

Sectoral Consultation Report on “Impact of COVID-19 on the Rural Poor and Economy: Challenges, Opportunities & Recommendation”

I. Introduction

The Sectoral Consultation on “Impact of COVID-19 on Rural Poor and Economy” was organised on April 11, 2020. The meeting was hosted by the Swaniti Initiative with participants from Farmer Producer Organisations and NGOs working on livelihood projects with various State Governments.

The proposed objective of the Sectoral Consultation was:

- Understanding the impact on the rural poor
- Perspective on the impact of COVID-19 on farmers and their livelihood
- Understanding the reverse migration of rural economy
- Bringing about a strategy document to support state governments / nodal ministries as a feasible action plan

The consultation commenced officially with opening remarks delivered by the members from Swaniti that the ongoing health crisis around COVID19 has affected all walks of life. Protecting the lives of people suffering from the disease as well as frontline health responders have been the priority of nations. The government has swung into actions since the Corona virus attack created an unprecedented situation by declaring a three-week nation-wide lockdown till mid-April in the initial phase. This has subsequently been extended till May 3 for achieving satisfactory containment of the virus spread. **During a pandemic it is assumed that being in a rural area is better than being in a city. But that is a deceptive impression as the smallholder farmers are older than average and hence more vulnerable to the virus. Additionally they have less access to health services.** Coronavirus in India has triggered a **mass reverse migration of labourers from cities across the country.** The state of paralysis and the shortage of labour may hamper the harvesting of winter crops and will likely have a long-term effect on the country’s rural poor. So, it is **necessary to collectively come forward and work towards finding solutions to combat the issue and revive the rural economy.**

The members from the Farmer Producer Organisations put forward the remarks that the rural population also depended on field laborers that are not able to travel from surrounding villages to help with planting, weeding and harvesting. To process crops, smallholder farmers need to transport crops to processing centers, which are closed, as are the markets where they obtain agricultural inputs or sell farm products. **Large international agribusiness firms, which supply inputs and purchase local farmers products have withdrawn their operation, at least temporarily, from the rural economies.** They also shared that most farmers depend on non-farm and off-farm activities for their livelihoods, as they are field laborers for other farmers, work in the processing industry or work in construction. **Interrupted transportation and closures pose serious challenges to maintain safe business continuity throughout the rural economy.** The risk is not only that immediate rural production, food deliveries, exports, employment and incomes will collapse, but also that planting for next year’s crops are getting disrupted.

The members from the NGOs put forward three aspects of the lockdown on Rural Poor:

- **Production Process:** COVID-19 and the lockdown have already led to large-scale reverse migration of migrant workers. This could lead to an **increase in the availability of labourers in farms, which may incentivize farmers to use reduced amounts of machines for farm work.**
- **Post-Harvest:** The increase in the availability of labourers will lead to a change in the harvest process as well. However, given that (a) most mandis across the country are closed or highly reduced in their operations, and (b) most middlemen at villages that help farmers sell their produce are not present right now, this might lead to reduced sale opportunities for farmers after harvest. **Though the challenges posed by reduced crop sale can be used as an opportunity to develop new facilities for warehousing, cold storage, and drying and processing of food items at a village level.**
- **Markets:** The lockdown has already and will continue to cause farmers to engage in distress selling, which in turn will result in a fluctuation of crop prices. To elaborate the example of *Chana (chickpeas)* sales from South Rajasthan was given. *Chana (chickpeas)* had recently been harvested in Rajasthan, but due to the lockdown farmers have been selling the crop at INR 10-12 per kg, which is far lower than the usual sale price of INR 35-40 per kg, and the government ensured 2020-21 minimum sale price (MSP) of INR 48.75 per kg. This distress selling of crops is a knee-jerk reaction of the farmers to this novel situation. However, they believed that **if the lockdown continues for longer, farmers will adjust to the new circumstances and find new markets/new methods of ensuring that they receive regular market prices for their produce. Switching from multi-cropping to mono-cropping is one such method that farmers may apply.**

