Income Security for all farm households

From 1995 to 2012, in a period of 18 years, 2.85 lakh farmers have committed suicide in India (NCRB data). Even during the period from 2004 to 2010 that is celebrated as the fabulous 9% growth story of India, farm suicides have continued at an even higher rate – about 16,000 every year. That is one farmer suicide every half-an-hour, and a million others who are in similar distress. An estimated 40% of farmers wish to leave farming if there were other options available (NSSO, 2005). Between 2001 and 2011, as per Census data, over 8.6 million people lost their 'cultivator' status in India (15 million from 1991). On an average, more than 2300 farmers are leaving cultivation every single day. However, it is interesting to note that not everyone's leaving the Agriculture sector and the number of agricultural labour is swelling (37.5 million more between 2001 and 2011).

During India's 'high growth' period of 9% GDP, only 2 million net new employment was created for the 55 million who entered the workforce. In fact the organized sector provides jobs to only 9% of the population, while the agriculture sector engages nearly 55% of the population. An exodus from farming is not only economically unsustainable given the jobless growth of other sectors, but with the migration from rural areas, even urban areas and law and order situation are crumbling. India will remain an agrarian economy, for many years to come, and there is great benefit, both domestic and global, that can be derived from this, provided the policy environment and investments in the sector are addressed. Unless the economic distress of farm sector is addressed, all other economic "growth" will also be unsustainable.

The National Farmers' Commission (2006) stated, "Progress in agriculture should be measured by the growth rate in the net income of farm families... moving away from an attitude which measures progress only in millions of tonnes of food-grains and other farm commodities" Unfortunately, however, the economic policies adopted by the Governments regarding agriculture have not improved the economic status of farmers. Indebtedness and suicides, hunger and malnourishment are a reflection of the misery of millions of Indians and a cause for shame to a country that claims to be a global economic power house. While the Right to Food Act seeks to address the shameful paradox of abysmal hunger and malnutrition in the midst of record food stocks, for addressing hunger and malnutrition, we need to look beyond perfecting a pipeline to make food available to the poor. Ironically, those who produce the food are amongst the poor and malnourished, because their contribution to food security and their skills in food production are not appropriately valued and rewarded.

The notion of 'vibrant village economies' is unrealized and, in fact, the increasing impoverishment of farm households has had a cascading effect on 263 million people living off agriculture, including agricultural workers and tenant farmers. Food and nutritional insecurity ironically engulfs even those engaged in the production of food. Various government policies including the agricultural pricing and food security policies are formulated keeping only consumers and industry in focus, with the policy not appreciating that a majority of consumers are actually producers too, leading to serious problems for the producers.

The Government has several policies, subsidies and support systems impacting agriculture and the farming community, including pricing policy, input subsidies, credit, insurance, extension, disaster compensation, irrigation, and so on. However, the income of the farming community is not assessed or tracked, and there is no feedback that triggers focused government action. Only when the distress becomes visible, or farmer suicides raise a national concern does the government announce some measures – like loan waiver or RKVY (Rashtriya Krishi Vikas Yojana). But again, there is no serious assessment and analysis of whether those measures are really improving the incomes of the farming community. The Arjun Sen Gupta Committee report on "Conditions of Work and Promotion of Livelihoods in the Unorganised Sector" (2007) cites NSSO data to show that on an average for all farm households in the country, the total income is only Rs. 2115/- per month, while the expenditure is Rs. 2770/-. This deficit is worse in the case of smallholders (85% of all operational landholdings as per Agriculture Census 2010-11). While the average monthly income of a farm household from all sources is estimated at Rs. 2115/-, the income from cultivation is at a pathetic level of Rs. 969/-. NSSO data (2003) shows that 48.6% of farm households were indebted, with the average amount of outstanding loans per indebted household estimated at Rs. 25,895/- at the all-India level. In this scenario, the situation of Punjab, which epitomizes an intensive agriculture paradigm that rests on pursuing higher yields at any cost, is not very different with an average daily income of only around Rs. 165/- per farm household from all sources of income put together!

Serious underlying problems

➔ **Increasing costs of cultivation due to intensive agriculture (high-external-input) models promoted by the State, with only yield-centrism driving the paradigm**: With an overwhelming number of cultivators not covered under institutional credit on farmer-friendly terms and conditions, this intensive paradigm pushes farmers towards indebtedness. This paradigm also affects the productivity of the farmers' resource base sooner or later. Such increasing costs of cultivation are exacerbated by withdrawal of state support to extension, input supply, regulatory mechanisms in favor of farmers etc.

