



## ORIGINAL RESEARCH PAPER

## Management

### CAN STATUS OF INDUSTRY TO AGRICULTURE SOLVE THE PROBLEMS OF STAKE HOLDERS?

**KEY WORDS:** Agriculture, farmers, subsidies, low yield, shortages of fertilizers, shortage of insecticides, tax collection

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#### INTRODUCTION

We keep on listening to farmers woes, the minimum support prices (MSP), farmers agitations, un-paid electricity bills by farmers, un-paid loans by farmers, farmers suicides and loan waivers by the various state and central government etc. for many years. One of reasons thought was farmland holding patterns across the country and the problems were thought to be of the marginal and small plot holders only and various schemes/reforms were launched where the farmers were barred from breaking the plot sizes, but it has not helped. Oil engines for irrigation were supplied at subsidized rates and then replaced by electric motors, electricity was subsidized to reduce their bills, now being given solar powered pumps and loading the losses on urban house-hold customers, farmers are not happy but urban customers are unnecessarily burdened.

New methods of farming were introduced that led to increased yield but not to international levels and farmers remained poor. Fertilizers are being supplied at subsidized rates; seeds are being supplied at subsidized rates; insecticides are being supplied at subsidized rates but still farmers are unhappy and remained poor. MSP is being raised regularly but to no avail so, the question is when will the farmers become happy and stop suicides? All the benefits given to farmers are cross-subsidized through passing the burden on urban people leading to questions as to what is the limit of this cross-subsidies and why should salaried and business class urban people keep getting burdened?

Another side of the story is the rates of the grains and crops to the customers are growing exponentially but the farmers say they are not getting profit. Even when the crops are being sold at MSP, they say they are at loss. The trading community was cheating the farmers so Market yards were established where the farmers can sell their crops at competitive price through auctions but still, they are unhappy. They do not pay tax on their income still they are not happy.

It is said that farmers with large farm holdings are cornering all the benefits and are becoming richer and richer. If we see that many of the farmers crying for more and more subsidies and MSP are having life style better than the urban poor and even lower income groups; they have motorcycles, TV, Fridges even Jeeps and tractors.

That leads to the question are they poor in reality? Do they need all these subsidies and benefits? When will they become self-sufficient? Or will they ever become self-sufficient? If farmers with large farm holdings are becoming richer why not force them to become large farm holders through cooperatives or forming their limited companies?

All these things lead to the question "Can status of industry (either private or cooperative) to agriculture solve the Problems of stake holders?" where the stake holders are farmers, traders, customers, and government.

#### Objectives

The study tries to find out impact on farming if their status is changed to farming Industry through following objectives

1. Will it stop all the subsidies and freebees and reduce

burden on government and urban people?

2. Will it increase the yield per hector?
3. Will it remove the concept of MSP?
4. Will it reduce the poverty amongst farmers?
5. Will it improve government tax collections?

We will be looking at from various angles and try to get answers to all these questions.

#### Findings

Let us list findings one-by-one in the sequence of the objectives

#### Government Subsidies (Including Cross-Subsidies)

Various types of subsidies are given by central and state government that should help the small and marginal farmers to tide over and survive on the farming income.

#### Farm Subsidies: Rationale

- To support farmers as majority of farmers have small/marginal landholdings and are dependent upon agriculture for subsistence.
- To generate employment by making agricultural activities profitable
- To promote export by providing price competitiveness and improve brand value of Indian agricultural exports.
- To ensure food security

#### Farm Subsidies: Types

- **Direct Subsidy:** A direct subsidy is provided to the farmer in the form of cash.
- **Indirect Subsidy:** Indirect subsidy is provided by discounts on agricultural purchases like seeds and fertilizers.
- **Explicit Input Subsidy:** Explicit subsidy is paid to farmer for purchasing agricultural products like fertilizers. This is generally paid to small and marginal scale farmers not able to buy inputs on their own e.g., KALIA scheme of Odisha or Rythu Bandhu Scheme of Telangana.
- **Implicit Input Subsidy:** Implicit Input Subsidy does not directly provide money but helps the farmers by cutting the extra costs e.g., providing subsidies on electricity bills and interest subvention scheme (relaxation in bank loan interests).
- **Output Subsidy:** This subsidy provides support to farmers on their outputs like Minimum Support Price (MSP) on crops like wheat, paddy. The MSP calculations are being questioned and the suggestions given by Swaminathan commission are still not accepted.

Swaminathan commission has suggested many good conditions of calculating MSP including the salary for himself and his family members (their labour cannot be free) and minimum 50% profit (this is questionable and not as there are many businesses where profitability is nearly 300-400%). The question comes when the MSP calculations are based on commercial considerations, why the farming is not considered commercial enterprise (Industry) and treated like one?

