

Indian government
promoting investment
in agriculture
economics essay



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The main objectives of the Government's price policy for agricultural produce, aims at ensuring remunerative prices to the growers for their produce with a view to encourage higher investment and production.

Towards the end, minimum support prices for major agricultural products are announced each year which are fixed after taking into account, the recommendations of the Commission for Agricultural Costs and Prices (CACP). The CACP while recommending prices takes into account all-important factors, viz.

Cost of Production

Changes in Input Prices

Input/Output Price Parity

Trends in Market Prices

Inter-crop Price Parity

Demand and Supply Situation

Effect on Industrial Cost Structure

Effect on General Price Level

Effect on Cost of Living

International Market Price Situation

Parity between Prices Paid and Prices Received by farmers (Terms of Trade).

EXIM Policy

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EXIM Policy is the export import policy of the government that is announced every five years. It is also known as the Foreign Trade Policy. This policy consists of general provisions regarding exports and imports, promotional measures, duty exemption schemes, export promotion schemes, special economic zone programs and other details for different sectors. Every year the government announces a supplement to this policy.

The EXIM Policy of 2002-2007 (External website that opens in a new window) emphasized the importance of agricultural exports and announced measures like the setting up of agri export zones, removal of procedural restrictions and marketing cost assistance. Agri Export Zones are considered the most important creation of this policy -

Agri Export Zones (External website that opens in a new window)

Agri Export Zones were formed as a result of this policy. These zones are meant to promote agricultural exports from the country and provide remunerative returns to the farming community regularly. They are to be identified by the State Government, which would evolve a comprehensive package of services to be provided by all State Government agencies, State Agriculture Universities and all institutions and agencies of the Union Government for intensive delivery in these zones. Corporate sector companies with proven credentials would be encouraged to sponsor new agri export zones or take over already notified agri export zones.

Services that would be managed and coordinated through this scheme include the provision of pre/post harvest operations, plant protection, processing, packaging, storage and related research and development.
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APEDA will supplement, within its schemes and provisions, the efforts of State Governments for facilitating exports. Click here for a list of the Agri Export Zones.

After, a change of government at the centre, a new EXIM Policy of 2004 - 2009 was announced. This policy came up with export promotional measures such as Towns of Export Excellence, Target Plus, Free Trade and Warehousing Zones and the Vishesh Krishi Upaj Yojana.

Here are details on these schemes:

Towns of Export Excellence - Here, towns in specific areas that produce goods of Rs. 250 crores and above in the handloom, agriculture, handicraft and fisheries sector will be notified as Towns of Exports Excellence on the basis of their potential for growth in exports. They will be granted this recognition to maximize their potential, enable them to move higher in the value chain and tap new markets.

Target Plus - In this scheme, exporters who have attained a large increase in growth of exports would be allowed duty free credit based on incremental exports substantially higher than the general actual export target fixed. Rewards will be granted according to a tiered approach. For incremental growth of over 20, 25 and 100 per cent, the duty free credits would be 5, 10 and 15 per cent of Free on Board (FOB) value of incremental exports.

Vishesh Krishi Gram Udyog Yojana - It aims to promote exports of fruits, vegetables, flowers, fruits, and other value-added products. This year it has been expanded to include soybean and coconut oil as well as food

preparations such as soups. Plus, the benefit of the scheme has been extended to 100 per cent export-oriented units.

Import and Export

Since Independence, India has made a lot of progress in agriculture in terms of growth in output, yields and area under crops. It has gone through a Green Revolution (food grains), a White Revolution (milk), a Yellow Revolution (oilseeds) and a Blue Revolution (aquaculture). Today, India is one of the largest producers of milk, fruits, cashew nuts, coconuts and tea in the world. It is also well known for the production of wheat, vegetables, sugar, fish, tobacco and rice.

Certain types of agriculture such as horticulture, organic farming, floriculture, genetic engineering, packaging and food processing have the potential to see a surge in revenues through exports. Over the past few years, the government has stressed on the development of horticulture and floriculture by creating vital infrastructure for cold storage, refrigerated transportation, packaging, processing and quality control. If India wishes to optimize the production and export potential of these commodities, then it is essential to improve these facilities, marketing and export networks much further.

