Editorial Comments

Agriculture Flavoured Budget

The Union Budget 2018 makes quite an impression on Agriculture Sector

Agriculture sector emerged as the triumphant sector post budget presentation. In what is considered as the last budget of the Modi government, Finance Minister Arun Jaitley presented the most agriculture friendly budget of recent times handing goodies to the sector left and right.

This year's budget absolutely validated the government's objective of doubling farmers' income by 2022. Although every budget, since their ascension to power, bore the indications of working towards farmers' welfare, the quintessential reform that the sector was expecting for a long time, came through this year. Delivering on their poll promise FM announced increasing the MSP for all the unannounced crops of kharif one and half times of their production cost. Fixing higher MSPs will not automatically increase farmers' income and hence fool proof mechanism are expected to emerge from the Government to guarantee that this price reaches the farmer at any cost. Buying the produce from the farmer at this price may require well equipped infrastructure and most importantly a well oiled system of procurement and storage.

Agriculture markets form an integral part in agriculture value chain. Most often farmers are unable to realize their due profit due to irregularities in the market. Hence the decision of the government to upgrade and develop rural haats into Gramin Agricultural Markets (GrAMs), considering the limitations of the smaller farmers to engage with APMCS, is a welcome move. Also, the concept of Agri-Market Infrastructure Fund will also go a long way in securing a stable relationship of farmers with the organized way of marketing.

Small farmers and marginal farmers have influenced many decisions in this budget. The cluster approach can bring advantages of scales of operations and can help in augmenting the income prospects of the farmers. The move to establish cluster based development of agri-commodities and regions is accounts to an important step.

Another important beneficiary of this year's budget is the food processing segment. The segment received a whopping amount of Rs.1400 crore in 2018-19,double the amount that was allocated last year. Another impressive development was the announcement of 'Operation Greens'. Operation Greens, has been launched to expand basic vegetables production - tomato, onion and potato – which have a constant consumption pattern and seasonal and regional production pattern.

Fisheries and Animal husbandry farmers were also able to grab the attention this budget. Apart from extending Kisan Credit Cards to them, the move to establish Fisheries and Aquaculture Infrastructure Development Fund (FAIDF) for fisheries sector and an Animal Husbandry Infrastructure Development Fund (AHIDF) for financing infrastructure requirement of animal husbandry sector will help in ushering in development in this segment.

Access to credit has been a main concern for the farmers especially the lessee cultivators.The intent to evolve a suitable mechanism to enable access of lessee cultivators to credit without compromising the rights of the land owners will be of great help.

For the first time, the budget has mentioned and addressed the pollution problem in the Delhi-NCR region. The special Scheme for Haryana, Punjab, Uttar Pradesh and the NCR of Delhi to address air pollution and to subsidize machinery required for in-situ management of crop residue has come as a relief.

Union Budget 2018 thus clearly lays emphasis on providing maximum livelihood opportunities in the rural areas by spending more on livelihood, agriculture and allied activities and construction of rural infrastructure. Agriculture received a major share of budget allocations. Many of the areas that were hitherto neglected, received a major boost in this budget. The entire budget had the collective agenda of increasing farmers' income and rural infrastructure. However, there seems to lack a clarity on how these funds will be utilized or how the historic MSP hike will be implemented on ground.

Time for Change

Increasing feminization needs a gender balanced approach in agiculture

The World Economic Forum's 2017 Global Gender Gap Report findings came out with a startling revelation that gender parity is over 200 years away. Gender parity remains distant and epochs away, and women continue to face discrimination in their workplace, society and family. Although movements like #MeToo and #TimesUp, have engendered a stronger and collective action towards a more gender inclusive world, it will take centuries to effect the same.

India too at the precipice of a change, has been battling gender inequalities. This year's economic survey painted eloquently in pink examined India's status of gender parity. Over the last 10-15 years, India's performance improved on 14 out of 17 indicators of women's agency, attitudes, and outcomes. On seven of them, the improvement has been such that India's situation is comparable to that of a cohort of countries after accounting for levels of development. The Survey encouragingly notes that gender outcomes exhibit a convergence pattern, improving with wealth to a greater extent in India than in similar countries so that even where it is lagging, it can expect to catch up over time.However, several other indicators, notably employment, use of reversible contraception, and son preference, India has some distance to traverse because development has not proved to be an antidote.

