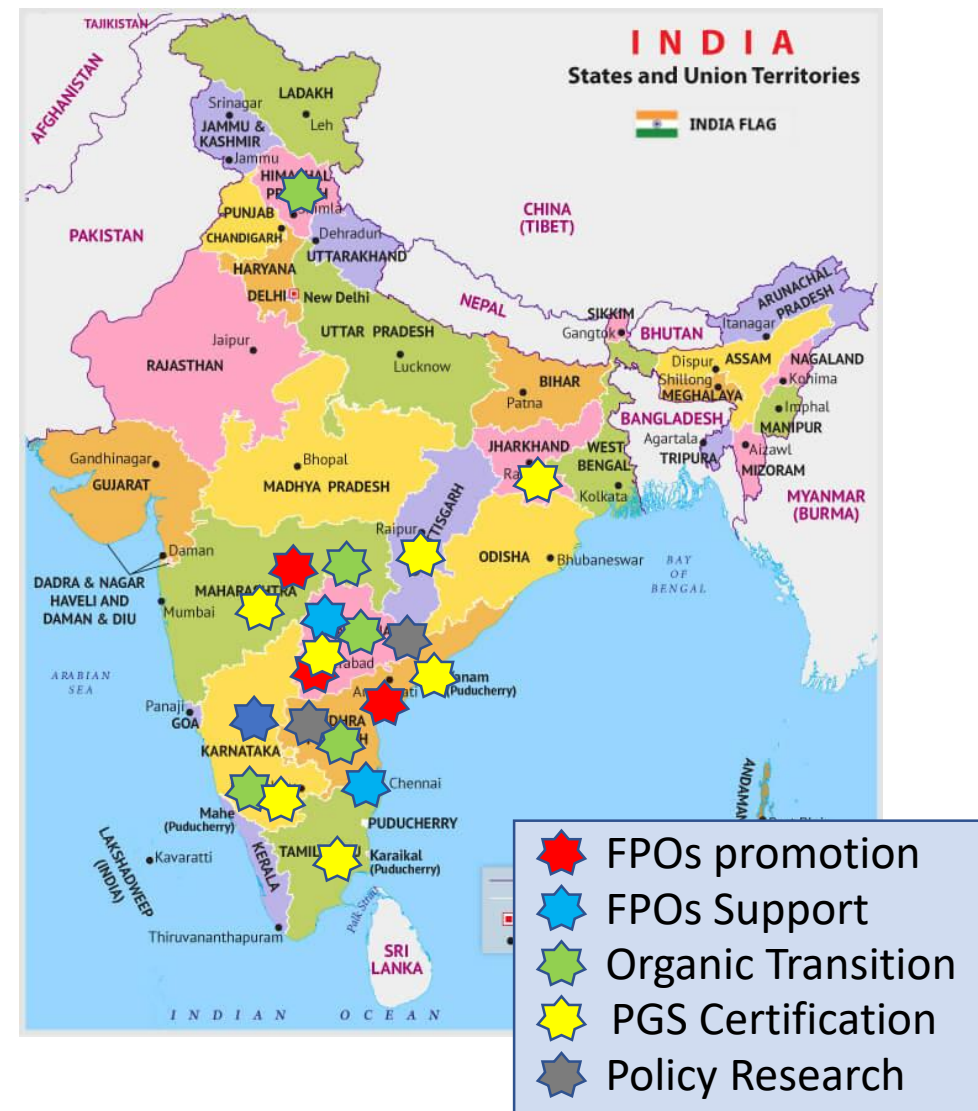


# Ensuring Income Security for Rural Households

Ramanjaneyulu



- Not for Profit Trust working with 25,000 Organic farmers
- 75,000 farmers in conversion spread over 60 FPOs
- Support Organic transition and FPO formation with about one lakh farmers spread over 150 FPOs
- Learning ground: Andhra Pradesh, Telangana and Maharashtra
- Support Services in Chhattisgarh, Himachal Pradesh, Jharkand, Karnataka, and Tamil Nadu
- Establishing Community based Quality Assurance Systems in Organic Marketing
- Linking to fair markets
- Policy research



Innovations in farming

Sustainable livelihoods

Community Enterprises

Public Policy

# Key challenges

*85% of the farmers income is less than their expenditure is around Rs. 96,000 per year*

- **People:** small holders, unskilled labor, reducing income basket
- **Climate change:** contribution, adaptation, resilience
- **Biosafety:** occupational hazards, pollution, health
- **Inefficiency:** fertilizer/pesticides/water

economic  
ecological **Sustainability**

# Income security

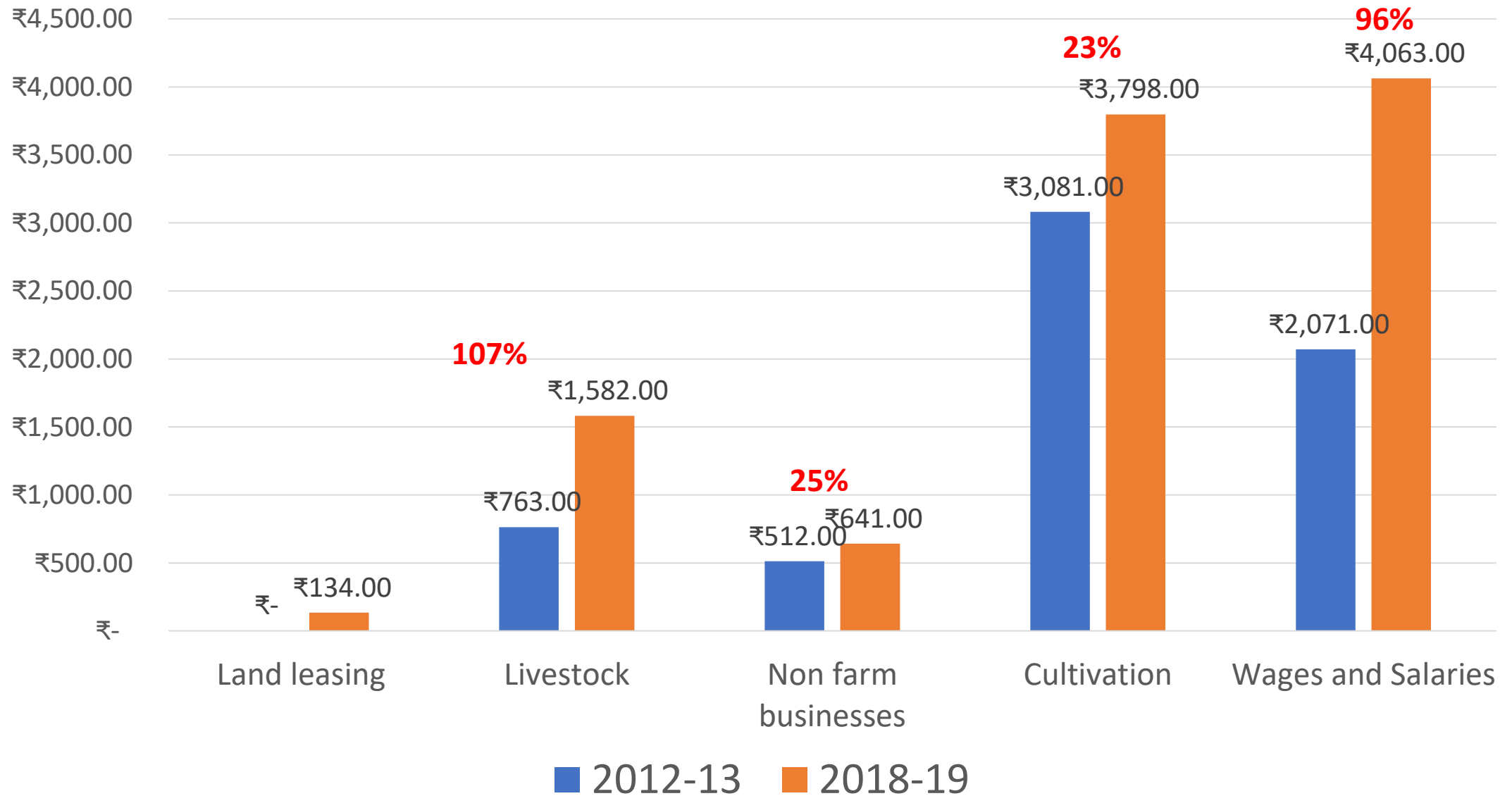
- Income basket
- Costs of production
  - Input costs
  - Labour
  - Risk of failures
- Prices
  - Market access
  - Market Regulation
- Support systems
  - Incentives
  - Subsidies
  - Extension
  - Infrastructure
  - Direct income support



