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# **Reforming the Farm Sector: AatmaNirbhar Krishi**

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**D**r. Ganguly has asked me to talk about reforming the farm sector. There has been a lot of debate on the farm sector, there has been a lot of discussion on the farm sector, there has been a lot of commentary on the farm sector in the newspapers so what is there that I bring to the table in terms of value addition. So therefore, I would flag some issues that normally we don't think about, a little bit about the immediate changes in the statutes that have been done. Firstly the share of agriculture, share of agriculture in National Income, National Income being defined as Gross Domestic Product (GDP), the share of agriculture in national income is not that much high-14%, one percentage here or there. Share in agriculture will decline with development, as it has in many other countries. But whatever trajectory we project in terms of the importance of the industry and services in national income, it is unrealistic to presume that in the next twenty years or so the share of agriculture in national income will drop to below 10%. There is a share in national income and there is a share in employment. Roughly about 65% of the population lives in rural India and one often tends to presume that the people who live and work in rural India necessarily earn their living from agriculture. That's not quite correct. Look at the National Sample Survey (NSS). The question the NSS asks is what is your primary occupation and when we get that 55% of the population earns a living from agriculture, please let us recognise that in response to that question what is your

primary source of income? Most people who live in rural India not only have a primary source of income in agriculture, they have a secondary source in other areas outside conventional agriculture.

Let us also recognise that as the farm sector modernizes, there will be a greater emphasis on food processing, trade and transportation. From the National Income accounts point of view, any impetus that food processing, trade and transportation even if that is of agriculture produce, any impetus these other sectors receive will lead not to contribution of agriculture in national income, but to contribution of industry and services in National Income. We are in the midst, despite Covid, of the SDGs- the Sustainable Development Goals. SDGs have targets and indicators, one of these is of reducing food loss (FL) and food waste (FW). There is an important difference between food loss and food waste, FL is what we are typically concerned in developing countries. FL is loss that happens in production, post-harvest processing and distribution. In other words, food loss is what happens before the product reaches with the final consumer whereas food waste is what happens when that food is wasted by the consumer. We often tend to think that there is no food waste in the world. Not at all true, in the developed countries such as the United States there is tremendous amount of food waste. In the process of development, it's almost as if one transits

from food loss to food waste, but as I said we are concerned mostly with food loss. Why is there food loss? There is food loss because there is a long chain between the farm and the fork and at every stage of the chain there is a loss. Because of the SDGs, because of the emphasis placed on food loss in the SDGs, there have been studies done on various countries on what kind of food loss happens and now I am talking about the global figures. This depends on the crop.

In terms of the crop categories, food loss is maximum right at the top we have roots and tubers. Below that we have fruits and vegetables below that we have meat and animal products and right at the bottom we have cereals and pulses. In India invariably agricultural policy is a rice and wheat policy. As Indian agriculture moves away from a rice and wheat policy as the Indian farmer moves away from rice and wheat, as there is greater commercialization, and as there is greater diversification, note that I said earlier that the food loss issue becomes even more important as one is moving away from cereals and pulses, one is moving towards meat and animal products one is moving towards food and vegetables which global figures suggest are much more susceptible to food loss and are therefore much more susceptible to the problems that I mentioned of intermediation and inefficient intermediation of that chain from farm to fork. I gave you global indications. But there are studies that have also been done for India on

the extent of this farm loss. Such exercises started in 1962. The last robust one that I have seen is something that was done by the Indian Council of Agricultural Research in Ludhiana and this was done if I recall correctly in 2012. So, this is not very old. So, let me quickly give you the extent of the food loss that we are talking about. Cereals- 4% to 7%, Pulses 4% to 6%, Oilseed anything between 3% to 10%, fruits and vegetables anything between 6% to 19%, milk not that much, meat anything between 2% to 4%. Those figures we need not remember. What we need to remember and register is that intermediation must take place because that means a better price for farmers without necessarily resulting in a higher price for consumers.

I'm supposed to talk about farm sector, so I'm supposed to talk about farmers. How many farmers are there in India? What is the total number of farmers in India? There are farmers who are registered under the PradhanMantriKisanSammanNidhi. Farmers can register. This is on the basis of self-declaration, certain categories of farmers are excluded Ex-MP's, MLAs, those who get pension more than 10 thousand rupees they cannot and also you got to have registered cultivable land. As of today, the figure is 111 million are registered in this, as some categories are excluded. 111 million is like a lower bound, but there is also an agricultural census which is held once every five years. The last agricultural census was held in 2015-16.

