

# AGRICULTURAL DEVELOPMENT ,MAHENDRA DEV (2012)

Part three –

**Policy changed needed**

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**Course – GE Hons.**

**Subject : INDIAN ECONOMY –II**

# Agenda for agriculture

- Eleventh five year plan focuses on faster and inclusive growth . An important aspect of inclusive growth in the eleventh plan is its target of 4 percent per annum growth in GDP from agriculture and allied sectors.
- An detail agenda was spelt out in mid term appraisal of eleventh five year plan covering improved access to water , improvement in the supply of good quality seeds , improvement of soil nutrients, improvements in agricultural research and extension, reforms in land tenancy , and improvements in agricultural marketing which is particularly important for perishable produce.

# Structural factors

- The slowing of agriculture growth occurred at a time when economic reforms were undertaken in the country. Some have concluded that this slowing is linked directly to structural macro reforms in the country and globalization.
- This view is limited and the slowing in agriculture is not due to industrial and trade reforms, including joining of WTO.
- Slowing down of agriculture growth could be attributed to structural factors on the supply side, such as decline in public investment, credit, and technology, rather than trade and industrial reforms.

# Problems in agriculture

For achieving a growth of 4% as envisioned in 11th five year plan document we need to understand the scope of improvement in different spheres and persistent problems of agriculture which are following :

1. Further increase in net sown area is limited
2. Land degradation has went up on account of falling soil fertility , erosion and water logging .
3. There has been decline in the expansion rate of surface iirigation and reduction in ground water table. Risk and vulnerabilities too has increased.
4. Disparities in productivity across regions and crops are maintained
5. long term factors like sharp decline in per capita land availability and shrinking of farm size .

# Steering committee report (2007)

Steering Committee report on agriculture for the Eleventh Plan (2007) has identified possible reasons for decline in agriculture since mid 1990s.

According to the report major sources of agricultural growth are :public and private investment in agriculture and rural infrastructure , including irrigation, technological change, diversification of agriculture, and fertilizers.

The progress on all these sources slowed down in the 1990s particularly since the mid-1990s. Expansion was noticed in the case of agricultural credit.

# Goals of Agricultural development

There are three goals of agricultural development

1. Achieving growth rate of 4 percent growth in agriculture , increasing productivity , promoting diversification , maintaining rural non farm employment.
2. Sharing growth equitably across gender, lagging regions , small & marginal farmers
3. Maintaining sustainability of use of resource for promoting efficient Agricultural practices

# Seven factors

There are basically seven factors which need reforms in the short and median terms . These are:

1. Price policy
2. Subsidies & investment
3. Land issues
4. irrigation and water management
5. Research and extension
6. Credit
7. Domestic market reforms and diversification

# Subsidies & investment

Investment in irrigation and rural infrastructure is important for agricultural growth . It is known that public investment in agriculture is lower than what is required for achieving 4 per cent growth.

The Bharat Nirman programme is in the right direction but the progress has to be much faster.

The pro and cons of government's recent proposal of direct delivery of fertilizers subsidies is not known yet. However , in order to improve soil quality , the government can restructure fertilizer subsidies in such a way that it reduces the consumption of goitrogen and encourages phosphatic and potassic fertilizers

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# Land , irrigation and water management

- Both investment and efficiency is needed in the use of water resources. Investment in irrigation , watershed development , and water conservation by the community are needed under water management
- Decline in productivity growth is attributed , among other things. To deterioration in soil quality and water shortages, including groundwater depletion.

Therefore land and water management should be given number one priority

# Research and extension

- National commission on farmers mentions that there is a knowledge gap in the existing technology . Therefore , extension becomes crucial for improving productivity.
- In view of high variability in agroclimatic conditions , particularly in unfavourable areas, research has to become increasingly location specific

# Credit

- Although credit expansion has broadened in agriculture but four aspect of its distribution that we need to specifically consider:
  1. not much improvement in share of small and marginal farmers
  2. decline of credit-deposit ratio of rural and semi- urban branches
  3. increase in the share of indirect credit to total agricultural credit
  4. significant regional inequalities in credit

# Price policy

- The most significant problem for farmers is output price fluctuations. There is a big gap between consumers and producers prices.
- For example some time farmers get 50 paise per kg of tomatoes while the consumer pay 20 to 30 Rs. Per kg in urban areas.
- In order to protect farmers from national and international price volatility ,a price stabilization fund is needed.

# Domestic market reforms and diversification

- There are different models for marketing collectively by small and marginal farmers: Self help group model, cooperative model, small producers cooperatives and contract farming.
- The real challenge lies in organizing small and marginal farmers to marketing and linking them to high value agriculture. Thus a group approach is needed for getting benefits from marketing.
- With the changing diet of households to high value products such as milk and meat products , vegetables , fruits etc , more support is needed to build infrastructure and marketing, as this diversification involves higher risk for farmers .

- To promote holistic growth of horticulture sector through area differentiated strategies national horticulture mission was launched during tenth plan.
- Price policy should support diversifications attempt for ushering second green revolution by diversifying agriculture to crop sector and allied activities.
- The crop sector may not be able to grow at 4 percent per annum but horticulture and allied activities like dairying , poultry , and fisheries has potential to grow at rate of 6 to 7 percent to achieve 4 percent growth in agriculture.