



THE HINDU CENTRE

for

Politics and Public Policy

Rural Distress: Farmers as Voters



GARGI PARSAI



Indian farmers shout slogans during a rally at the end of their six day long march on foot, in Mumbai, India, Monday, March 12, 2018. Tens of thousands of farmers from across western India have arrived in Mumbai demanding, among other things, a waiver of farm loans and fair prices for their produce as India's agriculture sector struggles amid years of declining earnings. The farmers reached India's business capital Monday after marching on foot for up to six days and plan to surround the state legislature of the western state of Maharashtra in Mumbai. (AP Photo/Rajanish Kakade) - Copyright 2018 The Associated Press. All rights reserved.

In a politically sensitive pre-election Union Budget the ruling National Democratic Alliance (NDA) has lost possibly its last opportunity to deliver immediate relief to the debt-ridden Indian farmer. Gargi Parsai, senior journalist, explains the policy gaps that leave the Indian farmer in despair, and highlights the political importance of addressing rural distress.

At a time when farmers in the country were in despair and agitating for relief from debt and remunerative price for their produce, Union Finance Minister Arun Jaitley had the opportunity to rise to the occasion in his last full budget presented in Parliament on February 1, but he fell short of expectations.

This was the last full budget of the BJP-led National Democratic Alliance (NDA) as general elections must be held before May next year although there is speculation that if Prime Minister Narendra Modi can convince opposition parties to hold simultaneous elections to State Assemblies and Parliament, then the nation could be in for snap polls towards the end of this year. However, if general elections were held on time, then the government will present only an interim budget next February to make sure that enough funds available for governance next fiscal.

Jaitley made no mention in his budget speech of the raging demand in the country for farm loan waiver and loan-free agriculture even as suicides by distressed farmers continued to mount across states. National Crime Bureau Records data show that 12,602 farmers and farm workers committed suicide in 2015 compared with 12,360 in 2014. Between 1995 and 2014 an estimated three lakh farmers are reported to have committed suicide primarily due to unpaid loans, uneven terms of trade, recurring drought and poor management of price mechanism of farm commodities.

Unaddressed issue of rural indebtedness

Significantly, the 70th Round of National Sample Survey Organisation (NSSO) 2014, had found that nearly 52 per cent farm households in the country were in debt^{1, 2}. The average amount of outstanding loan was highest in Kerala (Rs. 2,13,600) followed by Andhra Pradesh and Punjab, this survey showed³. About 60 per cent loans were availed from banks and institutions and the rest from village money lender or private sources.

The key elements of the budget were doubling farmers' income by 2022, a 50 per cent price hike over cost of production for farm commodities; Operations Greens; upgradation of *Grameen Haats*; raising farm credit to Rs. 11 lakh crore; allocation of Rs. 10,000 crore for infrastructure development in fisheries and animal husbandry, and doubling allocation for food processing industries.

Much of Jaitley's budgetary proposals were rooted in the future perhaps on the assumption that his party was returning to power in 2019. Unfortunately for India, even though its destiny is linked to the agriculture sector that employs over 60 per cent of the country's population, successive national governments are prone to changing policies and programmes during the five years of their tenure, creating turbulence on the ground and making farming unsettling and economically unviable for farmers. Therefore, it is not necessary that the next dispensation that comes to power will continue with the Modi government's programmes.

Irrigation woes

Farmers who are responsible for the country's record foodgrains production at 275.68 million tonnes in 2017-18, remain a neglected lot.

India is the largest producer of milk, pulses and spices in the world and the second-largest producer of wheat, rice and cotton, sugarcane, farmed fish, sheep, goat meat, fruit, vegetables and tea. It possesses the world's largest number of cattle-head (buffaloes). Yet, farmers who are responsible for the country's record foodgrains production at 275.68 million tonnes in 2017-18, remain a neglected lot. With only around about 37 per cent of agriculture land under assured irrigation, majority of farmers are dependent on the southwest and northeast monsoons for crop irrigation. As a consequence of climate change there is growing uncertainty in the quantum of rain, its timing and distribution. In recent years, several districts in Karnataka, Tamil Nadu, Maharashtra, Andhra Pradesh and Rajasthan have become water scarce due to recurring drought.

