

AN AGRICULTURE-LED REVIVAL AS FLAWED CLAIM

**The crisis in agriculture demands that the government announce
a strong fiscal stimulus for the rural economy**

A rather confident statement heard in the midst of India's COVID-19-induced economic slowdown is this: "Agriculture will lead India's economic revival". But how valid is this claim put forward by government spokespersons and some observers?

Four major arguments are offered. First, India's food grain production in 2019-20 was 3.7% higher than in 2018-19. The procurement of rabi wheat in 2020-21 was 12.6% higher than in 2019-20. These indicate, it is argued, resilience in the agricultural sector. Second, 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. Third, 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. Fourth, the 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.

Let us now consider each of the above claims.

Rabi procurement

During the lockdown, State governments in many northern States put in considerable efforts to ensure that procurement did not suffer. As a result, procurement of rabi wheat was higher in 2020-21. However, this 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, then, be looking not at procurement but market arrivals. I compared total market arrivals of 15 major crops in India between March 15 and June 30 in 2019 and 2020. The market arrivals of all the 15 crops were lower in 2020 than 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 wheat, barley, potato, cauliflower, cabbage and lady's finger, market arrivals in 2020 were between 50% and 75% of market arrivals in 2019. For gram, pigeon pea, onion, peas and mango, market arrivals in 2020 were less than half of market arrivals in 2019. In wheat, the most important rabi crop, only 61.6% of the arrivals in 2019 was recorded in 2020.

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. Farmers suffered major loss of incomes, and higher procurement was hardly alleviating. 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.

Inflation and prices

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. I examined the wholesale market prices for 15 agricultural commodities between March 15 and June 30, 2020. Prices of most crops declined. For example, average paddy prices were about ₹1,730 per quintal on March 23, but ₹1,691 per quintal on June 30. Average wheat prices were ₹2,045 per quintal on April

1, but ₹1,865 per quintal on June 30. A moderate uptick in prices was visible in a few vegetables, but not before June 2020.

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. There is also strong evidence from small sample surveys that rural households reduced food purchases during the lockdown. Thus, the claims that higher rural inflation benefited farmers, and that it was due to higher food demand, are misplaced.

Higher kharif sowing

There is no surprise in the growth of kharif sowings in 2020. 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. Data on monthly employment released by the Centre for Monitoring Indian Economy (CMIE) show that the number of persons employed as "farmers" in June and July 2019 were 11.2 crore and 11.4 crore, respectively. But in June and July 2020, these numbers rose to 13 crore and 12.6 crore, respectively.

These are indicators of distress, not prosperity. It is no cause for celebration also because the rural unemployment rates rose sharply in 2020, to 22.8% (April), 21.1% (May) and 9.5% (June). Even in August 2020, rural unemployment rates were higher than in February 2020 or August 2019.

Trickle from package

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. This is not to deny a potential rise in demand from higher rabi procurement, higher kharif sowing and flow of cheap credit, which together appear to have resulted in higher purchase of tractors and fertilizers. But the counteracting tendencies in rural areas — i.e., lower crop prices, lower market arrivals and higher unemployment — would overwhelm these "green shoots".

Rural expectations were high when the Atmanirbhar Bharat package was announced. However, the details were disappointing. 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.

The package also failed to provide financial support to farmers. PM-KISAN, or Pradhan Mantri Kisan Samman Nidhi, is hardly an ideal scheme. But 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 minimum support price (MSP) for kharif paddy by ₹53 per quintal (which, actually, was the lowest rise in over a decade), 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. Instead of loan-based schemes to support private investment in dairy, the government should have arranged direct financial assistance to small milk producers, for whom milk prices have literally plummeted.

In all, the government's strategy appears to be to squeeze farmers without investing in agriculture or rural employment. Such an approach would not just fail; it would also be counterproductive. Rural incomes will remain depressed, and push the economy further into a vicious cycle of poor demand, low prices and low growth. The government should discard its role as a passive observer, and decisively intervene in rural India with a substantial fiscal stimulus. The earlier the better as delays would only compound mistakes.

