets

Amenities	Number of Markets with Facility (%)
Common auction platform (covered)	64
Common auction platform (Open)	67
Common drying yards	26
Grading equipment	30
Canteen	43
Drinking water taps	28
Seating benches	28
Public address system	34
Price display board	61

Source: Manual on Agricultural Prices and Marketing, CSO-MAPM-2010, CSO, Ministry of Statistics and Programme Implementation, GOI, New Delhi, October, 2010, Annexure VIII.

Status of grading and agmark certified produce, 2010-11

	Quantity Thousand tonne	Value Rs. Crore
1. Grading at producer's level	8976	14072
Share in crop output %	--	1.37
2. AGMARK grading:		
Total	1060	10844
Share in crop output %	--	1.05
Export	31	180
Share in total agri export %	--	0.16

Source of basic data:

1. <http://Agmarketnet.nic.in/agmstat2011.pdf> accessed on 9.6.2012.
2. National Accounts Statistics 2012, CSO.

By the nineties the government was balancing the interests of producers, consumers and traders and policy response got mired in serving diverse demands

From some time in the eighties the emphasis shifted from being consumer centric to becoming producer centric and that was clear from the way price increases were allowed as the emphasis shifted to the producers. There was excessive subsidy, excessive stock and I recall writing a paper that the higher the deviation of MSP from open market price or cost consideration, the higher would be the fluctuation in stocks. Stock build-up and such things happened because open market prices were ignored.

By the mid-nineties, another stakeholder appeared in a very big way: the trader or middlemen. This group also started organizing itself and the government had to balance the interests of three groups, producers, consumers and traders and, over time, the policy response got completely mired in satisfying interest groups, rather than paying attention to developing markets or being focused on the development perspective.

What has been happening in the last 10-15 years? The government has been giving higher and higher price to the producers, even if that has upset all calculations, in many cases the MSP being 50 per cent higher than cost of production (C2) in some other states. Then there is the consumer who has been kept happy by increasing food subsidy to lower food price and the third player, the middleman, also became very important. He was kept happy stalling development of markets; discouraging competition; discouraging the Agriculture Produce Market Committee Act – whereby agriculture markets are regulated in India – and other reforms. The middlemen charged a rent

whether or not they provided a service. These three have formed the triangle that the government policy gets bogged down while addressing, while it goes slow on all market reforms.

Worse, such policy response has intensified centre-state conflicts; the centre wants to do something but the states do not listen. When states want the centre to do something, the centre refuses to listen even as progress to the next stage of market maturity – which should have led to reduced price intervention and more regulatory intervention by government – gets delayed.

What obtains is intervention that is completely distortionist in nature instead of being developmental and focused around satisfying the three interests. Market development is abandoned, there is little competition, markets are not well maintained and they are crowded with many small players wanting a share of the pie. The field is fragmented and the long supply chain between producer and consumer entails six to seven transactions, every one of them involving a cost. That is what is distorting the price picture.

Again, even the MSP may not have relevance vis-à-vis open market prices because people benefit only where the government is procuring. Elsewhere they are left high and dry, leading to another kind of distortion. The improbable solution to poor market conditions may be through MSPs and procurement of every agriculture commodity. The producers know that where government announces an MSP and procures, the price is much higher than where the





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One will find that more effective the MSP in a state, the lower is the crop diversification and the less the MSP in a state, the higher is the diversification.

government does not procure. The question is, can MSP be the panacea to this problem across the board? Can a country remunerate every farmer through the MSP system? This would entail several problems.

If MSP is enforced through procurement (theoretically the government sets MSP a little higher than the open market price) either 100 per cent of the produce will come to the government or no produce will come to it. If the MSP is higher than open market price, obviously no private company will buy the produce. If MSP is lower, nothing will come to the government, everything will go to the private sector. How does the government manage this situation? It does so through regional discrimination; it restricts procurement to some pockets. There may be complaints and one has seen that over the past four decades the treatment is not equal to all farmers bringing in their produce. It

is completely discriminatory and the government buys from selected pockets.

The implementation of MSP has many adverse effects that people do not realize. Procurement through MSP destroys the power to harness the market's potential and kills efficiency and entrepreneurial skill. The Punjab farmer was once considered to have great entrepreneurial skills but ask him to produce something today and the first question that he asks is "will government buy it?" Farmers are not used to producing anything for the market as their entrepreneurial skill has been destroyed. One will find that more effective the MSP in a state, the lower is the crop diversification and the less the MSP in a state, the higher is the diversification.

Over the past decade or 12 years, ignoring the last two years, the growth rate in different commodities shows that commodities for which

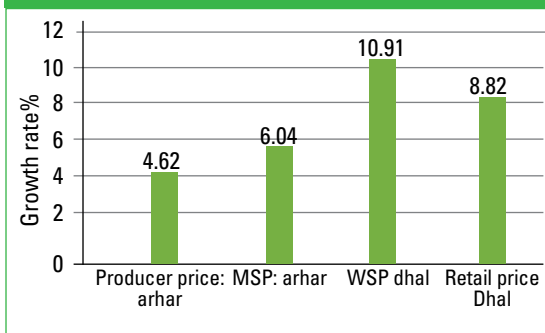


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the MSP was not effective have grown at a much faster rate than those for which there was an MSP because the market offered a better price. MSP by nature will be risk-free price but the price will be low. Alternatively, the market may offer a higher price but it will be risky and fluctuate from year to year. There are some who are prepared to take the risk but there is no incentive for them if everything happens through MSP.

The bottom line is that fair and remunerative prices cannot be ensured through MSP for every commodity. Even for that set of commodities that deserve to get MSP, the MSP cannot be enforced through procurement everywhere. Here the government needs to prioritize the commodities that should be eligible for MSP. Staples could qualify but commercial crops need not qualify. Also, how one enforces MSP comes into play here; whether through procurement or other means. I have been propagating this idea of deficiency price payment, which has not found many takers. It means that the MSP can be announced but the government need not procure everywhere. Once the MSP is

Annual growth rate in price of arhar in Maharashtra and arhar dhal in Mumbai



Sources: 1. *Agricultural Statistics in India*, Department of Agriculture and Cooperation, Ministry of Agriculture, GOI, New Delhi, various issues. 2. *Manual on Agricultural Prices and Marketing*, CSO-MAPM-2010, CSO, Ministry of Statistics and Programme Implementation, GOI, New Delhi, October, 2010, Annexure VIII.

announced, a mechanism could be developed for the farmer to register with the market committee – what his likely market surplus would be – along with a nomination price for it. He then selects some representative market. If the price in that market falls below that level, the farmer gets some deficiency price payment for the produce that he has registered with the market committee.

Thus, we first choose the commodities that will get an MSP along with a clear signal that there will be no MSP for commercial crops. The most important thing is what is committed must be honoured through procurement or through deficiency price payment. This can be done only if there is a differentiation between procurement price and minimum support price. The procurement price is the actual price at which the government procures, that could vary from day to day. This should be possible in this electronic age; there could be a variable procurement price. Inspectors are instructed about the quantity required and the government can give a bid for Rs 1,400 to Rs 1,300 and procure at that price, achieving the rest of the price guarantee through deficiency price payment.

For other crops, there is a need to rely much more on market-based alternatives. Markets must be allowed to play their role if there is proper infrastructure, proper regulation, proper kind of competition, all of which are missing today. Instead, one has many middlemen; indeed there is one commission agent for every 50 farmers in Punjab and even if he collects one per cent of the farmer's produce as commission, his income is many times more than the farmer's. The middlemen are the so-called unorganized players but they have organized themselves and work like a monopoly.



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There are studies apparently showing that there is competition but, if one explores, one uncovers collusion in different markets amongst different players because the market structure, market regulation and the market institution promote it. This is just to show that over time, because there

grading equipment absent in 70 per cent of the markets, container facilities absent in 57 per cent of markets. One may argue that there is a warehouse for the farmer to keep his produce if prices are not remunerative and he needs to sell his produce till he gets the right price but one would be wrong. One could check the warehouses and will discover that they are used by anyone but the farmer, who does not even have access to them.

Can you imagine that even in the years 2010-11, only 1.37 per cent of actual produce was graded. Agmark grading, a certification employed for agriculture, is still lower, with only 0.16 per cent of total agriculture export having been graded. The institutional grading and development of standards are so poor that even exporters have little faith in them. They prefer to go for mass exports with a low price rather than getting a premium because of the sheer inconvenience of getting the produce graded.

I considered some states with no government procurement, particularly Uttar Pradesh, and found that during last two decades, in only two years, 2006 and 2007, was the farm harvest price

There are several opportunities and a lot of investment is keen to come into agriculture but the environment, regulations and institutions are not friendly

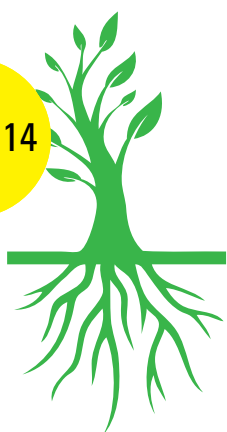
is emphasis on price, one has ignored development and the right kind of growth is not taking place.

After 1991, the growth rate in output was 2.7 per cent and then 3.7 per cent but growth in the regulated market growth was not even one per cent. The number of markets is not growing even though produce is growing, which is why even in a developed state like Punjab and Haryana the markets are crowded. People do not get players even to download their trolleys and here is inadequate space even for the transaction because there has been no increase in market size to cope with the growth in production and the marketable surplus.

In terms of market facilities, only 28 per cent of the markets have a bench for the farmer to sit on. If there is no seating bench for farmer, where does he sit? Obviously, at the shop of a wholesaler or a commission agent. Once he sits in a shop and has a cup of tea, he loses all option of selling his produce through any other person. Market facilities are pathetic with even common farm auction platforms absent in one-third of the markets,

in U.P. for wheat higher than the MSP. One major factor in those two years was large scale private sector participation. After the Essential Commodities Act was removed, many private players entered the market but after 2006-07, because of the wheat shortage, the reforms were rolled back and all those people closed their shops and quit and have not come back. Meanwhile, U.P. is back to 10 per cent to 15 per cent lower FHP than the MSP. The message is that there is need to promote competition, to promote private sector participation in the market along with this MSP.

The government alone cannot provide everything but it must remove barriers to entry of modern capital into markets. There are a lot of opportunities for new comers in agriculture and lot of investment is willing to come but the environment is not friendly, the regulations are not friendly and the institutions are not friendly. These need to be attended to – regulations and their legal aspects – while producers should be encouraged with good infrastructure amongst others. ●





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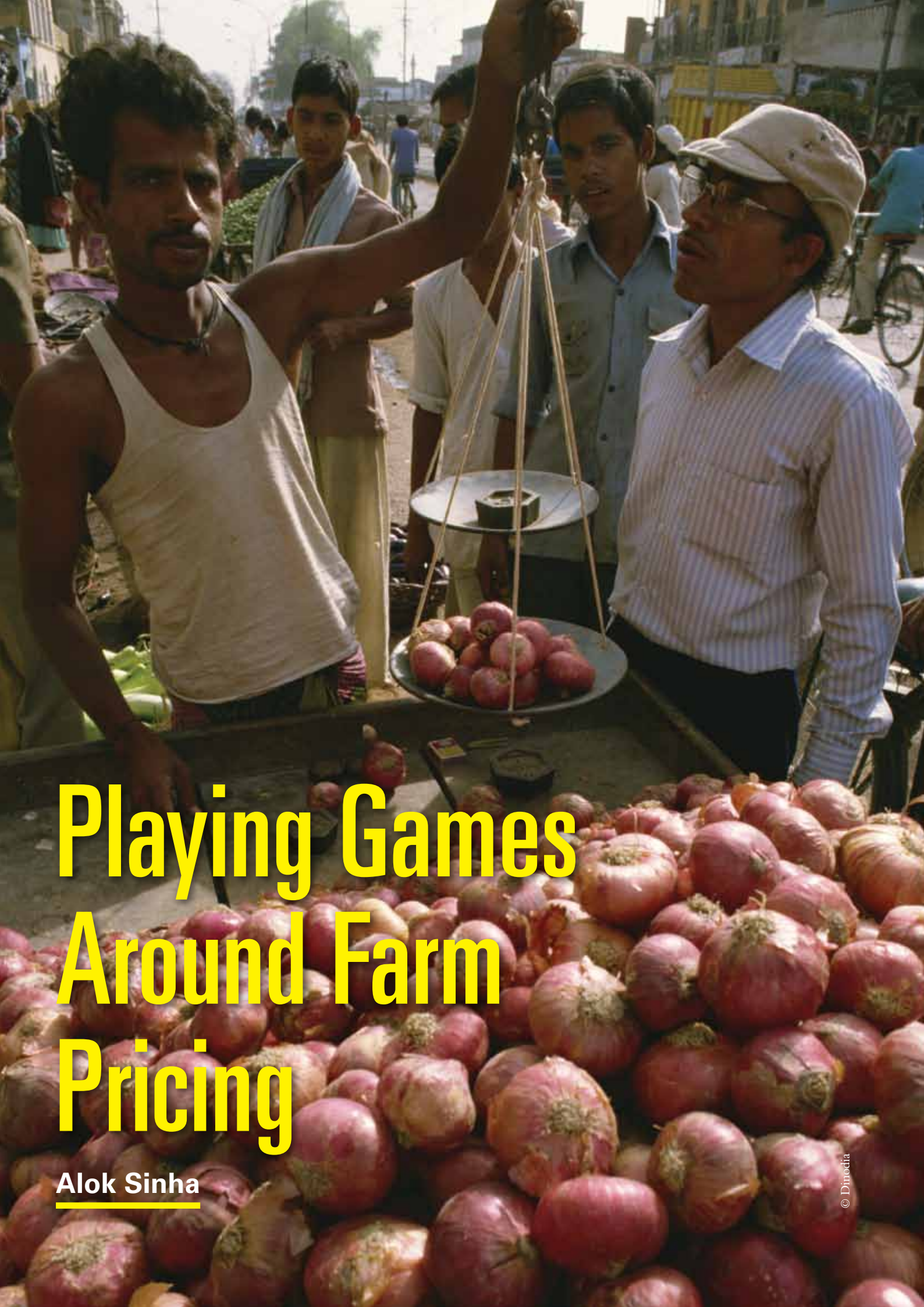
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Playing Games Around Farm Pricing

Alok Sinha

When we talk of agriculture pricing, the main question to be determined is who the consumer is. It is not only the non-farming community. The Indian farming sector is not a uniform one; it is not as if it has got one voice and one interest. In fact, two-thirds of the people living in the villages are either landless or marginal farmers and that makes them consumers. When we talk of pricing in agriculture and whom it is going to help, we should also pause to think whether it will only help farmers with a marketable surplus or also the consumers who live in the villages.

The middle class all over the world has begun to debunk Marxist thought in the last two or three decades. I suppose, we should all go with it but since the constitution of the country also claims to be wedded to socialism, we can legitimately and lawfully also have socialist thoughts. Since the farming community is not a uniform community, when we talk off the price of agriculture



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continuously thought of how to make the pricing of agricultural products fair for the producer but it has basically gone with the interest of the farmers with a marketable surplus.

Under a liberalized economy it is believed that if the big guy benefits, it will trickle down to the smaller guys, which is the ideology in industry. In agriculture too, we have had similar ideology right from the beginning. If you help increase the prices and the level of MSP for the farmer

with a marketable surplus, the benefits will trickle down and it will go to the poorest of the farmers. However, it was not till sometime in 2009 or so when MNREGA was institutionalized in a big way that the large majority of the peasant community, which is also a consumer, actually got some help.

One has heard voices of dissent from the agriculture surplus states of India about not getting these guys (farm labour) from eastern U.P., Odisha, Bihar or Jharkhand at low rates anymore: “Yeh toh bohot zaada maang raha hai

Since the farming community is not a uniform community, when we talk of the price of agriculture commodities, we should take a holistic view of all those who people it

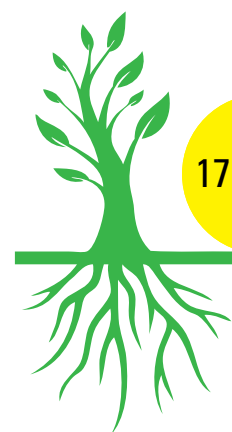
commodities, we should take a holistic view.

