CONSORTIUM OF INDIAN FARMERS ASSOCIATIONS (CIFA)

AIMS & OBJECTIVES

- To bring unity amongst all farmers associations, women groups, Panchayat Raj Institutions, Water User Associations (WUA), Commodity Associations, and act as a cohesive and functional organization.
- To act as representative to all categories of Farmers and assist them in articulating their views with Central and State Governments, Financial Institutions, Research, CACP, CII, IFAP, World Bank, FAO & others.
- To create awareness amongst intellectuals, Media & Industralists on role of agriculture and small farmers as a key sector for National Economic and Social Development.
- Establish Forums of MPs, MLAs to support the cause of farmers.

PROGRAMS

- Networking Farmers as commodity wise vertical and area wise parallel organizations.
- Build global competitiveness through technologies upgradation, organic farming, research, Mechanisation and other means.
- To assist in establishing Processing, Market Yards, Retail Chains, Contract Farming & Commodity Trading.
- To facilitate domestic and International Farmers Exchange.
- Sensitization on social issues of women rights, child marriage, dowry, alcoholism, suicide prevention etc.,

ASSOCIATE INSTITUTIONS

- Parliament Members Farmers Forum (PMFF)
- International Federation of Agriculture Producers (IFAP) & BCI
- CII - BARC - ICRISAT

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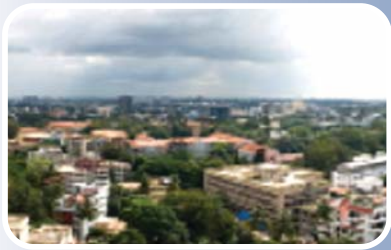
CONSORTIUM OF INDIAN FARMERS ASSOCIATIONS (CIFA)




Five fold increase in Income divide between Urban and Rural

INDEX



- o Allow big grain companies to directly buy from farmers
- o Lower margin requirements for bank loans against agricultural stocks
- o Introduce a warehouse receipt system
- o Procure food at only the support price to prevent a crash in prices and to build a buffer stock
- o For the public distribution system, issue tenders for deliveries at a specific time and place.
- o Abolish taxes on raw agricultural commodities and introduce an agricultural VAT
- o Abolish the retention price scheme for urea and decontrol its marketing

Most of this still remains the unfinished agenda. Either inaction or tokenism has ruled. What if no significant policy changes and investment take place even as the agricultural consequences of climate change-induced water scarcity is visited on us? The contents of a study by the International Food Policy Research Institute, reported in this paper by Surinder Sud, paint a horrific picture. Prices of major cereals can go up by between 100-200 per cent by 2050 because of higher demand and a calamitous drop in crop yields, endangering the food security of 1.6 billion people in South Asia. This can lead to a fall in cereal consumption by a fourth and calorific availability by nearly a seventh. If this is not an emergency calling for immediate action, what is? Subir Roy-BS 281009.

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FIVE FOLD INCREASE IN INCOME DIVIDE BETWEEN URBAN AND RURAL INDIA SINCE 1950S

K. Ramasubba Reddy

ABSTRACT: 'For everyone rupee growth in income of non- agri sectors, agri sector income grew by just 48 paise during pre-green revolution period, the growth rate in agri income sector has now further steeply declined to a megre 28 paise for every rupee growth of non- agri income sectors'

The divergence in growth rates between agri and non-agri sectoral GDPs are ever increasing with no signs of convergence thus making inclusive growth for 60% of the population residing in rural Bharat a mirage. Is this what the planning mandarins and policy pundits pursued for the past 60 years?'

1A. THE ELEVENTH PLAN STATES: "GDP PER AGRICULTURAL WORKER IS CURRENTLY AROUND RS.2,000 PER MONTH, WHICH IS ONLY ABOUT 75% HIGHER IN REAL TERMS THAN IN 1950 COMPARED TO A FOUR-FOLD (400%) INCREASE IN OVERALL REAL PER CAPITA GDP."