In recent years, the Central Government has offered different fiscal incentives for bettering storage facilities in rural areas. It also provides financial assistance to the State Governments for acquiring and distributing food grains at subsidized rates, especially to families with annual income below the poverty line. Today, the improved availability of bank credit <https://assignbuster.com/indian-government-promoting-investment-in-agriculture-economics-essay/>

through priority lending, favourable terms of trade and liberalized domestic and external trade for agricultural commodities have also encouraged private players to invest in agriculture.

The major thrust of the policies and programmes of the Government of India relating to livestock and fisheries is in the areas of rapid genetic upgradation of milch animals, improvement in the delivery mechanism of breeding inputs, control of animal diseases, creation of disease free zones, increased availability of nutritious feed, development of dairy activities and backyard poultry, development of processing and marketing facilities and enhancement of production and profitability of livestock.

Agricultural Exports (External website that opens in a new window)

Agricultural exports have shown an increase (External website that opens in a new window) from around Rs. 60 billion in 1990 - 91 to Rs. 398 billion in 2005-06. The Government's special efforts to encourage export of food grains in recent years through grant of World Trade Organization (External website that opens in a new window) or WTO compatible subsidies has lead to India becoming one of the leading exporters of food grains in the international market

Agricultural Imports (External website that opens in a new window)

The imports of agricultural products (External website that opens in a new window) improved from Rs. 12 billion in 1990 - 91 to Rs. 220 billion in 2005-06. The share of agri-imports to total merchandise imports in 2005-06 was 4.59 percent. Edible oil is the single largest agricultural product imported into

the country and accounts for around two-thirds of the total agricultural imports.

NEW AGRICULTURE POLICY

Agriculture is a way of life, a tradition, which, for centuries, has shaped the thought, the outlook, the culture and the economic life of the people of India. Agriculture, therefore, is and will continue to be central to all strategies for planned socio-economic development of the country. Rapid growth of agriculture is essential not only to achieve self-reliance at national level but also for household food security and to bring about equity in distribution of income and wealth resulting in rapid reduction in poverty levels.

Indian agriculture has, since Independence, made rapid strides. In taking the annual foodgrains production from 51 million tonnes in early fifties to 206 million tonnes at the turn of the century, it has contributed significantly in achieving self-sufficiency in food and in avoiding food shortages.

Over 200 million Indian farmers and farm workers have been the backbone of India's agriculture. Despite having achieved national food security the well being of the farming community continues to be a matter of grave concern for planners and policy makers. The establishment of an agrarian economy which ensures food and nutrition to India's billion people, raw materials for its expanding industrial base and surpluses for exports, and a fair and equitable reward system for the farming community for the services they provide to the society, will be the mainstay of reforms in the agriculture sector.

The National Policy on Agriculture seeks to actualise the vast untapped growth potential of Indian agriculture, strengthen rural infrastructure to support faster agricultural development, promote value addition, accelerate the growth of agro business, create employment in rural areas, secure a fair standard of living for the farmers and agricultural workers and their families, discourage migration to urban areas and face the challenges arising out of economic liberalization and globalisation. Over the next two decades, it aims to attain:

The salient features of the new agricultural policy are:

Over 4 per cent annual growth rate aimed over next two decades..

Greater private sector participation through contract farming.

Price protection for farmers.

National agricultural insurance scheme to be launched.

Dismantling of restrictions on movement of agricultural commodities throughout the country.

Rational utilisation of country's water resources for optimum use of irrigation potential.

High priority to development of animal husbandry, poultry, dairy and aquaculture.

Capital inflow and assured markets for crop production.

Exemption from payment of capital gains tax on compulsory acquisition of agricultural land.

Minimise fluctuations in commodity prices.

Continuous monitoring of international prices.

Plant varieties to be protected through a legislation.

Adequate and timely supply of quality inputs to farmers.

