

Agro-Economic Alerts

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For kind attention of:

The Hon'ble Prime Minister's Office,
the Ministry of Agriculture and Farmers' Welfare,
and all others interested

Emerging Critical Situations and Threats in India's Agricultural Economy

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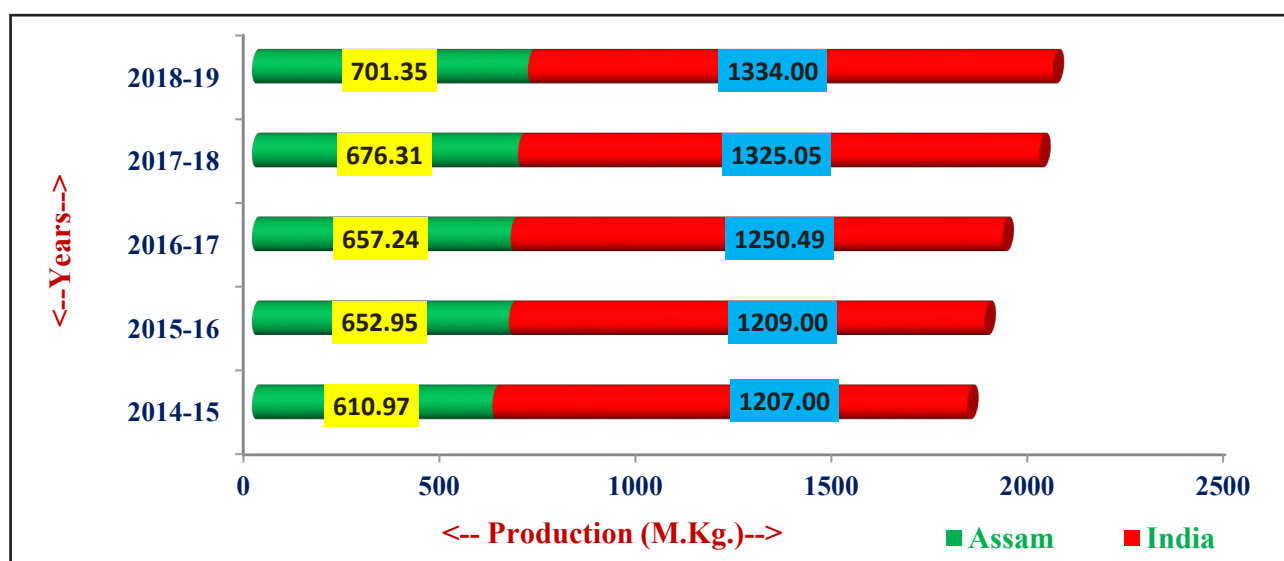
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Mounting Problems of Tea Growers in Assam

Key highlights

- Assam boasts of the largest tea growing area in the world, accounting for around one seventh of the global tea production. There are 803 tea estates and more than one lakh small tea gardens spread all over the state.
- The state accounted for 52.57 percent (nearly 701.35 million kg) of India's overall tea production during 2018-19. The state houses Guwahati Tea Auction Centre (GTAC), one of the large CTC (crush, tear, curl – a method of processing black tea) tea auction centres of the world.
- The organized tea sector is in distress as the price of tea has remained stagnant, even as the cost of production has been rising steadily over the years. The average cost of production of tea per kg is roughly around Rs. 180 while the average price of tea at GTAC was Rs. 141.29 in 2017-18. Thus, a number of companies are gradually exiting the tea industry in Assam.
- Big tea companies have demoralized lakhs of small tea growers by paying them awfully low prices for green leaves and asking them to focus on quantity rather than quality. This has tarnished the image of Assam tea globally. Furthermore, manufacturing tea from poor quality green leaves has dragged down the prices.

Figure 1: Trends in Tea Production in Assam and India (Million Kg.).



Source: Tea Board of India

Observations

- The tea industry, often denoted as the flag bearing industry of Assam and amongst the highest foreign exchange earners for the country, is now in a fragile stage.
- Of the total green tea leaves production, 42 percent is produced by small growers. About 17 percent of the workers of Assam are engaged in the tea industry.

Figure 2: Workers on a Tea Farm (left); A Tea Farm (right).



Source: AERC Jorhat.