1b. As agri sector GDP fell year after year since 1950s from 55% to 17% now, per capita income of agri workforce also dwindled sharply. Studies by the planning commission and others show **that while the income ratio between agri workers and non-agri workers during 1951 was 1:1.8, it got widened to 1:5.2 by 2004.**

1c. It is estimated by the Centre for Development Economics that whereas agricultural sectoral GDP stood at nearly Rs.3 lakh crore in 2002-03, it will rise to no more than Rs.4 lakh crore (+33%) a decade later in 2011-12 at the agricultural growth rate forecast for the Eleventh Plan. Meanwhile, the combined manufacturing and services sectors would have soared from Rs. 9 lakh crore to around Rs. 20 lakh crore (+120%), further widening the gap between the relatively stagnant sectors of the economy and the boom sectors from Rs.6 lakh crore to Rs.16 lakh crore. **The disparity between agri and non-agri sectoral GDP is going to increase from 1:3 in 2003 to 1:5 by 2012.**

1d. Thus in India, Rural Urban divide in incomes have widened five fold during the past 60 years. In the three decades since the country's "opening up", prosperity has come to urban India, but so has a widening income gap between urban and rural areas. Rural Indians constitute 70% of the population.

T1. Recent and projected growth rates in income

Particulars	1993-94 to 2004-05	2004-05 to 11-12	2011-12 to 2020-21
***N.N.P at factor cost**	**6.85**	**9**	**9**
Per Capita Income			
Rural	**2.27**	**3.46**	**3.58**
Urban	**7.75**	**11.81**	**12.19**
Total	**4.97**	**7.57**	**7.81**

Source: NCAP-Policy Brief 28- *NNP-Net National Product.

It is assumed that Indian Economy in next 5 to 15 years would grow at average rate of 9%, which implies 7.57% growth in per capita income during 11th Plan and 7.81 percent growth rate beyond that. **Growth rate in urban income would be more than 3 times the growth rate in per capita income of rural people. And the income gap between urban and rural people is widening ad infinitum.**

So much for inclusive growth (*Please see Note at the end of the article).

2. Deceleration of Growth in Agriculture

After mid 1990s growth rate in agricultural output declined sharply. **Over the last 50 years, deceleration in the growth of agricultural output was not witnessed for such a long period as seen after 1994-95.** Thus decline in agriculture output growth has been a continuing phenomenon for more than a decade.

Table (1): Growth rate in GDP agriculture and non agriculture sectors in different periods, percent/year

Period	Total economy	Non-agriculture	Agriculture
I Pre green revolution 1950/51 to 1964/65	3.95	5.59	2.66
II Green revolution period 1965/66 to 1979/80	3.62	4.40	2.76
III Wider technology dissemination period 1980/81 to 1994/95	5.37	6.56	3.33
IV Post reforms 1995/96 to 2004/05	5.81	7.07	2.00

The ratio of growth rate of agri sector GDP which was nearly half of (0.48%) of non-agri sector during the pre-green revolution period, increased to nearly 2/3rd (63%) during the Green-revolution period, but again went down to half level (0.51%) during the wider tech dissemination period and fell steeply to 1/4th (0.28%) during the Post-reforms period thus greatly widening the divide between the incomes of work force of agri and non-agri sectors.

What it means in simple terms is that, 'for everyone rupee growth in income of non- agri sectors, agri sector income grew by just 48 paise during pre-green revolution period, the growth rate in agri income sector has now further steeply declined to a megre 28 paise for every rupee growth of non- agri income sectors'

The output growth rates (Table 2) are lower than the growth rates in rural population and workforce employed in agriculture, clearly implying that per capita income in agriculture is declining. This is one of the major factors explaining rising rural distress in the country.

TABLE (2): GROWTH RATE IN OUTPUT OF VARIOUS SUB SECTORS OF AGRICULTURE AT 1993-94 PRICES

Period	Crop sector	Live-stock	Fishery	Fruits and vegetables	Non-horticulture crops	Cereals
1980/81 to 1989-90	2.71	4.84	5.93	2.42	2.77	3.15
1990/91 to 1996/97	3.22	4.12	7.41	5.92	2.59	2.23
1996/97 to 2003/04	0.61	3.76	4.28	3.66	-0.31	-0.11

An indication of slowdown in farm incomes can be obtained by looking at the level and growth of agriculture GDP per agriculture worker (Table-3). During 1970s Value added per worker in agriculture increased annually by 0.7 percent. The growth rate accelerated to 1.18 percent during 1980s. During the last decade agriculture GDP per worker increased merely by 0.29 percent.

