

MAYAWATI, MANMOHAN AND FARMERS

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UP Chief Minister Mayawati declared a New Policy to effect widespread improvement in Agricultural Sector in U.P. She has said that “efforts made to ensure a remunerative return to farmers of their produce have not borne fruits even after 60 years of Independence.” This is a welcome starting point for reviving agriculture in this important state. Mayawati has stressed the importance of removing the middlemen to improve incomes of farmers. Often, middlemen capture the gains of rising market while the farmer gets low prices. But removal of middlemen may not improve the situation much. Take example of the share market. Previously investors had to make purchases through brokers who acted as middlemen. The purchaser would place an order in the morning and would be told at what price the trade has been affected in the evening. The purchaser did not know exactly at what price the share had been purchased if the price of a share varied between Rs 1300 and Rs 1400 on a particular day. Often brokers would buy a share at Rs 1300 but tell the purchaser they have bought at Rs 1400. Such cheating is not possible anymore. The purchaser sees the price on the computer screen and buys then and there. But this has not reduced the number of persons losing their life's earning in the share market: Investors continue to make profits or lose fortunes in direct trading as much as through brokers. The same applies to agriculture. Removing the middlemen through mandi or internet-based trading need not save farmers from suicides. The main cause of decline in prices is not hoarding by middlemen.

Middlemen also, have a positive role vis-a-vis the farmers. They provide loans, market information regarding price scenario likely next year, storage and transport facilities. Internet-based trading can possibly get farmers high prices at some particular time but cannot provide loan or storage. The situation of middlemen in agriculture is similar to that of mutual funds in the share market that perform the role of middlemen. Mutual funds provide expert information and advice and protect the investor from swings in the market. Middlemen do the same for farmers.

The allegation that middlemen always loot farmers also is not true.

Loans are available from middlemen at two percent per month especially for productive works like buying a buffalo or sinking a tube well. Self-Help Groups often charge more than this. Further NGOs supporting these groups are given grants by the government and farmers have to invest much time attending the meetings. The net borrowing cost to the society is higher through NGOs than through middlemen. Thus Mayawati should make efforts to regulate middlemen instead of trying to obliterate them.

Mayawati has decided to link the villages to the urban markets. This is welcome. But this does not ensure better prices. The British rulers of India connected the rural hinterland with roads, railways, telegraph and telephones. But that only led to more impoverishment. Gandhiji was scarcely happy with this and launched a movement in Champaran. Railways were reaching cheap machine made cloth to the villages and destroying Indian weavers. They were extracting

indigo and sugar cane from the villages for export to England at low prices. Connectivity was the prescription for disaster. Mayawati similarly plans to connect the villages by internet mobile telephones and roads. But the prices of wheat, sugar and jute are falling in the global market, courtesy policy of Dr Manmohan Singh to open Indian markets for imports. Previously prices remained high in domestic market even if they were low globally because imports were restricted. Nowadays domestic prices decline in tandem with global declines.

Mayawati should not get swayed by isolated examples of benefits to farmers from internet-based trading. A recent report-of IIM Lucknow showed that mentha farmers had gained much after internet-based trading was started. But the report did not mention the losses incurred by farmers in the production of sugar cane and wheat. In this way the media, led by globalization lobby, misleads poor farmers into embracing global markets. Connectivity is good only when policies to raise prices in the markets are put in place first.

Providing higher support prices can provide temporary relief but cannot be a durable solution. A higher support price will enable traders to import wheat cheap and supply to the Food Corporation of India. A high support price can be sustained only if the Central Government imposes high import taxes and provides subsidy to exports to remove excess production from the domestic economy. Mayawati should, therefore, join hands with other farmer-friendly state governments and force Dr Manmohan Singh to abandon his anti-farmer policies.

Mayawati wants to increase capital investment in agriculture. But every agricultural investment does not bring such results. Say investment is made in tractor or harvester. This leads to fewer jobs for bullock owners and agricultural labour. On the other hand, investment in green house or tube well increases employment opportunities. Thus every capital investment is not people-friendly. Mayawati should get an employment- and social audit done of all loans given to the agricultural sector. She should impose high sales tax, road tax and other levies on machines that eat jobs and low taxes on those that create jobs. She can even ask rural banks to abstain from giving loans to harmful machines. Capital investment will be beneficial for the farmers only after these restrictions are put in place.

It seems Mayawati is sincerely interested in improving the lot of farmers. But the policies suggested by her advisors need not lead to such a result. Bureaucrats have a way of suggesting policies that appear pro-people on the surface but are anti-people in content. Thus great leaders like Chaudhary Charan Singh were not able to secure even an iota of improvement in the conditions of the farmers. Mayawati should first go deep into the reasons why efforts made to ensure a remunerative return to farmers of their produce have not borne fruits even after 60 years of Independence. □□□