

Long-Term Agri Growth Paints a Grainy Picture

NO SIGNPOSTS: Despite upbeat prospects in short-term, survey says long-term outlook remain dismal

The Economic Survey has confirmed the poor prognosis on long-term agricultural growth, even though crop production is now more resilient to extreme weather shocks.

"Foodgrain production in India has shown remarkable improvement in recent years," it says.

India produced record 259.32 million tonnes of grain in 2011-12 at a time when inadequate attention to agriculture across many parts of the world led to food shortages and steep hikes in food prices, the Survey says.

The upbeat prospects in the short-term will help contain food inflation. India's agricultural exports are also booming at a time when many other producers are experiencing difficulties.

But the Survey says the long-term picture remains dismal. Declining per capita availability of grain has become a major concern. The sluggish growth of agriculture, which provides livelihood for one out of every two Indians, also remains a cause for worry. The average annual growth rate of 3.6% during the Eleventh Five-Year Plan for the agriculture and allied sector fell short of the target of 4%, the Survey says. "Moreover the country faces the stiff challenge of

feeding its growing population."

Experts say the sector has been growing mainly in terms of rising commodity prices. "It (the growth) is price-driven and it may lose its track if prices of agriculture produce fall. The agriculture price index is comparatively higher than wholesale price index, indicating steep rise in food inflation and prices of agricultural produce," Ramesh Chand, director at National Centre for Agricultural Economics and Policy Research, says.

The Survey has identified low yields, low productivity, soil degradation, climate change and lack of market linkages as the main factors affecting farmer income. There are wide yield gaps among various crops across the country, especially in eastern India. There are limitations to the expansion of area for cultivation.

"The Survey shows that there is no fall in contribution of kharif production, which means that crop intensity is still low. We need to increase rabi production to reduce dependence on monsoon," Chand says. Unfortunately, the Survey has little new to suggest for jumpstarting agricultural growth. To meet the target of 4% growth in the Twelfth Plan, the country will have to "invest heavily" in farm research, rural infrastructure, better market access

and credit facilities, and smarter usage of farm inputs, it says.

It suggests encouraging private companies to create farm-to-market linkages. Policies such as foreign direct investment in multi-brand retail can pave the way for investment in new technology and marketing of agricultural produce in India, the Survey said.

Using the example of sugar, the Survey has made a case for decontrolling industry. "From a purely economic point of view, greater play of market forces would provide better prices and serve the interests of all stakeholders. The government should come into the picture only in situations where absolutely necessary. Export bans and controls could be replaced with small variable external tariffs to stabilise prices," it says.

It is also critical of the government's "stop-go" policies to manage food inflation. Periodic bans of exports, imposition and removal of tariffs, and repeated closure of futures markets too are counterproductive, it says. "These tend to make it harder for producers to plan, it reduces their incentives to produce by limiting their remuneration, and inhibits the production increases that are needed to bring prices under more sustained control."

Nidhi Nath Srinivas



A Good Decade but Not Better than the 80s

Compounded avg growth rate in production, in %

Produce	'80-'90	91-'00	'00-'12
Rice	3.62	2.02	1.78
Wheat	3.57	3.57	2.61
Coarse Cereals	0.4	-0.02	3.01
Pulses	1.52	0.59	3.69
Sugarcane	2.7	2.73	2.07
Oilseeds	5.2	1.63	3.36
Cotton	2.8	2.29	13.53



Higher Procurement Prices have Helped

Trend in minimum support prices

