



FOOD INFLATION AND FARMER REMUNERATION - ECONOMY

NEWS: Recent working papers from the **Reserve Bank of India (RBI)** highlight significant **disparities in the remuneration** received by farmers across different agricultural sectors. While farmers growing staple vegetables like **tomatoes, onions, and potatoes (collectively known as TOP crops)** face challenges, those in the pulses and poultry sectors enjoy better financial returns.

WHAT'S IN THE NEWS?

Key Findings from RBI Working Papers

- The RBI's analysis explores various agricultural value chains, focusing on **TOP crops**, fruits (such as grapes, bananas, and mangoes), livestock (milk, poultry, and eggs), and pulses (gram, tur, and moong).
- It reveals that farmers growing fruits and vegetables receive only 31% to 43% of the consumer rupee, while those in the pulses and livestock sectors realize a significantly higher share, ranging from 65% to 75%.
- The recent spikes in food inflation are largely attributed to rising prices of TOP crops, which have notable weightage in the **Consumer Price Index (CPI)**.

Challenges Faced by TOP Farmers

The lower remuneration for TOP crop farmers can be traced to several factors:

- **Fragmented Value Chains:** The value chain for TOP vegetables is inefficient and highly fragmented, primarily due to their perishable nature and the presence of numerous intermediaries. Farmers often end up receiving only about one-third of the price consumers pay for these vegetables, with wholesalers and retailers capturing the majority of the value.
- **Market Regulation:** The **Agricultural Produce Marketing Committees (APMCs)** regulate markets and set mandi fees, which can further diminish farmers' earnings.
- **Storage and Distribution Issues:** A lack of adequate storage facilities exacerbates the problem, as it limits farmers' ability to sell their produce at favorable prices.

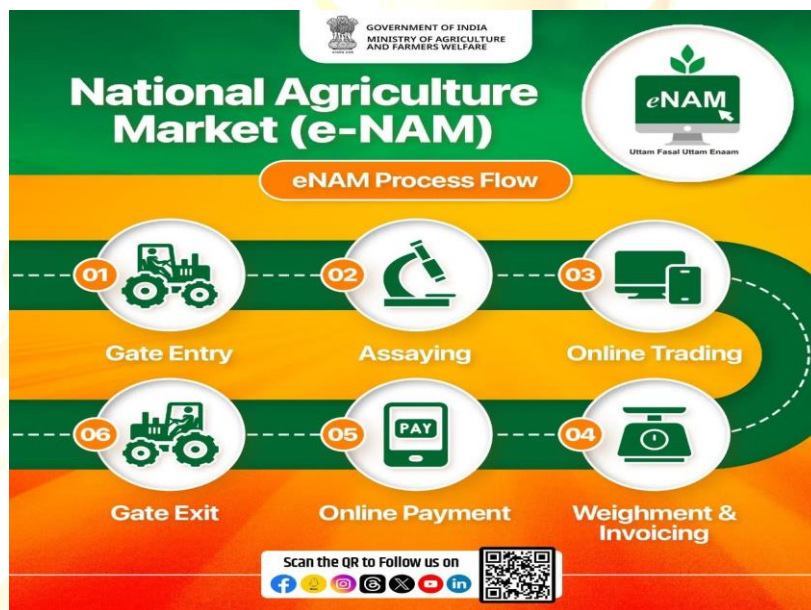
Comparative Advantages of Other Sectors

- In contrast, farmers in the dairy and poultry sectors enjoy better returns. For example, dairy farmers receive around 70% of the consumer rupee, while poultry farmers earn about 56%.
- This is largely due to the establishment of efficient value chains, where cooperatives and integrators play a significant role in procuring and distributing products.
- The integration of production and distribution helps stabilize prices and enhance farmers' incomes.



Price Realization in Pulses

- Pulses have a longer shelf life, allowing farmers to realize a higher share of the consumer rupee.
- However, price spikes can occur due to demand-supply gaps, even though India is the world's largest producer of pulses.
- The government intervenes through imports and minimum support prices (MSP) to stabilize the market and protect farmers' incomes.



Enhancing Farmer Incomes: Suggested Solutions

To improve the financial status of TOP crop farmers, the RBI working papers propose several measures:

- **Privatization of Mandis:** Allowing private mandis could create competitive markets for farmers and increase their earnings.
- **Digital Market Integration:** Enhancing the **National Agriculture Market (e-NAM)** by linking it with APMCs could facilitate online trading, making it easier for farmers to reach consumers.
- **Strengthening Farmers' Collectives:** Scaling up Farmer Producers Organizations (FPOs) would empower small and marginal farmers by increasing their bargaining power.
- **Futures Trading:** Relaunching futures trading in commodities like potatoes and onions could help in better price discovery.
- **Improving Dairy Value Chains:** Enhancing operational efficiency in the dairy sector through better procurement practices and investment in feed and fodder production can further increase farmer incomes.



National Agriculture Market (eNAM)

- **Launched in:** 2016
- National Agriculture Market (eNAM), a **pan-India electronic trading portal**, networks the existing Agriculture Produce Market Committee (APMC) mandis to create a unified national market for agricultural commodities.
- e-NAM platform promotes better marketing opportunities for the farmers to sell their produce through online competitive and transparent price discovery system and online payment facility.

Agricultural Produce Market Committee (APMC)

- **Established in:** 2003
- Presently, markets in agricultural products are regulated under the **Agricultural Produce Market Committee (APMC) Act** enacted by State Governments.
- The Agricultural Produce & Livestock Market Committee are established under the provisions of **APLM Act**.

Source: <https://www.firstpost.com/business/farmers-get-a-third-of-what-you-pay-for-veggies-middlemen-and-retailers-pocket-the-rest-rbi-study-13822863.html>

