AGRICULTURAL POLICIES IN INDIA- REMINISCENCE

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Abstract

The present article focuses on Agricultural policies, Land reforms and green revolution mainly. Agriculture is the primary source of livelihood for about 58% of India's population. Gross Value Added (GVA) by agriculture, forestry and fishing was estimated at Rs 19.48 lakh crore (US$ 276.37 billion) in FY20 (PE). Growth in GVA in agriculture and allied sectors stood at 4% in FY20. The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year due to its immense potential for value addition, particularly within the food processing industry. Indian food and grocery market is the world's sixth largest, with retail contributing 70% of the sales. The Indian food processing industry accounts for 32% of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth.

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Agriculture continues to be an important sector of Indian economy, though its share in the gross domestic product (GDP) has declined from about 50 % in early-1950s to 14% in 2016-17. Employment in agriculture has also shown a decline, albeit slowly, and presently it accounts for 52% of the country's total labour force. The declining share of agriculture in GDP and employment is consistent with the theory of economic development. However, a faster and sustainable growth in the sector remains vital for creation of jobs, enhancing incomes, and ensuring food security. India has 140 million hectares of net cropped area, next only to that of the USA. Similarly, India's irrigated area is also the second largest in the world, next only to China.

The country is well-endowed with natural resources and diverse climatic conditions, and much of the land in India can be double cropped. Traditionally, crop production has accounted for over four-fifths of the agricultural output, but over the past two decades or so the situation has changed dramatically. The share of livestock in the agricultural production has risen sharply and now accounts for close to 30 % of the total agricultural output. Overall, the composition of agricultural output has gradually been shifting towards high-value crops and animal products, especially milk. The performance of agricultural sector has been quite impressive, making the country self-reliant in food.

The country has even started exporting some food products. This performance is due largely to green revolution. During the Eleventh Five-Year Plan, the agriculture and allied sector has registered an average annual growth rate of 3.6 %, slightly lower than the target of 4.0 %, but higher than the average annual growth rate of 2.4 % attained during the Tenth Plan. This improved performance in recent years is also credited to the impressive growth in capital formation in the sector. The gross capital formation in agriculture and allied sector has more than doubled in the past 10 years with an average annual growth of 8.1%. As per the latest Agricultural Statistics at a Glance, India is the world's largest producer of pulses, milk, many fresh fruits and vegetables, major spices, select fresh meats, select fibrous crops such as jute, several staples such as millets and castor oil seed.

India is the second largest producer of wheat and rice, groundnut, fruits, vegetables, sugarcane, and cotton. India is also the world's third largest producer of cereals, rapeseed, tea, tobacco, eggs, several dry fruits, and roots and tuber crops.

Agricultural Policies

Agriculture has remained a highly regulated sector in India with government agencies and parastatals exercising a pervasive influence over it. These regulatory controls are imposed by both central and state governments. The state governments, however, continue to retain the constitutional authority over the sector. After independence, India pursued a policy of food self-sufficiency in staple foods — rice and wheat. The policies were initially focused on the expansion of cultivated area, introduction of land reforms, community development, and restructuring of rural credit institutions. Trade was strictly regulated through quota restrictions and high tariff rates. The main policy measures in the agriculture sector were adopted in the mid-1960s. These included input subsidies, minimum support prices, public storage, procurement and distribution of food grains, and trade protection measures.

The gains from green revolution technologies continued through the mid-1980s, but slowed down thereafter. Unlike reforms in other emerging economies of the world (e.g. Brazil and China), a series of reforms instituted in India in the early-1990s, left its agricultural sector relatively untouched, except for the removal of export controls. While reforms in agriculture have been modest, the macroeconomic reforms of the 1990s had two important impacts. First, the reforms increased per capita income and strengthened the domestic demand. Second, they reduced industrial protection and improved agriculture's terms of trade to attain food self-sufficiency, ensure remunerative prices to farmers, and maintain stable prices for consumers. India's protectionist trade policies, introduced in the 1960s, continued virtually unchanged, until the major economic reforms were introduced after signing the Agreement on Agriculture under WTO.

Pre-Green Revolution Period (1950-65): The main policy thrust in the first phase (after Independence) was on enhancing food production and improving food security through agrarian reforms and large-scale investment in irrigation and power. The first major agricultural legislation enacted by the state governments after Independence was the Zamindari Abolition Act (1950s). The basic objective of this policy was to eliminate land intermediaries, ensure ownership rights to the tillers of land, and ensure a permanent improvement in the quality of the landholding. The government made additional changes to the land ownership policy to ensure greater equity in the rural society.

