Making Agriculture a Tool of Inclusive Growth

Bhuwan Bhaskar

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It goes without saying that in an agrarian society like ours, no development plan can succeed without keeping agriculture at the center of things. This is not only because we, as a nation, are one of the biggest food consumers in the world and that to keep our agri sector vibrant and alive is a prerequisite for our food security, but also due to the fact that more than half of the population owes its social, economic and even cultural life to the state of this sector only. Having said so, it is really unbelievable how our agriculture could slide to such a pathetic condition as it is today. The roots may easily be discovered right after we achieved independence. Governments after governments described the importance of agriculture ad nauseam but when it came to policy making, it was left to struggle for its fate.

Such an apathy towards agri sector resulted in two things. One, we continued to downslide on productivity and crop diversification, and second, more than two-thirds of the Indian population remained laggard on each and every aspect of socio-economic measurements. That is because agriculture was the sole source of livelihood for them and dearth of basic infrastructure, e.g. irrigation, post-harvest facilities, research centers, effective loan facilities, lack of financial inclusion etc. weighed upon their income levels and the final result came in the form of deepening rift between the urban and rural India.

In early 1960s, when India was facing a formidable risk of famine, the then Prime Minister Lal Bahadur Shastri successfully led the country to Green Revolution. Benefitting from the revolution, India leaped miles forward in staple production and got self-dependent in producing many grains. But the revolution was also limited in its scope and mandate. The sole motto was to increase the acreage and productivity. It was never envisaged as the tool to bring about inclusive growth and social change. That led to excessive use of fertilizers, pesticides and other chemicals in farms. As a result, the productivity of lands increased but so did the cost of agriculture. Year on year, we gradually increased the use of chemicals and now Punjab, the biggest beneficiary of Green Revolution, has started facing the problem of a downturn in productivity, high cost of farming and raised toxicity of farm soil.

In 2003, the then government, for the first time, pondered over the post-harvest aspect of Indian agriculture and promulgated Agriculture Produce Market Committee (APMC) Act. But in the course of time, the committees became strongholds of local politicians and started bumping

The author is financial and developmental journalist and has worked with CNBC Awaaz, Zee Business, and Economic Times etc. and is associated with NCDEX at present.

on their responsibility to fetch optimum prices for a farmer's produce. Now the system of APMC is being debated and the Finance Ministry has already de-listed fruits and vegetables from the Act. Another important policy initiative in the direction of bringing inclusive growth and social change was farm insurance which could never succeed even though numerous initiatives were taken.

Now for the first time in Indian agriculture history, the Central government has started thinking of agriculture not merely as tool to feed the country, but also as a basic means to uplift the socio-economic indicators of the country. To complement the view, the government has initiated a number of development measures and schemes which have the potential to immensely benefit the agrarian communities by strengthening the roots of Indian agriculture, if implemented successfully. Let's analyze the measure and schemes:

National Agriculture Market (NAM): This is the latest initiative by the Central government which can change the landscape of post-harvest crop management forever. The Cabinet Committee on Economic Affairs (CCEA) approved a Central Sector Scheme for Promotion of National Agricultural Market through Agri-Tech Infrastructure Fund on 2nd July 2015. The Government plans to integrate 585 wholesale markets across India by setting up an online platform and has earmarked Rs. 200 crore for three years from 2015-16 to 2017-18. "Now there will be one license for entire state, there will be single point levy. There will be electronic auctions for price discovery. The impact will be that the entire state will become a market and the fragmented markets within the states would be abolished," said the Finance Minister. The plan is to cover 250 mandis in current fiscal, 200 mandis in 2016-17 and 135 mandis in 2017-18. After the completion of NAM, seamless transfer of agriculture commodities within the state can take place. The market size for farmers would increase as they

