

Policy for Agriculture and Rural Development in the Context of Tenth Plan

R S Deshpande* and A Narayanamoorthy**

In the context of changing global scenario towards open market economy the agricultural policy of most of the nations is under severe stress of domestic reforms. This stress is mainly due to the insistence on weeding out the trade distorting agents, freer competition, and increase in efficiency in the production with best allocation of natural resources. The present normative and theoretical concerns about policy studies are precisely directed at trying to improve the ability of a society and its governance to replace the earlier issues with new fundamental issues. It involves changing the pattern of past policies towards the present one and analyse the impacts of these likely changes. In this context the nations with federal constitution are likely to be involved in a tricky situation. In the process of trade led growth, where international trade serves as the main engine of growth, the trade related decisions are likely to be taken by the central power (Union Government), but the welfare implications of these decisions essentially involve the sub-national governments. Therefore, a clear design of the policy is a pre-requisite in this situation.

Our experience of policy formulation in India is largely from two sources namely the five year plans and various schemes initiated by the concerned development departments. There is a general lack of awareness about the theory of policy making and therefore to a significant extent the policy is understood often as a common denominator of various programmes. In this paper, we try to briefly visit the theory of policy making, followed by the experience of agricultural policy during the last five decades. On this background, we tried to establish the imperatives at the threshold of the tenth plan as reflected through the approach paper and the earlier experience in policy making. Finally, we have highlighted the most important policy initiatives required in the sector at the present juncture.

* Professor and Head, Agricultural Development and Rural Transformation Unit, Institute for Social and Economic Change, Bangalore, and ** Reader, Gokhale Institute of Politics and Economics, Pune. This paper owes its existence to interest and encouragement by Shri D K Trehan, Economic and Statistical Adviser, Ministry of Agriculture, Govt. of India. We are happy that we could complete it. Thanks are due to Prof Samar Datta, Prof V M Rao, Prof M G Chandrakanth, Dr M J Bhende and Dr K V Raju. Usual disclaimers apply.

Theory of Policy Making

In understanding the theory of policy making we need to take note of the kind of complexities this process involves. At the first place are the objectives of the intended policy change. These objectives are sensitive to time but also keep in view a long term goal. More often these are influenced by the response of the extraneous factors to the existing policy system. Hall (1993) puts forth three orders of policy change:

- i. Changes imply tampering with the current setting of the policy instruments (Changes that are occurring in domestic policy to meet the WTO requirement).
- ii. Replacing the earlier policy initiative by the other with or without any in-house evaluation (The Agricultural Policy Document of 2000 or the policy changes that occurred in Canada during 1988 opening up the Federal-Provincial sharing of expenditure on the ongoing schemes. Similar was the case about the Developmental Programmes in India during early seventies).
- iii. A complete departure in the policy goals following theoretical or ideological framework involving the state and political actors. (Like the shift towards opening of international trade from earlier strictly guarded trade policy).

We can call Hall's model of effecting policy changes as a mid-course correction model. The changes become necessary either due to fresh policy initiatives or when anomalies accumulate and create social political and economic strain on the State. The question that arises relates to the possibility of incorporating a significant change in the policy making process either ignoring or incorporating the present institutional mechanism. This model has to be treated differently from the Cumulative Policy Accumulation model, where the policy instruments in the form the programmes change in rapid succession and the Cumulatively Accumulated interventions on the part of the State remain to represent policy currents. Here only the new additions are accredited and the discontinued programmes are put to the trash bin even without recognizing their institutional role or vacuum that they could create.

Another relevant policy model tracked from the literature is called as Rationalist Model of Harold Lasswell (Lasswell, 1956). This model perceives the policy formulation that goes through six steps.

- i. Recognize a Policy Problem,

- ii. Identify the Nature of the Problem,
- iii. Call for Alternatives,
- iv. Rank them all on the scale of welfare gain and ease of operation ,
- v. Make predictions about risk and Consequences,
- vi. Come to a decision combining qualitative and quantitative investigation.

Lasswell has elaborated this as the best possible way of looking at policy making (Lasswell, 1956) . It assumes the stakeholders in the policy arena as mute participants or understood to be participating inherently at their respective levels of stake. In addition to these there are a few more theoretical constructs, but have little significance in the Indian context. A quick review of these theories suggest that any model of policy will have to be dynamic in its content, as there are rapid flows of different dominating responses from polity and society. Thus, flexibility is an essential accompaniment of the structure of any policy. In the beginning the stakeholders as well as the decision-makers will start with some expectations about the end results from a contemplated policy framework. It gets complicated as the political stakes increase by claiming the credit of success and to assigning the failures. The two phases in policy formulation namely the phase of identification and that of negotiations with the stakeholders are conspicuously absent. Coleman *et al* (1997) argued an alternative route of attaining feedback through negotiations between state actors and group of stakeholders. But when the stakeholders become aware of their role, at that time in any mature economy witnesses the organizations of stakeholders asking for their rights.

Policy and Agricultural Sector

Policymaking in agriculture inevitably passes through difficult contours. One can enlist at least five bold reasons qualifying such difficulties. First, agriculture is an unorganized sector and therefore policy responses could not be predicted a priori with objective probabilities. Second, the information flow to agricultural sector is not as quick as it takes place in other industries. The information asymmetry in the absence of objective probabilities of outcomes virtually authenticates to formulate policies in isolation or without detailed homework. Third, the sector in most of the agro-climatic regions has strong weather dependence and thus a quick fire-fighting job is usually the core of the policy. Fourth significant factor is the income and asset distribution in the sector has always been a point in question. This is further complicated by the income and price

variations that mark the sector in particular. The policies framed have always to keep these variations in view. Last is that the sector has a strong link with consumers and other industries. The growth of the aggregate economy of any country is sensitive to the fluctuations in the sector. Therefore, agricultural policies in most of the countries have a strong State dependence.

