

Representation regarding heavy indebtedness on farmers and
to grant one time complete loan waiver to farmers.

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Hon'ble Prime Minister of India

Respected Shri Narendra Modi Ji.

Jai Hind

As all of us are aware about the plight of the Indian farmers in the wake of heavy indebtedness on their heads. The situation has become so grim that without finding any ray of hope which may rescue them from this debt trap, many of them have taken the extreme step of ending their lives. Many valuable lives have been lost and it is very unfortunate that till now there seems to be no positive indication which ensures us that this spree of suicides may end in the near future. In a thorough study of the root cause of this calamity we find that this has happened not because that the Indian farmers are lazy, inefficient and not devoted to their profession. They have become victims of circumstances beyond their control which include many factors such as adverse terms of trade, indifferent Government policies and many natural calamities and the combined effect of all these factors was that their income did not increase in proportion to rise in the expenditure.

Till the end of nineteen sixties, India was facing an acute shortage of food and the situation had gone up to the extent that then the prime minister Lal Bahadur Shastri had to plead to the nation to forgo one meal a day to partially overcome this problem and not only

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this he took the farmer to a very high pedestal of respect and equated him with the defender of the nation by giving the slogan "Jai Jawan Jai Kissan". New techniques of agriculture including high yielding strains of wheat and later on that of the paddy and many other crops were developed. Fertilizer production was given a boost, new pesticides came up, new agro-industries to mechanise both pre and post harvesting operations also came in a big way. Government made arrangements for liberal credits to the farmers through its financial institutions and commercial banks. Food corporation act came into existence in 1964. Agriculture price commission was established in 1965 to fix minimum prices of various crops so that farmers could get remunerative value of their produce and thus an era of prosperity was ushered and was named as Green revolution. But this period of prosperity was very short lived as the cost of production began to rise and the support prices did not keep pace with this rise in proper proportion. This was the result of the state's policy as its policymakers focused exclusively on ensuring adequate and cheap supply of food grains. This was a laudable objective. But the economic burden of this moral responsibility was transferred to the farmers. Government policies were designed to keep the crop prices down causing havoc to the farmers' economy. This resulted in the shrinkage of the farmers' income which slowly and slowly came down to the below subsistence level. In the same way the farmers did not get remunerative price for the crops which were not covered under MSP system especially the horticulture produce which includes fruits and vegetables. Indian farmer of these products gets just eighteen percent of what the ultimate

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consumer pays for them in the retail and the rest eighty two percent is pocketed by the horde of intermediaries, whereas in the developed countries a farmer gets upto sixty percent. This fact has been even been admitted by the then Planning commission of India. The net result of all these factors was that farmers were left with very meagre or no income to sustain their as well as the lives of their families and thus were pushed to the wall and their instinct for survival compelled them to resort to taking more and more credits for their survival. Who were the net gainers? First of all was the Indian nation which got food safety. The next gainer is the Indian industry producing farm inputs like fertilisers, pesticides, farm machinery and many multinationals selling hybrid seeds to the farmers. There has been astronomical rise in the progress graph of these industries. Government also benefited by collecting taxes from them. Not only these, but the industries like textiles, pharmaceuticals and many more producing many grocery items etc were also benefited as the farmers spent this credit money on these necessities to sustain their lives. Thus this credit money played a substantial part in the maintenance of the growth of the economy in non agriculture sector. The class of intermediaries was the other big gainer. It means that the farmers have been subsidising the national economy practically over the last five decades to the tune of hundreds of crores of rupees and thus the country is under their obligation and in fact owe a debt to them. It

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becomes the moral duty of the nation to write off their debt and this loan waiver should not be considered as dole, but it should be seen as some body has rightly said as partial payment of arrears or gratuity, long overdue. Punjab has always been contributing much more to the central food kitty as compare to other states, so Punjabi farmers genuinely deserve a special package.

It is being argued that the farm loan waiver will affect the existing economic system beyond repairs. This is a mere exaggeration and does not carry much weight. According BBB(better business bureau) median, that for a better economy the Government debt should not be more than 40.9 percent of GDP, whereas in India it is 67.9 percent of GDP in FY 2017 and the fiscal deficit should not be more than 2.7 percent of GDP whereas it is 6.6 percent in FY 2017. Farm loan waiver scheme of the year 2008 was around 1.3 percent of GDP which was to the tune of sixty thousand crore rupees and covered 43 million of the farmers. According to the Reserve bank of India agriculture loans accounts for 14 percent of the total bank lending ,and are equivalent to around 6.5 percent of GDP and the rest of 86 percent bank lending have been availed by non agriculture sectors especially the industrial sector. But for the reasons best known to it, the industrial sector has defaulted to the tune of more than eight lakh crores as the banks have shown this