Under the agricultural census of 2015-16, there were 146 million holdings. So, we can reasonably say that as of 2015-16, there may be some increase due to fragmentation, but at least as of 2015-16, we have 146 million holdings. So, roughly speaking, 146 million farmers. But there is a problem. Who is a farmer? In the definition of the farmer that I just gave you, the definition of a farmer was contingent on owning agricultural land, I can become a farmer only if I own agricultural land. So those figures of 111 million or 146 million are provided that I own agricultural land. But there are those who earn a living by cultivating but don't necessarily own land. As a result of the Swaminathan Commission, there was a draft National Policy for Farmers in 2006, which never got implemented. That said that the definition of the farmer should be broadened to include those who do not own agricultural land. Swaminathan Commission recommended it, but it wasn't implemented. But in the year 2001, after WTO, we had a Protection of Plant Varieties and Farmers Rights Act and if you read the definition of farmer under that particular legislation, you will find out that the definition of farmer doesn't have to do anything with owning land. Even if you earn a living from land, you are defined as a farmer under that.

So, the question I'm flagging before you is shouldn't we as a collective entity decide who is a farmer. Is the definition of farmer contingent on owning land or is agricultural labour

also counted as farmer? The reason for this is the interest of the two sets, it is also true that sometimes people who have small holdings also work as labour on someone else's farm. So, it's not quite watertight nevertheless it is also the case that sometimes the interest of these two categories may be diagrammatically opposed an example of that is if agricultural wages go up it obviously benefits agricultural labour but for landholder it's an increase in input cost. Leaving aside that broader debate, let us stick to what is currently used. I need agricultural land that's the pre-requisite to become a farmer. A pre-requisite to become a farmer is that I should own agricultural land so therefore I have to know who owns what agricultural land.

There was a Committee that was set up by the UPA. It was called State Agrarian Mission and the Unfinished Task in Land Reforms. It submitted the report in the year 2009 and I'm quoting the report of that Committee, "First extensive survey and settlement in several States, the survey that I need to update the land records was done two or three decades before. So, the last cadastral survey, according to this report was done in 1910s. A whole lot of people are upset with the government. The government is acting against the interests of the farmers. Why have these people not been screaming shouting from the rooftops, 'Please update the cadastral surveys'? How can you have a situation in a country that's

in the 21st century where the last cadastral survey goes back one hundred years? So why have they not been demanding that cadastral surveys be done. Why have they not been demanding that land records should be updated? Not know how many of you are aware and Anirban I'm looking at you for this, that in 2017 the West Bengal government abolished land revenue. What does it mean? It means I will never be able to update my revenue records beyond the year 2017. So how will I be able to establish who owns land and who does not? If the revenue records will be frozen in 2017 and as I said the definition of farmer is contingent on owning agricultural land, so I will never know who is a farmer in West Bengal after 2017. The Government of India has had a centrally sponsored scheme on modernizing land records, today it is known as Digital India Land Records modernization programme and there is a dashboard.

On the basis of that dashboard NCAER has ranked states. We are interested in farmers rights, so we are interested in land records. Forget the government. NCAER an external body has ranked states on how well they have done. Latest year is 2020 for which we have the rankings. The top three States in NCAER ranking are MP, Odisha and Maharashtra. The leading States of green revolution, Punjab and Haryana, where are they in this ranking? Punjab is ranked 16th and Haryana is ranked 18th. I repeat until you have the surveys, digitization

modernization is garbage in and garbage out. So you need to have the surveys and resurveys. That dashboard says surveys and resurveys have been done in 11.5 % of India's villages. Our hearts bleed for farmers. We take to the streets. We are not really concerned that the surveys have not been done in 88.5% of India's villages. How many surveys and resurveys have been done in Punjab, according to this dashboard? Zero percent.

