

Agriculture and Rural Development: Need for Reforms

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There has been a significant slowdown in agricultural growth and decline in poverty in the 90's. The reasons include stagnating yield levels in irrigated pockets, non-realisation of potential growth in non-irrigated regions, lack of sufficient buoyancy in the non-farm sector, decline in rural non-agricultural employment, casualisation of labour, rising relative cereal prices etc. In this scenario, major new initiatives are needed to spur growth in agriculture and thereby induce growth in other sectors through inter-sectoral linkages. Reforms are needed in pricing policy, trade policy and land relations. The major pre-requisite for agricultural growth is investment in irrigation, rural infrastructure, R & D in unirrigated regions. Due to significant gestation lags in these sectors, private investment is unlikely to flow in and public sector investment is a must. Resources for public investment should be raised by curtailing and diverting resources from current expenditure like food, fertiliser and power subsidies through better targeting and rationalisation of tariffs. To this end, reforms on pricing of inputs and outputs (supported procurement prices) are needed. The needed trade policy reforms include export emphasis on non-food crops like milk and milk products and fruits and vegetables and continuation of self-sufficiency policy in case of basic food crops. These reforms need to be supplemented by rigorous land reforms to realise the full potential of benefits from trade liberalisation.

I Introduction

The poor performance of agriculture over the last decade in general and in the last two agricultural years, 1999-2000, 2000-01 in particular combined with trends of declining rural non-farm employment and increasing income disparities in rural India have once again brought the role of state to the fore. The poor performance of industry, for which sluggish domestic demand due to the recent poor agricultural performance is cited as one of the main reasons, further strengthens the argument for some new initiatives to spur growth in agriculture and thereby induce growth in other sectors through inter-sectoral linkages.

The present paper tries to analyse the recent trends in agriculture and rural development with a focus on rural employment generation and poverty. Section II discusses the broad trends in agriculture and Section III lists the trends in rural employment and poverty. Section IV gives a sketch of the needed reforms and provides the concluding remarks.

II Recent Trends in Agriculture

In the last decade agriculture has witnessed deceleration both in terms of value added (GVA) and output relative to the previous decade of 80s (Table 1 and Table 3). The

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