*IJRDMS* • Volume 15 • Number 2 • July-December 2021 • pp. 125-134 ISSN :- 0975-0614

# AGRICULTURE IN INDIA: REVIEW OF POLICY INITIATIVES AND REFORMS

***Dr. Kamna Srivastava***

***Abstract:*** *Indian agriculture has come a long way since the inception of planning in 1951. The transformation of Indian agriculture from a chronically shortage sector to the surplus sector has a fascinating story. Indian agriculture faces complex set of problems in the context of globalization and liberalization. No doubt, globalization and liberalization of economy has created enormous opportunities for growth and development of agriculture sector in India however, challenges have emerged from the competitive business environment. The review of performance of agriculture sector in India across the country also demonstrates marked variations in regional disparity. The analysis related to post-WTO scenario, agricultural trade, role of key players, market reforms, state initiatives for dealing WTO issues, etc. has shown interesting facts and significant impact on the growth in agriculture sector in India. Against this backdrop, present paper attempts to review the growth and development of agriculture in globalised and liberalized era of economy.*

## INTRODUCTION

Indian agriculture has come a long way since the inception of planning in 1951. India has attained self-sufficiency in foodgrains in 1970s and has emerged as a major exporter of foodgrains in the recent years. The transformation of agriculture from a chronically shortage sector to the surplus sector, would have made a fascinating story, if only the problems facing Indian agriculture had a evaporated, as it were along with the foodgrains deficit (Mazumdar, 2006). Indian agriculture in the new millennium faces a far more complex set of problems though; they are of a different genre. Attainment of food self-sufficiency has been admittedly an important landmark in the history of growth of Indian agriculture, but this has not meant the dilution of problems facing Indian agriculture. The prospects for agriculture in India are bright in the context of overall economic reforms including liberalization of agricultural trade. However, these would result in raising the prices of essential food items. Moreover, immediate and premature deregulation of certain activities would lead to the displacement and impoverishments of the poorer sections on a massive scale (Rao, 2006).

After the Indian economy liberalisation was initiated in 1990's, the terms of trade was moved in favour of agriculture by real devaluation of rupee. An agricultural trade surplus would have seen the upliftment of the agricultural sector with a positive impact on the economic conditions of the farmers dependent on this sector. Under the policy of trade liberalisation and complying the WTO rules by 2001, all quantitative restrictions to imports of agricultural produce was reduced in India. Tariffs were also reduced for number

1 Assistant Prof., Department of Economics, University of Lucknow, Lucknow

of commodities like edible oil, pulses and cotton (Landes, 2004). The imports of pulses and edible oil was huge in India, which was not only because of reduction in tariffs but also because of increased domestic demand and inability to meet it due to low productivity in these two commodities and also poor performance of processing units, due to which there are huge post harvest losses too. The liberalization of agricultural exports also led to an increase in exports in initial period of liberalization but in recent years the export performance of the agricultural sector has not been that good. For wheat and rice fluctuating in exports and in recent past even imports of wheat has created an uncertainty in the agricultural trade position of India. On the other hand for fresh and processed fruits and vegetables high tariffs are been imposed thus protecting the domestic sector from imports (Mattoo et.al, 2007).

On the domestic policy front we need to have steps to protect the small farmers against undue fall in prices as a result of imports but should also initiate policies that create positive environment for producers to export. Agricultural trade liberalization can bring in gains for Indian farmers through an aggressive trade policy that takes into account our production pattern, marketed surplus and reforming the constraints that we have in our domestic economy (As discussed in detail above). Irregular exports and untimely ban of exports due to crisis in domestic economy affects our credibility in the world market. Large scale export oriented production activity in identified competitive commodities will help to increase out trade volumes as well as add to the incomes of the farmers engaged in such activities. Domestic reforms and initiatives motivating small farmers to become a part of continuous supply chain for exports will be a step in this direction. In future much of the gains from the Doha commitments may not come across to Indian farmers due to lack of domestic reforms, which lowers down our ability to compete in the world trade through exports and competition.

