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Agrarian Stress and the Revival of Rural Livelihoods in India

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Abstract

The circumstantial precursors to the crisis were a rural farm sector already dealing with falling agricultural prices, stagnant wages, and alarming circular migration. When the COVID-19 pandemic reached India, its nationwide lockdown in March 2020 created a twin crisis of collapsing sale prices for perishable agricultural commodities and millions of migrants heading home, and arriving to settlements which could not accommodate them. Drawing on official data, nationally representative telephone surveys, and policy analysis, this article investigates three questions related to agricultural and other rural livelihoods: how much was affected? how effective the policy response? What should a future rural revitalisation strategy entail? Based on data until January 2022, the analysis concluded that, although total agricultural production was largely maintained, farm revenue, rural non-farm livelihoods, and food security were all considerably reduced. Relief measures, though timely are inadequate. The report recommends a two-pronged approach - an extended, demand-based employment guarantee scheme and cash transfers in the short run and investment in post-harvest infrastructure, in rural non-agrarian clusters, skills and decentralized institutions in the medium run.

Keywords: agrarian distress; rural livelihoods; MGNREGS; migrant workers; COVID-19; rural revival; India

1. Introduction

The circumstantial precursors to the crisis were a rural farm sector already dealing with falling agricultural prices, stagnant wages, and alarming circular migration. When the COVID-19 pandemic reached India, its nationwide lockdown in March 2020 created a twin crisis of collapsing sale prices for perishable agricultural commodities and millions of migrants heading home, and arriving to settlements which could not accommodate them. Drawing on official data, nationally representative telephone surveys, and policy analysis, this article investigates three questions related to agricultural and other rural livelihoods: how much was affected? how effective the policy response? What should a future rural revitalisation strategy entail? Based on data until January 2022, the analysis concluded that, although total agricultural production was largely maintained, farm revenue, rural non-farm livelihoods, and food security were all considerably reduced. Relief measures, though timely are inadequate. The report recommends a two-pronged approach - an extended, demand-based employment guarantee scheme and cash transfers in the short run and investment in post-harvest infrastructure, in rural non-agrarian clusters, skills and decentralized institutions in the medium run.

2. The Pre-existing Agrarian Crisis

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pandemic reached India, its nationwide lockdown in March 2020 created a twin crisis of collapsing sale prices for perishable agricultural commodities and millions of migrants heading home, and arriving to settlements which could not accommodate them. Drawing on official data, nationally representative telephone surveys, and policy analysis, this article investigates three questions related to agricultural and other rural livelihoods: how much was affected? how effective the policy response? What should a future rural revitalisation strategy entail? Based on data until January 2022, the analysis concluded that, although total agricultural production was largely maintained, farm revenue, rural non-farm livelihoods, and food security were all considerably reduced. Relief measures, though timely are inadequate. The report recommends a two-pronged approach - an extended, demand-based employment guarantee scheme and cash transfers in the short run and investment in post-harvest infrastructure, in rural non-agrarian clusters, skills and decentralized institutions in the medium run.

3. The Pandemic Shock to Agriculture and Rural Livelihoods

3.1 Output resilience: do any income declines matter?

The only contradiction in the crisis was that agricultural production did not get affected, but farmer incomes fell. The Economic Survey 2020-21 reports that agriculture and allied sectors with a growth rate of 3.4 per cent at constant prices in 2020-21 is the only sector to record growth when GVA at constant prices contracted. Agriculture's share in GVA approached 20 per cent (Press Information Bureau 2021; PRS Legislative Research 2021). Perhaps monsoon, record food grain production and agricultural activities were excluded from the lockdowns. As per the first advance estimates of Agriculture sector and its allied activities, released in Economic Survey 2021-22, the Agriculture and allied sector grew at 3.6 percent in 2020-21 and its Share in Total GVA stood at 20.2 percent. The food grain production estimate is at an all-time high of 308.65 million tonnes, consisting of an increase of 11.15 million tonnes over 2019-20 (Ministry of Finance, 2022).