Boost to Agriculture

❖ Irrigation for All Villages

In a major initiative to reduce farmers' dependency on the monsoons, the Cabinet has approved a central scheme for providing irrigation facility to every village. The Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) aims to ensure access to some means of protective irrigation to all agriculture farms in the country within a time frame of 5 years(2015-16 to 2019-2020). Total budgetary allocation of Rs 50,000 crore, has been allocated for the scheme, with a provision of Rs 5300 crore for this fiscal year. The proposal is to bring in six lakh hectares under irrigation, besides providing drip irrigation facility in 5 lakh hectares during this fiscal year. The scheme aims to: a) achieve convergence of investments in irrigation at the field level b) expand cultivable area under assured irrigation (Har khet ko pani) c) improve on farm water use efficiency to reduce wastage of water d) enhance adoption of precision irrigation and other water saving technologies e) enhance recharge of aquifiers f) explore feasibility of reusing treated municipal based water for peri-urban agriculture towards sustainable water conservation practices g) attract greater private investment in precision irrigation systems.

❖ Online Agri-Marketing

The Cabinet approved the setting of an online national agriculture market, which is expected to boost farmers' incomes and improve availability and moderate price rise. An amount of Rs 200 crore has been earmarked for the Central Sector Scheme for Promotion of National Agriculture market through AGri-Tech Infrastructure Fund (ATIF) from 2015-16 to 2017-2018.

This includes provision for supplying software free of cost by DAC to the states and UTs. Cost of related hardware/infrastructure would also be subsidised by the government up to Rs 30 lakh per mandi (other than for private mandis). The Centre would also meet expenses on software and its customisation for the states which would then be provided free of cost to them. It will also give grant as one time fixed cost subject to the ceiling of Rs 30 lakh per mandi for related equipment or infrastructure for installation of the e-market platform. The target is to cover 585 selected regulated markets across the country i.e. 250 mandis by FY16, 2016-17: 200 more mandis by FY17 and another 135 mandis by FY18. SFAC will be the lead agency for the development of the National e-Market by the Ministry of Agriculture

The scheme provides farmers a more efficient, transparent and competitive marketing platform. This gives them improved access to market related information and better price discovery . The transparent auction process gives him access to a greater number of buyers within the State and from outside. It would also increase his access to markets through warehouse based sales. This would obviate the need to transport his produce to the mandi.

Integration of agri-markets across the country through the e-platform is seen as an important measure for overcoming challenges posed by the present agri-marketing system like a) fragmentation of state into multiple market areas each administered by separate APMC b) multiple levy of mandi fees c) requirement for multiple license for trading in different APMCs d) licensing barriers leading to conditions of monopoly e) poor quality of infrastructure and low use of technology f) information asymmetry g) opaque process for price discovery h) high level of market charges and i) control over movement of food products.

won't be limited to a captive market. Unifying the markets both at state and the national level would provide better price to farmers, improve supply chain, reduce wastages and create a unified national market through provision of the common e-platform.

This platform can solve the perennial problem of middlemen eating away a major chunk of profits due to lack of market availability to farmers. Rashtriya e-Markets Services (ReMS) Ltd., the 50:50 JV company of Karnataka Government and NeML, a 100 per cent subsidiary of commodity exchange NCDEX, has already shown the way in Karnataka by integrating 55 out of 155 main market yards into a single licensing system. The GoI referred to it as a model of NAM in its 2014-15 Economic Survey and the Agriculture Minister got the Agriculture Ministers of 23 states to show the functioning of the Karnataka model.

Soil Health Scheme: On 19th February this year, the Prime Minister launched the nationwide 'Soil Health Card' Scheme from Suratgarh, Rajasthan. The Prime Minister said that his government thought of agriculture as a tool for poverty alleviation. And moving forward on the roadmap, the fund allocation for the scheme was increased to Rs. 200 crore in the current year budget. The Finance Minister had also set aside Rs. 156 crore for the scheme in the first budget out of which Rs. 56 crore had to be spent on setting up 100 mobile soil testing laboratories across the country. According to the order released on 28th April this year by the Ministry of Agriculture, 2.53 crore samples would be collected during 2015-16. States have to bear 50 per cent of the total cost. Total Rs. 192 crore would be spent on sample collection, sample analysis, training of chemists, staff and farmers, ICTs and workshops, of which the Central government will contribute Rs. 96 crore. The government has announced that these cards would be given to all 14.5 crore farmers within 3 years.

