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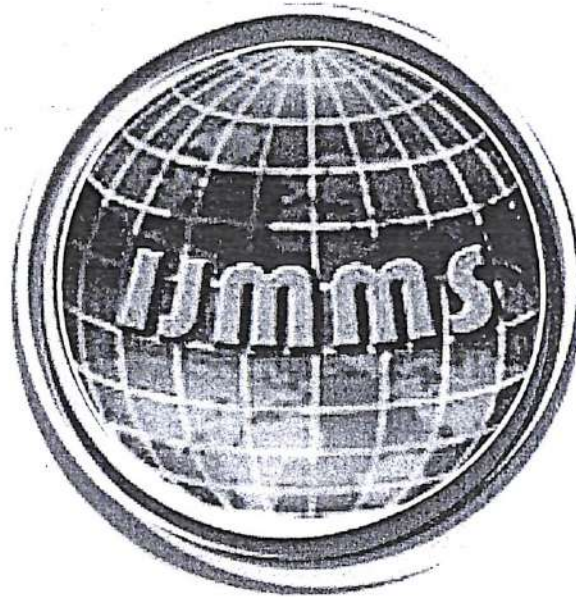


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## CRISIS IN INDIAN AGRICULTURE

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**Introduction:** Not a day passes in India without the news of farmer's committing suicide somewhere. People commit suicides for umpteen reasons. But Indian farmers are committing suicides mainly due to the stress created by the economic situation in which they are operating. In spite of their hard labour and toil the farmers are unable to earn subsistence income and repay their debts. This stressful condition is driving the helpless farmers to commit suicides. **This situation in Indian agriculture can best be described as a "crisis".** This paper attempts to analyse the factors leading to this crisis. The main problem is that increase in agriculture production and productivity has not adequately led to increase in farmer's income on a sustained basis. Major attention of our agriculture policy is concentrated on increasing productivity, but the issue of increasing farmer's income is not seriously considered. The present crisis is a culmination of this drawback of our agriculture policy. Enhancing the farmers's income on sustained basis to overcome the present crisis is the main theme of this paper. The paper is divided into following three sections.

Section I : Importance of Agriculture in India

Section II: The Crisis in India Agriculture

Section III: Conclusion and Suggestions

### Objectives of the study

1. To study the importance of agriculture in Indian Economy.
2. To study the nature of crisis in Indian agriculture.

**Methodology :** The study is based on secondary sources of data. The main sources of data are various economic surveys of Indian Directorate of Economics and Statistics, Ministry of Agriculture, online data based in Indian Economy, Journals, Articles and Newspapers.

**Section I: Importance of Agriculture in India:** The Indian agriculture occupies a very prominent place in the Indian economy. The very existence of economic activities in the industrial and service sectors is bound up with the state and health of agriculture sector. The importance of this sector can be gauged from the following facts:

i) **Large share in GDP** – The Indian agriculture contributes 13.9% to the GDP (2013-14), the faster development of the non-agriculture sector, in recent years, has led to fall in the share of agriculture. Yet 14% is a significant share. Though its percentage share will decrease in the development process; its contribution in terms of quantities will continue to be significant and important.

ii) **Supply of food and Raw materials-** Meeting the food needs of a mammoth population of 120 crores is itself a huge task. The small farmers have made India self sufficient in food grains and other products and they can compete with the rest of the world if development countries reduce their subsidies to their farmers. Agriculture provides raw material to various Industries such as cotton textile, Jute, sugar etc. The food processing, village and cottage, hand 100m industries are also dependent up on agriculture for inputs.

iii) **Source of employment** –Of the 120 crores population, 57.5 percent still depend on agriculture for livelihood as per swaminathan Committee Report. In 2011.118.7 million cultivators and 106.8 million labourers were directly employed in the agricultural sector. Agriculture provides indirect employment to still larger population in other sectors.