#### Farm Subsidies: Benefits

- **Support Farm Income:** Farm subsidies provide assured income and increase the purchasing power of farmers.

- **Food Security:** The farm subsidies assure adequate food supply and reduce the chances of food shortage and food inflation.
- **Improvement in HDI (Human Development Index):** Improved farm incomes and food security aids in addressing issues like malnutrition, improving overall living standard. 2022 report shows India ranked 132 positions amongst 192 countries. This means even many smaller poorer nations are ahead of us in HDI (we are talking about GDP growth that is being manipulated by increasing taxes-even on life saving drugs etc. and supporting inflations)
- **Crop Diversification:** Incentivising "less focussed" crops where subsidies on the crops having nutritional and environmental benefits are promoted. For example, boost to millet production.
- **Bridge the Income Divide:** According to FAO (Food and Agriculture Organization of UNO), 70% of Indian rural households rely mostly on agriculture for a living. Income support for small and marginal farmers bridges the income gap.
- **Technology:** Increased usage of technology and better infrastructure in agricultural activities lead to increased efficiency, increased profitability and reduce distress migration. Marginal farmers are unable to use technology as the land holding pattern (very small land sizes) does not support it.

Farmers are not ready to go in for co-operative farming where they fear losing the property rights on land. Co-operative farming can allow them to use technology effectively. Either we FORCE them in co-operative farming or declare farming as industry removing all the welfare schemes where they will either accept co-operative farming or sale the farms and become laborers.

- **Achieve National Goals:** Farm subsidies are crucial levers in the achievement of goals such as achieving the US\$ 5 trillion economy status, Sustainable Development Goals (SDG). For example, KUSUM programme (subsidy for solar pumps)

#### Farm Subsidies: Concerns

- **Fiscal Burden:** Farm subsidies form about 2% of India's GDP. High amount of farm subsidies, farm loan waivers put excessive burden on Government finances reducing space for capital expenditure.
- **Resource Wastage:** It results in overuse and wastage of resources e.g., subsidized electricity for farms can be misused for personal use.
- **Environmental Degradation:** Fertilizer subsidies have resulted in overuse of Urea and DAP. Overuse of fertilizers leads to eutrophication, water pollution and soil erosion.
- **Increase Inequalities:** Indirect subsidies more beneficial for already rich farmers due to poor targeting.
- **Distorted Cropping Pattern:** Farm subsidies especially the MSP has led to distortion in crop pattern e.g., predominance of wheat and paddy in Punjab/Haryana at the cost of pulses, maize, vegetables etc.
- **Corruption and Leakages:** Farm subsidies are susceptible to corruption and leakages. This leads to welfare loss and additional fiscal burden. Urea meant for farms is diverted to industrial usage or smuggled to neighbouring countries.
- **WTO Concerns:** India's farm subsidies are questioned by the developed nations at the WTO. MSP is considered trade distortionary and breaches the Aggregate Measures of Support (AMS) level limited by the WTO norms.

There is no website that gives comprehensive welfare schemes and all the sites keep advertising and promoting the latest schemes (without giving details) along with the current Prime minister Kisan Vikas schemes. So, if any educated farmer needs to know all sorts of welfare schemes, he is required to meet various government departments and their

officials that are also not very clear about the schemes and their durations. All the government does is lip-service about their welfare schemes and no one knows how a farmer can apply and register for that scheme.

All these kinds of subsidies have been started on many years ago after the independence and as per the local requirements the state governments and central government has made improvements through amendments in the acts.

What benefits have we gained?

Have we really benefited?

Are the government benefits reaching the real beneficiaries? If NOT why? If YES how?

If the farmers are not getting benefitted by the schemes, what needs to be done?

All these questions need to be answered and then we can find the real solutions to the farmer's problems.

#### What Benefits Have We Gained?

To start answering this we must find out what developments we have achieved in last 75 years, to do that we will require analysis of major grains and cereals, oil seeds, major fruits as off 1947 and today along with its comparison with world standards

Name	Avg. yield per hectore Kgs 1947	Avg. yield per hectore kgs 2022	Avg. yield per hectore Kgs World standard	Top country
Wheat	663	3500	8900	Netherlands
Rice	650	6239	9820	Australia
Jowar	300	2196	3500	Nigeria/USA
Bajra	200	1436		India
Maize	547	3349	5500	Nicaragua
Gram		1260	2400	China
Tur		7926		India
cereals		3892	30314	St. Vincent
Oil seeds		1292		India
Ground nut		2863	3674	China
Mustard		1458	2653	France
sugarcane		84 tons	125 tons	Peru
Jute		4504		India
Cotton		445	2027	China
Tea		585	2241	China
Coffee		797	1644	Brazil
Potato		24tons	44.3 Tons	USA
Rubber		938	1200	Thailand

