

# Indian Agriculture & New Agriculture Acts

Volume III

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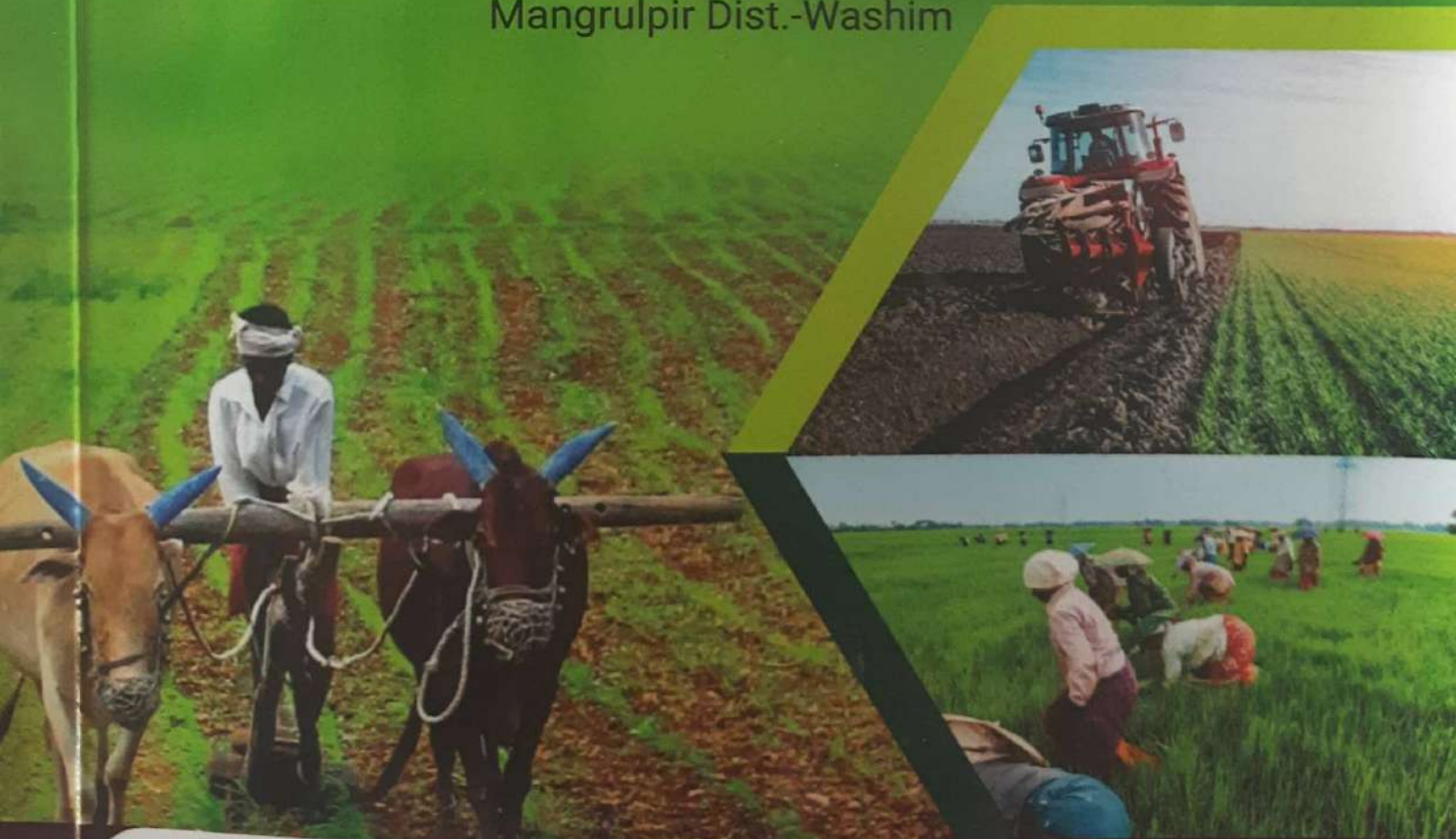
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### **Introduction**

Agriculture plays a vital role in India's economy. Over 58 per cent of the rural households depend on agriculture as their principal means of livelihood. As per the 2nd advised estimates by the Central Statistics Office (CSO), the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) is estimated to be 17.3 per cent of the Gross Value Added (GVA) during 2016-17 at 2011-12 prices.

