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HARD REALITIES OF INDIAN AGRICULTURE  
(ECONOMIC SURVEY 2007-08)

- Decline in over-all GDP rate from 9.6% (2006-07) to 8.7% (2007-08), owing to decline in growth rate of manufacturing and AG sectors.
- Decline in AG GDP rate from 3.7% to 2.6% during the same period as above, despite normal rain fall.
- Decline in rate of growth of food grains during 1990-2007 to 1.2%, less than population growth of 1.9%.
- Stagnation in food grain production 213 Mn tons (2003-04) - 217 Mn tons (2006-07).
- Decline in AG share of Gross Capital Formation from 10.2% (2001-02) to 5.8% (2006-07).
- Decline in AG loans from 18% (1980-81) to 8.7% (2004-05) as against mandated 18% every year.
- Slow growth of irrigated area at the rate of only 1.25% (1989-90 - 2006-07).
- Decline in area under food grains over 16 year period from 1990-91, at an annual rate of 0.26%.
- Increase in unemployment rate to 8.28% (2004-05) from 6.28% (1993-94).

Complied by
(K. Ramasubba Reddy)
Advisor, CIFA
Path to Indian Farmers Survival - Sustenance and Super Power

60,000 Crores debt relief announced in the Union Budget 2008-09 by Mr. P. Chidambaram to farmers is a daring gesture by a UPA Government. Farmers of India gratefully acknowledged it. From 1990 the neglect of agriculture sector has led to collapse of Agriculture Economy, Civil Society and the villages were on verge of a civil war. The farmers suicides, stagnated production, continues migration and rural youth restlessness forcing them to adopt violent measures are indicative of the fragility of rural Economy.

No doubt the urbanites, organized sectors, intellectuals and the policy makers were living in a utopian paradise. The so called sensex and GDP growth figures are illusory and can’t with stand food crisis even for one day. Due to political compulsion or due to luck of farmers political parties have made huge noise during the year 2007 on farmers. The media has been highlighting the problems. The world Bank development report 2008 has also indicated importance of agriculture.

The cumulative effect is the Union Budget outright support to agriculture sector. However, the Indian economic problems are far from over. The agriculture sector has to be stabilized and sustained in the next 3-5 years. In 5-10 years time the farm sector can achieve global status. There are many opportunities of having excellent agro climatic advantages, hard working farmers, modern technologies, huge financial resources, management capabilities and consumer markets. To utilize these opportunities Governments at center and states must bring about changes by decentralized planning by panchayats, empowerment of farmers and partnership with industry.

CIFA is organizing an interaction with the Parliament Members Farmers Forum and continues it activities by identifying and analyzing them, preparing strategies and programme and sensitizing policy maker, intellectual, Media, industries and others. CIFA thanks the media for their support, suggestions and critical analysis.

07.03.2008
21st CENTURY INDIAN AGRICULTURE CHALLENGES & STRATEGIES

OBJECTIVES

1. To achieve Agriculture productivity - Parity - and - Price.
2. To sensitize and build consensus on Farm Sector growth.

Problem 1: Centralized planning and non involvement of farmers and Panchayat Raj

Suggestions
A: To involve farmers organizations and Panchayats in preparing block/local agricultural planning.
B: To democratize market yards, co-operatives, water users Associations, and electricity distribution.
C: To empower farmers to head commodity boards (Coffee, Tobacco, Spices etc.)
D: To provide statutory representation to producer farmers on the board of directors of private processing industries (Sugar, Milk, Jute, Oil, Rice Mills etc.)
E: To provide representation to farmers in the banks, FMC and other institutions.
F: To establish State and National Level commodity advisory boards.
G: To encourage water marketing by the farmers

Problem 2: Market reforms

Suggestions
A: To encourage implementation of contract farming (APMC).
B: To encourage Commodity Trading
C: To encourage establishment of private market yards.

Problem 3: Legal reforms

Suggestions
A: To abolish Essential Commodity Act.
B: To remove Revenue Recovery Act.
C: To Reorient Tenancy Act.

Problem 4: To Make correction in Subsidies

Suggestions
A: To provide direct fertilizer subsidy - through fertilizer coupons
B: Public distribution subsidy - To prove food coupons
C: Food Corporation Subsidies - To encourage Panchayats to have own godowns and distribution.

Problem 5: Long term agricultural policies

Suggestions
A: To fix specified export target for each commodity.
B: To encourage ethanol production and blending and pricing policy.
C: To liberalize processing policies for commodities.

Problem 6: Private sector role in Rural and agriculture programmes.

Suggestions
A: To incentive wise private sector investment in agriculture research, extension and farmers training into certain.
B: To incentive wise private sector investment in rural health, education and social activities including sports.
C: To incentive wise agriculture Agriculture news, Publication and audio visuals (T.V.)
D: To incentive wise NRIs investments and donations in the above sectors.
THE ROOTS OF POPULISM

The Budget for 2008-09 has been severely criticised for its populism. Economists are worried that it will have a hugely adversely impact on government finances and banks. Other are worried that the loan waiver of a whopping Rs 60,000 crore will encourage willful default by borrowers. The argument here is the same as was used for the voluntary disclosure of incomes schemes. A third set of criticisms is about the complete absence of even an intention to reform. And so on. On the other hand, there appears to be a huge degree of approval from the people themselves. When all the layers of argument are peeled away, and the heat and dust settles, we get to the main issue: if populism is so popular and since politicians seek popularity, what are the limits to such populism? We have already seen a whole lot of populist schemes over the years, starting with subsidised rice and moving on to free saris, free electricity and recently, even free colour TV sets!