High priority to rural electrification.

Setting up of agro-processing units and creation of off-farm employment in rural areas.

Sustainable Agriculture

The policy will seek to promote technically sound, economically viable, environmentally non-degrading, and socially acceptable use of country's natural resources – land, water and genetic endowment to promote sustainable development of agriculture. Measures will be taken to contain biotic pressures on land and to control indiscriminate diversion of agricultural lands for non-agricultural purposes. The unutilized wastelands will be put to use for agriculture and afforestation. Particular attention will be given for increasing cropping intensity through multiple-cropping and inter-cropping.

Rational utilization and conservation of the country's abundant water resources will be promoted. Conjunctive use of surface and ground water will receive highest priority. Special attention will be focused on water quality

and the problem of receding ground-water levels in certain areas as a result of over-exploitation of underground aquifers. Proper on-farm management of water resources for the optimum use of irrigation potential will be promoted.

Erosion and narrowing of the base of India's plant and animal genetic resources in the last few decades has been affecting the food security of the country. Survey and evaluation of genetic resources and safe conservation of both indigenous and exogenously introduced genetic variability in crop plants, animals and their wild relatives will receive particular attention. The use of bio-technologies will be promoted for evolving plants which consume less water, are drought resistant, pest resistant, contain more nutrition, give higher yields and are environmentally safe. Conservation of bio-resources through their ex situ preservation in Gene Banks, as also in situ conservation in their natural habitats through bio-diversity parks, etc., will receive a high priority to prevent their extinction. Specific measures will also be taken to conserve indigenous breeds facing extinction. There will be a time bound programme to list, catalogue and classify country's vast agro bio-diversity.

Sensitization of the farming community with the environmental concerns will receive high priority. Balanced and conjunctive use of bio-mass, organic and inorganic fertilizers and controlled use of agro chemicals through integrated nutrients and pest management (INM & IPM) will be promoted to achieve the sustainable increases in agricultural production. A nation-wide programme for utilization of rural and urban garbage, farm residues and organic waste for organic matter repletion and pollution control will be worked out.

Agro-forestry and social forestry are prime requisites for maintenance of ecological balance and augmentation of bio-mass production in agricultural systems. Agro-forestry will receive a major thrust for efficient nutrient cycling, nitrogen fixation, organic matter addition and for improving drainage. Farmers will be encouraged to take up farm/agro-forestry for higher income generation by evolving technology, extension and credit support packages and removing constraints to development of agro and farm forestry. Involvement of farmers and landless labourers will be sought in the development of pastures/forestry programmes on public wastelands by giving financial incentives and entitlements to the usufructs of trees and pastures.

The history and traditional knowledge of agriculture, particularly of tribal communities, relating to organic farming and preservation and processing of food for nutritional and medicinal purposes is one of the oldest in the world. Concerted efforts will be made to pool, distil and evaluate traditional practices, knowledge and wisdom and to harness them for sustainable agricultural growth.

Food and Nutritional Security

Special efforts will be made to raise the productivity and production of crops to meet the increasing demand for food generated by unabated demographic pressures and raw materials for expanding agro-based industries. A regionally differentiated strategy will be pursued, taking into account the agronomic, climatic and environmental conditions to realize the full growth potential of every region. Special attention will be given to

development of new crop varieties, particularly of food crops, with higher nutritional value through adoption of bio-technology particularly genetic modification, while addressing bio-safety concerns.

A major thrust will be given to development of rainfed and irrigated horticulture, floriculture, roots and tubers, plantation crops, aromatic and medicinal plants, bee-keeping and sericulture, for augmenting food supply, exports and generating employment in rural areas. Availability of hybrid seeds and disease-free planting materials of improved varieties, supported by a network of regional nurseries, tissue culture laboratories, seed farms will be promoted to support systematic development of horticulture having emphasis on increased production, post-harvest management, precision farming, bio-control of pests and quality regulation mechanism and exports.