Although the Economic Survey had the courage to put forward the inequities faced by women, budget remained aloof and impractical to the women issues. The Euphoria over a pink Economic Survey died a natural death with the arrival of Budget which swiftly and casually glossed over the plight of women in India and assuaged their wounds with gas connections and provisions for loans. Nothing that validated the existence of women farmers or the ones that encouraged feminization in Agriculture made their mark in the budget.

Indian agriculture on the contrary is experiencing widespread feminization. With growing rural to urban migration of men, women left behind has taken up farming. Women are increasingly donning multiple roles of cultivators, entrepreneurs and labourers. Women, world over has a quintessential role in ensuring food security and preserving local agro-biodiversity. But still their access to resources like land, water, credit, technology and training remains limited, as apparently they are not the true owners of land. The patriarchy has reduced their status to that of mere workers in their own family land.

The government continues to earmark schemes to mainstream the women farmers. However, due to existing ambiguities regarding the female ownership of land or the absence of their names in sarkari data systems, these schemes have little use to the women farmers. Most of the subsidies earmarked for availing different inputs are denied to the women in agriculture. So also their claims for crop loss due to climate changes. According to Census 2011, out of the total women workforce, 55 per cent are agricultural labourers and 24 percent are cultivators, while they own only 12.8 per cent of the operational holdings. This, despite the Hindu Succession Act of 1956 which prescribes equal distribution of property among all inheritors, irrespective of gender. The women who toil in the field are hardly compensated for the hard work as they are paid less than the men. Sixty percent of all agricultural operations are handled exclusively by women, while hourly wage rates in agriculture vary from 50 to 75% of that of men.

India needs immediate efforts to mainstream women farmers. The increasing presence of women in agriculture warrants a change in our policy and technology front. Special subsidies or better subsidies for farms that are headed or co-owned by women farmers can make a significant difference in their status. This will ensure timely support to them in carrying out farm operations. Gender sensitive farm mechanization is another area where India can make a marked difference. The country is lowly nudging towards farm mechanization and this is the right time to introduce machines that are women friendly. This year's Women's day campaign is to press for change. It becomes all the more important for Indian agriculture, which is seeing an increase in number of women participation. We need just more than a pink book.

Editorial Comments

Compensating the losses

MP's deficit price payment scheme can further distort the market balance

Madhya Pradesh's Mukhya Mantri Bhavantar Bhugtaan Yojana or Chief Minister's deficit-price payment scheme has been siphoning off the anger that had accumulated among the farmers in the state last year. The slump in prices had resulted in widespread protests and unrest in the farming community. The unbridled anger and resentment that led to farmer protests and death of farmers in riot has precipitated into this simple policy under which the government bears the loss and farmers are adequately compensated.

The scheme puts less pressure on the government machinery. Under the scheme, the government does not procure the produce from farmers. Instead, when prices fall below the minimum support price (MSP), the government pays the difference between the MSP and a modal rate worked out by taking the average of selling price in mandis in three states over a fixed period.Nearly 10.5 lakh farmers have registered themselves under the scheme for kharif crops and have sold 28.3 lakh MT of produce, including soybean, moong, til, ramtil, arhar and maize. The scheme was introduced in October last year, four months after farmer unrest claimed six lives. The scheme has further been extended this year to include rabi crops such as chana, mustard, lentil and the infamous onion.

The scheme offers relatively an easier pathway for both farmers and the government. In the MSP driven procurement system which was also the norm in Madhya Pradesh till BBY was introduced, the government had the onus to procure the products from the farmers at the MSP declared by the centre. Their responsibility also extended to storage and further distribution. However, in practice, wheat and paddy, were the only ones which were procured in a significant scale as they were channelled into the Public Distribution System. The procurement was also mired in controversy owing to unexplained leakages and pilferage. For many other commodities, the procurement has not been possible. The situation was in need of an overhaul.