These decisions involved placing a ceiling on the size of holdings, state control on idle or unused lands, and the distribution of some of the idle land to the underprivileged rural people. Provisions were also made to ensure that recipients of this land do not lease out or sell the land. The consolidation of fragmented and scattered landholdings was encouraged so that farmers could have better access to mechanization and land improvements could be made. Other policy measures during this period included enhancing of farmers access to credit, markets and extension services.

Green Revolution Period (1965-80): The second phase of agricultural and food policy started in the mid-1960s with the advent of green revolution. The adoption of improved crop technologies and seed varieties became the main source of growth during this period. The Government of India adopted the approach of importing and distributing the high-yielding varieties (HYVs) of wheat and rice for cultivation in the irrigated areas of the country. This was accompanied by the expansion of extension services and increase in the use of fertilizers, agrochemicals and irrigation. A number of important institutions were set up during the 1960s and 1970s, including the Agricultural Prices Commission (now Commission for Agricultural Costs and Prices), the Food Corporation of India, the Central Warehousing Corporation, and State Agricultural Universities. Another major policy decision was the nationalization of major commercial banks to enhance credit flow to the agricultural sector. Several other financial institutions, for example the National Bank for Agriculture and Rural Development (NABARD) and Regional Rural Banks (RRBs), were also established to achieve this objective.

The cooperative credit societies were also strengthened. This strategy produced quick results with a quantum jump in crop yields and consequently, in the food grain production. However, impact of the green revolution technology was largely confined to two crops, wheat and rice, and in the irrigated regions. The traditional low-yielding varieties of rice and wheat were replaced by the high-yielding varieties. Today, more than 80 % of the area under cereals is sown with high-yielding varieties. The use of fertilizers (NPK) has risen sharply over the past three decades, albeit from a low base.

In 2011-12, the Indian farmers used almost 144.3 kg of fertilizer per hectare of cultivated land. The use of pesticides, including herbicides, increased until 1990, but has fallen steadily, partly due to the shift in emphasis, away from the heavy use of chemical pesticides to a more environment-friendly integrated pest management system. The biggest achievement of the green revolution era was the attainment of self-sufficiency in food grains. The green revolution also had an impact on the agricultural input industry, resulting in a rapid growth in the fertilizer, seed and farm machinery industries. A significant increase in the funding of agricultural research and extension, marketing of agricultural commodities and provision of credit to farmers was also noted.

Post-Green Revolution Period (1980-91): The third phase in agricultural policy development started in the early-1980s and was characterized by the expansion of green revolution technology to other crops and regions. This resulted in a rapid growth in agricultural output. During this period, the main policies aimed at encouraging investment in the sector. Moreover, the agricultural economy started experiencing the process of diversification towards high-value commodities like milk, fish, poultry, vegetables and fruits. The growth in output of these commodities accelerated. Finally, the ongoing research on pulses, oilseeds and coarse grains started showing a positive impact with the expansion of these crops into the drier areas.

Economic Reforms Period (1991 onwards) Following several decades of sustained output growth, the focus of agricultural policy since 1991 has shifted to improving the functioning of markets, reducing excessive legislation, and liberalizing agricultural trade. Economic reforms launched in the 1990s virtually by-passed the agriculture initially. However, the subsequent trade policy reforms have been aimed at liberalizing the export and import of agricultural and food commodities by gradually removing various restrictions and controls on agricultural trade. Over the past 10-15 years, India's share in world agricultural trade has been gradually increasing, albeit from a low base. India has also taken an active role in promoting regional economic co-operation and trade in South Asia through the South Asian Association for Regional Cooperation (SAARC).

In April 1993, a regional trading block was formed with the signing of the SAARC Preferential Trading Agreement, which was improvised in 2004 in the form of an Agreement on South Asian Free Trade Area (SAFTA) that supersedes the Agreement on SAARC Preferential Trading Arrangement. However, there were several policy challenges facing the agricultural sector, including the need to reverse the sharp decline in output growth, which occurred in the late-1990s, and the need to ensure more sustainable use of the existing natural resources. A steady fall in the public sector investment in agriculture posed a big challenge which necessitated policy initiative to attract private investment in agriculture for the long-term growth and competitiveness of the sector.

