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Doubling farmers' income:

possible way out

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The Government of India in its annual budget of 2016-17 set a policy target of doubling farmer's income by 2022. Agriculture sustains livelihood for more than half of the country's population. Doubling farmers' income in such a short period is a daunting task. Literature reveals that between 2004-05 and 2011-12 the real per caput farm income (from agriculture and allied activities) of cultivators increased by 64%. Data of NSSO and CSO of 2002-03 and 2012-13 revealed only a 34% increase in farmers' real per caput income.

Key words: Farmer, Income

TO achieve doubling farmer's income might require novel strategies and some change in the policy stance. One could be identification and targeting of the poor or low-income farmers. Unless it is known who within agricultural sector have low income and/or are disadvantaged in terms of access to technology, markets, credit, information and infrastructure, it would be difficult to accomplish the target of doubling farmers' income in such a short period. It's to be reaffirmed 'who are the poor farmers in India, what are their characteristics, and where are they located?' The conclusion is that 70% of the farmers in India have annual per caput income less than ₹ 15,000. Only 10% of them earn more than ₹ 30,000. Land size and income are identified important correlate. Since more than three-fourths of the low-income farmers (<₹ 15,000) are marginal farmers who cultivate landholdings less than or equal to one hectare. Only 7% of the marginal farmers fall in the high-income class (> ₹ 30,000) might be due to a more diversified income portfolio in terms of the number of income sources accessed and the intensity of engagement. Farmers cultivate their land more intensively and allocate larger area to high-value crops, and earn three-times more net income from cultivation as compared to their counterparts in the low-income class. This deciphers avenues and prospects for enhancing farmers' income within agriculture.

Approximately 80% of the low-income marginal farmers are concentrated in eastern (58%) and western (21%) regions due to several factors, such as under-investment in agricultural research, poor electricity, markets and roads infrastructure, under-development of institutions like credit, extension, insurance etc.

The key message is that the marginal farmers, especially those in eastern and western states, should be at the forefront of the income-enhancing strategy. This could be possible to through the redesign of interventions of strategies of bringing green revolution in eastern India (BGREI) are associated with higher income.

Niti Aayog

The economic think-tank at *Niti Aayog* has put forth a four-point action plan to double the incomes of India's farmers.

The measures of four point action plan includes:

(*i*) remunerative prices for farmers by reforming the existing marketing structure;
(ii) raising productivity;
(iii) reforming agriculture policy; and
(iv) relief measures. An intimate dissection of point action is required.

Remunerative prices: It involves reforms in two areas: marketing reforms and minimum support price (MSP) reform. Under marketing reforms, it is important to highlight as to how currently existing agricultural marketing – under the Agricultural Produce Market Committees (APMC) acts in various states. How this has led to policy distortions and fragmentation, largely as a result of a huge number of intermediaries and poor infrastructure. The plan highlights that because of the APMC acts, farmers are required to sell a large number of commodities in local *mandis* where different layers of intermediaries often manipulate the price, thus depriving them of their fair share. Moreover, farmers have become dependent on commission agents because of the intermediary culture propagated by the present APMC acts. These intermediaries trap the farmers in a vicious circle of indebtedness. The impact of these intermediaries reveals that almost 38% of Punjab's total agricultural debt was channelled through non-institutional sources, the majority of which is usually financed by intermediaries to the farmers. Not only is the interest rate charged by the intermediaries exorbitantly high (sometimes even 20%) but they also force the farmers to sell his produce to them only (Sukhpal and Shruti Bhogal). The central government passed a Model Agricultural Produce Marketing Committees (Development and Regulation) Act of 2003 to address the shortcomings of the *Mandis*. Despite this, states have failed to address monopolistic and uncompetitive practices in the inter-state trading of agricultural products. E-NAM like EKA Platform in Australia (around 85% agri-produce is e-auctioned) needs to be propagated mandatory for marketing of agricultural produce in *Mandis*. This would do empowering farmers to sell their produce to whomever they wish and allowing actors other than regulated *mandis* to buy produce. This needs to be embraced by India's states. Efficient function of E-NAM mechanism in APMC has inherent power to wither way prevalence of monopolies in supply of marketing services/ facilities, with all drawbacks and inefficiency associated with a monopoly.

MSP reform

The MSP regime in India incentivizes farmers to grow crops more intensively. The domestic price of agri-produce is more influenced by international (future) price rather than cost of production and other production risks. The general trend of international future price of agri-produce is lower than domestic price or MSP. This arrest the commensurate rise in domestic MSP/ market price compared to cost of production. There is no check on rise in cost of inputs used in agricultural production. This has squeezed the margins of the farmers. Several economists emphasized that the major disadvantage of MSP regime is that it totally ignores the demand dimension, thereby resulting in not only an inefficient use of resources but also accumulation of unwarranted stocks of cereals. Since resources for agriculture – water and land – are scarce, it is important to use the resources efficiently if our aim is to double the income of the farmers. The clarion call is to link the MSP with cost of production. A consistent and regular flows of margins/profits of efforts of the farmers must be sustained to make agriculture lucrative and profitable. One of the alternatives may be a system of 'price deficiency payments' to cure the distortion caused by the MSP regime.

Raising productivity

Since Indian agriculture is dominated by small-and marginal-farmers who have small holdings, raising productivity is likely the single most important factor, if incomes of this group are to be doubled. The imminent challenges herein lies, (i) resources like water and land are limited and over exploited; and (ii). land holding is getting fragmented. The problem is further compounded by rising input costs. To overcome the problem, here is need for substantive investment in irrigation, seeds and fertilizers and new technology coupled with a shift into high-value commodities such as horticulture, poultry and dairying to double incomes. The modernization of farms and adoption of new technologies like adopting GM crops and using new farm equipment (develop a rental market for farm equipments) could be the new thinking.

Agriculture policy and relief to farmers

A highly potent strategy to augment farmers' income relates to their differential access to information. There has been significant penetration of mobile phones in rural areas, but this means of communication has remained grossly underexploited for dissemination of information on agricultural technologies, practices, weather advisories, programmes and policies. The modern communication technologies can be a cost-effective and efficient means of information dissemination. The need is to bundle all types of information that farmers need, and link it with the modern communication networks for its dissemination.

In the long run, boost to farmers' income must come from technological breakthroughs as per niches of markets, enhance resource-use efficiency, reduce cost of production and improve resilience of agriculture to extreme changes in climate. The role of non-farm sector (including labour market, salaried employment, and businesses) would be an important pathway for enhancing farmers' income, especially small-and marginal-farmers. In conclusion, doubling farmers' income in a short period could be possible, if the stakeholders follow a comprehensive, multi-pronged and targeted approach encompassing income opportunities and their enabling conditions including investment in agricultural R&D and infrastructure, and development of institutions and human resources.

The government agenda for doubling farmer's income by 2022 is a daunting task since around 70% of the farmers have annual per caput income less than ₹ 15,000. Only 10% of them earn more than ₹ 30,000. Only 7% of the marginal farmers fall in the high-income class (> ₹ 30000). To achieve doubling farmer's income might require novel strategies and some change in the policy stance. The income enhancement of farmer would come mainly from seven sources like increase in productivity of crops, increase in production of livestock, improvement in efficiency of input use that would save cost, increase in cropping intensity at farmers' field, diversification towords high value commodities, better remunerative price realized by farmers, and shifting way surplus labour (unproductive) from agriculture to nom-farm activities. This could only be possible through government development initiatives, technology generation and dissemination besides policies and reforms in agriculture sector.

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