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National Agriculture Policy – A Critical Evaluation

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The National Agricultural Policy (NAP) was formulated with the aim of sustainable development in agriculture sector. This briefing paper examines the various provisions under the NAP highlighting the policy document and concluding that hardly any serious action has been taken on most NAP's proposal. The paper provides suggestions as to how NAP could be made effective if time bound action plan is taken into consideration, including the active participation of various stakeholders.

Background

Agriculture is the mainstay of the Indian economy. Indian agriculture has made rapid strides from food shortages and imports to self-sufficiency and exports. It has moved from subsistence farming to intensive and technology led cultivation. Agriculture is generally described as the backbone of Indian economy and is at the core of socio economic development of the country. Growth of other sectors and overall economy depends on performance of agriculture to a considerable extent. Not only it is a source of livelihood and food security for a large population of India but also has a special significance for low income, poor and vulnerable sections.

The pre-green revolution period i.e. 1950-51 till mid-1960s, Indian agriculture saw different policy reforms such as institutional changes, formidable agrarian reforms, development of irrigation projects, abolition of intermediary landlordism and imposition of land ceiling acts etc. The green revolution marked the second phase of agriculture policy directed to attain food security though agrarian reforms during late 1960s and early 1970s took back seat. In this period, more focus was on research, extension, input supply, credit, marketing, price support and technology growth. Another highlight of this period was the establishment of Food Corporation of India (FCI) and Agricultural Prices Commission. 1980s witnessed increase in agricultural gross domestic product (GDP) because of market driven growth and due to speedy growth of fishery, poultry, vegetables and fruits.

After 1991, the agriculture sector witnessed the effect of liberalisation, including new international trade accord and the World Trade Organisation (WTO). The economic reform brought about opening up of the domestic markets, deregulation, and lesser government participation, which posed a threat to the agriculture sector. This gave a call to more competitiveness in this sector as it raised a lot of new challenges and opportunities. Therefore, all these challenges and opportunities, including existing policy

vacuum demanded a prerequisite policy response. In this backdrop, the Government of India announced the National Agriculture Policy (NAP) in July 2000.

National Agriculture Policy 2000

The broad objectives of NAP is 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 agricultural population; discourage migration to urban areas; and face the challenges arising out of economic liberalisation and globalisation. Over the next two decades, NAP aims to attain a growth rate in excess of four percent per annum in the agriculture sector that is based on efficient use of resources and conserves our soil, water and bio-diversity and growth that is demand driven and caters to domestic markets and maximises benefits from exports of agricultural products in the face of the challenges arising from economic liberalisation and globalisation.

The NAP has indicated a package of policy initiatives to achieve the objectives. These include Sustainable Agriculture, Food and Nutritional Security, Generation and Transfer of Technology, Inputs Management, Incentives for Agriculture, Investments in Agriculture, Institutional Structure, Risk Management and Management Reforms.

NAP vis-à-vis Challenges in the Agriculture Sector

The NAP confronted, since the very beginning, some major challenges related to growth, sustainability, efficiency and equity in addition to dealing with food security concerns, livelihood tasks, and employment generation burden. It envisages 'Rainbow Revolution' that has set out various intentions of the government and

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promises to cover all aspects of the farm sector. In principle, it talks about different aspects of farming, including private sector participation and emphasises the price incentive for farmers to safeguard their interests. After six years of NAP, in the light of the policy intentions mentioned in it, an assessment could be made, which will help in better understanding of its various provisions.

Being the first ever-released agriculture policy by the government, NAP sets out the intentions of strengthening the base of the most important sector of Indian economy in the following way:

- It aims to attain a growth rate in excess of four percent per annum in the agriculture sector and seeks to achieve this growth in a sustainable manner and with equity;
- It talks about investment in agriculture in terms of capital formation and stepping up the public investments for narrowing regional imbalances;
- It emphasises the need to increase the need for the exports of agricultural products;
- It talks about institutional and management reforms for the sector and about managing the risks in the sector; and
- It emphasises easy availability of credit and other inputs to the farming community.

