Public Policy Issues Impacting on Food Systems, Farmers Livelihoods & a Framework to Ensure Income Security for Farmers

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Agroecological approaches

Diversifying Livelihoods

Centre for Sustainable Agriculture 2004-2021

Caring for those who feed the nation

Building Farmers Institutions

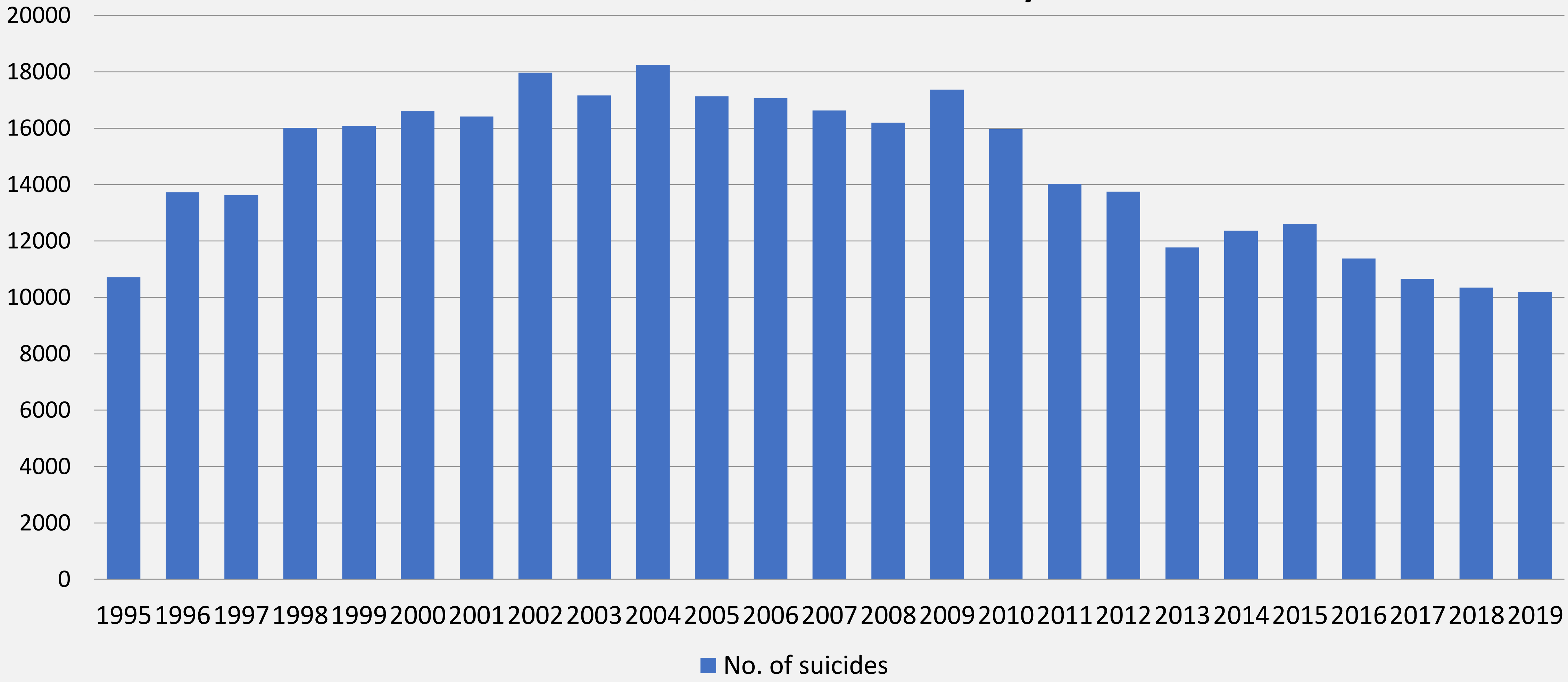
Improving public policy

Crisis-the context

- **Low income of farmers:** 85% of the farmers income is less than their expenditure is around Rs. 96,000 per year
- **Unremunerative prices:** low price realisation for most of the farmers and most of the crops
- **Increasing risks due to climate change:** extreme weather events like droughts and floods
- **Depleting and degenerating natural resource base:** water, soil, biodiversity, air quality etc
- **Hunger and Malnutrition:** increasing hunger and malnutrition specially in women and children
- **Reducing Government Support:** Investments and Regulations
- **Exposed to larger monopolies and market anomalies** : Exclusive controls, Dumping