The question of populism has to be viewed beyond its usual electoral-cum-popularity context, in a different way. Basically, the question that needs to be examined is whether, in democracies, populism is a consequence not just of electoral jostling but also, more significantly, of phases of high economic growth. Could it be that the latter, because it necessarily involves a worsening of income distribution, invariably leads to populism? The political problem that arises from increasing income inequality can only be addressed by politicians by direct methods. They think that this will help them win elections and so they indulge in it with alacrity. This convergence of economic and political interests gets heightened either towards the end of a boom period and or at the approach of an election. When both occur together, the effect is lethal.

Both the Indian and the international experiences, at least in properly functioning democracies, are instructive. Compared to the previous hundred years, when the Indian economy grew by 1 per cent per year, the 1950s and half of the '60s were periods of relatively high growth — an annual average rate of 4 per cent. The resulting worsening of the Gini coefficient (the usual indicator used to measure inequality) is what led to the famous attack by B S Minhas on the government, that it was ignoring the poor. The politicians had already been sensing this and this is what led to a decade of populism in the 1970s. The first eight years of the 1980s again witnessed a period of higher growth and this led to the populism of the late '80s. After the reforms initiated in 1991, and especially since 2003, the Indian economy has performed remarkably well — with the expected consequences for income distribution, which (the evidence before our eyes tells us) has worsened very significantly even though it does not show up yet in the formal numbers. It should come as no surprise, therefore, that the politicians have once again opted for populism.

source: Business Standard 02.03.2008

March, 2008
Another name for the same thing is inclusive growth, because it necessarily involves a trade-off between efficiency and popularity. The same phenomenon can be seen in the Western democracies as well, albeit in a different form. They have evolved better institutional structures for tackling the needs of the less well off. In other words, there is a cause-and-effect relationship between high growth and greater inequalities on the one hand, and enhanced populism on the other. Viewed in this way, the dread question is not what next steps the populist impulse will produce but whether continued rapid economic growth can be accompanied by some form of social security that covers a large number of people. That is the only thing that will stop populism in its tracks.

Story Comments
Posted By: konda
Will Durant, historian, has very wisely observed in his book "LESSONS of HISTORY", this cyclical phenomenon of wealth accumulating in a few hands and inequality widening has been happening for the past over two thousand years. Wise rulers redistributed wealth and retained their thrown, where as not so wise rulers ignored it and paid the price of losing their thrown. So the wise ruling party has chosen the method to retain power. The the editorial analysis perfectly fits into the historical facts.

Politics over economics
BUDGET OPINION
This Budget asks and answers some rather big questions. Begin by asking the man in the street, and he will say that he is happy with Mr Chidambaram’s Budget. And so the finance minister has dared politicians to criticize the farm loan waiver, and he might as well dare others to criticize the income tax cuts, if they care to. In other words, he knows that he has touched a popular nerve in both city and country. The second big question to ask, therefore, is whether economics can hope to prevail over populism, or whether political considerations always trump good economics. Certainly the UPA government’s fifth and final budget gives unequivocal answers: it is a political budget from start to finish. And so a government led by economists and economic reformers has ended up bowing to political considerations and implementing over five years programmes that they may not believe in, but which they have to introduce and then find reasons to support. When a government led by such notables writes off Rs 60,000 crore of bank money, or 3 per cent of all bank loans, it is as well to remember the harsh words hurled at Devi Lal when he did the same; but since he was an unlettered kulak, he could be safely abused. The truth is that while farmers have been in distress, writing off loans makes every farmer who repaid his loan feel like a fool. What does that do to credit discipline? Also, the write-off does not end rural indebtedness because farmers owe more money to moneylenders. And if they got into financial trouble because farming does not pay enough, then the debt write-off is only a palliative and does not solve the underlying problem. So farmers who borrow again (if the
banks are willing to lend) will also get into trouble again. But these are the questions that economists ask. There is also a question that lawyers might ask: how does the government tell the client of a private bank not to repay a loan, unless the government makes it up to the bank? And surely, the government is not about to start paying up to ICICI and HDFC and all the others, is it? The triumph of politics shows also in the national rural employment guarantee programme, which has been extended to all 596 rural districts, even though Rahul Gandhi who first demanded this realises now that the programme is not being implemented well. Another indicator of the soft state is the increase in the income tax floor from Rs 1.1 lakh to Rs 1.5 lakh (it is still higher for women and senior citizens). But even in the United States of America, people start paying tax at a lower income level of $3,400 (Rs 1.36 lakh), while in China the tax floor is $1,400 (Rs 56,000). India is poorer than both those countries, so why do people with higher income in a poorer country get away without paying income tax? The answer is that the government wants the urban, middle-class vote. The fifth indicator of politics trumping economics is the government’s refusal to raise petrol, diesel and cooking gas prices to reflect their real cost. So the oil marketing companies have lost over Rs 70,000 crore on this account in the past one year. The way the government does its accounting, some of these figures do not show up in the Budget, even though the government will finally have to pick up the bill. If you add up the oil subsidy, the fertilizer subsidy, the extent of the loan write-offs that have to be made good and the money that has to be provided for the Pay Commission award, the total is huge. That brings up another big question: should the Fiscal Responsibility and Budget Management (FRBM) Act be scrapped? For this law seems to be having the perverse effect of making the government hide more and more of its expenditure and not show it in the Budget. The finance minister can then claim that he is meeting FRBM targets, when in truth he is not. Scrapping the law might encourage more honest budgeting. The last big question is whether governments can be trusted to be responsible with money. Note that taxpayers have paid up an average of 22 per cent more tax each year through the five Budgets of the UPA government—that is a lot, when nominal GDP has been growing by barely 13 per cent. The tax-to-GDP ratio has therefore moved up many notches, but the deficit has not come down by as much. That is because the government keeps spending more—and who is to ask whether such spending is done wisely or well? More evidence of politics trumping economics?

