

IASbaba



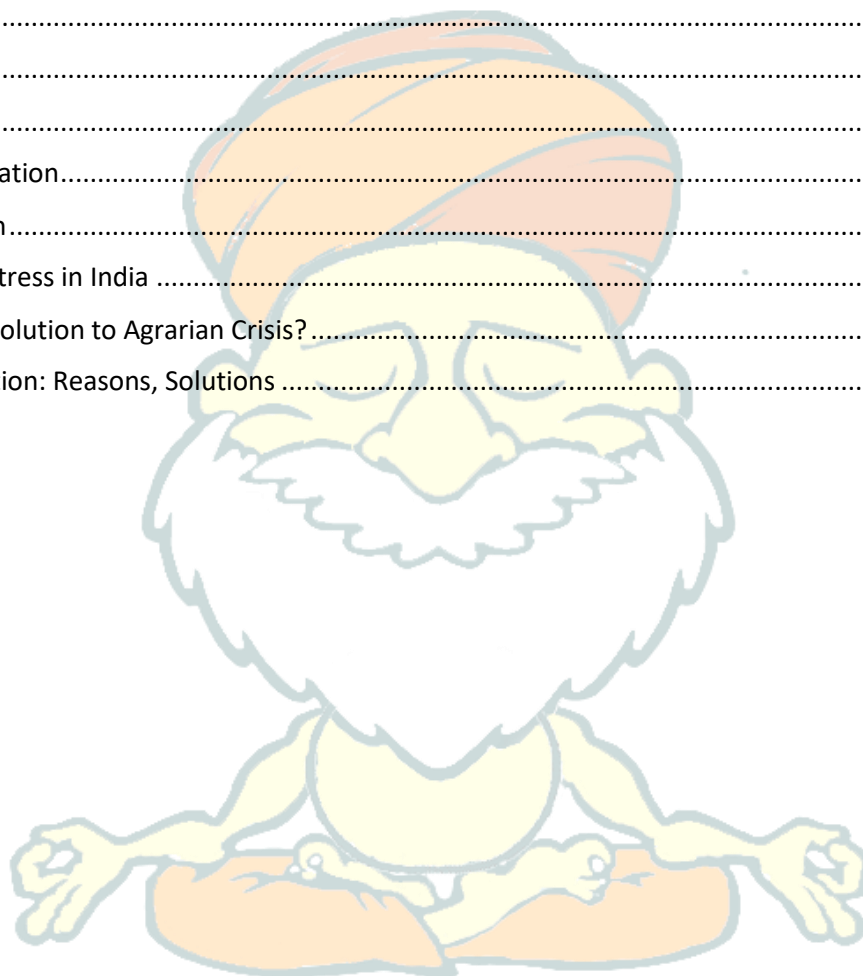
## Agricultural Issues and Policies-GS 3

Integrated Learning Programme 2018 is a step towards 'Enabling a person located at the most remote destination a chance at cracking AIR 1 in UPSC/IAS'

**GS MAINS PAPER 3**

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## Problems in Indian Agriculture

### 1. Size of the land Holdings:

As per the **Agricultural Census of 2010-11**, number of **agricultural operational holdings** in the country has seen a steady increase from **115.58 million** operational holdings in 1995-96, to **138.35 million operational holdings in 2010-11**, an increase of 20% over 16 years. But, the **average size of operational land holdings has decreased** from an **average of 1.41 hectares in 1995-96**, it went down to **1.15 hectares in 2010-11**, a decrease of 18%.

### 2. Preponderance of marginal and small farmers:

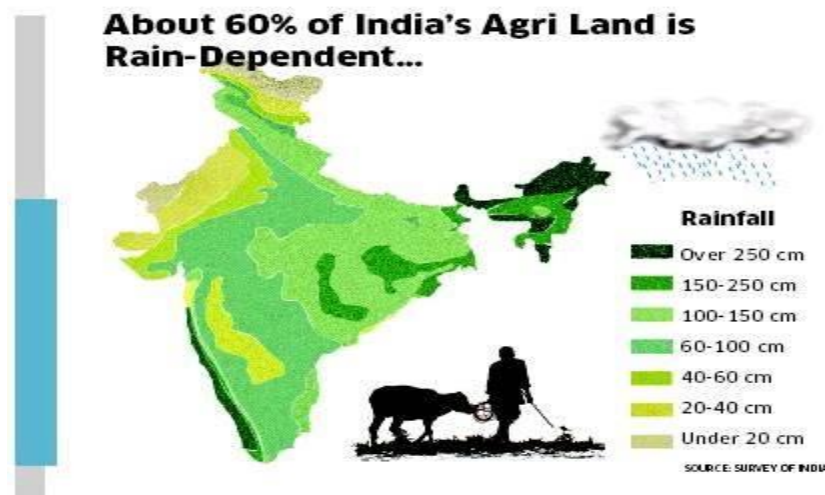
**Marginal, small and semi-medium operational holdings constitute >94% of the total land holdings, which implies that holdings are very small (making them economically unviable) and highly fragmented.** This high fragmentation **hinders capital investments in farm machinery and irrigation systems.**

| Sl.No | Size-Group                    | Percentage of number of operational holdings to total | Percentage of area operated to total |
|-------|-------------------------------|---|--------------------------------------|
| 1     | Marginal (below 1.00 ha.)     | 67.10   | 22.50                                |
| 2     | Small (1.00 - 2.00 ha.)       | 17.91   | 22.08                                |
| 3     | Semi-medium (2.00 - 4.00 ha.) | 10.04   | 23.63                                |
| 4     | Medium (4.00 - 10.00 ha.)     | 4.25  | 21.20                                |
| 5     | Large (10.00 ha. & above)     | 0.70  | 10.59                                |

### 3. Over dependence on monsoon:

According to the Agriculture Census 2011, **out of 140.8 million hectares of Net Sown Area only 65.3 million hectares have access to irrigation, i.e., only 46% of the Net Sown area is irrigated, 56% area is still dependent on Monsoons for meeting the crop water requirements.**

Agriculture is a very important topic for Essay, GS3 as well as Interview, as such one has to know not just the broad themes but also the data, as only data can make your good answer into a better answer. Use of data is indispensable for all economic questions, so try to remember and quote wherever necessary.