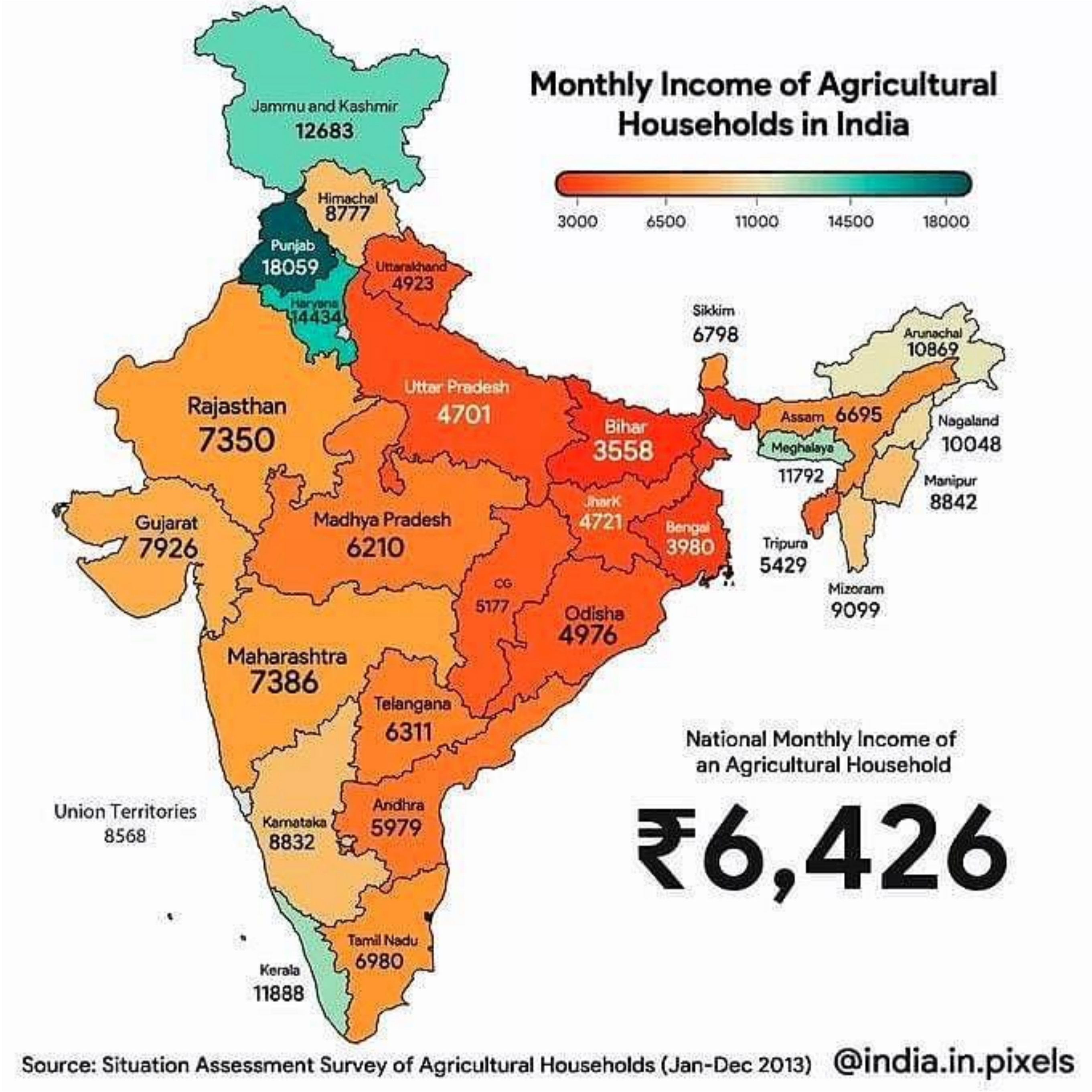
Farmer Suicides in India 1995-2019

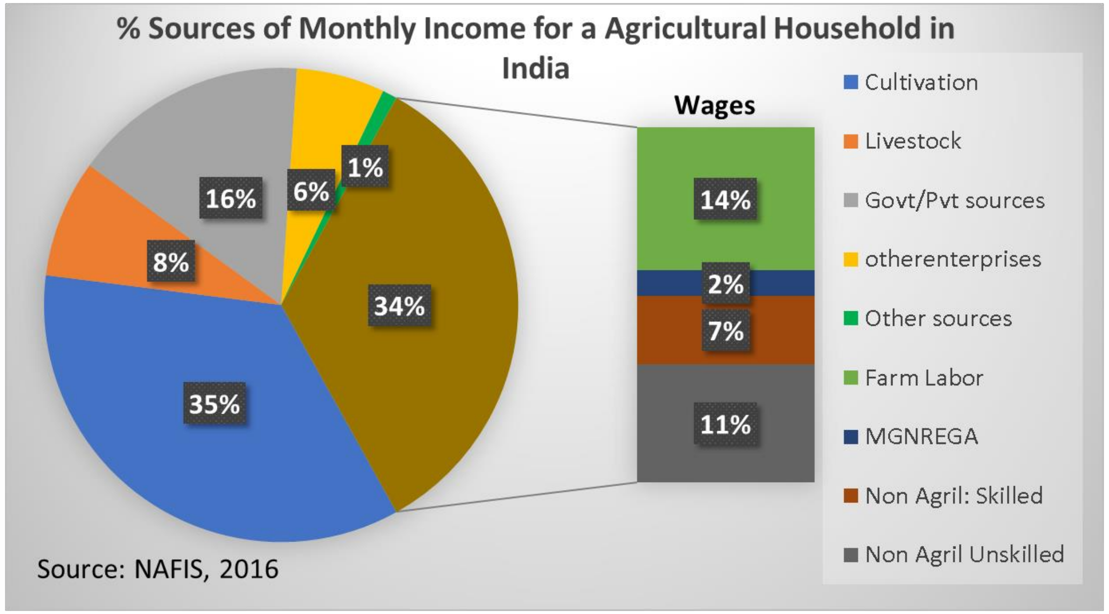
Total 3,63,996 in 25 years



Source: NCRB 1995-2019

http://www.kisanmitra.net



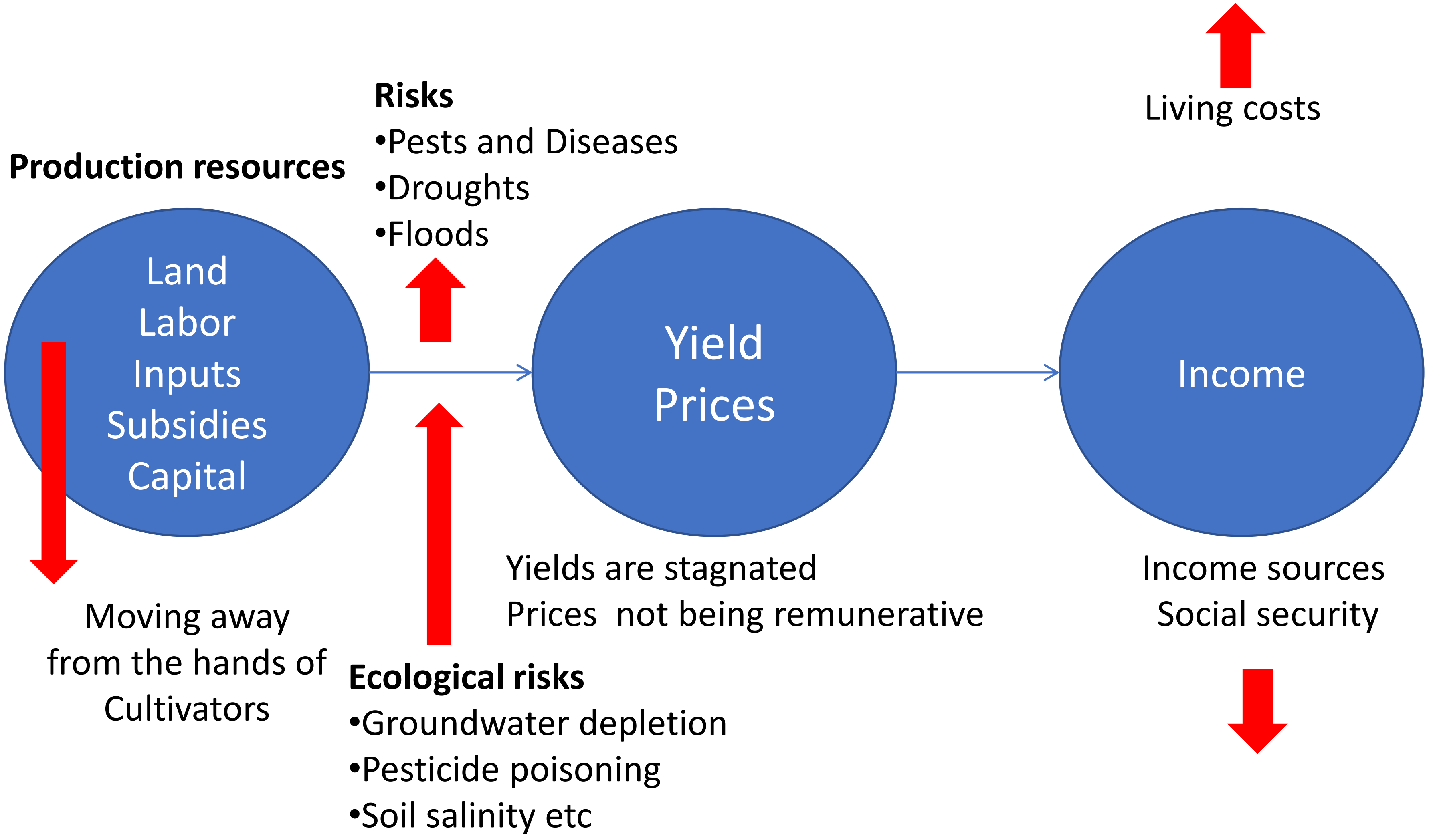


- National Average income of Farmers is estimated by Doubling the Farmers Income committee as Rs. 8059 per month (Rs. 96,703/year) at 2015-16 prices
- NAFIS estimated that it would be Rs. 8,931/month (Rs.`1,07, 172/year) in the agriculture year 2015-16. This is up from `2,115 earned in 2002-03 as per NSSO’s SAS, implying a compounded annual growth rate (CAGR) of about 12% in nominal terms and 3.7% in real terms

-NABARD All India Rural Financial Inclusion Survey (NAFIS) 2016-17

- To achieve the Doubling Farmers Income by 2022-23, the farmers’ real incomes need to grow at 10.4% per annum, i.e., 2.8 times the growth rate achieved historically (3.7%)

Crisis in Agriculture



Ecological crisis

Agrochemicals

- Decreasing fertiliser responsiveness
- Leaching out and pollution
- Contribution to climate change
- Pesticide residues in food, soil and water
- Pest resistance, shifts and resurgence

Water

- Depleting groundwater levels
- Increasing numbers of dams, lift irrigations
- Salinity

