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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

Issue 17, May 2020 Focus: COVID-19

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COVID-19 Lockdown and Agricultural Marketing Reforms

Key highlights

- The unprecedented disruption caused due to COVID 19 has shaken the socio-economic and political fabric of the world. The worst affected are the poorest and food insecure population. Globally, there are projections that roughly 50 million more people may be pushed to extreme poverty. In India, the poor, daily wage earners and small retailers have been seriously affected.
- Complete lockdown, and subsequently loss of livelihood opportunities led to reverse migration of poor and vulnerable population from cities to rural areas. The World Poverty Clock projected that 10 million more people would be added to the group of extremely poor in India due to the COVID 19 crisis.
- Amidst COVID-19 crisis, the agricultural sector has shown a ray of hope. The reports stated that procurement has progressed well, even during the lockdown period. The Finance Minister announced that *rabi* crops (including wheat, chickpea, mustard, etc.), worth Rs.74,300 crores have already been procured at minimum support prices during the lockdown period.
- Agricultural marketing in India is somewhat characterized as inefficient, unorganized and fragmented. There are several middlemen between producers and consumers. Each actor in the supply chain adds to cost and profit, which leads to a huge price spread among the agriculture commodities, where both producers and consumers are losers.
- In principle, such an arrangement should evolve into inclusive, efficient and sustainable value chains of farm produce. The question is: how frequently the bulk buyers approach small and marginal farmers to procure their farm produce at the farm gate? In India, most farmers are small and marginal, and they have tiny marketable surplus. How will the bulk buyers aggregate heterogenous produce from a large number of small and marginal farmers?

Observations

- The lockdown provided an opportunity to revoke the age-old Acts and laws. During the COVID 19 pandemic, the central government very prudently reformed the three age-old market-related Acts, which restricted the expansion of domestic and global markets for agricultural commodities. These are: (1) rescinding Essential Commodities Act; (2) opening agricultural markets beyond APMC markets; and (3) legalizing contract farming.
- The government has announced an economic package for farmers, processors, exporters, and start-ups. Funds have also been announced to form farmer producer organizations, develop agri-infrastructure, and promote agricultural diversification.
- The amended Essential Commodities Act places no limit for stocking agricultural commodities. It will encourage private sector investment in building warehouses and cold storage, which may reduce price instability and benefit consumers to a large extent. The processors will benefit from procuring raw material during the post-harvest period when prices will be low. It will bring down the processing cost and make processed commodities globally competitive.
- Opening of agricultural markets beyond APMCs will remove all restrictions on transactions of farm produce. This will enable farmers to sell their farm produce anywhere without any intervention of APMCs. Big retailers, bulk buyers, processors and exporters can directly procure from the farmers at their farm gate. This will reduce marketing costs by (1) decreasing transportation costs; (2) cutting down frequent number of loading/unloading; (3) eliminating taxes imposed in the APMC markets; and (4) reducing number of middlemen between farmers and buyers.
- A study by the International Food Policy Research Institute (Joshi, 2019) revealed that

the direct sale between farmer and buyer was effective for those commodities, where government presence was absent (like maize), and private sector was quite active. The small and marginal farmers gained relatively higher prices than those by large farmers. However, it was opposite, where government intervention of assured minimum support prices and procurement (like rice) was there. The worst affected were the small and marginal farmers in such a situation.

- Legalizing contract farming will enhance corporate sector engagement in agriculture to promote organized retail, agro-processing and agri-export. Quality and food safety measures are necessary to harness these emerging opportunities at domestic and global markets. A plethora of studies have revealed that contract farming (1) enhanced access to improved technologies, (2) reduced marketing cost; (3) helped realize higher prices; and (4) minimized the risk of price volatility. In the past, breach of contract between sellers and buyers have been reported. This will be tackled by legalizing contract farming and protecting long-term interest of both sellers and buyers.
- Promoting cluster farming is a welcome step. An amount of Rs 10,000 crore has been allocated for cluster-based manufacturing for nutritional products. This will develop strong linkages between agriculture and micro, small and medium enterprises (MSMEs). Agro-based cluster farming and manufacturing is beneficial to small and marginal farmers and MSME startups. It strengthens specialization of specific commodity for taking advantage of economiesof-scale. The scale advantage of agricultural produce attracts bulk buyers to procure at the farm gate. There are several advantages reported of cluster farming: (1) greater access to market and technical information; (2) easy availability of inputs and finance; (3) improve bargaining power of producers; (4) higher output prices and lower input cost; and (5) reduce marketing cost. Besides, cluster farming may promote branding, agro-processing and export.

