

IV. Outlook

8.53 Prospects of agricultural production in the current year 2004-05 are considered to be bright as a result of forecast of a favourable monsoon by the meteorological department. Agriculture accounts for 22 per cent of the GDP and provides livelihoods to 58 per cent of the country's population. Over the years, the agriculture sector has not received as much attention as other sectors in services and manufacturing. The emerging areas in agriculture like horticulture, floriculture, organic farming, genetic engineering, food processing, branding and packaging have high potentials of growth. Development of rural infrastructure, rural extension services, agro-based and food processing industries are essential for generating employment and reducing poverty.

8.54 Indian agriculture suffers from a mismatch between food crops and cash crops, low yields per hectare except for wheat, volatility in production and wide disparities of productivity over regions and crops. Domestic production of pulses and oilseeds are still below the domestic requirements and India imports pulses and edible oils to satisfy domestic demand. India is the second largest producer of rice and wheat in the world, first in pulses production and fourth in coarse grains. A distinct bias in agricultural price support policies in favour of rice and wheat has distorted cropping pattern and input usage. Market for farm output continues to be subject to heavy procurement interventions. A shift from minimum support price system and developing alternative product markets are essential for crop diversification and broad based agricultural development.

8.55 In recent years there has been considerable emphasis on the development

of horticulture and floriculture through the creation of critical infrastructure for cold storage, refrigerated transportation, processing, packaging and quality control. India is the largest producer of coconut, cashew nuts, ginger, turmeric, and black pepper, and the second largest producer of groundnut, fruits and vegetables. India accounts for 10 per cent of the world fruit production with first rank in the production of banana, sapota and acid lime. India is also the largest producer of milk, the fifth largest producer of egg and the seventh largest producer of meat. It is necessary to improve cold storage and transportation facilities and develop efficient marketing and export networks to optimise the production and export potentialities in respect of these products.

8.56 Food management is inefficient with unsustainable level of food subsidies imposing heavy burden on Government finance. The rural economy and the private sector lack the basic infrastructure to build up sufficient buffer stocks, and the country remains vulnerable to weather shocks. In recent years, the Central Government has provided various fiscal incentives for improving rural storage facilities. The Central Government is also providing financial assistance to the State Governments for procurement and distribution of food grains at subsidized rates, particularly to the families below the poverty line.

8.57 The enhanced availability of bank credits through priority lending to agriculture and agro-based industries, favorable terms of trade, liberalized domestic and external trade for agricultural products attracted private investment in agriculture in recent years. It is likely that with the appropriate policy initiatives, this process will accelerate in the future.