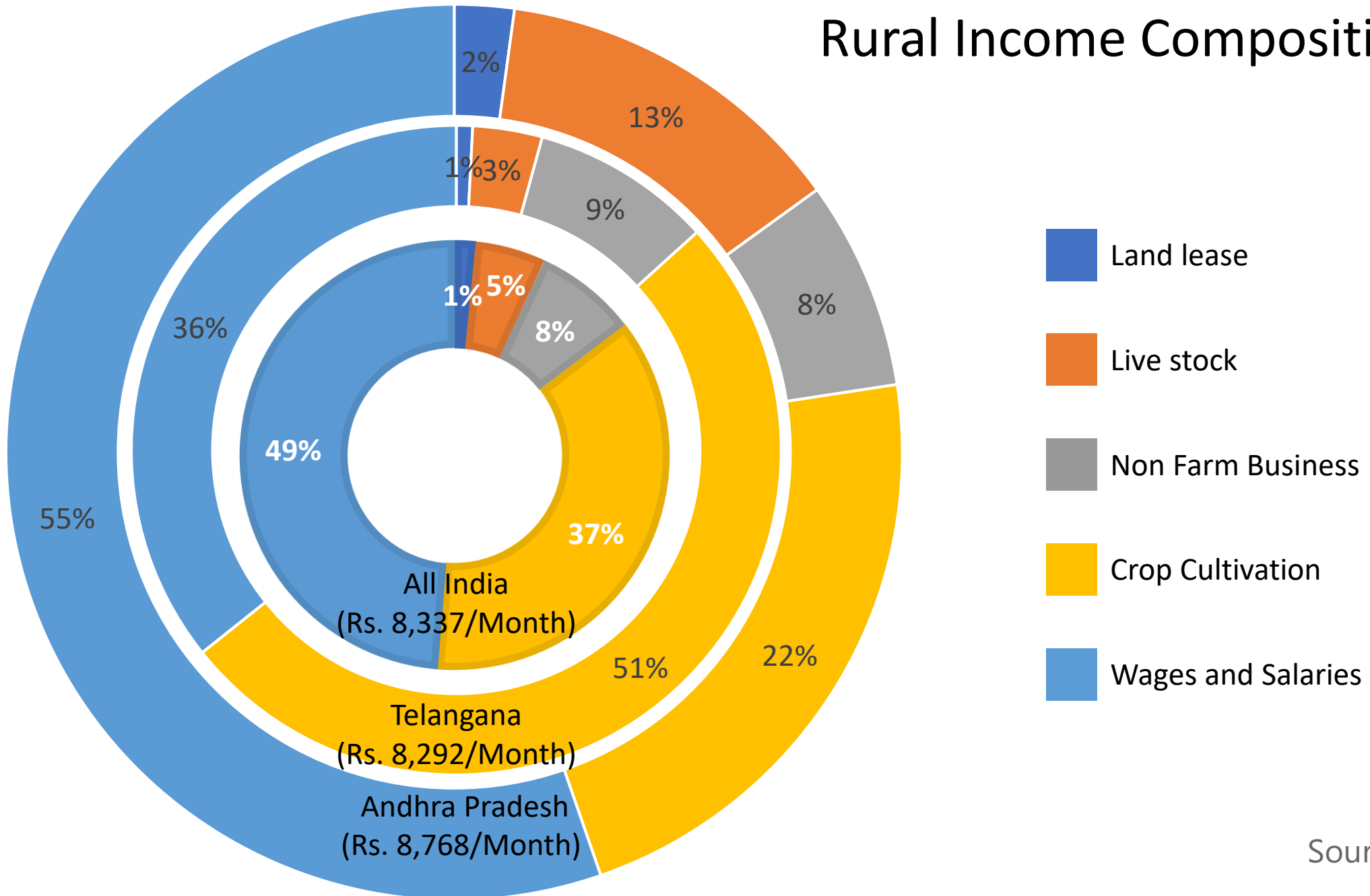
# Minimum income for a dignified living

- The ILO framework is based on this formulation: Average household size x Cost of basic needs + Savings of 10%.
- As per the Minimum Wages announced by the Central government (Order, 31<sup>st</sup> March, 2022), the minimum wages for a Highly Skilled Worker is Rs. 554 per day lowest is for unskilled worker at Rs. 382/day. Farming being multi-skilled work which combines several diverse operations and complex decision-making should be definitely categorized as Highly Skilled Work.
- Assuming 2 working persons per family, the minimum monthly household income is Rs. 33,240. Note that this figure just considers it as wage labour and does not have any component for the managerial role and the risk-taking financial investment.
- Another point of reference is the fixing of salaries of government employees. Seventh pay commission fixed Rs. 18,000 per month as a minimum salary.
- Pay commission's definition considers two major points: living expenditure and ability to attract talent; but when it comes to agriculture government considers consumer affordability.

# Indian Rural Income Distribution (Rs/month)



# Rural Income Composition in India



Source: NSSO, 2019

# Estimated Income of Farmers in India 2018-19

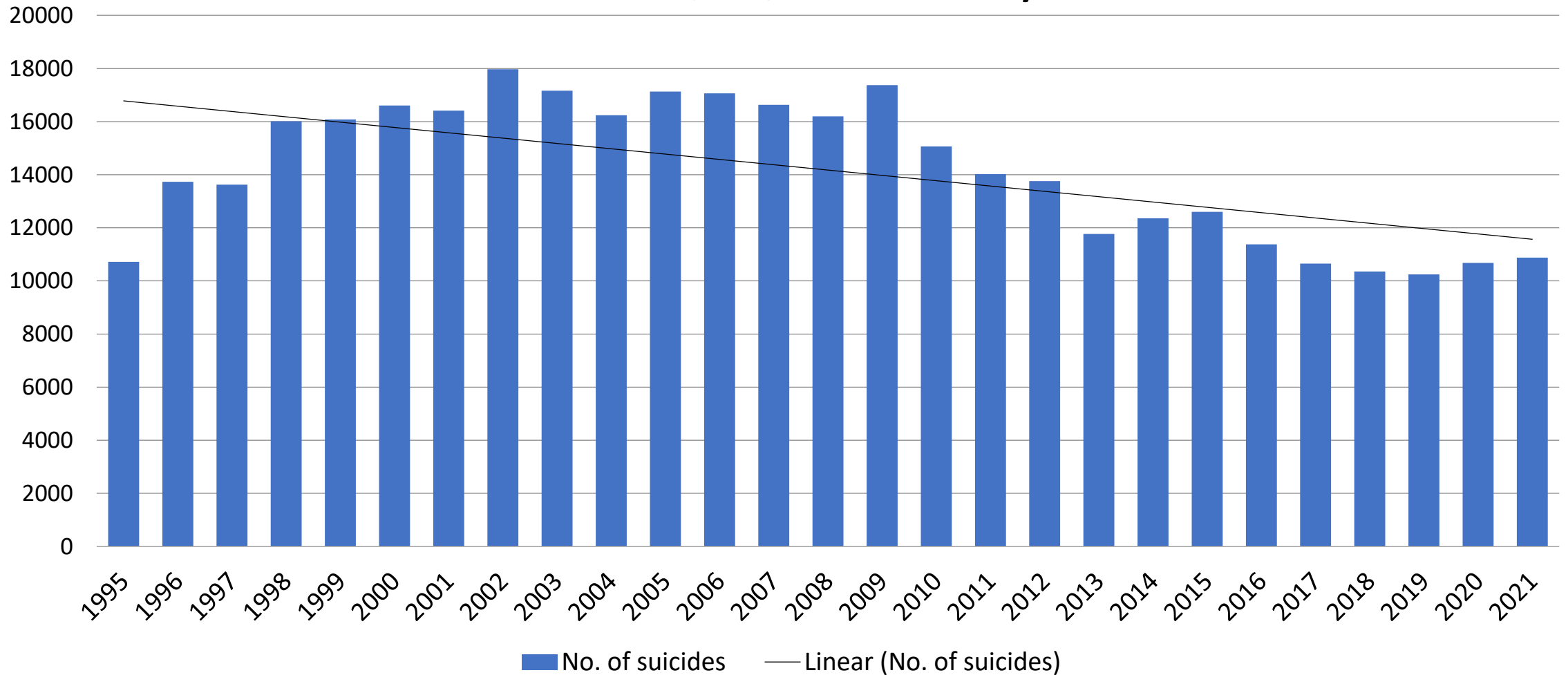
Land holding	Category	Total Income (Rs/month)	Total income (Rs/year)	indebtedness (Rs/household)	% of farmers
<0.01	Landless	9,982	1,19,784	26,883	81.83%
0.01-0.4	Sub marginal	6,388	76,656	33,220	
0.4-1.0	Marginal	6,951	83,412	51,933	
1.0-2.0	Small	9,189	1,10,268	94,498	10.00%
2.0-4.0	Semi-medium	12,997	1,55,964	1,75,009	5.01%
4.0-10.0	Medium	22,453	2,69,436	3,26,766	1.93%
>10.0	Large	50,412	6,04,944	7,91,132	0.24%
	<b>Total</b>	<b>8,337</b>	<b>1,00,044</b>	<b>74,121</b>	

Source: NSSO 77<sup>th</sup> Round Report no 587 (2019)



