REVIEW ARTICLE

Doubling Farmers' Incomes: A Critical Review of Policy

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Introduction

Farmers' incomes continue to be a concern in India because of the ongoing agrarian distress in India and depressed markets for agricultural commodities globally. The National Democratic Alliance government's announcement that it would double farm incomes by 2022 led in 2016 to the establishment of a committee to devise strategies and mechanisms for doing so. The Committee on Doubling Farmers' Incomes published its Report in 14 volumes. This note critically examines major aspects of Volume XIV (hereafter the Report), titled "Comprehensive Policy Recommendations."[1]

The Report recognises agriculture as a value-led enterprise, and suggests that farmers should be empowered by improving market linkages and enabling self-sustainable models for continued productivity and income growth. The basic strategy that it recommends is based on five pillars: better price realisation for farm produce, sustainability of production, improved resource-use efficiency, strengthening extension services, and risk management. The major sources of growth within the agricultural sector are identified as enhanced crop and livestock productivity, improved resource-use efficiency or lower costs of production, higher cropping intensity, diversification towards high-value crops, and better price realisation for farmers.

The Report lists 13 components of the strategy to double farmers' incomes, including development of a value chain, a national agricultural marketing system, a marketing intelligence system, sustainable agriculture, effective input delivery and utilisation,

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[1] *The Report of the Committee on Doubling Farmers' Incomes* was published in 14 volumes, and is available at http://agricoop.nic.in/doubling-farmers, viewed on July 7, 2020 (GoI 2018).

linkages with the non-farm sector, agricultural risk management, research and development and extension, and structural and governance reforms in agriculture.

Farmers' Incomes and Investment Targets

A valuable contribution of the Report is its emphasis on feasible and effective measurement of farmers' incomes. It discusses only average incomes, however, and does not go into variations in income across landholding categories, whereas the focus should have been on marginal and small farmers, who comprise 85 per cent of farming households.

Chapter 2 of the Report focuses on the growth rates of farmers' income and investment targets. Investment for doubling farmers' income is grouped into two categories: investment "in agriculture" and investment "for agriculture." The former is related to direct investment from private sources, such as in land, irrigation, and markets, whereas the latter is related to rural infrastructure and is assumed to come from public sources. The investment plan, however, does not prioritise specific regions or categories of farmers. The Report even suggests that the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) be utilised for agricultural purposes by reserving a certain percentage of minimum spending for all sectors of agriculture. One must remember that this proposed strategy is not in accordance with the MGNREGS mandate of providing basic sustenance through wage labour (Hussain and Mohapatra 2020).

A questionable aspect of Chapter 2 is that it redefines agriculture as a sector to fulfil the feed, fibre, fuel, and other industrial needs of modern society in a manner that is sustainable and that ensures growth of farmers' income. The mention of fuel here raises concerns about the promotion of biofuel. Further, whereas growth of farmers' income is emphasised, social equity and inclusion are ignored. Even stabilisation of income, especially in drylands and other areas prone to risky production, is not addressed in the strategies proposed for enhancing farmers' income.

Structural, Policy, and Regulatory Reforms

Chapter 3 of the Report, which deals with structural reforms, argues that India is at a tipping point and can become a powerhouse if "agriculture is managed in a more holistic and inclusive manner" to optimise economic gains (p. 15). However, it recognises that agriculture is a State subject, and that both production and marketing are seen as responsibilities of the States. While it stops short of recommending that agriculture be removed from State jurisdiction, the chapter proposes dismantling of State-bound norms for production planning and marketing. In May 2020, the Union government announced reforms and framed new laws under the concurrent list of subjects that eliminate the role of States in agricultural marketing.

Further, the Report (Volume XIV) states that the growth of agriculture in India over the past seven decades is analysed in Volume I, but nowhere in the preceding 13 volumes is there a discussion of structural aspects, including land distribution, institutional change, and policy change over the decades.

It is unfortunate that the Committee on Doubling Farmers' Incomes views small-sized farms as a problem, and makes a case for designing various mechanisms for pooling of land without affecting ownership. There are studies based on secondary data (Singh, Prasanna, and Chand 2011) and primary data (Singh 2017a) that indicate the smallest farm size is the most efficient in terms of net value of output per unit across farm categories. Hence, it is not the size of the farm that is an issue of concern but, rather, how it is put to use and what kind of resources are available for investment.