Energy Use

- Electricity for irrigation
- Coal and Petroleum products for fertiliser manufacturing
- Fuel for farm machinery
- Storage, logistics

- New challenges
  - Climate Change and associated risks
  - Natural resource depletion
  - Food safety
  - Malnutrition

- Driven by public policy by restricting farmers choices.
  - **Investments and regulations:** Inequitable and no accountability
  - Subsidies in few crops, fewer inputs and few ways of producing crops
  - Regional variance

Zones	% AGL	State / Indicator	1	2	3	4	5	6	7	8	9	10	11	12
1	5%	Jammu and Kashmir	1.86	3530	H	9%	24%	100%	18%	2	238		39	MSD
1	15%	Himachal Pradesh	0.37	3792	H	29%	51%	75%	50%	2	52		35	MSD
1	79%	Uttarakhand	0.12	2078	L	1%	50%	89%	23%	2	314		138	Yes
2	5%	Arunachal Pradesh	0.06	65	H	0%	0%	100%	0%		0		0	MSD
2	14%	Sikkim		3749	H	0%	26%	100%	0%		0		0	Yes
2	17%	Manipur	0.09	494	H	3%	1%	100%	0%		4		24	No
2	47%	Meghalaya		375	H	4%	0%	100%	0%		1		0	MSD
2	17%	Mizoram		6	L	2%	3%	100%	25%		0		17	Yes
2	42%	Nagaland		5	H	0%	2%	100%	0%		0		16	No
2	26%	Tripura	0.62	2169	H	64%	7%	100%	0%		61		25	No
2	43%	Assam	0.07	227	H	5%	16%	100%	0%	1	9	11%	27	No
3	64%	West Bengal	0.27	1559	H	24%	45%	71%	9%	1	122	47%	82	MSD
4	70%	Bihar	0.11	621	M	6%	45%	97%	26%	2	42	63%	139	MSD
4,5	29%	Uttar Pradesh	0.39	144	L	3%	74%	74%	63%	2	391	83%	104	No
6	85%	Punjab	0.74	928	L	0%	149%	19%	91%	2	1301	100%	178	No
6	83%	Haryana	0.62	324	L	5%	135%	25%	86%	2	1306	100%	164	No
6,8,14	75%	Rajasthan	0.05	442	L	41%	140%	18%	100%	5	712		40	Yes
15	65%	Gujarat	0.13	243	L	39%	68%	78%	67%	5	1153	62%	91	Yes
7	54%	Jharkhand	0.35	597	L	93%	23%	94%	4%	1	59	5%	34	No
7	41%	Chhattisgarh	0.26	336	L	11%	37%	86%	44%	1	435	35%	59	MSD
7,11	44%	Odisha	0.15	1306	L	66%	30%	98%	93%	1	33	33%	35	Yes
7,8,9	56%	Madya Pradesh	0.03	425	M	2%	57%	73%	96%	3	498	30%	51	Yes
9,12	69%	Maharashtra	0.57	727	L	36%	54%	92%	83%	4	948	26%	63	Yes
10	61%	Telangana	0.72	1110	L	42%	58%	70%	100%	2	2842	97%	164	MSD
10,11	56%	Andhra Pradesh	0.24	1110	H	10%	44%	74%	100%	4	2842	97%	124	MSD
10,12	67%	Karnataka	0.10	1379	L	38%	66%	56%	73%	6	1476	75%	88	Yes
10,11,13	62%	Tamil Nadu	0.33	1497	L	0%	77%	38%	84%	3	2051	93%	87	MSD
12	53%	Goa	0.14	129	H	22%	37%	100%	0%		133		22	MSD
12	58%	Kerala	0.41	711	H	1%	47%	86%	79%	4	121	77%	15	Yes

Sustainable Agriculture Report Cards for Indian States

Legend	Indicator
Zones	Ago-climatic zones in the state
% AGL	Agricultural land as a percent of total geographic area
1	Pesticide consumption (kg/ha)
2	Use of Farm Yard Manure (kg/ha)
3	Highest % samples classified as "Low" (L) Medium" (M) or "High" (H)
4	% of degraded agricultural land
5	% of Ground water Development
6	% wells classified as "Safe"
7	% districts with nitrate concentration over permissible limits
8	No. of most sown crops to cover 50% of Total Cropped Area
9	Per hectrare electricity use in agriculture (kWh/ha)
10	% area of paddy under irrigation
11	Per hectare use of nitrogen fertilizer (kg/ha)
12	Existence of sustainable/natural/ organic farming policy
MSD	Mission/Scheme/Draft Policy

Source: Divya Veluguri et.al, EPW, june 29, 2019 vol lIV nos 26 & 27

Decision on cropping patterns and practices

- Based on natural resources (land, water, and climate)
- Economic and ecological viability at the producer level
- Affordable access to Safe and Nutritious food at the consumer end

Ecological security of production systems: Ecologically sustainable models of agriculture
Economic Security for rural livelihoods: economically viable livelihood opportunities for farmers and other rural people
Nutrition Security: Increasing access to safe, healthy and nutritious food for all

Table 4. State wise subsidy on fertiliser, water and other inputs per hectare of net sown area, average of 2014-15 and 2015-16.

State	Power subsidy (Rs crore)	Fertilizer subsidy (Rs crore)	Net Sown area (000 ha)	Subsidy per ha NSA (Rs/ha)		
				Power	Fertilizer	Total
Puducherry	24	32	16	15049	19973	35022
Haryana	6605	4085	3522	18756	11601	30357
Punjab	6651	5571	4119	16148	13525	29674
Tamil Nadu	9811	2795	4819	20359	5800	26159
Telangana	7447	3142	4377	17016	7179	24195
Andhra Pradesh	6355	4189	6236	10190	6718	16908
Delhi	12	18	22	5255	8034	13288
Karnataka	7063	4501	10044	7032	4481	11513
Uttar Pradesh	6261	12634	16598	3772	7612	11383
Uttarakhand	115	614	700	1638	8775	10413
Maharashtra	10912	7082	17345	6291	4083	10374
Madhya Pradesh	9586	5189	15351	6244	3380	9624
Gujarat	4911	4666	10302	4767	4529	9296
Bihar	175	4593	5278	331	8701	9033
West Bengal	477	3903	5238	911	7450	8361
Rajasthan	8605	4132	17521	4911	2358	7269
Jammu & Kashmir	220	328	758	2902	4324	7226
Chhattisgarh	794	1686	4681	1696	3601	5297
Jharkhand	67	433	1385	482	3129	3611
Odisha	113	1292	4474	253	2888	3140
Kerala	113	515	2043	552	2521	3073
Himachal Pradesh	-7	159	550	0	2897	2897
Tripura	16	50	255	643	1941	2584
Assam	4	709	2827	0	2508	2508
Goa	9	12	129	700	904	1604
Manipur	1	46	383	23	1198	1221
Mizoram	0	10	145	0	661	661
Nagaland	0	6	384	0	158	158
Arunachal Pradesh	0	2	225	0	80	80
Meghalaya	0	0	286	0	10	10
Sikkim	0	0	77	0	0	0
Overall	86472	72392	140090	6173	5168	11340

Other product based subsidies
- Seed subsidies
- Farm machinery
- Animal subsidies