While formulating policies the government gives centrality to the NSSO finding in 2005 that 40 per cent farmers would like to quit given a choice, as agriculture in India was a loss-making enterprise. However, *wanting to quit* is not the same as *having quit* and therefore, it is imperative that schemes are woven around the 87

per cent small and marginal farmers owning a landholding of less than one or two hectares who also form the bulk of the people below poverty line in rural India. Unfortunately the budget proposals overlooked the immediate pressing need of the majority of farmers and farm labour for public investment, technology input, extension services, investment in research and development, education and skill development and rural welfare schemes.

Small and marginal farmers are grappling with loss-making prices for their farm produce, mounting loans, high costs of inputs, largely exploitative middle men, high interest rates on private loans, high *mandi* taxes, high cost of labour, lack of market linkages, lack of de-centralised storage capacity, cold storages and limited purchase centres for sale of commodities. Apart from the structural and infrastructural infirmities, the sustenance farmer has to face price competition from imported and dumped commodities under bi-lateral Free Trade Agreements, not to speak of India's commitments in World Trade Organisation that seek to cap the minimum support price of cereals and also limits procurement by the government for the Public Distribution System (PDS) to provide food security to the poor.

The Modi government sees agriculture as an enterprise and has initiated its reforms-oriented programmes around large farmers and agri businesses that can show economies of scale. It has centred its policies on diversification to high-value crops, developing value chains and incentivising Farmer Producer Companies (FPCs) and agri businesses. A new Contract Farming law is on the anvil that allows big businesses and multi-national companies to enter into buy-back contracts with large farmers for their crop requirement, mostly perishables, but without government regulation or redress in case either party gets short-changed. Also, futures trading in commodities that was banned in 2008 after it spurred double digit food inflation, is back. There is much focus on forward linkages in the value chain, but the crucial non-exploitative and robust backward linkage with small and marginal farmers is missing.



Union Finance Minister Arun Jaitley leaves to present Union Budget for 2018-19 on February 01, 2018. Photo: V. Sudershan

So while there is 100 per cent tax exemption for mega food parks and FPCs, an average farmer has to pay more every year for day-to-day input costs of electricity, diesel, water, seeds, fertilisers, pesticides, credit, labour/machinery etc. The situation is worse for the farmers dependent on rain gods to irrigate their fields. Most have had to mortgage their land as surety for bank loan. As such, New India is questioning farmers getting paid a paltry Re. 1 per kilogram for potato and onion, for instance, when the same commodities sell at more than Rs. 60 per kg in urban centres.

An ambiguous promise

The Finance Minister made a reference in his budget proposals to the Prime Minister's ambitious goal of doubling farmers' income by 2022, without giving a road-map or making specific budgetary allocations. Till now the government has not spelt out the basic income of farmers that it is set out to double by 2022, making the idea ambiguous. The Ashok Dalwai committee of bureaucrats constituted as late as in 2016 to look into doubling of farmers' incomes by 2022, has suggested an investment of Rs. 6.4 lakh crore to meet the target but this year's budget for agriculture has been increased by Rs. 4,845 crore which puts a question mark on the exercise.

The Ministry for Agriculture and Farmers Welfare recently held a national summit to take a feedback from State agriculture officials and experts on doubling farmers' income. Separately, the ruling Bharatiya Janata Party (BJP) summoned its 14 Chief Ministers and five Deputy Chief Ministers for spot ideas on the theme. The State chiefs bemoaned lack of investment in the sector.

Scrambling with political urgency

With the crucial BJP-ruled States of Madhya Pradesh, Rajasthan and Chhattisgarh going to the polls this year, the last minute scramble to address farm issues has assumed urgency, both, for the party, and the government. The growing unrest amongst peasants, tribals and labour reflected in the diminishing strength of the ruling BJP in the Lok Sabha, more so after Phulpur and Gorakhpur by-polls in Uttar Pradesh, is making the government somewhat desperate to change public perception on its unfulfilled promises.

The 70th Round of National Sample Survey Organisation (NSSO) 2014, had found that the average monthly income of an agriculture household was Rs. 6,426 in 2012-13 from integrated crop cultivation, livestock rearing, wages and non-farm activity. From what the official survey has revealed, even when crop cultivators diversified to higher growth-rate horticulture, animal husbandry, fisheries etc, it did not bring reliable incomes to farmers due to lack of markets and sustainable price mechanism.

