

# 25 years of tinkering in agriculture – Ashok Gulati

Part third –

**Reform agenda for agriculture**

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**Subject : INDIAN ECONOMY –II**

# Four larger constraints/objectives

Any strategy of reform will need to subscribe to four larger constraints/objectives:

- One , the reform process needs to be inclusive of close to 85% of India's total farm holdings that are less than 2 hectares. Unless these small and , marginal farmers participate in the reform process and diversify their production baskets by moving toward high value agriculture, agriculture will not transformed.
- Second , unless farming become economically viable, the problem of retaining efficient and effective resources, including humn resources , will only intensify.

- Third , in lights of the extensive over-exploitation of scarce resources such as water and land, environmental sustainability needs to be incorporated deep into the systems and policies.
- Fourth , Indian farm products and thus polices influencing their production should ensure their global competitiveness.

# Getting the market rights

We do this primarily by setting right the incentive structures for farmers terms of getting the best prices for their produce.

A five pronged strategy should set the stage:

- Liberalize global trade
- Repeal/reform trade-restricting policies such as APMC and ECA
- Create mechanism for risk mitigation and augmentation
- Deepen and expand the physical and financial markets
- Invest in Agri infrastructure

- This would amount to opening up exports of all commodities , even pulses and edible oils which are highly restricted today. Also it would amount to abolishing ECA, and allowing the private sector to move and store commodities freely across the length and breadth of this country.
- To check on fear of hoarding by unscrupulous traders, making registration of the stocks above 10,000MT- compulsory with the national warehousing development authority can do this trick.
- This can only be a transition mechanism towards freer domestic trade and stocking in the future.

- Further , imports could be liberalized with moderate duties to ensure that domestic hoarders get enough competition through open imports that would keep in check their rent seeking behaviour.
- Further need to reform the APMC Act and allow private mandis to come up in competition with the existing APMC markets. The government should allocate land for that purposes, subject to rationalization of commission fees, mandi taxes and other cess and allow direct buying by processors and organized retailers.
- Introducing negotiable warehouse receipt system for farmers, where in they can get, 75% advance against their commodity and can choose to sell later, would also be of much use to farmers in getting better prices for their produce.

- These institutional reforms will go along way in attracting private investments all along the value chains- modern markets, storages storages , food processing and organized retailing that are needed so desperately.
- Private sector can then resolve the issues of grading , assaying , packing, traceability , delivery platforms, etc.

# Rationalise food and Agri input subsidies

- The total input subsidies on fertilizers , power, canal irrigation and agri credit alone were Rs. 188 158 crore in FY 2016, while public sector investments in agriculture were to the tune of Rs. 48 757 crore.
- As a percentage of AGDP , input subsidies amount to about 9% and public investments to about 3%.if one adds to this the food subsidy bill, which stands at Rs. 1 34 835 crore in FY 2017 and pending bills of food and fertilizer subsidies together account for another Rs. 100 000 crore.
- Total amount of food, fertilizer, power, canal irrigation and agri subsidies in FY 2017 was more than Rs. 4 00 000 crore.



- The problem with subsidies is that they lead to very inefficient use of resources, and in the case of food, it leads to large leakages, around 46% in 2011-12.
- In addition , food subsidies are also iniquitous , a sonly the large farmers get larger pert of the subsidies because of the sheer size of their holdings.
- The current thinking on substituting this ineffective , subsidized physical gain distribution system with direct benefit transfers is a step in right direction.
- This shift away from a price policy instrument to an income policy instrument will not only make better economic sense but also helps in achieving the country welfare objectives under NFSA.

# Investment in scarce resources : such as water management and R & D

- As per some estimates , DBT will move will save exchequer up to Rs. 48 657 crore per annum. These savings can help in water augmentation and better management of its use – giving better boost to Agri productivity , bringing resilience in the system to cope better with droughts and also save on water and fertilizers.
- In terms of investment on Agri R & D, India spends only 0.46 % -.70% of AGDP as against the recommended norm of at least 1 % for developing countries. This % expenditure on R & D goes up to 3 % in the case of developed countries.
- Such reforms already been suggested by Shanta Kumar committee set up by Modi government in 2015 to restructure India's food management system.

# Bringing best technologies within farmer's reach

- From the green revolution of the 1970s , the white revolution of the late 1970s ad gene revolution (cotton) of the late 2000s, the role of agricultural research , technologies and extensions services has been pivotal.
- The importance of access to the best technologies cannot be overstated.
- The green revolution came into this country by accessing HVYs seeds of wheat from Mexico and rice from Philippines the cotton revolution from 2002 onwards occurred genetically modified seeds from Monsanto.

- The world is currently moving from green to gene to brown revolution , which emphasizes the role of precision agriculture while taking care of soil and water.
- Precision agriculture –be it drip irrigation or fertigation , robotics in agriculture, field scripts , drones and doves to motior agriculture – s the way forward.
- Issues of R & D and resources put in , their IPR questions and how to access from private sector global companies will need to be settled for millions of farmers benefit. Real challenge lies in making the technology accessible to small and marginal farmers .

- It could be through an uber like model for tractors , harvest combines or even for drones and doves to serve the needs of agriculture.
- A forward looking vision is needed one that is science based, aligned to market forces and backed by ample financial resources operating in global framework.