Agriculture Subsidies in India, NITI Ayog, 2018

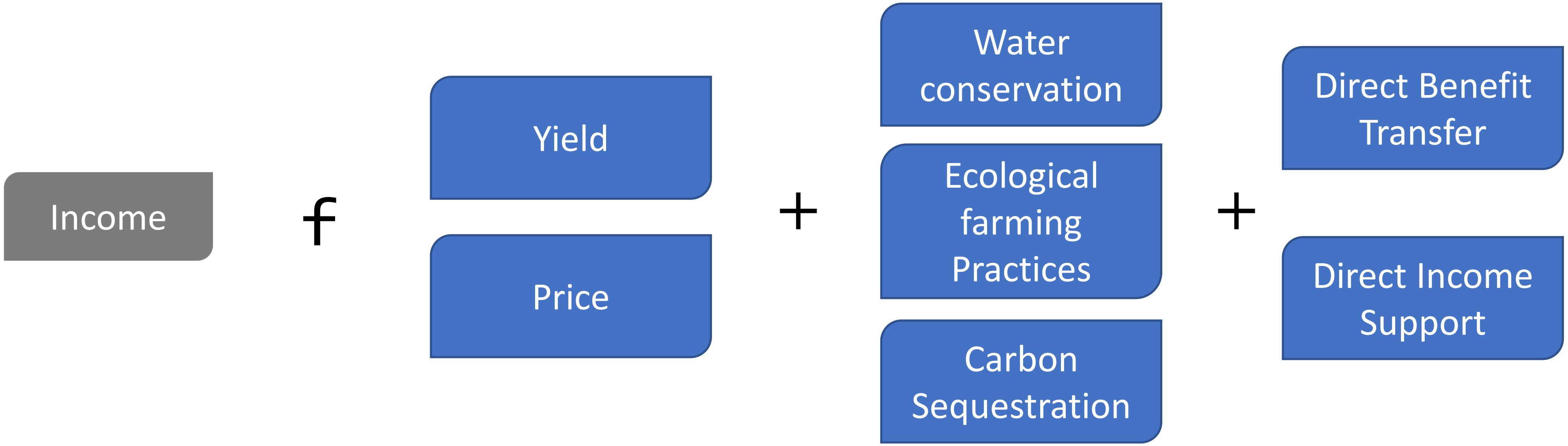
Ecological costs of conventional farming

- Fertiliser Use
  - High energy use and pollution in production -Fertilizer industry uses 25 % of Natural Gas, 18 % of Naptha and 14 % of Fuel Oil
  - 6% of GHGs in production
  - Highly subsidised Rs. 1,20,000 cr at the national level and average upto Rs. 6,000/acre
  - Use efficiency max 15% rest is leached into water bodies or as NO_2 emissions (1.25 kg of N_2O emitted per 100 kg of Nitrogen applied) …clean up costs!
- Pesticide Use
  - Less than 1% of pesticide use kills insects rest in air, soil and water with long half life
  - Insect resistance and loss of diversity-eg. Bee collapse
  - Pesticide residues in food
- Water Use
  - Huge dams- Economic costs, environmental costs, displacements, GHG emissions (18.7% GHG emissions)
  - Depletion of ground water
  - Power for lifting water

$$\text{Farm Income}_X = \text{Yield}_{\text{Crop A}} \times \text{Price}_{\text{Crop A}} + \text{Yield}_{\text{Crop B}} \times \text{Price}_{\text{Crop B}} \times \ldots$$

PRESENT MODEL

NEW MODEL



Supporting ecosystem services

- challenges in terms of physical, social and ecological complexities of each region.
- Establishing a system that can be implemented and monitored locally, but supported from the State or Central level would be critical to ensure its success.
- A possible step by step process of the same could include:
  - Local communities define a particular watershed/ ecosystem area which is approximately the size of the local gram panchayat.
  - Based on local consultations, a proposal is drawn for the entire watershed to protect and enhance the local ecological balance.
  - The proposal is then submitted to the gram sabha that approves the plan and submits it to the State Government.
  - Based on a consolidated list of plans, the State government allocates funding to each gram sabha
  - After funding is released, the plans are implemented and monitoring is made both at local and State levels
  - Regions that show most improvement can be supported to take forward their plans.

Risk Management

- Main risks
  - Crops spreading to unsuitable areas-paddy, cotton etc
  - Monoculture leading to high pest and disease outbreaks
  - High water intensive crops
  - Increasing weather extremities
- Crop insurance or loan insurance!
  - large units
  - Premium cut off dates not practical
  - Claims very low
- What is required?
  - Shift to low risk cropping models
  - Crop planning at farm/village/block and district levels
  - Micro insurance
  - Village and hamlet based units for insurance

Disaster Management

- Climate Change
- Develop a Drought Management Policy
  - Redefine drought declaration process, include groundwater levels as a criteria
  - Establish institutional systems to Coordinate all agencies and organisations involved
  - Pre-drought strategies
  - Drought responses
  - Drought indicators and triggers
- Floods and Hail storms
- Focus on preventive support
- Disaster support
- Quick action and a standard protocol for state and centre support

Land issue

- Land use shift from agriculture to non agriculture
- Land ownership shift from cultivators to investors
- Resulting in increasing tenancy
  - No access to credit
  - No benefits from government
  - No incentive for long term investment

Appendix X – Proportion of Leased in Area in Various States

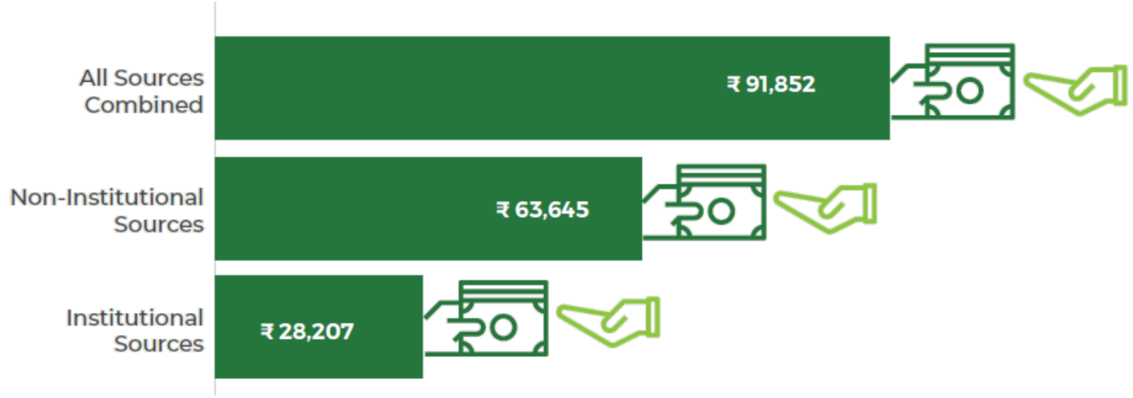
State	% of Leased in Land
Andhra Pradesh	33.75
Assam	4.21
Bihar	21.04
Chhattisgarh	9.45
Gujarat	5.63
Haryana	14.90
Himachal Pradesh	5.20
Jammu & Kashmir	0.15
Jharkhand	1.90
Karnataka	6.71
Kerala	8.55
Madhya Pradesh	5.05
Maharashtra	3.40
Manipur	7.58
Meghalaya	4.13
Mizoram	1.60
Nagaland	1.08
Orissa	16.61
Punjab	24.62
Rajasthan	7.76
Sikkim	18.21
Tamil Nadu	13.87
Telangana	13.56
Tripura	4.75
Uttaranchal	4.08
Uttar Pradesh	7.56
West Bengal	14.25
All India	**10.10**

