Balance Sheet of a Decade!

Farmers'

Report Card 2014-24

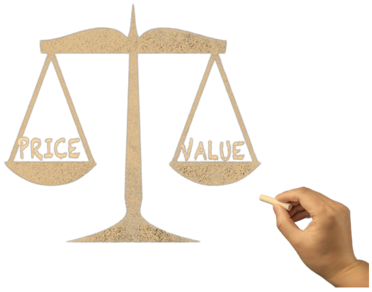
The essence of democracy requires that we hold governments to account vis-a-vis their claims and promises. But one of the biggest casualties of the recent years has been the idea of accountability. The divisive and jingoist hyperboles in the media facilitate a collective amnesia. This report card (though not conclusive) is part of a series, by the Financial Accountability Network India, that attempts to glance through and highlight a few of the claims and reality of the government's performance across various sectors from a financial and economic lens.

Financial Accountability Network India - FAN India

CLAIM 1:

DOUBLING FARMERS' INCOME

Farmers were enticed by Narendra Modi and the Bharatiya Janata Party in 2014 with an attractive promise that their produce would be procured at a Minimum Support Price (MSP) at least one and a half times the comprehensive cost of production according to the C2+50% formula. The Swaminathan commission had advised to raise the MSP to at least 50% above the weighted average of cost of production. This was called C2+50.



On February 28, 2016, on the eve of the Union Budget, Prime Minister Narendra Modi made yet another promise on 'doubling farmers' income' (DFI) by 2022, as India completes 75 years of independence.

In May 2017, Amit Shah claimed that within three years of coming to power, the 2014 poll promise was nearly fulfilled and the MSP was 43% more than the cost of production if the cost of land is excluded from the price calculation

The Ashok Dalwai Committee on DFI was set up on April 13, 2016, and spoke of increasing farmers' income from 8,058 per month to 22,610 per month. Achieving this target, the Committee pointed out in its report, required a farm income growth rate of 10.4% per annum.

A report by the State Bank of India's Economic Research Department (ERD) announced that farmers' income doubled in FY22 as compared to FY18 for certain crops in some states. Like soybean and sugarcane in Maharashtra, cotton and paddy in Karnataka, wheat in Rajasthan, and groundnut and cotton in Gujarat.

Reality of 'Doubling' Farmers' Income

The high hopes of doubling income, however, burst asunder when the Narendra Modi-led Union Government filed an affidavit in the Supreme Court that it would not be possible to determine the MSP according to its promise as such an increase would distort the market.

The Dalwai Committee did not provide a coherent strategy of providing technological or economic support to farmers that would help raise yields and incomes. The mammoth report running into 14 volumes did not say anything about steps that need to be taken to ensure this.

The special task force made by Niti Ayog in 2018 only talked to select private companies in an apparent attempt to identify steps that the government was to take to promote interests of private companies in agriculture and related economic activities. It had nothing to do with farmers.

The 77th round of Situation Assessment Survey of Agricultural Households released in 2021 shows that the estimated monthly income of farm households in 2018-19 was merely Rs 10,218 per month in nominal terms. This is nowhere close to the supposed target of Rs 22,610 per month.

Even if one sets aside the extremely dodgy methodology involved in the SBI study (sample size, which class of peasants, cost calculations, why landless tenants were kept out or why only these states were chosen) one must understand that MSP is mostly notional as there is no assured procurement in most cases and thereby no effective benefit. For instance, the procurement as a percentage of total production in 2021-22 was 0% for soybean and as low as 2.05% for groundnut. The level of procurement of paddy and cotton in Karnataka, and wheat in Rajasthan is very negligible. So though the claims got a lot of media coverage, it meant little on the ground.

The MSP for the Kharif season 2023-24 announced on June 7, 2023 is neither fair nor remunerative. Rather than Doubling Farmers' Incomes, rising input costs coupled with unfair MSP are pushing large sections of the farmers especially, the small, marginal, middle farmers as well as tenants into indebtedness. The CACP estimates of costs fail to adequately take into account increasing input costs or factor in the inflation.

