

## India's RCEP Egress – A boon to Indian Agriculture

*The government's decision to opt out of RCEP is in the larger interest of farmers*

India made a momentous decision recently when the government opted out of the Regional Comprehensive Economic Partnership (RCEP) after a long suspense amidst protests and concerns. The farmers across the nation who have been vehemently protesting the deal, finally succeeded in thwarting a death blow to an already sagging agriculture sector. Lessons learnt from previous trade deals and the current state of agriculture economy have nudged the farmers to voice their consternations.

RCEP, a proposed free trade agreement in the Asia-Pacific region between the ten member states of the Association of Southeast Asian Nations (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and their five FTA partners (Australia, China, Japan, New Zealand, and South Korea), is touted to be the world's largest trade agreement. While the RCEP opens up markets for India to other countries and vice versa, there are serious apprehensions raised by primary producers such as farmers on the impact of these imports on them. Imports will be flooding the Indian markets on lowered trade tariffs and resource starved Indian farmers will be fighting the sudden deluge of cheaper foreign products. The equation was flawed from the beginning.

The concerns raised by farmers across India is not ill founded. The impact of previous Free Trade Agreements (FTAs) on the Indian agro commodities are pointers to the fact what cheaper imports could do to Indian rural economy. The Indo-Sri Lanka FTA and ASEAN FTA on Indian farmers especially in the plantation sector –tea and coffee, spices reduced the prices of the commodities. The plantation sector in India, especially Kerala,

bore the worst impact of FTAs (starting with the Indo-Sri Lanka FTA) signed in December 1998, and which came into force from March 2000. Tea, pepper, nutmeg, coffee, rubber, cardamom and coconut were badly hit. The removal of quantitative restrictions in April 2001 under the WTO regime further exposed these crops to international competition.

The ASEAN FTA gradually reduced import duties for tea, coffee and pepper while natural rubber, cardamom and few tariff lines on coffee were kept under the exclusion list. Yet, rubber farmers suffered losses due to large-scale imports. Farmers have been repeatedly complaining of inferior Vietnamese pepper coming through Nepal or Sri Lanka leading to fall in prices.

The presence of China, Australia, New Zealand and Japan in RCEP would have affected sericulture, horticulture as well as floriculture in India. Another sensitive sector would have been the dairying segment. The RCEP would have allowed the dairy industry of Australia and New Zealand to compete with our dairy farmers. It is notable that New Zealand exports 93.4 per cent of its milk powder, 94.5 per cent of its butter and 83.6 per cent of its cheese production. Removal of tariffs, which at present are 60 per cent for milk powder and 40 per cent for fats, would facilitate dumping of these products.

While increasing agro exports have become the government's solution to double farmers' incomes, the agriculture sector hasn't outgrown its inherent inadequacies and hence not ready to face the larger, more open and competitive global market. Lack of competitiveness of Indian agro products have held India's exports back. We are yet to fully develop our infrastructure and our capabilities. Until then it is better to back off from trade deals.

## ECA – Destructive and Distorting

*ECA must be repealed for farmers' welfare*

**E**ssential commodities Act has been regulating the production, supply and distribution of a whole host of commodities in India that are deemed 'essential' by the government with the objective of making them available to consumers at fair prices. In practise since 1955, the act includes commodities such as drugs, fertilisers, pulses and edible oils, and petroleum and petroleum products. The list is also expanded to include new commodities as and when the need arises, and is taken off the list once the situation improves.

The law although seems to be innocuous and deeply humanitarian at first glimpse, harbours a deep mistrust to storage of commodities to the point that it criminalises their storage. Farmers and agriculture traders are sometimes at the receiving end of this law. Agriculture being seasonal, the availability of products can wane and wax with the harvest. It is natural for the price to mellow with harvest and to shoot up in off season. A bad weather or rogue pest can tilt the demand supply balance. If farmers (or traders) store produce, supply is smoother and price volatility reduces. It is beneficial to the farmers as they get a stable and steady income. However, the ECA effectively criminalises the storage of agricultural goods, and hence acts as a deterrent as it disincentivises investment in crop warehouses and storage.