In addition, the policy addresses the enhanced level of efficiency of input use consistent with environmental upholding and makes clear the vision of the government to fortify this sector.

Growth rate

A comparison of the government's intention and the progress made so far in agriculture sector reveals a clear paradox. Albeit NAP aims at achieving the growth rate in excess of four percent per annum in the agriculture sector, the pattern of growth rates seems unachievable. Table-1 shows the Annual average growth rate in this sector from 1985 to 2005.

As against the target of annual growth rate of four percent during the 10th plan, agricultural growth rate in the first year was negative. The growth rate was 10 percent during the second year, which again declined to 0.7 percent and for the year 2005-06, CSO has estimated the growth rate to be 2.3

Table-1: Average Annual Growth Rate in Agriculture Sector from 1985 to 2005	
Five Year Plan	Agriculture & Allied Sectors (percent)
Seventh Plan (1985-1990)	3.2
Annual Plan (1990-92)	1.3
Eighth Plan (1992-97)	4.7
Ninth Plan (1997-2002)	2.1
Tenth Plan (2002-07)	
2002-03	-6.9
2003-04	10.0
2004-05	0.7

Source: Central Statistical Organisation

percent. The target mentioned in the NAP policy document does not seem to suffice with the given conditions.

Table-2 elaborates the production of foodgrains during this period.

Table-2: Food Grains Productions during 2000-05					
(Million Tonnes)					
Crop/Year	2000-01	2001-02	2002-03	2003-04	2004-05*
Rice	85.0	93.3	71.8	88.3	85.3
Wheat	69.7	72.8	65.8	72.1	72.0
Coarse Cereals	31.1	33.4	26.1	38.1	33.9
Pulses	11.1	13.4	11.1	14.9	13.4
Foodgrains					
(i) Kharif	102.1	112.1	87.2	116.9	103.3
(ii) Rabi	94.7	100.8	87.6	96.6	101.3
Total (i)+(ii)	196.8	212.9	174.8	213.5	204.6

Source: Ministry of Agriculture
*4th advance estimates

Investment in agriculture sector

Similarly, the NAP aims at increasing the investment in the agriculture sector. Huge investments are required to convert wastelands into cultivable lands. But the investment and the capital formation in the sector are declining. Table-3 shows the gross capital formation in agriculture from 1999-2000 to 2004-05.

The decline in the share of agriculture sector's capital formation in GDP is continuing. It was 2.2 percent in the

Table-3: Gross Capital Formation in Agriculture (1999-00 and 2004-05)				
Year	Investment in Agriculture (Rs crore)	Share in gross investment (percent)		Investment in Agriculture as a percent of GDP
		Total	Public	
1999-00	43473	17.8	82.2	2.2
2000-01	38176	18.4	81.6	1.9
2001-02	46744	18.2	81.8	2.2
2002-03	45867	17.1	82.9	2.1
2003-04	47833	26.8	73.2	2.0
2004-05*	43123	29.2	70.8	1.7

Source: Central Statistical Organisation
* Quick Estimates

late 1990's and has declined to 1.7 percent in 2004-05. This declining share was mainly due to the stagnation in public investment in irrigation in mid-1990s. However, the share of public investment has increased after that but share of private investment declined.

The Union Budget for 2005-06 stepped up public investment significantly for rural roads and rural employment programmes but how much it will help in increasing the capital formation as a percent of GDP is yet to be seen.

Employment in agriculture sector

The policy identifies agriculture to be relatively unrewarding profession, causing abandoning of farming and increasing migration. The share of agriculture as percentage of GDP is declining but the share of employment in agriculture shows no major change. The labour force engaged in agriculture is increasing, giving rise to unproductive employment which leads them into vicious circle of poverty. The policy also talks about

Box-1: Farmers' Suicide: An Agrarian Distress

The rural poor and the agriculture community of India have been gripped with the vicious circle of poverty since long. There have been instances of indebtedness, forced sales and starvation among the farmers in almost all the states. In Maharashtra, Andhra Pradesh and Karnataka, highest number of suicides has been reported.