While several State governments are demurring about amending the Agriculture Produce Marketing Committee Act that makes it mandatory for farmers to sell their produce to *artiyas*/middle men in licensed *mandis*, the government in this budget announced upgradation of 22,000 small *Grameen Haats* for facilitating direct sales. This will be in addition to the electronic-National Agriculture Market (e-NAM) that will link 585 *mandis* for online trading. The idea to allow private sector including multi-national companies to make direct purchases may provide an outlet to farmers who lack stock holding capacity, but it does not necessarily fetch them MSP or prevailing market price as past experience has shown. This is an area that remains unaddressed.

However, Jaitley announced in the budget an 'Operation Greens' on the lines of 'Operation Flood' in milk, to prevent distress sales by farmers but left it to the NITI Aayog to work out the details. He also asked the Aayog to work out a plan to enable lessee cultivators, who are outside the ambit of institutional credit system, to borrow from official sources instead of being at the mercy of *artiyas* and local money lenders. Actually, this home work should have been done prior to the budget

presentation and the Minister should have presented a blue-print backed with finances to win the confidence of farmers.

AMUL's 'Operation Flood' was a successful model of smallholders' cooperatives with up to 75 per cent the price paid by the consumers going to small milk producers including women. The Finance Minister has sought to reproduce this model in Tomatoes, Onions and Potato ('TOP') with an eye to stabilise prices during surpluses and shortages while ensuring that farmers get a fair price for their produce keeping inflation under check. For this, the government will have to link farmers directly with markets and invest in creating refrigerated storages requiring steady power supplies and cold chains. The government will have to handhold farmers to stock their crop in years of boom, so as to avoid crash in prices. At present the government intervenes in the market when prices fall, but its operations are late and limited with delayed and non-remunerative payments allowing hoarders to have a field day for speculative trading.

Frankly, a party that came to power promising a better deal for farmers and consumers, should have swiftly taken visible short-term measures to address agrarian crisis. But the Modi government was preoccupied in the initial months after it assumed power in 2014, with bringing 'anti-farmer' amendments to The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 which united the opposition parties on the floor of Parliament and the farmers, civil society and human rights groups, outside. One crucial year was lost before the government withdrew its proposals.

The sudden demonetisation of the Rupee in 2016 when *rabi* sowing and *kharif* marketing season were on, dealt a body blow to the small and marginal farmers who were starved of ready cash in crucial months of their need. Cooperative banks, rural regional banks and even commercial banks stopped lending and even exchanging old currency adding to the woes of farmers and *mandi* traders who function on cash transactions. This hit sales and pockets of small farmers. This, followed by two consecutive droughts in 2014-15 and 2015-16 and steep fall in prices of wheat, rice, soybean and vegetable crops like tomato, potato and onion turned the tide against the government triggering farmers' unrest in several states. The painstaking roll-out of the Goods and Services Tax (GST) did not help matters.

The GVA share of Agriculture and Allied Sector to total economy for the last four years at 2011-12 prices has steadily fallen...

With a growth rate of minus 0.2 per cent in 2014-15 in agriculture and allied sectors, 0.8 per cent in 2015-16 and an estimated 4.4 per cent in 2016-17, the growth rate of agriculture and allied sectors in the last three years of the NDA rule has fallen to 1.6 per cent.

Further, as per the First Advance Estimates of National Income 2017-18, released by the Central Statistics Office on January 5, the GVA (Gross Value Added) growth of Agriculture and Allied Sector at constant (2011-12) prices for the year 2017-18 is 2.1 percent.

It is noteworthy that the GVA share of Agriculture and Allied Sector to the total economy has declined from 17.8 per cent in 2013-14 to 15.3 per cent in 2016-17 at 2011-12 prices, according to the First Revised Estimates of National Income released by Central Statistics Office (CSO) on January 31.

