

REPORT OF THE  
NATIONAL COMMISSION ON  
AGRICULTURE

1976

PART XII  
SUPPORTING SERVICES AND INCENTIVES



GOVERNMENT OF INDIA  
MINISTRY OF AGRICULTURE AND IRRIGATION  
NEW DELHI

**P. Agr, 136 XII**

**5,000**

**PRINTED BY THE GENERAL MANAGER, GOVERNMENT OF INDIA PRESS, MINTO ROAD,  
NEW DELHI AND PUBLISHED BY THE CONTROLLER OF PUBLICATION, CIVIL LINES,  
DELHI**

## PREFACE

The Report of the National Commission on Agriculture comprises 69 chapters in 15 parts. A complete list of chapters and parts is given in pages (iii), (iv) and (v). The Terms of Reference of the Commission and its composition are given in Part I—Chapter 1—Introduction.

This volume entitled 'Supporting Services and Incentives', is Part XII of the Report and is divided into the following three chapters:

- 55. Credit and Incentives
- 56. Marketing, Transport and Storage
- 57. Processing and Agro-Industries

Marketing of fish and fishery products is dealt with in Part VIII.

# **REPORT OF THE NATIONAL COMMISSION ON AGRICULTURE**

## **PART I—REVIEW AND PROGRESS**

1. Introduction
2. Historical Review
3. Progress of Agricultural Development
4. Some Economic Aspects

## **PART II—POLICY AND STRATEGY**

5. Agriculture in Economic Development
6. Growth with Social Justice
7. Policy and Strategy
8. Centre-State Relations in Agricultural Development
9. Nutrition

## **PART III—DEMAND AND SUPPLY**

10. Demand Projections
11. Supply Possibilities
12. Export Possibilities and Import Substitution

## **PART IV—CLIMATE AND AGRICULTURE**

13. Climate and Agriculture
14. Rainfall and Cropping Patterns

## **PART V—RESOURCE DEVELOPMENT**

15. Irrigation
16. Command Area Development
17. Land Reclamation and Development
18. Soil and Moisture Conservation
19. Electricity in Rural Development

## **PART VI—CROP PRODUCTION, SERICULTURE AND APICULTURE**

20. Reorientation of Cropping Systems
21. Foodgrain Crops
22. Commercial Crops
23. Horticultural Crops
24. Plantation Crops
25. Fodder Crops
26. Sericulture
27. Apiculture

## **PART VII—ANIMAL HUSBANDRY**

28. Cattle and Buffaloes
29. Dairy Development
30. Sheep and Goats
31. Poultry
32. Other Livestock
33. Mixed Farming
34. Livestock Feeding
35. Animal Health
36. Meat Production and Animal Byproducts

## **PART VIII—FISHERIES**

37. Inland Fisheries and Aquaculture
38. Marine Fisheries
39. Crustacean Fisheries and their Utilisation
40. Marketing of Fish and Fishery Products

## **PART IX—FORESTRY**

41. Forest Policy
42. Production and Social Forestry
43. Minor Forest Produce
44. Forest Ecology and Wildlife Management
45. Forest Protection and Law
46. Forest Planning, Research and Education

## **PART X—INPUTS**

47. Seeds
48. Fertilisers and Manures
49. Plant Protection Chemicals
50. Farm Power
51. Implements and Machinery

## **PART XI—RESEARCH, EDUCATION AND EXTENSION**

52. Research
53. Education
54. Extension

## **PART XII—SUPPORTING SERVICES AND INCENTIVES**

55. Credit and Incentives
56. Marketing, Transport and Storage
57. Processing and Agro-Industries

## **PART XIII—RURAL EMPLOYMENT AND SPECIAL AREA PROGRAMMES**

58. Rural Employment
59. Special Area Development Programmes

**PART XIV—PLANNING, STATISTICS AND ADMINISTRATION**

- 60. Planning
- 61. Statistics
- 62. Administration
- 63. Farmers' Organisation
- 64. International Cooperation

**PART XV—AGRARIAN REFORMS**

- 65. Land Reforms Policy
- 66. Land Reforms Legislation and Implementation
- 67. Agrarian Structure and Perspective
- 68. Consolidation of Holdings
- 69. Agriculture Labour

