GDP Contribution

Economics Class 43

## TRENDS IN AGRICULTURE (09:05 AM)

- **Note-** Update the data before going to the exam from the Economic Survey.
- The sector which is the largest employer of the workforce accounted for a sizeable 18.8% (2021-22).

  around 45 percent
- The agriculture sector saw a growth rate of 3.6% in 2020-21.
- Growth in allied sectors including livestock, dairying and fisheries have been the major drivers of overall growth in the sector.
- The livestock sector has grown a CAGR of 8.15% over the last 5 years ending 2019-20.
- Improvement in the allied sectors is in line with the recommendations of the committee on doubling farmers' income (Ashok Dalwai committee) which has suggested a greater focus on allied sectors to improve farmers' income.
- The Govt has increased its focus on the food processing sector which is not only a major market for agricultural products but also a significant employer of the surplus workforce engaged in agriculture.
- The growth in agriculture and allied sectors includes 4 main components mainly crops, livestock, forestry, fishing and aquaculture.
- In 2018-19, the growth in agriculture was mainly because of the performance of livestock and fisheries.

- **Role of Agriculture in the Indian economy**
- Indian agriculture has reached the stage of development and maturity much before the now advanced countries of the world.
- There was a proper balance between agriculture and industry and both flourished hand in hand till the mid-18th century.
- The interference of the British and its deliberate policy which has devasted cottage industries has disturbed the balance affecting the Indian economy.
- Britishers focused on intermediaries like zamindars who directly exploited poor farmers.
- A substantial part of the produce was taken away by this parasitic class and the actual cultivator was left with mere subsistence. Therefore Indian agriculture in the pre-independence period can be described as a subsistence occupation.
- It was only after the advent of planning and more precisely after the first Green Revolution that some farmers started adopting agriculture on a commercial basis.
- **Share of agriculture**
- At the time of WWI agriculture, around 2/3rd of the national income came from agriculture.
- This was on account of the practical non-existence of industrial development and infrastructure.
- However, after the initiation of planning, the share of agriculture persistently decreased along with the development of industry and the tertiary sector.
- From 54% in the 1960s, the contribution of agriculture has almost reduced to 18.8% by 2019.
- The share of agriculture in national income is often considered an indicator of economic development.
- developed economies are less dependent on agriculture compared to underdeveloped economies i.e. as a country progresses dependence on agriculture reduces.

- **Largest employment-providing sector**
- Around 60% population was engaged in agriculture in the 1990s which subsequently reduced to 48% in 2011-12.
- With the rapid increase in population, the absolute number of people engaged in agriculture has become exceedingly large.
- The development of other sectors of the economy has not been sufficient to provide employment opportunities thereby increasing pressure on the land.
- This has increased the problem of underemployment and disguised unemployment.
- The scenario is the same for most of the underdeveloped economies.
- **Agriculture's role in poverty reduction**
- According to the **World Development Report**, over the last 25 years in developing countries, every 1% growth in agriculture, is almost 2 to 3 times more effective in reducing poverty than the same growth coming from the non-agriculture sector.
- **Food Security**
- The existing consumption level in these countries is very low and with little increase in per capita income, the demand for food increases exponentially and therefore unless agriculture increases its marketed surplus of food grains, a crisis is likely to emerge.

- **Importance in international trade**
- For several years, agro-based exports like Cotton, textiles, Jute and Tea accounted for more than 50% of our export earnings.
- The development of agriculture in India is a pre-condition for sectoral diversification and economic development.
- A growing surplus of agricultural produce is needed to increase the supply of food and agri-raw materials at non-inflationary prices.
- Agriculture plays an important role in widening the domestic market for industrial goods by increasing the purchasing power of the rural sector and facilitating the inter-sectoral transfer of capital needed for infrastructure development.
- Therefore, agriculture has to be kept at the centre of every reform agenda or planning process to make a significant dent with respect to poverty and malnutrition and to ensure long-term food security for the poor.

**E - TECHNOLOGY IN FARMING (10:05 AM)**

- **Refer to the uploaded handout for details.**
- E-Technology in agriculture refers to the usage of IT and related technology to enhance the productivity of farm produce.
- **Benefits**:
- **1. Improved decision-making:** By having the necessary information, farmers can make better and more informed decisions concerning their agricultural activities.
- Farmers can have access to information about various input sellers, produce buyers and organisations that aid farmers. This makes the life of farmers easier from production to distribution.
- **2. Better planning:** There is farming software that keeps track of crops, predicts yields, analyses soils, and suggests nutritional and water requirements.
- **3. Community involvement:** Many IT applications help in increasing community involvement in agriculture.
- **Issues:**
- **1. Power supply:** Lack of Continuous power supply may affect technologies like mobile-operated farm equipment or mobile-operated crop monitoring devices.
- **2. Connectivity:** Lack of reliable and affordable connectivity to rural and tribal areas.
- **GOVERNMENT INITIATIVES**
- 1. Bhuvan app: ISRO and the National Remote Sensing Centre (NRSC) together developed a web portal on the Bhuvan app integrating GIS and smartphone.
- 2. National e-Governance Plan- Agriculture: Mission mode project by the Central government to improve access to information related to the latest technology. Dissemination of information is done through Common Service Centres, Web Portals, SMS and Kisan Call centres and Mobile Apps etc.

