

AGRICULTURE'S LONG DROUGHT

EXPERT VIEW

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The precarious situation of millions of farmers in rural India has been pushed closer to the edge by deficient monsoons in three of the past four years that have led to the longest sequence of near-drought situations during the past century. Farmers' suicides are in the news once again. But these are just symptoms of widespread agrarian distress. There is a quiet crisis in agriculture that runs deep. It is perhaps more acute than the crisis in the mid-1960s, the era of our ship-to-mouth existence dependent upon food imports from the US under PL 480, which was resolved by the green revolution. Yet, the discourse and debate on the economy proceeds as if the agricultural sector does not exist or, if it exists, it does not matter.

It is instructive to start with a bigger picture. The share of the rural population in total population, which was around three-fourths during 1981-2001, diminished but was still more than two-thirds in 2011 (figure 1). The share of agriculture, forestry and fishing—predominantly agriculture—in total employment in India was roughly two-thirds until 1993-94, but declined steadily thereafter to less than half by 2011-12 (figure 2). The share of the agricultural sector in India's GDP was approximately 25% until 1993-94 but dropped to 15% by 2011-12, while the corresponding share of the primary sector dropped from 29.2% to 17.5% (figure 3). Thus, GDP per capita in the agricultural sector has been less than one-tenth GDP per capita in the non-agricultural sector for the past 25 years.

Income levels apart, it is worth citing some evidence, for 2011, on the rural-urban divide. Life expectancy at birth in rural India was 5 years less than the corresponding figure in urban India for both men and women. Literacy rates were 68% for men and 59% for women in rural India compared with 84% for men and 80% for women in urban India. Infant mortality rates were 48 per 1,000 in rural India compared with 29 per 1,000 in urban India. Almost 20% of the rural population did not have access to safe drinking water, while this proportion was less than 10% of the urban population. As much as 70% of the rural population did not have access to sanitation facilities while this proportion was much lower at 20% of the urban population.

GDP per capita is an arithmetic mean. Social indicators are statistical averages. Both conceal as much as they reveal. And neither captures the wellbeing of the poor, because distribution is so unequal. The living conditions of people depend upon private consumption, supported by their incomes, and social consumption, supported by public provision of education and healthcare. In rural India, income levels are low and the public provision of services or utilities is simply inadequate. It is often said that India lives in its villages. But there is a strong urban bias in development outcomes. Any further widening of rural-urban disparities in the economy is bound to worsen problems in polity and society. India may then die rather than live in its villages.

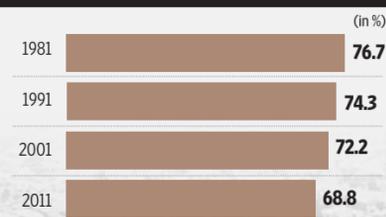
It is necessary to highlight some important factors underlying the plight of agriculture. Output growth has been much slower in the agricultural sector. It is not possible to extend the area under cultivation, as arable land is just over half the land surface, and yields per hectare—lower than elsewhere in Asia—have increased slowly.

Employment creation possibilities in agriculture have declined sharply. The employment elasticity of output growth (proportionate increase in employment divided by the proportionate increase in output) plummeted from 0.26 during 1993-94-2004-05 to -0.42 during 2004-05-2011-12, so that a 1% increase in output led to an expansion of 0.26% in employment and a contraction of 0.43% in employment, respectively, in the two periods.

Irrigation has become a binding constraint. The proportion of irrigated land in cultivated land, and double-cropped area in cropped area, is in the range of 35%.

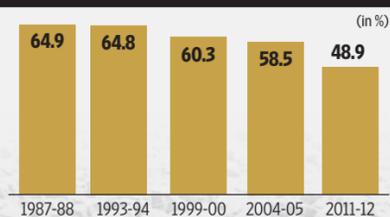
THE BIGGER PICTURE

Figure 1: Share of rural population in total population of India



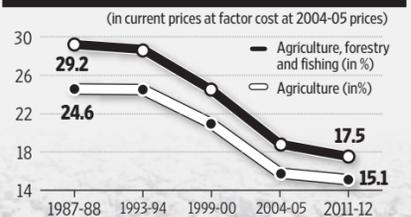
Source: Census of India, 2011

Figure 2: Share of agriculture, forestry and fishing in total employment in India



Source: National Sample Survey

Figure 3: Share of agriculture, forestry and fishing in India's GDP



Source: CSO National Accounts Statistics



PHOTOGRAPH BY AFP; GRAPHIC BY PRAJAKTA PATIL/MINT

Investment in irrigation is grossly inadequate. Consequently, even 70 years after independence, the fate of Indian agriculture still depends upon rainfall which, in turn, depends on the monsoon and the weather gods.