**PART XII**  
**SUPPORTING SERVICES AND INCENTIVES**  
**CONTENTS**

**CHAPTER 55—CREDIT AND INCENTIVES**

SECTION	PAGE
1 INTRODUCTION . . . . .	1
2 EVOLUTION OF INSTITUTIONAL FINANCING SYSTEM . . . . .	2
The Pre-1947 Phase . . . . .	2
All India Rural Credit Survey (1951-54) . . . . .	3
Large-sized Societies . . . . .	3
Revised Policy 1960 . . . . .	3
Multi-purpose Cooperative Organisation . . . . .	5
Viability Re-defined . . . . .	6
Introduction of Crop Loan System . . . . .	6
All India Rural Credit Review Committee . . . . .	7
Government's Role : Supporting System . . . . .	8
Commercial Banks . . . . .	10
3 ACHIEVEMENTS AND LIMITATIONS . . . . .	11
Cooperatives and Commercial Banking Systems . . . . .	11
Long Term Credit from Cooperatives . . . . .	12
Share of Small Farmers in Cooperative Credit : Earlier Findings . . . . .	12
Rising Overdues . . . . .	12
Financing by Commercial Banks . . . . .	14
Village Adoption and Agricultural Development Branches . . . . .	15
Financing through Primary Cooperative Societies . . . . .	15
Small Farmers and Institutional Financing Agencies . . . . .	17
The Need for New Policy Horizons and Organisations . . . . .	18
4 MAJOR COMPONENTS OF NEW CREDIT POLICY FOR FINANCING AGRICULTURE . . . . .	19
Agricultural Development and Credit Policy . . . . .	19
Institutional Credit—Existing and New . . . . .	20
Basic Goals of New Policy . . . . .	21
Economic Viability . . . . .	21
Integration of Credit and Services . . . . .	22
Inter-Agency Coordination and Integration . . . . .	22
Financing of Medium and Large Farmers . . . . .	23
Integration of Cooperative and Commercial Banking Operations . . . . .	24
Control of Default with Continuity in Production . . . . .	24
Graduation . . . . .	24
Financing of Dry Land Farming . . . . .	25
5 ORGANISATION OF CREDIT AND FARMERS' SERVICE SOCIETIES . . . . .	27
Multi-purpose Organisation . . . . .	27
Main Features of FSS . . . . .	28
Constitution and Bye-laws . . . . .	29
Functions . . . . .	29
Organisation . . . . .	31
Sources of Funds . . . . .	31
Linkages and Multiplier Effect . . . . .	32
The Role of the Financing Bank . . . . .	32
Role of State Government . . . . .	34

SECTION	PAGE
Role of Cooperative Departments	34
Extension Services	35
Share Capital and Funds	37
Maximum Borrowing Power	38
Managerial Efficiency	39
Diversification of Business	40
The Immediate Role of the Reserve Bank of India	42
Unified System of Assistance	43
<b>6 NATIONAL PROGRAMME FOR ORGANISATION OF FARMERS' SERVICE SOCIETIES</b>	<b>45</b>
Main Features of the Farmers' Service Societies Concept	46
Experience of the First Farmers' Service Societies	47
Requirements of a National Programme	50
Pace of Implementation	50
Education and Training of FSS teams	51
<b>7 MOBILISATION OF INSTITUTIONAL FINANCIAL RESOURCES</b>	<b>52</b>
<b>8 MEASURES FOR IMPLEMENTATION OF NATIONAL POLICY</b>	<b>60</b>
Marketing and Storage	60
Immediate Action by Commercial and Cooperative Banks	61
Re-modelling and Expansion of Bank's set-up	62
Small Savings and Agricultural Development	62
<b>9 OTHER INCENTIVES INCLUDING SUBSIDIES</b>	<b>63</b>
Subsidies	64
Review of the Working of Subsidies	66
Rebates and Tax Concessions	73
Crop Insurance	74
Price Support	77
Rewards and Social Recognition	77
Institutional Changes	78
<b>10 SUMMARY OF RECOMMENDATIONS</b>	<b>79</b>

