WILL THE BUDGET ALLOTMENTS STIMULATE 4% FARM GROWTH?

*Whoever makes two ears of corn, or two blades of grass to grow where only one grew before, deserves better of mankind, and does more essential service to his country than the whole race of politicians put together. Jonathan Swift, (1667-1745)
Your feedback is precious and necessary for ushering in a 'Second Green Revolution!'
AGRIPOICY ADVOCACY
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Editorial...

"No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable": Adam Smith

In our country over 60% of the population is dependent on agriculture. Compared to their rich urban cousins, rural people are poor and miserable with their per capita expenditure being only half of their flourishing and happy urban counterparts.

As per N.C. Saxena Committee Report half of the rural households are poor. The rural urban income divide has increased five fold during the past sixty years. The divide is going to increase further even if planned 4% farm GDP growth is realized, which is not possible any way as the average Agri GDP growth for the past three years up to FY 10 is less then 2% where as the combined GDP growth of industry and services is more than 8%. The gap in growth of GDP of Agri and non-agri sectores is over four times during the first three years of the Xplan. Thus the slogan of inclusive growth is proving to be a mirage for 60% of the population.

This is mainly on account of sharp decline in budget allocations, public expenditure on agriculture and loans to small farmers in agriculture since reforms, neglect of rainfed farming, research institutes not being able to develop improved seeds, poor extension facilities, lack of proper storage and marketing facilities under pricing farm produce and banning exports of farm produce and encouraging farm imports to the detriment of indigenous production of pulses and oilseeds.

All these culminated in fail in output of kharif food grains production by 15% which resulted in contraction of Agri GDP growth by 2.8% in Q3 of FY 2010, partly, of course on account of shortfall in rainfall, causing skyrocketing food prices by 20%, aided and abetted by the swindling traders with the support of the babus.

Budget Initiatives 2010-11

The budget initiatives 2010-11 to bring benefits of green revolution to northem states for improving farm yields, to improve dryland farming to improve yields of pulses and oil seeds as also to improve soil health in other regions are steps in the right direction. But the allotments of funds of less than Rs1,000 crore for the above schemes are too small to yield the desired results. Detailed analysis is given in the paper titled "Will the Budget Allocations Stimulate 4% Farm Growth?"

We do hope and trust that the Government may not turn these useful schemes to improve farm yields infructuous and will substantially enhance the allocations to these laudable schemes as suggested in the paper mentioned above, at the time of revising the budget proposals before they are put to final vote. The allocation for other agricultural schemes & Agri Education and Research, which is too meagre to yield results, need also to be enhanced substantially.

P. Chengal Reddy
Editor-in-Chief
WILL BUDGET ALLOTMENTS STIMULATE 4% FARM GROWTH?

K. Ramasubba Reddy

Abstract: Very unlikely. While the moves are welcome and are in the right direction, token allocations made will not serve the purpose of improving yields to attaining 4% agric growth and reducing wastage.

A comprehensive scheme with massive investment package of about Rs 100,000 crore during the next four years is called for. Revenue foregone for the financial year 2009-10 went up by Rs88,000 crore (from Rs 414,000 crore to Rs 502,000 crore). Revenue foregone and aggregate tax collection in 2009-10 went up to 80% compared to 89% during 2008-09.

A part of this amount could have been utilized for development of Agriculture to ensure 4% growth and food security instead of doling out as increase in concessions to corporate sector allowing lesser payment of corporate taxes, excise and customs duties.

- Increase in Plan allocation for Agriculture & allied activities is only Rs 2,200 crore from Rs 10,123 crore to Rs 12,308 crore (just a meagre allotment of 2.34% of the total plan outlay), way below the requirement for reaching 4% agric growth.
- 2468-Integrated watershed management
- 1062 National Horticultural Mission
- 1350 National Food Security Mission
- 1000 Macro Management of Agriculture
- 1000 Minor Irrigation
- 950 National Agri Insurance Scheme
- 500 oil seeds, pulses and maize development
- 703 Animal Husbandry, Dairy & Fisheries
- 2006 Agri Education & Research Right Direction but Little Funding
- Efforts directed at extension of Green Revolution to the eastern region are welcome aiming at lifting agriculture in the region from its stagnant state. This position of poor yields has been pointed out by CIFA time and again.

While the national average of rice yield is two tonnes a hectare, in Assam, Bihar, Orissa and Madhya Pradesh rice yield is close to just one tonne; and these four States account for 16 million hectares or about 40 per cent of total area under rice (45 million hectares). In these four States, if rice output is raised to even the current national average of two tonnes / ha, we will have additional rice production of 15-16 million tonnes. This analogy can be extended to other crops too.

- However, the provision of Rs 400 crore for the initiative is not sufficient to achieve the desired objective of doubling farm yields in that area, in order to achieve this revolution of doubling the yields, concerted efforts in the next four years with an outlay of about Rs 40,000 crore may be necessary.

- Similarly, promoting dry-land farming of olives and pulses in 60,000 villages located in rain-fed areas, under Rashtriya Krishi Vikas Yojana, is a welcome move which CIFA has been advocating tirelessly.

- But the token allocation of Rs 300 crore does not at all serve the purpose. An expenditure of Rs 50,000 per village will be gobbled up by the beauracratic machinery for their visits alone.

- Dry land farming accounting for 60% of total farming and 40% of production is in dire need for improvement. Hence a massive investment of over Rs 60,000 crore for the next 4 years is called for. And the number of villages covered should be extended every year to cover at least 2 lakhs villages in the next 4 years.

- The Budget recognises declining soil health, water shortage and biodiversity preservation for promoting conservation farming as causes for concern. The modalities of implementation are to be spelt out. However, the meagre allotment of Rs 200 crore for this purpose does not even touch even the fringe of the problem solution.

- Given that Indian wheat and maize are at the limit of heat tolerance and global warming could potentially affect yields over time, climate-resilient agriculture initiative must include researching heat-resistant varieties of wheat and maize.

- The proposal to extend the guarantee period of Food Corporation of India using private warehouses for a period of 7 years (from 5 years) is inadequate. Going by the economics of it, a guarantee period of 15 years is essential.
- The additional provision for rural development is just Rs 3,936 crore - a rise from Rs 62,201 crore in the current year to Rs 66,137 crore for the coming year. This translates to a rise of 6.3 per cent for the coming year over the current year.

- The estimated rise in the GDP for the coming year over the current year is estimated at 12.5 per cent. It means that the rural sector does not even get half of the rise in the prosperity of the country in the coming year. The rise in the NREGS in the coming year is just 2.5 per cent.

- Contrast this with the rise of - believe it or not - 146 per cent in NREGS for 2009-10 over 2008-09.

**So much for the Finance Minister’s claim of inclusive growth!**

**Annexure: Budget Proposals Relating to Agriculture 2010-11**

**Fertiliser subsidy**

*A Nutrient Based Subsidy policy for the fertiliser sector has been approved by the Government and will become effective from April 1, 2010. The nutrient based subsidy is expected to help fertiliser makers widen their product basket, customise their products to specific crops and regions and reap the benefits of more efficient operations.*

*The actual fertiliser subsidy bill for 2009-10 has overshot original estimates by Rs 3,000 crore, and stood at Rs 52,800 crore.*

*This is expected to lead to an increase in agricultural productivity and better returns for the farmers and overtime reduce the volatility in demand for fertiliser subsidy and contain the subsidy bill.*

**Agriculture Growth**

*Government has spelt out four-pronged strategy:

(a) **Agricultural production**

- Rs. 400 crore provided to extend the green revolution to the eastern region of the country comprising Bihar, Chattisgarh, Jharkhand, Eastern UP, West Bengal and Orissa.
- Rs. 300 crore provided to organise 60,000 "pulses and oil seed villages" in rain-fed areas during 2010-11 and provide an integrated intervention for water harvesting, watershed management and soil health, to enhance the productivity of the dry land farming areas.
- Rs. 200 crore provided for sustaining the gains already made in the green revolution areas through conservation farming, which involves concurrent attention to soil health, water conservation and preservation of biodiversity.