Although, this health card scheme was already being run in some parts of the country, it was never taken up as a national movement. It's a commendable scheme to ensure sustainable development of agriculture sector. Under the scheme, soil sample is collected from a farmer's farm land and is tested in a laboratory. After the testing, the farmer gets a card just on the lines of health cards issued by a hospital. The card mentions all the ingredients and deficiencies of soil sample. On the basis of this card, instead of using Urea or DAP or some other fertilizer blindly, a farmer can decide the exact needs of his soil. This may not only reduce his cost significantly, but also save the health of his soil. And this may help him even in identifying the best crop suited for his soil.

Prime Minister Krishi Sinchayee Yojana (PMKSY): With an aim to irrigate the field of every farmer and improving water-use efficiency, the budget 2015-16 allocated Rs.5,300 crore to support micro-irrigation, watershed development and the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY). Last year, the allocation towards these irrigation and watershed management schemes were Rs.5,623 crore. The FM had allocated Rs. 1000 cr for this in his first truncated period budget for 2014-15. But the work could not start. On 2nd July, The CCEA gave its approval to this scheme with an outlay of Rs. 50,000 crore over a period of five years (2015-16 to 2019-20).

The importance and quantum of the scheme could be gauged by a single fact that the irrigated agriculture accounts for 56 per cent of all food grains production in the country, even though the coverage of irrigation in the area under food grains was estimated in 1997-98 to be 40.5 per cent. Despite the importance of irrigation, the subsequent governments ignored the area respectively (See Box-1). As a result, the total area under irrigation rose only around 5.8 percentage during 2000-01 to 2011-12. According to official data, the net irrigated area reached 46.34 per cent from 40.5 per cent of net sown area during this period.

Box-1

Plan Name	Period	Irrigation funding as percent of total State Plans
Fifth Plan	1974-78	23.25 per cent
Sixth Plan	1980-85	20.85 per cent
Seventh Plan	1985-90	11.85 per cent
Eighth Plan	1992-97	18.48 per cent
Ninth Plan	1997-2002	14.93 per cent
Source : Planning Commission		

"The major objective of the PMKSY is to achieve convergence of investments in irrigation at the field level, expand cultivable area under assured irrigation (Har Khet ko Pani), improve on-farm water use efficiency to reduce wastage of water, enhance the adoption of precision-irrigation and other water saving technologies (More crop per drop), enhance recharge of aquifers and introduce sustainable water conservation practices by exploring the feasibility of reusing treated municipal based water for peri-urban agriculture and attract greater private investment in precision irrigation system," says the CCEA note. Thus, the basic characteristic of the scheme is to decentralize the irrigation expenditure by the way of converging three irrigation schemes under one umbrella. "The scheme also aims at bringing the ministries, departments, agencies, financial institutions engaged in creation, use and recycling of water, under a common platform so that a comprehensive view of the entire 'water cycle' is taken into account and proper water budgeting is done for all sectors - households, agriculture and industries," said the Agriculture Minister after the Cabinet Committee cleared the scheme. Naturally, this scheme can induce a sustainable model of water conservation and irrigation and can go a long way in ensuring social development.

In addition to PMKSY, National Bank for Agriculture and Rural Development (NABARD) is also providing Rs 30,000 crore as credit to farmers for irrigation over the next three years. It has already sanctioned Rs 1,000 crore so far this year.