On the point of reverse migration, the members in the consultation were of the view that **reverse migration would not help in increasing the agricultural sector's growth.** While it is true that migrant workers' income from non-agricultural work in the past was low, and reverse migration would help to have more labour on farms, for small landholdings this would not make a difference to productivity. This is because small landholdings were already functioning close to their peak productivity and efficiency, even with fewer labourers. Additionally, in **small landholdings the increased labour usage will lead to a decrease in per capita income.**

On the point of information dissemination, there is huge information asymmetry existing between the government orders and final lockdown implementation agencies at the district and village level about what constitutes essential services. This has led to confusion. **The police who are on the front line and control the transport and movement of people do not have enough information and understanding of what is allowed and what is not under essential services.** There is an urgent need for mass print and social media campaigns to create awareness among the public and essential staff such as the police about safety measures and essential services.

One of the major concerns raised remains that **if the broken supply chains for perishables and other food items do not improve and fail to connect with the urban wholesale market, then there is a strong possibility of a shortage of food for the poor and loss to the producers.** Stockpiling of commodities by the financially stable **will lead to a rise in prices and create further hardship for those**

who already have very little. COVID-19 is going to be a real disaster for the poor and economically vulnerable people who have lost their jobs. If the anticipated food shortages come to pass, there may be social unrest. Of course, India has sufficient food stock - mainly grains - and there is enough food in the system, **the challenge is re-connecting the broken supply chains so that this food reaches those in need.**

II. Opportunities arising from COVID

The participants in the consultation also believed that the short-term response to help minimize the impact of the COVID-19 crisis on the rural poor is critical, but we also need to support the shaping of a “new normal” where rural food systems are resilient, profitable and inclusive for poor rural communities.

1. COVID-19 pandemic could **present opportunities to break silos and show how closely health and agriculture are related. The rural agricultural extension networks could be used to disseminate information on health awareness and education around COVID-19 and collect data on local impacts.** This may cause and provide relief in the short term but may also provide opportunities for collaboration in the long run.
2. There can be **stronger independence from externally funded projects, experts and solutions to more local ownership and expertise in rural areas, something that the community of practice has been promoting strongly.** There could be **programmes to support more autonomy of the farmer, a strong local market and scale-up local value chains.** Strengthening the capacity of small and medium enterprises **linking farmers to urban markets could help ensure stability in future economic shocks.**
3. This gives a great opportunity **to scale up local and regional input and output value chains that benefit local farmers and small and medium enterprises** rather than Governments and donor ‘projects’ which look towards export and global value chains.
4. The COVID-19 pandemic **presents an opportunity to accelerate the scaling of innovations.** Lack of access to labor could be disrupting harvesting and planting. This could be a looming need for mechanization of farms at scale, using mini-tillers, planters, harvesters and other time- and labour-saving equipment.
5. The pandemic creates an opportunity to accelerate the use of digital technologies in smallholder agriculture, not only for extension advice but to crowdsource information about COVID-19 impact. **The current crisis forces us to use digital communication systems, replace human work with digital tools where possible and use technology to help target interventions.** Both the **public and private sector could build on this opportunity to invest in increased access to internet, electricity and other digital resources, including in impoverished areas.** All these technological innovations can help farmers to better cope with the constraints of COVID-19 and any future crises or stresses to the food system, while also making agriculture more productive and more attractive to the young.

6. This pandemic can help in bringing a **paradigm shift on dietary diversity and food safety and security**, paying attention to the rural poor in low- and middle-income people. Organisations can work **together to scale cross-sector platforms to build solid networks and scale-up innovations to strengthen sustainable and resilient food systems.**

This suggests that a systems change is imminent, and it is important to support a transformation in a direction where local markets, rural labor and regional economies come out stronger in the long term through vision, expertise, mobilization of resources, information sharing and crowdsourced leadership, and the network of scaling experts coming together.

III. Policy Recommendations

The Policy recommendations provided by the members can be differentiated into short term and long term. The short-term recommendations could help the rural poor and farmers from dealing with the immediate situation of distress while the long-term recommendations could be used to strengthen the system from dealing with future pandemics, if it arises in the country.

