

II. PROBLEMS IN AGRICULTURE AND THE RURAL ECONOMY

52. The agricultural sector of the economy faces a number of problems, some of which are of a long standing, while the others have their origin in the more recent developments. The success attained in raising the level of foodgrain output only serves to high-light the relative failure in regard to commercial crops; in the case of the latter, production and productivity have both been sluggish during the last few years. Even in respect of foodgrains, there is little ground for universal satisfaction; the output of pulses, in particular, has failed to increase in the face of rising demand, and this has led to considerable pressure on prices in recent years, more so in 1971-72. In regard to rice too, the progress achieved till now cannot be considered satisfactory, though increases in production have been witnessed of late, especially in some of the traditionally non-rice producing States. One of the reasons advanced for the comparative failure of the new technology in the case of rice is that its cultivation is subject to a variety of agro-climatic conditions, and it is only within the past year or so that the high-yielding strains suitable for the diverse regions of the country have been developed. Besides, in so far as the management of water is crucial to the adoption of the high-yielding varieties, States and regions marked by a relatively insignificant area under irrigation cannot perhaps hope for a major breakthrough in rice cultivation. The tenurial and other institutional problems afflicting the eastern and southern States, which inhibit a pervasive use of credit and fertilizers, are a further stumbling block. Nonetheless, as a result of the special efforts being made, as much as 2.1 million hectares are expected to be covered by the high-yielding varieties of summer paddy in 1971-72. Compared to the achievement of 1.6 million hectares in 1970-71, this would be a considerable advance. Sustained progress with the cultivation of rice, if it could span over a number of years, would help restore a certain balance, which has of late been upset, between the production of the two major cereals.

53. The ensuing programme of cultivation for the *rabi* season also gives increased attention to commercial crops such as cotton, mustard, soyabean, sunflower and groundnuts. In the case of cotton and mustard, the use of pesticides is contemplated on a large scale; soyabean will be cultivated on 125,000 hectares, while summer groundnut is proposed to be sown in very large tracts in each of the southern States. These special efforts have assumed even greater significance in the context of the renewed emphasis on self-reliance. While it has been possible to eliminate imports of wheat, substantial quantities of soyabean oil and cotton have been imported in recent years under P.L. 480 agreements and with free foreign exchange; a much greater degree of self-sufficiency in agriculture than heretofore needs, therefore, to be achieved.

54. Raising the production of commercial crops however belongs essentially to the genre of longer-term measures which can improve the situation only over a period. A number of short-term measures will have to be taken to increase immediately the availability of vegetable oils as replace-