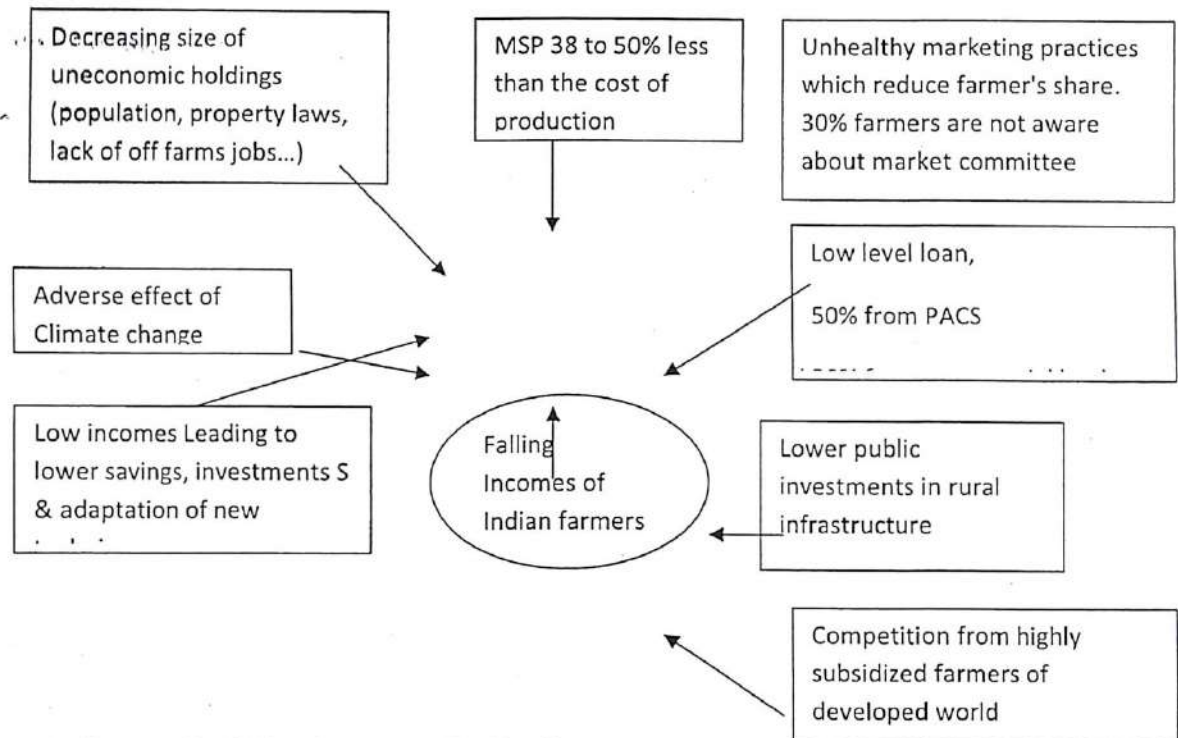
iv) **Contribution to Exports-** The exports from the agriculture sector constitute 12% of the total exports. if the exports of products based on agriculture are added the contribution becomes still larger. The important fact is that, as agriculture needs less import, the entire export earnings are available for imports of non-agricultural development goods.

v) **Agriculture sustains Larger Economic infrastructure-**Agriculture sector provides support to the economic infrastructure in terms of ware housing, marketing and processing of agro products. Further this sector utilizes large part of nations transportation system and rural banking services.

vi) **Development impetus to other sectors-** Agriculture provides developmental impetus to trade, commerce, transports, banking, insurance and other sectors. It is thus obvious that agriculture occupies an important position in the Indian economy.

**Section II: The crisis in Indian Agriculture:** India is an extreme dual economy, popularly categorized as India and Bharat. India is a nuclear and space power and is increasingly becoming a top global innovation player in certain key economic sectors like biotechnology, pharmaceuticals, automotive components, information technology(IT) software, and IT enabled services(ITES). At the opposite extreme, Bharat largely remains a subsistence economy, characterized by predominance of small and marginal farmers with low productivity and very low incomes. The stressful condition due to falling incomes is culminating into large number of suicides by the farmers. The current situation in Indian agriculture can best be described as crisis this is a serious issue for India as no progress will be worth the name if 60% of the population continuous to face the grim situation of falling incomes.