Agriculture is a State subject largely and if the land records are not updated some farmers will be left out. We are debating the issue of farmers. This is a union of various states so surely, we should have a definition of who is farmer that is uniform throughout the country. Surely, we should have a uniform definition of who can own an agricultural land. The definition of who can own agricultural land and thereby become a farmer varies enormously from State to State. You will have plenty of people who live in farm houses have nothing to do with farmers. Surely as a collective entity we should decide regardless of federalism. Who is a farmer? In the midst of Covid, Government in April announced something known as Swamitva scheme which is a form of conferring property rights using modern technology like drones to people who have houses so that those can be used as collaterals while getting loans, launched in April, 2020 on pilot basis. Recently I met someone who was trying to preach to me about Hernando De

Soto and the Mystery of Capital, it was a great book and the 89 book was even a better book. I asked him are you aware of Swamitva scheme- No what is Swamitva scheme. So therefore, on land surely, we should raise our voices.

Moving forward to the agricultural census, there are 146 million holdings. If I'm interested in the voice of the farmer, whose voice should I be interested in? Which farmer is the most important? In terms of the operated area, out of these 146 million holdings, the largest agricultural areas are in Rajasthan, Maharashtra, UP and MP. Most number of holdings are in UP, Bihar, Maharashtra and MP. Aren't their voices important? 86% of holdings are small and marginal less than 2 hectares. Aren't their voices important? Or should the country be held to ransom by the voices of the large farmers those who own more than 10 hectares who own exactly 0.6% of holdings. We should ask the farmers. I used to have a friend, SharadAnantrao Joshi of ShetkariSanghatana. He used to constantly abuse me saying that,'Bibek, don't give me this rubbish that reforms have been introduced'. Reforms are about choice, competition and efficiency, but only for the industry, manufacturing and to some extent for services. Where is the choice for farmer? Inputs are controlled, production is controlled, stocks are controlled distribution is controlled, everything is controlled. So where is the choice? This is a rhetorical question that Sharad Joshi used to ask.

Governments acts on behalf of farmers or we presume that they do. So here is a state like Kerala which never had APMC Act. Does that mean Kerala is not interested in farmers? We have states like Bihar, UP and Gujarat, that had APMC Acts but moved away from APMC. Does that mean these States are not interested in the farmers? Obviously, the states think that the APMC Act has not worked in the interests of the farmers.

So, I come back to the point that I mentioned earlier. Is agricultural policy only about procurement of rice and wheat and let us be very clear MSP is a Minimum Support Price (MSP) and is not supposed to be a procurement price. It's about floor price. Procurement has got nothing to do with MSP. I need to mention Lord Linlithgow. In the year 1973, Tamil Nadu government set up a commission to identify surplus government jobs and recommend their abolition. When the commission went about its task it discovered that there was some post called LBAs & LBKs. No one knew what the LBAs and LBKs were, as they were retired and drawing pensions. They were called to tell what did they do. In the year 1926 there was a Royal Commission on Agriculture. The chairman of that Commission was Lord Linlithgow. There were several recommendations to improve Indian agriculture. One of those was that Indian cattle is of inferior species. So import foreign bull and use those to impregnate Indian cows so that it improves. No one paid the slightest bit of attention to the

Commission's report, as typically happens in government until it was announced that Lord Linlithgow was going to be the Viceroy cum Governor General. One Civil servant in the Madras Presidency woke up and realized that Lord Linlithgow would turn up to ask about his recommendations. In the government, scrapping a job is difficult and creating a job is also difficult. And this person thought that the best way to create a job was to invoke the Viceroy's name in the job itself. LBKs were Linlithgow's Bull keeper. LBAs (Linlithgow Bull Assistant) imported the bulls and maintained them. These posts were abolished finally in the 70s.

The reason I mentioned Linlithgow is, believe it or not the APMC Act goes back to the recommendation of Lord Linlithgow's Royal Commission on agriculture. That's how old they are, that's where the antecedents are. Yes, for Berar and Cotton earlier, economic historians have analyzed for what happened for Berar and Cotton and arrived at an unambiguous conclusion that whatever was done in Berar and Cotton was primarily to ensure cheap cotton supplies to Lancashire and Manchester. It did not really benefit farmers. It was an indirect tax on farmers. And the money thereby gained was not really used to develop infrastructure. Of course, after Lord Linlithgow there was a model APMC bill. Several States passed it.