The GVA share of Agriculture and Allied Sector to total economy for the last four years at 2011-12 prices has steadily fallen from 17.8 per cent in 2013-14, 16.5 per cent in 2014-15, 15.4 per cent in 2015-16 to 15.3 per cent in 2016-17. The government attributes this decline to shift from traditional agrarian economy to manufacturing and services but agriculture experts point out that it reveals further widening of income gap between farmers and non-farmers. The hard reality is that the lower growth in agriculture has caused marginalisation of rural population, stagnation in incomes, deprivation, distress, indebtedness, farmers' suicides and at places malnutrition deaths.

Agriculture is a State subject under the Constitution with implementation of programmes in the hands of State governments. It must also be said that in the initial months of its rule, the Modi government had to struggle with non-cooperation from non-NDA State governments who took their own time coming to terms with the changed national political scenario. Thus even innovative schemes like the soil fertility health card, electronic-National Agriculture Market, higher compensation for 33 per cent (instead of earlier 50 per cent) standing crop damage from natural calamity, Prime Minister's Krishi Sinchai Yojna and Prime Minister's Fasal Bima

Yojna were slow to take off and failed to show results on the ground. The amendment to the Prevention of Cruelty to Animals Act of 1960 banning sale of cow for any other purpose than agriculture, too did not serve farmers' cause⁴.

Farm loan waivers

The turning point for farmers came during the Uttar Pradesh Assembly election campaign in February 2017 when Modi himself committed to waiving farmers' loan in the State for a certain category of loan takers. However, he refused to take the financial burden at central government level and left it to the State government to bear the huge cost. The Yogi Adityanath government that subsequently came to power declared a loan waiver package of Rs. 36,000 crore although implementation was fraught with severe shortcomings.

In Punjab, which had also gone to the polls around the same time, the Congress Chief Ministerial candidate Amarinder Singh made a similar promise. After he was voted to power, he declared a modest package of Rs. 15,000 crore which left several thousand farmers unhappy.

The BJP-Shiv Sena-ruled Maharashtra, which has seen the highest number of farmers' suicides over the years, also announced a package of Rs. 30,000 crore but again, implementation, linked to Aadhar cards, became a mess. Recently, after facing a fresh round of farmers' unrest backed by opposition parties, Chief Minister Devendra Fadnavis yielded to demands for giving land rights to tribals and improving the farm loan waiver package.

Earlier, the State governments of Karnataka, Andhra Pradesh, and Tamil Nadu also extended loan waiver packages for debt ridden small and marginal farmers.

But the States are groaning under the financial burden and are changing goalposts frequently which shows that the programme is far from effective in the way it is being implemented by State governments. The Union Government, meanwhile, remains a mute spectator.

The Prime Minister's announcement of a farm loan waiver package in Uttar Pradesh created a ripple effect and Madhya Pradesh, which has seen a farm growth rate of about 22 per cent last year, suddenly exploded in farmers' protests reportedly fanned

by vested political interests. In a year of glut, the prices of tomato, onion and potato had a free fall leading to distress sales. The unrest, saw killing of five farmers during an agitation in Mandsaur district. As protests threatened to engulf neighbouring states, Rajasthan Chief Minister Vasundhara Raje set up a committee to look into a loan waiver package. She later announced in her budget proposals for 2018-19 a limited package of Rs. 8,000 crore for farm loans taken from cooperative banks. This triggered mass protests in the State.

Madhya Pradesh Chief Minister Shivraj Singh Chouhan, however, remained firm against any loan waiver scheme in the State. Instead he announced a ``Bhavantar Bhugtan Yojna'' for making good to farmers the shortfall between price paid and declared MSP, especially in soyabean and wheat. He later knocked at the Centre's door for bailing him out with funds to the tune of Rs. 1,900 crore that he had spent on the scheme.

Already grappling with the Jat reservation issue, the Haryana government under Manohar Lal Khattar swiftly went a step further and announced a scheme to pay ``protected prices'' to farmers for perishables including potatoes, onions, cauliflower and tomatoes to prevent distress sales when production is high and prices fall to below input costs. This had been a long standing demand of farmers' organisations.

