



## Separating the wheat from the agri-policy chaff

### Adverse terms of trade

1. It should be obvious to any keen observer of the Indian economy that the country's agriculture, which also supports the remaining rural workforce, was, forever, living beyond its means.
2. In 1950-51, agriculture's share in the country's GDP was 45%, the share of the workforce dependent on the sector was close to 70%. Seven decades later, agriculture's share in GDP is below 16%, but almost 50% of the country's workforce depends on this sector.
3. The squeeze on the agricultural sector becomes even more evident from its terms of trade vis-à-vis the non-agricultural sectors. Agriculture has been facing adverse terms of trade over extended periods since the 1980s.
4. A more telling commentary in this regard is that since the middle of the 2000s, farming communities have almost consistently faced adverse terms of trade vis-à-vis non-farmers.

### Lack of Investment in Agriculture

1. Erosion of farm incomes was triggered by growing inefficiencies, which, in turn, was caused by a lack of meaningful investment in agriculture.
2. The share of this sector in the total investment undertaken in the country consistently fell from about 18% in the 1950s to just above 11% in the 1980s. In the subsequent decades, the situation has got far worse with agriculture's share not even reaching double digits.
3. However, despite this unacceptable situation, every government in post-independent India systematically ignored the need to step up investment in agriculture, which would not only have ensured more efficient use of farm resources but would have also been a crucial step towards improving farm incomes.

### A look at yields

1. A quick comparison of the yields of the major crops in India with those of other countries confirms the dismal state of agriculture in this country.
2. If one ranks countries in terms of their yields in wheat and rice — India's two major crops — the country's ranks were 45 and 59, respectively, in 2019.



3. It may also be added here that this ranking would go down sharply if the areas recording high yields, such as Punjab and Haryana, are excluded. In other words, for farmers in most regions of the country, it is an uphill battle for survival amid low yields.

### Hostile Markets

1. The market has always been the farmers' biggest adversary, making it impossible for them to realise remunerative prices for their produce.
2. The existing marketing system dominated by the Agricultural Produce Market Committees has long been proved to be against the interests of the small farmers, but the government, in its own wisdom, has now decided to introduce even larger middlemen that would do no more than complete the circle of misery for the farming communities.

### Issue of farm subsidies

1. The above discussion is useful for contextualising India's farm subsidies. The government dole out is a price that the country pays for the failure of the policymakers to comprehensively address the problems of the farm sector.
2. Thus, instead of engaging with the farming communities for putting in place a comprehensive set of policies (which also provides for the setting up of farmer-friendly institutions in order to improve the economic viability of the sector), successive governments have chosen to dole out subsidies in order to ensure domestic food security and protecting rural livelihoods.
3. It must be said that the governments have continued granting subsidies as a failure to realise that either of the two objectives can have catastrophic consequences for the country.
4. At the same time, however, wanton distribution of subsidies without a proper policy framework has distorted the structure of production and, consequently, undesirable outcomes in terms of excessive food stockpiling.

### Farm Subsidies comparison

The two major providers of farm subsidies, namely, the U.S. and the members of the European Union (EU) gave much larger magnitudes of support than India did. Thus, for 2017, India's farm subsidies were 12.4% of agricultural value addition, while for the U.S. and the EU, the figures were

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90.8% and 45.3%, respectively. This then is the reality of farm subsidies that India provides.

### **Need for a policy**

The lack of a coherent policy for agriculture must surely be regarded among the most remarkable failures of the governments in post-Independence India.