Small farmers' interests overlooked

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GOING TO THE ROOTS. Small farmers lack the means to be part of MSP-driven procurement system. Despite the focus of the farmers' talks on pulses, this needs to be addressed

The Centre, as reported by *businessline* (February 20, 2024), has proposed buying cotton, maize, tur, urad and masur for five years directly from the farmers at the MSP without any quantitative limit. It is notable that these crops are grown outside Punjab and Haryana, the home States of the protesting farmers. From this, can we infer that small pulses growing farmers all over the country stand to benefit?

It is hard to jump to that conclusion. But first, a socio-economic background. Out of the 93.09 million agricultural households in India, a staggering 82 per cent belong to the category of small and marginal farmers, typically holding less than two hectares of land. The average total monthly income of Indian farmers hovers around a mere $125 per month (according to the NSS' 77th Round on 'Situational Assessment of Agricultural Households'), starkly lower than the national average per-capita income of $200 per month.

Notably, Punjab stands out as home to the wealthiest farmers in India, with a per-capita income reaching $322 per month. However, the geographical distribution of small and marginal farmers paints a different picture, with 73 per cent of them concentrated in the southern and eastern States. In stark contrast, Punjab and Haryana are dominated by large farmers, with only 1 per cent of the farmers falling in the small and marginal category.

MSP AND SMALL FARMERS

The government procures 23 essential food items from farmers through agencies like the National Agricultural Cooperative Marketing Federation of India Limited (NAFED) and the Food Corporation of India (FCI). But the reality is far from ideal for small farmers. MSP often seems like a lifeline, offering a price floor above market rates. However, logistical challenges and limited procurement centres render MSP benefits inaccessible to many. It is important to note that not every village has access to NAFED or FCI outlets. The NAFED/FCI primarily procures rice and wheat from a limited number of States.

Approximately 70 per cent of rice procurement occurs in Punjab, Andhra Pradesh, Chhattisgarh and Uttar Pradesh, while 80 per cent of wheat procurement is concentrated in Punjab, Haryana and Madhya Pradesh. The timing of procurement dates often clashes with harvest seasons, making it impractical for small farmers to sell directly to FCI. In India, the average agricultural yield is 2,070 kg per hectare. Small farmers, given their landholding size, can at the most produce 24 quintals. To store their perishable stocks in government cold storages, farmers are required to book a minimum quantity of 50,000 quintals for their produce, a daunting requirement for small-scale farmers.

Alternatively, farmers may choose to take their produce directly to government-designated local *mandi*. However, with only 7,700 *mandis* across 6,60,000 villages, arranging transport poses a significant challenge. Booking an entire 400 quintals capacity truck for themselves may not be financially viable or logistically feasible for individual farmers.

Consequently, many are forced to sell at local markets or to village-level aggregators, often falling prey to exploitative pricing. Thus, while MSP discussions dominate headlines, its benefits trickle down unevenly, failing to benefit small and marginal farmers. MSP benefits large farmers, traders, and middlemen (*arthiyas* and *banias*). Therefore, the recent proposal of the Centre to procure the produce of pulses must be accompanied by reforms that enable the smaller farmers to transport the produce viably within a reasonable time to the *mandis*. The quantity constraints to storage must be reviewed.

While the discussions of the farmers have been around MSP, its level and the extent to which it will be 'guaranteed', some of the other demands of the unions too are controversial. These pertain to MGNREGA wages, loan waivers and withdrawal from World Trade Organisation.

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MGNREGA WAGE

The farm unions are advocating a daily wage of ₹700 under MGNREGA, along with a guarantee of 200 days of employment. This proposed wage is more than three times the current MGNREGA wage rates in Bihar, Odisha, and Uttar Pradesh. It's important to note that Punjab and Haryana have a significant number of migrant workers. If the MGNREGA wage is increased threefold, it may incentivise these migrant workers to seek employment in their native States, potentially leading to a labour shortage in Punjab and Haryana.

The concept of farm loan waivers has its pitfalls. In a country where only 15 per cent of marginal farmers have access to formal credit, loan waivers predominantly benefit those with formal loans. Evidence indicates that farm loan waivers often fail to benefit small and marginal farmers. Once a loan waiver is announced, banks typically cease lending to farmers eligible for waivers in subsequent loan cycles.

As a result, many small and marginal farmers who are otherwise eligible for formal loans find themselves unable to secure financial assistance. That is, they now have to depend on loans from the informal sector.

The cost differential between loan rates in the formal and informal sectors varies from 30-45 per cent annually. Additionally, agricultural households that received loan waivers had no significant productivity difference when compared with the households which are not eligible. Many big farmers from Punjab are highly indebted as they use loans for consumption purposes.

PULLING OUT OF WTO

The debate surrounding India's involvement in the WTO underscores broader tensions within the agricultural sector. Commitments to reduce food subsidies, coupled with proposed reforms in agricultural produce market committees (APMCs), raise concerns about the corporatisation of agriculture. It is costly to procure and distribute foodgrains and further reforms would entail corporate participation. While proponents argue that privatisation could streamline procurement and distribution processes, critics fear it could deepen the grip of corporate interests, further marginalising small-scale farmers.

Withdrawing from regional trading agreements and insulating the farm sector may render it vulnerable to price volatility, with direct implications for domestic food price inflation. Export curbs too are ill-advised.

The demands of agitating farmers encapsulate broader systemic inequities within India's farming landscape. While addressing these demands is crucial, sustainable solutions must prioritise the empowerment of small and marginal farmers. Assured support for pulses must be accompanied by marketing and financial reforms.

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