



## Middlemen Gain as Farmers Earn Less in Agri Produce: RBI

**For Prelims:** [Reserve Bank of India \(RBI\)](#), [high inflation](#), [Consumer Price Index \(CPI\)](#), [Wholesale Price Index \(WPI\)](#), [National Agriculture Market \(e-NAM\) platform](#), [Farmer Producer Organizations \(FPOs\)](#), [Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan \(PM-KUSUM\) scheme](#), [Pradhan Mantri Fasal Bima Yojana \(PMFBY\)](#), [Soil Health Card Scheme](#), [Pradhan Mantri Krishi Sinchai Yojana \(PMKSY\)](#)

**For Mains:** Key Initiatives Related to Agriculture, Inflation and its impact on the food, Middlemen as facilitators and barriers in the agriculture sector.

[Source: TH](#)

### Why in News?

The four working papers released by the [Reserve Bank of India \(RBI\)](#), indicated that during periods of [high inflation](#) in the **fruits and vegetables sector**, **middlemen and retailers** appeared to capture a significant portion of the price paid by consumers, thereby **benefiting at the expense of farmers**.

### Inflation

- **Definition: Inflation** is defined as the rate at which the **general level of prices for goods and services rises**, leading to a **decrease in purchasing power**.
- **Measurement:** In India, inflation is mainly measured through 2 price indices - the [Wholesale Price Index \(WPI\)](#) and the [Consumer Price Index \(CPI\)](#).
- **Types of Inflation:**
  - **Demand-Pull Inflation:** Occurs when **demand for goods and services exceeds supply**.
  - **Cost-Push Inflation:** Results from an **increase in the costs of production, leading to higher prices** for consumers.
  - **Structural inflation:** It is a type of inflation that's caused by **structural weaknesses in an economy**, and is often experienced in developing countries.
- **Impact on Economy: Moderate inflation** is considered a **sign of a growing economy**, but high inflation can erode purchasing power, create uncertainty, and negatively impact savings and investments.

### What are the Key Findings of the RBI Papers?

- Four working papers from **the RBI's Department of Economy & Policy Research** found that farmers received a much lower share of the consumer rupee in the case of fruits (e.g., bananas, grapes, mangoes) and essential vegetables (e.g., tomatoes, onions, potatoes) compared to dairy, poultry, and pulses.

- According to the paper **Livestock and Poultry Inflation in India**:
  - Farmers receive about **70% of the consumer rupee for milk and 75% for eggs**.
  - For poultry meat, farmers and aggregators together receive about 56%.
  - The **Consumer Price Index (CPI) for Milk** shows price fluctuations influenced by factors like **feed costs and availability**.
    - Higher availability of milk results in lower prices.
    - Higher feed costs lead to increased milk prices.
- The paper **Price Dynamics and Value Chain of Fruits in India** estimates:
  - Farmers receive **about 31% of the consumer rupee for bananas**, 35% for grapes and 43% for mangoes.
  - Grape farming is **capital and labor-intensive** and price volatility is influenced by **seasonality, climate conditions, and input costs**.
    - Grape production is concentrated in **Maharashtra and Karnataka**.
    - Exports grapes primarily to the **Netherlands and Bangladesh**, while **imports from China**.
- The paper **Pulses Inflation in India** finds:
  - Farmers receive 75% of the consumer rupee for gram (chana), 70% for moong and 65% for tur.
  - Both demand and supply-side factors, such as **stock levels, rural wages, input costs, and structural bottlenecks**, are determinants of pulses inflation.
- The paper **Vegetables Inflation in India** estimates:
  - Farmers receive **33% for tomatoes, 36% for onions, 37% for potatoes**.
  - Key factors affecting vegetable inflation are **input costs, rainfall, and wages, along with supply-side shocks** like weather conditions and market behavior.
  - Vegetable prices are highly volatile due to **short crop cycles, perishability, regional production concentration, and seasonal weather** conditions.

## RBI's Department of Economy & Policy Research

- It serves as a knowledge hub focused on **macroeconomic policy-oriented research** to support policy-related decision-making.
- The department's research agenda addresses key macroeconomic challenges in India, covering areas such as **monetary policy, growth and inflation dynamics, financial markets, macroeconomic forecasting, the banking sector, financial stability, and external sector management**.
- The DEPR is responsible for publishing the **RBI's key statutory reports**, including the Annual Report and the Report on Trend and Progress of Banking in India.
  - It also publishes other important resources such as State Finances (A Study of Budgets), and the Handbook of Statistics on Indian States.

## What are the Measures Suggested by the RBI Research Papers?

- **Fruits and Vegetables:**
  - **Expanding Private Markets:** To reduce dependency on middlemen and enhance market access for farmers.
    - Expanding such markets can **encourage competitive pricing and reduce the inefficiencies** in traditional wholesale markets (mandis).
  - **Government Initiatives:** Measures such as **buffer stocks, Price Stabilization Fund (PSF)**, and the **Operation Greens** scheme aim to reduce price volatility and increase value realization for farmers.
  - **Enhancing Use of the e-NAM Platform:** Promoting the use of the **National Agriculture Market (e-NAM) platform** is critical for ensuring transparency and reducing price distortions.
  - **Promoting Farmer Collectives:** **Farmer Producer Organizations (FPOs)** are being promoted to **empower small and marginal farmers**.

