

Agro-Economic Alerts

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Emerging critical situations and threats in India's agricultural economy

Issue 6, July 2018

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Compiled and Edited by
Center for Management in
Agriculture (CMA)
Indian Institute of Management
Ahmedabad

Contact: Prof. Ranjan Ghosh or
Prof. Vasant P. Gandhi
Chairperson CMA
cma@iima.ac.in
Phone: +91-79-6632-4651

Acknowledgement: Nikita Pandey,
Dipali Chauhan, Nicky Johnson

Based on Research &
Contributions of: 15 Agro-
Economic Research Centers
and Units, supported by
Ministry of Agriculture &
Farmers Welfare



For kind attention of:

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

Alert 1: Onion Price Volatility in Bihar - Challenges and Needed Interventions

Key highlights

- In the year 2012-13, yield of onion in the state was estimated at 20.89 metric tonnes, nearly 1.31 times more than the all-India average of 15.98 metric tonnes. In terms of productivity, Bihar had ranked fourth among the major onion producing states in the year 2012-13.
- However, the total production of onion in Bihar declined by more than 87 percent in the year 2013-14 as compared to 2012-13. Area under the cultivation of onion declined significantly by 70 percent in the year 2013-14.
- But in the year 2015-16, the total production of onion stood at 1,53,403 metric tonnes, more than 11 percent above the production level of 2013-14. Area under onion cultivation in this year also rose by nearly 16 percent.
- It was found that in the year 2017, quite significant quantities of total onion production in Bihar was exported to neighboring countries such as Bangladesh and Nepal.

Observations

- The monthly per capita deficit of onion in the state is estimated at 1,45,272 metric tonnes. It means, per annum deficit of onion production in Bihar to meet consumption demand is 17,432.64 metric tonnes.
- This alarming deficit has resulted in volatility in the price of onion in the state.
- The total onion storage capacity in the state is 38,525 metric tonnes only. Storage requirement is estimated at 12,48,960 metric tonnes. It means the gap between available and required storage infrastructure in Bihar is of 12,10,435 metric tonnes i.e., 96.92 percent.
- It was also noted that in the period of 2012-13 to 2015-16, about 68 percent of the total onion production in Bihar had remained concentrated in 12 districts, namely - Nalanda, Patna, Vaishali, Sheikhpura, Buxar, Bhojpur, Supaul, Gaya, Siwan, Jamui, Nawada, and Rohtas. The remaining districts hardly contributed (32 percent) to the total production of the state.

Figure 1: A Functional Warehouse and a Non-Functional Warehouse.



Source: AERC, Bhagalpur

Actions suggested

- More area should be brought under onion cultivation in remaining districts of the state.
- To bridge the annual deficit of 17,432.64 metric tonnes of onion, special drive for onion production in the districts covering smaller areas should be launched by providing a package of facilities/assistance under different schemes of the government.
- Onion storage infrastructures should be installed at different places in the state.
- About 10,000 farmers are listed under just two warehouses. There is a need to consider proposals for installation of onion storage infrastructures being submitted by the private sector too. Request for onion storage with ventilation

facility being submitted by private parties should also be considered on preferential basis (Figure 1).

- Bihar APMC Act (Repeal) 2006 should be reinstated.

For further details, contact:

Dr. Rajiv Kumar Sinha, Research Associate, rajiv.sinha1959@gmail.com; Mob: 8434928440

Dr. Rosline Kusum Marandi, Research Associate, mrkusum26@gmail.com; Mob: 9431908608
Agro-Economic Research Centre, Bhagalpur University, Bhagalpur, Bihar.

Information sources:

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(Cover Photo: Dhaka Tribune, December 26, 2017)

Alert 2: Implementation of Pradhan Mantri Fasal Bima Yojana (PMFBY) (2017-18)

Key highlights

- Based on the available statistics, the total premium collected by insurance agencies in the year 2017-18 was Rs. 23,206.18 crores. It is an increase of 11.6 percent as compared to the collections in 2016-17.
- The sum insured per farmer increased by Rs. 4,597 and sum insured per hectare increased by Rs. 3,850 in 2017-18 as compared to 2016-17.
- The total sum insured under the Pradhan Mantri Fasal Bima Yojana (PMFBY) scheme in the year 2017-18 was Rs. 1.91 lakh crores. This is an increase of 0.12 percent from 2016-17.
- The total number of farmers insured under the scheme in the year 2017-18 were 5.01 crores. This is a decrease of 10.27 percent from the year 2016-17.
- While states such as Assam, Jammu & Kashmir, Orissa, Karnataka, and Meghalaya saw the highest gains in enrolment some others such as Bihar, Goa, Kerala, Rajasthan, and Uttar Pradesh saw a fall in enrolment.
- The total area insured under the scheme in year 2017-18 was 4.89 crore hectares, which is a decrease of 13.27 percent from 2016-17.
- Assam, Jammu & Kashmir, Manipur, Meghalaya, and Sikkim saw the highest

gains in area coverage. Goa, Karnataka, Maharashtra, and Tripura saw a decrease in area covered under insurance.

