

Recent Scenario of Indian Agriculture: A Critical Appraisal

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Abstract

Agriculture is still the backbone of our economy in spite of industrial development in India. Indian agriculture has transformed significantly during the last four decades. These are reflected in the changing share of agriculture in the national economy and employment. About 60 per cent of the rural household depends on agriculture as their principal means of livelihood. Of course, its share has steadily declined to about 16 per cent in recent years. The main aim of this paper is to understand the trends and current scenario of Indian agriculture concerning changing the economy. Literatures, reports and state level statistical documents have been used for analysis. The descriptive method has been employed to fulfill the objective. The result shows that the growth of the industrial and services sectors have far outpaced the growth of the agricultural sector. Transformation of the Indian economy from agriculture to non-agriculture sector got a strong push after 1980-81. Agricultural investment is also increasing in India from different countries of the world. The Indian government is also initiating many programs for the development of agriculture in India. The agriculture sector in India is expected to generate better momentum in the next few years due to increased investments in agricultural infrastructure such as irrigated facilities, warehousing and cold storage etc.

Keywords: Agriculture, Livestock, Economy, Investment, Policy

1. Introduction

Indian agriculture has made remarkable progress during last four decades. Agriculture plays a vital role in India's economy. About 60 percent of the rural households depend on agriculture as their principal means of livelihood. Agriculture, along

with fisheries and forestry is one of the largest contributors to the GDP (Singh, 1976; Rao, 2000, 2005; NSSO, 2006). As per the 2nd advance estimates by the central statistics office (CSO) the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) is expected to be 17.3 per cent of 2011-12 prices.

India is the largest producer, consumer and exporter of spices and spice products. India's fruit production has grown faster than vegetables, making it the second largest fruit producer in the world. India's horticulture output is estimated to be 287.3 million tonnes (MT) in 2016-17 after the first advance estimate. It ranks third in the farm and agriculture outputs (The Economic Survey, 2017). Agricultural export constitutes 10 per cent of the country's exports and is the fourth largest exported principle commodity (Singh, 1976). The agro-industry in India is divided into several sub-segments such as canned, dairy, processed, frozen food to department of agriculture and cooperation under the Ministry of Agriculture is responsible for the development of the agriculture sector in India (Cagliarini and Rush, 2011). It manages several other bodies, such as the National Dairy Development Board (NDDB) to develop other allied agricultural sectors (The Economic Survey, 2017).

2. Market Size

India's GDP is expected to grow at 7.1 percent in FY 2016-17, led by growth in private consumption while agriculture GDP is expected to grow above trend at 4.1 per cent to Rs.1.11 trillion (US \$ 1,640 billion). As per the 2nd Advance Estimates India's food grain production is expected to be 271.98 MT in 2016-17 production of pulses is estimated at 22.14 MT.

India's exports of basmati rice may rise to Rs.22000-22500 crore (US \$ 3.42-3.49 billion) with volume to

around 4.09 MT in 2017-18, backed by rise in average realisations. Wheat production in India is expected to touch an all time high of 96.6 MT during 2016-17 (The Economic Survey, 2017). Due to good monsoon groundnut exports from India are expected to cross 700,000 tonnes during 2016-17 as compared to 537,888 tonnes during 2015-16 because of increase in the crop acreage.

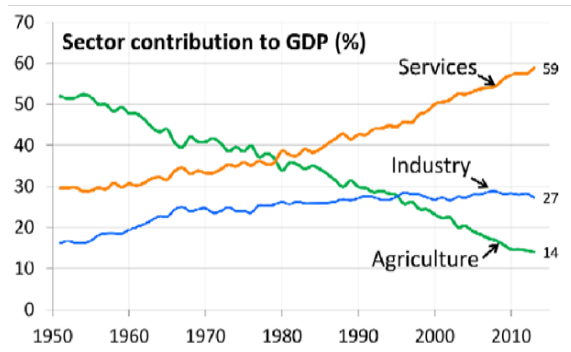


Figure 1: Sector contribution to GDP (%) in India

India's export of grapes to Europe and China are expected to increase by 10 to 20 percent this year on the back of higher production on account of good monsoon and higher demand due to competitors such as Chile shifting their focus to US market. Spices exports from India grow by 9 per cent in volume and 5 per cent in value which is 660,975 tonnes and US \$ 1.87 billion respectively during April-December 2016 (NSSO, 2006; The Economic Survey, 2017).