(b) **Reduction in wastage of produce**

*Government to address the issue of opening up of retail trade. It will help in bringing down the considerable difference between farm gate, wholesale and retail prices.*

*Deficit in storage capacity met through an ongoing scheme for private sector participation - FCI to hire godowns from private parties for a guaranteed period of 7 years.*

(c) **Credit support to farmers**

*Banks have been consistently meeting the targets set for agriculture credit flow in the last few years. For the year 2010-11, the target has been set at Rs.3,75,000 crore. Farmers who have been regular with repayments will now get loans at 5 per cent.*

*In view of the recent drought in some States and the severe floods in some other parts of the country, the period for repayment of the loan amount by farmers extended by six months from December 31, 2009 to June 30, 2010 under the Debt Waiver and Debt Relief Scheme for Farmers.*

*Incentive of additional one per cent interest subvention to farmers who repay short-term crop loans as per schedule, increased to 2% for 2010-11.*

(d) **Impetus to the food processing sector**

*In addition to the ten mega food park projects already being set up, the Government has decided to set up five more such parks.*

*External Commercial Borrowings to be available for cold storage or cold room facility, including for farm level pre-cooling, for preservation or storage of agricultural and allied produce, marine products and meat. Appropriate Banking facilities to be provided to habitations having population in excess of 2000 by March, 2012.*

*Rural Development: Rs. 66,100 crore provided for Rural Development.*

*Allocation for Mahatma Gandhi National Rural Employment Guarantee Scheme stepped up to Rs. 40,100 crore in 2010-11.*

*An amount of Rs.48,000 crore allocated for rural infrastructure programmes under Bharat Nirman.*
ABOVE ALL ELSE, GOOD GOVERNANCE IS THE CRYING NEED OF THE HOUR

K. Ramasubba Reddy

"The best lack all conviction, while the worst are full of passionate intensity" W.B. Yeats

It is striking fact that all the institutional pillars of our great democracy, despite talented and qualified persons who manage them, are showing some signs of terminal decay. Where do we go from here? Is it all gloom and doom - as the Supreme Court observed in August 2008 that "in India, even God cannot help..."? Is India moving inexorably towards becoming a failed state or can something be done to prevent a looming catastrophe?

Problems in political governance, administration of justice and delivery of public services

Among the vital pillars of our democratic state, the government is supposed to be "collectively responsible" and accountable to Parliament. The present reality, however, is very different. Parliament does what government wishes it to do without sufficient accountability. Parliament, as well as state legislatures, are convened and adjourned at the discretion of the executive. Each session of Parliament then approves whatever the government wishes - with or without discussion.

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The discretionary role of ministers in the decision-making process has increased substantially, while their accountability has decreased. There has also been an increasing politicisation of bureaucracy, and exercise of discretion by ministers in posting and transfer of civil servants at all levels of the administrative hierarchy.

While India's rank in the Corruption Perception Index is high, its rank in the Human Development Index is low in respect of delivery of public services to the poor in areas of health, nutrition, literacy, sanitation and shelter.

There is a sharp increase in the rural-urban divide in terms of levels of living. Restlessness among disadvantaged communities is also spreading.

Administrative Reforms Needed

Two most urgent priorities for the forthcoming Budget session of Parliament are: (a) to establish a system of accountability in the delivery of public services during 2010-11, and (b) to reduce the "demand" and "supply" of corruption in the administrative system. If ministers concerned can be held accountable for delivering what they and their ministries have promised to deliver during the year (and not over five years or in 2020), the "demand" for corruption to get things done would also automatically decrease.

The second area where immediate action is required is that of lowering the bar on tolerance of corruption. In recent years, a feeling of helplessness among the public, and the resulting acceptance of administrative and political corruption have become common. A lid has to be put on the tolerance levels of corruption. Persons who have already been "charge-sheeted" for corruption and high crimes should not be permitted to take the oath of office as members of legislative bodies or function as ministers until they have been cleared by courts. A legal procedure may be introduced for special hearings to decide pending cases against MPs and MLAs, particularly those who are proposed to be appointed as ministers.

"The politics of a soft state, the sociology of a hierarchical society, the economics of a poor country, the laxness of a system of public administration that gives zero priority to accountability... the predatory and exploitative nature of the state that has yet to shed its colonial provenance, the historical experience of a people who have experienced good governance only episodically - each
contributes to the dysfunctionality of the Indian state, which worsens with each passing year... B S Editorial-24/04/08

NOTE: The observations made above hold good even now in 2010.

Excerpts from: Bimal Jalan: Where are we, and where are we going? BS 130110: KRSR/130210

Note: Public Services Extremely Unsatisfactory

India's long experience in providing public services is extremely unsatisfactory. We have too many government schools where teachers don't show up (or don't bother to teach), too many primary health clinics with absent doctors, nurses and paramedics and too many police posts which citizens fear to approach.

As Rajiv Gandhi pointed out long ago, corruption and leakages plague most public programmes and services, including those aimed at alleviating poverty. What's more, most of the available evidence suggests that matters have worsened since his observations, as public services have become increasingly politicised and standards of probity have fallen steadily.

Recently, a Hong Kong based consulting firm undertook a survey of the efficiency of civil servants in 12 Asian economies. Singapore came first and India last, trailing Indonesia and Philippines. Too much of our bureaucracy is not only inefficient and corrupt, but it is all-pervasive in its influence; even most of the supposedly independent regulators are manned by retired bureaucrats. Another characteristic of our bureaucracy is its complete lack of accountability for anything it does or does not do.

Five years back, on coming to power, Prime Minister had made a commitment to giving priority to administrative reform and improved governance. But nothing worthwhile was achieved on the issue. Will there be any better results now? The public sector will never get the autonomy it badly needs because the netas and babus will not give up the powers of control over the units, both for personal benefit and for patronage. "And, so long as the bureaucratic stranglehold remains, it will breed complacency, not "learning", organisational cultures. Apart from fiscal resources going to the public sector and starving more vital social services and welfare schemes, it is high time we recognise that the government's managerial/administrative capabilities are nowhere near performing the minimum functions a state needs to have a modicum of efficiency." BS-160609

Reflections: 'The real problem with the Indian state is its social location in three different ways. Access to state power is seen as an instrument of social mobility and that legitimises all kinds of uses of state power. Second, in a deeply hierarchical society, the attraction of state power is precisely that it gives you power over others; it is the intrinsic delight of the exercise of power that animates individuals more than any idea of reciprocity. Too much importance is given to the IAS, very little importance is given to inculcating a sense of professional identity to lower level officials. As the classic study on American anticorruption measures The Pursuit of Absolute Integrity pointed out, a sense of professional identity is far more productive of integrity and efficiency than rules or incentives. Reforming the state will require nothing less than a social revolution. There is a reason why there is little pressure on the state to reform. Frankly, big business in India can get away with almost anything. It has the resources to manipulate the system and can absorb the costs of government rules. It is small business that really suffers. But the result is that big business has never been a serious lobby for genuine bureaucratic reform. It is a lobby for special exemptions for itself and will never put collective pressure on government to reform. Finally, there must be ideological clarity in the state. The bureaucracy confuses ends with means, rules with outcomes, control with efficiency because we do not often ask the question: what is the state for? The more tasks that are indiscriminately given to the state, the more distorted its priorities and functioning. If the question of objectives is confused, the level at which decisions are taken is even more confusing. We are still amongst the most centralised states in the world. If we are serious about bureaucratic reform we need to ask questions about the character of our state and society; merely having more commissions will not do.' FE050609
Faulty Delivery of Public Services: K. Ramasubba Reddy

"The fault, dear Brutus, is not in our stars, But in ourselves, that we are underlings." - Julius Caesar

ABSTRACT: Why, in spite of enormous sums spent on rural development and on slum improvement, neither has fared well. Why all that investment has produced so little benefit. What is basically wrong in our development paradigm?