Meanings of Difficult Words:

- ❖ **revival** (noun) – improvement, rallying, picking up; comeback.
- ❖ **flawed** (adjective) – defective, faulty, distorted, inaccurate.
- ❖ **fiscal stimulus** (noun) – Government measures, normally involving increased public spending and lower taxation, aimed at giving a positive jolt to economic activity.
- ❖ **rather** (adverb) – somewhat, relatively, to some degree/extent.
- ❖ **in the midst of** (phrase) – in the middle of.
- ❖ **virus-induced** (adjective) – produced/effected by a virus.
- ❖ **induce** (verb) – cause, produce, effect, bring about.
- ❖ **slowdown** (noun) – economic decline, recession, slump/depression.
- ❖ **put forward** (phrasal verb) – moot, propose, recommend, suggest (an idea).
- ❖ **procurement** (noun) – the action of procuring/ purchasing something.
- ❖ **rabi crops** (noun) – winter crops; seeds sowing in the beginning (Nov) of the winter and harvesting at the end of the season (Apr) in the South Asia.
- ❖ **kharif crops** (noun) – monsoon crops; seeds sowing in the beginning (Jun) of the monsoon and harvesting at the end of the season (Oct) in the South Asia.
- ❖ **resilience** (noun) – strength, toughness; the capacity to recover quickly from difficulties.
- ❖ **inflation** (noun) – simply meaning “cost of living”; increase of price level of goods & services and vice versa decrease of currency value.
- ❖ **sustained** (adjective) – continuous, steady, constant, persistent.
- ❖ **shift** (noun) – change.
- ❖ **in favour of** (phrase) – giving support to, approving of.
- ❖ **sowing** (noun) – an act of seeding a plant or crop.
- ❖ **accompany** (verb) – occur with, be present with, coincide with, coexist with.
- ❖ **bode well/ill** (verb) – augur, indicate, portend (a good/bad outcome).
- ❖ **position** (verb) – put, place, locate, situate.
- ❖ **lockdown** (noun) – an emergency protocol implemented by the authorities that prevents people from leaving from a place; An extended state of confinement/encirclement/isolation of a person by the authority.
- ❖ **considerable** (adjective) – much, a lot of; substantial.
- ❖ **as a result** (phrase) – because of something; due to something.
- ❖ **harvest** (noun) – the process of gathering a ripe crop from the fields.
- ❖ **market arrivals** (noun) – it is defined as the arrival of crops (agricultural produce) at a particular centre for sales from various villages.
- ❖ **look at** (phrasal verb) – study, analyse, scrutinize.
- ❖ **lentil** (noun) – a high-protein pulses, beans (edible seeds/dals).
- ❖ **constitute** (verb) – comprise, make up, account for.
- ❖ **stem from** (phrasal verb) – originate from, arise/come from, emanate from.
- ❖ **disruption** (noun) – disturbance, disorganization, interruption.

- ❖ **supply chain** (noun) – a network between a company and its suppliers to produce and distribute a specific product to the final buyer.
- ❖ **alleviate** (verb) – reduce, control, mitigate/moderate.
- ❖ **in addition** (phrase) – as well as, additionally, moreover.
- ❖ **poultry** (noun) – birds (such as chickens and ducks) that are raised on farms for their eggs or meat.
- ❖ **consumer price index (CPI)** (noun) – it is defined as the change in the prices of a basket of goods and services that are typically purchased by specific groups of households. To put it simply, it tracks the prices of goods and services purchased by consumers.
- ❖ **representative** (noun) – example, specimen.
- ❖ **moderate** (adjective) – modest, small, low.
- ❖ **uptick** (noun) – a small increase or upward trend.
- ❖ **marginal** (adjective) – small, minor, insignificant.
- ❖ **household** (noun) – family, house.
- ❖ **misplace** (verb) – put in the wrong place, mislay, position incorrectly.
- ❖ **migrant** (noun) – a person who moves from one region to another – either within a country or across national borders in order to find work or better living conditions.
- ❖ **take up** (phrasal verb) – pursue, engage in, become involved in (an activity or course of action).
- ❖ **fallow** (adjective) – uncultivated, unploughed, unused, undeveloped.
- ❖ **Centre for Monitoring Indian Economy (CMIE)** (noun) – it is a leading business information company. It was established in 1976, primarily as an independent think tank. CMIE produces economic and business databases and develops specialised analytical tools to deliver these to its customers for decision making and for research.
- ❖ **indicator** (noun) – measure, index, gauge, mark.
- ❖ **distress** (noun) – hardship, adversity, misfortune, difficulty, trouble.
- ❖ **prosperity** (noun) – wealth, good fortune, welfare.
- ❖ **cause for celebration** (phrase) – a reason to celebrate.
- ❖ **trickle** (noun) – a small number of things moving slowly.
- ❖ **gross value added (GVA)** (noun) – it is a measure of total output and income in the economy. It provides the rupee value for the amount of goods and services produced in an economy after deducting the cost of inputs and raw materials that have gone into the production of those goods and services. It also gives sector-specific picture like what is the growth in an area, industry or sector of an economy. On the other hand, GDP or gross domestic product is a measure of economic activity in a country. It is the total value of a country's annual output of goods and service.
- ❖ **unlikely** (adjective) – not likely, improbable, questionable.
- ❖ **potential** (adjective) – possible, likely, probable.
- ❖ **percentage point** (noun) – the difference between two percentages is termed as percentage point. (for example: "Interest Rates Jump From 10% to 12%". In this case, the interest rate increased by "2 percentage points" or you can say that the interest rate is increased by 20%).
- ❖ **credit flow** (noun) – availability of credit.
- ❖ **result in** (verb) – cause, bring on, give rise to, trigger.
- ❖ **counteracting** (adjective) – counterbalancing, countervailing, cancelling out.
- ❖ **overwhelm** (verb) – engulf, swamp, overrun, overpower/inundate; overburden, beset.
- ❖ **green shoots** (noun) – signs of economic recovery or positive data (during an economic slowdown/recession).

