



Raise Farm Productivity to Boost Manufacturing!

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This article is based on "From Plate to Plough: The farm-factory connect" that appeared on 10th June 2019 in Indian Express. It talks about the importance of agriculture in the country's overall growth and suggests measures to improve agriculture growth.

India took 22 years to double farmers' income at an annual growth rate of 3.31 per cent during 1993-1994 to 2015-16; doubling farmers' income between 2015-16 and 2022-23 will require an annual growth rate of 10.4 per cent in farmers' real income. But from last five years agri-GDP grew at 2.9 percent per annum.

Can there exist a growth rate of more than 5 per cent a year over a sustained period?

- Yes. It was first done by China in 1978 when it started off economic reforms which had a priority agenda of reforming agriculture. China registered an agri-GDP growth of 4.5 per cent per annum during 1978-2016.
- That set the stage for the manufacturing revolution in China as it led to the establishment of the town and village enterprises (TVEs) to cater to domestic demand from rural areas generated by income revolution in China's agrarian sector.

What factors are impeding similar agriculture to manufacturing transformation like that of China, in India?

- After the Green revolution, India has never had any major agri-reforms and due to this farmers' incomes have remained very low.
- Also, recently Indian industry is witnessing a slowdown as reflected in tractor sales are down by 13 per cent, two-wheeler sales are down by 16 per cent, car sales are down by a similar percentage, and even FMCG (fast moving consumer goods) sales are down in April 2019 over April 2018
- Reason for this slowdown is that rural demand is collapsing. When the masses do not gain, the demand for manufactured goods remains limited, slowing down the wheels

of industry.

Reasons for subdued agriculture growth:

- **Low productivity:** The existing yield levels of a majority of crops in India remains much lower than the world average.
 - The predominant causes are low irrigation, use of low-quality seeds, low adoption of improved technology, and knowledge deficit about improved agricultural practices.
 - Close to 53 percent of cropped area is water stressed and rainwater management practices and services are resource starved.
 - Further, an obsessive focus on inflation targeting by suppressing food prices through myriad controls works against the farmer
 - This limits a farmer's capacity to undertake multiple cropping and leads to inefficient utilization of land resources.
- Apart from low productivity, there are several **bottlenecks hampering on-farm adoption of technology**
 - A huge gap exists between the demand for and supply of skills in agriculture, hindering diversification, adoption of precision agriculture and on farm post-harvest value addition
 - Restrictive policies (like provision of APMC acts) constrain the private sector from building direct supply chains from farms to ports, which bypass the mandi system.
 - Also, The Essential Commodities Act, which has proven a disincentive to the large investment in agricultural technology and infrastructure.
 - This leads to a weak infrastructure for agri-exports and due to these factors Agri-exports are declining
- Declining agri-exports:
 - Agri-exports had negative growth in the last five years.
 - Also, MSP has a negative impact on Agri-exports:
 - **Higher minimum support prices (MSPs)**, especially in relation to global prices, can be counterproductive. A policy of high MSPs can backfire when it goes beyond global prices.
 - Besides, it would create unnecessary distortions adversely impacting the diversification process in agriculture towards high-value crops.
 - The net result of all this is that Indian farmers do not get full advantage of global markets.

If these policies continue, then the goal of doubling farmers' real incomes by 2022-23 will remain a pipe-dream. So, if India wants to prosper, we must aim at an agri-GDP growth of more than 4 per cent. For that to happen:

- Raise farm productivity in a manner that can cut down unit costs and make Indian agriculture more competitive, enabling higher exports.
- Encourage states to adopt the **Model Contract Farming Act, 2018 and Model Agriculture Land Leasing Act, 2016**
- High-value crops(HVCs) contribute an almost similar amount to total output as staples do, but they occupy only 19 per cent of the Gross cropping Area (GCA), so increasing Gross cropping Area in HVCs will be instrumental in bringing income revolution for farmers.
- Promote farmer producer organizations
- Global competitiveness in agriculture can be bolstered by investment in agri-R&D and its extension from lab to land, investment in managing water efficiently and investment in infrastructure for agri-exports value chains.
- India spends roughly 0.7 per cent of agri-GDP on agri-R&D and extension together. This needs to double in the next five years.

Amend the Essential Commodities Act so that a balance between the interests of farmers and consumers can be achieved.

- In consultation with all stakeholders, the Government of India should come up with a coherent and stable agricultural export policy
- India will have to accelerate growth in the manufacturing, services and exports sectors to wean labour away from agriculture. Moving labour out of agriculture into manufacturing will go a long way towards the goal of doubling farmers' income. However, to achieve the target of doubling farmers' income by 2022-23, first, there is a need to shift focus from agriculture to agribusiness.

Drishti input:

For India's economic growth it is imperative to build a sound industrial and service sector in India but that must be backed by robust agricultural growth. Comment?
