

# Routes to Secure Farmer Incomes

Naresh Minocha

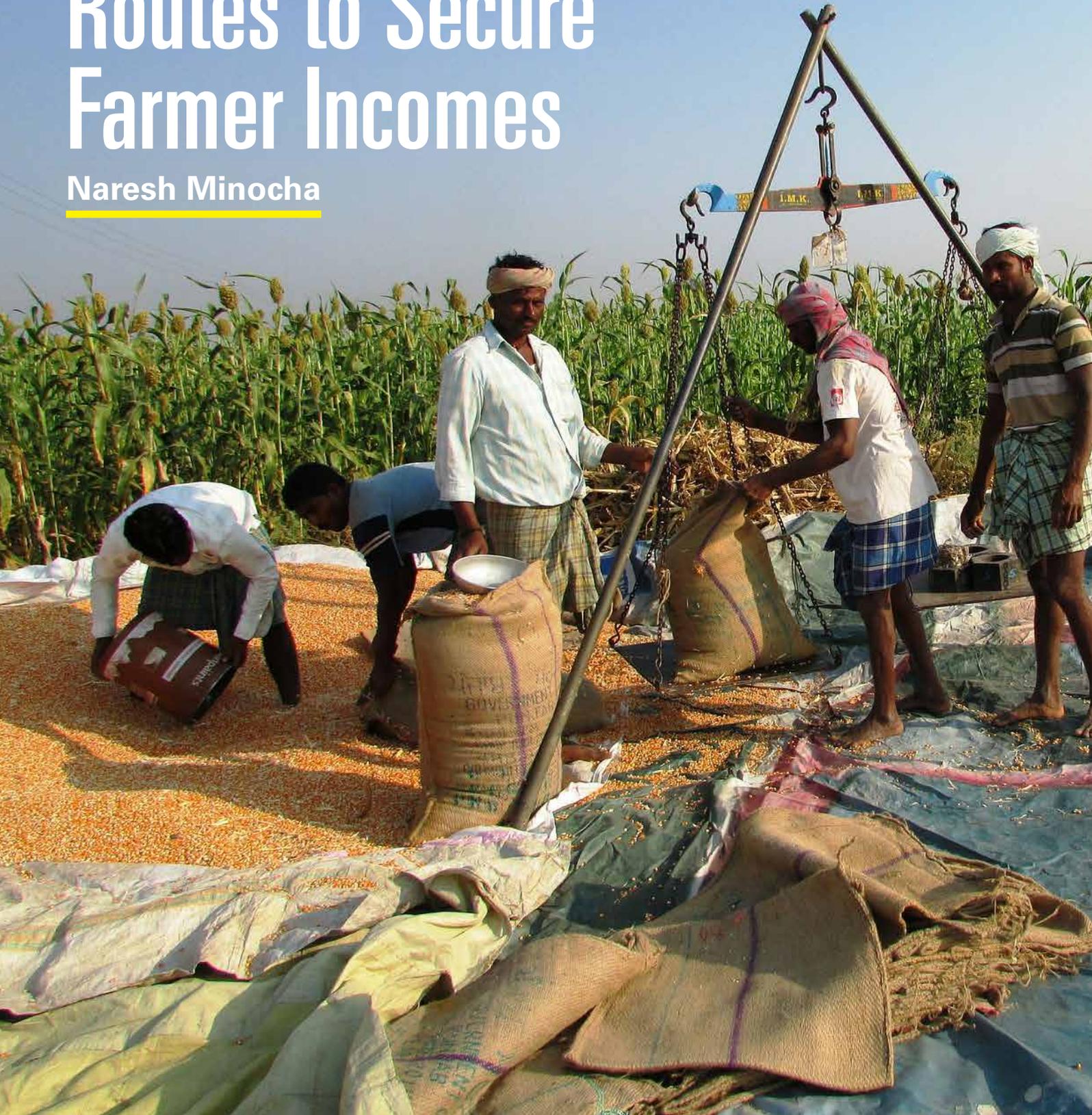




Photo: Pixabay

If India can have a National Food Security Act for consumers, why can it not have a law to safeguard income of farmers? Farmers' income security is the new buzzword in all agrarian crisis discussions. This has been enriched with the articulation of the demand for enacting a law to guarantee certain minimum income to farmers.