# Farmer Suicides in India 1995-2021

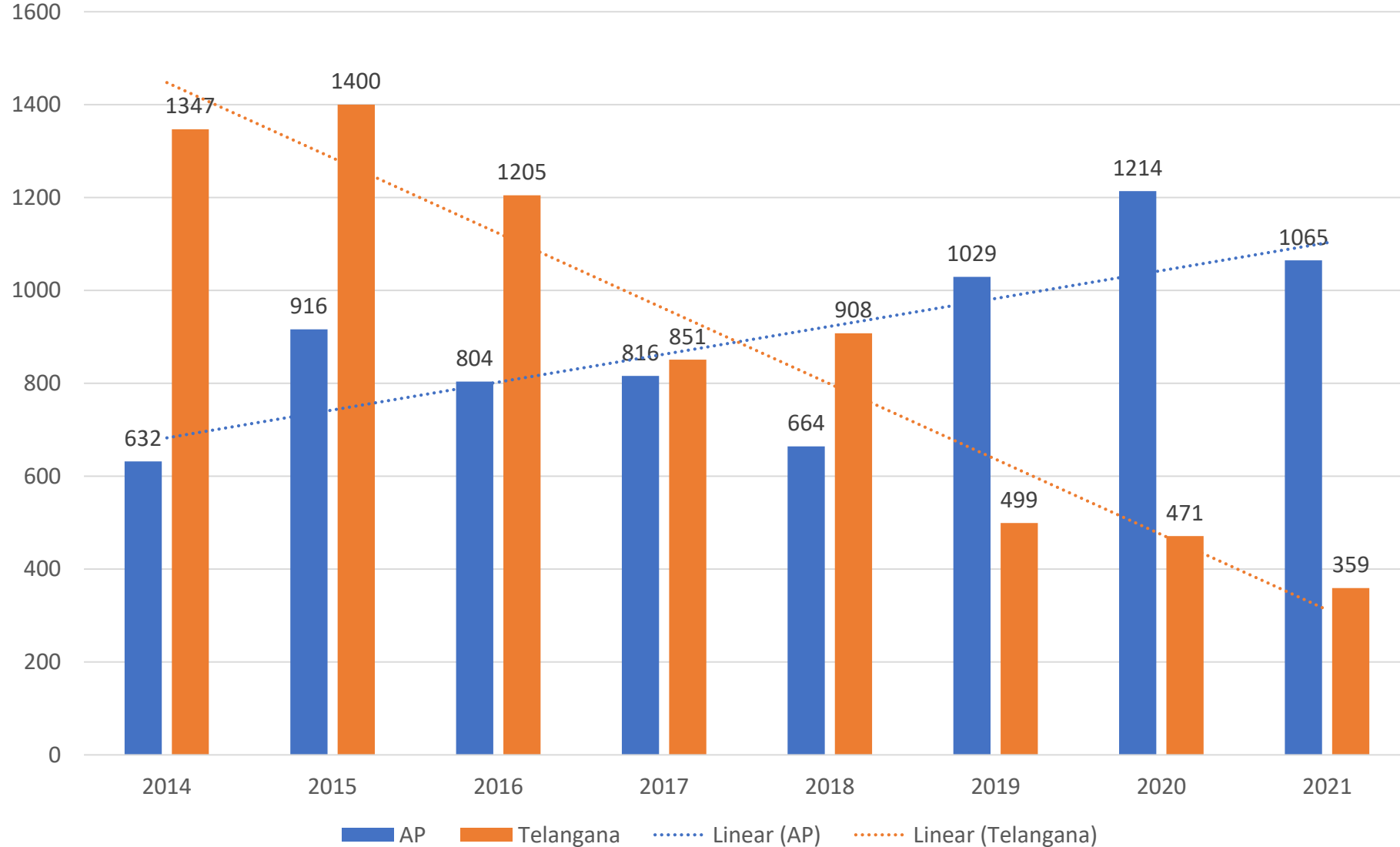
Total 3,82,711 in 28 years



Source: NCRB 1995-2016

<http://www.kisanmitra.net>

# Farmer Suicides in AP and Telangana 2014-21

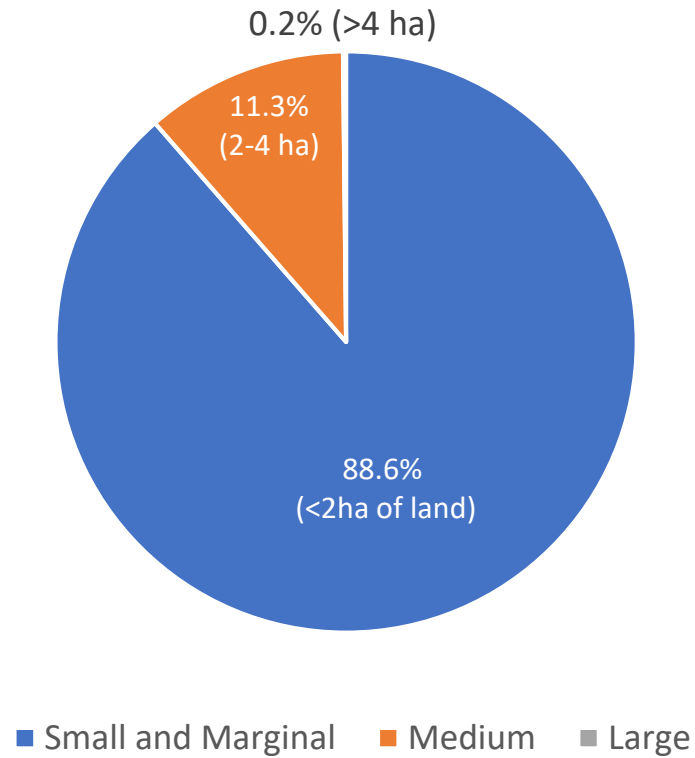


Source: NCRB 2014-21

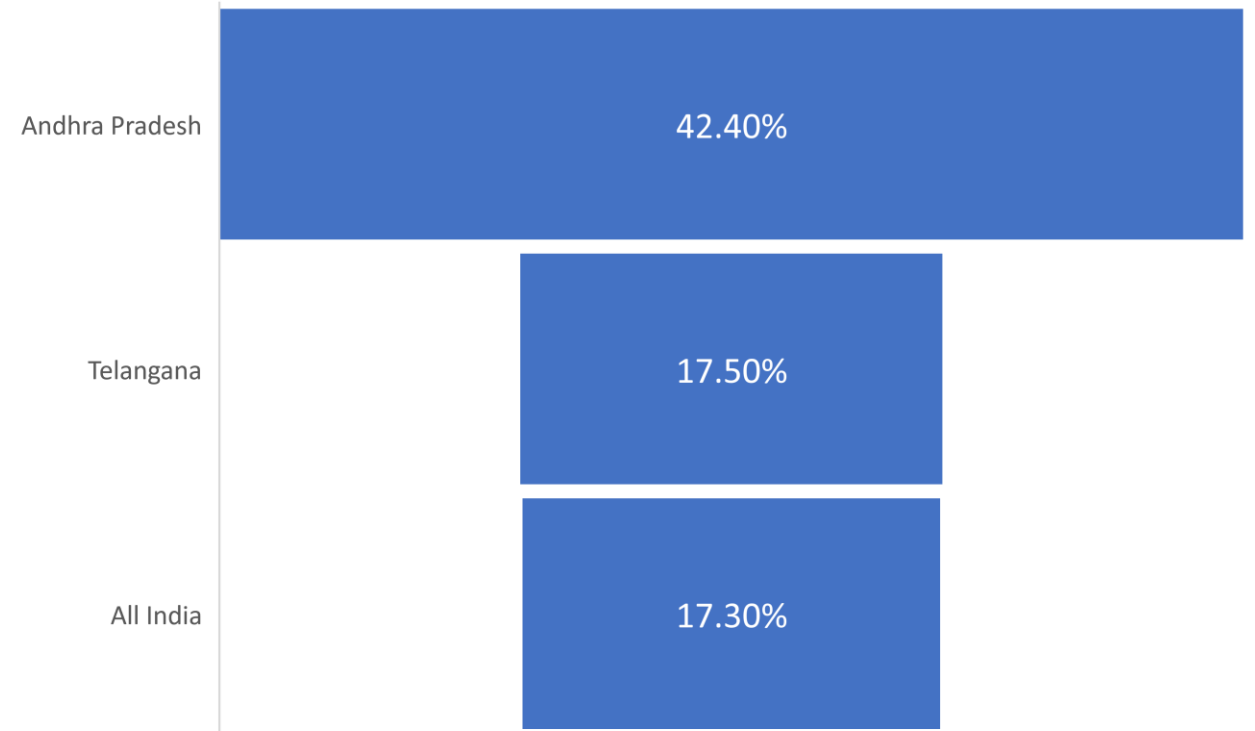
<http://www.kisanmitra.net>