On account of its assumptions regarding farm size, the Committee recommends that States adopt the Model (Agricultural) Land Leasing Act, 2016. Under this Act, the government does not fix a minimum or maximum lease amount, in fixed cash or in kind or share of produce, to be given to the landowner by the tenant; instead, the lease amount is to be mutually agreed upon by the two parties. This is not founded on evidence, however, as there have been cases of excessive lease rates being charged in many parts of India in recent years, which are not justified by the crops grown and incomes expected. On the rights of the tenant, it provides for the expected value of output from leased-in land during the lease period to be used as collateral by financial institutions for advancing loans to the tenant, if this is mutually agreed between the financial institution and the tenant. This recommendation is half-hearted as it does not make it mandatory for the banking institution to accept a written lease agreement. Pledging of the tenant's share of produce for availing farm credit is unlikely to happen as, in practice, the landowner exercises control over the produce, especially under input- and output-sharing tenancy arrangements. The landowner may not, therefore, cooperate with the tenant (Singh 2017b).

Following this proposal made by the Committee, the State of Punjab has gone further and drafted even more faulty provisions for land leasing, such as allowing lease for 15–30 years and to persons who are not necessarily farmers. Provisions such as these will only perpetuate the exploitation of small, marginal, and landless tenant farmers.

In recommending alternate uses of land to achieve economies of scale, the Committee proposes prioritisation of allocation of pooled land for cultivation to farmer producer companies (FPCs). This is completely uncalled for, as most FPCs are established to improve the pre- and post-production market interface rather than perform farm production activities, which farmers themselves are best positioned to undertake.

The Committee proposes contract farming as a way to improve resource-use efficiency and achieve scale at the level of the individual farm. It is important here to point out that contract farming is not related to the achievement of economies of scale in farm production; it is more about pre- and post-production support by a contracting agency. The Committee also recommends implementation of the Model Contract Farming Act, 2018 to deal with the interface between farmers and contracting agencies, including an authority to facilitate rather than regulate this interface. This recommendation of the Committee has already been adopted by the Union Ministry of Agriculture and has been followed almost verbatim by some States (such as Tamil Nadu).[2]

Another recommendation of the Committee is the establishment of an omnibus, quasi-judicial authority for resolving disputes relating to land leasing, contract farming, and crop insurance. It is unclear why these three distinct domains have been grouped, especially since distinct laws are in place for contract farming and land leasing, which include mechanisms for dispute resolution. The Union government has recently provided for separate dispute resolution mechanisms for contract farming and farm produce trading under two different Acts, operationalised through ordinances (Singh 2020).

Role of Price and Other Mechanisms

Chapter 4 of the Report deals with ways to ensure optimal returns for farmers through the marketing of crops. The Committee views post-production, value-adding activities as going beyond marketing towards monetisation. It defines monetisation efficiency as

> the ability of the system to enable farmers to capture and receive the best possible value for all produce, both through marketing and non-marketing subsystems operating at different stages of the integrated value chain. (GoI 2018, p. 35)

However, the Committee measures monetisation only in terms of farmer share in consumer price, a method that is outdated in the context of modern value chains. Given the sophisticated processes involved in value addition to farm produce, a high farmer share in consumer price cannot be expected. A potato grower, for example, cannot expect to receive even 20 per cent of the retail price of a packet of branded potato chips, but he may be better off selling his produce to a processor than in the wholesale market (*mandi*) where his share could be 50 per cent of the retail price but his net returns lower, as the farm gate price offered by the processor is likely to be much higher than the commodity price in the *mandi*. The Committee should have

[2] The Ministry drafted and circulated the model Agricultural Produce and Livestock Contract Farming and Services (Promotion and Facilitation) Act, 2018, which emphasises promotion and facilitation over regulation (Singh 2018).

examined alternative ways of measuring benefit to farmers instead of adhering to this outdated method.

The focus on demand-driven production is welcome, as is the recognition of the fact that policies, rules, and regulations enable markets to fulfil their functions. The Committee assesses the state of agri-logistics and infrastructure, and makes an important recommendation of strengthening warehouse infrastructure and using e-warehouse receipts for preventing distress sales, including the provision of credit against farmers' produce in such cases. It notes, in this context, that there are only 10 cold storages registered with the Warehouse Development and Regulation Authority, but does not mention the number of warehouses and the proportion of those that use warehouse receipts. The Committee proposes a pan-India agri-logistics and marketing cooperative on the lines of the Indian Farmers Fertiliser Cooperative, and suggests that this can be promoted by means of equity contributions from the National Cooperative Development Corporation, Gujarat Cooperative Milk Marketing Federation, and State-level marketing federations.