In Maharashtra, the rain-dependent cotton-growing farmers are facing declining profitability because of dumping in the global market by US, low import tariffs, decline in public investment in agriculture, soaring input costs, low output prices, need for funds for non-farm expenditure, lack of formal credit institutions and poor government agriculture extension schemes. The changed nature of agriculture involves high costs and low or negative returns which also acts as a deterrent. The National Sample Survey Organisation (NSSO) survey has shown that 50 percent rural debt is due to capital-intensive farming and indebtedness, which is driving farmers to suicide.

The total number of farmer suicides in Maharashtra and Andhra Pradesh increased drastically between 2000 and 2004 and the disaster is continuing. The farmers here are facing uncertainties related to yield, price, credit, weather, income and above all government policies.

creation of off-farm employment in rural areas but suggest no concrete approach for implementation. Table-4 shows the increase in people employed in agriculture sector. The

	1951	1961	1971	1981	1991	2001
Agricultural Workers/Year						
Cultivators	69.9	99.6	78.2	92.5	110.7	127.3
Agricultural Labourers	27.3	31.5	47.5	55.5	74.6	106.8
Total	97.2	131.1	125.7	148.0	185.3	234.1

Source: Department of Agriculture & Cooperation, Ministry of Agriculture

challenge before the policy is to suggest action on shifting labour out of agriculture into non-farm employment and on increasing the marginal productivity of labour in order to balance the land labour ratio.

Export Performance

In view of increasing agriculture trade, NAP aims at promotion of agricultural exports. However, Table-5 shows the agricultural exports as percent of total exports, which reveals that the share of agriculture is declining.

challenge before the policy is to suggest action on shifting labour out of

moneylenders who invariably exploits them by charging very high rate of interests and the farmers are forced into indebtedness.

Most of the farmers committing suicides have been forced to borrow from private moneylenders as formal agencies have failed to come to their help in meeting the credit needs adequately. Moreover, interlocking of markets is also a problem that ultimately leads the small and marginal farmers into the debt trap. It occurs when households find themselves borrowing from, working for, hiring land from and selling harvests to a single landlord, employer or moneylender. This results in creditors imposing unfair conditions on their debtors, who have no choice but to comply with that leads to trapping the farmer into the interlocking markets. In principle, interlocking impedes entrepreneurial capacity and traps the farmer in low-return activities. Though interlocking sometimes is considered to be a risk aversion mechanism

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06*
Agri-Exports as percent of Total Exports	13.5	13.5	11.9	11.9	10.2	9.6

Source: Department of Commerce (DGCI&S)
* April- October

Risk Management

NAP also aims at managing risk prevailing in the agriculture sector by making National Agriculture Insurance Scheme (NAIS) more farmers specific and effective. The NAIS is currently being implemented in 23 States and two Union Territories and till now, 7.51 crore farmers have been covered under this scheme from 1999-2000 to 2005-06 (Source: Ministry of Finance).

The insurance scheme and institutionalisation of rural credit however intends to stabilise the conditions of the farmers but the suicides by the farmers are increasing continuously and alarmingly.

Credit Availability

In the same vein, the NAP's aim for better institutionalisation of rural and farm credit system for providing timely and adequate credit to the farmers has also not proved successful. Table-6 shows the total institutional credit to agriculture.

The total credit flow to the agriculture and allied activities has increased but still lakhs of farmers are dependent on informal sources of credit like local

as the moneylenders may help out in crisis it prevents the farmer from acting as free market agent as he is dependent on the choice of the others.