Source: NSS KI (70/18.1): Key Indicators of Land and Livestock Holdings in India

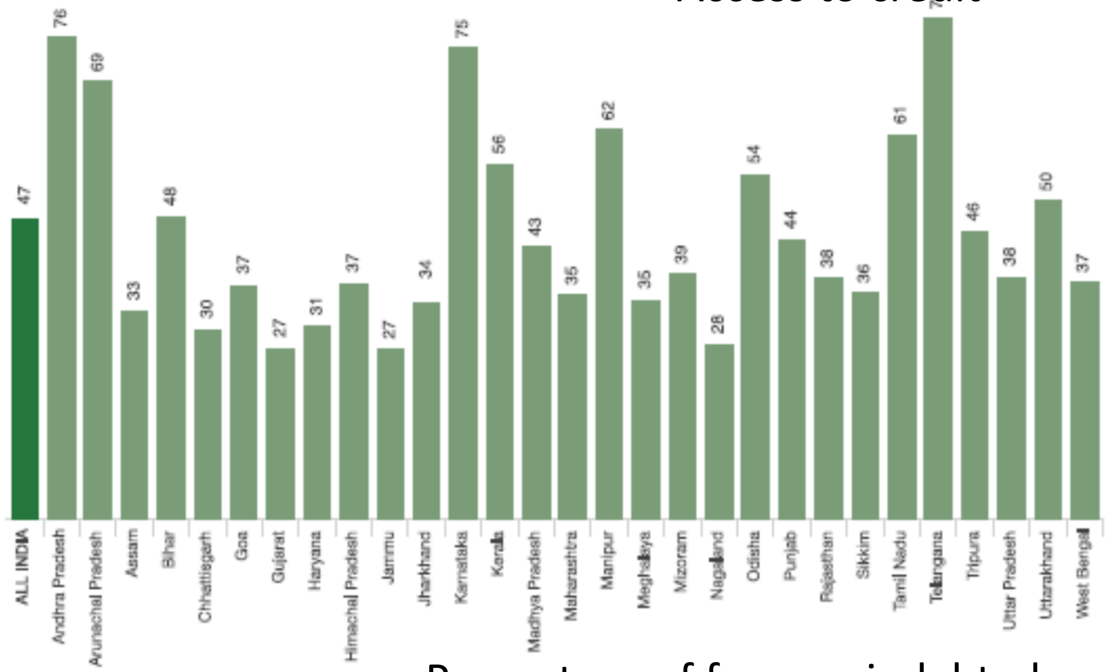
Addressing the problem

- Restrictions on land use shift
  - Land use policy-draft by united AP govt
- Restrictions on land purchases
  - Non cultivators cannot buy farm land-Maharashtra, Karnataka
- As a long term measure think of imposing tax on agricultural income of non cultivators
- Restricting access to all subsidies and support services to cultivators
- New age land reforms considering land as production and livelihood resource than as property

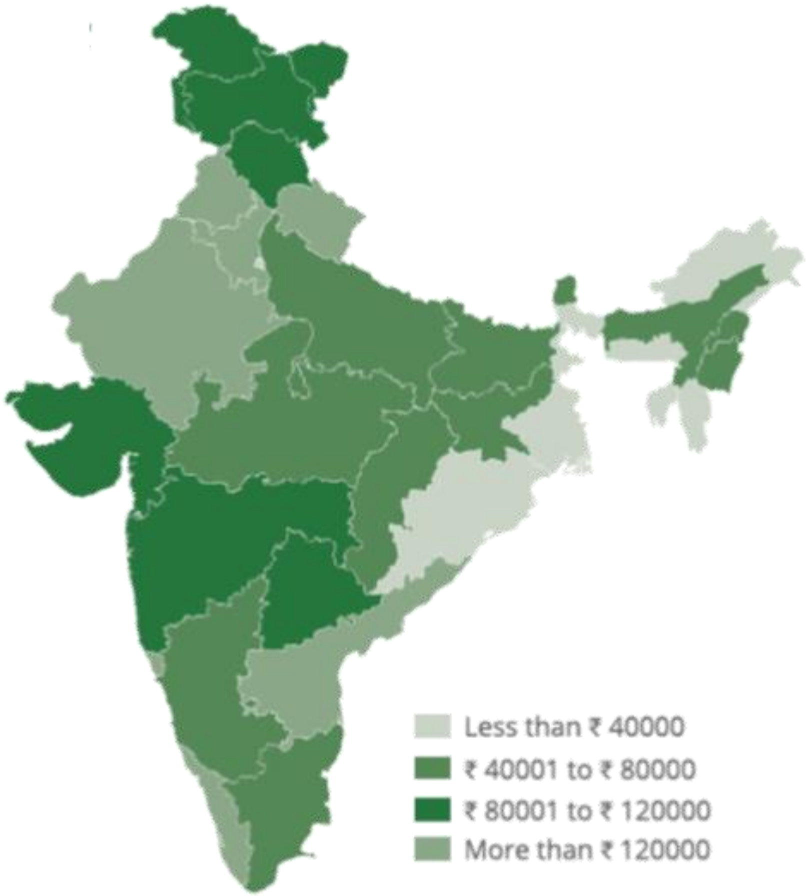
Credit and indebtedness



Access to credit



Percentage of farmers indebted



Indebtedness
(Rs. Per household)

Increasing access to institutional credit

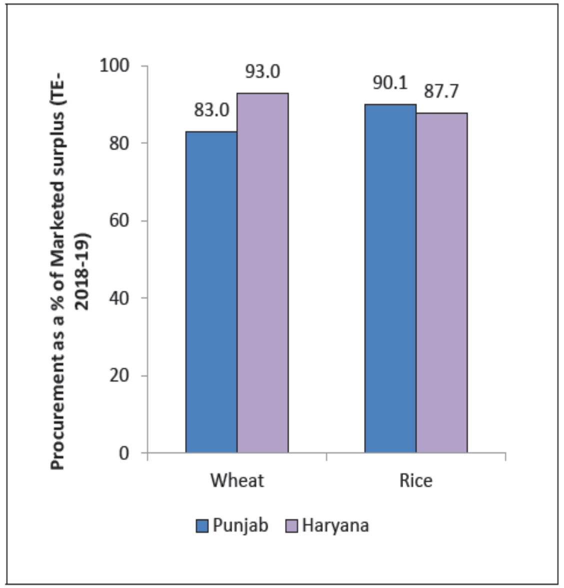
- Tenancy
  - Loan Eligibility Cards by Andhra Pradesh and Telangana
  - Joint Liability Groups by NABARD
  - Kutumbashree model in Kerala
- Loans as per the scale of finance
- Addressing indebtedness
  - Debt swapping
  - Restructuring with simple interest
  - Debt relief

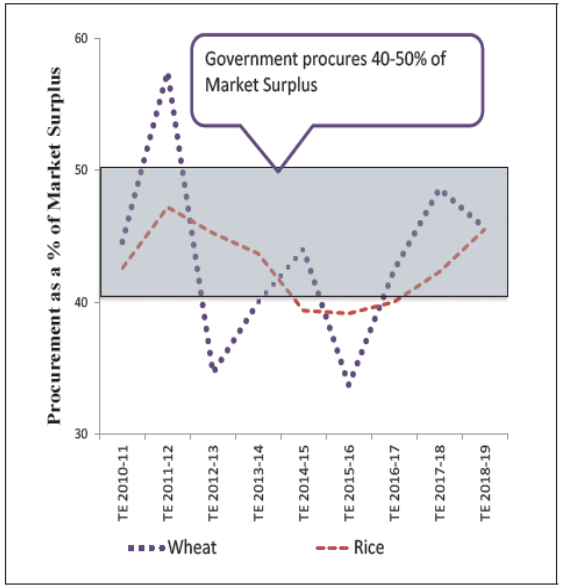
Prices and Markets

- Minimum Support Prices
  - Not remunerative due to state level variations
  - Not all crops covered
  - Not guaranteed
- Swaminathan Commission Recommendations
- Karnataka state agricultural prices and farmers income commission
- Bhavantar yojana –MP
- Price compensation-AP
- e-NAM, Futures Markets