These production numbers, however, cannot capture the conditions of the agricultural household. In a telephone survey of 1437 farmers in 12 states in May 2020, of farmers who had harvested their products in the past month, 44% indicated they had sold their products, 39% were storing due to lockdown, and 79% of wage-earning households had lost wages (Jaacks et al., 2021). Vegetable growers bore the brunt of the crisis: of a sample of 448 farmers in the four states, over 80% reported falls in sales and prices, and 90% reported falls in income, over half it by 50% or more (Harris et al., 2020). The lockdown restricted mobility, hotels and restaurants were closed, demand in urban areas collapsed, and despite procurement of grains, this left little scope for recovery of perishables' prices (Reddy and Mamgain, 2020).

3.2 Migration reversal and saturation of rural labor markets

Another source of stress was the migrant workers. With no money, no home, and no assurance of help from anyone, millions of them started journeying on foot or other means back to their hometowns in the weeks following the declaration of the lockdown (Reddy and Mamgain, 2020). Other studies have found similar results. Azim Premji University's livelihoods study found that 81% of migrants had lost their jobs, compared to 64% of non-migrants, and that

31% of migrants were not receiving rations, compared to 15% of non-migrants (Azim Premji University, 2021). The returning migrant labor force led to an excess supply of labour in the rural areas and falling casual rural wages, which led to a spike in demand for MGNREGS employment beginning in April 2020.

In terms of class, De Roy and Saratchand (2021) consider the crisis to have exacerbated the agrarian crisis, as the agrarian laboring class and small farmers faced cuts to wages and restrictions to the flow of laborers, while in some instances, landowners were obliged to freeze wages due to loss of labor. For many small farmers, lack of credit threatened their ability to plant during the next cycle.

3.3 Nutritional instability and the deterioration of familial fortitude

Loss of agricultural income, wages, and remittances led to shortages of food. In the national farmer survey, many respondents reported a lower diversity of foods consumed (Jaacks et al., 2021) and 62 percent of the vegetable farming households reported disruptions to their meals (Harris et al., 2020). At the national level, a survey by Azim Premji University in 2020, 90 percent of respondents reported a loss in food consumption; they adopted coping strategies such as borrowing money, selling assets, and cutting spending. One study estimates that 230 million people were pushed below the national minimum wage level during the first wave of the pandemic, while rural poverty increased by about 15 percentage points (Azim Premji University, 2021). Women's self-help groups faced revenue loss while work and caregiving burdens increased (Reddy and Mamgain, 2020).

4. The Policy Response

The central government responded in two stages: an immediate relief package and a larger economic package. Table 1 summarises the principal rural components.

Table 1: Principal rural components of the 2020 relief and economic packages

Measure (2020)	**Provision**	**Intended rural effect**
PM Garib Kalyan Package (26 Mar)	Rs 1.70 lakh crore; 5 kg grain + 1 kg pulses free for 3 months; Rs 500/month to 20 crore women Jan Dhan accounts; MGNREGS wage Rs 182 to Rs 202	Food and cash floor for the poorest; immediate demand support
PM-KISAN front-loading	Rs 2,000 instalment advanced to about 8.7 crore farmers	Liquidity for kharif inputs
MGNREGS top-up (May)	Additional Rs 40,000 crore over the Rs 61,500 crore budget (to Rs 1,01,500 crore)	Absorb returned migrants in wage work
Agriculture Infrastructure Fund	Rs 1 lakh crore loan facility; 3% interest subvention; guarantee up to Rs 2 crore	Farm-gate storage, cold chains, processing
NABARD emergency working capital	Rs 30,000 crore through RRBs and cooperative banks	Crop loans for rabi and kharif
Micro food enterprises	Rs 10,000 crore cluster-based scheme	Formalise village food processing
SHG collateral-free loans	Limit doubled from Rs 10 lakh to Rs 20 lakh	Working capital for women collectives

Sources: Reddy and Mamgain (2020); PRS Legislative Research (2020); Press Information Bureau (2020).