3. Growth of Agriculture Sector

Agricultural growth is necessary not only for attaining high overall growth but also for accelerating the speed of poverty reduction in a developing country like India (Singh, 1976).

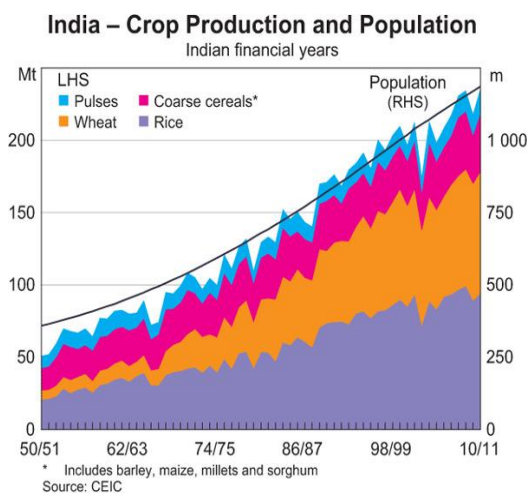


Figure 2: India-Crop Production and Population

The annual compound growth rates of agricultural sector have been quite dismal ranging from 2 to 3 per cent during all decades after independence, with exception during the sixties. It was 2.6 per cent per annum during fifties but decelerated to 1.7 per cent per annum during sixties (NSSO, 2006).

Table 1a: Annual Growth Rate in Output of various Sub-sectors of Agriculture at 1999-00 prices 1950-51 to 2011-12

Period	Crop Sector	Livestock	Fisheries
1950-51 to 1959-60	3.06	1.42	5.79
1960-61 to 1969-70	1.70	0.41	4.00
1970-71 to 1979-80	1.79	3.92	2.90
1980-81 to 1989-90	2.24	4.91	5.57
1990-91 to 1999-00	3.02	3.79	5.36
2000-01 to 2011-12	3.12	4.45	4.06

Source: Base data from National Accounts Statistics, Government of India

Later, it accelerated, touching 3.2 per cent per annum in the nineties and during 2000-12; it reached to 3.5 per cent against the target of 4 per cent per annum.

Table 1b: Annual Growth Rate in Output of various Sub-sectors of Agriculture at 1999-00 prices 1950-51 to 2011-12

Period	Horticulture crops	Non-Horticulture crops	Cereals
1950-51 to 1959-60	0.74	3.52	3.95
1960-61 to 1969-70	4.87	1.09	2.10
1970-71 to 1979-80	2.86	1.49	2.40
1980-81 to 1989-90	2.63	2.12	2.89
1990-91 to 1999-00	5.95	2.07	2.24
2000-01 to 2011-12	4.11	2.76	2.12

Source: Base data from National Accounts Statistics, Government of India

The growth of agricultural sector remained higher than the growth rate of population in the country.

However, the non-agricultural sector has grown faster than the agriculture sector and the divergence between agricultural growth rate and growth rate of the Indian economy continue to persist (World Bank, 2004).

4. Investments

The results should be concisely presented. Results and discussion may be separate or combined based on the author's requirement.

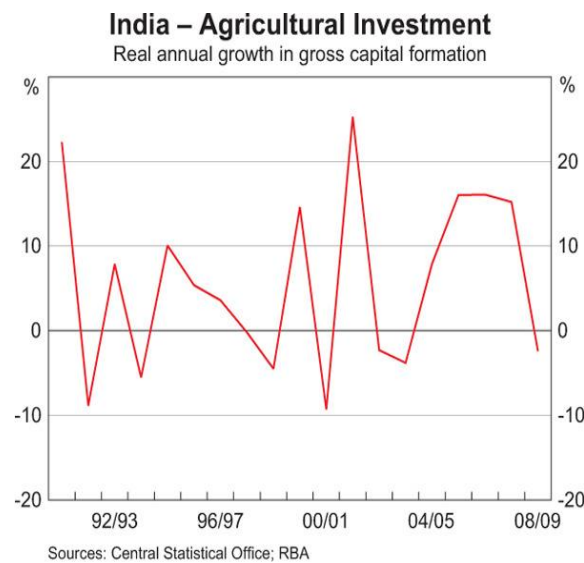


Figure 3: India- Agricultural Investment

According to Department of Industrial Policy and Promotion (DIPP), the Indian agricultural services and agricultural machinery sectors have cumulatively attracted Foreign Direct Investment (FDI) equity inflow of about US \$ 2315.33 million from April 2000 to December 2016 (Govt. of India, 2018). Some major investments and developments in agriculture are as follows:

India and Brazil have signed a bilateral investment agreement, aimed at enhancing cooperation in areas of agriculture, cattle genomics, ship building, pharmaceuticals, defence production, ethanol production and oil and gas. Zephyr peacock, the India focused private equity fund of US-based Zephyr Management has invested an undisclosed amount in Bengalure based potato seeds firm, Utkal Tubers India, Pvt. Ltd. which will be used to produce high-quality minitubers in a tissue culture laboratory and multiply them in its own development farms and through supervised contract farming in different regions of the country.

5. Government Initiatives

Given the importance of the agriculture sector, the Government of India, in its Budget 2017-18, planned several steps for the sustainable development of agriculture. Total allocation for rural agricultural and allied sectors for FY 2017-18 has been increased by 24 per cent to Rs.187223 crore. A dedicated micro-irrigation fund will be set up by National Bank for Agriculture and Rural Development (NABARD) with a corpus of Rs.5000 crore. The government plans to set up a dairy processing fund of Rs.8000 crore over three years with initial corpus of Rs.2000 crore.

The participation of women in Mahatma Gandhi national Rural Employment Guarantee Act (MGNREGA) has increased to 55 per cent and allocation to the scheme has been increase to a record Rs.48,000 crore for FY 2017-18 (ICAR, 2012; The Economic Survey, 2017).

Short-term crop loans upto Rs.300,000 at subsidised interest rate of 7 percent per annum would be provided to the farmers. An additional incentive of 3 per cent is provided to farmers for prompt repayment of loans within due date, making an effective interest rate for them at 4 percent.

Some of the recent major government initiatives in the sector are as follows (Govt. of India, 2018):

1. The NITI Aayog has proposed various reforms in India's agriculture sector, including liberal contract farming, direct purchase from farmers by private players, direct sale by farmers to consumers and single trader licence among other in order to double rural income in the next five years, the Ministry of Agriculture, Government of India, has been conducting various consultations and seeking suggestions from numerous stakeholders in the agriculture sector in order to devise a strategy to double the income of farmers by 2022.

2. The Ministry of Labour and Employment plans to amend the Minimum Wage Act to raise the daily minimum wage of unskilled agricultural labour in C-class towns to Rs.350 in the central sphere, from the current wage of Rs. 160 per day to Rs.350 per day.

3. The Central Government plans to open at least one Krishi Vigyan Kendra in all districts of the country which will provide advanced agriculture technical assistance to the farmers near their farms itself.

4. The Government of Karnataka plans to invest around Rs. 1 trillion for developing irrigation projects across the state to mitigate the impact of deficient rainfall and resulting drought on agriculture in recent years.

5. The Government of India and the Government of Israel have expressed their commitment to further strengthen bilateral relations in the field of agriculture and allied sector.

6. According to the Agriculture Ministry, 50,000 hectares of area is available for coconut cultivation in Bihar, the Coconut Development Board plans to equip the farmers, thus making India the world leader in production, productivity, processing for value addition and export of coconut (Indian Education, n.d.).

6. Future Prospects

The agriculture sector in India is expected to generate better momentum in the next few years due to increased investments in agricultural infrastructure such as irrigational facilities, ware-housing and cold storage (Rao, 2000, 2005). Factors such as reduced transaction costs and time, improved port gate management and better fiscal incentives would contribute to the sector's growth (Jodha, 1986). Furthermore, the growing use of genetically modified crops will likely improve the yield for Indian farmers. India is expected to be self-sufficient in pulses in the coming few years due to concentrated efforts of scientists to get early-maturing varieties of pulses and the increase in minimum support price (Kumar, Mruthyunjaya and Dey, 2007).

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