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## Let farmers decide

The benefit from increase in wheat yield will outweigh the gain from high procurement price, says Uttam Gupta

**T**HE stand-off between the Government of India and the farmers in Punjab and Haryana may seem to have ended with the latter getting reconciled to sell their wheat crop at Rs 475 per quintal. However, it is unlikely that the state agencies would be able to make up for the lost time and achieve the procurement target of 12 million tonne for the current marketing season. This, in turn, could affect supplies to PDS which is required to take on additional load under the restructured TPDS.

For the rabi wheat crop of 1996-97, the government had already announced a price of Rs 415 per quintal which was an increase of Rs 35 per quintal over Rs 380 per quintal allowed for rabi 1995-96. This was despite reduction in the price of P and K fertilisers consequent to the substantial increase in the concession amount in July 1996, no increase in the urea price and the cost of power remaining unchanged. In fact, in Punjab the supply of power to all farmers was made free by the government.

Clearly, the price was attractive. And yet during the initial phase — first ten days of April 1997 — procurement was negligible. This was mainly due to government's premature and premeditated decision to authorise two million tonne of wheat import in December 1996, which vitiated the atmosphere and set the farmers on the path of confrontation.

Instead of correcting this mistake, the government committed yet another folly by announcing a bonus of Rs 60 per quintal which was unwarranted and unjustified. In fact, by doing so, it gave the contrary signal, thus prompting farmers to pitch their demand even higher, especially in view of the cost of imported wheat being about Rs 650 per quintal.

When things did not quite work out the way the government had hoped for, it started resorting to coercion. Restriction on availability of credit, imposing stock limits and even prohibiting rail movement by private traders and, to cap it all, the threat to import more, were all a manifestation of pressure tactics aimed at making the farmers surrender by hook or crook. This has led to widening gulf between the two sides and hampered procurement operations.

