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Growth of Agriculture Sector in India – A Time for New Thinking

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ABSTRACT

Agriculture is the dominant sector of Indian economy, which determines the growth and sustainability. In the past few years, Indian agriculture has done remarkably well in terms of output growth. Indian agriculture is benefiting huge from rising external demand and the sector's wider participation in the global economy. In this context, the present study to analyse the growth of agriculture sector in India. Government has also taken initiatives to encourage private investment in the food processing industry. The agriculture sector represents one of the most significant and dynamic sectors of the Indian economy.

KEYWORDS: Agriculture, Growth, GDP, Expenditure, Export and Import

Introduction

Agriculture is the dominant sector of Indian economy, which determines the growth and sustainability. About 65 per cent of the population still relies on agriculture for employment and livelihood. India is the first in the world in the production of milk, pulses, jute and jute-like fibres; second in rice, wheat, sugarcane, groundnut, vegetables, fruits and cotton production; and is a leading producer of spices and plantation crops as well as livestock, fisheries and poultry. In the past few years, Indian agriculture has done remarkably well in terms of output growth. The 11th Five Year Plan (2007-12) witnessed an average annual growth of 3.6 per cent in the gross domestic product (GDP) from agriculture and allied sector. The growth target for agriculture in the 12th Five Year Plan is estimated to be 4 per cent. Indian agriculture is benefiting huge from rising external demand and the sector's wider participation in the global economy. In order to boost investments in the sector, the Government of India has allowed 100 per cent foreign direct investment (FDI) under automatic route in storage and warehousing including cold storages. The government has also allowed 100 per cent FDI under the automatic route for the development of seeds.

Agriculture Changing in Global Scenario

Steady globalization of trade has profound implications for future agricultural development. In India with increasing globalization of markets over the years there will be demand for agricultural intensification. This will also favoured because of greater backward and forward linkages between agriculture and food industry. Now, increase in production and productivity is bound to be strategically important to economy. Intensification will not only favour alleviation of rural poverty but will also improve resources conservation particularly in the small sector where farmers can be encouraged to take-up organized production of high value crops such as fruits and vegetables, flowers, medicinal and aromatic herbs. The strong demand for crops of the small farmers will not only improve income and welfare but will also make investments in technology and resources conservation more attractive.

In this context, the present study to analyse the growth of agriculture sector in India. The present study is based on secondary data and data was collected from various economic survey, RBI reports and internet sources.

Distribution of GDP in India

The structure of GDP of the Indian economy. The major sector levels of GDP is presented in Table-I.

Table - 1: Sectors of GDP in India (In Percentage)

Year	Agriculture	Industry	Service	Total
2005-06	20.92	25.33	53.77	100
2006-07	19.96	26.04	54.00	100
2007-08	19.26	26.26	54.48	100
2008-09	18.05	25.75	56.20	100
2009-10	16.93	25.77	57.30	100
2010-11	14.52	26.72	58.76	100

Source: Economic Survey, Various Issues, Ministry of Finance, New Delhi, 2012.

Table 1 shows that the share of agricultural sector has come down to 20.92 per cent in 2005-06 to 14.52 per cent in 2010-11; the share of industrial sector has increased from 25.33 in 2005-06 to a marginally increased 26.72 per cent in 2010-11; and the share of service sector has increased from 53.77 per cent in 2005-06 to 58.76 per cent in 2010-11. the overall observation is that the share of the agricultural sector has come down from 20.92 per cent 2005-06 to 14.52 per cent during 2010-11.

Exports and Imports of Agricultural Sector in India

The agro products such as tea, sugar, oilseeds, tobacco, spices and fibers make main items of exports of India. The exports and imports of agriculture products are presented in Table-2.

Table - 2: Exports and Imports of Agriculture in India

Year	Exports (per cent)	Imports (per cent)
2005-06	10.78	3.26
2006-07	10.92	3.53
2007-08	12.05	2.95
2008-09	10.23	2.74
2009-10	11.14	2.61
2010-11	12.55	2.78

Source: DGCI&S, Ministry of Commerce, Kolkata, 2012.

Table - 2 show the total national exports and imports percentage annually between 2005 and 2011. The exports of agricultural products increased from 10.78 per cent in 2005-06 to 12.55 per cent in 2010-11. After independence and green revolution periods, the total agricultural exports, expressed in terms of annual percentage shown the fluctuations this may be due to the shortage of the agricultural production. Since 2005, the share of agricultural in India to total imports has been 3.26 per cent in 2005-06 and 2.78 per cent in 2010-11. The agricultural imports has been reduced to 2.61 per cent is due to higher share of other sectors in India.

Expenditure in Agriculture Sector in India

The agriculture sector includes agriculture, forestry, logging and fishing. The agriculture sector is the largest private sector in India. The expenditure in Agriculture sector is very high per every plan. The expenditure in agriculture sector in Five Year Plans is presented in Table-3.