• The government has also announced a sum of Rs 1 lakh crore to create farmer producer organizations (FPOs), primary agricultural cooperative societies (PACS), and aggregator for developing farm-gate infrastructures such as warehouse, cold storage, cold chains, and post-harvest infrastructure. The National Bank for Agriculture and Rural Development (NABARD) is already promoting FPOs. There are several successful FPOs, which are benefiting farmers in increasing their incomes.

Actions suggested

- The conditions for the success of opening of agricultural marketing beyond APMC markets will be: (1) gradually withdrawal of public sector from agriculture; (2) private sector enhances its engagement in agricultural marketing; and (3) aggregation happens through institutional arrangements, such as FPOs, contract farming, and cluster farming. A regulatory authority should monitor the farm gate prices.
- The FPOs and cluster farming will take advantage of economies-of-scale by (1) accessing inputs, services, and technologies; and (2) improving the bargaining power of the producers. A majority of farmers in India are small and marginal and the FPOs are taking advantage of economies-of-scale in production, processing, storage and marketing. The proposed allocation will further boost the establishment of the large number of FPOs.
- It is envisioned that effective formation of cluster farming will increase farmers incomes, generate employment opportunities, and develop linkages with agro-based MSMEs. Each state needs to delineate agro-ecoregions to develop clusters for niche commodities. This should be a game-changer in evolving agrobased inclusive development.
- The success of reform measures and the economic package will rely on (1) evolving new form of agricultural extension to meet emerging challenges and opportunities; (2) developing a large number of agri-incubation centres in agricultural universities and *Krishi*

Vigyan Kendras to support start-ups; (3) ensuring financing of start-ups in the agricultural sector; and (4) creating and strengthening effective, efficient and transparent conflict resolution mechanisms.

 It is expected that the proposed agricultural marketing reforms would be implemented in right earnest. A 'new normal agriculture' will emerge during post-COVID 19 period, which will be efficient, competitive, sustainable and resilient. For further details, contact:

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Impact of post lockdown agricultural labour scarcity in Punjab

Key highlights

- It is a well-known fact that the COVID-19 pandemic and subsequent lockdown in the country had drastically taken a financial toll on both organized and unorganized sectors in the country.
- After easing of restrictions in due course of time, the revival of the Indian economy would be an uphill task which is quite clear as there was almost complete stoppage of economic activities.
- Government has been aggressively planning various remedial measures and framing policies to augment different sectors of the economy. However, it is complicated to measure the losses incurred for now, which have multifarious dimensions with macro-level impact on society as a whole.
- The agricultural sector, besides prone to vagaries of adverse weather conditions and biotic stresses, has always been at the receiving end and severely affected by national lockdown as there was harvesting time of *Rabi* crops and very soon sowing time of *Kharif* crops is approaching.

Observations

- Harvesting of Rabi crops, especially wheat, is almost over in Punjab, Haryana, and Western U.P., which is bread-basket region of the country. The Punjab government introduced a coupon system for Rabi wheat grain sales. While each coupon allowed a farmer to sell only 50 quintals of wheat per day to the procurement agencies, each farmer was given the facility to get multiple coupons, so there was no capping of the daily sale quantity.
- The agricultural produce market committees issued coupons to *Arthiyas* (commission agents) who in turn gave them to farmers, who were associated with them, for bringing their crop to *mandis*.
- Taking into consideration marketing related guidelines and social distancing norms, farmers brought their wheat produce to the market in numerous shifts resulting in higher transportation cost.
- Only a few large farmers can store their produce for staggered marketing, which is also a risky proposition, keeping in view the volume of the produce handled and space

for its storage and subsequent costs incurred. Thus, the cost of wheat marketing for farmers had increased many folds. However, due to systematic procurement planning by the State Mandi Board, marketing of wheat for farmers almost remained a smooth affair despite all odds.

