

Agro-Economic Alerts

Aiding the future of India's farmers and agriculture



For kind attention of:

The Hon'ble Prime Minister's Office,
the Ministry of Agriculture and Farmers Welfare,
and all others interested

**Emerging critical situations
and threats in India's
agricultural economy**

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Alert 1: Difficulties in Bhavantar Bhugtan Yojana (Price difference payment scheme) in Madhya Pradesh

Key highlights

- Bhavantar Bhugtan Yojana (BBY) is a price difference payment scheme, launched by the government of Madhya Pradesh (MP), in which the difference between the Minimum Support Price (MSP) and Modal Rate is directly transferred to the bank accounts of the farmers.
- The scheme was initially launched for 8 notified Kharif crops—Soybean, Moong, Urad, Pigeon Pea, Groundnut, Maize and oilseeds, and was further extended to 4 Rabi crops—Chickpea, Mustard, Lentils and Onions.
- Interviews with 200 farmers in Narsinghpur district of MP, however, reflect that collusion of traders has prevented efficient operation of the scheme. After the scheme was announced, traders reduced the procurement prices at many Agricultural Produce Marketing Committee (APMC) *mandis* as they argued farmers will anyway be compensated for the shortfall.
- Moreover, the crop produce is declared to be sub-standard by traders when farmers sell it below the government announced Modal Rate. In such cases, farmers incur losses and are at the mercy of the traders. In many instances, they also do not receive the deficit money transfer in their bank accounts on time.
- Primary Agriculture Co-operative Societies (PACS) are supposed to accept registrations for the BBY scheme, but many of them are non-operational and farmers have to travel back-and-forth to *mandis* for registration which is costly for them.
- While the scheme has been termed revolutionary by some, loopholes such as trader collusion, farmer inconvenience and delays in deficit payments need to be addressed soon.

Observations

- BBY was launched in the aftermath of the massive farmers' protest in Mandsaur district of the State, in which five farmers were killed in police firing. The objective is to avoid the harm done to the farmers due to the volatility in prices of agricultural commodities, mainly oilseeds and pulses.
- Under this Scheme, the government does not procure food grains from the farmers as it would under MSP scheme. It pays for the difference between the MSP of a commodity and the Modal Rate if the commodity is auctioned at a price higher or equal to the latter.
- Modal Rate is the average price of a particular commodity in APMC of MP and of two other neighboring states.
- For example, last year's MSP for Pigeon Pea was Rs. 5400 and the Modal Rate was calculated at Rs. 4060 in Narsinghpur. The difference that came out to be was Rs. 1340. However, the farmers were said to have sold their produce in the range of Rs. 3000 – Rs. 3800. Suppose, a farmer sold his produce at Rs. 3800, he would receive Rs. 1340 and would incur a loss of only Rs. 260 with respect to the MSP.

- The state government had also proposed the opening of *Haat Bazaars* in each village, so that the produce of every farmer who is willing to sell it, would reach a larger market. However, no such efforts have been made in this direction.
- In a few APMCs, soon after the announcement of the BBY scheme, traders were said to have colluded in order to lower the procurement price. In this way, the traders get the benefits of the scheme and the payments were denied to the farmers.

Actions suggested

- Any produce sold at less than 50 percent of the MSP should not qualify for BBY, in order to avoid quality problems.
- Transactions between the traders and the farmers must be made digital, in order to increase transparency.
- Awareness needs to be created regarding BBY so that a larger number of farmers can benefit from the scheme.

Figure 1: Auctioning of Pigeon pea at an APMC in Narsinghpur district



Source: CMA, IIM Ahmedabad

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Information sources:

- Field visits and surveys of 200 farmers in the six blocks of Narsinghpur district in Madhya Pradesh.

Alert 2: Obstacles to e-NAM in Gujarat

Key highlights

- The Agricultural Produce Market Committees (APMCs) in Gujarat are linked now on the electronic National Agricultural Market (e-NAM) portal, but the actual e-trading has not taken place so far.
- The only business reported on the e-NAM portal is the entry of agricultural produce in market. However, the produce is auctioned and sold through regular process adopted in the market premises.
- At some places the local commission agent/trader tried to trade through new system but faced problems. Hence, in true sense, stakeholders are not ready to go with e-trading as yet.

Observations

- Most farmers do not have complete knowledge about e-NAM and are apprehensive to share their bank details and Aadhaar card number required for registration. Some APMCs organized meeting with farmers and traders and distributed printed leaflets for creating awareness but failed.
- Farmers and traders' have the perception that e-NAM process would take a lot of time to complete one auction and they may face difficulty in settling the payment within the same day.
- The APMC management has also raised its concern about the completion of auction of all the produce that comes in APMC premises for selling during glut or harvest seasons. Apathy of commission agents for online payment is another concern.
- Farmers sometimes take money in advance to meet the expenditure on crop cultivation and domestic needs with an agreement that produce after harvest would be sold through same commission agent or to the same trader. In such cases, farmers fear that selling produce under e-NAM to the desired trader would not be possible.
- Most farmers sell their produce in market as and when required. In the present system, they are able to sell produce and procure inputs on same day, which may not be possible under the new system.
- As per the present practice of auction, traders first check the quality of grains and then bid for the same produce in the presence of other bidders, farmers and APMC inspector. The traders are opposing this scheme because they are not ready to purchase agricultural commodities without physical verification.
- Usually, traders are aware about the soil quality and production practices followed in particular crop production by a particular farmer or farmers of particular village/area and therefore the traders ask for a higher price for the agricultural produce. This practice would not be possible in e-NAM.