Strengthening of agriculture will help in upliftment of the farmers but also benefit the larger section of the rural poor who are directly engaged in agriculture or indirectly linked with agriculture as consumers. Efficient way of production, stabilized prices, higher income from agriculture would create a more conjugative environment in the country for the development of the economy as a whole and of rural population in particular. One of the most important component of the much needed reforms is not only implementation of the policy in time but also simultaneous review and evaluations of the impact of the policies and taking immediate steps to rectify the negative impacts if caused by any of the policies. Inter sectoral linkages and organization of the agricultural sector needs to be taken up. Sustainability is another key issue. In the present context sustainability with natural resource management has become more relevant. The visible institutional changes with new models of marketing and cultivation should be supported by government policies too. Priority investment areas identified need to be worked on without loss of time. Risk management and incentive based system will motivate farmers to efficient agriculture. Empowerment of the small and marginal farmers through education, reforms and development will ensure a better, efficient and strengthened Indian agriculture. Motivation new models in production and marketing along with creating awareness and imparting education to small farmers will help in development of the sector and more importantly improving the economic status of poor farmers. The action plan to strengthen agriculture in India needs to be on domestic reforms through reduction of government intervention in the market economy but playing major role as evaluator and implementation of the policies, increased investment and prioritizing the area to invest, parallel action plans in this direction are needed in research to increase productivity and irrigation and water management.

### *Policy Initiatives*

Given the importance of agriculture in the national economy, it is imperative to step up the growth rate from the current average of 2.2 per cent. Recognizing the need for a comprehensive strategy for the sector, the government is introducing a mechanism for easy rural credit and risk mitigation measures for farmers. The fiscal budget 2004-05 and 2005-06 of the Government contains the most recent articulation of the government's strategy to give an added impetus to the farm sector. Some of the highlights of the policy package are:

**Increased Domestic & Foreign Investment:** Though direct foreign investment in agriculture, including plantations has not been permitted, the budget proposal actively encourages foreign investment in related sectors, particularly food-processing. The process of investing in sectors either from domestic sources or through FDI has been considerably simplified through the following set of measures:

- The government has abolished licensing for almost all food and agro-processing industries, except for a few items such as beer, potable alcohol and wines, cane sugar, hydrogenated animal fats, oils etc. and items reserved for the exclusive manufacture in the Small Scale Industries (SSIs).
- Automatic investment approval, including foreign technology agreements within specified norms, up to 100 per cent foreign equity or 100 per cent for NRIs and overseas corporate bodies is allowed for most of the food processing sector.
- Free use of foreign brand names
- 100 per cent FDI in the fertilizers and pesticides sector

**Trade and Taxes:** Most agricultural products can be freely imported and exported, except for a limited list of items falling under the negative list and free import of capital goods, including used ones in food processing. Excise and import duty rates have been reduced substantially on a number of inputs for food processing and processed food items. In fact, many processed food items are totally exempt from excise duty now. Customs duties have also been substantially reduced on plant and equipment as well as on raw materials and intermediates, especially for exports.

**Export Promotion:** The EXIM Policy (2002-07) emphasizes the importance of agricultural exports and included some policy measures to boost farm exports such as:

- Free export of most agricultural products
- Removal of procedural restrictions such as the requirement for registration,

packaging etc.

- Setting-up of agri-export zones to enhance international market access, improve infrastructure facilities and to ensure better flow of credit
- Assistance for reducing marketing costs such as transportation, handling and processing for exports of selected farm commodities, financial assistance for improved packaging, strengthening of quality control mechanisms and modernization of processing units, as well as arranging promotional campaigns such as buyer-seller meets and participation at important international fairs and exhibitions.

