IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Agriculture Policies, Key Challenges and Recommendations for Growth of Agriculture Industry

Sulabha Sambhaji Lalsare
SSSM Arts, Science and Commerce College, Saikheda, Th- Niphad,
Dist. Nashik-422210

Abstract

This Review presents performance of the agricultural and food policies currently applied in India based on the analysis conducted within this review and possible challenges faced by the farmers and agriculture industry in the current scenario. This review also discusses about the possible recommendations for the aforesaid challenges faced to ease farming and farm trading activities in India. This review also discusses about possible changes in current policies which will make the general policy set "fit for purpose.

Key Words: Agriculture, Infrastructure, NITI Aayog, Farmer, Customs Duty

Introduction

In economic, social and environmental context, India has made remarkable economic and social progress since the start of liberalisation reforms and is now known as country of enormous diversity. Sustained reforms contributed to rally macroeconomic environment economic growth of around 7% over the last 5 years makes. Existing projections suggest that, if India continues its growth path, two-third of the population will achieve middle class status towards the end of this decade.

Agriculture continues to play a key role in development of India's economy. The contribution of the agricultural sector to GDP has continued over the last 20 years and remains a major source of employment, accounting for about 47% of the total national workforce. The revolution in cereal production, white revolution in milk production, the gene revolution in cotton production and diversification of production towards pulses, fruit, vegetables and meat products has helped in economic growth of India. India is now the world's largest producer of pulses, accounting for 25% of worldwide output and second largest producer of

fruit and vegetables after China. As a result India has transformed from a food deficit country to a serious exporter of agriculture and allied products like rice, meat and meat products, cotton, oilcakes, vegetable extracts and fish products.

The supply chain between rural and urban has undergone significant changes over the last decade. First, availability chain has tripled within the past three decades due to urban food expenditures which are higher in real terms than thirty years ago. Second, dietary patterns have diversified over a period of time. The beginning of structural change is underway, thanks to the involvement of the private sector in agribusiness.

Key Challenges

1. Productivity growth of India

The slow pace of structural transformation is responsible for slow GDP contribution. The structural transformation in India has been atypical and less marked than in other Asian economies such as China or Vietnam. Average yields are still low compared to other major producers for most key crops in India and even below world averages in some cases. Therefore, vast untapped potential exists for yield growth across most crops. Yield improvements is key for future considering the limitation in availability of cultivated area.

2. Fragmented Land Patterns

In terms of both legislation and organisational framework, land tenure governance in India is very complex. Poor land records, tenancy restrictions and land ceiling laws leading to concealment of ownership status and impediments to transactions are some reasons for ill functioning of rural land markets. The records maintained by the registered deeds in many cases are inconsistent as periodic revisions are not co-ordinated.

3. Supply Chains are Long and Uneven

Physical infrastructure is a major bottleneck and hamper logistics establishment of efficient agro-food supply chains. Market infrastructure in domestic markets for agricultural products also suffers from unintended impacts of regulations. Many government-regulated wholesale markets (mandis) do not have the facilities needed for handling, grading and storing perishable agricultural products and the regulatory environment has deterred private sector involvement till recent time.

4. Weak Linkages to Input Markets

Although the availability, access and quality of farm inputs and services have improved over the past decade, their distribution across the different size-categories of farmers remains an issue. Informal channels are still widely present in the seeds and fertilisers markets. While the involvement

of the private sector is expanding rapidly in seeds, about 60% of food crops in India are still sown from seed stocks selected and saved by farmers. Provision of credit to small and marginal farmers is still inadequate compared to needs and there is a scarcity of medium and long-term lending.

5. Linkages to Domestic Downstream Sectors are Also Weak

Demand for both the food processing and retail sectors have been growing rapidly due to rising per capita incomes. But constraints in the development and growth of both sectors include the absence of adequate connectivity infrastructure, marketing linkages, and the absence of cold chain systems. Existence of large numbers of small and marginal producers has further aggravated this problem.

6. Opportunities to Participate in Global Value Chains are Limited

Indian agriculture has increasingly become integrated with world markets, however it is still low compared to the share of India's total merchandise exports and imports as a percent of India's GDP.

7. Pressures on Natural Resources

Environmental pressures are also starting to loom large. Land degradation is increasingly prevalent throughout the country. Water pollution and soil contamination due to inefficient use of chemical fertilisers is contributing to greenhouse gas emissions. This is likely to result in higher output volatility and yield growth for key crops being much lower than expected in the absence of climate change. In future yields are actually projected to be much due to low or no water and climatic shocks.

8. Agricultural Policy Trends and Evaluation

The institutional settings governing agricultural and food policy are complex in India, Central government plays an important role by developing national approaches to policy and providing the necessary funds for implementation at the state level. The National Institution for Transforming India (NITI Aayog) has constituted a Task Force on agricultural development to foster greater involvement of the state governments in the economic policy.