It is not lack of money but poor governance that is at the root of our poor performance. More money spent on schools where few teachers, if any, teach or on hospitals where doctors do not attend and have no medicines to give even when they want to, will not improve our social development.

The immediate reaction of our administrators and of our politicians will be to call for more drastic rules and regulations. They forget that ours is a soft state, that few of our rules are ever enforced. Even if a zealous official were to attempt such a task, such orders will be countermanded by local politicians or even by top ones. What we need is not more drastic laws or rules but better and fairer implementation. BL 191008

*Our civil administration is organised in a way that is not performance-based. It is more seniority-based and the rewards for innovative performance are weak.

*In particular, there are very few punishments for ineptitude or non-performance. Incentives are thus misaligned, incentives for service providers are not linked to the quality (or quantity) of service actually provided.

*At the local level of villages and small towns, governance problems are compounded by the ease of collusion of vested interests.

*Decentralising an administrative system that has remained over-centralised over centuries has not yet materialised, except in a few regions. Without effective devolution of real power to the local level and social audits, delivery mechanisms of social services and anti-poverty programmes will remain weak and insensitive to local needs.

*Governance at all levels is bound to be weak when political actors have a rather relaxed attitude to law-breaking as in India (as any driver on Indian roads and any observer of the regular carnage there can attest).

There is a pervasive "culture of impurity", and whom you know is often more important than what the law is. The normal social mode is one of putting persons and group loyalties above law and governance procedures.

"The fault thus lies in us as much as in those who govern us.

Source: Pranab Bardhan: BS-20/01/10 Examples of leakages in Bharat Nirman Projects:

i. Drinking water scheme: Surveys have shown while villages are being provided drinking water every year, the areas are slipping back to being dry or are being provided contaminated water.

When the scheme began in 2005, areas which went back to being dry constituted 63.36 per cent of the target. Ironically, that number has gone up to 88.21 per cent in 2009.

The problem of slippages occurs as no planned method of recharging groundwater resources has been put in place by the government.

ii. Indira Awas Yojana as the most successful one. However, the reality may be different, as the scheme records only the number of projects sanctioned and does not take into account the actual work done.

iii. Pradhan Mantri Gram Sadak Yojana.

Over 60 per cent of the target under this has been met in 2008-09. But, experts say the number of rural roads being constructed under the scheme being washed away at the first hint of rains is also increasing at a brisk pace.

"Pumping in more money through the (polluted) pipes is not a solution, as it increases the risk for leakages. The focus should be better utilisation by minimising the bottlenecks and thereby increase the effectiveness of the targets achieved", Arun Meira, Member, Planning Commission

Note: The representatives of the NGOs sector, during pre-budget discussions with the Finance Minister, have emphasised that the Government should look at improving delivery mechanisms instead of only focusing attention on allocations. Who will clean the Augean stable? - Clear away corruption/perform this unpleasant task that has long called for attention.

MARCH, 2010
The architect of India’s historical economic reforms has begun his second inning as the Prime Minister. While relatively high growth rate of Indian economy despite global recession is being praised, it is also recognized that the growth has failed to include the vast majority of the poor in the country. Benefits of reforms through liberalized trade were supposed to benefit not just the corporate sector but even the smallest and poorest competitive producer in the country was expected to reap its benefits. It was also expected that the reforms would also threaten the vested interests in the system blocking the way of smart market based approaches to welfare schemes for the poor in the country.

We have miserably failed on both these fronts. We have continued to deprive our food grain producers from the benefit of liberalized trade and continue to leave our poorest population to fall prey to the corrupt vested nexus in our system.

Recently government banned the export of food grain, once again denying Indian farmers the benefit of international prices. The government announcement has stirred up no debate. The opposition is silent and so are the NGO activists who never tire of protesting against real as well as imaginary injustices to farmers. Should we treat this as a sign of maturity and attribute this silence to the deeper understanding of the present food grain situation? Not really! During the UPA regime, the ban on food grain exports has been in effect more often than not. In fact, this is nothing other than a continuation of the pre-reform policy that is always justified on the grounds that high food grain prices will hurt the poor and is never challenged in a political debate.

The policy discourse on food security issue in the country has generally bypassed the discussion of adverse consequences of measures such as export ban for farmers and for agricultural growth in general. We simply refuse to find a just solution to the policy dilemma between protecting the poor consumers from inflation and safeguarding the interests of poor producers. The preferred solution of our policy makers has always been to make the farmers bear the brunt of the cost of protecting the poor.

Does the ban on food grains exports help the Indian poor or hurt them?

Our answer to these questions would depend on our time horizon. In the short run, the price rise will certainly hurt the poor, even the rural poor. If the food grain prices rise suddenly, it is unlikely that their wages will rise just quickly enough to accommodate this price rise, especially in urban areas. There is no doubt that in the short run the poor will be hurt quite badly. In fact, Amartya Sen’s account of some of the famines in the 20th century is precisely about this sort of sudden rise in the price of staples.

What about the long run? Government policy since independence has been to protect the urban consumer at the expense of the farmer. Farmers are seldom allowed to gain from a strong market demand for their produce. The Essential Commodities Act put additional constraints on farmers, preventing them from taking advantage of market opportunities.

It is not just the policy of curbing exports through which the government lowers the farm gate prices, governments policy of imposts has also sometimes amounted to unfair state
Two years ago Indian government imported wheat at nearly double the price than what it offered to the domestic producers. Indian farmers were denied international prices through an export ban and also the exclusion of domestic suppliers of wheat from participating in the bidding for contracts to supply wheat. The imports of grain by the government have 'always' been plagued by controversy. Isn't there a simple method to determine the right import price? The fact is, as long as the government is importing, one can never be sure if the import price is appropriate. The issue is not that of corruption. The international market is volatile. And government by its very nature is not equipped to make correct decisions in such volatile situations. The wheat prices indicated by the Chicago Board of Trade (CBOT) indicate only trends in the future international prices. It is important to be aware that most of the wheat consumed in India is not traded there. Therefore, it is intrinsically impossible to know reliable futures prices to make the import decisions.

Why not leave the decision of import to the market forces? Whenever the government fails to procure enough for the Public Distribution System or for maintaining the minimum buffer stock, it surely has to buy from the open market. The bidding should be open for domestic traders as well. The least quoted price should be awarded the contract. It should be immaterial whether the supplier is foreign or Indian. It should also be irrelevant where the supplier sources the grain. This automatically rules out discrimination against Indian farmers because if the price in any part of the country is competitive, the grain will surely be sourced from there. The system will allow domestic trading companies to acquire the skills to compete at the international level.

We should learn from the experience of edible oils imports. We import close to five million tones of edible oil annually, but one rarely hears about 'edible oil scam'. This is because the imports take place on private accounts. The lesson is, the job of price discovery and bearing risks in a volatile market should be left to the traders.

The ostensible reason for not sourcing the grain from the domestic market is the possibility of a 'price bubble' - a steep short-term price rise following the government's decision to enter the market as a giant buyer. This is the result of speculative hoarding in anticipation of a subsequent sudden increase in market demand as a result of the government entry as a large purchaser. And the price rise, however short, could still hurt poor consumers. But there are two ways to tackle the issue. One, the government should do its procurement in a number of installments rather than in one swoop. Two, the government should declare its intention to procure well in advance so that the market has time to adjust and farmers can decide to wait to sell their grain. The prices, after all, reflect the demand and supply conditions. If the market receives the reliable future demand signal, the prices will be adjusted to this new demand level, avoiding price 'spike' or 'bubble'. The government is better off staying away from a job that it is ill equipped to perform.

Unfortunately the debate about grain imports has revolved around the 'scam' theory.

