

Selling 'Brand India'

Agro Export Policy aims to double India's agriculture exports

Doubling of Farmers' income has become the core agenda of the government recently and all policy measures somehow carries this responsibility, catering to it directly or indirectly. Falling commodity prices and piling production numbers have now forced the government to take a more lenient view of agriculture exports and opening the gates for a brand new policy initiative, "Agriculture Export Policy 2018".

Self explanatory, the policy intends to encourage farm exports through suitable policy instruments integrating Indian farmers and agricultural products with the global value chains. Through this policy, the government intends to double agricultural exports from present ~US\$ 30+ Billion to ~US\$ 60+ Billion by 2022 and reach US\$ 100 Billion in the next few years thereafter, with a stable trade policy regime. The policy also intends to diversify our export basket, destinations and boost high value and value added agricultural exports including focus on perishables. Promoting novel, indigenous, organic, ethnic, traditional and non-traditional Agri products exports is also in the agenda. The policy will also provide an institutional mechanism for pursuing market access, tackling barriers and deal with sanitary and phyto-sanitary issues to double India's share in world agri exports, thereby enabling farmers to get benefit of export opportunities in overseas market.

The policy should be seen in the aftermath of heaping agriculture production and falling domestic prices. The farmers' unrest that has constantly received the undivided attention of the nation has also pointed towards the need for wider and broader market. Agriculture exports thus becomes an important and underexplored avenue for India's agriculture commodities.

However, it should be noted that it is easier said than done. Once the export regulations are eased, it becomes the primary responsibility of the

government to find a balance between the export market and domestic market. The export markets are undoubtedly lucrative and hence the chances of traders preferring the global markets over the domestic emerges as a natural possibility. Exports should not be favoured at the expense of the domestic market. A regulatory mechanism must be developed that takes adequate note of this probability.

Indian agri commodities have constantly faced bans on phytosanitary grounds. If India needs to rise to the standards of a regular agriculture exporter, then we should have a stringent and robust certification process. Not only is this essential at the inspection level, but also at the field level. The awareness of the existence of such quality parameters need to be propagated among farmers, and through regular certification and grooming an 'export club of farmers' must be raised. Similarly, tracking agro products is also important at this point.

Beyond the logistics, cold chains and policy measures, India needs to sense the global market. The global market demands need to assessed, and it should be appropriately translated to the Indian fields. This could be at the product level or processing level. The agriculture products must be presented according to the demands and this requires not only market intelligence but also improvisation and innovation. Indian agro trade bodies placed strategically across the borders can play an important role in lobbying for the 'Brand India' and securing markets for the Indian products.

Promoting agriculture exports is an important aspect to widening the market reach for the farmers. But this entails mammoth task. at ground level. There requires a degree of conditioning for the farmers towards the prospect of selling in the global market. Good Agriculture Practices, judicious use of chemical fertilizers and pesticides, reduced use of plastics in packaging, sustainable agriculture and climate sensitive agriculture can become good selling points in the global market. India should harness these areas than conventional agriculture to meet export demands.

Acclimatizing with Climate Change

Indian agriculture should actively pursue Climate smart agriculture

The recently concluded COP24 climate talks in the Polish city of Katowice, was a moderate success with nations finally reaching consensus on a more detailed framework for the 2015 Paris Agreement, which aims to limit a rise in average world temperatures to “well below” 2 degrees Celsius (3.6 degrees Fahrenheit) above pre-industrial levels.

The Climate change assessment reports successively produced this year have stubbornly pointed towards a progressively warming world. Increasing greenhouse gas emissions have been successful in warming the globe with indications that we are looking at warmer days ahead. While revoking the effects are unattainable at this point, we should be looking for ways to survive in this warmer world. Most importantly, the agriculture sector which is the source of livelihood of more than sixty percent of Indian population will have to brace for tough times ahead.

The Sixth Assessment Report by the Intergovernmental Panel on Climate Change (IPCC) released in October establishes that the world has become 1°C warmer because of human activities, causing greater frequency of extremes and obstruction to the normal functioning of ecosystems. Climate-induced risks are projected to be higher for global warming of 1.5°C than at present, but lower than at 2°C (a catastrophic situation). The ninth annual U.N. Environment Programme (UNEP) report maintains that Global greenhouse gas emissions in 2030 could be between 13 billion and 15 billion tonnes more than the level needed to keep global warming within 2 degrees Celsius this century.