On the contentious issue of remunerative prices for farmers, the Committee suggests a 50 per cent margin over all paid-out costs of production, including the imputed value of family labour, as the minimum support price (MSP) for notified commodities. Importantly, the Union Government has already claimed implementation of this formula for fixing the support prices of relevant crops. However, if one goes by the comprehensive cost of production as suggested by the National Commission on Farmers (chaired by M. S. Swaminathan) in 2007, then cost should include the imputed cost of land lease and other fixed or variable costs (that is, cost C2).

The recommendations of the Committee to strengthen procurement operations across a large number of crops and production regions and ensure procurement operations to stabilise market prices, which fluctuate due to production and market risks, rather than providing direct income transfers to farmers, are commendable. The Committee recommends a procurement threshold of 15, 10, and 5 per cent of the market surplus for pulses, oilseeds, and cereals, respectively.

The Committee states that the private sector must be involved in MSP-based procurement in order to effectively reach a larger number of farmers. It proposes three options for procurement: a private-led market insurance scheme, a price support scheme, and a price deficiency payment scheme. States can choose to implement one or more of these schemes, depending on the crop and market situation. The Committee also states that the efficiency and effectiveness of the Market Intervention Scheme (MIS) for perishables must improve, especially for crops such as tomato, onion, and potato, but the Report does not specify how to ensure that States will adopt this scheme.

Surprisingly, the Committee recommends a benchmark floor or reserve price, which may be the cost of production as estimated by the Commission for Agricultural Costs and Prices, for private auctions at regulated markets. Such a step was taken in the name of protecting farmers' interests in Maharashtra, where the MSP was made mandatory for private players. Consequently, the traders went on strike and the government was forced to withdraw the amendment of the Agricultural Produce Market Committee Act providing minimum price for private buyers. It is important to note that the government promises MSP-based procurement, but no other market player can be held responsible for providing the same.

Role of Farmer Producer Organisations

The Committee recommends that farmer producer organisations (FPOs) be federated into larger regional entities to achieve economies of scale and scope, but fails to recognise the existence of 10 such State-level FPOs. It recommends the promotion of 7,000 new FPOs and village producer organisations without any basis, overlooking the fact the government had already announced the promotion of 10,000 FPOs in the next five years. For aggregation of minor forest produce, it recommends self-help groups instead of FPOs, but does not provide reasons for the same.

The Committee proposes that private sector shareholding of up to 26 per cent be allowed in FPOs, going against the principles and philosophy behind FPOs, that is, of producer companies being fully member-owned and member-controlled entities. It also recommends a domestic freight subsidy for FPOs to transfer their produce by various means of transport. Many of these recommendations do not seem to be backed by research insights or field-level knowledge (see S. Singh and T. Singh 2014).

For the dairy sector, Chapter 6 of the Report recommends expansion of the coverage of the organised sector and more frequent revision of procurement prices, in addition to upscaling the balanced feeding programme, artificial insemination, and the use of fodder for improved animal nutrition and health. It proposes setting up an online platform for livestock markets on the lines of the National Cooperative Dairy Federation of India's e-market for the dairy sector. In the case of small ruminants, the Report suggests organising them into local-level collectives, and maintaining and developing common property resources through MGNREGS. It specifically mentions the role of women in goat-rearing and suggests their organisation into groups, besides recommending a model small ruminant policy at the national level for States to adopt. However, there is hardly any analysis of the marketing practices of the small ruminant sector and the problems it faces. Similar recommendations are made for inland fisheries including Kisan Credit Cards for animal rearers, fisherfolk, and poultry farmers (already implemented by the government).

Market Infrastructure and Agro-Exports

As a part of market infrastructure development, the Committee suggests establishing 22,000 *haat*s as primary rural agricultural markets under the MGNREGS and Pradhan Mantri Gram Sadak Yojana, and the exclusion of these from the purview of State legislation governing agricultural produce markets (APMs). It proposes a separate model Act, but without any rationale. It recommends establishing more APMs in public, private, and public–private partnership modes to reach a target of 10,000 markets, up from the presently existing 7,500. It suggests that the model Agricultural Produce and Livestock Marketing (Promotion and Facilitation) (APLM) Act, 2017 could facilitate such market development if adopted by States. As livestock is now a part of the markets covered by the model APLM Act, the Committee recommends modernisation of existing slaughterhouses, both registered and unregistered. It also suggests that marketing of minor forest produce be brought under APLM. In an effort to achieve the "one nation, one market" concept, it recommends covering 1,000 markets using the National Agricultural Market online trading platform. However, this coverage would be less than 15 per cent of total APMs and, therefore, may not significantly affect market prices of farmer produce.

