Agriculture as a shock-absorber

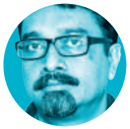
Commercialisation is inevitable. But it must be accompanied with building an alternative social safety net

The slew of agricultural reforms initiated by the government has led to a vigorous discussion in the media about the pros and cons of these policy changes. Most of these discussions have focused on agriculture as an activity that provides farmers with a regular source of income. The arguments have engaged mainly with the question of whether these reforms would increase these incomes, if agriculture became more commercialised.

In all these discussions however, there is one important aspect that has got largely overlooked — the role of agriculture as an informal social safety net, specifically in times of crisis.

To be clear, there are two types of safety nets that are needed in developing countries. The first is a protection against chronic poverty and unemployment in normal times. This is the objective behind Mahatma Gandhi National Rural Employment Guarantee Scheme, the largest State-sponsored formal programme of this type. The second provides protection against a sudden crisis, such as the Covid-19 pandemic. As we found out when the pandemic broke out, we do not have a formal State-financed social safety net infrastructure that is adequate for such a situation.

Safety nets for crisis situations are critical for developing economies that have adopted a market-led growth strategy. Markets are useful in driving higher rates of growth over time, but they are also much more vulnerable to many types of shocks. Since poor and vulnerable citizens do not have adequate savings for these hard times, these shocks expose them to health and even life risks during these periods. In the absence of formal safety nets, they turn to informal community-based support systems.



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In India, a significant section of wage earners who work in small towns or large cities still have their links with their villages intact. For these people, agriculture and allied sectors in their villages remain the informal safety net — a source of income if a crisis shuts down their principal livelihood in urban areas. For those who have lost these rural family links, the only alternative during these crises remains the informal retail sector — the fruit and vegetable carts.

The importance of agriculture as an informal social safety net became clear during the reverse migration that India experienced after the imposition of the first lockdown. The long and arduous journeys that hundreds of thousands of people undertook were obviously extremely risky. The only reason so many migrants took such a decision was based on their trust that the agricultural sector would save their lives.

In his book, *How Asia Works*, Joe Studwell describes a similar phenomenon in Taiwan during the first oil crisis in the mid-1970s, where close to 200,000 factory workers returned to farming. Such temporary reverse migrations in slack periods are also common in China.

In contrast to these experiences, Studwell suggests that countries ranging from 18th-century Britain to the Philippines in recent times, which are characterised by larger-scale farming, have ended up with “legions of indigent poor or acres of squatter camps”. Another example of this phenomenon is contemporary South Africa, which has a significantly large group of poor and vulnerable people. But agriculture in South Africa is in the hand of a few large farms and plantation owners and, as a result, it fails as an informal social safety net. One of the effects of this is high crime rates in South African cities.

So what does all of this mean for India and, more specifically, for our agricultural policies? The reforms initiated by the government are an attempt to move the agricultural sector away from the current institutional arrangements controlled by the *arhtiyas* towards more corporatised

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agricultural marketing. This is a change that is inevitable, given the market-led growth strategy that we have adopted since the 1990s.

As agriculture becomes more corporatised — with the participation of large retail companies as their clients — farms will also be forced to consolidate. The logic of such consolidation is in the interest of both the corporate buyers and the farms. Large retail companies will prefer to deal with larger farms in order to cut their procurement costs. Farmers, on the other hand, will be under pressure to consolidate in order to bargain more effectively with these companies. There are various ways through which this change in average farm size can and will happen. Over time, this will lead to more families moving out of agriculture and agriculture becoming more capital and technology-intensive. One important fallout of this change is that the sector will lose its ability to provide a social safety net to the poor and vulnerable, in times of a crisis.

This possibility, however, does not justify turning our backs to market-led reforms in agriculture. We just need to recognise that commercialised agricultural development will become a risky social project unless it is accompanied with the development of formal State-sponsored social safety net mechanisms on a comparable scale.

This is an enormous administrative exercise that will need to identify the vulnerable and implement mechanisms to reach them in time. If we commercialise agriculture but fail to build these alternative safety nets, the next economic shock will lead to a costly urban crisis in India.

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The views expressed are personal