#### Have We Really Benefited?

This is a major question; we have improved for sure but we have not solved the problem in many ways because of many reasons like

- The Yield Per Hectare Has Gone Up-** If we start looking at the yield per hectare we have benefited for sure and our yields though not anywhere near the top yields' world over in most of the crops we have increased our yields per hectare and total quantity. Because of this our nation that was dependent on imports of food grains has become self-sufficient and even started exporting many crops. The benefit here is the income levels of most of the farmers have gone up, but since their desires and necessities expectations have also gone up leading to many of them still being considered poor.
- Poverty Line Has Gone Up Drastically—** at the time of independence the rough estimate of poverty amongst people was stated to be more than 85% people (mostly farmers and farm workers) in India were poor and the definition of poverty then was ---not having daily food,

clothing to cover full body with at least one cloth and having shelter (house of any type).

The situation kept improving and in 2011-12 it was declared that India has 269 million (21.9% of population) was below poverty line (prevalent definition then). The current government says that they have reduced the poverty drastically (though economic indicators are bringing lower middle class in poor class) current poverty level is 170 million people or 12.4% of Indian population (definition is not clear).

Initially the poverty was measured on availability of essentials like food, clothing, and shelter (consumption basis) then it was measured on family income basis (average family income per day) but now mostly all over the poverty is measured on purchase parity basis (a dollar can buy different quantities in different countries). The ruling party will decide as per their own convenience.

Current National Sample Survey (NSS) declares rs.365.35 per capita consumption (not earnings) as rural poor and Rs.538.60 per capita consumption as poor.

#### c) Standards Of Living Has Gone Up Considerably—

India started as a socialist welfare country but the right-wing parties that promote capitalist economy has widened the inequality to large extent with less than 2% population holding more than 80% of wealth and remaining nearly 98% holding 20% or less wealth. The definition of standards of living has changed over the years many times. Currently it is defined for metropolitan, urban, semi-urban and rural levels. Since most of the farmers are living in semi-urban and rural areas, we must consider the standards of living for semi-urban and rural areas only.

Again, the regional development shows very large disparities leading to standards of living showing large variations state-to-state wise. For example, the BIMAROU (Bihar (undivided), Madhya Pradesh, Rajasthan, Odisha and UP) states are at the lowest level of development and the standards of living in these states is at lowest level with urban-rural inequality at highest level. While a casual laborer in Maharashtra is demanding minimum Rs.500/per day the laborer coming from these states are willing to work for rs.100-150/ per day. This leads to exodus of these laborers from these states to rich states like Punjab, Maharashtra.

If we look at people's ownership of different gadgets, we will understand the standards of living changed over the year. Today availability of various gadgets has become so common that it does not impact their poverty levels as it is treated as basic amenities. We even see BEGGERS carrying mobiles as the secondhand mobiles are available at throwaway prices.

Name of gadgets	1947 level	2012 level
Air-conditioners	>0.0001%	9%
Refrigerators	>0.0001%	40%
Microwaves	Nil	5%
Televisions	Nil	87%
Washing machines	Nil	13%
Personal computers	Nil	24%
Smartphones	Nil	93%
Two wheelers	>0.005%	33%
Cars	>0.00001%	7%
Internet	Nil	45%

This clearly says that even many poor people own these gadgets and still are considered poor.

#### d) Farmer's Needs And Desires Have Changed---The farmers over the year have changed their living style and expect to have many things that were not considered as necessities but have become minimum availability and needs. E.g., farmers no longer are willing to walk ad expect to have a minimum of one two-wheeler (mostly motorcycle) per family.

#### e) Population Has Multiplied Many Folds—In 1947 the Indian population was around 33 crores and today it

stands at 143 corers. So, 85% of 33 crores i.e., 28.05 crores and 12% of 143 crores is 17.16 crores. We need to interpret this properly as we can interpret it different ways as

- Some of the poor people are unreachable by all possible ways/or sincere efforts are lacking in reaching them.
- Infrastructure developments have not reached all corners of India
- Some of these poor people are refugees coming in from various countries to India like Bangladesh, Afghanistan, Myanmar etc. not getting the benefits of development.
- Adivasis residing deep inside jungles/Forests are not getting the benefits
- Changes in definition of poverty makes them poor as new definitions but not so poor as per 1947 definitions.