The government had set an ambitious target to double farmers' income by 2022. But while there was absolute silence on that promise, one of the major schemes Market Intervention Scheme and Price Support (MIS-PSS) that ensures minimum support price-based procurement operations in the country saw a drastic cut over the last two years. As per the budget estimates, the allocation to the scheme decreased from 1,500 cr in 2022-23 to 0.01 cr in 2023-24 and 2024-25 respectively.

CLAIM 2:

REDUCE FARMERS SUICIDES & INDEBTEDNESS

In his poll campaign in 2014, Modi said, “Our farmers must not be pushed to take the noose, our farmers should not have to take heavy loans, they should not be forced to knock on the doors of the sahukar. Isn’t it the responsibility of the government and the banks that they give credit to the farmers? And if the conditions of the farmers improve it doesn’t only improve for them, it gives employment to many who work the fields.”

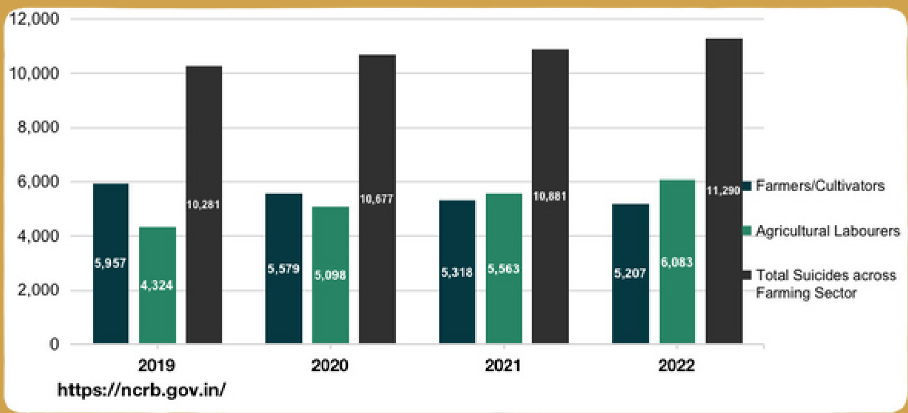
In terms of indebtedness, the government claims that the percentage of indebted farmers reduced from 52% in 2013 to 50.2% in 2019.

BJP MP Nishikant Dubey claiming that no farmer has died under Modi by suicide. “Did the opposition ever have a single discussion about farmers’ suicides in the last eight years?” he asked, “If they didn’t, it means farmers are not dying by suicide.”

Reality of ‘Reducing’ Farmers Suicides & Indebtedness

In the Narendra Modi years from **2014 to 2022, 1,00,474 farmers committed suicide**, as per the recently released National Crime Records Bureau (NCRB) report. **This amounts to nearly 30 suicides per day in these nine years**. Empty rhetoric, failing schemes and inadequate allocations are pushing the “annadatas” of our country into deep despair. The haunting surge in farmer suicides under this regime is symptomatic of systemic neglect.

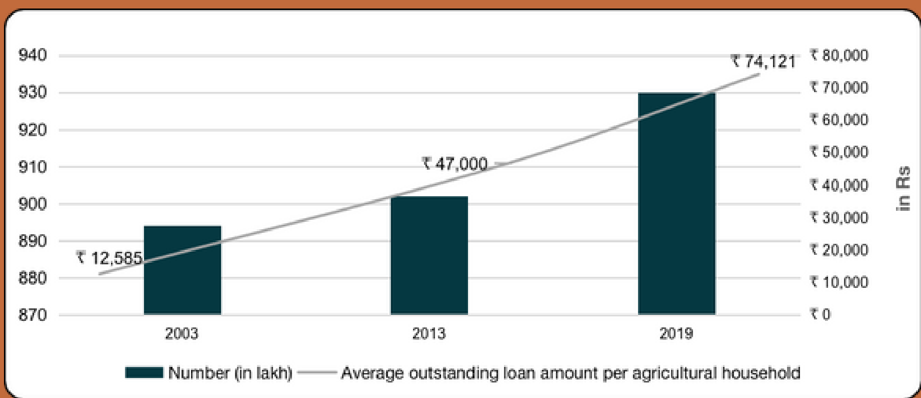
In the 2nd term of the Modi govt, the total farmer suicides increased in absolute numbers from 10,281 to 11,290. Within this, the rise in the number of suicides among agricultural workers seems to be much sharper, from 4,324 to 6,083 i.e. 41%. Maharashtra, with the ill-fated regions of Vidharbha and Marathwada, yet again witnessed the worst situation.