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big amount as NPA(Non performing assets).The most of these NPA are in the sectors such as Power, steel, road infrastructure and textiles. All these facts show that the deterioration in the economy as described above is mainly due to the activities of the industrial sector and not because of agriculture sector. Inspite of all this, both Government as well financial institutions have been helping it. In 2009,Dr Manmohan Singh Government gave a bailout of rupees three lakh crores to Indian industry in anticipation of a possible effect of global meltdown. Quite recently the banks have written off loan worth over rupees one lakh crore to the corporate which is much higher than the farm term loan of rupees sixty thousand crores written off in 2008.It is also a fact that many a time the Government has been restructuring the massive corporate loans on ridiculous terms. Argument being advanced is that the industries whose loans have been written off or have been given bailouts are in no position to return their loans as their financial position has worsened to the extent that it has become impossible for them to honour their loan contracts . If this is a fair argument , it applies with greater force in the case of the farmers. An overwhelming majority of the Indian farmers are in no position to pay back their debts. Even the supreme court in a PIL filed on farmers suicides and debt by NGO ' Citizens resource and action initiative (CRANI) , has very explicitly opined that ' the key reason for the suicides was indebtedness and their inability to pay back the loans' We

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are not against providing such help to the industrial sector, rather its laudable. But at the same time such gestures should also be extended to the agriculture sector as both are equally important pillars of the economy and complimentary to each other. If the Indian farmers are financially strong and have enhanced purchasing power, they will buy more industrial goods and this enhanced rural consumption will play a vital role for the ultimate success of the Indian economy. The gist is that farm sector should also be helped in the same way as the industrial sector has been helped.

The loan waiver must be followed by such policies which ensure a remunerative and assured income to the farmers, so that such unfortunate situation may not occur again.

Although the alphabet 'C' for the term 'Costs' was added in the abbreviation of agriculture price commission in 1985 and it became Commission for agricultural costs and prices, but still the fixation of the ultimate Minimum support price above the cost of production remained more or less a discretion of the commission. Farmers have not been getting a real remunerative price which may help them to come out of the subsistence level. Government must fix a norm which should clearly direct that with how much level the MSP should be above the cost of production. Eleven years ago agronomist Dr. Swaminathan recommended to the Government, a very simple and explicit formula that

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Minimum Support Price should be 50 percent more than the weighted average cost of production. It is surprising that till now no Government has accepted it, the reason being given is that it will bring a high food price inflation. This seems to be very unreasonable. Government must realise that farmers of this country who constitute more than half of the population and whose average income is just 40 percent of the national per capita income, also want food along with a decent living which they can have only when they are adequately paid for their produce. If the Government is willing to pay Seventh Pay Commission salaries to insulate government servants from inflation, it should also provide a higher income to the farmers to improve their lot. Acceptance of this recommendation will go a long way to ensure the economic viability of Farming. It is also pertinent to mention here that in the days to come the international prices of the wheat are ought to rise as in many wheat surplus countries this trade has been privatised and moved in the hands of corporations. Australian wheat board, a government body which had been marketing wheat till July 1, 1999 was transformed into a private company owned by wheat growers and in 2010 it was acquired by a Canadian firm and further in 2011 a multinational corporation acquired this commodity management business. In the same way Canadian wheat board, a marketing board established by an act of parliament in 1935 was changed to a grain company by a legislation in 2012 and in 2015 its 50.1 percent shares

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were acquired by private players and thus this market is becoming oligarch in nature. It is also happening in many other countries. We should remain conscious of this fact that in any future eventuality, the import of the wheat will be much costlier. Government should adopt a pragmatic approach by enhancing the MSP of the wheat to a real remunerative level which provides an incentive to the farmers not only to maintain the present level of production, but to increase it also.

As mentioned earlier, an Indian farmer gets just eighteen percent of the value of his produce of the what an ultimate consumer pays to the retailer, the rest 82 percent is pocketed by a horde of intermediaries who form a long channel creating a big gap between the farmer and the consumer. We will have to reduce this gap by eliminating as many intermediaries as we can which may result in the inflow of much more share of the consumer price to a farmer's pocket and at the same time keeping the consumer prices at a reasonable level. Unreasonable profit of so many middle men will be shared both by the farmer in increasing his profit and by the consumer by controlling the retail price and thus both will be benefitted. In this way if we are able to raise the share of farmer from existing 18 percent to 50 percent in the consumer price (In developed countries it is 60 percent), then the Government's cherished aim to double the farmers' income by the year 2022 can be achieved even much earlier. The number of the intermediaries can be curtailed if a farmer sells his produce direct to

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retail outlets, terminal markets, food processors or exporters. In India, the changes in the retail marketing have been gradual and considerably slower than observed in other developing countries, but now the time has become favourable for its growth due to the emergence of a big middle class with its enhanced purchasing power. According to National council for applied economic research, India at present has 5 crore & 30 lakh families whose annual income ranges from 3.40 lakhs to 17.00 lakhs rupees per annum (Based on the year 2009-10 price index). Total population of these families comes to approximately 26 crores which is 20 percent of total Indian population. With its enhanced income, it has substituted milk, fruit, vegetables, meat and fish etc in a considerable proportion in its traditional food of cereals as is evident from the fact that from 2001-02 to 2011-12, the output of fruits increased by 80 percent, vegetables by 69 percent and cereal only by 17 percent. This has given a boost to the retail sector in India and many organised retail organisations like Metro cash & carry, Tata Chemicals & Field fresh foods, Bharti Enterprises and Reliance Fresh etc have entered in this field and there is a hope that many others will follow. Government should encourage them by providing incentives to establish infrastructure like collection centers at farm level where all the facilities of pre and post harvest like pre-cooling, grading, waxing, packaging and cold storages are provided. Government should also allow Foreign Direct Investment (FDI) in this retail sector.