Subsequently, the Government of India announced Pradhan Mantri Garib Kalyan Package on 26 March 2020 which included free food grains, a few small cash transfers to the bank accounts of women under the Jan Dhan scheme, and increase in MGNREGS wages (Reddy and Mamgain, 2020). The Government of India further announced an Atmanirbhar Bharat package of Rs 20 lakh crore (approximately 10 percent of GDP) in May 2020. An allocation of Rs 40000 crore was made for MGNREGS. The budget for 2020-21 was revised to Rs 1,01,500 crore (PRS Legislative Research, 2020). It announced a Rs 1 lakh crore Agriculture Infrastructure Fund to provide 3 per cent interest subvention and credit guarantee for post-harvest infrastructure for farm-gate and aggregation, an emergency working capital facility from NABARD, and a programme to support micro food enterprises (Press Information Bureau, 2020).

Three general conclusions were drawn from the response: the assistance was timely and averted the most extreme levels of impoverishment. Second, given its wide reach, the public distribution system was a more effective mechanism than providing transfers through banks (Azim Premji University, 2021). Second, its financial nature was not stressed. While a big part of the headline scheme consisted of credit guarantees and liquidity assistance for medium-term corporate investments, what was urgently required was a direct transfer and wage subsidy to stimulate effective demand (Reddy and Mamgain, 2020). The independent estimates of expenditure undertaken also appear to be between 1.5 and 1.7 per cent of GDP (Azim Premji University, 2021). Third, the delayed response to the migration crisis exposed the longstanding data gaps regarding internal migrants, and inertia in implementing the 2017 Working Group's recommendations on portability of entitlements/benefits and the welfare of migrants (Ministry of Housing and Urban Poverty Alleviation, 2017; Reddy and Mamgain, 2020).

5. Towards a Rural Revival Strategy

The above discussion, therefore, suggests that rural revival must work on two time horizons simultaneously: restoring purchasing power today, and removing the structural constraints that made rural households so fragile in the first place.

5.1 Short-term: demand, employment and income security

Cash and food support. Extending free grain and cash transfers beyond the first three months until household incomes stabilize is the most direct way to maintain rural demand. Universalising basic services like food, health and pensions and improving the compensation for frontline workers in ICDS and ASHA would also create local jobs through multiplier effects (Reddy and Mamgain, 2020).

Because the employment guarantee is demand-driven, the rise in MGNREGS demand shows it can act as an automatic stabilizer. Disaster-mode entitlement can be redesigned (raise the days beyond 100 and include all adult members in the works, expand the works list and ensure timely payment of wages) to support returning migrants. Participatory labour budget planning at the village (Gram Panchayat) level, piloted under the Kaam Mango Abhiyan in Jharkhand, and decentralized worksite management by women's SHGs in Kerala offer scalable models (Reddy and Mamgain, 2020; De Roy and Saratchand, 2021).

Facilitates micro and small enterprise development. Trained facilitators are needed to link unregistered village enterprises and SHGs with banks (as Kerala's micro-enterprise consultants

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do) because credit guarantees only flow to registered enterprises. Wage subsidies in the form of cash transfers to the workers' accounts will help these units resume production (Reddy and Mamgain, 2020).

5.2 Medium-term: making agriculture profitable

The present strategy for increasing farm incomes should focus more on marketing and value addition instead of production support. The losses of vegetable and fruit growers during the lockdown expose the shortage of storage, cooling and processing facilities closer to the farms. The Agriculture Infrastructure Fund is a step in this direction. It will only be successful if the other groups such as Farmer Producer Organisations and Self Help Groups also have access, not just the wealthy trader (Press Information Bureau, 2020). Shorter supply chains, ICT-enabled farm-to-fork platforms, better extension services, inland fisheries, horticulture and backyard poultry, and the agri-entrepreneur model piloted with state rural livelihood missions allow farmers to increase their income without having to expand their land area (Reddy & Mamgain, 2020). The income estimates from NAFIS speak for themselves: with cultivation accounting for barely one third of farm-household income, diversification both within and outside agriculture is unavoidable (NABARD, 2018).