**Story Comments**

Posted By: K. Ramasubba Reddy
A very dispassionate and objective analysis. One thing we need to be aware though is; Is there an alternative during the election year for any political party which is in power and wish to come to power again? I think it is system induced behaviour to which every ruling party is bound.

source: Business Standard / New Delhi

March, 2008
A BOLD WISH LIST FOR NEXT GOVT?

The Economic Survey is, for the most part, a dour defence of the UPA government with occasional flashes of exciting strokeplay, contained in a section cautiously titled 'policy reform options'. Most of the reform options are likely to enrage the Left and are thus likely to be implemented by a future government. These include measures intended to bring about a supply-side response such as amending the Coal Mines (Nationalisation) Act to allow private investment, and privatising old mines. These also call for transparent and quick award of licences and faster environmental clearance. Reforms which require legislation, such as raising the FDI limit in insurance to 49% are right now not feasible, many other supply-side measures like selling old oilfields to attract FDI, bundled with advanced oil recovery technologies, can be carried out by the executive. Listing of unlisted PSUs, such as BSNL, should also be possible. The bold proposal for 100% FDI in private banks prepared to operate only in rural areas does not need legislative sanction, provided the finance ministry can persuade the RBI. This should be accompanied by liberal branch licensing rules for all banks including foreign ones and allowing the latter to take over Indian private sector banks.

Allowing FDI in retail, including 100% in luxury retail, is also possible through executive action, though not very like: given the UPA chairperson's apparent reservations. And forget about amending the Factory Act to raise working hours to 60: the Left will never agree to it. The survey's suggestion to decontrol drugs will run into resistance from the administrative ministry which wants to increase controls while sugar decontrol would be meaningful if it takes away the states' powers to fix irrationally high prices for sugar cane. The survey makes a case for reducing the fiscal deficit by pointing out that it leads to lower real interest rates as the government stops pre-empting resources. It also enhances the ability to raise spending and cut taxes in case of a slowdown. But the survey seems unsure of meeting the FRBM target of reducing revenue deficit to zero by the end of fiscal 2008-09. The solution is to trim the fertiliser subsidy and get rid of unproductive 'off-budget' sops to petrol, diesel and LPG.

K.R.S. Reddy, Hyderabad, says: Right time for communists to mend their manifesto looking at what is happening in China. They should realise that labour too should contribute to the wealth by extra working hours before asking for more.

source: The Economic Times 29.02.08
Chidambaram the politician holds on to his FM cap! 3 Mar, 2008, 0013 hrs IST Mythili Bhushanmath, TNN Much like Robert Clive, who when brought before the Royal Commission to answer charges of corruption, answered, 'Gentlemen, given my opportunities, I stand amazed at my own moderation,' the finance minister might well exclaim, 'Bharatvayiyo, I stand amazed at my own moderation.'

Faced with burgeoning tax revenues and a politician's understandable desire to play the populist card in what is undoubtedly the UPA's last full budget before the next general election, he has been surprisingly circumspect. Barring the farm waiver, which is estimated to cost a whopping Rs 60,000 crore, more than the entire revenue deficit, he has presented a workman-like, sensible budget. One could argue, of course, that the farm loan waiver is bad enough. And certainly there is no case whatsoever for giving a 25% rebate for all farm loans regardless of farm size or loan distress. But in the case of the small and marginal farmers, the loan waiver has two redeeming features. One, there is little possibility of leakage in that the waiver will benefit only those who are being targeted, i.e., the genuinely distressed. Two, unlike in the past when banks were used as instruments to achieve socio-political goals, this time around they are likely to be reimbursed by the exchequer (though the budget speech is silent on this). The bigger damage that the waiver does is in terms of vitiating the lending climate and window-dressing the fiscal deficit since this expenditure has not been provided for in the budget. It has taken Indian banks years to recover from the damage done by loan melas and waivers of the pre-reform days. And now, just when they need to be more competitive to face the challenges of the post 2009 scenario (when it is hoped the RBI will ease its stranglehold on entry of new foreign banks) they have been served a googly. Why would any farmer want to repay his loan when he knows it is only a matter of time before the government tells banks to forgive and forget? More important, why would any bank want to extend loans to farmers when there is the possibility that one bright day the government will write them off? If the government is serious about increasing farmers' access to bank credit, this is the wrong way of going about it. Equally, if it is serious about improving the lot of farmers it needs to go in for meaningful agriculture reform of the kind undertaken in industry. Instead of denying farmers higher prices for their products by banning export whenever the international price rises and then trying to compensate by giving sops, it must allow free play of market forces. Both inputs (read power, water, fertiliser, seeds) as well as output must be priced at market-related rates and farmers allowed to hedge their risks through institutional mechanisms such as commodity exchanges. True, this may seem many light years removed from the subsistence farming that is the norm in India today. But remember, much the same argument was made against de-reservation of small-scale industries and see how they are thriving now. This is not to deny the importance of public investment in agriculture. Rather, it is to point to the