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There is also an urgent need that the wholesale markets be professionally managed and for this purpose existing wholesale markets under APMC should be leased out for up gradation and better management on long term contracts or be converted in public-private partnership Markets and they should be based on the principle of service industry. There is need to encourage the establishment of markets by private sector or farmers' cooperatives. It will attract investment to create much needed infrastructure which may save the gross wastage of the agriculture produce especially the perishables which goes upto the extent of 45% of their total produce and it will create a healthy competition to ensure better service to the farmers. Licensing for commission agents should be liberalised delinking it from the ownership of shops in the yard and allowing multiple licensing for each market in the state. It is very laudable that the Central Government is imploring the States to amend the APMC act in these directions and many states have given positive response.

Processing industry presents another avenue where a farmer can get the adequate price for his produce as there is no middleman and the wastage and spoilage are reduced to minimum .In India ,it is a sunrise sector as many factors such as availability of raw material, changing life style, rising middle class and relaxation in the policies favour it. This sector is among the few that serves as a vital link between agriculture and industrial segments of the economy.

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Strengthening of this link is of critical importance to improve the value of agriculture produce, ensure remunerative prices to the farmers and at the same time creating favourable demand for Indian agricultural products in the world market. It will bring significant development of agriculture sector and ensures value addition to it.

It has been estimated that one percent rise in Indian agriculture export will pump in 8500 crores of rupees in country's agriculture economy. To give a boost to exports we need proper infrastructure which includes a good cold chain system with proper transportation facilities, grading and packaging centers and proper training to the farmers in handling both pre and post harvest operations. The farmers should be educated about the crop management protocols and other norms (like codex commission rules, EUREP GAP 2000, ISO standards etc) for the quality of the produce to be exported.

The other very important issue which needs immediate redressal is that in many crops whose minimum support prices (MSP) have been fixed, do not find any procurement support from the government when their prices fall below the MSP. The recent example is that of Maize, the price of which was fixed for Rs. 1425 per quintal for the year 2017-18, but came down as low as Rs. 800 in the open market as there was no procurement on the part of the government. The farmers especially of Punjab and Bihar suffered a lot. The credibility of the government also

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suffered as it is both mandatory and moral duty of the government to keep the price of any crop upto the level of MSP. Here its suggested that the mechanism of ' Price support scheme(PSS)' which exists for the crops of oil seeds, pulses and cotton , should also be extended to all the crops whose minimum support prices have been fixed by CACP. Under this scheme the center government steps in the market through NAFED which is the nodal agency in this process and procure the above crops if their market prices fall below the MSP.

Government also needs to keep strict watch on the activities of developed nations in the WTO. It has been noticed that the subsidies which they have been providing to their farm sector are much more than their entitlement in WTO's Agreement on Agriculture(AoA) which may increase their agriculture production and lower its prices. It will adversely affect the famers of developing countries like India in both the international as well as in their domestic markets According to a research paper by the South Centre Geneva('WTO's Agriculture Domestic Supports Negotiations',January,2017),the EU spends 12,384 US dollars a year per farmer whereas the U.S. spends 68,910 US dollars per farmer a year(2013).India spends 306 US dollars per farmer and China 348 US dollars per farmer(2010-11) a year .It has been very encouraging that despite differences in many other fields, both India and China jointly

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circulated a paper in Geneva on July 17, 2017 demanding that farm subsidies extended to their farm sectors in the developed countries should be capped so that they may not cross permissible limits, otherwise they may lead to enhanced productivity and lower prices which in turn will harm the interests of the farmers of developing countries. We will have to remain vigilant in future also.

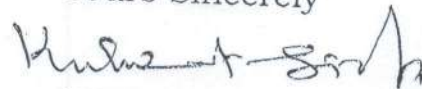
There are so many other factors which can be discussed for the progress of the farm sector which can bring progress as well as prosperity to it and the gains of this prosperity always trickles down upto the lowest strata of the society as has been well said " The development of agriculture is an indicator of the standard of life at the grass root level and that is why it should be called as People's sector "

In the end, I, on behalf of our organisation 'Kissan Vikas Chamber Punjab' request you to come forward as 'Pradhan Rakshak' of Indian peasantry, rescue it from its present turmoil and put it back on path of progress and prosperity.

Thanking you

Date: 24th August, 2017.

Yours Sincerely



(KULWANT SINGH)

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