Source: MOSPI, Situation Assessment Survey of Agricultural Households and Land and Livestock Holdings of Households of various years

There has been a marked increase in the absolute numbers of indebted farmers i.e. from 902 lakh to 930 lakh between 2013 - 2019 alongside an upsurge in the average amount of outstanding loan by nearly 1.6 times the 2013 amount.

Source: MOSPI, Situation Assessment Survey of Agricultural Households and Land and Livestock Holdings of Households of various years



CLAIM 3:

MORE ATTENTION & INVESTMENTS IN AGRICULTURE

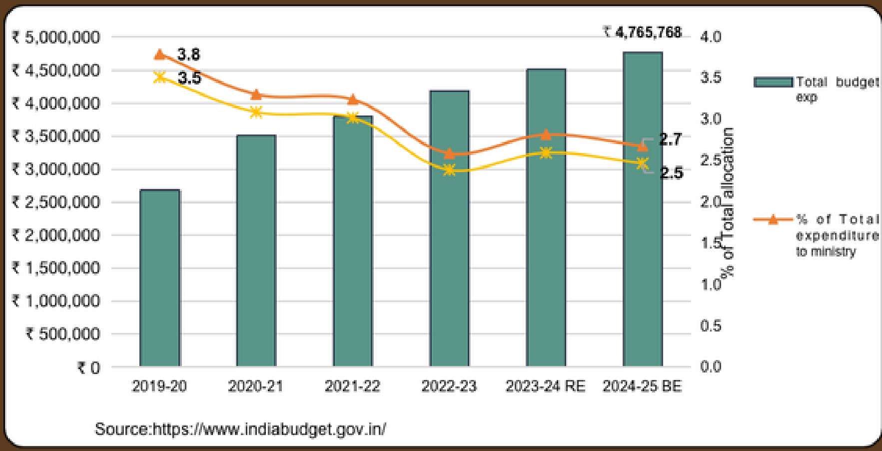
In the election manifesto of 2014 BJP spoke of Radically transforming the Food Corporation of India, Leverage technology to disseminate real-time data to farmers, set up a price stabilisation fund, take steps to enhance the profitability of agricultureand implement a farm insurance scheme to take care of crop loss due to unforeseen natural calamities.

Other prominent promises or launches of schemes during the five years between 2014–15 and 2018–19 were as follows:

- **Pradhan Mantri Krishi Sinchayee Yojana**
- **Promise to take agricultural exports to $100 billion by 2022–23 (DCR 2018), replacing it later with the promise to double agricultural exports by 2022–23 in April 2018 (MOC 2018).**
- **The 2015 manifesto spoke of setting up an agri-rail network to cater to the specific needs of perishable agricultural products.**
- **Pension promised for small and marginal farmers of Rs 3000 per month.**

Reality of Investments and Credit in agriculture

Public expenditure on agriculture in relation to total budget expenditure has been falling consistently in the Modi 2.0 years. As has the share allocated for farmers' welfare. Looking at the growth rate of real wages between 2014-15 and 2021-22 which has been below 1% per year across the board, including for agricultural labour. The impact is clear in alarmingly low rural demand, which constitutes nearly 36% of FMCG sales.



Source: Demand for grants of the Union government, Annual Budget. Note: FY 2019-20 to FY 2021-22 includes Actual estimates.*

Exclusionary measures, including Aadhaar-based payment systems, have affected 57% of workers, and despite the scheme's goal of providing 100 days of employment, only 3% secure it, raising concerns about effective implementation.

