Role of Agriculture in India's Economic Development

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Abstract: ***India is among the most potential developing economics in the world. Why do we call it as a potential economy? The simple reason being the growth rate of economy. Standing shoulder to shoulder with strong neighbor China, India is progressing with growth rate in the range of 6 to 7 % consistently, India was even consider as one of those most fortunate countries which bore the burns of global recession the least. The supporting factor for this is fiscal policies of Indian Govt. And the backbone of this strong potential and the most competent economy is agriculture.***

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IMPORTANCE OF AGRICULTURE IN INDIAN ECONOMY

India is the largest producer in the world of milk, cashew nuts, coconuts, tea, ginger, turmeric and black pepper. It also has the world's largest cattle population. It is the second largest of wheat , rice, sugar, groundnut and inland fish. It is the third largest producer of tobacco. India accounts for 10% of the world fruit production with first rank in the production of banana and sapota.

Agriculture in India is the means of livelihood of almost two thirds of the work force in the country. It has always been India's most important economic sector. Today, India ranks second world-wide in farm output. Agriculture and allied sectors like forestry and logging accounted for 16.6% of the GDP in 2007, employed 52% of the total work force and despite a steady decline of its share in the GDP, is still the largest economic sector and plays a significant role in the overall socio-economic development of India. Yields per unit area of all crops have grown since 1950, due to the special emphasis placed on agriculture in the five- year plans and steady improvements in irrigation, technology, application of modern agriculture practices and provision of agricultural credit and subsidies since Green revolution in India. However, international comparisons reveal that the average yield in India is generally 30% to 50% of the highest average yield in the world.

Agriculture Growth Rate in India GDP has slowed down for the production in this sector has reduce over the years. The agricultural sector has had low production due to a number of factors such as illiteracy, insufficient finance, and inadequate marketing of agricultural products. Further the reason for the farms is very small which in turn has declined due to the fact that the sector has adopted modern technology and agricultural practices. Agriculture Growth Rate in India GDP has also decreased due to the fact that the sector has insufficient irrigation facilities. As a result of this the farmers are dependent on rainfall, which is however very unpredictable.

Agriculture Growth Rate in India GDP has declined over the years. The Indian government must take steps to boost the agricultural sector for this in its turn will lead to the growth of Agriculture Growth Rate in India GDP.

Despite Indian's economic development, over 70% of the population still lives in rural areas. Agriculture is the key employer with around 60% of the labour force, down from 70% in the early nineties. This compares with 44% in China (2002) and 21% in Brazil (2004). The decline in agriculture in the labour force has not kept pace with its decline in the economy. This stickiness has been attributed to low labour mobility and slow growth in productivity in agriculture. In India agricultural value added per worker has grown by only 15% in real terms from 1990 to 2004. By comparison productivity in China rose by over 60% and more than doubled in Brazil.

Indian agriculture broadly consists of four sub-sectors. Agriculture proper including all food-crops oilseeds, fibre, plantation crops, fruits and vegetables is the largest accounting for nearly 70 % of the agriculture sector as a whole. The rapid growth in this sub-sector through exploitation of wastelands and fallows spread of irrigation and adoption of production enhancing technologies was critical in transforming India from a country vulnerable to

food its share to one of exportable surplus. Although this sub-sector has made impressive progress its share in the sector as a whole has declined from 78% in 1960-61 to less than 79% by early 90s.

Correspondingly the share of livestock sector has increased considerably. The livestock industry has grown from Rs.15 billion in early 1960s to Rs.100 billion by 180-81 and Rs.672 billion by 1993-94. In nominal terms the sectors grew at the almost 15 % per annum during19809s. Milk production, which was almost stagnant for two decades endinmg 1970, grew by over 5 % per annum in 80s. Similarly, production of eggs increased at the rate of about 17% till early 80s to 25% by 1993-94.

Through it plays relatively a minor role within the sector as a whole , fishing sub-sector activities have been on rise . The sub-sector has grown from only Rs.3 billion in 1970-71 to nearly Rs.90billion in 1993-94. The growth was particularly rapid in 70s and 80s. Value added increased at over 5% per annum during this period.