source: The Economic Times

March, 2008
heavy price we pay when we try to correct one distortion with another. Unfortunately, while successive governments have found the will to push through economic reform in industry, few have shown the stomach for similar reforms in agriculture. The result is that Indian agriculture reform is now a Pandora’s box that few political parties would like to open, at least not until the numbers dependent on agriculture come down significantly.

K.R.S. Reddy, Hyderabad, says: It is the common well known reaction of most of the economist to say wite off is bad. If we look at stark reality of small farmer struggling hard day in and day out, can not make both ends meet, not forgetting 3 out of 10 years the yields are very poor and remembering that small farmer sells produce immediately after harvest at low prices because he has no staying power, we need not grudge payment of Rs.4000/per acre as a redemption of debt of gratitude to the important business man in India who provides us essential food and other raw materials, sometimes at the cost of starving himself. Now we need to look to the causes of low productivity and prepare road map to improve the same so that the distress does not recur again.

ET: Why is there this huge disconnect between what has been stated in the Economic Survey and the policy pronouncements in the Budget?

PM: The Survey is essentially a blueprint of what we would like to do. But, as you know, politics is the art of the possible; so we often have to settle for less than the best.

Interview with P.M. 20.020.08 E.T.
A scheme of debt waiver and relief for small and marginal farmers has been announced.
Agricultural loans given by scheduled commercial banks, regional rural banks and cooperative credit institutions up to March 31, 2007 and due for December 31 that year will be covered under the waiver scheme to address the problem of indebtedness. Agriculture loans restructured and rescheduled by banks from 2004-06 and other loans normally rescheduled under RBI guidelines will also be eligible under the waiver scheme. The loan waiver scheme will benefit three crore small and medium farmers and cover loans worth Rs 50,000 crore in total. One crore other farmers will benefit to the tune of Rs 10,000 crore in the waiver. Do you think this move is in the right direction?

K. Ramasubba Reddy, Hyderabad, says: IT IS A VERY WISE AND THOUGHTFUL DECISION. Let us remember that small and marginal holdings do not give sustainable income and 3 times in 10 years there is crop failure or yields are not sufficient to eke a livelihood let alone repay the loans taken. So over a period the farmer lands himself in debt trap. He gets the lowest price for his crop because he has no holding capacity. No viable alternative employment is available to millions of such farmers. So debt waiver is a relief and a sound one too because but for his struggling with his small farm, we would not have been in the comfortable position we are in. So we are repaying him the debt of gratitude in monetary terms.

source: The Economic Times 29.02.2008
SYNOPSIS OF WORLD DEVELOPMENT REPORT 2008

Calls for Renewed Emphasis on Agriculture for Development
(Specific references to Asian countries)
In transforming countries, nonagricultural sectors have been the fastest growing in the world. Agriculture in those countries is no longer a major source of economic growth. A distinguishing feature of transforming economies is the widening gap between urban and rural incomes. The reasons are lack of skills, an aging population, rigidities in land and labor markets, and social and community ties. The main goal of the agriculture-for-development agenda is to narrow urban-rural income disparities and reduce rural poverty while avoiding the subsidy and protection traps to support rural incomes. Those challenges have been poorly addressed thus far. With growing political attention to these widening income disparities, there are strong pressures to better use the powers of agriculture for development.

2) SMALL FARM SIZE: In Asia, the average farm size is already quite small. Continued population growth, declining farm size, and growing landlessness puts huge pressures on rural jobs.

3) DEALING WITH WATER SCARCITY. Water scarcity is particularly acute and projected to worsen with climate change and rising demand. High reliance on groundwater irrigation in many countries has led to over-pumping, falling groundwater tables in aquifers with low recharge, and deteriorating groundwater quality. Reforming institutions in irrigation, removing policy distortions such as water and electricity subsidies, and providing a supportive environment for trade and macroeconomic policies are all important steps in improving water productivity and meeting competing demands. Broad-based reforms require strong champions and equitable allocation of water rights to overcome the political obstacles. As scarcity worsens, water markets may come into play, with support needed for their emergence and eventual regulation.

4) LAGGING AREAS. Some rural areas have prospered with overall economic growth, but others have stagnated with high levels of poverty. Lagging areas are found in the central India. The causes are varied—poor agricultural potential, low investment in roads and irrigation, poor governance, and social and ethnic marginalization. But some of those areas have good potential for agricultural growth and could be future breadbaskets (as in eastern India).

Development of lagging areas: With the shift to the new agriculture and the declining farm size in high potential areas, increasing farm productivity and incomes in less-favored regions can secure the livelihoods of subsistence farmers and bring them to the market. Productivity growth in these regions rests on major investments in soil and water management, in agricultural research, and in new approaches to extension, supported by reforms in pricing and marketing for grains.

