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Agriculture in the Era of Globalisation: An Impact Assessment

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Introduction

Globalization takes place on a major scale when govt. of India made changes in its economic policy in 1991 and country's market was opened to foreign investment. Globalization has brought in new opportunities to developing countries like greater access to developed country markets and technology transfer hold out promise improved productivity and higher living standard and new challenges like growing inequality across and within nations, volatility in financial market and environmental deteriorations.

The Important Reform Measures (Step Towards liberalization privatization and Globalization)

Indian economy was in deep crisis in July 1991, when foreign currency reserves had plummeted to almost $1 billion; Inflation had roared to an annual rate of 17 percent; fiscal deficit was very high and had become unsustainable; foreign investors and NRIs had lost confidence in Indian Economy. Major measures initiated as a part of the liberalization and globalization strategy in the early nineties included the following:

Devaluation: The first step towards globalization was taken with the announcement of the devaluation of Indian currency by 18-19 percent against major currencies in the international foreign exchange market. In fact, this measure was taken in order to resolve the BOP crisis.

Disinvestment-In order to make the process of globalization smooth, privatization and liberalization policies are moving along as well. **Under the privatization scheme, most of the public sector undertakings have been/ are being sold to private sector**

Dismantling of The Industrial Licensing Regime At present, only six industries are under compulsory licensing mainly on accounting of environmental safety and strategic considerations. No industrial approval is required from the government for locations not falling within 25 kms of the periphery of cities having a population of more than one million.

Allowing Foreign Direct Investment (FDI) across a wide spectrum of industries and encouraging non-debt flows. The Department has put in place a liberal and transparent foreign investment regime where most activities are opened to foreign investment on automatic route without any limit on the extent of foreign ownership. Some of the recent initiatives taken to further **liberalize the FDI regime,** inter alias, include opening up of sectors such as Insurance (up to 49%); development of integrated townships (up to 100%); defense industry (up to49%); tea plantation (up to 100% subject to divestment of 26% within five years to FDI); enhancement of FDI limits in private sector banking, allowing FDI up to 100% under the automatic route for most manufacturing activities in SEZs; opening up B2B e-commerce; Internet Service Providers (ISPs) without Gateways; electronic mail and voice mail to 100% foreign investment subject to 26% divestment condition; etc. The Department has also strengthened investment facilitation measures through Foreign Investment Implementation Authority (FIIA).

Throwing Open Industries Reserved For The Public Sector to Private Participation. Now there are only three industries reserved for the public sector

Abolition of the (MRTP) Act, which necessitated prior approval for capacity expansion

The removal of quantitative restrictions on imports.

The reduction of the peak customs tariff from over 300 per cent prior to the 30 per cent rate that applies now.

Wide-ranging financial sector reforms in the banking, capital markets, and insurance sectors, including the deregulation of interest rates, strong regulation and supervisory systems, and the introduction of foreign/private sector competition.

The present work, entitled "Impact of globalization on Agriculture sector" is an attempt to evaluate the performance of Indian economy with reference to Indian agriculture. The analysis has been done with help of various parameters i.e. production, employment, schemes and policies etc

OBJECTIVES OF THE STUDY

1. To study the reforms in Indian agriculture production, and food management measures.
2. To analyze the changes in business environment and their implication for Indian agriculture

Agriculture

India ranks second worldwide in farm output. Agriculture and allied sectors like forestry, logging and fishing accounted for 17% of the GDP in 2009, employed 52% of the total workforce 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 agricultural practices and provision of agricultural credit and subsidies since green revolution in India. However, international comparisons reveal the green revolution in India average yield in India is generally 30% to 50% of the highest average yield in the world.

Minimum Support Price

In each season, government announces Minimum Support Prices (MSPs) for major agricultural commodities organizes purchase operations, through FCI, cooperatives etc. to ensure that prices do not fall below the MSP.

Government of India decides the MSP after getting inputs from

1. Commission for Agricultural Costs and Prices (CACP)
2. views of state governments
3. view of central ministries

Agricultural Produce and Marketing Committees (APMC).

