Chief Editor
Sri P. Chengal Reddy

Advisors
Sri K. Ramasubba Reddy
Sri P.V. Subbaiah Choudary

Published by
PTR Farm Foundation
Flat No. 208, Vijaya Towers
Shanti Nagar,
Hyderabad-500 028
Andhra Pradesh
Ph : 09000911888
E-mail : Gautham.Peddi@Gmail.com

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CIFA
FFA
AGRI TERRA
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For Details Contact
E-mail : Gautham.Peddi@Gmail.com
website : www.indianfarmers.org

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Cell : 98490 25746

AGRIPOLICY ADVOCACY

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Editorial...

ELUSIVE INCLUSIVE GROWTH

The Central Government has taken credit for growth in Agricultural GDP at 4.5% during 2007-08.One swallow does not make a summer. If we take long term growth trend as revealed by the data provided by the RBI in their Annual Report 2007-08, the position that emerges is different. Average Agri GDP growth rate during the decade of 1990-91 to 1999-2000 was 3.2%; growth rates for Industrial and Service sectors were 5.7% and 7.1% respectively. During the eight year period ending 2007-08 Agri GDP growth is only 2.9%. During the same period, growth rates of Industry and Services sectors were 7.1% and 9% respectively. Agri GDP growth during X Plan period (2002-03 to 2006-07) was only 2.5%, where as the growth rates of Industrial and Service sectors were 8.0% and 9.7% respectively. The forecast made by the PMEAC for 2008-09 is a growth of only 2%.

These trends clearly show that growth in Agri GDP is stagnating and continuously lagging behind GDPs of Industrial and service sectors. But the population dependant on Agriculture at 60% is almost the same. Planning commission, in their study revealed that the gap in per -capita income ratios between agri and non-agri sector workers have widened from to 1:2.8 in the period 1978-79 to 1983-84 to a whopping 1:5.2 in 1998-99 to 2003-04.

The per capita availability of cereals and pulses also declined. The per capita consumption of cereals declined from a peak of 468 grams per day in 1990-91 to 412 grams per day in 2005-06, while that of pulses declined from 42 grams per day to 33 grams per day during the same period. There has been stagnation in yields of cereals and pulses. Stagnation in yield emanated from limited release of new variety seeds, decline in agricultural investment and almost non-existent extension services. Furthermore, as noted by the Steering Committee on Agriculture and Allied Sectors for the Eleventh Five Year Plan, a number of factors such as land degradation, scarcity of water and slow progress in public and private investment in rural infrastructure (including irrigation) have also contributed to stagnation in the agriculture, especially since the 1990s. While much of agricultural growth has originated from the expansion of irrigation and increased productivity of irrigated land, rain-fed agricultural productivity has been more or less stagnant. Moreover, as noted by a recent research study conducted by the Reserve Bank, the slower growth in public expenditure in agriculture (real terms) inhibited the development of adequate research and extension system for supporting farming. Productivity increase in agriculture is critically contingent on enhanced capital formation both from the public and private sectors. Investment in agriculture as a proportion of overall GDP remained stagnant in recent years. It is stagnating around 2% since 1990s.

All these trends and factors firmly confirm the projections made by the Centre for Development Economics that, whereas agricultural sectoral GDP stood at nearly Rs. 3,000 billion in 2002-03, it will rise to no more than a whisker under Rs. 4,000 billion 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. 9,000 billion to around Rs. 20,000 billion, widening the gap between the relatively stagnant sectors of the economy and the boom sectors from Rs. 6,000 billion to Rs.16,000 billion . This means that the gap is going to be further widened to an intolerable extent and the objective of inclusive growth is not going to be realized during XI Five Year Plan. Now a doubt arises, WHAT FOR ARE THESE PLANS MADE AT HUGE COSTS BY THE PLANNING COMMISSION MANDARINS? Will it not be better to do away with the Planning Commission and have bottom up plans starting from the districts and the centre funding these development programmes in the ratio of population in the rural and urban areas?

P. Ch. L

P.Chengal Reddy

01-09-2008

Representation submitted By Consortium Indian Farmers Associations (CIFA) to Dr. Manmohan Singh, Hon'ble Prime Minister, GOI, Smt. Sonia Gandhi, Chairperson, UPA and Other Leaders of UPA.

Respected Prime Minister,

Issues: 1. Independence Day Address by the Hon'ble Prime Minister to Indian Public.

2. Problems of farmers not addressed. Urging for immediate implementation of recommendations of the NCF to reduce the plight of farmers

1) In the Independence day address, your esteemed self have, among other things, addressed to the demands of salary revision for 5 million Central Government employees costing to the exchequer Rs. 17,800 Crore annually and additional Rs. 29,400 crore by way of arrears from January 2006 and announced that the government has gone "beyond" the recommendations of the Sixth Pay Commission in increasing their emoluments. The lowest pay and allowances an employee gets is hiked to Rs 10,000 for month. We are happy that our Jawans got better Pay Package.

2) In the Independence Day address achievements on Agri front are highlighted, but none of these helped in increasing income of the average farmer. And in the outlook for 2008-09, the EAC has predicted decline in agri sector growth to 2% during 2008-09 from 4.5% last year. Unfortunately, farmers are still committing suicides being unable to repay the debts incurred for production purpose and dying in the struggle to get a bag of fertilizers to produce food for urban people. Inflation is raging affecting the farmers most and they are the worst sufferers of this runaway inflation. In this connection we bring to your kind attention the undue and inexplicable delay in implementing the important recommendations of the National Commission on Farmers, headed by Prof. M.S. Swaminathan, aiming at redressing the distressing conditions of 600 millions of Indian farmers. The final report was submitted in October 2006.While less consequential and peripheral recommendations are included in the National Agricultural policy document 2007, no decisions are taken on important recommendations of the NCF so far which impact on the conditions of the farmers.

3) The VI Pay Commission was appointed in October 2006 and submitted its report in March 2008. With in 4 months, quick decision to revise pay of employees has been taken by the Government with utmost alacrity and commendable speed and the government has gone "beyond" its recommendations and announced bountiful largesse to them .The study made by the ADB, released recently, revealing that India is paying too much to Government employees, of course, is not taken into consideration while announcing the bountiful bonanza to the bureaucrats.