- In the past few years, a lot of tea estates and factories have been sold to buyers, mostly from outside Assam. A large number of unorganized Bought Leaf Factories (units that process tea leaves purchased from gardens of their own) and privately owned tea estates disregard Plantation Labour Act and labour norms are driven only by profit making motive.
- Scarcity of labour, resulting in a high wage rate is a major problem faced by the small tea growers in Assam. Even though the State Government has recently instructed the small tea growers to pay Rs. 244 per day to the workers, the tea growers have not been able to follow government instructions as the price at which the growers sell tea leaves has remained stagnant at Rs. 18–22 per kg for years. Moreover, ancillary costs have gone up.
- Middlemen have been playing a role in fixing of price of green leaves and small tea growers are compelled to sell them at a minimal rate because of perishable nature of the green leaves.
- The big tea estates are facing low production because of the aged tea bushes and other factors like flood, drought, water-logging and erosion due to heavy rainfall. No bush in the estate must be 40 years old as after that the quantity and quality of the leaves declines.

The estate owners retain the bushes as long as they produce some leaves because uprooting and replanting the old bushes is expensive.

- Further, the expenditure incurred on pesticides by the tea estates was found to vary between Rs. 4,000 to Rs. 15,000 per hectare. This indicated that some of the tea estates used high doses of pesticides. As a result, many countries have rejected the tea as it contained pesticide residue beyond the permissible limit.

Actions suggested

- The state government should take necessary steps to compensate the loss incurred by the small tea growers by reducing cost of production through a more constructive approach to labour issues, particularly on wage fixation, input costs such as power and fuel, and concessional sales tax among others.
- Thrust should be given on quality production and improved plucking methods through proper training and fair working atmosphere for the workers.
- In order to eliminate the role of middlemen and protect the interests of small tea growers, Tea Board should bring the Bought Leaf Factories under the purview of the e-auction system for procuring green leaves.

- Considering the growing shortage of workers, tea estates may introduce sensor-based plucking machines wherever needed.
- Research and development for the development of disease and pest resistant as well as high yielding varieties of the tea must be increased to bring in stability of production. Further, thrust should be given to organic farming of tea for increasing export potential.

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Information sources:

- Field visits and consultations with tea growers.
- Various newspaper reports and published sources.

Decline in Paddy Procurement under MSP in Bihar

Key highlights

- In Bihar, only three crops are procured under the statutory provisions of Minimum Support Price (MSP) namely, paddy, wheat, and jute. Jute is procured by the Jute Corporation of India and is mainly concentrated in the Seemanchal region. Hence, there has not been much hue and cry about its price. Market price of wheat has generally remained similar to MSPs, so farmers prefer to sell it in the open markets. However, in the case of paddy, it was found that the percentage of procurement in total production has been declining against the given targets during the last three-four years.
- It was found that due to procedural complexities encountered in the sale of paddy and delay in the payment made, farmers did not sell paddy to the government agencies before 2018-19.
- Targets for procurement of paddy under MSP during 2014-15 to 2017-18 (in lakh Metric Tonnes, MTs) were 24, 27, 30 & 30 respectively. Quantities of procurement revealed a declining trend, recorded at 19.01, 18.23, 18.42, and 5.38 lakh MTs respectively.
- During the period of 2014-15 to 2017-18, achievements against targets were 79.21 percent, 67.52 percent, 61.40 percent and 17.93 percent respectively.
- The reasons for a far lower procurement of paddy than the targets are droughts in larger parts of the State observed during the last four years, late payment for procured rice by State Food Corporation (SFC) to Primary Agricultural Cooperative Societies (PACS), and provision of just one drying machine for seven to eight PACS, thereby causing burden of transportation expenditure, among others.

Observations

- The government of India had notified MSP for paddy (general) at Rs. 1,550 per quintal and Rs. 1,590 (Grade A) per quintal for the year 2017-18.
- The limit of paddy sale has been increased from 150 quintals to 200 quintals per farmer (for land owners) and from 50 quintals to 75 quintals per farmer (for tenant farmers).
- As per information obtained from Bhawanipur-Deshari PACS, Jagdishpur (Bhagalpur), in Bihar, only B Grade paddy has

been procured at the rate of Rs. 1,600 per quintal in the current year. Having deducted

Rs. 25 for each bag as its cost, it comes to Rs. 1,575 per quintal.

Figure 1: Paddy Procurement Underway in Bihar.



