

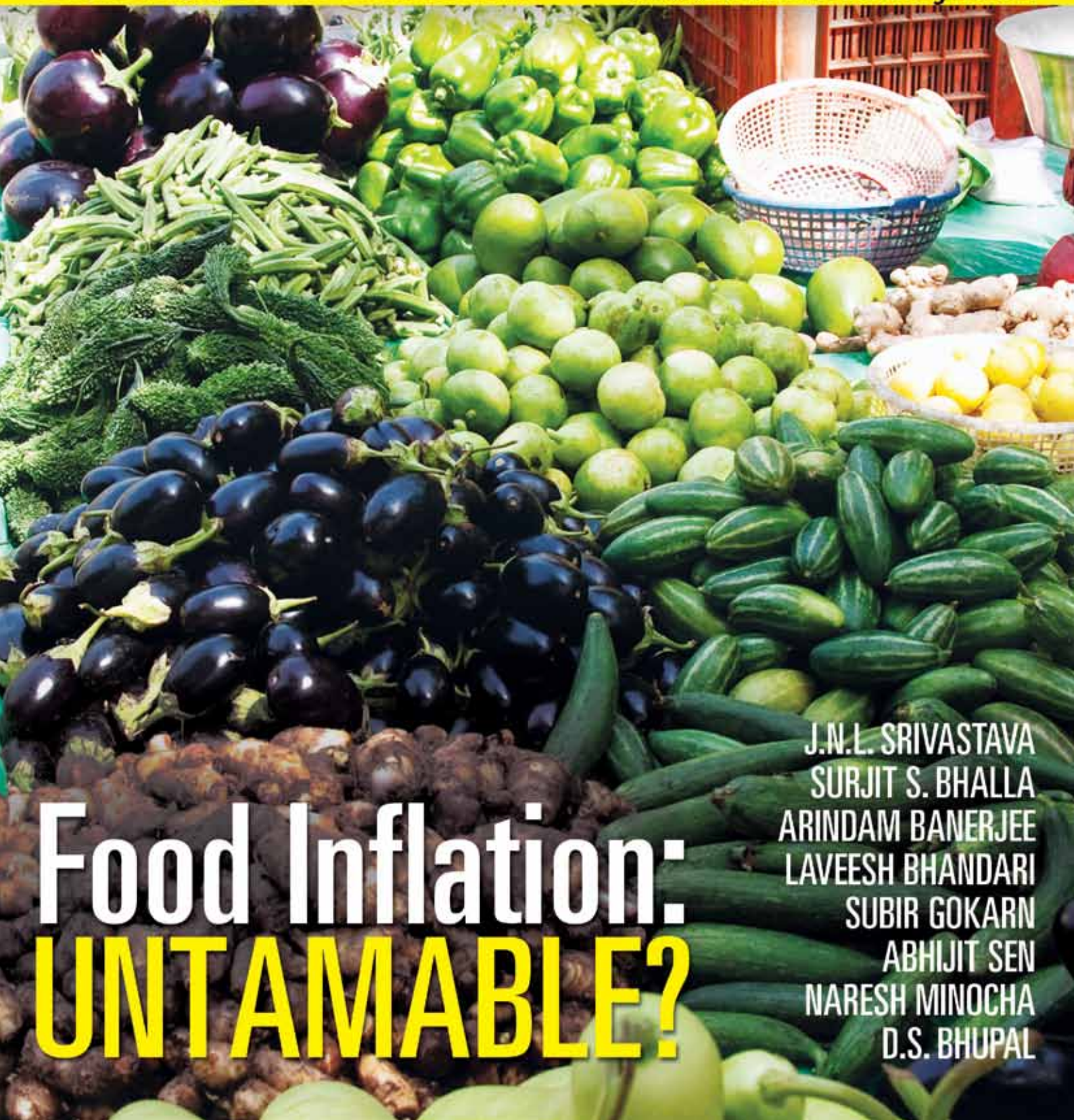
➤ Dialogue: Promises and a Reality Check

➤ Hard Work & Providence

FARMERS' FORUM

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Issues and Ideas for Indian Agriculture



Food Inflation: UNTAMABLE?

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SURJIT S. BHALLA
ARINDAM BANERJEE
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JNL Srivastava
Prof. RB Singh

Editorial Support
Paranjoy Guha Thakurta
Aditi Roy Ghatak

Design
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pealiduttgupta@pealidezine.com

Advertising & Events
Sunil Kumar (+91 9811222902)
sunil.kumar@farmersforum.in

Contact us
editor@farmersforum.in

Subscription
subscription@farmersforum.in

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Time to Plough a New Path

At the turn of the 14th century, Alauddin Khilji faced a difficulty. Limited revenues had obviated the possibility of increasing salaries of a large standing army and administration. The only option was to reduce prices of essential commodities and provisions. Economists today refer to similar action in current conditions as taming inflation. Khilji did so by controlling prices, appropriating and regulating supplies. Market, traders and merchants were placed under the controller of markets. He managed to hold things together for a while but everything fell apart beyond a point.

As India moves away from market restrictions to resolve similar problems, it has much to learn from Khilji, who was a ruthless administrator and reformer. Even the idea of government procuring, storing and transporting grain – through the Food Corporation of India (FCI) – seems to have originated from his policies of filling the 'royal' stores with grain that would be sold in times of scarcity at regulated prices. Khilji had realized that the key to increased prosperity lay in not allowing wages to increase while reducing prices to enable people to afford more. UPA II wrongly believed that an increase in wages could offset increased inflation or even food inflation. How wrong it was is evident from the electoral drubbing that it received.

The similarities do not end there even though times have changed. The problems persist. The very problem that has confronted India for the last five years now confronts the current Indian Prime Minister. The question is if the regime of routine responses will be broken. *Farmers' Forum* has some thoughts on strategic solutions.

Rather than following a 600-year old archaic process, it is suggested that the FCI be broken into three dynamic entities: one to procure and transport, one to store and the third to distribute grain. This will reduce wastage and lead to better accountability and delivery. Politicians and economists, however, refuse to learn from history, which is why they make the same mistakes, solve the same problems year after year, decade after decade and even centuries after.

Yet the writing is on the wall. The next *Rabi* crop report needs to be worked upon but no sharp minds seem to be working on it. The increase in minimum support price (MSP), that too for a few crops, was no more than four per cent, much less than the rate of inflation or the increase in consumer price index (CPI) and lesser than the increase in cost of cultivation, especially in a year of deficient rainfall.

KHILJI HAD REALIZED THAT THE KEY TO INCREASED PROSPERITY LAY IN NOT ALLOWING WAGES TO INCREASE BUT REDUCING PRICES



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POLITICIANS AND ECONOMISTS, HOWEVER, REFUSE TO LEARN FROM HISTORY, WHICH IS WHY ECONOMIES MAKE THE SAME MISTAKES

undo that very process. Why the UPA failed to notify WTO or how it hoped to reduce the size of the programme in four years defies explanation.

With a clear majority in parliament, the BJP is free to do what it wills but it will not be free from the consequences of the choices it makes. Young Indians starting their careers in an environment devoid of hope and opportunity must have an alternative to surviving on dole if they are to steer clear of populist politics.

There is also the major concern about who the policy influencers will be. It is important that the Prime Minister ignores the chattering classes on television panel discussions since they do not represent the largest section of society. Neither should the Prime Minister be moved by the adulation of industry associations, which have never opposed a budget speech in living memory. They only start finding fault when a change in government is imminent. Only those Indians who neither follow the budget telecast nor invest in stock markets or pay taxes will be the a decisive factor five years down the line.

A final point: the Prime Minister has, in his wisdom, decided to disband the Planning Commission. Will there finally be a farmer representative on board the new authority rather than a farm economist who is good with figures but has never ever felt the pain of being a farmer? ●



Ajay Vir Jakhar

Ajay Vir Jakhar
Editor

twitter: @ajayvirjakhar

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Ajay Vir Jakhar

To the Editor

Organic woes

Farmers' Forum has regularly been championing the cause of the organic method of farming. Practical experience, however, tells us that save for the exceptional cases, one cannot sustain oneself practicing organic agriculture. You have yourself quoted farmers in your 'Green Fingers' column to the effect that organic agriculture is not always a practical solution. What then is the way out?

Mukesh Kumar,
Ludhiana, Punjab

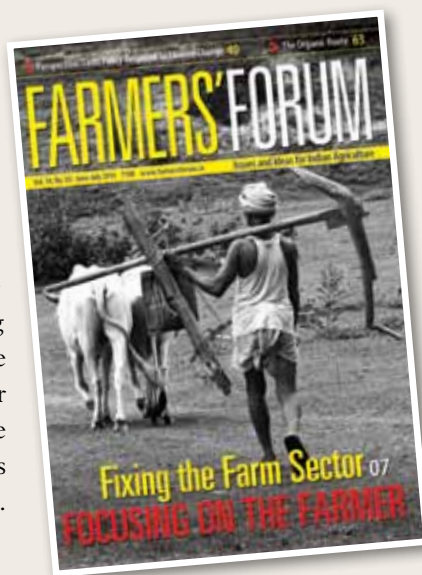
Information deficit

You have rightly and repeatedly pointed out that if the farmer does not prosper by practicing agriculture, he will not continue with farming. The new government has to focus on this problem and try to build a favourable policy regime for farmers. There is a serious information gap between farmers and policymakers. As you so appropriately point out in your editorial 'The Mirage of Good Times' (*Farmers' Forum*, June-July 2014): "rising agriculture production is as different from farmer profitability as agriculture economists are from farmers." But, is anyone listening?

Karan Pal,
Panipat, Haryana

Bitter fruit

I am shocked by the facts presented in Devinder Sharma's article 'Farm Sector Complexities: Food Inflation Still Northwards Bound' (*Farmers' Forum*, June-July 2014). If fruits and vegetables are available in abundance, why does



No magic wand

Apropos of 'Farm Sector Complexities: Time to Reconcile Conflicting Poll Promises' by Naresh Minocha (*Farmers' Forum*, June-July 2014), it is true that no magic wand exists in realpolitik. The only option before the government is to work out policy level confusion and electoral promises and adopt a strategically correct path. Till it does so, Indian agriculture will continue to underperform vis-à-vis its potential and the farmer will continue to be the victim.

Lalit Bhatt,
Raiwala, Dehradun

the government permit such steep increases in prices every now and then? Certainly the government is seized of the fact that only 30 per cent of Indian farmers benefit from procurement prices; farmers with marketable surplus who can bring their produce to the *mandi*.

Sandeep Singh,
Hyderabad, Telangana

Sincere Jean

I was most impressed by the sincerity of Jean Drèze in his interview Food Security Initiatives Far More Critical than Bullet Trains or a Blip in the Sensex (*Farmers' Forum*, June-July 2014). However, while I now understand why he pushed for particular policies, I am not entirely convinced about their practicality and believe that the side effects of such policies may be questionable.

Thomas,
Kochi, Kerala

'Fish'ing for information

I have been following your articles with interest. Please publish more articles and information on fisheries in *Farmers' Forum*. This is essential for the livelihood of millions of farmers. You must not lose sight of the fact that fishermen and women are also farmers. A combination of paddy and fisheries is excellent strategy.

Pawan Kumar,
Vishakhapatnam, Andhra Pradesh

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earlier numbers.

Budget 2014 and the **Not-So-Rural** Farming Sector

A Farmers' Forum Report

As Bharat Krishak Samaj (BKS) gets set for its 60th anniversary celebrations in 2015, it is trying to get the nation to hear the decisive voice of the farmer. A few thousand farmers from all over India, representing all districts of the country will meet at a function in New Delhi, to which people from all political parties will be invited.

Flagging off the deliberations at a seminar, 'Analyzing the Budget 2014 for Rural India', Ajay Vir Jakhar, chairman, BKS, focussed on some critical issues of interest to farmers and how *Farmers' Forum*, that completes four years of publication soon, will take the farmers' position on various issues to the concerned quarters.

"The fourth anniversary of *Farmers' Forum* will provide just the right occasion for a meet, not just to thank those who have supported this journal – that has become a veritable voice of the farmer, espousing causes that should serve Indian agriculture well – and getting us where we are today", said the BKS chairman. The BKS has also published a journal called *Krishak Samachar*, "for over five decades, which is still going strong with some 32,000 copies being sent out free of cost every month to all new members", he said.

BKS does not tell farmers how to farm because farming differs from villages in one district to those in another. It seeks to make farmers aware of government policies and tries to make decision makers aware of what farmers want. It advocates farmer prosperity.

"Luckily it has rained in July and hopefully India will not suffer a drought. What is certain is that no matter what happens, India will have the resilience to overcome it. The real danger lies in what may happen next year. Everyone is focussed on influencing government policy for what is currently being experienced whereas the government and the farmers should be focussing on what they will do before the rains come next year. That is the crucial test", Ajay Jakhar said.

The BKS chairman emphasized two factors that are still not being focussed on. One is fodder for animals that will be the biggest threat that this country will face in the near future even as the government is more focussed on the Food Security Bill. Fodder is the key to rural prosperity especially

when there is no rainfall. Fodder prices in Punjab in July were nearly double of what they were one and a half months ago in May. Farmers who had fodder at home but did not sell it estimate that the price will double in the next couple of months. There have been no rains in Rajasthan, in places like Jaisalmer, and none in Gujarat. Rains not only affect the crop but also the value of the property that the farmer is sitting on.

When the rains fail, the value of that land gets halved. The price of every animal, cow and buffalo is discounted by 50 per cent within three months of the rains failing. When the rains come the next year, the same animal that the farmer has sold at half the price, will have to be bought back at double the price.

Meanwhile, BKS presents a platform to all

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When rains fail, the value of farmland gets halved. The price of livestock too is discounted by half within three months of the rains failing, devaluing the farmer's property

stakeholders to present their points of view that are opened up for debate, including sensitive issues like pro and anti genetically modified (GM) crops. It also welcomes ideas on how to become more relevant to all its constituents.

The discussion for 'Analyzing the Budget 2014 for Rural India' was in line with this philosophy of providing a platform for informed deliberations on all matters that impact Indian farmers. The panelists for the discussion held at the India International Centre Annexe on July 18, 2014 included Abhijit Sen, Member, 14th Finance Commission and

former Member, Planning Commission, Subir Gokarn, Director of Research, Brookings India and former Deputy Governor, Reserve Bank of India Surjit S. Bhalla, Chairman, Oxus Investments, Arindam Banerjee, Assistant Professor of Economics, Ambedkar University, Laveesh Bhandari, Founder Director, Indicus Analytics and J.N.L. Srivastava, Managing Trustee, IFFCO Foundation and former Secretary, Department of Agriculture & Co-operation, Government of India. The discussions were moderated by Paranjy Guha Thakurta, senior journalist and educator. ●



BUDGET 2014 Promises and a Reality Check

J.N.L. Srivastava

Even as comprehensive discussions are held on the impact of the budget on rural India – and indeed, every ministry of the government of India has some programme or the other for rural India; be it the agriculture ministry or those for women and child development, information technology or highways – there are those who believe that the monsoon is the real agriculture minister in this country. That brings to the fore a serious issue around the resilience of Indian agriculture.

Around 20 years ago, India had a four per cent growth target for Indian agriculture



J.N.L. SRIVASTAVA
Managing Trustee,
IFFCO Foundation;
former Secretary,
Department of
Agriculture and
Co-operation,
Government of
India

that it failed to achieve on a continuous basis. Abhijit Sen's initiatives in the Planning Commission led to certain programmes that took the agriculture growth rate to 3.7 per cent during the 11th Plan; the best achieved so far along with a record food production in excess of 264 million tonnes. The four per cent growth continues to elude India.

The monsoon has been delayed yet again and this will affect overall food production, both *rabi* and *kharif*. The rate of growth of agriculture in 2014-15 is thus uncertain and this in turn will affect everything. Is there something in the budget or in any programme that will help



this sector grow despite a delayed or poor monsoon?

The integrated watershed development programme has been one of the principal reasons for setting a four per cent growth target. With 67 per cent of India's cultivated area being rain-fed, there is need to tap and conserve that water. Much progress can be made and much area can be brought under cultivation through this programme. The recent increase in produce has come from rain-fed areas while the areas under irrigation like Punjab and Haryana have reached a saturation point, with falling productivity amidst difficult issues of water and land. Does Budget 2014 have anything for rain-fed agriculture?

Such old schemes as the integrated watershed development programme (IWDP) apart, the Department of Land Resources has two new

programmes: the Neelanchal programme, similar to IWDP though its contours are not yet clear. The other is the Pradhan Mantri Krishi Seechayee Yojana. The budget recognises that irrigation is extremely important as water is the lifeline of agriculture and there were some welcome announcement of some programmes on this front.

Given that the central government was just two months old and had to present the budget in a hurry, one only heard the intentions and the purpose of these programmes. How they will be run is still not clear. Take for example the proposal to interlink rivers pegged on the avowed importance of water for the nation.

It needs to be borne in mind that agriculture is a state subject. Earlier, a lot of budgetary support

would be under central schemes, which have been placed under central assistance to the states. Thus while the state allocation has gone up, The centre's allocation has come down with the total remaining constant. This appears to be a good development provided the state governments follow the central line and take advantage of the policy and the financial support.

Thus, though the budget has announced programmes and made financial allocations for them, there is need to force the implementation of these programmes in the states to achieve the desired objective. This means effective governance everywhere, especially in Indian agriculture. Agriculture is a private enterprise in India and there are 120 million private entrepreneurs, who are the farmers, for whom effective governance becomes a very important issue.

Programmes and policies apart, one needs good institutions, which has hardly been talked about in this year's budget. There is not a single word on co-operatives in the budget. Co-

operatives (such as sugar co-operatives, cane unions) are a huge sector, with small and marginal farmers as members from all over the country, which has been serving Indian agriculture since 1904, be it for marketing agri-produce or any other activity. Unless farmers' organizations, be it co-operatives, farmer producer companies and similar organizations are strengthened, how do subsidies such as on fertilizers and seeds reach the farmer? There is need for a proper institutional mechanism and for the co-operatives to be strengthened.