Food grain production has rarely been a profitable business for farmers outside the original green revolution belt of Punjab,
Haryana and Western Uttar Pradesh. The long-run impact of an anti-farmer policy, with low expected returns and consequently low investment in agriculture, is that we have some of the lowest food grain yields in Asia. A significant majority of the poor in India make their living off agriculture and they will never do well if profitable opportunities are denied to farmers. There is widespread agreement among development economists across the world that poverty in India is a result of the poverty of our agricultural sector. Isn’t that the reason why we have so strongly opposed the European and American subsidies to their farmers during all the recent WTO ministerial meetings? We argued that these subsidies lower international prices - a policy blatantly unfair to our farmers. This is a very reasonable argument but it hardly makes sense if we are never going to let our farmers benefit from international prices.

One way to resolve the dilemma is to allow farmers to have the benefits of international market prices and to protect the poor consumer with a direct subsidy through smart cards or food stamps. The present system wastes a great deal of taxpayers’ money over the infrastructure needed for the Public Distribution System. Also, since a large part of food grains meant for the poor is illegally diverted to the open market, the system has become virtually non-existent for most poor in the country. Under the proposed system, the day to day movement and storage of food grains will all be carried out by private agents and the government will enter the market only if the prices slide below MSP. The Food Corporation of India would have some chance of becoming a lean and efficient organization. But the reforms of such a radical nature require massive political support as they threaten equally massive vested interests in the present system. Poor consumers and farmers are not an organized political force to overcome such vested interests. Enlightened politicians and civil society groups can play a major role in bringing about this reform. Unfortunately, smart cards or food stamps smack of a market oriented solution and as such is anathema to the well-meaning leftist activists who continue to dominate the discourse on the issue of food security.

It is heartening to see that the pre-budget economic survey made a clear mention of food stamps. However, the hopes were dashed when Pranab Mukherjee chose not to touch this point in his budget speech.

Food stamps and smart cards offer a promising options to end the conflicting nature of the interests of two poor sections of the society. It is high time that we radically reform our food policy through introducing these alternatives if we are seriously concerned about poor.
India's Deciding Decade. The 10 years that start tomorrow can end with India becoming a different country, where mass prosperity is taken for granted. Or it can become a country where much changes radically - but many problems persist.

The Indian Express-Indicus Analytics study on how India will look in 2020 has a remarkable finding: even if no reforms happen, India's GDP can grow at an average annual rate of 9.6 per cent for the next 10 years.

Nine per cent growth for 10 years without reforms - that's how well-placed India is as 2010 begins.

But if there are no reforms, and growth is 9 per cent plus, more than 250 million people, of a total population of 1.3 billion plus, will still be very poor in 2020. And not even 100 million Indians will be graduates or post-graduates.

With rapid reform, these bad numbers can change dramatically. So 2010-2020 is the deciding decade because India starts it with the most advantageous conditions it's ever had in its post-Independence history to effect a real paradigm shift.

The Indian Express-Indicus study crunched all sorts of numbers to take a call on the future.

These are the headline good numbers by 2020.

* Even if no significant reforms happen, per capita income will grow at an average of 8% per year. Incomes will be almost double compared to now.
* Fifty million more households in India will join the ranks of the middle class - defined by those earning between Rs 75,000 a year to Rs 10 lakh a year.
* The households-in-middle class number will jump from less than 120 million now to almost 170 million. Taking the accepted multiple of five people per household, this means that roughly 800 million Indians will be middle class out of an end-of-decade population of 1.3-plus billion.
* Average household expenditure will be twice the current levels in real terms; education, health and recreation will be among the fastest growing heads; share of food in people's budget will fall significantly (although absolute levels spent on food will rise as incomes go up). Penetration of consumer durables like two-wheelers, television and air coolers will be more than 80 per cent of the population.

And here are the not-so-great findings:

* Under policy status quo, more than 250 million people will still be very poor. Agriculture may still have to support far larger numbers of Indians than its relative share (less than 10% by 2020) in the economy will dictate.
* Less than 4 out of 10 Indians will be city dwellers by end-2019. Without power sector reforms, electricity shortage will be a drag on manufacturing. And if we project standards of living state-wise, using the purchasing power parity method (this iron out the excessive differentials that arise from simple rupee-dollar conversions) and compare them globally, we will get some very humbling results.

By end-2019, UP's standard of living will be what Pakistan's was in 2005. And Bihar at the end of the decade will offer a standard of living comparable to what prevailed in Djibouti in 2005. MP in 2020? Like Republic of Congo in 2005.

More bad news: The number of Indians not literate will fall by 10 million in 10 years, but that will still leave nearly 200 million non-literate citizens.

Equally bad news, the number of Indians holding graduate and higher degrees will increase from a low 45 million or so to a still-low 73 million or so. Those with medical
degrees/diplomas will go up from a shockingly low 1.3 million now to a still shockingly low 2.1 million in 10 years.

The lessons are clear: One, Congress-led UPA can easily make the next 10 years 10 per cent-plus GDP growth years if it restarts reforms now. Ten per cent-plus growth over 10 years will have far bigger impact, on poverty levels, for example, than 9 per cent-plus growth. That's the magic of compounding.

Two, agriculture will remain a socio-economic drag unless plenty more jobs are created outside farms.

Three, education will need a massive boost. Just two million doctors and 200 million non-literate in 2020 constitute a scandal.

Four, a fast growing India can afford laggard states even less in the future than now, because better-performing states will be approaching sort-of first world living standards by then. Gujarati's standard of living in 2020 will be like Poland's in 2005 and Delhi's like Portugal's.

Can India do it?

The essays in today's newspaper, on politics, economy, social trends and foreign policy, in our special section -- The Deciding Decade -- explore some aspects of this question. How the Congress practices its politics will be the biggest influence on India.

If all or most cards are played right, how will the budget speech of 2019 read like? Can we create islands of excellence that will act as a pull factor for society at large? Can we please stop missing the foreign policy bus?

Here's one last 2020 projection before you start reading our numbers and commentaries.

The one profession that will see a virtual stagnation in employment opportunities is that of clerks. The relative importance of the babu will sharply decline in India.

Surely that's cause for hope? -Courtesy-Saubhik Chakrabarti -E Jan 01, 2010
Behavioral Economics: The interaction of human psychology with a market economy practically ensures that bubbles will form. To that extent, bubbles are a rational and unavoidable by-product of capitalism. Technology and circumstances change, but the human behavior doesn't. Behavioral economics accounts for how it works when people really are human, that is, possessed of all-too-human animal spirits", or human frailties.

There are five ways in which "animal spirits" manifest themselves in economic behavior:

1. The state of the economy depends upon the “feel-good” factor or the level of confidence about how the future will pan out. This is not a rational prediction but based on instinct, which is the most crucial feature of "animal spirits".

2. A sense of fairness can overrule rational economic motivations. For example, the demand for shovels can rise after a snowstorm, but raising prices at such a juncture would be considered unjust by the majority and, therefore, desisted.

3. The action of monopoly capitalism - multinationals or predatory corporations can impact the entire economy. For instance, the actions of energy giant Enron led many to lose faith in financial markets as a whole.

4. Many people make their economic decisions without taking into account inflation: instead of maximizing their real (inflation-adjusted) income, they succumb to "money illusion".

5. Finally, human behavior is heavily influenced by stories and narratives with logic that drive people to action. We're all gullible idiots at the time and only later wake up to realize we've been conned.

If you put all the five factors together, the conclusion is obvious: "animal spirit" forces other than reason guide our actions. If you look back, none of them are based on rational grounds and this "irrationality" must be taken into account to understand how economies actually work. If economists have failed to explain repeated crises, it is because they have interpreted economic activity through an unreal model. Economists have based their studies on mathematical models of human behavior whereas they should have been based on human psychology and practical politics of the times.