There have been several good studies on Indian agriculture. National Commission on Agriculture 1976, National

Commission on Farmer, Swaminathan Commission 2004, most remarkable of all at the turn of the millennium, Ministry of Agriculture, Government of India, not under this government, but the then government brought out a 27 volume study called the state of the Indian Farmer. Volume 7 was on Agricultural marketing by S.S.Acharya. People who have long memories like Charan Singh would remember him, chairman of CACP once upon a time. And all of these commissions etc. have documented very clearly that these registered markets that the APMC Acts mandated did not really benefited the bulk of farmers. To divulge a secret, in the 90s I worked as Economic Adviser in Finance Ministry and until I found a solution, I had a terrible problem. Suddenly a file would come to me. My portfolio was balance of payments. Suddenly a file would come to me typically at 5:25 in the evening, saying that the duty drawback on X item is 5.15%. It is proposed to increase it to 5.19%. Files would never explain to me why it was 5.15% at first place and why it would be 5.19% now. Sleepless nights passed and then I arrived at a solution. Anything proposed by Commerce ministry then-oppose. Exactly seen in terms of government policy. Anything that was done in India between the second half of the 1960's and the first half of 1980s is bad and I can give you countless examples also. Increase in regulated markets, if you look at the passing of APMC Acts they were all concentrated in this period. And economic policy making in this period may have been done in the name of the

poor or in the name of the farmer, it did not benefit the farmer at all. Lord Linlithgow Royal Commission – on Agriculture, one of its recommendations was the market committee should not have a license broker as a member. I was in Delhi, so it was easy for me to check AzadpurMandi, AzadpurMandi members are not just farmers, they are traders and commission agents. So the question is whose interests is AzadpurMandi committee reflecting? Economic Survey in 2014-15 documented how much is paid for rice and wheat. For rice, this is not just what is mandated, when I am forced to go to an APMC market. It is not just the ordinary market fee by the way in taxes. There is a difference between a fee and a tax. These things are supposed to be fees. There is supposed to be a quid pro quo. And it is indeed true during the time of green revolution these Mandi fees were used in Punjab, Haryana and Western UP to develop infrastructure. The question is when I give you the figure, is all of it being used for that purpose. So what is the total amount in Economic Survey for rice Andhra-19.5%, Punjab- 14.5%. Farmers do not have right to know what this is being used for and is this not excessive.

This government is being blamed. Parliamentary Committee 62nd report 2018-19 – Agriculture marketing and the role of weekly graminhaats, is very educative because it tells us that most farmers don't actually sell in those regulated markets. They sell in the weekly haat. We still do not have a cogent figure

on how many weekly haats there are, some figures are 34000. Some figures are 41000, some figures are 28000. According to the National Commission on Farmers there should have been a market within a radius of 5 kms which roughly means total area would have been 79 sq.km. In Punjab area is 116, Haryana 157 and Himachal 994. So the person who is growing apples from Himachal brings it to AzadpurMandi. There is nothing in AzadpurMandi, but he has to bring it to AzadpurMandi if he is going to sell it in Delhi and he has to pay AzadpurMandi six percent, for what? How does this benefit Himachal's farmers? So, the critical issue here is freeing marketing channels and there is a long list of recommendations even before this government. In 2001 there was a report of a task force on agricultural marketing norms. All the CMs were part to that. There was a standing committee of CMs. In Delhi in 2002, they agreed to this, there was a national conference of Agricultural ministers in 2004 which agreed to this. There is E-Nam which reflects what farmers want or the state governments. All of this in Essential Commodities Act goes back to a period when we artificially created shortages.

The Essential Commodities Act by the way is an enabling provision under which not very long ago the price at which we could buy an automobile used to be determined by the government. We have done away with that for manufacturing. Isn't it time to do away with it for farmers? Reforms happened

in 1991 but theirs is a long history of committees which have submitted recommendations and this was not just IMF, World Bank recommendations as the left argues. To my mind the most significant committee was the committee that people have forgotten about that was the Dagle committee in 78 on control's and subsidies. Several years down the line, after the recommendations were implemented. I personally feel that what has now been done is not a magic wand. There will be no quick fixes overnight, but I think what has now been done will free up Indian agriculture. It will give the Indian farmer the right to choose which other sectors have benefitted from and it will enable the Indian farmer to look away from rice and wheat to look towards commercialization and diversification, to choose different marketing channels, to decide who to sell to, where to sell and thereby ensure prosperity and development for the rural sector.

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