The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year due to its immense potential for value addition, particularly within the food processing industry. The Indian food and grocery market is the world's sixth largest, with retail contributing 70 per cent of the sales. The Indian food processing industry accounts for 32 per cent of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. It contributes around 8.80 and 8.39 per cent of Gross Value Added (GVA) in Manufacturing and Agriculture respectively, 13 per cent of India's exports and six per cent of total industrial investment.

### **Structure and Structural Transformation of Indian Agriculture**

The agriculture sector in India has undergone significant structural changes in the form of decrease in share of GDP from 30 percent in 1990-91 to 14.5 percent in 2010-11 indicating a shift from the traditional agrarian economy towards a service dominated one. This decrease in agriculture's contribution to GDP has not been accompanied by a matching reduction in the share of agriculture in employment. About 52% of the total workforce is still employed by the farm sector which makes more than half of the Indian population dependent on agriculture for sustenance. However, within the rural economy, the share

of income from non-farm activities has also increased.

With the declining share of agriculture to GDP, the continuing high pressure of population on agriculture and the increasing fragmentation of land holdings leading to decreasing availability of cultivated land area per household, the agriculture sector alone would hardly be in a position to create additional employment opportunities to sustain the livelihood of the rural households. This calls for creation of additional employment opportunities in the non-farm and manufacturing sector, especially in agro based rural industries which have area specific comparative advantage in terms of resources endowment and development possibilities. This would require suitable skill development of the people so as to gainfully employ them in non-farm activities. This alone would be able to make agriculture viable in a sustainable manner. In addition, by creating more employment and absorbing some of the surplus labour in agriculture, this will contribute to achieving our objective of inclusive growth.

#### Growth Performance of Agriculture : Overall Growth

The growth performance of the agriculture sector has been fluctuating across the plan periods . It witnessed a growth rate of 4.8 per cent during the Eighth plan period (1992–97). However, the agrarian situation saw a downturn towards the beginning of the Ninth plan period (1997–2002) and the Tenth plan period (2002–07), when the agricultural growth rate came down to 2.5 percent and 2.4 percent respectively. This crippling growth rate of 2.4 percent in agriculture as against a robust annual average overall growth rate of 7.6 per cent for the economy during the tenth plan period was clearly a cause for concern. The trend rate of growth during the period 1992-93 to 2010- 11 is 2.8 percent while the average annual rate of growth in agriculture & allied sectors GDP during the same period is 3.2 percent.

#### Irrigation, Seeds, Fertilizers and Credit

There is no doubt that the overall size, quality, and efficiency of investment are always the key drivers of growth in any sector. In case of public investments in agriculture, as defined in the National Accounts Statistics, more than 80 percent is accounted for major and medium irrigation schemes. Even in the case of private investments in agriculture, almost half is accounted for by irrigation (minor, primarily through groundwater, but also now increasingly drips etc.). So irrigation remains the most dominant component in the overall investment in agriculture. Without proper use of water, it is difficult to get good returns on better high yielding seeds and higher doses of

fertilizers. Water will remain a critical input for agriculture in the decades to come until science develops seeds that can thrive in dry climate with very little water. The net sown area has remained around 141 million hectares during the last 40 years. The cropping intensity, i.e., the ratio of gross cropped area to Indian Agriculture: Performance and Challenges net cropped area has however, gone up from 118 per cent in 1970-71 to 138 percent in 2008-09.

#### Emerging Demand—Supply Imbalances

With the Indian economy growing at 8 percent and higher expenditure elasticity of fruits & vegetables and livestock as compared to cereals, there is an increasing pressure on the prices of such high value perishable commodities. The per capita monthly consumption of cereals has declined from 14.80 kg in 1983-84 to 12.11 kg in 2004-05 and further to 11.35 kg in 2009-10 in the rural areas. In the urban areas, it has declined from 11.30 kg in 1983-84 to 9.94 kg in 2004-05 and to 9.37kg. in 2009-10. The agricultural production basket is still not fully aligned to the emerging demand patterns.

