

QUESTIONS & DILEMMAS FREQUENTLY RAISED ON MINIMUM FARM INCOME GUARANTEE PROPOSALS OF ALLIANCE FOR SUSTAINABLE & HOLISTIC AGRICULTURE (ASHA)

ASHA (Alliance for Sustainable and Holistic Agriculture) has been asking for a minimum living income to be guaranteed to all farm households in this country, as part of its Kisan Swaraj Neeti articulations for a forward-looking policy framework for farming sector in India. A minimum guaranteed income as a statutory right for all farm households is only likely to enhance farm productivity because the severe agrarian distress in Indian agriculture today is not conducive for investment for viability as more and more farmers take a high-risk short-term approach based on high-interest debts and the like, to make their profession viable. A vicious cycle that is set off, unsupported by supportive policies, ends up in a situation where farmers are committing suicides, getting displaced from farming and ready to quit the sector in large numbers. It is also clear that impoverishment of cultivators will set off a vicious cycle in rural India in terms of agricultural employment and incomes.

This appears to be the right time to discuss options for viability and profitability that go beyond yield-centric approaches, given that the fall-out of an excessive yield-centrism is already apparent in front of us in the case of Punjab as a prime example. This note seeks to clarify ASHA's Minimum Guaranteed Farm Income proposals in a simple FAQ format.

This note pre-supposes a nuanced approach to actualization/achievement of minimum living incomes for farm households in India and does not begin with advocacy around direct income support at a flat rate per household or per unit of land; it however assumes that direct income support should also be kept as an option in case prescribed/guaranteed minimum living incomes are not met after a basket of measures and interventions do not deliver those minimum incomes. It is apparent that farm incomes will be determined by a variety of factors including cost of cultivation, riskiness in farming and insurance against it, prices realized etc. whereas overall income will depend on other factors like non-farm income opportunities etc.

In this entire note, we are talking about MINIMUM NET INCOMES THAT MEET BASIC LIVING NEEDS OF A HOUSEHOLD. This is unlike other income support schemes elsewhere which rest on landholding or are on a per-hectare or crop basis. Further, this is also an approach that first and foremost seeks efficient delivery, convergence and accountability around a variety of schemes that exist in the name of agriculture and rural development at this point of time.

WHAT CONSTITUTES A FARM HOUSEHOLD?

The definition of a Farm Household is the same as what is used in NSSO SAS 2003 (Report 497) in India:

*Farmer: For the purpose of this survey, a **farmer** is defined as "a person who operates some land and is engaged in agricultural activities during the last 365 days". By agricultural activities, it is meant the cultivation of field crops and horticultural crops, growing of trees or plantations (such as rubber, cashew, coconut, pepper, coffee, tea, etc.), animal husbandry, poultry, fishery, piggyery, bee-keeping, vermiculture, sericulture, etc. Thus, a person qualifies as a farmer if:*

- (i) s/he possesses some land (i.e. land, either owned or leased in or otherwise possessed), and*
- (ii) s/he is engaged in some agricultural activities on that land during the last 365 days.*

It may be noted that persons engaged in agricultural and/or allied activities but not operating a piece of land are not considered as farmers. Similarly, agricultural labourers, coastal fishermen,

rural artisans and persons engaged in agricultural services are not considered as farmers.

It is also quite possible that during the reference period of last 365 days, a person could have left her/his entire land as 'current fallow' by discretion or due to natural situation or otherwise. Such farmers are also excluded.

Farmer Household: A household having at least one farmer as its member was regarded as a farmer household in the context of the present survey.

ASHA's main concern is around cultivators obtaining minimum net incomes through a variety of interventions, in addition to agricultural workers also getting their minimum guaranteed incomes through another separate basket of appropriate measures which incidentally also includes land for cultivation.

Ensuring minimum living incomes for all farm households as defined above requires at least three processes or mechanisms to be put into place:

- a. Arriving at minimum living incomes for farm households, to cover basic needs
- b. Assessing or estimating incomes actually accruing to farm households on an annual basis as well as at more medium intervals
- c. Intervening in a focused manner in all those cases where minimum prescribed incomes are not realized, including by direct income support if, as and when required.

Several questions arise, which require to be answered/resolved keeping equity concerns, implementability, corruption-free delivery and some technical issues in mind. In this note, an attempt has been made to raise and answer some of those oft-heard questions.