**The crisis of falling incomes of the farmers can be shown in the following diagram.**



**Diagram-1: Reasons for falling incomes of Indian farmers:**

**Reasons for falling incomes of Indian farmers:**

1. **Decreasing Size of Uneconomic holdings:** Since 1950, the number, of cultivators has gone up from 69.9 million to 118.7 million in 2011. This has been due to increasing pressure of population on land this has led to fragmentation of land holdings. Number of agriculture labourers have also increased from 27.3 million in 1950 to 106.8 million in 2001. The average size of farm has decreased from 1.57 hectares in 1950 to 1.16 hectares in 2010-11 Small size of land holdings are not deterrent to increasing productivity which is determined by focused research and investments, access to modern inputs, appropriate technology, and innovative marketing systems to aggregate and market the output efficiently and effectively.
2. **Low Level of Productivity:** Agriculture production is generally studied from two perspective

- i) **Productivity of Land:** As compare to many developed nations the productivity of major crops in India is far below

**Table 1:-** Productivity of Major Crops in India & World Avarage.

Crops/commodity	world Average (TE 2011-12)	India (TE 2012)	Country with highest yield (TE 2012)
Cereals			
Paddy	4397	3514	6661 (CHINA)
Wheat	3094	3000	7360 (UK)
Maize (corn)	5097	2321	8858 (USA)
Pulses			
Chickpeas (Gram)	917	912	1663 (ETHIOPIA)
Pigeon peas (Tur)	786	681	1320 (MYANMAR)
Oilseeds			
Groundnut	1626	1212	4069 (USA)
Rapeseed (Mustard)	1855	1163	3588 (UK)
Cotton	769	517	1920 (AUSTRALIA)
Sugarcane	70470	69227	1,25,587 (PERU)

**Source:-** Agricultural statistics at a glance 2013: Kharip and Rabi price policy report

**Note:-** TE Triennium ending

Table 1 gives the production of some crops in India and other countries. It is clear from this table that the yield per hectare of paddy was less than 48 percent of the yield in china. In case of the yield per hectare of wheat was less than 60 percent of UK. In case of other crops also India stands extremely poor in comparison to world average.

**ii) Productivity of labour engaged in agriculture:**

The per capita output of Indian cultivator is very poor as compare to cultivators in developed countries. This can be seen the fact that 48.9 percent workforce engaged in agriculture and allied sectors contributes 13.9 percent of national income thus remaining 51% percent (engaged in non agro sector) contributes more than 86 percent of national income. In developed countries like USA, UK the contribution of agriculture accounts for about 2 percent to 3 percent of national income with only 2 percent to 5 percent of workforce engaged in agriculture. This clearly indicates the low level of productivity of workforce engaged in the agriculture.

**3. Low Budgetary support of central and Maharashtra Governments.**

**Table 2 :-** Plan wise Budgetary Support of Central & Maharashtra Governments

Five Year Plan	Planning Period	Share of Agriculture in Total Budget	
		Central Govt.	Govt. of Maharashtra
1.	1951-1956	14.85	-
2.	1956-1961	11.52	-
3.	1961-1966	12.70	30.87
4.	1969-1974	14.70	22.07
5.	1974-1979	12.34	12.91
6.	1980-1985	13.88	06.01
7.	1985-1990	14.41	05.56
8.	1992-1997	14.66	05.71
9.	1997-2002	13.19	04.98
10.	2002-2007	13.30	04.5
11.	2007-2012	NA	04.00

Source : Dr. Narendra Jadhav report on farmers suicides and challenges before Agriculture Sector.

Table 2 Gives the plan wise budgetary support of central and Maharashtra government to agricultural sector. Total budgetary provision of the central Government has been on average of 11 percent for 57.5 percent of India's population. The budgetary provision of Government of Maharashtra is highly inadequate and decreasing this has led to infrastructural bottlenecks in the rural area.