- ❖ **outgo** (noun) – outlay, spending (of money).
- ❖ **liquidity** (noun) – the availability of liquid assets; liquidity means liquid assets; cash; (liquid asset is an asset which can be easily sold/converted into cash without losing its value); a measure of activity (i.e. the ability to buy or sell easily) in a market.
- ❖ **measure** (noun) – course of action, action, step, procedure.
- ❖ **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)** (noun) – an initiative by the government of India in which all farmers will get up to ₹6,000 per year as minimum income support.
- ❖ **ideal** (adjective) – perfect, best possible, most suitable, model..
- ❖ **comprehensive** (adjective) – all-inclusive, broad-based, complete/thorough.
- ❖ **“C2” cost/comprehensive cost** (noun) – Cost of production refers to the “C2” cost, as provided by the ministry of agriculture and farmers’ welfare. “C2” includes the rental value of owned land and is a more comprehensive estimate than the “A2+FL” cost, which is used by the government to set minimum support prices (MSPs). “A2+FL” includes cash paid out plus the imputed value of family labour.
- ❖ **frontload** (verb) – allocate major portion of (costs, effort, expenditures etc.) at the beginning of the enterprise/activity/project (during budget).
- ❖ **decade** (noun) – a period of ten years
- ❖ **moratorium** (noun) – a temporary suspension of an activity; embargo, ban, prohibition.
- ❖ **waive** (verb) – ignore, drop, omit, forgo (a rule/fee).
- ❖ **vague** (adjective) – imprecise, inexact, unclear/uncertain.
- ❖ **Animal Husbandry** (noun) – the branch of agriculture concerned with the rearing (breed/raise) and care of animals that are raised for food, fibre or other purposes of benefit to humans.
- ❖ **crisis-ridden** (adjective) – dominated by crisis.
- ❖ **amount to** (verb) – add up to, come to a total of, represent, be equal to.
- ❖ **literally** (adverb) – exactly.
- ❖ **plummet** (verb) – fall sharply/steeply, go down, drop.
- ❖ **in all** (phrase) – altogether.
- ❖ **squeeze** (verb) – have a restricting/damaging effect on.
- ❖ **counterproductive** (adjective) – harmful, damaging, dangerous/destructive.
- ❖ **depressed** (adjective) – weakened, impaired, debilitated, distressed, sluggish.
- ❖ **vicious cycle** (noun) – also known as a vicious circle; a chain of negative events reinforce themselves. The situation spirals in a downward loop, becoming increasingly worse with time. A situation in which the solution to one problem creates a chain of problems, each making it more difficult to solve the original one.
- ❖ **discard** (verb) – throw out, get rid of, abandon/shrug off.
- ❖ **passive** (adjective) – not active or not participating perceptibly (noticeably) in an activity, organization, etc.
- ❖ **decisively** (adverb) – conclusively, categorically, definitely.
- ❖ **substantial** (adjective) – considerable, significant, large.
- ❖ **earlier/sooner the better** (phrase) – we say the earlier/sooner the better when we think something should be done as soon as possible.
- ❖ **compound** (verb) – aggravate, worsen, intensify, make worse.