In India, the public distribution system (PDS) started in the forties during World War II because the colonial masters thought that supply of foodgrain from villages to the cities would take a hit and, therefore, rationed commodities should be assured to people in the cities, which is how the word “ration” got incorporated in everyday Hindi usage. When India became independent, its foodgrain output was about 50 million tonnes and it was very correctly thought that it had to be increased. Therefore, the green revolution was launched, comprising a package of improved chemical fertilizer, assured irrigation and improved seed variety and that was bolstered by an MSP system.

To ensure that the procurement of foodgrain took place under the MSP meant that the government was duty bound to buy up whatever the farmer offered and the Food Corporation of India (FCI) was created sometime around 1964 for this purpose. From then on, somehow, the interest of the consumer has taken a backseat and we have

aajkal kyunki inko MNREGA mein bohot mil raha hai”. In a way that imbalance and distortion, which was institutionalized since the sixties has been repaired or, at least, been given attention with the institutionalization of MNREGA. Even if one concedes that some 20 per cent to 30 per cent of the MNERGA wages are misused, as long as 60 per cent goes to the poor in the village, it is a big achievement.

Having said that, let me come back to the points made by Dr Ramesh Chand, whom I have been reading for many years in the Economic and Political Weekly. It is always a revelation to read his articles. I am not here to defend the FCI losses though I headed the FCI for two years. The FCI procures about 65 million tonnes per year and its annual outflow is just about 55 million tonnes, because till now the food security bill was being thwarted by the middle class intellectuals and fought over in the media and had not been decided upon. What had happened is that because of expansion of the FCI and the pressure on it to increase procurement, it went up because the



MSP was hiked year after year. With 65 million tonnes coming into the FCI warehouses every year and 55 million tonnes going out, there was a net addition of 10 million tonnes per year while the storage capacity was just about 35 million tonnes. Any commodity, which is biodegradable, which changes shape, colour and size with age, would rot unless stored with adequate safeguards and thus there was more and more incidence of foodgrain rotting.

The good and ethical solution would have been if, with artificially hiked MSP and a gargantuan FCI, the system squeezed produce out of the market and brought it inside the FCI warehouses. When the consumers are left at the mercy of the private sector, then it is only fair that the food security bill be implemented and the foodgrain from the FCI warehouses flow out. There is no other way out.

MSP and PDS go hand in hand. If the procurement under MSP keeps going up as it has been in the last 10 years, the outflow for the PDS must go up too. There is no point keeping food in the FCI warehouses forever. It is not gold that will not spoil. Even currency notes get soiled. Studies have shown that food tends to rot more in those areas where procurement is relatively higher. It does not tend to go bad in deficit states where the foodgrain, procured from the surplus states and entering FCI warehouses goes out within six months. In Punjab, Haryana, western U.P. and other places, where the procurement is so high that there is no storage space and the movement to deficit states is not keeping pace food tends to rot.

The point is that India has to keep up the green revolution. In fact, there is talk of a third agricultural revolution that has not taken place although the National Rainfed Area Authority was established in 2006. It is important to appreciate that two-thirds of India does not have assured irrigation. It is one-third of India that has assured irrigation and comprises the surplus areas, where the procurement is the highest. The remaining two-thirds of India with no assured irrigation also have most of the tribal population and, for that matter, red terror, Operation Green Hunt and things like that. A good way of helping the poor tribals in these areas would be to implement the National Rainfed Area Authority well so that the rainfed areas are given the kind of help that the government began in the sixties with the green revolution.

When that happens, even more procurement will take place. Therefore, the food security



bill is a very good thing. It should have been implemented earlier. Of course, it will have many pitfalls in implementation but as the country goes along, it will find the right way. I talk of pitfalls as even under the PDS, the interest of the genuine consumer took a backseat. All studies show that about 30 per cent of ration cards in India are what are known as *jaali* or ghost ration cards; the holders do not exist. Even the Wadhwa Committee found that in Delhi, many BPL families gave the same address in a jhuggi, where it is not possible for 40 families to live. Obviously they were fake ration card holders.

If the PDS system is not revamped, improved, or is not coterminous with Aadhar or something like that, it is likely that one third of the foodgrain bought at a subsidy and taken out under the food security bill implementation would find its way into the black market. It would be a scam of Rs 30,000 crore per year. So the revamp of the PDS is very important. This is easier said than done but in those states where the panchayati raj system works well as in Gujarat, Maharashtra, the four southern states, the non-tribal districts of Chhattisgarh,





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Tripura and like many parts of West Bengal, there are no cases of PDS ghost ration cards. This is because the local panchayati raj institutions have taken root. So there is a watchdog committee to see “*iss dukaan mein samaan aya ke nahin aur iss dukaan mein usko mila hai ki nahi*”. Otherwise, in many areas of the country, including the capital of Delhi, the FPS (Fair Price Shops) exist only on paper. What obtains is not only misuse of the PDS but a double scam because they show that foodgrain has come to a shop when it has not. Worse, handling and transportation charges are also reimbursed when no handling or transportation has taken place at all. So, revamping of the PDS is extremely important.

As far as the subsidy is concerned, the annual food subsidy bill of about Rs 100,000 crore did not attract much attention before the Food Security Bill became an ordinance. In addition, there is the fertilizer subsidy of Rs 100,000 crore, which also does not attract much analysis or attention. The moment the food security bill was about to be passed, there was immense criticism of the additional Rs 25,000 crore of subsidy. If people

were to stop working if they got free food and why on earth are we giving it now? Why are we worried about the annual food subsidy of Rs 1.25 lakh crore, forgetting that there is already an existing expenditure of Rs 1 lakh crore. The Food Security Bill is adding Rs 25,000 crore only.

Dr Ramesh Chand spoke about variable procurement. It would be easy to implement in countries like America and New Zealand that are sparsely populated and where everything can be tracked. In India, as an administrative officer with 35 years experience, I think it will be difficult to implement because of the level of governance everywhere. In Madhya Pradesh (as in other places, I have nothing against the state), when we began procurement of wheat in 2007-08, our target was five lakh tonnes. We crossed six lakh tonnes and we patted our backs on having done a great job. That target has now gone up to 80 lakh tonnes. I cannot believe that the marketable surplus of wheat in Madhya Pradesh has gone up from 5 lakh tonnes to 80 lakh tonnes in five years.

Therefore, two things are probably happening. Those districts of U.P. bordering Madhya Pradesh (where farmers were not getting a good enough level of governance), take advantage of the regime in M. P., where the state gives a bonus of Rs 100 per quintal. The U.P. surplus wheat goes to Madhya Pradesh, adding to the latter's marketable surplus. The other possibility – of which I have no proof; my old colleagues in the FCI and the food department say – is that foodgrain in the FCI or in the state government warehouses, meant for the PDS is taken out on fake ration cards on paper then shown to have been procured in the open market and then shown to have come back. Now this is a double scam because the foodgrain never left the warehouses. The entire corrupt movement has been on paper.

They would then tend to show that, for example, Alok Sinha gets 35 kilos when Alok Sinha does not exist. Non-existent handling and transportation charges are also reimbursed. They show that “*Ram Sinha farmer se procure ker liya*” and the handling and transportation are added and then again it is shown to have come inside the warehouse. This suspected phenomenon needs to be understood; why have certain states suddenly increased their procurement while others have gone down. Thus, while we should all aim for procurement at variable rates, one has to consider it carefully to ensure that it is not misused. ●



Time to Unshackle the Farmer

Dr Bibek Debroy

I want to broaden the discussion a little bit because while talking of pricing of agricultural products one should not be talking about rice and wheat only. I will quickly flag the important issues because we have fundamentally heard about rice and wheat and that is the first problem. When we think of agriculture, we think it is rice and wheat and bit of coarse foodgrain. That is not supposed to be agriculture. If that is agriculture, we are not going to get a two per cent growth or a four per cent growth in agriculture. We will get a four per cent growth in agriculture only if it is not agriculture as per national income accounts but if it is agriculture in allied activities, which means the commercialization and the diversification.

The second point that I want to flag is one that has been made that – while it is difficult to generalize – in agriculture we typically have a very large distribution chain and we need disintermediation. People have been talking about it for years and years but no significant disintermediation has taken place. Had the disintermediation happened,



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The moment I warp price signals through procuring rice and wheat, the moment I warp price signals through even the food subsidy bill, the moment I distort price signals in favour of rice and wheat, I am distorting resource allocation. I am discouraging people from diversifying in agriculture, which is what I want them to do. Not only am I doing it through prices. I am also doing it through the APMC Acts.

The APMC Acts are a piece of legislation or many different pieces of legislation that work against disintermediation.

What then are the other major issues facing agriculture? We think that agriculture is one issue and rural development is another issue. They are not. They are linked to each other. The moment I have separate ministries for agriculture and rural development, I am suggesting these are two completely different things. How can they be so? The problem is not of agriculture, the problem is of rural development. What we need to do to ensure rural development as opposed to agriculture. We need to ensure the availability of certain things that are in the nature of public goods and services.

We will get a four per cent growth in agriculture only if it clubbed with allied activities, not exclusively agriculture including commercialization and diversification

presumably the gap between the price that the farmer gets and the price the consumer pays would have come down. Instead, in the last few years, the gap seems to have widened and the question to ask is why that gap has widened. Part of this is, of course, because of increased transportation cost but what else is going on over and above the increase in transportation cost?

The third point I would like to flag is one that Dr Ramesh Chand mentioned except that I am broadening its ambit. The manufacturing sector in India has been liberalized but the most important sector in India, agriculture, has not been liberalized at all. It is riddled with state intervention and controls; and controls are not the same thing as regulation. Both the speakers before me used the terms MSP and procurement synonymously, as they have indeed become. I am not an agricultural economist but, conceptually, to me MSP is one thing and procurement should be a completely different thing but we have made the two synonymous.

Fundamentally, they are roads, electricity and water.

Another thing that people never talk about is opportunity costs. Every resource has opportunity costs. Whatever I spend in the form of input subsidies is money that I could have spent on the roads, water and electricity. Had that been done, we would not have needed the MGNREGS so many decades after independence. Mr Sinha said that it is good that money is going to the villages. Well, money would have gone to villages if decentralized planning had been introduced and the money went directly to where the village decided it would go to. The village would decide what it wanted to spend the money on instead of having to stick to a centralized MGNREGS template, which constrains it in terms of what it can do and what it cannot do. So, again in MGNREGS, I am afraid that people do not recognize this point about opportunity cost of resources.

The other issue that I want to flag is credit. Can we possibly ensure that credit flows by insisting





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that that credit will be have to be given at let us say six per cent. The RBI tells us in one of its studies that the average interest rate for the informal sector is 31 per cent and the highest goes up to 100 per cent. The point is even if that credit is being delivered at 14 per cent one needs to keep in mind the administrative cost associated with delivering credit. It would far better that the credit is actually delivered at 14 per cent, instead of fixing an interest rate of six per cent, at which it is never delivered.

Then again, particularly in the rural sector, credit cannot be delinked from insurance. Do we have a satisfactory system of insurance in the rural sector today? The answer is no. We have some kind of crop insurance but that too is not proper crop insurance.

The next major issue is around land markets. I realized that ownership legislation is a very contentious issue and one can debate that but tenancy legislation is not that contentious an issue. So, why can we not free up and legitimize and modernize the tenancy legislation? Instead, if we ostensibly make it illegal, all that happens is that it is driven under the ground and land cannot be offered as collateral. I do not then have any interest in submitting that land, in investing in that piece of land.

Then again, agriculture and rural development should be fundamentally a state subject. The centre has no business to dabble in agriculture and rural development and certainly should not introduce centrally sponsored schemes. That is the

decentralization agenda; that is the devolution agenda. If anything, we need the centre only to negotiate international agreements that pertain to agriculture. The rest is state subject and decentralization is needed to deepen because farming is a very heterogeneous area. India is a very heterogeneous country.

The final bullet point that I want to leave you with is that the farmer is extremely squeezed today because profitability is being squeezed. This is because the input costs have gone up and output prices have not gone up commensurately. The bottom line is that we, as consumers, think that we have a right to choose but, sitting here in Delhi, we do not think that the farmer has a right to choose. Let us give the farmer the right to choose; let him choose where he wants to sell, let him choose what he wants to produce, let him be free to choose whether he wants to stock a product or not, let him be free to engage with the corporate sector, have agreements with the corporate sector if he so wants. Let us break those chains. Let him also for that matter be free to choose the technology.

Look at all the bits of legislation. If you go back to the fifties, the farmer was far more free from these shackles. We have shackled the farmer. So, let us get rid of that intervention, let us get rid of that state intervention and, if we do that, we will no longer have conferences on the problems that the Indian farmer faces. We will begin to have conferences on the success stories of the Indian farmers. ●



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High Time for a Farmer Income Commission

Devinder Sharma

24



As a journalist, I once met Norman Borlaug, who told me a story about Lech Walesa, the Polish leader, then leading the solidarity movement in Poland. He was in the news the world over as he talked of workers' rights and such issues. The Nobel Prize committee sent a small team to Poland under Borlaug to ascertain whether Walesa deserved the Nobel. Borlaug returned and reported that he was actually appalled to see what Walesa was doing. He was asking for cheaper food for the workers but was not concerned about the millions who were producing that food. Borlaug gave a report saying that Walesa did not deserve the Nobel. Of course, Walesa did win the Nobel but I wish he were alive today to see the kind of debate going on in India. India also wants its farmers to be crucified because it wants consumers to get cheaper food and the



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Food Policy Analyst
and Activist

farm sector to be market friendly.

What does one mean by market-friendly agriculture? Is it distress price/sales that makes for market-friendly agriculture? Let me answer a couple of broader issues that are being raised everywhere. One is that MSP has tried to block initiatives, incentives and entrepreneurship and such things. Had there been no MSP, there would have been tremendous ability for the corporates to step in, agri-businesses would come up and provided farmers with wonderful prices and so on. The farmers could take the risk.

I have just one question. The MSP benefits only 30 per cent of India's farmers and 70 per cent is still outside the reach of the MSP. One would have thought that 70 per cent would be good enough for the corporates to try their luck out with. The state of this 70 per cent is also good enough to



demonstrate to the country whether the farmers can really survive without state support or not.

The truth is that there is little state support as farmers are in distress, farmers are committing suicide and farmers want to give up agriculture. Something is going terribly wrong with the way India understands agriculture. That is the bigger problem. The obsession that this country has with growth rate has to go. It does not matter what the growth rate in agriculture is; whether it is two per cent or four per cent. Even if it goes up to eight per cent, farmer suicides will not go down.

The growth rate too is an interesting phenomenon. Even if the country faced a drought, production remains the same as in the previous year; the growth remains the same. So even with every alternate year of drought, the growth rate can go on increasing in agriculture. This is the kind of *tamasha* (drama) happening in Indian agriculture and no one is trying to figure out how to bail out farmers or how to ensure that the farmer becomes productive not only in terms of his efficiency increasing but also in terms of his finances improving at the same time. That is not happening.

The argument is that unless an Indian farmer raises the productivity from 3 tonnes to 7 tonnes, he cannot survive. Ultimately, he will have no other option but to commit suicide

Then again there is a national debate and confusion around food rotting, farmers committing suicide, farm lands being acquired and no one quite knows what is happening save the government that believes that Foreign Direct Investment (FDI) will solve all this. FDI will take care of the middlemen, FDI will take care of the farmers, they will get better price, FDI will also ensure that no farmer commits suicide because he will be getting a better price and even the consumer will stand to gain. It is like the advertisement of the child running and falling down in mud and the mother picking him, saying do not worry, we have Surf Excel. FDI is being promoted like this Surf Excel; “*farmers ko benefit karenge, sabko benefit karenge, aur suicide bhi khatam ho jayegi*”.

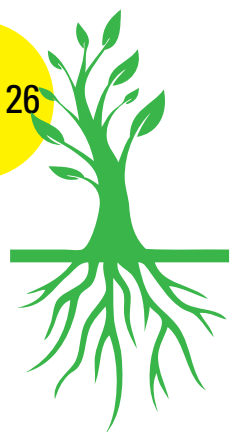
I do not understand why no one is looking at what is happening globally. Look at America for example. Walmart has completed 50 years in America. Has Walmart given higher incomes to farmers in 50 years? There is also commodity

trading that is talked about and the newly coined term, price realization. Commodity trading helps you in price realization. Economists are great people and we must admire them but they try to confuse us with jargon. *Price realization say kya hoga? Commodity trading say price badhega? OK. Walmart aayega tab hi price realization hoga.* One hears this over and over again but if all this was working for America, how come America provides massive subsidies to agriculture? If subsidy is withdrawn, agriculture will collapse in America. Withdraw support for agriculture in the European Union and agriculture will collapse there. An UNCTAD India study says that withdrawal of the green box subsidies in America will lead to a drop in agriculture by between 42 per cent and 45 per cent.

