Creating the right 'market connect' for boosting farm incomes

Moving agriculture from State to Concurrent list can produce gains similar to that from GST

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BUSINESS 101 lessons, whether for a start-up or multibillion dollar multinational, begin with a discussion on the "market". But somewhere along the line, this basic aspect was forgotten vis-à-vis the farmer, who is also a businessman. The obsession with increasing production and keeping consumer prices under check meant that the criticality of marketing of farm produce was ignored. An exception probably was when Verghese Kurien started Amul, by first fixing the market and, then, building up milk supplies. Even during the Green Revolution, the government undertook a procurement programme only for wheat and rice in some pockets of the country at an assured price. For everything else, farmers had to fend for themselves. Much damage was done to the viability of their business activity, which also carries all the risks associated with uncertainties in weather and the global commodity cycle.

It must be mentioned that the Indian farmer has not been found wanting when consumption patterns have significantly shifted in favour of protein-rich foods (dairy, poultry and fisheries) or fruits and vegetables. The supply response from their end has been impressive, but with no assurance of adequate returns. Several factors have contributed to this imbroglio: absence of marketing linkages or guaranteed buyback arrangements, inadequate storage facilities (particularly for perishable produce), high transport costs, cartelisation by traders, distress sales to meet urgent cash requirements, and so on.

It's only now — when "farmer incomes" and not "output" has taken centre stage — that the "market" is receiving due attention. In the last few years, the government has initiated measures for providing better linkages and reducing risks for the farmer. Some of the important ones are:

- eNAM: The government has created an electronic national agriculture market (eNAM) to connect all regulated wholesale produce markets through a pan-India trading portal. Its effectiveness is, however, dependent on the participation of traders from these *mandis*, who would obviously resist any initiative that lessens their price-setting power.
- Farmer producer organisations (FPOs): Creation of FPOs provides better bargaining power to farmers through aggregation and standardisation of their produce, leading to better realisations. But FPOs have been a mixed bag so far, as they often lack management bandwidth.
- Risk management: Crop Insurance schemes offer protection to farmers against weather risks. Also, the premium in the Pradhan Mantri Fasal Bima Yojana is largely borne by the Government. While still a work in progress, it is a more comprehensive and farmer-friendly scheme than any other one previously rolled out.

These potato farmers near Agra can do with better market connect. *Express*

Addressing the challenges of the "market" is complex, yet doable. Some of the measures one would like to see are:

- Increase the number of markets: The Dalwai Committee has estimated that India needs at least 30,000 farm produce markets, as against the approximately 6,500 now. We need to come up with a "mini-market" concept to bridge this wide gap. These can be similar to the collection points in the dairy or sugar industries, which can be linked to the main *mandis* digitally. With ubiquitous electronic communication and reliable rural roads, they can become viable hubs for economic activity and employment generation.
- Demand vs supply: The root cause of price volatility is the uncontrolled cycles of excesses and shortages. Price projections in a particular commodity are often made based on previous years' trends that may not hold true, leading to excess or low plantings. The government should promote a mechanism that provides real-time guidance to farmers on the choice and management of their crops. This could be based on satellite imagery and ground reports, followed by suitable advisories before and after planting. AgTech start-ups should be roped in for this job, initially to undertake pilots and then scaling it up.
- Warehouse receipt financing: This mechanism needs integration with the *mandis*, so that farmers faced with low harvest-time realisations can store their crop with accredited warehouses and raise funds, even as they wait for prices to go up. Such a facility should be made widely available, including for small and marginal farmers. Currently, utilisation of warehouse receipt financing is limited due to inadequate awareness and complexity of the schemes on offer.
- Producer consolidation: Consolidation of small and fragmented farms into more viable holdings will improve producers' access to finance and quality inputs, besides enabling better price realisations. One way to do is by encouraging long-term land leasing or consolidation, while at the same time providing suitable legal protection to landowners. This will incentivise much-needed investments in land development/ improvement and farm mechanisation.
- Ease of doing agriculture: The narrative of "ease of doing business" is necessary as much for agriculture as other businesses. Removal of restrictions on movement of produce, stockholding, pricing and adoption of new technologies are areas that need to be urgently addressed. The Essential Commodities Act should go, conceived as it was during an era of shortages. Today, with huge buffer stocks and import options, this law has outlived its relevance.

To have any meaningful impact, the above proposed measures must be taken up in parallel rather than sequentially. Also, there can no better opportune moment than in the first 100-days period of this government.

Finally, almost all discussions centered around agriculture are prefaced by a comment that "agriculture" is a state subject under List II in the Seventh Schedule of Article 246 of the Constitution. But so were "education" and "forests" prior to the 42nd amendment in 1976, when they were transferred to List III of the Constitution. The experience of that shift, from the state to concurrent list, has been positive, just as the Constitutional amendments for the introduction of goods and services tax (GST) in recent times. The need for reclassifying agriculture in the concurrent list is imperative, though it must be handled with utmost sensitivity while not being seen as stepping on the states' authority. Given the current mandate at the Centre, a consultative process should be initiated to get the states' buy-in, by offering carrots (no sticks), and bringing in the necessary legislative changes. During the last government, the Constitution was amended and also a GST Council, representing both the Centre and the states, got created. The then finance minister Arun Jaitley was, then, able to skillfully navigate a complex subject through this mechanism. There's no reason why a similar framework cannot be created for a crucial area impinging the livelihoods of nearly half of the country's population.

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