RESEARCH PAPER | Economics | Volume : 4 | Issue : 7 | July 2014 | ISSN - 2249-555X

Perspectives of Small Farmers Development Programme in India

KEYWORDS

G.Ravikumar

M.A., M.Ed., M.Phil., (Ph.D Research Scholar) Urumu Dhanalakshmi College, Tiruchirappalli-620019.

INTRODUCTION

The role of small farms in development and poverty reduction is well recognized (Lipton, 2006). The global experience of growth and poverty reduction shows that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture (WDR, 2008). Small holdings play important role in raising agricultural development and poverty reduction.

The objective of this paper is to examine the role and challenges of small holding agriculture in achieving agricultural growth, food security and livelihoods in India. The paper also shows that market oriented reforms are not sufficient and government intervention and other support are needed for small holdings to achieve the above goals. It is known that small farmers face several challenges in the access to inputs and marketing. They need a level playing field with large farms in terms of accessing land, water, inputs, credit, technology and markets.

Small holdings also face new challenges on integration of value chains, liberalization and globalization effects, market volatility and other risks and vulnerability, adaptation of climate change etc. (Thapa and Gaiha (2011). Recent "world-wide processes of farm change – commercialisation of increasing proportions of input and output: institutional developments such as super markets; privatization of key aspects of technical progress, and of output and process grades and standards – now indicate large farm focus" (p.59, Lipton, 2006). Therefore, support is needed for small holdings in the context of these world-wide processes of farm change. There are also high returns from investments in agricultural R&d, rural roads and other infrastructure and knowledge generation.

The paper is organized as follows. Section 3 gives a brief background on agricultural growth and policies on agriculture. Section 3 examines the roles and challenges of small holding agriculture in India. It covers trends in agricultural growth, cultivation patterns, participation of small holding agriculture, productivity performance of small holders, linking small holders with markets, role of small holders in enhancing food security and employment generation, differential policies and institutional support for small holders and, challenges and future options for small holding agriculture including information needs. Section 4 provides lessons from the experience of India on small holding agriculture for other countries.

One of the paradoxes of the Indian economy is that the decline in the share of agricultural workers in total workers has been slower than the decline in the share of agriculture in the GDP. For example, the share of agriculture and allied activities in the GDP declined from 57.7 per cent in 1950–1 to 15.7 per cent in 2008–9 (Table 1). The share of agriculture in total workers, however, declined slowly from 75.9 per cent in 1961 to 56.4 per cent in 2004-05.

Between 1961 and 2004-05, there was a decline of 34 percentage points in the share of agriculture in GDP while the decline in share of agriculture in employment was of only 19.5 percentage points. As a result, the gap between labour productivity in agriculture and non-agriculture increased rapidly.

In terms of growth, the performance of agriculture in the post-Independence era has been impressive as compared to the pre-Independence period. The all crop output growth of around 2.57 per cent per annum in the post-Independence period (during 1949–50 to 2007-8) was much higher than the negligible growth rate of around 0.4 per cent per annum in the first half of the last century. As a result, India achieved significant gains in food grains and non-food grain crops.

The highest growth rate of GDP from agriculture and allied activities of 3.9 per cent per annum in recent years was recorded in the period 1992-3 to 1996-71 (Table 2). If we look at decadal average 1980s recorded the highest growth rate of more than 3 per cent per annum. In the post-reform period, it declined to 2.76 per cent per annum. The deceleration in the growth rate of GDP from agriculture between the first half of the 1990s and the later period is glaring. It is disquieting to note that during the 1997–8 to 2004–5, agriculture growth was only 1.6 per cent per annum (Table 2). Fortunately, it recorded growth of 3.5 per cent per annum during 2004-05 to 2010-11. 12th Five Year Plan (20012-17) aims to achieve 4% growth in agriculture. Significant fluctuation in growth of agriculture is a matter of concern (Fig1).

Extensive cultivation has characterized Indian agriculture during the pre-1965 era, and intensive cultivation in the post-green revolution period. There has been significant increase in the use of modern inputs in Indian agriculture. During the period 1950–1 to 2003–4, the percentage of net irrigated area to net cultivated area increased from around 17 to 41. During the same period, fertilizer consumption showed a significant rise from less than 1 kg/ha to 90 kg/ha. Similarly, the percentage of area under high yielding varieties (HYVs) to cereals cropped area has risen from 15 in 1970–1 to 75 in the late 1990s. The share of agriculture in electricity consumption also rose from 4 per cent in 1950–1 to nearly 30 per cent in recent years. All this led to a significant increase in agricultural output over time.