The allocation for Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), that serves as a lifeline in such times of distress, has been seeing its allocations dwindling over the years. It plummeted from 1.85% of the overall budget in FY 2014-15 to a mere 1.33% in FY 2023-24, representing a historical low. Last year's allocation of Rs 60,000 crore marked a substantial 33% decrease from the previous year and was only 0.198% of the total GDP. In revised estimate for 2023-24 it was Rs 86,000 and it has not been increased in the estimate for 2024-25. On top of that only to the state of West Bengal the Union Government owes Rs 7000 crores on the grounds of "non-compliance of directives". This amount includes Rs 2800 crores of wage liabilities. After the budget session in fact the West Bengal CM has declared that the state govt she will pay the 2.1 million unpaid workers.

The PMFBY has been allocated Rs 14,600 crores. The main beneficiary of PMFBY is private insurance. Farmers are not.

Allocation for **Pradhan Mantri Fasal BimaYojana is marginally lower than the revised estimates for 2023-24**. However, its efficacy appears dubious, with only a small sum of Rs 3,878 crore paid in claims to 7.8 lakh farmers during Rabi 2022-23. This raises concerns about the scheme's ability to effectively support the majority of applicants.

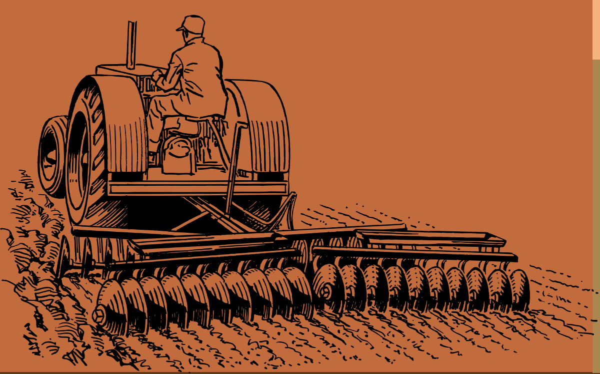
A one-size-fits-all approach is not suitable for the diverse agricultural landscape in India, as shown in the NCRB report where the number of deaths of landless agricultural labour has increased since 2019. While the PM Kisan Samman scheme that the Finance Minister speaks of in her budget speech overlooks the needs of the landless agricultural workers, even for those it is supposed to benefit, the allocation seems to have stagnated. Allocation towards it has not seen any change since the Budget and Revised Estimates for 2023-24 and in the estimates for 2024-25.

Union government budgets have tended to promote interventions in linked sectors (animal husbandry, biomass utilisation, forestry and so on) mainly through the corporate sector. But corporates care only about profits, not farmers or sustainability.

All India Debt and Investment Survey of 2019 shows that the share of the formal sector in the total debt portfolio of cultivators or rural households is almost the same as it was in the 90s.

There is very little effort to increase the vibrancy of the co-ops leaving commercial banks to take over - the share of credit that co-ops supply is now at 30% of the overall credit, which used to be more than 40% around 10 years ago. In December 2021, Amit Shah informed the Parliament that 44 multi-state co-ops in 9 states and UTs are shutting down owing to financial mismanagement.

Earlier, there were sub-limits for direct lending and indirect lending to agriculture. These two segments have been merged in 2015 making it easier for banks to achieve the 18% agri target as large loans to processed food industry are also now covered under agriculture.



RBI revised PSL norms once again; this time including start – ups (up to ₹50Crs), loans for installations of solar power plants, and setting up of bio-gas plants into priority sector lending. Further, the credit limits of Farmers' Producers Organisations (FPO) and Farmers Producer Companies (FPC) have been increased. The statement by RBI contextualises these changes stating that the changes are made to "align with emerging national priorities and bring sharper focus on inclusive development, after having wide-ranging discussions with all stakeholders." No one knows who these stakeholders are, surely not the farmers or the weaker sections.

The pension scheme for farmers was considered grossly inadequate due to the age criterion which benefitted only a few.

HIGHLIGHTS

The historic farmers' agitation against the farm Bills pushed by the Modi government was a desperate fight back against what was being touted as Indian farming's "1991 moment". **The Bills would have made farmers directly negotiate with private corporations instead of the mediation of a state-regulated marketplace.** It took about 750 deaths and a year-long militant agitation for the government to finally retreat.