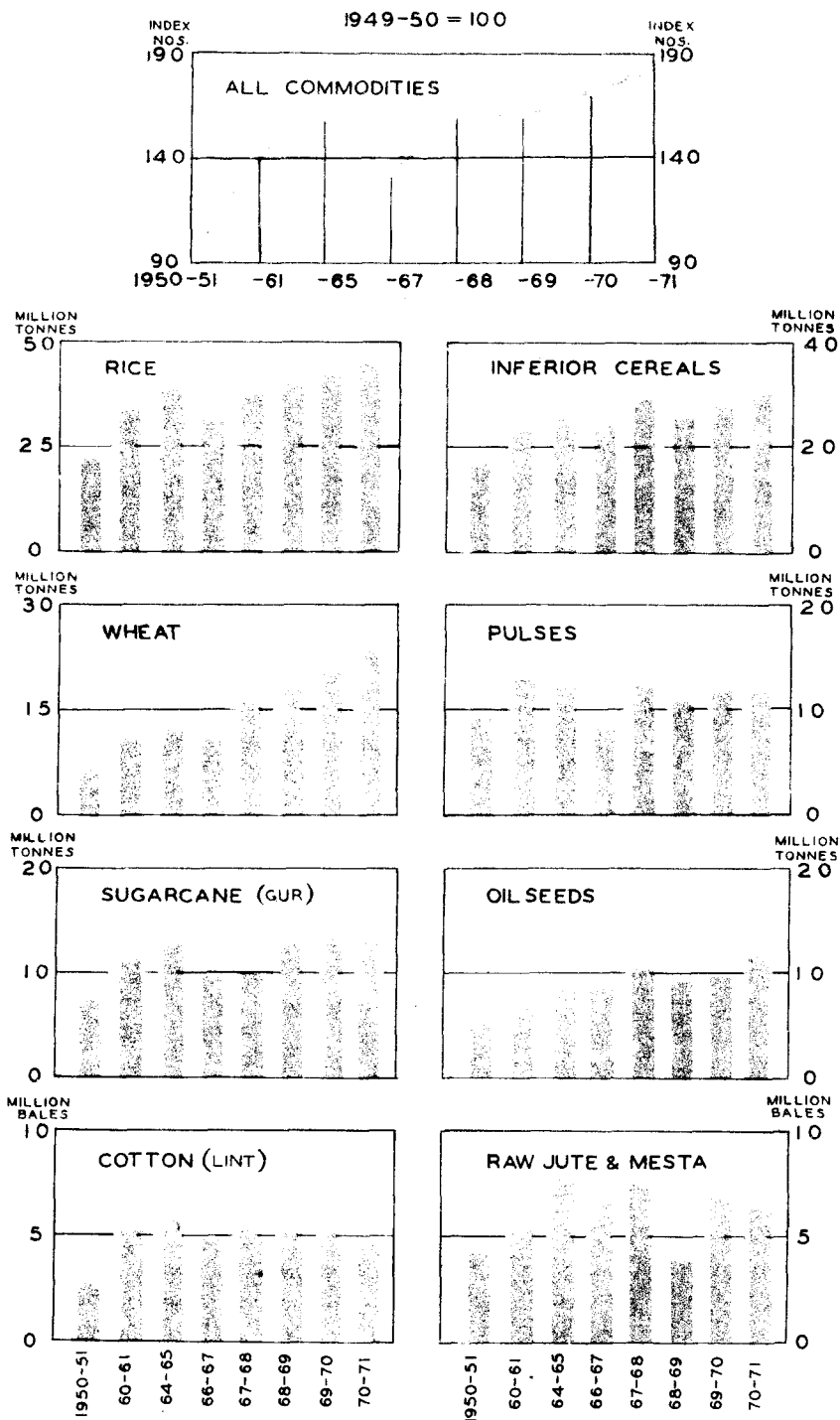
ment for imports. A large proportion of groundnut oil is used in the manufacture of soap and vegetable products. With the cessation of imports of soyabean oil and mutton tallow from the U.S.A., following the suspension of the arrangements made earlier, the demand for groundnut oil from these two industries will go up further. It should be possible to meet this demand, at least in part, if we could utilise the potential which exists for increasing the production of rice bran oil and cottonseed oil. It is a matter of catalysing the right kind of incentives and compulsions, as also of undertaking certain essential investments. For example, if equipment is set up to split fatty acids from rice bran oil, the demand from the soap industry for mutton tallow can be largely substituted. Attempts are also being made to increase the use of wood oils, such as neem, karanja, kusum and sal, in the manufacture of soap. A beginning has been made in the Union Budget for 1971-72 with policy mixes which could bring about the necessary changes and innovations. The results should bear watching.

55. In the case of cotton, at least one variety—(Hybrid-4)—which has immense potential has been developed, and will be in the vanguard of efforts at import substitution. Wherever this variety has been tried, the results have been encouraging; it has even given rise to other problems, such as the inadequacy of ginning arrangements. There are also indications that, with its spread, the proportion of superior Indian cotton may rise to such an extent as to disturb the existing production pattern of cotton cloth, while this would be a welcome development in one direction, it may entail modernisation, renovation, etc., of the existing plant and machinery on a scale not contemplated today. Such speculation, however, may be somewhat premature, since this variety by itself, even if it were to become rapidly popular, could hardly take care of the immediate problem of net shortage of cotton in the country.

56. In the case of both cotton and oilseeds, attempts at raising the level of production and productivity must therefore be combined with regulatory and distributive measures so that the short-term problems do not turn intractable. Curbing the excesses indulged in by the speculative elements is one such obvious measure and a number of steps were announced during 1971-72 to discipline futures trading in cotton as well as oilseeds. Certain lacunae in the Forward Contracts (Regulation) Act were removed through an ordinance in October, 1971 so as to prevent forward trading under the guise of ready transactions. At the same time, forward trading in coconut oil and cottonseed as also trading in non-transferable specific delivery contracts in groundnut and its oils was suspended. Whether a more rational distribution of these industrial raw materials which tend to be in short supply can be effected within the scheme of given institutions is also a question which has to be tackled. Clearly, a better system of distribution, which reduces the load of inventories in all quarters and discourages the forces which thrive on rising spirals of prices, will greatly reduce the pressure for imports.

