

Assessing Farm Policies

What is the issue?

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- India is witnessing continued farmer agitations in different states and the country's capital.

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- It is vital at this juncture to assess the structural and policy concerns that plague India's agricultural sector.

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What are the policy shortfalls and possible solutions?

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- **PMFBY** - The Pradhan Mantri Fasal Bima Yojna (PMFBY) was designed to provide crop insurance.

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- The Central government shares part of the premium subject to certain conditions.

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- The states have to wait for the Central government's share, irrespective of the cropping density in the region and irrespective of whether the region is rain-fed or irrigated.

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- Allowing states to design their own crop insurance schemes and yet providing the Central government share of the premium would yield better results.

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- **E-NAM** - An incentive of Rs 75 lakh per mandi is given by the Centre to the states for linking each market with E-NAM.

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- However, some states log in all FCI purchases as E-NAM transactions and so, much of the recorded turnover is made up and not real.

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- Incentivising each state to have the electronic platform which meets the

basic criteria of interoperability with other states would be better.

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- **Trade negotiations** - As per the Constitutional provisions, trade negotiations are under the purview of the Centre.

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- However, the anomaly is that agriculture is in the domain of the states.

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- The Central government should try bringing the states into the decision making forum if international trade treaties involve agricultural aspects.

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- **Trade policies** - Every time food prices rise, the Centre intervenes to rein in inflation.

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- It responds by facilitating the unhindered import of agricultural commodities.

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- However, increased imports work against the profitability of the farmers.

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- The Centre should instead set a floor price for all such farm produce to reduce the impact of price fluctuations on farmers.

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- Bringing in place the “Price Deficiency Payment” mechanism, whereby the central government makes for the shortfall between the market price and floor price can help.

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- **Credits** - Scrutiny of the farm loan data, after a series of farm loan waivers, revealed that public and private sector banks have indiscriminately given loans to less credible farmers.

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- Evidently, loans were provided based on their asset value rather than economic viability.

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- The loans were arbitrarily given by the banks to also meet their own priority-sector lending target.

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- In all, the “one-size-fits-all” policy is becoming irrelevant for the farm sector and necessitates a more decentralised system for decision making, implementation and performance appraisal.

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Source: Indian Express

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