**NARESH MINOCHA**  
Senior economic journalist specializing in Indian agriculture

When and how quickly this can spur the centre and states to improve the paltry incomes of farmers has to be watched in the run-up to the 2019 Lok Sabha polls. The latest data about average income of a farm holding would, in all probability, be available only after the elections.

The NDA government has planned a Situation Assessment Survey (SAS) of Agricultural Households and a Debt & Investment Survey in 2019. Hapless farmers and dream merchants seeking to double farm income in five years would thus have to rely on data SAS National Sample Survey Office (NSSO) in December 2014.

SAS computed ₹6,426 as the average monthly income including non-farming earnings per agricultural household during the agricultural year July 2012-June 2013. This is not even half of average income that a household help earns in the National Capital Region.

These are mere statistics for politicians, who never tire of paying lip service to the yeomen. It is thus not surprising that pent-up agrarian dissent led to defeat of Gujarat agriculture minister in recent assembly polls. Political analysts are interpreting the voting pattern in rural Gujarat as a signal to do justice to farmers across the country.

In Andhra Pradesh, the YSR Congress Party has already promised direct cash transfers (DCT) to farmers if the party is voted to power in 2019. In July 2017, the YSRCP president, Y.S.Jagan Mohan Reddy, announced the 'YSR Barosa' scheme proposing a payment of ₹50,000 to small and marginal farmers, who own five acres or less of farm land.

The YSRCP has also a promised a cultivation grant of ₹12,500 each year to all farmers, before

the start of the kharif season. Besides, the scheme moots the setting up of a Price Stabilization Fund.

However, while such promises and one-time loan waiver by some states for small and marginal farmers may be politically expedient, they fall short of a statutory approach to guaranteeing assured minimum income to farmers.

Kerala, however, may become the first state to enact a Farmers' Income Guarantee Act, a proposal that figures in the states Agricultural Development Policy, unveiled in December 2015. The policy says:

“The government will be directly accountable for improving the net incomes of farming households”. So there is a necessity for the formulation and enactment of a “Farmers' Income Guarantee Act, which assures all farming households a dignified living income to meet the basic living expenses”.

The state government has not indicated when it will transform its intent into a law for assured income for Kerala farmers. It has currently mooted a scheme to provide regular additional income to farmers as a small share of value-added to their produce along the crop value chain.

## Kerala may become the first state to enact a Farmers' Income Guarantee Act. A proposal figures in its Agricultural Development Policy, unveiled in December 2015

The scheme is named *Actio Apportum* (a Greek word that means deserved profit) that Kerala's agriculture minister, V. S. Sunil Kumar, has thus explained: “This will benefit a section of farmers whose produce is used to make value-added products. For example, for a litre of milk, a farmer gets only ₹35 whereas the profit of Milma (Kerala Co-operative Milk Marketing Federation) by selling the value-added products from the milk is ₹185. Once the policy is implemented, a portion of the profit will be given to farmers”.

The minister added that: “This will get done by imposing a cess on the farm produce at the point of sale. The finance department is working out how it can be done”. The idea of enacting a law for income guarantee to farming households is, however, unrealistic for varied reasons. It is also a herculean task to implement. There are long-overdue, realistic options to end India's agrarian crisis that may also be pursued with vigour (*See Box*).

The demand for enacting farmers income guarantee law grabbed headlines in the first week of December when a section of farm stakeholders

mooted the enactment of law to guarantee income security for farming community.

They made this demand in their pre-budget consultations with finance minister Arun Jaitley and ministry officials. The finance ministry, which floated idea of universal basic income (UBI) in its annual economic survey for 2016-17 released in January 2017, flaunted it as “a more effective way of achieving Mahatma Gandhi's objectives of ‘wiping every tear from every eye’”.

Yet the bitter fact is that the Modi Government does not feel the urgency to even wipe tears from the eyes of families hit by farmers' suicides and to prevent more suicides. Instead of framing a policy to prevent farmers' suicides, the government presents its blurred vision of doubling farmers' income by 2022 as the key to ending agrarian crisis.