- In the case of Kharif crops, paddy is the principal crop of Punjab followed by cotton, maize and sugarcane. The process of paddy nursery raising begins in May and transplanting during this year by June 10, as per the latest guidelines by the State Government for advancing the paddy transplanting date apprehending labour scarcity.
- In Punjab, nearly 28-29 lakh hectares remain under paddy cultivation including basmati.
 For transplanting this large area, majority of the farmers depend upon migrant labour from Eastern U.P., Bihar and Jharkhand.
- Keeping in view of the present lockdown, there was an exodus of migrant labourers to return to their native states. Therefore, the arrival of seasonal migrant labour for paddy transplanting is bleak, and it would be a difficult task for local labour to undertake transplanting in a time-bound manner resulting in an increase in the wages/ contract rate for paddy transplantation. It can result in a sharp increase in the cost of production of paddy and thereby decline in farmer's net income.
- The alternative for paddy transplanting is direct seeding of rice (DSR), which can be a blessing in disguise, but most of the farmers have little experience as far as rice sowing by DSR technique is concerned. The Punjab Agricultural University and State Agriculture Department are also emphasizing on this technique of rice sowing, but there is a paucity of machines (Seed Drills) required for direct sowing of rice. However, vigorous efforts are presently underway by various stakeholders to increase the manufacturing of machines to bring more area under direct sowing of rice.
- Autumn sugarcane planting is to commence in a few months, and it can face the problem of labour scarcity during the sowing season.

Actions suggested

- Although the Union Government is formulating various policies for the farmer's welfare, prioritization and planning of various tasks for the country, with the consultation of various stakeholders, is the need of the hour.
- Compensation can be provided in the form of subsidized inputs, cheaper finance with a moratorium on interest payment and assured marketing of principal crops at remunerative prices.
- For promoting Direct Seeding of Rice (DSR), required machines (Drills) should be supplied at subsidized rates to the farmers or provided on a rental basis through co-operative societies.
- Urgent attention is required to help the distressed farmers, mainly marginal and small ones, during this unprecedented crisis.

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COVID-19 Pandemic: An Opportunity to Strengthen Agricultural Supply Chains

Key highlights

- In the recent past, Indian agriculture has been witnessing a horticultural revolution, and India is one of the top producers of fruits and vegetables globally. However, this increased production has brought along with it the problem of marketing, as these crops are highly perishable and suffer from an inefficient supply chain.
- Realizing the problems involved in the marketing of agricultural produce, the government suggested changes in the Agricultural Produce Market Committee Act, (APMC) in early 2000, to break the monopoly of regulated markets and allow for Direct Marketing, Contract Farming, Private Markets, Farmer-Consumer Markets and also the formation of Farmer Producer Organizations/ Companies.
- States have begun to amend their APMC acts to accommodate these competing markets, and it is expected that the scale of their operations will gradually increase to benefit the farmer and the consumer. A new transition in methods of marketing are still in their early stages but have huge potential to change the landscape of marketing.
- The recent pandemic caused by COVID-19 led to a pan India lockdown which disrupted the supply chain as harvesting, procurement and marketing of agricultural produce suddenly halted. However, the government was quick to exempt agricultural operations and produce marketing, from lockdown rules as they come under essential services.
- It is in such situations that organizations such as Farmer Producer Companies (FPCs) can play an important role so that the purposes of the producer and the consumer are served. FPCs are the most appropriate institutional form of aggregating the produce of farmers and can also serve as a solution to address the problems

of marketing faced by all stakeholders, in a COVID 19 like situation.

Observations

- It was observed that APMCs were not functioning regularly, and when operational, there was chaos due to huge crowds, and it became difficult to maintain social distancing. It created panic for the administration as it would further spread the pandemic.
- A prominent example of an FPC taking the full opportunity during the lockdown conditions is that of Sahyadri Farmer Producer Company Ltd. (commonly known as Sahyadri Farms) based in Nashik district of Maharashtra. The company was established in 2011, and membership comprises of more than 8000 farmers, mainly who are resource-poor and marginal.
- The company has state of the art infrastructure in the form of cold storage, pre-cooling as well as ripening chambers, and packhouses. Further, the processing of fruits and vegetables is also undertaken. There is backward linkage through which advisory services and inputs are provided to farmers and also a robust supply chain which ensures delivery of farm produce to consumers that are traceable, hygienic and affordable. The company is also a major exporter, especially of grapes and is compliant with the required international standards.
- The lockdown was an opportunity for *Sahyadri Farms* to handle the crisis of agricultural marketing through appropriate planning. The company assessed the availability of fruits and vegetables with its member farmers, and this was relatively easy as all farmers had the required information. The real challenge was to tap the urban consumers, which was done through e-commerce, social media, mobile applications and websites. There was continuous coordination between the

availability of supplies from farmers, the system in the packhouses and the demand from customers in Pune, Mumbai and Nasik who could place their order from the mobile application.