The ECA empowers the government to control the storage and sale price of any good which is included in the list of commodities. All food items including oil seeds are included in the list. Another extreme feature of this law is that the restrictions on price or quantity are not placed in the primary legislation. The ECA delegates this power to the executive at the Centre and the states to set prices through delegated legislation called Control Orders. This delegation means no debate or deliberative process in any legislature is required to place any restriction. Without notice, the

government can change the quantity of food that a trader can store or the price at which it is sold. A trader may have existing contracts to purchase from farmers, but to honour those contracts, they may exceed the holding limit. Sometimes, traders buying forward contract goods would get arrested for entering into contracts when there were no limits but taking delivery of the goods (at a later date) when a Control Order was in effect (made in the time between the contract and the delivery of goods). In effect ECA has created a peculiar situation that has distorted the market and income recovery proposition for the farmers.

Restrictive Government policies like the ECA also restrict the role that the private trader can play in the markets of some staple essential food items like onion, rice, and wheat. This also discourages further private investment in the market. Farmers' inadequate knowledge of the pre- and the post-harvest technology also results in massive waste along the value-chain. Thus despite having the potential, India is unable to tap global market opportunities.

The act is also a hindrance to enhancing agro exports. The Agro Export Policy 2018 unveiled by the government aims at doubling agricultural shipments to over \$60 billion by 2022. The policy aims to boost exports of agriculture commodities such as tea, coffee and rice and increase the country's share in global agri-trade. As long as ECA remains with excessive powers to include and exclude the commodities from the 'Essential category', the objective of increasing the exports can never be met.

The ECA, a successor of a series of war-time regulations passed by the British government during World War II, unfortunately is still followed in India. It is high time, India come forward and repeal these acts for the betterment of the farming community and aligning markets to the demands.

## Agri Start Up Revolution

*The NASSCOM report emphasizes the potential of agristart ups in India*

**A**gritech Startups are the next big thing in Indian agriculture, so states the latest NASSCOM report titled, "Agritech in India -Emerging Trends in 2019". The report states that Indian start-ups in the agritech sector received more than \$248 million funding in the first six months this year registering 300 per cent growth as compared to the same period last year. Growing at the rate of 25 per cent year-on-year, India currently hosts more than 450 start-ups in the agritech sector.

This is interesting at a time when agriculture sector is passing through distress with high price volatility, climate risks, and indebtedness. The spike in the interest in the agritech sector, both from entrepreneurs as well as investors, can be considered a good sign. It is observed that there has been a 1.7-times increase in average farmer income in the last decade, enabling farmers to try new tech solutions. Besides, central government schemes such as PM SAMMAN and other similar schemes introduced by some state governments that guarantee direct cash transfer, have increased the spending potential of the farmers. The extra incomes may have spurred the interest in investing in new technologies. Adoption of technology in agriculture demands a structured institutional focus according to Debjani Ghosh, President, Nasscom. It is this space the technology firms are trying to break into with newer business models.

The fact that every ninth agri-tech startup in the world is originating from India, demonstrates the potential of the agritech industry and the opportunities that India presents in the agriculture and farming landscape. Indian companies are increasingly looking at global markets as well to expand

with a focus on regions like South East Asia, Europe, Africa and South America. According to the report, more than five global agritech companies have ventured in India in the last 5 years, as compared to more than 25 Indian agritech companies with a global presence. Corporates and investors are playing a vital role in supporting this with over \$200 million investment in B2B start-ups in the past 18 months, making it as a key revenue-generating segment in the overall agritech sector.

The changing face of agriculture has warranted interest in new technologies and new frontiers. New emerging areas like market linkage, digital agriculture, better access to inputs, FaaS and financing are attracting the agripreneurs. Numerous agritech start-ups are bringing forth farming-related advanced technological innovations to help local farming, attain a sustainability and profitability.

