

Covid-19: Challenge for Agriculture

Why in News?

The Covid-19 crisis is likely to pose a serious challenge to agriculture and rural economy.

What are the problems before lockdown?

- **Unable to Harvest** - There is non-availability of labour and machinery for harvesting, transport facilities, etc.
- Due to this, farmers are unable to harvest and market Rabi crops (wheat, gram), and also fruits and vegetables.
- The cold storages and the markets are closed.
- It can lead to crops wasting away on the field, local distress sales and lower prices for farmers.
- **Unable to Earn** - Agricultural labour segment (55% of total agricultural workers) is unable to earn a living.
- This is because of movement restrictions and lack of adequate income and safety nets.

What would be the problems after lockdown?

- Immediately upon the lifting of lockdown, there will be large-scale arrivals in the markets.
- This could result in sudden **depression of wholesale prices** due to excess supply, which could adversely affect farmers.
- This period could witness sudden **increase in labour supply** due to easing of mobility. This may push down wage rates.
- But the increase in demand may offset this decrease somewhat.
- The net effect depends upon the larger of the two effects.

How rural economy would be affected?

- **Farmers** are certain to face lower earnings in the Rabi season due to crop losses and a depression of prices.
- **Farm labourers** are certain to face lower earnings because of movement restrictions and low agricultural activity.
- These, combined with lowered demand for animal products, the incomes of rural population are to be hit very hard.

- The **construction sector** absorbs majority of agricultural labour in lean seasons.
- A slowdown in this sector will aggravate this crisis.

What policy initiatives are needed?

- **Phased lockdown strategy** should be planned.
- This is essential because there will be a sudden increase in economic activity after lockdown.
- This could result in ignoring physical and social distancing.
- **Overcrowding** of FCI centres could be **avoided** by,
 1. Postponing procurement to the third week of April and
 2. Staggering of procurement within states or districts.
- **Immediate direct payments** could be made to farmers and labourers.
- The government has announced frontloading of Rs 2,000 under PM-Kisan. This amount may be increased to Rs 6,000.
- A payment of Rs 2,000 may be made immediately to all active MGNREGA job card holders.

What policy reforms could be made?

- Moving away from price and input subsidy-based approach to **direct income-based approach** is the first one.
- Direct income transfer may be a better policy instrument when it ensures minimum income for farmers and rural workers.
- A **well-functioning eNAM** could have helped in better price discovery for farmers.
- It could have also helped in maintaining physical distance amongst the actors.

Source: Financial Express