4) What we are concerned about is that the same alacrity and commendable speed is not exhibited in implementing the recommendations of the NCF even after a lapse of 22 months from the date of submitting the recommendations. Important recommendations of NCF are languishing for want of decisions; the most important one being that the MSP should be at least 50% more than the weighted average cost of production. And the ***net take home income of farmers should be comparable to those of civil servants***. A list of other important recommendations implementation of which will help the beleaguered farmers is given in the annexure. Even after commencement of Khariff season, MSPs are not finalized as recommended by the CACP. Instead these recommendations are unnecessarily referred to the members of EAC, who are no experts in determining agri prices. And the EAC came out with an astounding recommendation that Paddy does not require MSP of Rs. 1000 per quintal as the acreage under paddy has increased during this khariff season. It is like saying that employees do not require any increase in pay because there are plenty of unemployed seeking jobs and the ratio of vacancies to applications is 1:100!

5) That the farmers produce is under priced for decades and that they are not compensated for their toil and risk taken is well documented by the NCF.

i. Studies by the planning commission and others show that while the income ratio between agri workers and non-agri workers during 1950-51 was 1:1.8, it got widened during 1978/9 to 1983/84 to 1:2.8, it further widened to 1:5.2during 1998/9 t0 2003/04 and it is estimated by the Centre for Development Economics that whereas agricultural sectoral GDP stood at nearly Rs. 3,000 billion in 2002-03, it will rise to no more than a whisker under Rs. 4,000 billion 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. 9,000 billion to around Rs. 20,000 billion, widening the gap between the relatively stagnant sectors of the economy and the boom sectors from Rs.6,000 billion to Rs.16,000 billion. Can a house divided against itself stand?

ii. The Eleventh Plan candidly confesses (para 1.3): 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 increase in overall real per capita GDP.

iii. The Standing Committee on Agriculture in their Report No: 41 dated 22nd July 2008, have stated that the prices of agricultural produce received by the farmers are lower than the prices of the same prevailing in a free market and are often less than the cost of cultivation. Remunerative prices should be fixed for farmers' produce. The focus of our development is more towards raising industrial production and recently on the service sector; this lop-sided growth of our economy is increasing the gap between the rich of the cities & poor farmers of the villages. Farmer centric policies which can only solve our food security and unemployment problem are not on the agenda of the successive governments,

iv. A study conducted by ANGRAU, Hyderabad brought out startling revelations about non-profitability of agriculture. In order to get Rs. 4000 per month (equivalent to salary of a peon), a farmer needs 15 to 20 acres of dry land in Telengana and Rayalaseema areas and 5 acres wet plus 2 1/2 acres dry land in coastal area in A.P. If it is totally wet land, 10 acres of land where paddy can be cultivated is needed.

v. The Commission headed by Arjun Segupta revealed that Average monthly income per family household (Rs. / Month) from cultivation (2003) of small farmer and big farmer was Rs. 1578 and Rs. 8321 respectively. In comparison, the lowest paid government employee now gets pay and perks exceeding Rs. 10,000 per month. The NCF recommended that the net take home income of farmers should be comparable to those of civil servants. There is absolutely no comparison between the paltry amount a farmer gets for producing life sustaining food to the pay and perks of bureaucrats. How can such wide disparity be justified in economic terms?

vi. While many marginal farmers are demoted as landless labourers and small farmers as marginal farmers during their life time, Government has assured three promotions to employees during their service. Can this kind of discrimination be allowed to continue in a socialist democracy?

vii. Such wide unacceptable disparities in farm and non farm incomes have occurred mainly because agriculture produce is underpriced for decades and the amount is transferred as subsidy in a disguised form to organized sector including government employees whose productivity did not increase even nominally, with successive pay raises. Can this be sustained in a democratic society wedded to inclusive growth? Even politically agri workers are in majority. Surely we can not allow 70% of rural people to be left behind and weeping while miniscule minorities of organized and vocal urban sections corner the fruits of the toil of rural people. The NCF has cautioned that 'Economic growth which bypasses a large population is joyless growth and not sustainable in the long run. What then is the future for India's rural population numbering over 700 million? We cannot be silent onlookers to a situation where 30% of India is shining and 70% is weeping. Equity considerations can not be ignored for too long. Faster growth in agriculture with improvement in welfare of the rural population is important. The need is not only to register increase in agriculture production in million tons but actual improvement in rural incomes.'

6) In the light of what is narrated above detailing the pitiable plight of the farmers and continuous under pricing of their produce to benefit the urban elite, which is iniquitous and perilous to the nation's food security and farmers welfare, we earnestly urge, on behalf of over 700 million rural Indian farmers and workers to implement forth with the recommendations of the NCF. Farmers are even now committing suicides unable to repay debts because of such under pricing of their produce, dying in the process of the struggle for getting a bag of fertilizers to produce food and feed the urban elite.

Statements like Everything else can wait, but not agriculture - Jawaharlal Nehru, 1947 Agriculture is a high-risk economic activity Agriculture is not just a food producing machine for the urban population PUTTING FARMERS FIRST, remain mere slogans bereft of any benefit to the provider of food to the nation's teeming millions. Let us recall the saying of Saint Tiruvalluvar on what happens when the farmer is neglected for long and do justice to farmers by implementing the recommendations of the NCF as promptly as the recommendations of the Pay Panel are implemented.

Farmers are the linchpin of the world, for they support all those who take to other work, not having the strength to plow. When those who plough the fields stand by with folded arms, even completely desireless ascetics will not subsist.

With regards,
Yours sincerely,

P.Chengal Reddy,
Secretary General

JAI JAWAN ***JAI KISAN***

Annexure: Important recommendations of the N C F.

1) MSP TO BE AT LEAST 50% MORE THAN C2 COST. The Commission on Agricultural Costs and Prices (CACP) should be an autonomous statutory organization with its primary mandate being the recommendation of remunerative prices for the principal agricultural commodities of both dry-farming and irrigated areas. The MSP should be at least 50% more than the weighted average cost of production. The net take home income of farmers should be comparable to those of civil servants. The CACP should become an important policy instrument for safeguarding the survival of farmers and farming. Suggestions for crop diversification should be preceded by assured market linkages. The Membership of the CACP should include a few practicing farmers. The scope of the MSP programme should be expanded to cover all crops of importance to food and income security for small farmers.

2) A Market Price Stabilisation Fund should be established to protect farmers during periods of violent fluctuations in prices; as, for example, in the case of perishable commodities like onion, potato, tomato.

3) Commodity - based farmers' organisations should be promoted to combine decentralised production with centralised services such as post-harvest management, value addition and marketing, for leveraging institutional support and facilitating direct farmer-consumer linkage. An efficient marketing system with farmer's organisations as important players could significantly add to farmer's income from his produce. As a matter of fact farmer's organisations are needed at various levels of the value chain. The small and marginal farmers suffer loss of income due to distress sale immediately after harvest and are also on receiving end against the Commission agents / traders etc.

