Policy for Punjab's Agriculture
Will It Deliver?

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Punjab's new agriculture policy based on a report prepared by the Committee for Formulation of Agriculture Policy for Punjab focuses on yield enhancement and market orientation instead of demand-driven agriculture. While the report talks about the need for diversification, it does not bother to analyse the failure of earlier policies. The report is on the whole short on analysis and long on recommendations.

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The Committee for Formulation of Agriculture Policy for Punjab submitted a draft report to the state government early this year and this was published by the Punjab State Farmers Commission (PSFC) in March 2013.

The report documents the performance of the farm sector in the state, identifies the challenges, sets policy objectives, and outlines measures and strategies to achieve them. It has chapters on the crop sector, livestock and the institutional framework, besides an introduction and a summary of recommendations. Since the report has been accepted and is being implemented, it is important that adequate public discussion takes place and the various stakeholders in the sector are able to examine the implications of steps being taken for diversification based on this report. The central government has also stepped in with additional funds of Rs 224.5 crore for the state as part of its Rs 500 crore crop diversification plan in the orginal green revolution states (Punjab, Haryana, and west Uttar Pradesh) under the Rashtriya Krishi Vikas Yojana (RKVY) during 2013-14. The activities under the diversification plan include alternate crop demonstrations, farm mechanisation and value addition, site specifc activities, awareness training and incentives for effective implementation. In this context, this article examines the PSFC report for its analysis and perspective and specific recommendations.

Diagnosis and Diversification

After having an overall analysis of the changing patterns of agricultural production in other states, especially in the case of paddy, the report underlines the need to move away from paddy cultivation for reasons of natural resource conservation as well as demand-side changes. Therefore, the challenge identified is to sustain farmer incomes without degrading natural resources like soil and water, and to produce market crops and products which are in demand and remunerative. It identifies the aims of the policy as addressing various interlinked concerns of sustainability of the current cropping pattern and stagnating farm incomes through a simultaneous and multipronged action with an emphasis on improvement in production technology and infrastructure, pushing up capital formation, restructuring incentives and streamlining institutions to achieve a long-term growth rate of 3% in the primary sector (farming and dairying).

Unfortunately, the report remains focused on yield enhancement even in new crops. The report is still obsessed with yield gaps. It views diversification in terms of new crops being grown the old way, which is not a desirable thing. The report recommends intercropping only in agroforestry. Why it is not possible in mainstream crops is not explained. Further, the most important production risk management strategy – crop insurance – is not even mentioned. The report forgets to recognise that the two pressing problems of farmers are production risk and market risk.

Interestingly, the report talks of the need and plan for diversification but does not touch upon the previous experience of this mechanism and why it failed during 2002-07 and how it will be done differently now. The last attempt at diversification during the Congress regime (2002-07) could not go beyond 0.25 million hectares against a target of diversion of one million hectares from that under paddy despite all kinds of perverse incentives and schemes. Now, the report targets 1.6 million hectares for diversion away from paddy without any specific mechanisms. It still asks for assured markets and prices for new crops which may not be possible and may not be good for the long term. That is the minimum support price (MSP) culture. The MSP and procurement are already there for many alternative crops but how can it be done for perishables? It proposes tripling of area under sugar cane but without any reference to the functioning of the sugar mills – cooperative and private – in the state and assessment of their competitiveness and performance, especially when the sugar sector is likely to be decontrolled.

Maize is being targeted to be increased to four times the existing area without any assessment of its demand and mechanisms of procurement. Surprisingly, potato – a very important and well-established crop with plenty of state support including a Potato Development Board, and infrastructure in place like cold storages and processing units – is not even mentioned in the new crop plan. Similarly, barley is missing from the list of new crops when neighbouring states are doing well on it with many multi-national corporations (MNCs) buying directly or undertaking contract farming in Haryana and Rajasthan. Other than a small area under groundnut in a couple of districts that has been proposed, oilseeds including sunflower are completely missing from the list of crops proposed for diversification and no explanations are given for this bias.

The report talks of systems of rice intensification and other such well-known techniques, but not about systems of wheat intensification as wheat will remain a large acreage crop in Punjab even after diversification. This is a serious neglect. It misses many upcoming and innovative methods and technologies on water saving like *khet talavadis* (farm ponds) and micro irrigation systems and does not learn from other states like Andhra Pradesh or Gujarat.

It is still shy of sustainable agricultural practices like organic agriculture and mentions lack of organic matter as the reason for not recommending organic practices. In fact, a private agency has been helping the state in going organic for the last many years and the previous Congress government had set up councils to promote organic cultivation of some crops as a special purpose vehicle (SPV).