#### 4. Unscientific use of Fertilizers:

The recommended Nitrogen (N): Phosphorous (P): Potassium (K) ratio for Indian soils is 4:2:1, but the actual ratios have been very high, it was as high as 8.2:3.2:1 in 2013-14. This shows that is a tendency to use more of Urea (Nitrogen) based fertilizers because of easy availability and cheaper prices.

#### 5. Lack of access to institutional Credit:

Though the government has taken many steps to increase the access to institutional credit to the farmers, yet the access has been limited to around 65%.

| Share of formal sources                |        | Share of informal sources                |        |
|--|--------|--|--------|
| Type                                   | %      | Type                                     | %      |
| Government                             | 3.61   | Employer or landlord                     | 2.34   |
| Cooperative society                    | 25.37  | Agricultural professional or moneylender | 64.05  |
| Bank                                   | 71.02  | Shopkeeper                               | 4.93   |
|  |        | Relatives or friends                     | 24.03  |
|  |        | Others                                   | 4.65   |
| Total                                  | 100.00 | Total                                    | 100.00 |
| Formal sources as share of total loans | 63.56  | Informal sources as share of total loans | 36.44  |

The access is skewed in the favor of Large and medium farmers, the marginal and small farmers have to depend on informal sources to obtain credit, which entails higher interest rates. This often leads to exploitation of these farmers in the hands of local moneylenders and financial institutions.

The situation becomes even more worrisome in remote areas where the penetration of banking and financial system is less, as due to **geographic isolation and lack of education the farmers are forced to rely on the informal sources for credit.**

| Distribution of households by borrowing (%) |              |                     |                       |                     | Share of formal and informal credit in borrowing of households (%) |                 |
|---|--------------|---------------------|-----------------------|---------------------|--|-----------------|
| Land class                                  | Non-borrower | Formal sources only | Informal sources only | Both simultaneously | Formal credit  | Informal credit |
| Marginal                                    | 54.67        | 14.77               | 21.68                 | 8.88                | 54.95  | 45.05           |
| Small                                       | 48.32        | 24.23               | 14.17                 | 13.27               | 64.26  | 35.74           |
| Medium                                      | 41.47        | 29.98               | 11.57                 | 16.98               | 67.13  | 32.87           |
| Large                                       | 28.45        | 39.06               | 8.92                  | 23.58               | 74.89  | 25.11           |
| All   | 47.94        | 22.78               | 16.21                 | 13.07               | 63.56  | 36.44           |

### 6. Use of inferior quality seeds:

Availability and access to quality seeds is a major problem faced by farmers across many states. States like **Uttar Pradesh and Karnataka** have **perennial shortage in seed procurement**. In other states though the supply is in surplus, the **quality of seeds has been deteriorating**. Seeds have little **resistance to pests and droughts**. This causes huge losses to farmers who have taken loans at exorbitant interest rates to buy seeds.

## Budget 2017-18 on Agriculture: Schemes and Announcements:

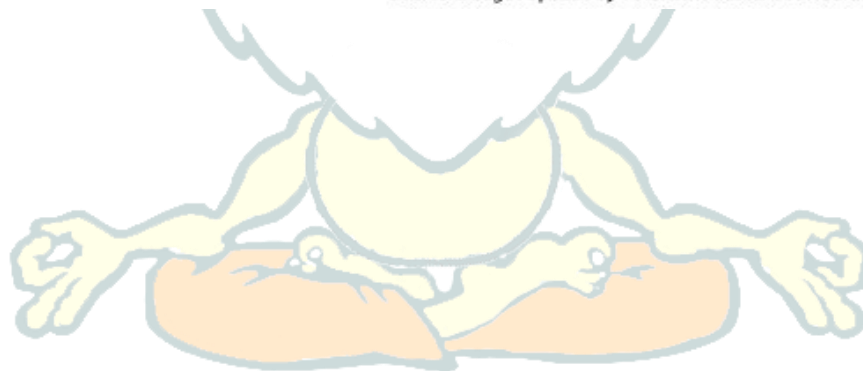
- Funding for the **rural and agriculture sector** has been **increased by 24%** in fiscal 2017-18 to **Rs1.87 trillion**.
- The budget set a **target for disbursing Rs10 trillion** of farm credit in 2017-18, **up from Rs9 trillion** targeted last year.
- For increasing the **flow of credit to underserved areas**, **Special Support of Rs1,900 crore to cooperative banks** to bring them onto **the core banking platform**, this will ensure seamless flow of credit to small and marginal farmers who take credit from cooperative banks.
- For the flagship crop insurance scheme **Pradhan Mantri FasalBima Yojana (PMFBY)**, the budget **increased the allocation from Rs5,500 crore to Rs9,000 crore in 2017-18**. The **target next year** will be to bring **40% of cropped area under insurance** and take it to **50% next year**.
- To increase the **access to Irrigation**, the budget provided an additional **Rs20,000 crore for the Long-Term Irrigation Fund under NABARD**.
- The budget also announced setting up of a **dedicated Micro-Irrigation Fund** to achieve '**Per Drop More Crop**' with a corpus of **Rs 5,000 crore under NABARD**.

