

Sustaining Structural Reforms in Agriculture

What is the issue?

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- Union government's measures have not been adequate to address agrarian distress in a short span of time.

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- Sustaining structural reforms are needed instead of short-term reliefs like loan waivers, input subsidies, etc.

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What are the reasons behind agrarian distress?

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- When compared to other developing economies in India **monsoon dependency** is very high, limiting crop diversification to a great extent.

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- **Input costs** have gone up significantly recently while the farm gate prices of agricultural produce have continued to remain subdued.

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- Bulk of farming activities in India is undertaken by marginal farmers, sharecroppers or landless agricultural labourers with **limited access** to institutional finance.

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- Value chain in the agricultural sector has been exploitative i.e only about one-third of the retail prices paid by final consumers reach the producers, unlike two-thirds in case of milk.

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- Public distribution system does not have the capacity to undertake procurement operations for 24 crops for which Minimum Support Price (MSP) is announced. Click [here](#) to know more about MSP related concerns.

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- Post-harvest technology is underdeveloped.

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What are the measures taken by government?

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- In recent years, the Centre has taken several initiatives such as the Pradhan Mantri Fasal Bima Yojana (PMFBY), electronic National Agricultural Market (e-NAM), soil health card, Neem-coated urea etc.

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- In India agriculture is a major component of priority sector lending, and the target for bank lending to agriculture has also been revised upwards every year.

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- Union budget 2018 announced that NITI Aayog would devise modalities for extending credit to this segment of people from the formal sector.

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- The Government also provides fertiliser subsidy year after year besides food subsidy through PDS.

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What are the shortfalls in government's measure?

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- PMFBY provides protection against crop failure, but farmers are facing market failure for which they do not have any cover.

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- Government is yet to address the concerns of farmers who produce commodities that are outside the MSP.

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- Procurement is limited to major crops like paddy/rice and wheat.

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- Union budget proposed to raise the MSP by at least by one and a half times the cost of production, but it is yet to clarify about the cost which it is going to use.

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- Union government is also planning to compensate farmers for selling their produce below the MSP, but the scheme would incur high expenditure.

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What reforms are to be done?

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- **Operation Greens** -Recent Budget has proposed the introduction of 'Operation Greens' for perishable commodities such as potato, tomato and onion to stabilise their prices.

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- This needs to be implemented soon to benefit both producers and consumers.

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- **Composite Insurance** - An alternative composite crop insurance scheme needs to be introduced, which should cover both crop failure and market failure.

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- **Agrarian Market** - Government had proposed to upgrade 22,000 haats (local markets) to Gramin Agricultural Markets.

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- It needs to be implemented by involving all stakeholders such as farmers, proposed farmer producers companies (FPCs), and State governments.

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- **Post-harvest Technology** - In order to double farmers' income, there is a need to involve them in post-harvest technology through innovative programmes.

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- Government needs to setup dedicated centres for training and supporting farmers to produce value added products such as ketchup, jam, wafers, pickles, etc.

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- **Crop Diversification** - Recently Finance ministry has made sizeable allocations for forestry, animal husbandry and the restructured National Bamboo Mission as a part of crop diversification.

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- This can be successfully achieved by sooner implementation of interlinking of rivers a flagship programme of the Government.

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Source: Business Line

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