The Foreign Trade Policy 2004-09 emphasized the importance of agricultural exports and announced the following policy measures to boost agri-exports:

- A new scheme has been introduced called the Vishesh Krishi Upaj Yojana (Special Agricultural Produce Scheme) for promoting the export of fruits, vegetables, flowers, minor forest produce and their value added products by increasing incentives for exporters of such products.
- Funds shall be earmarked under ASIDE (Assistance to States for Infrastructure Development of Export) for development of Agri Export Zones (AEZs).
- Capital goods imported under the Export Promotion Capital Goods (EPCG) scheme shall be permitted to be installed anywhere in the AEZs.

**Credit:** The government is planning to double credit to the rural sector over the next three years. It has also hinted at introducing immediate measures to ease the burden of debt and high interest rates on farm loans. Public and private sector banks, regional rural banks (RRBs) and the cooperative banks have been entrusted with this responsibility. Since cooperative banks play a very crucial role in delivering farm credit, the health of these institutions is very important to be able to reach out to the needy farmers. Towards this end, the government has decided to appoint a task force to examine the reforms required in the cooperative banking system, including an effective regulator, to ensure the healthy financial position of these institutions.

**Infrastructure:** Many well funded schemes to create or maintain rural infrastructure are in place and are constantly being revamped to address the changing needs of the sector. Among these, the Rural Infrastructure Development Fund (RIDF) and the Accelerated Irrigation Benefit Programme (AIBP) are two of the largest programmes. An interesting innovation is the launch of a new scheme to repair, renovate and restore all the water bodies (lakes, tanks etc.) that are critical for irrigation. Funds are not expected to be a constraint for implementing the project, due to the widespread support. For instance, the insurance company in the public sector, Life Insurance Corporation of India, on an average, invests on an average US$ 653 million annually in water system development programmes. The government will also turn to multilateral agencies for funding this scheme.

**Crop Diversification:** The government proposes to encourage farmers to diversify into areas such as horticulture, floriculture and oilseeds. It is launching a national horticulture mission with a goal to double production from the present level of 150 million tones to 300 million tonnes by 2011-12. Oilseeds crop is another critical area that is receiving policy attention. During 2003-04, India produced 25 million tonnes of oilseeds but it also imported US$ 2.5 billion worth of edible oil. The government intends to help farmers diversify into oilseeds by promoting superior seed-technology and an appropriate policy of price support. The National Horticulture Mission, announced in the budget 2004-05 will be initiated in 2005-06 with an allocation of US$ 145 million for the mission. The mission will ensure an end-to-end approach with backward and forward linkages covering research, production, post-harvest management, processing and marketing, under one umbrella, in an integrated manner. As the mission gathers pace more funds will be provided. The government also proposed to introduce a new scheme called Development/Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization, in the fiscal Budget 2005-06. The goal of this scheme is to induce large scale investment from the private and cooperative sectors for setting up agricultural markets, marketing infrastructure and support services such as grading, standardization and quality certification. It is proposed that the scheme be implemented through the National Bank for Agriculture and Rural Development (NABARD) and the National Cooperative Development Corporation (NCDC) in those states, which amend their Agricultural Produce Marketing Committee (APMC) Acts.

**R&D:** Agricultural research and development is an area that deserves special attention. The Indian Council of Agricultural Research (ICAR) is a beneficiary of the scheme under which every commercial rupee earned by the institution is incrementally matched by another rupee from the budget. Besides this, ICAR receives funds from the Technology Development Board for all commercially viable projects. The budget 2004-05 also aimed at expanding farm-related R&D to new frontiers like biotechnology, vaccines and diagnostics. There will be a special focus on farming in dry lands and non-irrigated areas. Agricultural research has a vital role to play in the strategy for reviving and encouraging diversification. A task force headed by Dr M S Swaminathan has recommended the creation of a National Fund for Strategic Agricultural Research. An initial provision of US$ 11.5 million to operationalise this fund has been announced in budget 2005-06.