5) POLITICAL ECONOMY AND AGRICULTURAL POLICIES: The political pressure of farmers to reduce the urban-rural income gap through protection and subsidies is increasing. Because of the large number of poor people, protecting food prices to raise
farm incomes may have high costs for poor consumers, including most small farmers, who are net food buyers. Another form of support to farm incomes is through subsidies on inputs such as water and fertilizer. Those subsidies are not only regressive in distributing benefits to larger farmers and harmful to the environment but also distort fiscal priorities away from investment in core public goods, such as rural infrastructure. Political capture of protection and subsidies by larger farmers can slow the reform process.

6) NEW AGRICULTURE: Rapid growth of urban incomes and demand for high-value products are the major drivers for faster agricultural growth and poverty reduction in transforming countries, although sustainable productivity growth in food staples requires continued attention. Because there are scale economies in processing and marketing of many high-value products, institutional innovations such as contract farming can reduce the transaction costs and risks to smallholders. Linking smallholders to processors and retailers can also create access to more financial capital through banks—and provide technology, extension, and buyback arrangements, while monitoring food safety. A high priority is to improve the investment climate for agribusiness and facilitate collective action through producer organizations to reach scale in marketing and to bargain for better prices. Reform of price and subsidy support to cereals will also be needed in many cases to provide the incentives to diversify to high-value products.

7) OFF FARM ECONOMIC ACTIVITIES LINKED TO TOWNS: Growth in rural non-farm employment in many cases remains closely linked to growth in agriculture, as agriculture is the main supplier of intermediate inputs to other sectors such as processed foods (forward links). Regional and territorial development of agricultural clusters—with the processing and packaging of high-value products—is an opportunity for rural non-farm development. In densely populated countries, urban-based industries will drive the rural non-farm sector through urban-to-rural subcontracting. Investments in infrastructure and skills and improvements in the investment climate for the private sector are the policy priorities. Developing land market to enable small farms to consolidate for efficient operation and to shift labor to non-farm activities and migration is also a priority.

Skills for successful migration. Successfully moving out of agriculture, whether by moving to the rural non-farm sector or by migrating to urban areas, depends on more and better-quality education. Massive investments in human capital are needed to prepare the next generation to leave agriculture. Programs that provide conditional transfers, such as cash grants in Bangladesh conditioned on school attendance, can increase the demand for education, but they will fail unless the quality of rural education is greatly improved.

8) SAFETynet FOR THOSE LEFT BEHIND: Transforming countries have the largest concentration of the world’s poor, so direct support through well-designed and well-governed employment schemes in rural areas—including rural infrastructure, reforestation, soil conservation structures, small dams, and desilting of canals and ponds—can reduce
poverty, improve the rural investment climate, and restore degraded natural resources. Significant monitoring, accountability mechanisms, and rigorous evaluations are needed to ensure effective and equitable resource use.

9) AGRICULTURE AND POVERTY REDUCTION:
Seventy-five percent of the world’s poor live in rural areas. The evidence that growth in agriculture is on average at least twice as effective in reducing poverty as growth outside agriculture is thus no surprise. Agricultural growth reduces poverty directly, by raising farm incomes, and indirectly, through generating employment and reducing food prices. Pro-poor agricultural growth is centered on small holder farmers who are made more competitive and sustainable through institutional and technological innovations and empowered through producer organizations. These interventions must be complemented by massive investments in rural education to transition into more skill-intensive employment and successful migration. Agricultural growth is especially effective in reducing poverty.

Cross-country econometric estimates show that overall GDP growth originating in agriculture is, on average, at least twice as effective in benefiting the poorest half of a country’s population as growth generated in non-agricultural sectors. Agriculture was also the key to India’s slower but still substantial long-term decline of poverty.

Policies are needed to enhance the pro-poor effects of agricultural growth.
Access to assets. Access to land, water, and human capital critically determine the ability of households to participate in agricultural markets, secure livelihoods in subsistence farming, compete as entrepreneurs in the rural non-farm economy, and find employment in skilled occupations. Yet the rural poor have few of these assets, and their limited asset base is often further eroded by population growth, environmental degradation, expropriation by dominant interests, and social biases in public expenditures. Enhancing assets requires significant public investments in irrigation, health, and education. Increasing assets may also call for affirmative action to equalize chances for disadvantaged or excluded groups, such as women and ethnic minorities.

11) IMPROVING PRODUCTIVITY by increased public investment in research and development is needed to ensure design of such pro-poor technologies. Better technologies for soil, water, and livestock management and more sustainable and resilient agricultural systems, including varieties more tolerant of pests, diseases, and drought, are also especially important for subsistence-oriented farmers.

12) VOICE AND ACCOUNTABILITY:
Giving the poor greater voice in policy decision making and making institutions more accountable to them through decentralization. Producer organizations can give political voice to smallholders and hold policy makers and implementing agencies accountable by participating in agricultural policy making, monitoring public expenditures, and engaging in policy implementation. Many high-value activities such as horticulture and dairy farming are labor intensive and generate substantial employment, with significant poverty-reducing effects.
Growth in rural non-farm employment such as processed foods is closely linked to growth in agriculture, but it increasingly also originates through urban-rural subcontracting, especially closer to the cities. In an emerging vision of agriculture for development, production is mainly in the hands of smallholders, who can be the most efficient producers, in particular when supported by strong producer organizations.