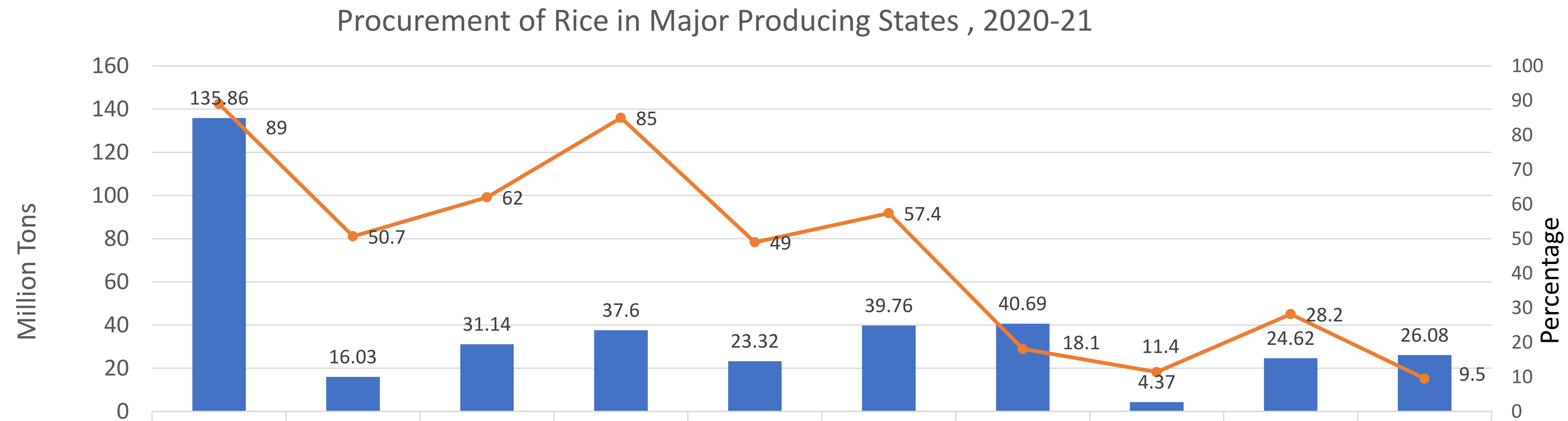
MSP and Procurement distortions-crops and regional

- MSP is announced for 24 crops but procurement varies across the crops and states
- The government procures 40-50% of the marketable surplus in rice and wheat (The Socio Economic Survey, 2019-20).
- Significant variances occur between states which causes distortion in the benefits of MSP reaching to the farmers.
- Predominantly rice producing states like UP, West Bengal (which together have 27% cropped area) have less than 20% of procurement. Same is the case with wheat.
- As a result, some states have benefited more than other states. While 95% of farmers in Punjab got benefited less than 10% of the farmers in UP got benefitted.





Source: FCI, DACF&W

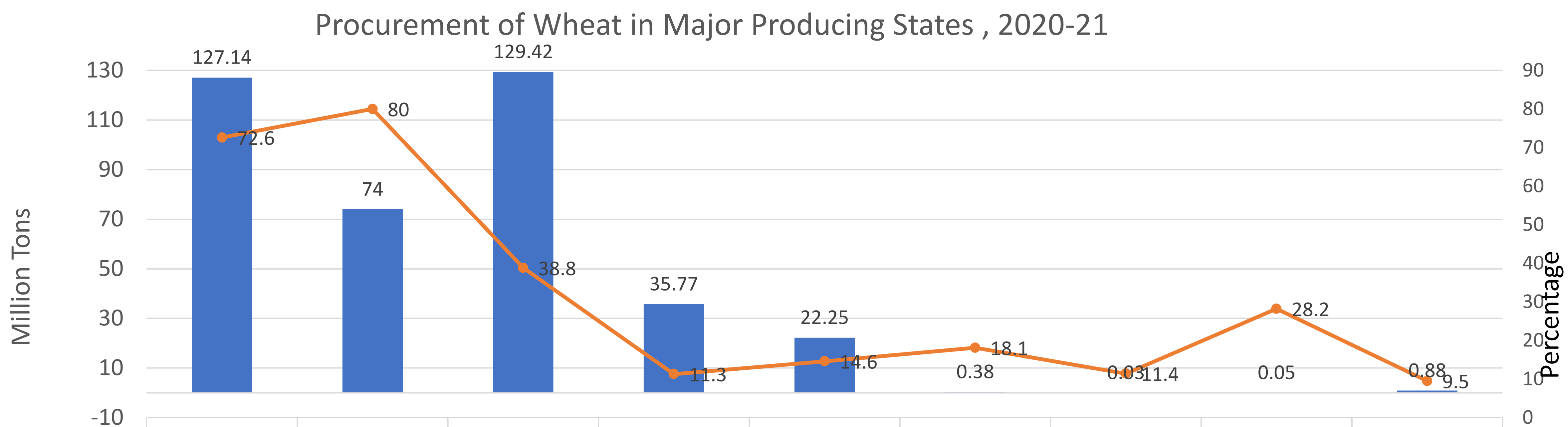


	Punjab	AP	TG	Haryana	Odisha	Chattisgarh	UP	WB	MP	others
Procurement	135.86	16.03	31.14	37.6	23.32	39.76	40.69	4.37	24.62	26.08
Proc as % of Prod	89	50.7	62	85	49	57.4	18.1	11.4	28.2	9.5

Source: FCI Procurement Data as o n 18th Jan, 2021 and Kharif Price Policy Report, CACP, 2020-21

1. Directorate of Economics & Statistics, Ministry of Agriculture and Farmers Welfare,
2. Food Corporation of India

This causes significant distortion in the benefits of MSP reaching to the farmers. For eg. in Punjab 89% of the paddy produced (90.1% of marketable surplus) is procured during the kharif marketing season of 2018-19.



	Punjab	Haryana	MP	UP	Rajashthan	Utterakhand	HP	Bihar	others
Procurement	127.14	74	129.42	35.77	22.25	0.38	0.03	0.05	0.88
Proc as % of Prod	72.6	80	38.8	11.3	14.6	18.1	11.4	28.2	9.5

Source: FCI procurement data as on Rabi Price Policy Report, CACP, 2020-21

1. Directorate of Economics & Statistics, Ministry of Agriculture and Farmers Welfare,
2. Food Corporation of India

Economics of procurement operations by FCI

Rs. 18,800
(Paddy)
Rs. 29,180
(Rice)
Per ton
MSP

Rs. 7,846/ton
(Mandi fee and Aarthiya Commission, logistics, storage, handling, distribution, damage and interest)

Rs. 37,026/ton
(Economic Cost)

Rs. 28,000/ton
International Price
(Loss of Rs. 9,026/tonne over Economic cost)
(24% loss)

Rs. 22,500/ton
Open Market Sale Scheme
(Loss of Rs. 14,526/tonne over Economic cost)
(39.2% loss)

Commodity	APL	BPL	AAY	NFSA	Other than NFSA
Wheat	Rs. 6100/ton	Rs. 415/ton	Rs. 200/ton	Rs. 200/ton	Rs. 610/ton
Rice	Rs. 8300/ton	Rs. 565/ton	Rs. 300/ton	Rs. 300/ton	Rs. 830/ton

Rs. 19,250
(Wheat)
Per ton
MSP

Rs. 7,776/ton
(Mandi fee and Aarthiya Commission, logistics, storage, handling, distribution, damage and interest)

Rs. 27,026/ton
(Economic Cost)

Rs. 16,400/ton
International Price
(Loss of Rs. 10,626/tonne over Economic cost)
(39.3% loss)

Rs. 22,500/ton
Open Market Sale Scheme
(Loss of Rs. 9,026/tonne over Economic cost)
(24.4% loss)

