

Farm growth will exceed 5% despite currency crunch

Ramesh Chand, member, NITI Aayog

The cash-dependent Indian farm sector has been hit by the demonetisation of high-value notes and the resultant currency shortage. The prevailing cash crunch has hit the growers of perishables more compared to those who grow bulk crops such as paddy and cotton, says Ramesh Chand, member of NITI Aayog. Despite the impact of demonetization, growth in agriculture for the current year will be still above 5 per cent, Chand told Business Line in an interview. Excerpts:

How do you assess the impact of demonetisation on farm sector?

In case of bulk crops such as paddy, cotton, soyabean and maize among others, neither their arrivals in mandis nor their prices were affected. But in fruit and vegetables, the arrivals reduced and also their prices were impacted. For example, in case of cabbage, the price after demonetisation was 5 per cent lower than normal prices. Farmers, in case of bulk crops, can still hold back their produce and bring it to market later.

But in perishables, though we don't have enough data, there is still a possibility that some produce, which could not be brought to the markets, could have gone waste. In case of perishables, there is some loss which one can say is due to demonetization.

Then, we also looked at rabi acreage to check the impact of demonetisation on the use of inputs. We found that the area was 0.57 per cent lower than normal area on December 9. The gap was mainly in Uttar Pradesh and Karnataka.

In the case of UP, the farmers this year had a bumper paddy crop that matured late. In UP, sowing of wheat will go on till January 2nd and even 3rd week. I think this deficiency in sown area will be made up by the end of the season.

In case of Karnataka, the sowing was impacted by the lack of early winter rains — in October-November — and not demonetization. In case of fertilizers, in November, the off-take was 5 per cent low compared to the previous year.

But, cash shortage has forced many farmers to sell at a throwaway price...

It was not throwaway price. The prices were low by some 5-10 per cent. In case of tomato, the price drop was 8 per cent, cabbage 5 per cent and apple 3 per cent. Overall, we see the prices were lower by 5 per cent in case of perishables due to the impact of demonetization.

You think the fall-out of demonetisation will affect growth in agriculture this year?

I think the area gap in rabi sowing is likely to be covered, but the impact of demonetisation on fruit and vegetables would affect the overall growth rate in agriculture. The overall impact on agriculture growth would be to an extent of 0.27 percentage points mainly on account of the impact of demonetisation on perishables. The target growth in agriculture is 4 per cent for this year, while we were expecting a growth of 6 per cent. Despite the impact of demonetization, I expect growth in agriculture to be more than 5 per cent.

Among all the sectors, I feel the impact of demonetisation will be minimal on agriculture because much of the farm economy works on trust and credit. Much of the labour is local in agriculture, unlike in other sector. They stay and work there, even if the farmer does not have cash for immediate payments. I think the situation will normalize by the middle of January.

How do you see the farm sector adjusting to the new change?

In case of agriculture, it is easier to introduce less cash. It will be the least affected as there is no black money in agriculture production. It is all transparent. But there is black money in agriculture trade. Going digital would help curb the tax evasion in agriculture trade. Further, I feel that payments by farmers to labourers, etc. will still keep happening on cash basis. But the payments that farmer makes for purchasing inputs and to the commercial sector could be in other forms.

Again on the marketing side, I feel that introducing digital payment mechanism into markets is easier in agriculture. Transition is always difficult. Some people have started using the non-cash methods to carry out transactions. But I am not saying that we will move towards cash less. Agriculture can never be cash less, but can do with less cash.

But the infrastructure on the ground is inadequate to push the non-cash mechanism...

We are creating infrastructure everywhere now. A committee of chief ministers has been constituted to create a roadmap for digital payments and the kind of infrastructure needed. They will suggest what kind of infrastructure to be put in place for the digital transition.

But farmers may find it difficult to adapt...

Let us not underestimate the capacity for farmers to use technology or other payment methods. They have been using tractors, irrigation pumps, seed drills and other implements. If a farmer can do such complex technical operation, this is nothing for them. Also, in several rural areas we have the private banks come up as well. NITI Aayog is asking mobile manufacturers to come out with handsets that have biometric features, so that illiterate farmers can use them and their mobile is not misused. Once we make our mind to move in this direction all these things will happen.