Role of Farmer Collectivities

The report is still in the farmer cooperative mode and not even aware of producer companies' provisions and other institutions like joint liability groups and multi-state cooperative societies or mutually aided cooperative societies which can be set up at the local level with plenty of support from central institutions. The National Bank for Agriculture and Rural Development has a fund for promotion of producer organisations. Similarly, the government can use many programmes such as the Small Farmers' Agribusiness Consortium (SFAC) which has been launched to promote farmer-producer organisations (FPOs). FPOs are essentially producer companies. The budget for 2013-14 has provided the SFAC with Rs 50 crore to provide matching equity grants to registered FPOs up to a maximum of Rs 10 lakh per FPO to enable them to leverage working capital from financial institutions. It has also been allocated Rs 100 crore for credit guarantee fund for FPOs.

On promoting more affordable farm mechanisation, the report sticks only to agro service centres for machinery, managed largely by primary agricultural cooperative societies. What about producer companies, self-help groups, agribusiness centres and private entrepreneurs like Zamindara Farm Solutions, with the latter already doing a good job in this field and promoting co-ownership model? It talks only of farmer income and not of landless labour, and recommends mechanisation which can hit labour interests hard. The large subsidies given on paddy transplanters and other equipment in the recent past are not even mentioned. Today, even value chains talk of labour interest for sustainability. Then, how can a state policy on a sector ignore farm and allied labour interest?

Matter of Size

The report talks of tenancy laws and the constraint of a small size of landholding forgetting that Punjab has the largest average operated holding in India (four hectares against one hectare in India). It fails to recognise that what matters is not the size of land, but what you do on it. Small farmers can be prosperous and there are millions of such small and prosperous farmers in India. It recognises the poor state of small farmers, but does not say anything specific to them by way of recommendations. Rather, it talks of promoting corporate dairy farms (large) which are already flourishing due to the Punjab government's policy and that is not good for small farmers as there will be an exclusion of small farmers even from (cooperative) dairy sector.

Extension and R&D

In extension, no new models are proposed. There are public-private partnerships and franchise models in operation in India. Their value and relevance need to be studied when we plan high value crops. It is not enough to rely only on the existing public extension mechanisms. The report proposes the creation of an agricultural research development fund by charging it as a cess from farmers at the time of sale of their produce. If until now, the largest gainers from agricultural business/trading have been non-farmers, i e, traders and processors, why should not the technology fund cess be charged from buyers and *arthiyas* instead of farmers? Farmers are already in dire crisis, whereas the other stakeholders are doing well and should not mind paying for it. If farmers are being asked to fund their own technology development, why support other sectors with public funds?

The report recommends in great detail the promotion of the dairy sector as a diversification-of-incomes strategy since it is growing well, but asks for a milk price stabilisation fund. If that is the state of affairs in the cooperative dairy sector after a few decades of its existence, and with the presence of MNCs in the milk sector, then where is the sustainability of the sector? The report basically makes the same demand as the state government has been asking of the union government, i e, provide Rs 5,000 crore for adjustment of cropping pattern (the Johl Committee Report). But, that is a subsidy, not an investment. Demand-driven agriculture should be investment-based, not subsidy-based.

Surprisingly, the report is completely unmindful of the central government schemes which can be leveraged for diversification and change in practices or institutions. Besides the diversification fund under the RKVY in the Union Budget for 2013-14, there are many schemes like the National Horticulture Mission which can be profitably leveraged for diversification.

The report recommends that the state Agricultural Produce Market Committee (APMC) Act be amended. But, the state has been practising contract farming for 20 years and has already passed the Regulation of Contract Farming Act, 2013. But that leaves out two important aspects of APMC reform – direct purchase and private wholesale markets. The report should have examined the said Contract Farming Act and the experience of contract farming in the state in various forms for the last two decades to make specific suggestions to leverage contract farming for demand-driven diversification. But that requires hard analysis! Similarly, it recommends *Apni Mandis* (farmers' markets), but does not mention or analyse why they did not work in the past as Punjab was the pioneer in this innovation. The report seems not to be aware that the Food Safety Standards Authority of India framed standards for quality improvement in the food sector which are mandatory for all operators in the food chain and very important for quality improvement in the food sector.

Matters of Domain

The report recommends genetically modified (GM) crops and technology which is anyway not in the domain of the state government. On the other hand, what is in the domain of state government, i e, foreign direct investment (FDI) in retail is not even mentioned in the report.

Finally, the report says that the policy paper aims at achieving two objectives – "faster and sustainable agricultural growth and increase in real incomes of farmers by increasing productivity, lowering cost of production and adoption of high value crops and value addition". These should be objectives of policy, not of the paper. The latter should analyse the issues and show the way forward. In fact, the report is short on analysis and long on recommendations. The report also lacks inputs on how to achieve various recommendations/objectives.