General Observations

There are several reasons that have proved as a constraint in the successful implementation of the NAP though it intends to reinforce the agriculture sector but lacks at some serious fronts. It is said to harm the interests of Indian farmers in certain areas, including:

- It came at a time when there existed clear and disturbing signs of a declining trend in foodgrain productivity, fast emerging barriers to sustainability of agriculture, depleting underground water resources, the ever-growing indebtedness in farming and farmers suicides. It has been criticised on the ground that in spite of the prevalent situation the policy demanded that the farmers should diversify and produce export oriented crops and the focus shifted from agriculture to industry, trade and commerce.
- It is felt that it has set unrealistic targets. No clear-cut strategy has been evolved or mentioned for achieving

the respective targets. It seems like other policies wherein the plans are evolved but implementation is too far-fetched.

- It looks more like a document citing issues involved in agriculture than any serious statement of policy and intent by the Central Government. The document though contains a set of policy intentions and explains exhaustively what has to be done but ignores to include the procedure for the implementation of the set intentions.
- It does not explain as to how the implementation shall be done and how the goals and objectives shall be achieved. It does not have any time bound and concrete action plan to carry out the activities mentioned in the document. No strategy has been formulated to implement the agenda mentioned in the document. It does not mention any deadline or timeframe for the accomplishment of any task and lacks the target based result oriented approach.
- It was introduced in the year 2000 and since then no document has been released to gauge the status of the intentions of the government mentioned in the document. There has never been any supplement to NAP document since then and no follow up mechanism has been evolved.
- Above all, conflict is about agriculture being the state subject while policy is formed by the Central Government, which plays an important role in the recommendation of national agricultural policies. There are pronounced disparities among the states in agricultural progress. Some states are agriculturally much progressed and some states lag behind. A centralised policy tends to create constraints as it fails to cater to the state specific needs, albeit the states find it difficult to work in accordance with the national policy. This makes NAP quite incongruent, especially when the formulation of such a policy is made with little or no participation by State Governments.

Conclusions and Recommendations

The policy should aim at providing productive employment to the huge labour force dependent on agriculture sector. One way of doing this could be by making the sector competitive enough to provide gainful employment to all. But as the labour force seems to increase at a much higher rate than land productivity, efforts should be made to direct the excess labour to non-farm activities as it would help them earn better giving rise to the income of those left in agriculture and this process should be clearly defined by the policy.

Agency	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06*
Cooperative Banks	20800	23604	23716	26959	30639	28947
Regional Rural Banks	4220	4854	6070	7581	11718	11146
Commercial Banks	27807	33587	39774	52441	72886	77806
Total	52827	62045	69560	86981	115243	117899

Source: National Bank for Agriculture and Rural Development
* Upto December 31, 2005

The Central Government should involve varied stakeholders in the process of policymaking and implementation and should try to strengthen the existing mechanism of this sector. The efforts of the centre by establishing National Commission on farmers should be further strengthened. The actual condition of the farmers and the ground realities they face have to be kept in mind while formulating any policy as they get affected the most. The priorities should be set up in accordance with the farmers needs. Schemes introduced by the government to improve the condition of the farmers should focus on effective implementation with regular rounds of checks and follow-ups.

Also the policies formulated by government should be time bound and sector specific. Each target should be followed by a strategy and action plan. Proper planning and strategy should be in place to assess what percent of growth has to be achieved in a specified timeframe. A white paper needs to be published after a specific interval of time and a follow up committee should evaluate the policy in the light of facts mentioned in the white paper and policy should be altered accordingly.

The states being different from each other in terms of agriculture growth, all agricultural policies including price supports, input subsidies, produce marketing, and consumer subsidies must ultimately be agreed to, and implemented, by the State Governments. Importance of the state participation in the formulation of the policy should be realised. Also, the State Government should reconcile with the policy made by the centre and support it in the implementation process. Operational co-ordination between centre and state team is very crucial for successful implementation of the policy.

It is very true that the NAP has to be compatible with the imperatives of economic liberalisation and globalisation but safeguarding the interests of the farmers should be the priority of the government. Agriculture education and research can be important tools in making the farmers compatible with the changing environment.

The NAP needs to be brought to the centre stage urgently. It must be examined with a sense of urgency. The current state of all the resources, on which the country's agriculture is based, must be revisited thoroughly.

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