# Land ownership and Tenancy

## Landholdings in Andhra Pradesh and Telangana

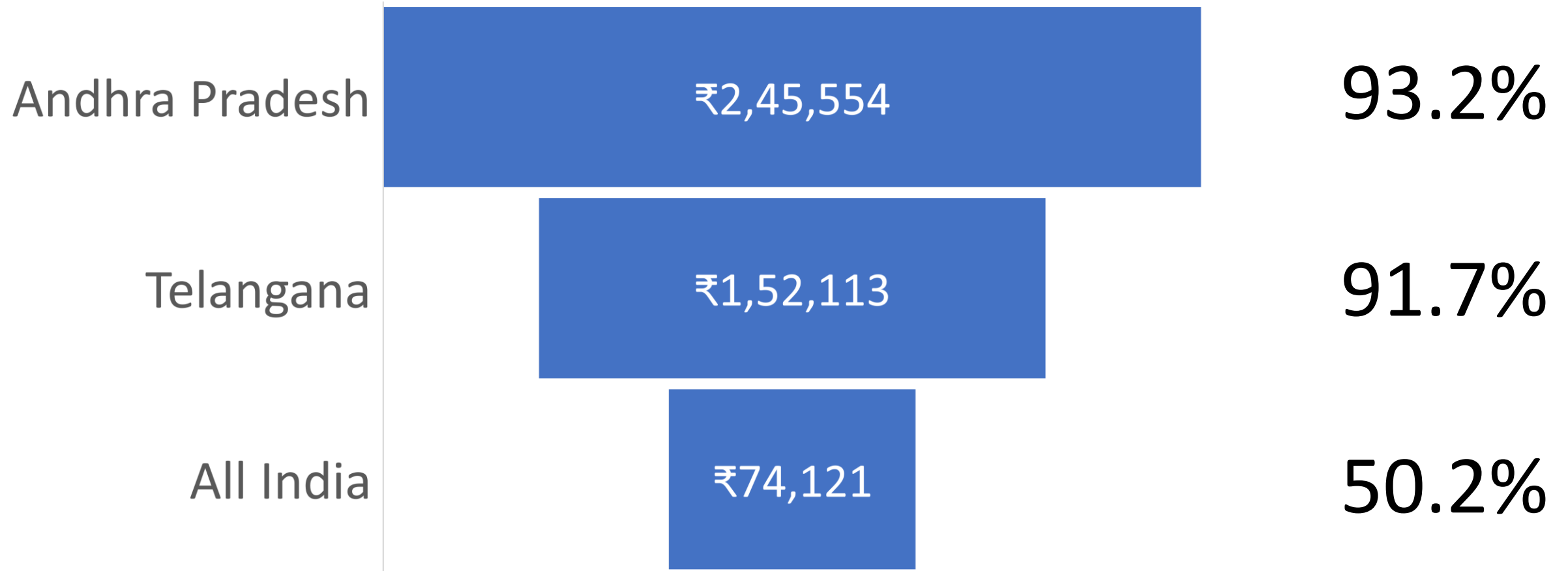


## Percent of Tenant Holdings



Source: NSSO, 2019

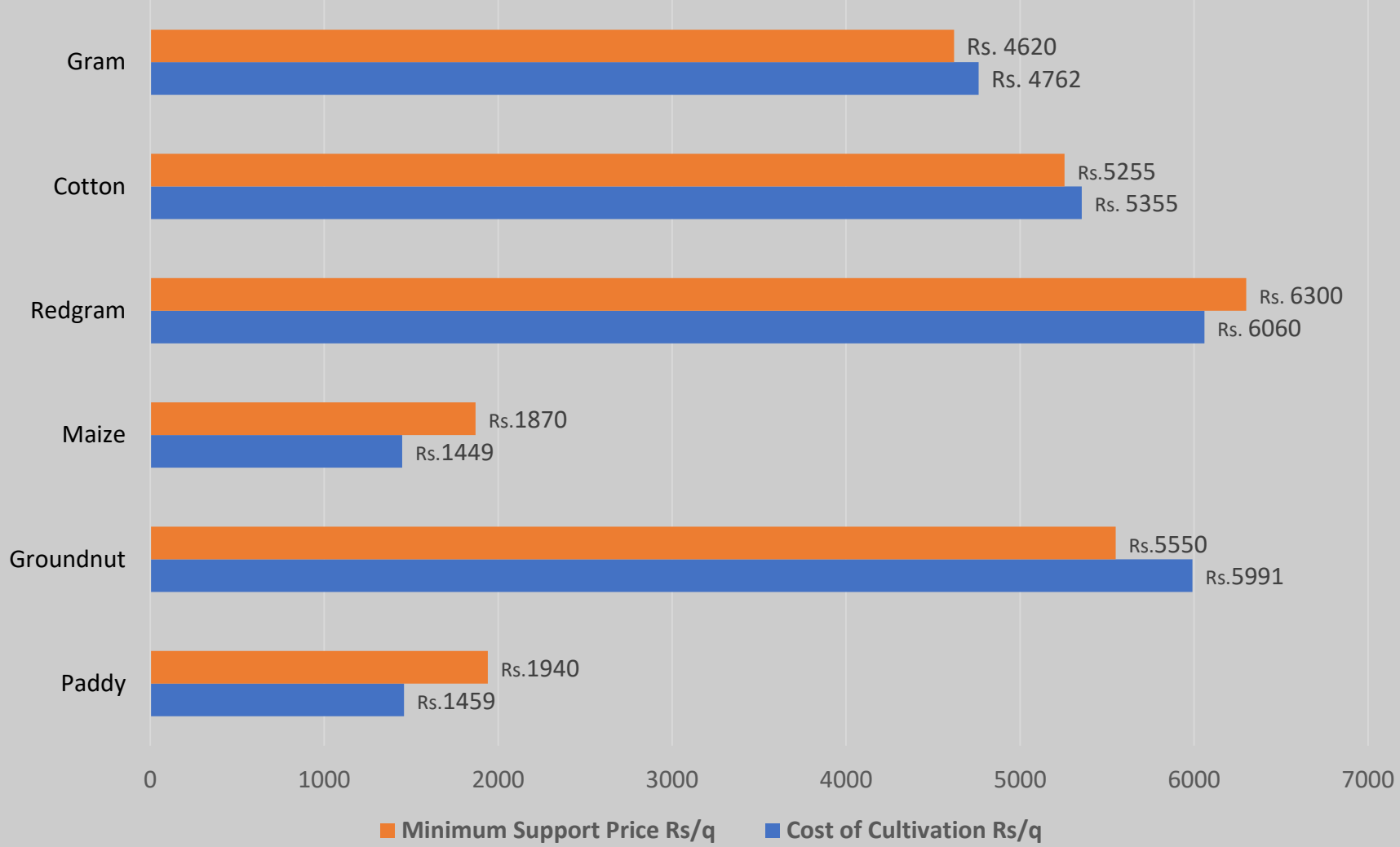
# Rural Indebtedness



# Crop Economics

Andhra Pradesh  
Area (lakh ha)

Telangana  
Area (lakh ha)



