An agriculture-led revival as flawed claim

Context:

- In the midst of India's COVID-19-induced economic slowdown there is claim that Agriculture will lead India's economic revival.

What are the arguments to support the above claim?

- The procurement of rabi wheat in 2020-21 was 12.6% higher than in 2019-20. India's food grain production in 2019-20 was 3.7% higher than in 2018-19.
- Food inflation in the Q1 of 2020-21, at 9.2%, was higher than in the previous year due to sustained demand for food. This shows a shift of terms of trade in favour of agriculture.
- The area under kharif sowing in 2020-21 was 14% higher than in 2019-20. Higher kharif sowing was accompanied by higher tractor and fertilizer sales, which bodes well for economic recovery.
- Government's economic package for agriculture — as part of the ₹20-lakh crore Atmanirbhar Bharat package — will further position agriculture as the engine of revival.

Critical Analysis of Each Claim:

- **Rabi Procurement – Need to look at market Arrivals:**The higher procurement claim hides more than it reveals.
- As per official data, only 13.5% of paddy farmers and 16.2% of wheat farmers in India sell their harvest to a procurement agency at an assured Minimum Support Price (MSP). The rest sell their output to private traders at prices lower than MSP.
- One should, therefore, be looking not at procurement **but market arrivals**
- The market arrivals of major 15 crops were lower in 2020 than in 2019.

- In wheat, barley, potato, cauliflower, cabbage and lady's finger, market arrivals in 2020 were between 50% and 75% of market arrivals in 2019.
- It was only in paddy, lentil, tomato and banana that market arrivals in 2020 constituted more than 75% of market arrivals in 2019.
- In addition, there were **major losses in the milk, meat and poultry sectors**; industry associations estimate the total loss for the poultry industry at ₹25,000 crore.
- Thus, the most important problem faced by farmers during the lockdown was the **loss of markets,** stemming from the disruption in supply chains, closure of mandis and a fall in consumer food demand.
- Higher procurement was hardly alleviating the loss faced by farmers
- **Inflation and Prices – Misplaced notion that it benefitted farmers:** Inflation rates estimated using consumer price indices are not representative of farmer's prices.
- Inflation was largely due to disruptions in supply chains and rise in trader margins
- The dark side of higher rural inflation in India is that small and marginal farmers are not net sellers, but net buyers of food. So, it was not just that farmer's prices fell; most were also forced to pay more for food purchases.
- **Higher kharif sowing – Rise in Rural Unemployment**: Given that rabi incomes fell during the lockdown, many rural households may have returned to farming or intensified farming for food- and income-security.
- Lakhs of migrant workers returned to their villages from urban areas. They may have taken up agriculture in previously fallow or uncultivated lands.
- It is no cause for celebration because the rural unemployment rates rose sharply in 2020, to 22.8% (April), 21.1% (May) and 9.5% (June).
- **Trickle from Package – Fresh Spending is meagre**: Agriculture contributes only about 15% to India's Gross Value Added (GVA). Thus, even if agriculture grows by 4%, it is likely to contribute only 0.6 percentage points to GVA growth.

- To contribute a full one percentage point to GVA growth, agriculture will have to grow by 6%, which is unlikely in 2020-21.
- Total fresh spending for agriculture in the package is a trickle: less than ₹5,000 crore. The rest are schemes already included in the past Budgets, announcements with no financial outgo or liquidity/loan measures routed through banks.

Way ahead:

- Instead of frontloading the instalments of PM-KISAN, the government should have doubled the payments to farmers from ₹6,000 a year to ₹12,000 a year.
- Instead of raising the MSP for kharif paddy by ₹53 per, or cotton by ₹260 per quintal, the government should have set all MSPs at 150% of the C2 cost (comprehensive cost) of production.
- Instead of a moratorium on loan repayments, the government should have waived the interest on loans taken by farmers in 2019 and 2020.
- Instead of vague loan-based schemes in animal husbandry, the government should have announced a package of direct assistance for the crisis-ridden poultry and meat sectors amounting to at least ₹20,000 crore.

Conclusion:

- The government should discard its role as a passive observer, and decisively intervene in rural India with a substantial fiscal stimulus.