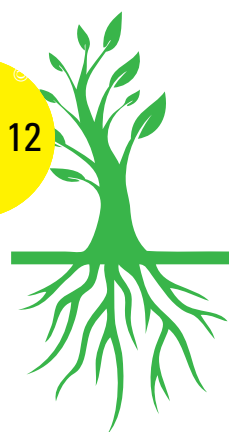
The next important need is to ensure that farmers receive the announced prices. This is where marketing infrastructure, policies and programmes come into play. Again, this is a state subject. For example, the budget provides for ₹5,000 crore for warehousing though there is a major problem on the policy front in the Agriculture Produce Market Committee (APMC) Act, which defines and controls the process whereby agricultural products move all over the country. This is an important cog in the wheel and the fact is that agriculture and rural India are covered by many ministries.

One favourable announcement in the railway budget was about special dedicated facilities and infrastructure for transporting fruits, vegetables and all perishable items. Once again for farmers to take advantage of it, a reform in the APMC Act would be necessary and that would have to happen at the state level.

Agriculture is a private enterprise in India with 120 million private entrepreneurs, essentially the farmers, for whom effective governance becomes a very important issue

The budget offers nothing spectacular vis-à-vis agriculture because farming has been around for centuries and is a slow moving process with multiple interests involved. At the end of the day, what matters is how the policies and programmes are being implemented in the field and at the farmers' level and whether the farmers get some benefit out of them or not.

For programmes announced or envisaged, whether under Providing Urban Amenities in Rural Areas (PURA), the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) or other rural development initiatives, convergence is the key. It is not easy though. Abhijit Sen has been trying for convergence ever since he joined the Planning Commission but has not yet succeeded. ●



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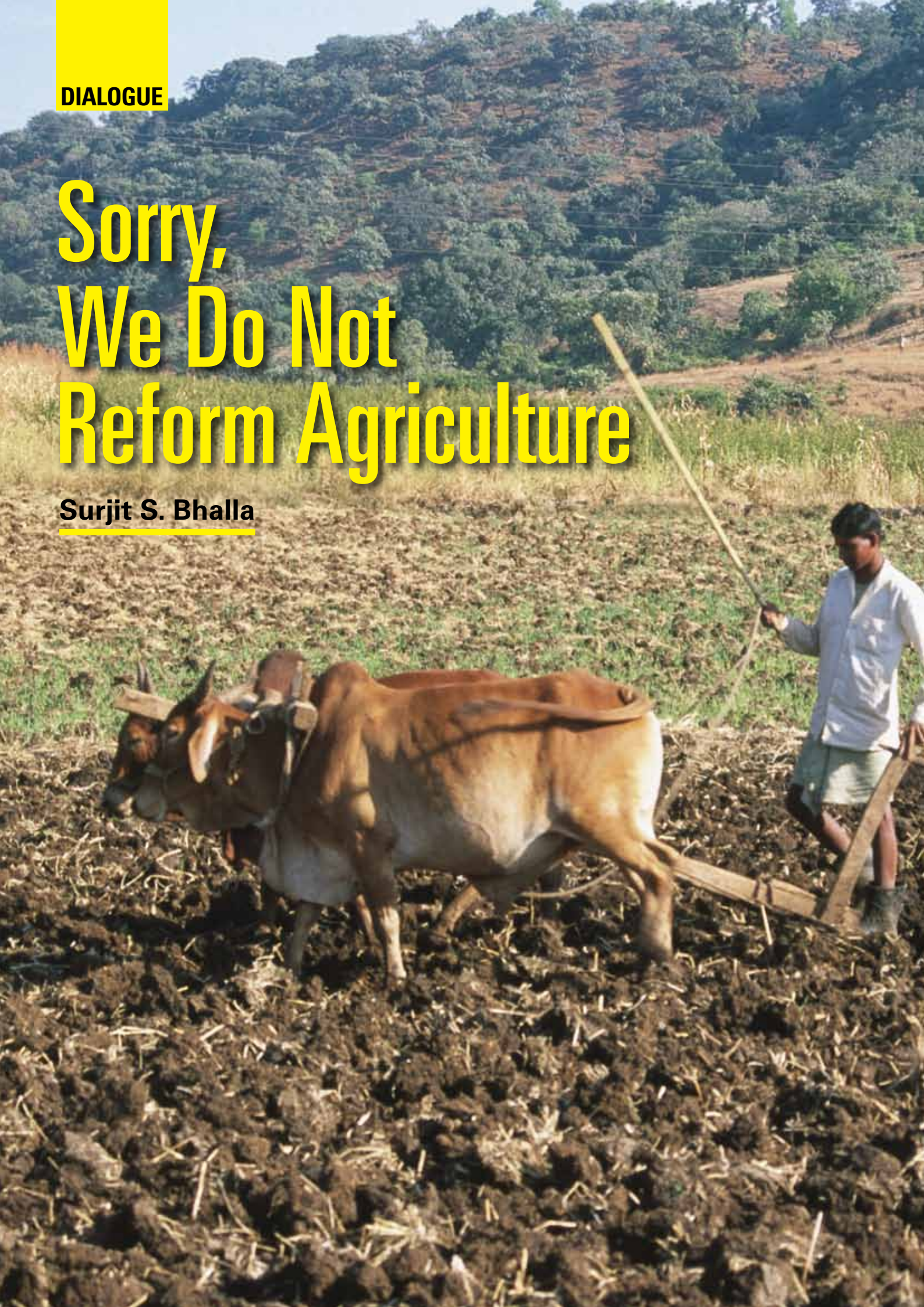
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DIALOGUE

Sorry, We Do Not Reform Agriculture

Surjit S. Bhalla





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There are four main issues around agriculture of which the first is the most important. No one can explain why there have been no reforms in Indian agriculture in the last 65 years. In fact, there have been de-reforms, which means, matters have gone from bad to worse.



SURJIT S. BHALLA
Chairman, Oxus Investments

What are the farmers' community and the farmers' organizations lobbying for? Are they lobbying for any radical change that, by the way, are non-radical when compared to most countries?

In 1991, India had the much lauded economic reforms that did help the economy but there was not a single mention of any reforms in agriculture. The country is proceeding with agriculture in the same way as it has always done. Significantly, when China started economic reforms in 1978, it began with agriculture. India has touched it but made it worse while most countries that have succeeded on the growth path have allowed themselves to first reform agriculture because that is where most of the production forces are; that is where most of the poor are. That is where reforms are most needed.

There is one statistic as to why this is the case. Break up the post-Independence 65 years into two periods, the first 32 years and the rest. The agriculture growth rate is seen as constant at around three per cent per annum. There have been fluctuation, mostly based on rainfall, which explains most of the movement in agricultural production but nothing else does.

Prior to the mid-1970s, India increased its area under cultivation, that economists call extensive margin, and agriculture grew at three per cent per annum. After that, there was an intensification of agriculture which is still growing at three per cent per annum. What is going on?

It has been pointed out that the real minister of agriculture is the monsoon. Had this been 1960, one would have made the same point that Indian agriculture is rainfall dependent. Is there any other country where the debate has stayed exactly where it was 60 years ago? This is not to say that rainfall does not affect agriculture but to ask what has been done in all these years to decrease the dependence of rainfall on agriculture. That is the first issue.

Second, how is agriculture controlled and is there any aspect of agriculture that is not controlled? Controls cover pricing of output and input; pricing of fertilizer, water and power. There is also the great procurement price system in Punjab but who is being served? It is certainly not the farmer. There is a big gap between the price that the farmer receives and the price that the consumer pays. Again, there is the APMC Act and export control. The government quickly and rather mindlessly bans exports whenever it wants to. The question is, why has this gone on for so many years and to such an extent?

In 1960, there was the debate on Garibi Hatao (remove poverty) that continues in 2014. For Garibi Hatao, it was decided that agricultural production, its distribution, its pricing and its redistribution would be controlled. The aim was for policy to provide consumers, especially the poor, a low price regime. Out of every ₹100 that the government spends on food distribution (total ₹73,000 crore in 2011-12), only ₹15 reaches the poor.

According to the National Sample Survey Organization (NSSO) data, out of the total food off-take by the government of India through procurement and storage and out of the total amount of food released to the shops, only half actually reaches the ration shop. Where is the rest going? Why are there no protests on the streets and why are farmers and intellectuals not talking about this? This is not just one sample data but data that is captured year after year. This has slightly improved in 2011-12.

The NSSO data for previous decades and all previous national sample surveys show that, basically, only 50 per cent of the food released by the government is accounted for as received by the ration shops. The government will publish whatever statistic suits it but it is incumbent on the public to at least question whether the data supports the statistics. Nobody does it since it is in the name of the poor and this supports the mindset of the people making the policy.

So, if the purpose of the BKS, for instance, is to help agriculture and farmers, why does it not ask for a banning of the APMC Act and the Act controlling procurement pricing? Let the prices in agriculture be free of government control. There are so many actors in agriculture but India manages to create a monopoly even when there is no likelihood of there being one in the name of the poor. The monopoly in this case is the government of India.

Despite the decrease in the numbers dependent



on agriculture, more than 40 per cent of rural India has more than 50 per cent of its income originating in agriculture, which is very high. There is also need to consider the difference between the prices that the farmer gets and the prices that the consumer pays. Both in production and distribution, it is the middleman who takes out most of the money; it is neither the farmer nor the consumer. In the Public Distribution System (PDS) too, it is the middleman who makes the money, which means that 50 per cent is gone. There is need to challenge the orthodoxy that has prevailed in India and ask why out of the 204 nations in the world, India is the only one pursuing it.

Countries like the USA and Sri Lanka have a food stamp programme. There are cash transfer systems that redistribute incomes to the poor. Distributing incomes to the poor is a major responsibility of the



A system of taxation that redistributes incomes through infrastructure, public goods or income transfers benefits the poor. No country transfers incomes as inefficiently as India

society. That is why there is the system of taxation that redistributes incomes through infrastructure, public goods or through income transfers. Nobody, however, transfers incomes as inefficiently as India does. It became a much applauded act of parliament last year and people believed that everyone was entitled to it.

Is there, however, any genuine happiness amongst people who believe that they are entitled to it? The MGNREGA, for example, mandates that everybody is entitled to 100 days of employment. This is the same programme that India had in 1973 called the Food for Work Programme, started in

Maharashtra. The government wanted to ensure that people had the legal right to have 100 days of employment.

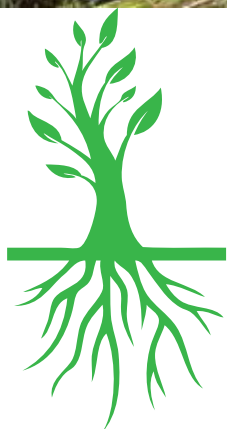
Have these 100 days of employment been provided? It has not but how many cases have been brought against the government for not complying with a person's entitlement to a 100 days of employment? Why are there neither cases nor any brouhaha about this? Where is civil society saying that the government should be sued to ensure that the people get the money?

When the MGNREGA programme was initiated in 2005, a leading champion of the





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Are the farmers' unions and intellectuals in India studying what happened in Gujarat where agricultural production was far more rapid than the rest of the country

National Food for Work Programme programme wrote a scathing article in the *Times of India* stating that the existing programmes in India that had been around since 1973 were “loot for work” programmes. Yet a member of the National Advisory Council (NAC) decided to go ahead with it and said that the problem could be solved by expanding it to all the districts of India. It became the law and the government said that it would distribute employment to all the poor of India and solve the corruption problem.

The fact, India's agriculture production has not moved an inch in the last 65 years except in the desert

state of Gujarat, where rapid growth in agricultural production has happened over a decade. So, it was not a one or two year phenomena due to rainfall here and there but the fastest agricultural growth in India over the last 10-12 years. Are the farmers' unions and the intellectuals in India studying what happened in Gujarat where agricultural production was far more rapid than the rest of the country?

It is about time that the wisdom handed out by politicians and bureaucrats is ignored and a questioning of realities and facts begins to figure out why India is steeped in the same debate in 2014 as it was in 1960. ●



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BRINGING SEEDS OF PROSPERITY



DIALOGUE

No New Agri-Grounds Broken by Budget

Arindam Banerjee

The problems of the agriculture sector cannot be addressed in the budget alone. They run deep and require policy intervention much beyond the budget. However the 2014-15 budget is important, particularly for two reasons. It is an expression of intention of the government on what it wants to do and even if it makes little sense to compare the numbers of the interim budget and the annual budget, one can gauge the shift in emphasis of the government for the agriculture sector.

One: though the agriculture sector employs the largest number of people in the country, especially in rural areas, it has been growing slowly except some revival in the 11th Five Year Plan. Two: the resounding mandate for a change of government had agriculture at the centre of the discourse during the election campaign. There are high expectations about the new direction of the budget.

Considering the budget from these perspectives, there are no marked changes in the emphasis for agriculture though there are some new ideas both from the perspective of framework of the budget and new policy ideas are being rolled out by the



ARINDAM BANERJEE
Assistant Professor of Economics, Ambedkar University

restricted to north western India but had spread to other parts of the country. There were regions that still remained backward but the other important achievement of that strategy was the expansion in foodgrain production.

The foodgrain availability, down to 150-155 kg per person per year in 1965-66, when India faced a food crisis, improved to 185-190 kg by the 1980s, which was no mean achievement. However, there were problems of monoculture and issues of water sustainable agriculture that came along with that kind of strategy.

In the 1990s, there was a different set of strategies: decontrol of prices of different inputs to some extent and reforms in other sectors that impacted agriculture in a big way; particularly the financial sector reforms. After the Narasimhan Committee Report in 1992, there was a contraction of rural credit up to around 2005-07, when a number of rural banks went under. There has since been a rising incidence of credit through informal sources for farmers. Institutional credit for farmers, particularly for small and marginal farmers, which was expanding over the 1970s and 1980s, after

Foodgrain availability, at an annual 150-155 kg per person in 1965-66, when India faced a food crisis, improved to 185-190 kg by the 1980s. No mean achievement

government. The budget allocation for agriculture is up by ₹1,100 crore; an increase of 3.6 per cent over the interim budget and at around the same rate of increase as in budget 2013-14.

There is also the question of rural development that cannot be delinked from agriculture considering the agrarian crisis for over the last 15 years or so. Surjit S. Bhalla highlighted the absence of reforms that I do not completely agree with. Over the longer term, the biggest reforms happened in the 1960s when the chemical intensive high yielding variety seeds were introduced, famously known as the Green Revolution. The pros and cons of that policy have been widely discussed.

There have been negative impact like monoculture and too much emphasis on two cereals but also, as a study by G. S. Bhalla and Gurnail Singh has shown, that somewhere in the 1980s there was a structural break as far as agricultural growth is concerned. That was the decade where the Green Revolution was not

nationalization of banks, saw a reversal of trend in the 1990s.

After 2005-06, the trend of declining rural credit reversed again and rural credit has been on the rise in some sense. However, within the credit disbursed to the rural sector that gets classified as rural credit, loans that are higher than ₹1 crore (the big ticket loans) are increasing but not so much the small loans that small and marginal farmers require.

During the same period, there has been an urbanization of rural credit. A study, a couple of years ago, showed that in Maharashtra, 60 per cent of the rural credit is disbursed in Mumbai. This happens because the big loans going to big corporate houses like food processing companies get classified as agricultural credit even though they do not go to farmers but to companies like Pepsico. Is that good or bad for the economy or farmers is another question.



Farmers are also troubled by the pricing question and the deceleration in private and public investment in agriculture since the mid-1990s. Apart from the seasonal variability in prices of different crops, there is the thrust on trade liberalization and export-oriented agriculture. These meant more volatility in prices due to their integration with the global markets, particularly for non-food or non-cereal crops like cotton and rubber.

There have been periods of both drastic rise and drastic fall in prices. Since farmers take a number of years to recover the costs that they incur on their investments, a crash in global prices for the farmer who has reoriented himself for export markets, means massive problems. That is where the idea of a price stabilization fund comes from. The Radhakrishnan Committee report on farmer debts highlighted this issue in particular.

The current budget increases allocations for some central sector schemes like the watershed conservation scheme, the soil health card scheme (earlier scheme, now revived) and the Rashtriya Krishi Vikas Yojna (RKVY). However, it cuts schemes like the National Food Security Mission and the National Horticultural Mission, which means that there has been a redistribution of funds within the schemes rather than an increase in the amount of allocation.

There is also the question of dryland agriculture that India, with such enormous biodiversity, cannot ignore; nor can it have a one dimensional policy. The allocation for one department that looks after land development and dry land agriculture, the Department of Land Resources, is one-eighth of the total budget of agriculture even though dryland agriculture covers around two thirds of India's cultivable land. This government has not reduced the allocation but the fact is that the allocation for dry land has been much less than what it should be.

The new schemes introduced in the budget include the Pradhan Mantri Krishi Seechayee Yojana that has an allocation of ₹1,000 crore but the Accelerated Irrigation Benefit Programme has seen a cut in its allocation showing a mere reshuffling of resources. There is no clarity on how the scheme will work making it clear that as far as irrigation is concerned, the focus is not on allocation but on ideas.

There is also a Price Stabilization Scheme for cereals and vegetables with an allocation of ₹500 crore that is important. The kind of price stabilization possible with such an allocation can tackle the escalation of inflation around prices of onions, tomatoes



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and vegetables in metropolitan cities as well as the whole issue of hoarders taking advantage of seasonal fluctuations in the production of crops.

Thus, this price stabilization (unless the allocation increases greatly in the coming years) is based on an idea that is different from the price stabilization idea in the context of the output market or the volatile prices that the farmers receive, particularly for crops linked to the export market. That, of course, requires a much larger scheme if it is to be addressed. On the face of it, it is a scheme that is going to affect urban metropolitan consumers rather than farmers but it can change once the government explains what the roadmap will be.

There are two other important allocations in the budget. One is with regard to the warehouse infrastructure fund where ₹5,000 crore have been allocated and the other is long-term rural credit fund, oriented towards building of assets and undertaking long term investments in agriculture.

Considering the reorientation or redistribution of rural credit in country, it is just not enough to raise the allocation within the budget. There is need to revive past priority sector credit policies that have



There is need to revive past priority sector credit policies that have been downplayed since the 1990s if the objective is to benefit the large numbers of small and medium-scale farmers



been downplayed since the 1990s if the objective is to benefit large numbers of small and medium scale farmers. These farmers are not accumulating assets in their farming systems but reducing their assets over a long period of stagnation.

The warehouse infrastructure issue has been a long pending one. The Food Corporation of India (FCI) had a stock of 82 million tonnes of foodgrain last year while the storage capacity both owned and rented by was for around 30 million tonnes. Clearly, there is a large shortfall of storage capacity and if this funding is used for increasing this capacity for storing foodgrain and agricultural products, it is a welcome move. However, one cannot judge the policy orientation of the government based on the warehouse infrastructure fund.

