What is Double Farming Income

-Pawanexh Kohli, May-2016

In day-to-day conversation, a number of terms sometimes lead to confusion, especially when the words involved are in disconnect from colloquial and professional context. Revenue and profit are often used interchangeably by the average person, but these terms have separate meanings, albeit profit being an outcome of revenue.

Contextual clarity on terminology is important to avoid confusion of intent or action. **Revenue** is a synonym for **income**, whereas **profit** means **net income**. Profits, in simple terms, means the income or revenue that remains after all expenses.

INCOME IS DIRECTLY LINKED TO SALES

Income is total revenue generated from sales of goods or services. Income is therefore the immediate outcome of sales fulfilled. Simply explained, the concept of **Doubling Farmers' Income**, has at first instance, to translate into multiplying their Sales volume.

The target to double farmers' income, will be best served by empowering access to more consumption points (markets). Such access is currently restrained mainly due to physical limitations of the logistics system. Policy direction to ramp up physical connectivity from farm to consumers and easing certain regulatory restrictions are required. Greater access to more markets hedges against selling risks, and adds opportunity to produce more.

At a recent round table, suggestions were put up to develop a roadmap for doubling of incomes. These mostly focused on aspects that relate to optimizing farm input costs. In reality, cost optimisation is secondary to the primary need to multiply revenues.

For example, say a farming group is able to sell only 50% of their production capability. Increasing the quantum of produce or saving their input costs will result in an increase in their revenue stream. It will surely not multiply their revenue and 50% losses will remain.

Farm-gates need to be empowered to reach out to more consumers so that they can scale up their sales and capture more revenue by delivering all production to markets.

PRICE REALISATION IMPACTS BOTH REVENUE AND PROFIT

The price point at which sales are transacted, and the transaction volume, directly reflects on the top line, or revenue. The margin between selling price and delivery costs is obviously the profit. The simple-minded lure would be to force an increase of the selling price, but this tactic would interfere with demand-supply dynamics and is not sustainable.

The price discovery or the value fixation of a product, is better linked to demand-supply balances, quality and consumer acceptability. In case of fresh food items, the demand supply mismatch can also be episodic for various reasons. However, physical delivery remains essential to close any sales transactions and this brings us back to the need for effective farm-to-consumer agrilogistics.

Profit is directly linked to Operational Excellence

Operational excellence helps optimise the inputs for better field level productivity (*planting material, better practices*), to reduce use of depleting resources (*fertigation*), to lower cost of operations (*farm mechanisation*), to counter on-farm vagaries (*protected cultivation*), etc. These and other tactical measures at farm-gate, help reduce input costs and may add to farm outputs.

Lowering of input costs would also make the produce more competitive at a lower price point, and therefore help capture more consumers. Nevertheless, profitability follows revenue generation and revenue multiplication rightfully has to be the primary target.

Profit is the element of maximising one's net returns, and a simplistic tactic can be to artificially delay the sale to get the best price per transaction. However, price arbitrage where it exists, always attracts opportunists and this in turn is not necessarily sustainable in the long run. Neither is it good wholesome strategy for the country.

Increase in Farm Yields is not Revenue Generating

Efforts towards achieving more production or productivity must be in tandem with market linkage, or in fact, be secondary to market development. Increasing farm level productivity assures a supply-side surplus, which when not linked with markets, results in a fall in price and possibly losses.

Case in example is the frequent glut evidenced when farmers produce more of a crop that fetched better margins in a previous year. The higher yield, when finding no new market uptake, creates a market imbalance, price takes a downwards trend and good food is left on the wayside to rot. The same happens to grain if final delivery is delayed for too long.

