

INAUGURAL ADDRESS

Driving Indian Agriculture towards Farmers' Welfare: Current Policy Perspectives*

Pramod K. Mishra†

I am delighted to be amongst you at the 78th Annual Conference of the Indian Society of Agricultural Economics.

Since its creation in December 1939, the Indian Society of Agricultural Economics (ISAE) has anchored and channelised the efforts of professionals and researchers in the field of agricultural economics. I understand that during the initial years of its formation, it was nurtured by Sir Malcom Darling and Sir T. Vijayaraghavacharya. ISAE has a rich legacy of contribution, and I take this opportunity to pay tribute to Sir Manilal B. Nanavati who nurtured this institution during its formative years. He and J.J. Anjaria authored a book, *The Indian Rural Problem*, published in 1945; it is a seminal work which narrates the contemporary state of Indian agriculture during those days of poverty and hunger. I also recognise the commendable efforts of scholars such as Prof. M.L. Dantwala, Dr. Samar R. Sen, Prof. V.M. Dandekar, and others associated with ISAE over these years.

During the last three years, ISAE has debated and published papers on the recent initiatives of central and state governments relating to doubling farmers' income, soil health card, crop insurance and market reforms. Most of the papers published in the *Indian Journal of Agricultural Economics* are based on micro-level studies and thus provide rich sources of information on ground-level impulses.

India has made rapid progress in recent decades. The Indian economy is undergoing structural transformation. The share of agriculture in the gross domestic product (GDP) has come down from nearly 52 per cent in the early decades after Independence to 18 per cent at present. But the critical role of agriculture in the Indian economy has not diminished. Almost half of the labour force – about 48 per cent – is employed in agriculture, according to the 2011 Census, and 61.5 per cent of the rural population depends on agriculture for its livelihood. In other words, agriculture affects the life and livelihood of a large segment of the country's population. It meets the food and nutrition demands of over a billion people, and contributes significantly to employment and demand generation. Another important aspect is that agricultural growth has a strong correlation with poverty reduction. In order to alleviate rural poverty, we need to focus on agricultural productivity and farmers' income.

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†Additional Principal Secretary to Prime Minister of India, Prime Minister's Office, New Delhi.

The role of the Green Revolution during the later part of the 1960s and subsequently is well known. Over time, the impact of the Green Revolution – which initially focused on wheat in Punjab, Haryana and western Uttar Pradesh – spread to more crops and more areas. Going beyond the Green Revolution period, efforts in developing new varieties, improved technology, agricultural extension, and also rural infrastructure resulted in increased productivity and production of several crops. In terms of numbers, production of food grains, oilseeds, commercial crops, and, more recently, horticultural crops has increased multiple times.

Decade after decade, efforts have been made to diversify crop production, develop new technologies, disseminate knowledge to farmers and improve agricultural and marketing infrastructure. Yet, during the last two decades, issues of farmer distress have posed new challenges for us all.

In the context of agricultural development, policymakers have been focusing on increasing productivity through development of high-yielding crop varieties, use of improved techniques, improving the system of agricultural extension, expanding irrigation infrastructure, agricultural marketing and so on. In spite of such efforts, why should there be a perception that the condition of farmers has not improved, particularly when compared with other sectors such as industry and services?

No doubt, researchers have analysed the role of the numerous aspects – directly and indirectly relating to agriculture and even non-agricultural activities such as power and rural roads – which impact agricultural growth. Yet there are questions for all of us:

- It is widely discussed that the youth is not interested in agriculture, yet why is it that more than half of the workforce is engaged in agriculture?
- How can we hasten the process of shifting people from agriculture to non-agricultural activities?
- Why has new knowledge not reached all farmers and why do they continue to follow conventional methods of agriculture?
- How do we modernise agriculture? Why are our yield levels languishing? Why is there a large yield gap between experimental farm research institutions and farmers' field?
- India has now reached a stage where large surpluses of some commodities have emerged after meeting the domestic demand. What should be the policy for surplus management and export promotion?
- Why does farmer distress happen in areas where there is high agricultural growth?

Listed above are some of the areas which may be considered for empirical research by members of ISAE in the months and years ahead.

In this context, I put forward three ideas or issues for your consideration:

- (a) Although it is known that any agricultural activity is risky, riskier than other economic activities, we have not been able to address agricultural risks effectively and adequately.
- (b) Agricultural growth and development depends as much on efforts relating to agricultural activities, as on what happens in the sectors other than agriculture, or activities not directly related to agriculture.
- (c) The role of the rural non-farm sector, though recognised in recent years, has not been integrated with our agricultural policy and practice.

Possibly, our efforts towards agricultural growth and development have not succeeded as much as expected because the above three aspects of our agricultural ecosystem were not addressed effectively. This could be a challenge today not only for policymakers and practitioners, but also for researchers and analysts.