Animal husbandry and fisheries also generate wealth and employment in agriculture sector. Development of animal husbandry, poultry, dairying and aqua-culture will receive a high priority in the efforts for diversifying agriculture, increasing animal protein availability in the food basket and for generating exportable surpluses. A national livestock breeding strategy will be evolved to meet the requirements of milk, meat, egg and livestock products and to enhance the role of draught animals as a source of energy for farming operations and transport. Major thrust will be on genetic upgradation of indigenous/native cattle and buffaloes using proven semen and high quality pedigreed bulls and by expanding artificial insemination network to provide services at the farmer's doorstep.

Generation and dissemination of appropriate technologies in the field of animal production as also health care to enhance production and productivity levels will be given greater attention. Cultivation of fodder crops and fodder trees will be encouraged to meet the feed and fodder requirements and to improve animal nutrition and welfare. Priority will also be given to improve the processing, marketing and transport facilities, with emphasis on modernization of abattoirs, carcass utilization and value addition thereon. Since animal disease eradication and quarantine is critical to exports, animal health system will be strengthened and disease-free zones created. The involvement of cooperatives and private sector will be encouraged for development of animal husbandry, poultry and dairy. Incentives for livestock and fisheries production activities will be brought at par with incentives for crop production.

An integrated approach to marine and inland fisheries, designed to promote sustainable aquaculture practices, will be adopted. Biotechnological application in the field of genetics and breeding, hormonal applications, immunology and disease control will receive particular attention for increased aquaculture production. Development of sustainable technologies for fin and shell fish culture as also pearl-culture, their yield optimization, harvest and post-harvest operations, mechanization of fishing boats, strengthening of infrastructure for production of fish seed, berthing and landing facilities for fishing vessels and development of marketing infrastructure will be accorded high priority. Deep sea fishing industry will be developed to take advantage of the vast potential of country's exclusive economic zone.

Generation and Transfer of Technology

A very high priority will be accorded to evolving new location-specific and economically viable improved varieties of agricultural and horticultural crops, livestock species and aquaculture as also conservation and judicious use of germplasm and other bio-diversity resources. The regionalization of agricultural research, based on identified agro-climatic zones, will be accorded high priority. Application of frontier sciences like bio-technology, remote sensing technologies, pre and post-harvest technologies, energy saving technologies, technology for environmental protection through national research system as well as proprietary research will be encouraged. The endeavour will be to build a well organized, efficient and result-oriented agriculture research and education system to introduce technological change in Indian agriculture. Upgradation of agricultural education and its orientation towards uniformity in education standards, women empowerment, user-orientation, vocationalization and promotion of excellence will be the hallmark of the new policy..

The research and extension linkages will be strengthened to improve quality and effectiveness of research and extension system. The extension system will be broad-based and revitalized. Innovative and decentralized institutional changes will be introduced to make the extension system farmer-responsible and farmer-accountable. Role of Krishi Vigyan Kendras (KVKs), Non-Governmental Organizations (NGOs), Farmers Organizations, Cooperatives, corporate sector and para-technicians in agricultural extension will be encouraged for organizing demand-driven production systems.

Development of human resources through capacity building and skill
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upgradation of public extension functionaries and other extension functionaries will be accorded a high priority. The Government will endeavour to move towards a regime of financial sustainability of extension services through effecting in a phased manner, a more realistic cost recovery of extension services and inputs, while simultaneously safeguarding the interests of the poor and the vulnerable groups.

Mainstreaming gender concerns in agriculture will receive particular attention. Appropriate structural, functional and institutional measures will be initiated to empower women and build their capabilities and improve their access to inputs, technology and other farming resources.

Inputs Management

Adequate and timely supply of quality inputs such as seeds, fertilizers, plant protection chemicals, bio-pesticides, agricultural machinery and credit at reasonable rates to farmers will be the endeavour of the Government. Soil testing and quality testing of fertilisers and seeds will be ensured and supply of spurious inputs will be checked. Balanced and optimum use of fertilizers will be promoted together with use of organic manures and bio-fertilizers to optimize the efficiency of nutrient use.