State proliferated agricultural sector world over came under severe attack on the count of breeding inefficiency, lack of free market forces and encouraging uneconomic functioning of the sector. Through a maze of soft policy options the farmers' dependence on the State has increased by leaps and bounds during seventies and eighties. Overproduction in some areas whereas, inefficiency in production in others, have resulted in high cost to the State exchequer and consequent dependence of the farmers on the State. In the recent past, specifically during nineties, opening of international trade brought pressure on many countries to bring a paradigm shift in their outlook for agriculture and India could not stand out as an exception. This initiative came through the international institutions like GATT, WTO and NAFTA. A significant shift towards the liberal market paradigm emerged replacing earlier cumulative form of policies. An important example of this is the Common Agricultural Policy (CAP) document of European Union which serves as a good background for the present purpose. The CAP has the following objectives:

- i. To increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and optimum utilization of the factors of production, in particular labour.
- ii. Thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture.
- iii. To stabilize the markets
- iv. To assure availability of supply
- v. To increase agricultural trade
- vi. To maintain balance between structural and market policies
- vii. To avoid surpluses and to give scope to comparative advantage
- viii. To improve capital and labour returns
- ix. To encourage rural industries

(Hill,1984)

CAP being a policy document covering a few countries needed to be more general in its approach and focus. Specific problems were ironed out to seek broad generalisations. About the same time many other countries brought out documents detailing agricultural policies. In India, we had a few earlier attempts at making agricultural policy but these attempts did not culminate into any long term policy document. Agricultural Policy document of 2000 was the first completed attempt towards formulating a long term policy for the sector. However, the document is rather a collection and compilation of all the current niches in the literature and does not attempt any phased or properly directed programme. On the background of similar documents world over, this seem to be an attempt requiring a lot more work. Notwithstanding this it must be clear that largely our policy statements for the sector emerge from the plan documents and thus the genesis and process can also be traced through these documents.

Experience of Agricultural Policy

In the post liberalisation scenario, agricultural sector is posted at crossroads, where we have to transcend from the highly protected regime to a more liberalised competitive regime. The developmental reforms therefore, have to address the issues emerging in this phase of transition. One can broadly categorise four distinct phases in the development of agricultural sector of the country. The first phase beginning immediately after independence and culminating at 1964 was marked more with the concerns of food security but no significant break through was achieved on the technological front. This phase was influenced both by the indigenous thinking about growth/development strategies (Gandhian perspective) as also the western process of industry centred growth borrowed from the experiences of the industrialised nations. This phase ended at the droughts of mid-sixties when food security became a prominent issue and acute poverty as well as meeting the famine conditions were among the major concerns for the planning bodies. This was the time when the book by Paddock brother's titled *Famine 1975* came to the stands (Paddock and Paddock, 1968). They argued that America will have to apply classical triage method, like doctors on the battlefield trying to make the best out of minimum resources. It was stated that America will have to decide which countries to save and which to sacrifice. The droughts of mid-60s in a way awakened the country to accept a new technological package and this turned the tables. The era of technological change marked the second phase in the agriculture sector.

Food security was achieved in major part of the country and the output growth in agriculture was contributed largely by productivity growth. This was followed by the third phase in which the externalities of the technological changes surfaced. These included the interregional across class inequalities created and perpetuated by localised impact of technological change and other contributing factors. This gave rise to a phase that was marked by highly protective regime marked by various subsidy schemes wherein a large number of initiatives were taken for protecting farmers and weaker sections. The gain in the protected regime can be seen in the form of growth pattern and quality of growth however, this regime has caused a significant drain on the financial resources of the State as well as natural resources were put under stress. It is also argued that this process had a telling effect on the production efficiency and allocative efficiency of the sector. In addition to this, it is being felt that severe environmental concerns emerged during this phase due to unchecked application of the technological inputs and indiscriminate use of water and land. The fourth phase is marked by the transition wherein the agricultural sector is set to participate actively in the process of liberalisation by shedding the controls and leaving the contours of the protected regime. The sector is thus confronted with two important challenges. First, the sector has to prepare for significant participation in international trade, and second it has to renegotiate with the changing domestic regime in an unprotected and competitive atmosphere. Now we are at the threshold of the tenth plan confronted with some problems and issues both on domestic front as well as on the liberalisation front and therefore the situation is quite tricky but promising.

Three Distinct Currents*

In the academia, we have three distinct viewpoints pertaining to the current transition phase. The proponents of these view points can be grouped as 'Committed Liberalisers', 'Advocates of no-change' and 'Cautious Liberalisers'. The first view is marked by the faith in the paradigm of growth leading to a fair distribution. It is believed that the agricultural sector is more controlled and thus it is not allowed to achieve its natural growth potential. The intervention of the State has been continuously present in the sector right from independence and intensified during seventies and eighties. Initially it was a necessity but the gradual withdrawal was expected. This 'Statisation' of the

* These view points are gathered through the deliberations at various academic meets and represent broad common denominator, but may exclude a few specific views.

sector has to be reduced firmly to improve production and allocative efficiency of the sector. The interventions in the agricultural sector both in the product market as well as factor markets have been responsible for depressing the initiatives coming from the producers. Thus while liberalisation is an essential process and it must be accompanied with firm withdrawal of the State thereby releasing the growth potential. International trade sector was hitherto, based on the residual exportable surplus. Now it is necessary to capture the new avenues in international trade. India must negotiate towards greater advantage of the country by making use of the provisions in the legal text of WTO. Well preparedness for the negotiations is an essential component and if we fail on that, probably we will miss the bus.