4) Infrastructure Investment fund for Farmers (IIFF) India has accumulated foreign exchange reserves (FER) of $165 billion equivalent to about Rs. 7.2 lakh crore (Now Rs. 14 lakh Crores.) Part of these funds should be utilized for infrastructure investment for farmers, targeting and monitoring income generating schemes, and improving marketability of their produce.

5) Adequate Credit and full Insurance cover: The banking system needs to meet the large unmet credit potential needed to raise agriculture, at 4% interest rate. (Presently only half the farmers are covered, that too with insufficient credit) Agriculture is a high-risk economic activity. In drought prone areas, credit should not be just for the season, but for a Credit Cycle of 4-5 years and include consumption credit, so that the farmer has the capacity to spread his/her liabilities and meet the repayment requirements. The banks need to liberally provide pledge loans. However, as there are not many accredited god owns, the bankers may have to rely on storage of produce with the farmers.

Farmers need user-friendly insurance instruments covering production, right from sowing to post-harvest operations and also to cover the market risks for all crops throughout the country, (Presently only 17% of the farmers are covered) The scope of Agricultural Insurance Policies should become wider and should also cover health insurance.

6) Social Security : Coverage of farmers, particularly small and marginal farmers and landless agricultural workers, under a comprehensive National Social Security Scheme is essential for ensuring livelihood security. Such a scheme should take care of expenses up to a ceiling for hospitalization in case of illness of a family member, maternity, life insurance and old age pension.

7) TO MINISTER TO THE WELFARE OF FARMERS

Agricultural progress should be measured by the growth in the net income of farm families. Along with production growth rates, income growth rates should also be measured and published by the Economics and Statistics Directorate of the Union Ministry of Agriculture.

The Ministry and Departments of Agriculture both in the Centre and States may be restructured to become Ministry / Department of Agriculture and Farmers' Welfare in order to highlight their critical role. Agriculture is not just a food producing machine for the urban population, but a major source of skilled and remunerative employment and global outsourcing hub.

8) TO INCLUDE AGRICULTURE IN THE CONCURRENT LIST

Central and State Governments to consider seriously the question of including Agriculture under the Concurrent List in Schedule VII, Article 246 of the Constitution. Important policy decisions like those relating to prices, credit and trade, are taken by the Government of India.

9) TO ENTRUST RESPONSIBILITY TO PANCHAYATS

Article 243 G of the 11th Schedule of the Constitution (73rd Amendment) Act, 1992 entrusts Panchayats with responsibility for agriculture including agricultural extension.

10) TO CREATE AGRI RISK FUND

An Agriculture Risk Fund should be set up to insulate farmers from risks arising from recurrent droughts and other weather aberrations,

Prime farmland must be conserved for agriculture and should not be diverted for non-agricultural purposes and for programmes like the Special Economic Zone.

"FARMERS WORSE OFF THAN LOWEST-PAID BABUS" BUSINESS STANDARD

Surinder Sud / New Delhi August 18, 2008.

The apex body for farmers' organisations has stated in a representation to the government that even big farmers were worse off than the lowest-paid government employees. It has charged the government with discrimination against farmers vis- -vis workers from other sectors.

While the government has taken no more than four months to implement the Sixth Pay Commission report, even going beyond the recommendations, there has been little action on the report of the National Commission on Farmers headed by Dr MS Swaminathan even after 22 months. This commission had suggested measures ***to ensure that the net take-home income of the farmers was comparable with that of civil servants.***

This has been stated in the representation submitted by the Consortium of Indian Farmers Associations (CIFA) to Prime Minister Manmohan Singh. It has quoted from the report of the Arjun Sengupta Commission on unorganised sector workers and some studies by the Planning Commission and other organisations to support its contentions.

The Arjun Sengupta report had said that the average monthly income per household from cultivation was Rs 1,578 a month for small farmers and Rs 8,321 for big farmers in 2003. In comparison, the lowest-paid government employee got the pay and perks exceeding Rs 10,000 a month.

The Planning Commission studies have shown that the income ratio for agricultural workers and non-agricultural workers has deteriorated steadily from 1:1.8 in 1950-51 to 1:2.8 in the period 1978-79 to 1983-84 and further to a whopping 1:5.2 in 1998-99 to 2003-04.

The CIFA memorandum, signed by its general secretary Chengal Reddy, has also referred to a study conducted by the Hyderabad-based NG Ranga Agricultural University to point out that a farmer needed to cultivate 15 to 20 acres (6 to 8 hectares) of dry land to earn an income of Rs 4,000 (equivalent to that of a peon) in Telengana and Rayalseema in Andhra Pradesh. In the coastal areas of the state, the farmers needed to cultivate paddy on at least 10 acres (4 hectares) to earn the same level of income. The average farm holding in India is less than 2 hectares.

For the plight of the rural people, Reddy has blamed the apathy of the government towards the farmers, as reflected in the fixation of low minimum support prices (MSP) for crops. He has cited the report of the Parliamentary Standing Committee on Agriculture (report No 41 dated 22 July, 2008) to substantiate this plea.

The report had stated that the prices of agricultural produce received by the farmers were lower than the market prices and were often less than the cost of cultivation. The committee had favoured fixation of remunerative prices for the farm produce.

The Swaminathan Commission had recommended that the MSP should be at least 50 per cent more than the weighted average cost of production. While some relatively less consequential and peripheral suggestions of this commission have been included by the government in its national policy on agriculture, the key recommendations have so far been ignored.

The CIFA has also pointed out that the marginal farmers usually turn landless labourers and the small farmers become marginal farmers during their own lifetime. This amounted virtually to their demotion. The government employees, on the other hand, have been assured at least three promotions during their service.

"Wide, unacceptable disparities in farm and non-farm incomes have occurred mainly because the agriculture produce is underpriced for decades and the surplus amount is transferred to organised sector workers including the government employees, whose productivity does not increase even nominally with successive pay raises," the representation has maintained.

FARMERS VS PEONS

Business Standard / New Delhi August 20, 2008.

