

**WEBINAR SERIES:
CRISIS AS
OPPORTUNITY**

AGRICULTURE - FROM POVERTY TO PROSPERITY



4 PM IST/6:30 AM EDT



SATURDAY, 4th JULY 2020

**Shri Anil Kumar
Venkat Epur**



**Vice-Chairman, Board
of Trustees,
Confederation of Kisan
Organizations**

**Dr. Jayaprakash
Narayan**



**Founder and General
Secretary, Foundation
for Democratic
Reforms**

**Shri Ramesh
Deshpande**



**CEO, International
Agricultural Group
(IAG) International**

**Dr. S.K
Pattanayak**



**Former Secretary,
Department of Agriculture,
Cooperation & Farmers'
Welfare**

**Dr. Yoginder K
Alagh**



**Former Union
Minister**

- Each panelist speak for 10 mins to share their insights, followed by a session summary by Dr. Jayaprakash Narayan and remarks by speakers (if any)
- Post that, we will have a 45 mins Question & Answer session
- Kindly use the chat box to ask questions during the webinar
- Kindly keep your questions brief and please mention the name of the speaker to whom it is addressed to

Crisis as Opportunity: Agriculture - From Poverty to Prosperity

by

Foundation for Democratic Reforms

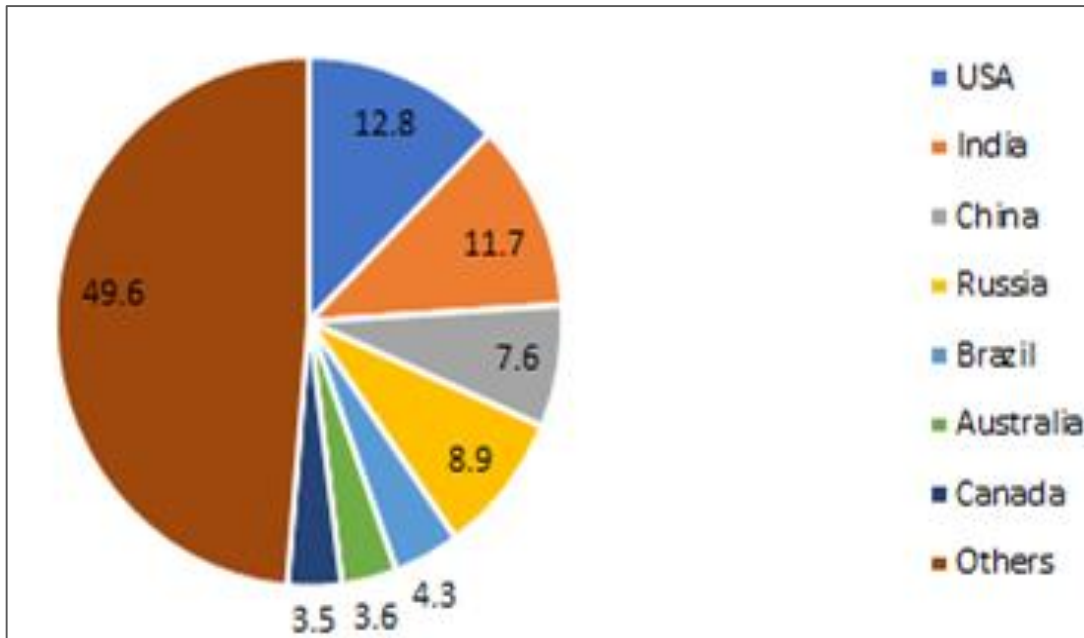
Hyderabad – 4th July 2020

“A crisis is a terrible thing to waste”

- Paul Romer

11.7% of world's arable land while geographical land is only 2.4% of world's landmass

Country-wise percentage of world's agricultural land



Source: World Bank

- Thousands of years of agricultural practice
- Fertile soils
- Good rainfall and
- Plenty of sunshine throughout the year