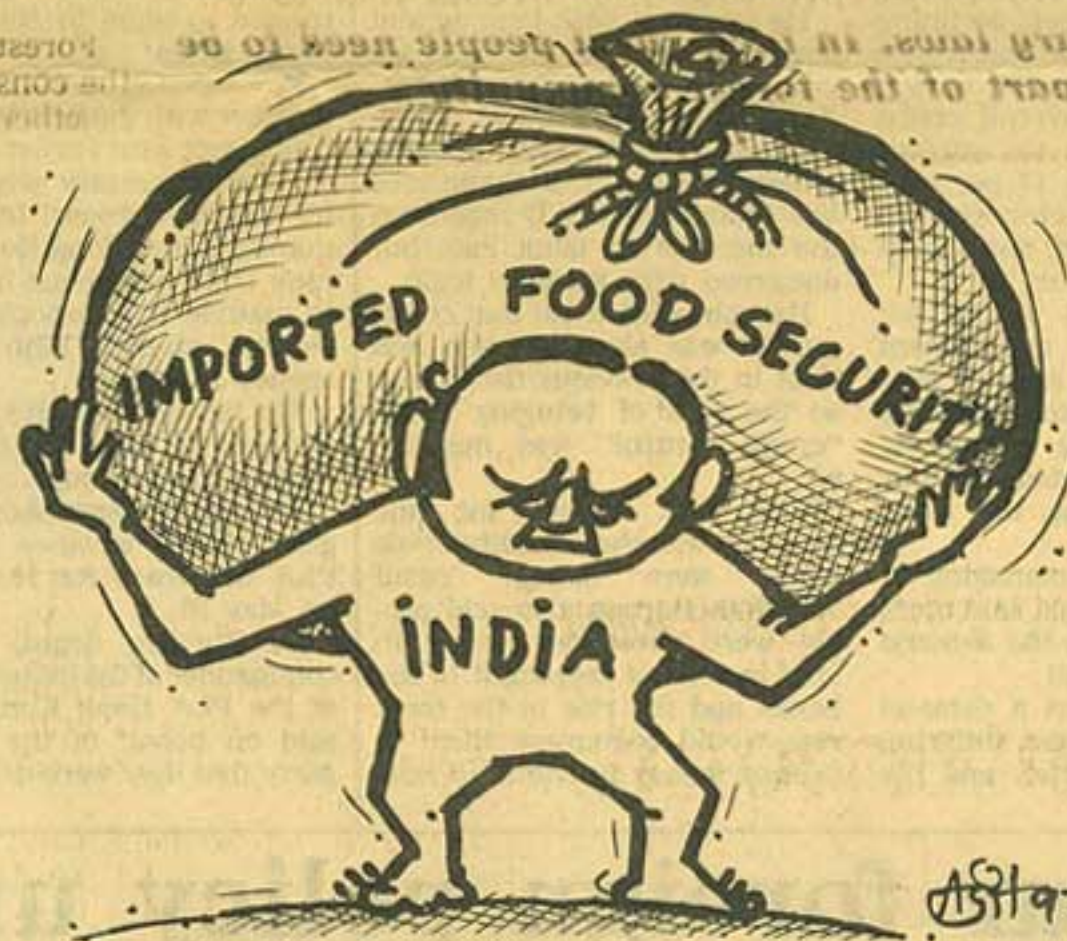
A proper course would have been

to talk to the farmers in a spirit of mutual trust, bringing out the logic of Rs 415 per quintal and avoid imports. Apart from leading to higher and timely procurement, this would have enabled significant savings as well.

On bonus alone, the additional subsidy works out to about Rs 720 crore (60x12). On import of wheat i.e., 2 million tonne, the extra subsidy (excess of import cost i.e. Rs 650 per quintal over Rs 415 per quintal) works out to roughly Rs 470 crore. Thus, the exchequer could have been spared an additional burden of about Rs 1200

crore. levels of duty, our farmers could face a real tough situation.

The developed countries, e.g. Australia, Canada and USA etc, have a lot of exportable surplus and in a free-for-all situation, there is a real danger of Indian market being inundated with imported wheat at prices lower than the cost of domestic supply. Inevitably, the Indian farmers would suffer heavily. The small farmers, in particular, will be the worst hit as unlike the big farmers, who grow a diversified range of crops and have other income generating assets, they have no other form of income support.



crore.

The government and the farmers have unnecessarily locked horns over what constitutes a good price, the focus being mainly on the import parity price (IMPP). The cost of import as the benchmark has no basis as wheat is not a freely traded commodity. Imports are made by the government to meet temporary mismatches between indigenous supply and the demand.

The IMPP will assume significance only when the quantitative restrictions on imports are removed, a commitment that government is being pressurised to make — by the developed countries — under the WTO. In such a situation, when one is free to import any quantity at internationally acceptable

Unable to sell the crop in just one or two seasons, they run the risk of being permanently crippled.

Flowing from this, there will be a serious threat to the country's food security as domestic production declines, leading to heavy dependence on imports.

The government should seriously formulate an effective strategy to ward off such dangers, instead of indulging in the loose talk on IMPP which vitiates the atmosphere and dilutes our case for taking measures to preserve country's food security. When Indian farmers are heard talking of getting the international price of foodgrains and the government joining issue with them, the signal to the outside world is that we are ready

for free flow of foodgrains across borders. All this should be instantly put to rest as free trade does not guarantee food security.

The food needs of the growing population can be met, on a sustained basis, only by increasing domestic production to the desired levels. During the last three decades, the farmers have been our trusted partners in the quest for food security. They are in the profession of growing food out of a certain inherent commitment. In recent years, there have, however, been some disquieting trends — in Punjab, for instance — about 65,000 hectare of cultivated land area has moved away from wheat. This needs to be arrested by taking measures to ensure that farmers' commitment to growing food crops endures.

The government should give demonstrable evidence that it cares for the farmers. For this, they need to be assured that (i) the traders do not get away with fantastic profit while they get low returns; (ii) they are paid in time by state agencies without any hassles; (iii) they can freely exercise the option to sell to whomsoever they wish, depending on the market conditions — for these various restrictions on credit and movement have to go and finally, (iv) decision to import foodgrains if any, should be taken in prior consultation with the farmers and after fully convincing them that these would not be aimed against them.

The benefit from increase in yield will far outweigh the gain by way of higher procurement price. At a price of Rs 4150 per tonne, an increase in yield by even half tonne, would give a benefit of Rs 2075. This is more than the gain arising from the bonus of Rs 60 per quintal for a farmer having a yield of three tonne per hectare, i.e. Rs 1800. Moreover, the yield-induced increase in the farmers' income does not entail any additional burden on the exchequer. All that the government has to do is to galvanise the existing extension/promotion paraphernalia to enable farmers adopt improved farming practices.

The yield-improving measures have even greater utility in states like UP, Bihar, Orissa etc, where the existing productivity levels are low. This will increase their own foodgrain production and thus, reduce dependence on the surplus producing states i.e. Punjab and Haryana.