Indian Agriculture:
Harvesting Success Yet Challenges Galore

SHRIDHAR speaks

Tarun Shridhar
Director General,
Indian Chamber of Food and Agriculture;
and former Secretary,
Ministry of Fisheries,
Animal Husbandry and Dairying,
Government of India

Will India be the next food superpower of the world? Economist, a magazine otherwise not too kind towards us, thinks so. An article on Indian agriculture in the July edition of the magazine is impressively titled "The world's next food superpower". It rightly articulates that portents do strongly indicate that a near stagnant annual growth rate notwithstanding we are destined to be the global superpower in the food and agriculture sectors. At the same time, there is a bonafide apprehension too that politics and populism may pull us back.

The journey so far has indeed been impressive despite several lost opportunities. Not too long ago we were derided as an agriculture "Basket Case", characterised by perpetual shortages and chronic distress in the agriculture sector. During the 1950 and 60s, our food and agriculture sector was defined as "ship to mouth", a pejorative for our dependence upon imports and foreign aid; in fact crying for mercy in order to feed our population. Who in our generation can forget PL (Public Law)-480?: wheat imported under this law from the USA was described as "fit enough only for the pigs to eat"; ironically it also used to be in short supply. But now we have reason to thump our chests having emerged as a net exporter of almost all food commodities. "Basket Case" is now recognised as the "Breadbasket" of the world.

The sector may still be plagued with imperfections plentiful, the growth rate may still be pointing towards stagnation, access to finance continues to be an issue, markets are yet to mature, technology and other inputs may even now be out of reach of the small farmer; yet it may not be a hyperbole to say that the Indian agriculture is flourishing in the face of multiple challenges. Amidst the difficult working environment and conditions, our farmers have been giving us record harvests, each bettering the previous one. Leave aside the phenomenon of famine, today's generation won't even know what food shortage means. During the global food scare that followed Russia's invasion of Ukraine, India came to the rescue of the global community emerging as the major exporter of rice and wheat; after all, we are the world's second biggest producer of both. In one of the many such examples, we have sent more than 60 million tonnes of wheat to Afghanistan during the past two years.

Still we need to guard against lapsing into complacency and recognise that serious inefficiencies persist. According to an estimation by a Singapore based Agri-business entity, our land under cultivation is one third more than China but in comparison we harvest only a third as much produce by value. Agriculture employs almost half of our workforce, 260 million, but contributes only about 18% to the GDP and 12% of exports. By contrast, business services such as call centres and IT companies employ less than 1% of workers but produce 7% of GDP and almost a quarter of exports. Therefore, radical rethink in policy and perspective is imperative.

"Our farms are starved of capital and knowledge on modern methods and practices," wrote Prof. Ramesh Chand in the 2017 NITI Ayog Policy Paper titled Doubling Farmers' Income. A confusing paradox considering the substantial financial outlays, both direct and indirect, in the central and state budgets. The predicament perhaps lies in our fixation with treating agriculture as a mere production oriented activity with the sole objective of providing affordable food, and not viewing it as a vibrant enterprise which could lend dynamism to the economy. What prevents us from recognising our farmer as an entrepreneur, innovator, a progressive business owner, and above all a bold risk taker.

Why should the farmer be starved of finance? Theoretically, a plethora of financial incentives and capital investments have been provided to the farm sector: from high tariffs to protect domestic produce from cheap imports to subsidies on a variety of inputs such as seed, fertiliser, pesticides, energy, water etc. In fact, the rate of subsidy on water and electricity has reached the maximum of 100% in certain states. These financial stimuli are further enhanced through loans which carry either no or a concessional rate of interest; low cost or fully subsidised insurance; and price support for major commodities. Populist measures such as periodic loan waivers add on to this seemingly huge financial basket. And finally, the income enjoys exemption from tax. Yet, the growth of the sector has been consistently low, hovering around 3% over the years, and when we discuss the sector, the most commonly used phrases are "farm distress" and "crisis". Within the sector, it is dairy, fish farming and poultry which have been regularly, for more than a decade now, registering an annual growth between 6 to 10% whereas none of the financial incentives listed above are available to these activities. If the growth only of crop husbandry is computed, it would be under 3%. We have narrowly confined our understanding of agriculture to only mean growing crops on the soil and targeted financial inputs accordingly.

Logical though it sounds, it would be an erroneous inference that there is no correlation between infusion of finance and growth?

We would serve the sector well by clearly differentiating between public investment in agriculture and subsidies. At present the bulk of public spending in agriculture is biased towards providing cheap inputs to the farmers. The sector is tightly controlled; from inputs to extension to marketing. Cheap subsidised inputs compromise on quality, and also on basic principles of return on investment by artificially keeping the cost low. This reduces the incentive to perform better, as recovery of cost of inputs has been eased. Dairy, poultry and fish farmers need to work harder to recover the cost and then generate surplus to stay afloat. Innovation also gets pushed to the margins as incentive has already gone missing. Agriculture extension system has been in a state of disrepair for quite some time now, and private talent does not venture into this territory as we prefer subsidised services, even if they are of dubious quality. The mandi, controlled by the Market Committees, is a monopsony of a different and ugly kind, though the raison d'etre of this mandi was precisely to free the farmer from monopsony. There is an utter lack of transparency in their functioning, cartels control them, traders pool for price fixing, payments are unreasonably delayed pushing the farmers again to money lenders. Unfortunately, the steps to ease these controls and provide a greater degree of freedom to the farmer over his profession have met with opposition from some quarters. This could also be on account of our traditional suspicion of private sector investment in agriculture. We may affirm our commitment to agriculture and farmers through heavy budgetary allocations, but the real growth in terms of productivity, value and realisation of the goal of doubling farmers' income would be a reality if private investment in the sector too flows with as much enthusiasm and ease as in the manufacturing and services sectors.

Another stark irony is that while we are treating private investment in agriculture with suspicion, the public institutions, despite the pronouncement, view the agriculture sector and the farmer with the same, if not higher, degree of suspicion. No financial institution shows any willingness to finance beyond the subsidised government schemes;

agriculture is still considered a high risk financing activity and farmers a high risk category of borrowers. As a result, insurance too remains out of bounds; in fact no insurance company responds favourably to insuring a fish farming activity. Beyond the comfort of the Kisan Credit Card (KCC) there is hardly any substantial institutional credit available to the farmer. So the dependence upon the informal channels remains high. In fact, NABARD acknowledges that more than 30% rural households still take credit from non-institutional sources. Distribution of this credit is also uneven and skewed amongst states, and heavily prejudiced against small and marginal farmers; the landless tillers remain outside its purview. Availability of financial resources does not automatically mean an access to those resources; and this access continues to be a challenge even though availability ceases to be a major issue. Given the large proportion of resource constrained small and marginal farmers in India, timely availability of adequate credit is fundamental for the success of farming activities.

Income support, yes. Subsidies to offset high cost of farming, yes. But let these not be confused with investment. There is no dearth of finance, but dearth of good finance. Invest as much in infrastructure, R&D, digitalisation; basically in what generates greater monetary value to the farmer. This should be in no conflict with the government's welfare and income support to the farmer. Let the investment be evaluated on the threshold of financial return. Treat agriculture as business and encourage financial returns on business principles. It is definitely encouraging that on the lines of ease of doing business we have started talking about ease of doing agriculture. Let the focus be shifted from production to farmer, not merely in the idiom of welfare, but prosperity. Our policy direction should be to make agriculture a profession of choice and not compulsion. And this would not be possible in a regime dominated by subsidies and loan waivers, rather it requires creation of a positive and strong enabling ecosystem.

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