- It also announced the **setting up** of a **Dairy Development Fund under NABARD** with a corpus of **Rs8,000 crore**.
- **Mini labs for soil testing** will be set up in **all 648 Krishi Vigyan Kendras** (farm research institutes) across India to issue the Soil Health Cards. These will be run by **rural entrepreneurs** who will be assisted by the government.

## **BUDGET 2017-18: ANNOUNCEMENTS FOR AGRICULTURE SECTOR**

- Push to reforms in agriculture marketing. New model law on contract farming
- Rs9,000 crore for Crop insurance, up from Rs5,500 crore budgeted for 2016-17
- Agriculture Credit disbursement target of Rs10 trillion, up from Rs9 trillion in 2016-17
- Additional Rs20,000 crore to NABARD for long term irrigation fund, Rs5,000 crore for setting up a dedicated micro irrigation fund
- Rs8,000 crore dairy development fund under NABARD
- Assistance to rural entrepreneurs to set up soil testing labs in Krishi Vigyan Kendras
- Rs1,900 crore support to NABARD to bring co-operative banks under core banking platforms
- Total support to rural and agriculture sector raised by 24%, to Rs1.87 trillion in 2017-18

Source: Budget Speech by Finance Minister Arun Jaitley on 1 February, 2017






## Agricultural Schemes: New initiatives and on-going schemes



### Soil Management

#### 1. Soil Health Card Scheme:

- The Government has introduced Soil Health Card (SHC) Scheme with an aim to provide soil health cards to **all farm holdings** across the country **once in a cycle of two years**.
- Soil Health Cards **provide information** to farmers on **nutrient status of their soil** along with **recommendations on appropriate dosage of nutrients** to be applied for improving soil health and its fertility.
- It provides norms for testing **12 parameters**, namely **major nutrients (N, P, K)**, **secondary nutrients (S)**, **micro-nutrients (Fe, Zn, Cu, Mn & B)** and others (pH, EC & OC).
- Against the **target of 14 crore cards** distribution, **6 crore cards** have been distributed.
- It will help farmers in **reducing the cost of cultivation (reduced fertilizer consumption)** and **improving productivity of crops**.

| <b>GUIDE FOR FARMERS</b>   |   |
|--|---|
| <ul style="list-style-type: none"><li>➤ Card to carry crop-wise recommendations of nutrients/fertilizers for different soil types</li><li>➤ Details will be displayed on the basis of soil tests</li><li>➤ Help farmers in judicious use of fertilizers, organic manures and water</li><li>➤ Cards to be issued for all 14 crore farmland holdings in three years</li><li>➤ Three crore cards to be given in 2015; 5.5 crore in 2016 and 5.5 crore in 2017</li><li>➤ Soil samples for testing to be drawn in a grid of</li></ul> |  <ul style="list-style-type: none"><li>2.5 hectare in irrigated areas</li><li>➤ Soil samples for testing to be drawn in a grid of 10 hectare in rain-fed areas</li><li>➤ 248 lakh samples to be tested to generate 14 crore 'soil health cards'</li></ul> |

### Analysis:

- The soil health cards contain data on the soil **nutrients of a 2.5 hectare**, and by extension of the whole area. This can be used to analyze the soil characteristics of any size of the land in a given area.
- Farmers can **compare the soil health temporally** as the cards are revised every 2 years, this can be very helpful in taking timely steps to protect the fertility of the soil.
- Many areas have N:P:K ratios of 8:2:3:2:1, which has not only deteriorated the farm soil but has also led to **environmental problems of Eutrophication of waterbodies**. A balanced use of fertilizers based on the **recommended value in the SHC** can help in **not only in cost saving for the farmer but also check soil and water pollution**.

### Irrigation

#### 1. Pradhan Mantri Krishi Sinchayee Yojana (PMKSY):

- The Scheme has been approved with an outlay of **50,000 crore** for a period of **5 years (2015-16 to 2019-20)**. The government has made **irrigation and drought-proofing** a priority after two consecutive monsoon failures in a country where over half of the farm lands are rain-fed.
- The major objectives of PMKSY is to achieve:
  - i. **convergence of investments** in irrigation at the field level.
  - ii. **expand cultivable area** under irrigation(Har Khet kopani).
  - iii. improve **on-farm water use efficiency** to reduce wastage of water.
  - iv. enhance the adoption of **precision irrigation** and other **water saving technologies (more crop per drop)**.



- v. enhance **recharge of aquifers** and introduce **sustainable water conservation practices**.
- Under this scheme the states will draw up **District Irrigation Plan (DIP)** and a **State Irrigation Plan (SIP)**. DIP will have **holistic developmental perspective** of the district outlining **medium to long term developmental plans** integrating **three components** namely, **water sources, distribution network and water use application** of the district to be prepared at two levels - the block and the district. **All structures** created under the schemes will be **geotagged**.
- This scheme subsumes three ongoing programmes of three different ministries viz. Accelerated Irrigation Benefit Programme of the Ministry of Water Resources; Integrated Watershed Management Programme of the Ministry of Rural Development; and Farm water management component of the National Mission on Sustainable Agriculture.



