

India's agrarian sector needs a budget boost

Farm policymaking slowed down after the repeal of three laws in 2021. But the climate crisis, geopolitical instability and inflation have exacerbated the urgency for reforms. For India to respond to these challenges, crop diversification is important. Decentralised procurement and a more capable PDS will create a new opportunity to address this goal

In November 2021, Prime Minister (PM) Narendra Modi repealed three contentious farm laws in a dramatic turnaround. The entire episode — from the passage of the laws, the protests that followed and the turnaround — had stalled national agriculture policymaking. Yet, as this column has repeatedly argued, the events of 2022 — geopolitical instability caused by the Russia-Ukraine war, the climate crisis, and inflation combined with continued slow growth in the rural economy — have exacerbated the urgency for agrarian reforms. This was reinforced last week by external affairs minister S Jaishankar when he pointed to the need to de-risk the global food economy through decentralised and diverse agricultural production and increased self-reliance at the national level. For India to respond, the key lies in crop diversification. Ironically, the tools at the heart of contestation during the farm laws debate — the minimum support price (MSP) system and government procurement — if properly rearchitected can help the country tackle the current problems.

The farm law debate created a false State vs market binary by positioning the problem primarily as driven by excessive State intervention in agriculture markets. The resultant drastic deregulatory impulse embedded in the laws

intensified farmers' anxieties over the possibility of a wholesale State exit from the sector. In response, the demands of farmers' unions coalesced around the equally untenable demand for a legally backed MSP guarantee for all crops.

Neither the farm laws nor the demand for a national MSP law is the answer. What was missed in the din is that alternative pathways of reforms have steadily emerged, albeit patchily, across states. These must now be leveraged.

At its heart, India's MSP procurement was never about legal guarantees to farmers for price stabilisation and market risk mitigation. Instead, it was a mechanism for production incentivisation to achieve self-sufficiency. Viewed this way, MSP can play a critical role in incentivising diversification and transitioning cropping patterns when viewed through this prism. But we must move away from the current lock-in of wheat and paddy toward a decentralised procurement of several nutritious crops.

Here, the Union government's decentralised procurement scheme (DPS), launched in the late 1990s, holds the key. The scheme was designed to engineer a shift from the unlimited paddy and wheat procurement lock-in by enabling states to use MSP and incentivise region-specific crop production while reducing public food distribution costs. States were slow to respond, but those that did, including Madhya Pradesh, Chhattisgarh and Odisha, fuelled innovation. These included using primary agricultural cooperative societies instead of only *mandi*-centric procurement through commission agents (the *arthiyas* who have long been a bone of contention in reform debates). Odisha emerged as a leader in incentivising millet production, and the Odisha Millet Mission is an important institutional innovation that many are now recognising.

Interestingly, PM-KISAN (which provides farmers up to ₹6,000 per year as minimum income support) offers a good illustration of this



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model. Even though the scheme was launched with a specific national policy agenda focusing on landowning farmers, states have effectively used it to respond to their priorities. For instance, Odisha and Andhra Pradesh have topped up the cash transfer with their funds. With varying degrees of success, they are trying to reach tenants, sharecroppers, and agricultural labourers. This is how procurement and MSP reforms should

evolve: In close support and coordination between the Centre and states, with the latter leading the way for what makes sense in their different contexts. And this won't be achieved through schemes like one-district, one-product approach, which disincentivises diversification.

Second, the public distribution system (PDS) must also be better leveraged to create demand for diversification by moving beyond its current focus on wheat and rice. Once derided as the symbol of the corrupt Indian State, PDS has reformed and emerged with widespread legitimacy today as the pandemic lifeline for most Indians. This is an opportunity that must not be lost.

Decentralised procurement and a more capable PDS will allow India a new opportunity to address the goal of crop diversification. More-

over, in the short-run, this can also be a tool to respond to the malnutrition challenge, as slowing rural incomes will only impede, if not lead a reversal of the gradual and inadequate shift from cereal-heavy diets to proteins.

If there is anything we should learn from the past, it is that MSP procurement and public distribution are powerful interventions that can be leveraged effectively if they are used for their primary purpose: Incentivising and supporting farmers to make cropping transitions towards nutritional self-sufficiency and provide vital food and nutrition security to vulnerable citizens.

But the key lies in redesigning them to fit these purposes rather than allowing interests to entrench over decades, which is the story of the Green Revolution. We also have to ensure they don't bear the impossible burden of addressing all the risks farmers face. For that, agriculture policy needs to provide a wide range of non-MSP support to all farmers, including credit, inputs, risk mitigation, and investment in rural infrastructure. As we come close to the 2023 Budget cycle, a serious agricultural budget boost is critical.

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The views expressed are personal



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