Table (3): Level and growth in per worker agriculture GDP at 1993-94 prices

Period	GDP agriculture per agriculture worker (Rs.)	Growth rate in previous 10 years (%/year)
1969/70 to 1973/74	9049	
1979/80 to 1983/84	9699	0.70
1989/90 to 1993/94	10902	1.18
1999/00 to 2003/04	11223	0.29

THAT IS WHY THE XI FIVE YEAR PLAN DOCUMENT OBSERVES THAT: "GDP PER AGRICULTURAL WORKER IS CURRENTLY AROUND RS. 2,000 PER MONTH, WHICH IS ONLY ABOUT 75% HIGHER IN REAL TERMS THAN IN 1950 COMPARED TO A FOUR-FOLD (400%) INCREASE IN OVERALL REAL PER CAPITA GDP."

The divergence in growth rates between agri and non-agri sectoral GDPs are ever increasing with no signs of convergence thus making inclusive growth for 60% of the rural population a mirage. Is this what the planning mandarins and policy pundits pursued for the past 60 years?

b. Another way of measuring change in incomes is to find out how much has the command over a specific bundle of goods, by an average person belonging to the "agriculture-dependent population", increased over the last decade? As our "benchmark" bundle of goods, let us take that bundle which is actually supposed to be consumed by the average industrial worker according to official statistics. It turns out that between 1994-5 and 2003-04, the per capita command over this bundle of goods by the agriculture-dependent population increased by only 5% in absolute terms, which amounts to virtual stagnation.

3. GDP concept contentious

'The very concept of GDP is itself a contentious concept. Since it includes the tertiary sector, whose "output" can not be independently identified and where therefore the incomes of those engaged are simply taken as "output". The GDP concept is intrinsically incapable of distinguishing between the production of the economy and the transfers between persons within the economy. An illustration of this point is provided by the fact that GDP went up almost overnight when the fifth and sixth Pay Commission's awards were implemented without any increase in productivity of the employees.'

3b. Does anyone really believe that tertiary sectors like trade (37%), hotels, real estate, finance (17%), community and government services (25%) are so much more productive, relative to real sectors like agri (4.25%) and industrial (15.32%) sectors in the society, that they deserve huge increases in incremental GDP they have received in FY09 (shown in brackets)?

The skewed incentives distorted our economy and our society. We confuse means with ends.

Our bloated government services sector grew to the point that it accounted for more than 25% of incremental increase in GDP FY 09.

3e. Per capita income in real terms is estimated at 4.9% in FY 09. Sectorally it works out to **per capita income of persons deriving income from in Agri sector to NIL,** industry sector to 2% and services sector to 8%. Persons deriving income from COMMUNITY, SOCIAL AND PERSONAL SERVICES SEGMENT GAINED 11%. This segment registered uncommon growth rate, nearly double (13%) compared to previous year (6.8%), fed by Government spending leading to increased fiscal deficit. All other segments showed lesser growth compared to growth rate during the previous year. Such uncommon growth rate in support sector unaccompanied by simultaneous increase in growth rates in real sectors is not healthy and need to be pared else it will have adverse impact on the economic growth in future. Thus highly skewed growth trend was evident, contrary to XI Plan OBJECTIVE OF INCLUSIVE GROWTH.

Agri sector, which employs 58% of work force, drew a blank thus widening income disparity of workforce in agri and non-agri sectors (read income divide between rural and urban dwellers).

4a. This low growth rate of agriculture is largely due to debilitating policy measures.