9. The policy emphasis on Agriculture and Food Concerns Have Changed

Since independence, important objective of India's agriculture is to achieve food security. Five-year plan identified the key drivers of growth in agriculture as (1) the viability of the farm enterprise and returns to investment that depend on scale, market access, prices and risk, (2) the availability and dissemination of appropriate technologies that depend on quality of research and extent of skill development, (3) expenditure on agriculture and infrastructure along with a policy aim to improve the functioning of markets and (4) governance in terms of institutions for better delivery in credit,

animal health and quality inputs like seeds, fertilisers etc. In farming sector preserving environment has become major challenge due to overwhelming use of pesticides and fertilizers.

10. Producer's Prices Often Below International Prices

Twenty four crops each year are supported by Minimum Support Price (MSP) by the central government and allocate budget for bonus above the MSP for some crops. However, price support procurement effectively operates mainly for wheat, rice and cotton and that too only in a few states. In eastern India, most farmers sell goods at the prise which is different from MSP, especially when alternative buyers are not present. Producer prices have for many years and for many crops are below to comparable reference prices in international markets.

11. Focus on Irrigation Infrastructure and Research

The Indian Council of Agricultural Research (ICAR) is the main umbrella organisation for agricultural research in India with administrative and funding control over more than one hundred research institutions. Established system of state agricultural universities also play an important role in the research eco-system. The Food Safety and Standards Authority of India (FSSAI) administers the Food Safety and Standards Regulations. Funds for setting up and upgrading of food testing laboratories is provided by Ministry of Food Processing. The rules for grade designations to indicate the quality of the product are designed by central government. Specifies marks are assigned to specific grades designation marks. More integrated work with in research institutions is demand of time for practical application of research.

12. Large Apparatus for Distribution of Cheap Food

Central and state governments re jointly responsible for public distribution of food grains. The government in centre shares food grains to the states as per requirement and it is the responsibility of FCI to supply food grains to deficit states from surplus available. In all states and union territories, the Targeted Public Distribution System operates under the National Food Security Act. The state government's responsibility to allocate supplies within the state and in turn to eligible families having ration cards. Identifying eligible families for distribution is major challenge for state government.

13. Changing Trade Rules for Export and Import Transactions

While presenting annual budget, India's Basic Customs Duty (BCD) also known as statutory rate is approved. In many cases it is lower than the WTO scheduled bound rate. For numerous goods, tariff rates applied by government are still lower than the statutory rates. There is a large gap between WTO bound custom duty and India's applied custom duty on agriculture products. In India,

average applied customs duty agriculture is 32.7% compared to WTO bound rate of 113.5%. Matching custom duties to that with WTO implemented rate is one of the key challenge for government agencies.

Area for Recommendations

For fostering sustainable productivity growth in the long term and to provide cultivable environment for agriculture, recommendations were proposed in following areas

1. Resolving land issues to support productivity growth.
2. Future of the system of minimum support prices.
3. Encouraging efficient and sustainable use of variable inputs such as fertilisers.
4. Avoiding a major water crisis.
5. Strengthing access to credit.
6. Agriculture enabling environment.
7. Prioritising and reinforcing research and development.
8. Strengthening extension services and education.
9. Investing in improved seeds.
10. Harnessing the potential of the digital economy
11. Ensuring that intellectual property protection supports needed innovation.
12. Role of agriculture in enhancing food and nutrition security.
13. Making trade work for Indian agriculture.

Recommendations

Strengthen the regulatory environment governing land issues by:

- Gradually loosening ceilings on farm size with a view to eventual elimination.
- Implementing strict regulations to protect the interests of both land owners and tenants.
- Accelerate efforts to clarify land titles and accelerate efforts to digitalise records.
- To implement new model APMC Act. New harmonised and consistent provisions for interstate business.
- To protect consumers and producers when faced with hostile practices.
- Permit private storage and remove restrictions on movement of agricultural products.
- To practice contract farming with transparent contracts.
- Increasing farmer’s contribution in co-operative society’s and in producer organisations.
- Improve transparency on market conditions and prices.
- Establishment and implementation of reliable and trust worthy international trade regime.
- To fix MSPs in accordance to international benchmark prices and in relation to production costs.
- Implement more competitive practices for remuneration through market reforms.

