

1. Economic Importance:
Tea, coffee, and rubber plantations were (and still are) significant contributors to the Indian economy. These crops were major export items, generating substantial foreign exchange revenue for the country.
The cultivation of these crops requires large tracts of land to be economically viable. Imposing land ceilings could have fragmented these plantations, reducing their efficiency and profitability.
2. Employment Considerations:
Plantations provided employment to a large number of workers, particularly in rural areas where alternative employment opportunities were scarce. Exempting these plantations from land ceiling laws was intended to protect jobs and maintain stability in the regions where these crops were grown.
3. Investment and Expertise:
The cultivation of tea, coffee, and rubber required specialized knowledge, skills, and significant capital investment. The management of these plantations often involved complex operations that smaller landholders might not be able to efficiently manage.
By exempting these plantations from land ceilings, the government aimed to ensure that these industries remained under experienced management and continued to thrive.
4. Preventing Disruption:
Imposing land ceilings on these plantations could have led to a disruption in production, negatively affecting both domestic supply and export markets. The government wanted to avoid any potential economic downturn that might arise from such disruptions.

Economics Class 35

LAND CEILING (09:03 AM):

- A ceiling on agricultural holding means a **statutory absolute limit** on the amount of land that an individual may hold.
- Imposing the ceiling has two aspects:
 - a) Ceiling on future acquisitions.
 - b) Ceiling on existing holding.
- The first Five Year Plan (FYP) favors the ~~former~~ ^{farmer} to avoid conflict related to administration.
- The 2nd FYP **recommended** a ceiling on existing agricultural holding.
- The plan proposed that the ceiling should apply to all future acquisitions and all existing agricultural holdings held under **personal cultivation**.
- **The 2nd FYP suggested the option of the family as a criterion for Land Ceiling.**
- The 2nd FYP also proposed **exemptions** for the following:
 - **Tea, coffee, and rubber plantation.**
 - Sugarcane farms operated by sugar factories.
 - Farms where heavy investment was already made.
 - Specialized farmers engaged in cattle breeding, dairying, bull raising, etc.
- The 2nd FYP also suggested measures related to preventing malafide transfers of land, **compensations to be paid, and redistributing the acquired land.**
- These guidelines laid down by the 2nd FYP were **endorsed** ^{samarthan karna} by the subsequent plans but have not been implemented uniformly across all states.
- To bring uniformity in different policies regarding the imposition of ceilings, a conference was held in 1972 based on which a **new policy on land ceilings** was awarded.


Activities like cattle breeding and dairying often require larger tracts of land than typical farming. This land is used for grazing, housing livestock, storing feed, and managing waste. Imposing land ceilings on these specialized farmers could have hindered their ability to operate effectively, reducing their productivity and negatively impacting the agricultural sector as a whole.

The recommendation to use "the family as a criterion" means that the ceiling on land ownership would be applied based on the size and needs of a family unit rather than an individual.

The plan recognized the need for fair compensation to landowners whose land was acquired under the land ceiling laws. The objective was to strike a balance between the rights of the landowners and the social need to redistribute land to the landless.

The Second Five-Year Plan emphasized the need for efficient and transparent redistribution of the land acquired under ceiling laws. This included creating a priority list for beneficiaries, such as landless laborers, small farmers, and marginalized communities.

Changeover to Family-Based Unit: The policy suggests shifting the basis for determining how much land can be owned from an individual to a family unit. This means that the land ceiling would now apply to the family as a whole rather than each individual member.

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- **The main features of the policy are as follows:**
 - a) Fewer exemptions from ceilings.
 - b) Lowering the ceiling to 18-28 acres of wetlands and 54 acres of unirrigated land.
 - c) The changeover to family rather than an individual as the unit for determining land holding (lower ceiling for a family of five).
 - d) Retrospective application of the Land Ceilings Act or rules for declaring benami transactions null and void.
 - e) Most of these laws were included in the **9th Schedule** of the Constitution which insulated them from Judicial Review.
 - According to the 12th FYP, only around 3 million hectares have been declared surplus, above 30% of this land has not been distributed due to litigations.
 - Moreover, as correctly pointed out by the 12th FYP, the balance of power in rural areas is so heavily weighed against the landless and the poor that implementing land ceiling laws is difficult.
 - In certain States like Karnataka, the industry and the large farmers are being exempted from the ceiling laws without seeking permission from the Government of India, clearly indicating the problems in the implementation.

