

## Report on the IDEI – IDF Conference on “Markets for the Poor Farmer”

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International Development Enterprises India (IDEI) and India Development Foundation (IDF) organized a one-day Conference on “Markets for the Poor Farmer” at the India Habitat Centre, New Delhi on June 30, 2003.

### *Inaugural session*

Professor Shubhashis Gangopadhyay, Director, IDF, welcomed the audience and introduced his organization. He said that this conference was the first official conference organized by IDF. IDF is a relatively young organization that was launched in April this year. Dr. N. C. Saxena, former Member Secretary, Planning Commission, inaugurated the conference with his keynote address. Professor Bibek Debroy, Director, Rajiv Gandhi Institute for Contemporary Studies (RGICS) gave the opening remarks and spoke briefly about the volume on *Enabling markets for the small Indian farmer*.



Dr. Saxena presented his paper on “Agricultural Policy and Rural Poverty Reduction.” He started by saying that there should be no poverty and hunger in India. Whatever poverty we see in India today is an artificial creation of the system. He said that 3-5% of the population is perennially hungry in the country, and this percentage increases to about 15% during the rainy season. He pointed out that the availability of foodgrain per capita has declined in the 1990s. He said that about 26% of the population is below the poverty line whereas the Government of India has 62 million tonnes of foodgrain in the godowns. Strangely enough, he said, the government is exporting foodgrain at subsidized rates. In 2001-02, the subsidized exports were to the tune of 4.7 million tonnes.

Dr. Saxena, through photographs and data, showed how the local administration (for example in the Barwani District in MP) was using machines such as excavators and tractors to do rural development work. If they had used local manpower that were reeling under the effects of drought, it would have given employment to the local people. He also pointed out that the use of machines costed more or less the same as the use of manpower. Interestingly, the local politicians or their kith and kin owned these machines.



During the 1980s, Dr. Saxena showed, while foodgrain availability increased, unemployment fell sharply. In the 1990s, Agricultural output increased because of higher support price and input subsidies. To correct this imbalance, he suggested that there should be higher investment in inputs and rural infrastructure, development and adoption of new technology, and maintenance of existing assets. He said that the policy focus must shift to poor regions and poor farmers who are badly hit by leakages. Also, there should be greater investment in agriculture as the investment levels are consistently going down.

Dr. Saxena said that there is a concentration of poverty in the Eastern India and Central Tribal India. In this light, he said, that the critical factor is sustainable land and water management. If we want to restructure poverty, we need to reverse the current set of our priorities. He also commented on the effectiveness of the government's poverty alleviation programmes. The government spends about Rs. 150 billion annually in such programmes. If the food subsidy money were to reach the targeted public directly (Rs. 32/family/day), it would be more effective.

IDE India - Mr. Amitaba Sadangi, Chief Executive Officer, IDEI, introduced his organization through a film, Bridging the Gap. He also talked briefly about the new projects his organization was developing for the poor farmers. Dr. Saxena released a volume titled "Enabling Agricultural Markets for the Small Indian Farmer" edited by Debroy and Khan.

## *Session 1*

Ms. Veena Joshi, Swiss Agency for Development and Cooperation (SADC), chaired the first session of the conference. The panel of speakers included Dr. Bharat Ramaswamy, Sugata Ghosh, Dr. Q I Khan, Dr. Sanjiv Phansalkar, and Mr. Sanjeev Gupta. Ms. Joshi briefly talked about SADC and its work in the area of collaborative frames and sustainability corridor.

Dr. Ramaswamy presented a paper on “ Understanding the Seed Industry.” Emphasizing the importance of seeds, he said that seed is the vehicle for delivering technology to farmers. Because of this important role, the seed industry is of \$800-1000 million. Interestingly, the share of the private sector in this industry is 60-70 %. He discussed the problems associated with the industry such as issues of R&D, patents, trade marks, and quality control. The major issues before the seed industry are counterfeit seeds and fly-by-night operators who are duping the unsuspecting farmers. He also lambasted the regulatory authorities who, on the one hand, exercised an expensive regulatory administration, and on the other, could not prevent the widespread use of illegal GM seeds. He pointed out that the private companies are investing heavily in horticultural products whereas R&D in the area of wheat and rice was still in the hands of the public sector. Therefore, the public sector has to perform well to ensure food security for the country in the coming times. Dr. Ramaswamy also discussed social factors that hinder technology access to all sections of the society. His other suggestion was to improve rural infrastructure including credit, schooling, and roads to empower the poor farmers.