1. Is it possible to arrive at a minimum living income for farm households?

ASHA believes that it is indeed possible to evolve a formula to arrive at minimum living incomes for farm households. Elsewhere, the physical, psychological and social needs of a family are taken into account while arriving at a minimum income. This Minimum Income Standard is derived from a 'negotiated consensus' on what people believe is a minimum standard of living, and focuses on needs (not wants) and is concerned with more than survival. It is the income people need in order to afford goods and services that members of the public have agreed are a minimum essential for everyone to have. In other countries, where the targeting of this standard is for each household identified as such (not categories or classes of households with some commonality), this has been fixed keeping in mind urban and rural living, full or part time employment or unemployment, single parents, working adults, pensioners etc.

Like in the case of Pay Commission, the income recommendations have to be based on the assumption of one worker per household (whereas minimum wages in the case of unskilled workers are created from an assumption that two individuals in a household would be workers in their own right).

Such a "minimum living income level" for farm households can be fixed keeping in mind various basic needs of a farm household including their food, clothing, fuel/energy, shelter costs; investment requirements in the agri-enterprise; some risk buffering; health and education costs in the household; some lifestyle related expenses, as well as keeping inter-sectoral parity in mind.

To begin with, the government should be able to guarantee at least minimum wages for each household, as is applicable to the organized sector, in the form of minimum wages for two skilled workers per household, for 30 days a month, and therefore, at an annual level. This should be easily possible given that such minimum wages have been prescribed based on a methodology that considers various basic needs. At least this should be the minimum guaranteed income.

2. Are there reliable methodologies for farm income assessment?

Yes, there are. There is a clear case of taking up farm income assessments as is being done in other countries like Srilanka and China. If these comparable economies are able to do this, there is no reason why India, with its well-established national survey-related institutional set up cannot do so. It is only a matter of political will.

There is a case for taking up annual assessment for immediate interventions as well as more medium term, 5-yearly surveys for broad thrust of interventions to be drawn up for the agriculture sector.

There are many scholars (including ones associated with Foundation for Agrarian Studies/FAS) who have looked at this carefully and come up with concrete proposals on how to capture farm incomes treating it as a derived variable. A cost accounting methodology or frequent surveys are recommended for the purpose. The main principle appears to be appropriately disaggregated data collection at a periodicity that facilitates good/accurate recall.

For the annual assessment, ASHA believes that the Comprehensive Scheme used for arriving at Cost of Cultivation and Cost of Production based on which MSP (Minimum Support Price) is declared in India by CACP, can be improved and used for farm income assessments reliably. This requires a slightly larger sample than is present at this point of time (and improved sampling), at the block level and thereby, reliable cropping system-wise estimates of farm incomes can be obtained. In fact, such income-related data is already collected in the Comprehensive Scheme but data not processed or put out.

For the more medium-term assessment, 5-yearly Situation Assessment Surveys of the NSSO are essential to be taken up. These give a greater indication of income situation with regard to regions and different categories of farmers, allowing the government to then sharpen its interventions.

3. When we talk about minimum living incomes for a farm household, are we talking only about income from cultivation?

Income sources or components even for a farm household could be various – apart from cultivation, it could be agricultural labour, livestock rearing, hiring out livestock/machinery, leasing out land, remittances, interest earnings, salaries, income from business/trade etc.

The minimum incomes to be guaranteed for cultivator households should be farm-related incomes (from the enterprise of cultivation, livestock, agricultural labour earnings etc.) and in the case of agricultural labour households, it has to be from all sources of income. Like mentioned earlier, in this note ASHA pertains itself with the cultivator households knowing fully well that a similar mechanism of assessment and basket of interventions are essential for agricultural labour households. We also acknowledge and demand that “Farm Households” which don’t fall into the cultivation or agricultural labourer categories (while the

extent/magnitude of existence of such households like livestock-rearing alone, or forest-gathering alone if there are such cases is not known), should be calculated as Farm Households, with another methodology worked out separately for assessment and intervention.

4. How do we identify eligible “beneficiary” households and ensure delivery of guaranteed minimum living incomes?

Income assessments in a thorough manner (with proper stratified sampling to cover agro-ecological regions, cropping systems, farm- and non-farm employment potential, different classholding sizes etc.) are to be taken up once in five years, in addition to annual cropping-systems-based income surveys through the Comprehensive Scheme.