#### Government Initiatives

Given the importance of the agriculture sector, the Government of India, in its Budget 2017-18, planned several steps for the sustainable development of agriculture-

- Total allocation for rural, agricultural and allied sectors for FY 2017-18 has been increased by 24 per cent year-on-year to Rs 1,87,223 crore (US\$ 28.1 billion). A dedicated micro-irrigation fund will be set up by National Bank for Agriculture and Rural Development (NABARD) with a corpus of Rs 5,000 crore (US\$ 750 million). The government plans to set up a dairy processing fund of Rs 8,000 crore (US\$ 1.2 billion) over three years with initial corpus of Rs 2,000 crore (US\$ 300 million).
- The participation of women in Mahatma Gandhi National Rural Employment Gurantee Act (MGNREGA) has increased to 55 per cent and allocation to the scheme has been increased to a record Rs 48,000 crore (US\$ 7.2 billion) for FY2017-18.

Some of the recent major government initiatives in the sector are as follows:

- With an aim to boost innovation and entrepreneurship in agriculture, the Government of India is introducing a new AGRI-UDAAN programme to mentor start-ups and to enable them to connect with potential investors.

The Government of India has launched the Pradhan Mantri Krishi Sinchai Yojana (PMKSY) with an investment of Rs 50,000 crore (US\$ 7.7 billion) aimed at development of irrigation sources for providing a permanent solution from drought.

The Government of India plans to triple the capacity of food processing sector in India from the current 10 per cent of agriculture produce and has also committed Rs 6,000 crore (US\$ 936.38 billion) as investments for mega food parks in the country, as a part of the Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters (SAMPADA).

The Union Cabinet, Government of India, approves Rs 9,020 crore (US\$ 1.4 billion) as Extra Budgetary Resources (EBR) for execution of projects under Accelerated Irrigation Benefits Programme (AIBP) and their command area development (CAD) works under PMKSY.

A new platform for selling agricultural produce named e-RaKam has been launched by the Government of India and will operate as a joint initiative of Metal Scrap Trade Corporation Limited and Central Railside Warehouse Company Limited (CRWC).

The NITI Aayog has proposed various reforms in India's agriculture sector, including liberal contract farming, direct purchase from farmers by private players, direct sale by farmers to consumers, and single trader license, among other measures, in order to double rural income in the next five years. The Ministry of Agriculture, Government of India, has been conducting various consultations and seeking suggestions from numerous stakeholders in the agriculture sector, in order to devise a strategy to double the income of farmers by 2022.

The Government of India has allowed 100 per cent FDI in marketing of food products and in food product e-commerce under the automatic route.

### Market Size

India's GDP is expected to grow at 7.1 per cent in FY 2016-17, led by growth in private consumption, while agriculture GDP is expected to grow above-trend at 4.1 per cent to Rs 1.11 trillion (US\$

1,640 billion).<sup>5</sup> It ranks third in farm and agriculture outputs. As per the 2nd Advance Estimates, India's food grain production is expected to be 271.98 MT in 2016-17. Wheat production in India is expected to touch an all-time high of 96.6 MT during 2016-17.<sup>6</sup> Production of pulses is estimated at 22.14 MT. India has been the world's largest producer of milk for the last two decades and contributes 19 per cent of the world's total milk production. India is emerging as the export hub of instant coffee which has led to exports of coffee reaching 177,805 tons valued at US\$ 447 million between April-August 2017, as against 162,641 tons valued at US\$ 363.1 million during the same period last year.

India topped the list of shrimp exporters globally, as the value-added shrimp exports rose 130 per cent year-on-year to 23,400 tons in 2016. The production of food grains in India reached a record 275.68 million tonnes (MT) during FY 2016-17, as per the Fourth Advance Estimates (AE) released by the Department of Agriculture, Cooperation and Farmers Welfare, Government of India. The total sown area for kharif crops was 68.53 million hectares as on July 2017, compared to 67.34 million hectares on July, 2016.

## Conclusion

Agriculture plays a vital role in India's economy. Over 58 per cent of the rural households depend on agriculture as their principal means of livelihood. As per the 2nd advised estimates by the Central Statistics Office (CSO), the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) is estimated to be 17.3 per cent of the Gross Value Added (GVA) during 2016-17 at 2011-12 prices. The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year due to its immense potential for value addition, particularly within the food processing industry. The Indian food and grocery market is the world's sixth largest, with retail contributing 70 per cent of the sales. The Indian food processing industry accounts for 32 per cent of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. It contributes around 8.80 and 8.39 per cent of Gross Value Added (GVA) in Manufacturing and Agriculture respectively, 13 per cent of India's exports and six per cent of total industrial investment.



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