➔ **No remunerative prices**: Domestic price policies very often do not even cover Cost of Cultivation officially calculated, and there are serious objections to the very way in which costs are estimated. Equally serious is the problem of lack of procurement even when floor prices are declared, or any mechanisms that ensure that the minimum prices actually accrue to farmers. For those farmers who are not engaging with markets, there is no support available in any manner.

➔ **Adverse international trade terms and conditions**: The agri-exim policies are not determined by farmers' interests but are usually tilted in favor of industry. Further, opening up our markets to goods and commodities from other countries pits our farmers against highly subsidized produce from elsewhere.

➔ **Lack of mechanisms to reduce various risks faced by farmers, including during disasters:** During conditions of drought and other disasters, in addition to crop failures for other reasons, mechanisms that exist to protect farmers from the risk are inadequate and very often, non-existent. Further, regulation of agri-business entities is not designed to protect farmers' interests and adequate liability mechanisms are missing in the case of many such regulatory frameworks.

➔ **Increasing living costs of farmers**: As lifestyle aspirations change and as government withdraws from basic services like healthcare and education, there is an increasing need for higher incomes for rural households. Such costs are not accounted for in calculating price support, for instance. It is assumed that it is enough to cover the cost of cultivation when price policies are determined.

➔ **Support systems and subsidies do not actually benefit a large number of farmers:** This applies to both their design and their implementation. Subsidies to agriculture and to farmers are relatively low in India, especially for smallholder and rainfed cultivators. A substantial chunk of subsidies is in the form of input subsidies propping up the industry and not farmers, and in the form of Food Subsidy for PDS. Thus, while there is huge subsidy for the chemical fertilizer industry, there is no support provided to farmers who use local methods/practices for soil fertility or use their own seed.

➔ **Agricultural credit by institutional players is highly inadequate. Though listed as priority sector,** manipulation of norms related to lending, location etc., has meant that the current situation with regard to agriculture credit is worse than the sad state that used to exist in the past. It is seen that much of the benefit here is garnered by players other than cultivators.

- **Tenant farmers and women farmers invisible and ignored:** Since formal recognition as farmers is linked to land ownership in India, and since support like credit and insurance is in turn linked to recognition as farmers, women farmers and tenant farmers get left out of any subsidy or support system. Both these groups of farmers need immediate attention towards their entitlement, delinked from land ownership if necessary, even as land ownership rights for them is the medium and long term solution for their farming to sustain itself.

Inflation increases both input costs and living costs for farmers, but the government response is typically to lower agricultural prices resulting in a triple squeeze. In the end, Indian farmers are ending up subsidizing others, at great cost to themselves. This is not a sustainable situation. Very often, Indian farmers are exhorted to improve their performance and emulate a western model of farming. However, it is clear that the Western model of agriculture cannot show the way forward for India – a model that is sustained by enormous subsidies to support a few agribusinesses and only 2% of the population engaged in agriculture. This is untenable here especially given that millions of Indians live off agriculture. India needs a comprehensive policy that aims at making farming a viable livelihood for smallholders who constitute more than 80% of India's farmers. This is essential for the nation's food security and for ensuring a vibrant rural economy as the backbone for a vibrant India, and for a politically stable nation.

Solutions for Income Security in Farming

Farm incomes and well-being have to be the main parameter by which agriculture and rural development ministries are made accountable. This requires **a fundamental shift from viewing agriculture as a technical issue to one of livelihoods.**

- There is a need to set up a Farm Income Commission to oversee that minimum living incomes accrue to all farm households. One of the main functions of this Commission would be to undertake annual income surveys for various categories of farmers (landholding class, rainfed vs irrigation, particular crops as well as agro-ecological regions). This would meaningfully sharpen any interventions.

- Farming should be made remunerative by recasting current price support system with correct valuation of costs incurred by farmers, reasonable margins over such costs and to include living costs, with procurement made effective and expansive. Market intervention scheme should be made effective to cover all crops to ensure that floor prices become a reality.

- A price compensation mechanism that pays out the difference between the market price realized by farmers and a derived price entitlement for a minimum guaranteed income should be put into place.

- Where required, either for particular crops or particular regions, direct income support on an annual basis should be paid.

- India should make farm livelihood security a sovereign non-negotiable policy priority in any multilateral or bilateral trade negotiation, including at the WTO and in all Free Trade Agreements (FTAs). This means rejection of any agreement which is not grounded in a level playing field. Further, no agreement should be finalized without detailed consultations and consent of all stakeholders including the Parliament, State Governments and farmers' organizations.

- ➔ A comprehensive social security legislation has to be enacted and implemented with healthcare cover, accident, maternity and old age benefits, so as to cover all rural households.

