

# Indian Agriculture A Story Of Sheer Apathy

Short-term measures such as waiving off debts which in reality don't do anything to alleviate the sufferings of the farmers have been responsible for the mess this sector finds itself in. With the monsoon having played truant once again, the same vicious cycle shall be repeated all over again, leading to financial erosion of the national economy



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Another bout of monsoon failure has, once again, exposed the frailties of Indian agriculture. A 23 per cent deficient rainfall (a three-decade low) this monsoon season (leading to drought in many states and severe flood in a few) and the contribution of this sector to India's GDP growth during the current financial year has been virtually written off. The story of Indian agriculture is essentially a story of widespread apathy of the government amidst a few pockets of excellence and sincere intent. Of course there are many facets to the problem.

For sure, an Indian farmer faces multiple challenges with regard to

yield, inputs, technologies, prices, credit etc. Not all of these can possibly be attributed to the government. However, Indian policy making quite often is more about talks rather than walking the talk. Unlike other sectors,

Planning Commission documents or the annual reports of the Ministry of Agriculture, Government of India, the same problems of lack of agricultural infrastructure are being dwelt upon in report after report and are invariably



Period	1980-81 To 1990-91	1980-91 To 1996-97	1996-97 To 2005-06
Technology <sup>a</sup>	3.3	2.8	0
Gross Irrigated Area	2.3	2.6	0.5 <sup>b</sup>
Electricity Consumed	14.1	9.4	-0.5 <sup>c</sup>
NPK Use	8.2	2.5	2.3

a: Yield potential of new varieties of paddy, rapeseed/mustard, groundnut, wheat, maize.  
 b: Up to 2003-04.  
 c: Up to 2004-05.  
 (Source: Handbook of Statistics on Indian Economy, RBI and my calculations / Economic Survey)

development of agriculture requires a lot of governmental intervention simply because about 65 per cent of India's population depends on agriculture for their livelihood and the rural sector has the highest incidence of poverty.

Nevertheless, the recent incidence of the debilitating impact of the deficient rainfall gives all of us a sense of deja vu. Fact is, if one reads the

followed by the stated desire to jack up the investment. Even 62 years after our independence and 18 years after economic liberalisation, the theme never changes. A part of the so-called BRIC and a supposed engine of global economy, virtually 65 per cent of our people are dependent on a sector that is a recipient of political lip service only and not of any real will to transform

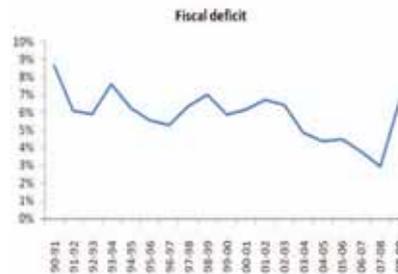
the sector.

The fact that Indian agriculture has been stagnating for long is quite clear. This is clear from the falling CAGR (compound annual growth rate) of food grain production. Interestingly, in the current decade, the annual growth in food grain production has been less than the population growth. The deceleration in growth rate is mainly attributable to a sharp decline in usage of critical inputs like technology implementation, irrigation, fertilisers and electricity consumption. Not surprisingly, agricultural productivity has been a casualty in India.

What is important to note in the above table is the situation with gross irrigated area. This exemplifies the plight of a sector that is over-dependent on the monsoon. Currently, over 60 per cent of farmland in India depends solely on rainfall. Yet investment in irrigation does not seem to be a top priority. Not surprisingly, investment in this sector has been a clear laggard.

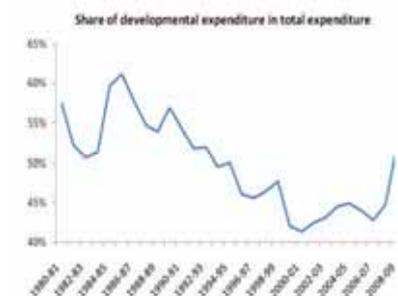
As the table shows, there is a continuous decline in the share of agriculture as far as investment is concerned. As of now, gross capital formation (GCF) in agriculture accounts for a measly 5.7 per cent to total GCF while agriculture accounts for close to 20 per cent of India's GDP. In a related finding, a World Bank Working Paper (M Ravallion, 2002) showed that whenever there is a need for contraction in spending by the government, the social sector tends to be the worst affected.

Indeed, investment in this sector remains a soft target as the government continues to struggle with its expenditure management, given its profligate ways. Even when the economy was growing at around 9 per cent and revenue was growing fast, deficit continued to be a bugbear. Conservation of resource as a policy did not find favour. Hence, the government of the day followed the easy way out - that of statistically reducing the deficit by removing a few items from the ambit of deficit calculation, irrespective of the fact that financing of those items continue to burden the economy. Despite this, the deficit jumped last year as the economy slowed down and will be even higher this year. Invariably, the first casualty of



Source: Handbook of Statistics on Indian Economy, RBI

uncontrolled deficit was developmental expenditure. While the situation has improved somewhat of late, we still have a long way to go.

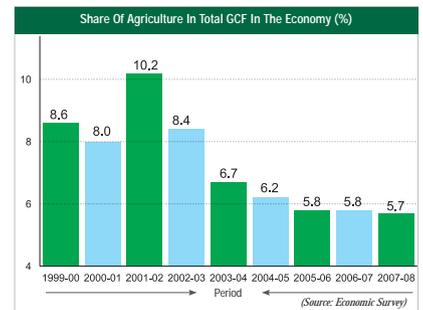


Source: Handbook of Statistics on Indian Economy, RBI, my calculation

Note: Data for 2008-09 are revised estimates and data for 2009-10 are budget estimates.

And, when developmental expenditure in totality is curtailed, the same for agriculture has to bear most of the brunt. While our ministers are more inclined to wasting a lot of public money by disrupting parliamentary procedures, going on family junkets to exotic locales in the name of business and very many other things, our under-investment in basic rural infrastructure is a major reason why India continues to lose food items worth a whopping Rs 50,000 crore (Rs 500 billion) every year due to poor post-harvest handling of farm produce. As mentioned earlier, the same statement on the extent of loss can be found in the last few editions of the ministry's annual report. This exemplifies the fact that neither has there been a change in attitude, nor the investment, nor the loss figure.

Indeed the recent widespread drought has dashed the hopes of millions of farmers in India (not to talk of the flood-affected families in the southern states), where almost half the 100 million farming families are in



(Source: Economic Survey)

debt, according to the National Sample Survey Organisation. As expected, the usual response from the politicians is to waive off the debts. We saw the same spectre last year, when Rs 60,000 crore (Rs 600 billion) worth of debt was written off. Incidentally, the debt waiver schemes are most common during the immediate pre-election period.

The basic question, however, is whether these schemes do help? Evidently not, because they would necessarily need to take debt again when the next crop cycle begins. Had the same amount of money been spent on bettering irrigation facilities, the need for future loan waivers would have diminished. The fact remains that our politician policy makers have a history of playing to the gallery by spending money that has only short-term impact. Investing money in capability building does not usually find favour with them since the benefits will accrue in the long term and for which some other political party can claim credit.

Indeed, there are various other malaises afflicting this sector. While not every problem is attributable to the government (and also beyond the scope of this article), their sheer inability to walk the talk makes this the most vulnerable sector. And, the continual huge dependence on monsoon is the biggest challenge. The least that should be done now is to ensure that the National Rural Employment Guarantee Scheme focuses mostly on creating irrigational facilities and other water resources. We can only hope and pray.

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