The deficit, if any, against the minimum guaranteed (farm) income, has to be assessed for groups of cultivators in any given location.

Since ASHA is not beginning with a direct income support premise, in most cases, there might not be a need for zeroing in on individual eligible households. It is a whole group/category of cultivators who will be eligible for a variety of interventions including market intervention, insurance coverage etc. The 5-yearly SAS should be able to guide us on this.

Meanwhile, for immediate/annual delivery against guaranteed minimum living incomes, a farm income insurance scheme should be initiated, which is demand-driven with all cultivators registering themselves in the scheme. Such a scheme should cover tenant and sharecropping farmers too. The premium should be subsidized by the government, and such an insurance scheme should be with public sector insurance companies to ensure transparency and accountability. Here, the interested beneficiaries register themselves in the scheme, and like in any other insurance scheme, block or village level assessments of incomes should trigger off any direct income deficit payments to the registered households.

Income assessment of landless agri-workers should be taken up separately to take into consideration all sources of income. In case of income deficits vis-à-vis minimum guaranteed incomes, all the households that fit into that category become eligible for support. Once again, a Gram Sabha level validation can be taken up in case there is ever a direct income support required.

5. Are there any pre-requisites for this “Income Guarantee” to work?

An institutional mechanism like a Farm Income Commission, which is an umbrella mechanism that subsumes a variety of flagship programmes, schemes and interventions, including the food security schemes (at the procurement end of such schemes), the CACP with its MSP recommendations, NREGS that is supposed to supplement rural agricultural incomes, insurance schemes and credit facilities, cooperatives and dairy development boards, National Rural Livelihoods Mission etc., should be the main body through which this farm income guarantee can be actualized.

Unless all these various interventions are brought under the focused directions of one body to ensure convergence, the results of these disparate interventions will remain non-synergised.

In the medium and long term, apart from the farm income insurance scheme, we also believe that this entitlement's actual delivery will happen only if an identification system of all "cultivators" is instituted (with tenant and sharecropper cultivators clearly recorded at least once in 3 years) and that landless farm households are also clearly identified.

6. Will a minimum guaranteed income make farmers lazy and unproductive in India? What is the association with higher productivity?

We believe that the guaranteeing of a minimum income is basically an accountability parameter being put into place for all the interventions of the State related to farming. To that extent, this is not a simple proposal for direct income support de-linked from production or productivity. A large part of the income security proposals rest in the government delivering efficiently on the existing schemes including on price and procurement support – this is obviously linked to productivity. However, a push for productivity alone at any cost, with productivity itself very narrowly understood as the grain output in a monocropping situation, has resulted in adverse impacts that are clearly visible in states like Punjab, and therefore, our proposals do not rest on pushing for productivity increases at any cost.

We also believe that the political message put out to cultivators in the country with this system will actually increase the return on investment, and reduce the risks on investment. It is hoped that this would then have a larger macro spin-off in terms of trickle down to all rural farm workers.

7. Is ASHA, by advancing these income security proposals, moving away from recommendations around better price support, procurement etc. that farmers' unions have always demanded?

The income security proposals of ASHA first seek to tighten the design and delivery of all existing support systems including price and procurement support, so that the government is made accountable into delivering minimum incomes to all farm households. To that extent, some of the key measures for delivering minimum incomes include improving the price structure by adding a margin over cost of cultivation (it could be 50%), revising the system of cost estimation itself, and most importantly, making the new MSP system meaningful by expanding state procurement and market interventions. ASHA also has a new proposal for price guarantee/price compensation/deficit price payment where the legally entitled new MSP is delivered to all producers by direct payment in case of shortfalls in market price realization. The Income Security proposals of ASHA are therefore inclusive of all the above issues, that too in a meaningful and improved framework.

8. What about insurance and protection against natural calamities and disasters?

ASHA believes that the self-corrective nature of minimum guaranteed incomes is such that the government will try to improve on insurance and other support systems when income security is assured, so that public spending on direct income support can be brought down. In the absence of efficient production support systems, appropriate and adequate insurance etc., the burden on the public exchequer to make good the income deficit will be high and it is presumed that the government will be forced to ensure that all existing schemes deliver on the minimum incomes, rather than resort to direct income payments. To that extent, it is believed that guaranteeing minimum incomes would also compel the government to improve on insurance coverage and delivery.