Three days before the budget was presented, a letter was sent from the central government to the states directing them not to provide any additional

bonus to farmers on crop output prices beyond their minimum support price (MSP). The order says that if the states actually provide a bonus over and above the MSP, the FCI is well within its regulations to stop procurement from those states or to procure only that much from the states as will be required in terms of the off-take that a state requires for its public distribution system.

This presents problems vis-à-vis the federal structure as to whether the central government can actually prevent states from supporting the farmers over and above central government support. The deeper problem is the theoretical understanding which shapes the reason for having such high grain stocks.

One very common understanding is that India has been self sufficient in food since the early 1990s. After the 1990s, foodgrain production did not increase but started declining with subsequent phases of stagnation and slight improvement. The



India's nutritional and foodgrain intake don't explain why cereal consumption should go down. Foodgrain is needed for a diversified diet and for livestock

Then again, the nutritional indicators in the country and the foodgrain consumption patterns show no reason why cereal consumption should go down because one needs foodgrain even for a diversified diet and for feeding livestock. Thus, foodgrain consumption should increase with increasing per capita incomes. The decline can only be explained by the fact that large sections of the population mainly in the rural and agricultural sector have not been able to meet or increase their foodgrain consumption over a long period of time. This is what is suppressing or keeping the foodgrain absorption in the country stagnant. If that is the case and there is a further squeeze on the food market operations, it will compound the problem of malnutrition and under nutrition in the country.

The last important point linked to the whole question of food market operations is that of MSP. The National Farmers' Commission headed by M.S. Swaminathan recommended fixing of the MSP at the cost of production (C2), which the Commission for Agriculture Costs and Prices (CACP) calculates, plus 50 per cent. The fixation of MSP for the last year shows that the cost of producing one quintal of wheat is ₹1,138 and the MSP is ₹1,400, which is much less than the C2 plus 50 per cent. It is also less for crops like sunflower where the MSP is actually lower than the cost of production, which is absurd.

Another issue that many farmers' organizations have been raising is that the calculation of the cost of production is often done with data that is slightly dated. By the time the farmers receive their MSPs, the costs have gone up. That is why C2 plus 50 per cent is not going to give the farmer a 50 per cent profit margin. Since the price is received by the farmer at a later date there is need to take inflationary situations into account.

Under the circumstances, the budget does not really mark a break with the past 15 years. ●

per capita foodgrain production has not increased beyond what was achieved in the early 1990s. If there are stocks beyond the FCI's storage capacity, they represent surplus production that need not come into the government regulated FCI food market operations but directly go into the open market.

The per capita food consumption in the country since the mid 1990s presents a problem with a distinct decline in the per capita cereal consumption. Since production, supply, export and import of stocks are interrelated, a shortfall in demand for foodgrain in the country should lead to permission being granted for their export. Since export and import of foodgrain is arbitrarily regulated, the excess often shows up in the FCI stocks.



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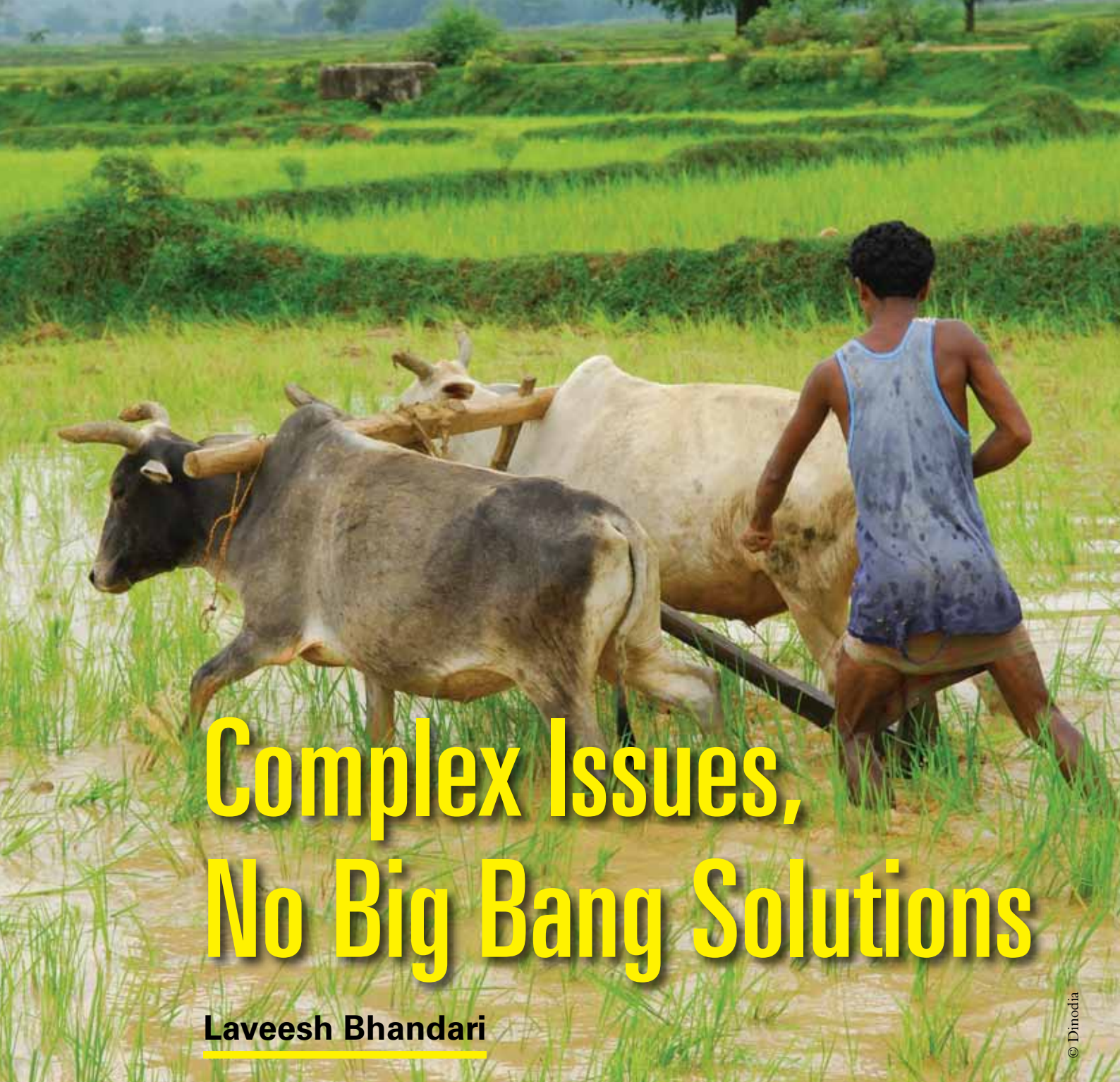
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Complex Issues, No Big Bang Solutions

Laveesh Bhandari

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The budget was a disappointment but probably because there was little time to prepare it. While one should give the new government more time, the first two months have provided no indication of the changes at the policy level that this government may make. The history of some of the leaders suggest that a very organic process is on the cards. It is not going to be one big announcement but slow and steady and that is what one can hope for.

There are a lot of insights that one can get from Gujarat since the state has had phenomenal growth



**LAVEESH
BHANDARI**
Founder Director,
Indicus Analytics

in its agriculture GDP. There have been a few other states as well. In the last decade, Nagaland and parts of Madhya Pradesh have seen phenomenal growth. Many parts of India periodically tend to have fantastic levels of growth but rarely does a state grow at high rates for more than 10 years at a stretch.

What really happened in Gujarat? While there are many stories on different aspects, it would seem that the government in the state was amazingly entrepreneurial. It did some good things but some unethical things, though it did have growth.

The first surge of growth was in the early 2000s, even before the waters of the Narmada had started to flow in. District after district suddenly started to show great growth in cotton. That was because people started to use seeds even before the government of India had cleared them. These were all illegal Bt cotton seeds in the sense that they were not sold by Monsanto but by domestic producers. The state administration, despite the control that it could have over producers, just turned a blind eye to it. Had the law been followed, there would have been no initial surge of cotton production. A right-winger like myself might say that since it was a stupid law, why follow it?

The second surge happened when the waters of the Narmada started to flow in and there was growth around those canals. The third surge followed the availability of electricity and the fourth one followed the check dams that were built. Each of these periods of growth was based on very opportunistic elements and not preceded by any grand announcements, apart from the Narmada dam that had been going on for the last 10-15 years. This gives some clues on what is on the cards and how farmers need to engage with this government. The idea is not to wait for big shot reforms but for small incremental changes.

Going back to Budget 2014, the fact that it does not announce anything is because things have not been thought through in the agriculture domain. It has mainly been about putting more inputs such as changing the APMC Act. These have been talked about in the early 1990s and nothing new has been done in agriculture. The major changes in agriculture in the last 20 years have been the borewells and the water well pumps that have been put in by the people themselves, while the rural roads have come in through a different programme.

Gujarat saw the first growth surge in the early 2000s via cotton. District after district started to use Bt cotton seeds even before the government had cleared them. These were all illegal Bt cotton seeds

It is important to stop comparing agriculture with rural development or to equate the farmer with rural entities. More than 50 per cent of India's rural GDP is constituted by manufacturing and services. Even more importantly, the farmer should not consider himself or herself as rural anymore. Bulk of the value addition for agricultural produce takes place in urban areas. Agriculture or farming does not represent a rural profession and the thinking around this has to change. This will be important because the *mandis*, where produce is sold, is neither rural nor urban; it is a place where people interact to buy or sell. This could be on the internet and the location does not matter these days.

Helping the farmer will need a mindset change. Today the entire farm sector is dependent on policies that the government is probably not even looking at. Does India want an agricultural policy? Is an agriculture policy the critical thing that will lead to the essential things through which the farmer would be benefitted? Consider the hypothetical situation of all panchayats being given a piece of land in urban areas. This would not be a part of an agriculture policy but one that could potentially integrate different markets. This is not to suggest that this be done but to highlight that creating barriers of categorization, rural, urban, agriculture, tends to prevent thoughts on many different changes that are required and could be possible.



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Farmers do not like change. This government too will throw some organic improvements that might temporarily increase productivity in some areas and for some crops

What then is the critical point that the farmers need to engage with? The government cannot mandate where to sell one's product and farmers should not agree to that. Yet farmers' organizations have been the major supporters of the APMC Act. They are the ones who pushed it initially and they are the ones who are opposing any changes to it now.

There are things that economists do not know and perhaps the farmers know much better that makes them support the APMC Act, which seems, on the face of it, to be the worst thing for agriculture. This is something that should be discussed with the farmers. There is equal need to examine the major subsidies because the one thing

that is most harmful for agriculture is the subsidy. There have been reams of paper wasted on studies to establish this. Why does India insist on retaining really badly managed fertilizer subsidies?

There are other options available. The reason for not choosing them is that the farming lobbies have just not allowed any changes to be brought about in agriculture; nor will they allow this government to bring about any change because these organizations are against change. No government changes things because farmers do not like change. This government too will throw some organic improvements that might temporarily increase productivity in some areas and for some crops. The



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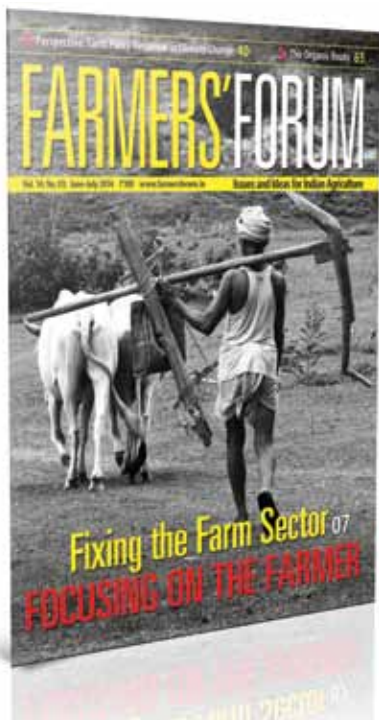
question is, why do farming lobbies and farmers oppose change?

Finally, as far as welfare is concerned, one needs to stop thinking of certain things that will have to be done for roads, housing, food, nutrition and income. Farming is a very risky profession, perhaps the most risky, and every farmer knows that. Traditionally, there was a whole range of activities that farming households would do to diversify risk by producing different crops on the same piece of land, by horticulture and having different sons engaged in different professions.

Even today, most farming households have one or two sons in agriculture and one or two sons involved in other things, just trying to diversify risk. The problem with policy is that a foodgrain improvement mission, for instance, is not the solution to a problem but just a way to change the risk profile of the problem.

Any attempt to improve outcomes for the farmers must look at these problems as a rural community problem as a whole, including everyone in that area, and consider how all the policies are going to make a difference. There can be no targeted policies because rural India functions as communities where there are many interrelationships. By just trying to improve one small part, one does not really change much.

This calls for a lot more thought but over the past two decades there has been too much talk around getting rid of the APMC Act and agriculture subsidies than about the really important issues. ●



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Time to Shape Expectations and Drive Solutions

Subir Gokarn

Even as comprehensive discussions are held on the impact of the budget on rural India – and indeed, every ministry of the government of India has some programme or the other for rural India; be it the agriculture ministry or those for women and child development, information technology or highways – there are those who believe that the monsoon is the real agriculture minister in this country. That brings to the fore a serious issue around the resilience of Indian agriculture.

The budget is too narrow a perspective from which to consider agriculture and there is a need to step back and consider it from the larger stakeholders' perspective. Who are those with stakes



SUBIR GOKARN
Director of
Research,
Brookings India;
former Deputy
Governor, Reserve
Bank of India

in agriculture and what are their interests? For starters, there are the consumers who are the central stakeholder and expect reasonable availability of a variety of foods and nutritional balance (that comes from the agriculture sector) that is consistent with the person's means and preferences and at relatively predictable prices over time.

India's most significantly manifest agricultural problem is food inflation, which everybody has been talking about for a very long time. To put things in perspective, India has had close to 10 per cent food inflation for the last seven years.

That has been the persistent aggregate though its composition or drivers have changed over time. Around six to seven years ago, the trigger was the

global food shock. There was a worldwide surge in food inflation in late 2007 and early 2008 which subsided globally by the middle of 2008 and food prices started to soften everywhere except in India where food inflation persisted.

The next year, 2009, saw poor monsoons and a ratcheting up of prices. Pulses were significant contributors in the first phase of food inflation though, broadly speaking, it was the protein price hike which affected prices. When protein prices subsided, milk continued to be a big contributor and when the overall contribution of proteins started to go down, vegetable prices came in.

In 2011-12 vegetables were the biggest contributor to food inflation and remains mostly so. Surprisingly, since the middle of 2012, rice has been a huge contributor. Rice prices over this period have been rising at 16 per cent to 17 per cent a year. Thus, while different forces play out, the bottom line is that food inflation remains high. This is against consumer interest.

To get a historical perspective from the experience of countries that have grown rapidly over a long period of time, there has never been a case of food inflation anywhere close to this. East

of them lead to decreased productivity over time, particularly fertilizer overuse or misuse.

Coming to stability, price stability is not the objective. The objective is income or livelihood stabilization. Prices can contribute but are not necessarily the only way to do it. From the view point of the government, which is the third stakeholder, the objective is to manage food inflation and ensure that food reaches sections of society that may still not afford it, along with ensuring nutritional balance that people are able to achieve, even if affordability is a problem. The final objective is linking food security with the larger objective of welfare comprising healthcare, sanitation, education and dovetailing all of these into a composite welfare framework.

It is on the basis of these objectives that not just the budget but any policy statement or policy framework must be evaluated. To come back to the consumers, why are they facing such enormous pressure from the prices and where are they coming from? How did the country deal with food security 40 years ago? Using an agricultural metaphor here, the seeds of the next crisis are sown in the solutions to the previous one.

India dealt with its food crisis of the late sixties

Food inflation in India has touched 10 per cent in the last seven years. That has been the persistent aggregate though its composition or drivers have changed over time

Asia is a reasonable example where food inflation has surged but has always been contained. One can deduce a cause and effect relationship. The ability of an economy of India's kind and structure to grow rapidly for any length of time, with food prices behaving the way they are, is severely limited. So, containing food prices is a significant policy objective.

From a consumer's viewpoint then, availability, affordability and diversity are the three legitimate requirements. Why should a consumer be denied these things? From the producers' viewpoint, one has to look at productivity, which directly translates into income and higher standards of living. One also has to consider safety because risk management is absolutely critical. The question is: if a producer is to be induced to continue to stay on in agriculture, how much of an improvement in income can he anticipate over time, given that land productivity is intrinsically constrained. Different kinds of inputs are needed to improve land productivity but some

and seventies by creating a cereal economy. It did everything possible to incentivize the production of cereals whether through the APMC Act or through the Food Corporation of India (FCI). The procurement or storage has basically remained in place no matter how consumer preferences have changed, their requirements have changed and, most importantly, in the last 10 years, how affordability has changed. If India continues to produce more cereal than it needs, its resources will continue to be diverted to cereals even though consumers and customers want other things. Effectively, the government has become the consumer given the procurement framework that India has adopted.

In his significant report over a decade ago Abhijit Sen estimated the optimal stocking requirements to be about 22 million tonnes, 14 million tonnes for rice and eight million tonnes for wheat. The numbers might have increased a bit but they are nowhere near the 60-70 million tonnes that one has been seeing for the last few years. That is why there



is a story every month in some or the other news channel about foodgrain rotting in open storage because the country has an optimal storage capacity of 20-25 million tonnes. The rest of it is not part of the strategy, it is opportunistic but it has kept this incentive for cereal production going.

How is this strategy to be dealt with? There is talk of technology, soil quality enrichment and so on but the bottomline is that the incentive to produce cereal has to be changed. The difficulty in changing that is two things have been tied in. There is never a case for killing two birds with one stone; not, at least, in economic policy. It is a well established rule that for every target, there should be a dedicated instrument. India has been trying to solve the twin problems of food availability and farmer livelihood using the same instrument of procurement.

Somewhere, those two got integrated and the most important change in policy that is needed is around how to break the two. Can food security be achieved using a particular instrument and can farmer livelihood security be delinked from it, using a separate instrument? It can be done and

of what consumers are demanding less and less of. That is, of course, half the story. There is talk of reducing the incentives to cultivate cereals but the question is whether India can reorient the system to create incentives to cultivate other things like pulses.