Table 1.1: Analysis of food supply chain disruptions during COVID-19

Disruptions/ Countries	Disruption in processing and handling facilities	Low capacity of freight usage	Shortage of labour	Problems in accessing markets	Increased food wastage/loss	Low Price realisation for farmers
Canada			✦			
UK			✦		✦	✦
Germany			✦			
USA			✦	✦		
New Zealand	✦		✦			
Australia			✦			
China		✦	✦			
Thailand		✦	✦	✦		
Brazil		✦				
Vietnam	✦	✦		✦	✦	✦
India	✦	✦	✦	✦	✦	✦

Source: FAO - <http://www.fao.org/3/ca8308en/ca8308en.pdf> | Analysis by FDR Research Team using parameters from FAO report



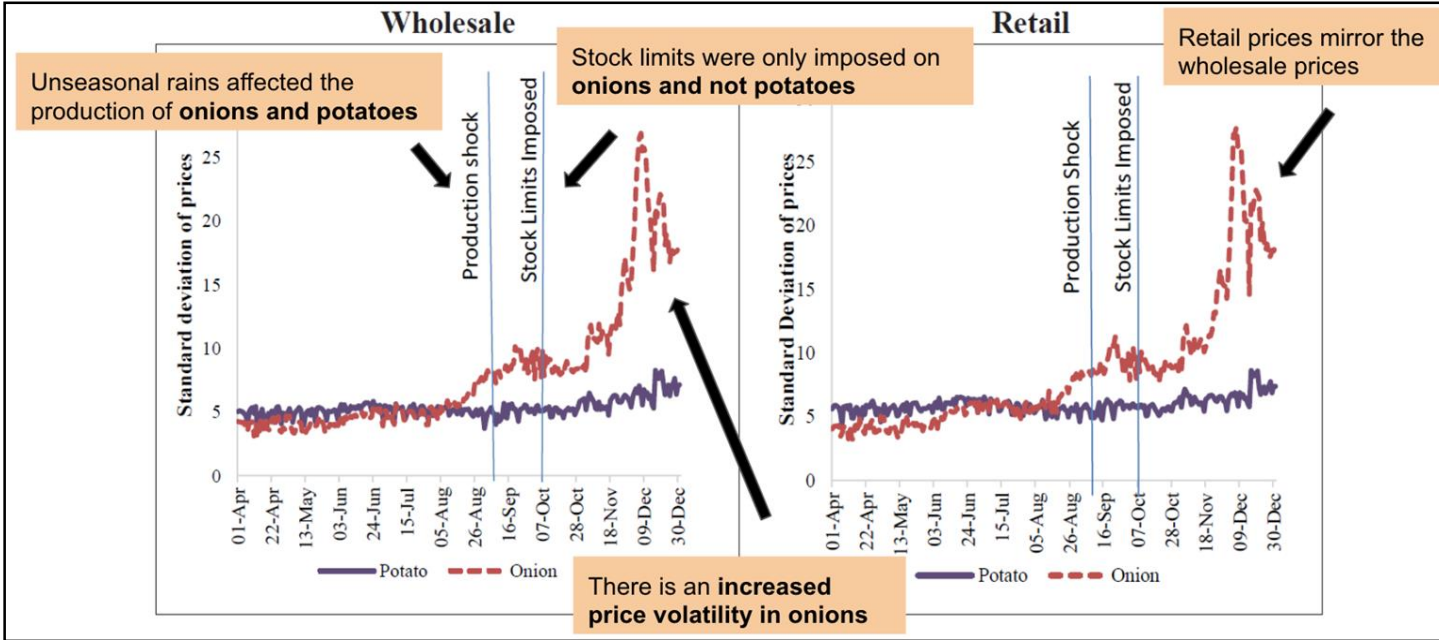
In Maharashtra currently, tomato growers are receiving just ₹ 2/kg, while the retail/market rates are close to ₹ 10/kg