3.97

1.1

4.72

17.00

3.50

4.28

2.95

5.60

10.13

1.13

21.00

20.00

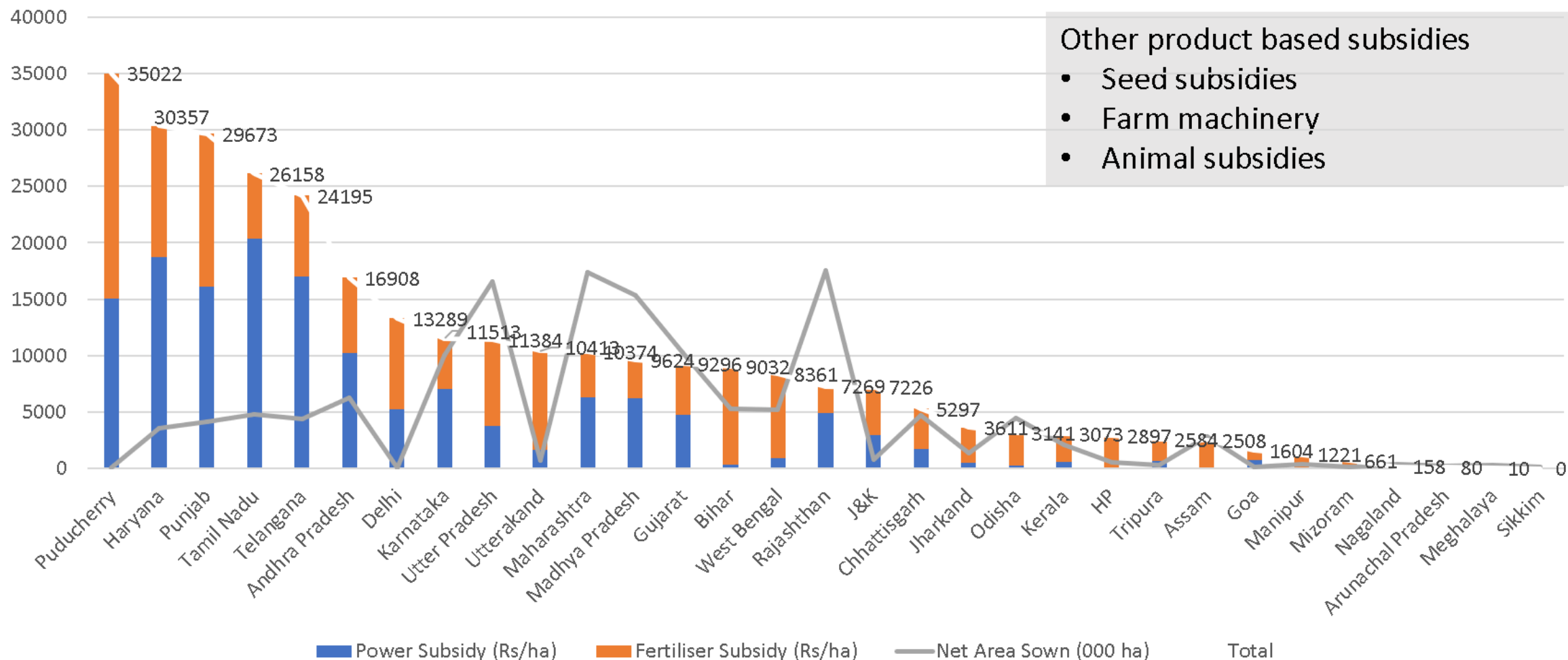
Gross Cropped Area

74.18

84.00

Source: CACP, 2021

## State wise subsidy on fertilisers and power per ha of net sown area (Average of 2014-15 and 2015-16)



# Access to credit

- Andhra Pradesh has highest indebtedness (93.2%) among agriculture households with an average outstanding loan of Rs. 2.45 lakhs (NSSO, 2021)
- Telangana has on average Rs. 1.52 lakhs out standing loans with 91.7% households in indebtedness category
- 23% of farm credit goes to Hyderabad city in telangana
- Telangana promise of loan waiver decreased access to loans to farmers
- National average indebtedness is 50.2% households with average outstanding of Rs. 74,121
- High numbers of tenant farmers do not have access to institutional loans
- RBI mandates crop loans/KCC up to Rs. 1.5 lakhs without collateral but no use.
- In AP still we have 150 villages with more than 5000 population which do not have bank branches
- AP has brought in Money Lenders Regulation Act 2017 to curb exploitative practices of Money lenders and call money kind of schemes
- Hence providing access to institutional credit to all is all more important now

# Increasing access to institutional credit

- Tenancy
  - Loan Eligibility Cards by Andhra Pradesh and Telangana
  - Joint Liability Groups by NABARD
  - Kudumbashree model in Kerala
- Loans as per the scale of finance
- Addressing indebtedness
  - Debt swapping
  - Restructuring with simple interest
  - Debt relief

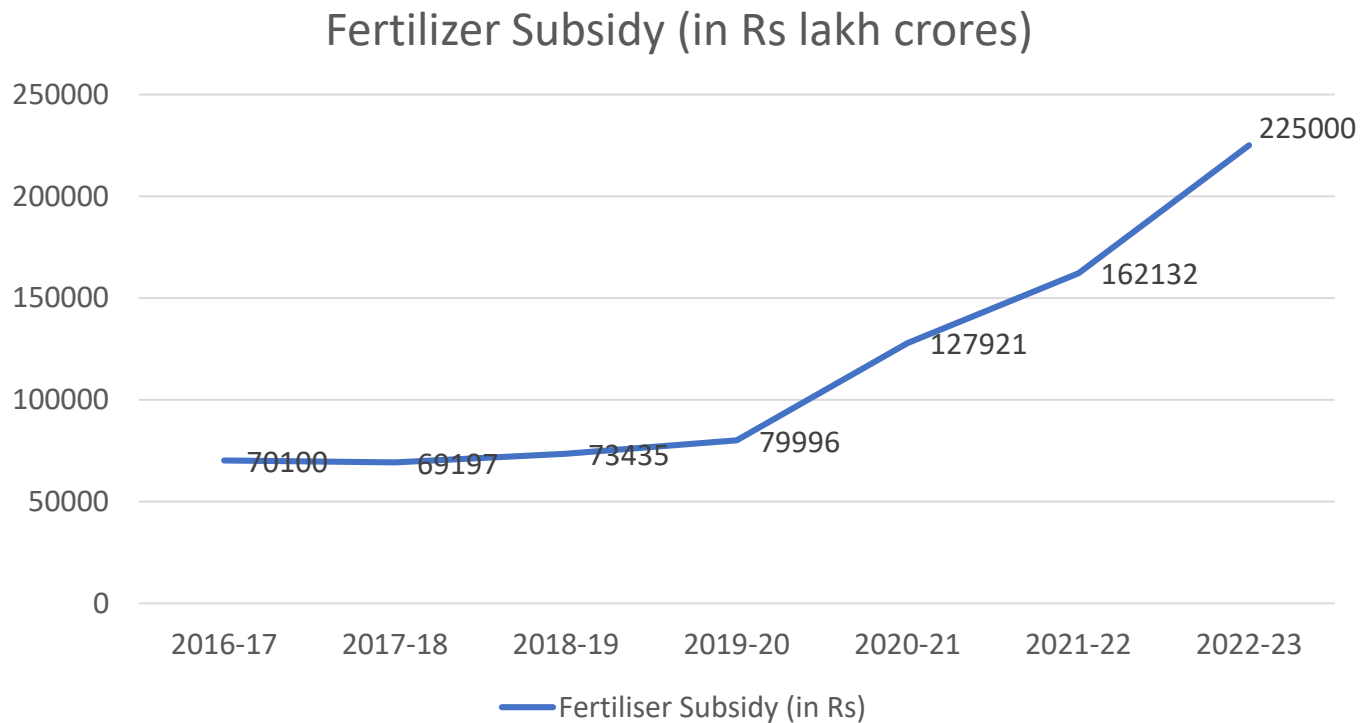


# Ecological Sustainability: Questions against transition

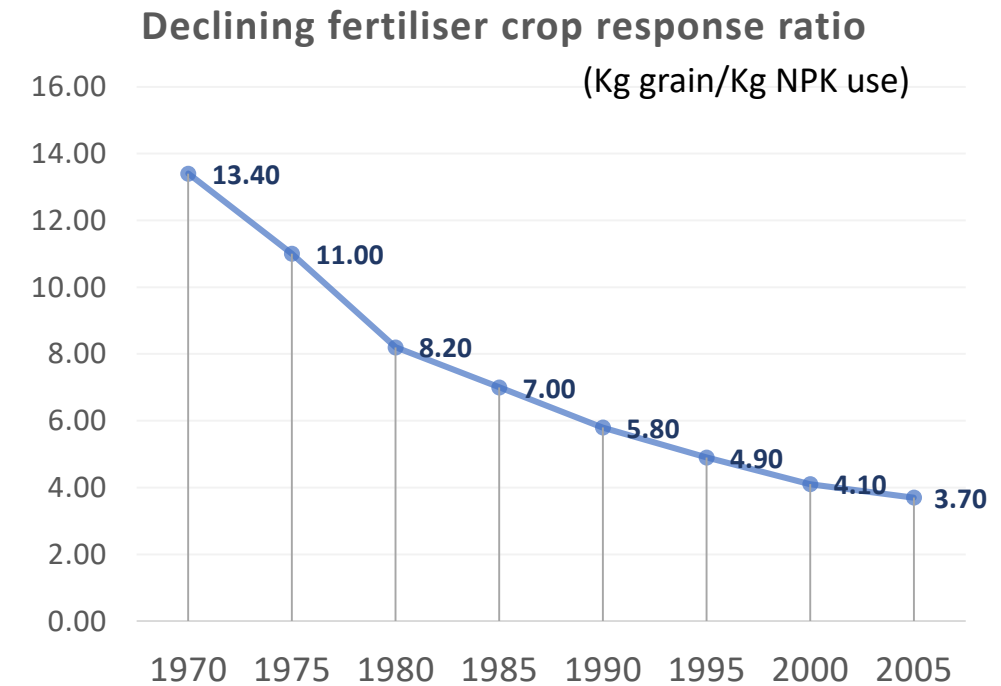
- resource availability
- yield question
- profitability
- food and nutrition security

# Issues with chemical fertilizers

- 2022-23: Fertiliser subsidy touched Rs. 2.25 lakh crores and expected to increase by 70% by end of the year



