Doubling Farmer’s Income

What is the issue?

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Last year, the Prime Minister has announced the government’s goal of **doubling the farmer’s income by 2022**. This would require the farmer’s income to rise by around 12% per year on average, over the next 5 years. This is in nominal terms, i.e. not adjusted for inflation.

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Why agriculture growth has never averaged more than 5% over any continuous 5-year period, in recent history?

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- Firstly, agricultural productivity **cannot rise steeply** year after year, and secondly the area under cultivation cannot expand rapidly and continuously.
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- Modest increase is possible, but not exponential. Besides, **prices may remain stable,** denying any nominal rupee gains.
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- In addition to all this are the **risks associated with agriculture,** which are monsoon failure, pest attacks, spurious seeds, adverse weather shocks, etc., all of which contribute to making the goal truly audacious.
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What are the aspects to the incomes associated with the food and cash crop economies?

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- First, in case of fruits and vegetables, the difference between what the city dweller pays for the tomatoes and what the farmer actually receives is huge.

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- City folk pay four times the cost, attributable to reasons like transport, losses, entry taxes and fat margins for middlemen.
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- If some of these inefficiencies are removed, a larger share can go to the farmer.
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- The dismantling of the provisions of the Agricultural Produce Market Committee Act in many states is ensuring the reduction of this gap.
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- So also is **the establishment of electronic national agriculture market.**
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- Any mechanism to connect buyers and sellers directly can benefit the farmer, as long as he retains some bargaining power.
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How else can the income be increased?

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- The other aspect of increasing income share to farmers is through value added agriculture, namely **agro-processing.** This has immense potential.
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- The groundnut may fetch only forty rupees a kilo to the farmer, but when it becomes masala coated peanuts in a fancy packaging, it fetches four hundred rupees a kilo.
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- The growth of conventional consumer food companies is an indication of the great potential.
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- But the trick is to ensure that farmers garner a proportionate share of the increase in and income that comes from agro-processing. This is where the farmer producer organisations (FPOs) come in.
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Farmer Producer Organisation:

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- These are hybrid organisations combining features of a shareholder-owned company and cooperatives.
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- **The FPO structure was formally introduced under Company Law, to enable farmers to become shareholders**.
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- This ensures they have clout and bargaining power when dealing with consumers, small or big (such as organised retail supermarket chains).
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- If a farmer sells groundnuts to a buyer, then no sales tax, VAT or now GST is applicable. But if an FPO sells salted peanut packets then all kinds of taxes become applicable.
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- This defeats the economic viability since profit margins are slim and overheads can be large, especially when the scale is small.
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- It is here that policy intervention is needed to ensure healthy growth of FPOs around the country.
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Source: The Indian Express

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