Source: www.visheshnews.in

- One rice mill serves three PACS. In lieu of one quintal of paddy, 67 kg of rice has to be given by the mills. SFC pays Rs. 2,799 per quintal of rice and the payment is made to the concerned PACS within a period of 15 days to three months. The amount of interest during the period of non-payment has to be borne by the PACS itself.
- At the beginning of procurement during the year 2017-18, the Government of India had enhanced the upper limit of moisture content in paddy from 17 percent to 19 percent. It should have resulted in increase in the quantities of procurement of paddy but that did not happen.
- In SFC, rice is procured with a maximum moisture limit of 15 percent only, whereas PACS are required to procure paddy with moisture limit up to 19 percent. Consequently, PACS have to bear an average loss of 2 kg of rice per quintal, for getting it procured by SFC.

Actions suggested

- Procedural complexities which make the process of selling paddy to PACS tough and despairing must be reduced.
- The time taken for making payments by the SFC to PACS for procured quantities of rice must be reduced. Further, SFC should start procuring rice from January instead of its current practice of procuring from February.
- The number of drying machines per PACS should be increased in order to enhance efficiency.

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The Challenges of Raw Coconut Procurement in Kerala

Key Highlights

- Kerala's share of coconut production has declined sharply from 70 percent of the national production in the 1970s to 45 percent in the recent years.
- The cultivation of coconut in the State has been undergoing serious issues, primarily due to a shift to other agricultural crops and

the failure to disassociate coconut oil price from coconut price determination.

- In a study conducted by AERC Chennai in 2018, it was also found that the existing coconut farmers have either left or are on the verge of leaving coconut farming. At least half of them are already seeking alternate sources of income.
- Further, farmers are not ready for any sort of value addition in coconut due to a number of reasons. The majority prefer to sell their harvest as raw coconut itself. However, the government policies in this direction have not been farmer supportive. The official calculation of cost of coconut cultivation was found to be unrealistically low during 2017 (Refer: Agro-Economic Alerts – Issue 2, November 2017). The farmers suggested that the coconut MSP has never been enough to meet the cost of production in the recent years.
- During 2012 when the state had faced a severe fall in the price of coconut, the state government had declared a scheme for raw coconut procurement at MSP of Rs. 25 per kg, supporting the coconut farmers during that period.
- In the current year, the government has declared MSP of Rs. 27 per kg, a hike of merely two rupees over six years, and procurement of raw coconut through Kerala Kerakarshaka Sahakarana Federation (KERAFED) as a support mechanism. However, the MSP and

procurement scheme seem not so farmer friendly in reality.

Observations

- The state government has decided to collect the raw coconut through KERAFED, the apex cooperative of coconut farmers, with the support of around 190 Primary Agricultural Cooperative Societies (PACS). In this regard, only those PACS having a drying yard have been identified and are asked to pay the farmers in advance. These two conditions are actually discouraging the PACS from participating in the procurement process, which is ultimately affecting the farmers.
- The government has advised the KERAFED to procure raw coconut and dry it to copra so as to sell it to National Agricultural Cooperative Marketing Federation of India (NAFED) while the farmers should be paid on the spot. A lot of PACS have backed out from the scheme because of this clause as well.
- Further, it is assumed that 100 kg raw coconut should fetch a minimum of 30 kg of copra (30 percent) once dried. But, in the past, most of the PACS have reported that they could fetch only about 12 to 18 kg copra (12 to 18 percent) from 100 kg raw coconut due to procuring poor quality or immature coconut.
- Although there are hundreds of cooperatives in the state, majority of them are inactive. Hence, it is less likely that the procurement benefit will reach all the farmers unless the chain is revamped.

Figure 1: Raw Coconuts in Kerala.



Source: www.agrination.org.in; www.vafexport.com/coconut

Actions suggested

- The declared MSP of raw coconut as Rs. 27 per kg should be revised against the farmers' demand for Rs. 35 per kg. The MSP revision should take care of the cost of cultivation in real sense, including the increasing labour cost in the State.
- The quality of coconut being procured should be scrutinized properly in order to assure that the PACS do not run on loss.
- The regulatory bodies should take utmost care that flooding of cheaper coconuts in the market by the neighboring states is avoided when there is a hike in price in the State.
- Societies that do not have the required drier system at present should be encouraged to join the procurement process under KERAFED and should also be encouraged to manage drying by hiring such services. This will expand the reach of the Scheme to the maximum number of farmers.

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