Saving Farmers from Covid-19: States Must Relent on E-NAM:

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As India battles Covid-19 pandemic, the immediate focus of the central and state governments is to prevent a sudden peaking of the disease. However, we will soon be faced by a broader social and economic cost, which will, unfortunately, affect much larger numbers than the virus. Paradoxically, the broader negative economic consequences partly arise out of the government's efforts to initiate a lockdown of all but essential activities. Therefore, anticipating and mitigating the impact of the disruptive measures should be an important priority for policymakers at this stage.

In the case of agriculture, we are in an especially piquant situation. The onset of the pandemic has coincided with the Rabi harvest. Lakhs of farmers had begun to look at the Rabi marketing season with hope, following favourable winter conditions- the prospects of above normal output of crops like wheat, mustard and chana. As we move into the critical third and fourth phase of the epidemic, the situation is suddenly uncertain. Given the need to impose social distancing and indefinite lockdowns, agricultural marketing chains are likely to be severely disrupted.

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Maharashtra, the worst affected state, has already shut down a few large mandis. In any case, mandis are confined spaces where thousands of farmers, traders and buyers, labourers and transporters, besides officials and others gather daily to facilitate auctions, loading and unloading, packing, quality checking, etc. Agriculture markets are the very antithesis of social distancing. It is thus natural to expect significant disruptions in the agri supply chain if these markets are required to be shut.

A majority of our farmers have limited or no storage capacity to hold produce after harvesting. They have urgent needs for liquidity to repay loans and incur personal expenses, repair equipment and buy inputs for the next crop season (which begins in June). We cannot afford to pause or delay the Rabi marketing cycle, which typically starts in the middle of March and extends until the end of June. How can we meet both the social requirement of isolating populations and the economic objective of facilitating marketing in this brief and overlapping window?

A five-step approach can be adopted to address this challenge

The first, and most important, step would be to suspend all provisions of APMC law for a period of six months beginning April 1. This law gives a monopoly to the APMC to compel farmers to bring their produce to the mandi and sell to a small number of licensed traders within that mandi only. Given that the mandis may be shut, their so-called monopoly would, in any case, be worthless.

Under the APMC law, anyone buying agricultural produce outside the mandi premises can still be hauled up and penalised (including with arrest in a few states). So the law giving exclusive rights on agriculture produce marketing to the mandis will have to be formally suspended. Naturally, with the suspension of the APMC provisions would mean a suspension of mandi fees, thus lowering transaction costs. We can restore the monopoly later. The question of comprehensive and long term reforms of APMC laws can wait for another day.

Second, states should immediately allow companies, individuals, corporates, FPOs, SHGs, coops, etc., to buy directly from farmers at negotiated prices at any location. However, taking the first step without the second is also dangerous. For all their shortcomings, the APMC controlled mandis at least offer a platform to farmers to offload their produce and receive payment. With mandis closed, an alternative market channel must be created in a dispersed manner. Buyers can set up multiple procurement centres near the farmgate and help convert farmers' stock into income.

The next three steps require action by the central government.

Third, the Essential Commodities Act (ECA) should be withdrawn from the staples category for the next year. This will enable corporates, processors, retailers and others to hold bulk stocks over the present limits. Suspension of the ECA will incentivise these entities to buy from farmers in the next three months and keep the supply chain running. Since exports of foodgrains, including pulses, are not permitted from India, there is no danger of diversion or export. In any case, government buffer stocks are more than double the prescribed norms, so the chances of hoarding or profiteering are minimal.

This is a golden opportunity to energise the moribund e-NAM platform. **Fourth, a decentralised system of trading on e-NAM can supplement the mandis and direct farmgate buying.** FPOs, cooperatives, SHGs, SMEs and others can be allowed to offer produce directly on the e-NAM platform. But the states to relent on their opposition to e-NAM.

Finally, none of the above steps will work without a mechanism for financing the supply chain. Trade finance is concentrated on bigger traders, companies, etc. But at least 30% of agri trade financing should be targeted at FPOs, cooperatives, SHGs and rural SMEs with a turnover of less than Rs 10 crore. Anecdotal evidence from some parts of central and western India suggests that informal market rates for credit for agri procurement this year have already jumped by 30-50%. As the uncertainty introduced by the Covid-19 pandemic increases, these are only going to climb higher. The resultant freeze in buying and collapse of demand will lead to a crash in prices in the hinterland. Let us hope prompt corrective policy action led by the central government, and backed by the states, will prevent the story from repeating itself.