* Expenditure on Rural development declined sharply by half during 1990s.
* There is an across the- board slowing of output and yield growth since 1991 for the two main groups in Indian crop agriculture. For 'All Crops' there is slowing of growth in area, production and yield. The period since 1991 marked in time when growth in Indian agriculture was arrested.
* There is significant increase in the share of holdings in the smallest category, and a definite decline in the share of holdings of larger size.
* Nineteen nineties was marked by low investment in agriculture affecting the rate of growth of output.
* Growth in coverage of irrigated area in all the main crop categories has slowed in the nineties
* Deficiency in planning, implementation and management point towards poor governance.
* Research institutions are not delivering the results expected of them.
* Funding of publicly-provided 'research and extension' expenditure has not kept pace with the increasing need for such support.
* The rate of growth of expenditure on extension services has declined three-fold since the nineties. Investment is insufficient in research for agriculture
* Growth of credit to agriculture was only 12 per cent during 1986-87 to 1994-95 as against target of 18%.

The quantum of flow of financial resources to agriculture continue to be inadequate. The flow of investment credit to agriculture is declining. Small holders having major share in the land holdings receive much less credit than their requirements.

* Of the total number of suicide cases reported, 76 per cent of the victims were dependent on rain-fed agriculture and 78 per cent was small and marginal farmers. Furthermore, 76 to 82 per cent of the victim households have reported borrowings from non-institutional sources and the interest rates charged on such debts ranged from 24 to 36 per cent.

* Stagnant public investment for almost a quarter of a century, a slowing of irrigation expansion since 1991 and a downscaling of production due to farm fragmentation are the main causes for deceleration in agricultural during 1990s.

* Liberal trade policies in vegetable oils, stagnating productivity and ineffective domestic support price for rainfed crops post 1996. Terms of trade turned against agriculture from 1999-2000 to 2004-05 and sharply reduced profitability of farming.

*Fixation of un-remunerative prices for agri produce resulting in losses for farmers.

* Implementation is the key to agricultural growth.

4b.Causes for fall of agricultural growth

Public and private investment in infrastructure, including irrigation, technological change, diversification and fertiliser are the four major sources of agriculture growth in India. The progress on these fronts slowed down since the 1990s.

Rural Infrastructure

Increasing farm subsidies are impinging upon the government's ability to invest in key areas. Even a one-fourth reduction in these subsidies could enable the government to nearly double its investments in critical areas like irrigation and other infrastructure.

Apart from their misuse and leakages, subsidies in several cases are doing more harm than good through the over-use of irrigation water and imbalances in the use of plant nutrients resulting in wastage and inefficiency.

Degradation of Natural Resources

The main reasons for degradation of natural resources are the increasing pressure of human and animal population on natural resources, policies like free power for irrigation leading to the overexploitation of water resources and the lack of participatory management of natural resources. Fertilizer subsidy has distorted prices in favour of nitrogenous fertilizer causing nutritional imbalances in many areas, adversely affecting land productivity.

Failures in Conservation and Improvement of Rain-fed Land

Watershed development is a major strategy to make sustainable use of natural resources in rain-fed areas. But projects are mostly planned and implemented by government departments in a piecemeal and fragmented manner without actively involving the beneficiary communities.

Technology Development and Dissemination

Highly centralized, hierarchical and bureaucratic set-up of ICAR has not responded to the need for change. The available resources have not been optimally utilized for lack of clearly stated strategy and rational prioritization of research agenda.

Frontline demonstrations by various departments provide clinching evidence of large gaps between what can be attained at farmers' fields with improved technology and what is obtained with the existing practices, clearly pointing to the large potential for raising output through the effective dissemination of technology, especially in the eastern Gangetic Plains. But this is not happening because of the absence or weak Research-Extension-Farmer linkages. Also, realization of demonstration trials yields at farmers' fields on a large scale would require technologies adaptable to wider regional variations.

The flow of improved varieties and production technology for rain-fed crops and regions with relatively low rainfall has been uneven. Research has tended to focus mostly on breeding varieties of individual crops for increasing the yield potential by more intensive use of water and bio-chemical inputs, to the neglect of cropping systems and practices for prudent, efficient and sustainable use of land, water and chemical inputs.

Market Infrastructure and Regulation

In low productivity regions having a large potential, e.g. Bihar, East Uttar Pradesh, Orissa, Assam, Chattisgarh and West Bengal, marketing infrastructure is underdeveloped and private trade is exploitative. As such, the incentives for the adoption of new technology are very weak. On the other hand, the potential of private sector to contribute to agriculture growth and benefit farmers through participation in marketing and processing remained largely unrealized because of various types of restrictions and regulations.