Sugata Ghosh made a presentation on “Organic Farming: A Step towards Sustainability”. He said that organic farming is one of several approaches to sustainable agriculture in which all synthetic inputs are prohibited. He also discussed the issues of organic farming such as issues of markets, pricing, farm productivity, environmental and sustainability issues, and the question of organic farming being capable of feeding the world. He said that organic farming is not new to India; it was rather the norm in the pre-Green Revolution era. Currently organic food production is about 1.5 % of the total food production. Production touched 14,000 tones in 2002 and exports stood at 11,000 tones in 2002. He said that the focus is on Coffee, Tea, Spices, Rice, Wheat, Pulses, Oilseeds, Fruits &Vegetables, Cashew nut, Cotton and Herbal

Extracts. Discussing the problems of the industry, he said that the major problems related to pricing, authenticity, lack of policy support, and slow involvement of the private sector.

Dr. M Q I Khan presented a paper on “ Soil degradation in India.” He said that soil, which is a natural and non renewable resource, is declining rapidly due to overexploitation by the growing population, resulting in decreased production capacity and vegetative cover, causing environmental and social hazard. The present demand of 200 Mt of foodgrain production will rise to 300 Mt by 2020. He mentioned that around 57 per cent of the Indian soils are degraded with different types and degrees of problem. Soil erosion is the biggest hazard, covering 50 per cent of the soils, followed by water logging (3.5 per cent) and salinization (3.1 per cent). The degradation is more pronounced in the fields of small and marginal farmers, representing 78 per cent of the farming community for lack of enough soil conservation practices, which require heavy investments. He said that the attempts to increase the food production through increased arable land, increased irrigated area, high yielding varieties, fertilizers, pesticides, etc., have almost reached a saturation point. Soil health management is one of the major options available to meet the future food requirements. He suggested ameliorative measures such as generation of soil resource database at 1:12,500 scale, duly superimposed with cadastral maps, using Remote Sensing and GIS techniques. He said that soils may be managed in a holistic approach on watershed basis. He emphasized that organizing awareness campaigns for soil testing, integrated nutrient management, green manuring, use of bio-fertilizers and vermicompost will help in a long way in sustaining the soil productivity.

Dr. Sanjiv Phansalkar spoke on the subject, “ Challenges of integrating small holders in markets.” He said that small holders stand to gain if they can access markets in such a manner that they receive prices that are fair and consistent with the systemic risks and returns features of the national market. He said that an empowered and informed integration of small holders into markets can lead to significant poverty impacts and lead to enabling them to realize the full economic potential of their assets and put them on an upward ratchet. He mentioned that the poverty impacts achieved through improvement of the quality of access for small holders will produce gains that are sustainable. He identified a large number of specific areas in which institutional and infrastructure improvements are needed for achieving an empowered

access to small holders to the market. He said that any one who is interested in enabling empowered and informed market access to small holders may do well to start with a sectoral focus. Within a sector, it would be perhaps more efficient to adopt an approach of “ sharpening the tools ” with existing clusters while simultaneously engaging in strategies to encourage emergence of new clusters.

Sanjeev Gupta discussed the issue of “ Labour Migration in Tribal Western India.” He said that over 65% of migrants work as unskilled labour in construction and urban casual labour. Of these only 5% graduate as skilled workers. Only 11% are agriculture labours. Rest all are in miscellaneous urban jobs like digging, road and quarrying. He pointed out that labour migration is extremely cyclical. On the one hand seasonal pattern of migration follow the Agricultural cycle on the other hand flows of labour follows cycle of demand. He discussed the problems faced by these migrants and suggested steps to improve their condition.

## *Session 2*

The second session was devoted to markets. Professor Shubhashis Gangopadhyay chaired the session. The paper presenters included Mr. Susim Datta, Mr. TCA S Raghavan, and Mr. Debashis Chakraborty. Mr. Datta spoke on “Dimensions of rural poverty” from a marketer’s point of view. India’s rural populations stands at 742 million and there are 638691 villages in the country. However, he said, not more than 20% of these villages are connected to the roads and markets. He said that 20% of rural households are at starvation lines and the rest have a marginal surplus. Therefore, the average per capita consumption in rural areas is Rs. 495 per month. He pointed out three major issues for the rural markets: education, credit, and foodgrain prices. He emphasized initiatives such as micro credit, e-education, and regional trading for upliftment of rural poor.