The second viewpoint advanced by the 'Advocates of Status-quo' favouring the earlier policy regime of protected agriculture sector, emphatically record that the present pace of liberalisation may leave out the weaker sections and fragile regions. It is felt that India's foodgrain sector is being mishandled and we must continue to hold a wedge between border and domestic prices. The productivity trends during nineties have not been very encouraging. Based on this a strong view is expressed that after eight years from the beginning of economic liberalisation instead of experiencing any unprecedented boom in the growth pattern, the agricultural sector is showing signs of decelerated growth. It has been estimated that agricultural output recorded an annual compound rate of growth of 3.46 percent between 1980 -1990 as against 2.38 percent during 1990 to 1999 (see appendix table 1 and figures). Though the decline in the rates of growth cannot be directly connected to the process of globalisation, it is pointed out that the technological advances in agriculture have slowed down, and due to this the pace of capital formation has also been declining. It is also argued that the transfer of labour from developing sector to the developed sector (Lewis process) has failed in the country. That has caused dampening effect on the growth in incremental rural income. Given the distribution of land across various classes it is stated that phenomenally large portion of Indian farmers have holdings below 2 hectares and this leaves the marketable surplus management and the market participation only to the remaining minority farm groups. The process of growth thus leaves out the most vulnerable section among the farmers from partaking the benefits. Therefore, the process of marketisation will lead to incremental income for a small minority that may lead to increased inequality.

The third viewpoint (largely similar to the first group but more cautious in their approach and therefore termed as 'Cautious Liberalisers') emerging in the process of liberalisation, is expressed by those who believe that the process of liberalisation would usher in new trends in growth of Indian agriculture. Similarly, they expect that the quality of growth will also undergo significant changes in addition to increased efficiency. They believe that competitive forces will spur growth but this view point is marked by its distinct and careful approach to the process of liberalisation. While it is argued that we must take greater advantage of trade generated growth by properly negotiating under WTO regime but at the same time, the domestic reforms in order to avoid the probable welfare loss must get due priority. This viewpoint emphasises earnest requirement of domestic market reforms and infrastructural facilities to precede the process of liberalisation. It is argued that this has to be supported by intensive domestic market reforms relaxing the present control regime on factor as well as product markets. More than that the immediate task is to reduce the current market inefficiencies embarking upon the deep domestic reform process. On one hand, it is important to utilise the opportunity of investing for creating better infrastructure and boosting-up the investment trends, whereas, on the other hand, the domestic price policy should be carefully monitored in order to pass on legitimate advantages to the producers. Distortions in fertiliser prices and the subsidy regimes in fertilisers, electricity, credit and water have caused uneconomic use of resources and inefficiency in the production process. Serious and bold interventions are required to undo the uneconomic uses of subsidies. Here again a finer difference has to be marked between the two groups arguing for the process of the withdrawal of the State from the sector. The 'Cautious Liberalisers' do not necessarily feel that the State should withdraw its controls at once from the agricultural sector, but believe that this can be done extremely gradually over years and can be graded positively.

Keeping these three currents featuring in academic discussions in view, it will be necessary to take a pragmatic path of policy. For the past several years, we have not gone through a proper drill of policy making as expounded by the theorists of policy. But even the accumulative policies have demonstrated clear intentions of the policy bodies. These outline the policy thrust though in a fashion of formation of a river through different currents.

Towards an Agricultural Policy

The emergence of agricultural policy in the Indian context can be traced from the official documents beginning from Foodgrains Policy Committee of 1943 (Gregory 1943). Maitra (1950), Mehta (1957) and Venkatappaiah (1966) are the important documents flagging the milestone in making of Agricultural Policy in the first two decades. Even beyond that the Report of the High Power Committee (1990) had made recommendations covering major sectors of agricultural economy. Various policy statements had come during the period 1966 till the Agricultural Policy Document of 2000. These include the initiative taken during the Prime Ministership of Shri V P Singh followed by another initiative. However, none of these could culminate into a full-fledged policy document for agriculture sector. Therefore, the only first authenticated policy document for agriculture sector is the Agricultural Policy 2000. During the Tenth Plan period it is necessary to keep in view the lessons learnt through this experience. Last five decades witnessed broadly four important policy directions namely – (i) Food Security, (ii) Institutions for agricultural administration, introduction and dissemination of technology, (iii) Under-developed regions, classes, farmers and crops (iv) Input and technology distribution.

The NRM sector cannot be separated from the agricultural policy perspective. Increasing population pressure on land, indiscriminate use of natural resources, advent of the new technology with a little attention to sustainable use of natural resources and failure of the policy to recognise the importance of managing these resources have together lead to degradation and misuse of natural resources over the last 50 years (see Annexure table 3). This has not only affected the regions which have directly contributed to growth but also the regions which were lagging in the process of growth. The two processes are however, different. In the first case it was initiated due to indiscriminate use of technology whereas, in the other it culminated into surpassing the carrying capacity of land. Use of fertilisers pesticides and water have caused land degradation though this at present is confined only to specific regions. But over years, it has shown a significant increase. The degradation of forests and scant attention to the maintenance of biodiversity have also been marked during the last three decades. Among the immediate points of concern five issues deserve attention, namely: i) Indiscriminate use of fertilisers and pesticides, ii) Management of use of water and its quality, iii) Harvesting energy from natural resources without degrading them (rain water harvesting,

wind energy, biomass), iv) Gene banks and careful monitoring of bio-diversity, v) Careful application of new technologies and western model of development.

The plan documents over the last five decades made it quite clear that policy for agricultural sector is of prime importance to the plan and the steps taken could be seen from the table 1. One expects a significant shift in the strategy during tenth plan. Keeping with this expectation the Approach Paper to the Tenth Plan makes it clear that *"First, agricultural development must be viewed as a core element of the Plan since growth in this sector is likely to lead to the widest spread of benefits, especially to the rural poor including agricultural labour. Also, since the majority of women workers are engaged in agriculture, investments in this sector have enormous implications for gender equality and must be designed to have maximal impact on this dimension. The first generation of reforms concentrated on reforms in the industrial economy and reforms in the agricultural sector were neglected. This must change in the Tenth Plan"* (Approach Paper to the Tenth Five Year Plan, GoI 2001).