Imperfections in Land Market and the Plight of Small Farmers

The small farmers genuinely interested in cultivation do not have resources to purchase land. Land that is leased out is on oral tenancy for short periods which discourages productive investments in land by the tenants. This is harming equity as well as efficiency. **Source: Steering Committee on Agriculture-2007**

4c. These agri debilitating policy measures adopted started the process of gradual decay of Indian agriculture.

The mid-term appraisal of the Tenth Plan says: “The failure in agriculture is a major factor underlying rural distress which has been visible in rural areas and also the slower growth of economy as a whole.” **But in fact it is the faulty planning and policies which resulted in the failure of agriculture resulting in rural ruination.**

5. Things were actually even worse for the rural segment of the population. Its virtually stagnant per capita command over “private goods” was accompanied by a decline in the quality of the public services provided to it. The decline of public health facilities, the decline in public education facilities in rural areas, the worsening state of rural infrastructure, and the progressive reduction in the availability of electricity in the countryside, are all well-attested phenomena of this period. This is not just a stagnation but perhaps even a decline in the average living standard of the agriculture-dependent population.

6. 'Benefits of growth unequally distributed'

The benefits of the growth have been unequally distributed across the population, with the **rural segment constituting the relatively deprived component;** there is also usually an underlying suggestion that the government's economic policies can and should be accompanied by specific measures promoting a more equitable distribution of the fruits of growth. **Why should inequalities suddenly increase so dramatically that sixty percent of the population has on average an unchanged real income even when India allegedly has been “shining”?** The crisis of the countryside is intimately linked to the planning and policies themselves.

7. Immediate measures to be initiated, among several others (Please see Note 3 at the end of the article), are to invest massively in agri infrastructure development such as major and minor irrigation, rural power roads, storage and marketing facilities and rapidly drought proof agriculture with special attention in the development of rainfed areas (RADP)*.Miniscule allotment of a few hundred crore for rural infra development and RADP will not do. Rainfed areas are neglected for long and its development does not brook any further delay. The nation's food security can not be compromised.

(*For a profile of rainfed farming and measures needed to improve productivity of rainfed farms, please read the article titled **INTEGRATED MANAGEMENT OF RAINFED FARMING) KRSR/201109**

***NOTE1: Faulty planning & policies real reason for rural ruination**

a. During the 60 years of Planning between 1950-51 and 2008-09, the share of agriculture in GDP has fallen by more than two third from 55% to 17%, whereas the share of industry has increased from 15% to 20% and the share of services has more than doubled from 30% to 64%.

T2.Sectoral GDP Growth since 1950s

Gross Domestic Product-Sector wise at 1993-94 prices (%)

Year	Agriculture	Industry	Services	GDP
1950-51	(55)	(15)	(30)	100
1960-61	(51)	(19)	(30)	100
1970-71	(44)	(23)	(33)	100
1980-81	(38)	(24)	(38)	100
1990-91	(31)	(26)	(43)	100
2000-01	(24)	(20)	(56)	100
2004-05	(20)	(20)	(60)	100

Note: Figures in brackets show the GDP of the three sectors as % of total GDP

T3. SECTORAL COMPOSITION OF GROSS DOMESTIC PRODUCT AT FACTOR COST DURING 2000S (PERCENT)

Sector	2000-	01-02	02-03	03-04	04-05	05-06	06-07 p	07-08 Q	08-09R
Agri	23.9	20.4	21.4	21.7	20.2	19.5	18.5	17.8	17.0
Ind	20.0	19.3	19.9	19.4	19.6	19.4	19.5	19.2	18.5
Services	56.1	56.7	58.9	58.9	60.2	61.1	62.0	63.0	64.5
CSMS	15	14.7	14.3	14.3	14.2	13.9	13.4	13.1	13.9
GDP@FC	100	100	100	100	100	100	100	100	100

Source: Central Statistical Organisation

2b. Agricultural growth has been subject to large variation over the decades. The 1970s interregnum is particularly marked by the severe deceleration in agricultural growth, followed by a recovery in the 1980s, and a slowdown thereafter.