Coming to Indian cost of production, one is told that in a globalized world the Indian farmer can survive only if he raises productivity. This too is a fallacious argument. Take the case of rice, an important crop in which Indian productivity is around three tonnes per hectare or less at 2.8 tonnes. In America it is seven tonnes per hectare. The argument is that unless an Indian farmer

raises the productivity from three tonnes to seven tonnes, he cannot survive. Ultimately, in a globalized world, he will have no other option but to commit suicide. Consider the American farmer next. Does survive at seven tonnes per hectare? The total rice output of America, according to my study in 2005, is worth \$1.2 billion. However, the farmers receive \$1.4 billion to produce a crop worth \$1.2 billion.

This is not the case with rice alone. It is so with cotton too, which is a classic example. In 2005, my study said that the value of the cotton output in the USA was \$3.9 billion from 20,000 cotton growers. India has the largest area under cotton in the world. We always say Indian farmers are inefficient and that they should be raising their productivity to match America's. In America, 20,000 cotton growers produce a crop worth \$3.9 billion and they get subsidy of \$4.7 billion to produce that. Indian farmers can also raise their productivity but will they get a corresponding subsidy to survive? No.





This means that they are bound to commit suicide or get away from agriculture. This part of the story remains untold.

The Brazilians took the Americans to the dispute panel in WTO on the issue of cotton subsidies. Eventually, America lost and what did it do? America actually bribed Brazil by giving it an annual \$147 million subsidy to ensure that Brazil did not raise its voice against American agriculture or American subsidies. This is the bigger picture that I am trying to present to you.

You need to understand where the poor Indian farmer stands. The kind of subsidies a cow gets in Europe is good enough to make every cow travel around the globe in business class. When you get such subsidies you want the cheaper milk to come in to the country. This is what those with FDI are trying to do now. Indo-European FTA is exactly about that. The Europeans are saying that unless you reduce tariff from 60 per cent to 10 per cent they are not going to sign this FTA and India wants to reduce the tariff. What will happen? Cheaper milk products will come into India and the dairy sector, which is the most important sector in agriculture now, will also get affected. Then we will say that the Indian farmer does not know how to produce milk!

Somehow this impression is going round that agriculture is crowded and agriculture has state

support. Agriculture has little support in most states and wherever there is no state support, wherever there are no mandis, farmers face a crisis. Punjab – where I come from – was very lucky to have the kind of infrastructure that was laid out. I remember a story that the late M.S. Randhawa told me about Lakshman Singh Gill who became the chief minister of Punjab. He was an illiterate man and knew that he would last for only six months. The first thing he did after taking oath was to go to M.S. Randhawa and say: “Dr Randhawa, please tell me what I can do to leave my name in history because I know I am going to last for six months”.

M. S. Randhawa suggested that agriculture was booming in Punjab and there were mandis and farmers but there was no link between them and that the chief minister could build the link roads. He was the one who laid out all the plans to create the link roads in Punjab and the state has link roads from the villages to the mandis. That is the kind of infrastructure that was built in Punjab and that is the reason why Punjab is known as the food bowl of the country.

If you have failed to do it in the rest of the country, why do you blame Punjab farmers? Why can one not do so for the rest of the country? If we want to increase production, we do not have to raise productivity or bring in genetically modified crops. All we need to do is to provide that infrastructure.

Create mandis across the country, provide farmers with an assured price and the farmers will produce like any of us. You get your assured income, you get your assured monthly income, you get your Pay Commission and we are talking of the 7th Pay Commission. Pensions are going up and we are all safe as far as our salaries are concerned but we want to leave the farmers to the market forces. What is this market force? A Commission for Agricultural Cost and Prices (CACP) study says that the market friendly states are those where the farmer is paid less. This is appalling.

What is the course of action to take? The World Bank came up with a solution. It had done a study several years back that was presented at a conference that I was attending. The study said the developing countries did not need to provide agriculture subsidies to their farmers. They needed to invest in rural development and this investment could come from all countries; not from the concerned country alone. The bank said that subsidies in the form of rural development represented a waste of resources. Instead, India should construct more roads, produce more electricity and so on and so forth. I stood up to ask if this were true, why was Europe with its rural infrastructure in place – the electricity and telephone lines – giving agricultural subsidies. The answer was that one could discuss this after lunch.

Let us accept what this country needs today as far as agriculture is concerned. We provide minimum support price for about 24 crops. We only buy two crops (basically wheat and rice) and the country's productivity increase has essentially happened in those two crops that we are actually buying from the farmers. Sugarcane and cotton have also benefitted because we have the same kind of mechanism for them. The other crops have not picked up because we have not provided farmers with an assured price that the farmer needs.

Why should the farmer take the risk so that we can be sitting in comfort? Why should the farmer be throwing his tomatoes on the street one year and potatoes in the next? Yet this is happening in India. Why can we not ensure that the farmer does not take a risk and that he has an assured income? That is the bigger question now. If the farmers are doing well and even the 70 per cent that is outside the purview of MSP benefit, the farmer's income should have gone up.

The NSSO data presented in parliament, however, says that the average monthly income of



a farming family in India is Rs 2,115 (2004 data). Rs 2,115 is less than what I pay my hired help and that is what a family of five is earning and Rs 900 out of it is from non-agriculture sources. If the farmer earns only Rs 2,000 or Rs 2,400 at this juncture, there is something fundamentally wrong with the kind of agriculture that has evolved in India over all these years.

The country needs to move on; the era of MSP is over and we must move on to next stage, which is to give farmers an assured income. One has to look at his productivity, his geographical location, into what he is producing and there is need for a farmer income commission. If a gatekeeper gets Rs 25,000 per month why should the farmer get Rs 2,000 per month? The time has come for the two at least to be at par and it will not do to say that India does not have the money. This country has all the money for the corporates.

Every time the government gives, it gives it for the corporate sector and there is no problem. The moment there is talk of giving something to the poor the country goes up in arms and the newspapers lead the show. They insist that this country will die of a fiscal deficit with the Rs 1.25 lakh-crore food subsidy, which is nonsense. What about Rs 32 lakh crore of tax exemption given to the corporate since 2004-2005? In the last two years alone, Rs 11 lakh crore have been given to the corporates. The industrial sector is down, manufacturing sector is down, exports are down, there is joblessness. Do these not represent a waste of resources?



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International Agriculture and Research, the body governing the 16 international agriculture research centres, Ismail Serageldin, made a presentation at the Swaminathan Foundation and said that the World Bank estimates that the number of people that will migrate from the rural to the urban areas in India by 2015 will be twice the combined population of U.K., France and Germany that is 200 million.

The World Bank had thus estimated that 400 million people would be migrating from rural to urban areas in India by 2015. I thought that was a warning but on reading subsequent World Bank reports, I realized that they were actually telling us that: you are not doing it, you are not living up to the mark and you must hasten this process. The government of India is trying to do exactly what the World Bank is telling it. The World Bank wants to move this population out.

In fact, in the year 2009 budget, P. Chidambaram talked of the year 2008 World Development

Reforms do not mean privatization; there should be a way of ensuring that the farmer's welfare is looked after. What we are instead supporting is migration out of agriculture

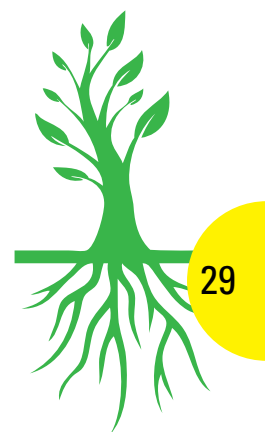
Had these Rs 11 lakh crore been given to the Indian farmers, their incomes would have shot up and when farm incomes go up the entire economy benefits. What is needed is effort to revive agriculture. Reforms should not mean privatization. We need to bring in reforms by way of ensuring that the farmer's welfare is looked after. That is what the country needs. Till we do that we should be ready to see more suicides every passing year.

Unfortunately, even farmer organizations in India are not raising the question about what will happen after the MSP era. They are still talking about higher MSP without realizing that there is another farming class that does not benefit from MSPs nor does it benefit even from the private sector engagement, not even at the terminal markets that we talk about like the e-chaupals. There was much hullabaloo over the e-chaupals set up by ITC. What is the e-chaupal doing for agriculture now? All these things will come up and we will have terminal markets because we want to link up markets to big retail that is coming up with their kind of production processes. These will benefit them and not the Indian farmers.

Last, to consider the bigger picture, in 1996, the then chairman of the Consultancy Group on

Report that says very clearly that you must move this people out and for skill development you must set up training institutes across the country and he provided for 1,000 ITIs in this country. Skill development has now become an important programme in India. They tell us and we do it. What the country must realize that the producer is also a consumer; 60 per cent of the producers are also the consumers and they can only consume when they have something in their pockets. That is what we, as a nation, are obliged to ensure. What we are instead supporting is migration out of agriculture and allied activities.

We need to look at agriculture and rural development as a whole and ensure that it is not a hand-to-mouth existence for the population. There is a global shortage of food and if India stops producing food it will be in a very precarious position; worse than what happened during the 2007 world food crisis that many countries faced, with 37 countries experiencing food riots, just because they had integrated with global agriculture. Let us not repeat that mistake. We must protect agriculture and we should not be ashamed to protect our farmers but try to give more power into their hands; more money in their pocket. ●



**COVER
STORY**



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If Farmers Organize, there will be an Uprising

Suneet Chopra

It has been good to see that by and large people have a very good idea of what agriculture is and what development is. I was a little worried that we were going to be thrust into a kind of wave of globalization. People have understood from the crisis in the global economy that globalization is not all that beautiful and, in a country like India, it is very clear that the division between the consumer and the producer; the division between agriculture and rural development; and various other divisions are actually not helping the masses.



SUNEET CHOPRA
Joint Secretary, All India Agricultural Workers' Union and Member, Central Committee of the Communist Party of India (Marxist)

However, one of the things that we have not seriously discussed is the question of land as property. That is the question that affects the farmer in the most terrible way. There was a big group of farmers marching towards Delhi from Madhya Pradesh and the south and they asked me to come and speak to the activists in Gwalior. What I found very interesting was a farmer who said that his land was worth more than a crore of rupees but

government had reduced the investment in agriculture from about 18 per cent of the GDP to about four per cent. People are also blind to the trauma of migration; they believe it to be no great shakes; just a rural migrant coming to an urban slum or being shipped to global farms.

A lot of corporates are buying land in Africa and our farmers will be shipped like cattle as they used to be in the colonial period to work on farms owned by Indians in Africa and also face the local people, who are being uprooted. You need to understand that this is a terrible future for anybody and you need to deal with it. I am

very glad that Farmers' Forum has been working among the farmers and there is only one way to resist this forced migration and that is to organize. Farmers' organizations can do things. My own organization has fought for the Mahatma Gandhi National Rural Employment Guarantee Act because we realized that there were very few farmers left in the villages. Cultivators account for only 49 per

We have handed over this country to speculators. People are talking of freedom from government controls. We have such freedom in Noida; there are the sand miners/stealers

he could not feed his family on it. I had to explain to him that his land was not worth more than a crore to him for he was a farmer. The land was worth one crore to a speculator.

The point is that we have actually handed over this country to speculators of all kinds. People are talking of freedom from government controls. Yes, we have freedom from government controls in Noida; there are the sand stealers or sand miners or whatever you call them. You also have various kinds of miners in Karnataka and Andhra Pradesh. You have miners from Odisha. Nobody is against progress but progress should not be at the cost of those who are actually rooted to the soil. The tragedy is that those are the people, the farmers, who want to migrate because they cannot sustain themselves on their land.

It is amazing how people are blind to all this in this country; to the fact that even in the west the farmers have to be subsidized. Even in countries like the USA farmers are being subsidized; to the fact that 63 per cent of Indian farmers have hardly any land left because in the past 20 years, the

cent; the others are landless. The rural landless have no work.

Yet farmers too are citizens of India; they are not just a human resource; they vote for governments and these governments fall if the farmer does not vote for them. The point is that the farmer must understand that he is the ruler of this country and not just a human resource and it is our task is to make sure that farmers are treated as humans. If somebody passes a law that tears me from my roots, that throws my family into an urban slum, I have every right to fight like the tribals of Odisha.

I have just sent a letter to the chief minister of Uttar Pradesh about a clash in Benaras where the Musahars, who had been farming the land of Maharaja of Benaras (who owned that land illegally) and giving him half the output, are about to lose their livelihoods. Some 18 years ago, we led the struggle, got the people settled, got an agreement with the government and now, because the price of land is going up, the local land mafia is out with its guns to take over the land. This happens with such ease; it happened in the Chak





Sometimes the corporates act like mafia, as if as an extension of the mafia. Their legal status in society may be different but a corporate can do everything that the mafia does

village in Punjab too, where land was given to dalits and the mafia came and destroyed their homes to evict them and seize the land.

All over the country the major question in agriculture is the land question because land is becoming the object of speculation and human beings are becoming unimportant. So we, as organizations of farmers, will have to put forward the human aspect of the struggle and the farmer must be made conscious of his rights and given the support to stand up to the land mafia. Sometimes the corporates act like mafia, as if as an extension of the mafia. Their legal status in society may be different but a corporate can do everything that the mafia does and do it better. Corporates talk about the trickle down effect of growth.

There is a man called Mukesh Ambani who has done an amazing thing. He has invested Rs 36,000 crore in oil, in America, in shale gas. He is putting in another Rs 24,000 crore. This is wonderful progress for India that the son of a petrol pump attendant, as his father Dhirubhai Ambani was, should achieve all this. What we, however, have to see is whether that money could have been used in KG basin to develop India. The free market is neither free nor development oriented. Mukesh Ambani is sending out money to invest in America; money raised here by increasing the price of diesel, which the farmers have to pay for.

What we have to understand is that the first thing that we have to fight for is land. Some 56 lakh acres of land has been given to peasantry but 220 lakh



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acres has been given for non-agricultural uses and even that figure is dated. The current figure is much more. Some 680 lakh acres of tribal land were taken because the British did not give them rights and we took over their forests without even asking who owned them. Who were these people, what were they doing for hundreds of years?

When citizens of India are treated like dirt they will organize themselves and farmers' organizations are going to develop. Agriculture labour organizations are going to develop. Tribal organizations are going to develop and these organizations are going to decide what the people of India will do in the future. The future of India is not going to be developed by the corporates. As you have seen in Odisha the tribals pushed them back. The corporates will be pushed back and must be pushed back because they act arbitrarily, like the mafia, taking over our resources, exploiting people and leading to price hikes.

Why is there this price rise? Your grain is rotting

in the FCI warehouses. The Supreme Court says that the food must be distributed free to the people. The Minister of Agriculture says: "I have no constitutional authority to do that." Have you got the constitutional authority to mine illegally at the doorstep of Delhi, as the sand miners are doing? Do you have the constitutional authority for allowing Madhu Koda's activities? Do you have the constitutional authority for any of these things? It is only when it comes to the poor that you do not have the constitutional authority. When it comes to the illegalities of the rich, there is no law; they can get away with murder.

So it is not a question of constitutional authority. It is a question of the rights of the citizen and we, as a farmer's organization, are very happy to see other organizations developing like the trade unions. Yesterday, I was at the trade union meeting where Abhijit Sen's wife, Jayati, was present and all that I can say is that the trade unions have united. They have united and I can see farmers united because the people of India need protection. There is no protection from the current administrative structure as such.

I often go and speak on agriculture at the Defence College at Teen Murti and I ask these generals and others present that when three lakh farmers commit suicide and your army is drawn from the peasantry, how do you expect to defend your country? They have not even thought of it. Our jawan is a kisan and if the kisan is committing suicide, can he defend the country?

I was reading an account of Prince Soltykoff from Russia, who visited India around 1840s and said that the British considered the Indian soldier to be very disciplined; who would do anything that the white man asked him to even when he was annoyed; when he was very annoyed, he would commit suicide. This intrigued me. Suicide is the premonition for a revolt. He wrote this around 1846. In 1857, there was the uprising.

So let us, if we love the people of India, organize them to fight for their rights, link agriculture with development, give the states their due respect and give local government its due respect and give the people of this country their due respect because the fight has begun and its going to get tough. There will be uprisings of the kind that we have never seen before and if we think that we can legislate the people out of their humanity and out of their rights as we seem to be doing under globalization, we have a fight on our hands. ●

Shift Focus on Income Policy from Price Policy

Dr Ashok Gulati

What do we do in this magic box called MSP? How is the pricing done and what impact is it likely to have?