Table 1: Agricultural Policy formulation through Five-Year Plans

Plan Period	Major Issues and Policy Thrust
First Plan 1951-56	Severe food availability constraints. Maximisation of Agricultural Production. Making Food available to masses. Food distribution network. Nationwide Community Development (CD) Programme Institutions for village development. National Extension and Community Projects Skewed Land Distribution, Inefficiency in Production and thus land reforms - Abolition of intermediaries. Bringing the fallow lands under cultivation and increase in land use efficiency. Tenants to be given the rights to cultivate land.
Second Plan 1956-61	Concern about low land productivity and thrust on irrigated agriculture. Irrigation Development for the rainfed areas. Land Reforms Enactment of laws. Tenancy Reforms & Ceiling on Holdings. Soil conservation as an important programme. Co-operative Development Institutions, National Extension Service Blocks created. Training and Extension work for the technology through Community Development network.
Third Plan 1961-66	Food security concerns continued to dominate. Technological Change and adoption of improved technology to increase land productivity. Cultivable waste land to be brought under cultivation. Brining the lagging regions under mainstream growth. Area development as an approach for development. Intensive Area Development Programme adopted for selected districts. Extension of non-agricultural activities in Rural areas. An integrated land policy approach. Soil Surveys were taken up.
Fourth Plan 1969-74	Emphasis on food security continued as minimum dietary requirements to be met. Deep concern about Poverty. Regional inequality and correction of regional imbalances. Incentives created for diversion of land towards food crops and enhancing the capacity of such land. Increased emphasis on irrigation and soil conservation in dry-land regions and technological change introduced. Higher cropping intensity was the concern. Emergence of Agri. Price Policy. Concern about domination of large holding sizes and low allocative and technical efficiency. Second phase of land reforms with land ceiling acts and consolidation of holding. Encouragement to co-operatives. Institutional changes in Credit, Agri extension and training.

Fifth Plan 1974-79	Twenty point economic programme. Concern to eradicate poverty intensified. Area Development strategy continued. Drought prone areas attracted attention. Allocation on Drought-prone area development programme, Desert area development programmes, and soil conservation was enhanced. New impetus to dry farming. Problems of land degradation land management in irrigated command areas surfaced. Modernisation of irrigation in selected irrigation command areas.
Sixth Plan 1980-85	Minimum Needs Programme. Providing clean drinking water, elementary education and basic health facilities. Larger attention to unemployment and under-employment. Target group specific programmes for poverty alleviation. IRDP, NREP and RLEGP Programmes were undertaken for employment and income generation. Under-utilisation of land resources. Drought-prone areas continued to attract attention. Further attention for lagging areas on the backdrop of green revolution. Land and water management programme under drought-prone area programme in selected districts.
Seventh Plan 1985-90	Direct attack on poverty, unemployment and regional imbalances continued. Soil erosion and land degradation surfaced as major issues. Larger share of land was going out of cultivation. Soil and Water Conservation was needed for averting land degradation. National Watershed Development Programme, Oilseed and Pulses Development Programmes, Wasteland Development Programmes, and Long term view of land management was initiated.
Eighth Plan 1992-97	Priority for Employment Generation, Strengthening of Infrastructure, Liberalisation and Globalisation in Agricultural Sector. Trade Sector Priorities by Generating Surplus of agricultural commodities for exports. Emphasis on Oilseed Sector increased. Agro-climatic regional planning approach was incorporated. Productivity enhancement Schemes. Horticulture Sector to be encouraged. Degradation of land in Irrigated command areas attracted attention. Peoples' participation surfaced as major issue in land management at village level. Emphasis on Watershed Development approach. Soil conservation merged with watershed programmes.
Ninth Plan 1997-2002	Priority to agricultural sector. Generating adequate productive employment through employment assurance. Renewed assault on poverty, Accelerating growth with stable prices, Food and nutritional security for vulnerable sections, Providing basic needs for environmental sustainability, Growth with social justice and equity, Foreign trade to be tailored for accelerating growth, Boost to agricultural research, Development of infrastructure and increasing investment in infrastructure, Export oriented growth and Emphasis on Horticultural Crops for exports. Land degradation increased significantly. Integrating Watershed Development Programme across various components. Rethinking on land reforms. Gap between potentials and actual crop yields need to be bridged. Need for a long term policy document. Bringing the under-utilised land under cultivation. Management of waste lands. Maintenance of village commons. Decentralised land management system. <i>Panchayat raj</i> institutions to manage the village lands. Rethinking on land legislation

Source: From various plan documents. These are not however exhaustive statements but only indicative of the thrust.

Emerging Challenges

In the process of liberalisation agricultural sector has to make the presence felt in international trade, which requires significant domestic policy changes. In the international market, India's agricultural sector does not constitute significant share of world trade. However, in view of the production potential as well as consumption

demand, India can have greater impact on the world trade. It is therefore, necessary for us to identify the crops and crop products with greater competitive advantage and concentrate on these sectors so that the country makes a dent in the international market. Any disincentive emerging in the process of participating in international trade for this group of farmers may affect their welfare adversely. Therefore, it is essential to monitor the policy both at state as well as at the country level so that the best advantages could be garnered from the new and changing regime. It is also imperative to mark the demand patterns of various commodities being traded from India in the form of exports. This will help to plan the incentives and disincentives in the process.

