

Report of the Commission on Farmers' Welfare,
Government of Andhra Pradesh

Executive Summary

Agriculture in Andhra Pradesh is in an advanced stage of crisis. While the causes of this crisis are complex and manifold, they are dominantly related to public policy. The economic strategy of the past decade at both central government and state government levels

- has systematically reduced the protection afforded to farmers and exposed them to market volatility and private profiteering without adequate regulation,
- has reduced critical forms of public expenditure,
- has destroyed important public institutions, and
- did not adequately generate other non-agricultural economic activities.

While this is a generalised rural crisis, the burden has fallen disproportionately on small and marginal farmers, tenant farmers and rural labourers, particularly those in dryer tracts. The most extreme manifestation of the crisis is in the suicides by farmers.

The Commission on Farmers' Welfare has deliberated on this problem and held discussions with a large number of farmers during its field visits and has also consulted experts in various relevant fields. While the issues are complex and require detailed investigation of each area, they generally reflect not only structural conditions but especially the collapse of public institutions that affects farmers and farming. The Commission feels that solutions to the current crisis require interventions in six important areas, which would do the following:

- correct spatial inequities in access to irrigation and work towards sustainable water management
- bring all cultivators into the ambit of institutional credit, including tenant farmers
- shift policies to focus on dryland farming through technology, extension, price and other incentives
- encourage cheaper and more sustainable input use, with greater public provision and regulation of private input supply and strong research and extension support
- protect farmers from high volatility in output prices
- emphasise rural economic diversification, to more value-added activities and non-agricultural activities.

These goals form the basis of the recommendations made by the Commission. All of these issues have to be tackled at different levels and requires intervention by various institutions over the short as well as medium term. The new role

envisaged for the state government will require a substantial increase in public expenditure. Therefore we expect that public expenditure on agriculture and allied activities should reach 5 per cent of GSDP in the next budget. It is clear that the effectiveness of these recommendations will depend essentially upon the political will to translate them into government policy and on the ground-level implementation.

The main text of the Report provides a detailed account of the identified problems and the required interventions. The areas covered are land relations, rural credit, irrigation and power, agricultural research and extension, input provision, crop prices and markets, the special problems of drought-prone areas, non-agricultural employment, issues on health, nutrition and education of farmers, and the issues involved in effective implementation of the proposed policies.

This Executive Summary brings together the essential steps that need to be taken to deal with the crisis on an immediate priority basis.

Land

Land relations in Andhra Pradesh are extremely complicated and this complexity has contributed significantly to the problems facing actual cultivators in the state. Unregistered cultivators, tenants, and tribal cultivators all face difficulties in accessing institutional credit and other facilities available to farmers with land titles.

- The immediate priority is to record and register actual cultivators including tenants and women cultivators, and provide passbooks to them, to ensure that they gain access to institutional credit and other inputs. There should be a systematic official drive over three months. In such registration, the onus should not be on the tenant to prove his/her tenancy, but on the landlord to disprove it.
- The land rights of tribals in the agency areas must be protected.
- There is considerable scope for further land redistribution, particularly when waste and cultivable lands are taken into account. Complementary inputs for cultivation (initial land development, input minikits, credit, etc.) should be provided to all assignees, and the future assignments of land should be in the name of women.

Credit

The heavy burden of debt is perhaps the most acute proximate cause of agrarian distress. The decline of the share of institutional credit and the lack of access to

timely and adequate formal credit in the state have been a big blow to farmers, particularly small and marginal farmers. The basic task of the state is to ensure that the formal banking system in rural areas meets all the credit requirements of farmers, including tenant farmers. Although banking policy and trends are affected by national decisions, the government of Andhra Pradesh should take a lead role in reviving social banking. Through state and lower level institutional mechanisms, immediate steps can be taken to ensure that the right amount of credit reaches cultivators at the right time at minimal cost.

On debt relief:

- The Helpline already set up by the state government should be used as a facilitating mechanism for helping farmers in distress to access bank loans.
- The state government should initiate a Distress Fund, with support from RBI and NABARD, that will provide support to banks in chronically drought prone areas, and permit some debt relief to cultivators.

The state government should approach the RBI, the NABARD and the public insurance companies with the following requests:

- Interest should not be charged for the period of current rescheduling. Whenever an area is declared as drought-affected, interest should be waived, without changing the other terms of rescheduling.
- The accumulated interest on a loan should not exceed the principal amount of the loan. All the excess of accumulated interest over principal should be automatically written off by the banks.
- The interest rate on all crop loans should be lowered to 6 per cent annual rate.
- It is essential to expand the coverage of crop insurance in a comprehensive manner. The 50 per cent subsidy on premium for such insurance given to small and marginal farmers should be continued.
- A comprehensive insurance plan for rural dwellers should be provided.

Water

Inadequate and declining water supply is one of the most significant problems facing most farmers in Andhra Pradesh, not only a constant concern but also a major source of increased expenditure. The uneven distribution and unequal access to canal irrigation and the decline of other surface water sources have led to greater reliance on the exploitation of groundwater, which entails substantial costs on individual cultivators.

- A massive programme for restoration of tanks and other minor water bodies must be taken up, giving priority to the drought-affected regions.
- The state government should evolve a water policy with an emphasis on equity in the spatial distribution of surface water resources in the State and on the conjunctive use of surface and ground water.
- Necessary steps have to be taken to register and regulate the use of ground water resources, with the aim of public control over ground water and distribution based on progressive water rates in the medium term.

Agricultural research and extension

The lack of agricultural research in priority areas such as dryland farming and the collapse of public agricultural extension services have been among the more important contributory factors to the generalised agrarian crisis.

