

Farmers' Income Guarantee Act

Alliance for Sustainable and Holistic Agriculture (ASHA)

1. INTRODUCTION

The government policies and schemes on agriculture have not improved the economic status of farmers; hence 'vibrant village economies' have remained only in dreams. The increasing impoverishment of farming has had a cascading effect on increase in the numbers of rural poor, lower incomes to agriculture workers, food and nutritional insecurity, and distress migration to join the ranks of urban poor. Various government policies including the agricultural pricing and food security policies have neglected the fact that a large population in this country is directly involved in food production; pricing policies that prioritize industry and consumers have led to serious problems for the rural producers who ironically constitute a majority of the nation's poor. The other side of the coin is that costs of cultivation have been growing enormously, and the incentives and support systems that are biased towards high-input agriculture have compelled small and marginal farmers to adopt high risks and get mired in debt and distress – leading them to the extreme step of committing suicide much more often than a civilized humanist society can accept (more than 270,000 in 17 years).

The National Farmers' Commission stated, "Progress in agriculture should be measured by the growth rate in the net income of farm families... moving away from an attitude which measures progress only in millions of tonnes of food-grains and other farm commodities."¹

Governments spend thousands of crores every year in the name of farmers and talk highly of their support, but there is no clear assessment of how much that has helped the incomes of farmers. As per the National Commission for Enterprises in Unorganized Sector report (NCEUS, 2007), real incomes of farmers have stagnated, with the average being Rs.1650 per family per month. The study also shows that the average family expense in the villages is Rs.2150 per month; even at such below-poverty-level consumption, the average family still spends more than it earns, thus getting into debt. (See Annexure 1).

The time has come for this to change. **The government should be directly accountable for improving the net incomes of farming households.** The government's performance should be measured in terms of net household income, not the production or the amount of funds spent. When farmers of India are ensured a dignified livelihood from agriculture, they will be at the forefront of raising production levels!

ASHA demands Farmers' Income Guarantee Act which assures all farming households a dignified living income to meet the basic living expenses.

¹ <http://krishakayog.gov.in/4threport.pdf>

2. IMPLEMENTING FARMERS' INCOME GUARANTEE

The measures required for implementing the farmers' income guarantee are below.

2.1 Farmers Income Commission: Ensuring living incomes for all cultivators

- **A statutory permanent Farmers Income Commission** should be established with the mandate of ensuring a minimum living income level for all farming households – including tenants, sharecroppers and agricultural workers.
- **Income assessment of farming households** should be conducted every year. Currently, an extensive national Household Expenditure Survey is done in India every five years, and the numbers are updated every year through a thin survey with a smaller number of households. On the same lines, a Household Income Survey should be conducted for farmer households – with an extensive survey every five years updated by a thin survey every year. These income figures should be analyzed and organized based on region, land-holding, crops grown and allied occupations.
- **A minimum living income** for rural farming households is mandated by the Commission, which covers basic living costs that include food, shelter, health and education. This is indexed to inflation and updated every year.
- The Commission is required to come up with **concrete recommendations** to ensure that the net incomes determined by the Income Assessment meet the benchmark of minimum living income.
- **The basket of measures** would include MSPs, procurement, Price Compensation, marketing and credit support, crop insurance, disaster compensation and producer bonus for rainfed and ecological farmers; these are described in the next sub-sections. If these measures still do not result in the minimum living income, then a direct income payment should be made especially to small farmers.
- In essence, **the Farmers Income Commission would provide the accountability for the thousands of crores spent in the name of farmers.** It would ensure that all the farmer support measures of the government converge to produce the desired level of incomes for farming households.

2.2 Not only Price Support but Price Compensation

- So far, we have a Price Support mechanism for farmers in our country based on MSPs and government procurement – but it is highly inadequate. The MSPs are often too low, the procurement happens only in a few crops, and even that is not timely and efficient. Not only should we strengthen the price support mechanism but farmers need to be given Price Compensation for food crops when the actual price realized by farmers is less than a Minimum Target Price. This is essential to ensure economic justice for farmers.
- **Strengthen MSP and Procurement mechanism:**
 - The method of determining Cost of Cultivation should be revamped to reflect full costs.

- Minimum Support Price (MSP) should be 50% above the real cost of cultivation, as recommended by National Farmers Commission.
 - *State-wise MSP*: MSP for each state should be determined based on that state's Cost of Cultivation; this should be declared either by the central CACP or by establishing state-level CACP. The state governments should be responsible for implementing the respective MSPs.
 - MSPs should be announced for all crops well before the season begins so that the farmers can make an informed decision about the crops. Adequate Price Stabilization Fund should be established.
- **Price Compensation for food crops:**

In spite of the promised Price Support, governments often intervene to keep prices low for consumers and industry, and this is often used as a reason not to provide adequate MSP. As a principle, we demand that **the burden for providing affordable food for the citizens of India should not fall upon the farmers – it should be borne by the nation.**

To operationalize this principle, a Price Compensation system should be established for all the food crops for which CACP declares MSP. The first step is that for each crop, a Minimum Target Price is declared which ensures *at least* 50% returns over the true cost of cultivation, and covers the rising living costs. The second step is to determine the Average Harvest Price for each crop for each district or taluq (whichever administrative unit is chosen).