#### **Analysis:**

- PMKSY has initiated a new paradigm in Indian irrigation landscape. The traditional compartmentalized approach has been shelved and in its place a holistic approach has been substituted, which takes the whole water cycle into account.
- The water management system under this scheme is very comprehensive taking into account the source to end use linkages, this helps in creating water budget for the region and in taking steps to draw up sustainable water plans for the farms and the whole region.

#### **2. Accelerated Irrigation Benefits Programme (AIBP):**

- Government launched the Accelerated Irrigation Benefits Programme (AIBP) in 1996-97 for providing financial assistance, to expedite completion of ongoing Major/Medium Irrigation

(MMI) including Extension, Renovation and Modernization (ERM) of irrigation projects and Surface Minor Irrigation schemes.

- This programme got a special fillip under the Union Budget 2016-17, under this 89 that are languishing will be fast-tracked. It will help irrigate nearly 8 million hectare, the Centre will spend Rs.17,000 crore on these projects next year, and Rs.86,500 crore in the next five years.

### Farm Credit

#### 1. Kisan Credit Card:

- Farmers can avail crop loan **through Kisan Credit Card**. Loan /credit limit is fixed on the **basis of crop sown and area under cultivation**.
- Kisan Credit Cards are **valid for 3-5 years**. Farmers are also provided **risk coverage in the event of accidental death/ disability**. Crop coverage loans are covered under the **Crop Insurance Scheme**.
- **The limit of collateral free farm loan** has been **increased from Rs.50000 to Rs.100000**.
- Short term crop loan of **upto Rs.3.00 lakh** is provided to farmers at an **interest rate of 7% per annum**. Farmers, who promptly repay their crop loans as per the repayment schedule fixed by the banks, get the benefit of **interest subvention of 3%**. Thus, **the effective interest rate** for the short term crop loan is **4% per annum**.
- The KCC Scheme has been simplified and **converted into ATM enabled debit card (Rupay KCC- RKCC)**. Now, Framers don't have to go to bank every time they want cash, **they can withdraw it from the ATM within the prescribed credit limit**.



## Insurance

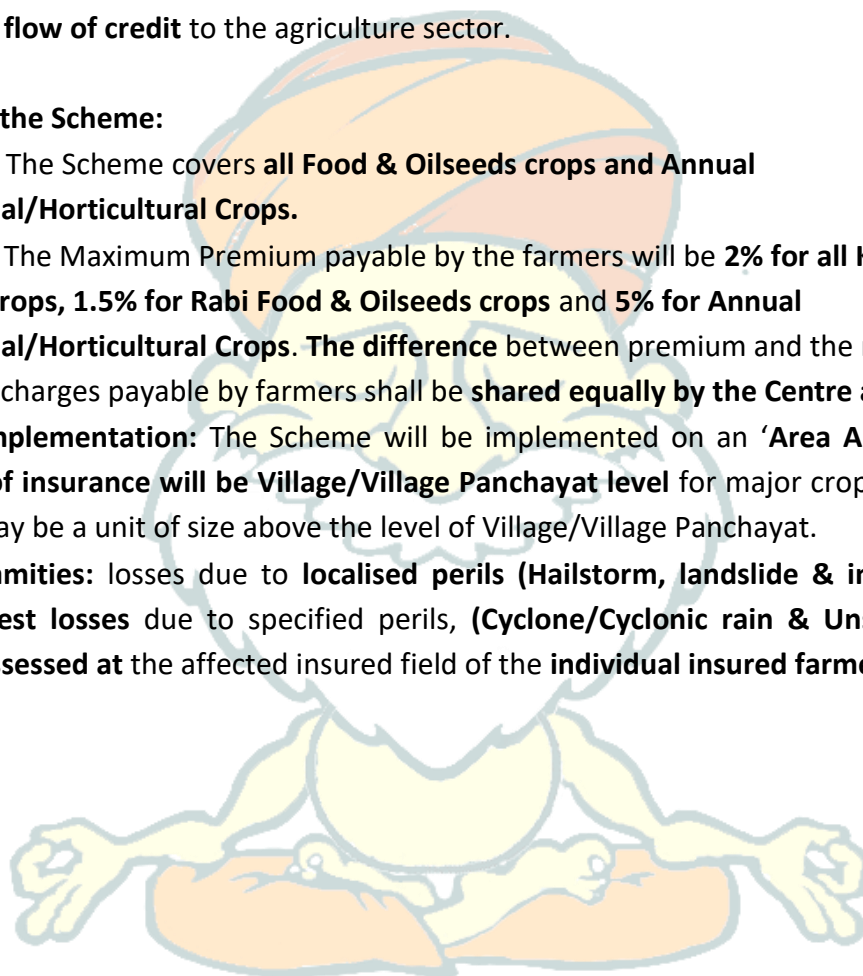
### 1. PRADHAN MANTRI FASAL BIMA YOJANA (PMFBY):

#### ❖ Objectives:

- To provide **insurance coverage and financial support** to the farmers in the **event of failure** of any of the notified crop as a result of **natural calamities, pests & diseases**.
- To **stabilise the income of farmers** to ensure their continuance in farming.
- To encourage farmers to **adopt innovative and modern agricultural practices**.
- To **ensure flow of credit** to the agriculture sector.

