

Is agriculture a business?

Yes, except that farmers suffer rules other businessmen never encounter



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AGRICULTURE IS said to be India's largest private-sector enterprise, engaging nearly 119 million farmers ("cultivators") and another 144 million landless labourers, as per the 2011 Census. It is even considered the most respectable business, going by the oft-quoted slogan "uttam kheti, madhyam vyapar, kanishtha naukri (supreme is farming, mediocre is trade and most lowly is service)".

But the exalted status apart, it must be asked: Is farming really a business? Even if it is, then to what extent? Is there something about agriculture that makes it fundamentally different as a business? One could point to at least four "laws" of business operating only in farming, of which the last two are probably unique to India.

The first law is that agriculture is the only business where you have both production as well as price risks. A steelmaker may encounter strikes by workers or transporters. His plant could get flooded by rains of the kind Chennai saw late last year. But these disruptions to production are clearly once-in-a-decade happenstances. For most industries, fluctuations in currency or prices of raw material and finished product are the more recurrent risks.

For the farmer, however, production risks are a practically daily phenomenon: There might be inadequate rains at sowing, germination and vegetative growth stages; pest attacks during pod or boll formation; and hail-storm just when the crop is attaining maturity. On top of these is the risk of price crash at the time of harvest.

The co-existence and high probability of both production and price risks are what also render farm insurance commercially unviable. This explains why even in the US, for example, the federal government subsidises, on an average, about 62 per cent of crop insurance premiums. In 2012 alone, a major countrywide drought led to total indemnities topping \$17.5 billion, of which farmer premiums covered just \$4.2 billion.

The second law is that agriculture is the only business where you buy everything retail and sell everything wholesale. This was first told to me by a farmer in Illinois whom I met some years ago. He operated 1,300 acres and had a huge on-farm storage silo that enabled him to make staggered sales. He further hedged against price declines by selling futures contracts at prices prevailing during the time of planting in the Chicago Board of Trade.

But what this typical rich Midwest US farmer said has universal applicability for agriculture. In most businesses, you buy wholesale and sell wholesale. If you are Walmart or Amazon, you actually buy wholesale and sell retail. Farmers are the only lot who pay retail prices for everything, from tractors to toothpaste, while being forced to sell their entire produce at wholesale rates.

One way to get around this is through co-operatives. Gujarat dairy farmers supplying to Amul, for instance, get roughly Rs 36 for their full-cream milk that retails in Delhi for Rs 48 per litre. Similarly, there could be farmer producer organisations that procure seeds, fertilisers, pesticides or animal-feed from manufacturers in bulk and make these available to their members at wholesale rates. But we know such genuine farmer-controlled cooperatives that cut through intermediary chains on both the input and output side are rare in India; most of them are extensions of the government manned by career bureaucrats.

Besides these two universal laws, one can identify two more that seemingly apply only in India.

The first such India-specific law is that agriculture is the only business where ex-



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pansion is a crime. Today, any start-up entrepreneur whose business gets valued at over \$1 billion within five years of founding — or, for that matter, someone who grows his existing concern manifold through acquisitions — is feted and lauded as a visionary. But a farmer who cultivates even 25 acres or simply augments his holding size by leasing additional land is instantly dubbed a "kulak" or a capitalist in not the most glowing sense. We all love farmers when they are subsistence producers dependent on our kind-heartedness, while being suspicious of those independent and big enough to demand that they be heard. For the latter, all crops are commercial — which is how it should be — and farming is about making money, just like any other business.

The tragedy with Indian agriculture is we don't really have a farm lobby of consequence. That's why onion and potato shipments are frequently subjected to minimum export price restrictions, whereas steel manufacturers have been bestowed with safeguard duty and even minimum import price protection. A host of industrial products from polypropylene and purified terephthalic acid to float glass, likewise, enjoy anti-dumping duty benefits, even as rubber growers haven't had such luck despite domestic realisations more than halving and imports doubling in the last four years. While India Inc is clamouring for protection against falling global commodity prices with some success, the commerce ministry's own trading enterprise, PEC Ltd, recently contracted duty-free imports of 2,50,000 tonnes of maize at around \$193 per tonne — below even the official minimum support price of Rs 1,325/quintal payable to our farmers.

The last law exclusive to agriculture in India is that it is the only business where introduction of new technology is a matter of controversy. It happened with dwarf wheat varieties and cross-bred cows in the 1960s and 1970s, and we are currently witnessing

it in genetically modified (GM) crops. Any objective analysis would show that these technologies helped India become self-sufficient — even a net exporter — in foodgrains, milk and cotton, resulting in higher farm incomes as well.

Yet, far from recognising this, we believe the future lies in going back to *paramparagat krishi* and *desi gaai*. There's nothing wrong in promoting organic agriculture or conservation of indigenous cattle breeds; who would object if some farmers feel they can make money by selling their products at higher prices? The problem, though, is when this is combined with a Luddite agenda of blocking any new farming technology or innovation on the basis of unsubstantiated side-effects. In agriculture, the precautionary principle has been stretched to the extent of not even permitting open-field trials of GM crops.

Again, the contrast with other businesses is stark. We consider it our right to own the latest Apple iPhone 6S, have ACs in every room, and even envisage a not-very-distant future of driverless cars. Nobody considers the side-effects from them — accumulation of toxic electronic waste, increased carbon emissions, labour displacement, among other things — serious enough to ban, leave alone regulate, their usage. Equally revealing is the fact that no NGO has held demonstrations against administering of the Hepatitis-B vaccine, despite it being produced from culturing of a strain of GM yeast cells. There is also unlikely to be any strong opposition to the release of genetically engineered mosquitoes for combating Zika or Dengue. These standards apparently apply only to farmers planting transgenic mustard or herbicide-resistant corn.

A time will come, hopefully, when our farmers will start challenging the above four laws of business operating against them. The day they do this, it isn't going to be business as usual.

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