By pointing out that the overwhelming majority of farmers are economically worse off than the lowest-paid government employee, the apex body of farmers' organisations has not unveiled any secret. This has been well known for some time. And although the spate of suicides by farmers in recent years has not usually been by the poorest among them, the severe problems faced by farmers have come into focus. ***The service done by the Confederation of the Indian Farmers Associations (CIFA) is to dig out some intriguing evidence from reports of various committees and commissions,*** in order to make its point. Cifa has simultaneously sought to highlight the steadily growing gap between income levels in the agricultural and non-agricultural sectors. This is a matter of special concern, especially considering that the proportion of the population depending on agriculture for subsistence is still more than 50 per cent, while the share of agriculture in GDP has dropped to 18 per cent. By definition, the average income in the non-farm sector will be nearly five times what it is in agriculture. Indeed, Cifa quotes studies done in the Planning Commission to show that the ratio is 1:5.2 - whereas a quarter-century ago it was 1:2.8.

Cifa has alluded to the findings of the Arjun Sengupta commission on unorganised workers to affirm that the earnings of even the bigger farmers compare rather poorly with those at the lowest rungs of the government system. The average monthly income per household from cultivation was reckoned by the commission at a paltry Rs. 1,578 for small farmers and Rs. 8,321 for the big farmers. By way of comparison, the lowest-paid government employee now gets Rs. 10,000 a month. It is an easy point to make after this that while the government has taken no more than four months to implement the 6th pay commission report, and in fact improved on the commission's recommendations, little action has resulted from the report of the National Commission on farmers, headed by M.S. Swaminathan, in 22 months.

The important issue is what keeps farm incomes low, and what needs to be done about it. The answer, however, is not what the Swaminathan commission suggested, namely to raise the government's minimum support prices (MSP) by at least 50 per cent more than the weighted average cost of production. This is a solution that will add to food costs, and cause inflation. It could even result in an increase in the general incidence of poverty, because the primary link to poverty is food prices. Rather, the solution lies in bringing about a structural transformation in the economy, achieving significant productivity gains on the farm and simultaneously reducing the number of people who live off agriculture. That means creating more non-agricultural jobs, which in turn means achieving rapid growth in the sectors and activities that generate the maximum number of entry-level jobs. One obvious answer that this points to is labour-intensive manufacture of simple products, as the Chinese have shown. But this requires a change in the country's labour laws, which the country's politicians will not allow. If legislators could see the link between labour laws and the existence of rural poverty, perhaps their attitudes might change.

CONTINUED NEGLECT OF FARM CREDIT EVEN DURING 2007-08 ALSO :

K. Ramasubba Reddy

The RBI has released its Annual Report for the year 2007-08. From the data provided therein, it is observed that additional credit extended to agriculture during 2007-08 ,declined to Rs. 43,260 crore compared to a growth of Rs. 56,426 crore during the previous year. The agricultural sector was given only 11 per cent of the incremental non-food bank credit expansion as compared with 14 per cent in the previous year where as a whopping 43 Per Cent of incremental non-food credit (y-o-y) was given to industry as compared with 37 per cent in the previous year. Credit was obviously directed to industrial sector diverting from agricultural sector. It is unfortunate that credit to essential sector like farm sector is continuously decreasing and no effective measures are taken by the RBI and the Government to ensure that banks extend credit to the mandated extent of 18% of net bank credit. The figure is hovering around 12% to 15% for more than a decade; and continues to be below 18% even after the government declared in 2004 that Agriculture credit is their priority. The RBI admits that Lending to agriculture by banks, both in the public and private sectors, continued to fall short of the stipulated target of 18 per cent , but has not taken any corrective action year after year. Had credit been extended up to the stipulated norm of 18%, farm credit would have been Rs 50,000 crore more than the actual increase of only Rs. 43,260 crore and additional loaning would have been Rs. 93,260 crore, by March 2008. If the trend of rural credit deposit ratio in rural areas is the same as last year i.e.; 56%, then large amount of deposits collected from rural areas would have continued to be diverted to metro areas thus depriving of benefit required credit to rural areas.

It is another matter that a major portion increase in agri loans is on account of disproportionate increase in indirect loans and big loans of Rs one crore and above. Referring to the growth rate in agricultural credit in the last few years (after 2000) Prof. M.S. Swaminathan recently said at Chennai on the 26th Aug that "it originated primarily from a growth in indirect finance to agriculture i.e. credit given to institutions and organisations that contribute to agriculture but not the credit given directly to agriculturists. Between 2001 and 2006, direct finance to agriculture grew at 17.4 per cent but indirect finance grew by 33 per cent, he said. Even in the case of direct finance, the major rise in direct advances happened where the credit limit was more than Rs. 1 crore."

He underscored the critical importance of agriculture, stating we can't live happily as islands in a sea of misery . Calling farmers the guardians of national food security, he said that it was their efforts that had enabled the country to have a buffer of about 25 million tonnes of wheat and 30 million tonnes of rice. He also reiterated that "the minimum support price offered by the Government to farmers must cover their costs and offer at least 50 per cent more as against the current levels of 15 per cent above cost price"

The RBI and the Government should ensure that credit is extended to essential farm sector to the extent of 18% of total credit and Agri prices are fixed as recommended by the NCF headed by Prof. M.S. Swaminathan. Continued neglect of credit and underpricing of agri produce is not in the interests of the nation's food security and the farmers.

Neglect of Farm Credit during 2006-07: K. Ramasubba Reddy.

As per data published by the RBI, as on March 2007, Credit given out of deposits collected from rural and semi-Urban areas continues to be less than the percentage of credit deployed in metro areas, indicating continued diversion of deposits from rural and semi-urban areas for giving credit in Metro areas. Had credit been extended to the same extent as in Metros, instead of 56% of deposits received from people in rural and semi-urban areas, additional credit over Rs. 1,00,000 crore could have been given in rural and semi-urban areas benefiting mostly farmers and artisans and tiny industries thereby increasing production and income of rural and semi urban people considerably. This benefit was diverted to metro people at the cost of rural and semi urban people. The C/D ratio of NE, Eastern, and Central states is low at 40%, resulting in flow of funds from these regions to western and southern regions. The share of agricultural credit, a productive purpose and essential food supply activity, continues to be low, where as the share of personal loans, consumption based non-productive activity, is twice that of agri credit. Agriculture segment would have got more credit to the extent of Rs. 21,000 crore in addition to Rs. 56,426 crore disbursed, had 18% credit was extended to this segment. Thus lower credit deprived agriculture much needed production and investment loans which would have helped in augmenting agricultural production.