- Most of the farmers are marginal with small land holdings and they prefer to sell their produce in small quantities. It is not clear how their produce would be sold through the process specified in e-NAM and how the bargaining power of these farmers will be protected.
- APMC officials and traders have mentioned that trading of agricultural produce is not assigned Harmonized System of Nomenclature (HSN) code due to which they face difficulty in uploading the trade details for tax purposes.
- To participate in e-trading, commodities are required to be converted from physical form to electronic form, which requires assaying labs and skilled manpower. At present, the availability of such labs as well as skilled personal is meager.
- There is a lack of infrastructure required for e-NAM such as scientific sorting/grading facilities, speedy internet connection, etc. Broadband penetration and digital infrastructure in rural areas is very poor. Internet-literacy is minimal among farmers which may lead to a new kind of exploitation by middlemen.
- There are no proper arrangements for the sale of produce to outside buyers as well as the settlement of accounts and transfer of material. This has created skepticism and barriers to the adoption of e-NAM.

Actions suggested

- There is a need to have clear time bound strategy to educate stakeholders on various aspects of e-NAM concept. Further, trust among farmers and traders over new technology based system, needs to be built.
- A major factor why the traders are reluctant to switch over to e-NAM is that they are not able to physically verify the produce. Hence, arrangements for the verification and grading of the agricultural produce must be made.
- E-auction halls must be equipped with computers for the uploading of buy quotes/bids by traders and large monitor/projector with speedy internet access.
- Follow-up training with hardware support needs to be undertaken at each *mandi*.
- Some of the *mandis* have come up with a mobile application to keep farmers informed about the prices on a daily basis. Other *mandis* must also follow the example as this would certainly help farmers to decide about time of sale of their produce.

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Information sources:

- Field visits and surveys of various APMCs throughout Gujarat.

Alert 3: Problem of Fallow Land in Jharkhand

Key highlights

- In Jharkhand, area under the barren and unculturable land, culturable waste land, fallow lands other than current fallow and the current fallows, forms nearly 43 percent of the total geographical area.
- Fallow land other than the current fallow has increased from 9.1 lakh hectares to 11.2 lakh hectares during the period of 2001-02 to 2014-15.
- Though there was a decline in area under current fallows from 14.5 lakh hectares to 13.9 lakh hectares during the period, it is alarming that fallow land other than the current fallows and current fallows (taken altogether), comprised 31.5 percent of the total geographical area of the state.

Observations

- Jharkhand faces a lot of constraints in agriculture due to soil erosion, low levels of irrigation, mono-cropping, large chunks of wasteland, soil acidity & poor soil condition, low farm mechanization, low credit/insurance, poor post-harvest management & value-adding infrastructure.
- The soil conditions are poor with around 0.15 million hectares of cropped area deficient in Sulphur, Boron, Zinc and Copper. The soil contains toxic levels of Iron and Aluminium and about 60 percent of the soil is deficient in phosphorous.
- The Net Sown Area forms just 32 percent of the total geographical area of the State, which is around 80 lakh hectares.
- During the period of 2002-03 to 2015-16, out of 24 districts in the State, 15 were declared drought affected.

Actions suggested

- The Ministry of Water Resources, Government of India and the state government must undertake measures to rejuvenate all the existing irrigation infrastructures, apart from creating new ones.
- The State Government must take effective steps for making 'Kanji Houses' (a place where herd of domestic animals, which graze/destroy crops of farmers are kept), fully functional on Gram Panchayat levels.
- Intensification of Horse Gram, Pigeonpea, Cowpea, Maize and Millet as solo crops or inter crops and diversification of Minor Forest Produces (MFP) and horticultural crops would be the best alternative for replacing upland rice.
- Jharkhand produces about 46.8 metric tonnes of agricultural-residue, which can be used in an organized way to mitigate soil fertility problem.
- In consultation with the Ministry of Environment, Forest and Climate Change, Agriculture, Animal

Husbandry & Co-operative Department, and the department of Soil and Water Conservation, a proposal may be delineated for the revival of permanent fallows and unculturable wastelands.

- In view of 32.8 percent of agricultural labour (rural) and around 16.2 percent marginal workers (rural areas), allied agricultural activities should be promoted in areas where the spread of fallow land/waste land is higher.

Figure 2: Inspection of Fallow Lands in Jharkhand.



Source: AERC, Bhagalpur

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Information sources:

- Field survey of Kanke and Namkum blocks in Ranchi and Gola and Patratu blocks under Ramgarh district.



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