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THERE ARE many parallels one can draw between the novel coronavirus-induced lockdown (gharbandi) and demonetisation (notebandi), in terms of their impact on India's farm economy. Both resulted in the same thing - demand destruction - albeit through different routes.

Notebandi caused a haemorrhaging of liquidity from the predominantly cash-based farm produce market. In the pre-demonetisation era, it wasn't uncommon for individual traders to purchase produce worth Rs 50 lakh or even Rs 1 crore daily during the peak harvest season and make payments to farmers entirely in cash. With demonetisation, and also restrictions on cash transactions introduced in the 2017-18 Union Budget, wholesale mandis were suddenly denuded of liquidity and, thereby, demand.

In gharbandi, demand destruction was wrought not by a lack of cash, but by buyers themselves. And these were institutional buyers, as opposed to households. The closure of hotels, restaurants, tea stalls, street food joints, sweetmeat shops, hostels and canteries - in addition to no wedding receptions and other public functions - led to a collapse of out-of-home food consumption. Even household-level food consumption was affected by falling incomes (in respect of poor and lower middle class families suddenly finding themselves without work) and reduced requirement due to forced inactivity (as with the rich and better off).

Either way, the outcome was the same. Notebandi and gharbandi both basically "flattened" farm produce prices, by shifting the demand curves to the left. The demand drop wasn't due to prices going up. Rather, with consumption being limited to homes - management shortages forced many food companies to also curtail production in factories and, hence, cut raw material purchases - there was less demand now for milk, potatoes or tomatoes even at the same price. This wasn't, in other words, simply a "movement along the demand curve", but a "leftward shift in the demand curve".

The other similarity between demonetisation and lockdown is that both struck just after farmers had produced a bumper rabi crop - the former in April-June 2017 and the latter barely three years later.

Notwithstanding these and other similarities - both followed overnight announcements by Prime Minister Narendra Modi - there are differences between the situations brought about by gharbandi and notebandi.

To start with, when demonetisation happened, the farm sector had already gone through tough times, with back-to-back droughts in 2014 and 2015 on top of a global agri-commodity price crash in 2014-15 and 2015-16. Also, notebandi primarily hit agriculture and informal enterprises, while organised manufacturing and services sector firms had actually benefited from demonetisation and the GST regime. The lockdown, by contrast, has affected these industries far more than agriculture.

The table shows that agricultural growth had surpassed overall economic growth during the last two quarters of 2019-20, in real as well as nominal terms after factoring in inflation. Even after lockdown came into effect from March 25, farm-related operations - from harvesting and sale of produce to mandis, to their intra- and inter-state movement - were exempted from gharbandi restrictions.

The second major difference has been government response. India's imports of pulses and edible oils peaked during 2015-16 to 2017-18. This period, before and after demonetisation, saw the government formally embracing "inflation targeting" and also giving the Essential Commodities Act a new lease of life. Stockholding limits were clamped from time to time on onion, potatoes, pulses and sugar, alongside allowing duty-free imports and placing of export cuts. These measures were persisted with despite consumer food price inflation ruling below general retail inflation since September 2016. Import controls came in only towards late 2017, partly in reaction to growing agrarian unrest.

The government's approach during lockdown has, in comparison, been more proactive. One reason for it might be the realisation that agriculture - apart from being "essential" for supplying food in a public health emergency - offered itself as the only feasible economic activity under the existing circumstances. All administrative steps were, therefore, taken to permit movement of labourers and machines for farmers to harvest their rabi crop.

It is true that farmers this time round, too, have incurred losses on sales of milk and perishable produce, from tomatoes, carrots, capsicums and gourds to grapes, bananas, watermelons and mangoes. The collapse of institutional demand and out-of-home consumption has further hurt poultry, maize and sugarcane growers, whether through slide in prices or non-payment by mills.

But it's also a fact that government agencies have undertaken record procurement of wheat (38.6 million tonnes of the 2019-20 crop, with minimum support price value of over Rs 74,200 crore) and paddy (74.3 m, including 15.7 m after March 31 and worth Rs 26,500 crore). Besides, they have bought about 1.8 m of chana (valued at Rs 8,750 crore), 0.8 m of rapeseed-mustard (Rs 3,300 crore) and 0.1 m of tur (arhar) (Rs 1,750 crore). Add the Rs 16,750 crore direct transfers to 8.37 m farmer accounts as first instalment payment of Rs 4,000 each under the PM-Kisan Samman Nidhi scheme. The total liquidity pumped into the farm economy, post-lockdown, by the government works out to more than Rs 133,000 crore.

That isn't small money, given the short time span (less than three months) within which this liquidity infusion has taken place and the sheer logistics involved in physical purchasing grain from farmers without violation of social distancing norms. Agriculture's newfound importance is also reflected in the two major reforms that might not have come about in normal times. The first one permits sale and purchase of farm produce outside the physical boundaries of state-regulated mandis. That, in theory, gives farmers freedom to sell directly to processors, exporters, wholesalers and retailers both within and outside their states, including through electronic trading platforms. The second reform does away with the imposition of ECA stockholding limits on foodstuffs, save under extraordinary conditions. These were powers that this very government had, ironically, been invoking until recently.

It took an all-round economic crisis, which Covid-19 brutally lay bare, to recognise the value and potential of Indian agriculture. If the Rs 17,622 crore of wage payments made under MGNREGA from April 1 is also accounted for, the government's total spend on farmers and rural workers in the past three months will be well in excess of Rs 150,000 crore. With the Covid situation in cities showing little improvement, it is clearly laying all hopes of an economic recovery on Bharat. [A different version of this article appeared this week in India in Transition, published by the Center for the Advanced Study of India, University of Pennsylvania]