Agriculture needs a paradigm shift

It is time for a fundamental shift from the "unproductive" spending to extending support in a form that creates permanent assets, reduces the vulnerabilities of the poor farmers and builds their capacity to improve yields and augment income. Achieving 4 per cent agriculture growth is all about changing the mindset, says UTTAM GUPTA

The unprecedented growth of the services sector in recent years has enabled the economy to achieve a remarkable GDP growth rate of close to 8 per cent per annum. The Prime Minister is keen that this be pushed to 10 per cent per annum during the Eleventh Plan period and beyond.

The Government is aware that this will not be possible without extricating agriculture from the morass it has sunk into; over the last few years, its growth has been low, and even negative. Now, the Government is targeting 4 per cent growth for agriculture and hopes to sustain it too.

With a share of just about 25 per cent in GDP, agriculture provides employment to about 55 per cent of the workforce and livelihood to about two-thirds of the population. This anomaly can be corrected only by ensuring rapid and sustained growth of agriculture.

The growth of the services sector is powered by huge "intellectual" capital and its export on a large scale (Indian IT/software companies derive bulk of their income from services provided to MNCs). How do we power the required rapid growth in agriculture?

The trigger can come from the huge opportunities for exporting agriculture produce under the new global trade era on the one hand and by servicing the rising domestic demand, propelled by increasing incomes in cities and towns (led by phenomenal growth of services sector) on the other.

"SUBSISTENCE" FARMING

However, Indian agriculture is far from ready to tap the potential. This is because a vast majority of farmers are trapped in "subsistence" farming and even if they were to look beyond, the infrastructural bottlenecks would frustrate any positive thinking.

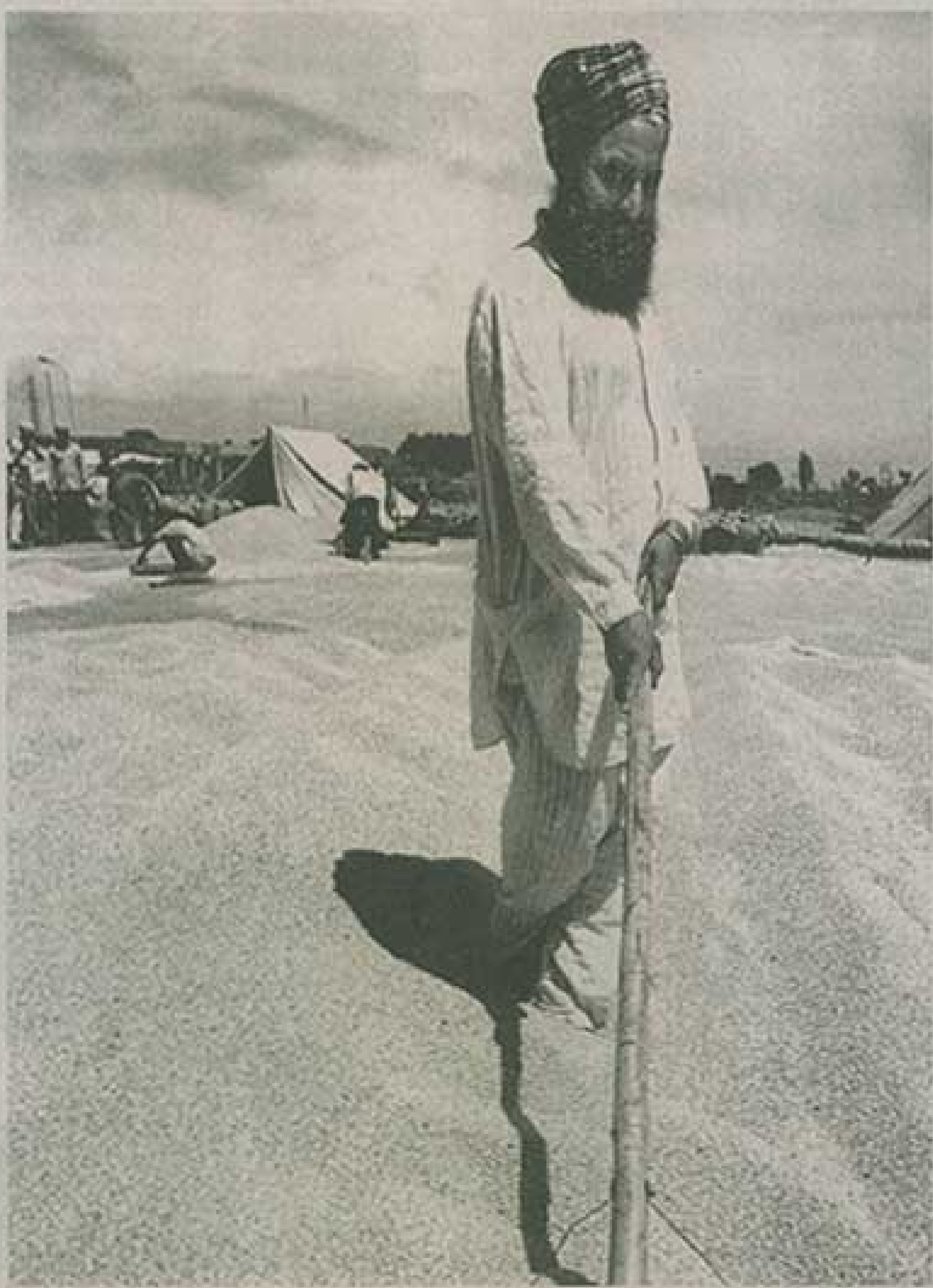
For decades, nearly 80 per cent of the farming families in India (the so-called small and marginal farmers) have remained entrenched in "subsistence farming".