**Agri-business for Small Farmers:** The Small Farmers Agri-business Consortium (SFAC) was set up in 1994. SFAC will provide venture capital to projects and will be run, preferably by a banker, on purely business lines. The M S Swaminathan Research Foundation has identified 13 districts where there is a huge potential for agri-businesses and a propensity for investment of nearly US$ 36 million. The Ministry of Agriculture has initiated steps to improve the governance of SFAC, including the appointment of a banker as the chief executive. The budget also provides for the necessary additional capital that SFAC may require for aggressively promoting agri-businesses. In addition, agri-businesses are given tax exemption for their further development.

Risk Mitigation: The Agriculture Insurance Company (AIC) was incorporated in

December 2002. The National Agricultural Insurance Scheme, which insures the yield or crop, has been operational since the winter of 1999-00. The AIC is redesigning the scheme to ensure income rather than crop yields. It is also introducing a weather insurance scheme and is extending insurance coverage to livestock.

The Rise of IT in Agricultural Sector: The application of information technology (IT) in agriculture is usually associated with markets in developed countries and capital intensive methods of production. However, its relevance to the rural economy in a country like India cannot be overlooked. IT can effectively be used to disseminate technology, streamline the supply chain for food processing and other agro-industries, leading to better price realization by farmers. There are many efforts underway which demonstrate the concrete benefits of IT for the rural population and the sector as a whole. Increased levels of literacy, rapid urbanization and rising per capita income have led to rapid growth and changes in demand patterns. An average Indian spends about 50 per cent of his household expenditure on food items. With a population of over one billion and a 350 million strong urban middle class and their changing food habits, the market for agricultural products and processed food is expected to grow significantly. The relatively low-cost but skilled workforce can be effectively utilized to set up a large, low-cost production base for domestic and export markets. The national policy aims at increasing the level of food processing from the present 2 per cent to 10 per cent by 2010 and 25 per cent by 2025. Foreign direct investment is not directly allowed in agriculture but there exist ample opportunities in related sectors.

Indian agriculture has witnessed remarkable changes in the post independence decades. Most striking aspect of the transformation has been in the production of foodgrains that we have converted a deficit prone country with concerns of wide spread starvation, to a situation of plenty. The increase in production was made possible by expansion of irrigation, spread of new technology and additions to rural infrastructure like roads, markets and warehouses (Anant, 2006). The technological change has accelerated the pace of agricultural development in India. The incentives and nature of technologies are changing rapidly, institutional change is sought in all sectors of Indian agriculture, particularly under the new trade regime (Mruthyunjaya, et.al., 2006). It is strongly viewed that formal institutions to facilitate the functioning of markets, enforce contractual arrangements, and protect property rights and other incentives would be stronger and dominate in the future. Public policies for developing agriculture should be viewed in strategic framework. The instrument for agricultural development should be linked with the policy framework while there is imperative need of a national strategy for developing and managing agriculture. The policy instruments are expected to accelerate government expenditure on agricultural development (Desai, 2006). The prospects for agriculture in India are bright in the context of overall economic reform including liberalization of agricultural trade. However, these would result in raising the prices of essential food items. Moreover, immediate and pre-mature deregulation of certain activities would lead to the displacement and impoverishment of the poorer section on a massive scale. Therefore, the pace of liberalization of agriculture has to be conditioned by steps to strengthen supply side factors such as irrigation, watershed development, research and extension, and credit in order to augment to agricultural production (Rao, 2006).

Indian agriculture has come a long way since the inception of planning in 1951. Initially, the development policy of country emphasized on attaining food self sufficiency. It was further emphasized by introducing Green Revolution. This has transformed Indian agriculture from chronically shortage sector to the surplus sector. The liberalization of Indian economy has provided additional impetus to Indian agriculture for making it more competitive and growth oriented. The globalization of Indian agriculture has created enabling environment for massive investment in agriculture, infrastructure development, and introducing institutional and policy reforms for development and management of agriculture.