In real terms forestry and logging activities have been on the decline since mid-seventies. As of 1993-94, the size of the industry in terms of value of output was 103 billion.

Over the past three decades, the country has successfully transformed itself from a food deficit economy to one which is essentially self-sufficient in availability of food grains and other essential commodities , albeit only at the prevailing level of effective demand. Annual aggregate food grains production, which averaged about 82 million tons in 1960-61 increased to 123.7 and 172.5 million tons for the trienniums ending 1980-81 and 1990-91 respectively. Current production level is 195 million tons and the country has been able to accumulate substaintial stocks of food grains to cope up with any sudden difficulties arising from drought or similar situation in any part of the country.

MAIN ECONOMIC SECTORS SHARE OF INDIAN GDP:

Being one of the strongholds of the Indian economy agriculture accounted for 15.7 percent of the country's gross domestic product in 2008-09. According to a Rabobank report, the agri-biotech sector in India has been growing at a whopping 30 percent since the last five years, and it is likely to sustain the growth in the future as well . The report further states that agricultural biotech in India has immense potential and India can become a major grower of transgenic rice and several genetically engineered vegetables by 2010.

National Economy: The direct contribution of the agriculture sector to national economy is reflected by its share in total GDP, its foreign exchange earnings, and its role in supplying savings and labor to other sectors. Agriculture and allied sectors like forestry and fishing accounted for 18.5 percent of total Indian Gross Domestic Product (GDP) in 2005-06 and employed about 58 percent of the country's workforce. It accounted for 10.95 percent of India's exports in 2005-06 and about 46 percent of India's geographical area is used for agricultural activity. There has been a structural transformation in the Indian economy during the past few decades. There has been a structural transformation in the Indian economy during the past few decades. The composition of Gross Domestic Product at 1993-94 constant prices reveals that the share of agriculture including forestry and fishing has declined as growth in industrial and services sectors far outpaced agricultural sector. The share of mining, manufacturing, electricity and construction sector has increased from 21.6 percent in 1970-71 to 27 percent in 2004-05 and services sector has increased significantly from 32 percent to 52.4 percent during the same period . Despite a steady decline of its share in the GDP, agriculture is still an important sector and plays a significant role in the overall socio-economic development of the country . Therefore, fostering rapid, sustained and broad-based growth in agriculture remains key priority for the government.

State Economies: Consistent with the trends of economic development at national level, role of agricultural sector in the state economies is also changing rapidly . The share of agriculture in Gross State Domestic Product (GSDP) has declined significantly during the last two decades. In some states, such as Bihar , Punjab , Uttar Pradesh, Haryana , Rajasthan and Orissa, the sector today contributes more than one-quarter of GSDP, while in some states, such as Gujarat, Kerala, Karnataka, Tamil Nadu and Maharashtra, the sector contributes less than 20 percent to GSDP. However, contribution of agriculture to GSDP has declined in almost all States between 1993-94 and 2004-05. The decline was the higest in Karnataka (16%), followed by Haryana (14.2%) ,and Kerala (13.7%). In Karnataka, decline was mainly due to significant increase in the share of services sector (from 37.9% in 1993-94 to 54.7% in 2004-05) mainly drive by informational technology (IT) industry. Similar is the case with Haryana the decline is due to faster development of services sector around the national capital, Delhi.

Despite declining share of agriculture in the economy, majority of workforce continue to depend on agricultural sector for employment and in rural areas dependence on agriculture is more as nearly 75 percent of rural population is employed in agricultural sector. However, there is a disguised employment lead to lower labor and resources productivity in the sector relative to other sectors of the economy. The low labor productivity leads to higher rates

of poverty in rural areas.

Agriculture in India is constitutionally the responsibility of the states rather than the central government. The central government's role is in formulating policy and providing financial resources for agriculture to the states.