The death of farmers in Mandsaur agitation acted as a catalyst and in the months preceding the presentation of the Union budget, more than 160 farmers organisations grouped themselves into a cohesive voice leading to a massive show of strength on Parliament Street in New Delhi last November. For the first time, widows of farmers who had committed suicides were visible and vocal. They sought rights over the land that belonged to their husbands and waiver of loans taken by them so that they could start life afresh to bring up their children. Recently Rakesh Tikait-led Bhartiya Kisan Union (BKU) also organised a massive rally in New Delhi seeking "complete" loan waiver for all small and marginal farmers, higher MSP for farm produce and a special session of Parliament to find a solution to rural distress.

Glossing over main demands

Gender inequality in agriculture is glaring especially as an estimated 43 per cent of world's farmers are women. In India women represent almost half of the labour force in agriculture and much of their work is unaccounted for officially. The Food and Agriculture Organisation reported in 2011 that if women had the same access to productive resources including credit as men, they could raise the total farm production in developing countries by 20 to 30 per cent.

The farmers raised two main demands: a complete loan waiver for indebted farmers; and a hike of 50 per cent over and above the Minimum Support Price (MSP) calculated at the C2 cost of production⁵ of crops. They also sought wiping out of loans taken from artiyas and village money lenders which form about 40 per cent of total farm debts and has remained unaddressed through the years and successive governments.

The C2 cost of production should take into account the total of input costs on seeds, fertilizer, diesel, water, power, insecticides/pesticide; imputed value of family labour or hired labour; interest of the value of owned capital assets; rent paid for leased-in land; the rental value of owned land; insurance premium and interest on loan.

As against this the A2 + FL cost for calculating the MSP, is the sum of paidout input costs plus imputed value of family labour⁶.

While Jaitley simply ignored the first demand for loan waiver, he was ambiguous in his budget proposals on the second demand. He did refer to his party's manifesto but his statement lacked clarity on whether the MSP hike would be on C2 cost or A2 + FL basis. He also did not back his announcement with budgetary support leaving once again to the NITI Aayog to work it out.

Later, Ramesh Chand, Member Agriculture on NITI Aayog was quoted in the *Economic Times* as saying:

“In my view, the government will take A2 plus FL, to give margin of 50 per cent for consideration of MSP. The rationale for this is that rental value of own land which is included in C2 is not incurred by 88 percent of the farmers.”

It must be pointed out that the Commission for Agriculture Costs and Prices (CACP) that recommends the MSP to government for every season already uses A2+FL as the basis for calculating MSP for 23 crops. In its report for Rabi Marketing Season 2018-19, the Commission notes that the MSP already covers 112.4 per cent gross margin over A2+FL cost in wheat. The net returns over C2 cost is 38.1 per cent in wheat⁷, it says.

For next year's marketing season, the CACP recommended wheat MSP at Rs. 1,735 per quintal against Rs. 1,625 per quintal (including bonus) set in 2017-18. However, shockingly it maintains that the actual MSP of wheat on A2+FL basis should be Rs. 817 per quintal and at C2 cost it should be Rs. 1,256 per quintal for 2018-19. As against this, the BKU says that only MSP of around Rs 2,350 per quintal for wheat will cover production costs and give some income to farmers.

The government is as yet silent on the implication of this hike in MSP, if it comes, on inflation, crop diversification and its international commitments to cap MSP. Also, no budgetary allocation had been made for the additional funds that will be required to fulfill this election promise of the BJP. Even as the NDA term comes to an end, there has been no mention anywhere of a promised welfare scheme for farmers majority of who, as the CSSO survey has shown, are neither able to feed themselves or turn in a profit.

Also, the budget implies that the promised MSP hike will be only for this year's kharif crop. In his budget speech Jaitley said, "I am pleased to announce that as a pre-determined principle, Government has decided to keep MSP for the all unannounced crops of (forthcoming) kharif at least one and a half times of their production cost."

By all accounts the upcoming kharif support prices for paddy, pulses and oilseeds will be a litmus test for the government. An element of skepticism, however, lingers, as the five-member Commission lacks representation from the farming community as its two non-official positions are vacant. When the issue is pressing, the least the government can do is fill up these vacancies so that farmers have an effective voice on the Commission.