- Increase direct cash transfers to poorest farmers.
- Synchronise market regulation and MSP reforms.
- To gradually put an end to subsidy rate system and encourage pilot programme to replace fertiliser subsidies.
- Education for efficient and sustainable use of fertilisers should be provided to farmers from savings generated.
- Optimum use of electricity supply during the allotted periods and regulate electricity pricing.
- Accelerate research in crop varieties which needs less water.
- Developing collective-action groundwater and watershed management schemes.
- Encourage and invest new irrigation technologies.
- To increase the presence of public sector commercial banks in rural areas for easy reach and accessibility.
- Steps to curb the activities of illegal lenders.
- Encourage long-term loans by diversifying the package of financial services.
- Reduce burden of debt forgiveness.
- Invest in infrastructure in rural areas.
- Invest in education in rural areas.
- Provide funds for research and development in agricultural sector.
- Encourage inter-disciplinary and systems approaches to innovation.
- Focusing on the needs of smallholders who are unable to access commercial services.
- Invest in digital connectivity in rural areas.
- Ensure that intellectual property protections are supportive of needed innovations.
- Launch a wide awareness-raising campaign explaining the needs of new technologies.
- To bring population covered by the NFSA to bare minimum.
- To replace physical grain distributions by direct cash transfers.
- Continue to provide a food security reserve to be available in case of a food crisis.
- Increase the involvement of private sector in constitution and management of stocks.
- System for easy and quick payments to poorest families.
- Streamline and clarify trade policy roles and responsibilities across the agencies.
- Reform state trading enterprises and make room for private sector actors.
- Boost imports by reducing tariffs and other restrictions on imports.
- Ease of export restrictions.

Conclusion

Creating food security for its vast population is the primary objective of government. Policy directions practically implemented now and in the next few years will play a huge role in determining how successful India is in improving the quality of life of its millions of smallholders. Overcoming severe resource and climate pressures, while generating sustainable productivity growth and creating a modern, efficient and resilient agro-food system which can contribute to inclusive growth and jobs economy-wide is a major challenge to present policy makers. The recommendations if implemented properly will lead India to a developed economy, a dream of 130 crore plus Indians.

References

1. Agricultural Census India (2016), http://agcensus.dacnet.nic.in. Brookings Institution (2015), Development, Aid and Governance Indicators (DAGI).
2. Dewbre, J., J. Antón and W. Thompson (2001), "The Transfer Efficiency and Trade Effects of Direct Payments", Amer. J. Agr. Econ, Vol. 83/5, pp. 1204-1214.
3. Diaz-Bonilla, E., D. Orden and A. Kwieciński (2014), "Enabling Environment for Agricultural Growth and Competitiveness: Evaluation, Indicators and Indices", OECD Food, Agriculture and Fisheries Papers, No. 67, OECD Publishing, Paris.
4. FAOSTAT (2018), Food and Agriculture data, FAO, UN.
5. Fuglie, K. and N. Rada (2017), International Productivity Dataset, ERS, USDA.
6. Government of India (2017a), "Status of Farmers' Income: Strategies for Accelerated Growth", Document prepared by the Committee for Doubling Farmers' Income, Department of Agriculture, Cooperation and Farmers' Welfare, Ministry of Agriculture & Farmers' Welfare, Volume II, August.
7. Government of India (2017b), "Post-production Agri-logistics: Maximising Gains for Farmers", Document prepared by the Committee for Doubling Farmers' Income, Department of Agriculture, Cooperation and Farmers' Welfare, Ministry of Agriculture & Farmers' Welfare, Volume III, August.
8. Greenville, J., K. Kawasaki and R. Beaujeu (2017), "How Policies Shape Global Food and Agriculture Value Chains", OECD Food, Agriculture and Fisheries Papers, No. 100, OECD Publishing, Paris.
9. Gulati, A. (2016), "From Plate to Plough: A Clear Trend Towards Non-Vegetarianism in India", Indian Express, 24 October.
10. Gulati, A. (2009), "Emerging Trends in Indian Agriculture: What Can We Learn from These?" Agricultural Economics Research Review, Vol. 22, July-December, pp. 171-184.

11. Gulati, A. and S. Saini (2017), "Making Indian Agriculture Profitable, Productive and Sustainable", NABARD Working Paper.
12. Hoda, A. and P. Terway (2015), "Credit Policy for Agriculture in India – An Evaluation", Working Paper 302, Indian Council for Research on International Economic Relations (ICRIER).
13. ICAR (Indian Council of Agricultural Research) (2012), "Harvest and Post-Harvest Losses of Major Crops and Livestock Produce in India", All India Coordinated Research Project on Post-Harvest Technology, September.
14. ICAR (2010), "Degraded and Wastelands of India. Status and Spatial Distribution", study undertaken in collaboration with the National Academy of Agricultural Sciences New Delhi, June.
15. ICAR – NIAP (National Institute of Agricultural Economics and Policy Research) (2017), "Agricultural R&D Policy in India: The Funding, Institutions and Impact", ed. Pal, Suresh.