

# Agro-Economic Policy Briefs

*Aiding the Future of India's Farmers and Agriculture*



## On critical policy issues in India's Agricultural Economy

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For kind attention of:

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and all others interested

# Evaluation of Price Support Scheme for Pulses, Oilseeds, Cotton and Copra

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## Introduction

- Assurance of good prices of farm commodities is one of the most important strategies to double farmers' income by 2022. Many farmers' agitation in the recent years have also been rooted in receiving assured price for farm commodities. Developmental experiences however suggest that Minimum Support Prices (MSP) although announced for 24 agricultural commodities, are less defended for pulses, oilseeds, cotton and copra with the exception of fine cereals where procurement is necessitated for food security related concern of the economy. The procurement of non-cereals is less prioritized as this causes additional budgetary constraints. This also hinders private trade in these commodities. To answer these questions Price Support Schemes (PSS) for non-cereals were evaluated.
- The study used both secondary and primary information. The secondary information on PSS operation of the states was investigated for data on production, market arrival, infrastructure and commodity prices. The factors behind PSS operation were assessed by calculating correlation coefficients of procurement with possible factors on production, market and infrastructure. The effect of procurement on the market price of commodities was assessed by collating the secondary information on the market price of commodities with MSP of the respective commodity. While the efficiency of government parastatals in procurement of non-cereals was assessed by estimating the Benefit Cost Ratios (BCR) of the PSS operation, the problems of stakeholders were assessed by collecting information from procurement agencies and representative farmers. The states and commodities chosen were Andhra Pradesh, Haryana and Rajasthan for cotton, sunflower and mustard respectively. In each of the above states, two districts representing extreme market-related infrastructures were selected. Subsequently from each of the district, cluster consisting of two villages and a sample of 30 farmers was chosen.

## Findings

- Information on procurement showed that PSS were significant in certain years (2001–2002 and 2002–2003). This was the period when international

price of agricultural commodities was low. For some commodities (coconut, sesame etc.), procurement was significant in many years (2001–2016). The frequency of PSS procurements was specific to commodities, states and years.

- The positive association of coverage in production for mustard showed that PSS coverage was high in regions that exhibit relatively higher production of the commodity. However, the negative coefficient for soybean, safflower and sunflower showed that PSS operations have also been undertaken in new production regions.
- The negative association of regulated market with procurement under PSS showed that regulated markets and similar market related infrastructure (road) reduced occurrences of PSS. Groundnut was found to be an exception, where coverage under PSS was high despite presence of a regulated market. These were possibly important producing regions generating too much of marketed surplus for private players to handle. In some years imports were dampening price of many commodities, creating a need for government interventions.
- It was found that PSS operation was not required for soybean in Madhya Pradesh during any reference year, while procurement was required in adjoining states like Maharashtra and Chhattisgarh. In this context, the success of ITC's e-Choupal in Madhya Pradesh for soybean is well documented. The activity of private players in e-Choupal kind of arrangement had raised prices of soybean to the extent that PSS was not required. Similarly, PSS operation in copra was required in Karnataka but not in the adjoining regions of northern Kerala, where Marico (Fast Moving Consumer Goods major) intervened for quick, transparent procurement of copra in Kerala. These examples suggest that PSS operations are not a hindrance to the trade of private players.
- A comparison of market price of certain pulses, oilseeds, cotton and copra with respective MSP between 2001 and 2016 showed that market price was less than the MSP at frequent intervals. The frequency of such incidents was higher for some commodities like copra. Nevertheless, procurements were more frequent in certain states (copra in Karnataka).
- For specific commodities, quantity of procurement also increased in specific years (*urad* in 2011). Price comparison indicated that the market price of a commodity in an open economy is influenced with prices of commodity in international market and

government policy for trade in that commodity. For example price of *urad* in 2012 for some markets remained lower than the MSP despite PSS procurement.