The new farm bills

- Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020
  - relaxes restrictions governing purchase and sale of farm produce
- The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020
  - dedicated legislation to enable contract farming based on written agreements
- Essential Commodities Act amendment, 2020
  - relaxes restrictions on stocking under the Essential Commodities Act (ECA), 1955

The Farm Produce Trade & Commerce (Promotion & Facilitation) Act 2020

- Allows the farmer to sell his produce anywhere in the country (Section 3)
- the private industry to set up mandis in villages
- Promotes setting up of electronic trading platform which can be used by the farmers to sell to customers in far off places (Section 5)
- Government’s ENAM and private electronic platforms will fill this need. Digital Quality assessment of the produce will be integrated on these platforms (Section 5 (1))
- Farmer can sell at his farm gate and save on transportation costs. This will shorten the supply chain to 2-3 links with the aim of increasing farmer’s share in the consumer price to 50-60%.

disputes

- MSP system will be abolished
- Procurement by government will stop
- Mandis will collapse since no farmer will sell in Mandis
- Private buyers outside Mandi will not be paying Mandi tax – loss of revenue for states
- Private buyers outside the Mandi will exploit by forcing farmers to sell at lower prices – MSP should be made mandatory for those transactions :
- Fly by night operators will enter and exploit farmers, will not pay him and run away
- No information about prices prevailing in private mandis outside the APMC Mandis. Information asymmetry will happen8. Dispute Settlement mechanism is inadequate:

Marketing outside APMCs

a. **Buying outside APMCs are allowed**
   a. Of the total trade in agricultural produce in India APMCs share is only 36% (NSSO Report 576).
   b. States like Bihar repealed APMC act and Kerala, Manipur, and Union Territories like Andaman and Nicobar, Daman and Diu, D&N Haveli Lakshadeep do not have APMC mandis
   c. In others 21 states/UTs have already made amendments to their APMC acts allowing direct marketing outside APMCs.
b. **Farmers are allowed to sell anywhere in the country:**
   a. This is a meaningless/purposeless proposal. Most of the farmers are today are unable to go to APMC mandis and are selling to local traders and expecting that they will go to other states and sell is beyond imagination for anyone.
   b. Within the states MSP procurement centres are restricted to buy from local farmers after a verification using land patta or other identification so farmers from outside the state cannot sell there. Only option would be to sell in the open market. Now with all the opening up of markets this also makes no sense.
   c. With digital platforms like eNAM being open anyway cross border sale can happen, it may help this to some extent.

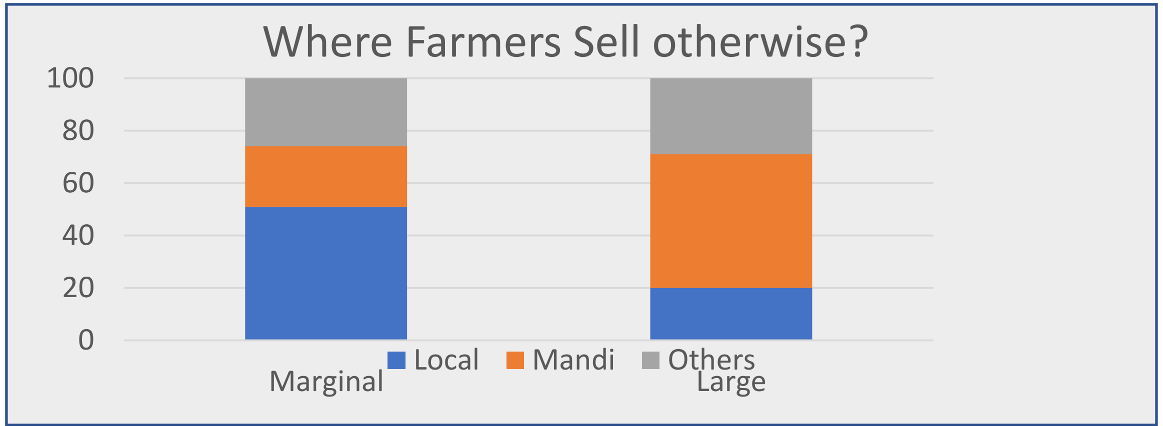
c. No tax would be collected from traders outside the APMC mandis:

a. Mandi tax is for providing particular services. In this case, it is the space, facilities etc are provided by APMC hence the Mandi tax.

b. As APMC acts are enacted by states, states can take decision on this. Presently various taxes/fee/commission in APMCs in various states range from 1% in some states to 8.5% in Punjab. Karnataka, Gujarat and Maharashtra have abolished the market cess.

c. This was a request from several of us why should any trader including any FPO pay mandi tax when they are not using the facilities at Mandis?

d. If the states continue to charge the mandi tax in APMCs and traders may prefer to buy directly from the farmers. Particularly this is bigger threat for states like Punjab and Haryana as they charge higher mandi tax (6% and 4% respectively)



State	Market fee/Mandi charges (%)	Rural Development Fee (%)	Commission/Other Charges (%)	Total
Andhra Pradesh	1.0	-	-	1%+FC*
Assam	1.0	-	-	1.0%
Chhattisgarh	2.0	-	0.2	2.2%+FC
Haryana	2.0	2.0	2.5	6.5%
Karnataka	0	-	3.5	3.5%
Kerala	-	-	-	0.07%
Maharashtra	1.05	-	-	1.05%+FC*
Madhya Pradesh	2.0	-	0.2	2.2%+FC*
Odisha	2.0	-	-	2%+FC*
Punjab	3.0	3.0	2.5	8.5%
Telangana	1.0	-	-	1%+FC*
Utter Pradesh	2.0	-	0.5	2.5%+FC%
West Bengal	0.5	-	-	0.5%+FC*

*FC-Fixed charges which includes a commission paid to coop/CHG for procurement Rs. 31.25/q for common grade and Rs. 32.00/Q for fine grade paddy

Some suggestions

- Needs ecosystem building-state and centre should work together and take 2 years transition time
- Fund to upgrade existing APMC mandis and establish more
- Major capacity building of farmers and FPOs
- Grid of National electronic platform
- FPO facilitating centres at district level
- MSP as a measure should continue but equitably distributed between states
- Agricultural market Regulatory body at national level
- Digital registration system should be initiated
- Add an incentive for Punjab and Haryana farmers to diversify

APMC or FCI who is providing better price?

- All MSP procurements are not through APMCs.
- Procurement is done by FCI/NAFED and State Agencies
- In major wheat and paddy procuring States like Punjab, Haryana & some parts Rajasthan procurement from farmers is undertaken by the FCI/State Agencies through Arhatiyas as per APMC Acts of the concerned State for which commission @ 2.5% of MSP is paid in the States of Punjab & Haryana and @2.25% in Rajasthan.
- In other States like MP, Chhattisgarh, UP, Uttrakhand, AP, Tamilnadu, Bihar, Jharkhand, Odisha, West Bengal procurement is made through Co-operative societies and they are paid fixed remunerations at following rates-
  - Wheat: Rs 27.00 /Qtl,
  - Paddy (Grade 'A'): Rs 32/Qtl,
  - Paddy (Common) : Rs 31.25/Qtl.
  - (https://fci.gov.in/procurements.php?view=86).
- In states like Telangana and Andhra Pradesh they are procured through the procurement centres set up with the women self help groups and they are paid the fee

Issues in giving MSP a legal status as demanded by farmers organisations

- MSP is a market stabilising instrument
  - when supply is lower than demand
  - To incentivise promotion of a practice, crop etc
- Already no demand for many crops due to more supply and lack of purchasing power, changing habits and imports
- The distortion between crops and region may continue