- The company developed the concept of basket packaging which contained adequate fruits and vegetables to suffice a family for a week. Two options of the vegetable box (7 kg or 10 kg) and fruits box (5 kg or 10 kg) were provided to the consumers. However, it was expected that each housing society ordered at least 50 boxes, and delivery was done at the security gate with prior intimation, which ensured minimum human contact. Further delivery was the responsibility of society. The payment had to be made online to the bank account of the company.
- The responsibility of the company did not end after delivery of fruits and vegetables, as there was a platform for customer complaints, feedback and suggestions. Thus, the company made all-round efforts to ensure that fresh fruits and vegetables, perfectly well packed and graded are delivered at the doorstep of consumers with utmost safety and hygiene.
- The company is suffering from a huge shortage of manpower which is required for packaging and grading the produce and further transporting it to the destination. However, to ensure the benefits of both consumers and produces, efforts are being taken continuously.
- The company is operating on a large scale, and thereby it can reap the benefits of economies of scale as there are no intermediaries involved and the transaction costs are reduced. Hence the farmer gets a remunerative price for his produce, while the consumer gets quality produce at affordable prices. Overall about 1,200 farmers in Nashik have established a direct supply chain with 57,000 customers in urban areas.

Actions suggested

- As observed, Sahyadri Farms is a success story with respect to the marketing of agricultural produce. The company has benefitted farmer members in a big way, and the service provided during the ongoing lockdown due to pandemic is indeed commendable.
- It is important to promote the formation of FPCs. Needless to state, that government is making considerable efforts in this direction. However, it appears that FPCs are concentrated only in certain states like Maharashtra, Uttar Pradesh, Tamil Nadu and Madhya Pradesh. They must, therefore, be encouraged in other states.
- Some of the constraints in the functioning of FPCs are that they suffer from low capital, which limits their ability to conduct agricultural trade that requires significant funds. Majority of these companies are undercapitalized. FPCs also require technical handholding support, infrastructure facilities and market linkages in order to sustain their business operations.
- If the various constraints facing FPCs are resolved, they can play a major role in empowering farmers. Besides FPCs, collectives such as Farmers' Clubs, Self Help Groups, etc. should also make concerted efforts to provide advisory services as well as market support to farmers and overall make strengthen the supply chain.

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E-Thottam.com (Electronic farm) in Tamil Nadu: An online delivery service and its scope

Key highlights

- The lockdown due to COVID-19 across India was unprecedented and has made life difficult for the residents as they were not allowed to go out easily just like they used to when everything was normal.
- It must be noted that the markets which were opened to provide essential items for the people in Chennai have been witnessing heavy crowds even though social distancing is necessary to avoid spreading of COVID-19.
- To facilitate dense crowds and to ensure social distancing, the state has launched an initiative to ensure people get access to fresh vegetables and fruits without overcrowding the markets, where there is a chance of transmission of the infection.
- E-Thottam.com (electronic farm): An online platform to connect producers and consumers (Farm-to-table initiative) was initiated by the Department of Horticulture and Plantation crops, a website and a mobile app, in August 2019, to help customers to buy vegetables and fruits directly from farmers through the state government's Horticulture Department. The service which had a lukewarm response initially, became popular after a statewide lockdown was imposed from March 24 in response to the outbreak of COVID-19 pandemic.
- At present the service is being restricted to the city of Chennai being a dark red zone affected with COVID-19.