Observations

- Based on the available data, the average premium paid per farmer was Rs. 4,634, which was a 20 percent increase from the year 2016-17.
- The states which saw the highest increases in the total sum insured were Assam, Tamil Nadu, and Manipur. Kerala, Himachal Pradesh, and Jharkhand saw some declines in the sum insured.
- The enrolment in Kharif 2017-18 declined by 8 percent from the previous season while the enrolment in Rabi 2017-18 dipped by over 16 percent from 2016-17.
- Area insured in Kharif 2017 declined by 10 percent from 2016-17 while area insured in Rabi 2017-18 fell by over 20 percent compared to 2016-17.
- The area insured per farmer in 2017-18 was 0.98 hectares per farmer, which was 0.02 hectares less than the previous year.

Actions suggested

- In order to avoid the exclusion of tenant farmers, the Aadhar card should be linked to PMFBY enrolment.
- Land record system should be digitized

by using encrypting technologies such as block-chain, to have unique identifiers.

- The Insurance Regulatory and Development Authority of India (IRDAI) should engage in communication, marketing and promotion of PMFBY to increase the enrolment of non-loanee farmers.
- The number of insurers must be reduced to only those companies that have adequate ground level infrastructure and experience.
- There should be less human involvement in yield assessment. Satellite imagery and Robust Satellite Technique (RST) can provide area estimation of crop with 90 percent accuracy at village/panchayat level.
- A new model of financial administration

can be thought of which ensures companies make 'normal profits' and keep engaging in the bidding process.

- Formulating long-term plans is a problem for insurance companies due to season-based tendering/bidding process, which reduces their motivation for setting up good long-term systems and infrastructure for insurance. A longer operational window for agency bidding is advisable and this will also reduce the moral hazards.

For further details, contact:

Prof. Ranjan Kumar Ghosh, Faculty,
Centre for Management in Agriculture, Indian
Institute of Management Ahmedabad, Gujarat.
ranjang@iima.ac.in; Phone: 079-6632-4913

Information sources:

Collected company data from insurance agencies, Rajya Sabha questions and other publicly available sources.

Alert 3: Distress Migration of Agricultural Labourers from South–West Tamil Nadu

Key highlights

- Agriculture is the principal source of livelihood for more than 40 percent of the population in the state of Tamil Nadu.
- However, of late, the southwestern districts of Tamil Nadu such as Theni and Madurai have been witnessing mass migration of agricultural labour (Table 1).
- Even though migration is supposed to be beneficial for the poor, the 'distressed' migrant labourers are often exploited in terms of pay and workload.

- Various factors that lead to distress migration are the lack of non-farm activities, inadequate irrigation or water resources, fallow lands, insufficient wages and poor access to formal credit channels.

Observations

- Migration in Tamil Nadu is characterized as a female-dominated phenomenon as the proportion of females in this is nearly 80 percent.
- Female migrant labourers usually work in

the cardamom, tea and coffee plantations in Kerala and are given less wages as compared to men. The job involves factory work, field work and field supervision.

- The existing actual wage rate in Kerala is

more than Rs. 600 per day for any unskilled labour but the migrants are often given less than Rs. 200 per day. The remaining sum usually goes to the commission agents that work as intermediaries between the planters and the labourers.

Figure 2: Female Labourers in the Theni District of Tamil Nadu.



Source: AERC, Chennai

Table 1: Migration from Southwestern Districts of Tamil Nadu

Southwestern Districts	Emigrants	Return Emigrants	Out Migrants	Return Out Migrants
Dindigul	15066	493	740	0
Madurai	79592	78683	7538	93490
Theni	13082	8653	33964	46664
Virudhunagar	27475	16937	32998	7397

Source: Tamil Nadu Migration Survey Report 2015, Center for Development Studies, Trivandrum

- Note -
- Emigrants: People who are in other countries
 - Return Emigrants: People those who returned from other countries
 - Out Migrants: People who are in other states in India
 - Return Out Migrants: People those who returned from other states in India

Actions suggested

- Alternative non-agricultural employment opportunities in the rural sector should be developed. Cottage industries with improved machines should be introduced and encouraged in the rural areas.
- To reduce migration, rural development and agriculture should be given high priority in planning and government programs.
- Irrigation must be expanded, and watershed development and rainwater harvesting systems should be promoted so as to increase cropping and employment in agriculture.
- Various policy measures must be undertaken to increase productivity in

the agricultural sector and reduce the involvement of commission agents.

- The agricultural labourers may be provided financial support and technical assistance to encourage greater productivity, efficiency, and self-employment.

For further details, contact:

Dr. K Jothi Sivagnanam, Director,
jothisiva@unom.ac.in; Mob: 9444285357

G. Mooventhan, Research Assistant,
mvnthn@gmail.com; Mob: 7397191697

Ashraf Pulikkamath, Research Assistant,
ashraf.p@mariancollege.org, Mob: 9895790837
Agro-Economic Research Centre, University of
Madras, Chennai.

Information sources:

Field visits and interactions with farmers and agricultural officers.



CENTRE FOR MANAGEMENT IN AGRICULTURE (CMA)

Indian Institute of Management Ahmedabad (IIMA)

Vastrapur, Ahmedabad, Gujarat 380015

e-mail: cma@iima.ac.in | **Phone:** +91-79-6632-4650, 6632-4651 | **Fax:** +91-79-6632-4652

Web: www.iima.ac.in