12) Diverging patterns and a mixed picture of rural welfare in India
Although there is a consistent poverty-reducing pattern across almost all Indian states, growth has been uneven. From 1980 to 2004 initially poorer states grew more slowly, resulting in income divergence in both absolute and relative terms. The rapid trade liberalization of the 1990s had sharply differentiated regional impacts. Rural districts with a higher concentration of industries hurt by liberalization had slower progress in reducing the incidence and depth of poverty because of the extremely limited mobility of labor across regions and industries. Urban incomes and expenditures also increased faster than did rural incomes, resulting in a steady increase in the ratio of urban-to-rural mean real consumption from just below 1.4 in 1983 to about 1.7 in 2000. Even then, India had fairly low income inequality. But despite impressive growth and poverty reduction in the 1990s, the picture of overall welfare gains is nuanced, because health outcomes have not improved. India’s recent reforms, unlike China’s, were not directed at agriculture. Today, there is a renewed policy focus on agriculture in India, because many believe that the full poverty reduction potential of agriculture in India has yet to be unleashed.

13) Input Subsidies The cost of the subsidies has been high and unsustainable, and the modest benefits generated have been captured by larger farmers. Despite this record, input subsidies continue to have strong support, both from farmers and from politicians who view farmers as an important constituency. Input subsidies can bring economic benefits to society in several ways:
- They can stimulate input market development by offsetting high initial distribution costs until the market expands, economies of scale are realized, and prices decline.
- They can encourage technology adoption and diffusion by reducing the initial risks and costs of learning a new technology.
- They can overcome missing or imperfect credit or insurance markets for farmers that cause cash-limited farmers to use suboptimal amounts of inputs.
- They can offset taxes or output price controls that make the use of purchased inputs financially unprofitable.
- They can generate positive environmental externalities associated with increased soil fertility and soil conservation—reducing soil erosion, deforestation, and carbon emissions.

But input subsidies can also be a major cause of negative environmental externalities when they encourage excessive application of fertilizer and other agricultural chemicals and result in runoff and water pollution (brief on Agriculture and the Environment).

Use of input subsidies to achieve non-economic goals can be justified only if subsidies represent the most cost-effective option for achieving the desired social objective compared with alternative
instruments, such as food aid and cash transfers. Whether input subsidies are cheaper than food aid depends on the relative costs to the government of acquiring inputs and food and delivering them to needy households. The cost-effectiveness of subsidies also depends on the additional food output likely to be generated per dollar of input distributed to and used by farmers. In addition, it relies on other cost savings associated with aid through inputs, such as avoiding farm-to-market transport and handling costs incurred when farmers must sell a portion of their crop to repay input loans.

*Input subsidies must be redesigned as “market-smart” subsidies.*

Strategies for promoting increased use of improved inputs should heed the lessons of the past. In practice, it has been difficult to implement input subsidy schemes without exposing governments to extremely high costs and without giving rise to undesirable market and distributional effects. Many of those subsidies went to relatively wealthy farmers rather than to the smallholders whom they were intended to benefit. Meanwhile, investment in core public goods, such as the research and extension needed to increase productivity, has fallen.

14) More and Better Investment in Agriculture

Investing in core public goods pays.

Agricultural growth and poverty reduction depend critically on investments in rural infrastructure (irrigation, roads, transport, power, and telecommunications), as well as on investments in markets, rural finance, and research and extension. Those types of investments generally provide high returns. Average rates of return on investment in agricultural research and extension, for example, have been documented in the range of 35 percent (Sub-Saharan Africa) to 50 percent (Asia) in 700 studies. Those rates are far above the cost of money accessible to developing countries. Investment in irrigation has also provided high payoffs in Asia. Evidence from rural China, India, and Uganda shows that the highest returns, in terms of both growth and poverty reduction, are from investments in agricultural research, rural roads, and education. In the transforming and urbanized countries of Asia and LatinAmerica, the decline in public funding for agriculture partly reflects agriculture’s declining importance in the economy. Nonetheless, reversals have recently occurred in several countries, including China, India, and Mexico, motivated by the need to fight widespread rural poverty and narrow a widening rural-urban income gap.

*Mis-investment* is pervasive in many countries.

Underinvestment in agriculture is further compounded by mis-investment—that is, spending on private goods, such as input subsidies and transfers, that benefit richer farmers more. Thus, the quality of public spending—the efficiency and equity of resource use—is often an even more important issue to address than its level. Recent reviews of public expenditures suggest that public budget allocations to subsidies and transfers are high: 75 percent in India. The bias toward subsidies often increases as a country’s income rises. In India, for example, agricultural subsidies as a share of agricultural GDP have risen steadily from 1975 to 2002. They have mostly benefited richer farmers. Given scarce fiscal resources, increasing subsidies are often at the expense of high-return investments in public goods.
15) Ministries of agriculture must adapt to new roles and capacities. There is now general agreement that the state must invest in core public goods, such as agricultural research and development, rural roads, property rights, and enforcement of rules and contracts, even in highly industrialized economies. The agriculture-for-development agenda also assigns a strong role to public policy for promoting poverty reduction and equity, including gender equity, by building productive assets and providing safety nets. The agricultural bureaucracies remaining after structural adjustment are particularly weak, however, and lack the capacity to implement the agriculture-for-development agenda in partnership with the private sector and civil society. Likewise, they face challenges in working effectively with local governments, which have gained importance due to decentralization. In most countries, ministries of agriculture are in need of far-reaching reforms to redefine their roles and develop new capacities.