Observations

 To avoid over crowing at the shops and markets, the Tamil Nadu Horticultural Development Agency (TANHODA) which works with a major objective of focus on "Doubling the production and "Tripling the farmer's income", making Horticulture 'A Profitable Venture' through

- modern technologies, ensuring better livelihood to the Horticulture farmers" has established a portal through which both vegetables and fruits would be delivered at the doorsteps itself.
- The E-Thottam earlier was used for (supplying) things like saplings and green seed crackers for festivals like Diwali. Now the portal has expanded its services to cover supply of fruits and vegetables in the capital city of Chennai.
- The changing order of lifestyle with social distancing becoming a part of daily routine owing to COVID-19 has paved the way for optimum use of E-Thottam platform which provides access for farmers to deliver directly to the customers and also the government banner gives the needed trust to both customers and suppliers hence eliminating the intermediaries.
- Initially, the customers had the choice of choosing the required vegetables and fruits in the order of quantity required for them. However, burgeoning orders and limited delivery staff have pushed the ethottam.com, to offer only combo packs instead of a la carte.
- The department offers vegetables in 3 packages of Rs.300, Rs.500 and Rs.600. The three packages have same set of vegetables of around 15 varieties, but the weight ranges from 0.25 kg to 1 kg. per vegetable. Similarly, fruits too come in three differently priced packages, Rs.500, Rs.600 and Rs.800, depending on the quantity of fruits.
- Once the order is received online, it is delivered within 48 hours. About 60 vehicles are engaged in the door delivery of essentials. The operation is being overseen by 200 people from the department headquarters in Chennai, and another 500 across the state. Packing is being done at five centres in Chennai by horticulture officials themselves. Delivery is carried out by hiring autorickshaws or through delivery partners like Zomato, Uber and Swiggy. Senior

officers such as the assistant director, deputy directors and others personally segregate each

pack to provide the best quality products.

Figure 1: Agriculture Production Commissioner and Director of Horticulture department Ethottam field visit at Madhavaram taluka, Chennai



Source: https://bit.ly/3gduOc7

- A dedicated control room has been set up to deal with farmers, suppliers and customers of the Department. There are four common grievance reporting numbers, and the website divides Chennai into 12 divisions under four clusters, each of which has contact numbers of the officers supervising the operations in those areas.
- Most produces are sourced directly from farmers across Tamil Nadu. Nearly 15 tonnes of vegetables and fruits have been procured from farmers so far. A few items such as potatoes and oranges, which are not locally grown, are also procured from the open market to cater to demand. Apart from vegetables, fruits like mangoes, guava, watermelon, muskmelon and jackfruit sourced from farmers in Krishnagiri, Salem, Kanyakumari, Tiruvallur, Kancheepuram and Villupuram districts are being offered through the E-Thottam portal.
- Lockdown brought out the best in Farmers Producers Organizations (FPOs) in Tamil Nadu. Nearly 550 groups have voluntarily involved themselves in the supply of fruits, vegetables and other essential commodities to consumers. As per official data, over 100 tonnes of fruits, 447 tonnes of vegetables and 116 tonnes of grocery were supplied by 90 FPOs through various marketing channels such as uzhavar sandhai-farmers markets (65), wholesale markets (44), retail market shops (125), and mobile units (45).
- People are preferring to buy from the Horticulture Department due to the good quality of fruits and vegetables and also due to the low prices. While they deliver around 2,000 packs per day, the orders range between 3,000-3,500 per day. The surge in COVID-19 cases out of Koyambedu wholesale market and its subsequent closure and temporary change of place has also led to an increase in orders.

Figure 2: Vegetable and fruit combo packs ready for delivery at the Madhavaram horticulture farm (left); At Tanhoda's depot in Madhavaram (right).



Source: B. Jothi Ramalingam; https://bit.ly/3dRs6rb

Source: https://bit.ly/2NJYaTp

Actions suggested

- There are some complaints regarding product quality and delivery which can be doublechecked and quality of products being perishable items deteriorates which can be avoided by making prompt delivery.
- The non-availability of the tracking system and lack of response on the helplines mentioned on the website is seen by customers as a problem. With the help of the government, the necessary infrastructure could be strengthened,
- With growing awareness about the products, the department can offer all horticultural and plantation produces through its online platform.
- This system presently restricted to cities like Chennai can be taken across the state of Tamil Nadu, and much more awareness on the availability of such a platform can be propagated to the general public at large which will benefit the farmers in a larger scale by eliminating the

intermediaries.