Who is to blame for the current global financial crisis? As usually happens after a crash, the search for scapegoats has been intense and several contenders have emerged: Wall Street; the bankers who sold loans without collateral to those who could least afford them; the experts who gave wrong advice; but most of all that “dismal” science, economics itself. Or, rather simplistically, human greed that drives capitalism. All these explanations have some truth to them but most bubbles are more than just bad faith, or incompetence, or rank stupidity: the interaction of human psychology with a market economy practically ensures that bubbles will form. To that extent, bubbles are a rational and unavoidable by-product of capitalism. Technology and circumstances change, but the human animal doesn't.

Keynes fought against the belief that human ignorance of the future could be overcome and that human behavior can be predicted. This error was strengthened when American economists of the Chicago School came up with complex mathematical formulae to explain business cycles of boom and bust. The mathematics was impressive but didn't quite jell with the real world around us. The conclusion was obvious: too much reason can be a nightmare. Source: How Human Psychology Drives the Economy: George Akerlof and Robert Shiller.
IMPROVING NON-FARM INCOME

Summary: Rural residents across the developing world earn a large share of their income—30-50 percent—from nonfarm activities. Agricultural households count on nonfarm earnings to diversify risk, moderate seasonal income swings, and finance agricultural input purchases, whereas landless and near-landless households everywhere depend heavily on nonfarm income for their survival. Over time, the rural nonfarm economy has grown rapidly, contributing significantly to both employment and rural income growth.

Long neglected by policymakers, the rural nonfarm economy has attracted considerable attention in recent years. In poor agrarian countries struggling with growing numbers of marginal farmers and lackluster agricultural performance, policymakers view the rural nonfarm economy as a potential alternative to agriculture for stimulating rural income growth. In countries whose economies are successfully shifting from agriculture to other sectors, policymakers see the rural nonfarm economy as a sector that can productively absorb the many agricultural workers and small farmers being squeezed out of agriculture by increasingly commercialized and capital-intensive modes of farming. Given frequently low capital requirements in the nonfarm economy, policymakers in both settings view the rural nonfarm economy as offering a potential pathway out of poverty for many of their rural poor.

CHARACTERISTICS OF THE RURAL NONFARM ECONOMY

Size. Policy interest in the rural nonfarm economy arises in large part because of its increasing importance as a source of income and employment across the developing world. Evidence from a wide array of rural household surveys suggests that nonfarm income accounts for about 35 percent of rural income in Africa and roughly 50 percent in Asia and Latin America. Standing roughly 20 percent higher than rural nonfarm employment shares, these income shares confirm the economic importance of part-time and seasonal nonfarm activities.

Composition

Sectorally, despite many countries’ emphasis on promoting rural industries, manufacturing typically accounts for only 20-25 percent of rural nonfarm employment, whereas trade, transport, construction, and other services account for 75-80 percent. Spatially, rural areas house small retailers, cottage industries, basic farm equipment repair services, and input supply firms, whereas nonfarm activities such as schools, health clinics, barber shops, milling, transport facilities, and government services tend to locate in regional towns.

DYNAMICS OF THE RURAL NONFARM ECONOMY

The present structure of the rural nonfarm economy results from an ongoing economic transformation that has proceeded for many generations, though at varying speeds in different locations. Historically, agriculture has played an important role in expanding the economic base of rural regions in the developing world. In regions where agriculture has grown robustly, the rural nonfarm economy has also typically enjoyed rapid growth. A large literature on growth linkages...
suggests that each dollar of additional value added in agriculture generates $0.60 to $0.80 of additional rural nonfarm economy income in Asia and $0.30 to $0.50 in Africa and Latin America.

**STRATEGIC CHALLENGES**

Several key features of the rural nonfarm economy present challenges for any strategy designed to systematically promote the nonfarm sector.

**Spatial relationships.** Intricate, often highly seasonal networks link itinerant and small-scale participants in complex and spatially far-flung supply chains with much larger firms that market inputs or outputs. As a result, rural nonfarm supply chains cut across space and frequently across government jurisdictions, from rural authorities to local townships, urban municipalities, and national ministries and agencies, and even across international borders. Policymakers require some means of organizing thinking, diagnostic assessments, and action that reflects the economic pulsations of the rural nonfarm economy across these spatial and functional landscapes.

**Small firm size.** The rural poor frequently depend on earnings from self-employment in small-scale, often one-person, rural nonfarm enterprises that are dispersed across rural landscapes. In this setting, aggregation becomes necessary for dealing cost-effectively with legions of small firms. At the same time, asymmetries in power and information between large and small firms raise the potential for oligopolistic abuse of market power.

The fractured institutional environment. In spite of its size and economic importance, the rural nonfarm economy remains an institutional orphan, unclaimed by any single government authority but influenced by many, including local governments; provincial and central governments; ministries of agriculture, commerce & trade.

Wealthy households, well endowed with financial, human, and political capital, often prove better equipped to take advantage of growth in the high-productivity segments of the rural nonfarm economy, both as entrepreneurs and as wage employees.

Meanwhile, poor households, left to their own devices, risk remaining relegated to slow-moving backwaters of the rural nonfarm economy. Migration opportunities likewise remain bifurcated, with highly educated households more apt to land lucrative positions in towns. Thus, policymakers cannot assume that an expanding rural nonfarm economy will translate automatically into pro-poor growth. This bifurcation leads to the second requirement for pro-poor rural nonfarm growth: access by the poor to growing nonfarm market niches. For nonfarm earnings to offer a pathway out of poverty, rural households and policymakers may need to invest in rural education and health in order to improve the human capital stock of the poor. At the same time, policymakers will need to remove economic and social barriers that limit poor people's entry into lucrative nonfarm professions. Fluid labor markets, with good transportation and communication systems connecting rural households to regional and urban labor markets, will provide a key bridge linking the rural poor to growing opportunities in the nonfarm economy.

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AGRIPODICY ADVOCACY

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AGROPOLICY ADVOCACY

"they are totally inadequate to lift entire nations or communities out of poverty."

Other highlights and recommendations of Moving out of Poverty include:

- Most poor people believe that markets work and want to do business on an equal and fair footing.
- Most poor people value democracy, which they equate with the freedom to vote, to think, to speak, to move, to protest and to work.
- Family is the most frequently mentioned institution that helps people accumulate assets.
- Microcredit can help the poor subsist from day to day, but in order to lift them out of poverty, larger loans are needed so that the poor can expand their productive activities and thereby increase their assets.
- Poverty reduction efforts need a "liberalization from below" that includes:
  - removing restrictive government regulations
  - expanding access to markets, especially by providing connectivity through roads, bridges and telephones; and integrating poor people's businesses on fairer terms in new business models. WB-110309

NOTE: The government needs to concentrate on facilitating initiatives by the people and provide them opportunities as described above to enable people to rise above the poverty line. This could be agenda for poverty eradication by the Government KRSR/060210

B. 'Liberalisation led to the detriment of the poor'-UN Report

Abstract: "Over-reliance on market forces and economic liberalization has led to neglect of nationally designed and developmentally-oriented strategies, to the detriment of the poor."

Rethinking Poverty the 2010 issue of the Report on the World Social Situation seeks to contribute to rethinking poverty and its eradication. It affirms the urgent need for a strategic shift away from the market fundamentalist thinking, policies and practices of recent decades towards more sustainable development and equity-oriented policies appropriate to national conditions and circumstances.

The report 'World Social Situation 2010' makes a compelling case for rethinking poverty and poverty-reduction efforts, saying that over-reliance on market forces and economic liberalization have led to neglect of nationally designed and developmentally-oriented strategies, to the detriment of the world's poor. The most important lesson, according to the report, is that governments need to play a developmental role, integrating economic and social policies that support inclusive output and employment growth, while attacking inequality and promoting justice.

The report states that provision of essential social services such as basic healthcare and primary education, safe water and sanitation with basic social protection must be incorporated in development programmes.