One interacts with different stakeholders in the economy and gets different reactions; the farmers say, whatever is the price, it is a low price and there is need for more. Even this morning farmers from Andhra Pradesh were sitting in a delegation asking for more. Consumers as stakeholders feel that prices are already sky high and have to be brought down. They perhaps want everything for free. Now any



DR ASHOK GULATI
Chairman,
Commission for
Agriculture Costs
and Prices

institution that is entrusted with pricing of agriculture has to go by its mandate. The mandate of the Commission for Agriculture Cost and Prices (CACP), thankfully and very rationally, is to consider both the farmer's and the consumer's interest. It says, incentivize the farmers to adopt modern technology to increase productivity and production broadly in line with the national requirements.

There is also a demand-supply balancing that has to be done in the economy. In doing so, one keeps in mind rational utilization of land and



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water resources. The MSP also takes into account the cost of production of the farmers, the inter crop price parity across different crops, the terms of trade between agriculture and industry. These are the issues that it takes into account. One looks at the demand-supply broadly to start with and then considers all these issues that have to be looked at within the overall perspective.

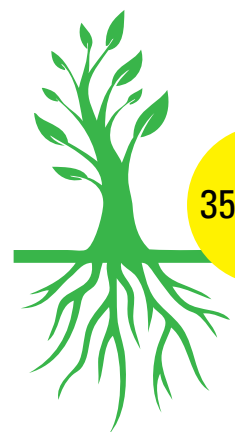
We interact a great deal with farmers and there is an incorrect perception that MSP is a cost plus pricing formula. The CACP by its mandate is not a cost plus pricing business. It is unlike the Tariff Commission that does cost plus pricing. That is

the first thing to be noted. The second thing is that even when cost of production is taken into account – and that is a very important element – the cost of every farmer is different. It varies from state to state, from crop to crop. To give you an example, if today we are doing the pricing of wheat, the comprehensive cost of production (C2) would range from around Rs 850 to Rs 1,600. So whose cost are we talking about? There have been discussions in the sixties, seventies and eighties on whether we take a bulkline cost or a weighted average cost or the cost of only the most efficient ones. The first challenge that has to be confronted by the institution is whose cost.

To understand the terminology, A2 is the paid out cost, what the farmer pays out of his pocket but farming is not just a paid out cost. There is a family labour that is working and the price of land that is owned by the farmer. How we price owned land becomes a big issue. I tried to do some economics with my own house, which may be worth four times what I purchased it for. If I sell it, I will get this much. If I put it in the bank, I can easily get this much per month and, therefore, this is the minimum I should be getting on this as rent. That is the philosophy. By that standard I would not be living in my own house. I cannot pay that much rent.

One of the factors to consider is the expected rate of appreciation in the capital over time. So how you price owned land becomes a big challenge. We looked at these issues in different ways. For those who are tenants paying actual rents, that actual rent is counted as the part of the cost but for those who are owner operators, the rental value is valued in accordance with the state government's rental regulation, which roughly comes to 30 per cent of the gross value of output and ranges from 25 per cent to 30 per cent in most of the states. That is how the rental value of the land is captured.

There is also a question of owned capital. How do you get that if you are paying interest on it? Roughly between 40 per cent and 50 per cent of the cost is not paid but imputed. So there are two concepts. One is the A2, which we call the paid out cost, which the farmer has paid from his own pocket and the other is called the C2 cost that is the comprehensive cost including the imputed value of owned land, imputed value of owned capital and imputed value of family labour. All these things are put into the calculation. These two concepts differ by almost 50 per cent. Haryana may have its cost of production at Rs 900 a quintal and Maharashtra at Rs 1,600 per



quintal. One takes all these states and finds out the weighted average of the cost. Naturally, states that produce most and states where cost is lower have an important bearing on the price offered.

By definition some farmers will have higher cost at that weighted average and for them MSP is always low and rightly so. If you cover that cost of the last farmer, the prices today will be, if not 100 per cent higher, at least 50 per cent higher and the challenge then comes to what happens to your consumers. The demand side comes from the consumers' end and at that price they cannot afford and if you want to give Rs 2 or Rs 3 per kilo under the Food Security Bill, you need to work out how many people you will have to cover.

Today, the country has to think of a bigger battle in terms of food security and the discussion shifts from price policy to an income policy for the farmer and I fully subscribe to the view that working people should have a right to a reasonable income level. If you look at Europe or the US, they have graduated from supporting the farmers through income policy from price policy and the

because the natural flow will see people moving out of agriculture to non-agriculture sectors, where productivity is higher. When those sectors are growing at eight per cent to 10 per cent per annum and agriculture is growing at between two per cent and three per cent per annum, the per capita income gap starts increasing and it is to cover that inequality that the income support policy has to be used. That policy should be used in a manner that creates least market distortion, otherwise there will be huge inefficiencies in the market. The price policy is not an instrument to achieve equity ends of income support. If it is used thus, the whole system will get messed up. India is on that delicate inflection point when it needs to devise its own income policy to help the farmers rather than lobbying for higher prices that will lead to more inefficiency and the losses will be more than what the farmers will actually get.

Take the example of Bihar. In the last season I was in the fields in Bihar incognito. We talked to the farmers on paddy for they were getting ready to sell their paddy. I asked the farmer how much he is

Growth is never as fast in agriculture as in manufacturing or services. So people move away from agriculture. This has happened all over the world and will happen in India too

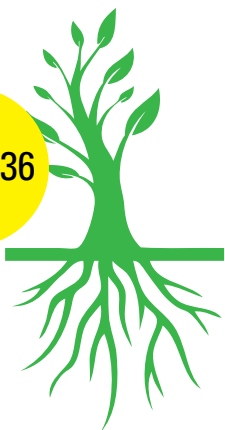
reason is very clear. If you try to give higher and higher prices to support the farmer's incomes, his income objective gets more and more into the price policy and creates bigger market distortion. You will have huge stocks lying at one place because markets will be finished, everything will come to the government and then you will have to liquidate those stocks at Rs 2 or Rs 3 and a mess will be created.

It is not the first time that such things are happening in India or China. As the economy grows the government tries to support farmers because farmers lag behind the rest of society in terms of income increase. Growth is never as fast in agriculture as in manufacturing or services. So people move away from agriculture. This has happened all over the world and this will happen in India too, whether we like it or not. India will have to face this transition and the question is how to make it more lucrative and smooth. That is where the art of policy making lies.

Trying to stop that flow is like swimming against the current; trying to stop a river that one cannot

ready to sell at and he asked if I was ready to buy. I said: "Yes, I can buy" and he said he would settle for Rs 950 per quintal. I then asked if he had heard of MSP and he responded like "yeah, I have heard through people sitting in Delhi announcing all this but can you help me avail of this?". I told him that people from Punjab get it and he said that Punjabi farmers and the state government there are quite smart "but we do not get anything here".

The farmer went on to say that if he carried his produce to the railway station in a bag he would get Rs 1,025. I asked why should he have to go to the railway station. Is there a procurement centre there? He said: "*No sahib, wahan procurement centre nahi; wahan se rakes ke rakes jaa rahein hain Punjab. Woh railway station ka rate hai Rs 1,025* (No. There is no procurement centre there but railway rakes go to Punjab from there)". I asked how that was possible and he said: "*Ho raha hai, sir. Koi organize ker raha hai. Wahan milling kertay hain. Phir woh FCI ko wahan dete hain. Unko Rs 1,250 wahan milta hai...* (It is happening; someone is organizing it; milling takes place there and then the produce is given to the FCI





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and they get Rs 1,250 per quintal)". Some farmers did not want to give me a hard price but said: "*Saab yeh jo MSP diya hua hai sarkar ne, woh dilwa dijiye kisi tarah se*". (Sir, this MSP that the government gives, please get me the same rate some how)

I talked to the chief minister who had his grudges against the centre and the FCI and I came back and told the chairman that the system was not working to make an effective procurement where the need is the most. Production is increasing. Had the farmers got 20 per cent more than what they are getting today, it would be a great incentive for them to increase production.

The point is that the system does not exist and I have been going at least twice a year to Bihar specifically. I made it a point to have something done there. There were hardly 200 to 300 centres and now there are 9,000 centres but little procurement is taking place. The farmers tell me that the procurement centre people get 10 per cent and all such things are going on. What I found was a system where infrastructure was missing, where there is no milling capacity, investors have not come in for a milling capacity, production is increasing and the market is collapsing. I think there is a long way to travel to do these things. If we have to give a better pricing, there are a few things that need to be done today.

On 1 July 2013, we had 74 million tonnes in government stocks. The question is, how much do we need for our own food security? The government has to come up with a number. If there is a huge excess with the government, the farmers will not be able to

get the price they deserve. The other question is; why this stock accumulation took place? Last year it was 80 million tonnes and, possibly, this was because of the four-year ban on exports of wheat and rice. The stock, at 23-24 million tonnes, went higher and higher and touched 80 million tonnes.

The point is that if there is no demand for a commodity, domestic or external, create a domestic demand by all means. If you do not have a demand but produce more and more you need to decide how much should be accumulated. There are two other issues: higher administered price hike and increase in MSP may be responsible for this accumulation of stock for a year but the farmers have a different story. Farm wages have increased for the last three years at 20 per cent per annum. So the costs are increasing.

Last year, we recommended freezing the MSP, there were protests and a five per cent increase took place. A very delicate balance has to be kept between the farmers and consumers while pricing. The bigger question, however, is falling farmer income and my humble submission to farmer organizations is please do organize yourselves but ask for an income policy. Price policy cannot provide a solution to your income needs. Please try to understand the distinction between the two. The price policy's main role is allocation of resources, income is a secondary objective and the more we learn about it, the more the use of innovative methods to get income policy in place, the better off the system will be, without messing up markets and production structure and efficiency in production. ●



**COVER
STORY**

Time to Ensure a Safety Net for the Farmer

Dr Abhijit Sen

This discussion has covered a very long distance. Ramesh started off as an economist and kept his things to fairly standard economic issues; Ashok, at the end of it, came back as an economist and kept it relatively around standard economic issues. In between, a lot of other things were thrown in. I wonder whether, as an economist, I should start with economic issues or even address some of the stuff that was there in between the two economists. I will do a little bit of both but let me actually pose the big question that every speaker has raised in one way or the other.

To actually come to that big question, I take off from Ashok's last line: let us think in terms of income policy rather than price policy because farmers' organizations are really demanding incomes, but you want to get it through prices and if you try to do it through prices you distort the market. That is the way an economist would put it and I think Ashok put it really well. Why this



ABHIJIT SEN
Member, Planning
Commission

there are parts of country where there is some income policy even for farmers. The problem is this: who is a farmer and what level of income will you guarantee. Surely the farmer who has 15 acres of land will not be satisfied with what the farmer who has an acre of land receives. There will be issues around whether the land is irrigated and, if not, how much income can be assured. The country cannot obviously assure everybody the 15-acre irrigated land income; it would go bankrupt.

Somewhere along the line, I think, Devinder talked about Rs 20,000 for peons, why do all farmers not get that. The problem is that will cost around Rs 20 lakh crore for just 100 million farmers in the country. Even if one were to take away all that tax, which the corporates are not paying, that would only cover half of that. Agreed that there is a lot of inequality but one must begin by understanding that we are still at this point of influx and the cusp; we are a poor country and a poor country cannot afford to be too generous. When it cannot afford to be too generous, it tries to do

It is time now to move from looking at price policy to an income policy because in trying to ensure incomes through prices we have got it wrong. We have driven up prices

is related to a lot of what the other speakers said is that we shifted from the pricing of agricultural products in India, (as the title of the discussion is), on to issues regarding the incomes of farmers, their standards of living and what happens to them relative to the rest of the country and, in particular, relative to traders and others.

This basic question of distribution; where do farmers stand in the distribution picture is something that, to some extent, is clearly related to prices. Ashok's simple point, which is very similar to what Ramesh said at the beginning, is that it is time now to move from simply looking at price policy to an income policy basically because trying to ensure incomes through prices we have often got it very wrong. We have driven up prices too high and we have gathered too much stock.

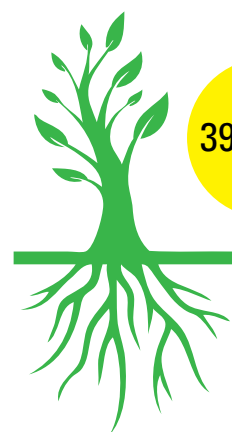
There is, however, a problem with the income policy. If there was no problem, we would have had an income policy a long time ago. This country has tried every policy on earth in some way or the other and we have not done too well in most of them. We would have had some income policy and, I am sure,

all sorts of things to try and show that it is generous and yet actually not spend too much out of its own pockets. We do it all the time as a country.

One of the reasons that we do not have income policies across the board as Europe and America do is because they have to actually subsidize, (through incomes, only two per cent to three per cent of their population). The rest of the population pays taxes and the government pays income support to that two per cent or three per cent. When you try and do that with 50 per cent of the population as farmers, as in India, you run into arithmetical problems.

Honestly, we must not try to beat about the bush and say let us not do this and let us not do that. Discuss what one can do; what is possible, and several things did come up in today's discussion. Many of them have nothing to do with pricing and many of them are the things that one ought to be doing first.

One: We have got to actually do something about infrastructure and this infrastructure relates to roads, electricity and irrigation. Where this infrastructure does not exist, we ought to do a lot better on getting



that infrastructure there in time. It is happening and has been happening ever since Independence but it has been slow. It picked up a little bit but still it is something that, if we had put our minds to it, we could have done much more. Take the scheme that the NDA government started: the Prime Minister's Gram Sadak Yojana (PMGSY). As a single scheme, it has changed the face of a large part of rural India and has actually done more than a number of other things. Just simply connecting places did not have connectivity.

This does not affect Punjab because well before PMGSY came along, Punjab's villages were connected. For the vast parts of the country though, what they had not ever seen did happen in the last 10 years or so. The same thing holds true for a number of other things across the infrastructure space but infrastructure is still sadly missing in too many parts of the country. For example, there may be an electricity line but there is no real electricity flowing through it in vast parts of the country.

Why does infrastructure matter? If everything else is held constant – the crop technology, the price that the person gets for it – the income of the farmer goes up with better infrastructure because you bring things closer to the farmer. Another thing that Ramesh pointed out is that since 2004-05, the data is very clear, it is not rice and wheat, which are the MSP seeking crops, which have shown improved productivity. Productivity gains have come to other



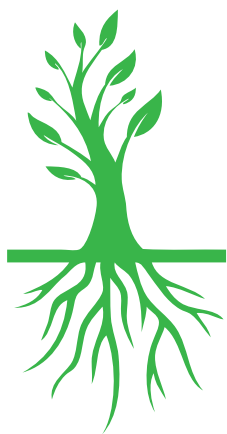
We need to think in terms of safety nets... in terms of creating space where we say that, as a country, we can guarantee so much but not over and above that

crops as well; mainly dry land crops and they are really big gains in livestock and in horticulture. What that really means is that there is the technology and, even more, there is the market for the farmer to be able to get more incomes from doing things he may not at the moment be doing.

In the case of the Punjab farmer, for instance, who is fairly safe at the moment, there are opportunities if he takes a little bit more risk. Where that safety does not exist as in a number of places like Bihar, the farmers have to take a risk and they do end up diversifying. It does not necessarily mean, therefore, that the farmer who has to take risks will ever be as well off as the Punjab farmer and that raises all sort of issues about income and income policies but it does mean that there is a tradeoff, as I think, Ramesh

put it, between entrepreneurship, risk taking and the unfortunate situation of taking risk and failing and ending up committing suicide. It is not the farmer who has not taken the risk; it is not the very poor, who does not have the capital to invest; it is the farmer, who has got a little bit of money, and has taken risks that have boomeranged. Yet that is also happening.

The essential thing is that we need to think in terms of safety nets. We have to think in terms of creating space where we say that, as a country, we can guarantee so much but not over and above that. You take risks and if you fail, you fail; you make a loss or earn an income. If you fall below something, however, we will step in. Have we done this? We have not done it very well at all because we have created all sorts of rights, we have created





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all sorts of expectations. However, even with the MSP you announce when people try to sell it they find that nobody is willing to buy it at that price. This system is in there to buy it but the system runs away and buys it elsewhere at the same price as Ashok described.

That particular delivery that the government promised did not take place and such delivery failures of government services exist almost everywhere. Whether it is the PDS – the other side of the MSP – or indeed in credit or many other things involving government delivery of services, there are failures. Had these services not been there, things would have been hugely worse off but even they do not provide a safety net in the sense that there is no safety net for those who fall. In most cases that net simply does not exist.

