

Rural Futures, the State and Markets

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The full impact of the coronavirus is unknown and difficult to predict, but its consequences for rural economies is becoming increasingly imminent. Both supply and demand for commodities and services are affected by disruptions in global trade and supply chains and likely to have knock-on effects for farmers and rural businesses. This article focuses on these risks for rural economies, with a focus on India. Understanding how this population will be affected will be key to ascertain the support needed to protect these vulnerable groups, ensuring they are sufficiently prepared.

COVID-19 and Rural Economies

As COVID-19 unfolds, the disruptions are affecting global food production and creating strong food security risks in many countries. Various nodes in food supply chains that involve a complex network of interactions involving farmers, labourers, input providers, processing plants, retailers and more, are at risk. In fact, the United Nations World Food Programme estimated that about 265 million people could face acute food insecurity by the end of 2020 (Anthem, 2020). For Indian agriculture, employing nearly 55% of the population, forecasts appear to have been mixed. Initially, predictions suggested that the country's farm sector was functioning smoothly (*The Economic Times*, 2020), even with the lockdown measures. But the reality has been different, with severe disruptions on account of non-availability of migrant labour and transportation problems for supply chains (Dev, 2020). Furthermore, the lockdown has led to delays in procurement of crops from farmers, as harvesting and post-

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harvesting is affected (Latif and Niazi, 2020) As a result, smallholder farmer livelihoods are at risk. These events are similar to past crisis that have shown how restrictions of movement curb farmers' access to markets, reducing the availability of labour and resulting in unsold stock, food losses, and income losses (United Nations, 2020).

While short-term effects are already evident, for the medium to long-term a more severe reduction in food demand is expected (Pandav et al., 2020). Rural areas will be directly affected, as facing excess numbers, households will have to cope with reduced food availability. The evidence is starting to emerge, as a recent study shows that over 50% of households in rural India are cutting down on food items after the lockdown (Pandit, 2020).

Additionally, measures restricting mobility have a direct effect on informal-sector workers, as their daily livelihoods are affected (Terp et al., 2020). With no liquidity, these actors face great hardships in food affordability. Food prices are also expected to rise, while there is a fear of an overall price deflation in the non-agricultural sector, and this will exacerbate the situation (*Deccan Herald*, 2020). Furthermore, health and sanitary concerns could devastate poor rural communities already facing challenges such as weak resilience, poor nutrition and limited access to resources (International Fund for Agricultural Development (IFAD), n.d.). There is also emerging evidence about stigma and misinformation about the virus (Biswas, 2020). Spread of fake news linking the spread of the virus to chickens cost the Indian poultry market billions (Khandekar, 2020).

The economic uncertainty from COVID-19 calls for a combination of short-term policies to safeguard livelihoods as well as medium to longer-term measures towards building resilience. Governments have announced health and safety measures, social protection programmes to safeguard lives and livelihoods. The private sector is also stepping in as many big multinational corporations and corporates are aiding the

government and public-private partnerships are investing in health facilities and preparedness plans (Poohan et al., n.d.). Globally, agriculture ministers from the G20, African Union, ASEAN countries and Latin American and Caribbean have agreed on keeping global food markets open and refraining from imposing new trade barriers (The World Bank, 2020).

In India, the state has announced relief packages for farmers, in addition to promising financing to strengthen infrastructure, building better logistics and major reforms (Jebaraj, 2020). Important areas for intervention are as follows:

- *Expand social security programs:* Relief in the form of temporary cash handouts and grants for poor farmers are essential. There is a clear demand for furthering this immediate support. For example, the PM Garib Kalyan Yojana that provides additional free food grain to those families with ration cards can be expanded, to avoid risking that the poorest and most marginalized families are left out (Narayan, 2020).
- *Ensure coverage of loan waivers:* Ensuring coverage of loan waivers will be important to ensure access for the vulnerable. Recent waivers of three months on farm loans have not reached the smallest and most marginalized farmers (Padhee, 2020). To expand coverage, universal cash grants and community kitchens must be considered for a more comprehensive relief package.
- *Additional support for women farmers and entrepreneurs:* Women in the rural economy bear a double burden, doing farm work and meeting childcare and caring responsibilities, likely to worsen with additional COVID-19 caring roles (Chopra et al., 2020). Targeted support for women will be necessary to safeguard their livelihoods.
- *Digital modes of delivery:* Digital tools and technologies should be facilitated for addressing some of the disruptions on the supply side – with new models for contracting labour,

accessing machinery, and soliciting services. Preliminary evidence of changes in the relationship between farmers and consumers is evident in Maharashtra, where decentralized markets and door-to-door delivery systems are allowing farmers to have direct access to consumers (Biswas, 2020).

- *Invest in capacity building and structural policies:* Efforts that prioritize and invest in training and building capabilities for the use of new technologies for farmers can go a long way in building resilience (Pandav et al., 2020). Structural policies like discussions to promote a Central Law, allowing farmers to sell directly to customers and not only to licensed traders, and removing inter-state barriers to commerce farm products can bring in medium to long-term transformation (Damodaran, 2020).

Conclusion

A combination of measures that are coordinated to withstand the current period of hardship will be needed to protect the rural economy - prioritizing safety nets for vulnerable populations, protecting women and the marginalized; along with longer-term strengthening of commitments towards investing in resilience to ensure stronger rural futures, with collaborative support from states as well as markets.

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