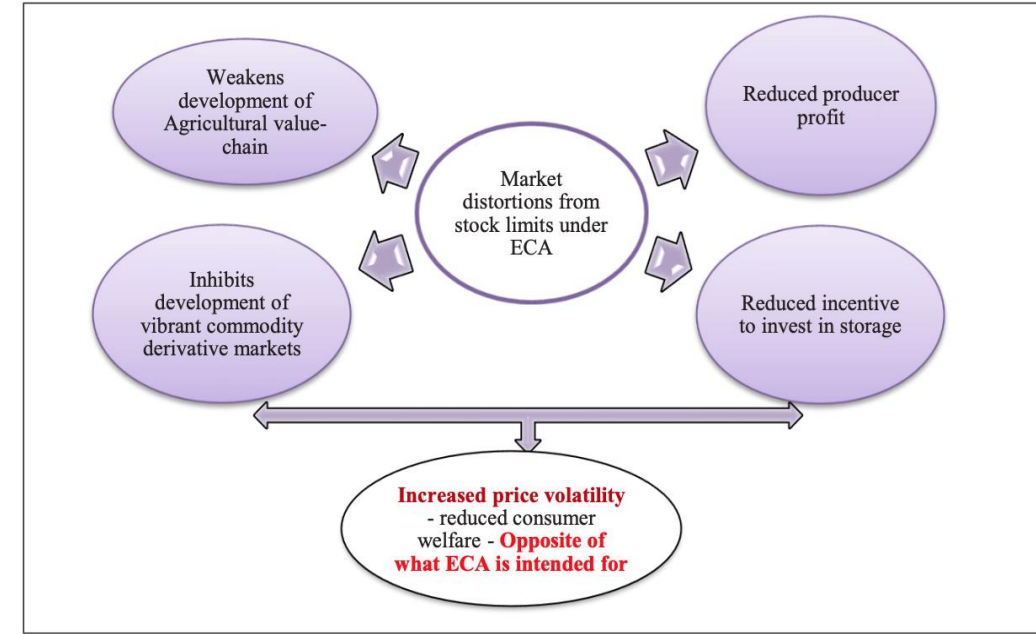
Onions that ruled (₹50-60/kg) in 2019 crashed to ₹8/kg in April 2020 and farmers got a paltry ₹2-4/kg

Issues in Agriculture in India