A conducive climate for the private and the third sector is important. Because a positive rural investment climate is essential for a competitive private agribusiness sector to emerge, investment climate reforms need to pay special attention to the constraints faced by agricultural and rural enterprises. The private sector can also use its expertise and political weight to promote reforms through, for example, public-private dialogues. The third sector comprises producer organizations, nonprofit service providers, and other civil society organizations. This sector has an important potential to help in overcoming market failures inherent in smallholder agriculture, while avoiding government failures. Producer organizations can facilitate input supply, extension; marketing, and management of common property resources, such as irrigation systems. They can also play a much larger role in setting the national agricultural policy agenda.

In India, dairy cooperatives provide services to more than 12 million households, benefiting women in particular because of their role in dairy farming. And the special competencies of many NGOs can be harnessed to deliver services, especially at the local government and community levels.

16) A need for Sustained and Increasing Investments in Agriculture R&D.
Agricultural productivity improvements has been closely linked to investments in agricultural R&D. Published estimates of rates of return on R&D and extension investments in the developing world average 43% a year. Despite this high return on investment, agricultural science remains grossly under-funded in developing countries. Global and national market failures continue to induce serious underinvestment in R&D and in related extension systems. In the developing world, private investment in agricultural R&D is very limited – 94% of the investment is from the public sector. But growth in public sector spending has slowed sharply in the past decade and as a share of agricultural GDP, remains a fraction of the public investment in industrialized countries.

Compiled by K. Ramasubba Reddy, Advisor, CIFA.

March, 2008
Respected Sirs,


The Parliament Members Farmers Forum was established by Parliamentarians hailing especially from the farmers family background to articulate and lobby for pro-farm policies in Parliament and government. However due to various reasons the forum was not regularly holding meetings and discussing issues.

It is in this context CIFA (Consortium of Indian Farmers Associations) is taking initiative to organize a meeting of the MPs for the following goals.

**OBJECTIVE**

It is to bring to the notice of MPs the problems, constraints and challenges posed by Agriculture Sector in India in the 21st century due to liberalization initiated in 1990's.

In the past few years Indian Service and Industrial Sector has achieved global competitiveness and also excellent G.D.P. However, the Agriculture Sector is lagging behind for various reasons which requires to be solved.

In the recent years India has become an Importer of Wheat and Edible Oils and at the same time the productivity in Cotton and Vegetables increased substantially.

Rural areas are confronting with serious problem of unemployment, migration and lawlessness. The youth are reluctant to take up Agriculture due to un-economic pricing, insufficient technology, lack of information, physical drudgery, lack of mechanization and market exploitations.

Having realized this problem, the successive Governments have been implementing various programmes and also allocating resources. To what extent these programs have helped the farm sector growth is an issue to be studied, analyzed and re-oriented continuously by the Government, specially by the Members of Parliament, from rural areas.

**ACTIVIZING PARLIAMENT MEMBERS FARMERS FORUM**

Further revitalizing Parliament Members Farmers Forum (MPFF) is necessary to provide information to the MPs so that they can unitedly

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**FORM IV (SEE RULE 8)**

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articulate the issues in Parliament and pursue them with Government.

**CO-ORDINATING PARLIAMENT MEMBERS FARMERS FORUM ACTIVITY**

CIFA is a National Farmers Apex organization representing large number of commodity groups. It has office facilities in New Delhi, Hyderabad, Bangalore, Erode, Pune, Chandigarh, Saranpur (U.P), Vadodara, Kurukshetra.


CIFA is networking the farmers as commodity groups and assisting in developing partnership with Industrial organisation of C.I.I, Retail Market chains, processing industries as well as Exporters. The forward and backward linkages will be of immense benefit to the farmers in developing global competitiveness of Agriculture sector and achieving 4% GDP growth.

We have co-ordinated in organizing Parliament Members Farmers Forum Meetings during 2003, 2004 and 2005. Many important issues were discussed by large number of MPs and subsequently they were articulated in Parliament.

**CONSENT FROM THE MP's**

Now on behalf of CIFA we wish to co-ordinate the activities of the Parliament Members Farmers Forum on getting your consent.

**PROGRAM ON 13th MARCH 2008 AT NEW DELHI**

Chief Guest - Shri. Sharad Pawar ji, Honourable Union Minister for Agriculture,

Venue : Constitutional Club, V.B. House, Rafi Marg, New Delhi

Date : 13th March 2008

Time : 5 pm to 8 pm

Programme : 5 to 5.30 pm - Inauguration by Shri Sharad Pawar ji,

: 5.30 to 6.30 pm Presentation by the Farmers Leaders, Experts

: 6.30 to 8 pm - Observations by the MPs

: 8.00 pm Dinner

We request you to fill up the enclosed perform and post it immediately.

