Business Standard

How to double farmers' incomes

In a country as vast and diverse as India, it will require a variety of development approaches to bring the benefits of growth and prosperity to all agriculturalists

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In February 2016, the Central government had set a goal of doubling the income of farmers by 2022 in real terms from the baseline income of 2015-16. The timing of the declaration was most appropriate, as the farm sector was struggling to recover from a severe drought in 2015-16. There was a decline in farmers' incomes, rising indebtedness of farm households and a sharp increase in the incidence of farmer suicides. The contribution of agriculture to the country's gross domestic product (GDP) had fallen to 18 per cent, though agriculture accounted for 50 per cent of employment. The target set by the government was indeed an ambitious one, calling for a growth rate of 10 per cent in real terms every year from 2016 onward.

Where are we in 2020? As per the Economic Survey 2019-20, in the past five years, the average annual growth rate of agriculture and allied sectors has stagnated at 2.9 per cent in real terms. The farm sector needs to now grow at 12-15 per cent annually in the next three years to reach anywhere close to the target. The existing set of policies and actions on the ground have so far proven grossly inadequate to stimulate growth in the farm sector. The country was thus been keenly awaiting the Budget.

The combined budget of agriculture, rural development, fisheries and irrigation is Rs 2.83 trillion. The outlay for agriculture has seen a small increase, from Rs 1.39 trillion last year to Rs 1.43 trillion for 2020-21. Given the current state of rural distress, one would have expected a much higher allocation.

The finance minister has formulated a 16-point agenda to stimulate rapid growth in agriculture. A closer look suggests a preponderance of concerns to organise supply chains and link farmers to the market. From asking the states to adopt model agricultural laws, "one product, one district", a stress on inventory storage in villages, geo-tagging of warehouses and cold storages, to the idea of Krishi Udaan and Kisan Rail, the priorities are consistent with the focus. It is pertinent here to ask: What is the readiness of our farmers to take part in market-based models? What is their suitability for participating in supply chains?

Almost 90 per cent of our farmers are small and marginal land-holders. About half of them, living in the vast stretches of the central and eastern Indian plateau, practise rain-fed farming owing to the lack of irrigation. Farming is typically mono-cropping, restricted to the monsoon months. Crop productivity is at abysmally low levels, which leads to a lack of marketable surpluses. This reality is in conflict with the supply-chain and market-focused approach. A large majority of our rain-fed farmers do not have the wherewithal to increase productivity and follow supply-chain regimentation. They are not yet ready for it. They form the bulk of the lowest income quintile. Their inclusion in supply chains will require substantial public investment in soil and water conservation, irrigation and agronomic training.

About 52 per cent of the cultivated land area (72 million hectares) has no irrigation. The creation of basic irrigation facilities will require an investment in the region of Rs 3 trillion. However, over a medium-term time horizon, the Budget projection is nowhere close to this requirement. The farm sector will remain investment-starved for yet another year.

The other half of the small-holder farmer segment — those living in river basin areas — are familiar with modern farming and mainstream markets. However, high population pressure on land has resulted in the fragmentation of landholdings, thereby affecting productivity and resource-use efficiency. Often, they operate in such small land parcels that even major increases in crop productivity do not help them to earn sufficient income to afford a decent living. The major challenge here is to ensure their sustainable retention in the supply chain. Further, the cost of aggregation to reach economies of scale often renders the supply chain uncompetitive. Hence the concern over their suitability.

There is a ready match of the current model with medium and big farmers, who constitute 10 per cent of the farming community. Another 25 per cent of farmers from the smallholder segment, who are enterprising and "mainstreamed", could be added to this number. Thus, a third of the farming community could make real use of the Budget provisions. They are anyway deriving benefits from multiple schemes offering asset subsidies, cheaper credit and minimum support prices. In the current model, this number is not going to increase any further. A large majority of farmers will remain excluded from this model, allowing only marginal increase from the current rate of growth.

That takes us to the most important question: How to attain a growth rate of 12-15 per cent in the farm and allied sectors? For a country as vast and diverse as India, there cannot be a one-size-fits-all design. There is a need for imagining different approaches and economic models to bring on board all sections of farmers on a growth trajectory. Agriculture being a state subject, a lot depends on the efficiency of the state in leading the initiative. With state agriculture departments in a moribund state, they are not in a position to deliver, unless fully revamped.

Finally, for achieving the ambitious goal of doubling the income of farmers in just six years (as measured from 2016, when the target was set), there has to be a strong measurement system in place to validate the efficacy of interventions. It is worrisome to learn that there is no system to estimate farmers' incomes at regular intervals. An intervention of such a scale and significance should periodically inform the nation about its progress.

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