The real issue to be addressed is not an issue of incomes. No economist can say that the farmer's income depends upon prices and we have to raise prices to the point that incomes are sufficient.

Whether that will happen or not depends entirely on the demand in the system. Sometimes world prices shoot up. It seems as if farmers could be much richer if we exported the things. Therefore, all bans on exports are bad. Sometimes the world prices tumble – and part of that is related, of course, to what other countries do with their subsidies – and if the farmers did not have any other defense against those downswings in world prices, they would do very badly at those times.

Leaving things just to the world market, where price swings are at least three to four times the swings in domestic markets, means that we would actually make farmers face risks like they have never faced before. Hardly any country allows its farmers to face those risks. Therefore, much of the arguments and much of the discussion must shift, on the one hand, from prices to technology and infrastructure and, on the other, to safety nets. What that means really is something that, I think, Ashok said, being the current chair of CACP. I would have said it more strongly.



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In many cases, we, as people setting prices, know that these prices are going to cause a distortion. They are, in many cases, just too high and yet we have got to do it. We may talk of supply and demand but talk to the people and they say the cost has gone up too much. The idea for MSP originally was that this is the price below which you do not want things to fall because, if they do, the farmer would make out-of-pocket losses.

Ashok explained A2, C2 and other things but, as a rule of thumb, we have used in the CACP for a very long period, the MSP is as high as the largest A2 cost but you try and double this gap, which is the C2. Unfortunately, eminent people – who are not economists and do not understand why economists talk about supply and demand – ask for 50 per cent more than C2. Obviously, when someone like Dr Swaminathan says so, it has a huge impact on everybody and particularly on farmers' associations. The honest opinion from those who have been in this game is that setting a number on what the MSP ought to be relative to costs is something that is not going to work. Much more relevant would be going to work with technology, with infrastructure, with better government service delivery and if only we were committed to a system of safety net that was there with surety.

There is now a realization amongst almost everyone that there is something terribly wrong

with what is happening. It is very unfortunate that there is no organizational solidity and strength that farmers' organizations used to show before, because farmers themselves actually do not always believe in what the organization says. In this situation, it is our duty to point out: (a) that certain things will not deliver, (b) what will deliver, and (c) work out a way in which it will deliver; not to attack this or that. There are many things that we, as a country, have tried; almost everything.

We had a long discussion today about rural development and agriculture; state and central governments; decentralization and centralization. All of those are important. Agriculture is a state subject constitutionally. As far as possible it should be decentralized down to the panchayat level but precisely those who demand decentralization to the state level oppose any further decentralization to the panchayat level.

These are questions that are going to come up. We have systems and people at every level where decisions are going to be taken. There will be two points of view and things will move somewhat and no further. One thing that most Indians know at the heart is that not to aim for 100 per cent but to be satisfied with something that is a bit short of that; but identify what is important and stick to those things. There was a time when the price issue was the important one. I do not think that is the issue anymore today. There are other issues. ●

FARMERS' FORUM



Conference on
**PRICING OF AGRICULTURAL
PRODUCTS IN INDIA**

New Delhi | 8 August 2013

Question & Answer Sessions

44

The Q&A session that followed the speeches covered a range of subjects from rotting grains to the inequities of procurement. The problems were clear but the solutions were not...

Q: My name is Gaurav and I am a reporter with the Mint. My question is about the point raised that MSP works only in 30 per cent of Indian farmlands. Why does the remaining 70 per cent of the Indian farming population not raise a hue and cry about not getting a fair deal while few states are able to get the benefits of MSP? Why do we not hear about revolts or at least some voice from the 70 per cent of the population that is being left out?

ASHOK GULATI: A lot of the political economy question is loaded with that and that is the story that goes back to Bihar - if Punjab farmers get MSP why not Bihar farmers? Yet this is happening year after year and when I saw it for the first time, I literally cried because none of the farmers were asking for more. They just wanted the MSP because we were buying from Punjab and Haryana. Worse, Punjab imposes statutory levies that are 14.5 per cent on

top of the MSP. The farmers were getting 15 per cent to 20 per cent below MSP in Bihar and in quite a bit of the eastern belt even while the central government was paying 15 per cent above the MSP to secure food stocks.

Historically, Punjab and Haryana get MSP because at one time there was a huge need to ensure food security and the green revolution came in. The infrastructure and institutional structures were built and the system was put in place. Today, we are not in the 1960s or 1970s and the situation is relatively comfortable. I was so touched by the experience in Bihar that I came to the centre and went to the chief minister. I was battling between the two because one was literally putting the blame on the other. The centre said that it was a state subject and that the state had to ensure MSP payment. The state said that the centre did not co-operate and that there were problems with the FCI; this and that.

I finally wrote to the Prime Minister about what



was happening in this country and said, please could something be done about it? Some things moved. The number of procurement centres in Bihar increased from less than 500 to more than 9,000 but how much have they procured? Half of their targeted procurement and they have all sorts of institutional problems. It will take time but it is an organizational issue and a political question and a state level commitment to ensuring MSP to farmers.

I will give you examples of two other states. Five years back, Madhya Pradesh did not procure even one million tonnes of wheat. In 2012-13, it procured 8.5 million tonnes of wheat. The centre was then giving us an estimate of a total production of 8.6 million tonnes. I pointed out that 8.5 million tonnes had already been procured, which meant that something was not tallying. They had to revise the production figure to 11.5 million tonnes. Now the numbers have come down. Possibly, last year about a million tonnes or two million tonnes came into Madhya Pradesh from Uttar Pradesh because M.P. had announced a bonus. Even so, consider the increase over five years from less than a million tonnes to around 7-8 million tonnes of procurement.

It is the same with Chhattisgarh. This state



DR ASHOK GULATI

announced a 22 per cent bonus on paddy on top of MSP. What happens? Paddy starts coming from Odisha and everywhere and then they said that no paddy will be allowed to come in and farmers were raided because the entire paddy has to be bought by the government at a 22 per cent bonus on MSP and there is no market left. While one can disagree about these distortionary features, the fact is that the state government committed itself to procuring and putting computerized systems all over. It created a rudimentary infrastructure: just ground and wiring

around and a person with a computer, who could count. Cheques got issued and went directly to the farmer's account. Each farmer in Madhya Pradesh now gets an SMS on when to bring the produce to the market. So all this can be done even today. These farmers are getting a better deal than those in Punjab and Haryana.

In the eastern block, where a huge increase in production is taking place, there is no alternative than to spend on roads, which is the best investment. We have done these studies in five countries, the biggest poverty alleviating impact in the rural areas is through rural roads everywhere, including in India. China too has done it in the past. That is the best investment.

Also, diversification is a natural process to increase income and must be allowed. In fact, the way Chhattisgarh is going about its MSP policy with a 22 per cent bonus on top of MSP, is actually regressive as far as the diversification process is concerned. We have worked out that in the last five years the area under paddy has been going up continuously, while the area under all other crops is coming down and there is realization that this will become a monoculture, which is not good. One is going against the natural process of diversification.

The last thing that I wish to comment on is risk management. We have recommended a Rs 5,000-crore corpus for a risk management or income stabilization fund or a safety net.

SUNEET CHOPRA: I would simply like to say that when we look at the western model and separate pricing from the question of assets of the peasantry and the question of per capita availability of food crops, we get caught in a trap. It is not only about a safety net. It is also about the way that surplus stock is destroyed. There must be some measure so that it gets to those who need it. When there is a decline in the per capita availability of grain, the available grain should be utilized but it is not being utilized.

The other question is about infrastructure. Infrastructure is not going to come naturally. I remember making a film years ago and we were the first people who pointed out what green revolution had done in "Seeds of joy, seeds of sorrow". We were in Pusa, which had better land than Amritsar



SUNEET CHOPRA

and people were migrating from Pusa to Amritsar because Pusa is in Bihar and in Pusa the landlords would not give land to these people and they would spend a good part of the year outside as farm labour.

So these peasants, the landless labour, would go to Amritsar to farm on land that was much worse than land at home. We did ask them about the wonderful seed in Punjab and if they had brought some back. They said yes but when the Kosi flooded everything got washed away. There was no flood control; landlords were not happy if the landless remained in the villages; and the ration system did not work. We would much rather have rats feeding on that food than the poor and I think something is wrong with that.

Q: My name is Mayank and I work at Reuters. We are sitting on huge stocks of rice and wheat and we are importing edible oil and pulses. Pulses will also help reduce the malnutrition. Why can we not cap MSPs for rice and wheat and increase it for pulses and oil seeds? Why can the FCI not have better storage capacity to buy oil seeds and pulses from farmers?

ABHIJIT SEN: As far as MSP issues are concerned, Ashok can talk about them but it is not as if Ashok and his predecessors have not tried to do something about all this. They have been giving much larger increases in pulses and oil seeds MSP than for rice and wheat.

In the last five years the area under paddy has been going up, while the area under other crops is coming down and there is realization that this will become a monoculture





DR ABHIJIT SEN



DEVINDER SHARMA

The real fact is that there is no system for procuring oil seeds and pulses. The MSP implementation structure exists for rice and wheat and, indeed, if you go to Punjab these days, a lot of Punjab peasants say that they are actually willing to diversify if they are given an adequate MSP. This will happen with soyabean in Punjab. The Punjab farmer, having gotten used to effective MSP for rice and wheat is, by and large, not willing to move to something where he does not have that same degree of support and we do not, at the moment, provide it.

So it has less to do with how much the money is, what the price is. It has much more to do with how we, as a country, intend to move towards a system for oil seeds and pulses, which is similar to that for rice and wheat. In other words, would there be an FCI like operation? That can only happen if all that goes into where the FCI stuff currently goes into, which is a combination of stocks distributed mainly through the PDS. That is the big decision. So far, we have kept the PDS, which actually supplied much more in the nineties in terms of variety than it does now. Procurement is still largely confined to rice and wheat and that is what limits the MSP from being a tool for diversification. It could to some extent if one is willing to extend PDS. Without that MSP will have a very limited impact in terms of diversification.

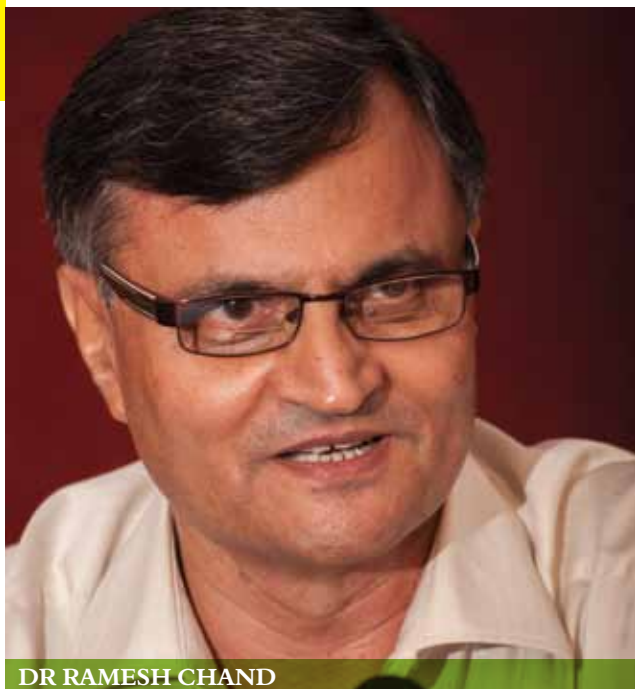
DEVINDER SHARMA: I would like to point out two things. As far as diversification is concerned, people have argued that it should be left to the market but we actually support MSP there. Even the Monsantos and the Pioneers, who generally want the safety net (MSP) to be withdrawn when they talk of the country's agriculture policy, agree to having MSP

in Punjab because that would ensure the sales of their technology or their seed. That is how they go about it. We need to watch what is being said and what is being done. As far as oilseeds are concerned, it is important to go back a little bit into the history.

When Rajiv Gandhi became the Prime Minister, he had said that edible oil import was the third largest item in the country after oil and fertilizer and asked why India could not produce enough edible oil. So he launched the Oilseed Technology Mission in 1984-85. In 1993-94 India almost became self sufficient in edible oil, producing 97 per cent of its edible oil needs within the country. Only three per cent had to be imported. Then India started reducing the duties. Everything is related to trade policies as well. Today our duties are almost zero.

Once duty is reduced, cheaper imports come in, so the Rs 56,000 crore worth of edible oil that India imports is not because its farmers cannot produce but because we do not want our farmers to produce even if the fiscal deficit goes up because of the imports. One needs to understand the entire game of fiscal deficit linked to production and linked to trade. Without understanding this, we will not understand what is actually happening. In the case of pulses, one has heard that pulse production is not going up; it fluctuated in the 14 million to 17 million tonnes band for obvious reasons. Why should the farmer produce if he is not given an assured price? It is a risky crop and the farmer has to make considerable investment of time and money on it.

You tell the farmers that they produce gram and arhar, the government will buy them at a particular price. The price of coarse seed is announced but you do not buy it. Why will he produce for the



DR RAMESH CHAND



ALOK SINHA

India imported more than 10 million tonnes of edible oils for Rs 61,000 crore. It is very easy to ask: why can we not produce it? It will mean at least 30 million hectares of extra land

country? Why are we working towards producing in Burma and importing from there? Ajay Jakhar had once said that we could grow and import from Africa and I had asked why can you not do contract farming in India rather than importing from Africa. We need to understand this holistically.

The final thing that I want to talk about is infrastructure. Ashok Gulati talked about mandis not being there, infrastructure not coming up in all these years, which is true. The question is about priorities. Look at the Food Security Bill and the haste with which the government is working to put everything in order because it is linked to the elections. The mandi issue is not and nobody is concerned. The government is not worried about the other things because they are not required for its survival. If the government wished to, it could have made haste with the mandis just as it has done for the Food Security Bill.

ASHOK GULATI: The question of MSP for other commodities has engaged the attention of at least three or four chairpersons of the CACP but if one considers oilseeds, consider the 2012-13 data. India imported more than 10 million tonnes of edible oils for Rs 61,000 crore. It is very easy to ask: why can we not produce it? It will mean at least 30 million hectares of extra land under oilseeds if India needs to produce that much and where is that extra 30 million hectares of land? If land is transferred

from other grain, there will be a shortfall in them and those commodities will have to be imported. That is exactly what happened when the technology mission on oilseeds was put in place in 1986. Up to January 5, 1989 they were nowhere near the target because they had promised the Prime Minister that India would be self sufficient in four years.

Then they went to Mr Kurien and I was there in Anand and he said, "stop all the imports and let prices increase by 40 per cent, 50 per cent or 60 per cent." We were importing 30 per cent of our requirement at that time and if we stopped imports, prices shoot up by 50 per cent to 60 per cent and area starts shifting from other crops. By 1992-93, we had so-called self sufficiency in edible oils producing at 60 per cent higher than the world prices but we were importing three million tonnes of wheat at double the price that we were paying our own farmers. The question is to find the right balance of trade gains.

India was producing edible oils at double the world price – 60 per cent higher – but importing wheat at double the domestic price and both sides were losing as far as trade was concerned. Then quantitative restrictions were reduced and duty brought down from 85 per cent to 65 per cent to 30 per cent to 15 per cent and that is how the flood of imports came in but then there was a stock build-up.

That is how the food stocks emerged in 1996. There is always a tradeoff and it is a question of determining one's priorities. Land is limited and if





DR BIBEK DEBROY

you want to produce you have to raise productivity but if you want to reshuffle the same land, you need to get your priorities right. We have struggled on this issue and there was a separate report submitted to government of India that the only plant that can yield four tonnes of oil per hectare is palm oil and 75 per cent to 80 per cent of the current imports of 10 million tonnes is palm. Others give 400-500 kg of oil per hectare. We have given the government a Rs 10,000-crore plan for the Godavari belt and farm incomes can go up if the government veers towards palm oil. Otherwise one can forget about self-sufficiency in edible oils because one does not have the needed 30 million hectares to spare.

DEVINDER SHARMA: No, no. Palm oil is not the answer for India. It is environmentally disastrous. If you introduce that in India, there will be an environmental disaster and we cannot have it just because industry wants it. The other part of the question is about the area under oilseeds. What is the problem with increasing the area under oilseeds when one is looking at reducing the area under wheat? We should bring back the duties to a level that we do not allow the cheaper imports to come in. That must happen and unless that happens we will not enable our farmers to earn more by producing whatever crop they can. This is something that I had to share.