T 4. GDP Trends since 1950s (Percent)

	1950s	1960s	1970s	1980s	1990-91	FY 1992-97	FY 1998-2003	FY 2004-07	2007-08Q
Real GDP growth	3.6	4.0	2.9	5.6	5.3	5.7	5.2	8.7	9.0
AGL	2.7	2.5	1.3	4.4	4.0	3.7	0.9	4.9	4.9
Industry	5.8	6.2	4.4	6.4	5.7	7.0	4.1	8.3	7.4
MFG	5.8	5.9	4.3	5.8	4.8	7.5	3.9	9.1	
Services	4.2	5.2	4.0	6.3	5.9	6.4	7.8	10.2	10.8

2c. Agri GDP growth rate was subject to wide fluctuations, from -7.2 in 2002-03 to + 4.9% in 2007-08 and registered only 1.6% for 2008-09. Industry GDP ruled high for 4 years up to 2007-08, but started decelerating thereafter and recorded lowest rate of 3.9% during 2008-09.

T 5. Sectoral Growth Rates of Gross Domestic Product at Factor Cost

(At 1999-00 Prices) (Percent)

Sector	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08 Q	08-09 R
Agri	-0.2	6.3	-7.2	10.0	0.0	5.8	4.0	4.9	1.6
Ind	6.4	2.4	6.8	6.0	8.5	8.1	10.7	7.4	2.6
Services	5.7	6.9	7.5	8.8	9.9	11.2	11.3	10.8	9.4
CSMS*	4.7	4.1	3.9	5.4	6.8	7.1	5.7	6.8	13.1
GDP@FC	4.4	5.8	3.8	8.5	7.5	9.5	9.7	9.0	6.7

Source: Central Statistical Organisation. *CSMS-Community, social and personal services

Note: For FY 10, PMEAC has projected minus Agri GDP growth of-2% and 8.2% GDP growth for Industry and Services sectors.

2d. Agri GDP was 4.9% for FY 08, down to 1.6% for FY 09 and now projected to be in the negative territory of minus -2% during FY 10 with rice and oil seeds production less than last year by over 16 mt and 6 mt respectively.

The average Agri GDP growth for the three year period works only to 1.5% per annum which is less than population growth at 1.6%. This means per capita income of agri dependant people is virtually stagnant during the three year period.

The aim of achieving inclusive growth by raising agri GDP to 4% during XI plan period is a mirage now.

2e. Despite the shift in sectoral GDP away from agri sector, most of the employment is still in agriculture.

	Share in GDP	Share in Employment
Agriculture	17	58
Industrial	19	18
Services	64	24

So, the transfer of work force from agriculture to other sectors has been very low.

1f. This means a disquietingly large increase in income disparities during the last 60 years of planning! **With regards to the composition of GDP, the percentage shares of various sectors have largely changed. The percentage share of the agriculture in the total GDP has declined sharply, on the contrary the percentage share of services in the GDP is rising faster.**

3. The steep fall in the share of agriculture in GDP is due to the fact that its growth rate at 2.6 per cent per annum was less than half of the growth rates of 6.8 per cent per annum for industry and 4.8 per cent per annum for services during the period **1950-51 to 2004-05.**

Rise in rate of growth of India's GDP Since 1950s

Sector	1950-51 to 2004-05	2005-06 to 2009-10*
Primary	2.6	Agri 2.8
Secondary	6.8	Ind 7.4
Tertiary	4.8	Services 10.2
GDP	4.0	8.2
GDP/Per capita	1.9	6.6

Source: CSO-Computed-GDP for 2009-10 taken as per PMEAC Projections

During the current 5 year period FY 2006-10 average agri GDP growth is estimated to be 2.8%. This is about 1/3rd of Industry GDP growth of 7.4% and about 1/4th of Services GDP growth of 10.2%.

At an average rate of population growth of 2.1% during the period 1950-51 to 2004-05, per capita income of people dependant on agriculture was virtually stagnant. **Average increase in Per capita agri income was a megre 0.5% per annum during 1951-2005, compared to increase in per capita industry sector income at 4.7% per annum and that of services sector at 2.7% per annum. This has resulted in wide variation between incomes of agri dependant people and non- agri income dependant people.**

While increase in per capita agri income during this five year period would be only about 1.2% per annum, Per capita industry income would be 5.6% and that of services 8.6%.