- FPOs can **help farmers pool resources, enhance bargaining power**, and improve access to inputs, credit, and markets.
  - **Building Cold Storage Facilities:** To **minimise post-harvest losses**, particularly for perishable fruits and vegetables. **India loses about 30-40% of its fruits and vegetables due to inadequate cold storage.**
    - Increased investment in cold chain infrastructure can extend the shelf life of produce, stabilizing prices and benefiting both farmers and consumers.
- **Pulses:**
  - **Infrastructure Improvements:** Need for **structural reforms in agricultural markets** such as **investment in rural infrastructure.**
    - These measures are **essential for ensuring sustained price stability** and improving farmers' income over the long term.
  - **Varietal Development for Higher Yields:** Promote **climate-resilient and short-duration seed varieties** to enhance production.
    - For example, **ICAR's Pusa Arhar-16** reduces the maturity period of tur from 180 to 120 days, **increasing yield by 15%.**
  - **Scaling up Procurement and Buffer Reserves:** Strengthen government procurement of domestic and imported pulses for market intervention.
    - **National Agricultural Cooperative Marketing Federation of India's** strategic buffer stock has helped manage inflation.
- **Milk:**
  - **Rationalising Trade Policy:** Adjust **tariffs on imported products** like **skimmed milk powder (SMP) and butter** to stabilise prices, while protecting domestic farmers.
  - **Promoting Germplasm Imports:** Relax restrictions on **importing cattle/buffalo germplasm** to introduce temperate breeds for crossbreeding, thus boosting milk productivity in the medium to long term.
  - **Enhancing Value Chain Infrastructure:** Prioritise investment in **bulk milk chilling (BMC) centers**, modern dairy plants, and small processing units.
    - **Improved processing and storage infrastructure** will enhance the export competitiveness of dairy products.
  - **Integrated Animal Health Plans:** Establish fast medical response units to tackle frequent disease outbreaks like **foot-and-mouth disease.**
- **Policy Suggestions for Poultry Sector:**
  - **Removing Trade Policy Distortions:** **Rationalise duties on poultry imports**, particularly during periods of high demand, to reduce meat inflation and increase market competition.
  - **Developing Infrastructure:** Encourage **FDI** and **public-private partnerships (PPP)** to improve cold chain facilities, processing infrastructure, and farm management.
  - **Reducing Production Costs:** Prioritise policies to **enhance high quality maize and soybean productivity**, as they constitute **the bulk of poultry feed costs.**
  - **Institutional Support for Small Producers:** Encourage the **collectivisation of small poultry farmers** to improve access to quality inputs and markets.
    - Cooperative models such as **Amul** could help smallholders reduce transaction costs and gain fair prices.

## What are the Key Initiatives Related to Agriculture?

- [Pradhan Mantri Fasal Bima Yojana \(PMFBY\)](#)
- [Soil Health Card Scheme](#)
- [Pradhan Mantri Krishi Sinchai Yojana \(PMKSY\)](#)
- [e-National Agriculture Market \(e-NAM\)](#)
- [Paramparagat Krishi Vikas Yojana \(PKVY\)](#)
- [Digital Agriculture Mission](#)
- [Unified Farmer Service Platform \(UFSP\)](#)
- [National e-Governance Plan in Agriculture \(NeGP-A\)](#)
- [Mission Organic Value Chain Development for North Eastern Region \(MOVCDNER\)](#)

## Conclusion

Despite farmers' contributions to the economy, their **share of the consumer rupee remains disproportionately low**, particularly in the fruits and vegetables sector. Addressing these disparities is essential for fostering a more **equitable distribution of income** and ensuring that farmers receive fair compensation for their produce. Comprehensive policy measures are necessary to empower farmers, promote sustainable practices, and enhance the overall efficiency of the agricultural sector.

### **Drishti Mains Question:**

What measures can be implemented to ensure equitable distribution of income for farmers and how might these measures contribute to the overall stability and sustainability of the agricultural sector ?

## UPSC Civil Services Examination, Previous Year Question (PYQ)

### **Prelims:**

**Q. Under the Kisan Credit Card scheme, short-term credit support is given to farmers for which of the following purposes? (2020)**

1. Working capital for maintenance of farm assets
2. Purchase of combine harvesters, tractors and mini trucks
3. Consumption requirements of farm households
4. Post-harvest expenses
5. Construction of family house and setting up of village cold storage facility

**Select the correct answer using the code given below:**

- (a) 1, 2 and 5 only  
(b) 1, 3 and 4 only  
(c) 2, 3, 4 and 5 only  
(d) 1, 2, 3, 4 and 5

**Ans: (b)**

### **Mains:**

**Q. How did land reforms in some parts of the country help to improve the socio-economic conditions of marginal and small farmers? (2021)**

**Q. What are the impediments in marketing and supply chain management in developing the food processing industry in India? Can e-commerce help in overcoming this bottleneck? (2015)**