Agricultural risk is broadly of two types: yield risk and price risk. Yield risk arises due to weather conditions, e.g., drought, flood, and other factors such as temperature variation. Price risk arises when the market price falls sharply and the farmer incurs a huge loss. This could be due to the domestic demand-supply imbalance or international commodity price movement. There are also 'background' risks such as those related to health.

Our conventional policy, approach and strategy for the agricultural sector have not focused adequately on an integrated and holistic approach. The institutional arrangements of various organisations and agencies tasked with agricultural development undertake their activities with a narrow perspective and in silos. For example, those in charge of agricultural extension guide farmers for increased production, but do not consider the marketing aspect. Those who are in charge of agricultural marketing do not consider rural roads, storage and grading.

Several studies show that a significant part of the income of farm households comes from rural non-farm activities. For example, a survey for 2015–16 by the National Bank for Agriculture and Rural Development (NABARD) shows that the contribution of the non-agricultural sector to the income of rural households is as high as 56 percent. The *NSSO Situation Assessment Surveys for Agricultural Households* indicate that the share of non-agricultural income is 40 to 50 percent.

Another interesting finding is based on a study of Palanpur village of Moradabad district of Uttar Pradesh over a period of seven decades – 1950s to recent years. In a recent book, *How Lives Change: Palanpur, India, and Development Economics*, Himanshu *et al.*, show, *inter alia*, that the non-farm income of the households of the village increased from 13.23 per cent in 1957–58 to 46.36 per cent in 2008–09. Hence, it is necessary to synchronise rural non-farm activities with our initiatives for the development of farmers and other households in the rural areas.

A question may arise as to whether there has been any change in approach to the development of the agricultural sector in the last four years. The present government has for the first time ushered in a paradigm shift in the approach from growth of

production to increase in farmers' income. Prime Minister Shri Narendra Modi declared, on 28 February 2016, that his dream is to see farmers' income double by 2022 to mark 75 years of India's Independence. This is a major shift in our approach – a clear focus on farmer and farmer welfare rather than simply production and productivity.

For this purpose, a holistic strategy for the agricultural sector has been visualized. Efforts are being made to follow this using an integrated approach by initiating multiple reforms and programmes with an overall objective of doubling farmers' income. The framework includes the following aspects:

- 1) Increase productivity/production and reduce losses.
- 2) Increase market access of agricultural produce through marketing reforms, post-harvest infrastructure and value addition.
- 3) Reduce input costs of farmers through optimisation of resources used as inputs.
- 4) Undertake governance and structural reforms.
- 5) Expand risk mitigation measures to protect farmers against losses due to yield and price risks.
- 6) Increase investment in and for agriculture.
- 7) Link development activities in sectors such as water resources, soil health, food processing, rural development, power, information technology, environment, fertilisers, and other sectors to agricultural development.
- 8) Address 'background risk' through initiatives such as Ayushman Bharat, Ujjwala, Poshan Abhiyan, Pradhan Mantri Matru Vandana Yojana, Sukanya Samridhi Yojana, Beti Bachao Beti Padhao, Pradhan Mantri Awas Yojana, Swachh Bharat Mission and Mission Indradhanush.¹

It is worthwhile to briefly describe some of the programmes and initiatives, particularly those which address price and yield risks, taken by the government in the past four years.

- 1) In April 2017, the Agricultural Produce and Livestock (Promotion and Facilitation) Act, 2017, which is a model Act, was released for adoption by the state governments. This Act provides for the setting up of private markets, direct marketing, farmer-consumer markets, special commodity markets, and declaring warehouses/silos and cold storages or such structures as market sub-yards.
- 2) In April 2016, the Government of India announced the creation of the National Agriculture Market Scheme (e-NAM). e-NAM is an innovative marketing platform to revolutionize agricultural markets with a view to ensuring better price discovery, bringing in transparency and competition to enable farmers to get higher price for their produce. The idea is to move towards a 'one nation-one market'. The scheme provides an online trading platform for farmers. So far, 585 *mandis* have been integrated with e-NAM, and 415 more *mandis* will be

integrated by March 2020. The integration of a *mandi* with e-NAM involves multiple aspects, including:

- Recognition of private markets
- Direct marketing from farmers to consumers
- Contract farming for aggregation
- Single-point levy of market fee
- Unified trading licence
- Provision for electronic trading
- Segregation of regulation from operation
- Deregulation of fruits and vegetables from the purview of the Agricultural Produce Market Committee (APMC)
- Presence of quality assaying labs