- Public sector agricultural research has to be strengthened and reoriented particularly towards dry land crops. This has to include establishment of more research stations in the dry land areas.
- The public agricultural extension system, which is in a state of near-collapse, has led to a situation where the cultivator is totally dependent on the local input supplier cum creditor. The public extension network has to be revived and strengthened. This will involve large-scale recruitment and training of adequate qualified staff.

Input provision

The increasing costs of purchased inputs, as well as the problems of quality in terms of sub-standard and spurious seeds and pesticides have also figured as the dominant proximate factors for the crop failures, given the drought conditions. This has also been recognised as a crucial risk factor linked to the distress of farmers.

- The state has to play a central role in ensuring the provision of high quality inputs at affordable prices at the right time to all cultivators both by direct intervention as well as by appropriate regulation. Measures to be taken include the strengthening of the Andhra Pradesh Seed Corporation along with all its regional production units.

- The enactment and implementation of the State Seeds Bill 2004 should be expedited.
- An aggressive strategy for a paradigm shift in fertilisers policy is required. The state government should consciously promote and facilitate the production and usage of bio-fertilisers, vermi composting, green manuring and other eco-friendly fertility enhancing activities.
- In view of the serious negative impacts on account of chemical pesticides and insecticides, the government should change its policy towards promoting natural pest management. This should be done in mission mode.
- In the interim, the immediate requirement is to ensure vigilance with respect to quality and prices of chemical inputs. Steps should be taken to create the required infrastructure and ensure strict enforcement as quickly as possible.

Markets and Prices

Low and declining prices for major commodities produced in the State are responsible for the collapse of rural incomes. The volatility of crop prices has been a major source of income instability and distress for farmers. The problem has been aggravated because the public procurement agencies have not been procuring sufficiently to ensure that Minimum Support Prices are maintained. The marketing of agricultural produce has become one of the critical areas where the farmers are exploited.

- Timely and adequate procurement operations by central and state government agencies are needed to ensure a remunerative price to cultivators and to arrest distress sale.
- A Market Price Stabilisation Fund should be created.
- Marketing infrastructure is inadequate and there are numerous procedural problems in the marketing yards. The Marketing Department must take measures to provide adequate and non-exploitative arrangements in the market.
- The state government should demand from the central government the introduction of a system of variable tariffs and if necessary Quantitative Restrictions on agricultural commodities to ensure stable import prices that protect domestic cultivators and their livelihood.

Employment

The present crisis is also a crisis of rural employment. Agricultural employment has fallen, non-farming employment has virtually stagnated and there have been hardly any non-agricultural livelihood opportunities that would allow members of farming households some kind of buffer against losses in cultivation.

- There is urgent need to provide rural workers with at least 100 days of employment at minimum wages, and to this effect the state government must ensure that an Employment Guarantee Act is enacted and implemented at the earliest, with coverage extended to the rural areas of all districts in the state within a specified time frame.
- Opportunities for rural non-farm employment must be increased. This requires policies to encourage the post-harvest handling of produce and agro-processing, as well as renewed emphasis on strengthening co-operatives for dairy, weaving and other non-agricultural activities.

Public Distribution System

- The public distribution system must be strengthened so as to make available basic minimum quantities of cereals at affordable prices to all vulnerable households.
- All poor households should be supplied with BPL cards.
- The state government should request the Government of India to provide coverage under the Antyodaya and Annapurna schemes to all BPL card holders in drought-prone areas.
- At present the BPL allocation of rice per person is too low and the total entitlement is fixed at 20 kg per family. The per person entitlement needs to be doubled to meet the basic food requirements of the family.
- There must be a major drive to provide nutritious cereals such as jowar, bajra, and ragi at especially subsidised and very low prices to all card holders through the Public Distribution System. The prices must be sufficiently low to attract consumers; in case it is not, it could be further lowered through a subsidy from the state government.

Health and education

The decline in the quality of public provision has pushed even poor farmers to private health care and education. This has added to farmers' problems, as high medical expenses have led many cultivators into deep debt. The poor quality of public education at all levels has also encouraged greater use of private services among farmers' families.

- Public expenditure on health has to be raised and used to provide good quality low cost care to rural households.
- More budgetary resources have to be allocated to education, particularly to primary and secondary education in rural areas.

Implementation

The new role envisaged for the state government will require a substantial increase in public expenditure. The effectiveness of these recommendations will therefore depend essentially upon the political will to translate them into government policy, and on the quality, accountability and responsiveness of public delivery systems. In order to achieve a substantial degree of accountability and ensure a much greater degree of public participation and voice in the implementation of these policies, the panchayati raj institutions in the state will be substantially revived, given greater powers and made to function in a democratic and participatory manner.

Agriculture Technology Mission

The basic goal of the this Mission must be to create and revive public institutions in the rural areas and implement policies which will immediately reduce agrarian distress, and over time provide protection to farmers, encourage the most productive and sustainable forms of land and water use, provide stable livelihood and employment to the rural population and improve the incomes of the rural population over time.

- The ATM must act as the umbrella organisation for the planning, direction and implementation of all of the policies relevant to agriculture and allied sectors and the welfare of farmers and farm workers. It should be a permanent body co-ordinating the activities of various departments.
- The focus should be on empowering the farming community, with the active involvement of locally elected bodies such as panchayats and participatory institutions such as gram sabhas.
- The ATM must have a holistic approach to the problems of agriculture in the state, addressing the particular problems in each area within a broader context and in such a manner as to encourage co-operation and synergy between the activities of various state/central government departments/agencies and local level institutions.
- It should formulate policies and take action on meeting the challenges of the WTO regime, organising policy research on critical issues in agriculture and recommending policies to meet the changing needs in this

sector and suggesting the measures required for educating the farmers through farmers' organisations.