If Average Harvest Price is less than Minimum Target Price, the difference should be paid by the government to all the cultivators in that district or taluq. The actual payment to the cultivator is determined based on the number of acres cultivated and the average yield for that crop in the particular district/taluq. This payment should be made to the actual cultivators – including tenant farmers and sharecroppers.

The Price Compensation mechanism has two clear advantages: (a) It ensures fair returns to producers even when market prices are low (or deliberately kept low); (b) It supports all food crops and not just the ones that are procured by FCI, so it addresses the bias towards paddy and wheat which disadvantages rainfed agriculture.

2.3 Reduce Cost of Cultivation

- **Promote low-cost sustainable agriculture:** Sustainable models with low input costs and reliance on locally available resources should be promoted, with a decisive shift away from the high input-intensive, high-risk model of agriculture which has pushed the majority of small farmers into crisis. A pro-active programmatic approach should be taken, including extension and support systems. Fertilizer subsidy should be recast to support farmers who make their own natural fertilizers.
- **Labor wage support for all agricultural operations:** Today we are in an ironic situation where farmers are complaining about shortage of agricultural workers and rising wages, while agriculture workers are unable to get adequate work round the year (which is the reason for NREGA). The

government should provide input subsidy towards labor wages (up to 40 days/acre crop season) which is paid to the workers on the lines of NREGS after the completion of work is certified by a joint team of farmers and workers. This is in addition to the 100-day guarantee of work under NREGS – so it ensures additional work-days for the workers and availability of labor for farmers.

2.4 Institutional and Infrastructure support for Storage, Marketing, Procurement and Processing

- In order to strengthen the farmers' position to negotiate the market better, it is imperative to strengthen their holding capacity so that they can sell at an advantageous time instead of the most disadvantageous time as it happens now.
- Sufficient storage facilities including godowns and cold storage should be built with government support at village and cluster level. Procurement at village-level should be implemented.
- Adequate institutional credit should be provided which covers 100% of farmers who require credit. Warehouse receipts scheme should be implemented effectively.
- Primary and secondary processing facilities should be developed at village and cluster level.
- Farmer institutions should be developed to take advantage of the collective strength for storage, processing and marketing.
- **Social Security for all agricultural families:** A strong social security system should be put in place to provide health-care, pensions and accident/life insurance for all agricultural workers and farmers including tenant farmers.

2.5 Disaster Relief and Mitigation, and Crop Insurance

Loss of crop and livestock due to natural disasters such as cyclones, floods and drought is a major cause for pushing farmers into debt and distress from which they take years to recover. Utmost attention should be paid to ensure that farmers are protected during disasters. The Calamity Relief Fund should be allocated sufficient funds and used to issue timely and adequate compensation for crop and livestock losses, and also for protection of crop and livestock during impending or ongoing disaster situation. The compensation for crop loss should be at least Rs.10,000 per acre as recommended by the Hooda Committee. Proper crop insurance mechanism should be made available to all farmers irrespective of whether they access the formal credit system.

2.6 Producer Bonus for Rainfed and Ecological Agriculture

Though rainfed regions constitute more than 60% of the cultivated area in India, only a very small part of the support provided to agriculture has gone to benefit the rainfed farmers. One glaring example is that most of the expenditures in irrigation have gone to the canal-irrigated regions whereas the rainfed farmers either cultivate unirrigated lands or invest large amounts on wells and tubewells. Another example is the much smaller amount of fertilizer use by rainfed farmers, while

the biggest share of fertilizer subsidy goes to the irrigated regions. Similarly, farmers practicing ecologically sustainable agriculture using their own local resources perform extremely useful service in terms of conserving precious soil fertility and water resources and preventing the poisoning of resources through chemicals – but they receive very little of the support systems provided by the government.

A Producer Bonus should be given to farmers practicing rainfed and ecological agriculture.

3. CONCLUSION

The Farmers Income Guarantee is the need of the hour for the farmers – so that there is accountability from the government to the farmers for the thousands of crores spent in their name. Since 60% of India's people are dependent on agriculture and provide most essential service to the nation in terms of food security and raw material for industry, they deserve to be ensured fair incomes.