AGRICULTURAL DEVELOPMENT HAS BEEN IGNORED SINCE 1990S

Fix remunerative prices for agri produce- where hunger rules, peace can not prevail Excerpts from the report of Standing Committee on Agriculture

Excerpts from the report of Standing Committee on Agriculture:

24-08-08 : Prepared by

K. Ramasubbareddy, Advisor, CIFA.

***Note: Captions are not part of the report of the SCA.**

Abstract:

The focus of our development is more towards raising industrial production and recently on the service sector; this lop-sided growth of our economy is increasing the gap between the rich of the cities & poor farmers of the villages, Farmer centric policies which can only solve our food security and unemployment problem are not on the agenda of the successive governments,

Ban on export of non-Basmati varieties and a heavy tax burden on export of Basmati varieties of rice, is directly against the interests of farmers, resulting in loss of their income and will also discourage them to grow these crops,

The prices of agricultural produce received by the farmers are lower than the prices of the same prevailing in a free market and are often less than the cost of cultivation, Remunerative prices should be fixed for farmers' produce,

Food security can be achieved only by making farmer and agriculture centric policies through which farmers are encouraged to grow more food crops which earn them enough income to smoothly run their household activities and perform their social responsibilities.

Between 1996 and 2004 there was almost zero growth in food grains.

Develop Special Agricultural Zones for intensive production of food grains,

***A) GENERAL**

***I) Agriculture development has been ignored till date**

The Standing Committee on Agriculture note that since the time of liberalization in 1990s Agriculture development has been ignored till date, the focus of our development is more towards raising industrial production and recently on the service sector and agriculture development has been ignored to the extent that fertile lands are being acquired from farmers at throw away prices to develop Special Economic Zones (SEZs) and Government are giving them tax holidays for years together.

***ii) Prices of agricultural produce lower than cost of cultivation**

The Committee are of the opinion that instead of developing SEZ on agricultural land, the Government should develop Special Agricultural Zones for intensive production of food grains, pulses and oilseeds etc. ***The agriculture sector is being ignored and neglected in favour of industrial sector,*** as if, the poor man in a remote village will be able to earn his livelihood and food from these industrial islands in his area. ***The prices of agricultural produce received by the farmers are lower than the prices of the same prevailing in a free market and are often less than the cost of cultivation.*** The ever growing population of our country cannot be fed regularly only by importing food grains and that too at the twice or at least one and half rate more than the domestic MSP rate fixed by the Government as was done in 2007 by importing wheat up to $393 per tonne through different international supplier companies. It seems that farmer centric policies which can only solve our food security and unemployment problem are not on the agenda of the successive governments leading to pressure on the cities to generate employment for the poor farmers and labourers of rural India, who are flooding the big cities, in a big way. If the farmers are provided with easily affordable new technologies and trained to use it, clubbed with remunerative prices for their produce, more than 50% of the unemployment problem can be solved and the city governments could also be saved from spending extra money in providing employment, shelter & food and civic amenities to the ever increasing population of the big cities. This lop-sided growth of our economy is increasing the gap between the rich of the cities & poor farmers of the villages, which is not being given the required attention, though both these groups are contributing towards the progress and development of our country. There is a need of a policy for farmers whose roots are embedded to the ground for developing Indian economy first and world economy later.

***iii) Ban on exports against the interests of farmers**

This year the Government have imposed a ban on export of non-Basmati varieties and a heavy tax burden on export of Basmati varieties of rice, which is directly against the interests of farmers, resulting in loss of their income and will also discourage them to grow these crops. The Committee, therefore, are of firm opinion that the food security can be achieved only by making farmer and agriculture centric policies through which farmers are encouraged to grow more food crops which earn them enough income to smoothly run their household activities and perform their social responsibilities.

***iv) LIVING STANDARD OF MOST FARMERS LOWER THAN GROUP D GOVERNMENT EMPLOYEES**

The living standard of small and marginal farmers is even below that of a Group D Government employee, in terms of his standard of living, rearing & educating his children and his monthly income, though they fully engage themselves in agriculture and allied activities for the whole day and even at night.

***v) ZERO GROWTH IN FOOD GRAINS**

The Committee note that there is a problem in food grain production.

Around 2004-05, the per capita food grain production was back to 1970s level, from 476.5 gram per day per person in 1979 to 422 gram per day per person in 2005. Pulses per capita availability has declined from 60.7 gram per day in 1951 to 32.5 gram per day in 2006. ***Between 1996 and 2004 there was almost zero growth in food grains.***

***vi) EXPEDITE DECISIONS ON ALAGH COMMITTEE**

The Committee have been informed that the Government had set up an Expert Committee under the Chairmanship of Prof. Y.K. Alagh in May 2003 to examine the methodological issues in fixation of MSP. Recommendations of the Expert Committee are under consideration of the Government. This should be expedited.

***vii) INTEREST RATE OF 4% UP FOR LOANS UPTO Rs. 5 LAKHS**

As suggested by the National Commission on Farmers, the rate of interest on crop loan to farmers should be fixed at the rate of 4% for loans unto Rs 5 lakhs.

***xiii) DIRECT SUBSIDY TO FARMERS**

The current pricing mechanism of fertilizers has encouraged nutrient imbalance in the agriculture land. The excessive use of urea is a bias against micro-nutrients. As against the desirable NPK proportion of 4:2:1, the average use is 6.2:4:1. The Committee recommend that as the price mechanism of chemical fertilizers have created nutrient imbalance in the agriculture and it needs to be balanced and farmers should be given fertilizer as well as water and power subsidy directly, rather than the producers and suppliers, as it is the farmers who knows better about the quality/quantity of seeds, fertilizers and water to be used in the fields to make the agricultural production a profitable avocation.

***B) PRICING POLICY OF AGRICULTURAL PRODUCE**

***i) MSPs HAVE NOT ADDRESSED PROBLEMS FACED BY FARMERS**

The MSPs suggested by CACP and announced by the Government have not addressed the problems faced by the farmers in running their household-activities, family and social responsibilities such as Roti, Kapada and Makan and education of their children and family marriages, etc. and other social functions. Even the Agricultural Price Policy and the credit policy of the Government have not been able to stop the spate of suicides by the farmers which is spreading from one State to another and the Government has admitted that it has already spread to 31 districts in Andhra, Karnataka, Maharashtra and Kerala. There are also reports of suicides by the Punjab & U.P. farmers.

***ii) SAMPLE STUDIES- at times FALSE**

It has come to the notice of the Committee that even the samples study for assessing cost incurred for raising a crop, supposed to be done at fields, is carried out, at times falsely even by sitting in office.