R.S.V.P. Ms. Bharathi Menon - 011-25842111

New Delhi

Date : 29-02-2008

Your's Sincerely

P. Chengal Reddy, Secretary General

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March, 2008
संसद सदस्य कृषि मंच (पी.एम.एफ.एफ.)
CONSORTIUM OF INDIAN FARMERS ASSOCIATIONS (CIFA)

उद्योग

वर्ष 1990 में प्रारंभ किए गए उद्योगकर्ता के कारण 21 की सड़क में भारत में कृषि क्षेत्र के व्यापा अनुभवक की गई समस्याओं और चुनौतियों को पार्श्व की दृष्टि में लाना। पिछले कुछ वर्षों में भारतीय सेवा और आयुक्तवाद स्तर में विश्व प्रतिस्थापन को हासिल किया है और जो डी पी में उक्तीवाद हासिल की। फिर भी, कृषि सामाजिक बनाना अयोग्य है।

हल के बच्चों में भारत गढ़ों और खाद्य तेलों के लिए आयातक देश बन गया है उसी प्रकार से कापास और वनस्पति के उद्योगकर्ता में भी वास्तविक रूप से पुरी हुई है।

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ग्रामीण क्षेत्र मुख्य: गंगा-बंगाल, स्वाधीनता एवं खेत में भारतीय कृषि से जुड़ रहा है। ग्रामीण कृषि व्यवसाय करना नहीं चाहते क्योंकि हमारे में स्वाभाविक मूल्य न मिलता, अपरिवेशन तकनीकी उपकरण, सुचना की जरूरत, शारीरिक कठिनाई, वातावरण की कमी और बाजारी शोषण आदि कारण सामीलता है।

इस मायत्य का महसूस करने के बाद उद्योगकर्ता द्वारा विश्व व्यवसाय करके बनाये गये कथकार्यक्रम को डाल दिया और समाजों को आवश्यक कर रहा है। परंतु इन कार्यक्रमों के किसी हद तक कृषि क्षेत्र वृद्धि की मदद की है इस पुस्तक पर सरकार द्वारा आयोजन, विश्लेषण और पुनर्व्याप्तियां ग्रामीण क्षेत्र के संसद सदस्यों द्वारा अवलोकन किया जाए।

संसद सदस्य कृषि मंच को सक्रिय बनाना

और सांसदों को सहायता तथा संसद सदस्य कृषि मंच (पी.एम.एफ.एफ.) को पुनर्जीवित करना आवश्यक है ताकि यूँ संसद में दिन मूल्यों को समन्वित रूप से प्रस्तुत कर सकें और सरकार द्वारा इस पर कार्य करवा सकें।
शंगसद सदस्य कृषक मंच क्रियाकलाप को समर्थित करना

सिफा राष्ट्रीय कृषक श्रीरंग संगठन है जिसमें एक बड़ी संख्या में उध्वसूख वर्षों के लिए समर्थित हैं। इसके कार्यालय
नई दिल्ली, हैदराबाद, बेंगलुरू और इंडोर, पुणे, चंडीगढ़, सारसार (यू.पी.), बहराइच, कुल्लुमथरा इत्यादि विभिन्न
स्थानों में बिखरे हैं।

सिफा ऑफिस - बातचीत मंथन विद्युत आयोग, नाबाजार, आई एस ए आर, उन्मत वाजर कम्युनिटी, उप सेवा
देवार्थी एटवेसी इवेंट्स और कई अन्य तकनीकी और व्यावसायिक विकास संगठनों का साथ मिलकर कार्य करता है।

सिफा उद्यम समूह के रूप में किसानों को नेतृत्व किया जाता है तथा फसलबाज़ बाजार, प्रबंधन उद्योगों के साथ
निचांत वित्तपत्र कार्य में हेतु प्रदर्शन करता है अपने और पिछले संशोधन से किसानों को कृषि के विश्लेषण
विश्लेषण करते हैं। इसका प्रयास करता है कृषि के संबंधी मुद्दों को विकसित करते हैं। किसानों को लाभ देंगे और 4k सकल धारा उपयोग का प्रयोग करने में सहायता होगी।

हमने वर्ष 2003, 2004, 2005 के दौरान संसद कृषक मंच के बैठकों को आयोजित करते हैं। हेतु समर्थित किया
है। बड़ी संख्या में सांसदों ने कई महत्वपूर्ण मुद्दों पर चर्चा की और तदनुसार उसे संसद में प्रस्तुत किया।

संसदों से सहमति

अब, सिफा को ओर से हम संसद कृषक मंच के क्रियाकलापों पर आपकी सहमति प्राप्त होने पर इसका
संबंध करना चाहते हैं।

13 मार्च, 2008 को नई दिल्ली में

कार्यक्रम मुख्य अतिथि - श्री शास्त्र पवार जी, मानवीय कृषि मंत्री व मंत्री जी
स्थान : कानिंगटन ग्लाउटन, वी बी साइस रेस्तरां, नई दिल्ली
दिनांक : 13 मार्च, 2008
समय : 5.00 से 8.00 बजे तक
कार्यक्रम : 5 से 5.30 बजे : श्री सरदार पवार जी के व्यास प्रस्तुतीकरण
5.30 से 6.30 बजे बयांक कृषि नेटा विश्लेषणों के बारे में प्रस्तुतीकरण
6.30 से 8.00 बजे तक - सांसदों का व्यास परीक्षण
8.00 बजे राजभाषा

हम आपके अनुरोध करते हैं कि संशोधन क्रियाकलापों को भरकर श्रीगौदमज्जे की कृपा करें।

आपका

पी. चेंगल रेड्डी
प्रदेशी

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