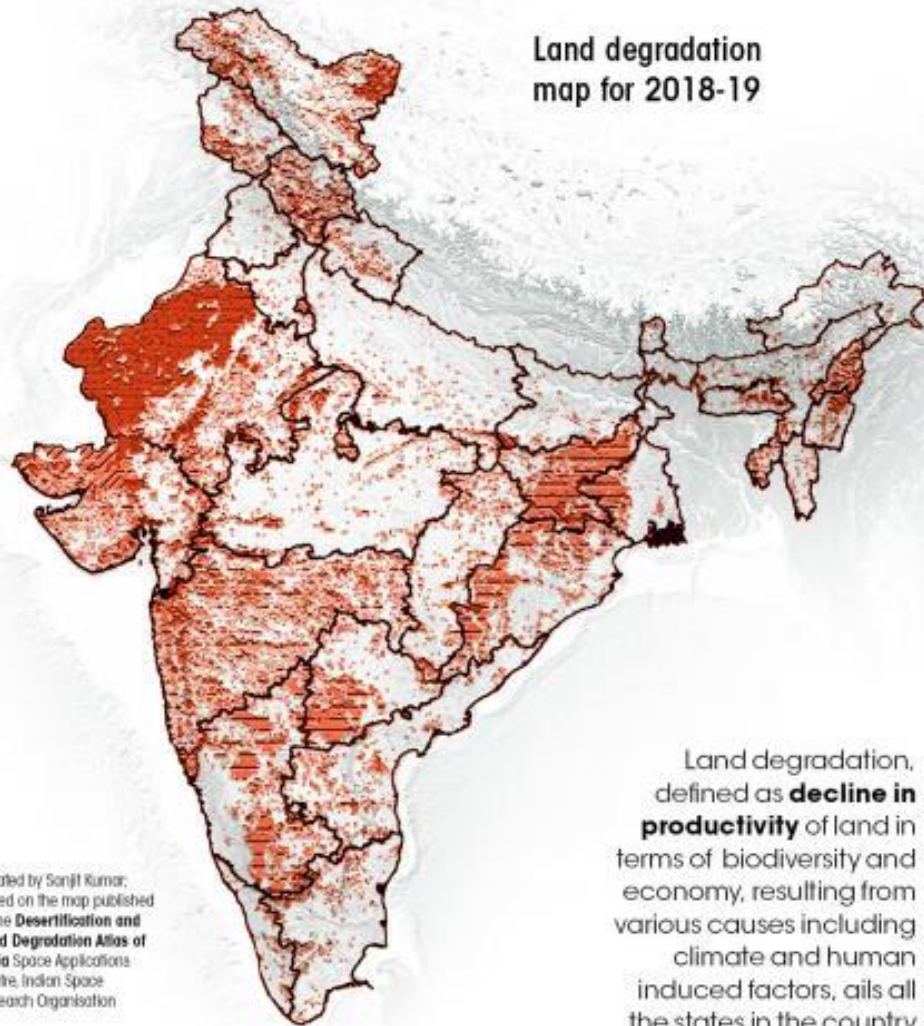
Source: Reports, Department of Fertilisers and News Papers



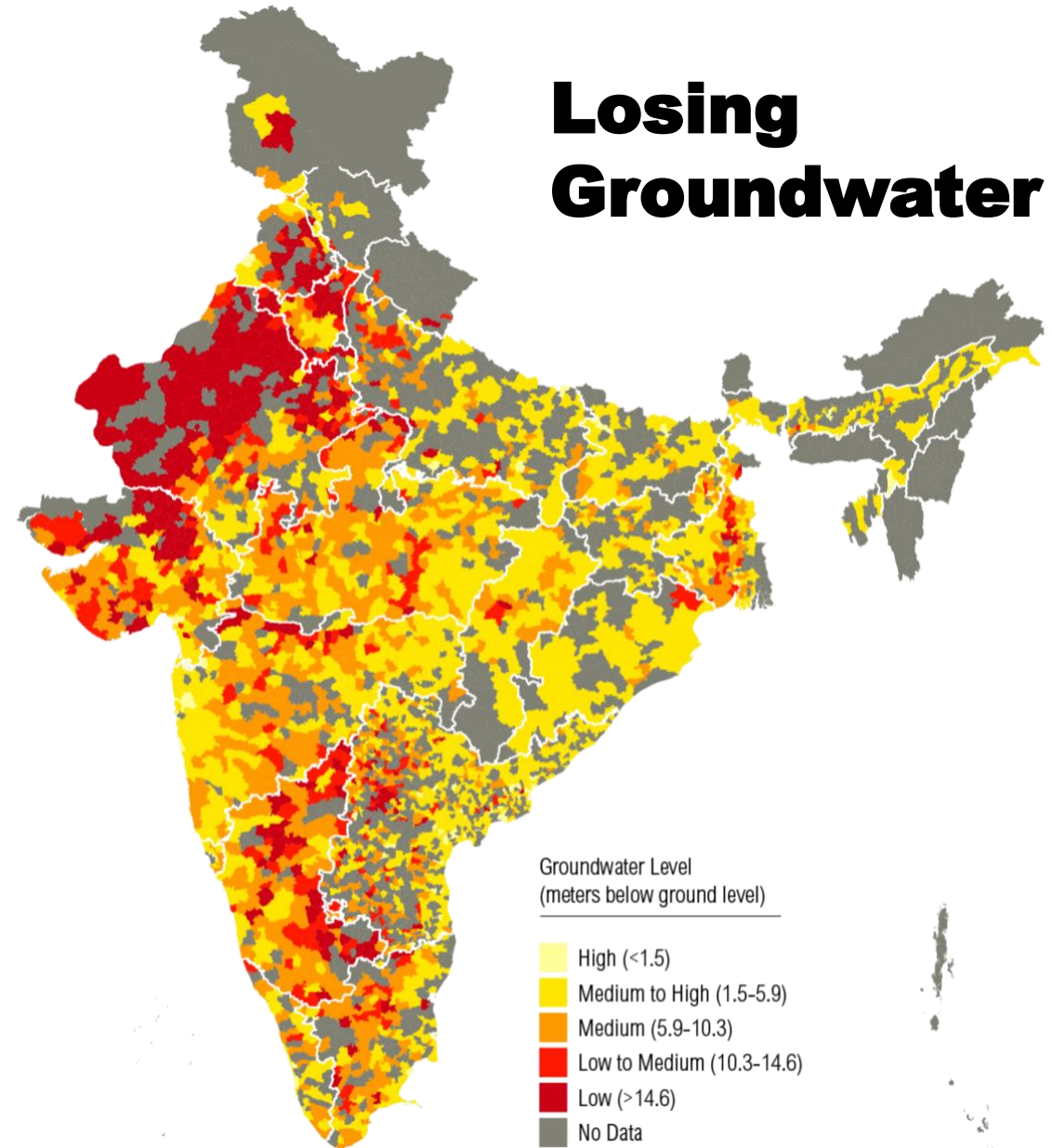
Source: Biswas & Sharma (2008), Department of Fertilisers

# Losing land

Almost 30% of India land area is under desertification



# Losing Groundwater



- Maximum water use (90%) for agriculture
- 35% higher than the world average

## Panchamrits: India's contribution to climate change mitigation

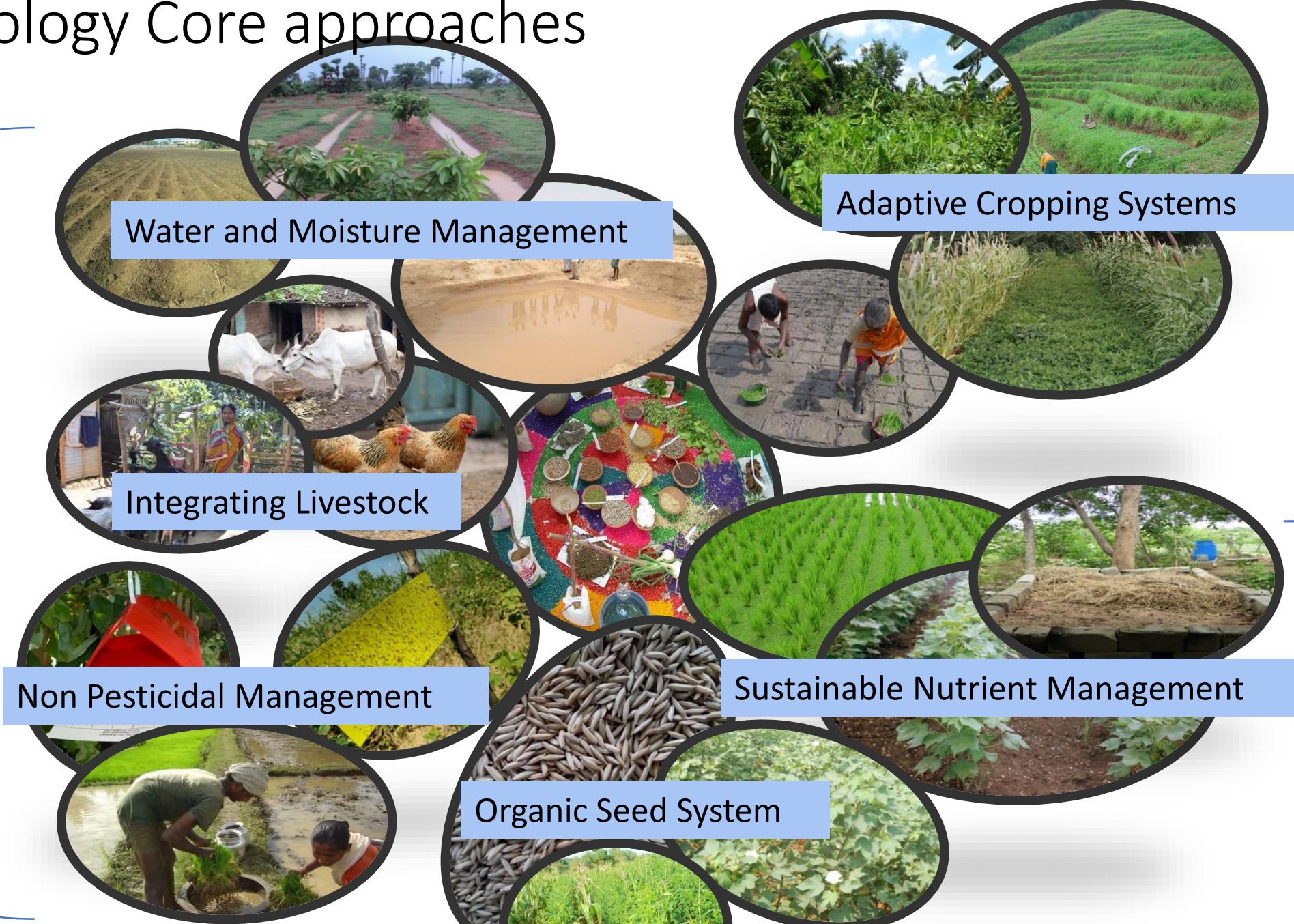
- reach its non-fossil energy capacity to 500 GW by 2030.
- meet 50 percent of its energy requirements from renewable energy by 2030.
- reduce the total projected carbon emissions by one billion tonnes from now onwards till 2030.
- reduce the carbon intensity of its economy by less than 45 percent by 2030
- India will achieve the target of Net Zero by the year 2070.