If the government is truly keen to address agrarian crisis of small and marginal farmers, it should immediately pass an order to make it mandatory for immediate payment of MSP to farmers for their produce, even at private outlets, e-NAM, proposed Grameen Haats and in direct purchases. MSP is the minimum price and under no circumstance should farmers be paid lower than that. Care should be also be taken to ensure that farmers are not short changed with a buyer in the *mandi* or elsewhere declaring his produce as below the Fair Average Quality.

On the other hand, small farmers have to be financed, trained and skilled to grade their horticulture produce at the farm gate before bringing it to a sale outlet. In the event of prices showing a declining trend in a season of glut, the government must bear the cost of arrangements at the village level to store surplus produce in cold storages till prices stabilise. Extension services have to become pro-active to lift farmers out of the state of stagnant productivity and the Indian Council of Agriculture Research must be geared to come up with techniques and technologies for specific regions and rain-fed agriculture.

When rural votes matter

Agriculture cannot be viewed in isolation. It is inexorably linked to the socio-politico-economic situation in the country and remains the back-bone of the economy. It were the cotton growers of Saurashtra who brought down the BJP tally in recently-held Gujarat Assembly elections. Likewise, had loan waiver not been announced for Uttar Pradesh farmers by the Prime Minister, the BJP would not have been in a position to improve its tally in Rajya Sabha for a Congress-mukt Bharat.

Indeed it were the farming community that gave the previous Congress-led United Progressive Alliance (UPA) a second consecutive term in 2009 on the back of the national farm loan waiver announced towards the fag end of its tenure. That the scheme was not implemented well is a separate issue. It paid rich political dividends when it mattered.

The growing number of agitations by farmers and tribal groups in the country makes it clear that the next general election in the country will be fought on farmers' issues. The BJP must see the writing on the wall or else the New India, like the Shining India of the yore, may signal its fall.

Notes and References:

[All URLs last accessed on March 16,2018.]

1. **National Sample Survey Office (NSSO), 2016.** " [Income, Expenditure, Productive Assets and Indebtedness of Agricultural Households in India, NSS 70th Round, \(January-December 2013\)](#)", Ministry of Statistics and Programme Implementation, Government of India. p. 32.

[http://mospi.nic.in/sites/default/files/publication_reports/nss_rep_576.pdf].

2. The 70th Round of the NSSO defined an agricultural household as a household “receiving some value of produce more than Rs. 3,000 from agricultural activities (e.g., cultivation of field crops, horticultural crops, fodder crops, plantation, animal husbandry, poultry, fishery, piggery, bee-keeping, vermiculture, sericulture etc.) and having at least one member self-employed in agriculture either in the principal status or in subsidiary status during last 365 days. However, as in NSS 59th Round, households which were entirely agricultural labour households and households receiving income entirely from coastal fishing, activity of rural artisans and agricultural services were not considered as agricultural households and they were kept outside the scope of the survey.” Source: NSSO, 2016, *ibid*, p. 2.

3. **NSSO, 2016. *ibid***, p. 34.

4. **Chauhan, C. 2017.** "[Centre bans sale of cows for slaughter at animal markets, restricts cattle trade](#)", *Hindustan Times*, July 19.

[<https://www.hindustantimes.com/india-news/centre-bans-cow-slaughter-across-india-cows-can-be-sold-only-to-farmers/story-8sFXJxiNmZ8eD6NXDgbvnL.html>].

5. C2 is the “Comprehensive cost including imputed rent and interest on owned land and capital”. (Source: **Commission of Agricultural Costs and Prices (CACP). 2017.** “ [Price Policy for Kharif Crops: The Marketing Season 2017-18](#)”, Ministry of Agriculture and Farmers Welfare, Government of India, March. p. xiii [<http://cacp.dacnet.nic.in/ViewReports.aspx?Input=2&PageId=39&KeyId=598>].

6. **CACP, 2017: *ibid***, p. xiii.

7. **Commission of Agricultural Costs and Prices (CACP). 2017.** “ [Price Policy for Rabi Crops: The Marketing Season 2018-19](http://cacp.dacnet.nic.in/ViewReports.aspx?Input=2&PageId=40&KeyId=602)”, Ministry of Agriculture and Farmers Welfare, Government of India, July.
[<http://cacp.dacnet.nic.in/ViewReports.aspx?Input=2&PageId=40&KeyId=602>].