As far as the domestic reforms are concerned Indian agriculture is placed with highly inadequate and low quality of infrastructure. More than any other sector of the economy agricultural sector has a large number of impediments to overcome in order to participate in the process of liberalisation. Among these, inadequate infrastructure and the controls exercised by the State on the agricultural sector both in factor as well as product markets are extremely important. Agriculture truly qualifies only in the activity where production process alone is liberalised but all the stages leading to production either on factor side or on the post-harvest disposal side are directly or indirectly maneuverable. Therefore, the first requirement in the reform process of agriculture sector is the gradual and graded withdrawal of the State from the sector without impeding the welfare of the sector. In this situation, establishment and emergence of proper institutions with farmers' initiatives assumes importance.

Second important issue relates to the creation of an institutional structure in the process of withdrawal of the state. This needs to be farmer centred and initiated and participated only by farmers and farm specialists. Such institutions can take the task of disseminating information to the farmers, keeping them informed about the new developments.

Natural resource management is one of the crucial challenges before the policy makers. The first task is to locate the vulnerable regions and resources that need priority attention of the policy bodies. Once such mapping is done, the second step involves establishment of peoples' institutions (or handing these over to PRIs) with proper know-how to deal with the problems. Such institutions should be provided with a complete blueprint of the action programme for conserving and using the natural resources.

In terms of emerging challenges for the future, we can list a few challenges below:

- Identifying the commodities with competitive advantage in the international trade and creating incentive structures for such commodities for boosting up the growth in trade.
- Withdrawal of the State from the factor as well as product market intervention and allowing agricultural sector to perform freely.
- Creating institutional setup to help agriculture sector in order to negotiate with the new policy regimes.
- Disseminating information about the forthcoming changes in the sector to the farmers in the language understandable to them.
- To identify and enlist the natural resource degradation process and create forces with proper incentives to internalise the negative externalities.
- Rural sector continues to form a large portion of the Indian economy in production, consumption as well as in terms of location of aggregate welfare. This has to be kept in mind while formulating the policies pertaining to the domestic or international trade reforms.
- It is necessary to put the process of democratic decentralisation firmly rooted on the grounds. This will ensure the participation of rural community in the process of the developmental reforms.

Strategic Choices

Among the strategic choices facing the country, we can list five important components. First component deals with the changing process of liberalisation and participation of the State in international trade, it is necessary to create an atmosphere of information dissemination and arguing in favour of developing economies so that India gains in the process of negotiations. Therefore, a proper preparedness for WTO negotiations becomes an essential prerequisite and an important first strategic choice. Tenth Plan approach paper puts considerable emphasis on the international trade strategy. A clear policy statement views imports as an essence for growth and a paradigmatic shift from import substitution. *"A high rate of GDP growth will necessarily be associated with a high rate of growth of imports. This is particularly true given the extent of dependence on imports of energy and the limited likelihood of expanding domestic energy sources rapidly enough. The recent liberalisation of imports will also have a role to play. In such a situation, sustained high rates of growth of exports will be essential for keeping the current account deficit within manageable limits. Rapid export growth will also be necessary for aggregate demand reasons, since a steady increase in the rate of domestic savings implies that the rate of domestic consumption growth will be*

less than the rate of growth of output” (Approach Paper to Tenth Five Year Plan, GoI, 2001). Our trade policy outlook has always stayed restrictive in nature, tenth plan proposes a tariff policy which is growth enhancing the approach paper states “The most effective means of encouraging outward orientation is to lower tariffs on imports so that the anti-export bias both in policies and mind-sets get corrected. Protection, if at all necessary, should be provided mainly through the exchange rate mechanism”.

Secondly, it is necessary to superimpose the process of reform on Indian farm sector, of course with full participation of the stakeholders. This can be achieved only with the building of confidence among them and involving them in the reform process. Such confidence building mission is an important institutional concern and the strategic step. The state must endeavour to create incentives and disincentives in order to sustain its position in international trade as well as the reform process in the country. Any break in the reform process may set back the clock of growth and this can be a quite costly mistake. This forms the third component of the strategy. The state must gradually withdraw from the sector where it is proved beyond doubt that the intervention on the part of the State has caused dampening of the production processes and encouraged inefficiency. Such withdrawal has to be an important strategic and fourth choice for the State. The participation of the State would however, be required in the form of creating proper infrastructure and improving the quality of existing infrastructure. Similarly, the State should endeavour to put in place supportive institutional framework in order to encourage participation in the process of domestic reforms. Lastly, bold steps need to be taken in order to empower the weaker sections and the rural poor. This is feasible through the process of democratic decentralisation but the reforms on this part have been painstakingly slow. Such an important step will go a long way in shifting the paradigm of development in favour of the stakeholders.

Tenth Plan Imperatives

- 1. Gradual and graded reduction of the State’s role in directing the path of agricultural development without compromising the equity*

The gradual and graded reduction of the role of State in directing the path of agricultural development, rural development and natural resource management is an essential prerequisite of the next phase of reforms. This however, has to be accomplished without impacting the welfare of the weaker sections, which was tied

hitherto strongly with the State policies. The process must gradually reduce the dependence of the population on the State schemes thereby, reducing the public expenditure on these sectors and initiating the process of participation of the stakeholders.

Approach Paper to tenth plan clearly speaks about the reducing role of state and enhancing the private initiatives.

"An important aspect of the redefinition of strategy that is needed relates to the role of Government. It is now generally recognized that Government in the past tended to take on too many responsibilities, imposing severe strains on its limited financial and administrative capabilities and also stifling individual initiative. An all-pervasive government role may have appeared necessary at a stage where private sector capabilities were undeveloped, but the situation has changed dramatically in this respect. India now has a strong and vibrant private sector. The public sector is much less dominant than it used to be in many critical sectors and its relative position is likely to decline further as government ownership in many existing public sector organizations is expected to decline to a minority" (Approach to Tenth Five Year Plan, GoI, 2001).