# PM PRANAM

- PM Promotion of Alternate Nutrients for Agriculture Management Yojana
- to reduce the subsidy burden on chemical fertilisers, which is expected to increase to Rs 2.25 lakh crore in 2022-2023, which is 39% higher than the previous year's figure of Rs 1.62 lakh
- the scheme will not have a separate budget and will be financed by the "savings of existing fertiliser subsidy"
- 50% subsidy savings will be passed on as a grant to the state that saves the money, sources said, and that 70% of the grant provided under the scheme can be used for asset creation related to technological adoption of alternate fertilisers and alternate fertiliser production units at village, block and district levels
- remaining 30% grant money can be used for incentivising farmers, panchayats, farmer producer organisations and self-help groups that are involved in the reduction of fertiliser use and awareness generation
- government will compare a state's increase or reduction in urea in a year, to its average consumption of urea during the last three years

# Agroecology Core approaches

Forward linkages



Water and Moisture Management

Adaptive Cropping Systems

Integrating Livestock

Sustainable Nutrient Management

Non Pesticidal Management

Organic Seed System

Support Systems

# Collectivisation and linking to markets

- Organising into FPOs and their federation
- Kisan business schools
- FPOhub to provide support services
- market linkages
- focus on local markets
- focus on increasing farmer share in consumer price

# Policy ecosystem

- Farmer income security framework
- Balancing between
  - Costs of cultivation incurred
  - Price realization
  - support received, and
  - costs of living
- Green revolution ecosystem: New varieties, fertilisers under subsidy, Free/subsidies seeds and National seeds corporation, Food corporation of India, Minimum support price, procurement and distribution, bank nationalization, priority sector lending, NABARD, APMCs, irrigation dams, agricultural universities, T&V system etc
- New policy ecosystem: equitable support to organic/natural farming, incentivizing ecosystem services, livelihood support, creating vibrant markets, investment on local infrastructure with FPOs, risk coverage, direct income support



# Direct income Support: Telangana Rytu Bandu Scheme

- Telangana government started this initiative in 2016
- Investment Support Agriculture and Horticulture crops by way of grant of Rs. 5,000/- per acre per farmer each season for purchase of inputs like Seeds, Fertilizers, Pesticides, Labour and other investments in the field operations of Farmer's choice for the crop season.

## **Some features and issues**

- It is disbursed in two instalments.
- Only land owners are considered as beneficiaries
- No cap on the maximum land holding hence no cap on amount paid.
- Problems and suggestions for Telangana Rytu Bandu model
  - it should be modified to support cultivators and extended only to lands under cultivation otherwise absentee land lords will increase and they would be most benefiting
  - Not all farmers take same amount of risk hence it cannot be uniform across board for eg dry land farmers may face more risk, small farmers may face more risk. There should be state level mechanism of accessing and indexing it to the risk each category of farmer face and to inflation.
  - It should be institutionalised like employees salaries and DA and not just a political dole during every election
  - All other support systems like access to institutional credit, crop insurance, subsidies, support prices have to be implemented properly and this is a last resort to compensate

# AP: Rytu bharosa

- Every farm household gets Rs. 13,500 per annum (which includes Rs. 6000 from PM Kisaan) in three installments
- Mechanism to identify tenant farmers defined in 'Crop cultivators rights act 2019'

# West bengal: Krishak Bandu

- every enrolled farmer is eligible to get financial support of Rs. 5000/- per year per acre of cultivable land owned, payable in two equal instalments i.e. @ Rs. 2500/- (Kharif & Rabi) once during Kharif and thereafter during Rabi season.
- Farmers having less than one acre of land will be eligible for assistance on pro rata basis subject to a minimum of Rs. 2000/- per farmer per year.
- Tenant farmers also eligible

**KALIA (Odisha):** Krushak Assistance for Livelihood and Income Augmentation was announced by the Odisha government with a budget allocation of Rs. 10,000 cr. in 2017 The scheme has five different components.

- **Support for Cultivation:** 30 lakh small and marginal farmers will be provided Rs 10,000 per family as assistance for cultivation. Each family will get Rs 5,000 separately in the kharif and rabi seasons, for five cropping seasons between 2018-19 and 2021-22
- **Support for Livelihoods:** 5 lakh landless households, and specifically SC and ST families will be supported with a unit cost of Rs 12,500 for activities like goat rearing, mushroom cultivation, beekeeping, poultry farming and fishery.
- **Financial Assistance:** up to Rs. 10.00 lakhs to vulnerable agriculture households and land less labour
- **Interest free crop loans:** to all farmers upto Rs. 50,000

**PM Kisan (Central Government):** PM Kisan Samman Nidhi Scheme

Under this programme, vulnerable landholding farmer families, having cultivable land will be provided direct income support at the rate of `6,000

- This income support will be transferred directly into the bank accounts of beneficiary farmers, in three equal instalments of ` 2,000 each.
- Around 12 crore small and marginal farmer families are expected to benefit from this.
- The programme would be made effective from 1 st December 2018 and the first instalment for the period up to 31st March 2019 would be paid during this year itself.
- This programme will entail an annual expenditure of ` 75,000 crore.

# Chattisgarh: Rajiv Gandhi Kisan Nyay Yojna

- Under the scheme, Rs 5,750 crore will be disbursed in four instalments to farmers of 14 different crops in the state.
- Sugarcane farmers will get a grant of Rs 13,000 per acre, while paddy farmers will get Rs 10,000 per acre.
- farmers also got a minimum support price (MSP) of Rs 2500 on paddy procurement directly into their account.
- Rajiv Gandhi Grameen Bhumiheen Kisan Mazdoor Yojana: landless agricultural labourers and those who make a living from traditional occupations will be given Rs 6000/- annually directly into their bank account.

# Insurance schemes

- **Telangana: Farmers Group Life Insurance Scheme (Rythu Bima)**
  - to provide financial relief and social security to the family members/ dependents, in case of loss of farmer's life due to any reason
  - Farmers in the age group of 18 to 59 years are eligible for enroll under the scheme. The entire premium is paid by the government
  - In the event of the death of the enrolled farmer due to any cause including natural death, the insured amount of 5.00 Lakhs INR (Approx. USD 6928) is deposited into the designated nominee account within (10) days
- **AP YSR Crop Insurance Scheme.** Under this scheme crop Insurance will provide to the farmers for the loss of all the notified crops due to natural calamities. There will be around 22 notified crops. This crop Insurance will be free of cost.
- **Odisha Kalia Life Insurance cover:** of Rs. 2.00 lakhs and additional personal accident cover of Rs. 2.00 lakhs to 57 lakh households of cultivators and landless agricultural labor.

# Structural changes

- Chattisgarh: NGGB-Naruva, Garuva, Garuwa and Badi
- AP: Rytu Bharosa Kendra, Community Managed Extension
- Telangana: Rytu Smanvaya samiti

# Other schemes

- Andhra Pradesh: APCNF
- Himachal Pradesh: ZBNF
- Loan waivers in five states
- Kerala
  - Debt relief
  - MSP to vegetables
- Odisha
  - Millet mission
  - FPO fund
- Telangana:
  - Regulated cropping systems
  - Dalit bandu
- Gujarat: 900 Rs/cow for maintenance
- Madhya Pradesh: Mukya mantri Bavantar Bhugtan yojana

# Central govt

- PM Kisaan
- 10,000 FPOs
- Natural farming
- Farmers income insurance scheme (tried earlier)



# Outline of Income Security Policy

- **Farmers Income Commission:** Mandate is to ensure minimum living income to all agricultural families. Assesses real net incomes of farm families across India. Possibly develop a Farmers' Income Index. Makes specific recommendations to achieve minimum income.
- **Synergy among farmer support systems:** Recommendations cover many income-enhancing measures (prices, insurance, credit, low-cost agriculture etc). Instead of working separately, they will be geared to meet the common mandate of farmer incomes
- **Accountability:** Places accountability on the government to ensure that all the thousands of crores spent in the name of farmers actually results in better incomes
- **Income Guarantee Payment:** If income estimate falls below threshold, Commission determines Income Guarantee payment
- **Real cultivators and workers:** System covers real cultivators and agricultural workers – not absentee landlords. A differentiated approach may be needed to assess incomes of different sections.
- **Inbuilt Equity principle:** Since per-family minimum income is assured, there is equity principle built into it. *E.g.* A 3-acre family might fall below income threshold but 10 acre farmer is not likely to. Most other support measures are proportional to acreage.
- **Not a single 'silver bullet' solution:** Should not be seen as a silver bullet to address all problems. Land rights, land reforms, rights over seeds, ecologically sustainable agriculture form other dimensions that should all be pursued. Income Security system should be designed to go hand in hand with those.