#### ❖ Details of the Scheme:

- **Coverage:** The Scheme covers **all Food & Oilseeds crops and Annual Commercial/Horticultural Crops**.
- **Premium:** The Maximum Premium payable by the farmers will be **2% for all Kharif Food & Oilseeds crops, 1.5% for Rabi Food & Oilseeds crops and 5% for Annual Commercial/Horticultural Crops**. The difference between premium and the rate of Insurance charges payable by farmers shall be **shared equally by the Centre and State**.
- **Unit of implementation:** The Scheme will be implemented on an '**Area Approach basis**'. The unit of insurance will be **Village/Village Panchayat level** for major crops and for other crops it may be a unit of size above the level of Village/Village Panchayat.
- **Local Calamities:** losses due to **localised perils (Hailstorm, landslide & inundation)** and **Post-Harvest losses** due to specified perils, (**Cyclone/Cyclonic rain & Unseasonal rains**) shall be **assessed at** the affected insured field of the **individual insured farmer**.





## 2. Unified Package Insurance Scheme (UPIS):

- Unified Package Insurance Scheme will be implemented in **selected 45 districts on pilot basis** to provide **financial protection & comprehensive risk coverage** of crops, assets, life, and student safety to farmers.
- Pilot will include **seven sections** Viz., **crop Insurance (PMFBY)**, **Loss of Life (PMJJBY)**, **Accidental Death & Disability (PMSBY)**, **Student Safety**, **Household**, **Agriculture implements & Tractor**.
- Crop Insurance will be compulsory.** However, farmers can choose **at least two sections** from remaining.
- Farmers may be able to **get all requisite insurance products** for farmers through **one simple proposal/ application Form**.
- Two flagship schemes of the Government viz **PMSBY & PMJJBY** have been included apart from insurance of assets.
- Pilot scheme will be **implemented through single window**. Premium of PMSBY & PMJJBY is to be transferred to insurance companies which have tie up with the concerned banks.
- Processing of claims** (other than Crop Insurance) on the basis of **individual claim report**.

### **How will the new crop insurance benefit the farmer?**

Crop insurance is an issue that has gained attention to almost all governments given the fact that lakhs of farmers are exposed to vulnerability of Monsoons and incidents of climate change. In the light of the above discussion the NDA government has come out with new crop insurance scheme promising to address all the issues associated with it.

### **Basic highlights of new crop insurance scheme**

- It is hugely subsidized covering almost all types of farmers including tenant farmers.
- The premium rates are uniform throughout country and are brought down to very affordable prices ie-from 25 to 5 % for horticulture crops and from 15 % to 1.5 %, 2 % for Rabi and Kharif crops respectively.
- It aims to cover insurance coverage target up to 50% from present 23%.

### **Some important issues regarding the scheme**

- Again like any other scheme Implementation is the Key. In this there is no proper specific guideline on how the scheme will be implemented at farm level.
- Agriculture is a state subject, the new Scheme is central, there is apprehension in policy circles that states are not taken on board completely while framing the scheme.
- The point of making technological assessment of crops as mandatory is ambiguous as 83% of the farmers are marginal and poor who cannot afford for technological gadgets like smart phones etc
- The entry of private players in to the Agriculture insurance domain is again disputed give the fact of credible and sensible functioning of private insurance companies. Government should ensure that private insurance companies needs to have a proper system at place which is functioning very transparently.
- There is a significant level of ignorance that is persisting with the farmers regarding the availability of crop insurance. So lot of Insurance awareness campaigns needs to be conducted to create more awareness and to get more farmers on board.
- The scheme is not panacea because it covers only whether risks and not price risks.
- Patwaris are loaded with responsibility. And there is a huge discretionary element that is existing with Patwaris. There should be detailed guidelines on defining the functions of Patwaris or revenue officers so that they function efficiently.
- Patwaris who make crop assessment at district and block level needs contemporary training to get in touch with new methods of technological assessments



### Farmer Education

To educate farmers about the soil health and seed selection and best practices, **642 Krishi Vigyan Kendras (KVKs)** and **652 Agricultural Technology Management Agencies (ATMAs)** at **district level** have been set up, to enable technology adoption and to provide timely inputs on the crop requirements **Kisan Call Centres (KCCs)**, **Agri-Clinics** and **Agri-Business Centres (ACABC)** of entrepreneurs, **Agri Fairs** and exhibitions, **Kisan SMS Portal**, **DD Kisan TV Channel** and **Community Radio Stations** have been started.

#### 1. Mera Gaun-Mera Garv Scheme:

- Scientists of ICAR and Agricultural Universities will identify villages in the **vicinity of the Institutions** for providing **advisories and consultations** to farmers for **increasing farm productivity and production**.
- **6,000 scientists of the Indian Council of Agriculture Research (ICAR)** and **15,000 scientists working with state agricultural universities** will **select villages** as per their convenience and remain in touch with the selected villages.
- These scientists **provide information** to the farmers **on technical and other related aspects** in a **time frame** through **personal visits or on telephone**.
- **Groups of four multidisciplinary scientists** each will be constituted at these institutes and universities.
- **Each group will “adopt” five villages** within a **radius of maximum 100 km**.
- A **benchmark report** will have to be prepared by them about **farming, climate, and social and economic conditions of the selected villages**.