#### APPENDIX

55.1 Institutional Finance for Agricultural Development	84
55.2 Lending for Agriculture and Allied Activities by Scheduled Commercial Banks—December, 1972 and December, 1973	85
55.3 Lending for Agriculture and Allied Activities by Scheduled Commercial Banks (as on December 31, 1973)	87
55.4 Direct Loans to Agriculture by Public Sector Banks (as on March 30, 1973)	89
55.5 Main Steps for Organising Farmers' Service Societies	90
55.6 Immediate Linkages of an FSS	95
55.7 Economic Features and Business Potential of the Farmers' Service Societies	96
55.8 Major Aspects of Preparatory Work and Decisions for the National Programme for Organising Farmers' Service Societies	99
55.9 Assessment of Credit Requirements—1985	
Statement I—Distribution of Operational Area by Size	101
Statement II—Coverage under Area Development Programmes in Irrigated Areas	101
Statement III—Scales of Credit Requirements under Livestock & Fisheries Development Programmes	102
Statement IV—Credit Requirements for Agriculture for Full Programme Coverage—Estimated Level by 1985	103
Statement V—Graduated Requirements of Credit 1985	105
Statement VI—Sources of Institutional Finance—1979 and 1985	108
55.10 Pilot Crop Insurance Schemes in Operation in 1974-75	109



## CHAPTER 56—MARKETING, TRANSPORT AND STORAGE

SECTION	PAGE
1 MARKETS AND MARKETING INSTITUTIONS	111
Marketing Institutions	120
2 INPUT MARKETING	123
3 OUTPUT MARKETING	125
Pre and Post-harvest Problems	125
Expansion and Setting up of Processing Units	132
Grading & Standardization	133
Market News and Intelligence	136
Credit and Marketing	137
Fresh Fruits and Vegetables	139
Livestock	140
Meat	141
Wool	141
Hides and Skins	142
Poultry and Eggs	143
Fish	145
Minor Forest Produce	145
4 TRANSPORT	146
Transport of Perishable Products	150
Livestock Transport	151
Packing of Fruits and Vegetables	152
5 STORAGE	153
Farm Level Storage	154
Losses	155
Commercial Storage	158
Cotton	159
Jute	161
Cold Storage	161
6 MARKETING EDUCATION, RESEARCH, EXTENSION & ADMINISTRATION	163
Training	164
Market Research	167
Marketing Extension	169
Agricultural Marketing Administration	170
7 SUMMARY OF RECOMMENDATIONS	175
APPENDIX	
56·1 Quantity and Estimated value of Commodities Compulsorily Graded under Agmark for export during 1968-69 and 1973- 74	183
56·2 Information on Periodical Collection and Dissemination of Market Intelligence Data	185

## CHAPTER 57—PROCESSING AND AGRO-INDUSTRIES

SECTION	PAGE
1 PROCESSING	187
Processing of Perishable Products	188
Dehydration of Vegetables	189
Canning of Fruits and Vegetables	190
Processed Products of Animal Origin	196
2 EXPANDING USES OF AGRICULTURAL COMMODITIES	197
Foodgrains	197
Commercial Crops	200

SECTION	PAGE
Horticultural Crops . . . . .	201
Plantation Crops . . . . .	202
Forest Products . . . . .	203
Products of Animal Origin . . . . .	205
An Overall View . . . . .	206
3 UTILISATION OF BYPRODUCTS AND WASTES . . . . .	206
4 COMMERCIAL EXPLOITATION OF AGRICULTURAL PRODUCTS . . . . .	210
5 ROLE OF AGRO-INDUSTRIES CORPORATIONS . . . . .	214
6 SUMMARY OF RECOMMENDATIONS . . . . .	215

APPENDIX

57·1 India's Exports of Fruits and Vegetables Preparation (average 1967-68 to 1971-72) . . . . .	220
57·2 Broad Categories of Industries Already Established . . . . .	222
57·3 Institutewise List of National Research Development Cor- poration (NRDC) Processes relating to the Utilisation of Agricultural and Animal Wastes . . . . .	223
57·4 Scheme of Agro-Industries prepared by Small-Scale Industries Development Organisation . . . . .	227