57. Sugarcane is another crop to which attention needs to be paid. While, in its shorter-term aspect, the problem derives from the oscillatory swings in the size of the crop, in its long-term aspect it pertains to the slow growth in its per hectare yield and a certain stagnation, or even decline, which has characterised the recovery of sugar from cane in recent years. Considering the large regional differences in the per hectare yield of sugar-

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cane and the recovery of sugar from it, the solution of the latter problem lies, at least in part, in encouraging a further shift of the relative distribution of the area under the crop in favour of regions with a high yield of sugar per hectare. At the same time, one cannot ignore the fact that in the northern States a sugar factory on the average is supplied cane, by a large number of growers, whose interest in the transitional period has to be adequately protected. As for the problem connected with the fluctuations in the size of the crop, it is to be noted that sugarcane output, having reached its peak in 1969-70, has registered a downward drift in the ensuing two years. While the production of sugar expected in the current year, considered along with the stocks carried over from the preceding one, provides no ground for undue anxiety, it yet calls for a measure of discipline in the pricing and distribution of the commodity. But although, with the revival of partial control on the price of sugar since the beginning of January 1972, the situation could well be expected to remain under control, the need for operating a stock policy for sugar in such a way that it imparts a greater degree of stability to prices and availability than has been the case in the past continues.

58. In the quest for strengthening the elements of stability in the economy, the country has taken important strides in building a sizeable buffer stock of foodgrains. But the very same development—the breakthrough on the foodgrain front—which has made this possible, as indeed also the stoppage of concessional imports of foodgrains, is posing certain problems. One of these pertains to the storage and transport of the grains during the peak harvesting season. At the end of March 1971, the storage capacity available with the Food Corporation of India was only of the order of 6.3 million tonnes, whereas the peak level of stocks reached during the season was around 8.5 million tonnes. The rush on the part of the producers to unload the grain created problems of transport too. Certain steps have been initiated to cope with the emerging problem. The Food Corporation of India has added to its storage capacity by 380,000 tonnes during the period April-December 1971. Approval has been accorded by the Central Storage Committee for an additional capacity of around 1 million tonnes. As the output of wheat is expected to rise by another 2 million tonnes this year, the problem would however need to be coped with on an emergency basis.

59. At the same time, a reconsideration of the Government's policy with respect to procurement and issue prices would seem to be called for. At present, the procurement prices are also support prices which means that Government is committed to purchase the entire quantity offered at the procurement price—irrespective of the finances or other facilities available. Bank advances against foodgrains this year reached a level of well over Rs. 400 crores, and this level would be substantially exceeded in 1972-73 unless one of several alternatives—or a combination of them—is adopted. In the first case, the Union Government may attempt to bring down the cost of procurement and distribution of grains; in the second, a limit may have to be placed upon the amount to be procured which, in effect, may mean that a lower procurement price would have to be fixed for purchases in excess of the target. But a third alternative is also possible, namely, a more wide-ranging adjustment in the level of issue and procurement prices, particularly for wheat.

60. The need for such an adjustment becomes obvious from an examination of the economics underlying the present policy. The average landed cost of imported wheat during 1971-72 was around Rs. 62 per quintal. In addition, the average cost of distribution and that of carrying over the buffer stocks amounted to Rs. 7.30 and Rs. 6.30 per quintal respectively, the two together adding up to Rs. 13.60 per quintal. Thus the economic cost of imported wheat worked out to Rs. 76.60 per quintal. On the other hand, with the procurement price of the indigenous varieties of wheat at Rs. 76 per quintal, the cost of procurement at Rs. 11 per quintal and the combined cost of distribution and carrying over of the buffer at Rs. 13.60, the economic cost of indigenous wheat distributed from out of the Union Government's stocks was of the order of Rs. 100.60 per quintal.