Mr. TCA S Raghavan discussed the issue of “ Water Markets.” He said that water markets are not really markets. The key issue here is the legal issue which is not very clear in any case. He said that Government should declare water as part of the national infrastructure. He also discussed the pricing issue of water which he said was quite complicated. He offered the view that water markets is not an economic issue but a social, moral, and legal issue.

Debashis Chakraborty made a presentation on “ corporate participation in Agricultural Marketing. ” The focus of his presentation was how the intermediaries were eating up the profitability of the farmers and how corporate involvement is helping the farmer. He presented the cases of ITC, Rallis, and Mahindra who are helping the farmers in the areas of machinery, credit, pricing, and even collection. He suggested some measures on the level of policymaking such as modification in the APMC Act, legalization and modification of contract farming, infrastructure improvement, and storage and warehousing facilities. In the final analysis, he propositioned that the corporate sector is not the solution to the Agricultural problems but it can help the farming community in a good measure.

*Session 3* yThe third session was on water markets. Professor Bibek Debroy chaired the session. The presenters included Mr. Niranjana Khatri and Mr. O. P. Goel.

Mr. Khatri made his presentation on the theme, “ Holistic focus with agriculture.” He emphasized on the problem of water scarcity. In 1947, water availability was 6000 cubic mt per person. In 1999, it was just 2500 cubic mt per person. He suggested various means to reduce water consumption. Some of his suggestions included rainwater harvesting, reusing water, low cost drip irrigation, and use of solar energy at an extensive level.

Mr. Goel presented a film that showed how successfully his organization (SOPA based in Indore) was building check-dams to recharge the water table in rural areas, especially in Madhya Pradesh. He said that success rate for such dams as very high, in the vicinity of 80%. Also, they are cost-effective for the poor farmers. With the help of the government-sponsored Food for Work Programme, such check-dams can be made with just about Rs. 2000 each.

The fourth session was earmarked for the discussion of Policy and Institutional issues. Dr. Sanjiv Phansalkar chaired this session and speakers included Professor Bibek Debroy, Mr. Amir Ullah Khan, and Mr. Pravesh Sharma.

Professor Debroy started his presentation “Reform Issues in Agriculture” with saying that to achieve the 8% growth rate in GDP, agro reforms are essential. He said that there were hardly any reforms made in the Agricultural sector. He said that input subsidies benefited only the rich

farmers and the agriculture chain is too long. Because of such reasons, profitability in agriculture has declined in the 1990s. Interestingly, he said, though diversification in agriculture occurred in the 1980s and 1990s, the risks involved were not kept in mind. Professor Debroy suggested various reform measures in the Agricultural sector.

Mr. Amir Ullah Khan made a presentation on “ Trade Concerns in Indian Agriculture and WTO.” He dispelled various myths associated with Indian agriculture and the coming of the WTO. For example, TRIPS will hurt us; we provide a huge subsidy to our farmers; imports will flood the domestic market and harm the Indian farmers, and so on. All this, he said, is far from the truth. Developed countries provide far bigger subsidies to their farmers than we do. He said that Indian farmers would benefit from the WTO and liberalization of trade. He said that we might as well increase our Agricultural exports. However, he cautioned about the misuse of SPS Agreement and dirty tariffication. He mentioned that it is easy to blame the WTO for all the ills that ails our agriculture.

Mr. Pravesh Sharma discussed the role of “ Women in Agriculture.” He said that women have been playing multi-dimensional role in Indian families. According to estimates, women in the developing countries produce 60-80% of the food. Women have played a great role in food processing and food security. However, he emphasized the need to further empower women. For this, he suggested various measures such as tenancy reforms, surplus land allotment, and credit for land purchase, among others.

After this a discussion followed, and Professor Tushaar Shah gave the concluding remarks. He pointed out that now we need to fine-tune the art of markets that will work for the poor farmers. He also emphasized missing markets and work that needs to be done in this regard.

**[The Union government on the 9th of January announced that excise duties on computers would be halved to 8%.](#)**

The Special Additional Duty of 4% has been abolished and all non farm imports will now attract a peak customs duty of 20%. Personal computers being brought in on transfer of residence are duty free.

**[Sandipan Ray wins WHU Finance Award](#)**

Sandipan Ray from the India Development Foundation won the 2004 WHU Finance Award for the best academic paper in this year's Call for Papers competition.