Keeping inflation and fiscal deficits under control and economic liberalisation these have not really reduced poverty; on the contrary, they have often "reduced growth and increased inequality". Its assessment that "inclusive economic development which brings dividends to poor people and the marginalised has been elusive."
The report argues that the relationship between economic and social policy cannot be one where growth is given primacy over distribution, where social policy comes to be understood merely as a corrective for the undesirable consequences of growth processes.

Unified policy approach

The report places stress on a unified policy approach that clearly targets inclusive development, which would go a long way in bringing about sustained growth of real output, employment and incomes and promote inclusive development which benefits the poor.

The UN report plumps for extension of basic social protection while underlining the need to safeguard public social expenditures or even augment them "in this current time of crises so as to protect investment in human capital.

C. Pathways out of Poverty: K. Ramasubba Reddy

Proportion of the population living on less than $1.25 a day (%)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>51.8</td>
<td>51.3</td>
<td>41.6</td>
<td>-1.4</td>
</tr>
<tr>
<td>Rural</td>
<td>62.5</td>
<td>53.9</td>
<td>43.8</td>
<td>-1.4</td>
</tr>
<tr>
<td>Urban</td>
<td>51.0</td>
<td>43.5</td>
<td>36.2</td>
<td>-1.2</td>
</tr>
</tbody>
</table>


At the annual rate of decline in poverty @ 1.4%, it will take another 25 years (2035) to achieve single digit poverty level. Should the poor wait that long to come out of poverty? Surely, some drastic measures are needed to hasten reduction of poverty from the face of India.

Improvements in overall poverty levels have largely depended on growth. Countries or regions that have experienced strong growth during the last two decades have managed to reduce poverty levels. The most direct pathway out of poverty is by generating enough decent work opportunities. Yet, the creation of productive jobs has failed to receive the prominence it deserves. Making the promotion of full and productive employment and decent work for all a central objective of macroeconomic policy would ensure more equitable distribution of the benefits of economic growth, and reduce both inequality and poverty.

Investments in education can play a key role in poverty reduction owing to its growth promoting effects. Progress by developing countries in the last decade on many education indicators has been impressive. However, serious gaps remain. There are important disparities in access to education between boys and girls, between children in rich and poor households and in urban and rural areas, among others.

Improvements in health have a positive effect on economic development as well, although the challenge is to reduce inequality in access to health care. Therefore, public health services are a key aspect of government services affecting the health of poor people. The critical issue will be how best to ensure that these services actually reach them.

Many vulnerable low-income families are at risk of experiencing poverty at some point in their lives. Universal social policies can ensure the basic well-being of all, including those in poverty and at risk thus contributing to economic recovery.

Sustainable development and poverty reduction requires investments in human
This is reflecting the inescapable point that economic reforms have bypassed the vast majority of rural India.

Among the urban population, 25.7 per cent are poor, spending Rs. 578 on essential needs.

The National Commission for Enterprises in the Unorganised survey indicate that 77 per cent of the population were living with a per capita consumption of up to Rs 20 per day.

However, the Economic Survey 2008-09 based upon the calculation of household consumption indicated that per capita consumption expenditure of 60.5 per cent of population was less than Rs 20 per day.

The worst hit State remains Orissa, whose rural poverty is 61 per cent, and aggregate percentage of poverty is 57 per cent, earning the dismal distinction of being the number one State at an all-India level for being home to the highest percentage of people below the poverty line. The distressing aspect to the rural scenario continues to be the parlous state of affairs in Bihar, Madhya Pradesh, and Uttar Pradesh where rural poverty is at its worst at 56 per cent, 54 per cent and 43 per cent respectively. Ironically, in the so called well developed state Maharashtra, rural poverty is as high as 48%. Out of the total credit, rural credit is in this state is a mere pittance of 2% and Credit given in Metro areas is as high as 90%. No wonder the rural population is languishing. Rajasthan, known as a state with desert, has better poverty ratio than Maharashtra, at 36%.

Kerala, Punjab and Haryana have the lowest poverty ratios around 20%.

NOTE: Nearly Half the of the Rural Population Poor-Expert Group:

The report headed by Suresh Tendulkar, former chairman of PM's Economic Advisory Council states that the rural poverty ratio has been understated by earlier estimates and the new methodology has led to a significant revision in the earlier Planning Commission rural poverty estimate of 28% in 2004-05, to 42% for the same year.

As much as 42 per cent of the rural population survives with monthly per capita consumption expenditure of Rs. 447, in other words they spend only Rs. 447 on essential necessities like food, fuel, light, clothing and footwear says a report in Dec 09 by the expert group.

As per 2004-05 prices, a person spending was less than Rs 19 in urban areas and Rs 15 in rural areas would now be called poor. The current poverty line is a per capita expenditure of Rs 12 per day. The number of poor in 2004-05 is put at 408 million where as the older method, based on calorie intake, put the number at 302 million.
FOOD INSECURITY IN RURAL INDIA

Changes in the Per Capita Net Availability of Foodgrain per day

Decade Average (grams per capita per day)

<table>
<thead>
<tr>
<th>Decade</th>
<th>Avg per day</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951 - 1960</td>
<td>430</td>
</tr>
<tr>
<td>1961 - 1970</td>
<td>448</td>
</tr>
<tr>
<td>1971 - 1980</td>
<td>442</td>
</tr>
<tr>
<td>1981 - 1990</td>
<td>464</td>
</tr>
<tr>
<td>1991 - 2000</td>
<td>475</td>
</tr>
<tr>
<td>2001 - 2005</td>
<td>454</td>
</tr>
</tbody>
</table>

For 55 years during 1951-2005, there was a meagre increase of just 5.5% in per capita availability of food grains per day.

- Almost 40 per cent of children under three are underweight and 45 per cent are stunted.
- 22 to 30 per cent children are born with low birth weight.
- 36 per cent adult women and 34 per cent adult men suffer from chronic energy deficiency.
- The National Family Health Surveys show a marginal increase in anaemia from 74 per cent to 79 per cent in children under five and 52 per cent to 56 per cent in young women.
- Iodine deficiency disorders, vitamin A and vitamin B deficiency are fairly rampant.

The data on area, production and yield of foodgrain in India presented show a pattern of clear deceleration in the rate of growth of foodgrain output through the 1990s, followed by stagnation.

Decline in per capita consumption of cereals

The NSSO data reveal that the per capita consumption of cereals has been declining since the early 1970s. Between 1972 - 73 and 2004 - 05, the share of cereals in total consumer expenditure reportedly fell from 41 per cent to 18 per cent in rural areas and 23 per cent to 10 per cent in urban. The per capita monthly consumption of cereals declined between 1993 - 94 and 2004 - 05 from 13.4 kg to 12.1 kg (9.7 per cent) in rural areas and from 10.6 kg to 9.9 kg (6.6 per cent) in urban India.

Some argue that declining demand for cereals is due to dietary diversification. An alternative view is that declining demand for foodgrain is due to loss of purchasing power by the poor largely due to deteriorating livelihood security. This view is consistent with the view that declining demand for foodgrain is due to rising foodgrain prices consequent to the adoption of Liberalisation Policies (SAPs) which involve deflationary macroeconomic policies and the opening up of the agricultural sector.

Kolkata Group urges for universal, justifiable food Security

The Kolkata Group is an independent initiative inspired and chaired by Nobel Prize-winning economist Amartya Sen. Once a year, it brings together participants drawn from various fields to explore the many interconnections between inequality, deprivation, human development, and democracy.

The Eighth Kolkata Group Workshop, chaired by Professor Amartya Sen, was held in Kolkata on February 15-16, 2010. The theme this year was “Eliminating Injustice”. On the basis of extensive discussions on the exceptionally high levels of under-nutrition in India, particularly among women and children, the Kolkata Group argued for a firm recognition of the right to food in general and comprehensive legislation to guarantee the entitlements to food for all.