Essential Commodities Act



Source: Economic Survey 2019-20



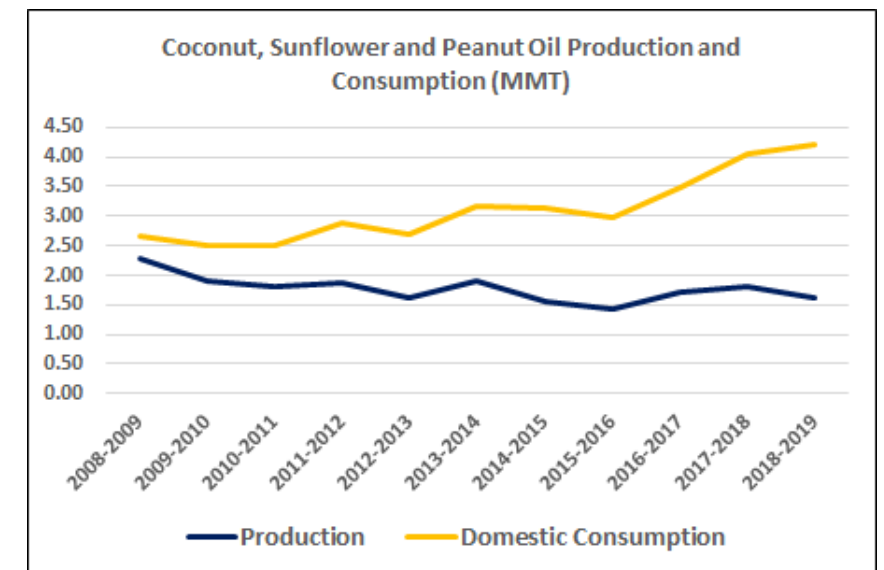
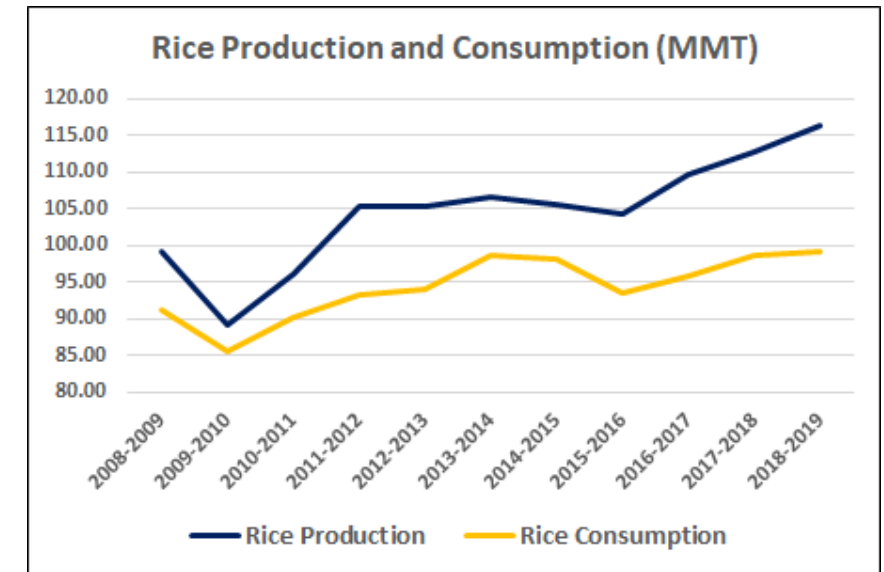
Agricultural Produce Market Committees Act