**2. DD Kisan – India's first television channel dedicated to farmers:**

- It will **inform farmers** about the **changes in weather, global markets etc.**, so that farmers can **plan ahead** and take the **right decisions well in time**.
- DD Kisan channel to **highlight the efforts of progressive farmers**, so that their innovations can be **replicated across the country**.
- The 24x7 Kisan Channel will telecast updated information on agriculture and **related subject** for the benefit of its target audience including **cattle rearers, bee keepers, poultry owners, mechanics and craftsmen**.
- Advice of IMD Scientists and Agricultural Scientists would **broadcast periodically** for the farmers so that they may know about the **crop diseases**, ways to protect crops from various diseases and on **how to increase the crop yield**.
- The Channel **has tie up with IMD, IARI, Agricultural Universities, Krish Vigyan Kendras etc.**



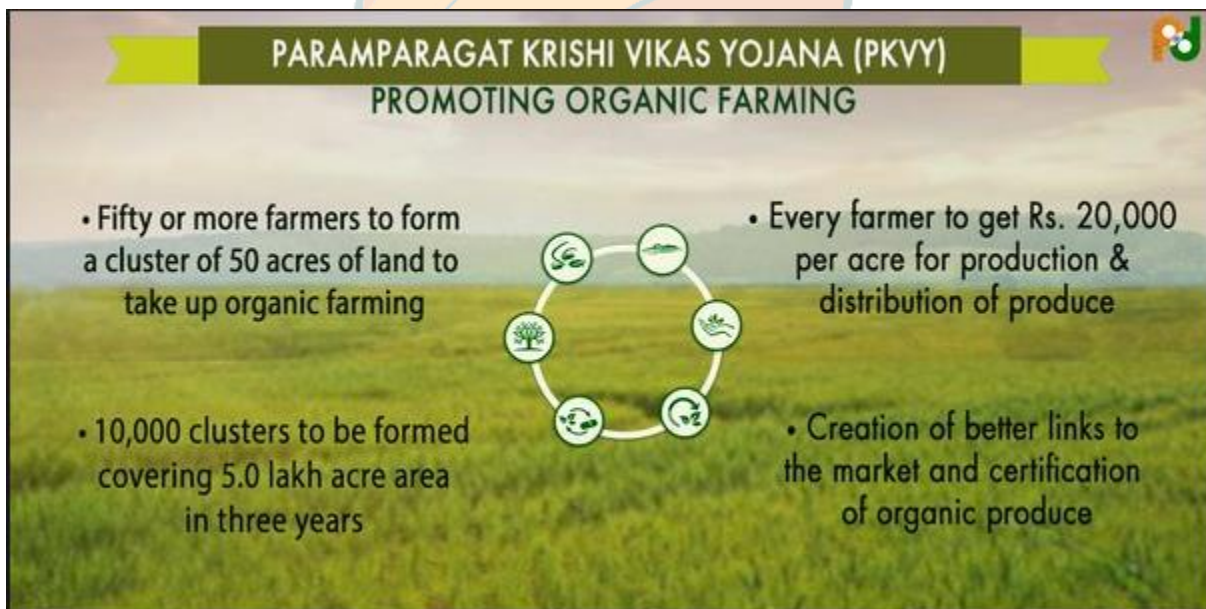
(Picture courtesy: bharatniti.in)

**3. Attracting and Retaining Youth in Agriculture (ARYA):**

- The ICAR has initiated a program on “**Attracting and Retaining Youth in Agriculture (ARYA)**” in **selected districts** through KVKs with an **objective** for **entrepreneurial development of Youth in Rural Areas** to take up various **Agriculture, allied and service sector enterprises** for **sustainable income and gainful employment**.
- The identified youth are trained on entrepreneurship development skills by providing a basket of options to **start agriculture ventures for self-employment**.

**4. Paramapragat Krishi Vikas Yojana (PKVY):**

- It is a **Cluster based programme** to encourage the farmer for **promoting organic farming**.
- Groups of farmers would be motivated to take up organic farming under Paramapragat Krishi Vikas Yojana (PKVY). **Fifty or more farmers** will form a cluster having **50 acre land** to take up the organic farming under the scheme.
- In this way **during three years 10,000 clusters** will be formed covering **5.0 lakh acre area under organic farming**. There will be no liability on the farmers for expenditure on certification.
- Every farmer will be provided **Rs. 20,000 per acre in three years** for **seed to harvesting of crops and to transport produce to the market**.
- It will **increase domestic production and certification of organic produce** by involving farmers.