The Union Ministry of Agriculture & Farmers' Welfare had 20 schemes under it, but now only three are running. The Animal Husbandry Ministry has scrapped important schemes like Dairying through Cooperatives and National Dairy Plan-II. Now, only three out of 20 schemes — Krishonnati Yojana, the Integrated Scheme on Agricultural Cooperatives and the Rashtriya Krishi Vikas Yojana are being run by the Agriculture Ministry.

REALITY OF CREDIT FOR FARMERS

The largest share of agro credit is given in the months where farming activities are the least, (i.e. in the last quarter of the financial year) while the least is given when a flurry of agricultural activities is happening. The link between agricultural credit and capital formation in agriculture has significantly weakened.

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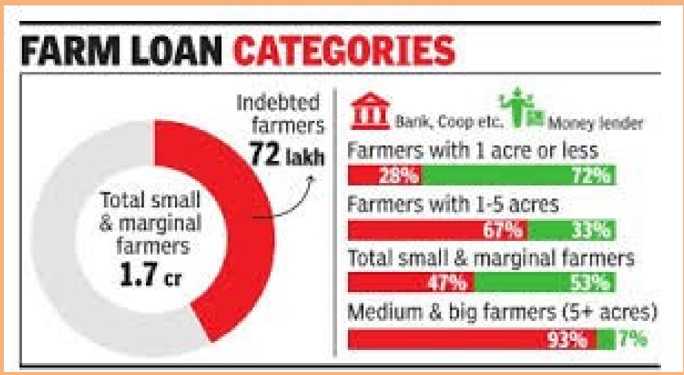

Source: *Insights IAS*

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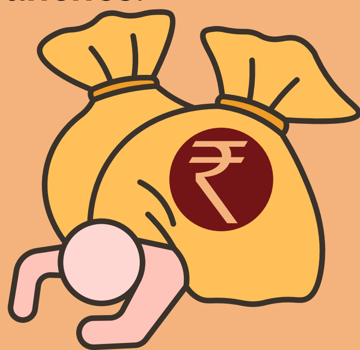
Under the 40% credit allocated for priority sector lending, 18% was stipulated as agricultural credit. Further subdivision of 13.5% for direct and 4.5% for indirect credit within that 18% quota, has now been removed. So, that entire 18% can be disbursed as indirect credit to big corporations, and technically still be treated as a loan to a farmer.

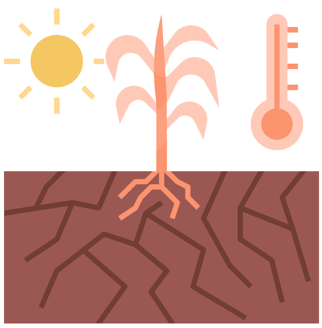
Recent regulations now allow banks to trade priority sector lending portfolios internationally or with private banks to fulfil their targets. For instance, if a public bank meets 45% of the target while another private bank meets 35% (with a target of 40%), the former can trade 5% of its portfolio with the latter. This shift places more pressure on large Public Sector Banks, offering low-margin loans, while enabling private banks, with minimal manpower expenses, to meet targets and maintain profits.

More and more loans are given through urban and metropolitan branches (almost 1/3rd of the total loans), than the rural branches.

As admitted here, the govt has not provided any zero per cent interest loans up to 1 lakh to farmers as promised in its 2019 manifesto.



The climate crisis, which again has been exacerbated by decades of growth mania under neoliberalism, poses yet another challenge to the farmers in despair as they are faced with crop failures due to heat waves, lower yield and devastating extreme weather events.



The relentless struggle against **financial burdens**, and manifold **uncertainties**, coupled with **rising inflation and a cost of living crisis** demands a fundamental shift in policies if we are to rectify this dance of death. As pointed out by the Supreme Court, instead of going to the roots of the issue, merely cosmetic measures, **like post facto compensation to the family of the deceased**, are far from enough.

When adjusted for **rising inflation, the MSP has failed to shield small farmers from debt**. The government remains far from fulfilling its 2014 pledge of aligning the MSP with the Swaminathan Commission recommendations and doubling farmers' income.

Farmers fought the three farm bills.

Farmers will fight against empty promises too!!

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