For a proper understanding of the changing agrarian structure, the various strategies adopted for augmenting growth should be evaluated bearing in mind the highly skewed distribution of land ownership and land holdings. Soon after independence India found that the domestic production of food grains was not adequate to meet the domestic demand. It was justifiably considered humiliating for a country of the size of India to be going around with a begging bowl. Hence increasing food grain output and achieving self-sufficiency in food grains become a mtter of high priority for output and achieving self-sufficiency in food grains become a matter of high priority for the policy mkers. The grow More Food campaign, the Community Development Programme and the Intensive Area Development Programmes were all attempts at regenerating Indian agriculture that had stagnated during the British period. Havingt created an institutional structure, it was but obvious those solutions had to be found within that framework. In this context food output could be increased through programmes like JADP, through investment in infrastructure in already irrigated areas and through increasing dependence on the main 3 agents of growth namely the uppermiddle and rich farmers. It was therefore, inevitable that the growth under such circumstaces be concentrated in irrigated regions and in absolute terms a major proportion of incremental income should flow to the rich and very big farmers. Looked at in this context, to blame green revolution technology for distorted pattern of agricultural development is tatally mis-conceived and illogical. It could actually be argued that without the introduction of new technology , India could not have recorded high growth in unequal pattern development , it may be repeated was the creation of skewed land structure as a result of half-hearted land reforms.

The nature of distortions that have taken place in the agrarian structure and their implications fro our polity may briefly be analysed. The following seem to be the major characteristics of agrarian scene in India:

1. Inter-personal inequality
2. Inter-regional inequality
3. Poverty.

Production: India has become the world's largest producer across of commodities due to its favorable agro-climatic conditions and rich natural resource base.

India is the largest producer of coconuts, mangoes, bananas, milk and dairy products, cashew nuts, pulses, ginger, turmeric and black pepper. It is also the second largest producer of rice, wheat, sugar, cotton, fruits and vegetables.

According to the centre for Monitoring Indian Economy (CMIE), crop production is expected to rise by 1.7 percent during FY10 and food grain production is expected to increase by 1.1 percent and wheat production is projected to remain at the same level of 80 million tons as estimated for FY09 while rice production is projected to increase by 1.1 percent to 98.8 million tons. Production of coarse cereals and pulses is also expected to rise in FY10.

According to government data, wheat acreage has gone up marginally to 27.75 million hectares by February 4, 2010, compared to 27.58 million hectares in the same period last year. The acreage under pulses (gram, lentil,urad,moong,) has gone up to 13.74 million hectares, compared to 12.95 million hectares in the same period last year.

Cotton production in India, the world's second largest producer, may rise 10 ercent to about 32 million bales (one bale is equal to 170kg) in the 2009-10 season (October-September), on the back high support price and more sowing of high-yielding BT seeds.

India's coffee output is pegged at 310,000 tons in 2009-10, 4.4 percent higher compared to 2008-09, according to the post – blossom estimates released by the Coffee Board. If the actual output in 2009-10 matches estimates, India is likely to climb up in the ranking list of top 10 coffee-producing countries in the world. According to the International Coffee Organization (ICO), India has a bright chance of becoming the fifth largest coffee producer in the world, replacing Mexico, Currently, it is placed in the sixth position..

Exports and Imports: According to the government's agri-trade promotion body. Agricultural and processed Food Products Export Development Authority (APEDA) , India's exports of agricultural and foricultural products and processed food products was worth US$ 7.98 billion in 2008-09 an increase of 13.88 percent from US$ 7.01 billion in 2007-08.

India's agri-export turnover is expected to double in the next five years, according to APEDA. Agri-export turnover is set to rise to nearly US$ 18 billion by 2014.

At present , around 70 percent of the country's agricultural

and processed food exports are to developing countries in the Middle East, Asia , Africa and South America.

Indian seed companies, such as JK Seeds, Namdhari Seeds, Nuziveedu Seeds, Nath seeds, Rasi and Vibha Seeds, are eyeing the export markets in SAARC (South Asian Association for Regional Cooperation) and African countries with a host of hybrid seeds and best farm practices The seed producers, who are seeking to expand their horizons, are cashing in on the poor market infrastructure in East and West African countries and the appetite for hybrid seeds in the SAARC region.