- **Positives of Land Ceiling:**

- a) Social Justice:
- It is socially unjust to allow a small number of people to hold a large part of land thereby subjugating the interest of millions of laborers to the interest of this handful of minority.
- b) Improving the position of the poor:
- To improve the position of the poor, according to the **Food and Agriculture Organisation (FAO)**, the redistribution of 5% of farmland in India coupled with increased access to water could reduce rural poverty by almost 30%.
- c) Employment generation:
- According to some economists, small farms are less capital-intensive and therefore can be considered efficient in a situation of widespread unemployment and under-employment in the country.
- d) Inculcating the spirit of cooperation:
- it has been argued that once the surplus land is distributed among the beneficiaries, they can form ^{cooperatives} ~~cooperators~~ for its cultivation and management.
- It will enable the small peasants to learn the techniques of soil management and join cultivation on one hand and also enable them to realize the benefits of large-scale farming.

- **Negatives of Land Ceiling:**

- The economic efficiency of the farm is adversely affected.
- The growth of employment and output may slow down in the long run owing to the reduction of savings and investment as small farmers consume away large portion of their income.
- Modern technology can not be used due to fragmented land holdings.

It affects economies of scale

Consolidation of land holdings refers to the process of reorganizing and merging fragmented agricultural land parcels into fewer, larger, and more contiguous holdings. This process is aimed at improving agricultural efficiency and productivity by reducing the problems associated with fragmented and scattered plots of land.

- **Causes of Fragmentation of Land:**

- Laws of inheritance.
- Decline of joint family system.
- Population pressure.
- Farmer's indebtedness.
- Psychological attachment to the land.

- **Disadvantages of Fragmentation:**

- Low productivity.
- Disguised unemployment.
- Disputes over boundaries.
- Difficulties in modernisation.
- Wastage of land.

CONSOLIDATION OF LAND HOLDING (09:49 AM):

- As fragmentation of land holding is still a major bottleneck to reaping the benefits of large-scale farming.
- Process of consolidation is seen as a solution to reduce the fragmentation of land holding.
- Consolidation is termed as a process of planned rearrangement and readjustment of land parcels and their ownership to form large holdings for the benefit of the agrarian economy.
- Through legislation by the States, the standard area was fixed as the basis of consolidation.
- However, as per available data, only around 46% of the total cultivated land has been consolidated.
- The land consolidation is successful in states like Haryana, Punjab, and Uttar Pradesh.
- Currently average land holding is around 1.08 hectares and 86% of the land holding is below 2 hectares making it difficult to increase agricultural productivity.

Cooperative farming is a form of agricultural organization where farmers voluntarily come together to pool their resources—such as land, labor, capital, and equipment—and manage their farms collectively. The objective of cooperative farming is to increase productivity, reduce costs, and improve the overall welfare of the farmers involved by working together rather than individually.



COOPERATIVE FARMING (09:54 AM):

- To reap the benefits of economies of scale, cooperative farming provides an alternative to consolidation.
- Farmers could not be motivated for cooperative farming in spite of various incentives and subsidies given to cooperative farms by the Government.
- Report of Gadgil Committee on cooperative farming stated that only 1/3rd of these formed societies attained their goals and requirements.
- **Reasons for failure:**
- a) Societies are mainly formed by large farmers to receive certain benefits from the Government.
- b) Societies lack professional and management skills.
- c) Failure of cooperative farming due to corrupt practices.
- **What to cover under Land Reform Topic:**
- Why land reforms?
- What was the Focus of land reforms?
- Evolution of policies in land reforms (1st FYP, 2nd FYP, 4th FYP, 6th FYP).
- Reasons for success and reasons for failure.
- Way forward.

FOOD PROCESSING (10:12 AM):

- **Structure/Scope of the topic:**

- What is processed food?
- What are the drivers of the Food Processing Industry?
- Evolution of Food Processing Sectors in India.
- Significance of Food Processing Industry.
- Challenges of the Food Processing Sector.
- Supply chain with respect to Food Processing Industry - Backward and Forward linkages.
- Problem of supply chain or problems of Backward and Forward linkages.
- Measures taken by the Government.

- **What is processed food:**

- It pertains to the following two processes:

- **a) Manufactured Processes:**

- If any product of agriculture, animal husbandry, or fisheries is transformed to a process involving machines, labor, hours, etc. in such a way that its original, physical properties undergo a change and if the transformed product is edible and has commercial value, then it is termed as processed food.

- **b) Other Value Add Processes:**

- If there is significant value addition in terms of increased self-life or ready-for-consumption, such produce also comes under processed food, even if it does not undergo manufacturing processing.
- The size of the Food Processing Industry in India is estimated to reach over half a trillion dollars by 2025.
- The industry can be broadly divided into fruits and vegetables, milk and its products, meat and poultry, marine products, greying processing, and consumer foods including packaged food, aerated drinks, alcoholic beverages, etc.

- **Contribution of Food Processing Sector (11:04 AM):**

- Contribution of the Food Processing Sector has increased continuously with GVA in food processing from 1.34 lakh crores in 2014-15 to 2.37 lakh crores in 2020-21 with a compounded annual growth rate of 9.97%.