- The National Agriculture Cooperative Marketing Federation (NAFED) is an agency involved in procuring agricultural produce from farmers through its cooperative network. The Cotton Corporation of India (CCI), Central Warehousing Corporation (CWC) and National Consumers Cooperative Federation (NCCF) are other examples. The costs

for PSS operation for pulses (*gram*, *urad*, *arhar* and *masur*), oilseeds (mustard, groundnut, soybean, sunflower and safflower), cotton and copra during 2002 to 2012 showed that cost varied across commodities and for a commodity across years. This also varied according to a specific level of procurement, cost of storage, and time and place of disposal of procured commodity. The costs of procurement depend on various decisions, most of which are not in control of the procurement agency like NAFED.

**Table 1: List of Commodities with States and Years of Procurement under PSS**

State	Year	Qty Procured (Tonnes)	State	Year	Qty Procured (Tonnes)
<b>MUSTARD</b>			<b>GRAM</b>		
Chhattisgarh	2002-03	129.569	Andhra Pradesh	2004-05	4070.347
	2004-05	85.741	Chhattisgarh	2004-05	43003.91
	2007-08	26.63		2005-06	10465.95
Gujarat	2001-02	32810.96	Gujarat	2004-05	5391.57
	2002-03	14619.59		2005-06	37.8
	2007-08	223.72	Madhya Pradesh	2004-05	155013.9
Haryana	2001-02	36016.27		2005-06	92006.41
	2002-03	75306.26	Maharashtra	2004-05	3712.572
Madhya Pradesh	2001-02	5983.5		2005-06	23.57
	2002-03	17853.43	Rajasthan	2004-05	45929.06
	2007-08	163.56		2005-06	4323.433
Punjab	2002-03	35.975	Uttar Pradesh	2004-05	23966.92
	2007-08	219.07		2005-06	539.634
Rajasthan	2001-02	249901.63	<b>MASUR</b>		
	2002-03	352397.34	Madhya Pradesh	2005-06	5457.609
	2004-05	18494.51	<b>MOONG</b>		
	2007-08	21272.49	Karnataka	2003-04	14
Uttar Pradesh	2014-15	1715	Andhra Pradesh	2003-04	2294.77
	2001-02	902.43	Rajasthan	2003-04	179.86
Delhi	2002-03	3815.22	<b>URAD</b>		
	2001-02	3909.23	Andhra Pradesh	2003-04	4986.127
<b>SUNFLOWER</b>					
Andhra Pradesh	2002-03	3202.145	Assam	2002-03	932.6
	2006-07	14.28		2003-04	2184.87
	2008-09	4669.952	Bihar	2002-03	1451.1
Chhattisgarh	2013-14	4383		2003-04	5182
	2005-06	3.27	Chhattisgarh	2002-03	258.086
Haryana	2006-07	1068.39		2003-04	2578.126
	2008-09	1645.943	Gujarat	2002-03	3956.392
	2009-10	811.79		2003-04	19873.59
	2010-11	845	Madhya Pradesh	2002-03	3334.65
	2014-15	4153		2003-04	1370.503
	2015-16	4242		2010-11	129.656
	2016-17	4949			

State	Year	Qty Procured (Tonnes)	State	Year	Qty Procured (Tonnes)
Karnataka	2005-06	3151.578	Uttar Pradesh	2002-03	7747.98
	2008-09	4598.76		2003-04	21757.7
	2012-13	1529		2004-05	529.74
	2013-14	4383		2002-03	218.988
Odisha	2010-11	845	West Bengal	2003-04	4944.603
	2013-14	4383		2008-09	476.979
	2014-15	4153	<b>GROUND NUT</b>		
	2015-16	4242	Andhra Pradesh	2001-02	14306.02
	2016-17	4949		2005-06	1026.64
Punjab	2006-07	1752.23		2013-14	340325
West Bengal	2006-07	1164.72	Gujarat	2001-02	116140.8
<b>SOYABEAN</b>				2013-14	340325
Andhra Pradesh	2005-06	132		2016-17	71599
	2006-07	7	Karnataka	2001-02	3225.99
Chhattisgarh	2005-06	761		2005-06	1172.2
Maharashtra	2016-17	161.59	Orissa	2013-14	340325
				2005-06	115.72
<b>SAFFLOWER</b>			2013-14	830	
Andhra Pradesh	2005-06	4376.591	Rajasthan	2014-15	6230
	2006-07	6292.762		2001-02	27789.1
Karnataka	2005-06	5970.791	Uttar Pradesh	2013-14	340325
	2006-07	11530.579		2001-02	2031.65
Maharashtra	2005-06	21458.058	Maharashtra	2004-05	418.06
	2006-07	32849.739		2007-08	40.25
Madhya Pradesh	2004-05	63	2013-14	340325	
<b>SESAME</b>					
West Bengal	2005-06	2162.27			
	2006-07	370.9			
	2007-08	91.53			
	2010-11	1885			

Source: NAFED.

