Emergence of COVID-19: Outlook for Agriculture Industry

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Abstracts

The agriculture industry has been pivotal in uplifting poverty, improve incomes, and food security for the marginalized. As per the World Bank, 80% of the world's poor living in rural areas depends upon the farming, as per the world bank projection under pre-COVID-19 scenario, the development in agriculture is expected to feed 9.7 billion people by 2050, provide employment opportunity to poor working adults reducing extreme poverty. But the industry which once accounted for 4% of the global GDP in 2018 is under stress of COVID-19 pandemic which shares concerns such as gap between prices for trading and delivery of agricultural commodities, disrupted supply chain and crunch of logistical resources, negative impact on farmer's health, shortage of workforce to undertake operations, and increasing operational costs for complying with precautionary norms. As compared to Manufacturing and Services sector, Agriculture sector is under dual pressure of COVID-19 and climate change. Thus, its need of the hour for public and private sector to peg mitigating measures with Agriculture sector in focus.

In Covid-19 scenario, agrarian economies such as India, Bangladesh, Vietnam for which agriculture holds 12-16% of their GDP have been affected the most. The agriculture sector has been on decline despite the government have launched relief schemes and packages for the benefit of small farmers. For instance, Despite, Indian government introducing relief packages such as crediting INR 2,000 under PMKISAN scheme, capping wage rates for laborer under National Rural Guarantee Scheme (NREGS), loan moratorium and reduction in agricultural loans and other financial cash and food assistance for the vulnerable segment, the agriculture sector declined. The lockdown timeline of three weeks in India clashed with the harvesting time of rabi crops such as wheat, mustard, pulses, and others. The farmers were lacking workers to undertake harvest due to migration to their natives, lack of adequate logistical support to

sell the produce, and government minimum support price operations lagged. This has disrupted both before and after harvest operations for Indian agricultural sector.

The decline in agriculture can be seen on developed nations as well, for instance, in US the logistics for agricultural produce which are rural roads remains inefficient due to pending receivables for infrastructure, lack of revenue for maintenance, as per US transportation research group (TRIP), 13% of major rural roads are not under operational condition, with 21% under mediocre, 66% in good condition. Low on workforce bandwidth have made the situation for the agriculture sector worse. There was limited outflow of agricultural produce from California which supplies over third of country’s fruits, and vegetables as the number of COVID-19 positive cases piled up. Companies such as Ag Growth International (AGI) based out of Canada has suspended its global operations in Italy, India, France, and Brazil as mandated by the government. The effect on the agriculture would be aggravated by decline in the global growth as US GDP has been reduced by $1.5 trillion in terms of economic output. This has led to contagion effects by casting reduction in global trade as the Chinese economy suffers the hardest. The relations were on decline since the US-China trade war which also have contributed on to the decline in the agricultural trade.

As per the global impact, the agricultural commodity markets are stressed with the lag between the trading and physical delivery prices of the agricultural produce. For instance, Chicago mercantile exchange remains shut until further notice for commodity trading which also plays vital role in pricing of agricultural products. The demand and supply forces remain void to determine prices in free market.

The farmers and the marginalized segment people who remains driving force behind agriculture sector remains vulnerable to the virus. For instance, In US, most of the farmer population in the Midwest US is above 65 years which infers that the precautions are mandatory for the farmers in US. Also, there remains a possibility of workers getting affected which might lead to increase in absenteeism.

The agricultural producers also lost the network of traditional marketing channels and the customers turnaround steeply declined. These were the results of retail prices of the agricultural products soared while the farmers share in the sales reduced. This also urged farmers to destroy the produce due to lack of availability of channels for selling the agricultural produce.

With the revival for the industry, the governments are resuming the operations with

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precautions taken which comes at the cost of debt and fiscal deficit. The above charts show the comparison of cost of government intervention for revival under the years of the Great depression (2008-2010) and COVID-19 (2019-2021). The similar pattern For instance, US federal government has taken measures to offer COVID-19 Food Assistance Program with aim of providing $16 billion as direct payment to farmers, European nations are discussing the possibility of providing express lanes for agriculture produce delivery. In US, Federal Motor Carrier Safety Administration is taking measures to provide relaxation federal drive time rules for trucks making agricultural goods delivery. Furthermore, there are firms ensuring safety of workers at their premises. Such as Symaga Silos based out of Spain guarantee safety during the operability and productivity of its factory operations.

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