Price Stabilization Fund

High volatility in the prices of onions and potatoes have marred the farmers for years. These vegetables are highly perishable and due to lack of proper warehousing facilities, they very often are proved to be a handy tool for profiteers to skyrocket the prices. So, on one hand, the farmers are compelled to sell their produce at throwaway prices and on the other hand, middlemen make windfall profits. To check the phenomena, the government has established a price stabilization fund with a corpus of hefty Rs. 500 cr. Later other perishable agri-horticulture commodities will also be covered under the fund. According to government sources, these commodities will be procured directly from farmers or farmers' organizations right at the farm gate or mandi levels and be made available at reasonable prices to consumers.

Small Farmers' Agri-Business Consortium (SFAC), a department under the Ministry of Agriculture, is also working for the same purpose. Mandated to form Farmer Producer Organizations (FPOs) across the country, it established a new wing called Dilli Kisan Mandi in 2014 under its aegis. The function of this wing is to get buyers directly on the doorstep of farmers. Within a year of its establishment, Dilli Kisan Mandi has facilitated sales of more than 1000 tonnes of vegetables through different FPOs.

Agriculture Credit

Making credit available to farmers at easy terms has been a herculean task for all the governments in New Delhi. We all hear farmers committing suicides after having failed in breaking the credit net of local financers. Keeping in view the harsh realities of financing, the government has increased the target of agriculture funding by Rs. 50,000 cr to Rs. 8.5 lakh crore.

Launch of DD Kisan

Recognizing the dearth of information about new opportunities, avenues and weather conditions to farmers, the government has embarked upon launching a new channel dedicated to the needs of farmers. This is a unique initiative and can fill a major gap if handled properly.

Farm Insurance

Finance Minister announced on 12th July 2015 that the government was working on a new agriculture insurance scheme that would cover all the inputs put by a farmer into his farm as also the loans taken by him. Keeping in view the history of such agriculture insurance schemes, this endeavor may pose a great challenge to the government. To assure the farming community about the viability of the upcoming scheme, the FM described it as "a doable and effective insurance program, wherein the farmer is able to at least recover the basic inputs that he puts in, in the events of uncertainties created by more than one reasons". If the government succeeds in providing a robust loan scheme to farmers, it may create a strong social security system in rural India. Unfortunately, all such schemes till date have failed miserably (See Box-2). "We have national insurance, we have modified national insurance and now we are going for weather-based insurance cover and there is a talk about income insurance for farmers which has become a major issue," told RBI Deputy Governor HR Khan giving a glimpse of the contours of the upcoming agriculture loan scheme.

Warehousing

The government has rightly recognized the need of effective warehousing and made a provision of Rs. 5000 cr in its first budget. According to a report published by

Box-2

Name of the Scheme	Start Year	End Year	Salient Features	Reason of Failure
Comprehensive Corp Insurance Scheme (CCIS)	NA	1997	If the actual yield in any area covered by the scheme fell short of the guaranteed yield, the farmers were entitled to an indemnity on compensation to the extent of the shortfall in yield.	Out of all the All-India claims of Rs. 1,623crores, Gujarat alone received Rs. 792 crores for one single crop,groundnut.
Experimental Crop Insurance	1997-98	1997-98	Small and marginal farmers growing specified crops in selected districts covered. The premium was subsidized.	The premium collected was about Rs. 3 crores and the claims amounted to Rs. 40 crores.
Farm Income Insurance Scheme	2003-04	2003-04	Targeted yield and prices through a single insurance policy so that the insured farmer could get a guaranteed income.	Change in Government
National Agriculture Insurance Scheme	1999-2000	In Force	Covers all food crops (cereals and pulses), oilseeds, horticultural and commercial crops. It covers all farmers, both loanees and non-loanees, under the scheme.	NA

Institution of Mechanical Engineers (IME) in 2013, 2.1 crore tonnes of wheat goes waste in India every year which is about 22 per cent of the total production due to lack of proper warehousing facility. In fruit and vegetables category, this proportion is 40 per cent of the total national production. Overall, we waste food grains worth Rs. 44000 cr annually. National Bank for Agriculture and Rural Development (NABARD) aims to create scientific storage space of 9.23 lakh tonne by construction of godowns and warehouses. For 2015-16, the NABARD had projected an annual credit potential of Rs 47,756.43 crore for some of the priority sectors including water resources, land development, farm mechanization, diary, poultry, fishery, construction of storage godown and market yards and promoting renewal sources of energy and waste management. The outlay is an increase of 19 per cent over Rs 40001.01 crore in 2014-15. This shows that the Central government has diagnosed a major problem of Indian agriculture and trying to fix it through its policy measures.