**Table 2: List of Years and States for Procurement of Copra and Arhar under PSS**

Year	Qty Procured (Tonnes)	State
<b>ARHAR (TUR)</b>		
2001-02	3775	Andhra Pradesh, Karnataka, Delhi
2002-03	51	Andhra Pradesh
2010-11	291	Andhra Pradesh, Karnataka, Maharashtra
<b>COPRA</b>		
2001-02	57259	Andhra Pradesh, Goa, Karnataka, Kerala, Tamil Nadu
2002-03	8496	Goa, Kerala
2003-04	787	A & N Islands

Year	Qty Procured (Tonnes)	State
2005-06	5144	Karnataka, Kerala, Tamil Nadu, A & N Islands
2006-07	20941	Karnataka, Kerala, Tamil Nadu, Lakshadweep
2007-08	27672 5803 (Ball Copra)	Andhra Pradesh, Goa, Karnataka, Kerala, Tamil Nadu
2008-09	478 174 (Ball Copra)	Karnataka, Kerala, A & N Islands
2009-10	66750 1250 (Ball Copra)	Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, A & N Islands, Lakshadweep, Andhra Pradesh
2010-11	28371 895 (Ball Copra)	Karnataka, Kerala, Tamil Nadu, A & N Islands, Lakshadweep
	2666 (Special Copra)	Andhra Pradesh
2009-10	1250 (Ball Copra)	Karnataka
	61281 (Milling Copra)	Kerala, Tamil Nadu, A & N Islands, Lakshadweep
2010-11	30600 (Milling Copra)	Karnataka, Kerala, Tamil Nadu, Lakshadweep, A & N Islands
	895 (Ball Copra)	Karnataka
2011-12	343 (Milling Copra)	A & N Islands
	66453 (Milling Copra)	Tamil Nadu, Lakshadweep, Kerala, Andhra Pradesh, A & N Islands
2012-13	9230 (Ball Copra)	Karnataka, Kerala
	49 (Special Copra)	Andhra Pradesh
2013-14	4328.71 (Milling Copra)	Tamil Nadu, A & N Islands, Kerala, Andhra Pradesh, Lakshadweep
	29535 (Ball Copra)	Karnataka
2016-17	4488.943 (Milling Copra)	Tamil Nadu, Andhra Pradesh
	10.219 (Ball Copra)	Karnataka, Andhra Pradesh

Source: NAFED.

## Recommendations

- The study suggests for PSS operation, whenever price of pulse, oilseeds, cotton and copra goes below the MSP. The earmarked procurement agencies for a commodity should be in market whenever the price situation demands. The readiness of procurement agency may require payment of preparatory expenses on the basis of markets to be intervened. This payment should be in the nature of fixed cost, over the charges (fee/commission) for actual procurement of commodity. The study found that procurement operations are often interrupted in dearth of sufficient money with the procurement agencies. Hence, this requires auto-renewal of the Letter of Credit (LC).
- The readiness and continuity of procurement agencies has many advantages. This will instil fear among market functionaries about government intervention, hold market steady above the MSP and discourage distress sale of the commodity.
- A uniform service charge or fee for government procurement of all commodities (cereals and non-cereals) will not create artificial disadvantages for state and local procurement agencies interested in association with NAFED for procurement of non-cereals.
- The predictability of procurement on price conditions may encourage procurement agency to plan for their needfulness in a region. This will help them to decide location of purchase centres with consultation of concerned persons/officials and disseminate it properly. The certainty of PSS operations will improve cooperative and similar collectives' network. This will improve viability of PSS operation.
- In an open economy fiscal burden for regular PSS operations can often be large. The study therefore proposes to open trade with Tariff Rate Quota (TRQ) which will to a large extent insulate domestic market from fluctuating world price. This will limit amount of procurement in an open economy.
- The second proposition for reduction of government expenditure is to differentiate MSP and procurement. The Procurement Price (PP) of a commodity should be based on actual situation, unlike the MSP (announced six months back). Such an effort

may provide enough confidence to the concerned ministry and agencies to prepare for PSS operation on a regular basis.

