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Policy Paper on Doubling Farmers Income

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Past strategy for development of the agriculture sector in India has focused primarily on raising agricultural output and improving food security. The net result has been a 45 per cent increase in per person food production, which has made India not only food self-sufficient at aggregate level, but also a net food exporting country.

The strategy did not explicitly recognise the need to raise farmers' income and did not mention any direct measure to promote farmers welfare. The net result has been that farmers income remained low, which is evident from the incidence of poverty among farm households.

Low level of absolute income as well as large and deteriorating disparity between income of a farmer and non-agricultural worker constitute an important reason for the emergence of agrarian distress in the country during 1990s, which turned quite serious in some years. The country also witnessed a sharp increase in the number of farmers suicides during 1995 to 2004 - losses from farming, shocks in farm income and low farm income are identified as the important factors for this. The low and highly fluctuating farm income is causing detrimental effect on the interest in farming and farm investments, and is also forcing more and more cultivators, particularly younger age group, to leave farming. This can cause serious adverse effect on the future of agriculture in the country.

It is apparent that income earned by a farmer from agriculture is crucial to address agrarian distress (Chand 2016) and promote farmers welfare. In this background, the goal set to double farmers' income by 2022-23 is central to promote farmers welfare, reduce agrarian distress and bring parity between income of farmers and those working in non-agricultural professions.

The concept and timeframe

Clarity on the following points is important to assess the possibility of doubling the income of the farmers. The substantive points are:

1. what is the period and targeted year for doubling the farm income;
2. what is to be doubled, is it output, value added or income earned by farmers from agricultural activities;
3. whether nominal income is to be doubled or real income is to be doubled; and
4. whether the targeted income includes only income derived from agricultural activities or would it also include income of farmers from other sources.

It is obvious that the targeted year to double the current income of the farmers or income for the agricultural year 2015-16 is by agricultural year 2022-23, which is seven years away from the base year 2015-16. And, if anything is to be doubled by the year 2022-23, it will require an annual growth rate of 10.4 per cent.

Again, it is important to clarify what is sought to be doubled. Is it the income of farmers, or the output or the income of the sector or the value added or GDP of agriculture sector? If technology, input prices, wages and labour use could result in per unit cost savings then famers' income would rise at a much higher rate than the output. In nominal terms, the

output became 2.65 times while farmers' income tripled in the seven years period. Therefore, doubling of farmers' income should not be viewed as same as doubling of farm output.

It is obvious that if inflation in agricultural prices is high, farmers income in nominal terms will double in a much shorter period. In a situation where non-agricultural prices do not rise, or, rise at a very small rate, the growth in farmers' income at real prices tends to be almost the same as in nominal prices. The government's intention seems to be to double the income of farmers from farming in real terms.

It is pertinent to mention that the latest data on number of cultivators is available only up to the year 2011-12. Therefore, while calculating per cultivator income, it is assumed that farm workers would continue their withdrawal from agriculture at the rate observed during 2004-05 to 2011-12. Presently, per cultivator income has been estimated as Rs 1,20,193 at current market prices.

Sources of Growth in Farmers' Income

Doubling real income of farmers till 2022-23 over the base year of 2015-16, requires annual growth of 10.41 per cent in farmers income. This implies that the on-going and previously achieved rate of growth in farm income has to be sharply accelerated. Therefore, strong measures will be needed to harness all possible sources of growth in farmers' income within as well as outside agriculture sector.

The major sources of growth operating within agriculture sector are:

1. improvement in productivity
2. resource use efficiency or saving in cost of production
3. increase in cropping intensity
4. diversification towards high value crops

The sources outside agriculture include:

1. shifting cultivators from farm to non-farm occupations, and
2. improvement in terms of trade for farmers or real prices received by farmers.

Strategy for Improving Farmers' Income

The sources of growth in output and income can be put in four categories:

1. Development initiatives including infrastructure
2. Technology
3. Policies and
4. Institutional mechanisms

Roadmap and Action Plan

The quantitative framework for doubling farmers income has identified seven sources of growth. These are:

1. Increase in productivity of crops
2. Increase in production of livestock
3. Improvement in efficiency of input use (cost saving)
4. Increase in crop intensity
5. Diversification towards high value crops
6. Improved price realization by farmers
7. Shift of cultivators to non-farm jobs

Conclusion

The low level of farmers income and year to year fluctuations in it are a major source of agrarian distress. This distress is spreading and getting severe over time impacting almost half of the population of the country that is dependent on farming for livelihood. Persistent low level of farmers income can also cause serious adverse effect on the future of agriculture in the country. To secure future of agriculture and to improve livelihood of half of India's population, adequate attention needs to be given to improve the welfare of farmers and raise agricultural income. Achieving this goal will reduce persistent disparity between farm and non-farm income, alleviate agrarian distress, promote inclusive growth and infuse dynamism

in the agriculture sector. Respectable income in farm sector will also attract youth towards farming profession and ease the pressure on non-farm jobs, Which are not growing as per the expectations. Doubling farmers income by 2022 is quite challenging but it is needed and is attainable. Three pronged strategy focused on (i) development initiatives, (ii) technology and (iii) policy reforms in agriculture is needed to double farmers income.

- The rates of increase in sources underlying growth in output need to be accelerated by 33 per cent to meet the goal.
- The country need to increase use of quality seed, fertiliser and power supply to agriculture by 12.8, 4.4 and 7.6 per cent every year.
- Area under irrigation has to be expanded by 1.78 million hectare and area under double cropping should be increased by 1.85 million hectare every year.
- Besides, area under fruits and vegetables is required to increase by 5 per cent each year.
- In the case of livestock, improvement in herd quality, better feed, increase in artificial insemination, reduction in calving interval and lowering age at first calving are the potential sources of growth.

Research institutes should come with technological breakthroughs for shifting production frontiers and raising efficiency in use of inputs. Evidence is growing about scope of agronomic practices like precision farming to raise production and income of farmers substantially. Similarly, modern machinery such as laser land leveller, precision seeder and planter, and practices like SRI (system of rice intensification), direct seeded rice, zero tillage, raised bed plantation and ridge plantation allow technically highly efficient farming. However, these technologies developed by the public sector have very poor marketability. They require strong extension for the adoption by farmers. R&D institutions should also include in their packages grassroots level innovations and traditional practices which are resilient, Sustainable and income enhancing.

ICAR and SAUs should develop models of farming system for different types of socioeconomic and bio physical settings combining all their technologies in a package with focus on farm income. This would involve combining technology and best practices covering production, protection and post-harvest value addition for each sub systems with other sub systems like crop sequences, crop mix, livestock, horticulture, forestry. Such shift requires interdisciplinary approach to develop on knowledge of all disciplines.

About one third of the increase in farmers' income is easily attainable through better price realization, efficient post-harvest management, competitive value chains and adoption of allied activities. This requires comprehensive reforms in market, land lease and raising of trees on private land. Agriculture has suffered due to absence of modern capital and modern knowledge. There is a need to liberalise agriculture to attract responsible private investments in production and market. Similarly, FPOs and FPCs can play big role in promoting small farm business. Ensuring MSP alone for farm produce through competitive market or government intervention will result in sizeable increase in farmers' income in many states.

Most of the development initiatives and policies for agriculture are implemented by the States. States invest much more than the outlay by the Centre on many development activities, like irrigation. Progress of various reforms related to market and land lease are also State subjects. Therefore, it is essential to mobilise States and UTs to own and achieve the goal of doubling farmers' income. If concerted and well-coordinated efforts are made by the Centre and all the States and UTs, the Country can achieve the goal of doubling farmers' income by the year 2022.