61. Of the 5 million tonnes of wheat likely to be distributed in the aggregate during 1971-72, about 2.5 million tonnes are estimated to be of the imported varieties and the remaining 2.5 million tonnes of the indigenous varieties. With an average issue price of Rs. 78 per quintal, the loss from the total operations would thus be more than Rs. 50 crores.

62. As for 1972-73, the cost of procurement of wheat is likely to remain unchanged at Rs. 11 per quintal but the cost of distribution and that of carrying over of the buffer is expected to increase marginally from Rs. 13.60 to Rs. 15 per quintal. With the total cost of procurement and distribution at around Rs. 26 per quintal, and the procurement price remaining unchanged, the economic cost of the indigenous varieties of wheat to be distributed from out of the Union Government's stocks would work out to Rs. 102 per quintal.

63. The total quantity of wheat to be released through the public distribution system during 1972-73 may be assumed to be of the same order as in the current year, that is, 5 million tonnes. Since stocks of imported wheat are going to be exhausted during the current financial year, the entire quantity of 5 million tonnes which might be distributed next year would consist of indigenous wheat. If, along with the procurement price, the issue price too remains unaltered at the existing level, the total loss on this quantity—at the rate of Rs. 24 per quintal and therefore Rs. 240 per tonne—would amount to Rs. 120 crores. This loss would be quite apart from the fact that, with the enlargement of the size of the buffer stock, there would be a corresponding increase in the fiscal and monetary burden on that score too.

64. A similar situation is arising with respect to certain inferior cereals also whose output is, at times, much more than what the market can absorb without a sharp fall in their prices. To some extent, this is due to the fact that there has been a change in consumption habits in favour of the superior cereals, namely, rice and wheat. An obvious solution would be to process these inferior cereals into poultry and animal feeds which will increase the output of milk, eggs and meat. Apart from meeting the protein shortage of the country, such a step will also help in raising nutritional standards all round. For example, the maize crop can be increasingly used as cattle-feed even if it does not find an outlet in the production of starch and glucose. Jowar and bajra can also be increasingly used, either directly or after processing, for feeding cattle

and other domestic animals, so that the output of milk, etc., can rise. The Small Farmers Development Agencies and the scheme for marginal farmers do envisage greater attention being paid to dairy farming in order to make smaller holdings more viable, but this would hardly create enough surplus of dairy products for the urban population, or even for a major part of the people in rural areas. The high-yielding varieties programme in respect of inferior cereals, it is no secret, is facing difficulties, and needs to be given a new orientation. This can be best achieved by greater stress on animal husbandry, poultry farming and dairying which can provide a market for such cereals as are beginning to find a lower place in our everyday consumption.

Use of Fertilisers

65. While the progress in specific segments, specially wheat, has been impressive, the trend rate of growth of agricultural output as a whole leaves much to be desired. The consumption of fertiliser being an important index of the pace of progress in agriculture, the latter fact is reflected in the sluggish growth of fertiliser consumption, the rate of increase in 1970-71 being of the order of only 6.5 per cent while the target had been 29 per cent. The target for 1971-72, at 2.76 million tonnes, would represent an improvement of about 30 per cent over the year, but it is debatable whether this order of increase will actually be achieved. Apart from the fact that recommended doses are not being used by farmers, there are also indications that the approach initially adopted needs to be changed if chemical fertilisers are to be more readily accepted. So far, the emphasis has been on directing supplies towards the areas with assured irrigation, especially where the high-yielding varieties of seeds are being popularised. It has been demonstrated, however, that even in unirrigated areas fertiliser can be used with advantage provided it is combined with appropriate agronomic practices. Similarly, the scope for extending fertiliser use to the local varieties is yet to be fully explored. Consequently, the marketing of chemical fertilisers should be extended to such areas and varieties too, along with provision of the necessary facilities for credit, etc. Another line of approach requiring consideration is the advisability of fostering the use of multi-nutrient fertilisers which, it appears, are more in demand by producers of commercial crops. Unless the latter is done, the gap between the increases in the productivity of food and non-food crops is likely to rise. Finally, since we have now several years of experience confirming the fact that the doses recommended for the various crops are seldom reached even approximately by the farmers, the time has perhaps come to have a reappraisal of the basis on which the doses were originally suggested.