#### f) Are The Government Benefits Reaching The Real Beneficiaries? If NOT why? If YES how? –

Most of the time the government claims that they have ensured that the benefits are reaching the beneficiaries 100% but the beneficiaries claims that the benefits have been usurped by false/ghost claimants and are not reaching them at all. The earlier Governments used to accept the realities and blame the government machinery (Rajiv Gandhi famously said that only 10% benefits reach the real beneficiaries and rest is usurped by the corrupt government machinery) but current government defends/shields the corrupt government machinery (reasons unknown) and blames farmers for not claiming the benefits within the stipulated time in proper procedure. If a researcher like me is unable to find out details of government welfare schemes (even after writing to agricultural ministry) how can we expect poor and many times illiterate farmers to know the benefits being declared and what is the proper procedure of claiming it?

We can safely say, the declarations of welfare schemes are political gestures for electoral benefits and not really with social concern. That clearly explains why even when government is declaring itself non-corrupt/Bhrashtachar Mukta not a single conviction of corrupt government officers has happened in last many years.

#### g) If The Farmers Are Not Getting Benefitted By The Schemes, What Needs To Be Done? -

The farmers needing the benefits are not receiving them for sure, they even do not know that the government has distributed the benefits and somebody else has already received them in their names in connivance with the government machinery.

#### The question is what can be done?

In the digital world we can have many ways that can ensure that the benefits reach the needy and not usurped by political leaders and government machinery without their knowledge. Following things can be done

- First and foremost, the scheme should be announced with proper notifications and should be available to everyone to study and understand, so that the beneficiaries are aware of the scheme and apply (the application forms should be simple and available easily) for it
- Make a list of beneficiaries (marginal farmers) and collect their Aadhar card details along with election cards. Ensure that they open a joint account (a common family account) and the benefit is sent to them by DBT -direct benefit transaction.
- This list can be comprehensive and should have all the beneficiaries listed with various categories, so that every time we should not have new list preparing time (mostly the scheme is announced for political benefit and the condition is we will prepare the list and then the amounts will be decided. The list is not prepared for long and the scheme is forgotten)
- The responsibility should be given to IAS officer and any discrepancies he/she should be held responsible and punished with salary cuts (to recover lost amount) and stoppage of promotions.

Once we accept that the system is corrupt and cannot be



changed easily, we must start thinking about the alternatives.

- First, we must accept that unless we have large lands and we do farming using technology and scientific methods our yields cannot go up.
- Secondly, we must understand that the farming is a serious business and cannot be done using labour who are working just because they are forced to work in that farm to get their livelihood and not LIFE.
- Third we need knowledgeable labor and not illiterate lazy bums (currently many farmers are working in farms just because they do not have alternative).
- Forth and most important one is we must guarantee the workers regular employment that guarantees them minimum wages regularly.

What alternatives are with us for doing this? –The alternatives are we must declare minimum land holding without any break at one place either as a cooperative farming or as a private/public limited company. This will help in a following way

1. Mechanical farming will be available removing all the boundaries in between (increasing land under cultivation by at least 10%).
2. Skilled people will check land quality and required changes in crop pattern and use of fertilizers will be possible increasing the yield.
3. Spraying of insecticides can be done using aircrafts, removing the threat to human lives along with it doing it timely and faster.
4. Use of drip irrigation will be higher leading to water conservation bringing ground water levels up
5. Use of technology to save crop from excessive heat/attack of arial insects and birds will be possible again leading to higher yields.
6. Rural people will be required to acquire technical knowledge and degrees
7. Government revenue will go up and savings on welfare activities will be large amount.

It Has Negatives Also Like

- a) Reduced manpower requirements will increase rural unemployment
- b) Only technical hands will get employment

When is this possible? —This has negative political repercussions and no party will support it and so this is not possible unless the steps are taken one by one and slowly by educating the farmers to its benefits.

## CONCLUSIONS

It is difficult to conclude anything in this situation as “Money is unsatiable need” and whatever developments we give to farmers their desires are going to be higher than that. The farmer's suicides are unfortunate and are because of their HIGH DESIRES than their earning capacity and use of PRIVATE MONEYLENDERS for procuring loans when government has given them so many facilities (They are not aware of them because of unclear schemes even to educated and corrupt government machinery).

To answer our questions in Objectives at the start

1. Will it stop all the subsidies and freebees and reduce burden on government and urban people? Yes, it can stop all the subsidies and freebees being offered and money will be available for other developmental projects.
2. Will it increase the yield per hector? Yes, the better technology will help increasing the yield substantially
3. Will it remove the concept of MSP? It may or may not depending on type of industry it becomes, if coop farming MSP will remain as we see in the Milk procurements
4. Will it reduce the poverty amongst farmers? Yes and No, those who improve their skill sets will come out of poverty others will remain poor.

5. Will it improve government tax collections? Yes
6. Will it stop the freebees? No, since it is beneficial for the leaders and government machinery, they will keep giving them one way or the other.

So, unless the situations change there is no end to farmers plight, but we are happy that the yield per hectare is growing though at much lower than the world standards in most crops.

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