- 1) In the 2018 Union Budget, the Government of India introduced a programme for the development and upgradation of 22,000 rural *haats* as centres of aggregation and direct sale and purchase of agricultural commodities. While the civil infrastructure is to be funded through the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS), the market infrastructure will be funded through the Market Infra Corpus Fund under NABARD or the Agriculture Marketing Infrastructure (AMI) Scheme of the Ministry of Agriculture.
- 2) In July 2018, the announcement of adopting the recommendation of the Swaminathan Commission for determination of MSP or Minimum Support Price is an important step forward in the direction of providing a reasonable return to farmers. In order to help farmer realise good returns, a robust procurement mechanism is being put in place. The new scheme called the Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA) announced by the government is a step in that direction. The scheme comprises three sub-schemes: Price Support Scheme (PSS), Price Deficiency Payment Scheme (PDPS) and Price Procurement and Stockist Scheme (PPSS) on a pilot basis.

These are important measures to address the problem of price risks faced by the farmers. No doubt, there are economic arguments against the very concept of MSP, which some contend distorts the market. However, there are issues of imperfect market and risk of survival faced by poor farmers. In the medium term, and till workable alternatives are put in place, it is difficult to do away with the system.

- 1) During the year 2015–16 there was tremendous shortage of pulses. With the efforts of the Central and State governments and other stakeholders, the production of pulses reached record levels of 23.13 million tonnes and 25.23

million tonnes, respectively, during 2016–17 and 2017–18. A comprehensive system of procurement of pulses and a buffer stock of pulses was put in place for the first time. Production of pulses has remained a challenge for many years. The unprecedented increase due to effective measures taken indicates that it is feasible to bring about transformation in agricultural production.

- 2) Further, a model Contract Farming Act was approved in May 2018 and a draft model Agricultural Land Leasing Act has recently been circulated by the NITI Aayog to the states.
- 3) The Pradhan Mantri Fasal Bima Yojana (PMFBY) introduced from *kharif* 2016 (February) is a landmark initiative. As a country we have been implementing crop insurance schemes for the last three decades and there have been issues and problems in implementation. The PMFBY addresses earlier shortcomings. It is a bold initiative with affordable premium rates with an ambitious target of covering 50 percent of the farmers of a country as large as India by 2019–20, and I am pleased to tell you that this has been achieved already. One distinguishing feature of this scheme is its use of technology at different stages of implementation so as to mitigate problems of misrepresentation, moral hazard and adverse selection.

I have mentioned several initiatives in order to highlight some distinctive aspects of our approach to agricultural development during the last four years. I would like to emphasise that the basic thrust has been to address problems of risks adversely affecting farmers' income, and to have a more comprehensive, integrated and holistic approach towards this end. It is, however, necessary that the programmes are effectively implemented within the given timeframe.

I do not claim that the idea is entirely new. Ideas evolve. Very often we discover that new ideas – ideas perceived to have been stated for the first time – are not really new. An interesting example is in a book published by J.S. Chakravarti, the Diwan of Mysore State of India in 1920, which mentions in passing that the distress during a famine is more due to lack of purchasing power than shortfall in production. The concept of 'entitlement' put forward by Amartya Sen was based on such an idea, though not derived from the work of Chakravarti. Similarly, the idea of weather-based crop insurance advocated by policy analysts and international organisations in the 1990s was not new. More than half a century earlier J.S. Chakravarti had formulated a scheme of agricultural insurance based on rainfall.

What is relevant is that ideas which are not necessarily new can become useful and fruitful if they are conceptualised, operationalised and implemented with renewed focus and vision. The approach and aspects described earlier should be analysed with this perspective.

The efforts towards agricultural development during the past decades were certainly based on good knowledge, research and technology. Yet the expected outcomes could not be achieved and there is a perception of farmer distress. Hence, there is a need not only to further refine our efforts in the areas of varietal

improvement, transfer of technology and market access, but also to analyse as to why the past initiatives could not accomplish the desired results. It is for this reason that policymakers and practitioners should look at how one can address the problem of farmers' risk – which affects farmers' income and welfare – and link activities of the non-agricultural sector to those of agriculture. This is also an area that researchers and analysts need to focus on.

I know that members of ISAE have remained in the vanguard of policy analysis in this country for years. We now seem to be at the crossroads of policy. I hope the ISAE will, as in the past, come up with innovative policy recommendations on the vexed issues faced by the country. I will eagerly await the proceedings of this conference and the publications in the *Indian Journal of Agricultural Economics* for guidance.

I am sure that your continued efforts will help us build the desired momentum and design policies and strategies to achieve our collective goal of doubling farmers' income, as visualised by our Prime Minister.

Thank you and my best wishes once again for your deliberations in this conference.

NOTE

- 1) Some details of the initiatives are given in the Annexure.