ASHOK GULATI: It is a question of national prosperity and we may have different views but I will listen to your view and other views as well with patience. We have worked on this issue for a number of years and have taken the concerns of palm oil being environmentally disastrous on board. That is

your view. Indonesia and Malaysia are in the palm oil business. My basic point is that if you want to get more from the existing oil seed complex you need 30 million hectares extra under oil seeds. You do not have that land. Will you reduce 30 million hectares from wheat and rice? You do not want to reduce even one million hectares. There will be a crisis in any year in which you try to reduce it by two million hectares. We imported six million tonnes in 2006, as you have seen.

RAMESH CHAND: I believe that this situation of production imbalance is caused purely by distortionary price policy and distortion in subsidies. If you calculate profitability of rice by netting out further subsidy on water that is given in Punjab, pigeon-pea turns out to be more profitable than rice. To produce one kg of rice we use 5,000 litres of water and then we sell it in international market at Rs 21 or Rs 25 out of which the income is only Rs 6 or Rs 7. So, we earn Rs 6 from 5,000 litres of water that leads to the water table going further and further down.

Second, in the case of grain, there is an effective MSP but in case of oilseed and other commodities, there is no effective MSP. Even in the case of the rabi crop, there are alternatives available. In fact, we are developing fast with oilseeds technology with canola and some other oil seeds. It is hybrid and I will be criticized for talking about hybrids because the seeds are with the private sector. We did a survey for the Ministry of Agriculture to work out diversification possibilities in Punjab. There is a crop known as heola, it is hybrid of canola and it gives you two to three times the income that wheat gives in Punjab. You can meet the farmers in Raikot tehsil in district Barnala and check how high the income is. However, the moment production increases and you do not have processing capacity, the price will crash and you will find that oil seed production is not as profitable as wheat, which the government is buying at a fixed price.

Unless we address the issue of imbalance while determining crop priority; having an effective MSP for some and not for others; relative incentives; we create clear distortions. So, pigeon-pea is an alternative in some areas, other pulses are alternative in other areas but our entire focus of policy is only on cereals, because we identify our food security with cereals. The last budget allocated Rs 500 crore for diversification in Punjab, Haryana and western Uttar Pradesh. I was the resource person

for DSE and have said that I do not wish to be resource person any more. The alternatives that are being given financial help include short duration rice instead of long duration rice. This is not an alternative. The valid alternatives are pigeon-pea for kharif crops as an alternative for paddy and alternative in the form of edible oil exists for wheat, if we really want to diversify.

However, I do not think that we will shift from cereals because of our obsession that food security means rice and wheat security. This is the main reason that we become so dependent on imports of some commodities while we do not have space to keep some others.

Q: This is Jatin from the Press Trust of India and my question is to Ashok Gulati. You have talked of an income policy instead of a price policy as the way ahead. Are you working on something like a minimum assured income especially for the states of Punjab and Haryana and are there lobbies that are not allowing the FCI and other corporations to pay the farmers directly. Are there lobbies insisting that if you want to pay farmers it should be through the ANC only?

Q: I am Michael and I am a German journalist. We have the Food Security Bill because people are suffering from hunger and we also have food rotting in the warehouses. Can you comment on this?

Q: I am Rajpal Shakara from Ashok Vihar. Alok Sinha has spoken about the Food Security Bill that, I think, may be not beneficial to nation. It is unproductive and unnecessary and encourages laziness. Also, we are all speaking about the export and import. I believe that anything imported cheap is not in the nation's interest because it is being paid for by the exchequer at international prices and will inflate the value of the dollar and pound.

ALOK SINHA: I would just like to give my reactions to what the gentleman said. First, from a very practical point of view, if the wheat and rice of the farmers with a marketable surplus is to be procured on MSP year after year, the MSP has to be hiked up every year, then you have got to distribute it because you just do not have the space and the capability to hoard it forever. The holding

cost is too high and it will rot as well.

Second, I find it very painful to hear things like people will become lazy. People do not become lazy when they accept fertilizer subsidy at the rate of Rs 100,000 crore per year. No one says that the big farmer, who will use that fertilizer, will become lazy. It is basically the rich and the comfortable that think that the poor should not be helped because if they are helped then they will not work. I do not agree with that.

DEVINDER SHARMA: I think the question was asked about the food surplus in the country on the one hand and rotting food on the other. It is a question of priority. I have seen it for the last 25-30 years that I have been reporting on agriculture and now you can see it on your televisions. Even earlier, we wrote about food rotting in Punjab and Haryana and it was never a worry for the government. In fact, in 1979 there was a 'Grow More Food' campaign that talked about 50 places where they needed to have storage for foodgrain. If that had been put in place the situation would have been much better.

I think all this has been used very conveniently to build up pressure to export. I personally feel that a country, where there are so many hungry people, need not export or should not export its food. The primary task is to ensure that food reaches the poor even if this has to be done on a war footing. The SEZ bill was passed in two days and so was the Food Security Bill. If we really want to feed the country, we can do something about it. I am glad that some focus emerged through the Food Security Bill; the sooner the better.

SUNEET CHOPRA: I would simply like to stress that the panacea of import and export being offered is a very dangerous one. In U.P. they had exported wheat and I took up that issue because the Australian Wheat Board and other people came and bought the wheat cheap. Even before they had taken it out of the country it was realized that the PDS system had no wheat and these guys had to be paid to get back the same wheat that they had sold as so called export. It is pathetic that you raise the price for yourself because you believe that export orientation and market orientation are our only options. We are now tied up in knots over market orientation and export orientation when what we really need is people orientation. Give the people assets, give the people work, give the people food, progress will look after itself.



RAMESH CHAND: It is all very well to talk of a price and income policy but I do not see this country coming up with an income policy for farmers. To me it seems like a very distant dream because once you do it for farmers, labour will also demand it. So will other sections. Though the income policy sounds like a good argument, I support Ashok Gulati vis-à-vis understanding that the objective of income should not be achieved through price, beyond a point. However, prices still do matter in terms of income of the farmer because he gets his income from the sale of his produce. There will be some focus on price and we have to figure out how best we can deliver better prices to the farmer so that the income objective is fulfilled to some extent.

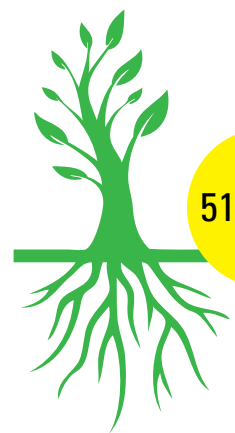
We should not think of a solution in terms of either/or; either the government should be doing everything or everything should be left to the market. There must be some clear guidelines on the role that the government will play and what will the role of the market be. To my mind both have to play a role. There are some areas where government must be there. There are some areas where government cannot deliver and we have to depend on the market there. These are the crops where MSP will deliver. These are the mechanisms through which we will ensure MSP. There are the others for which we will allow market forces. Instead of an either or situation, we have to think in terms of both. We need to figure out how to make the best use of market and of government intervention.

ASHOK GULATI: Your question is 'are we trying to switch gears from price policy to income policy?' We have recommended to the government what

we call 'hybridization' of an income stabilization/insurance scheme with a Rs 5,000-crore corpus. It will take the farmer's income in the last three years as a barometer. If income falls below that in a particular year, the farmer is compensated. The drop in income could be because of yield risk with yield falling on account of weather and all that. It could also be price or a combination in an attempt to stabilize farm income. So it is a sort of hybridization of what Abhijit Sen was calling risk coverage. We have recommended it to the government.

Ramesh Chand talked of another issue where Punjab is a classic case. The subsidy to power and fertilizer on a per hectare basis was about Rs 12,500. If they grow any other crop like maize, for instance, it saves almost 75 per cent of water consumption and 75 per cent of power. Then one checks how much fertilizer is being used and we can offer a viability gap funding. We worked it out around Rs 10,000 per hectare. The exchequer will not lose, it will save and it will also save precious water. I was the first one to point out that even exporting more than five million tonnes to six million tonnes of rice should entail an export duty because one is exporting very precious water. I would like having zero import duty on rice and sugar which amounts to importing water.

What is needed is a crop neutral incentive structure but the current incentive structures are loaded more in favour of wheat and rice. Wheat, rice and sugarcane are the three crops that take away much of the subsidies. The need is for a crop neutral structure, have investment subsidy/income support on per hectare basis for growing pulses or oilseeds or anything else you want. ●



Floods and the River's 'Right of Way'

Dinesh Kumar Mishra

One of the most accepted definitions of floods was given by Weston Fuller (1905) wherein he had said that when the daily chores of the people are affected by heavy rainfall and the spills of the rivers, floods are said to have occurred. This definition underlined inconvenience caused by flooding. This must have been said for the normal rains and normal spilling of the rivers. The definition no longer holds as the word 'inconvenience' does not encompass the large scale deaths and destruction caused by floods. The Uttarakhand experience is one such traumatic one.

In India, the average annual flood affected area is 7.208 million hectares affecting 31.019 million people. The average human death toll is 1,612 and 89,345 cattle are killed by floods every year along with crops lost over an area of 3.679 mha valued at Rs 694 crore. Some 11,94,637 houses valued at Rs 275.481 crore and public utilities valued at Rs 815 crore are destroyed and the annual average total loss due to flooding is Rs 1,804 crore.

India is not the exception. There were several devastating floods in the Mississippi basin (USA) despite and probably due to the flood control

day of the month of Bhadrapad (mid-August) when the floods are supposed to be at their peak. This is where the concept of Flood Plain Zoning (FPZ) of today emerged, restricting construction of buildings in the flood plains.

Indian historians of the past were basically bards, who cared more for the king than the people and their sufferings and literature does not quite record the misery caused by floods. Authentic records of floods and their devastation were maintained only after the British occupation of the country. The general impression, however, is that the people encroached the flood plains of the rivers as they shed the nomadic life in favour of assured agriculture. Plenty of fish and ease of navigation must have provided the added attraction.

Elderly people living along rivers and occasionally hit by floods still maintain that in the good old days floods used to come and go and rarely stayed beyond two and half days. The flood water rarely came close to the pegs through which the cattle were tied. The fertility of the soil was rejuvenated and a bumper crop followed in the rabi season. River water was free to wander and along with it the silt contained in floodwater also travelled

Available flood control technologies did not work and instead of looking at the problem afresh, the engineers just said that the floods cannot be controlled

measures (primarily by constructing embankments along the rivers) like the ones in 1882, 1897 and 1903. In 1927, the Mississippi basin broke loose inundating 51,200 sq. kilometers, damaging property estimated at between \$200 million and \$1 billion and drove nearly three quarters of a million people from their homes; 600,000 of them were dependent on the Red Cross. The wealth of the United States enabled it to do much for the sufferers; yet they suffered. Organized community action in China could not save its people from these disasters. This happened decades ago when the people and the governments were not well equipped to deal with the situation.

Hindu scriptures, however, provide deep insight into the flood problem; from the Mahabharata to the Narada Smriti. In the former, Bhishma on his death bed taught the Pandavas lessons in dealing with the swelling rivers. Sage Narada, in his Narada Smriti, gave directions for building dwellings only beyond 150 haath (nearly 225 feet) from the flood level of the river on the fourteenth or full moon

leading to the natural land building process of the rivers. People were inconvenienced for a few days but floods were eagerly awaited. The drum beats before the Durga Puja literally announced the end of rainy season. The floods were essentially a rural phenomenon, sticking to plains.

Rise in population, massive deforestation, unplanned urbanization, unscientific flood control, ill-planned development of roads and railways, with scant regard for drainage, greed for making a fast buck and dearth of employment in rural areas have led to the occupation of flood plains of the rivers and resulting drainage congestion. Available technologies of controlling floods did not work as promised and the engineers, instead of looking the problem afresh, took a different stand and said that the floods cannot be controlled, they should be managed.

The approach of the planners and executors remained the same, however. The so-called flood victims were never consulted when this shift in approach took place. After all, these people were



living in flooded areas for centuries and they must have done something to face the annual calamity. The choice before them was that they could migrate to Rajasthan or Dandakaranya, where floods were unknown but they did not. They stayed back in their own lands, braving the waters. The experts called them 'laymen' and never asked them how they had survived for centuries without any external help to strengthen their skills of living with floods.

Programmes of flood control continued under the new name of flood management and the result was that the floods that were restricted to the rural areas of the country started threatening urban areas. Also, the floodwater that would recede in two-and-a-half days started remaining for two-and-a-half months instead. The floods have started visiting the undulated terrain and hilly areas too. Bhopal (1998), Nagpur (2005), Nashik (2006) and Bangalore (2010) experienced floods that no one had ever imagined. Floods in Bhopal and Hoshangabad in Madhya Pradesh in 1998 forced the government to postpone the parliamentary election.

There are standard classroom technologies to contain floods. Construction of reservoirs, using land depressions for detention basins, constructing embankments along the rivers to prevent spilling of floodwater, channelizing rivers, improving channels, improving drainage, diversion of floodwaters, constructing ring bundhs around settlements, raising villages over the maximum observed flood level and watershed development are some of the structural measures to lessen the damages due to floods. Construction of high dams is advanced as the final solution to tame rivers and control floods.

Such dams have run into controversy because of the question of costs and funding sources, seismicity impacts, environmental impacts, downstream problems and rehabilitation of the displaced families and such others. Besides, many such dams, constructed in early decades after Independence, did not have any flood cushion. At the time of heavy floods, the safety of the dam itself becomes a cause of concern and huge quantity of water is released to protect it, causing heavy flooding downstream.

The tradeoff between power production and flood control often induces engineers to encroach the flood cushion. Panic releases of water from the dams result in flooding in downstream areas. Bhakra dam in Punjab and Hirakud in Odisha are often accused being responsible for flooding in lower areas. Koyna Dam in Maharashtra (1964), the Morvi Dam failure



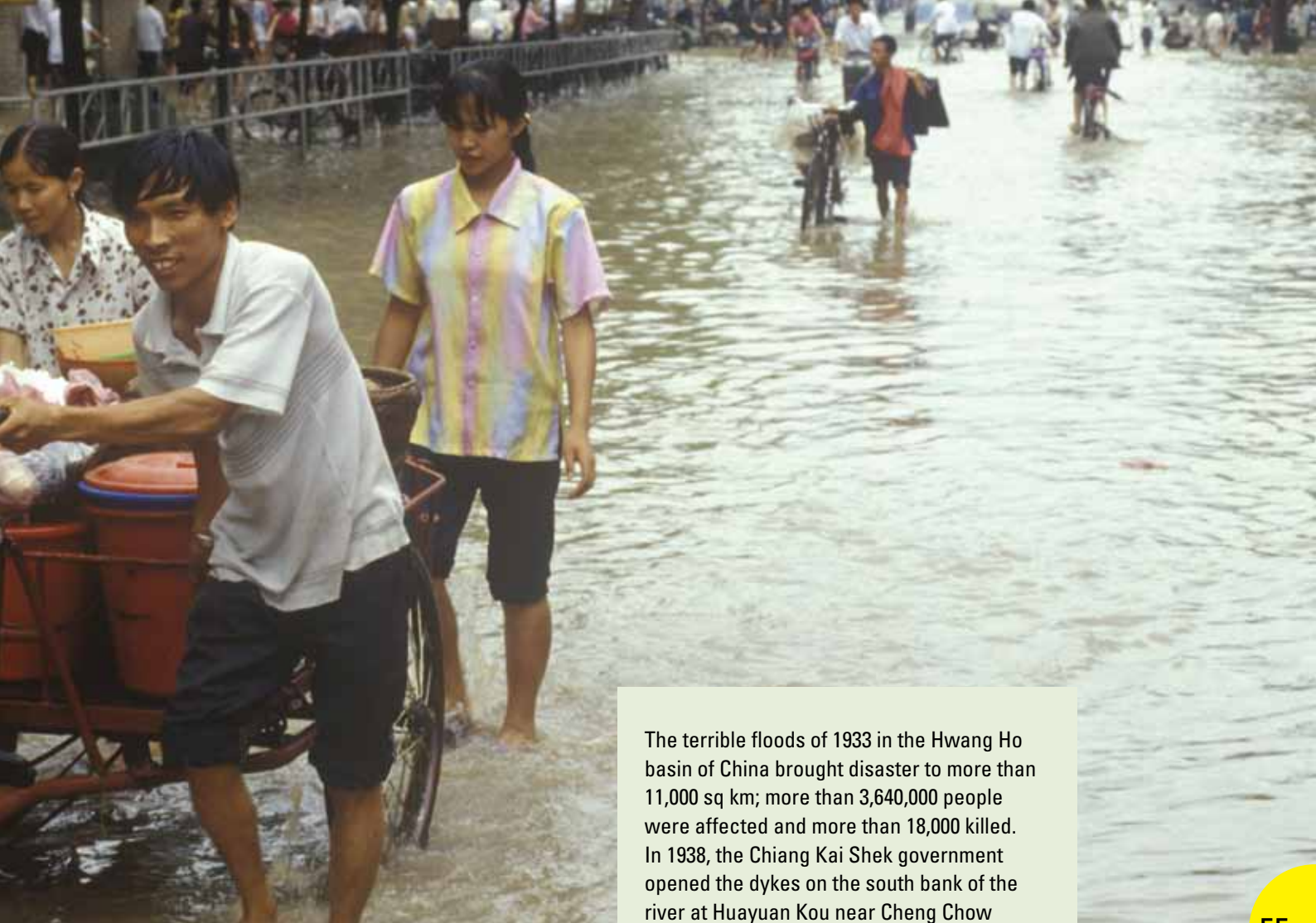
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in Gujarat (1979), non-performance of Gangau and Rangawan dams in Uttar Pradesh (1992) are some examples.

