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AGRARIAN DISTRESS PROBLEMS AND SOLUTION

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ABSTRACT :

Indian agriculture has made commendable progress after the green and white revolutions. The underlying reasons for agrarian distress in India are unviable agriculture, climate risks, and indebtedness. Low productivity, drought, Collapsing farm prices, Lack of food processing clusters and inefficient value chain in agriculture etc. Distress among farmers has been mounting in the recent past. The suggestions we have made, such as limited procurement, measures to improve low productivity, and consolidation of land holdings to gain the benefits of size, Agricultural markets reforms can help in reducing agrarian distress problems.

KEYWORDS : *Indian agriculture , agriculture, climate risks, and indebtedness.*

INTRODUCTION

Agrarian distress in India, built-up over time, has further negatively recent. At the height of the farm output, Indian farmers are a disappointed lot. Despite spectacular rise in agricultural production, they continue to languish in poverty. The absences of an effective price support policy, farmers are faced with a loss in income, depending on how much the price decline. The 'farm distress' in recent years has been partly on account of this situation, as the loss of income is beyond the ability, particularly of small farmers, to absorb. According to a Niti Aayog, on average, farmers do not realise remunerative prices due to limited reach of the minimum support prices agricultural marketing system that delivers only a small fraction of the final price to the actual farmer.

This article discussion divided in two parts, first part to understanding the reasons of agrarian distress and second given the solutions of agrarian distress problems in India.

A. Reasons of Agrarian distress Problems

1. Two years of drought: Two successive years of drought (2014, 2015) have taken a toll on the farm sector. The government has allocated significant funds for the sector but slow implementation of projects has not eased the pain. Droughts in Maharashtra, Gujarat and Karnataka have also added to farmers' woes.

2. Collapsing Agricultural Commodities prices: The agrarian distress, which has been a legacy problem, has further worsened in the recent past. Typically, at a very low rate of inflation, certain sectors of the economy suffer from deflationary pressures. In fact, food and beverage inflation, which was decelerating since 2016, has turned negative during May-July 2017, led by pulses and vegetables before turning positive thereafter. The phase of demonetization-related decline in food prices, mostly perishables, is over. In 2016-17, arrival of winter crops was large and pulses production was at a historic high level. Farmers are distressed mainly because prices of several farm products like pulses, oilseeds and vegetables have crashed. As a result, farmers are subjected to distressed sale as their products are priced much below the level of MSP. Prices have collapsed for farm commodities. Low international prices have meant exports have been hit while imports have hurt prices at home. For example, there was a bumper production of pulses in 2016-17 but imports of nearly 6.6 million tonnes arrived, compounding the problem. In 2017-18, another 5.6 million tonnes flowed in, depressing domestic prices further. The government delayed imposing tariffs on imports, which heightened the problem of prices for farmers..

3. Insurance fails to serve; The Pradhan Mantri Fasal Bima Yojana was launched in 2016 to provide insurance and financial support to farmers in the event of failure of any crops due to natural calamities, pests and diseases. It was also meant to stabilise the income of farmers and ensure they remain in farming. But the scheme has seen lower enrolments due to a string of factors, including high premiums and lack of innovation by insurance firms.

4. Irrigation takes a hit: Irrigation is crucial for the farm sector, where large tracts of land still depend on monsoon rains. The Centre launched the Rs 40,000-crore Long-Term Irrigation Fund, operated by the National Bank for Agriculture and Rural Development (Nabard). Experts say a number of factors, including bureaucratic delays and slow implementation by states.

5. Marketing is ignored; According to a Niti Aayog document, farm sector development has ignored the potential of marketing. Archaic laws still hobble the sector. Access of farmers to well-developed markets remains an issue although several initiatives have been launched to develop an electronic market place. Reforms to the APMC Act have been slow and most states have dragged their feet on it. Experts suggest an entity such as the GST Council to bring together states and the Centre to jointly take decisions to reform the sector and provide better access to markets for farmers. According to the Organisation for Economic Cooperation and Development (OECD), the combination of market regulations and infrastructure deficiencies leads to a price depressing effect on the sector.

6. Modern tech missing: Introduction of latest technology has been limited due to a number of reasons. Access to modern technology could act as a boost to productivity through improved variety of seeds, farm implements and farming technology. According to Niti Aayog, agriculture sector has been no real technological breakthrough in recent times.

7. Fragmented supply chains: Large gaps in storage, cold chains and limited connectivity have added to the woes of farmers. It has also added to the significant post-harvest losses of fruit and vegetables, estimated at 4% to 16% of the total output, according to the OECD.

8. Lack of food processing clusters: This has meant that there is little incentives for farmers to diversify sectors in food processing is low with fruit, vegetable and meat products accounting for 5% and 8% of the total value of output compared to cereal based products at 21% and oilseeds at 18% .

9. Delayed FCI reforms: A government-appointed panel had recommended that FCI hand over all procurement operations of wheat, paddy and rice to states that have gained sufficient experience in this regard and have created reasonable infrastructure for procurement. These states are Andhra Pradesh, Chhattisgarh, Haryana, and Madhya Pradesh.