The approach paper further goes to even reviewing the role of state as a future strategy. To quote *"Redefining the role of the Government to reflect the changed circumstances facing the economy must be an important aspect of future strategy. This redefinition is necessary both at the Central Government level and also at State Government level". (Approach to Tenth Five Year Plan, GoI, 2001).*

It has been told time and again that the agricultural sector is more controlled than liberated. The controls in the factor market as well as product market are quite large. These require a fresh look and graded withdrawal without affecting the welfare of the weaker sections. It is also essential to have a clear view of the subsidies in the agricultural sector. There are a good number of inefficient subsidies, which do not reach the farmers and hence can be withdrawn effectively. At the same time, it is necessary to prepare a policy of targeted subsidies, which can directly help the farmers on the margins in adopting the new technology or dealing with the market imperfections. In this context, it was also suggested that the subsidies can be directed towards rainfed

agriculture and lagged regions. Investment in research and development of rainfed agriculture and watershed development is an essential and immediate requirement.

2. Dealing with a process of deceleration on six fronts namely: technology, efficiency, markets, carrying capacity, lagged regions and weaker sections.

Deceleration in the agricultural productivity has been noted in the country. This has two important connotations. Either the production efficiency is going down or that technological options are reaching their plateau. In this context it is essential to act on four fronts indicated above. Presently an immediate task is to look for enhancement of the existing technology and at the same time improve the efficiency in the use of current technology. The efficiency in production process in the agricultural sector is marred mainly due to the high dependence of the sector on the State. In addition to this to market forces, even though controlled by the State through various laws, like Regulated Markets Act, the Essential Commodities Act, the Fertiliser Order, the Seeds Act etc have contributed significantly. Thus market reforms should address not only improving the marketing conditions in terms of infrastructure but also in terms of price spread and market margins so as to help weaker sections in properly marketing their products. The carrying capacity of the agriculture sector comes under discussion mainly when we think of the failure of Lewis process. In the current two decades the carrying capacity of the agricultural sector will increase at a rate of about 2 per cent per annum and will put pressure on the resources. All these will require institutional reforms establishing democratically decentralised process of decision-making. This is quite feasible under the 73rd and 74th Amendment of Indian Constitution. But the process has been quite slow and tardy which needs to be enhanced.

3. Management of agricultural sector, natural resources and rural development with full participation of the stakeholders from planning through implementation and monitoring stages.

The development paradigms hitherto have emphasised planning from the top. It is from the second plan onwards that the Indian planners have been insisting 'bottom up' planning, but nothing significant was done in this regard till the end of the seventh plan. Even the recent amendments to the Constitution have not been put into full swing despite the lapse of seven years. The non-governmental organisational network has

been making dents sporadically in to this and only in selected regions. These have not caught the attention of the policymakers in a significant way. Even here the replication has been questioned and there are umpteen number of examples where replication has failed. Therefore, the management of the three sectors pertinent here has to be through people oriented institutional frame such institutions need to be established.

Among the immediate tasks before us the domestic market reforms assumes highest priority. The market infrastructure presently available in the rural areas is quite inadequate as well as unfriendly to the producer. The density of regulated markets is also quite thin. Therefore, it is necessary that immediate steps are taken to initiate domestic market reforms. This will require scrapping of large number of restrictions prevailing in the marketing framework. Development of a common market across the country for farm products allowing free movement of products and farmer's deciding the prices of the product should be the essence of such reforms. The process of reforms should also gear up generation of marketable surplus in the commodities in which we have better competitive advantage. This can be achieved by giving proper market signals to the producers. Future markets is an important option in front of us.

On the natural resources and environmental front tenth plan underscores need for going at a further depth rather than spurring only the activism in environmental debates. The approach paper states that, *"There is enough empirical evidence to establish that environmental conservation must go hand in hand with economic development because any economic development which destroys the environment will create more poverty, unemployment and diseases and thus cannot be called even economic development. It may just be transfer of resources from the poor to the rich. This is because the poor depend on nature for their daily survival – for them the Gross Nature Product is more important than the Gross National Product. Environmentally destructive economic development will impoverish the poor even further and destroy their livelihood resource base. Therefore the environmental concern in the developing world must go 'beyond pretty trees and tigers' and must link it with peoples' lives and well-being"*. We have not been quite successful in arresting the process and growth in degradation of natural resources. Though such process is not universal it has been affecting in some regions quite sharply and more often, the welfare of the weaker sections is associated with such process. Specifically, in the highly irrigated areas, ill drained area of North East India, forested areas of the Central and Eastern part of india, the Western Ghats, the Arabian

Sea coast and the Bay of Bengal Sea coast, are some of the important eco-fragile regions which probably need urgent attention of policy makers. It is necessary to identify the specific components of environmental degradation faced in these regions and attend to such problems on priority. The opening up of international trade for the commodities originating from the forest has introduced the process of higher-level exploitation of the forest resources. It is difficult again to reemphasise or introduce controlling mechanism to stop the degradation process but, the solution lies in the creation of institutions to mitigate such ill effects.

4. Institutional framework for WTO negotiations.

Given the present situation in which the sector is poised between the domestic reforms and requirements for WTO, it was felt necessary that a proper institutional framework to take care of India's preparedness for WTO negotiations be established. It is necessary to prepare well before the country enters into further negotiations on the finer points in the WTO regime. As Srinivasan has put it "Indian agricultural is very far from being integrated with world markets. Such integration clearly should be of highest priority, while paying due attention to the fact that in some commodities, such as rice world prices would be significantly affected if India were to trade large amounts" (Srinivasan, S 2000, pp 19). A proper balance between producers and consumers interests as well as keeping the traders lobby in view the policies have to be framed for the purpose of future negotiations. Four important aspects must be kept in mind while negotiating in future. Firstly, the time horizon for implementation can be asked to be extended further so that the domestic reforms are possible within the time. Second, it is necessary to argue for a single developmental box in which most of the non-actionable subsidies prevailing in developing countries should be included under such box. Third, the computations of the Aggregate Measure Support has to be dealt carefully specifically taking it as proportion of GDP originating from agriculture. Lastly, while preparing the framework for negotiations it is necessary to keep in mind the concern for food security but at the same time not over playing the same.