A. Short Term Recommendations:

1. **Mahatma Gandhi National Employment Guarantee Act (MGNREGA) as rescue tool:** Reverse migrants who are unemployed in their respective villages and towns should be incentivized to join MGNREGA. It is also important to utilize MGNREGA in helping the country to tide over the water crisis through water conservation when COVID-19 as the reverse migration could increase water distress as the summer season is looming around. **The major work of the water conservation drive under the new Jal Shakti Ministry is routed through MGNREGA;** but the scare of the virus has reduced such work and the **money spent this financial year on water-related work is just 21.6 per cent of all the work.** The rural job scheme can provide a great opportunity to the reverse migrant labourers and **the government can seize this opportunity to push the water conservation drive and provide employment simultaneously.**
2. **Reopening of APMC and Mandis:** For ensuring that the supply chain of food, including processed food, is not disrupted, it is important that **mandis are allowed to run after ensuring appropriate protection and hygiene measures.**
3. **Increasing the Procurement Centers:** The number of procurements centers need to be increased in the states where arrivals are expected to start in a few days. Farmers should not have to transport more than 3-km to offer their produce for minimum support price (MSP) operations. The number of trucks for lifting the procured stocks from procurement centers needs to go up substantially. Otherwise, there will be shortage of space at procurement centers. **Sufficient storage space needs to be created at warehouses of Food Corporation of India (FCI) and state agencies also. If covered warehouses are not available, proper arrangements for CAP storage of wheat should be made.**
4. **Seed licenses:** Seed companies whose seed license has just expired or about to expire are unable to renew their licenses due to lockdown. In such cases, **all seed licenses which expired**

in March 2020 or later, be automatically extended. This will facilitate the unhindered supply of seeds for this Kharif season.

5. **Restructure crop loans and investment loans:** Loans taken on Kisan Credit Card (KCC) as well as investment loans taken by small farmers may be rescheduled and no interest should be charged for six months.
6. **Renting Farm Machinery through State Entities:** To obviate the immediate concerns of scarcity of farm labor, policies must facilitate easy availability of machinery through state entities, Farmer Producer Organizations (FPOs) or custom hiring centers (CHCs) with suitable incentives.

B. Long Term- Recommendations

1. **Relaxation in APMC Rules:** Relaxation of the norms by Agricultural Produce Market Committees (APMCs) **allowing farmers to sell their produce beyond the designated mandis will certainly ease the burdens of farmers.** State Governments must gear up their machineries for smooth procurement operations of farmers' marketable surpluses at MSP (minimum support price) or through other price support schemes.
2. **Increasing Focus on Farm Economy:** Investments should not be crowded out of the primary sector to prevent irreversible damage to the farm economy. To **focus attention on the agriculture sector as a growth engine and also to bring resilience in food (and nutrition) security.** At this critical stage, where climate change is already adversely impacting the agriculture sector, productive investments, including on research and innovation, would be very purposeful.
3. **Structural reforms** such as land leasing, contract farming and private agricultural markets, to bring enhanced investments into the agriculture sector and to push its growth.
4. **Shifting away from Staple Cereals Fundamentalism:** With increasing population, there is a corresponding rise in food demand in India. However, the negative externalities of the Green Revolution, particularly the environmental trade-offs and staple cereals fundamentalism, have since been realized. It is thus **desirable to switch over to a suitable model with a far stronger nutrition focus where diets are more diverse.** A post-COVID situation offers that unique opportunity to repurpose the existing food and agriculture policies for a healthier population.
5. **Investment to improve Agricultural Logistics and Supply Chain:** To sustain the demand for agricultural commodities, investments in key logistics must be enhanced. Moreover, e-commerce and delivery companies and start-ups need to be encouraged with suitable policies and incentives. **Increase in investments in cold storage facilities and decentralized primary and secondary food processing firms** to support small and marginal farmers and to ease the food supply chain. If these investments continued long term, they would strengthen supply chains. There is also the **chance to think and prepare the best local governance model should a similar pandemic arise in the future.**