The first non-structural measure suggested is that of flood forecasting and warning. The Central Water Commission (CWC) is responsible for doing this in India. Making a humble beginning in 1958, CWC has 878 hydrological and hydro-meteorological sites across the country. Of late, warning of excessive rainfall and possible flooding is given to the people which, is not taken seriously at times. In many cases, it is simply not possible to give warning messages because of the remoteness of the threatened areas. With the advances in technology, things have improved considerably as happened in Odisha recently but a lot more has to be done. In remote areas, when government officers start moving their families to safer areas locals take it as a definite.

The concept of FPZ is central to flood plain management. It recognizes the basic fact that the flood plain of a river is essentially its domain and any intrusion into or development activity therein must recognize the river's 'right of way'. FPZ sets up the legal framework of land use in different zones along the rivers for building activity. This





is a much talked about approach to discourage building activities in the prohibited or restricted zones. Unfortunately, only three states, Manipur, Rajasthan and Uttarakhand have adopted the policy and the other states are still reviewing the pros and cons of the scheme.

The recent deluge in Uttarakhand has amply established how the building norms are flouted. One cannot blame the present state government on this count because it adopted the policy only in December 2012. It cannot be denied though that people have taken great risks in coming dangerously closer to the river and the governments have been watching the encroachment either helplessly or have connived to encourage encroachment. Uttarakhand is a hill state and may find it relatively easy to define the prohibited or restricted areas. In the plains, states like U.P., Bihar, Brahmaputra valley of Assam, most of North Bengal, coastal Odisha, coastal Andhra Pradesh and such others though, if the FPZ is adopted as a policy, one expects that there will no building activity in the plains and all the development of the state will come to a grinding halt as the flood waters travel to almost all the places. This is a common understanding of the engineers and politicians but from official

The terrible floods of 1933 in the Hwang Ho basin of China brought disaster to more than 11,000 sq km; more than 3,640,000 people were affected and more than 18,000 killed. In 1938, the Chiang Kai Shek government opened the dykes on the south bank of the river at Huayuan Kou near Cheng Chow in Honan province to repel the Japanese army. It succeeded in its endeavour but the breaches occurring in the dykes affected 54,000 sq kms with a population of 12.5 million and 890,000 people died. The Chinese too had built embankments along the river starting seventh century B.C.

platforms it is always said that FPZ is the answer to evils of flooding.

The Working Group on Flood Management and region specific Issues for the 12th Five Year Plan suggests that the central government may provide incentives to the states that implement the Flood Plain Zoning Bill. It also expects the states to introduce disincentive schemes on use of flood plains inside embankments (wherever constructed) and the drawing of zone specific standard norms for types of buildings so that the required water way is available for passing the flood discharge. These proposals are only suggestive and, given the known views of the states, it is unlikely that the laws would ever be implemented.

The last among the non-structural measures to contain floods consists of raising a few villages above pre-determined flood levels and connecting them to nearby roads or high lands. It is amazing



A story in Mahabharata, after the end of the battle, has patriarch Bhishma lying on a bed of arrows, awaiting his death. He gives sermons to the Pandavas every evening on various aspects of governance. Once Yudhishtir asked him about different types of treaties that a king could enter into with other kings. While defining different kind of treaties, Bhishma narrates this story of the ocean and his wives, the rivers. Once the ocean called all his wives and said, "Rivers! I have seen everything that exists in this world without going anywhere because you very kindly bring it to me. I notice that during floods you get filled to the brim and uproot big trees and carry them with their roots and branches to me but the cane is not seen in your flow. The cane is a thin and a very insignificant plant. It has no strength of its own and grows all along your banks. Even so you are not able to bring it to me. Do you avoid the plant or has it done some good to you (that you favour it). I want to hear about it (from you); why does this

plant not leave your banks and come here?"

Ganga replies, "O Lord of rivers! The big trees because of their arrogance, do not bow before the might of our flow. Because of this confrontation with nature they get destroyed and have to leave their places but the cane is not like them. The cane bows before the swift currents and when the rivers subside, it regains its place. The cane understands the time and behaves accordingly; it is always in our grips and never misbehaves with us. There are no traces of arrogance in it and that is the reason that it does not have to leave its place. The plants, trees, creepers that bow before the might of winds and rivers and raise their heads only when the wind or the river subsides, are never destroyed and do not have to come to you". Bhishma says: "...when learned king assesses that the opponent is more powerful, he should behave like a cane and must bow before the mighty. There lies the wisdom". Bhishma's teaching is one of the first lessons in dealing with the rivers.

that the working group on floods recommends this option saying that thousands of villages were raised using this technology. The fact remains that some 4,511 villages were 'raised' in eastern Uttar Pradesh following a heavy flood in 1955 and the programme was abandoned because of people's resistance as the engineers started working on such raising in the months of April-May to complete the work before the monsoons, while the farmers' crops were still in fields.

This led to lot of corruption and extortion of money for delaying the process. Earth was excavated from around and dumped into the village and was converted to a ring lake around the villages. The ground level within the village was thus raised by two feet above the maximum observed flood level but, in the process, entry points to many houses were filled up with earth high enough over the plinth level. Doors of the houses became windows and when the rains came, the rainwater entered the houses and never came out. Most of the houses that were built of mud collapsed in large numbers as a result. Movements of human beings became torturous through mud and the people resisted the

Vidur, before the start of the Mahabharata, had told Dhritarashtra that a person desirous of peace should do all good things during the day time so that he gets a good sleep in the night and he must make preparations for eight months during the year to live in peace for the four months of floods. That was the first lesson on disaster preparedness. Despite our claims to be a traditional society and a long heritage, these instructions are forgotten.

platforms that were blown away by sand storms in the next season.

With 7.208 million hectares affecting 31.019 million people hit by floods in India today and the Uttarakhand experience, the country needs no confirmation about the need to invest in flood control. The government has, over the years, constructed 35,199.86 km of embankments along the rivers in the country together with 39,709.52 km of drainage channels. Some 7,713 villages have been raised above the maximum flood level and

The Working Group on Flood Management for the 12th Five Year Plan suggests that the central government may provide incentives to the states that implement the Flood Plain Zoning Bill

move of the government and chased away engineers where the village organization was strong.

Vidhan Sabha debates of late 1950s and early 1960s are full of these conflicts and the programme had to be abandoned. This 'unique plan' of flood control was drafted by the then chairman of the CWC. Public memory is short and it is recommended that villages be raised again. One is at a loss to suggest anything other than proposing to organize people and oppose any such a move.

Constructing of flood proofing structures in Bihar was proposed following the floods of 1987. The rest of the country was reeling under a severe drought that year. What was actually done in the field was creation of a platform of sand (that is the only building material available locally), four feet above the ground level over which the flood victims and cattle were supposed to take shelter during the rainy season. The platform was proposed to be covered with tin sheets, which was never done. The outcome of this entire exercise was that the farmers started cultivating pointed gourd on these

2,802 towns and villages have been given protection against floods (December 2011 figures).

It appears from these figures that maximum thrust has been on construction of embankments along rivers, the technology of which has always been controversial. The British tried to embank rivers to prevent flooding of the countryside. Once the area got protected against floods it would need irrigation. They were sure that they could double their profits by protecting people and the area against floods and then providing them with irrigation. Irrigation was a profitable business for them in drought-prone areas but it did not work in the flooded zones.

Benefits accrued over, say 10 years, were washed out in one go if any embankment was breached in the 11th year of its existence. Costs of relief, rehabilitation and compensation could easily offset the benefits. They learnt this lesson the hard way when the embankments on the Damodar – which they built in the early 1850s – had to be partly demolished in the late 1860s. They never tried



to construct embankments till such time that they stayed in this country. However, they never prevented anyone from constructing embankments at their own peril and cost.

Embankments prevent a river from overflowing its banks during floods but they also prevent the entry of floodwater. This leads to a major problem as the embanked river is no longer able to fulfill its primary function – draining out excess water. With the tributaries prevented from discharging into the river and accumulated rainwater finding no way out, the surrounding areas quickly become flooded. The situation is aggravated by seepage from under the embankments. The areas outside the levees remain waterlogged for months after the rainy season because this water has no way of flowing out to the sea.

Theoretically, sluice gates located at these junctions should solve the problem but, in practice, such gates quickly become useless; the bed level of the main river rises above the surrounding

Embankments prevent a river from overflowing its banks during floods but also prevent the entry of floodwater. This means that the embanked river cannot drain out the excess water

land, operating the gates lets water out instead of allowing outside water in. When the sluice gates have failed, the only option left is to also embank the tributary. This results in water being locked up along with the sediments carried in the river flow, between the embankments. The river bed starts rising because of the deposition of silt within the embankments. The embankments then should be raised to keep up with the rising bed level.

There is a practical limit to which the embankments can be raised and maintained. Moreover, no embankment has yet been built or can be built in future that will not breach. When a breach occurs, there is a deluge as Kosi experienced in 2008 despite the embankments; indeed because of the embankments, as 35 blocks spread over five districts were hit by the waters.

A section of engineers believes that forcing the same quantity of water through a narrow area, as happens in case of an embanked river, increases the water velocity thereby increasing its eroding capacity. The increased velocity of water dredges the river bottom and transports the sediment out preventing the rise of riverbed levels, increasing the carrying capacity of the river and reducing the



extent of flooding. These were the arguments put forward by Indian engineers, post independence, when they resorted to massive embanking of rivers in the Ganga and the Brahmaputra basins. Unfortunately, there has been little evidence to date that this theory is actually being substantiated anywhere on Indian rivers.

The debate whether embankments reduce the floods or aggravate them remains inconclusive. The politicians then decide to defend or reject embankments according to their convenience and the engineers only play a subservient role. The contractors are not concerned about the choice of technology because, irrespective of the technical debate and the type of structures built, they stand to make money. That completes the nexus between the three.

Unfortunately, neither the impact of technology nor the functioning of the concerned departments has ever been evaluated seriously. The Rashtriya Barh Ayog (RBA) (1980) had done some work in this area but it never involved people for whose benefit the flood control measures were adopted. The RBA conducted a special study about the Damodar flood of 1978 in West Bengal. While most



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affected people believed that the DVC dams were responsible for the unprecedented flood in the basin, the RBA maintains that the floods would have been more severe had the dams not existed. This set a precedent for all the politicians and engineers to repeat that the floods would have been more severe had the structures not existed. That the floods were caused by the structures is of no consequence.

The flood prone area of the country has gone up in the plan period from 2.5 mha to 4.982 mha, according to official figures and that is enough evidence that the investments in this sector are causing more harm than good and it should be a matter of concern to someone responsible for spending money. This assessment should be done with the active involvement of flood victims and only then should a policy frame be formulated.

Lastly, nothing can be achieved unless an element of accountability is introduced in the functioning of the concerned departments. The water resources departments in most states do not know what their disaster management departments (a recent reincarnation of Relief and Rehabilitation Department) are doing and the vice versa. The problems cannot be solved by just changing names. There is no co-ordination between the two and that results in calling in the army to deal with the situation. All the work of the disaster management department have to be done by the army as a sequel.

The Uttarakhand floods of 2013 are a classic

The breach of the Kosi embankment at Kusaha in Nepal (2008) caused floods that engulfed 35 blocks of five districts. The floodwaters spread over 1,067 villages and an area of 4.153 lakh hectares destroying 2,44,128 houses killing 540 people and 31,995 cattle. Never before in the recorded history of the Kosi had so many people died in one flood and never before were such losses registered. That happened because of embankments on the river built in 1960s. The state has put the value of losses at Rs 14,800 crore. According to an estimate, if the Kosi embankments were to be built in 2008, their cost would have only been Rs 9,600 crore.

example of inaction by the disaster management department. The question is why a white elephant is being nursed at the cost of the tax payer. One can only hope that good sense prevails and steps in right direction are taken before it is too late. The Kosi Project in Bihar was supposed to protect 2.14 lakh hectares of land but according to official sources the breach at Kusaha inundated 4.153 lakh hectares of which 3.044 lha were agricultural land. It must be reminded that there have been 378 cases of breaches in the embankments along Bihar rivers in the past 25 years. One can imagine the loss to agriculture because of wrong policies and callous attitude of the administration. ●

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Government Checking out Mangal Singh

A Farmers' Forum report

An article published by *Farmers' Forum*, (March-April 2013), has got the government moving! Bharat Dogra's article, published in the Innovation segment, 'No justice for the rural scientist?' focusing on the accomplishments of Mangal Singh, a farmer-cum-rural-scientist of Lalitpur district of Uttar Pradesh – which won him acclaim from the farming community but little recognition from the government – has finally attracted the government's attention.

A team of three officers from the Department of Rural Development of the government of India has been deputed "to make an assessment of the facts regarding the innovation of Sh. Mangal Singh's Mangal Turbine with regards to the potential for saving use of fuel, protecting the environment and reducing cost for farmers".



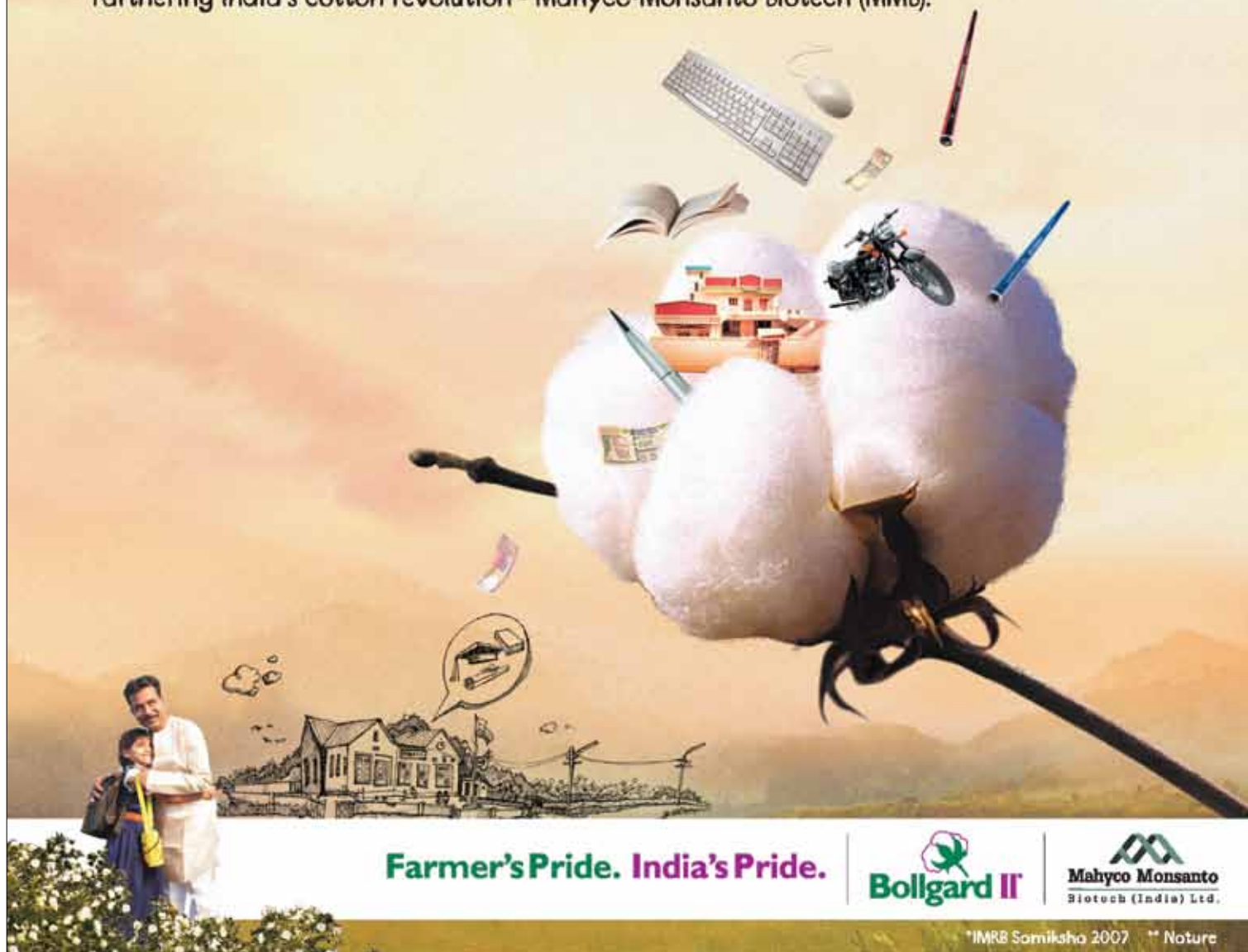
"The team will submit its report to the Additional Secretary (RD) within three months from the date of issue of this order and will also advise the ministry about its replicability in general".