The U.N. commissioned report by the IPCC in October warned that keeping the Earth’s temperature rise to 1.5 degrees C would need “unprecedented changes” in every aspect of society. The increasing temperatures of earth hence warrants a plan for agriculture systems. India with a large section of farmers dependent on rainfed agriculture, this becomes acutely relevant. Monsoon changes are quite perceptible today

and so are the intense summers. Events such as these could become quite common, and hence our agriculture must be geared up to face them in a long term.

With floods and salinity intrusion a near possibility, it is time agriculture scientists explore the traditional varieties for suitable traits and engage in transferring them to the cultivated varieties. Studies should be carried out in areas where farmers practise special types of farming to adapt to local conditions and traditional wisdom can be imbibed from such farming situations. Research in these areas must be therefore encouraged by the government.

Crop insurance is another important instrument that has not been fully utilized to its potential. Many of the farmers are unaware of crop insurance schemes. The government should therefore strive to spread awareness regarding the existence of the insurance schemes and the extension machinery should be effectively deployed in this matter. The recent floods and cyclones in Kerala, Tamil Nadu, Andhra Pradesh, Nagaland and Arunachal Pradesh, has once again reiterated this point. The effects of associated crop loss on farmers’ income could have been mitigated to some extent if there was effective utilization of the crop insurance schemes.

Drafting a contingency plan holds immense significance. It is also incumbent upon the weather forecasting division to broadcast data regarding the climate fluctuations in a useful format well in advance. The contingency plan should incorporate the suitable varieties and package of practices for the same. The yield potential of these varieties may not be commensurate with that of the improved varieties which are bred purposefully for better yield attributes. So in this scenario, a revised MSP or other price support mechanisms must be roped in to compensate for the yield differences and to protect the farmers from income fluctuations.

Climate smart agriculture should be an important slogan. If the government wants to double farmers’ incomes protecting them from the shocks created by climate aberrations also becomes important.

Waiving Development

Farm loan waivers have increasingly become the staple of elections

Loan waivers have been a much used political instrument in 2018. Hours after taking charge of the respective governments, the congress party waived off loans of the farmers in the respective states. With the pre poll promise of loan waivers working for the Congress, they will be a much used political instrument in 2019 as well. However, their implications on the larger agriculture sector will be not bear a favourable result for the sector in long run.

The increasing propensity of the states to waive off loans due to pre poll promises are becoming a worrying trend. In the aftermath of recently concluded elections, Assam, Chhattisgarh, Madhya Pradesh and Rajasthan have waived off farm loans. Since the start of 2017-18, ten states have announced farm loan waivers amounting to nearly Rs 1.7 lakh crore with even the possibility of a nation wide waiver in 2019. According to Reserve Bank of India data, NPAs rose over 23 per cent from Rs 48,800 crore in 2016 to Rs 60,200 crore in 2017. Bad loans in the agriculture sector have jumped 142.74 per cent from Rs 24,800 crore in fiscal 2012, indicating distress in the segment in the last five years. The data further shows that the maximum default took place in 2017, while significant four years- 2012 to 2017 only showed defaults of Rs 24,000 crore. Farming sector's bad loan constitutes 8.3 per cent of the total banking sector NPAs of Rs 728,500 crore as of March 2017. A fall out of loan waivers, bad loans are becoming a matter of worry for the banking sector.

Loan waivers – either completely or categorically - are temporary solutions to a larger problem. The debt cycle that farmers fall in due to investing and following farming as their vocation has many underlying reasons which either work together or in isolation. Interestingly, each time the farmers end up in huge losses, the reasons have remained more or less the same. Apart from rooting for loan

waivers, no one seems to identify these reasons and work to give a permanent solution. Farmers are too naïve to see through this and hence are satisfied with these one time solutions. These transient measures are at the expense of all the developmental activities that could have happened in agriculture – that could have increased the income derived from farming.