5.3 Medium-term: rural non-farm clusters, skills and infrastructure

A sustainable solution to distress migration is creating remunerative jobs outside agriculture. Clusters of micro and small enterprises should be identified based on a clear niche in the Gram Panchayat Development Plans and developed with common infrastructure, professional handholding and tax incentives, utilizing the skills of returned migrants. The Rurban Mission and the PURA vision (urban amenities in rural areas) need to be accelerated and the center's share increased (Reddy and Mamgain, 2020). Skill mapping at the local Panchayat level, re-orienting the national DDU-GKY to support rural enterprise, and investment in roads, storage, internet connectivity, and rural markets, will help rural-urban integration and balanced regional development.

5.4 Institutions and migrant welfare

Finally, the crisis also demonstrated the importance of local governance. States that had been building the capacities of the Panchayati Raj Institutions fared better in relief and communication (Reddy and Mamgain, 2020). Devolution of planning and spending powers to Panchayats, frontloading Finance Commission grants, and making all such expenditure transparent through social audits, is a necessary condition to revive the growth process. To streamline these processes for migrant workers: (i) portability of ration and health/education benefits across states, (ii) a database with the skill sets of workers, and (iii) a revival of funds collected under the Building and Other Construction Workers Act, which have remained dormant, are needed (Ministry of Housing and Urban Poverty Alleviation, 2017; Reddy and Mamgain, 2020).

6. The State of Recovery by Early 2022

Economic Survey 2021-22, presented in January 2022, projected that after the contraction of 7.3 per cent in 2020-21, the Indian economy would grow at 9.2 per cent in 2021-22, including growth of 3.9 per cent in agriculture sector, which was least impacted by the pandemic. Kharif crop production in 2021-22 is projected to be at record level of 150.5 million tonnes. However, the share of agriculture and allied activities in GVA, which had risen to 20.2% in 2020-21, fell back to 18.8% as other sectors recovered better (Ministry of Finance, 2022).

Two facts to be considered: One, the second wave from April to June 2021 penetrated deeper in rural India, though. Second, its economic impact was milder, felt by families that had depleted their savings and taken on more debt than in the 2020 lockdown (Azim Premji University, 2021). In another study of five states, compared to May 2020, 60% reported reduced production, and 45% reported food insecurity to varying degrees in May 2021, especially among smallholders from marginalized socioeconomic groups (Harris et al., 2020; Jaacks et al., 2021). Secondly, the income-generating model of the Situation Assessment Survey shows that the recovery of household income is not directly proportional to production. Agriculture has lost its primary status as a source of income, and the income of farming households now depends as much on a recovery of rural non-farm and urban labor markets as on their productivity (National Statistical Office, 2021). This point is made again by the continued demand for MGNREGS in 2021-22.

7. Conclusion

If there is a crisis in India's rural economy, the pandemic has only exposed and added to it. National agricultural growth concealed rural distress, reflected in declining real incomes among farm households and in particular, among growers of perishable agricultural products. The return of migrants also highlighted the weakness of rural non-farm economies and social protection for mobile workers. While relief measures, that prevented the worst hardship, were small compared to the losses and were largely based on credit rather than income support, a credible revival strategy would require the scale of short-term support to demand-generation and employment guarantee schemes to be raised. It would also require medium-term support for generation of demand, post-harvest infrastructure, rural enterprise clusters and skills, health and education. Above all, it must be implemented through empowered local institutions, so that the next shock finds rural India better prepared than the last.

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