It may be noted that agriculture is a 'state subject' under the Constitution of India. However, the central government plays a crucial role in shaping agricultural policies. Although Indian agriculture is in private hands, government policies have greatly influenced its pace and character.

Broadly, agricultural development policies over time can be divided into four sets of policy packages: (a) institutional reforms; (b) public investment policies; (c) incentive policies; and (d) reforms and globalization policies. The relative importance of the first three sets has varied over time.

Thus, during the first three Five Year Plans (1950–65), the institutional reforms and public investment packages dominated. The central and state governments enacted a number

Volume : 4 | Issue : 7 | July 2014 | ISSN - 2249-555X

of laws regarding land reforms. These laws mainly relate to three aspects: abolition of zamindari system, land ceiling and redistribution of land, and tenancy reforms. The government was successful in abolishing the zamindari or intermediary system after paying compensation to the zamindars.

The land ceiling laws were not effective although there was redistribution of some land to the beneficiaries. The tenancy reforms were more successful in two states, West Bengal in the east and Kerala in the south, than in others. West Bengal succeeded in giving ownership rights to tenants, particularly sharecroppers (bargardars). Some efforts were made to consolidate fragmented holdings in India since Independence. In some parts of north and north-west India these efforts were relatively successful.

There was significant public investment in agriculture during 1950–65. To achieve the objective of self-sufficiency in food grains, there was massive investment particularly in constructing irrigation reservoirs and distribution systems. Another important policy during this period was the expansion of institutional credit which helped reduce informal sources that had been exploitative in respect of interest rates and terms and conditions.

During the 1967–90 period, incentive policies for adoption of new technology and public investment policies dominated government strategy in agriculture. After the humiliating experience with import of food grains in the mid-1960s, there was a vigorous drive for achieving self-sufficiency in food grains by stepping up public investment in irrigation and introduction of new technology through incentives. There was a need to increase domestic food production at a faster rate by much higher productivity without upsetting the agrarian structure. Luckily at that time new high-yielding dwarf varieties of wheat and rice were available in Mexico and the Philippines respectively. Yields increased significantly for wheat initially and later for rice. This breakthrough is popularly known as the 'green revolution'. The productivity improvement associated with the green revolution is best described as forest- or land-saving agriculture. It may be noted that without the green revolution it would not have been possible to lift the production potential of Indian agriculture.

Incentive policies focused on both inputs and output. Subsidies for inputs like irrigation, credit, fertilizers, and power increased significantly in the 1970s and 1980s. The objective of the subsidies is to provide inputs at low prices to protect farmer interests and encourage diffusion of new technology. Similarly, on the output side, there has been a comprehensive long-term procurement-cum-distribution policy in the post-green revolution period. The government announces the support prices at sowing time and agrees to buy all the grains offered for sale at this price. To support these operations, institutions like the Food Corporation of India (FCI) and the Agricultural Prices Commission (APC) were established in the mid-1960s.

In the post-reform period, economic reforms in India since 1991 have improved the incentive framework and agriculture has benefited from reduction in protection to industry. The terms of trade for agriculture have improved and private investment has increased. Export of commodities, particularly cereals, has risen and there has been some progress on market reforms in terms of removing domestic and external controls. However, there were also concerns about agriculture and food security in the 1990s. There has been emphasis on price factors at the cost of non-price factors like research and extension, irrigation, and credit. Economic reforms have largely neglected the agricultural sector and only in the last few years have domestic and external trade reforms in the sector started.

Trade policies in India during the last five decades have been highly interventionist and discriminating against agriculture. There has been pessimism regarding international trade in agriculture.

Trade liberalization in agriculture has been faster towards the end of the 1990s in tune with WTO agreements. There has been considerable progress in the liberalization of export controls, and quantitative controls on imports and on decontrol of domestic trade. The 11th Five Year Plan focused on 'faster and inclusive growth'. An important aspect of 'inclusive growth' in the 11th Plan is its target of 4 per cent per annum growth in GDP from agriculture and allied sectors. A detailed agenda for action is spelt out in Mid-term appraisl of 11th Five Year Plan covering improved access to water, improvement in the supply of good quality seeds, replenishment of soil nutrients, improvements in agricultural research and extension, reforms in land tenancy and improvements in agricultural marketing which is particularly important for perishable produce. The 12th Five Year Plan is going to focus on small and marginal farmers and resource poor regions.

CONCLUSION
In this section, we examine the role, challenges, policies and opportunities for small holding agriculture in India. India is a big country with 1.2 billion population. One state's population is closer to that of Europe. Therefore, there is also a need to look at regional level to bring out the variations.