#### 4. Minimum Support Prices Do not Cover cost of Production:

The minimum support prices (MSP) in India are calculated and recommended to the Central Govt. by the Commission for agricultural costs and Prices (CACP). CACP collects data regarding 25 agriculture commodities from various State Govts. The cost of production of each commodity in all states is averaged and a single is arrived at the national level. Many practical problems arise due to this method.

In case of Maharashtra it is evident that from 1995 to 2007 the MSPs declared by the CACP are just 40 to 50 % of the recommendations of Agricultural Price Committee, Govt. of Maharashtra.

MSPs, fixed for 25 agri-commodities barely covers the cost of cultivation of the farmers, No margin is provided for farmers managerial function as profit, As per swaminathan committee Report, as compared to cost of production 50 % margin should be added to cover the various risks. viz marketing, price fluctuation, National calamities etc. However the MSP of agricultural products are not fixed accordingly by CACP.

#### 5. Unsatisfactory Regulated Markets (RM):

The agriculture produce markets are regulated under the Agriculture Produce Marketing Acts of the State Govts. The main objective of RMs was to ensure that farmers get fair prices and the transactions are transparent.

Initially the RMs helped the farmers in mitigating hardships at the wholesale stage. But, over a period of time and when production started exceeding the demand, the RMs did not provide requisite assistance in direct and free marketing, organized retailing, assured supply to agro-processing units and innovative marketing systems and technologies. The overall effect has been increased cost of marketing to the farmers and low prices for their produce affecting their income adversely. The RMs benefit only the wholesalers, retailers at the cost of farmers and the consumers.

#### 6. No Policy for Ensuring Assured Income:

The farmers in India are operating in a atmosphere of many risks like rainfall, climate, crop failures, natural calamities and fluctuating prices. The policies mainly concentrate on increasing productivity, but nothing is being done for increasing the incomes of the farmers. There is no income policy for farmers Recommendations of swaminathan

committee, are in favor of agriculturist of agriculturist. But it is not accepted by the government.

**7. Costly Credit:**The institutional credit either through NABARD Primary Agriculture cooperative credit societies, co-operative banks is available to only 80% of the farmers. The rest 20% are still at the mercy of merciless money lenders. The institutional credit is also available at exorbitant rate. Thus the worsening man land ratio, uneconomic holdings, falling productivity, un-remunerative MSPs, non-friendly marketing practices, high cost credit etc. are the factors which are responsible for very low incomes to the Indian farmers. This problem of very low incomes is creating a crisis in the Indian agriculture.

**Section III: Conclusion and suggestions:** The production oriented green revolution strategy seems to have lost its thrust to make agriculture a resilient force to face liberalized trade under WTO regime and make farmers economically well off. A complete turn around will be needed to shift emphasis from production to income of the farmers without which market expansion in the domestic economy will not take place. Economically weak farmers can hardly compete in the world market howsoever Agriculture production may increase.

In spite of small size of land holdings, the majority of farmers will have to provide with reasonable income. This will need a change in the practice of calculating MSPs, and SNP, by the CACP. The Central and State Government have to set up their budgetary provisions for agriculture sector. The Indian economy's overall growth rate of 9 percent or more cannot be sustained if the growth rate of the agriculture happens to be less than 2 percent. 60 percent of India's population still depends on agriculture and there seems to be less scope of diverting this population to urban areas. Therefore, provisions of proper infrastructure facilities to the rural areas is very important.

Lot of changes are desired in the marketing strategy of agriculture produce. The entry of private firms and individuals is a good step in this direction. The farmers should be educated in marketing. Unless the farmers unite themselves as food grains farmers or wheat / rice / oil seeds farmers and do demand supply management and market their produce aggressively or in collaboration with end users, their income will not increase. To solve the problem of uneconomic holdings the farmers can voluntarily pool their land together. This will lead to economies of scale in production, purchase of raw material and marketing.

The mechanism of MSP is incorrect it should be changed and cost of production should calculate by considering the Swaminathan Committee Report.

Thus the present crisis in Indian agriculture can be collectively solved by the Central Govt., State Govts., and the farmers uniting together.

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