The nearly 7,000 APMC regulated markets have developed a monopolistic and non-transparent character resulting in high number of intermediaries and poor final price realisation for the farmer

Issues: MSP Distortions & Disincentives

Procurement of Agricultural Produce by Public Agencies (Annual values (2017-18) in MMT)			
Crop	Total Procurement	Production	% Procurement
Paddy	38.18	112.91	33.82%
Wheat	30.82	99.70	30.92%
Arhar	1.13	4.25	26.63%
Groundnut	1.05	9.18	11.41%
Moong	0.41	3.60	11.31%
Sunflower	0.01	0.21	3.11%
Cotton	1.07	34.89	3.07%
Urad	0.29	16.73	1.75%
Lentil (Masur)	0.03	1.61	1.68%
Soybean	0.07	10.98	0.66%
Jute	0.06	10.14	0.60%
Mustard & Rapeseed	0.05	8.32	0.59%
Gram	0.06	11.23	0.54%
Bajra	0.04	9.13	0.39%
Maize	0.05	28.72	0.17%

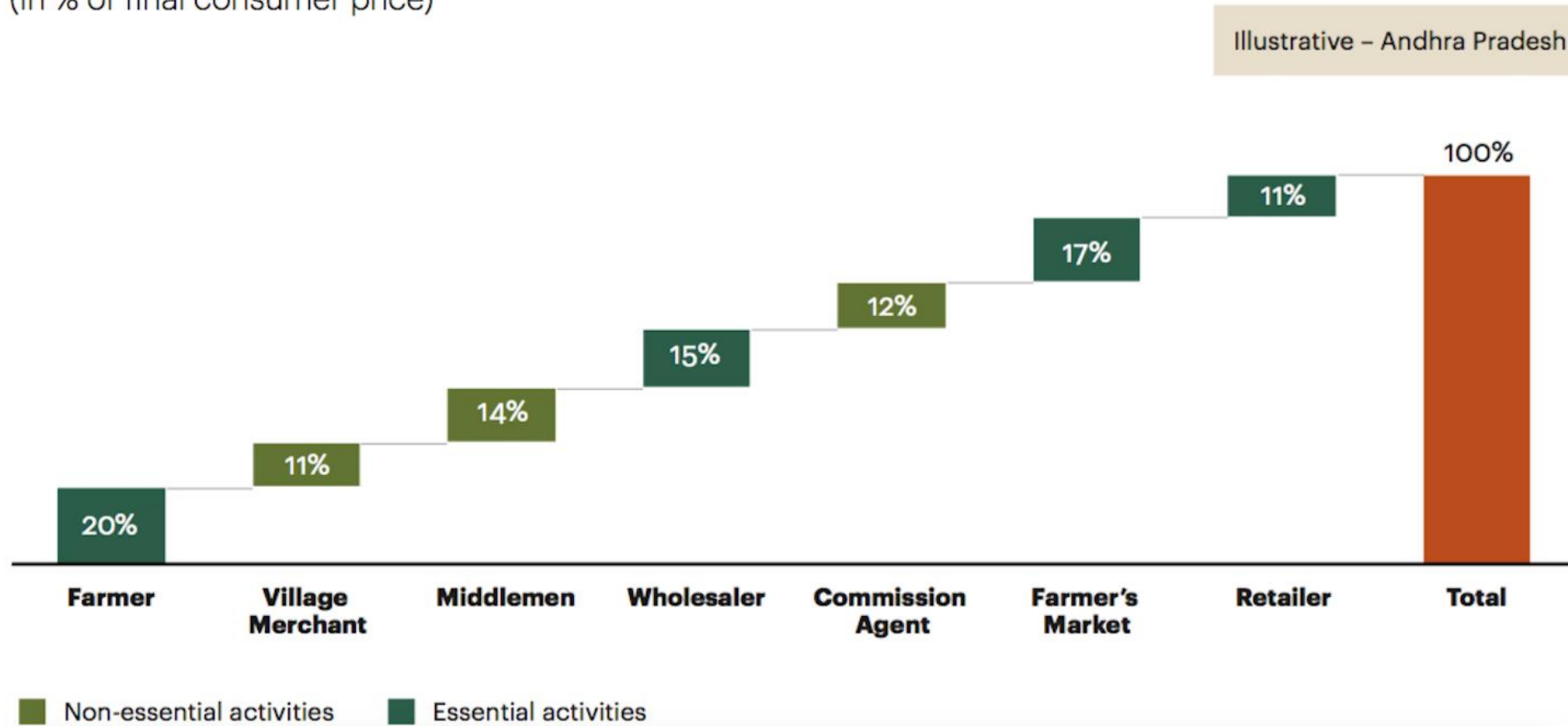
Source: Dept of Agriculture, Cooperation & Farmers Welfare Annual Report 2018-19; Agricultural Statistics at a glance 2018; NAFED Annual Report 2018-19



Issues: Long and Tenuous Supply Chain

Price build-up in value-chain for 5 major vegetables – Tomato, cabbage, brinjal, okra and beans

(In % of final consumer price)



Source: FICCI, AT Kearney - Feeding a Billion: Role of the Food Processing Industry

Gap analysis of Cold Chain Infrastructure in India

Infrastructure Type	Infrastructure Requirement	Infrastructure Available	Gap-to-required (%)
Pack House	70,080 nos.	249 nos.	99.6%
Reefer Vehicle	61,826 nos.	9,000 nos.	85%
Cold Storage	35.1 MMT	31.8 MMT	10%
Ripening Chamber	9131 nos.	812 nos.	91%

Source: Report on Cold Chain, National Center for Cold Chain Development (NCCD), 2016