There has been a progressive withdrawal of support systems for agriculture, which began life with the paraphernalia of community development in the 1950s and evolved into an elaborate extension networks for agriculture in the green-revolution era through the 1970s. The access to, and price of, credit provided by priority-sector lending, public investment in irrigation, know-how on technology, fertilizer-use, or seeds, and decentralized block development offices for extension services, were scaled down and wound up in the 1990s, in the belief that markets

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Among people below the poverty line in India, a large number (around 250 million) and a high proportion (almost three-fourths) live in rural India. They depend, directly or indirectly, on agriculture for their livelihoods. For those who can migrate to cities, employment possibilities are limited, wages are low and living conditions are poor. Rapid economic growth can be transformed into meaningful development only if it improves the wellbeing of our poor in villages, to reduce and ultimately eradicate absolute poverty. This cannot happen unless the agricultural sector revives.

In rural India, where cultivable land is scarce and non-agricultural activities are few, under-employment or virtual unemployment is widespread. Thus, labour is underutilized. Engaging these people in work can foster development by mobilizing and creating resources. It constitutes resource mobilization insofar as it mobilizes our most abundant resource, people, for development. The absorption of sur-

plus labour in employment is, in itself, a source of economic growth. It constitutes resource creation insofar as it increases the productivity of labour, from near-zero levels, introducing another source of economic growth.

The same people, who constitute resources on the supply side, provide markets on the demand side in the process of development. Even modest increases in incomes of the rural poor, who constitute one-fifth of our total population, could drive demand for manufactured goods and consumer services produced in urban India. There might indeed be a fortune at the bottom of the pyramid. The interactive feedback effects between the demand side and supply side could, in turn, lead to more employment and higher wages, driving demand

further, thus imparting a sustainable impetus for growth.

Agriculture has been neglected far too long. It is time to act here and now. Setting up committees to formulate blueprints for reform and change can only waste valuable time. The essential contours of what needs to be done are obvious.

First, there is a clear need for more investment in agriculture to raise output. For one, large doses of public investment in irrigation are an imperative. This would raise yields and increase double cropping. For another, provision of credit for agriculture, both in terms of easier enlarged access and lower interest rates, is a necessity. This would facilitate private investment to increase productivity of scarce land. The restoration and renewal of extension services to support farmers with information and know-how would reinforce these processes.

Second, the complete privatization of risk borne by farmers needs some mitigation and partial socialization. Complete and effective crop insurance is an obvious solution. The premiums paid by small farmers can be nominal sums, as in the recently introduced Jan Dhan Yojana with accident and life insurance, while the share of the premium paid by other farmers can be higher, rising with the size of holdings. Similarly, the creation of storage facilities would also mitigate risk for

farmers once the crop is harvested, which lies open-to-sky or is sold immediately at low prices.

Third, the availability of affordable access to transportation and the creation of processing facilities would improve the returns to farmers through realization of better prices or higher value-added before sales. For farmers who grow fruits and vegetables, some of which perish without reaching markets or consumers, this would be a real bonanza.

Fourth, R&D in agricultural universities, which made such an important contribution to the green revolution, must be revived. And technological development is not simply about GM crops. It could be about dry-land farming. It could also be about technologies of the sort that transformed Brazil's savannah lands into a prosperous agriculture.

Fifth, there are things that need to be done in the rural sector, which would have linkages with agriculture and would promote non-agricultural rural employment. Public investment in rural infrastructure—roads, power, transport, and storage—is critical. Such infrastructure, if combined with access to credit and information, would also foster small-scale, entrepreneurial, village enterprises. The TVEs (town-and-village-enterprises) that transformed rural China are an adaptable role model.

The quiet crisis in agriculture should not be ignored simply because it is silent. The market economy, which works on the principle of one-rupee-one-vote, might not care, because the share of agriculture in national income is so small. But political democracy works on the principle of one-person-one-vote. Therefore, in politics, parties and governments must recognize that the share of the agricultural sector in votes is exactly the same as its share in total population. It can continue to be neglected only at their peril. The competitive politics of populism on the land acquisition Act that sheds crocodile tears for farmers is empty rhetoric, which will not cut much ice given the reality of cumulative neglect. The crisis in agriculture is more like a treadmill than a time bomb. Even so, it is likely to implode, sooner rather than later, at election time.

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