- After LPG reforms in 1991, Industrial sector allowed to buy from, and sell to, anyone in the world But Under State APMC Acts, the Indian farmers are still required to buy and sell only in the government-designated “Mandis” known as Agricultural Produce and Marketing Committees (APMC).Farmers are not allowed to sell their produce directly to the consumers.The monopoly of government-regulated mandis has prevented development of a competitive agriculture marketing system in the country.These Mandis don’t even have proper physical infrastructure = fruits/veggies damaged + nuisance of middlemen = they charge commission and involve in hoarding of onions and potatoes.Ultimate result: food inflation.
- To solve this issue- union Government circulated the model APMC Act 2003 to states. Some states adopted it, but overall, even the “reformed” APMC act has not solved the problem.

Warehousing Development and Regulator Authority (WDRA)

- WDRA is a statutory body to regulate warehouses and their Negotiable warehousing receipts for 40 agricultural commodities including cereals, pulses, oilseeds, and spices.FMC directed all commodity exchanges to register with the WDRA. (Because NSEL crisis = traders used fake warehouse receipts to make future contract.) Warehouse Development and Regulatory Authority (WDRA) has begun setting a public information setup. So all farmers, traders, public can get information about performance of warehouses across the country.

Focus on Agro research

Focus on agro research is required for increasing productivity.85% agriculture investment comes from private sector. But within that, Private sector doesn't contribute much to investment in Agro research.Therefore Government needs to allot more money here and Empower Indian universities to produce world class research.

Overall reforms

- A national Common Market for agricultural commodities with uniform taxes in the domestic market
- Stable policy for agricultural export and commodity trading.
- Focus on the rural non-farm sector, manufacturing sector, and labor-intensive segments of services. This will reduce no. of farmers => land consolidation =>Mechanization.
- Crop protection and insurance schemes need to be revamped.
- Fresh look at policies towards FCI procurement, marketing, transport, storage, and processing.
- To farmers: give subsidy via Direct Benefit Transfer (DBT). Bring Urea under Nutrient Based subsidy regime.

FOOD MANAGEMENT

The main objectives of food management are procure food grains from farmers at remunerative prices,distribute foodgrains to consumers at affordable prices (especially poors and vulnerable sections of society via Targetted public distribution system =TPDS,maintain food buffer stock for food security and price stability.

Food Corporation of India (FCI).

It is the nodal agency to procure, store and distribute foodgrains.

It procures foodgrains, mainly for the targeted public distribution system (TPDS) and other welfare schemes of the Government e.g. Antyodaya Anna Yojana (AAY), Mid-day meal, Integrated Child Development Service, Annapurna etc.

Open market sale scheme

FCI procures foodgrains mainly for distributing to poor via PDS shops.However, FCI also sales wheat and rice in the open market from time to time to enhance market supply of foodgrains and to offload its surplus stocks. Mid-Day meal, Wheat based nutrient program, Emergency Feeding program, Targeted Public distribution system.

National food security bill

Introduced in Lok Sabha in 2011.It aims to cover of 75% of the rural and 50% of the urban population for subsidized food grains under the Targeted Public Distribution System+additional support to women, children, pregnant and lactating mothers, homeless, those affected by disaster etc. Bill was referred to the Parliamentary Standing Committee on Food, Consumer Affairs

Machanization

India is the world leader in tractor production with over 5 lakh tractors produced annually commercial banks reluctant to extend loans for bullocks. This has naturally led to an increase in farm mechanization.

- Majority of farmers in India have small and marginal landholding. Therefore, it is uneconomic for them to individual own tractor, thrasher, combined harvester etc. agricultural machinery.
- Government needs to setup custom-hiring centres/high-tech machinery banks to help these small and marginal farmers.
- There is also scope for introducing small machines that might be useful to meet their needs.

Nutrient Based Subsidy scheme.

