NOTE

Demise of CMP

Bharat Jhunjhunwala writes :

Prime Minister Manmohan Singh stressed on the need to increase agricultural production in the belief that more production will provide more income to the fanner just as a big shopkeeper earns more than one on the street comer. But agriculture is a different ball game. Agricultural production was much less in the fifties than now. Suicides by farmers were also less. Reason is that the price of agricultural goods has declined much and nullified the gains from increase in production.

The Congress-led and left supported United Progressive Alliance (UPA) Government at the Centre had recognised this in formulating its Common Minimum Programme (CMP). It was declared that "Farmers all over the country will receive fair and remunerative prices. The terms of trade will be maintained in favour of agriculture." But Dr Singh's policies are not in tune with this. Dr Singh has reduced import duties on edible oils and wheat and prevented the farmer from gaining from rising domestic prices. He has banned the exports of pulses to prevent the farmer from gaining from high international prices. These policies have led to a decline in the income of the farmer while the CMP declared that farmers will receive fair prices. In reality middlemen enjoy the fruits while the farmer languishes in debt and poverty.

Dr Singh wants to keep low prices of agricultural products consumed by the common man. But potato, mustard, ground nut, wheat, rice, bajra, ragi, sugar cane are all consumed by the common man. Dr Singh does not mind an increase in prices of manufactured goods like paper and cement. He is comfortable with rise in prices of manufactured goods and not with an increase in prices of agricultural goods. His policy can be summed up like this: Let the fanners buy cement and refrigerators expensive but make sure that the fanner receives low prices for wheat and sugar cane. This is contra CMP, where the UPA had committed to maintain the terms of trade in favour of agriculture.

Truly, Dr Singh is faced with a Catch-22 situation. An increase in prices of agricultural goods leads to welfare of farmers but hits at the common man. A decline in the same does the opposite. The way out of this dilemma suggested by Dr Singh is to seek an increase in agricultural production. The income of the farmer can then increase despite low prices. Dr Singh is like the doctor who first administers poison to the patient to make him sicker and then claims credit for saving him from that same poison.

Another policy under consideration is that of crop insurance with the State Governments paying the premium. This too will fail. The role of insurance is to level off temporary disturbances such as decline in prices in a particular year. Insurance cannot be a solution for a continuing decline in prices. A factory running in profit is saved from the vagaries of nature by the insurance company but one running in loss cannot be turned around by making insurance claims. Likewise insurance schemes can help the farmer overcome a temporary decline in prices. They cannot help the farmer overcome the impact of prices that are declining for the last two decades. □□□