

# RECENT TRENDS IN AGRICULTURAL SECTOR IN INDIA.

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## Abstract:

India is predominantly an agricultural economy. Agriculture is the backbone of Indian economy. Agriculture, with its allied sectors, is unquestionably the largest livelihood provider in India, more so in the vast rural areas. It also contributes a significant figure to the Gross Domestic Product (GDP). Generation of surplus from agricultural production will ultimately depend on increasing the agricultural productivity. Various studies have been conducted related to agricultural productivity. The present study is conducted with the objective to analyze the trend and patterns of agricultural productivity of main food grains, causes of low productivity, to put light on various schemes started by government and for providing suggestions for policy implications. Data is collected from secondary sources like reports, ministry of agriculture and farmer's welfare as well as Reserve Bank of India publications. It was observed that there is a low pace of agricultural productivity as well as there is lack of finances. Suggestions are given for further policy implications for increasing productivity after reviewing causes of low pace of productivity or downward trends in agricultural production.

## Introduction

In recent years the agriculture and allied sector has been facing numerous challenges, even as the currently has the made large strides in increasing food production and achieving food security, the sector remains constrained by low productivity, excessive dependence on monsoon and weather conditions, continuing fragmentation of land and preponderance of fragmented markets. A combination of the factor has led to episodes of agrarian distress which have been widely reported. As a result government has engaged in fresh thinking on the development of the agriculture sector. In addition to agricultural development, Government is also focusing on formers welfare. Accordingly the department of agriculture and cooperation has been renamed as Department of agriculture, cooperation and farmers welfare

## Objectives and Methodology

This Study is based on secondary sources. Secondary data is collected from various Government of India Reports, RBI reports, Ministry of Agriculture reports, books, articles, and Economic Survey of India.

In this background, the present study is to analyze the trends and pattern of agriculture growth and Production in India in specific the objectives are:

### Objectives

1. To study the recent trends in agricultural sector
2. To understand the concept of agricultural productivity in India.

### Recent Trends in Agriculture in India

During 2017-18 crop years, food grain production is estimated at record 284.83 million tonnes. In 2018-19, Government of India is targeting food grain production of 285.2 million tonnes. Milk production was estimated at 165.4 million tonnes during FY17, As of September 2018, total area sown with kharif crops in India reached 105.78 million hectares. India is the second largest fruit producer in the world. Production of horticulture crops is estimated at record 307.16 million tonnes (mt) in 2017-18 as per second advance estimates. Total agricultural exports from India grew at a CAGR of 16.45 per cent over FY10-18 to reach US\$ 38.21 billion in FY 18. In April-August 2018 agriculture exports were US\$ 15.67 billion. India is the largest producer, consumer and exporter of spices and spice products. Spice exports from India reached US\$ 3.1 billion in 2017-18. Tea exports from India reached a 36 year high of 240.68 million kgs in CY 2017 while coffee exports reached record 395,000 tonnes in 2017-18. Food & Grocery retail market in India was worth US\$ 380 billion in 2017.

### Investments

According to the Department of Industrial Policy and Promotion (DIPP), the Indian food processing industry has cumulatively attracted Foreign Direct Investment (FDI) equity inflow of about US\$ 8.57 billion between April 2000 and June 2019.

### Some major investments and developments in agriculture are as follows:

- The first mega food park in Rajasthan was inaugurated in March 2018.
- In 2017, agriculture sector in India witnessed 18 M&A deals worth US\$ 251 million.
- A loan agreement of US\$ 318 million was signed between the Government of India, Government of Tamil Nadu and the World Bank in December 2017 for the 'Tamil Nadu Irrigated Agriculture Modernization Project' through which is expected to benefit around 500,000 farmers in the state.