- For government procurement from farmers, crop sowing report must be made compulsory. This will distinguish farmers from traders. The crop sowing report, mentioning the purpose, can be issued by a district official and may be generated through an online computerized system.

- The information about FAQ norms of a commodity should be disseminated properly so that farmers produce may not be rejected on quality grounds. This also requires facilities to test samples of farmers' produce in the vicinity of the regulated market. The study suggests that regular and timely PSS operations must be carried out for non-cereals until sustainable supply chains for these commodities are not created.

## Comparative Analysis of Coffee Cultivation and Marketing in Visakhapatnam, Andhra Pradesh and Koraput, Odisha

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### Introduction

- Kerala has two percent area under coffee cultivation while it contributes nearly 21 percent in the national production of coffee. Even though Andhra Pradesh stood second in 2017 with respect to the area under coffee cultivation, the contribution of the state in the national production of coffee has not been significant. Hence, the policy formulation must be such that the backward coffee growing regions must be focused upon. It has become absolutely necessary to increase the yield in the selected study districts of Visakhapatnam in Andhra Pradesh and Koraput in Odisha.
- Marginal and small farmers of both these states are in the clutches of market intermediaries due to their financial vulnerability and are compelled to sell their produce at lower prices and at excess weight.
- The non-price factors such as unauthorised markets, low priced inputs, unavailability of quality testing and certification centres pose further problems.
- The Girijan Cooperative Corporation (GCC) in Visakhapatnam district is still unable to reach the coffee growers in the entire area, or transact with them or even replace the middlemen in the market due to its inherent defects.
- The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has become an excellent source of the Coffee Plantation

Development Programme (CPDP), benefitting nearly 61.6 thousand hectares in Visakhapatnam and 2.6 thousand hectares in Koraput districts (2007-16), against the expenditure of 154 crores and 8.5 crores respectively.

- It is high time that the CPDP becomes successful for the sake of indigenous tribes in particular and the welfare of the whole district in general. Hence, it becomes imperative to arrange the available mode of function to alleviate poverty of tribals and remove ecological imbalance through better coverage and extension of the CPDP in the study districts.

### Findings

- The capacity building programmes run by the Coffee Board are thriving in Visakhapatnam district due to the awareness of farmers, along with the efforts of State Horticulture Department (SHD), whereas Koraput district does not report any participation of the SHD of the Government of Odisha (GoO).
- All the farmers from the study districts, especially the marginal and small farmers informed that the coffee cultivation has generated a reasonable level of increase in their net incomes. But the security of landholdings has become a huge problem for the tribal communities in the study districts, as they want to have permanent landholding rights.
- There is a lack of coordination among the departments who are responsible for the coffee plantation development programme in Koraput district. It was inferred that the programme has been implemented without any proper planning in the district.

Figure 1: Coffee beans and coffee plantations in Koraput, Odisha.



Source: [www.fincadeborah.com](http://www.fincadeborah.com), [www.urvaraagro.com](http://www.urvaraagro.com)

- Andhra Pradesh reported a stable and continuous growth rate for the growing of Arabica coffee and it is more than the growth rates of coffee grown at an all-India level.
- Out of the 13 crops cultivated by farming community in these regions in a year, coffee revealed a vibrant and substantial fact to the policy formulators. It is because of the sudden change in the socio-economic conditions of the people in the study area leading to higher standard of living in the entire region, i.e. the scheduled tribal area in Visakhapatnam district. However, the peasants of Koraput district have better net incomes for coffee cultivation under perennial cropping.
- A high level of price volatility was found in the study area with respect to both national as well as international markets. There is a lot of scope for enhancing the income levels through the proper establishment of the coffee market in the area, as there are many price variations and the vulnerability of the coffee growers in the market in getting a reasonable price.