5. Developmental awareness in the natural resource management.

The pace of degradation of the natural resources is quite alarming. This happens because of the marketisation of a large number of natural sources and forest species. It

is necessary to understand the stakeholders claims as well as their long-term dependence on the forest and natural resources. Therefore, the philosophy of dealing with natural resources should stem from how to live of with nature rather than how to manage the nature. It may further be noted that those who depend upon natural resources form a sizeable proportion of the poor. Therefore, the economic compulsions many times lead to over dependence on the natural resources. The policy, dealing with natural resources, should keep in view the stakeholders claims. It was underscored by large number participants that the unabated forces of consumerism have to be arrested to save over exploitation of Natural resources. Similarly the commoditification of natural sources should be checked immediately. It was pointed out that the Non Timber Forest Products are being exploited because of their new-found users. An example of Garcinia a forest species used as a medicine to check obesity has been over-exploited. Such over exploitation has to be checked. All these factors should be accomplished by encouraging institutional framework involving the stakeholders.

6. Farmer's participation in the agriculture policy

It is necessary that farmers are involved increasingly while framing the policy framework for agricultural sector. It was suggested that farmer's organisations having efficiency of corporates but involvement and commitments of co-operatives should be encouraged in order to deal with the problem of increasing marginalisation. These can be export consortiums for the export-oriented farmers or in the form of market groups to negotiate proper prices and strengthening the domestic market. Coleman *et al* (1997) suggested such negotiations to make the policy more effective. But this seems to be absent in many developing countries. This will promote value added and reduce the market margins.

7. Sharing of the traditional knowledge.

In India we have large and underexploited traditional knowledge base which can help to understand the use of natural resources in tandem with the nature. Similarly some of these important components of the traditional knowledge are quite crucial and can help the country to attain a step forward in the pursuit of scientific explorations. This can be garnered and made use of. In order to achieve this we need first to document this at one place and on priority.

8. Careful assessment of afforestation by non forest dependent groups

Recent trends showed the increased intervention of the corporate sector as well as nonforest dependent group's in the forests as well as managing the Common Property Resources. There was an immediate concern expressed about the livelihood of the poor people who are dependent on these resources. Therefore, immediate attention was called to review such policies carefully in consultation with the people who depend on these resources.

APPENDICES

Appendix Table 1: All India Compound Growth Rates of Area, Production and Yield of Major Crops

Crop	1980-81 to 1989-90			1990-91 to 1990-2000		
	Area	Production	Yield	Area	Production	Yield
All Crops	0.10	3.19	2.56	0.25	2.28	1.31
Non-Foodgrains	1.12	3.77	2.31	1.37	2.78	1.04
Foodgrains	0.23	2.85	2.74	-0.17	1.94	1.52
Cereals	-0.26	3.03	2.90	-0.08	2.10	1.58
Rice	0.41	3.62	3.19	0.62	1.90	1.27
Wheat	0.46	3.57	3.10	1.67	3.81	2.11
Coarse Cereals	-1.34	0.40	1.62	-0.54	1.48	-0.08
Pulses	-0.09	1.52	1.61	-0.61	0.61	0.96
Oilseeds	1.51	5.20	2.43	1.14	2.13	1.25
Cotton	-1.25	2.80	4.10	2.36	1.73	-0.61
Sugarcane	1.44	2.70	1.24	1.81	2.78	0.95
Tobacco	-2.79	-1.05	1.79	1.28	1.05	-0.23
Source : Govt. of India (2002): Agricultural Statistics at a Glance, Ministry of Agriculture, New Delhi.						