## Government Initiatives

Some of the recent major government initiatives in the sector are as follows:

- In September 2019, the Government of India announced Rs 15,153 crore (US\$ 2.25 billion) procurement policy named 'Pradhan Mantri Annadata Aay SanraksHan Abhiyan' (PM-AASHA), under which states can decide the compensation scheme and can also partner with private agencies to ensure fair prices for farmers in the country.
- In September 2018, the Cabinet Committee on Economic Affairs (CCEA) approved a Rs 5,500 crore (US\$ 820.41 million) assistance package for the sugar industry in India.
- As of March 2018, the Government is working on a plan to provide air cargo support to promote agriculture exports from India.
- The implementation of Pradhan Mantri Fasal Bima Yojana (PMFBY) will be made faster and the government is aiming to increase the coverage under the scheme to 50 per cent of gross cropped area in 2018-19.
- The Government of India is going to provide Rs 2,000 crore (US\$ 306.29 million) for computerisation of Primary Agricultural Credit Society (PACS) to ensure cooperatives are benefitted through digital technology.
- Around 100 million Soil Health Cards (SHCs) have been distributed in the country during 2015-17 and a soil health mobile app has been launched to help Indian farmers.
- With an aim to boost innovation and entrepreneurship in agriculture, the Government of India is introducing a new AGRI-UDAAN programme to mentor start-ups and to enable them to connect with potential investors.
- The Government of India has launched the Pradhan Mantri Krishi Sinchai Yojana (PMKSY) with an investment of Rs 50,000 crore (US\$ 7.7 billion) aimed at development of irrigation sources for providing a permanent solution from drought.
- The Government of India plans to triple the capacity of food processing sector in India from the current 10 per cent of agriculture produce and has also committed Rs 6,000 crore (US\$ 936.38 billion) as investments for mega food parks in the country, as a part of the Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters (SAMPADA).
- The Government of India has allowed 100 per cent FDI in marketing of food products and in food product e-commerce under the automatic route.

## Major drawbacks of Agricultural Sector in India

- The growth rates of productivity in agriculture sector are far below than the global standards.
- The productivity levels of rice and wheat have declined after the green revolution of the 1980s.

- Due to declining fertilizer-use efficiency there is found gradual decline in the soil fertility. Also, the food subsidy has increased substantially in the past few years.
- According to the survey, GDP declined to 15.2% during the Eleventh Plan and then further decreased to 13.9% in 2013-14. There also has been decrease in the number of cultivators from 127.3 million (Census 2001) to 118.7 million (Census 2011).
- Indian agriculture is still dependent on rainfall. About 60 per cent of the total food grains and oilseeds produced being grown in the kharif season, and with just about 35 per cent of the total area being irrigated.
- Currently, India is in an anomalous situation of being essentially self-sufficient with large stocks of food grains on the one hand and recording high food inflation. Artificial scarcity has become the major cause for the high inflation rate. In both domestic and international marketing, the excess of government interventions that were used to build a marketing set up have actually served as barriers to trade.

### **Policy recommendations for Agriculture development and its future prospects**

India is traditionally known as the agrarian country as more than 60% people depend on the agriculture both directly and indirectly for their livelihood. So far the key challenges and priorities are concerned. Indian Agriculture can attain the global standard if we can have proper coordination between policy frame work and its implementation. We can have following policy recommendations, those can go a long way for catering accelerated agricultural growth.

### **Technological Advancements**

As per the department of Science and technology, government of India, grant is given to twenty one science based voluntary groups working at the village level. This will encourage research and development activities in areas of technology generation and transfer for sustainable livelihoods in rural areas. It has also encouraged thematic networking and coordination amongst various science and technology based field groups. National Food Security Mission (NFSM) has been launched in 2007 to increase 20 million tonnes of foodgrains (10 m.t. for rice, 8 m.t. for wheat and 2 m.t. for pulses) during the 11th plan period. It has already shown some results by increasing yields in different regions. The ATMA (Agricultural Technology Management Agency) scheme was launched in 2005 to support state governments' efforts to revitalize the extension. This scheme gives an opportunity to improve extension system. The returns to investment on research and extension will be much higher on agricultural growth as compared to other investments.

## Private Sector Interference

In recent years the priority has been given for public private partnership (PPP) for the infrastructure development and other growth related services. About I lakh common services centres have been established with the sustainable, commercial and socio-economic goals to cater IT based and non-IT based services for about 600,000 villages. Different SHGs, Community based organisations, Private micro finance institutions like SKS, have been formed to give financial assistance to rural community for developmental projects. With the Provision of urban amenities in rural areas (PURA), there is found the opportunities of rural livelihood, infrastructure projects with the private sector interference. It in turn has given sufficient scope for sectoral disparities.