Table - 3: Expenditure in Agriculture Sector in Five-Year Plans in India

S. No.	Five Year Plans	Expenditure on Agriculture (Per Cent)
1	VI-Five Year Plan (1980-85)	24
2	VII-Five Year Plan (1985-90)	23
3	VIII-Five Year Plan (1992-97)	21
4	IX-Five Year Plan (1997-2002)	20.5
5	X-Five Year Plan (2002-07)	20
6	XI-Five Year Plan (2007-12)	18.5

Source: India Five Years Plans, New Delhi, 2010.

From the Table-3, it is clear that the percentage of plan expenditure on agriculture and allied sector has been between 18-24 per cent in VI–XI - Five Year Plan period in India. But First Five Year Plan has only 31 per cent of expenditure for the agriculture (1951-56) in India.

Major Developments and Investments

The total planned expenditure for the Ministry of Agriculture has increased considerably to Rs 27,049 crore (US$ 4.98 billion) in the Union Budget 2013-14. The outlay is 22 per cent over the revised estimates of the year 2012-13. Further, the amount of Rs 1,000 crore (US$ 184.32 million) has been allocated to continue support to the new green revolution in Eastern States like Assam, Bihar, Chhattisgarh and West Bengal to increase the rice production. An outlay of Rs 500 crore (US$ 92.17 million) is also proposed for starting a programme of crop diversification that would promote technological innovation and encourage farmers to choose crop alternatives in the original green revolution States.

Under the Rashtriya Krishi Vikas Yojana, an outlay of Rs 9954 crore (US$ 1.83 billion) and Rs 2250 crore (US$ 414.64 million) have been proposed for mobilizing higher investment in agriculture and the National Food Security Mission respectively.

A memorandum of understanding (MoU) has been signed between Indian Council of Agricultural Research (ICAR) and Ramakrishna Mission Vivekananda University (RKMVU) for establishment of 632nd Krishi Vigyan Kendra (KVK) in South 24 Parganas district, West Bengal. The ICAR and the World Bank have been implementing a joint National Agricultural Innovation Project (NAIP) in the country to accelerate the collaborative development and application of agricultural innovations. Till date, an amount of Rs 727.93 crore (US$ 134.13 million) has been released by the World Bank for the project. The Chennai based Indian Overseas Bank (IOB) keeping its thrust on agricultural lending under priority sector area has proposed to open 15 special agricultural credit branches in Karnataka and Maharashtra. The bank intends to lend about Rs 500 crore (US$ 92.17 million) through these branches.

New Technology and Future Agriculture

The consumption needs of the projected population are going to be more difficult given the higher productivity base than in 1960. Indian agriculture is faced with a great diversity of needs, opportunities and prospects. Future growth needs are to be more rapid, more widely distributed and better forgetted. Response to these challenges will call for more efficient and sustainable use of increasingly scarce level water resources. New technologies are needed to push the yield frontiers, further utilize inputs more efficiently and diversify to more sustainable and higher value cropping patterns. The changes are needed urgently to respond to new demands for agricultural technology from several directions. Increasing preservation to maintain and enhance the integrity of degrading natural resources, changes in demands and opportunities arising from economic liberalization, unprecedented opportunities arising from advance in bio-technology revolution, mostly importantly the need and urgency to reach the poor and disadvantage, who have been by passed by the Green Revolution Technology. The important implication of increasing globalization relates to the needs for greater attentions to the quality of produce and products both for the domestic and foreign markets. The challenges facing the Indian agriculture today are more serious, complex and the excessive than what we encountered prior to the Green Revolution period. India faces the growing challenges to meet the food demand of its increasing population.

Needs of Indian Agriculture Sector

Government has also taken initiatives to encourage private investment in the food processing industry. The Indian agriculture is heavily dependent on monsoons. The weakness of the agriculture sector is reflected in the low level of public investment, exhaustion of the yield potential of new high yielding varieties of wheat, rice, unbalanced fertilizer use, low seeds replacement rate, an in-adequate incentive system and post harvest value addition. The steps need to be taken to achieve these objectives are:

- Improving water management, rain water harvesting and watershed development;
- Doubling the rate of growth of irrigated area; and
- Diversifying into high value outputs, for its vegetables, flowers, herb and spices, medicinal plants, bamboo, bio-diesel, but with adequate measures to ensure food security and providing cash access to credit at affordable rates.

Suggestions

- The National Plans for improvement and extension of agro-processing technology at farm, traditional small industry and modern industry levels should be prepared. The progress of plan implementation should be periodically reviewed to allow adjustments and correction measures and to develop programme details for the years beyond the period under review.
- The national plan for improvement and extension of agro-processing technology at different levels. Treatment and utilization of effluents from agro-processing industry should be included in the R.D. Programme.
- The national plan should provide for management of agro-industrial activities in the catchments area, both by private companies and individuals as well as Co-operatives.
- Arrangements to supply market information to the farmers and agro-processor should be put in place.

With the evident of all facts, the agriculture sector represents one of the most significant and dynamic sectors of the Indian economy. Therefore, the prospective growth has to be one of the primary objectives of the Government development plans. The agricultural productivity in India can be improved with the adoption of aforesaid measures in the agricultural sector of the country.

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