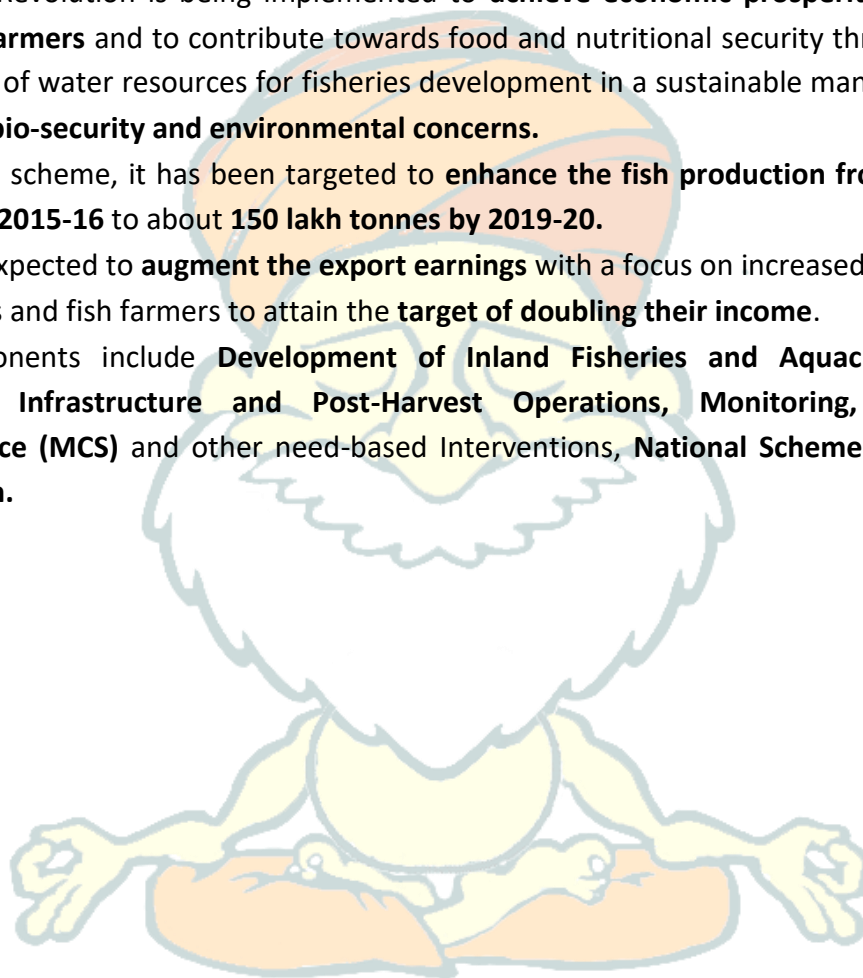


**Know these Schemes**

- Agri-UDAAN
- Sampada

## Blue Revolution

- **All the existing schemes of fisheries** sector have been, brought under the **umbrella of 'Blue Revolution'** for growth of **fisheries and aquaculture in the country**.
- Blue Revolution refers to an **integrated and holistic approach** towards **the development and management** of the fisheries and aquaculture sector in the country **for increased production and productivity**.
- The Blue Revolution is being implemented to **achieve economic prosperity of fishermen and fish farmers** and to contribute towards food and nutritional security through optimum utilization of water resources for fisheries development in a sustainable manner, **keeping in view the bio-security and environmental concerns**.
- Under the scheme, it has been targeted to **enhance the fish production from 107.95 lakh tonnes in 2015-16 to about 150 lakh tonnes by 2019-20**.
- It is also expected to **augment the export earnings** with a focus on increased benefit flow to the fishers and fish farmers to attain the **target of doubling their income**.
- Its components include **Development of Inland Fisheries and Aquaculture**, Marine Fisheries, **Infrastructure and Post-Harvest Operations**, **Monitoring, Control and Surveillance (MCS)** and other need-based Interventions, **National Scheme on Welfare of Fishermen**.





## Agricultural distress in India

- Two successive draughts and price drop of the produce due to bumper crop has caused severe farm crisis in many states of India.
- Farmer protests which started in Madhya Pradesh and Maharashtra have spread to Rajasthan and Tamilnadu. A plentiful harvest in 2016 and imports drove some prices down by 63 percent.
- India is still carrying a huge inventory of food grains from last year's record harvest, since exports were hit by an appreciating rupee, falling global prices and restrictions on overseas shipments.
- This is perhaps the biggest evidence that rising production in agriculture on its own cannot lead to good prices for farmers.
- What has exacerbated the problem of low prices for agricultural commodities is the fact that agricultural policies have encouraged higher production of crops previously in short supply but offered scant protection on prices.

- The other problem is of high cost of inputs, the farmers take loan to buy high quality seeds, fertilizers, equipment and to pay for the pre and post-harvest logistics. These loans are taken at higher rates of interest, hoping that a bumper crop will help in repaying all the outstanding debts.
- The farmer also has to pay commission to as many as 8-10 middlemen to sell his produce in the market, all of which escalates the cost of production. The end result being that the cost of production being greater than the selling price.
- In this scenario, waiving of loan by respective state governments has been welcomed as a relief. The current violence started with the Government of Uttar Pradesh announcing the loan waiver to the farmers.
- The farmers in MP started protesting, demanding similar waiver, the ensuing violence killed 6 farmers, and the state government waived the loans of the farmers.
- Maharashtra, Karnataka have also followed MP and have announced loan waivers, but loan waiver is a temporary solution to a deeper problem. The basic problems of low prices and high cost of production, and the middlemen have to be addressed.

### **Possible solutions for the current crisis:**

- Loan waiver should be selective i.e., the poor farmers must get priority when waiving the loans, as they are the worst hit.
- State governments should proactively set up Price Stabilization Funds to protect the farmers and the consumers against volatility and to prevent speculation and hoarding.
- Government has to invest more in research and development of seeds, irrigation and farming equipment so that the input costs are reduced.
- Small and marginal farmers must get priority in getting institutional credit, as they are the once most vulnerable to exploitation by money lenders.
- States must delist perishables such as the vegetables and fruits from the APMCs and allow farmers to sell them directly to the urban consumers, this removes the chain of middlemen, gives the farmer better price and the consumer gets the goods for cheaper prices.



## Is loan waiver solution to Agrarian Crisis?

Many State Governments have either under pressure from the farmers or on its own have waived off farmers loans recently. Though this may have helped the farmers presently, the broader question is “is it sustainable”? Is it good for the overall economy? Is it good for the farmers in the long run?

The answer to all the above questions is, NO, the farm loan waivers are only a temporary solutions to a chronic problem of agricultural ineptness, falling prices and lack of mechanization. We will now try to understand all the dimensions in detail.

Loan waivers do not apply to across the board loans taken by the farmers, but are limited to those who have taken loans through institutional arrangements such as Commercial banks, RRBs, Co-Operative banks etc. Those who have taken the loans from non-institutional sources such as money lenders, or by mortgaging their jewelry etc are excluded from this. Thus, not all farmers are benefitted from such schemes.

To make agriculture sustainable and structurally sound as an employment avenue, non-farm employment opportunities have to increase, as agriculture currently supports 50% of Indian population.

Loan waivers hinder long term capital expenditure by the governments. Government has to divert scarce resources towards loan waivers which can otherwise be used for either capital expenditure or on creating social capital such as Health and education.