Farm income growth has been subdued in recent years due to poor rains, floods and falling market prices. Besides this, agriculture in India also suffers from inherent issues like fragmented land holding, depleting water table levels, deteriorating soil quality, rising input costs, low productivity, monsoon vagaries, poor penetration of technology, minimal mechanization, increasing labour cost, supply chain inefficiencies and poorly developed infrastructure.

Farm loan waivers typically does not absolve the problems of farmers. Only a small share of farmers are even benefitted by this gesture. Only 15% of the marginal farmers (with less than one hectare of landholding) have access to formal credit, so a loan waiver helps them little. In fact, previous waivers have led to banks reducing credit outlay for small farmers during the next loan cycle, thereby diminishing their chances of getting formal loans, which in turn pitch them closer to the informal sources of credit. The cost difference for loan rates between the formal and informal sector varies at the least between 30% and 45%, annually. Moreover loan waivers can erode credit discipline and year after year, this is expected out of governments as is happening right now.

What Indian agriculture needs is not huge debt write offs, instead avenues to increase the income prospects of the farmers. Strengthening of agriculture infrastructure is what the governments can do. Instead of waiving off loans, use that amount of money in building better technologies and popularizing them among farmers.

Farmer Power

The year 2018 saw farmers emerge as a collective force

Agriculture will emerge as an important topic in the upcoming election in 2019. It will be a major subject of debate for the political parties to train their gun on each other. Farmers' distress is all pervasive and the effects are more prominent than ever. They have been quite vociferous of their demands and the era of meekly enduring the hardships have gone. The year 2018 saw several protests by farmers in a well coordinated manner across the nation.

The assembly elections that concluded in the five states recently have showcased the general sentiment of the people, especially the farmers. The wide spread discontent owing to the declining income standards of the agriculture sector has cast an ominous shadow on the ruling government. Despite their slogan of doubling farmers' income, MSP increments and procurement policies, the ruling party in the center could only garner dissatisfaction from the farming electorate. The results from the agriculture centric states such as Madhya Pradesh, Chhattisgarh and Rajasthan that toppled the incumbent government evidently points to this fact. In the three states, the incumbent BJP managed to win just 35% of the 436 assembly seats in rural areas, while the Congress won 55% of the seats.

It is hard to miss that the central government has been very ambitious with its project involving agriculture. With a clarion call to double farmers' income by 2022, the government had opened the flood gates of a host of programmes for the agriculture sector. From eNAM, Pradhan Mantri Fasal Bima Yojana, hike in MSPs to PM AASHA, the government made a very prudent and sincere effort to integrate prosperity in to the rural sector through agriculture. Unfortunately, success of most of these projects remained elusive. Most of these projects were detached from the downstream. The resolve of these projects were somewhat diluted as they trickled down to the grass root level with respect to

implementation.

While the government representatives aver that they had progressively hiked MSPs, it is also true that the market prices that are prevailing are below the announced MSPs. Farm gate prices of most commodities, be it oilseeds, pulses or milk, have been 5-10 per cent lower than the minimum support prices. In 2018-19, report show that against the target of procuring 3.3 million tonnes of pulses and oilseeds under the much-talked about PM-ASHAA scheme, just around 0.4 million tonnes have been purchased.

Infrastructure capacity for the agriculture segment is grossly inadequate. No matter how economically and technically feasible projects are, unless and until there are enough infrastructure facilities and logistics connect, these projects are doomed to fail. Declaring MSPs will only achieve the intended effect if there is a robust procurement mechanism and the maximum numbers of farmers are benefitted. Mere declaration of MSPs cannot be considered as an effective route to drive up the agricultural incomes.

Loan waivers have been a recurrent demand of the farmers. Although not a wise move ethically, political parties are increasingly warming up to this idea. Loans worth crores of rupees have already been waived by different states as a reward to the farmers for letting them accede power. Now loan waivers have become a persistent fixture in any party manifesto. This will invariably destroy the credit culture of the country and halt any tangible developments from happening in agriculture.

The farmers today have emerged as a collective force capable of swinging the fate of any established government. The political parties are finally hearing out the farmers and are wary of their wrath. It will be interesting to watch the political parties vying to get farmers' interest. Loan waivers would definitely be a prominent poll promise that will be reiterated by the parties. Beyond loan waiver, other poll promises will also emerge to lure the farmers.