9. Is there a uniform approach to all farm households or is there an in-built equity mechanism in these proposals (big landholding vis-à-vis smallholders or even landless/rainfed vis-à-vis irrigated/high yield crops vis-à-vis low yielding crops etc.)?

By moving away from a per-acre direct income support system that exists elsewhere, ASHA hopes that one aspect related to equity would be addressed. Otherwise, the bigger landowners would be entitled to larger support and so on.

Further, the annual income surveys, when designed and conducted comprehensively and rigorously, would clearly show up which farm households would require greater support and are not able to reach minimum guaranteed incomes. It is assumed that large landholders, or irrigated farmers, by virtue of existing subsidies, market support schemes, economies of scale, higher yields and so on, would cross the minimum incomes in any case. It is the others (rainfed farmers who face more risk in their farming, crops which do not have ready market support, or low yielding crops etc.) who will then become eligible for the benefits of this minimum guaranteed income. It might also be the case that the landless farm households might be the most eligible in terms of shortfall in minimum guaranteed incomes and therefore, schemes for collective land lease or employment generation or new asset-creation might have to be put into place so that such incomes can be realised.

It is also believed that a system of delivering minimum incomes will put pressure on the government to institute/increase/improve social security measures for all farm households.

In this manner, there appears to be an in-built equity mechanism in prescribing minimum incomes and putting accountability on the state to deliver the same. To ensure that intra-household equity issues, especially flowing out of gender-based discrimination are also addressed, it could be laid down that all direct benefits flowing from these proposals should be delivered to the woman in the household. Further, social security schemes should consider an individual as a unit and not a household.

10. Will the support take into consideration the size of the family?

During estimation of annual incomes for farm households, the stratified sampling can certainly cover specific cropping systems (irrigated and rainfed) across landholding classes (including ones without any land) in a given geographical region (a taluka/block/tehsil, for instance). However, since delivery of benefits or interventions would be based on such estimates and not on actual identification of individual households but only on broad categories of households, the size of the family would not be a variable.

11. What about incentives for sustainable farming approaches like organic farming?

It is envisaged that one of the ways in which the state can reduce any burden related to direct payments in case of shortfalls in realization of minimum guaranteed incomes is by promoting those approaches, technologies and practices that reduce cost of cultivation thereby increasing net incomes. Further, ASHA is also demanding that ecosystem services rendered by organic farmers be specifically paid for in a new incentive system as part of these income guarantee proposals. The government's obligations towards meeting minimum incomes of all farm households should therefore have special incentives or bonuses created for organic farmers.

12. Hasn't the Agriculture Minister already announced a Farm Income Insurance scheme? Isn't that an easier and better approach?

This Income Insurance Scheme, piloted in 2003-04 Rabi and 2004-05 Kharif in the past NDA government and wound up subsequently, raises many serious concerns (the official review report which suggested closing of the scheme has a set of issues raised and can be viewed at: www.agricoop.nic.in/.../Joint%20Group%20on%20crop%20insu.-report.doc). Some of ASHA's concerns are listed below, and ASHA believes that the income insurance scheme that appears to be in the offing is quite inadequate in addressing the issue of farm incomes if it is along the lines piloted in 2003-04.

1. The coverage of crop insurance of various kinds so far in India does not give any hope that this will be any different and therefore, compared to when a general approach is taken to a whole category of cultivators in a given location, this might mean very poor coverage, unless pro-active enlistment happens, along with subsidies on premium especially for particular categories of farmers.
2. The Income Insurance proposed appears to depend on threshold yields fixed based on rolling averages of yields and realized prices in the market. In regions where these are endemically low for a variety of reasons (the crops grown may not have high yield potential for instance; or the market infrastructure and procurement system is not developed, for example), the promised incomes in the insurance scheme will be far lower than what is due to a farm household for dignified living. The element of "minimum living income" is therefore missing in this insurance approach. The new farm income insurance scheme should therefore guarantee minimum living incomes as threshold incomes that are being insured.
3. The income insurance scheme of 2003-04 expressly seeks to dismantle procurement from producers by instituting this system. Such a move will be counter-productive. It is only by continuing and improving on existing schemes including of procurement at MSP, better crop insurance etc., will this farm income insurance scheme be viable for any insurer (government, ultimately). Any move to dismantle procurement systems in the name of farm income insurance will be politically disastrous, and will severely deepen the agrarian crisis in the country.