

#### IV. Outlook

8.50 Agriculture production in the current year has been adversely affected by the erratic and delayed monsoon with uneven distribution of rainfall over time and regions. As per quarterly estimates of GDP by the CSO, value added in agriculture and allied sector registered a growth rate of 3.4 per cent in the first quarter followed by a negative growth of (-) 0.8 per cent in the second quarter, resulting in a modest growth of 1.5 per cent in the first half of the current year 2004-05. Although the prospects of Rabi crops are good, the second advance estimates of foodgrains production made by the Ministry of Agriculture, indicate a fall by 6 million tonnes from last year's level at 212 million tonnes. The CSO, in its advance estimates of National Income released on February 7, 2004, has projected a growth rate of 1.1 per cent for the agriculture and allied sector in 2004-05.

8.51 Past performance of agricultural credit reveals that though the overall flow of institutional credit has increased over the years, there are several gaps in the system like inadequate provision of credit to small and marginal farmers, paucity of medium and long-term lending and limited deposit mobilisation and heavy dependence on borrowed funds by major agricultural credit purveyors. These have major implications for agricultural development as also the well being of the farming community. Efforts are, therefore, required to address and rectify these issues.

8.52 Special emphasis needs to be given on micro-finance, as it is a valuable tool for fighting poverty and unemployment in rural areas. By putting credit, savings, insurance and other basic financial services within their reach, micro finance can provide thousands of poor people with opportunities to overcome poverty and unemployment. It is, in fact, such an important tool in fighting poverty in rural areas that it has got the attention of

International Fund for Agricultural Development (IFAD), which has declared 2005 as "The International Year of Micro credit".

8.53 The development of efficient commodity futures markets requires establishment of a sound regulatory framework. The international experience shows that in all major countries, commodity futures trading is regulated as a part of all derivatives trading, with a unified regulator. This "convergence" between commodity futures markets and other derivatives markets would induce economies of scale. It would help in the utilisation of capital investments and institution building, which has already taken place for the derivatives markets, for the purposes of India's agricultural sector.

8.54 As regards the WTO agreement on agriculture, some of the important issues concerning the Indian farmer remain unresolved. The major challenge is to remain within the system and protect the interests of Indian farmers effectively. More than 65 per cent of Indians derive their livelihood from agricultural activities. Lack of financial resources constrain India from matching the level of support provided to agriculture by the developed countries. In such a situation, the only option available is to seek inclusion of those provisions in the agreement, which would provide sufficient protection to Indian agriculture.

8.55 Indian agriculture faces both opportunities and challenges with liberalization of domestic and global markets. There is a need to develop a new strategy for the agriculture sector. Appropriate measures are required to move away from the subsidy-based regime and to build a productive and internationally competitive agriculture structure. Promoting more rapid agriculture growth is important not only to achieve higher economic growth, but also to lift large number of households in rural areas out of the poverty and unemployment circle.