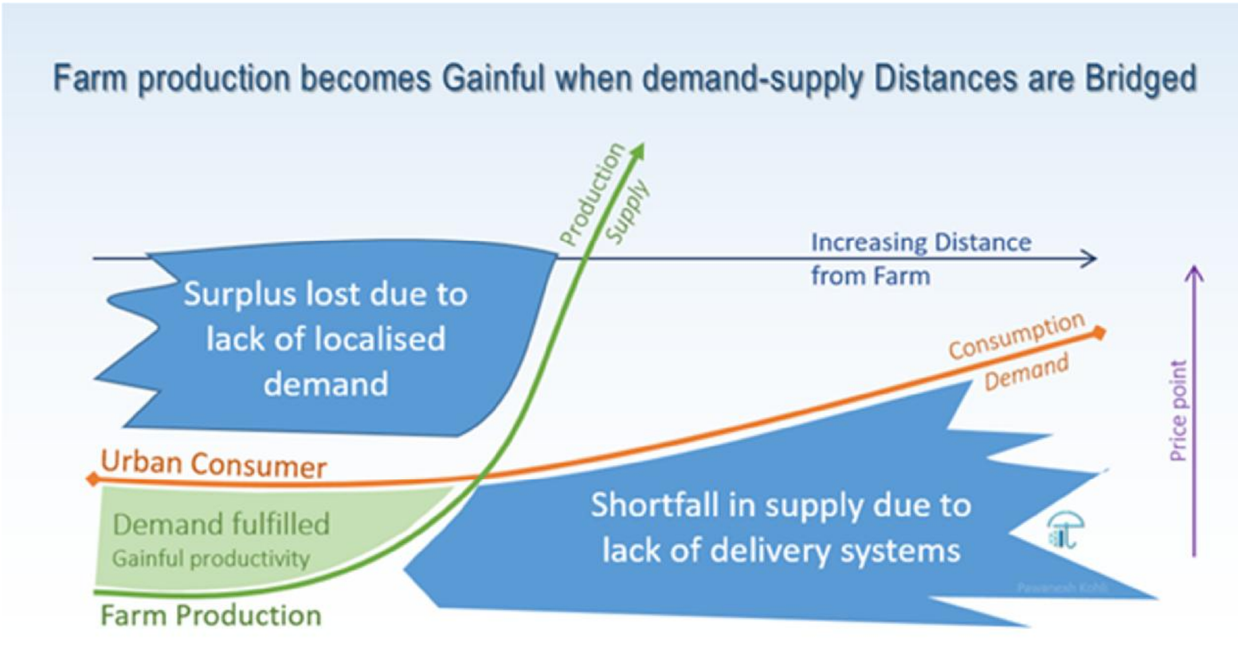
Delivery Fulfilment Generates Income

Luckily in case of food, all else being equal, demand is almost eternal. The bottleneck as they exist, is in reaching that demand. In fact most farmers will retort, "*… do not teach us how to produce more, first show us the market!*"

Effective logistics networks and supply chains will ensure surplus production finds that eternal demand, taking produce to multiple markets. Building the ability to reach more mouths, more consumers is key to multiplying farmers' revenue. All other options that target the reducing of input costs are secondary and will merely add a few percentile points to their net income.

While the government procures cereals and builds a buffer for strategic reasons, the high value produce is subject to availability of market linkages. The successful implementation of logistics links is evidenced in our phenomenal success with milk and needs to be replicated across other food items. The immediate action needed is to enhance all forms of market links – with main focus to close the gaps in all physical modes of delivery.

We need to take our farming from peasant mode to agri-business mode of operations. This also means our analysis and actions should be in accordance. Strategic thinking cannot remain provincial and market development needs to be more expansive, and at a national level.



Once our food production has access to an assured delivery mechanism, any supply-side surplus would be able to reach out to more demand points and attain gainful realisation. This physical link to multiple markets, is key to enhancing revenue for farmers and to mitigate the risk to profits from demand-supply variations. The eNAM (national Agriculture Market) system is to be a pre-cursor to nation-wide physical connectivity... the end aim is a nationwide food distribution grid. Information flow must be met with physical delivery.

- Pull out all plugs to promote scaling up Agrilogistics services, with farm-gate as point of origin.
- Implement policies that empower the farmer-producer to move up the transaction chain - higher along the value stream and reaching closer to market.
- Stop extolling value addition to produce, and focus on safe-guarding harvested value while maximising value realisation to producers.

Logistics networks serve to smartly bridge demand with supply, help farmers achieve gainful productivity and makes agriculture sustainable.

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