Amendments to Essential Commodities Act 1955

- inserted a sub-section 1A in Essential Commodities Act 1955 saying that only in extraordinary circumstances like
  - war, famine, natural calamity etc. can the government “regulate the supply of such foodstuffs, including cereals, pulses, potato, onions, edible oilseeds and oil”, and
  - price caps will be triggered only when prices rise by 100% (for horticultural produce) and 50% for other non-perishable items.
- Impacts
  - Hoarding may not happen
  - Any monopoly can be controlled through Competition Commission

Farmers (Empowerment & Protection) Agreement of Price Assurance & Farm Services Act 2020

- Allows farmers to enter into forward contracts for their produce
- Farmers can engage with processors, wholesalers, aggregators, large retailers, exporters etc., on a level playing field. The contract gives minimum price assurance to farmers under Section 5 even before sowing of crops.
- Transfers the risk of market unpredictability from the farmer to the sponsor (contractor)
- Farmers will be shielded from the rise and fall of market prices. Reduces cost of marketing for farmers and improves his income since the Sponsor is to pick up the product from the farm gate as per Section 6(1) of the Act. The payment terms are specified under Section 6(3) of the Act.
- The contracts can be linked to the flow of insurance and credit facilities for the farmer from financial institutions as per Section 9 of the Act
- The contracts have to be registered with a designated registration authority as per section 12 of the Act. This makes sure that all the sponsors are held responsible for the contracts they enter into and farmers are protected
- Quality specifications of the inputs to be used and the output to be produced would be described in the contract as per Section 4(2) of the Act.

Issues and suggestions

- ***The contractors may not pay MSP for the produce:*** under section 5 of the Act the guaranteed price has to be mentioned in the agreement, a bonus to be paid in case market price is higher than the guaranteed price and it should be benchmarked against the prevailing prices in the APMC Mandi.
- ***Corporates will form price cartels and exploit the farmers***
- ***Farmers are not equipped to deal with large private corporates***
- ***Corporates will take away farmers land:*** Section 8 of the Act specifically prohibits any transfer including sale, lease or mortgage of farmers land or premises under the contract.
- ***Dispute Settlement mechanism is inadequate:*** Under Sections 13,14 and 15 in Chapter III. SDM & Appellate Authority (District Magistrate) are empowered to resolve disputes
- ***Contract farming failed in the past and the farmers lost money***

Suggestions

- A regulatory body may be set up at national level to oversee the operation of the markets and to prevent any price cartelization by the private buyers in markets.
- Dispute Settlement mechanism under sections 13,14 and 15 has to incorporate a right for the farmer to go to Civil Court if he is unhappy with the order of the SDM or the Appellate authority.

Direct Benefit Transfer

- Fertiliser Subsidy
  - the subsidy will be released to the fertilizer companies instead of the beneficiaries, after the sale is made by the retailers to the beneficiaries
  - the beneficiaries and their entitlement is not clearly defined
  - subsidy rate in respect of urea varies from company to company due to different production processes, energy efficiencies of plants, vintage etc
  - Not extended to organic and farm made fertilisers
- Direct income support: (per household, per ha basis)
  - Rytu Bandhu in Telangana
  - Pradhan Mantri Kisan Samman, Central govt
  - KALIA in Odisha
  - Krishi Krishak Bandhu by West Bengal, and
  - YSR Rytu Barosa (earlier Annadata Sukhibava) by government of Andhra Pradesh.

Rytu Bandu Scheme

- Based on the global model of Direct income support measure to farmer
- Extended to NRIs but not to local tenant farmers
- Problems and suggestions for Telangana 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

Redesigning supply chains

- taking on more of the supplier activities (backward) and/or taking on more of the distribution activities (forward) or both
- Correcting the knowledge/information asymetry
- Backward integration farmers/farmers group producing their own seeds, compost etc
- Forward integration farmers/farmers group doing value addition to the produce
  - Quantity (aggregation)
  - Form (processing)
  - Time (storage)
  - Quality (product differentiation)
  - Place (transport)

Farmer Producer Organisations: Where do we stand?

Farmer Producer Companies as on 31st March, 2019

- a total of 7,374 (6926 active) have been registered with over estimated 4.3 million shareholders (most of whom are small and marginal farmers)
- Maharashtra alone accounts for more than one quarter of all producer companies in India.
- The top four states, Maharashtra, Uttar Pradesh, Tamil Nadu and Madhya Pradesh, account for 50% of producer companies registered in India
- The 7374 registered producer companies have a combined Paid-Up Capital (PUC) of about Rs. 860 crore. There are a few companies with very large PUC and a large number of companies with very small PUC
- the PUC of top 100 companies (Rs 587 crore) accounts for more than two thirds of the total PUC of all companies and at the other end, there are 189 companies with just Rs. 1000 or less PUC each. The median PUC is Rs. 1.06 lakh for all registered companies and Rs. 1.10 lakh for companies with registration status as ‘active’.
- 86% of ‘active’ PCs are very small, with less than Rs. 10 lakh of paid-up capital. Only 2.6% of active companies have PUC greater than Rs. 25 lakh.

Others

- Mutually Aided Cooperative Societies
- Primary Agriculture Cooperative Societies
- Multistate Cooperative Societies
- Others…

Key challenges

- Access to capital
- Long time to mature
- Lack of infrastructure and human resources
- Meagre support
- Duplication of efforts
- Weak support systems
- No better access to tenant farmers

Economic policies with focus on income security to farmers

- Balancing act between
  - Costs of cultivation
  - Prices
  - Costs of living
  - Support/subsidies
- New ways of supporting in terms of
  - Increasing access to productive resources
  - Increasing institutional support: credit, insurance, extension
  - Price compensations
  - Farmers own resources and labour
  - Ecosystem services
  - Farmers institutions

Improving Governance

- Investments on Support Systems
  - Prices and procurement
  - Subsidies
  - Credit
  - Insurance
  - Infrastructure
  - Research and Extension
- Regulation
  - Land
  - Water
  - Seeds, pesticides etc
  - Market
- Define as rights and establish accountability systems

The Shift

- The shift needs to be into concentric circles of internalisation and self-sufficiency from district to state to national level. If MSP has to ensured from farmers and states side shift in cropping patterns is also very essential.
- To make this happen

Minimum Support Price:

- Several changes have to be brought in in assessing MSPs
- Government should announce the MSPs for all the crops along with approximate quantities which may be procured. This need to state wise figures and not the central figures. Let states decide how much to procure.
- Procure through govt agencies, use FPOs/Women self help groups platforms.
- If the farmers do not get access to the MSP for any reason price compensation mechanisms can be followed.

Decentralising Procurement

- Food security budgets can be given to states based on proportion of targeted population and other criteria
- A district and state level plan can be developed regarding the food produced and the foods distributed under PDS and use the existing FPOs, women self help groups, PACS and other community organisations to procure and distribute the grains under various food security schemes. The costs will go down significantly and the subsidies and benefits can be passed on directly to the producers as they are the ones in crisis.

- Near about 40% of food is self consumed by the families. Some mechanism can be developed to compensate for self consumption otherwise it forces farmers to sell off what they produce and buy cheaper grains from PDS.
- What is not grown locally can be procured from other regions or central pool.

Strengthening institutions

- Improve last mile delivery of support services
- Strengthen the Farmer Producer Organisations and let them procure and distribute the grain grown within their region.
- With the current identification mechanisms used for farmers based on land patta is discriminating against tenant farmers, women, Adivasi farmers and assigned land owner who may not have patta. Develop mechanisms to identify actual cultivators.

Rationalising Subsidies

- Shift subsidies for more ecologically sustainable models of agriculture
- Shift towards direct benefit transfers
- Targeted approach and identifying real cultivators

Focus on Income Security for Farm household

- Increase and invest in income diversification opportunities for small and marginal farmers
- Direct income support measures strengthened

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