

Policy Initiative for Development of Rainfed Agriculture

Key-note Address

By

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Extent of rain-fed agriculture

Of nearly 139.1 million ha net cropped area (in TE ending 2003) nearly 83.9 ha is the net rain-fed area, 55.3 million ha is the irrigated area. Thus, rain-fed area account for nearly 60% of the cultivated area.

Even in coming ten years more than half of the cultivated land will rain-fed.

Extension of irrigation will not provide the solution.

- Pace of expansion of area under irrigation was less than 1% during the 10 year period, 1994 to 2003.
- Cost of extending surface water is huge, 1.2 lakh per ha (during 9th Plan) and increasing.
- More and more reliance is placed on irrigation by ground water, which in most of the regions of the country is not a viable solution. Increasingly large number of ground water blocks are declared as ‘black’

A large number of farmers will continue to depend on the dry land agriculture where they suffer from depleted land and water resources, uncertain weather, low value crops and low productivity.

The case of farmers dependent on rain-fed agriculture is, however, not hopeless.

- There are rain-fed crops, such as pulses, oilseeds, cotton and maize for which the demand is likely to be buoyant.
- There is a huge gap between the yield obtained and the potential yield of these crops in dry land conditions.
- There is a vast scope for increasing supplementary enterprises, especially dairy and desert horticulture.

Action is needed to:

- Increase investment in land improvement and water conservation
- Institute proper price policy
- Establish efficient marketing structures
- Ensure adequate supply of credit
- Provide protection against risks.
- Finally, there is the overarching question of governance and people's participation

In this presentation I will concentrate on

- Price Policy
- Trade Policy
- Credit Policy
- Policy for Risk Mitigation

Price Policy

We should look into the price policy for input and output.
Gap between input and output price is widening.

- Input Price Policy

Where ever policy is directed to make inputs cheaper by overt or hidden subsidies, e.g. in water, power, or nitrogenous fertilizers, it has lead to imbalanced use of inputs, leading to loss of productivity in the short as well as long term.

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Input Price Policy (Continued)

Economic prices of the inputs should be determined and publicized

Overt subsidy should be, given, mainly with the objective of improving productivity with the use of a given input

Input subsidies should not be used as a mean of transferring income.

Output Price Policy

- Using MSP mainly as synonymous with the Procurement Prices has caused serious distortions.
- MSP should be governed by the cost of production, while procurement prices should be related to market.
- For the country as a whole MSP should be announced for 5 to 6 major crops
- In addition, a state may announce MSP for 2 or 3 crops for the state.

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Output Price Policy (Continued)

The centre as well as the states should honor their commitments.

Procurement prices should be flexible, depending on the need for Buffer Stock and for PDS on the one hand, and the size of the crop and the ruling national and international price of the other.

Greater use should be made of the Futures market, and farmers should be made literate to deal in these markets.

Trade Policy

It is wrong to assume that because only an insubstantial part of agricultural products enter international trade, WTO provisions will not affect our agriculture in any significant way.

The main non-cereal crops of rain-fed areas, namely pulses, oilseeds and cotton as well as dairy products are important from the point of view of international trade. Many more products like maize and fruits and vegetables, which are gaining importance in the rain-fed areas, are also traded in the international markets.

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Trade Policy (Continued)

Important issues to be tackled in this respect are

- There is a need for greater correspondence between the domestic price policy and tariff policy.
- It will be more efficient if the agency which is advising the government on domestic price policy, viz., CACP, also advises on the tariff policy for agricultural commodities.
- We should carefully look into the difference between the ‘bounded’ tariff and the actual tariff in the case of internationally traded products from rain-fed areas

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Trade Policy (Continued)

- As the developed countries such as U.S. and EC are subsidizing farmers who produce exportable commodities, we should assist farmers whose products face competition in these products. This can be done without violating WTO obligations.

Credit Policy

A number of committees have looked into various aspects of credit delivery especially credit delivery to be neglected sections of agricultural producers. Most of them were headed by experienced bankers or other experts and, therefore, cannot be dismissed as amateurish or impractical.

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Credit Policy (Continued)

Specially for the rain-fed areas following provisions are important.

- Credit for a crop cycle of two or three years rather than for a season
- Credit against the total income portfolio rather than only against crops, as dry land agriculture is diversified
- Consumption credit, keeping in view that dry land farmers get bulk of their income only in one season.
- Clear provisions for waiving interest, waiving part of principal, waiving full interest and principal, depending on the severity and duration of a calamity

Risk Mitigation

Apart from the market induced risks, which are common for all agricultural producers. Most important problem facing dry land farmers is the weather induced uncertainties.

There is a vast scope to improve upon the existing Crop Insurance Scheme instead of replacing.

The main difficulties are in methods, procedures and governance.

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Risk Mitigation (Continued)

Realistic reforms have been suggested by independent researchers and also by the official Working Groups in areas such as extending coverage, determining threshold yields, assessing yield, rationalizing premium, reducing time lag in making payments etc.

It is important to act upon these measures rather than think of some untried schemes and programs. For example, in the present circumstances it is difficult to prove that Weather Insurance or other sophisticated measures are superior to the existing Crop Insurance Scheme if it is administered properly.

Thank You

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