Fodder has been another big issue in the last few years. Fodder prices are a big reason for milk prices to rise so fast and that relates to the use of land and incentives that dictate it. Can incentives be created on the other side? This is a challenge because rice and wheat are the two most storable agricultural commodities and they have relatively long shelf lives while most others do not. One cannot use the same procurement framework, the buy and stock kind of approach, to offsetting these incentives.

There are three elements that need to come into play. Anything that can be stored unprocessed and raw provides an opportunity that has to be exploited. One must explore produce that can be stored with some level of processing such as irradiated onion on the basis of cost effectiveness and consumer safety. There is technology there and that can always be considered. The third is financial

Production of irradiated onion, which can be stored with some level of processing, should be explored with the help of technology as long as it is cost effective and safe

that is what the policy needs to focus on.

Speaking specifically of food, the key is to break that dual guarantee that procurement does. The dual guarantee is one of buying whatever at the guaranteed price. One cannot have both. A procurement system can work efficiently if it guarantees a price or guarantees a quantity. If it guarantees both, it leads to the situation that India is in with serious distortions.

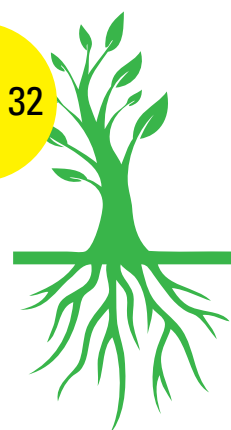
Madhya Pradesh is now the largest supplier of wheat to the public procurement system and the state government feels very proud about it and legitimately so because it set itself a goal and achieved it. From a national perspective though, it is not the best outcome because the state government super imposed an additional minimum support price (MSP) to incentivize farmers to grow more wheat.

Madhya Pradesh produces very high quality wheat but the state is not suited for mass cultivation of the grain. It is far more competitive in crops that are actually causing some of the stress in food prices today. That is the distortion caused by incentives and illustrates the problems with excessive cultivation

markets. There has been difficulty in arriving at any consensus on the role of financial derivatives in any kind of commodity price stabilization.

This is not a closed chapter though because there are situations in which it works and situations in which does not. One must try and create the situations in which it works and use it to complement the other price stabilization techniques. The announcement of the price stabilization fund in the budget is a potentially important innovation but it needs to be designed and operated correctly. As of now, there is no information about how it is going to work.

From the food security perspective, coming to the government's role and linking it to financial livelihood security, Laveesh has made a very important point that agriculture and rural areas have changed. The rural economy is less than half agriculture and this is a pattern that goes back almost 10-12 years. The share of agriculture in the rural economy is shrinking. There are many ways in which one could look at livelihood security. The most effective way in which it can be done is rural





infrastructure. By creating livelihood opportunities outside the farm, one is reducing the need to provide income security directly related to the agriculture. A simple illustration of this is the impact of four-laning of the main highways out of Delhi.

I have been travelling regularly on the Agra and Jaipur highways in the last 10-12 years. Each year there is a clear change in the nature of livelihoods on these highways. The simple logic is that as the road improves the distance that an individual can travel in the same amount of time to seek livelihoods increases. While earlier it took half an hour to one hour to travel five kilometres, one can travel 15-20 km in the same time and that has led to clustering of industrial establishments that are contributing to the productivity. Job opportunities have increased off the farm and that all adds up to a much more diversified source of income for rural households.

That is one way of providing income security. It can be supplemented by some sort of safety net that may come out of this price stabilization fund, some sort of transfer payment system once there is an effective identification system in place. On the government side, nutrition is the key and the debate on food security unfortunately got caught up in cereals access being the only way to deliver food security. However, nutrition and food security are delinked phenomena.

Today, the country is moving from a situation of cereal dominance to diversification where it must

consider proteins and vegetables and other sources of nutrients. It must look at reasonably processed ways for foods to provide micro-nutrients. All of these are challenges facing nutritional security. The cereal fixation needs to be totally revisited as the country moves forward.

Articulating an agriculture strategy, the role of the agriculture ministry and some announcements are expected from it. The budget's references to technology, soil enrichment, the price stabilization fund and so on are fine. The creation of a national market is going to be politically extremely difficult but it is a great start just to be thinking about it.

As far as the protein revolution is concerned, Budget 2011 mentioned a national mission on protein supplements. I was in government at that time but do not know where this mission stands today. In 2012, there was a substantial amount being allocated to a dairy mission but again, one does not know what exactly is going on.

It is important, given the sensitivity of the situation, for the government to communicate about things being done and the outcomes being achieved under these schemes. That is the only way to shape expectations about action and, over time, what has been achieved. Putting money into schemes and then remaining silent beyond that is not the way to achieve any policy outcomes. Hopefully, that orientation will come in. ●

Changing the Agri Architecture for Growth

Abhijit Sen

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Typically in all discussions around the budget and agriculture, one talks of a host of things but cannot quite connect them up. One has been talking the same things for the past 60 years without affecting real changes. As far as the current budget is concerned, one understands that the government was pressed for time and took the interim budget, kept most of the numbers the same, making minor changes only.

However, the numbers are meant to indicate directions that might be taken and much of the directions in other areas were articulated in words rather than numbers. As far as agriculture was concerned, this budget reflected, by and large, that the government did not have too much time between the interim and the final budget. The pointers to what has changed between the interim and the final budget include the price stabilization fund, a reference to a new irrigation scheme (Pradhan Mantri Krishi Sinchayee Yojana), apart from pointers towards the marketing and the processing side.

One major development that has not been talked about is the role of non-budgetary things



ABHIJIT SEN
Member,
14th Finance
Commission;
former Member,
Planning
Commission

coming into the agricultural programmes. The big ones here are the long-term credit, warehousing, and processing. The background to this is a rethinking about National Bank for Agriculture and Rural Development (NABARD) and the possibility of a greater role for it. Thus there is credit and the emphasis on rural infrastructure, for examples the Rural Infrastructure Development Fund (RIDF) that is run by the NABARD.

This is something that would be common in budgets decade ago, which had sort of got underplayed in the last 10 years. Direct bank lending had become the main source in which the financial sector reacted with agriculture. Now the NABARD seems to have been signalled in as the big thing.

These developments, however, have to actually play themselves out; the hands have to be revealed; preferences have to be seen and, by and large – partly because that is the way agriculture is and partly because the players at the moment in the saddle have reacted that way – one is not going to see big bang things but ways in which the architecture of existing things can be changed.



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There is some indication of that in picking up things like rural electrification, taking off from something called feeder separation – something that Gujarat has done – but again in very small numbers. So this budget is not really an indicator of where the country is going and the discussions thus far have been about where the speakers would like them to go. In doing so, most of them have gone back to the past and said what has not happened or what went wrong in the past.

While a lot of numbers have been bandied around, the general perception has been that nothing much has happened and that a big bang is needed to change that. Will it come from the government because it is not there in the budget? I believe that agriculture does not change with big bangs because it is slow by its very nature and depends too much on nature.

Agriculture in India, however, is not only going to change, but change very rapidly in two or three very important ways. The responsibility of every government is to handle those changes. The first, which nobody has talked about, is related to the fact that of the last 15 years, nine years have been the hottest ever recorded in 150 years of recording

temperatures in Indian history. It becomes seven in the last 10 years. There is the unquestioned warming of the system and the implications of that have to be factored in. How it is done is another matter but India cannot afford not to do anything about it.

This break in process has to be achieved though the reality is that the meteorological department still does not consider it to be statistically significant. It has, however, been statistically significant since around 1998, when temperatures became pretty significant. Looking ahead, that is probably something that everyone engaged in agriculture or thinking about agriculture needs to keep in mind. It is something that will not change however much mitigation is done for a very long time and the mitigation is not coming very easily given the way the world is. India must, therefore, think in terms of its approach to agriculture through that lens pretty clearly.

The second big thing that has happened is that for the first time in India's recorded history the agricultural workforce or the population dependent on agriculture has declined. The decline has not been small; the national survey data shows the decline to be anywhere between nine per cent and 14 per cent. These are not small numbers to have

happened in a fairly short period of seven years, between 2004 and 2011.

When a workforce in agriculture declines by say 10 per cent, it is time that diversification takes place in rural areas, getting out of a low productivity sector. Agriculture also has to adjust to the fact that its labour force is declining and costs have to be raised.

The last seven years have seen one effect very sharply, which is the increase in rural/agricultural wages that are up by six per cent to seven per cent per annum in real terms, given the high inflation. That obviously has a large impact on agricultural costs. Much of it is now coming in what was considered to be a not too important cost in agriculture in a surplus labour economy. So, in a fundamental way, the approach to labour, whether in a context of excessive labour or growing shortage of labour, needs to be looked. This has happened even more recently than the trends in climate change.

The third major aspect is that despite all of the above, agriculture has done better. J.N.L. Srivastava quoted the 11th Five Year Plan document to say that agriculture had grown by 3.7 per cent during that plan and that the four per cent growth is still elusive. Well, these numbers keep changing and the Central

growth rates over any period of time is very large as compared to the average growth rate over the same period of time, nothing really can be said statistically about changes of growth rates either way.

Standard deviations of growth rates over any period in India have typically been double and a lot of people will say that growth rates have typically gone up or down. That is the first qualification to what I said. The second is how significantly the standard deviation of those growth rates has declined in the last five or even 10 years. For the last five years, the standard deviations are only one fourth of what they used to be in the 1970s. In other words, this means that agriculture, in some sense, is becoming more stable over time.

If one considers data pertaining to 10 years ago and picked any 10-year moving period for which data is available, one will find that in every 10-year period there are at least three years where agricultural GDP came down but the average was more near four years. The fact is that over the last 10 years, there has not been a single year when the agricultural GDP growth rate has been negative; when the agriculture GDP has come down as compared to the previous year. That is one of the

Of the last 15 years, nine have been the hottest ever in 150 years of recording temperature in India. The implications of such warming should be factored in

Statistical Office (CSO) keeps revising them and the 11th Plan growth now stands at 4.2 per cent.

The 4.2 per cent growth is also roughly the average of annual growth rates during the second stint of the Congress-party led United Progressive Alliance (UPA) government: between the financial years (FY) 2009-10 and 2013-14. Thus 2009-10 to 2013-14 saw an average agricultural GDP growth rate of 4.1-4.2 per cent that comes over an average growth rate of 3.1 per cent during the five-year period of 2004-05 to 2008-09, which is roughly the period of the UPA I government. For the National Democratic Alliance (NDA) government's five year period, from the FY 1999-2000 to FY 2003-04, the growth rate was 2.2 per cent. If we go beyond that, the number is about 2.7 per cent.

Despite a shorter time period, at least on these numbers, there is a distinct improvement. Not much can be made of these improvements for a very simple reason. These growth rates move from year to year massively and if the standard deviation of any

simple measures that shows why the standard deviation also picks up.

This increase in growth of agriculture and reduction in variability that has happened in the last 10 years has largely been in the rain-fed areas. In places like Punjab and western Uttar Pradesh, the growth has largely been flat. Thus the growth in the last 10 years has largely happened outside of the Green Revolution areas, which the meteorological department calls the core monsoon areas in India, which is really the core central India.

Much of the action has happened in an area stretching from Gujarat in the west to Odisha in the south-east and from Rajasthan in the north-west through Madhya Pradesh to half of Andhra Pradesh in the south. In fact, the less irrigated states have experienced major growth rates in the last 10 years; not to be found in the states of Punjab and Haryana or in West Bengal, which was a great success story in the 1980s. Similarly, these growth rates in last 10 years are not to be found parts of southern India,





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which were great successes in horticulture.

Again, something has been going on in the rain-fed areas unrelated to the monsoon patterns. Monsoons patterns do explain to some extent why agriculture did better during the UPA I period than the NDA period (1999-2004), which unfortunately got quite unlucky in terms of the monsoons it got. One cannot attribute the better performance in the five years of UPA II compared to the five years in UPA I to monsoon patterns. That is something one should respect; increase in the growth rates from around two per cent to three per cent to almost four per cent was marked by the following factors.

Cereals production and the growth rate of cereals that had become negative in the 1990s became positive but has averaged only two per cent to 2.5 per cent. What has picked up includes horticulture and livestock; things like milk, meat and such others; higher than 5.5 per cent per annum.

These are numbers that were roughly what the demand projections had thrown up for the 10th or the 11th Five Year Plans, consistent with the per capita income growth observed up to the last two years. The last two years have seen a lower GDP growth than projected but higher agricultural growth than projected. That brings one to the real failure of UPA, which also cost it much electoral ground.

Despite what it achieved, food inflation remained very high and continued despite the faster growth in agriculture and continued into the years when the rate of growth of demand in the economy was coming down. The NDA will have to face that problem and has to ask what it needs to address to do anything about inflation.

It has to take on the inflation problem but has not done so in the budget, save for talking vaguely about a price stabilization fund with a ₹500 crore allocation. There was a price stabilization fund in the previous NDA for export crops that was a huge flop because while the money was lying there, there were hardly any ideas very few farmers subscribed to that at that time. The big question then is what has pushed food inflation so high. Inflation is unpopular and it is the government's responsibility to do something about it.

There is another small issue that should be highlighted. One would have thought that the budget would address fertilizer subsidy in a bid to address the concerns about the lack of reforms on the supply side. The fertilizer subsidy is not just large but is completely distortionary with a sudden increase in urea use against all other fertilizers. The end component has massively jumped up and what this budget has ended up doing essentially is to please urea manufacturers, who have not been

paid properly by actually raising the urea subsidy by ₹4,000 crore to ₹5,000 crore. This huge nutrient imbalance is something that the government should have done something about fairly quickly. It did exactly the opposite.

Changes to the APMC Act have also been talked about for 10 years but one does not still know if anything will be done about it. This is not resolved by just shouting about it. The art of reforms must be reconsidered; some things come up out of pressing concerns and hope that some changes take place.

In that context, there was something that the Planning Commission had achieved, perhaps small but still significant. Till 2007, Krishi Bhawan would micro-manage all the schemes that it had, even though agriculture affords choices to the states. This meant that the entire funds of the agriculture ministry went into schemes designed by the ministry. In 2007, a new system was started that, by 2014, led to 40 per cent of the ministry's funds being given on a formula driven basis to the states.

In terms of guidelines, the ministry had just two clauses. First, that a state must continue to spend on agriculture. Second, it must spend the

Hopefully, this government will put in an effort and get both the agreements required across states as well as incentives required for investment in that area. Most will agree on most of the issues except those at the core of things like the APMC Act and such others on which, cutting across party lines, there is a great love for controls.

The other part of it is that India has actually crossed a hump that came unexpectedly in 2007; when world agricultural prices suddenly spiked. However, even after the global spike dissipated, Indian agricultural inflation kept going up. If one compares India's prices for a whole set of things with world prices, it is clear that even in June 2014, the prices in dollar terms compared to the world agricultural indices, wherever they come, are still lower than what they were in 2007.

The gap has been narrowing a bit but world prices had gone up much higher while India's prices had not risen to that extent. Then the world prices started coming down India was unable to bring down its prices relative to world prices. As long as there is a gap there will be pressure for domestic agricultural prices to be increased. This

Perishables are becoming important to the food basket. Entry to the perishables market is through processing and effective internal and international trade

same proportion of its plan on agriculture as it did in a baseline and actually show some effort at planning at the district level at identifying its own projects. Was any break achieved in agriculture around 2007 after this and can it be linked to the way RKVY changed? This is important in terms of a lot of things like federalism and in the manner agriculture is to be considered.

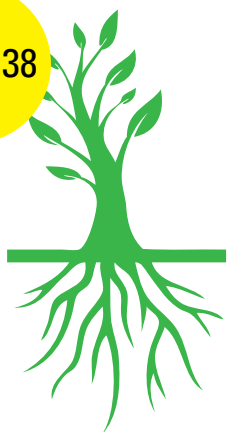
As far as the price issue is concerned, agriculture goods consumption patterns are changing and moving towards goods that cannot be stored. Since perishables cannot be stored, by and large, they cannot also come under the impact of futures markets. The ways to move into the perishables space is by processing or opening up international and internal trade more effectively.

Internal trade, however, has certain interstate movement issues but even greater logistics issues. That is a whole area that needs to be invested in and involves areas that constitutionally come under the authority of the states. The UPA was simply unable to find a way of getting at it.

will be simply because traders will try to take that opportunity to push up prices while farmers' communities will also say that the agricultural prices in the world are higher and ask for more. In a sense, Ashok Gulati's (former Chairman Commission on Agricultural Costs and Prices) defence of his high prices has precisely been the world agricultural prices.

With margins falling, the inflationary pressures are coming down and the gap between the world and Indian prices is closing. Looking forward, that gap no longer creates as much pressure because a lot of banks and analysts believe that commodity prices are now going to be on the downswing.

A lot of things that give cause for optimism have happened in the last few days. The price data that came in was better than expected and nationally the monsoon has improved to a great extent. If this pattern continues till the end of June, India will be about 25 per cent below normal and things might just get a lot better. ●



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Bharat Krishi Samaj

Conference on
**ANALYZING THE
BUDGET 2014
FOR RURAL INDIA**

New Delhi | Friday, July 18, 2014

Q&A SESSION

Of Produce and Prices

The Pros and Cons

Supporters of the erstwhile and current regime tossed numbers and percentages at each other but farmer groups say that real issues are being overlooked. While food inflation concerns increase, several food items are experiencing a price deflation

SURJIT S. BHALLA: The agriculture GDP growth rates for UPA II at 4.2 per cent, UPA I at 3.1 per cent vis-à-vis the NDA's at 2.2 per cent have been presented by Abhijit Sen. This small sample shows a very clear trend on the two important issues of agriculture production and prices. The trend is a one percentage average increase from both NDA to UPA I and from UPA I to UPA II. The first question is, what were the policies that led to it?

The Indian meteorological department has data from 1871 from about 35 to 40 agricultural stations, which has been expanded over time and

the series is publicly available. It turns out that for 1998-2002, in those five years when the NDA was in power, it was the third worst five-year period for rainfall in India's history.

Then, again, the last five years, not including 2014, have been one of the best five-year rainfall periods that India has had. There is thus need to analyse this data after controlling for rainfall and then determine how much the jump is.