The Farmers' Forum report talked about Mangal Singh's invention, the Mangal Turbine (MT or, more precisely, 'fuel-less Mangal Water Wheel Turbine Pump-cum-P.T.O. Machine; patent no. 177190, dated 13-11-97), which has been admired by several leading scientists and development officials. Over the years, the value of his work increased because the Mangal Turbine could reduce greenhouse gas emissions. After getting the patent for it, the rural scientist worked for several years in very difficult conditions to take his innovation to many remote areas, often spending his own meagre finances to do so.

India's cotton farmers' lives transform for the better

Research indicated that 87 per cent of Bt cotton farmers enjoyed higher standards of living, 72 per cent invested in their children's education and life insurance, and 67 per cent repaid their long pending debts*. Many more built *pucca* (stone) homes, purchased farm equipment and motorcycles, leased additional land for cultivation etc. Further, women from Bt cotton households had higher access to maternal care services, while children had higher levels of immunization and school enrolment*. Additionally, female earners witnessed a 55 per cent gain in average income, and 42.4 cr. additional days of employment across the total Bt cotton area**.

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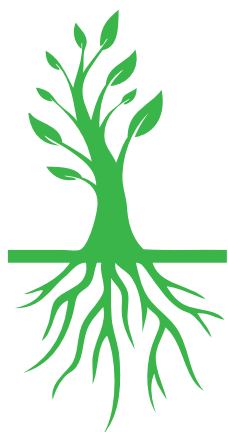
*IMRB Somiksha 2007 ** Nature

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IMPACT



Mangal Turbine has a very high potential for saving millions of litres of diesel, reducing greenhouse gas emission and helping farmers to irrigate their fields at a low cost

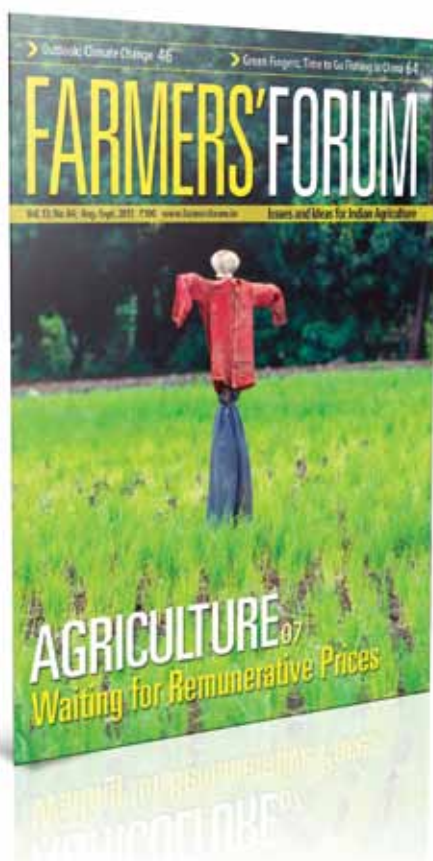


Yet Mangal Singh is a heart-broken man without the inspiration to take his many ideas to fruition for want of government recognition and needless harassment from others. Even today, as the government has been moved into action, Bharat Dogra reports, “the problems faced by the rural innovator Mangal Singh have deteriorated as his land has been encroached upon and he has been put under great strain”. Even his ancestral land is lost and all the man wants is to get conducive conditions to show how his technology can work.

The team investigating his case should consider how some relief can be provided to him and conditions created for his work to achieve its

potential for Mangal Singh can make many more contributions if he is allowed to. Despite enormous difficulties, he has been able to install or help in installing about 50 Mangal Turbines in various parts of the country. Due to lack of maintenance (and, in some cases, deliberate damage) many of them are in urgent need of repairs while others are half-complete. It will be cost-effective to first get these completed or repaired with the innovator’s help.

Reiterates Dogra, Mangal Turbine has a very high potential for saving millions of litres of diesel, reducing greenhouse gas emission and helping farmers to irrigate their fields at a low cost (or lift water for other purposes). ●



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Of Kinship Over Kinnows

Ajay Vir Jakhar

When I received an invitation from the Pakistan Agricultural Research Council to speak at the conference on “Regional Workshop on Youth and Agriculture: Challenges and Opportunities”, I was filled with nostalgia even though I had never visited Pakistan. After all, I live not five kilometres from the India-Pakistan Border in village Maujgarh, Punjab; fenced from my neighbours. Also, my grandfather studied in Lahore and has been telling me tales of the good days when the nations were one. He came to Delhi only after the partition; a British inheritance and a bloody one at that.

While applying for a visa, I was surprised to know that Indians and Pakistanis visiting each other’s countries needed visas for every town they wished to travel to and had to specify the mode and place of entry into the country. This is a ridiculous arrangement and I needed many friends

and an efficient Pakistan High Commission in New Delhi to swing all the required permissions. It literally meant getting permission to enter Pakistan ‘on foot’ at the Wagah border, near Amritsar.

Being a keen kinnow farmer, I had arranged to visit kinnow farms in Sargodha in Pakistan. I insisted on visiting only those farmers who stayed on the farm. That was an opportunity not to be missed.

The motorway M2 that connects Lahore to Islamabad is a marvel; one that I am yet to see in India. It passes close to Sargodha. First, we crossed the river Ravi to arrive in the citrus country of Sargodha, hemmed in between the rivers Chenab and Jhelum.

I meet a dynamic, young, strapping farmer member of parliament, Ch. Faisal Farooq Cheema. An avid farmer, he has more than 200 acres under citrus and more land where he grows vegetables using the latest tunnel technology. He sells his vegetables in the local market. We discussed reasons for the



Ch. Faisal Farooq Cheema

No free electricity for farmers in Pakistan and the cost is more than double what their Indian counterparts pay. Compared to them, farmers in India are a pampered lot

possible decline of kinnow in the last few years and other issues.

He patiently explains the situation with electricity supply in Pakistan. There is no free electricity for farmers in Pakistan and the cost is more than double what their Indian counterpart's pay.

There were no problems of electricity supply till 2006-07. Then, from 2008 onwards, fuel prices went up as did demand; from 13,000 mw-14,000 mw to 19,000 mw, while the generation capacity remained unchanged.

I am surprised to learn Punjab in Pakistan is not fully irrigated and some areas are '*barani*' (rain-fed). The salt mines appear the minute you cross the Jhelum on the way to Islamabad and there seems to be no irrigation channels. People in Sargodha or in

central Punjab are more open to experimenting and are more pragmatic than farmers of the southern parts of Punjab and Sindh where land holdings are also larger.

The canal system is impeccable and works efficiently, designed as it was by British engineers; as in India. The command area management of the canals is found wanting though, leading to water logging at many places. Tube wells are a menace, and at many places, the water level is falling. A network of canals transfers water from Chenab and Jhelum to the river Ravi. Ravi waters are utilized by India as per treaties signed under the aegis of the U.N.

In four days, I was witness to at least 10 wedding processions. I wonder why and I am told that Muharram is fast approaching and weddings do not take place after the new moon rises in the month of Ramzaan; they are thus being quickly solemnized.

Amongst the many farms that I visit is the farm of Ch. Asghar Mumnana of Kotmomin, which has 50 year old kinnow trees. The national average yield is 250 '*mand*' per acre. All transactions are quantified in '*mand*' (40 kgs). Farmers in Kotmomin and Balwal in Sargodha have the best kinnow in Pakistan and get yields up to 350 '*mand*' per acre. Ch. Asghar prunes/removes the dry wood and the water shoots twice a year; in September and early February; after the harvest. Normally, it takes a team of 16 people about 15 days to prune one '*maraba*' or 25 acres of land and costs Pakistani Rs 4,500 per day or PKR 27 per tree (INR 1=PKR 1.75), which is far cheaper than in India.

Flood irrigation has been the main form of irrigation. Farmers water their orchards five times a year. Drip irrigation has not caught their fancy as yet and there are no subsidies from the government. Compared to them, farmers in India are a pampered lot.

Ch. Asghar's has 100 trees per acre, as is normal practice here. In India, more trees are planted per acre with reduced spacing. Farmers till the orchard five to six times a year. Ch. Asghar applies fertilizer by broadcasting it under the edges of the tree canopy. This is then mixed with a side protruding '*rotavator*' to till the land. The area near the stem is cleared of the grass with a '*kasi*' (an implement with a long handle with a broad blunt metal blade





There are no subsidies.
Farmers in both the
countries have the same
opinion of their respective
government's agriculture
departments

Zahid Sultan in front
of his factory

at one end). No one uses the smaller, hand-held '*khurpi*' as in India; which means that there is no practice of '*godi*' or '*khodi*'.

A common problem for the last seven years has been 'sudden death'; what India is experiencing too as 'die back'. Essentially, the tree dies quickly and no one quite knows why. 'Rodomil' a Syngenta product is the most effective control of phytophthora in the area according to the farmers. This is true for Indian orchards too.

"Citrus scap" that causes the fruit to be blemished with scratches is more controlled in Pakistan than in India by applying 'Amistar top'. Even 'Citrus cilla' is more controlled. The quantity of pesticide used in Pakistan has doubled in 10 years but is still half of what is applied in Indian orchards.

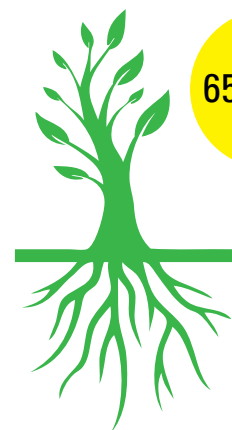
Pesticide companies like Syngenta have franchises in Pakistan, unlike in India, where farmers buy from shopkeepers selling agriculture input of every kind. Farmers are thus saved from the whims and manipulation of agriculture input shopkeepers as in India. These franchisees keep up to 200 men. The 'spray man' sprays pesticides on the farm with his back-mounted pumps and farmers pay PKR 200 per head per day for the services. A farmer can place an order and the spray man comes to spray the field. The franchisee is a specialized service provider and essential for farmers. This is a service that should be duplicated in India.

Fertilizers are exorbitantly priced in Pakistan. Urea is nearly four times more expensive than in India and DAP is nearly double the Indian price. The retail network of fuel stations is poor and the rate of diesel increases as one goes into the interiors. Per acre consumption of fertilizer is less than in India.

The kinnow story really took off in 1974 when the erstwhile Shah of Iran, flush with funds after OPEC jacked up oil prices, placed a huge order for Pakistani kinnow. The earnings of the farmer went up from PKR 10,000 per acre to PKR 1,00,000 per acre all of a sudden, leading to a rush to plant more orchards.

Kinnow exports were pioneered by Ch. Abdulla Yusuf Warraich but he went off to America later. Growth of the grading and waxing industry started in 1980 when three agencies put up factories and used the now banned 'Benomil' for waxing. In 1983, local equipment started being manufactured and in 1991, a number of new kinnow factories came up in Pakistan. Since then there has been no looking back.

I also visit the Zahid factory in Balwal tehsil. It runs on a mind-boggling scale and the owner, Zahid Sultan, not only patiently explains the kinnow trade but shares his deep knowledge of local and world trends in kinnow marketing. Zahid is looking for government support to convince the Russians to lift the ban imposed on import of



Urea is nearly four times more expensive and the price of diammonium phosphate (DAP) is nearly twice that in India. Per acre use of fertiliser is lower



kinnows on account of pesticide residues from Pakistan.

Compared to India, there is little support for farmers or for the kinnow-processing industry in Pakistan. Nevertheless, the farmer earns more and seems to be better educated about the problems and practices of kinnow cultivation. The kinnow plucking season begins November 15 and exports are allowed only after December 1. As in India, the factory owner contracts labour to pick the fruit from a farmer and transport it away. The selling price of around PKR 700 per 'mand' translates to INR 10 per kg, a clear 20 per cent more than in India currently. The cost of cultivation of kinnow is a good 25 per cent less than in India.

The region has seen the renaming of many places; Montgomery is now Sahiwal but the name of the Toba Teg Singh district remains unchanged; even though fundamentalists were keen to rechristen it. The locals resisted such attempts because they had not forgotten the sacrifice and love of the Late Teku Singh in 1890s in helping farmers arriving from areas east of Lahore to Ludhiana settle in the 'sandelbar' areas, in between the Chenab and Sutlej.

The chief minister of Punjab, Shabaz Sharif (the brother of the Prime Minister Nawaz Sharif) is much appreciated for his governance skills. Before leaving for India, I am reminded of Ch. Faisal Farooq Cheema's words, said in a lighter vein, "God has given Pakistan good land, water and weather and was confident it was enough for Pakistan to prosper". God's grace will only go that far, both the nations need to sort issues and help the poor prosper. There is another striking commonality: farmers in both the countries have the same opinion of their respective government's agriculture departments. ●

Off the Motorway on way to Sargodha

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Candidates with B.Sc./M.Sc. in Agriculture or with M.A. in Economics or a Degree in Journalism/Mass Communication – who are interested in agriculture issues – may please send CV by November 30, 2013 to:

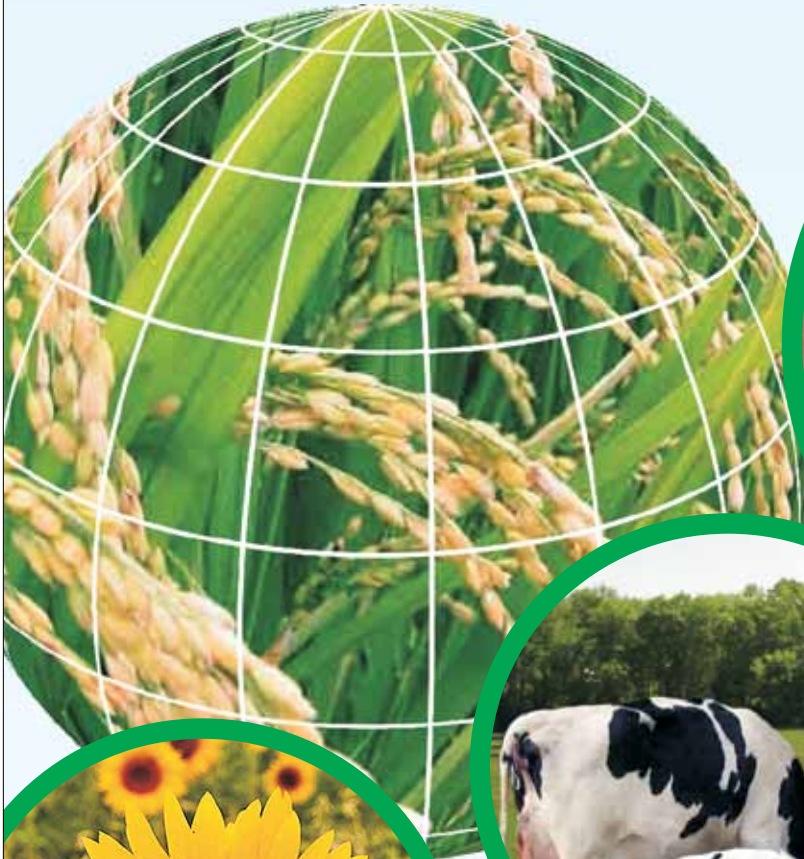
The Editor

Farmers' Forum, A-1, Nizamuddin West, New Delhi 110013

write to: editor@farmersforum.in

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