***iii) STOP COUNTING EXTRANEOUS FACTORS WHILE FIXING MSPs**

The Committee are unable to understand the relevancy of factors viz;

(i) Effect on industrial cost structure; (ii) effect on cost of living; and (iii) assessment of objective needs of the economy at a particular point of time. The total economic growth during 2007-08 was 9% whereas agriculture growth was just 2.7%. It has nowhere been mentioned that the targets fixed or achieved by the industrial growth are ever calculated in the light of agriculture growth or production. The profit margin on the industrial products, even in case of medicines is sometimes more than 300% and it has generally never been below 100%, whereas agriculture produce are never sold at these profit margins. The factor effect on cost of living is not directly related to agriculture, it is the general cost of living of people of the country and production categories, other than agriculture, do not consider this factor while calculating their sale price. Cost of living is very high in cities and in rural areas, where the farmers live, is very low compared to cities. Both can't be compared. The Committee strongly recommend that while fixing MSP, the CACP should stop counting the factors, such as (I) effect on industrial cost structure; (ii) effect on cost of living and (iii) assessment of objective needs of the economy relating to industrial development etc.; and reassess the factor relating to effect on general price level/inflation by including wholesale price index and not the market rate.

***iv) RISKS FACTORS NOT TAKEN INTO ACCOUNT**

FIX MSP AT COST PLUS 50% TO COVER RISK FACTORS

The CACP also does not take into account the risk factors and their Consequences. Natural risk factors which include weather aberrations, rains, floods, famine conditions, pest, temperature fluctuations, hail-storm etc. are not given due weightage in calculating the cost factors. There are other risk factors which are man created viz., Government intervention and market forces including national and international both, which try to control the prices of agricultural produce to their advantage. The risk factors mentioned above are not addressed by CACP/ Government, the way they need to be handled for fixing MSP of a particular crop. In 1980s, the then Union Agriculture Minister had admitted in Parliament that the risk factor was not taken into account by Agriculture Price Commission now Commission for Agricultural Costs and Prices while calculating MSP. The Committee have observed that the physical crop is only 20-30% of the crop that can be expected on the basis of applied levels of technology, management and inputs and if one adds the market risks involved in the Indian situation, the risk factor is unlikely to be lower than 50%.

CACP should take into account all the minor and major cost factors including risk factors natural as well as man-made and must take into account the profit margin of at least 50% of the cost price, that a farmer should get to run his household, perform his social & family responsibilities and rear his animals etc. ***"The Committee recommend that the MSP*** should be announced well before the sowing season of the crops covered under this scheme and ***should include Cost C2 + 50 per cent".***

***v) RENT TO BE INCLUDED AT OPPORTUNITY COST**

The Committee observe that while calculating the Cost of production, CACP takes into account the rent for leased land and not the cost incurred towards owned land. Many a farmers enter this avocation by purchasing land on payment of agreed price. It is, therefore, necessary that interest foregone on owned land should also be counted towards calculation of cost of production.

***vi) INCOME PARITY WITH GOVT. EMPLOYEES NOT TAKEN INTO ACCOUNT-NOT EVEN TREATED AS SKILLED LABOUR**

The Committee note that CACP recommends only the Minimum Support Prices with an objective to provide the farmers a reasonable and remunerative price of a commodity. The cost of nourishment of farmers, their income parity with the Government employees are not taken into account with the result that the farmers are not even treated as skilled labour and the living standard of small and marginal farmers is even below that of a Group D Government employee, in terms of his standard of living, rearing & educating his children and his monthly income, though they fully engage themselves in agriculture and allied activities for the whole day and even at night.

***vii) EXPENSES OF DOMICILIARY LABOUR AND FARM ANIMALS TO BE INCLUDED**

So far the owned animal labour cost which include cost of green and dry fodder, depreciation on animals and cattle sheds etc., are concerned, the Committee desire that the expenses incurred on cow or buffalo calves for first three years, till they are grown up for use in agriculture or for milking, and also the expenses incurred on the old animals, cow, buffalo or oxen when they are grown old and are not good for agriculture or other productive use, should also be considered by CACP towards calculating the costs of family labour and owned animal labour for fixing up of MSP. The Committee further recommend that house ladies labour used for. Processing of crops for domestic use, domiciliary labour, attending to babies in the family should also count towards family labour costs as there are cr ches for industrial labour and none exists in rural areas.

***viii) INTEREST AND INSURANCE COST AS EXPENSE**

The Committee also recommend that the interest charged on short and long term farm loan should also form part of cost factors and include the amount charged from the date of loan taken, till the farmer gets the money in hand from the sale of his crops as sometimes, even after selling his crops, he gets money even a year after selling his crops, this has particularly been seen in case of sugarcane in some of the States, where the sugar-mill owners sometimes do not pay the farmers even after one year of buying of his sugarcane crop. The Committee are in agreement with Alagh Committee on its recommendation that crop insurance premium should be included as a part of cost of a crop. Self-insurance premium of the farmers and premiums of MNAIS and WBCIS should form part of costing factors considered by CACP for fixing MSP.

***ix) DIFFERENTIAL MSPs NEEDED**

Though the Government has justified the use of average cost method for fixing of MSP by CACP, however, the Committee are of the opinion that though synthetic model is time consuming for collecting the cost data of the raising certain crops, however, when completed, it will be more useful from the farmers point of view for fixing up of MSP of his crops. The Committee are of the considered view that if it is not desired to take into account the State wise expenditure of per hectare crop, then the cost of production of food grains incurred on Government and Agricultural University farms should be counted as per hectare cost of the farmers in that region. The averaging of the costs incurred in different States, is loss to the Farmers of the States like Haryana, Punjab for wheat & rice and Karnataka for rice, as per hectare expenditure in raising the wheat/rice crops in these States is almost twice the cost in other States such as Chhatisgarh and Jharkhand.

The Tube well irrigation cost in the rainfed areas where water table has gone down to 400 ft. or more as in Rajasthan, is several times more than Western UP and Northern Haryana and Punjab where water-table, is around 60-80 ft. below surface level. The farmers of those areas should be encouraged to grow water-resistant varieties of food grains such as Jawar, Bajra, Gram, Mustard, minor millets and remunerative MSP should be fixed to give extra income to the farmers of these rainfed/dryland areas.

