

Dealing with Agrarian Surpluses

What is the issue?

\n\n

\n

- Whenever there is surplus productivity in the farming sector, the wholesale prices of perishables seems to crash hard.

\n

- To safeguard our farmers, we need to devise innovative policies to deal with unexpected market gluts.

\n

\n\n

What are the trends in agro-prices in recent years?

\n\n

\n

- When the National Democratic Alliance (NDA) government took charge in 2014, it had to deal with almost double-digit inflation (primarily food inflation).

\n

- Hence, the government naturally give priority to allaying the concerns of the consumers and made efforts to contain food inflation.

\n

- To this end, the government resisted announcing any sharp increases in Minimum Support Prices (MSP) for various agricultural commodities.

\n

- It also tweaked the trade policy to ensure that there was enough agricultural produce to contain any sharp increase in retail prices.

\n

- Consequently, excessive supply in agro-produce has become a recurring and common market phenomenon in recent times.

\n

- This has caused regular price crashes, leading growing farmer unrest across the country, which is now making the government take note of the plight of farmers.

\n

- Notably, there have been multiple incidences of farmers throwing away

their produce to express dissent and vent their anger at the unfair prices being offered.

\n

\n\n

What are the reasons for higher productivity?

\n\n

\n

- Multiple reasons has caused production across a whole range of agricultural commodities in India to go up year on year.
- There have been productivity gains due to improvements in the quality of seeds available because of better plant breeding and genetics.
- Added to this is the sustained improvements in scientific farming practices, such as high-density cultivation and use of drip irrigation.
- Investments in associated infrastructure, such as better road connectivity and improved access to electricity, have also helped in raising overall productivity.
- Also, with improvements in information technology and more inter-connectedness, demand signals are penetrating more rapidly than ever.

\n

\n\n

What has been the government response?

\n\n

\n

- **Actions** - As the growing anger could have electoral repercussions, the governments at various levels has promised higher MSPs and loan waivers.
- But these measures are mere painkillers, and a sustained solution is needed to address the current crisis comprehensively.
- Notably, the promise of higher MSP would only incentivize the greater production of certain commodities than sustainably securing farmer incomes.

\n

- **The problems** - Government seems obsessed with supply-side management measures such as imposing stock-holding limits and allowing easier imports.
\n
- Also, government policy has largely been biased against farmers to favour consumer needs by ensuring that prices are sustained at low levels.
\n
- For instance, government tends to block exports when there are better international prices, in order to ensure that domestic prices doesn't spike.
\n
- Contrarily, when there is a spike in domestic prices, the government opens up for cheap imports to ensure safeguard the consumers from price rise.
\n
- Hence, it can be said that farmers are indirectly subsidizing consumers for long, which needs to correction in order to ensure economic justice to our farmers.
\n

\n\n

What is the way ahead?

\n\n

- Improving market access for the farmers (rather than artificial pricing manipulations) would help in reducing the frequency of market gluts.
\n
- By facilitating long-term purchase agreements between farmers and agro-companies could improve storage infrastructure.
\n
- Such storage infra could help in creating buffers that can absorb market gluts and also ease food inflation and hence benefit both famers and consumers.
\n
- Monsoonal vagaries trouble Indian farmers regularly, but present agro-policies are proving to be even more troublesome, thereby needing immediate correction.
\n

\n\n

\n\n

Source: Business Standard

\n