### Recommendations

- Single nodal agency in Koraput district for CPDP is essential for the successful and extensive long-run and effective governance that would reduce wastage, misdirection and non-execution of the programme.
  - A single platform auction hall in the non-traditional areas is an essential redressal measure for some of the market maladies of the coffee growers. Hence, governments of both the states may invest in the infrastructure to conduct the auction of the coffee production by the Coffee Board.
  - Authorized market controlling agency must be arranged in the coffee growing areas to observe the purchases made by the middlemen or traders by the respective state governments in both the districts. It will undoubtedly curtail the malpractices in the market: a) taking the extra weight, b) fixation of low price, c) unwarranted and unreliable fixing of high moisture condition during the coffee produce purchase.
- Authorised Marketing *Mandis* are due for a long time since the tribal farmers are selling their products in the weekly markets which are the places for the exploitation of the peasants through the mismanagement and malpractices. Despite GCC's presence and its service in Visakhapatnam district, there have been the erratic methods in the weekly markets of the area.
  - Organic Certification Centre and Value Addition Training Centres must be established by the Coffee Board and facilitate all the peasant community in both the areas. This will enable the coffee growers to get the premium prices for their organic production. It would provide the much needed infrastructural support to the coffee growers. This will also enable the farmers to receive the additional income for their produce.
  - Mission Mode Interventions are highly essential to cover the vast potential area of about 98 percent in Koraput district.
  - It would be better to establish 'Community Coffee Growing Counselling Centres' with the support of the local self-help groups in the villages in order to make sure that the coffee growers work properly.
  - Since the funds are scarce, the expansion and extension programme of coffee and the area implemented may be verified by the geospatial technique with the cooperation of Indian Space Research Organisation (ISRO) or the Coffee Board.

# Evaluating the Potential and the Obstacles in Lakshadweep becoming a Fully Organic Territory

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## Introduction

- Lakshadweep is a group of tropical islands located in the Arabian Sea. Farming activities in these islands are essentially coconut based. The inhabitants of these islands depend on coconut for multiple benefits. The total cropped area under the Union Territory is 2750 hectares, i.e., 80 percent of the total geographical area of 3220 hectares. There are nearly 10231 coconut growers mostly belonging to the small and

marginal category with an average land holding of 0.25 hectares.

- Coconut is the only major crop on the islands and the island produces around 9.07 crore nuts worth Rs. 86 crores per year. Out of the total annual harvest of 907 lakh nuts approximately 12 percent is utilized as mature nuts and 4.5 percent in tender form for domestic consumption every year. Thus the remaining quantity of 83.5 percent nuts are available annually as surplus for value addition which now is being processed to copra by farmers. However, Lakshadweep is losing its supremacy in coconut production in the country as the coconut growers find it tough to manage the crop on a remunerative basis and hence, are going through a crisis.

**Figure 2: Coconut trees in the islands of Lakshadweep.**



*Source: AERC Chennai*

- In the recent times however, due to the ill effects of chemical fertilizers, the farmers have been turning to organic farming which in the present scenario can fetch a higher income. In the open market, organic products earn 3 to 4 times higher price than other products. Hence, this is the right time to exploit the full potential of organic farming in the islands with vivid branded organic products such as coconut oil, virgin coconut oil, desiccated coconut powder, coconut vinegar, coconut water, coconut milk, coconut jaggery, coconut chips, coconut neera, etc.
- Availability of millions of organic coconuts from a single geographic strip of land is impossible elsewhere in the country or even around the globe as of now, and therefore Lakshadweep is a unique destination for organic coconut processing as far as volume is concerned.