Development, production and distribution of improved varieties of seeds and planting materials and strengthening and expansion of seed and plant certification system with private sector participation will receive a high priority. A National Seed Grid will be established to ensure supply of seeds especially to areas affected by natural calamities. The National Seeds

Corporation (NSC) and State Farms Corporation of India (SFCI) will be restructured for efficient utilization of investment and manpower.

Protection to plant varieties through a sui generis legislation, will be granted to encourage research and breeding of new varieties particularly in the private sector in line with India's obligations under TRIPS Agreement. The farmers will, however, be allowed their traditional rights to save, use, exchange, share and sell their farm saved seeds except as branded seeds of protected varieties for commercial purpose. The interests of the researchers will also be safeguarded in carrying out research on proprietary varieties to develop new varieties.

Integrated pest management and use of biotic agents in order to minimize the indiscriminate and injudicious use of chemical pesticides will be the cardinal principle covering plant protection. Selective and eco-friendly farm mechanization through appropriate technology will be promoted, with special reference to rainfed farming to reduce arduous work and to make agriculture efficient and competitive as also to increase crop productivity.

Incentives for Agriculture

The Government will endeavour to create a favourable economic environment for increasing capital formation and farmer's own investments by removal of distortions in the incentive regime for agriculture, improving the terms of trade with manufacturing sectors and bringing about external and domestic market reforms backed by rationalization of domestic tax structure. It will seek to bestow on the agriculture sector in as many respects as possible benefits similar to those obtaining in the manufacturing sector, <https://assignbuster.com/indian-government-promoting-investment-in-agriculture-economics-essay/>

such as easy availability of credit and other inputs, and infrastructure facilities for development of agri-business industries and development of effective delivery systems and freed movement of agro produce.

Consequent upon dismantling of Quantitative Restrictions on imports as per WTO Agreement on Agriculture, commodity-wise strategies and arrangements for protecting the grower from adverse impact of undue price fluctuations in world markets and for promoting exports will be formulated. Apart from price competition, other aspects of marketing such as quality, choice, health and bio-safety will be promoted. Exports of horticultural produce and marine products will receive particular emphasis. A two-fold long term strategy of diversification of agricultural produce and value addition enabling the production system to respond to external environment and creating export demand for the commodities produced in the country will be evolved with a view to providing the farmers incremental income from export earnings. A favourable economic environment and supportive public management system will be created for promotion of agricultural exports. Quarantine, both of exports and imports, will be given particular attention so that Indian agriculture is protected from the ingress of exotic pests and diseases.

In order to protect the interest of farmers in context of removal of Quantitative Restrictions, continuous monitoring of international prices will be undertaken and appropriate tariffs protection will be provided. Import duties on manufactured commodities used in agriculture will be rationalized.

The domestic agricultural market will be liberalized and all controls and regulations hindering increase in farmers' income will be reviewed and <https://assignbuster.com/indian-government-promoting-investment-in-agriculture-economics-essay/>

abolished to ensure that agriculturists receive prices commensurate with their efforts, investment. Restrictions on the movement of agricultural commodities throughout the country will be progressively dismantled.

The structure of taxes on foodgrains and other commercial crops will be reviewed and rationalized. Similarly, the excise duty on materials such as farm machinery and implements, fertilizers, etc., used as inputs in agricultural production, post harvest storage and processing will be reviewed. Appropriate measures will be adopted to ensure that agriculturists by and large remain outside the regulatory and tax collection systems. Farmers will be exempted from payment of capital gains tax on compulsory acquisition of agricultural land.

Investments in Agriculture

The agriculture sector has been starved of capital. There has been a decline in the public sector investment in the agriculture sector. Public investment for narrowing regional imbalances, accelerating development of supportive infrastructure for agriculture and rural development particularly rural connectivity will be stepped up. A time-bound strategy for rationalisation and transparent pricing of inputs will be formulated to encourage judicious input use and to generate resources for agriculture. Input subsidy reforms will be pursued as a combination of price and institutional reforms to cut down costs of these inputs for agriculture. Resource allocation regime will be reviewed with a view to rechannelizing the available resources from support measures towards assets formation in rural sector.