The second question is around food inflation and how it is tied to international prices. India is getting increasingly integrated with the world. The



curious thing about the rise in both agriculture and total inflation for developing countries is that they increased from 2007 onwards, 2008-09 was a blip up in inflation rate. However, they reverted, even in Thailand and Brazil with the inflation rate coming down, except in India.

In the developed world of course, the inflation rate went down by about 1-1.5 percentage points. During the same period, the 2012 Consumer Price Inflation (CPI) in India was higher than the 2011 CPI; the 2011 CPI was higher than 2010; the 2010 CPI was higher than 2008 and so on. In the 2012-13 financial year, the MSPs were increased on an average weighted basis by 16 per cent.

A paper presented in 2011, showing the CPI on the left and one year lagged weighted procurement price increases on the right, explains most of the inflation with the R2 being around 0.6. The changes were simple percentage changes. Looking at the record of that exercise, it turned out that in 2012-13, there was a 16 per cent increase as a result of which, in 2013-14, there was the highest CPI rate at 12.5-13 per cent.

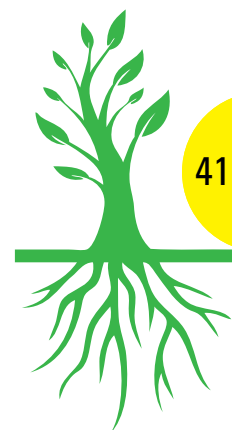
Last year, the average procurement prices were increased by only five per cent. This means that in the FY 2014-15, inflation rate should be down by four percentage points and it is at seven per cent. This year, the procurement prices have only gone up by 2.5 per cent and, according to the model, the CPI increase next year will only be five per cent. The point here is that the real cause of the highest ever inflation in India's history (other than 1969-1975 period, which includes the 1973 quadrupling of oil prices) had never been seen in India before.

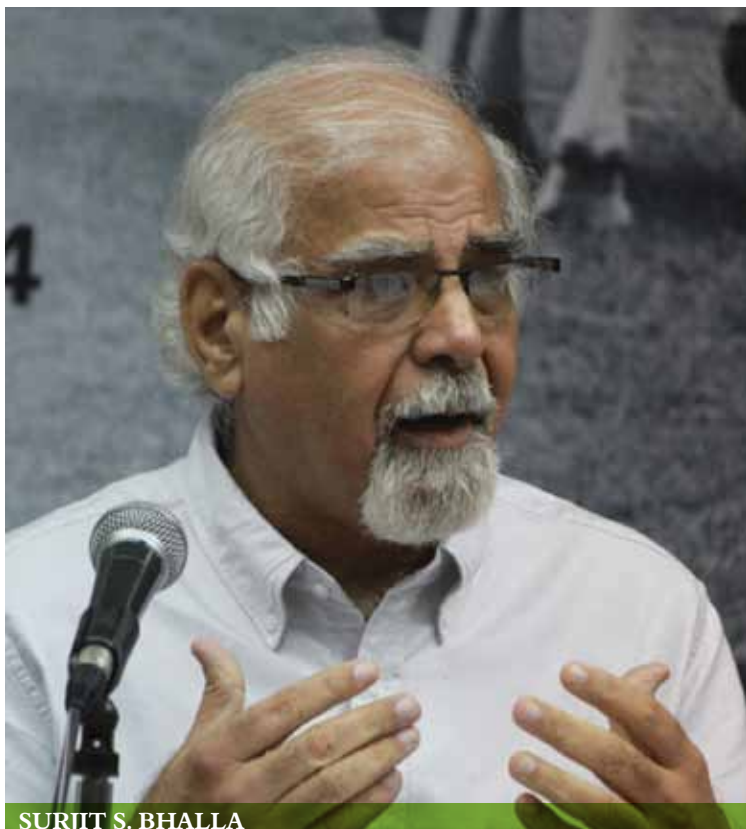
I have been trying to analyse if any country at any point, has seen so much exceptional inflation relative to its own history and relative to the world except hyperinflationary extraordinary scenarios like Zimbabwe. The procurement price inflation rate was due to an economic and political miscalculation by UPA II that basically this would help them win elections. What it did not realize is that while they were some farmers who were benefitting from it – and, as Abhijit Sen mentioned, how the real wages have gone up – the basket of the poor was badly affected. The overall basket of the poor has 50 per cent of food and if food prices escalate at a high rate while the agricultural real wages do not go up commensurately (they went up by about two per cent) there is a problem.

It is important, therefore, to consider statistics seriously and have a political framework of looking at economics in order to find out the exceptionalism of what happened in the last five years. The inflation rate was the highest ever and the growth rate over the last three years was the lowest ever because the country had achieved a growth of less than five per cent with an investment rate of 33 per cent. If one controls for investment rates back in the 1950s, 1960s and 1970s, these growth rates have been the worst ever.

AJAY VIR JAKHAR: Everyone is talking about inflation, so let me share a few facts about deflation. *Chana* (gram) is currently selling at 2006 prices, while mustard and barley are selling at 2008 prices. Last year, the government wanted to diversify agriculture I sold *makki* (maize) it for ₹1,500 but today I have it lying in my godown for ₹1,000. There are no buyers for it. So, while economists will look at data, I think the data is wrong on many aspects. If you analyse wrong data, you will get wrong information and wrong analysis.

As far as the budget is concerned, it seems to be for the farmers but we fear the direction that the finance minister's moves will take. There is talk of





SURJIT S. BHALLA



LAVEESH BHANDARI

Pradhan Mantri Krishi Seechayee Yojana and I can assure, based on information from the agriculture ministry, that they have no idea about it because the water ministry is going to look after it. That is how the policies are being made.

There is also the Price Stabilization Fund being discussed that, I believe, is going in the direction of deficit financing. We are moving away from MSP with this and, possibly, it could be a good idea to pay the farmers the deficit between the market price and costs, instead of procuring from them.

Dr Subir Gokarn said that seeds to the next crisis are sown in the solutions to the previous one, which is what Henry Kissinger possibly said in his book on China: China looks at every solution as being starting of the next problem whereas Indian governments have thought like the western world. This is not suprisingly because that is where many influential Indian economists have been educated believe that every solution was an end to itself.

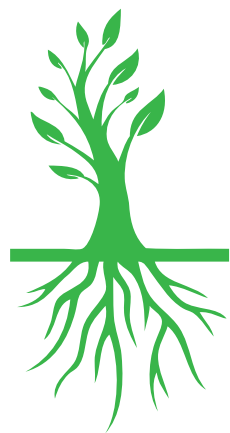
We met Raghuram Rajan, Reserve Bank of India (RBI) governor in June 2014. Many of the issues have been taken up in this budget but the one thing

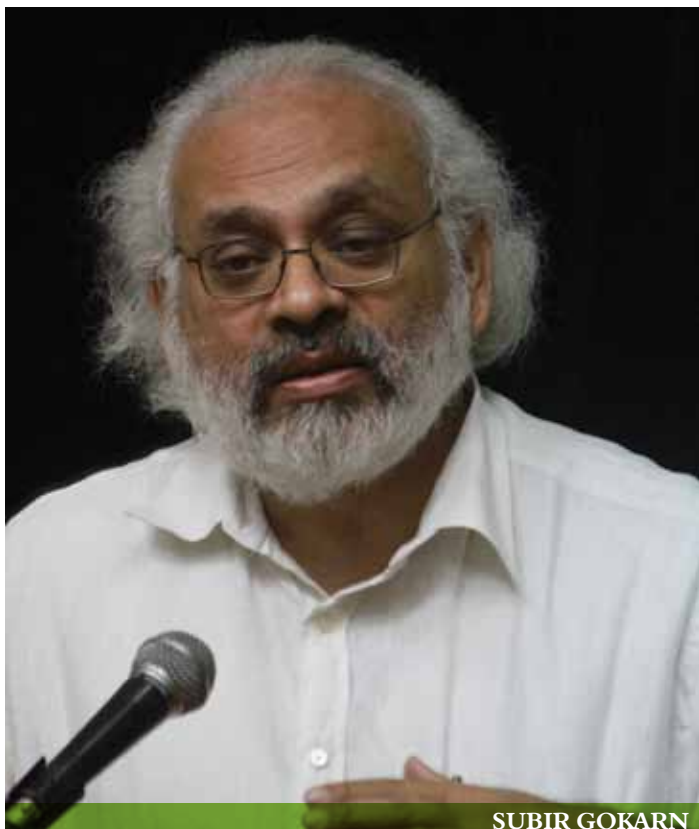
that has not been taken up, which is very crucial, is related to credit: the nine per cent adequacy norm set for co-operative banks. The state governments do not have money to put in those co-operative banks and the co-operatives themselves have been destroyed by the policies over the past five, 10 or 20 years. If those norms are not diluted for those small rural co-operative banks, they will start closing down in the next five to 10 years. That is something that this budget should have looked at rather than go on and on about subsidies.

Economists and experts know what we, as a farmers' organization, feel about subsidies. It is like a chicken and egg story. All the economists want the subsidy to go and the money to be used for development. Farmers would be very happy to do away with subsidy but if development is to happen simultaneously, they want an alternate income system to come in. It is very easy for the government to do away with subsidies but it is very difficult to ensure that that money goes to the farmers the form of in an income.

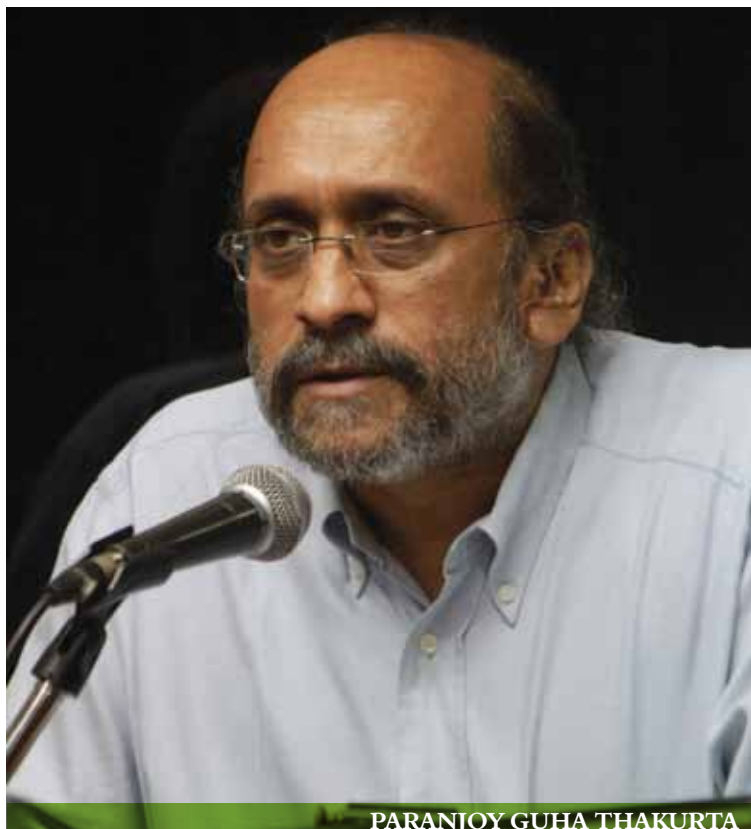
The fertilizer subsidy was clearly mentioned

The procurement price inflation rate was caused by political miscalculations by the Congress party-led UPA II. The coalition had hoped that this would help them win the elections





SUBIR GOKARN



PARANJOY GUHA THAKURTA

Every one is talking about inflation but what about deflation? Chana (gram) is currently selling at 2006 prices, while mustard and barley are selling at 2008 prices

in the budget because the government said that it would review the urea subsidy. This means that once Maharashtra and Haryana elections are over, the government will reduce the subsidy. There is a ₹38,000 crore payment due to the fertilizer companies as of March 31, 2014. The total allocation for fertilizer subsidy this financial year is ₹73,000 crore. So, only ₹35,000 crore is left for the whole year.

This ₹35,000 crore will run out by the end of August leading to a shortfall of ₹50,000 crore by the end of March 31, 2015. The government is then going to raise prices because that is what Reliance Industries wants it to do. The gas price hike is going to be another ₹10,000 crore. That means ₹60,000 crore of deficit on the fertilizer subsidy alone. This the government is simply going to meet this by reducing the subsidy. Whether this is right or wrong is not for me to judge.

The point is, if the government wants to reduce the deficit, it should have factored in this cost or should have told the farmer. It is trying to hide something when it would have been better to tell the farmer how much of a mess the nation is in.

Do not hide figures. This is what we expect of this government. Thus while the budget is for the farmers the disappointment is that its direction is not as clear as one expected.

SUDHIR KUMAR: The speakers have repeatedly said that we are talking about the same picture of agriculture in 2014 as we had in 1960. So, why do we not talk about or what have we done to change these things like providing better machinery and such like?

HARVEER SINGH, Senior Editor, Amar Ujala, Hindi, Delhi Edition: Surjit S. Bhalla said that the UPA government played politics with MSP in the last few years and this government increased MSP by, I think, about five per cent. There is inflation, diesel prices are going up, the BJP manifesto promised to increase the MSP by 50 per cent over and above the production cost. The M.S. Swaminathan committee set up by the previous government, the BJP government in its manifesto and the Hooda Committee have all recommended the same thing.

The question is: what is the mechanism to increase



DILIP CHERIAN



ARINDAM BANERJEE

The nine per cent adequacy norm set for co-operative banks has been overlooked. If not diluted for small, rural co-operative banks, they will start closing down

the income of the farmer in India except through the MSP mechanism since many commodities are selling at a very low price and the procurement system is not uniformly effective for the whole country. Only in very few areas do farmers get the price at the right time. What should the farmers do in this scenario since the economists and the government fear higher inflation if the government increases the price? Inflation is part of the farmers' lives too. What is the alternative mechanism?

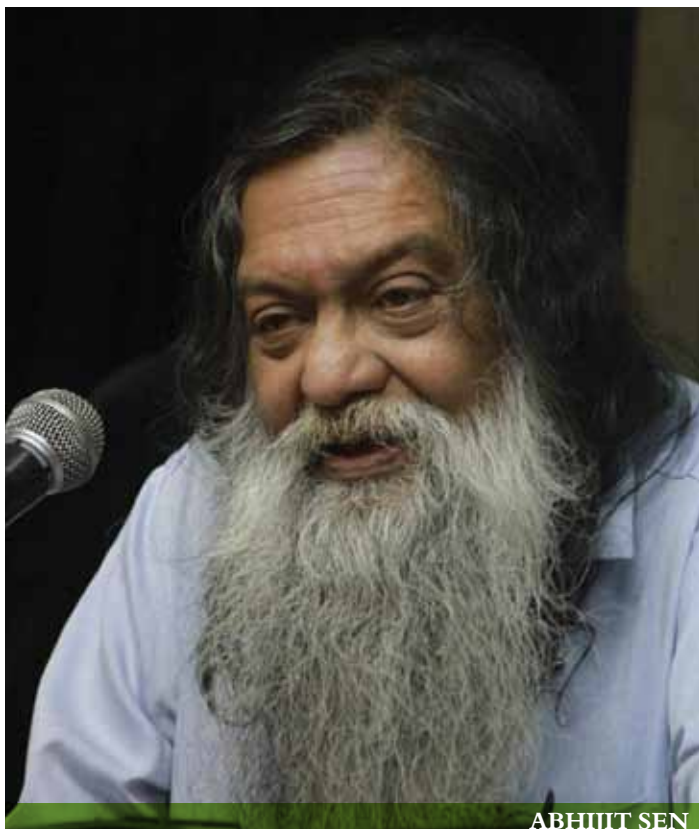
SITARAMAN: What are the panelists' comments on the current dispute in WTO where India is being criticised for its indulgences?

VISHWAS BALIYAN, farmer from Muzaffarnagar, Uttar Pradesh: I heard a lot of comments from experts from different fields but, first, we want to know, given that farmers are selling their land and leaving agriculture, where is that policy to prevent agriculture land from getting sold and reality projects coming up on them? Second, the panellists have talked of a fodder shortage but

the truth is that there is fodder which is being used to make paper. How can policy address this problem? Finally, why can farmers not be involved at every level of the policymaking process?

J.N.L. SRIVASTAVA: Whatever Vishwas Baliyan said is absolutely justified. The point is that one cannot just ban that movement of fodder to paper factories. There needs to be a right strategy for that. The right strategy is to ascertain the amount of fodder, especially green fodder, that needs to be produced; the technology to use since there are many systems, varieties and programmes available and then take a decision. It should be such that the fodder produced should not only meet the future requirements of cattle but also meet the requirements of the industry. If there is no effective long term production strategy for fodder, simply banning diversion of fodder to other industries is not going to serve the purpose.

SURJIT S. BHALLA: It was pointed out that some crop prices have gone down while others have gone up. I want to see the price determining



ABHIJIT SEN

allocation rather than a government bureaucrat. The farmer is not dumb. Why would he grow corn or pulses when he/she is getting such remuneration from the government for growing wheat and rice? He will grow something else if prices determine the allocation. That is how we all operate be it in labour market, produce market or any other. The question is what is this special law that should apply to the agriculture mandating that the price system has to be determined by a central planner? The prices should be decided at the market place and the farmers will react accordingly. The government should ensure income support and not price support, which is the big mistake made in the last 65 years. It was decided to determine both incomes and prices. Let us decide to determine incomes; supplement incomes of the poor and not interfere with the price system.

ARINDAM BANERJEE: When we look at the whole issue of inflation from the farmer's perspective and that of the consumers, we must remember that bulk of the medium and small farmers are also consumers. They are producers of food but are net buyers of foodgrain as well and we cannot just simply look at them separately since more than 80 per cent of farmers own, on an average, less than 1.5 acres of land. Food inflation is an issue that hits the farmer as well.



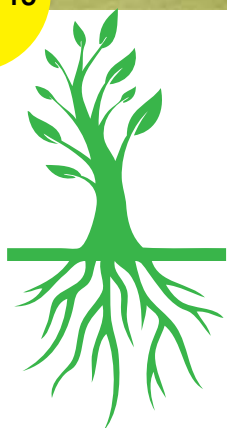
J.N.L. SRIVASTAVA

I completely agree that as far as vision for food security goes, as Gokarn said, they cannot be based on cereals. One has to take into account proteins and micronutrients. However, it remains a fact that even today despite having crossed the first hurdle in 1960s and 1970s, cereals and calories remain the cheapest source of energies that the poor have. On an average, the protein consumption is actually coming from food products. With a decline in production of cereals, protein consumption has gone down. While we need to strive towards the micro nutrient part, which is absolutely necessary, we cannot ignore the macro nutrient aspect.