# Farmers Income Commission

- **Farmers Income Commission** as a statutory body which examines the real income of farmers every year across the states.
  - Make specific recommendations to ensure that agricultural families are assured a minimum income level
  - Based on shortfall over 3-year period, determines Farmers Income Guarantee payment to be paid to cultivators – possibly with slabs. This can be determined at aggregate level, based on an Income Index. This is periodically revised based on new data.

# Basket of measures for farmer incomes

- Pricing policy including MSPs should be strengthened. Price Guarantee system (or Deficiency Price Payments) should be used – applying to all 25 crops, independent of procurement
- Reduce Cost of Cultivation – promote low-cost methods
- Farmer collectives for production, marketing, processing – with farmers getting bigger share of value chain
- Access to timely credit at low interest
- Crop insurance & Disaster Compensation
- Producer Bonus for ecological farmers & rainfed agriculture
- Social Security system for all unorganized sector

# Disaster Relief and Crop Insurance

- Loss of crop and livestock due to natural disasters is a major cause for indebtedness and destitution
- Timely and adequate compensation for crop loss (Rs.10,000 per acre) and livestock loss
- Measures to protect crop and livestock during impending or ongoing disaster situation
- Effective crop insurance which should be available for all farmers for all crops

# Comprehensive Social Security

- A strong social security system should be in place to provide health-care, pensions and accident/life insurance for all agricultural workers and farmers
- Education system and other rural amenities should be strengthened so that it is attractive for future generations to remain in the rural areas

# Payment for Ecosystem services

- Ecosystem services are the conditions and processes through which natural ecosystems, and the species that make them up, sustain and fulfil human life
- Payments for Ecosystem services recognises that farmers contribute not just the
  - **tangible outputs** of food, fibre, fodder and fuel to the world, but also many
  - **intangible benefits** including the protection of biodiversity, soil and water conservation, protection of natural land scape, ethical treatment of animals, lower use of fossil fuels as well as reduced levels of nitrate leeching into the soil due to changes in farming practices

# Farmer Incomes focus in other countries

Across the world governments have adopted basket of measures to ensure income security to farmers with twin objectives

- a. To ensure parity of incomes between agriculture sector/ farmers and other sectors/ non-farmers, and thereby ensure equality and justice in the society
- b. To ensure food production and food self sufficiency

Some of the popular models are

- 1. Decoupled Income Support:** Support for farmers that is not linked to (is decoupled from) prices or production. As WTO has brought in restrictions on trade distorting subsidies and Direct Income Support comes under the blue box subsidies. Some of the countries which have adopting this model are USA, China, Australia, Korea, Japan
- 2. Payments for Ecosystem Services/conservation subsidies:** Payments made to farmers for maintaining the ecosystem, conservation of natural landscapes, environmental friendly production etc. e.g. USA, Switzerland, Korea, Japan, Malaysia
- 3. Payments for less favoured areas:** like rainfed areas, hilly terrains etc. eg. Korea
- 4. Productivity bonuses and Price Compensations:** Support to farmers beyond the market price. E.g Malaysia, USA, Japan, Korea, EU, USA, Switzerland

# Securing farmers incomes

**To ensure parity of incomes between agriculture sector/ farmers and other sectors/ non-farmers, and thereby ensure a equality and justice in the society**

- Strong motivation for govts. to put in place the support system for farmers. Equality and justice are goals worth pursuing in themselves. This is seen regardless of whether the country is capitalist or socialist, regardless of whether the country is poor or rich, regardless of whether the country is a food sufficient or food-insufficient. The difference is in the tools- direct payments or subsidies or a mix of both.
- USA, Europe, Australia, Malaysia, Japan, China
- **Encourage Food Production and Ensure Food Sufficiency**
- Through subsidies and direct payments not to distort the market prices. Based on the concept of producer bonus or targeted or minimum support price
- Japan, China, Malaysia, Australia

To conserve, protect and sustain environment/ecology

- To pay for the ecosystem services
- Switzerland, USA, Australia, Coasta rica



# United states of America

- **Market loan program as a price-support program:**
  - Originally it was just a short-term loan program designed to moderate supply and price fluctuations
  - Offered marketing loan assistance to give farmers the ability hold onto their crop and sell when it is most needed on the market... Under the program, farmers take “nonrecourse” loans from the USDA using their crops as collateral, which allows farmers to default on the loans without penalty
- **Direct Subsidies:**
  - Conservation subsidies
  - Risk Management Agency: Insurance against both nature failures as well as market failures
  - Disaster aid
  - Export subsidies
  - Decoupled Farm Income Support

# European Union

- Direct Payments to make
  - agri. sustainable and environmental friendly
  - parity between the farm and non-farm sectors
  - crop insurance against natural failures
  - payments for crop diversification and non-farm activities
- Agri. Provides 10% of employment but agri. Payments form 39% of the total budget of EU.
- Due to WTO compulsions subsidy payments have decreased but payments for protecting the environment and rural development have increased

# Switzerland

- **1996: New article (Article 104) in the Swiss Federal Constitution which talks about Multi-functionality and sustainability of SWISS agriculture. **Multi-functionality means, The Confederation shall ensure that agriculture makes a major contribution through sustainable production geared to market demands so as to****
  - ensuring food supplies for the population;
  - maintaining the natural resources and preserving the countryside;
  - maintaining a decentralised settlement pattern in rural areas.
- Policy designed to Reduce subsidies Move from production based subsidies to Direct Payments
- Measured Against
  - Animal Welfare
  - Balanced use of fertilisers
  - Ecological Compensation areas
  - Crop Rotation
  - Soil Protection

## Instruments used

Price support

Direct payments for basic services

Ecological direct payments

# New Agricultural Policy, Switzerland

- Productivity increased by 1.6% per year
- Increase in gross and net calorie production by 10% and 5% respectively
- Loss of Nitrogen down 14%
- Loss of Phosphorous down 70%
- Livestock numbers reduce by 10%
- Improvement in biodiversity

# Farmers income security

- **Australia:** Farm household allowance for three years, every fortnight, equivalent to unemployment allowance is being given regardless of drought or any problem to all farm households, in addition to exceptional circumstances relief payments, and loan payments to farm families facing financial hardships.
- **China:** Support to ensure domestic food security, raise farmers incomes, achieve sustainable development.
  - direct payments for grain production
  - subsidies for agri. Inputs, farm machinery purchase, for improved crop varieties
  - minimum purchase price for rice and wheat
  - temporary purchase and storage policies
  - Environment protection policies
  - rural development policy.
  - elimination of agricultural taxes
  - Rural-urban income gap to be reduced
  - Farmers' purchasing power to be increased

# Farmer Incomes focus in other countries

---

## **South Korea:**

- Direct income support
- price compensation
- payment for environment conservation
- direct payment for less favored areas

## **Malaysia:**

- Productivity bonus
- Price compensation
- ecosystem services
- Guaranteed minimum price
- paddy price subsidy and control
- Quantitative restrictions on rice imports to ensure rice production
- Protects other crop farmers like tobacco, through high import tariffs
- Export subsidies to promote oil palm

## **Japan:**

- Price support and direct income payments
- New farm income support from 2010 for rice farms
- High tariffs on imports are measures thru which farmers are protected

# India: Farm income insurance scheme

- Objectives
  - To protect against Production Risk
  - To protect against price and market risks
- Main features
  - Determination of income level (Guaranteed Income) using past yield and MSP (Reference price)
  - Fixation of indemnity level and premium based on the risk exposure
  - Assessment of the indemnity payments based on actual income i.e. the difference between the product of actual yield and market price, and Guaranteed income
- Premium 5%
- $\text{Guaranteed income} = \text{MSP} \times \text{Average Yield of last 7 years} \times \text{Indemnity level (80-90\%)}$ .
- $\text{Actual income} = \text{Market Price} \times \text{the Actual Yield of the Unit Area}$  which may be Block or Tehsil (to be brought down to Panchayat level within three years)



[csa@csa-india.org](mailto:csa@csa-india.org)  
[pgs@csa-india.org](mailto:pgs@csa-india.org)  
[info@sahajaaharam.com](mailto:info@sahajaaharam.com)  
[grameen@csa-india.org](mailto:grameen@csa-india.org)

Call on 8500 68 3300  
8500 78 3300  
8500 98 3300

# Thank you



<http://www.csa-india.org>

<http://www.sahajaaharam.com>

<http://www.grameenacademy.in>