A conducive climate will be created through a favourable price and trade regime to promote farmers' own investments as also investments by industries producing inputs for agriculture and agro-based industries. Private sector investments in agriculture will also be encouraged more particularly in areas like agricultural research, human resource development, post-harvest management and marketing.

Rural electrification will be given a high priority as the prime mover for agricultural development. The quality and availability of electricity supply will be improved and the demand of the agriculture sector will be met adequately in a reliable and cost effective manner. The use of new and renewable sources of energy for irrigation and other agricultural purposes will also be encouraged.

Bridging the gap between irrigation potential created and utilized, completion of all on-going projects, restoration and modernization of irrigation infrastructure including drainage, evolving and implementing an integrated plan of augmentation and management of national water resources will receive special attention for augmenting the availability and use of irrigation water.

Emphasis will be laid on development of marketing infrastructure and techniques of preservation, storage and transportation with a view to reducing post-harvest losses and ensuring a better return to the grower. The weekly periodic markets under the direct control of Panchayat Raj institutions will be upgraded and strengthened. Direct marketing and pledge financing will be promoted. Producers markets on the lines of Ryatu Bazars

will be encouraged throughout the width and breadth of the country. Storage facilities for different kinds of agricultural products will be created in the production areas or nearby places particularly in the rural areas so that the farmers can transport their produce to these places immediately after harvest in shortest possible time. The establishment of cold chains, provision of pre-cooling facilities to farmers as a service and cold storage in the terminal markets and improving the retail marketing arrangements in urban areas, will be given priority. Upgradation and dissemination of market intelligence will receive particular attention.

Setting up of agro-processing units in the producing areas to reduce wastage, especially of horticultural produce, increased value addition and creation of off-farm employment in rural areas will be encouraged.

Collaboration between the producer cooperatives and the corporate sector will be encouraged to promote agro-processing industry. An interactive coupling between technology, economy, environment and society will be promoted for speedy development of food and agro-processing industries and building up a substantial base for production of value added agro-products for domestic and export markets with a strong emphasis on food safety and quality. The Small Farmers Agro Business Consortium (SFAC) will be energized to cater to the needs of farmer entrepreneurs and promote public and private investments in agri-business.

Institutional Structure

Indian agriculture is characterized by pre-dominance of small and marginal farmers. Institutional reforms will be so pursued as to channelize their

energies for achieving greater productivity and production. The approach to rural development and land reforms will focus on the following areas:

Consolidation of holdings all over the country on the pattern of north-western States;

Redistribution of ceiling surplus lands and waste lands among the landless farmers, unemployed youth with initial start-up capital;

Tenancy reforms to recognize the rights of the tenants and share croppers;

Development of lease markets for increasing the size of holdings by making legal provisions for giving private lands on lease for cultivation and agri-business;

Updating and improvement of land records, computerization and issue of land pass-books to the farmers, and

Recognition of women's rights in land.

The rural poor will be increasingly involved in the implementation of land reforms with the help of Panchayati Raj Institutions, Voluntary Groups, Social Activists and Community Leaders.

Private sector participation will be promoted through contract farming and land leasing arrangements to allow accelerated technology transfer, capital inflow and assured markets for crop production, especially of oilseeds, cotton and horticultural crops.

Progressive institutionalization of rural and farm credit will be continued for providing timely and adequate credit to farmers. The rural credit institutions will be geared to promote savings, investments and risk management. Particular attention will be paid to removal of distortions in the priority sector lending by commercial banks for agriculture and rural sectors. Special measures will be taken for revamping of cooperatives to remove institutional and financial weaknesses and evolving simplified procedure for sanction and disbursement of agriculture credit. The endeavour will be to ensure distribution equity in the disbursement of credit. Micro-credit will be promoted as an effective tool for alleviating poverty. Self Help Group - Bank linkage system, suited to Indian rural sector, will be developed as a supplementary mechanism for bringing the rural poor