LAVEESH BHANDARI: We need to look at what is happening in other sectors and other domains to better appreciate what is happening there. This discussion has focused on whether or not there has been agricultural growth. I want to ask a counter question. In the last 10 years, we have built a pretty impressive infrastructure of rural roads. We have had a situation where just about every village is connected through the telecom network. We have a situation where every household in India has members who can read or write. These three improvements have happened and are very important successes that we have had in last 10 years in India. Would they not have had a productivity impact on agriculture?



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Either the data is wrong or demand has been outstripping supply. That means that demand has grown even faster than output or we are producing more of the wrong thing

If not, it means that we are negating the whole development process. I do think that there have been some improvements in agriculture but we should not look at agriculture alone for improvement but at other sectors.

SUBIR GOKARN: There is a paradox between high growth rates, production and accelerating inflation. We have heard explanations on inflation and, typically, you do not expect the two to go together at an aggregate level. Either the data is wrong or demand has been outstripping supply. That means that demand has grown even faster than output or we are producing more but we are producing more of the wrong things. Perhaps some of all these things are going on and that is where the strategy has to focus.

At WTO, the running theme, since the Uruguay round has been, where does one draw the line between market access and sovereignty? How does

one determine a country's rights and autonomy to close its markets when it becomes a part of the system. Under what conditions does it exercise them? For India, it has become a large dilemma now because some people say that the one way to deal with the food inflation situation is to open it up for trade. That is a possible benefit that one can get from being a little less concerned about protecting domestic livelihoods but then one is taking the risk with livelihoods. This dilemma has become very acute because of the food inflation.

DILIP CHERIAN: The issue at hand is farmers' livelihoods, their future; the prosperity of the Indian agriculture sector and the concern for the end consumer. The consumer is on both sides of the fence so let us hope that the farm does not eat up the fence and the fence does not choke the farm. It is a tough call and, as always, the economists have left us wanting for more. ●

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Time for New Agriculture Governance

Naresh Minocha

The minimum support price (MSP) to farmers more than doubled in the last 10 years. So went the headline of a government advertisement in newspapers during the pre-poll campaign in February 2014. The United Progressive Alliance (UPA) government of the day touted the price hike per tonne as a proof of Bharat Nirman. It continued: “MSPs for paddy increased from ₹550 to ₹1,310, wheat from ₹630 to ₹1,400 and coarse cereals from ₹505 to ₹1,310”.

What the advertisement did not disclose was that the UPA government, like its predecessors, never fixed MSP for vegetables and fruits, thereby hurting both the producers and consumers.

One can infer from the advertisement that the government’s flawed agriculture price policy has contributed doubly to food inflation. First, it over-relied on regular hikes in cereal prices as a means to boosting grain production, thereby constraining crop diversification. Second, it contributed to the volatility in prices of vegetables and fruits by denying MSP and allied market support to farmers.

When the assured price and procurement support through co-operatives and private companies can benefit both the farmers and consumers through



NARESH MINOCHA
Senior economic
journalist
specializing in
Indian agriculture

A rationalist would agree that the mainstream media’s hyped coverage of spikes and downplaying the distress sale of perishables during troughs contributes to the seasonal food inflation/deflation.

How the mainstream media, especially the TRP (target rating point) brigade, adds fire to the food inflation becomes clear if one reflects on what the Foodgrains Prices Committee chaired by late L.K. Jha, a reputed civil servant, observed in 1964 when television channels did not exist.

The Committee stated: “Once an upward trend in prices becomes evident (read this as drummed up incessantly by television channels in the present context), there is a tendency on the part of everyone – consumer, trader and producer – to hold larger stocks. This tends to increase inventory demand and to reduce supplies artificially and leads to a further price increase. In a rising market, hoarding becomes more common. Thus, an upward spiral in prices sets in and a shortage in supply even of a somewhat insignificant nature can cause a major upsurge in prices”.

Apart from the weather and supply-related spurt in prices of perishables, there are certain governance issues that have made food inflation an integral part of Indian economy since Independence as can be

Food inflation can be attributed to the UPA government’s overdependence on regular hikes in cereal prices to boost grain production. This constrained crop diversification

door-to-door purchase and delivery of highly perishable milk, there is no reason why this success cannot be replicated in horticulture. Clearly, it is the lack of the required, composite policy thrust that is responsible for seasonal lows and highs in prices of onion, potato, tomato and such others.

Instead of unveiling a crops-neutral MSP policy, the Modi government is playing the blame game to deflect criticism for its failure to put on leash runaway rise in prices of perishables.

Recently, the Union minister for consumer affairs, food and public distribution, Ram Vilas Paswan, said that a “number of other factors like rumour and media reports about likelihood of shortage of food and vegetable items also have been responsible for the rise in the prices of these commodities as hoarders act promptly and stock up these items for couple of days to reap windfall later”.

Table: Growth in Crop Yields

Crops/crop groups	1980s	1990s	2000s
Rice	3.15	1.21	1.42
Wheat	3.24	1.82	0.73
Maize	2.04	2.22	2.27
Gram	2.48	1.53	1.16
Arhar	0.07	0.13	0.94
Groundnut	1.74	1.34	1.76
Rapeseed and mustard	3.00	0.38	2.13
Soybeans	5.27	1.91	1.71
Cotton	4.21	-1.40	10.29
Sugarcane	0.21	0.79	0.59
Fruits	-2.21	1.81	-1.48
Vegetables	-2.46	0.38	1.31

Source: ‘Republic of India : Accelerating Agricultural Productivity Growth’, World Bank, Washington, DC, May 2014

Table: Food Inflation based on Wholesale Price Index

Commodity	June 2012	June 2013	June 2014
FOOD ARTICLES	10.91	10.27	8.14
CEREALS	6.64	17.87	5.33
Rice	7.46	20.43	10.24
Wheat	6.76	13.94	0.73
PULSES	20.59	1.59	1.78
Gram	59.67	-9.20	-13.34
Arhar	1.03	14.16	2.36
Moong	-5.68	20.08	25.19
Masur	17.50	15.60	15.97
Urad	-16.53	4.64	19.55
VEGETABLES	50.12	17.36	-5.89
Potato	84.91	-8.38	42.52
Onion	-9.46	114.76	-10.70
Tomato	NA	NA	NA
FRUITS	-4.93	0.86	21.40
MILK	7.46	4.08	10.82
EGGS,MEAT & FISH	16.69	12.48	10.27
FOOD PRODUCTS	5.91	6.41	2.33
Sugar	7.13	6.93	-2.09
EDIBLE OILS	9.52	0.07	-0.75
Vanaspati	0.00	1.85	-1.34
Groundnut Oil	19.65	1.42	-16.92
Palm Oil	9.08	-3.69	5.87
Mustard & Rapeseed Oil	19.34	0.66	1.31
Soyabean Oil	8.73	1.53	-2.57
Sunflower Oil	3.93	-1.85	-4.98

Source: Rajya Sabha Question on Food Inflation, July 18, 2014.

confirmed from the budget speeches for 1947-48 and later years.

Though the contribution of MSP to national food self-sufficiency and security is indisputable, the fact remains that price increases have overtaken technology and innovations as prime movers of increase in foodgrain production in the last several years. Policy-induced imbalanced application of commodity fertilizers, coupled with discrimination against customized fertilizers, has curtailed the role of nutrients in enhancing yields.

To break the yield barriers and thus tame food inflation, the country has to rely on plant biotechnology/genetic engineering, which is an anathema to the neo-Luddites. Thus, the scare-mongering NGOs and sympathetic judiciary need to share the blame for food inflation.



It is relevant to refer to a World Bank report captioned 'Republic of India – Accelerating Agricultural Productivity Growth', published in May 2014. It says that:

- Yields dominated growth until the mid-1990s, as green revolution technology spread.
- Diversification has been a consistent but moderate contributor to growth. Since the 1980s, diversification consistently accounted for about one-quarter of growth, somewhat less than might be expected from a rapidly transforming agriculture.
- Prices contributed increasingly to growth in the 1990s and have again become the main driver in recent years.
- The area and yields rebounded early in the recovery (post 2003) but, since 2007, expansion in area has slowed as expected.



Government follows inflation-promoting policies that facilitate increase in wages and population. These trigger demand for enlarging the variety of foods fuelling price rise

- Importantly, yields' contribution to growth diminished considerably and diversification remains modest despite rapidly changing diets and rising commodity prices.

The report explains that: "The contribution of yields to productivity is declining, and prices have emerged as the main driver of growth toward the end of the 2000s. In 2010, 55 per cent of the increase in the real value of output resulted from price increases. This finding raises concerns about the sustainability of the recent growth spurt: Farmers (specifically the net-sellers) gain from higher prices but without

underlying improvements in productivity, the current growth may be short-lived".

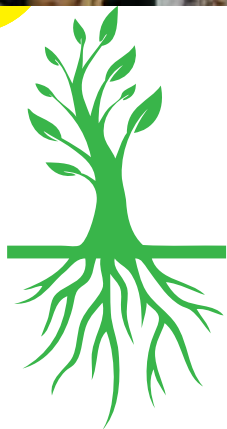
The government has been following inflation-promoting policies that facilitate increase in wages and population. These collectively fuel the demand for enlarging the variety of foods, thereby contributing to rise in food prices.

In keeping with its strategy to woo different vote banks, the UPA government had announced its decision to set up the Seventh Pay Commission (SPC) in September 2013. This decision was taken in spite of the fact that dearness allowance insulates





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Phased rise in salaries across all the sectors means significant and regular increase in supply of money in the economy that sustains both food and non-food inflation

government employees from inflation. Moreover, successive finance commissions have disapproved of the practice of setting up of pay commissions every 10 years as it severely strains the fiscal profiles of states.

When the award of the SPC becomes available for implementation from January 2016 onwards, one may expect the beginning of a wage spiral in the states, public sector undertakings, the private sector and ultimately in the unorganized sector including rural workers over the subsequent three to four years. Phased rise in salaries across all the sectors means significant and regular increase in supply of money in the economy that sustains both food and non-food inflation.

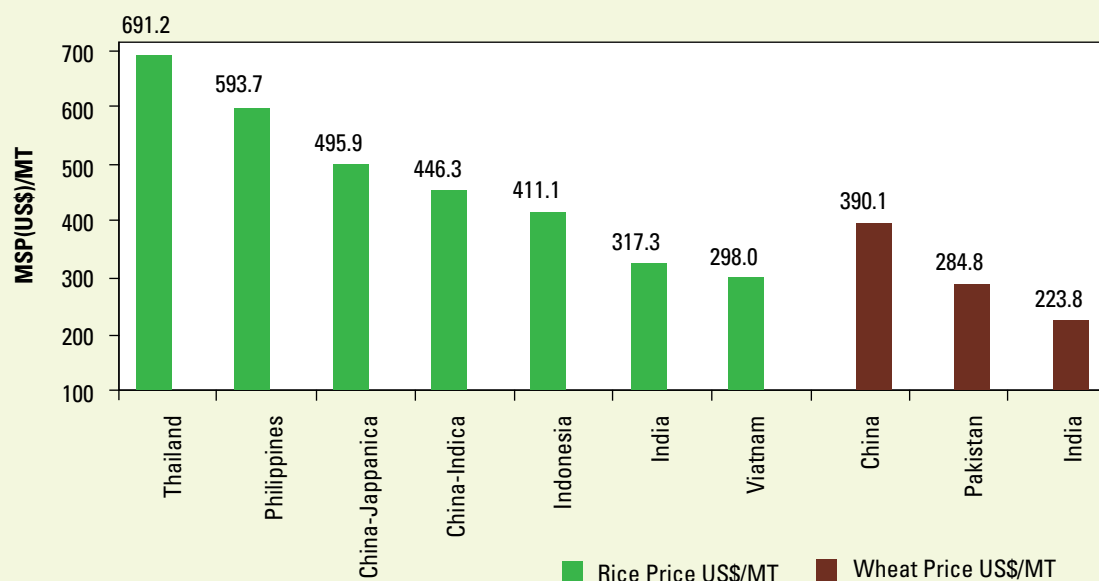
The increase in wage bill also increases fiscal deficit of states many of which do not have the capacity to pay higher wages but are forced to do so due to persistent demand of employees for implementation of the pay commission's award.

Fiscal pressures ultimately get reflected in rise in prices of goods and services.

As the Commission for Agricultural Costs and Prices (CACP) says in its report on 'Price Policy for Kharif Crops for Marketing Season 2014-15': "the main factors responsible for high food inflation in recent years are sharp hike in fiscal deficit from 2008-09 onwards (by more than 100 per cent in a single year over 2007-08), which increased overall liquidity and consumption in the country; high global prices of food since 2007-08; and rising nominal farm wages in India largely driven by 'pull factors' of economic growth but also helped by 'push factors' of MGNREGA".

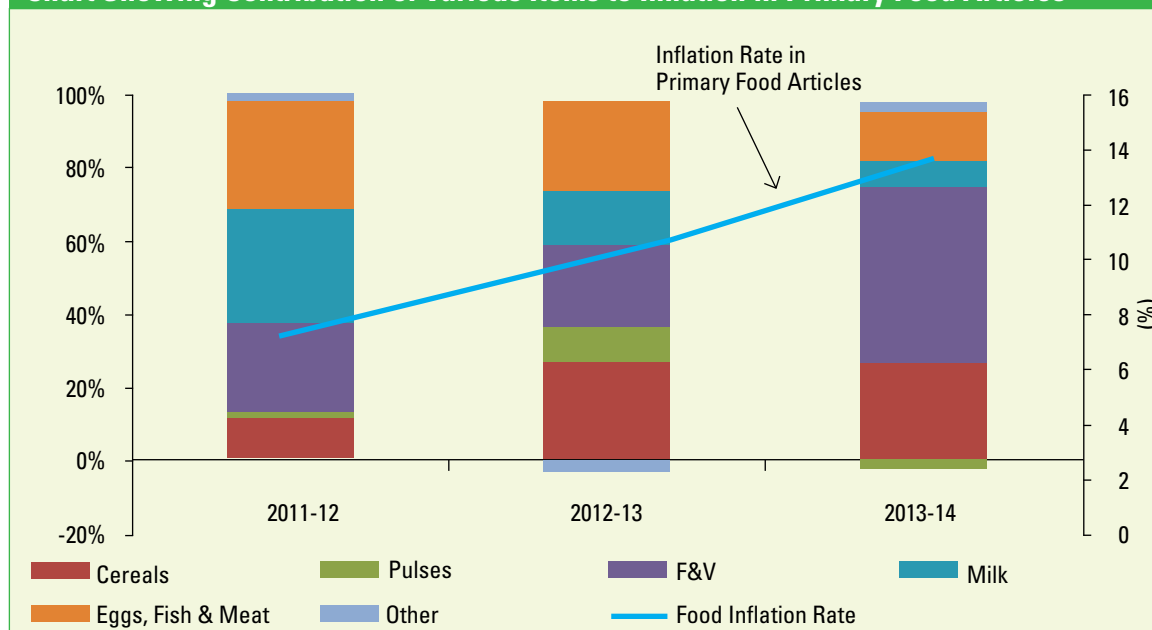
A similar perception about food inflation was conveyed by the Executive Director, Reserve Bank of India (RBI), Deepak Mohanty. Delivering the annual Lalit Doshi Memorial Lecture in January 2014, he said: "The increase in wages if not

MSP of Rice and Wheat for Comparator Countries, 2013



Source: Commission for Agricultural Costs and Prices

Chart Showing Contribution of Various Items to Inflation in Primary Food Articles



Source: Commission for Agricultural Costs and Prices

commensurate with productivity gains could be inflationary. Our food economy experienced a cost shock, which was reinforced by sustained wage increases buttressing demand. As supply did not increase commensurately, prices rose at a more than desirable level”.

In his lecture titled ‘Why is Recent Food Inflation in India so Persistent?’, Deepak Mohanty pointed out that the nature and composition of food inflation has changed in the recent years. As per capita income has increased, the demand for food has shifted

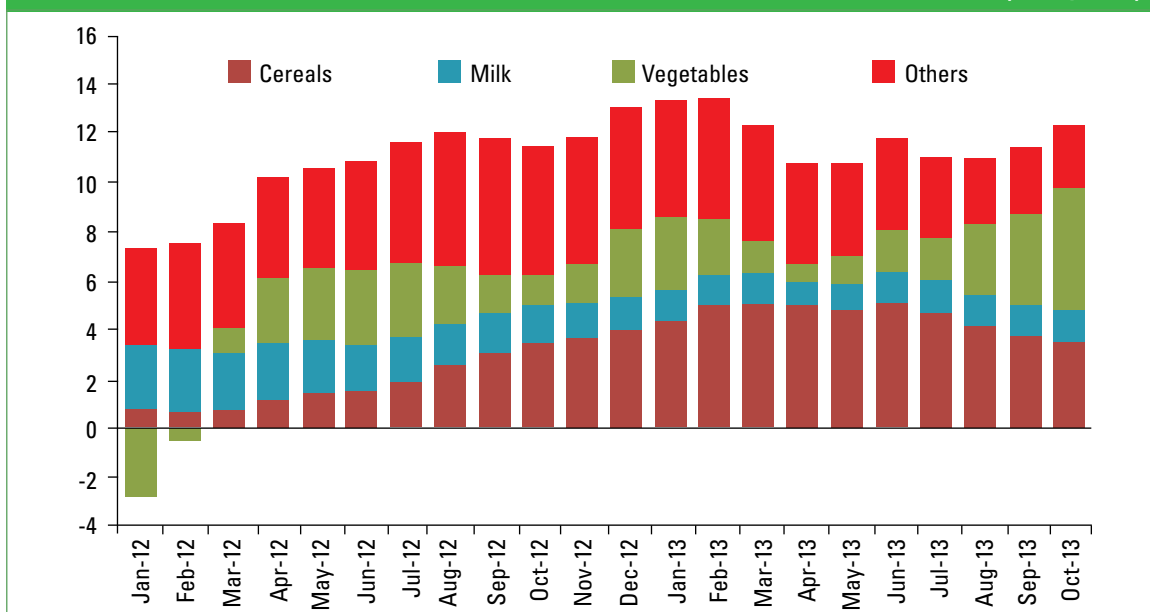
towards protein, fruits and vegetables. As supply response has not been adequate, there have been price pressures. In addition, the agriculture sector experienced cost-push both in terms of increasing price of material inputs and labour.