**Table 3: Key Agriculture Statistics of Lakshadweep 2017-18**

S.No	Particulars	Unit	Data
1	Total Geographical area	Hectares	3220
2	Total cropped area	Hectares	2750
3	Area under coconut cultivation	Hectares	2750
4	Annual yield per palm	Nos	113
5	Total bearing palms	Lakhs	8.03
6	Per hectare productivity	Nos	35292
7	Area under Vegetable cultivation*	Hectares	250.5
8	Area under Fruits Cultivation*	Hectares	172
9	Organic Coconut producers Society	Nos	9
10	Members	Nos	3844
11	Area Covered	Hectares	921
12	Number of farms / plots	Nos	105
13	Number of Gardens	Nos	4

\*Intercropping;

Source: Directorate of Agriculture, Lakshadweep

## Findings

- The entire crop is 100 percent organic whether it is certified or not. In case of oil content and other attributes, Laccadive Micro and Laccadive Ordinary are much superior to other referred varieties.
- Lakshadweep islands have received organic certification from many Non-Governmental Organisations (NGOs) but the farmers are unable to realise a premium for their farm produce. Coconut is the main crop grown on the islands but neither nuts nor copra fetch a premium, falsifying the belief that organic farming will bring fortune to the farmers.
- The land belonging to the Islands of Lakshadweep has been certified organic by the Aluva-based international organic certifying agency Indocert. Chemical imports have been banned by the government in the islands and the coconut palms are grown under natural surroundings.
- Organic produce gets a higher price in markets across the world, but the Lakshadweep farmer is far from realising it, exposing the chinks in the armour of the marketing system.
- Lakshadweep can benefit much from marketing organic products such as desiccated coconut and coconut milk, but that would require separate organic certification. Though the Lakshadweep Development Corporation has a production facility on the islands for making such products on a small scale, there is no separate organic certification for them.
- Farming in the Union Territory is eligible for aid under several government schemes, but there is a lack of proper follow-up as the concerned officials are transferred from island to island even before the schemes get implemented.
- Non-availability of fresh water resources of durable nature affect not only agricultural activity but also human life. Lack of proper rodent management measures, manpower for coconut harvesting, systematic and scientific approach for coconut cultivation, local unskilled labour force which compel to outsource and accommodate extra expenses, hesitation of the farmers to switch over to organic farming and adopt innovative methods, limited transport facilities and lack of multiple transport modes, high transportation cost, along with vulnerability to transit damage, etc., are the major threats that need to be addressed.

**Table 4: Ranking of Indian States in Organic Farming**

S. No.	States	Total Cultivable Area (Hectares)	Area of Organic Cultivation (Hectares)	Percentage of Organic Cultivation area to Total Cultivable Area	Rank of the State in terms of % of Organic Cultivation area to Total Cultivable Area
1	Sikkim	97000	64296.17	66.28	1
<b>2</b>	<b>Lakshadweep</b>	<b>2000</b>	<b>895.91</b>	<b>44.80</b>	<b>2</b>
3	Himachal Pradesh	4175475*	1668176	39.95	3
4	Madhya Pradesh	17267000	1758226	10.18	4
5	Uttarakhand	1550000	79779.46	5.15	5
6	Rajasthan	25542000	599173.1	2.35	6
7	Orissa	6797000	52787.35	0.78	7
8	Kerala	2279000	15162.33	0.67	8
9	Uttar Pradesh	18955000	112134	0.59	9
10	Chhattisgarh	5550000	30754.82	0.55	10
11	Meghalaya	1056000	4673.13	0.44	11
12	Maharashtra	21127000	87941.66	0.42	12
13	Tamil Nadu	8120000	34212.96	0.42	12
14	Gujarat	12661000	49363.89	0.39	13
15	Andhra Pradesh	8879000	14325.03	0.16	14
16	Pondicherry	30000	2.84	0.01	15
	India		55,50,405	3.05	

**Source:** Various annual reports of Ministry of Agriculture, Government of India and annual reports of National Centre of Organic Farming, Ministry of Agriculture, Government of India.