NOTE 2. Gross Domestic Product-Skewed Sectoral Growth Pattern

Though the average annual growth rate of agriculture sector had never been very high, as compared to industrial and services sectors over the decades, agricultural sector has managed to maintain its average growth of about 3.4% for the period 2001-02 to 2007-08, against a growth of 3.1% in 1950-51 to 1960-61. In the interregnum, after registering a lowest average growth of 1.8% during the period 1971-72 to 1980-81, agriculture and allied activities posted a growth of 3.5% for the period 1981-82 to 1990-91. The period 1981-82 to 1990-91 represented a structural break, as during this phase, the total GDP of the economy reached a higher growth trajectory of 6.2% from its earlier Hindu growth rate of about 3.5-4.0 %.

From this period onward, significant growth has been witnessed in both services and industrial sectors. The average annual growth in industrial sector showed a cyclical pattern. After slowing down from 6.3% in 1950s, to 4.0% in 1970s, it gained momentum in 1980's to 6.2%, but the 1990s witnessed a dip to 5.6%. The current decade saw the highest average annual growth of 8.1%. The services sector showed consistent improvements since 1950s but for a dip during 1970s and the current decade represents really an accelerating trend in services sector growth).

The decadal growth pattern across sectors is reflected in the changing share of different sectors in national GDP. From a peak of 53.3% in 1950-51 to 60-61 the share of agricultural sector came down to 20.5% for the period 2001-02 to 2007-08. Slow down in its share started reflecting during the period 1981-82 to 90-91 when industries and services sectors gained speed. Thereafter, while the manufacturing sector has been posting a higher growth, the share of services sector started rising tremendously and contributed the most to GDP growth rate .

Causes for lower Contribution from Agricultural Sector

Some of the major factors contributing to low growth and contribution to GDP by the agriculture sectors are:

- o The agricultural sector has shown a lower performance due to a number of factors such as illiteracy, **insufficient finance, insufficient irrigation facilities and inadequate marketing of agricultural products.**
- o The **average size of the farms is very small which in turn results in low productivity.** The sector has not adopted modern technology and agricultural practices to a larger extent.
- o According to World Bank's "India: Priorities for Agriculture and Rural Development", India's large agricultural subsidies are hampering productivity-enhancing investment.

- o **Over-regulation of agriculture has increased costs, price risks and uncertainty. Government intervenes in labour, land, and credit markets, as well as inadequate infrastructure and services also contribute to slow down in growth of agricultural sector.**
- o The main problem when we talk about farmers, in general is the kind of social relations of distribution that they are subject to, which essentially derive from the class structure and the local power balance. Even macro solutions like improvements in productivity etc., if achieved, cannot be all that effective in improving the lot of farmers unless ground problems like disguised unemployment, farmer helplessness & indebtedness are addressed. EPW OCT 09

NOTE 3: What needs to be done immediately? Across the country, in every village and panchayat, must be undertaken the task **of excavating ponds and wells, digging new ones, strengthening BUNDHS to capture the runoff** of the rains when they come so that they become the best insurance against inadequate rains again. This reliance on minor irrigation is vital as storage levels in the major reservoirs have remained inadequate after poor monsoon replenishment. **Expenditure under the rural employment guarantee scheme must be directed majorly to this task.**

If the country wishes to save itself from the risk of serious food scarcity in the medium to long term, attention must shift to the unfinished reform agenda for agriculture. As early as 2001, a galaxy of economic talent, assembled under the leadership of I G Patel as the prime minister's economic advisory council, had identified the following steps as the second phase of economic reforms:

- o Remove all curbs on agricultural commodity movements, making India one country and one market
- o Repeal or drastically change the essential commodities act for it to be used only in case of war, civil strife or natural calamity
- o Allow foreign, private, cooperative and panchayat investment in agricultural marketing, handling and storage
- o Abolish levies on agricultural commodities; allow large private grain trading companies to come up and compete with FCI