The new system, evolved by the MP government vindicates the government from the responsibility of procurement. Instead, their involvement is limited to partly compensating the farmer for the difference between the prevailing market prices and the minimum support price it declares. The farmers need to register for the scheme and sell their produce at registered agricultural markets. The difference would be credited to their respective bank accounts. The system offers momentary relief to the farmers. The government's involvement is minimal and the relief is instantaneous. This probably explains the interest of other states and governments in the scheme. Unlike other schemes which take months or sometimes years to reflect the results, this system is prompt and immediate. Schemes like this comes in handy to impress upon the electorate, when elections are imminent, and the political parties are in need of a miracle.

The simple architecture of this plan obviously had overlooked some other probable shortcomings. Farmers have already started witnessing an artificially induced slump in prices and they have accused traders of purposefully depressing the prices. MSPs have become a hypothetical price instrument, as market prices are perennially lower than MSPs and completely at the disposal of the trader. The idea of compensating for the losses suffered by the farmer at the hands of the traders are further fuelling distortions. The government as a responsible body should treat the farmers' distress as a symptom and not as the problem itself, and the solutions should be directed at the root cause and not at the symptom. The quick fix measures can mask the symptoms for a while, in the meantime exacerbating the root cause. What we need is realistic solution and not quick fixes.

MSP Drama

MSP increment in the budget looses sheen

Union Budget 2018-19 was a make or break deal for the Modi government. Being the last in this term, the budget carried the burden of extending the last tranche of goodness to the vote bank. As expected the budget appeased to the larger populace, the farmers and most importantly the rural segment who received the bulk of the allocations.

The much touted and widely appreciated aspect in this budget was the announcement by the Finance Minister of increasing the MSP by 1.5 times of the production cost of agriculture commodities. Although the FM failed to give any further details during budget presentation, the euphoria generated gave the momentary impression that it resonated the National Commission on Farmers's proposal. But in the communication that ensued, the real formula was revealed and led to the realization that the 'higher MSPs' are nowhere near to what NCF had prescribed. The FM's renewed MSP will be based on the A2+FL costs, and not the more ambitious C2 costs formula favoured by farm scientist, MS Swaminathan.

For calculating production cost, two broad concepts — Cost A2 and Cost C2 — are relied upon. Cost A2 includes all expenses paid by the farmer in cash or kind such as seed, fertilizer, farmyard manure, pesticides, hired labour, machine labour and irrigation and maintenance costs. It also includes rent paid for leased-in land, depreciation of assets, interest on the working capital and the imputed cost of owned seed, farmyard manure and machine labour. Cost C2 is calculated by adding to Cost A2 the imputed cost of family labour, the interest on fixed capital and the rental value of owned land.Dr. M.S. Swaminathan, in his report submitted to the Central government in 2006, recommended that MSP be based on production cost (C 2 cost) plus a 50% margin.

Although this budget has quite flamboyantly suggested the introduction of higher MSPs as a first of a kind initiative by any government, this is not exactly the case. Even in the last year of the UPA, in 2013-14, MSPs for all rabi crops were way above 50% margin over Cost A2+FL. For example, in wheat, the margin was 106%, and in rapeseed-mustard 133%. For the current year of the NDA, the margins are 112% for wheat and only 88% for rapeseed-mustard. And this has been more or less the same for more than 10 years.

The election promise of 50% margin over cost was in fact based on the more comprehensive C2 cost and if implemented would have required massive increases in MSPs and would have been quite impractical from the point of view of execution for the government. So in this budget,the reference cost was changed quietly from C2 to A2+FL, all the while withholding the identity of cost on which the computations would be made. The government was able to successfully create the impression that they had fulfilled its election promise.

But the real question is whether the MSPs were able to increase the farmers' income over the years. The benefit from MSPs would emerge only if the farmers get access to these prices. Government backed procurement system has so far worked only in few commodities and few states. Most of the farmers are ignorant of the MSPs and they continue to survive in the depressed market prices. More than eighty percent of the farmers belong to small and marginal categories who hardly benefits from MSPs. So whose incomes are we intending to increase?

Through this exercise, the government might have earned some brownie points which it considers to spend in the imminent election campaign. Unfortunately, the benefit of this proclamation limits to that itself. If the real benefit of the farmer is the objective of the government, then they have to shun these theatrics and embark on something more realistic and substantial.