The Kolkata Group argued for creating durable legal entitlements that guarantee the right to food in India. A Right to Food Act covering justiciable food entitlements should be non-discriminatory and universal. TH 170210
Stagnant Food Production

Area, Production and Yield of Food grain, 1991-92 to 2006-07

<table>
<thead>
<tr>
<th>Year</th>
<th>Area (Mn Hct)</th>
<th>Production (Mn Tons)</th>
<th>Yield (Kg per Hct)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>122</td>
<td>168</td>
<td>1382</td>
</tr>
<tr>
<td>1996-97</td>
<td>124</td>
<td>199</td>
<td>1614</td>
</tr>
<tr>
<td>2001-02</td>
<td>123</td>
<td>213</td>
<td>1734</td>
</tr>
<tr>
<td>2006-07</td>
<td>124</td>
<td>212</td>
<td>1707</td>
</tr>
<tr>
<td>2009-10 (Est.)</td>
<td></td>
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</tr>
</tbody>
</table>

Source: Agri Statistics at a glance

Factors underlying the stagnation in food grain output

Several factors have led to the observed decline in output growth and the subsequent decline in food grain availability.

The growth of food grain production during the 1970s and 1980s was largely due to efforts in raising the levels of technology used in agriculture through research and extension, investments in rural infrastructure and human capabilities, credit support, procurement at minimum support prices.

Decline in public investment

Following the liberalization policies from the early 1990s, there has been a focus on expenditure reduction, resulting in decline in public investment in and other forms of support to the agricultural sector.

As against an average of 3.8 per cent of the country’s Net National Product (NNP) spent on rural development per year during the seventh plan period 1985 - 90, the share of spending on rural development was down to 1.9 per cent of NNP in 2000 - 01 and rose only to 2.3 per cent in 2004 - 05.

If infrastructure expenditure (all spending on energy and transport including urban) is added, the corresponding figures are 11.1 per cent per year for 1985 - 90, 5.8 per cent in 2000 - 01 and 6.2 per cent in 2004 - 05.

Patnaik estimates that in constant 1993-94 prices, about Rs 30,000 crore less was being spent by 1999 - 2000 compared to 1990 - 91.

As a result of the decline in public investment, expansion in irrigation, growth in input usage and technological improvement, have all slowed down during the 1990s. This is further compounded by low public investment on agricultural research.

In terms of natural or environmental constraints, one of the most important constraints in recent years pertains to the availability of water.

The per capita availability of water has declined from 5000 m3 in the 1950s to 2000 m3 at the turn of this century. Agriculture accounts for 80 per cent of the water withdrawal and estimates suggest that the availability of water for agricultural use is likely to decline by 20 per cent by 2020. A major challenge therefore comes from the rain-fed ecosystem and the overexploitation of groundwater resources. This has been affecting the ecological balance of areas like Rajasthan and Gujarat and has serious implications for the production of irrigated crops.

Source: STATE OF FOOD INSECURITY IN RURAL INDIA
Collated by K. Ramasubba Reddy
KRSR/180210

MARCH, 2010
NEWS NUGGETS-2

1. Halt to release of Bt Brinjal hurts Seed Research

"European insecticide producers and NGOs backed by them are leading the protest against genetically modified varieties, even as these hold out hope in the context of climate change." Sharad Joshi.

Seeds are strategic in improving farm yields and the Centre's should ensure that more public institutions and agricultural universities are encouraged to engage in seed research.

Why turn the clock back? And why turn it back for agriculture when other sectors are powering ahead with private sector research? FE 110210

The Environment Ministry announced its decision to impose a moratorium on the release of the transgenic brinjal hybrid developed by Mahyco, a subsidiary of global seed giant Monsanto.The moratorium will last "till such time independent scientific studies establish, to the satisfaction of both the public and professionals, the safety of the product from the point of view of its long-term impact on human health and environment, including the rich genetic wealth existing in brinjal in our country.

Making a mention of the insect-resistant cotton and rice developed by the Bangalore-based Metahelix Life Sciences and also the Bt brinjal of publicly funded institutions like the Indian Institute of Vegetables Research at Varanasi, Mr Ramesh said that the regulatory process should not stymie such indigenous scientific efforts. BL 090210

Pragmatic View: Bt cotton was admitted into India after seven years of bureaucratic wrangling and high-pressure lobbying by environmentalists. In less than three years after the introduction of Bt cotton seeds, India became the world's second-largest producer of cotton with improved quality, fibre length and strength.

However, the environmentalist lobby, egged on by the insecticide producers of Europe, have not learnt their lessons after obstructing the introduction of Bt cotton, causing the country and cotton producers considerable harm. They proceeded to launch an attack on the introduction of the Bt gene, Cry1Ac, in brinjal.

Since the days of Malthus, agriculture the world over has been able to feed growing populations through deployment of technology. It is a pity that the Government, which has arrogated to itself the monitoring of genetic engineering, is vulnerable to Luddite and obscurantist mindsets. The debate over Bt brinjal: BL- 100210

2. Technology is key for Productivity

Even where better technology is available and has been shown to succeed (as in Bt cotton), vested interests - national, international and a combination of the two - are seeking to prevent their adoption. There is only one sensible way to tackle the productivity problem in agriculture. The Government needs to become much more aggressive about new technologies. There is no time to lose because with even more rapid growth in incomes, food prices will be the first to feel the effect. This doesn't mean that new technologies alone will solve the problem. But it does mean that, even if others things are dealt with, such as irrigation, land reform and so on, without the adoption of new technologies, the problem will keep coming back. BL 060210

3. Pressure on availability of water for farming

There is a need to meet the increased food requirements of the country, which requires increased water for irrigated agriculture. But, availability of water for irrigation is reducing due to relatively sharp increase in demand from other sectors," CWG Chairman A K Bajaj. Depleting ground and surface water due to rising demand from non-farm sectors has reduced availability for irrigated agriculture.
Irrigation uses more than 80 per cent of the total water available. At present, the government has developed irrigation potential for 104 million hectare (MH), of which only 70 MH has been utilised. Total farm land is about 143 MH. BS 100210

4. Wheat and Rice heavily subsidized Fact Sheet

Wheat and rice account for just 20.8 per cent of the sub-set of the economy that is called “agriculture and allied activities”. In comparison, milk accounts for 17.6 per cent of agriculture, as does horticulture (fruit, vegetables and flowers). Only about 40 per cent of the country’s cropped area is under wheat and rice. The rest is under coarse cereals, oilseeds, pulses, cotton, fodder, sugarcane and the like. Mexico has 80 per cent higher wheat productivity than India, and Sri Lanka has double India’s rice productivity per hectare.

Even though they contribute barely 3.3 per cent to the country’s total GDP, they absorb something approaching 2 per cent of GDP as subsidies. The poor are separately being promised food security (which, if there is total coverage, will probably cost another 1 per cent of GDP).

No matter how one looks at the wheat-rice economy, the conclusion is inescapable that, despite all government efforts, producers achieve poor productivity, consumers complain of high prices, and both get subsidized! Source: BS 200210- T N Ninan: Stuck in a wheat field

K.R.S. Reddy February 20, 2010, 09:40 IST. An excellent analysis of the situation of high subsidy to low productivity wheat and rice crops. High time the focus is shifted from water guzzling rice and focused on improving yields of rainfed crops like coarse grains and pulses. Nutrition wise too coarse grains are far better than rice and wheat. If we price water, we will see how uneconomical rice and sugarcane growing is.

Plantation crop insurance scheme on the anvil

The Rs 730-crore crop insurance scheme for the plantation sector is likely to be unveiled shortly, most probably in the forthcoming Budget, official sources told Business Line. Centre to bear 50% premium as subsidy, growers the rest.