Figure 1 : Growth Rate of Yield During 1980s and 1990s

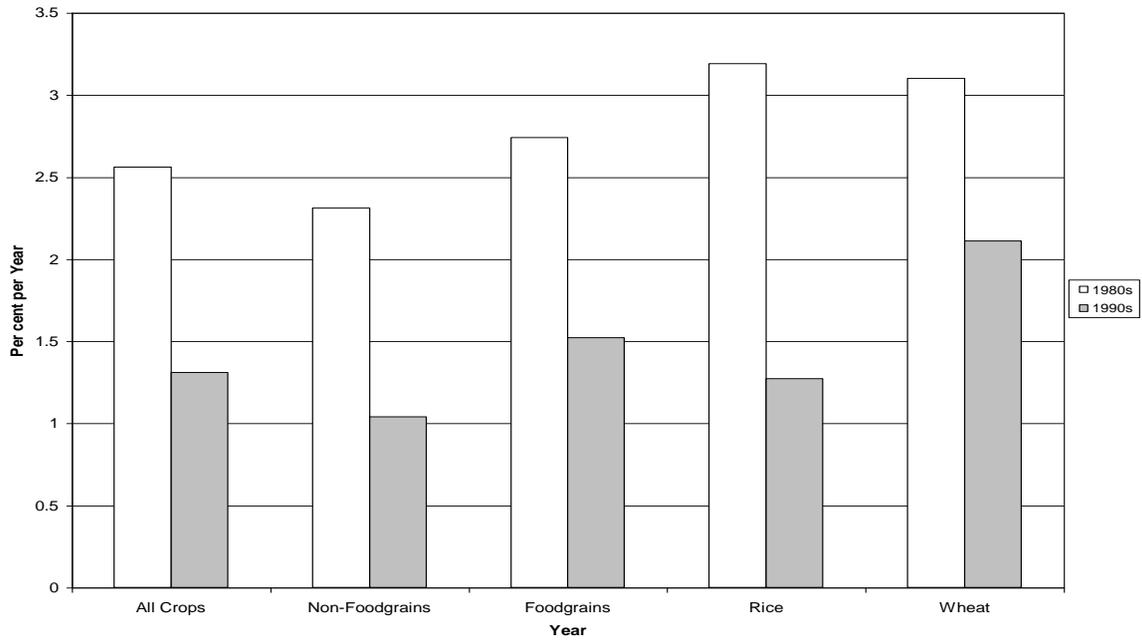
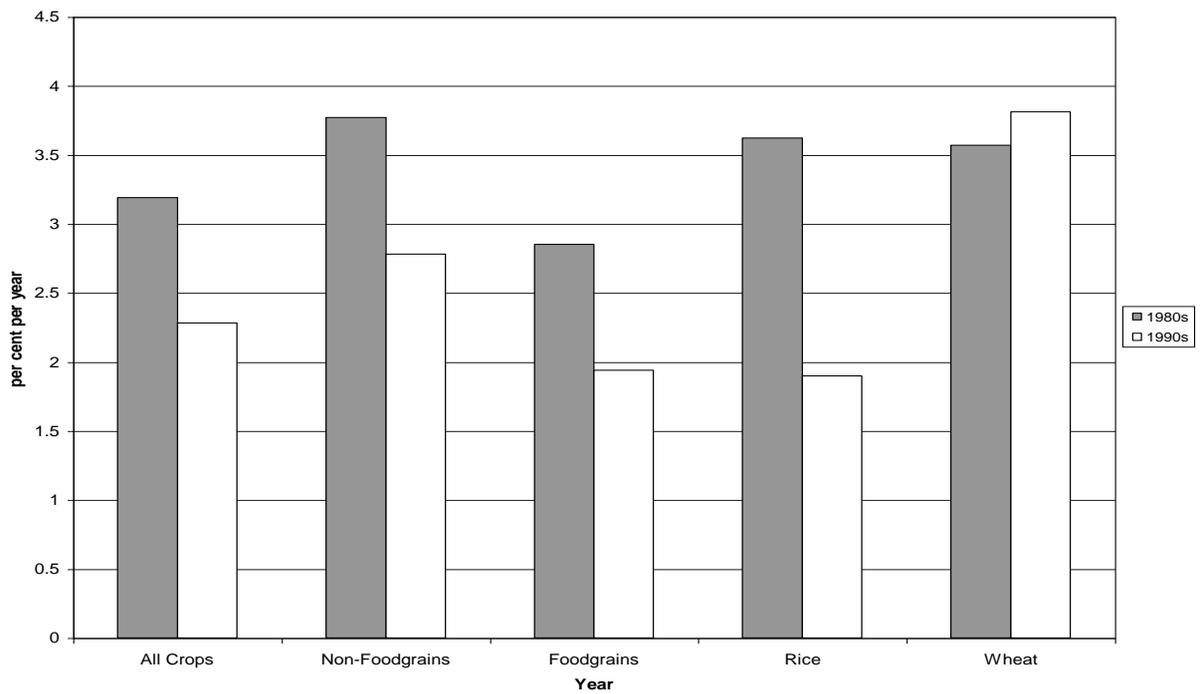


Figure 2 : Growth Rate of Production During 1980s and 1990s



Appendix Table2: Sectoral Growth of Gross Domestic Product 1950-51 to 1998-99

Period	GDP	Agriculture	Secondary	Tertiary
1980-51 to 1998-99	4.16	2.61	5.61	5.15
1950-51 to 1964-65	4.6	2.65	7.23	4.63
1967-68 to 1979-80	3.45	2.1	4.43	4.49
1980-81 to 1990-91	5.46	3.94	6.86	6.58
1990-91 to 1998-99	6.23	1.95	7.45	8.24
1950-51 to 1990-91	3.77	2.49	5.49	4.76

Appendix Table 3 : Some Indicators of Environmental Degradation

Sl. No.	Item	Measure of Degradation
1	Area Subject to Water and Wind erosion with 1981-82 land utilisation (Million Hect)	141.25
2	Water logged Area (Million Hect) 1997	8.53
3	Alkali Soils (Million Hect) 1997	3.58
4	Acid Soils (Million Hect) 1997	4.5
5	Avg. Annual loss of plant nutrients with eroded soil (Million Hect)	5.37 to 8.4
6	Avg. Annual area affected by flood	8
7	Estimated good Agricultural land taken over by towns and cities 1991	1.5
8	Change in forest cover in tribal districts 1991	-2.39
9	Forest Area Converted for various non-forest uses between 1951-1980 (Million Hect)	4.33
10	Annul CO ₂ emission from fossile fuels in 1992 (million tonnes)	210
11	Total No. of endemic Animal species (1997)	1837
12	Total No. of endemic plant species (1997)	5150

Source: Compiled from various documents.

Appendix Table 4: Exports of Major Agricultural Commodities from India

(Value in million \$)							
Year	Agriculture	Coffee	Tea	Oilcakes	Cotton	Rice	Fish
1960-61	596	15	260	29	25	0	10
1970-71	644	33	196	73	19	7	40
1980-81	2601	271	538	158	209	283	274
1990-91	3521	141	596	339	471	257	535
1991-92	3338	135	491	374	124	306	585
1992-93	3265	130	337	534	63	337	602
1993-94	4151	174	410	741	209	410	814
1994-95	4367	335	384	573	45	384	1126
1995-96	6320	449	1366	702	61	1366	1011
1996-97	6828	402	894	985	444	894	1129
1997-98	6375	436	881	916	226	881	1160
1998-99	5225	415	518	336	50	1507	655
1999-2000	4642	392	406	392	17	726	883
2000-01	4951	267	432	385	53	655	-

Source: www.fao.org

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