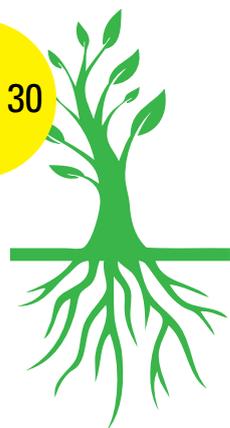
Consider the official reply to a Lok Sabha question (LSQ) dated December 19, 2017. Asked whether the government had “any comprehensive policy to address the issue of increasing number of farmers suicide in the country”, the government replied: “unfortunate incidents of suicides can be addressed

by enabling the farmers to increase their income”.

The Modi government has neither initiated efforts to collect yearly/quarterly data on the agrarian situation in the country nor has it implemented the BJP's 2014 manifesto's resolve to ensure minimum 50 per cent profit over cost of production to farmers.

The government's indifference towards the plight of farmers is palpable as evident from a reply to LSQ dated December 19, 2017 on the number of unemployed farmers in the country. The Ministry of Agriculture and Farmers Welfare (MAFW) replied that “the information on unemployed farmers in the country is not available in the data collected”, under the last SAS undertaken in the agricultural year July 2012-June 2013.

Another instance in point is inaction on the recommendations of the committee on the review of methodology for computation of minimum support prices (MSP) for crops. Though this committee, chaired by Prof. Ramesh Chand, currently member of the NITI Aayog, submitted its report in March 2015, the government does not know whether and when to bite the bullet.



## Four Options to Guarantee Minimum Farm Income

The enactment of National Farmers' Income Guarantee Act (NFIGA) appears logical as a pre-requisite for sustaining food security through the National Food Security Act, 2013.

Enacting the proposed law is, however, as politically challenging as is amending the Constitution of India. Making right to work a fundamental right is something that no political party is expected to muster courage to enact. A comprehensive NFIGA would thus turn out to be hottest political potato for the regime of the day.

There are four broad frameworks on which the NFIGA can be developed:

1. Universal basic income (UBI);
2. Statutory enforceable minimum support prices (MSPs) for all farm produce, including fish;
3. Transformation of all direct and indirect farm subsidies into direct cash transfers (DCT) into bank accounts for farm households; and
4. Contract farming where the contracting entity, be it public or private sector company, supplies quality inputs and agrees to buy entire the produce at a guaranteed price.

The third and fourth option can be implemented as alternatives or in combination after working out details.

The government has to first decide whether the NFIGA should be based on the UBI platform for both farmers and farm workers, without any strings attached. Alternatively, should only poor households and unemployed farm hands receive monthly, minimum guaranteed income? Would this accelerate mechanization to enable farm family members to declare themselves as unemployed?

Farmers earn income from both crop farming, animal husbandry and non-farm activities. The farms are undergoing unabated fragmentation due to population growth, resulting in increase in number of farm holdings and farm households every year.

The data on this comprehensive agricultural dynamics is collected once in 10 years through different census. The data on number of farm households, their source of income and the average monthly income per household would have to be collected every year for effective implementation of the NFIGA. The government would also have decide whether tenant farmers or land owners should receive monthly income under NFIGA.

If the government decides to enact the NFIGA on the MSPs platform, it has to decide the number of crops that should be covered by MSPs. At present, MSPs are announced only for 22 crops. Millions of farmers are unable to sell their produce at MSPs due to marketing and allied problems.

The government has repeatedly spurned the demand for inclusion of more crops in the MSPs ambit. To make the NFIGA a benefit for all, it would have to be extended not only to all

crops but also to minor forest produce sold by tribals. The government would also be duty-bound to compute MSPs for milk, eggs, chicken and other animal husbandry produce.

The third and most feasible option is to offer all subsidies given by the centre to agriculture as DCTs to farmers. Similarly, the states can offer power, irrigation and any other existing subsidy as DCTs to farmers. The receipt of cash from two streams would give the farmers the freedom to buy inputs at market prices and do agricultural business as per their own judgment.

The government has avoided taking a full call on third option inspite of recommendations from different committees. The RBI's Committee on Medium-term Path on Financial Inclusion, for instance, pitched for transfer of all farm input subsidies including fertilizer, irrigation and power dole-outs as cash directly into accounts of farmers.

In its report submitted in December 2015, the Committee recommended that "the government may phase out the



Photo: Pixabay

agricultural input subsidy and replace it with an income transfer scheme, which could potentially transform the agriculture sector besides promoting financial inclusion".