As for the increase in the demand for food and resulting food inflation due to population explosion, the UPA government deleted the word ‘population control’ from policy turf in its first tenure.

In one of its annual ‘Report to the People’, released in May 2007, the UPA stated: “The use

CPI Food Inflation: Contributions

(In %, YoY)



Source: CEIC Data Company and International Monetary Fund (IMF) staff calculations

of the term population control has been dropped. The emphasis is on voluntary acceptance through awareness creation and better access rather than on a target oriented approach through directives from the state". In its second term, the UPA government tried to facilitate population explosion by offering inducement to prospective mothers to procreate and get maternity benefits under the National Food Security Act (NFSA), 2013.

The NFSA thus says: "Every pregnant woman and lactating mother shall be entitled to (a) meal, free of charge, during pregnancy and six months after the child birth, through the local anganwadi, so as to meet the nutritional standards specified in Schedule II; and (b) maternity benefit of not less than rupee six thousand, in such installments as may be prescribed by the Central Government..."

As a schoolboy, in the late sixties, one had learnt from the social studies teacher that India's population was growing so fast that it added people equivalent to the population of one Australia every year. Many Australias have been added to the population since then. India has earned the dubious distinction of adding the equivalent to Brazil's population in about 12 years. No policymaker has cared to assess the impact of such population growth on food inflation.

The Registrar General and Census Commissioner's disclosure about the addition of more than 181 million to India's population during the decade 2001-2011 "is slightly lower than the population of Brazil, the fifth most populous country in the world" has had no impact on policy.

It is pertinent to cite a report captioned 'Indian Experience on Household food and Nutrition Security' published by the Food and Agriculture Organization (FAO) in 1994. The report stated: "the burgeoning population not only marginalizes the achievements that the nation has made on the economic front but also does not allow the country to substantially enhance the Food and Nutrition security of the people".

The other factors that have contributed to food inflation include anti-competitive behaviour by businesses and competition-resisting policies and regulations by the centre and the states in the realm of organized retail. Similarly, the states have either resisted or implemented half-heartedly agricultural marketing reforms.

As observed by the State Ministers' Committee on Agricultural Marketing Reforms that submitted its report to the centre in January 2013 observed: "The present system of marketing practices is not offering remunerative prices to the growers while consumers are paying 1.75 to three times more over the wholesale price causing food inflation in the country. There is an urgent need to develop adequate post-harvest marketing infrastructure easily accessible to the growers to reduce the wastages substantially and shorten the supply chain of perishables. Private investment in the sector is much required and state governments should create a conducive atmosphere for private investment."

The marketable surplus of one area currently moves out to consumption centres through a



There is a need to develop a national level single market for agricultural commodities by removing all the existing barriers of licensing, movement and storage

network of middlemen and traders, multiple market areas and institutional agencies.

The agricultural marketing reforms committee says: “Although, there exists a national level physical market, there is no national level regulation for the same and the existing regulation does not provide for a barrier free market in the country. Therefore, there is a need to develop a national level single market for agricultural commodities by removing all the existing barriers of licensing, movement and storage”.

Yet another contributor to food inflation is the lack of coordination in the implementation of MSP policy, foreign trade policy, domestic marketing policy, fertilizer subsidy policy, transportation and logistics policy. The government’s response to food inflation is reactionary and not pro active.

The policy interventions take the form of a ban of export of onion, etc. or either fixing or hiking the export price and issuing warning to alleged hoarders of commodities.

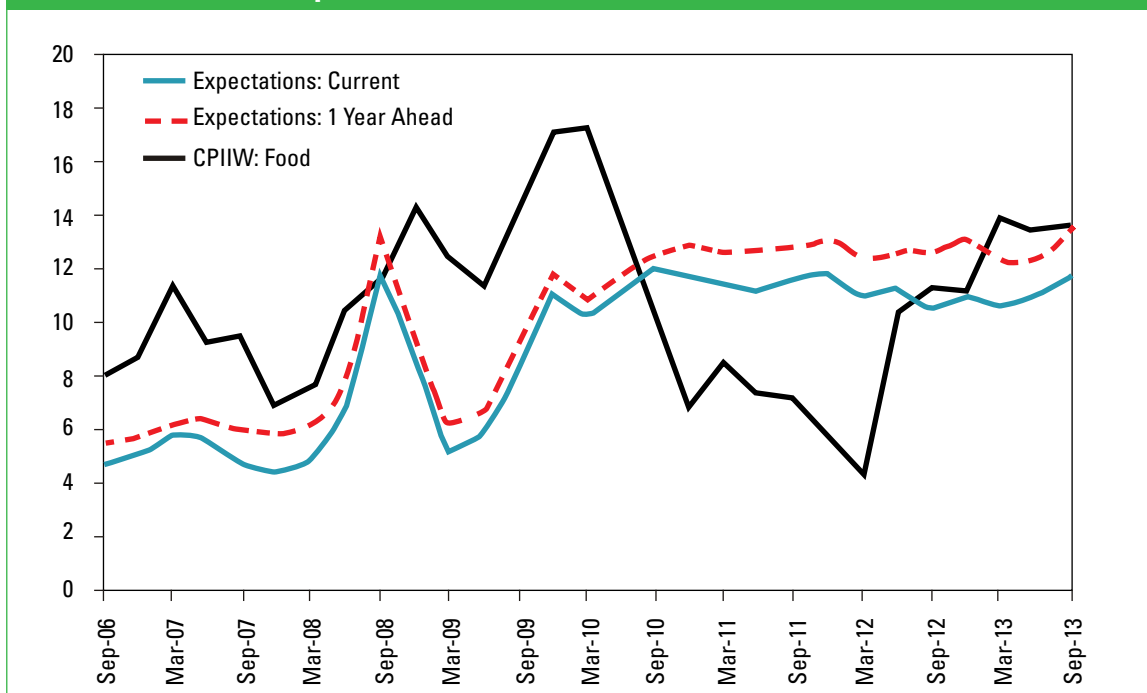
It is thus not surprising to see emergence of an opinion in the agricultural domain that calls for adequate empowerment of the CACP. A case in point are the observations and recommendations made by Expert Committee to Examine Methodological Issues of Fixing MSP that submitted its report under the chairmanship of Y.K. Alagh in June 2005.

The Expert Committee said: “There is no relationship between MSP declared by the government and the market prices especially in case of crops like sugarcane and cotton. Natural cycle of 18 months in case of sugarcane crop, for instance, has been distorted by imports of sugar during the



Household Inflation Expectations and Food Inflation

(In %)



Source: CEIC, Haver Analytics and IMF staff calculations

Food inflation can be moderated and managed through timely and co-ordinated implementation of appropriate agriculture policies and related macro-economic policies

second half of the decade of nineties. Cotton imports of a sixth to a fifth of demand make a mockery of the MSP. There is a need for integration of various policies of the government such as price policy, monetary policy, tariff policy, fiscal policy etc”.

Given the backdrop, the committee recommended that “CACP should be repositioned and emphasis should be laid not only on cost but also on issues such as tariffs, credit policies, market trends, market structure and broad macro economic policy to meet new challenges so that it can play a vibrant and dynamic role in consonance with domestic and global changes”.

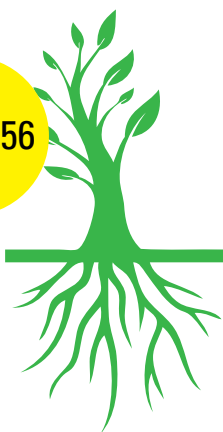
A restructured CACP should also have the mandate to recommend appropriate policy changes and their synergetic implementation after taking into account inputs from market intelligence and research studies. One such study that merits attention is a working paper published by the Institute of Economic Growth, New Delhi in 2012. It has estimated that “for every one-per-cent increase in per capita income, the demand per capita for cereals and pulses is likely to decline by 0.05 per cent and 0.20 per cent, respectively, while the

demand for fruits, vegetables, milk, and edible oil is likely to increase by about 0.55–0.65 per cent and that for animal products such as FEM (fish, eggs and meat) is likely to increase by 0.38 per cent”.

The paper captioned ‘Food Price Inflation in India: Causes and Cures’ says: “It appears that rising income levels are increasing the size of the middle and upper income groups, who are reducing their consumption of cereals and pulses somewhat and eating more of vegetables, fruits, dairy products and meat, etc. Some of the most poor might be able to increase their consumption of cereals etc. with rising incomes but the first effect seems to be dominating”.

The CACP says that “food inflation needs to be reined in by containing fiscal deficit aggressively; liquidating excess grain stocks with the government and breaking the oligopoly of commission agents in mandis by de-listing fruits and vegetables from APMC Act”.

It becomes clear then that food inflation can be moderated and managed through timely and coordinated implementation of appropriate agriculture policies and related macro-economic policies. ●





Food Inflation: Achilles' Heel for Good Governance

Darshan Singh Bhupal

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The concept of food inflation was not a part of India's everyday lexicon. It was probably introduced by the first United Progressive Alliance (UPA I) administration (2004-09). It was a time when food prices were skyrocketing and the rate of inflation was declining. Montek Singh Ahluwalia, who was Deputy Chairman of the Planning Commission had delivered a lecture at the Institute of Economic Growth (IEG), New Delhi where he had attributed the lower level of inflation as achievement of the government. Bina Aggarwal, who was then director, IEG, had intervened to point out the conceptual ambiguity of food prices and general prices in the country. It was probably to fix this problem that the Planning Commission classified food inflation



DARSHAN SINGH BHUPAL

Professor of Agriculture Economics (Retired), Delhi University

separately from general inflation. Now food inflation has occupied the focal place.

If the diagnosis is erroneous, surely the treatment will not lead to recovery never mind what the government experts, the Prime Minister included, say. Even the current government is making similar statements and assuring the people that the government will take the prices head on and bring *achhe din* (good days) with maximum governance and minimum government. The delivery on the promise has now been postponed with

the explanation that 65 days or 365 days are not enough to evaluate government's capability with the Prime Minister himself saying that his work should be evaluated only after five years. The Reserve Bank of India seems to be very serious

about inflation and is taking all possible steps to contain it even though industry is unhappy with its tight monetary policy.

Various arguments are rightly or wrongly being put forward as the root cause of food inflation, which include both cost push and demand pull factors such as higher rate of minimum support price (MSP), high post-harvest losses, poor transport and storage system, high cost of marketing – the Agriculture Price Marketing Committees (APMCs) being targeted as the main culprit with high marketing costs and poor facilities and therefore an important factor for food inflation. This article will seek to debunk the theory that high MSPs are the cause of food inflation.

Why is the argument that high MSP is the cause of food inflation a misplaced one when even senior bureaucrats and otherwise good economists have held it responsible? In the last few years, farmers have experienced substantial increase in costs leading to serious financial stress. The government has been somewhat liberal with rates for agricultural produce, which is being construed as the main culprit of food inflation. That is not the case though.

Food inflation has been driven by prices of fruits and vegetables and not by those of cereals and other food items. Earlier, edible oils and pulses were areas of concern but in recent times mainly horticulture produce has experienced price spikes.

To better understand the situation, first, MSP is announced and half-heartedly implemented only for 25 agricultural commodities. Not a single horticultural produce is covered under MSP. Only for a couple of years, apple 'C' grade was covered under the Market Intervention Scheme (MIS) in three states; Jammu & Kashmir, Himachal Pradesh and Uttarakhand. The price offered under MIS in the case of apple 'C' grade was too low in Uttarakhand (at ₹6 per kg) in Himachal Pradesh (Rs 8 per kg), to recover even cost of transport and many farmers chose not to sell at all.

Second, the MIS was operationalized only in one block in Mori district Uttarkashi in Uttarakhand, whereas apple was grown in at least 11 out of total 13 districts of the state. The average price received under MIS was ₹6.5 per kg while it was ₹3,675 per kg through other channels.

Agencies like Mother Dairy, private entities like Patanjali a Yogpeeth and Shri Jagdamba Samiti too

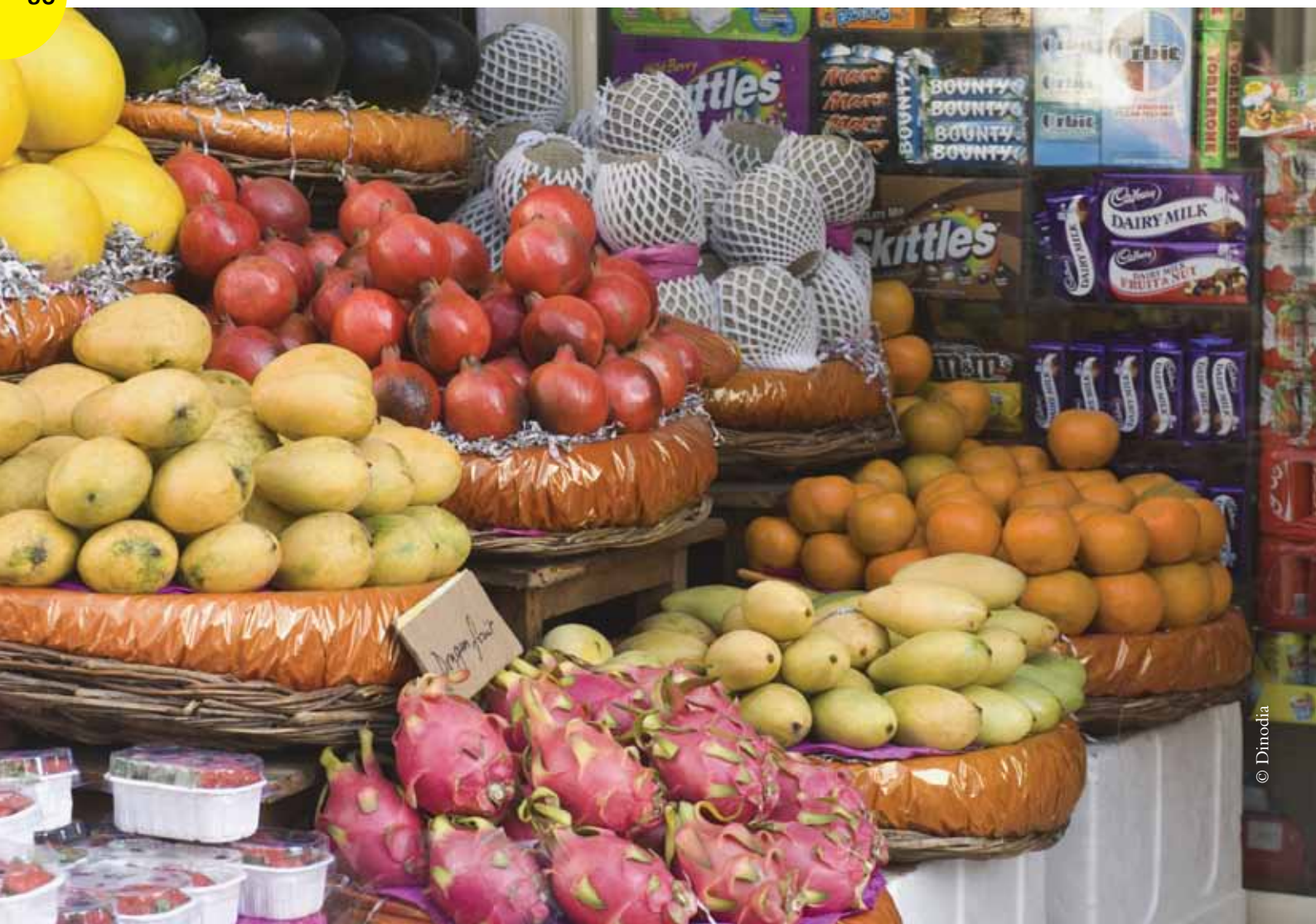


Table 1: Increase (%) in average cost and MSP of wheat

Periods	COC C2/ha	MSP
1971-81	48.23	
1981-91	104.30	
1991-01	195.22	89
2001-04	52.10	63.9
2004-05	3.33	2.56

Note: MSP – Minimum Support Price, COC – Cost of Cultivation, C2 – All actual expenses, in cash and kind, incurred during production by the actual owner, except managerial cost.

Source: D.S. Bhupal, Rajasthan Economic Journal; Volume 32 No. 1, January 2008

were buying apple 'C' grade in Uttarakhand at much higher rates. The private agencies resorted to some value addition – making murrabba, juices and, jams such others – and making substantial profits even after buying at higher rates. The story of MIS in the case of potato and onion is not much different. There has never been substantial intervention in the procurement of these commodities. Even when onion prices were high in Delhi, farmers in the Sikar district of Rajasthan were facing problems with their marketing and storage.

Third, agriculture the world over functions with state support even in developed economies – USA, Europe, Japan, Australia and Canada – where a



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Huge subsidies are paid even in developed economies. To rear a cow in Europe a farmer gets £2 per day per head in addition to what he earns from selling the cow's milk or meat

small percentage of the population works in the agriculture sector and the share of agriculture in state economies is less than even the share of population. Huge subsidies are paid even in such economies. For example, to rear a cow in Europe a farmer gets £2 per day per head in addition to what he earns from selling the cow's milk or meat. In the USA, the farmer growing cotton over one hectare receives \$25,000 in cash in addition to his other earnings from the crop.

Fourth, no business can survive unless it recovers its costs and earns economic profit. In the case of agricultural produce, when the market goes a little up, governments come under pressure to import and whenever there is surplus or markets are down, procurement agencies come up with innumerable pleas for not intervening. These include allegations of excess moisture in the produce; prevalence of

foreign matter beyond permissible limit; immature grain; non-availability of gunny bags and other packing material, transport, weighing facilities and such others. In any event, not all agricultural commodities are supposed to be procured.

Fifth, there is the fact of government intervention in so many aspects of agricultural production, starting from input supply, labour costs, irrigation, land use and crop rotation. To cite an interesting example, if a farmer has a tree in the field and needs the wood to make tools, permission has to be obtained from the government to cut the tree. A sugarcane grower is bound by the territorial limitations of having to sell to a particular firm. If one wants to sell/buy outside the market area, one is likely to be penalized by the APMC. Even if the seller is spared the buyer will be penalized, which ensures that there will be no buyer.



Under the circumstances, it is only sensible to expect MSP to cover the cost of cultivation. The Commission for Agricultural Costs and Prices justifies its announcement of MSP (very low/poor alleged by the farmers) on the ground that it has to consider many other factors. Whatever the reasons for consideration of other factors, can any business survive if it does not recover its cash costs.