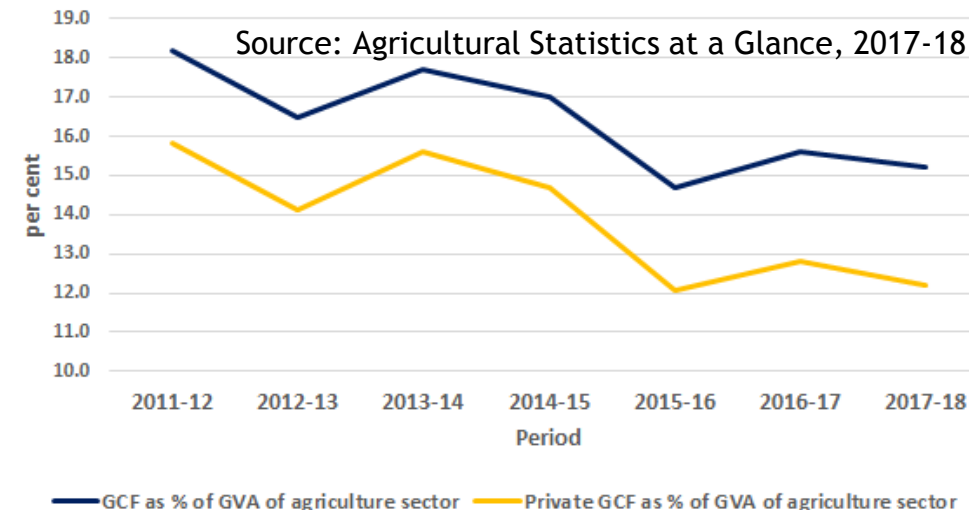
Inadequacies in cold storage

Total perishables* (2016-17)	474.75 MT
Cold storage infrastructure available (2016)	31.2 MT
Cold Storage as % of total perishables [(2)/(1)]	6.57%

Source: Horticulture Statistics at a Glance, 2017; Report on Cold Chain, 2016 - NCCD

*Perishables include fruits, vegetables, milk, meat, poultry, fish

Gross Capital Formation in Agriculture



States like Punjab, Uttar Pradesh, Gujarat and West Bengal have 60% of cold storage capacity. Moreover, 75% of cold storage capacity is used only for potatoes

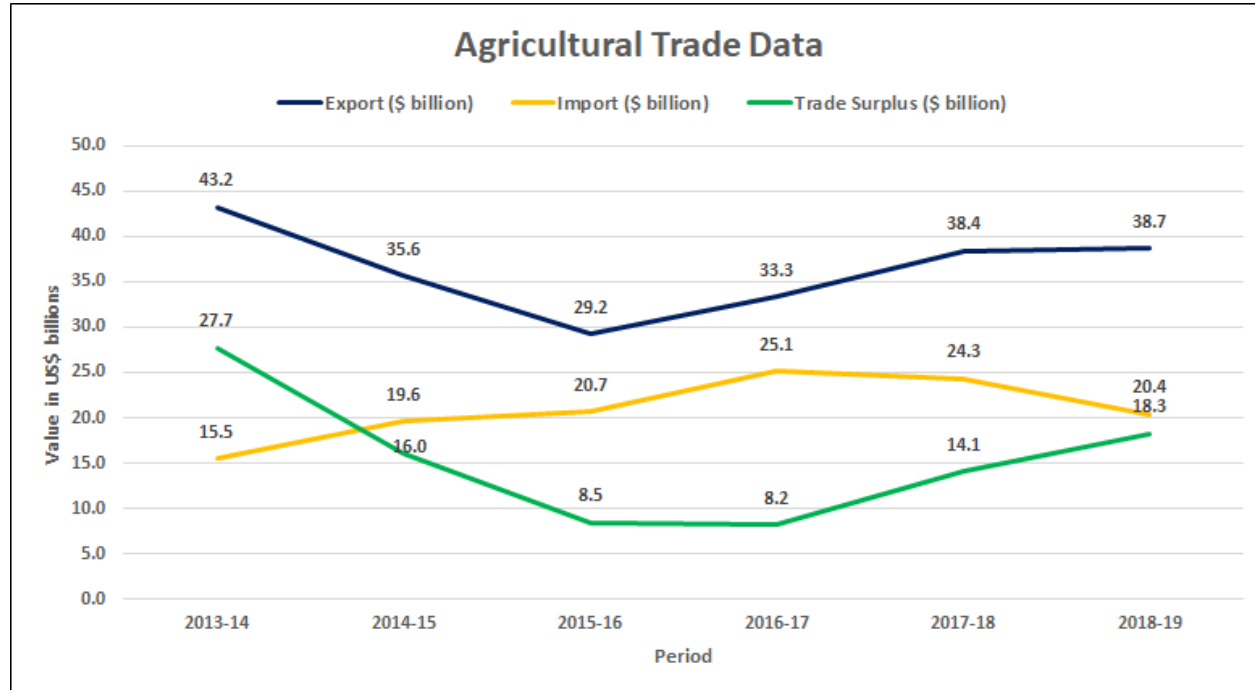
Private GCF has been declining as shown above