With these schemes and development measures launched in last one year, the country can hope to cover up for the lost ground in decades. Except for these direct schemes, the government's focus on power sector reforms is also going to support the rural India in a big way. National Sample Survey Office (NSSO) and the latest Socio Economic and Caste Survey (SECC) have defied the age old notion that decreasing dependents on agriculture is a sign of prosperity. In our country agriculture has increasingly become a liability on households and so youth are running away towards towns only to increase the slum population and aggravate the structural problems. If the schemes launched by the government give successful results, it may be hoped that the trend reverses and the dream of inclusive growth finds a sustainable ground. ❑

(E-mail:bhaskarbhuwan@gmail.com)

DO YOU KNOW?

E-Mandi

E-Mandi is an electronic market platform to sell the vegetables online at the best prices, for both the retailers and the whole sellers by providing a convenient way to keep the transparency in the whole marketing system. With the help of e-mandi project, the regulated markets across the country will be integrated with the common e-platform to provide farmers and traders like retailers and wholesalers with access to opportunities for purchasing or selling of agricultural commodities at the most favourable prices in a transparent manner across the country. With this , the chances of farmers being fooled by the marketers can be done away with. Apart from this , the private markets will also be allowed access to the e-platform thereby increase its outreach.

The need to have the concept of e-mandi arises as the integration of agri-markets in the country through a common e-platform will be very useful to tackle the challenges existing in the agri-marketing system like fragmentation of State into multiple market areas each administered by separate APMC, multiple levy of mandi fees, requirement for multiple license for trading in different APMCs, licensing barriers leading to conditions of monopoly, poor quality of infrastructure, low use of technology, information asymmetry, opaque process for price discovery, high level of market charges, movement controls, etc. Therefore, in order to provide better price to farmers, improve supply chain, reduce wastages and create a unified national market at national and state level, a common e-platform was needed.

The e-mandis will be set up by the Department of Agriculture & Cooperation through the Small Farmers Agribusiness Consortium through building a common electronic platform that will be used in selected regulated markets throughout the country. An amount of Rs. 200 crore has been allocated for the scheme from 2015-16 to 2017-18. A total of 585 selected regulated markets across the country will be covered as :250 mandis will be covered in 2015-16, 200 mandis in 2016-17 and 135 mandis in 2017-18.It will also include the supply for free software by Department of Agriculture & Cooperation to the UTs and the States and there will be a subsidy by the Government of India up to Rs. 30 lakh per Mandi for their infrastructure.

This model had been operative in the state of Karnataka and has set an example for the country. Karnataka has connected all its major 55 markets and had set up a web-enabled portal that recorded all the lists of products available for sale. Each of the state's 30,000 traders were given a username and password. In this way, a trader sitting in Bengaluru was able to check the number of bags of any product available in many other districts. Depending on the distance, the trader has to transport the product, he bids an amount on the bags available. The farmer sees the highest price he gets and decides accordingly. The platform also allows bilateral trade and fixed price, like the minimum support price given by the government. So far, the e-Mandi system in Karnataka has generated a revenue of Rs. 8,521 crore in the last 16 months, trading commodities like copra, tur, paddy, ragi, groundnut, til, maize etc. Though the concept is working out in the favour of an evolving market system, to spread awareness to the farmers about how this system works efficiently and the software of this e-platform, will be the duty of the States. ❑

(Compiled by Vatica Chandra, Sub Editor)
(E-mail: vchandra.iis2014@gmail.com)