

Farm Policy: The window for agricultural reform is closing fast

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52

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For over a year, there have been news reports of NitiAayog, the erstwhile Planning Commission's new avatar, working on a wide-ranging reform package for India's farm sector. In recent months, teasers have appeared hinting at the Centre's plans of liberalising rules governing tenancy, contract farming, agri-marketing or even forestry. But given the past glacial pace of reform in agriculture, one can only hope for, rather than expect, anything dramatic soon.

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There isn't actually much time for the powers-that-be to make up their minds today on even a minimalist reform agenda for agriculture. By this month-end, the [Narendra Modi](#) government would have crossed the half-way mark of its five-year term. Every day after that is going to be a countdown to the next election. If anything meaningful is to be achieved, it has to be unveiled in the next 3-4 months, to show results before 2019.

But from whatever feedback this writer has received — from those with some knowledge of the developments and thinking taking place at the top — the current agricultural reform moves seem headed to repeat three basic errors that marred similar earlier well-meaning attempts. These are: the Delhi-centric nature of ongoing consultations/discussions, a one-size-fits-all approach, and preaching to states what they need to do.

For a subject falling under the 'State List' of the Constitution, it is amazing how states continue to be ignored when it comes to involvement in the process of agricultural policymaking or reforms. Every major step taken by the Centre — be it the land reforms agenda of the 1950s and the adoption of Green Revolution technologies in the following two decades or even farm loan waivers, curbs on agricultural exports and the push to delist fruits & vegetables from the Agricultural Produce Market Committee (APMC) regulations — has been decided in a unilateral manner by New Delhi. States are presented with fait accompli, which they have then proceeded to deal with (or not) in accordance with the political economy peculiar to their regions. Lack of ownership by states is a primary reason for the failure of agricultural reforms. It seems we are determined to relive history yet again.

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The one-size-fits-all approach is an affliction emanating from the partial success tasted by policy makers and scientists in implementing the Green Revolution package. While the resource-intensive package — involving use of high-yielding dwarf wheat and paddy varieties, large doses of fertilisers and pesticides, and multiple irrigations — worked in the well-endowed regions of north-western and east-coast southern India, the success couldn't get replicated in the rainfed parts of central and western India. The eastern region, too, lacked strong institutions — for instance, village cooperatives to disburse credit and inputs, extension systems, and state agencies to procure the surplus grains from farmers — and couldn't hence fully exploit the Green Revolution technologies, despite a much more favourable natural resource base, especially with regard to water. The Green Revolution approach was clearly unsuited to the Northeastern and hill states, but they were still offered the same schemes for agricultural development as in the rest of India. It is only in the past decade or so that horticulture has been recognised as the core competent field where these states have a natural growing advantage. But it took decades prior to this for Delhi's policymakers to shed their Green Revolution obsession and allocate some resources for horticulture development in these regions.

The third mistake that the Centre continues to make is drawing up its own wish list of agricultural reform, which the states are expected to dutifully line up and implement without demur. While serving as agriculture secretary in Madhya Pradesh ten years ago, I would jokingly seek permission of the chief secretary to travel for meetings at KrishiBhawan by saying: “Sir, I have to attend the monthly sermon in Delhi again.” Like one-sided love, this unrequited passion for reform, which the other party is expected to undertake with no questions asked, usually collapses in a mess of mutual recrimination.

It’s not as if the Centre cannot initiate reforms in agriculture. In fact, in at least three major areas, the onus for leadership and action lies with the Centre. First, the provisioning of credit and capital is something that the Centre and the RBI can largely influence with their policies. The last Situational Assessment Survey of Agricultural Households conducted in 2013 revealed that hardly 60 per cent of India’s farmers received institutional credit for cropping operations. Among small and marginal farmers, who make up 86 per cent of all agricultural households, the penetration of formal credit was an abysmal 15 per cent. This is one area for reform begging Central intervention – and which can dramatically change the fortunes of households at the bottom of the agri pyramid.

Secondly, while much pressure has been brought upon states to loosen the stranglehold of APMCs, no incentives have really been offered to them. In cities like Delhi and Mumbai – where delisting of fresh produce from compulsory APMC mandi trading has been achieved – the Centre can at least put up state-of-the-art, modern trading infrastructure. This kind of public investment and incentives for creation of new mandis, including in the private sector, could help showcase a model which states may be attracted to emulate.

Finally, what stops direct cash transfers — at least to the weakest and most vulnerable farmers in rainfed areas and the northeastern/hill states — from taking off, certainly before the onset of the next kharifseason ? This is a step only the Centre can take; it has, after all, accepted the concept in principle. Putting its money where its mouth is will give New Delhi significant leverage to take up the larger reform agenda with the states in the remaining part of this government’s tenure.

The above three measures alone can trigger a virtuous cycle of reforms and should be followed up with the creation of a Council on Agriculture hosted by the Centre. This could be on the lines of the GST Council, where all the states are represented, while serving as a platform for developing locally relevant reform agendas. Only with patient deliberation and long-term engagement can the states can be brought on board, much in the manner in which the GST reform is currently happening.

The time is now, or never.

(The writer, a former IAS officer, is currently promoting a start-up in agriculture and also visiting senior fellow at ICRIER)