***x) INCLUDE MILLETS, HORTICULTURE CROPS ALSO**

The Public Distribution System, should include, wherever appropriate, ragi, minor millets and other wide range of nutritious cereals such as Jawar, Bajra, Maize, etc. and tubers such as potatoes, onions, etc. These crops should be included under MSP Scheme to generate remunerative income to the farmers and can be grown as alternatives to wheat and rice which presently are over-subscribed crops eating into our fast depleting irrigation water resources. The Government should launch a Bridge the yield gap movement in order to close the gap between potential and actual yields in major food and fodder crops and to achieve this objective, the technologies, services and public policies will have to be reinforced. The post-harvest technology including processing, storage, value-addition and marketing should be strengthened.

The Committee also recommend that in addition to 24 food crops covered under MSP fixed by CACP, the minor millets, the horticulture crops such as potatoes and onions; should also be covered under food crops and CACP should be asked to fix the MSP for these crops also, however, for other horticulture crops which are covered and also others that are not covered under Market Intervention Scheme, Government should explore the possibility of setting up of a separate Central Horticulture Price Commission for major horticulture crops on the lines of the Central Agriculture Price Commission. To encourage the farmers to go for horticulture crops, the Government needs to develop infrastructure facilities such as good roads, cold chain facilities including cold storages, warehouses and marketing facilities near the farmers fields in a big way.

***xi) The Committee also recommend that:**

(i) higher labour charges, actual or minimum, of human, animal and machinery; whichever is higher, should be counted.

(ii) maintenance expenses for owned animals, machinery and land should also be included.

(iii) The micro-nutrients used in agricultural production and cost of depletion of these micro and macro nutrients should also form part of the paid out costs. The computation should include both pre and post harvest operational data.

(iv) expenses on material inputs such as seed (home grown and purchased), fertilizer, manure (owned & purchased), pesticides, insecticides and irrigation facilities should be counted as if these have been purchased at market rates.

(v) depreciation of farm buildings such as cattle sheds, machine sheds, storage sheds, etc. should be 10% or more per year on pucca sheds; and depreciation on wooden farm implements should be @ 20% and on metal implements @ 10% per year.

(vi) For land revenue, the paid out cost should include, income loss on account of investment in land plus the tax paid to the Government on purchase price or stamped value of agricultural land.

***xii) LACK OF WILL TO IMPLEMENT**

The Committee are pained to observe that it is the will-power of successive Governments, which is lacking and not the number of programmes / schemes, which are being implemented halfheartedly only on paper. They, therefore, recommend that the Governments at Central as well as State level should develop strong extension services to help the farmers to get remunerative prices of their produce.

Agri News Digest: 13

Economy to slow down to 7.7% during 2008-09 from 9% during 2007-08.Agri sector growth to slow down to 2% during the same period from 4.5%. P.M Economic Advisory Committee 14-08-08

The F.M Dismissed concerns about a slowdown in agricultural credit, impressed upon the banks to increase disbursement of auto loans as well as personal loans -A report 14-08-08

Comments

Slow Agri growth affecting Agri output: F.M should prod Banks to increase Agri credit significantly

Posted by K.R.S.Reddy on 2008-08-14 12:22:09.998784+05:30

The F.M impressed upon the banks to increase disbursement of auto loans as well as personal loans. He did not ask Banks to increase loans to agriculture even though there is a slow down by may 2008(on y-o-y basis), from Rs. 54,038 crore (32%) to Rs. 42,745 crore (19%).As on May 2008 agri loans are only Rs. 2,64,787 crore (only 12% of net bank credit against mandated 18%) compared to personal loans of Rs. 5,28,046 crore.Now which is priority; productive agr loans or non-productive personal loans? FM should ask Banks to increase agri loans to 18% of net bank credit viz; upto Rs. 4,00,000 crore by March 2009, to help enhance food production. By down playing slow agri credit growth by merely saying that it has picked up in the month of July and we will only see the comparable and meaningful number only at the end of the second quarter will not improve the position, unless Banks are prodded to accelerate agri credit and the same is effectively monitored monthly.

The Economic Advisory Committee has predicted a downtrend in agri output during 2008-09 to a mere 2% from a record 4.5% during 2007-08. Therefore, there is all the more need to increase significantly production and investment credit to Agriculture at least by additional Rs. 1 lakh crore (by March 2009), to improve agri output during 2008-09 appreciably to meet the growing food needs of our teeming millions.

Outlay on farm research scant, says RBI study BL 14-08-08.

Notwithstanding the high concern over reversing the decline in agricultural investment, credit and irrigation by the authorities in recent years, public expenditure on farm research and extension services as a share of agricultural output has logged a much slower growth in real terms since 1990. At less than one per cent it is well below global standards, while the figure for research expenditure as share of GDP for the agricultural sector was 2.39 for the developed countries in 1991. For almost two decades this figure has hovered around 0.5 per cent or less.

Shrinking Farm Size: while in 1960-61 over 60 per cent of the cultivated area was operated by farms exceeding four hectares by 2002-03 this figure is less than 35 per cent. Smaller holding-size makes it more difficult for the majority of Indian farms to access new technology and adopt more efficient forms of farm production organisation as their capacity to leverage credit is reduced. The slower growth of yield since 1991 may, at least to an extent, is related to this aspect.

Focus on removal of terrible deprivations in human lives: Amartya Sen: B.S 12-08-08.

The reasoned humanity of the justice of nyaya can hardly fail to demand the urgent removal of terrible deprivations in human lives such as appalling levels of continued child under-nourishment, continuing lack of entitlement to basic medical attention of the poorer members of the society and the comprehensive absence of opportunities for basic schooling for a significant proportion of the population. He cautioned that the removal of long-standing deprivations of the disadvantaged people might in effect be hampered when the bulk of the social agitation is dominated by new problems that generate immediate and vocal discontent, to the neglect of gigantic older problems of persistent deprivation of human lives, tolerated without much political protest . He pleaded that justice demands that we make a strong effort to identify the overwhelming priorities that have to be confronted with total urgency . Prof Sen also gave a simple way to select the priorities for the law-makers: To think more clearly about what should be done, we have to ask what should keep us awake at night .

Govt mulls 'lean period' for rural job scheme in harvesting season F E 11-08-08

In order to tackle the issue of agricultural labour shortage during the harvesting season, the Centre is considering a proposal to introduce a 'lean period' under the National Rural Employment Guarantee Act (NREGA). Many areas of states like Andhra Pradesh, Punjab, Haryana, UP, and Tamil Nadu have reported shortage labour during harvesting of crops like wheat and rice after the introduction of NREGA in the region.