## LIBERALIZATION OF AGRICULTURE:

India has made significant advances towards achieving its goals of rapid agricultural growth, improving food security, and reducing rural poverty during the last decades. Sustained foodgrain (rice and wheat) production growth that exceeded the population growth rate eliminated the threat of famines and acute starvation in the country. Government of India (GOI) investments in agricultural research and extension, irrigation, and other rural infrastructure complemented by subsidies for key inputs such as fertilizer, water, and improved seeds-launched the country into the "Green Revolution," from which it continues to benefit today. India achieved national self-sufficiency in the 1990s. Improved foodgrain availability contributed to increased national food security. Indeed, India recently faced problems of plenty with respect to foodgrains. The increased demand for rural labor generated by agricultural intensification, especially during the 1970s and 1980s, raised rural wages and, combined with declining food prices, was a critical contributor to reducing poverty in rural areas (Ravallion and Datt 1995, Bhalla and Singh 1997). Aided by sustained, although much slower, agricultural growth in the 1990s, poverty rates (headcount) in rural areas declined from 39 percent in 1987-88 to 33 percent in 1993-94 to 26.3 percent in 1999-2000 (Deaton and Dreze 2002).

Consistent with the process of economic development, the agriculture sector's role in the national and state economies is changing rapidly. At the national level, the share of the agriculture and allied services sector (including forestry and fishing) in total GDP is down to approximately 26 per cent in triennium ending 2000-01 as growth of the industrial and the services sectors far outpaced those of the agricultural sector over the last two decades. In some states, such as Gujarat, Maharashtra, and Tamil Nadu, the sector today contributes less than 20 per cent to gross state domestic product (GSDP).

Despite the shrinking share of the sector in the economy, the majority of the labor force continues, to depend on the agricultural sector for employment. According to the 2000 census, 58 percent of the total labor force, numbering approximately 235 million people, is employed in the agricultural sector in India. In rural areas, dependence on the agricultural sector is even greater. Nearly three quarters of the rural population, approximately 228 million workers, are employed in the sector. The large disparity between the labor productivity of agricultural workers relative to those in other sectors is a serious concern. The low agricultural productivity results from the large number of workers tied to agriculture in almost all states, the slowing of agricultural growth, and limited opportunities for rural non-farm employment. This low productivity in turn contributes to the high rate of poverty in rural areas at the state level.

Since the mid-l990s, the Government of India released several major policy documents elaborating proposals to address pressing problems plaguing the agricultural sector. Of paramount importance to policymakers was, in the context of increasing land and water resource constraints, how to achieve a higher agricultural growth trajectory to meet the food needs of a growing population, and raise incomes and reduce poverty in rural areas. Externally, the rapidly globalizing trade environment elevated concerns about staying competitive in the world market and protecting farmers, many of whom comprise the poorest of the poor, from cheap imports. How to resolve the paradoxical and fiscally costly situation of burgeoning foodgrain stocks in the midst of widespread poverty and malnutrition in the country was an urgent concern. Some of the policy documents addressed a broad range of constraints facing the sector, while others dealt with subsector-specific issues.

It may be concluded that in many ways India is favourably placed to take advantages of certain provisions of WTO. In the production of agriculture, India is one of the least cost-producing countries in the world. As compared to the developed countries, land and labour are cheaper in India. However, India needs substantial public investment in irrigation, power, roads and agricultural research and extension, rather than subsidies on inputs (Rao, 2001). Reshaping and modernizing Indian agriculture to face the emerging challenges require a wide range of policy interventions. Production for export has to be encouraged in specific sub-sectors such as fruits and vegetables, spices and condiments, medicinal herbs, floriculture, aquaculture, and other sectors that are emerging with export potential in response to demand in global markets.

