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|  | |  | | --- | |  | | |  | | --- | |  | | | |  | | --- | | The rot in Indian agricultural policies | | **Commentarao-**S.L. Rao | | Every aspect of Indian economic policies is influenced by all-pervading government control. Many times, they are also subject to massive leakages due to inefficiencies and corruption (for example, bogus ration cards, rotting grains and corrupt procurement in the public distribution system). The poor state of industrial development, inability to increase domestic defence production in spite of massive imports, diversion of government revenues from taxes on minerals, mismatch between demand for agricultural products and their production, and so on, are some examples.  India has massive unemployment and underemployment. More are seeking fresh employment each year, consumption levels are low, and there are many poor people. Yet, growth in production of physical goods from agriculture and industry has, in five years since 2011, been modest. At constant prices, agriculture grew annually from 2011 in per cent at 1.5, 4.2, -9.2 and 1.1. Over these years, industry grew in per cent at 3.6, 5.0, 5.9, and 7.3; manufacturing at 6.0, 5.6, 5.5 and 9.5. There is heavy pressure of population on land. The average size of land holding was 1.41 hectares in 1995-96 and 1.15 in 2010-11.  India has more arable land than China. Indeed it has the second-most arable land in the world. But it has very low productivity of crops per acre. When one takes paddy, as one example, and on comparing with China, India remains far behind. This is so for other crops as well and as compared to most Southeast Asian countries.  A good reason for the low productivity is the growing fragmentation of holdings and their decline in size. The high population pressure on small land holdings is on account of high rural poverty. Alleviation requires consolidation of land holdings by leasing, urbanization and the acquisition of rural lands for the purpose with adequate compensation. This will also reduce this pressure.  Consumption habits are changing at all levels. Rice consumption per person per month in rural India was estimated at 5.98 kilogramme in 2011-12 compared to 6.38 kg in 2004-05 - a fall of 0.4 kg in seven years. In urban India, the fall in rice consumption between these two periods was 0.2 kg per person per month - from 4.71 kg to 4.49 kg per capita. A high proportion was taken at subsidized prices from the public distribution system. Per capita consumption of wheat in 2011-12 showed a slight rise since 2004-05 of about 0.1 kg per person per month in rural areas and a fall of 0.35 kg in urban areas. As with rice, the share of PDS purchase in wheat consumption has increased considerably, from 824 grammes to 901 gm in the urban sector. At the same time, and in contrast, 69 gm in the rural sector and 57 gm in the urban sector were contributed by split gram, whole gram, pea and besan bought at rising market prices. The four pulses - arhar, moong, masur and urd - also rose. So did consumption of vegetables, eggs and fruits. All these have seen rising prices and no price support to consumers.  Minimum support prices for cereals are increased almost every year and have been the same as procurement prices. But retail prices were not raised similarly. There is also government interference in the agricultural markets which cause the farmer to lose the margins made by middlemen.  India has stimulated the production of cereals when the demand was dropping, while growing for other non-subsidized items. Rural households bought the cheap PDS grains and sold their own produce for government stocks, which are at unsustainably high levels without adequate storage. They might as well have been given free to the malnourished rural poor.  Productivity remained low because of falling land holdings. Improved seeds were not easily available. Genetic modification of food grains was prevented by environmentalists with no evidence of ill-effects. (Research has shown no ill-effects on humans; in some cases, there might be resistance to plant resistance.) Fertilizers are subsidized, benefiting manufacturers and big farmers. Subsidies are relatively more for urea, leading to a mismatch in fertilizer use and inadequate productivity. Water availability has been shrinking as lakes and rivers become polluted and groundwater levels are used excessively.  Per-capita availability of fresh water has declined sharply, from 3,000 cubic metres to 1,123 cubic metres over the past 50 years versus the global average of 6,000 cubic metres. India needs to make judicious use of surface water and groundwater. Dams on rivers have robbed some of them of their usual water flow, while diverting the course of others. Urban effluents have also destroyed the potability of river water. Fifty five per cent of India's total water supply is now groundwater. This has reduced levels across much of India. Growing water-intensive crops and using techniques like flooding for paddy have further depleted groundwater. Over 60 per cent of irrigation comes from groundwater. Nearly 30 per cent of urban water supply and 70 per cent of rural water supply come from groundwater. We need a rational water policy and less populism. Massive subsidies on equipment and electricity required to mine groundwater have accentuated its use to the financial detriment of the power sector. Free or heavily subsidized flat rate electricity tariffs helped bring the Green Revolution. They have now become the norm. The result is indiscriminate use of groundwater.  Each of the issues mentioned is the result of government policies or their absence. Land legislation encourages fragmentation of holdings. There is little encouragement for leasing. Land acquisition for urban areas and for factories has been a corrupt business, and there is little incentive for many farmers to give up their land and move away. Government procurement policies and the public distribution system have stimulated rising production of rice and wheat. Little has been done to help production, storage and marketing of other items like vegetables, pulses, fruits and eggs (such as cold storages, improved varieties, and so on). There is little sign of a rational water policy: indeed, it is the opposite. Electricity tariffs encourage a rise in the use of groundwater. There is no policy on groundwater. Neither is there a limit on what water-intensive crops can be grown with it. There is no concerted recharging of groundwater. State governments follow irrational water-pricing policies. Cleaning up river and lake water so that it is available to supplement water supply in case of drought is uncommon.  Little is being done to spread better agricultural practices and scientific developments that benefit farmers. Agricultural productivity can be increased even on small holdings, but there is little attempt, except by non-governmental organizations, to disseminate these practices. In Israel, these have reduced the use of water. There are vineyards producing good wine in the Negev desert. Groundwater use is not metered in India as it should be. Fertilizer subsidies do not benefit the small farmer. Rational policies, which ensure that subsidies reach the farmer and do not encourage unbalanced use of fertilizers, are urgently needed. Environmental agitations against genetically modified seeds should be countered by scientific evidence so that more productive seeds can be used.  Agricultural policies have developed into a messy package. They need a thorough overhaul. Our political masters are unable to even think of it.  **The author is former director-general, National Council of Applied Economic Research** | | | |  | | --- | |  | |  |  | | --- | |  | |  |  |  | | --- | |  | |  | |  | | --- | |  | |