Another important challenge during this phase was on improving competitiveness along the agro-food chain, especially through enhancing efficiency in production, marketing and processing of agricultural commodities. In 2000, the Government of India, for the first time, published a comprehensive agricultural policy statement — the National Agricultural Policy (NAP) that sets out clear objectives and measures for all the important sub-sectors of agriculture. Over the next two decades, this policy aims to attain an agricultural growth rate in excess of 4 % per annum. The main elements of the policy include, Efficient use of natural resources, while conserving soil, water and biodiversity, Growth with equity, i.e. growth which is widespread across regions and farmers, Growth that is demand-driven and caters to the domestic markets and maximizes benefits from exports of agricultural products in the face of challenges arising from economic liberalization and globalization, Growth that is sustainable technologically, environmentally and economically. The policy also seeks to utilize large areas of wasteland for agriculture and a forestation.

Moreover, the NAP calls for special efforts to raise crop productivity to meet the growing domestic demand for food and agricultural products. The major focus is on horticulture, floriculture, roots and tubers, plantation crops, aromatic and medicinal plants and bee-keeping. Higher emphasis is also placed on raising the production of animal and fish products. While the overall investment (public and private) in agriculture remains low, the reforms in domestic regulations would improve the incentive structure for increasing private sector investment in the agro-food sector and thus enhancing productivity growth. The new policy also proposes to re-channel resources from agricultural input and price support measures to capital investment in the sector. The NAP also mentions private sector participation through contract farming, assured markets for crops, especially for oilseeds, cotton and horticultural crops, increased flow of institutional credit, and strengthening and revamping of the cooperative credit system and agricultural insurance as other important issues deserving policy attention.

The NAP is a very comprehensive statement covering almost all dimensions of the Indian agriculture. The land reforms launched during the 1950s and revisited in 1970s also find place in this document. The policy states that “Indian agriculture is characterized by pre-dominance of small and marginal farmers. Institutional reforms will be so pursued as to channelize their energies for achieving greater productivity and production. The approach to rural development and land reforms will focus on the following areas: Consolidation of holdings all over the country on the pattern of north-western states; Redistribution of ceiling surplus lands and waste lands among the landless farmers, unemployed youths with initial startup capital; Tenancy reforms to recognize the rights of the tenants and share croppers; Development of lease markets for increasing the size of holdings by making legal provisions for giving private lands on lease for cultivation and agribusiness; Updating and improvement of land records, computerization and issue of land pass-books to the farmers; and Recognition of women’s rights in land.

Current Agricultural Policies

The process of formulating and implementing agricultural policies in India is very complex, involving a number of ministries, departments and institutions at both the centre and the state levels. The Union Ministry of Agriculture, under the guidance of the Planning Commission, provides the broad guidelines for agricultural policies. However, the implementation and administration of agricultural policies remain the responsibility of respective state governments. The allocation of funds to agriculture is guided by the Planning Commission and is routed primarily through the Ministry of Agriculture to various departments.

Land Reforms

Indian agriculture is dominated by a large number of small-scale operators that are predominantly owner operators. In 1995-96, there were 115 million farmers operating on an average holding size of 1.41 hectares. This number increased to 137.76 million in 2010-11. About 67 % of the landholdings have an average size of only 0.38, and another 17.9 % have an average size of 1.42. Land reforms now need to address three important issues: to map land carefully and assign conclusive titles, to facilitate land leasing, and to create a fair but speedy process of land acquisition for public purposes.

The National Land Records Modernization Programme (NLRMP) which started in 2008, aims at updating and digitizing land records by the end of the Twelfth Plan. Eventually, the intent is to move from presumptive title — where registration of land does not imply that the owner's title is legally valid — to conclusive title, where it does. Digitization will help enormously in lowering the cost of land transaction, while conclusive title will eliminate legal uncertainty and the need to use the government as an intermediary for acquiring land so as to 'cleanse' the title. Given the importance of this programme, its rollout in various states needs to be accelerated. For large public welfare projects, such as the proposed National Industrial and Manufacturing Zones and National Highway Project, large-scale land acquisition may be necessary. Given that the people currently living on the identified land will suffer significant costs, including the loss of property and livelihoods, a balance has to be drawn between the need for economic growth and the costs imposed on the displaced. The Land Acquisition, Rehabilitation and Resettlement Bill 2011 passed by the Lok Sabha recently, is likely to ensure the Right to Consent, Fair Compensation and Transparency to farmers in the process.

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