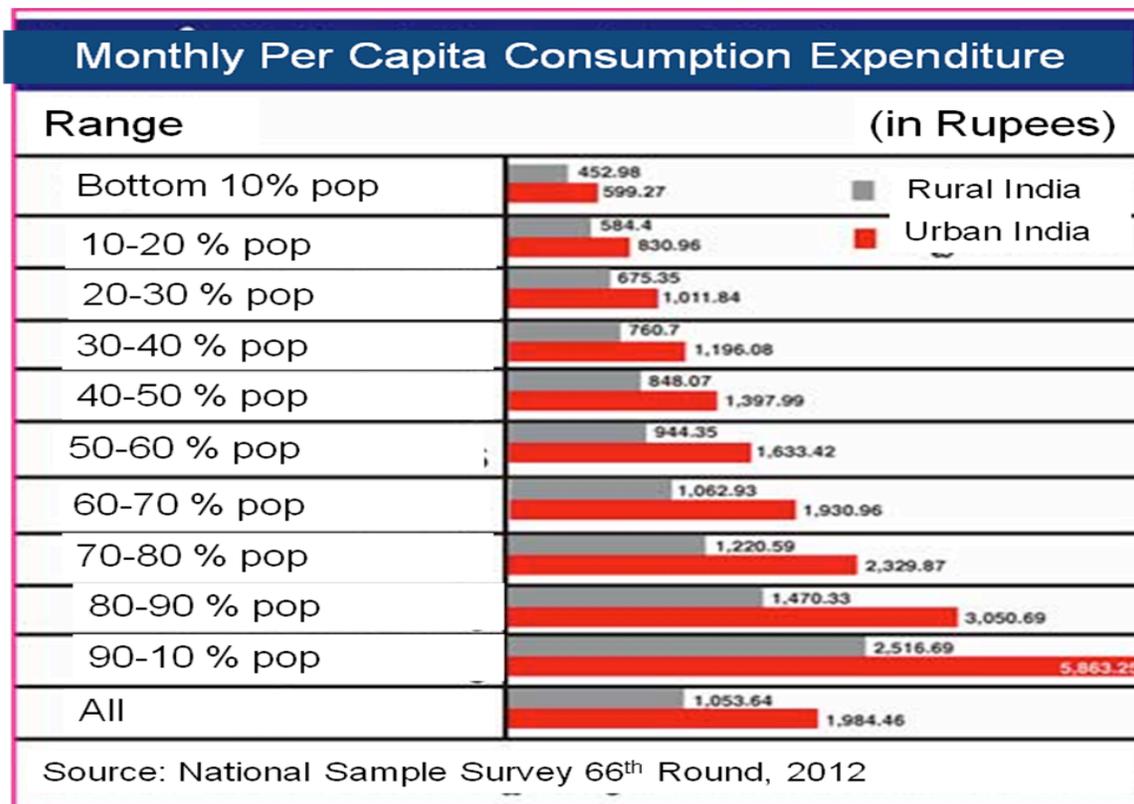
Farmers Income Guarantee is not a favor to India's farming community, it is their Right!

Annexure 1: Economic Situation of Farmers

Land holding (acres)	Category	Total Income (Rs/month)	Expenditure (Rs/month)	Percent of total farmers
<0.01	Landless	1380	2297	36 %
0.01-1.0	Sub marginal	1633	2390	
1.0-2.5	Marginal	1809	2672	31 %
2.5-5.0	Small	2493	3148	17 %
5.0-10.0	Semi-medium	3589	3685	10 %
10.0-25.0	Medium	5681	4626	6 %
>25.0	Large	9667	6418	
	Total	2115	2770	All farmers

Source: Report "On Conditions Of Work And Promotion Of Livelihoods In The Unorganised Sector" Arjun Sen Gupta Commission, 2007

Growing Rural-Urban divide, and inequality between sections of society



Annexure 2: Comparison of MSP and Cost of Cultivation – Illustrative cases of Andhra Pradesh, Maharashtra, Madhya Pradesh

1. Andhra Pradesh, 2011-12

Crop	Cost/quintal (CACP National Average)	Cost/quintal (A.P. State govt est.)	Recommended MSP
Paddy	896	1270	1080
Jowar	1393	1145	980
Maize	935	1114	980
Tur	2373	3668	3100
Groundnut	3185	3324	2700
Sunflower	2799	3439	2800
Cotton	2579	3828	2900
Moong	2974	3480	3400

2. Maharashtra, 2011-12

Crop	Cost/quintal (CACP National Avg)	Cost/quintal (CACP estimate for Maharashtra)	Recommended MSP
Paddy	888	1482	1080
Jowar	1141	1036	980
Bajra	840	1074	980
Soyabean	1560	1830	1650
Cotton	2528	2961	2800-33

Urad Dal	2799	3551	3300
Tur Dal	2702	2974	3100

3. Madhya Pradesh, 2011-12

Crop	Cost/quintal (CACP National Avg)	Cost/quintal (CACP estimate for M.P.)	Recommended MSP
Paddy	888	938	1080
Jowar	1141	1125	980
Maize	921	1164	980
Soyabean	1560	1391	1650
Cotton	2528	2536	3100
Urad Dal	2799	2628	3300