- ➔ The current set of interventions related to credit, insurance, extension, market intervention schemes and other schemes like warehouse receipt scheme etc., have to be made effective in their design and implementation to meet the objective of minimum living incomes for all farm households.

- ➔ There is an urgent need to build and strengthen farmers' collectives for collective marketing efforts, with support in the form of adequate infrastructure, capital and capacity building. Capacity building and extension support for these collectives should work towards reducing cost of cultivation for farmers by taking up ecological farming practices on a large scale and subsidizing practices/approaches that will allow internalization of inputs.

- ➔ Subsidies should include support to labour costs for agricultural operations outside the purview of MGNREGS programme with other funding sources but using the same institutional set up for actual delivery of support.

It is in the interest of food security for the country that diverse food crops rather than cash crops, are promoted and farmers incentivized to grow these. Not only is this a social necessity in which India has the dubious distinction of having 25% of its population, some 200 million people hungry, but is also a matter of national self reliance and security.

ASHA's Price Compensation/Deficiency Price Payment /Price Insurance Proposal

The gist of the proposal is that a crop-wise Minimum Target Price (MTP) be determined, and when the average Farm Harvest Price (FHP) realized is below this MTP, the shortfall be paid out by the government to the cultivator. In essence, this ensures that the cultivators get fair returns, by-passing the concerns about consumer prices, making up for any shortfalls in procurement or price support and covering many crops for which there is no procurement mechanism. This provision is proposed for food crops to begin with. C2'+50% is proposed as the basis (C2' is C2 with some improvements). This system can be implemented with the district or taluk as the unit. The payment is calculated based on district-level or taluk-level averages of the FHP and yield per acre, and not based on the figures for each individual cultivator. Note that this system should apply to the actual cultivators, including women, tenants and sharecroppers.

This proposal is premised on an approach that If the government and society want to keep food prices low, the burden should not be borne by the farmer. The formula of C2 + 50% has been one of the main recommendations of the National Farmers' Commission and the recent Working Group on Agricultural Production. The Price Compensation mechanism operationalizes this demand without increasing market prices directly. The government's procurement price can be fixed independently. Note that this system is not proposed as a replacement for the procurement and public distribution systems; we believe they should continue to be improved and diversified to include more crops but we realize that those systems cannot fully ensure remunerative prices to the farmers since their priorities are different.

Some experts have asked for this system to be put into an insurance framework where individual producers are expected to register themselves that enhances the ease of implementation. This system will not only enhance agricultural incomes but also incentivize production and productivity because the payment is tied to actual local production levels. This is not linked to actual sale so it will also benefit those cultivators who don't sell their produce.

Guidelines for an Income Security system

To ensure that income levels meet a minimum living income for the agricultural families, the following are necessary:

(1) Income Assessment of agricultural families should be done on a regular basis, and an income measure or index should be used to track the incomes of farming households in various categories and regions. This will give a true picture of the situation of farmers. A Farm Income Commission set up at the Centre and at the state level can be entrusted with this mandate.

(2) The policy should be designed to benefit the real cultivators who might be tenant farmers or sharecroppers, and women farmers, rather than absentee landlords. There should be safety mechanisms to ensure that any support is contingent on actual cultivation.

(3) Income Security policy doesn't simply mean making direct income payments to a broad category of the rural population. Various support measures of the government can be used to achieve this minimum income level – such as remunerative prices, price compensation, insurance, lowering costs of cultivation, extensive and easy access to agricultural credit at low interest rates, disaster compensation, lowering tenancy costs, establishing farmer producer organizations, etc. Some of these support systems already exist and it is not proposed that these support systems should be done away with. Rather, the Income Security framework should place the accountability with the government for making all these support measures really work to secure livelihoods for the farming community. In the situations where despite all these measures, farmers are not able to make the minimum income level, then a direct income payment should be made to the farmers – thus bringing in accountability.

(4) Given the enormous numbers and operational conditions in our country, the income assessment and the determination of farmers deserving direct income payments, if any, can be done at an aggregate level, rather than individual level. For example, in a particular season, groundnut farmers in Rayalaseema region might be eligible for a certain amount of direct income payment, and in another year, jowar farmers in Vidarbha region might be eligible. The principle of equity is built into the system because it is based on a minimum income level per household. While a 3-acre farmer might fall below the income threshold in a given year, a 10-acre farmer is likely to be above the income threshold and not be eligible for direct income payment. However the 10-acre farmer would get the benefit of the rest of the measures as described in (3) above, many of which are proportional to the acreage.