It had suggested a complete overhaul of FCI and recommended that farmers be given direct cash subsidy (of about Rs 7000/ha) and fertilizer sector deregulated. The panel had said direct cash subsidy to farmers will go a long way to help those who take loans from money lenders at exorbitant interest rates to buy fertilisers or other inputs, thus relieving some distress in the agrarian sector. The report has been put in cold storage.

10. Low productivity: The share of the farm sector in GDP has declined from 29% in 1990 to about 17% in 2016, but it remains a major source of employment. According to OECD data, 85% of operational land holdings are less than 2 hectares and account for 45% of the total cropped area. Only 5% of farmers work on land holding larger than 4 hectares,according to the agricultural Census, 2016.

Productivity lags other Asian economies such as China, Vietnam and Thailand and average yields are low compared to other global producers. Wheat and rice yields are nearly 3 times lower than world yields while those for mango, banana, onion or potato are between 2 and 7 times lower than the highest yields achieved globally, according to the OECD.

B. Solutions of Agrarian distress

As indicated by C. Rangarajan, Agrarian crisis in the present setting, is for the most part regarding low rural costs and, therefore, poor ranch earnings. Low profitability in agribusiness and related stock side elements are similarly significant. Therefore solutions for Agrarian crisis to be need following potential arrangements.

i. Agricultural markets reforms

Prices play a key role in affecting the incomes of farmers. Even during the Green Revolution, along with technology and associated packages, price factor was considered important. In the last two years, inflation in agriculture was much lower than overall inflation. When output increases well beyond the market demand at a price remunerative to producers, market prices decline.

The MSP, value insufficiency installments or salary bolster plans must be an incomplete answer for the issue of giving profitable comes back to ranchers. A reasonable arrangement is showcase changes to empower better value disclosure joined with long haul exchange strategies positive for trades. The formation of a serious, steady and bound together national market is required for ranchers to show signs of improvement costs.

Agricultural markets have witnessed only limited reforms. They are characterised by inefficient physical operations, excessive crowding of intermediaries, and fragmented market chains. Due to this, farmers are deprived of a fair share of the price paid by final consumers. States have also not shown any urgency in reforming agricultural markets. For better price for farmers, agriculture has to go beyond farming and develop a value chain comprising farming, wholesaling, warehousing, logistics, processing and retailing.

ii. Improve productivity

The next issue is the low productivity of Indian agriculture. Basics such as seeds, fertilizers, credit, land and water management and technology are important and should not be forgotten. Similarly, investment in infrastructure and research and development are needed. Water is the leading input in agriculture. More than 60% of irrigation water is consumed by two crops: rice and sugar cane. Basically, it is not investment alone but efficiency in water management in both canal and groundwater that is important. This implies that water-use efficiency can be improved significantly with better use of technologies that include drip irrigation. Yields of several crops are lower in India when compared to several other countries. Technology can help to reduce 'yield gaps' and thus improve productivity. Government policies have been biased towards cereals particularly rice and wheat. There is a need to make a shift from rice and wheat-centric policies.

iii. Policies for land consolidation

Another major issue relates to the shrinking size of farms which is also responsible for low incomes and farmers' distress. The average size of farm holdings declined from 2.3 hectares in 1970-71 to 1.08 hectares in 2015-16. The share of small and marginal farmers increased from 70% in 1980-81 to 86% in 2015-16. The average size of marginal holdings is only 0.38 hectares (less than one acre) in 2015-16. The monthly income of small and marginal farmers from all sources is only around ₹4,000 and ₹5,000 as compared to ₹41,000 for large farmers. Thus, the viability of marginal and small farmers is a major challenge for Indian agriculture.

Many small farmers cannot leave agriculture because of a lack of opportunities in the non-farm sector. They can get only partial income from the non-farm sector. In this context, a consolidation of land holdings becomes important to raise farmer incomes. In the context of rural poverty, B.S. Minhas had argued even in the 1970s that compulsory consolidation of land holdings alongside land development activities could enhance the incomes/livelihoods of the poor in rural areas. We have to have strategies for land solidification alongside land advancement exercises so as to handle the test of the low normal size of possessions. Ranchers can intentionally meet up and pool land to pick up the advantages of size. Through union, ranchers can harvest the economies of scale both in input obtainment and yield advertising.

There is a need to provide medium term solutions to the problem so that sub-optimal solution like loan waiver can be avoided. Among available solutions, government procurement operation covering all major crops may not be feasible, while price-hedging mechanism through derivative instruments like forward/future trading in farm products is yet to be popular among farmers. There is a great potential to protect farmers from distress sale through a composite insurance scheme, which can cover risks arising out of both crop failure and market failure. The value chain of agricultural products needs to be completely revamped to integrate farmers directly to the ultimate consumers. Long-term solution of the agrarian distress lies in improving farm productivity by a series of measures like mass irrigation programme through inter-linking of rivers, diversification of agriculture, smart farming by using latest technology. A scheme of exit route for distress farmers may go a long way in alleviating the situation.

• CONCLUSION

To finish up, agriculture ranchers' misery is because of low costs and low efficiency. The recommendations we have made, restricted acquirement, measures to improve low efficiency and farming markets changes, water resource management, combination of land property to pick up the advantages of size, its arrangements for land solidification can help in diminishing agrarian misery issues. We need a long haul strategy to handle the circumstance.

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