\*Calculated by Author due to mismatch in data

## Recommendations

- Geographical isolation of the territory and its industrialization free environment make the organic identity of any product of Lakshadweep more reliable beyond certification in the consumer point of view. Hence, organic cultivation in the Territory must be encouraged.
- Coconut shells can be utilized for making charcoal, handicrafts, fuel for biomass plant and husk can be processed for generating by-products such as golden fibre, organic fertilizers, etc.
- Lakshadweep, being an organic and Chemical Free Zone by default should be declared Organic Union Territory and Agriculture Product Export Development Authority (APEDA) must take necessary action for the same.
- Steps should be taken to accomplish the status of organic price for island produce under geographical indexing in a common brand name 'Lakshadweep Organics'. The geographical indexing of all products under a common brand would also make it easier to attain other certifications like Fruits Product Order (FPO), Hazard Analysis Critical Control Point (HACCP), International Organization for Standardization (ISO), etc. Hence, this possibility must be seriously considered by the Government.
- Strengthening and streamlining of Organic Coconut Producer Societies for marketing the produce and forming Kudumbashree Scheme at apex level of Lakshadweep Agriculture Marketing Federation must be done.
- Organic and scientific control of rodents should be done in order to minimize the damage caused to the nuts.
- The transportation of the coconut yield is the biggest constraint as the cost of vessel to and fro is very high. There is no specific arrangement from the government for the movement of agricultural produce which could facilitate more viable transactions and yield benefits to the farmers.
- Government should conduct monthly/quarterly awareness campaigns for the farmers regarding the domestic as well as international demand of coconut and the related by-product demand together with the details on the schemes or benefits available for exports.

# Governance and Implementation of PMFBY in West Bengal

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## Introduction

- Any successful crop insurance scheme, worldwide, requires financial support from government and its sincere implementation by the stakeholders. So is the case with implementation of Pradhan Mantri Fasal Bima Yojana (PMFBY) in West Bengal.
- A recent study conducted in the state of West Bengal during the period 2017-18 shows that PMFBY is the most comprehensive crop insurance model launched so far and is being provided entirely free of cost to the farmers in the state.
- In terms of coverage, the scheme is a huge success as more than 4.1 million farmers were enrolled in the very first year of its implementation in West Bengal.
- But in terms of governance and implementation, there is enough scope for further improvements in future particularly in increasing the awareness among the farmers and in the use of smart technologies in estimating crop loss and in reporting claims.

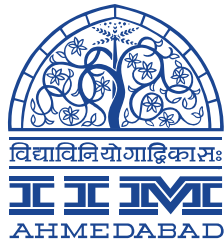
## Findings

- The performance under PMFBY in West Bengal is particularly satisfactory from pre-notification to enrolment phase only. The main problem lies during post enrolment phase.
- For various reasons, settlement of insurance claims were delayed by 6 to 12 months and the farmers were deprived of timely compensation for crop loss, in spite of the fact the insurance agencies made huge profit during 2016-17.
- Huge enrolment under PMFBY in West Bengal was mainly supply driven as it was offered free of cost and was mandatory for loanee farmers. In fact voluntary enrolment was only 30 percent – 40 percent.
- Further, the coverage was restricted in irrigated areas growing paddy, jute and potato as compared to rain-fed and hilly regions where chances of crop failure are more.
- Poor adoption rate among the non-loanee farmers is also a matter of concern, as they constitute more than 70 percent of farming community in the state.

- Though the government officials claimed a good level of awareness about PMFBY among the farmers, the results of the field survey were contradictory.
- Implementing insurance agencies did not play an active role except for providing application forms, and their presence at local level was very poor.
- The key problems with poor governance and implementation of the scheme was related to delay in estimating yield data, poor land records or flawed land titles and lack of awareness among the farmers.

## Recommendations

- Government and other stakeholders need to generate awareness about the benefits of PMFBY among all categories of farmers, so that the farmers should take up crop insurance in an informed manner rather than taking it as a free lunch.
- The study calls for an integrated approach involving all the stakeholders with multi-pronged emphasis on the larger issue of improving governance, implementations, and impact of PMFBY scheme in the state.
- Technological interventions like complete digitization of land records; encouragement of online enrolment and use of smart technologies will ensure genuine enrolment and faster claim settlement process.
- Rational policy initiatives like introducing a nominal processing fee to check fake enrolment, introduction of No-claim Bonus (NCB) for horticultural and cash crops and setting up of own insurance firm by the state government will substantially improve the implementation of the scheme.
- There is also a need to improve the delivery mechanism by ensuring presence of insurance agencies at local level, strict compliance of timelines in providing yield data and compensations, and an effective grievance redressal mechanism involving the gram panchayat, insurance agencies and department of agriculture.
- To ensure transparency and accountability, government must also encourage long term bid under e-tendering; and encourage online enrolment through Common Service Centres.



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