

1. Covid-19 Crisis: Farming Needs Urgent Action

Context:

- The Covid-19 crisis is likely to pose a serious challenge to agriculture and rural economy.
- Immediate supply-chain disruptions could translate into demand contraction later in the rural economy, which could have an adverse Impact on Economic Growth.

Covid-19 Crisis: Implications on Farming:

- In the short run (before the lockdown ends), the problems are twofold. **Farmers are unable to harvest and market Rabi crops** (wheat, gram, mustard), and also fruits and vegetables.
- This is because of non-availability of labour and machinery for harvesting, lack of transport facilities and closure of markets/mandis.
- They are unable to use cold storages for crops like potato because of closure of cold storages and short supply of ammonia needed for cold storages.
- It can lead to crops wasting away on the field, local distress sales and lower prices for farmers.
- The **Second Problem is for Agricultural Labour** (55% of Total Agricultural Workers).
- This segment is unable to earn a living because of movement restrictions and lack of adequate income and safety Nets.
- But the problems will not disappear after the lockdown. Immediately upon its lifting, large-scale arrivals are very likely in the markets.
- This could result in sudden depression of wholesale prices due to excess supply, which could adversely Affect Farmers.
- Farmers' incomes in the Rabi season are likely to be much lower owing to likely crop losses and the likely depression of prices due to sudden rush in agricultural markets.
- Farm labourers are certain to face lower earnings because of movement restrictions and low agricultural activity. A slowdown in the construction sector, which absorbs majority of agricultural labour in lean seasons, will aggravate this Crisis

Policy Initiatives:

- Postponement of procurement is needed to avoid overcrowding of FCI centres. To this end, higher MSP may be provided for delayed sales to FCI.

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- To make immediate direct payments to farmers and labourers. The government has announced frontloading of Rs 2,000 under PM-Kisan. This amount may be increased to Rs 6,000.
 - Similarly, a payment of Rs 2,000 may be made immediately to all active MGNREGA job Card Holders.

Way Forward:

- The crisis also provides an opportunity to usher in policy reforms. **Moving away from price and input subsidy-based approach to direct income-based approach is the First One.**
- When the policy objective is to ensure minimum income for farmers and rural workers, direct income transfer may be a better policy instrument than indirect instruments such as output price support or input subsidies
- A well-functioning eNAM could have helped not only in better price discovery for farmers, but also in maintaining Physical Distance.

Source: Financial Express