Pending a decision on options, the government must ensure that no farmer is forced to sell crops below MSPs. The market intervention scheme (MIS) should be revised and made applicable to all other crops. The existing norm of MIS being invoked after 10 per cent drop in prices or 10 per cent increase in production of a crop should be scrapped.

Simultaneously, all farmers must be covered by simple crop and animal insurance scheme. The farmers should be asked to pay only 1-5 per cent premium. The remaining sum of premium should be shared by the centre and the states.

In reply to the December 19, 2017 question on the subject, the ministry stated: “The report has been examined and a number of meetings have already been held with the various ministries and departments concerned on the recommendations. Government has not taken any decision on the implementation of the recommendation of the Committee so far”.

It is pertinent to quote a study titled ‘Minimum Support Price and Farmers’ Income - A Case Study for Wheat Production in Chittorgarh, Rajasthan (India)’ conducted by a leading economic institution, CUTS International, in 2015. The study said:

“The transparency in the calculation of MSP is completely lacking. Moreover, the farmers have no direct participation in the determination and selection of parameters which should form a part of calculation matrix. Since, it is not practically possible to hear the say of every farmer on MSP calculation process, the government should encourage the larger farmer bodies and associations to take part on larger fora of stakeholders on deciding the contributing factors for MSP”.

Millions of farmers are not even able to sell their produce at under MSP prices, season after season. In any event, MSPs are announced for only 22 crops. The peasants growing other crops thus face greater risk of income insecurity, even incurring losses due to ubiquitous crash in prices when the speed of produce arriving at mandis gains pace. Hence the demand for assured minimum income.

According to BDR Reddy, secretary general of the Consortium of Indian Farmers Associations (CIFA): “The median agriculture income is about ₹1,600 per month. No family can sustain with this even in the remotest part of the country. Hence the farming community of India demands an Income Security Act for farmers, tenant farmers and farm labourers”.

CIFA has also mooted a separate union agriculture budget “to address the concerns of 60 per cent of the population” that depends on the farm sector. The Bharat Krishak Samaj (BKS) has urged the government to set up a “Farmers’ Income Commission for securing income security”. (See article *Time to Shift Focus from Food Policy to Farmer Policy*, page 20).

Another farmers welfare-centric entity, Alliance for Sustainable and Holistic Agriculture (Asha), elaborated the idea of Farmers’ Income Guarantee Act in April 2016. Asha says: “There is a need to set up a Farm Income Commission to oversee that minimum living incomes accrue to all farm





Photo: Pixabay

## Sustainable food security is impossible if average farmer income is below that of poor migrants in big cities



households. One of the main functions of this commission would be to undertake annual income surveys for various categories of farmers (landholding class, rainfed versus irrigation, particular crops as well as agro-ecological regions). This would meaningfully sharpen any interventions”.

While advocating a recast of crop support pricing, Asha suggests: “A price compensation mechanism that pays out the difference between the market price realized by farmers and a derived price entitlement for a minimum guaranteed income should be put into place”. It adds: “Where required, either for particular crops or particular regions, direct income support on an annual basis should be paid”.

Other non-government/socio-political entities that have pitched for the Farmers’ Income Security law include Swaraj Abhiyan and Telangana Rythu Joint Action Committee (JAC). There is both logic and merit in the demand for a Farmers’ Income Security Act as there can be no sustainable food security over long run if the farmers’ average income is lower than that of poor migrants in big cities.

Ideally, the Farmers’ Income Security Act and National Food Security Act, 2013 (NFSA) should have been enacted simultaneously. The two should have been conceived and sustained as two sides of the same coin – Balanced and Adequate Nutrition for All Indians. The least the government can do easily is to amend the NFSA to do some justice to farmers. The NFSA defines “minimum support price” as the “assured price announced by the central government” at which foodgrain is procured from farmers for the central pool.

The Act does not provide any statutory mechanism to ensure that farmers get MSP.

This requires amendment. The NFSA should stipulate guaranteed MSPs for foodgrain, pulses and oilseeds sold in all markets.

Similarly, the government should revisit and improve the NFSA’s provisions relating to ‘Revitalization of Agriculture’ and ‘agrarian reforms’. These require elaboration and statutory enforcement under the NFSA to provide income security to India’s ‘*anna dataas*’. ●