Comments

NREGS is to supplement income, not to supplant agri labour needs

Posted by K.R.S. Reddy on 2008-08-11

The NRGES is not intended to result in scarcity of labour for agricultural operations. It is meant to provide employment during off-agricultural season. Therefore it should be implemented in such a manner that it doesn't affect agricultural operations adversely. If the scheme implementation comes in the way of agri operations ,it will not only be self defeating but also increases cost of agri operations thus adversely affecting the people and the cost escalation effect will prove to be more costly than the gains from NREGS. And we may have to import food grains at a very high price. These adverse consequences are not in the interests of the economy as well as the nation. Then again, the economic returns on works undertaken under NREGS need to be evaluated.

Agri News Digest:14

Windfall for babus as PM goes beyond Pay Panel

Salary revision for 5 million Central Government employees costing to the exchequer Rs. 17,800 Crore annually and additional Rs. 29,400 crore by way of arrears from January 2006. The government has gone ***"beyond"*** the recommendations of the Sixth Pay Commission in increasing their emoluments. The lowest pay and allowances an employee gets is hiked to Rs. 10,000 for month.3% annual increment. Three assured promotions in service. Full pension on 20 years' service.

Konda on 16-AUG-08: With in 4 months of submission of report by the Pay Panel, quick decision to revise pay of employees has been taken by the Government with utmost alacrity and commendable speed and the government has gone beyond its recommendations and announced bountiful largesse to them .The study made by the ADB, released recently, revealing that India is paying too much to Government employee:

Study by ADB-08-07-08

"The higher the relative government pay rates, the lesser the economic growth attained," "The high relative government pay rates cost the country in terms of economic growth, while the higher employment share does not seem to have any economic growth impact," "India stands out among the high-pay countries, as it has experienced one of the most pronounced increases in relative government pay rates in recent decades," the study said.

Government employees are definitely overpaid for their under performance. The attraction for the job is phenomenal. Recently there was a stampede when recruitment for Police SIs was opened and several applicants were injured. One public sector bank received a whopping 24 lakh applications for a few clerical posts. The spectacle is the same for any government post. It is because once a person gets the plum post he is raja for life. This is institutionalised exploitation by doing too little for too much of pay and perks.

While many marginal farmers are demoted as landless labourers and small farmers as marginal farmers and medium farmers as small farmers during their life time, Government have assured three promotions to employees during their service. Can this kind of discrimination be allowed to continue in a socialist democracy?

Agri News Digest No: 15

1) Paddy MSP stays at Rs 850 a quintal, bonus if required: CACP RCOMMENDED Rs 1000, last year it was Rs. 745: 21-08-08

MSPs for other crops: The MSPs for maize, jowar and bajra have now been fixed at Rs. 840 (600-620) per quintal each, while cotton is Rs. 2,500 a quintal (1800) for medium staple and Rs. 3,000 (2030) for long staple. In the pulses categories, tur MSP has been raised to Rs. 2,000(1550) a quintal, while urad and moong MSP will be Rs. 2,520 (1700) a quintal each. The support price for soyabean is Rs. 1,390 (1050) a quintal for yellow variety and Rs. 1,350 (910) for black variety, while groundnut MSP has been fixed at Rs. 2,100 (1550) per quintal. Sunflower MSP is now Rs. 2,215(1500) and sesame seed and niger seed at Rs. 2,750 (1580) and Rs. 2,405 a quintal, respectively.

Comments: Even after commencement of Khariff season, MSPs as recommended by the CACP were unnecessarily referred to the members of EAC, who are no experts in determining agri prices. And the EAC came out with an astounding recommendation that Paddy does not require MSP of Rs. 1000 per quintal as the acreage under paddy has increased during this khariff season. Their recommendation is not based on cost of production and risks involved in paddy cultivation. Hence sticking to MSP of Rs. 850 is unreasonable and unfair to farmers as it does not even cover cost of cultivation.

Higher MSP proposal for cotton opposed by textile industry: In a release, the chairman of the Confederation of Indian

Textile Industry, P. D. Patodia, has said that the textile industry is in for an unprecedented crisis in the coming year, thanks to the minimum support prices finalised by the Government for the cotton season 2008-09.

Comments : B.S 13-07-08: The government decided to remove import duty on cotton to help textile mills, which are finding cotton prices too high. Why don't farmers ever figure in these cuts and raises? Between 1997 and 1999, the duty was low at 5 per cent. Prices were low globally and imports were flooding the market. About 3,000 cotton farmers killed themselves in Andhra Pradesh in 1998. In 2001, the NDA government raised import duty on sugar to 60 per cent to help sugarcane growers but raised the duty on cotton only by 5 per cent. The cotton farmers kept pleading. The government has removed the 15 per cent duty to help the industry. Cotton farmers will grow the crop only so long as it is remunerative. And there can be no industry if there is no cultivation. Vidarbha is a case study in how policies of discrimination against farmers can lead to shrinking of cultivation.

2) Fertiliser subsidy to treble

The total subsidy burden for the fertilizer sector is of the order of Rs. 1,19,000 crore for 2008-09, from Rs. 40,338 crore a year ago. The Ministry of Finance has cleared Rs. 22,000 crore in cash as subsidy for fertiliser sector; the second tranche of subsidy will be of Rs. 32,000 crore. The total subsidy burden for the sector is of Rs. 1,19,000 crore.

Abhijit Sen calls for rationalization of subsidies on food, fertilizers: subsidies constituted a huge amount. He, however, said that some of it (subsidy) is obviously necessary. But some of it is creating inefficiencies, too, and much of it could be spent better, Don't create subsidies that put too much burden on natural resources, he said citing the example of decrease of soil fertility because of fertiliser subsidies.

3) Inflation soaring toward 13%:

The wholesale price index (WPI)-based inflation increased to a record high since 1994 to 12.63 per cent for the week ended August 9, on account of higher prices of primary articles like tea and milk. Manufactured products like mustard oil and cement also contributed to the increase.

4) 'Dryland farming to solve food crisis': ICRISAT

Correcting the policy bias against dryland farming will help solve the current food crisis and enhance the livelihood of farmers, said Icrisat director general William Dar. In a policy paper on dryland farming, he said less than 10 per cent spending in developing countries goes to agriculture and less than one per cent for agricultural research.

Comments: RBI study reveals that currently, public expenditure on research and extension together stands at well below one per cent of GDP in agriculture. While the figure for research expenditure as share of GDP for the agricultural sector was 2.39 for the developed countries in 1991. The share of the agricultural sector capital formation in GDP at 1999-2000 prices is only 2.5% in 2006-07. Allocation in central budget for Agri in 2008-09 is Rs. 10,734 crore only, which works out to a megre 3.83% of the total central budget.