Small Farmers, Marginal Farmers and Agricultural Labourers

66. No less important than the performance of production is the plight of the rural under-privileged. The excursions into the new technology, it is now fairly well recognised, have left virtually untouched in large parts of the country the small farmers and the vast army of landless labourers. Rising savings in the upper echelons of the agricultural community have, in isolated areas, tended to stimulate the urge for labour-saving adaptations, thus making the position of the small farmers and

labourers even more uncertain. Institutional reforms to correct the emerging imbalances are being widely discussed, but corresponding operational steps have, perhaps understandably, somewhat lagged behind. Meanwhile, the emphasis in official policy has been to sponsor special schemes for specific classes and areas, as well as to launch a 'crash' programme for the creation of additional job opportunities in the country-side. The paragraphs below contain a resume of the achievements under these various schemes during the year.

67. The Fourth Plan envisaged the setting up of development agencies for the small but potentially viable farmers, and similar agencies for marginal farmers and landless agricultural labourers, so as to reduce income disparities in the countryside as also to provide larger employment opportunities. Out of 46 projects under the former category and 41 under the latter, 42 and 32 respectively were approved during 1970-71, and, in the course of 1971-72, each of the projects would have come into operation. Sanctions for Small Farmers Development Agencies amounted to Rs. 3.07 crores by the end of March 1971, against which an expenditure of Rs. 89 lakhs was incurred. While data on subsequent performance are awaited, the progress on the whole has been uneven, particularly in the States of West Bengal, Orissa, Assam and Bihar. Under the scheme for Marginal Farmers and Agricultural Labourers, sanctioned for about Rs. 1 crore had been issued in 1970-71. The budget for 1971-72 provides for an outlay of Rs. 9 crores for the two programmes, but budgetary sanctions during the year till December, 1971 were of the order of Rs. 4.17 crores for the scheme of Small Farmers Development Agencies and Rs. 2.75 crores for that for Marginal Farmers and Agricultural Labourers. Aggregate sanctions since the inception of the two schemes thus come to about Rs. 10.99 crores, against which the expenditure incurred is only of the order of Rs. 2.15 crores.

68. Currently, the two schemes jointly cover about 17.49 lakh participants—12.10 lakhs under the Small Farmers Development Agencies, and 5.39 lakhs under the Scheme for Marginal Farmers and Agricultural Labourers. Since much of the success of the schemes will depend on cooperative effort, the participants are being encouraged, through loans if necessary, to enrol as members of cooperative societies; about two-fifths of the small farmers and one-fifth of the participants under the Scheme for Marginal Farmers and Agricultural Labourers have responded to this drive. By and large, the progress under both the schemes has been slow, but particularly so in the case of the MFAL where the amount utilised has been only a little over 12 per cent of the amount sanctioned. In the case of the SFDA, the position is slightly better, since close to a quarter of the sanctioned amount has been utilised.

69. Data on loans issued by the financial institutions, however, present a much more encouraging picture. Short-term loans disbursed under the two schemes total Rs. 10.4 crores, and medium and long-term loans Rs. 5.7 crores. Long-term loans are repayable in ten years and can be utilised for the purchase of tractors, installation of tube wells and oil engines, etc. The commercial banks have opened as many as 205 branches in the SFDA areas, and this would have undoubtedly helped in the process.

(On the other hand, in the case of the MFAL areas, the number of new bank branches is only 17). The guidelines issued by the Reserve Bank of India in regard to the financing of agriculture stress that the nationalised commercial banks should pay special attention to the financing of small farmers in the SFDA areas, and also to make use of the expertise so developed for financing small farmers elsewhere.