- **Drivers of increasing demand for Packaged Food:**

- Shift in consumption pattern.
- Increase in per capita income.
- Health and value-seeking urban consumers.
- Looking for nutritious and convenient solutions in packaged food (low cholesterol oil, skimmed milk, etc.).
- Packaging has increased the shelf life of packaged food.
- Huge potential for the agricultural sector due to diverse climatic conditions.
- **Increase in nuclear family.** → A nuclear family refers to a family unit consisting of two parents (a mother and a father) and their children. This type of family structure typically includes just the immediate family members living together in a single household.
- Consumers are able to compare value offerings and choose the best option before buying.

- **Evolution of the Food Processing Sector in India:**

- The food crisis in India during the 1960s forced the Government to adopt the Green Revolution which helped provide self-sufficiency with respect to food security.
- Policies before the 1960s were more focused on industrial sectors, especially capital goods.
- Though more than 50% of GDP was from agriculture.
- Import substitution was also adopted as a strategy to promote the industrial sector.
- By the early 1960s, GDP growth was only 3% against the expected 5%, but population growth was 2.3% against the expected 1.4%.
- Thus creating issues of food security in India as India's imported cereal accounted for 28% of our export earnings.

- **Boosters between 1960s to 1990s:**

- Introduction of Green Revolution and institutionalization of Public Distribution System (PDS).
- Restrictions on agricultural exports.
- Land Ceiling Rules, 1972 to provide land to the landless.
- Focus on agriculture.

- **Focus on Food Processing after 1991:**

- 100% FDI into Food Processing Industry.
- The Government has identified food and agro-processing industries as one of the **sunrise sectors** that have high potential for domestic demand and export markets.
- Export promotion incentives and other schemes to attract investment.
- Post-2000, the number of industrial licenses required for the processing industries reduced except for alcohol, beer, etc.
- Mega Food Parks and Export Zones were promoted by the Government along with a reduction of corporate taxes.

→ A sunrise sector refers to an industry or sector of the economy that is in its early stages of development and is expected to grow rapidly in the near future.

- **Problems of the Food Processing Sector:**

- a) More than 75% of the processing industry is operating in an **unorganized sector** and unorganized can't compete with Multinational Corporations (MNCs) due to issues like - economies of scale, Branding and advertisement, etc.
- Indian companies are less price competitors in comparison to MNCs.
- b) Supply chain deterrents:
 - Long and fragmented supply chain leading to high wastage and high cost especially due to seasonality, perishability, and variability of produce (improper Backward and Forward integration).
- c) Lack of export quality:
 - Despite being an agrarian economy and one of the large producers of fruits and vegetables, it is unfortunate that the productivity of crops is quite low relative to International Standards.
- d) Price sensitivity (Indian public is price sensitive):
- e) Higher income elasticity with respect to expenditure.
- f) **Preference for fresh food.** → i.e. people believe in immediate cooking and immediate consumption, do not believe in packed item.
- g) Agriculture-related issues:
 - Fragmented land holdings, Agricultural Produce Market Committee (APMC) issues, low yield, etc.
- h) Infrastructure problems:
 - The private sector is unwilling to invest in logistics and warehouses.
- i) Financing problems (credit-related issues).
- j) Problems related to the manpower that is lack of skilled manpower and entrepreneurship.
- k) Low-value addition in processing:
 - There is a major fragmentation of food processing capacity with the large unorganized segment and widespread use of primitive processing.
- l) Limited ability to control quality and safety.
- m) Low consumer awareness.
- n) Smaller food processing units are involved in Primary processing rather than Tertiary processing.

- **Significance of Food Processing Sector (11:42 AM):**

- a) Doubling farmer's income:
- With the rise in demand for agri-products there will be an increase in the price paid to the farmers, thereby increasing farmer's income.
- b) Reduced food wastage:
- UN estimates that 40% of production is wasted.
- Similarly, **NITI Aayog** estimates that annual post-harvest losses close to 90,000 crores.
- With proper focus on sorting and grading, and diverting produce to Food Processing Industries (FPI), this wastage can be reduced leading to better price realization for farmers.
- c) Reduced malnutrition:
- Processed food when fortified with vitamins and minerals can reduce the nutritional gaps in the population.
- d) Curb food inflation:
- Processing increases the shelf life of the food, thus keeping supplies in tune with the demand thereby controlling inflation.
- **Functions of Food Processing:**
- To make food safe microbiologically and chemically (toxin removal).
- Functional benefits are fortified food and food supplied to people suffering from critical illness.
- High quality - flavor, colour, texture, etc.

THE TOPIC FOR THE NEXT CLASS - CONTINUATION OF THE FOOD PROCESSING TOPIC