The state governments are also pitching in to make way for new technologies to seep into farming sector. Maharashtra launched 'Agri - Tech' scheme for digitally tracking agriculture management, Karnataka set up an Agritech fund of \$ 2.5 million with an aim to target at least 21 startups, NITI Aayog has started a pilot project on precision agriculture using AI in 10 districts from seven states and Telangana, Tamil Nadu, Maharashtra have launched an agri open data portal to promote technology as an important tool in agriculture.

Farmers and farming have evolved rapidly over the past few years due to digital penetration and funding and this has spurred the growth of agristart up segment. Realising the vision of "Make in India", for the world, it is estimated that by 2020 the agritech sector will be at the centre-stage of innovation and will lead India's journey towards overall transformation.

## Stop soil erosion, Save our future

*This is the campaign of this year's World Soil Day*

Soils form the foundation of human existence on planet earth. Soil filters our water, provides essential nutrients to our forests and crops, and helps regulate the Earth's temperature as well as many of the important greenhouse gases. As all the other resources, our soils are abused, neglected and eroded periodically. World Soil Day observed on December 5 annually celebrates the importance of soil as a critical component of the natural system and as a vital contributor to human wellbeing.

Today the equivalent of one soccer pitch of soil is eroded every five seconds, and the planet is on a path that could lead to the degradation of more than 90 percent of all the Earth's soils by 2050. Erosion, triggered by intensive agriculture, tillage, mono-cropping, overgrazing, urban sprawl, deforestation and industrial and mining activities, all contribute to accelerating soil erosion, which can result in crop yield losses of up to 50 percent. This year's theme of "Stop soil erosion, Save our future" is highly relevant. This will help to raise awareness on the importance of sustaining healthy ecosystems and human wellbeing by addressing the increasing challenges in soil management and, raise the profile of healthy soil by encouraging governments, organizations, communities and individuals around the world to engage in proactively improving soil health.

Nearly 30% of its land area, as much as the area of Rajasthan, Madhya Pradesh and Maharashtra put together, has been degraded through deforestation, over-cultivation, soil erosion and depletion of wetlands. This land loss is not only whittling away India's gross domestic product by 2.5% every year and affecting its crop yield, but also exacerbating climate change events in the country which, in turn, are causing even greater degradation. India faces severe problems of soil erosion. On an average, the

country is losing soil at a rate of 16 tonnes per hectare annually, which is more than three times the acceptable limit of 4-5 tonnes. About one millimetre of top soil is being lost each year with a total loss of 5,334 million tonnes annually due to soil erosion.

Agriculture is an important factor that has influenced soil erosion at many levels. Soil erosion rates on conventionally ploughed agricultural land or intensively grazed pasturelands are notably greater than erosion under native vegetation - and much higher than soil formation rates - implying that we are depleting a non-renewable resource. Vegetation cover - including shrubs, trees, resistant grasses, cover crops and stubble - can reduce wind erosion by more than 80 percent and also enhance water absorption capacity, mitigating soil compaction and impeding the creation of rills and gulleys that impede agricultural work. Reduced or no-till practices are also effective, especially in drier regions.

Erosion-control measures should be adopted to protect soils and also the livelihood of farmers. Terracing, a capital-intensive and highly effective approach practiced for thousands of years, today is prone to failure due to poor management and design as well as abandonment, which is widespread in almost all regions where they are found, making natural solutions a logical tool for soil governance. At the same time, many of erosion's impacts occur far from the source, as demonstrated by agrochemical runoff that can pollute and eutrophize water sources downstream, which further raises the importance of considering soil erosion control as an issue warranting tangible public support.

It is time we find sustainable solutions to increase agricultural productivity and farmers' income. It takes hundreds and thousands of years to form 1 inch of the topsoil. Each grains of soil is thus worth protecting.