## CONCLUSION

Agriculture is the backbone of Indian economy. A large segment of India's population is depend on agriculture and allied activities for their sustenance. India also leads the world in production of a few agriculture commodities. It is largest producer in the world of milk, cashew nuts, coconuts, tea, ginger, turmeric and black pepper. It also has also the world's largest cattle population. It is the second largest producer of wheat, rice, sugar, groundnut and inland fish. It is the third largest producer of tobacco. India accounts for 10 per cent of world's fruit production. India, like several others Asian countries has a comparative advantage in agriculture, so that there is considerable scope for raising farm income and employment by stepping up agro-based exports without jeopardizing and indeed by consolidating the food security. Structural adjustment measures are designed basically to improve allocation efficiency through the operation of incentives in a market economy. However, the institutional framework of Indian agriculture has been such that the inefficiencies in the allocation of resources has been fewer when compared with the command economies or even with non-agriculture in India. Thus, whereas there are undoubted efficiency gains flowing from the liberalization of agricultural trade and reduction of input subsidies, such gains would be significantly less when compared to the gains in terms of increased investment in agriculture consequent to liberalization of non-agriculture. Liberalization of domestic trade in agriculture commodities would imply limiting the role of public policy to guaranteeing minimum support prices for farmers and procuring food grains at the ruling market prices, enough to maintain the required buffer stock and for meeting the commitments of the public distribution system. Whereas liberalization of trade, external as well as domestic, would improve the incentives for farmers, raise their resources position and contribute to technological upgradation of agriculture. Agriculture sector has been undergoing economic reforms since the early 1990s in the move to liberalize the economy to benefit from globalization. Though, globalization is necessary but not sufficient condition for high growth production. India has undertaken economic reforms both internal and external; however, it must be ensure that these reforms are synchronized so that the pace of both reforms is set right in order to work in hand to promote agricultural productivity growth. Uttar Pradesh is the most populous state in India. The state has witnessed significant growth in agriculture and food processing sector. The state government has also initiated several programmes and schemes to cope up with changes in the business environment and globalization and economic liberalization. The state government has also introduced agriculture policy to boost the agriculture sector and provide a major source of livelihood to the majority of population.

## *References:*

Bhalla, G.S., and G. Singh (1997), Recent Developments in Indian Agriculture: A State Level Analysis, Economic and Political Weekly 32 (March).

Deaton, A., and J. Dreze (2002), Poverty and Inequality in India: A Re-Examination, Economic and Political Weekly (September).

Desai, B.M. (2006), Policy Framework for Reorienting Agricultural Development, IN Indian Agriculture in the New Millennium, Edited by N.A. Mazumdar and Uma Kapila, Academic Foundation, New Delhi.

Landes, R. Maurice (2004). The Elephant is Jogging: New Pressures for agricultural reforms in India. Article in Amber Waves February, 2004. www.ers.usda.gov/amberwaves/february04/ features/ elephantjogs.htm.

Mattoo, Aaditya, Deepak Mishra and Ashish Narain (2007) From competition at home to competition abroad- A case study of India's horticulture, World Bank and Oxford University Press.

Mazumar, N.A. (2006), Introduction, IN Indian Agriculture in the New Millennium Edited by N.A. Mazumdar & Uma Kapila, Academic Foundation, New Delhi.

Mruthyunjaya, et.al. (2006), Institutional Reforms for Agricultural Development Under New Economic and Technological Environment, IN Indian Agriculture in the New Millennium, Edited by N.A. Mazumdar and Uma Kapila, Academic Foundation, New Delhi.

Rao, Hanumantha (2001), WTO and Viability of Indian Agriculture, Economic and Political Weekly, 36, September 8.

Rao, C.H.H. (2006), Liberalization of Agriculture in India: Some Major Issues, IN Indian Agriculture in the New Millennium, Edited by N.A. Mazumdar and Uma Kapila, Academic Foundation, New Delhi.

Rao, Hanumantha (2006), Liberalization of Agriculture in India: Some Major Issues, IN Indian Agriculture in the New Millennium Edited by N.A. Mazumdar & Uma Kapila, Academic Foundation, New Delhi.

Ravallion, M., and G. Datt (1995), Growth and Poverty in Rural India. Policy Research Working Paper 1405, World Bank.