• It has been an established practice for ages for our people to walk in, pick up fruits and vegetables. The COVID-19 and lockdown have provided a great opportunity in expanding the online version of direct farm to the home concept which must be capitalized in such a way that the people will patronize this initiative even after the lockdown is lifted.

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Reverse Migrant Labourers in Agri-Rural Economy of Bihar: Harnessing short term potential employment

Key highlights

 The COVID-19 pandemic has forced a nationwide lockdown in India. It has affected the agricultural sector, which employs about 26.5 per cent of the total unorganized workforce (ILO,2019).

 According to the Economic Survey (2018-19), migratory workers constituted 20 per cent (9 crores) of the total workforce in the unorganized sector. As per 2011 census data, 48 lakhs migrant labourers from Bihar were working across states.

- During the lockdown, total migrant labourers from Bihar, about 28 lakh or more than 50 per cent were stranded in other states, who wished to return to their villages due to lockdown and its consequences.
- While many of them were returning to their villages, uncertainty regarding employment posed a challenge.

Observations

- Migrant labourers contribute 1.5 per cent to the country's GDP. The reverse migration will cause an estimated loss of more than Rs. 3 lakh crore. Reverse migration of labourers has put pressure on limited available resources of the villages among the labourers.
- As per the NSSO Periodic Labour Force (PLF) survey in 2017-18, the unemployment rate stood at 6.2 per cent, a 45-year high. The rate of unemployment had increased by 7 per cent during lockdown. It was recorded as high as 46.6 per cent by the end of April 2020 (CMIE 2020). So, there is a challenge to protect the villages from the crisis.
- As per NSSO data, people employed in agrirural economy reduced from 59.9 per cent in 1999-2000 (55th round) to 41.2 per cent in 2019-20. This reduction is 17 per cent in Bihar. Census (2011) data also reveals that the agricultural workforce had reduced by 12 per cent during 1981-2011.
- Other factors involved recurring floods and droughts, increasing wages in non-farm sector, seasonality of agriculture, a presumption of low esteemed work, distress migration, changing preferences of labourers such as, work on a contract basis, distribution of subsidized food grains, and launching of MGNREGS.

Actions suggested

- There is a need for urgent attention on reverse migrants. Providing food through Public Distribution System (PDS) and offering some cash support can be a short-term help.
- With more labourers returning to the villages, the farm labour scarce regions have become surplus labour, which can be taken as an opportunity for the agricultural sector by employing them in ensuing kharif cultivation.
- As a result of COVID-19, a skill mapping of reversed migrant labourers is being made in the state. It will help in employing labourers at functional industrial units as per their skills. However, this requires close coordination between District Industries Centres (DIC), district administration and industrial units at the district level. For short-run, it may be critical in providing employment to skilled/semi-skilled labourers.
- The government has targeted 17 per cent green cover in the state as against 6.6 per cent (2017-8) to mitigate global warming issues, under a flagship programme, i.e., Jal-Jivan-Hariyali (JJH). It has been launched recently and implemented by Gram Panchayats. The JJH is meant for renovations of ponds, wells, aahar, and pyne. Under this scheme, unskilled reverse migrants may be preferably employed.
- The kutcha works under MGNREGS are seasonal, and can employ unskilled migrant workers, and the payment of wages in their respective accounts can be ensured weekly. Toolkits to skilled migrant labourers based on their pre-lockdown work profile may be provided.
- The state has more than 1.30 lakh *jalkars* (water bodies of different types) but as per the available records, only 30395 *jalkars* (23.38%) are functional. So, reverse migrant labourers may be engaged in the rejuvenation of the remaining *jalkars* (66.62%).
- To mitigate the problems of migrant labourers, the state government could initiate talks with

their respective counterparts in other states regarding re-employing labourers where they were previously employed as skilled and unskilled labourers before COVID-19 lockdown. It will also further check the reverse migration of labourers in the state. For example, it happened in case of migrant labourers of Khagaria district in Bihar who had gone back to Telangana after receiving the request from the chief minister for re-employment in rice mills of the state.

• For the long run, the focus should be on reviving MSMEs in the state for its speedy functioning with the assistance likely to be provided under Atmanirbhar Bharat Abhiyan (ABA).

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