The plantation sector is crucial as it employs 17 lakh workers and sustains 15 lakh small growers. These crops constitute around 3 per cent of India's exports. Each plantation crop was to have a separate premium amount and the sum insured. In case of a fall in production, the insurance company, including the Agriculture Insurance Company of India, was to pay for the shortfall.

6. A P- Decline in food production by 40 It

The overall foodgrains output for 2009-2010 is likely to drop by about 40 lakh tonnes from last year's high of 204 lakh tonnes due to severe drought and other issues, including flood in parts of the State. The agricultural gross state domestic product (GSDP) was Rs 91,000 crore for 2008-2009, constituting 24.6 per cent of the GSDP and 11 per cent of county’s agricultural GDP.

For the kharif 2009-2010, the estimate of the area under rice cultivation is expected to be less than 28.03 lakh hectares and the production estimate of rice is likely to be below 83.80 lakh tones.

GSDP growth rate is expected to be a modest 5.04 per cent with agriculture growing by 1.20 per cent, industry 9.22 per cent and services 9.58 per cent. The services sector's contribution to the GSDP is clearly playing a dominant role contributing about 51 per cent, followed by industry (25 per cent) and agriculture (24 per cent). The share of agriculture sector to the GSDP has declined from 30.02 per cent in 2000-2001 to 24.1 per cent in 2008-2009 and the share industries has increased marginally from 22.6 per cent to 25 per cent and the services sector from 47 per cent to 51 per cent.

The per capita income of Andhra Pradesh is estimated at Rs 40,902 in 2008-2009 as
against Rs 35,600 in 2007-2008, thereby registering a growth of 14.89 per cent.

7. Indian National Debt 75% of GDP

In the US, the national debt is 92 per cent of GDP. In Japan, it is 197 per cent. And, the UK’s budget deficit is far worse than that of the euro zone. In India, the budget deficit of the Central Government is about 6 per cent of GDP and this rises to about 10 per cent of GDP if the deficits of State governments are included. The combined government debt is now close to 75 per cent of GDP.

NREGS expenditure-Boosts household consumption by 1%- Does this expenditure result in proportionate productive assets?

Milton Friedman said, “There is nothing so permanent as a temporary government programme.” This might very well be the case in this fiscal stimulus package put into action through the NREGS. “It is unlikely that the scheme has yet transformed household investment into productive assets and education significantly and, therefore, it may not be contributing effectively to the growth potential of the economy.”

The minimum daily wage under the programme was raised to Rs 100, thereby increasing the daily wages by nearly 50 per cent in certain states such as Uttar Pradesh. In 2008-09, the NREGS generated Rs 10,720 crore of rural income at current prices, which is expected to increase to Rs 27,760 crore this year.

NREGS - generated consumption expenditure amounts to nearly 1.4 per cent of total rural consumption and nearly 1 per cent of total household consumption in India this year, nearly doubling the share since 2007-08.

In terms of the size of the overall Indian economy, our estimates suggest that the NREGS is expected to add roughly 50 basis points to GDP growth this year.

In Rajasthan, Karnataka and Tamil Nadu, almost one-third of all rural working-age population is expected to be employed under the scheme in the current year.

It is unlikely that the scheme has yet transformed household investment into productive assets and education significantly and, therefore, it may not be contributing effectively to the growth potential of the economy. It is also true that any scheme of this proportion is prone to leakages in terms of corruption and inefficiency. It has also been found that the NREGS creates shortage of farm labour, given the high wages paid under it as compared to the wages of daily farm workers.

Source: Excerpts from The NREGS kept rural employment and expenditure up in a drought year, Vidya Mahambre: BS: 130210

8. NREGA gets a taste of uniongiri in Kerala

The key demands include increasing the number of guaranteed workdays to 150 from 100 and raising wages from Rs 125 per day to Rs 150 per day. The labourers should be paid the minimum of Rs 150 not only by the government but also by the farmers too is the demand raised by the Trade Unionists. Violent trade unionism has been blamed for industrial stagnation in Kerala. Source: Now, NREGA gets a taste of uniongiri. ET 180210

9. Perils of high Atmospheric carbon dioxide

Atmospheric carbon dioxide is today at levels never seen in the past two million years and much of it has come from burning of fossil Fuels in the last two centuries of industrialisation. There is now enough evidence, both scientific as well as from the lived experience of people, to show the link between this growth in carbon emissions and climate change. Yet, despite all the policies to reduce carbon consumption, the rate of increase of carbon emissions has continued to grow. This is surely calamitous and most scientists are now of the opinion that “irreversible” climate change is inevitable and efforts should be directed towards helping people and ecologies adapt to this change.
This will require both a sharp reduction in carbon consumption as well as large-scale transfer of funds and know-how from the industrialised countries to the rest of the world. A reduction in consumption levels taken as normal in the west is mandatory.

If every person on this planet lived like the median American, we would require the resources of five Earths to satisfy our wants. EPW-130210

10. Insignificant Increase in Agri Credit

Target for March 10-Rs 4,60,000 crore-

<table>
<thead>
<tr>
<th>Credit gap over Rs lakh crore</th>
<th>Non-food Bank Credit</th>
<th>Agri Credit</th>
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<tbody>
<tr>
<td>Mar 09</td>
<td>26,02,000</td>
<td>3,39,000</td>
</tr>
<tr>
<td>Nov 09</td>
<td>27,16,000</td>
<td>3,43,000</td>
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<tr>
<td>Increase over August 09, % increase</td>
<td>1,14,000</td>
<td>4,000 (3.5%)</td>
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The observation of Reserve Bank of India (in Macroeconomic and Monetary Developments Third Quarter Review 2009-10) that credit flow to agriculture remained strong despite deficient monsoon-related weak economic activity does not appear to be based on factual position as shown by RBI's own data of low credit growth during Kharif season affected by deficient rainfall. The actual increase during April-Nov 09 was a meagre Rs 4,000 crore from out of NFBC increase of Rs 1,14,000 crore, only 3.5% of increase in NFBC during the period. And kharif lending season, constituting half of total crop sowing for the entire year is over. Virtual stagnation in Agri credit during the first 8 months of FY2010 is the result.

And the gap between mandated agri lendings (Rs 4.60 lakh crore) and actual (Rs 3.43 lakh crore) is over Rs 1 lakh crore to be extended in just 5 months covering Rabi season. Similar trend was there last year too, but suddenly swelled up during Feb/March 2009 by a whopping Rs 40,000 crore agri credit increase, after Rabi lending season too was over. No plausible reason could be divined for such sudden upsurge during lean lending season. An unbelievable feat indeed. Similar scenario is like to be repeated again this year too and we may be left wondering how this magic was performed!

"Banks were nationalised not to serve the people but to serve the politicians, and this they do very well": Meghnad Desai

"This weakening of the Indian banking industry has been a matter of policy. The real reason for the nationalisation was, of course, that Indira Gandhi wanted to provoke the resignation of Morarji Desai and split the Congress. The evidence for this is in the memoirs of IG Patel who was in the finance ministry at the time and had to draft the legislation within 24 hours."

"Banks, I am told, manipulate their targets for agricultural lending by loaning to fertiliser corporations! The lack of credit for farmers and for small businesses has been shown by many reports. Farmer suicides in the middle of the last decade were caused by the high cost of credit, among other reasons. These farmers were still relying on moneylenders". Excerpts from: PSU banks are smug but small, FE 19010

"The UPA generally, and the Congress in particular, have not established a shining track record of observing tight banking norms. The Congress has tended to treat the government ownership of shares as ownership of deposits also. There is a distinct danger that it might do so. BL 010210

11. Stagnant Yields: The growth of food grains has been lower than that of the population for the first time since Independence, which is on account of stagnation in yields. The growth rate of productivity in rice and wheat was only 0.95 per cent and 0.87 per year during 1991-2005 compared to 3.28 per cent and 2.82 per cent between 1981 and 1990. TH 010210.
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