Indian farmers use too much urea because 1) govt. gives subsidy hence its cheap 2) lack of awareness. But for optimal crop production, you need to use variety of fertilizers and not just Urea. So government came up with Nutrient Based Subsidy scheme. Under this scheme, Government gives subsidy on each grade of phosphate and potassic (P&K) fertilizer depending upon its nutrient content.Government also give additional subsidy on secondary and micro-nutrients.Farmers pay only 58 to 73 per cent of the delivered cost of P&K fertilizers; the rest is borne by the Government of India in the form of subsidy.Manufacturers/marketers are allowed to fix the maximum retail price (MRP)=> prices of these decontrolled products have double.

Plan	Agro growth Actually achieved (%)
9th	2.5
10th	2.4
11th	3.6

Where does Indian stand in terms of achievement

Under both 11th Five year plans and 12th Five year plan, government wanted average annual growth of 4 per cent in the gross domestic product (GDP) from agriculture and allied sector.

India ranks	in production of
First	1. Milk, 2. Pulses 3. Jute And Jute-Like Fibres 4. Tractors
Second	1. Rice, 2. Wheat, 3. Sugarcane. (Brazil is first) 4. Groundnut, 5. Vegetables, 6. Fruits 7. Cotton Production
10th	in agricultural and food export

Problems in growth of Indian agriculture:

The low productivity in India is a result of the following factors:

- According to "India: Priorities for Agriculture and Rural Development" by World Bank, **India's large agriculture subsidies are hampering productivity-enhancing investment.** Overregulation of agriculture has increased costs, price risks and uncertainty. Government interventions in labor, land, and credit markets are hurting the market. Infrastructure and services are inadequate.

- **Illiteracy**, slow progress in implementing land reforms and inadequate or inefficient finance and marketing services for farm produce.
- **The average size of land holdings is very small** (less than 20,000 m^2) and is subject to fragmentation, due to land ceiling acts and in some cases, family disputes. Such small holdings are often over-manned, resulting in disguised unemployment and low productivity of labor.
- **Adoption of modern agricultural practices and use of technology is inadequate**, hampered by ignorance of such practices, high costs and impracticality in the case of small land holdings.
- World Bank says that **the allocation of water is inefficient, unsustainable and inequitable.** The irrigation infrastructure is deteriorating. Irrigation facilities are inadequate, which result in farmers still being dependent on rainfall, specifically the monsoon season

SUGGESTIONS

These challenges can be overcome by the sustained and planned economic reforms.

- Maintaining fiscal discipline
- Orientation of public expenditure towards sectors in which India is faring badly such as health and education.
- Introduction of reforms in labour laws to generate more employment opportunities for the growing population of India.
- Reorganization of agricultural sector, introduction of new technology, reducing agriculture's dependence on monsoon by developing means of irrigation.

CONCLUSION

The implications of reforms for a national economy are many. Globalization has intensified interdependence and competition between economies in the world market. This is reflected in Interdependence in regard to trading in goods and services and in movement of capital. As a result domestic economic developments are not determined entirely by domestic policies and market conditions. Rather, they are influenced by both domestic and international policies and economic conditions. It is thus clear that a globalizing economy, while formulating and evaluating its domestic policy cannot afford to ignore the possible actions and reactions of policies and developments in the rest of the world. This constrained the policy option available to the government which implies loss of policy autonomy to some extent, in decision-making at the national level.

It should be remembered that without a sustainable and productive growth of the agricultural sector, the other types of development in any sphere will be unstable and illusory. Despite the concerted development in manufacturing and service sectors, despite the remarkable inflow and overflow of foreign reserves, agriculture is still the largest industry providing employment in the country

The government should take immediate steps to increase agricultural production and food reforms create additional employment opportunities in the rural parts, to reduce the growing inequality between urban and rural areas and to decentralize powers and resources to the panchayati raj institutions for implementing all works of rural development. Steps should be taken for early linking of the rivers, especially in the south-bound ones, for supply of the much-needed water for irrigation.

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