Schemes for Dry Farming and Drought-prone areas

70. Under the Dry Farming Scheme, 24 pilot projects were intended to be taken up during the Fourth Plan period. An outlay of Rs. 2 crores was provided in 1970-71, but the expenditure actually incurred was only Rs. 45 lakhs in respect of 9 projects. The slow progress is attributable to the late approval of schemes, and delay in issue of sanctions by State Governments as well as in the appointment of staff and their training. During 1971-72, the other 15 projects were to be taken up; of these, 13 have already been sanctioned and it is expected that the other two will also be taken up during the year. The Dry Farming Scheme is closely linked to the research centres on dry land agriculture, and the extension of the programme will depend upon the success of their efforts. It is essential that the research centres build up detailed knowledge of agrometeorological conditions, so that they may be in a position to advise on the maximisation of the benefit from the limited amount of water supply available in the dry land areas. The research stations, it is felt, should also embark upon experiments in the application of fertilisers under non-irrigated conditions, which might enable even the existing varieties of seeds to produce better crops.

71. A scheme was also initiated in 1970-71 in respect of chronically drought-affected areas. Rural works programmes have since been sanctioned for all the 54 districts selected under the scheme, and such projects as development of minor|medium irrigation, soil conservation, afforestation and road building are being implemented. The total financial allocation made in 1970-71 for this scheme amounted to Rs. 13.85 crores against which Rs. 6.49 crores were actually spent. During 1971-72, sanctions upto the end of December, 1971 have aggregated to Rs. 23.55 crores against which the expenditure actually incurred is estimated at Rs. 9.28 crores.

Crash Scheme for Rural Employment

72. Although the Crash Scheme for Rural Employment was announced towards the end of February, 1971, and the State Governments were requested to submit their proposals by the middle of March, it could go into operation only about two months later. As against the overall allocation of Rs. 50 crores for 355 districts, upto about December, 1971 proposals worth Rs. 46.36 crores had been approved in respect of 345 districts in the country.

73. According to reports available upto November, 1971, the total expenditure incurred has been of the order of Rs. 3.1 crores, and has resulted in employment-generation to the extent of 87.6 lakh man-days. The maximum employment under the Scheme, it has been estimated, would come to 875 lakh man-days; thus progress so far has been meagre. In most of the States and Union Territories, the pre-monsoon season could not be availed of for operating the Scheme, and the works programme commenced, in effect, only in October. For practical purposes the working season in 1971-72 would, therefore, spread over only six months, and, on this basis, the employment target would be scaled down to 525 lakh man-days. In order to compensate for the shorter working season, a number of States have exceeded the employment norm of 1,000 persons per district; more States may do so now that the tempo is rising.

74. The basic content of the Scheme, namely, that employment should be provided in each district to 1,000 persons for ten months in the year, has been subsequently modified, and the concept of man-days introduced in order to take account of the fact that it might not be possible to provide continuous employment for the period earlier stipulated. It has also been decided to permit the States and Union Territories the discretion to re-allocate the funds allocable to them among individual districts in the light of local conditions. Further, some flexibility has been allowed to the State Governments to substitute one project by another of a similar kind if there were such unforeseen and unavoidable circumstances as would make the original proposal impracticable.

75. It has also been found necessary to widen the nature of the works that could be undertaken under the Scheme. While the original intention was that the Scheme should help in developing the agricultural infrastructure, it has now been extended to such items as the construction of class rooms for primary school buildings. It is further contemplated that housing projects, as well as the construction of godowns, should also figure under the Scheme. Finally, to avoid the undertaking of Schemes which in their size are too small to be really worthwhile, and which would only create problems of adequate supervision, it has been laid down that the minimum size of a project should be such that it can employ at least 50 persons continuously for a period of 15 weeks. This is in modification of the earlier guideline that the minimum size of a project should be one involving an outlay of Rs. 5,000.

76. In view of the late start made by the Scheme during 1971-72, State Governments have been requested to frame proposals in advance for the next two years. They have also been advised to draw up a programme twice as large as that for the current year with a view to ensuring full utilisation of funds, as also to avoid any interruption in the continuity of the works programme under the Scheme. With such advance preparation, the impact on employment in the rural areas in the remaining two years of the Plan should be significant.

77. In the final analysis, however, all such schemes for ameliorating, in the short run, the burden of rural unemployment or under-employment, or for augmenting the earnings of the weaker sections of the village community, will hinge upon the strength and character of the organisational

underpinning. The larger the influence of the entrenched power structure on the operational aspects of the schemes, the lesser their chances of success. Thus the problem of institutional reforms and local leadership from a wider social stratum in the countryside has to be given the pride of place whatever the details of the other agenda for ensuring agricultural progress.