An econometric exercise was undertaken for MSP and cost of cultivation of wheat. The percentage increase in average cost of cultivation (COC) of wheat from 1971-81 (Rs 2,100.57), 1991-2001 (Rs 12,669.42) and 2001-05 (Rs 19,269.48) and MSP for various years (*Table 1*) was worked out.

During the decade 1991-2001, the average cost of cultivation of wheat increased almost 19.5 per cent every year whereas during the same period, MSP of wheat increased by 8.9 per cent annually from ₹330 per quintal in 1992-93 to ₹610 per quintal in 2000-01. In 2004-05, the MSP was ₹640 per quintal. Again, in 2004-05, the increase in cost of cultivation over the average cost of cultivation for the period 2001-04 was 3.33 per cent, whereas the comparable increase in MSP works out to be only 2.56 per cent.

In case of wheat, the argument that huge increase in MSP fuels food inflation does not hold good

Another argument against MSP is that it has been increased more than proportionately. Apparently, there seems to be a huge increase in MSP from ₹330 a quintal in 1992-93 to ₹550 in the next 10 years and from ₹610 in 2003-04 to ₹1,400 in the following 10 years, i.e., in 2013-14. However, the fact is that during the corresponding periods where data for both COC and MSP was available, the increase in COC from 2003-04 to 2010-11 is 0.15 per cent compounded annually as compared to 0.14 per cent annual compounded increase in MSP. Though data for MSP for the period up to 2013-14 is available, the data for COC in the public domain is available for the period 2010-11 as on October 17, 2013.

In other words, the argument of a huge increase in MSP being the cause of food inflation, at least in the case of wheat, which has been tested, does not hold good; it does not meet the cost of cultivation. Since, this important parameter (cost





Table 2: Annual compounded increase in COC and MSP

Wheat	COC C2/ha	MSP
2003-4	17346.60	610
2004-5	18007.53	640
2005-6	19588.50	700
2006-7	23531.92	750
2010-11	30915.51	1100
(2003-4 - 2010-11)*	0.15	0.14

*Compounded annual increase

Source: D.S. Bhupal, *Rajasthan Economic Journal*; Volume 32 No. 1, January 2008

of cultivation) in determining the MSP does not seem to play a significant role, MSP can hardly be held to be the cause for food inflation. If, however, inflation is to be checked by first striking at the prices of agricultural output instead of its costs, that would constitute a different approach.

M.S. Swaminathan has said that there is urgent need to increase the returns of the farmers. There are other reasons to support that argument. To cite a few:

- Four decades back, in a typical Punjab village seven hectares of wheat output was needed to buy one hectare of agricultural land (with wheat prices ₹70 per quintal and agricultural land price being ₹12,000 per hectare. To decades later 35 hectares of wheat were needed to buy the same area of land, and now more than 75 hectares are needed. This has happened notwithstanding the fact that better quality seeds are rendering higher yields, though more fertilizers, more irrigation and more pesticides are needed. In cost terms, the costs of agricultural labour, tractors and other machines, power and soil nutrients have also gone up. In sum, the value of land has increased more than proportionately.
- It needs to be understood that an MSP accompanied by a regulated market system with assured returns to farmers, availability and application of high-yielding variety seeds, pesticides, chemical fertilizers and spread of irrigation in India managed to secure foods for its masses.
- Further, increasing the food availability per capita, which is almost stagnant at the 1961 level, demands that the farmers get assured economic returns.
- Finally, until we provide alternative employment to rural youth (other than agriculture sector), they have to be kept engaged and that is not be possible if agriculture becomes economically unsustainable.

There are several cost-push factors that need to be examined. In addition to MSP and the inefficient APMC controlled marketing system, other cost factors like food wastage, lack of cold storage chains, bad road conditions, inadequate market yards and inefficient transportation are alleged to be causing food inflation, particularly in horticultural food prices. These points cannot be ignored, and need to be seriously addressed to.

Food wastage is another factor that one has heard of since the government of India talked about it in 1968. Reports talk of food wastage ranging from ₹3,000 crore to ₹50,000 crore annually though the data has not been verified. There is no all-India detailed survey. The quality of data on horticultural produce is worse. The only agency, the National Horticultural Board, which publishes and maintains data, is not very confident about the methodology adopted and the data collected for this purpose. Hence, a serious examination is needed here. That is not to say that the produce is not wasted. There is documentary evidence that it is.

A few examples can be cited. In January-February 2001, potato in Vishakhapatnam was selling between ₹10 and ₹12 per kg. At that point of time, farmers in Punjab were throwing potato on the roads due to lack of buyers and Jalandhar municipality took five hours with JCB machines and bulldozers to clear the roads.

A few months back, onion and potato prices were becoming headaches for the governments, while onion farmers in the Sikar district of Rajasthan were finding it difficult to sell onions. Asia's biggest onion market in Lasalgaon, around 220 km north-east of Mumbai in Nashik district, saw rapidly falling prices, particularly after elections in four state assemblies, triggering off farmers' protests. "Prices have decreased by about ₹5 a kg in the last few days. Prices had stubbornly refused to come down before the assembly elections even when the supply was only marginally low", said B. Y. Holkar, secretary, APMC, Lasalgaon.

Nandkumar Daga, president, Lasalgaon Traders Association, said: "Having seen the high prices of 50 a kg, a couple of weeks ago, farmers are now finding it tough to accept the price of ₹15 a kg". Exactly at that time, most onion varieties, particularly those coming from the main markets in western India, were being sold close to 40 a kg in Delhi.

There are cases of fruit wastage too, be it apple 'C' grade as pointed out earlier or plum and many other fruits that are not even transported by the



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farmers because the market prices do not cover even the transport costs. It happens because farmers neither have nearby market outlets, transport facility at their disposal, good linking roads to the market, storage nor any processing facility.

The point to be focused is that in addition to lack of infrastructure, faulty urbanization policy is also responsible for food wastages and higher costs of horticultural produce. The land mafia and city agencies like the Delhi and Jaipur Development Authorities and urban improvement trusts have been allowed to acquire and approve residential as well as commercial utilization of land without any planning for urban or peri-urban agriculture to meet the fresh food needs of the population and need of the livestock.

There is, besides, need to improve transport facilities between production and market centres, including roads, specialized vehicles, cold storage units, processing units at the production centres



Food inflation is associated with necessities and cannot be left at the mercy of the oligopsonies, particularly when the regulatory framework is at a nascent stage

that cannot be overemphasized. Liberal competition among the buyers/sellers is the best solution as far as pricing and distribution is concerned. Food inflation is associated with necessities and therefore cannot be left at the mercy of the oligopsonies alone, particularly when the regulatory framework is at a nascent stage. Hence fair competition among public/co-operative or semi-co-operative sector on the one hand and private sector on the other or something like a public-private-partnership (PPP) model can meet the need of the hour.

What then are the policy options? While higher MSP in recent past, role of APMCs and higher level of income at the hands of the consumers do not seem to have direct relationship with food

inflation, clearly poor infrastructure (markets, roads, transport, storage including cold stores), lack of assembling facilities and processing units near the production centres, lead to food wastage and losses to the producers and, therefore, seem directly associated with higher prices.

In addition to these infrastructural drawbacks, there are serious organizational shortcomings in the marketing of agricultural produce, particularly horticultural commodities. Changes in composition of the APMCs, as pointed out by activists in Maharashtra, should be seriously considered. Competitive conditions have changed the wholesale trade of onion and potato in Delhi and can change the order in other places as well. ●



From (L-R) Satpreet Singh,
Sukhvinder Singh, Harnek Singh,
Gurdev Singh, Gurvinder Singh



Of Grit & Dirt, Risk & Reward, Hard Work & Providence

Ajay Vir Jakhar

The year 1964 was a momentous one. In May, the country's first and much loved Prime Minister, Jawaharlal Nehru, passed away. He had never quite recovered from the 1962 debacle at the Chinese border. Lal Bahadur Shastri had stepped into his shoes amidst severe economic strife facing the country. He had inherited a tortured legacy of food shortages on an unparalleled scale.

By 1965, India was importing 6.5 million tonnes of wheat from the USA with 20,000 tonnes of grain arriving at Indian ports every day. Lal Bahadur Shastri personally led the campaign to create awareness among people. He asked his countrymen to save food; to clean up their backyards and start growing vegetables; and to 'miss a meal a day'. He appealed to farmers to increase grain output by growing more than one crop a year and promoted

both the white and the green revolutions.

That, way back, five decades ago, India was suffering pangs of a famine is something most people do not remember. Today, without any historic insight, people criticize the green revolution. Not the Brar bothers of village Lakhiya, tehsil Karanpur, district Sri Ganganagar. In May 1964, Harnek Singh Brar and Gurdev Singh Brar were compelled to traverse a vast expanse of the Thar desert to begin a journey, which not only changed their lives but lives of all those around them.

The famine meant shortage and that meant petty squabbles daily, with unreasonable relatives and greedy neighbours in the village, which were becoming unbearable. An engineer of the Panchayat Samiti, wise and well informed, advised them to go to Kota. The Brar brothers had never ventured out of home and were obviously hesitant to venture out to newer pastures. The cost of exploring new vistas at Kota was ₹100, a princely sum for farmers in the midst of a drought year. The persistent engineer,

however, managed to persuade Gurdev Singh to travel to Kota, which was a task in itself in those days.

There, a retired officer of Rajasthan canals, a certain Puri *sahab*, convinced them with his earthy logic: even if they moved from Sri Ganganagar to Kota, they would be in Rajasthan; only further away from Pakistan. That was an appealing proposition. What Gurdev saw when he did venture out was even more appealing. He found a wide expanse of land, good soil and ample water and immediately sensed an opportunity of a lifetime.

He returned home and the family decided – much to the amusement of the villagers – to sell everything lock stock and barrel and migrate to Kota. They were forced to sell their land cheap for it was the drought year and the Brars were in a hurry. Many villagers predicted doom for them, certain that they would come back to the village having lost all their money and look for jobs. Some even scoffed that there would be no jobs on offer.

Beginning life afresh was far from easy. For starters, they had no place to stay. The brothers would hop between the ‘Hindu Dharamshala’ and the ‘Sunder Dharamshala’. One was allowed to

allowed to stay. They finally took a house, a shed of a place, on rent for a sum of ₹5 per month.

Some things do not change; defecating in the open is one of them. The women in those days would leave early in the morning for their ablutions and were not allowed to defecate in the fields. It was then clarified that the ladies could use the embankments in the fields. Matters are pretty much the same 60 years thence; India is still talking about making toilets for people.

Then there were the mosquitoes; by the millions. That seems to have been addressed to a certain extent. There were many other curious ideas that had to be addressed when the brothers got down to brass tacks. People thought that watering the lands would harm the soil. The canal had just been built in 1962 and irrigation was an unfamiliar business.

The brothers first grew berseem as a fodder crop for cows. They also became the first farmers to grow paddy in Rajasthan but not without initial failures. It was only after two years that they successfully reaped a profitable harvest. Meanwhile, by Diwali of 1965, the family was out of cash and had to celebrate Diwali with borrowed funds. The kind-

The Brars became the first farmers to grow paddy in Rajasthan but not without initial failures. It was only after two years that they successfully reaped a profitable harvest

stay in a *dharamshala* (rest house) free of cost for two days in a row. On the third day one had to pay Re 1 for a place to sleep. One was not allowed to stay on the fourth day.

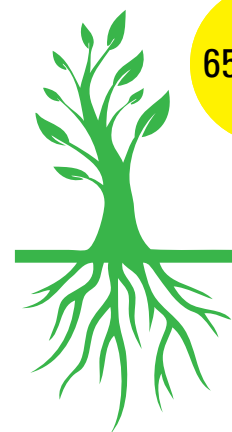
The brothers hired two bicycles and travelled long distances every day – possible only on cycles – to scout for land. They ate once a day paying a rupee and a half per meal. Land was not as sought after in those days as it is today. After a month of scouting and *dharamshala*-hopping, they found land in village Manpura, a little further out of Kota. The Brahmin brothers who sold them the land were pujaris in Shimla and Dalhousie who detested agriculture. The Brars became the first Sikh farmers in Kota.

Land acquired, they needed a home in the village. That was the next hurdle. Villagers who were not familiar with Sikhs were not totally welcoming. Some suspected them to be people of questionable character who might harm their daughters. It took much convincing and explaining by the new arrivals that they had bought land here and would soon be getting their families there too before they were

hearted “Panna”, a lady in the village, lent them ₹20. Gurdev remembers his benefactor, who passed away recently, fondly.

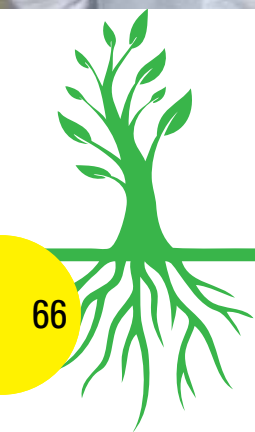
After the first successful paddy crop of 1966, there was no turning back. He bought his first tractor in 1967. Harnek shifted from the village to the farm in 1976 while his brother Gurdev Singh still resides in the village. There was no electricity; they made do with lanterns. For the ladies of the house it was a daily chore to clean the soot off the lanterns. Electricity for the farm came in 1977 because they used motors there. The village got electrified much later; in 1980. Law and order were never issues, not even in these troubled times.

Harnek did not grow vegetables nor did he take up dairying professionally. He kept cows for domestic consumption of milk. He had tried his hands at grapes but he did not succeed. The wheat and the mustard growing in Kota get a higher premium than elsewhere. The oil extracted from mustard grown in this region is of a superior quality with between 42 per cent and 43 per cent protein





From (L-R)
Gurdev Singh, Harnek Singh



content. Even the *shakkar* made from sugarcane grown here is of a better quality. Kota could well be transformed into a vegetable basket feeding the urban centres in far off places. This is where food parks need to come up, where government must invest and incentivize a much-desired change.

Earlier people grew a thicker paddy variety called 'Kranti', used for making *poha* also called *chidwada* in Punjab. Making *poha* involves flattening of the rice kernel. Earlier people also grew Pakistani basmati or 'Tiravadi' but now they grow 'Pusa 4' or 'Pusa 1121'. The yield is between seven quintals and eight quintals per bigha (2 ½ bighas make an acre). Son, Sukhwinder Singh grew up here and is a witness and a partner to the hardships and the ensuing success that followed.

The 'Kota Anaj Mandi' (agriculture market yard) named Seth Bhama Shah Mandi is the largest in Rajasthan and is named after Seth Bhama Shah, who helped Rana Pratap financially after his forces were decimated by forces of Akbar led by Raja Mansingh of Jaipur at Haldi Ghati in 1578. About 2,50,000

tonnes of paddy and basmati are sold at the 'Anaj Mandi' that had humble beginnings in 1964.

That is the power of an idea. In 50 years, the Brar brothers became prosperous and helped others learn to farm and bring prosperity to the masses. This is a better way to grow than courtesy the government's social programmes and dole outs. It is an approach that many refuse to understand; the idea that farmers need to be empowered to become self-sustainable and to achieve a more prosperous future.

The most surprising aspect of farming here is the complete lack of orchards. There were many orchards of guava in Kota that perished due to a disease that no one helped control. They have been uprooted. Kota's potatoes are excellent too with low sugar content. Fluctuating prices have, however, compelled farmers to move away to more reliable crops. With the potatoes gone, all the cold storages also closed down. Sugarcane farms, once a common sight in Kota, too have come to an end with the government sugar mill closing down.

One thing is apparent here: the foresight of the earlier generations has made life for grandson, Satpreet Singh, easy. The same goes for the nation, good decisions of those who govern impact the future generations, just as tottering, ill-informed governance leads to self-goals or to problems as in the WTO negotiations.

The policy-makers of yesteryears gave a scientific temperament to the national agriculture policy and developed agriculture infrastructure. Supported by the sheer perseverance of the farmer they provided the genesis for the transformation of a "ship to mouth existence" to one of overflowing granaries that has got India in trouble at the WTO.

It is no longer sufficient for governments to have good intentions. Such intentions must be translated into positive results. That is what sweet dreams are made of: grit and dirt; risk and reward; hard work and providence. ●

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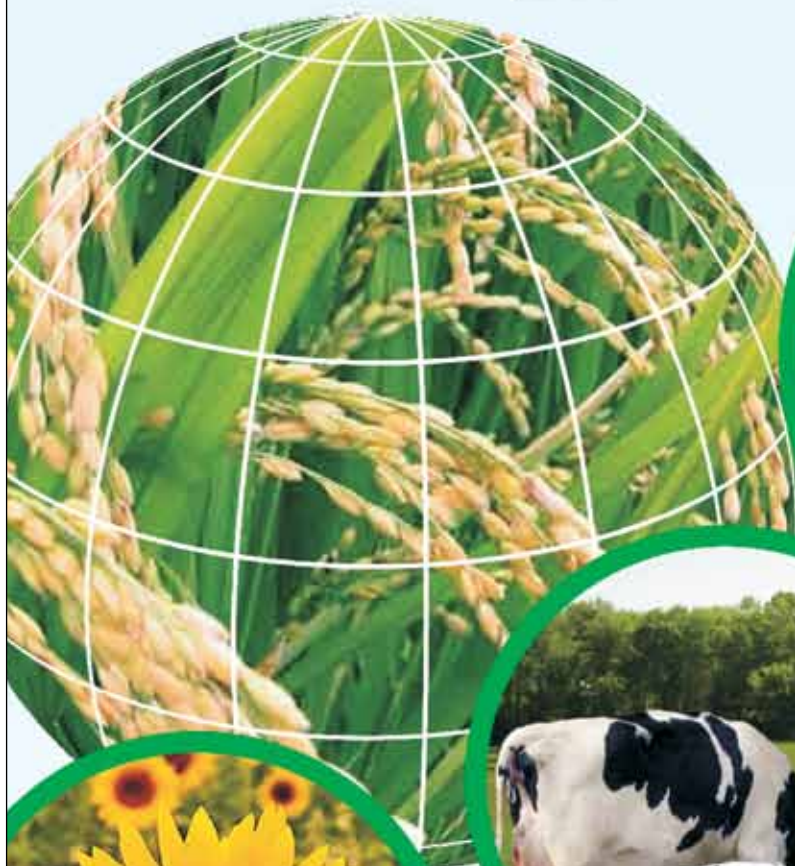
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