Economic Times: July 23, 2021

The way out of farm protests: How to make it a win-win for both farmers and Modi govt

By Ajay Chhibber

Ultimately, the bulk of India’s population dependent on farming are caught in a low productivity trap.


Synopsis: If instead of tinkering with farm laws in a heavy-handed manner, GoI laid out a more comprehensive strategy to usher in a second Green Revolution — and an industrial strategy that creates more jobs outside agriculture — farmers may see a win-win way forward and not get stuck trying to defend the relics of a different era.
Farm protests continue, now permitted by the authorities to demonstrate at Jantar Mantar with a maximum 200 protesters till August 8 due to Covid-19 restrictions. The farmers want the farm laws that were enacted in September 2020 repealed, while GoI looks for a face-saving withdrawal.

One of R K Laxman’s best cartoons from the mid-1960s shows a smiling food minister looking out at a heavy monsoon downpour saying, ‘This year we can tell the Americans to go to hell.’ Fifty years ago, a good monsoon meant that that year, India was not dependent on food aid and would not have to go hat in hand to the Americans for food under the PL-480 programme. In 1968, Lyndon Johnson held off PL-480 food shipments off the Bombay harbour until India voted with it at the UN. This triggered India’s desire in earnest to achieve food self-sufficiency. India setting up the Food Corporation of India (FCI), to procure grain from farmers at prices set by the Commission for Agricultural Costs and Prices (CACP), helped India get rid of its dependence on food aid, made it self-sufficient in grain production, and brought about a Green Revolution.

Today, our agriculture is not as vulnerable to the monsoon, and we have mountains of grain. However, our food and broader agricultural policy is stuck in a 50-year-old mindset. What India was unable to do was to create enough jobs outside the agricultural sector. Today, India derives only 15% of its GDP from agriculture. But over 42% of its population remains dependent on farming — against about 10% in China and less than 1% in the US.

Nearly 61% of farmers surveyed in a Centre for the Study of Developing Societies (CSDS) study (bit.ly/3kNLv3u) said they would prefer to leave farming if they found employment in the city. Over 45 years till 2016, according to the agricultural census, the average size of the Indian farm has shrunk by more than half — from 2.28 hectares (ha) to 1.08 ha. Plus, of 146 million farms, nearly 100 million are marginal, or smaller than 1 ha. At the state level, the average size of farm holdings in 2015-16 ranged from 3.62 ha in Punjab, 2.73 ha in Rajasthan and 2.22 ha in Haryana, to 0.75 ha in Tamil Nadu, 0.73 ha in UP, 0.39 in Bihar and 0.18 in Kerala.

**Farming Gone to Seed**

Of the 42% dependent on farming, more than 50% do not even own land but work as labourers, as they have nowhere else to go for work. A CSDS-Lokniti study revealed more farmers prefer direct income support to their bank accounts than even input subsidies. And only 8% of the farmers feel their problems come from low prices. Almost 50% feel their problems are linked to low productivity, lack of irrigation and poor institutional arrangements in agriculture.

What India needs is a second Green Revolution. Agricultural economist SS Johl has been arguing for this for the last 30 years. He argued against the M S Swaminathan committee formula of fixing minimum support price (MSP) at 50% above the cost of production. Instead, he argued to encourage farmers — especially in Punjab and Haryana — to shift their crop production away from wheat and rice to fruit, vegetables, pulses and oilseeds whose demand has been. Such a shift will also allow other states to increase their production of these items and increase incomes.

Johl argued that free electricity is destroying the water table. Farmers should, instead, have the income support to pay for the electricity. Heavy fertiliser and pesticide use, combined with a lowered water table, has created a cancer crisis in Punjab. And burning stubble to get in
an early rice crop has contributed to massive air pollution in the Yamuna-Gangetic plain, including in Delhi-NCR. India’s heavy reliance on underground water — mainly through free electricity — has been in sharp contrast to China’s strategy of water use in agriculture. The average farm size in China is even smaller than in India, but they have much higher levels of productivity.

One way to do this is to set up a system of incentives towards these crops and away from wheat and rice. Instead of increasing MSPs under pressure, GoI should increase payments under PM-KISAN and an expanded MGNREGA. It should also improve the farm price information systems through mobile telephony and vital infrastructure for the food supply chain.

Green and Bear It

But, ultimately, the bulk of India’s population dependent on farming are caught in a low productivity trap. A few have benefited hugely from free electricity, no income-tax, cheap fertilisers and assured MSPs in government mandis. But India’s farming is in trouble. And the farm protests in response to laws hurriedly passed during the Covid-19 pandemic have exposed the vulnerability of India’s farmers.

If instead of tinkering with farm laws in a heavy-handed manner, GoI laid out a more comprehensive strategy to usher in a second Green Revolution — and an industrial strategy that creates more jobs outside agriculture — farmers may see a win-win way forward and not get stuck trying to defend, wasteful and unsustainable policies from a different era.