**SUBSIDY (10:20 AM)**

- Direct subsidy: Direct subsidies are those that involve an actual payment of funds toward a particular individual, group or industry. Example: Direct Benefit Transfer of LPG.
- Indirect subsidy: Indirect subsidies are those that do not hold a predetermined monetary value or involve actual cash outlays. Example: PDS subsidy.
- **Benefits of Direct Subsidy**
- Targeting: Cash transfers have better targeting by reducing pilferages and directly transferring to beneficiary accounts.
- Government Burden: Reduced government burden freeing from transportation and storage costs.
- **Issues of Direct Subsidy**
- Lack of Awareness: This leads to not witnessing the full potential of Direct Subsidy.
- Accessibility: Even with universal financial inclusion, accessibility to banking services in rural areas is very poor.
- **Prelims Specific information**
- **MSP**
- It is only a govt policy i.e. it is part of administrative decision-making.
- It has no legal backing.
  It has no entitlement for farmers i.e. they can not demand it as a matter of right.
- There is no mention of MSP in any of the recent farm acts.
- The Farmers Produce Trade and Commerce Promotion and Facilitation Act 2020 does not give any statutory backing to MSP.

- **CACP (Commission for Agriculture cost and prices)**
- It is not a statutory body.
- It came into existence in 1965 and MSPs have been announced since the Green Revolution started with wheat in 1966-67.
- CACP is an attached office of the Ministry of Agriculture and Farmers Welfare.
- CACP can only recommend MSP but the decision on fixing and enforcement rests finally with the government.
- The Govt can procure at MSP if it wants to. There is no legal compulsion nor can it force others to pay at MSP.
- **Fair Renumerative Policy**
- FRP of sugarcane is determined under **the Sugarcane Control Order, of 1966.**
- Major sugarcane-producing states such as **Uttar Pradesh, Punjab, and Haryana** fixed their own sugarcane price called **State Advisory Prices** which are usually higher than that of the centre's FRP.
- It is the legal price **guaranteed to farmers** and it is to be paid by the **sugar mills.**
- Though FRP is announced by the centre, (recommended by CACP) states come up with their own advised prices.
- Both the centre and state Governments have the power to fix the price of sugarcane under the **concurrent list of the Constitution.**
- The remunerative price fixed by the state shall be higher than the FRP in accordance with the provisions of **the Sugarcane Control Order, 1966.**
- Under the Sugarcane Control Order, of 1966, the Sugarcane mills are required to pay cane prices to the farmers within 14 days of the supply of the cane. Otherwise, interest is to be paid at a rate of 15% a year.

- **How FRP is arrived:-**
- **Basic Recovery rate:**
- FRP is also **linked** to the basic recovery rate of sugar from sugarcane.
- For example, If FRP is rupees 285 per quintal, it is linked to the basic recovery of 10% that is if the mill crushes 1 tonne of the cane and recovers 100 kg of the sugar, it will pay the farmers ₹285 per quintal for the sugarcane.
- Before fixing the FRP for the sugarcane, the centre not only takes the recommendation of CACP but also consults state Governments and other associations of the sugar industry.
- Several other factors like **cost of production,** availability of sugar, and the price at which sugar is produced from sugarcane are all considered while fixing FRP.
- A premium of ₹2.85 per quintal for every 0.1% increase above the 10% basic recovery rate.

**AGRICULTURE MARKETING (11:04 AM)**

- **Advanced agriculture marketing** is required to supply excess production and also increase the incomes of farmers.
- Approximately 33% of the **output of food grains,** pulses, and cash crops like cotton, oil seeds, etc are marketed as they remain surplus after meeting the **consumption needs of the farmers.**
- Increasing the efficiency of marketing would result in the distribution of products at **lower prices to consumers** having a direct bearing on national income is **improved marketing system will stimulate growth** in the number of **agro-based industries** mainly in the field of food processing.
- **History of agro marketing in India:**
- For a long time, a traditional marketing system was existing in India.
- It was characterised by village sales of agro-commodities, post-harvest immediate sales by farmers, etc.
- In 1928, the **Royal Commission pointed out** the problems of **traditional marketing** like high marketing costs, unauthorized reductions, and the prevalence of various malpractices.
- This led to the demand for regulated markets in India.

- **Regulated Markets:**
- It aims at the elimination of unhealthy and unscrupulous practices, reducing marketing costs and providing benefits to producers as well as sellers in the market.
- After independence, most of the states enacted the Agri-produce Market **Regulation Act.**
- It authorises states to set up and regulate marketing practices in wholesale markets.
- The objective was to ensure that the farmers get a fair price for their produce.
- However, regulated markets had the following drawbacks:
- 1. Under this regulation, no exporter or processor could buy directly from the farmers that is it discourages the processing and exporting of the agric-products.
- 2. Under the act, the state could only set up markets, thus, preventing private players from setting up markets and investing in marketing infrastructure.
- 3. The formation **of cartels** with links to caste and politics makes the system inefficient.
- 4. An increased number of middlemen formed a virtual barrier between the farmer and the consumer.
- 5. The licensing of commission agents in the state-regulated market has led to a monopoly of **licensed traders** acting as a major entry barrier for new entrepreneurs.
- 6. The fragmentation of the markets within the state hinders the free flow of agro-commodities from one market area to another and multiple levels of **Mandi charges** end up escalating the prices for the consumers without adequate benefits for the farmers.

Agricultural Produce Marketing Committee

- **MODEL APMC (AGRICULTURE PRODUCE MARKETING ACT), 2003**
- As per the act, the state is divided into several market areas, each of which is administered by a separate APMC that imposes its marketing regulation including fees.
- Producers and **local authorities** are permitted to apply for the establishment of new markets for agri-produce in any area.
- Provision for contract farming and allowing direct sales of farm produce.
- Single point levy of market fees on the sale of **notified agricultural commodities** in any market area.
- Separate provision is made for notification of special markets in any market area for specified agricultural commodities.
- It provides for the creation of marketing infrastructure from the revenue earned by the APMC.
- Provision is made for resolving disputes in the private market.

**TOPIC OF THE NEXT CLASS- E-NAM**