In simple terms, this means a farmer produces food only for self-consumption. Such farmers have no motivation, or are simply unable, to produce more than their own requirements and be a part of the market economy. It is, therefore, futile to even contemplate the possibility of their increasing their incomes and living standards.

Even farmers who produce marketable surplus (excess of production over self-consumption) are used to selling under a highly controlled environment primarily to the agencies of the state (on the *mandi* platform).

All along, the Government has formulated policies for agriculture on the premise that small and marginal farmers will remain perpetually caught in poverty. Else, why would it give subsidies on inputs — fertilisers, irrigation, power, seeds, etc., year after year? But umpteen studies show that the bulk of the input subsidies is appropriated by input suppliers/manufacturers on one hand and rich farmers on the other. Some of this is even cornered by the States. Clearly, millions of small and marginal farmers gain little from the Government support extended in their name. Further, the doles prevent them from thinking big, becoming enterprising and being a part of the commercialisation process.

Ironically, on the WTO platform too, we have only projected them as entities requiring state support for survival and not as enterprising farmers ready to grab opportunities flowing from the opening up of the world markets especially in developed countries.



Heaps of discontent. — Reuters

Disjointed subsidy policies have even produced cracks in the foundation of the agriculture sector. While urea is heavily subsidised, other fertilisers — diammonium phosphate (DAP), Muriate of Potash (MOP), etc. — get much less, leading to excessive use of the former. The imbalance in fertiliser use has led to soil erosion and fatigue.

The subsidy on irrigation and power (in some States, power is given free) has led to over exploitation of groundwater. As a result, the water table in Punjab has gone down to dangerously low levels. This can have catastrophic consequences for agriculture in the State. Such is also th case in most States.State agencies buy foodgrains at a guaranteed price that is raised routinely. Of what use is it to the subsistence farmers who have no surplus? For those who are net buyers (self-consumption more than production), this makes things worse as they have to pay more for making up for the shortfall.

CHANGE IN APPROACH

If agriculture has to move onto a higher growth trajectory, then, there is an urgent need for a paradigm shift. We should stop treating small and marginal farmers as subsistence farmers. We need to convince them that they have the capacity to generate surpluses and fetch a good price for their produce.

The Government can send this message by dismantling the subsidy regime for both inputs and output. Instead, it should focus its efforts on creating an enabling environment in which all farmers can realise their full potential.

It must address infrastructural constraints in a holistic manner. That would include (i) building roads, irrigation, water sheds etc; (ii) galvanising agricultural research/extension to deliver suitable technologies; (iii) ensuring credit access for all farmers; (iv) using IT to enable farmers make informed choices on inputs, technology and marketing.

Under the recently launched National Rural Employment Guarantee Programme (NREGP), a person from each rural poor families has a right to seek a job from the government for a minimum of 100 days during the year at the applicable minimum wage or unemployment compensation in lieu thereof.

Under the NREGP, thus, the Government has committed itself to huge financial liabilities even if it cannot provide a job. To prevent this anomalous situation, it must undertake rural works programmes where the poor can work. This, in turn, will require funds over and above the spend on wages. How does it propose to finance this monumental requirement of funds?

SAVINGS FROM SUBSIDY

The Finance Minister has cautioned against increasing the tax burden on corporates and individuals beyond the present level. In this backdrop, the savings generated from abolishing input subsidies will fill the void.

The savings from food and fertiliser subsidy alone will be Rs 40,000-50,000 crore per annum. It is time a fundamental shift was brought about, from the "unproductive" spending to extending support in a form that creates permanent assets, reduces the vulnerabilities of the poor farmers and builds their capacity to improve yields and augment income.

With the subsidy money diverted to the NREGP, millions from the rural poor families can be employed to build rural roads, irrigation channels, watersheds, warehouses, etc., which in turn, would help the farmers improve their income from working on the field. The NREGP can thus be turned into a potent instrument for bringing prosperity to farmers and other rural folks.

Once the basic infrastructure is in place, private sector investment (including foreign) will come into the rural areas and fill the gaps in the chain of reaching inputs to the farmers' fields and taking their produce to the markets, including overseas. Even banks will be more than eager to go to rural areas.

The Government should create an enabling environment for this by allowing farmers to sell directly to private parties; removing controls on movement and distribution; eliminating the plethora of State levies and removing artificial ceiling/restrictions on exports. Allowing FDI in retail trade will also act as a big booster.

(The author is Resident Director, CropLife India, New Delhi. The views are personal)