Agriculture, Food Security & Inclusiveness: Challenges

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Why is Agriculture Critical?

Food Security: To feed 1.2 billion plus population, that is likely to cross China’s population by 2030-35

Economic Access to food: An average Indian household still spends almost half of its expenditure on food; with increasing levels of income, demand for F&V, meat etc. to increase.

Inclusiveness: Almost half of India’s work-force still engaged in agriculture; question of livelihood

Although its contribution to overall GDP has come down from about 35% in 1981 to 18% in 2012, yet its impact on poverty is high
Performance of Agriculture : An Aerial View

Foodgrains production : an all-time high at 265 MT in 2013-14;

As per WTO, India’s share in total agri-products increased from 0.8% in 1990 to 2.6% in 2013;

Agri-exports were US $43 billion against agri-imports of US $17 billion, a net trade surplus of US $26 billion;

India’s ‘revealed comparative advantage’ in agriculture, as measured by the Balassa Index, is 1.6 against that of manufacturing at 0.98, indicating clearly that Indian agriculture is much more competitive globally than our manufacturing sector.
Competitiveness: Agri-Trade

- Net trade surplus of US$ 26 billion is quite impressive.
- India’s ‘revealed comparative advantage’, as measured by the Balassa Index, is 1.6 against that of manufacturing at 0.98.
India is the largest exporter of rice, over 10 million tonnes, valued at of US$ 7.8 billion;

ban on export of non-basmati rice for 4 years until Sept, 2011 explains low exports during 2008-09 to 2010-11;

India, short of water, implicitly exporting 38 billion cu m of virtual water.
Exports of maize increased substantially from 2007-08; in value terms, it increased from US $ 0.006 billion in 2000-01 to US $ 1.31 billion in 2012-13 before falling to US$ 1 billion.

Exports boosted by increase in its yield, especially after 2006-07;

Higher levels of yield owe it to single cross hybrid (SCH) varieties, introduced in 2005;
Cotton Exports

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Indians Love Milk

Milk Production: India Vs USA

- India's per Capita Availability of Milk
- India
- USA*
Profitability: Sectoral Gross Returns, 2000-01 to 2010-11

Profitability (GR as % of A2+FL cost) have been improving over 3 periods in time, except in pulses;

Sugarcane and cotton stand out.
Profitability of cereals, which occupy the largest area (around 100 million hectares) and engage the largest number of farmers, improved from 56% to 81% over the two periods, 2000-01 to 2003-04 and 2008-09 to 2010-11;

In the case of cotton, from 45% to 108% during corresponding periods;

The rising profitability in Indian agriculture has been triggered by better pricing, including MSP in response to rising global prices of agri-products, rising productivity in several crops.

Better profitability, in turn, has also led to rising investments in agriculture, particularly from the private sector. And this has been a fundamental transformation in Indian agriculture.
Increasing Investments in Agriculture (GCF in agriculture as % of agri-GDP) provides hope for the future
Increasingly private sector is the main driver of growth…
Drivers of Gross Returns

Aberrations: Cotton and jute harvest high returns but their respective acreage under irrigation is low.
Gunter Grass, a Nobel laureate warned that the world is “heading towards a situation when drinking water will cost more than gasoline”

Needs to sink into the consciousness of policymakers.
Efficiency gap in India’s yield level of paddy w.r.t. to benchmark country is 48% while it is 39% w.r.t. to benchmark state.
Is this Enough?

Indian agri-trade has reasonable surplus at US$ 26 billion;

But more can be done;

How? Here is a way.......
India: Top Down Approach vs
China: Bottom-Up Approach

China (The Dragon)

India (The Elephant): Trickle Down

Firing from the Bottom

Impact: China halved poverty from 30 to 15% in six years (1978-84) while India could do so in 18 years from 45 to 22% (1993-2011; Tendulkar poverty line);

Trickle down works slow, Start with Agriculture
What Makes it Work: Three ‘I’

**Incentives:** It relates to
i. Getting the markets right;
ii. Getting the prices right;

**Investments:**

i. Right incentives can unleash farmers' spirits and invite private investment
ii. Rural roads, power supply for irrigation, agri-R&D

**Institutions:**

i. > 80% farms being low, create structures to enable adoption of modern technology
ii. Freeing of land lease market
iii. Free Movement of agri-commodities across the country;
iv. Uniform & low taxation

**Productivity:** Land and Water

**Competitiveness:** Benchmarking
Thanks
for
Your kind
Attention