

## V

### Outlook

8.80 After the economic reforms in 1991-92 that removed the restrictive and protective licensing regime for industry, the policy focus turned to agriculture. There is still the general impression that agriculture in India operates amidst a number of restraints and controls and that farmers do not receive the benefits of free trade as compared to other sectors of the economy.

8.81 National Agriculture Policy (see Box 8.1) has taken note of this and proposed freeing agriculture of various restrictions. The Central Government has taken a lead in repealing some of the restrictive legislations such as (i) Rice Milling Industries (Regulations) Act, 1958; (ii) Ginning & Pressing Factories Act, 1925; (iii) Licensing, Price Control & Requisitioning under Cold Storage Order 1965 (as amended in 1980) etc. In the dairy sector only Milk & Milk

Products Order (MMPO) is yet to be repealed. It must, however, be pointed out that agriculture is a State subject and most of the current restrictions are actually imposed by states such as Andhra Pradesh, Tamil Nadu, Gujarat and Maharashtra.

8.82 For the Indian farmer, it is essential that he looks to the whole country as a single unrestricted market. After further opening up of the trade regime under WTO from April 2001, it is all the more necessary that farmers look not only to the domestic market but also seize opportunities in the global market for improved value added realization and diversification. Export of processed agri-products would be the key to improved export realization which is possible only if the domestic policies allow unrestricted movement, storage and liberal trade regime. Thus, for agriculture related products, inputs and services, all restrictions including SSI reservation would have to be removed.

#### BOX 8.1

##### National Agriculture Policy Aims At Above 4 per cent Growth

- The Government on 28th July 2000 made public a National Agriculture Policy aimed at catapulting agricultural growth to over 4 per cent per annum by 2005. This growth is to be achieved through a combination of measures including structural, institutional, agronomics and tax reforms.
- Privatisation of agriculture and price protection of farmers in the post-QR regime would be part of the Government's strategy to synergise agricultural growth. The focus of the new policy is on efficient use of resources and technology, adequate availability of credit to farmers and, protecting them from seasonal and price fluctuations. Over the next two decades the policy aims to attain a growth rate in excess of four percent per annum in the agriculture sector.
- Private sector participation would be promoted through contract farming and land leasing arrangements to allow accelerated technology transfer, capital inflow, assured markets for crop production, especially of oilseeds, cotton and horticultural crops.
- Private sector investment in agriculture would be encouraged, particularly in areas like agricultural research, human resource development, post harvest management and marketing.
- In view of dismantling of quantitative restrictions (QRS) on imports as per WTO agreement on agriculture, the policy has recommended formulation of commodity wise strategies and arrangements to protect farmers from adverse impact of undue price fluctuations in the world market and promote exports.
- Government would enlarge coverage of futures markets to minimise the wide fluctuations in commodity prices as also for hedging their risks. The policy hoped to achieve sustainable development of agriculture, create gainful employment and raise standards of living.
- The Policy envisages evolving a "National Livestock Breeding Strategy" to meet the requirement of milk, meat, egg and livestock products and to enhance the role of draught animals as a source of energy for farming operations.
- Plant varieties would be protected through a legislation to encourage research and breeding of new varieties. Development of animal husbandry, poultry, dairy and aquaculture would receive top priority.
- High priority would be accorded to evolve new location-specific and economically viable improved varieties of farm and horticulture crops, livestock species and aquaculture. Domestic agriculture market would be liberalised.
- The restrictions on the movement of agricultural commodities throughout the country would be progressively dismantled. The structure of taxes on foodgrains and other commercial crops would be reviewed.
- The excise duty on materials such as farm machinery and implements and fertilisers used as inputs in agricultural production, post harvest storage and processing would be reviewed.
- Appropriate measures would be adopted to ensure that agriculturists, by and large, remained outside the regulatory and tax collection system.
- Rural electrification would be given high priority as a prime mover for agricultural development.
- The use of new and renewable sources of energy for irrigation and other agricultural purposes would be encouraged.
- Progressive institutionalisation of rural and farm credit would be continued for providing timely and adequate credit to farmers.
- Endeavour would be made to provide a package insurance policy for the farmers, right from sowing of crops to post-harvest operations, including market fluctuations in the prices of agricultural produce.