It is unfair to honest borrowers and incentivizes frequent loan defaults, as even those farmers who have repaid their loans will wait for the next loan waiver. This affects the credit markets as banks will become cynical in giving agri loans in the future.

Banks will eventually close their operations in the areas where the waiver schemes are frequently announced, this affects not just the agriculture of the region but also overall economic activity as the region as a whole will become risky for banking operations and as such will entail higher interest rates



## Farmers' Agitation: Reasons, Solutions

A frequent rise in farmer's agitation and strikes has made headlines in recent times.

The snowballing of farm protest is a challenge for present government as it has made the agricultural sector a focus and promised to double the agricultural incomes by 2022.

Angry farmers say that they can't afford sell their produce below par prices and want the administration to create a safety net.

### Background

There has been element of agrarian crisis for 20 years between 1997-2017. One big indicator is farmer suicides. If broken up in period with agriculture doing well and not doing well, there has been persistence of agrarian distress and suicides through both the periods. This means that farmer doesn't do well even when agriculture does well.

Last three seasons there has been debate on drought. Even though consumers were paying high prices, value realizations for farmers were poor. Rabi and kharif were good crops, yet value realization was poor.

### Reasons for crisis

On one hand, agriculture is becoming a costly enterprise- farmers have to incur debts and on both kinds of seasons- good and bad, the farmers are not getting adequate prices for their products. This is resulting in continuing distress.

The second is no proper market to sell their produce. Relying on madis has made them prone to middlemen interference which has reduced their fair share of prices. Farmers are not getting proper price of their produce neither cost of production value.

After implementation of LPG policies, farmers were the worst sufferers. There is no market for fruits and vegetables in the country as there are no cold storage in rural areas, no agro processing units in rural areas. Discussion about food parks and large industries is for big corporates and not general farming community which has led to farmers suffering post-harvest losses. North east India had been identified as a horticulture promoting states. However, even after undertaking such farming, neither adequate infrastructure nor market was provided for the harvest. They have now shifted to their traditional crops.

The cost of production is increasing day by day by corporate agricultural model. It is main cause for debt in agricultural sector. Seed cost, input cost, irrigation cost, fertilization cost has increased but the productivity has not increased nor has their supply price. Backward states like

Bihar, Jharkhand, and Chhattisgarh don't see such farm unrest because subsistence farming is still practiced over there. Hence, they don't have huge corporate debts accrued over time.

The average family income of farmers is low which cannot help them sustain their consumption needs. Hence there is no possibility of investment in agricultural technology. In most cases in agriculture, most farmers in low level equilibrium trap cannot come out because of rising cost of production, fluctuations in price market.

Non-crop agriculture and livestock agriculture constitutes about 30% of agricultural. National dairy development board study shows that nearly 50% profit in the dairy sector is by selling of cattle. If that is restrictions on that, then the sector will suffer a lot.

In Maharashtra- Vidarbha and Marathwada are suffering from drought. But the agitation has started from economically sound area. The farmers have to sell their produce of onions and tomatoes at 2-4/kg but when it reaches consumers, it is 20/kg.

Thus questions such as who decides these margins, the forces that are getting the huge benefit on agricultural produce need answers.

#### **Possible steps to address the unrest**

Revamping the mandi system- Farmers put their produce in the mandi from where it goes free hand from farmers' side and depends on traders- small, large and corporate traders. The government should change this system. It has to directly link farmers to consumers. Else the middlemen will artificially raise the prices of all food items for their own benefit and farmers and consumers will have to lastly suffer.

True picture of agriculture- MP had impressive agricultural growth in past few years yet it saw widespread agitation and farmer protests. This proves that growth does not reflect reality which shows problems with data.

There are policies like PM Krishi Sinchayi Yojana, Fasal Bima Yojana which aim to help the farmers. However, many state governments have not adopted the crop insurance scheme. Thus there is a need for sensitivity on part of central and state governments.

Need of a fundamental shift for agriculture. Different parties have to come to power but there is no change in fundamental situation of farmers. Still the agricultural structure continues to be middlemen driven. The agriculture and corporate relationship across the world, in developing countries it is seen that when there is a greater emphasis in promoting corporate structure in economy, there is a tendency to keep food and agricultural prices low. Unless and until there is a certain effort, concerted move and a structured plan to get over this situation, there is not many chances that situation will improve.

### **Farm loan waiver**

This concept has been studied well in the context of Vidarbha prices, Andhra and Kerala debt crisis. In this entire context, the loans from banks cover only a fraction of the farmer- 30-50% of farmers. Most of the loans are extended to small, medium and medium large farmers and not to marginal farmers. Thus the root of crisis is farmers have to rely on informal channels of loans at high interest loans. Thus, the banking loans waiver is not going to solve the crux of the problem.

### **Conclusion**

There has been rhetoric in last 10 years in favour of agricultural but very few concrete steps have been taken. There is need to look at farming policies, the role of bovine and livestock economy and how it is linked to wider processes of marketing and sale. It is true that many policies are undertaken which have the capability to show the dividends, but it cannot be possible suddenly. Overnight, it is not possible to create 15 million tons capacity of cold storage facility. Also, a farm loan waiver is not a solution as it has more drawbacks than gains.

The political class, the academicians and agricultural theorists need to sit together and look at concrete comprehensive plans to address the agrarian crisis.

### **Must Refer**

**Doubling the Farmers Income-** [Click Here](#)

**Farm Loan Waiver-** [Click Here](#)

**Farmer's Suicide-** [Click Here](#)

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