## Effective Price Mechanism and Financial Support

As per Dr M.S. Swami Nathan, the distinguished agricultural economist, said, “The agrarian crisis has its roots in the collapse of the rural economy... Unemployment leading to out-migration of the asset-less is growing. The minimum support price mechanism is not operating for most commodities. At every level of the livelihood security system, there is a tendency to make profit out of poverty. Something is terribly wrong in the countryside.” Although there have been some improvements in flow of farm credit in recent years. For this the government has to take care of share for the small and marginal farmers by providing Minimum support Price (MSP), easy credit accessibility, investment on cold storage, and support for raising Hi- value products like milk, meat, Vegetables and fruits. Similarly all the credit and loan provision has to be made for the growth of allied activities like animal husbandry, fishery, horticulture, herbal cultivation.

## Improved Trade Policy

India is considered as the second largest food producer in the world. Although, it has got all the potentials in the agriculture productivity but its export is just 0-9% of the world food trade. However with the prime minister’s council on trade and industry report, following action plans have been suggested for enhancing trade, and supply of agricultural goods.

- Undiluted focus on growing areas for exports like tea, spices, rice, mangoes, grapes, floriculture etc.
- Allow regulated exports of specific surplus commodities on annual basis and honour international contractual terms
- Increase in freight subsidy
- One central agency: Agro and Food Development and Export Promotion Council to be set up. Announce specific package for horticulture and floriculture units.

- Provide term loans for Grading, Packing and Cold chain units as well as processing units at the rate of 9% per annum.
- 3 year moratorium on repayment of term loan and interest
- NABARD to provide 100% refinance to banks and financial institutions for funding exports of horticulture products.

### **Future of Agriculture in India**

The stark observation made in the Economic Survey of 2015-16 that “Indian agriculture, is in a way, a victim of its own past success – especially the green revolution”, shows the dark reality of the agriculture sector at present and the havoc that has been wreaked by the green revolution.

The green revolution, which is often characterised by the introduction of high-yielding variety of seeds and fertilisers, undoubtedly increased the productivity of land considerably. But the growth in the productivity has been stagnant in recent years, resulting in a significant decline in the income of farmers. There have also been negative environmental effects in the form of depleting water table, emission of greenhouse gases, and the contamination of surface and ground water. Needless to say, the agriculture sector is in a state of distress, which is severely affecting peasants and marginal farmers, and urgent policy interventions are required to protect their interests.

The government has responded to the problem by constituting a panel, which will recommend ways to double the income of farmers by 2022. While this may be an overtly ambitious target, if we want to boost stagnated agricultural growth a shift has to be made, as former finance minister Arun Jaitley said in parliament, from food security of the nation to income security of the farmers. However, there are many hurdles that have to be crossed if we want to achieve this objective.

### **Conclusion**

India has been experiencing the increase in the production of food grains particularly after the introduction of new agricultural strategy (i.e., Green Revolution) in agricultural practices. Annual growth rate of 2.08 percent was recorded during 1970s. Annual growth rate of 3.5 percent in food grains in 2017 is the hallmark of the green revolution that enabled India to become self sufficient in food grains and even a marginal exporter. The decade of 1990s could not maintain this pace and annual growth rate has fallen to 1.7 percent which is just about equal to annual population growth. Total production of food grains has increased from 176.39 million tons in 2019 to 292 million with the increase in size of population and increase in income, the demand for food grains is likely to rise in near future.

India is expected to achieve the ambitious goal of doubling farm income by 2022. The agriculture sector in India is expected to generate better momentum in the next few years due to increased investments in agricultural infrastructure such as irrigation facilities, warehousing and cold storage. Furthermore, the growing use of genetically modified crops will likely improve the yield for Indian farmers. India is expected to be self-sufficient in pulses in the coming few years due to concerted efforts of scientists to get early-maturing varieties of pulses and the increase in minimum support price. The government of India targets to increase the average income of a farmer household at current prices to Rs 219,724 (US\$ 3,420.21) by 2022-23 from Rs 96,703 (US\$ 1,505.27) in 2015-16.

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