Sub-Sector	Post-Harvest Losses (%)	Export Value (in INR Cr)	Production (2016-17)	Level of Processing (% of production)
Food Grains	4.65-5.99	19783.60	275.11 MMT	NA
Fruits and Vegetables	Fruits - 6.70-15.88 Vegetables - 4.58-12.44	9410.81	287 MMT	2.2
Milk	0.92	1196.19	165.4 MMT	35
Meat	2.71	29813	7.4 MMT	21
Poultry	Meat - 6.74 Egg - 7.19	60	Meat - 3.64 MMT Eggs - 88.14 billion no.	6
Fish	Marine - 10.52 Inland - 5.23	37870	11.40 MMT	8

Source: NABARD
(MMT - Million Metric Tonnes)

The value of the food lost due to post-harvest losses is close to ₹1 lakh crore (conservative estimate)

Export and Import in agricultural commodities



Source: Ministry of Commerce, GoI; Centre for Monitoring Indian Economy

	Net Imports		Production		Imports		Exports	
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
Pulses	6,472	5,428	23,130	25,230	6,609	5,607	137	179
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Oilseeds	399	359	34,785	35,350	1,181	1,138	782	779

Source: Commodity Profiles, Ministry of Agriculture, Cooperation and Farmers Welfare; USDA

- From the figure it is evident that there is a significant decline in agricultural trade surplus of India. The agricultural trade surplus, which stood at \$27.7 billion in 2013-14, declined by over 70% in three years, and even in 2018-19 it is 32% lower than five years before
- Dependence on imports for basic foods and declining trend of exports need to be reversed

Roadmap: From Poverty to Prosperity

1. Remove regulatory hurdles viz. APMC and ECA

- **Essential Commodities Act (ECA)**

- Government decision is welcome
- But the law can still be invoked
- Repeal the law altogether
- Buy strategic reserves from market by bidding

- **Marketing Laws**

- Remove monopoly
- Remove entry barriers
- Launch national drive for multiple markets, and competition and choice to farmers

2. External Trade

- India is world's largest importer of cooking oil & pulses
- Impose moderate tariffs
- Pass on tariff revenue as production incentives to farmers
- Remove all export bans

3. MSP has distorted incentives

- We are over-producing rice & wheat & under-producing milk, eggs, meat, fish, fruits & vegetables
- Price signal should drive more production of commodities in demand
- Remove MSP
- Progressively reduce procurement
- Procure strategic reserves by competitive bidding
- Encourage farmers to raise crops for which demand is growing

4. Storage & Pledge loans

- Often farmers are forced to sell in distress
- Farmers have no staying power until prices become attractive
- Vicious cycle of low income, indebtedness, distress sale & impoverishment
- Only 1.1% of agricultural credit in pledge loans
- Ensure easy credit on stocks as security

5. Economies of Scale

- Scale in production & post-harvest handling vital for better incomes
- Capital formation in agriculture is falling
- Scale gives access to capital, technology, management, processing and markets
- Create innovative methods for large scale farming and post-harvest activities

6. Compress Market chains

- Long market chain depresses farmer's price realization
- Poor infrastructure and logistics are leading to losses
- Grading, packaging, transport, storage, processing & retailing need modernization
- Value addition and tapping of global markets are vital for Indian agriculture

(...contd on next slide)

6. Compress Market chains ...contd

- **Removal of entry barriers for global retail chains will:**
 - Compress market chain
 - Boost farmer's share of end price to 60-70% (Now 20-30%)
 - Encourage massive investment in logistics
 - Boost processing and value (now under 10% except in milk)
 - Improve quality
 - Moderate consumer prices
 - Reduce price volatility
 - Tap export markets
 - Create large employment in organized sector
 - Traditional retail will continue to grow – but at slower pace

Conclusion:

With the right policies & incentives, agriculture can become a dynamic sector ensuring continuous supplies, reducing poverty, creating employment and giving farmers and consumers a fair deal