On the export front, the Committee recommends a trade policy for agriculture with a 5- to 10-year perspective, but without an analysis of the export competitiveness of India's major products.

Resource Use Efficiency, Rainfed Agriculture, and Diversification

The focus of Chapter 5 of the Report is on resource-use efficiency and diversification across crops and sub-sectors in order to reduce the risk to farmers' income. It recommends the development of special agribusiness zones for millets and suggests a focus on nutri-cereals in dryland areas. Recommendations for the horticultural sector include rejuvenation of plantations and peri-urban and urban horticulture, besides cluster-based production to promote market linkages with processing units.

On the water management front, Chapter 5 of the Report recommends that because rice consumes the highest amount of water per unit of output, it may be substituted by more nutrient-dense and less water-intensive cereal crops. It suggests incentivising substitution of rice in the currently rice-intensive districts of Punjab, Haryana, and western Uttar Pradesh in a staggered manner. It points to the scope for replacing rice with maize and sorghum in Madhya Pradesh and Maharashtra. The chapter also discusses the role of conservation agriculture for optimal water-use efficiency – with specific mention of groundwater, which accounts for 60 per cent of irrigated area in India – as part of a multipronged strategy including recharge, crop alignment, and community-based water management. It suggests revisiting the power tariff structure for agriculture and proposes compensating farmers through direct payments based on measurement of actual use of water per unit area.

For rainfed areas, which cover 55 of the 100 poorest districts in the country, the Report proposes that each State should adopt measures based on a model water policy, to be framed by the Union Ministry of Water Resources.

Risk Management, Credit, and Sustainable Agriculture

Chapter 7 of the Report deals with risks related to climate, production, marketing, and prices faced by farmers. It recommends strategic development of irrigation facilities to reduce production risk, in addition to adopting good agricultural practices to reduce risk on the market front. It recognises the need to continue with MSP-based procurement for notified commodities and recommends the MIS for other crops. It also recommends contract farming to reduce risk in the case of market-based crops. Agricultural risk management is recommended through insuring crops and livestock with enhanced coverage for non-loanee farmers across a large number of crops, though the government has recently made it optional for farmers to have crop insurance, which earlier was tied to agricultural credit for loanee farmers. The chapter proposes reinstatement of the distinction between direct and indirect lending in priority sector lending for agriculture by the Reserve Bank of India, and ensuring that 60 per cent of direct lending reaches small and marginal farmers. In general, it recommends that banks ensure a 10 per cent annual increase in small and marginal accounts, and interest subvention for allied activity producers on the lines of crop loans.

Conclusion (and Missing Links)

The last chapter of the Report summarises the Committee's major recommendations. The recommended production strategy emphasises minimal cost, sustainability, and a focus on demand. The market-led approach suggests moving from cereals to nutri-cereals, foodgrains to high-value (mostly horticultural) crops, carbohydrates to proteins, field crops to allied activities, and vegetable-based proteins to animal-based ones, as well as the inclusion of secondary agriculture in policy agenda. On the marketing front, the strategy includes "sell at will, disintermediation, cross-geography sales, and value-added sales," as against "forced sales, intermediation, localised transactions, and fresh harvest sale," and suggests enhancing the marketing and processing infrastructure. The most important recommendation is regarding negotiable warehouse receipts and loans linked to that, with interest subvention. For risk management, it suggests expansion of crop insurance, its extension to livestock, and improvements in price and demand forecasting.

The Committee recommends a four-tier arrangement to plan and execute various programmes at the levels of the Centre, State, district, and village panchayat. It recommends using panchayati raj institutions for income enhancement, but in most States, the devolution of functions, functionaries, and funds is yet to happen.

The Committee lists labour as an area of effective input management, thus communicating that it is a mere factor of production like any other material input. It is unfortunate that labour is not considered as a human resource. It would have been valuable if the Committee had recognised the need for worker training and skilling for modern agribusiness activities, as this would ensure quality and efficiency for global competitiveness. The Report should have emphasised improved market orientation for farmers, which will allow them to deal with modern markets and demand-side measures.

Lastly, recent laws on agricultural markets enacted by the Central Government have altered the role of the Centre vis-à-vis the States, as well as made the recommendations of the Committee on Doubling Farmers' Incomes less relevant.

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