ANNEXURE

SOME PROGRAMMES THAT CAN ADDRESS THE 'BACKGROUND RISKS' FACED BY RURAL AND OTHER HOUSEHOLDS

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| <ol style="list-style-type: none"> 1) Ayushman Bharat <ul style="list-style-type: none"> • The government provides health insurance cover of up to Rs. 5,00,000 per family per year to reduce the risk of catastrophic health expenditure. • Free medical treatment is made available at all public and empanelled private hospitals in times of need, covering secondary and tertiary care hospitalization. • The medical treatments include 1,350 medical packages covering surgery, medical and day care treatments, cost of medicines and diagnostics. 2) Ujjwala <ul style="list-style-type: none"> • This scheme provides a free LPG gas connection worth Rs.1,600 to women living below the poverty line to reduce risks of undue health burden due to indoor air pollution. • The beneficiaries need to have a bank account and Aadhaar of all family members to apply for the scheme. 3) Poshan Abhiyan <ul style="list-style-type: none"> • A comprehensive programme which aims to bring down stunting in children (0–6 years) from 38.4 per cent to 25 per cent by the year 2022, reducing health risks. • It aims to reduce anaemia among women and adolescent girls (15–49 years), and reduce births of babies with low birth weight. • The implementation of the programme is through the convergence of health and nutrition initiatives to improve service delivery through the Anganwadi system. • Activities include roll-out of ICDS-Common Application Software for real-time monitoring, promotion of Village Health Sanitation and Nutrition Days, convergence plans at the block, district, state and national levels, etc. |
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(Contd.)

ANNEXURE (Concl.)

- 4) Pradhan Mantri Matru Vandana Yojana (PMMVY)
 - A cash incentive of Rs. 5,000 is provided directly to the bank/post office account of pregnant women and lactating mothers (PW&LM) for the first living child of the family, to reduce pregnancy-related health risks,
 - It is provided in three instalments – at the time of registration of pregnancy, the first ANC check-up and the completion of immunization after birth.
- 5) Sukanya Samridhi Yojana
 - This scheme allows a girl child (0–10 years) to open a savings bank account, to reduce future financial risk. The scheme offers a rate of interest of 8.1 per cent per annum.
 - A parent or a guardian can open a bank account for the girl child by going to the nearest post office or nationalised bank with the appropriate KYC documents.
- 6) Beti Bachao Beti Padhao (BBBP)
 - This scheme covers mass communication and multisectoral interventions to arrest the declining trend of child sex ratio (CSR) in India, to reduce societal risks.
 - The efforts include: promotion of registration of pregnancies in first trimester in Anganwadi Centres (AWCs), undertaking training of stakeholders, community mobilization and sensitization, involvement of gender champions, and reward and recognition of institutions and frontline workers.
 - The scheme also provides for monitoring implementation of Pre-Conception and Pre-Natal Diagnostic Techniques (PCP&DT) Act, 1994, increased institutional deliveries, registration of births, strengthening PNDT Cells, and setting up of monitoring committees.
 - With regard to education, the scheme works towards universal enrolment of girls, decreased dropout rate, girl child-friendly standards in schools, stricter implementation of Right to Education (RTE), and construction of functional toilets for girls.
- 7) Pradhan Mantri Awas Yojana
 - PMAY aims to provide a *pucca* house with basic amenities to all houseless householders and to those households living in *kutcha* and dilapidated houses by 2022. It reduces the uncertainty of daily living and has a multiplier effect on economic outcomes.
 - The amenities for construction of toilets, piped drinking water, electricity connection, LPG gas connection, etc., are provisioned through convergence with existing government programmes.
- 8) Swachh Bharat Mission
 - The SBM is a focused programme to promote cleanliness, hygiene and eliminate open defecation, primarily through the construction of toilets. It reduces the risk of sanitation-related health issues.
 - SBM aims to motivate communities and Panchayati Raj Institutions (PRIs) to adopt sustainable sanitation practices and facilities through awareness creation and health education.
 - It encourages cost-effective and appropriate technologies for ecologically safe and sustainable sanitation.
 - It develops, wherever required, community-managed sanitation systems focusing on scientific Solid and Liquid Waste Management Systems for overall cleanliness in rural areas.
- 9) Mission Indradhanush
 - This national programme ensures full immunization with all available vaccines for children up to 2 years of age and pregnant women. It reduces the risk of contracting communicable diseases.
 - The programme includes providing vaccination free of cost against vaccine preventable diseases such as diphtheria, pertussis, tetanus, polio, measles, severe form of childhood tuberculosis, hepatitis B, meningitis and pneumonia (Haemophilus influenza type B infections), Japanese encephalitis (JE) in JE endemic districts, with introduction of newer vaccines such as rotavirus vaccine, IPV, adult JE vaccine, pneumococcal conjugate vaccine (PCV) and measles-rubella (MR) vaccines.