

Agricultural Economics and Rural Development

Trends in agricultural production in India

The Indian growth process is closely associated with trends in agricultural production. For centuries Indian economy had remained backward just because agriculture was remained backward. No attempt was made during the British regime for the development of agriculture. On the eve of independence or starting of five year plans, the agricultural condition was deplorable. It was characterized with low productivity, subsistence and traditional methods.

Under the plans main emphasis was made for the development of agriculture. An attempt was made to increase irrigation and other infrastructural facilities. The investment on agriculture and allied activities has increased from 601 crores in the first five year plan to 176217 crores in the ninth plan. In total 341995 crores in the last nine plans. Indian agriculture has under gone tremendous changes over the last few decades and also experienced green revolution. The latest agricultural policy July 28th 2000 has declared agriculture as an industry or corporate sector.

Agricultural research based on agro climatic zones, increasing micro credit, cooperative enterprises and thrust on land reforms are used in agri-business in the context of globalization. Indian agriculture has transformed from subsistence and shortage to market and surplus. The post harvest scenario has assumed importance so as to provide remunerative prices market infra structure, techniques of preservation, storage and transport. India has also received appreciation for its achievements in agriculture.

The following changes can be observed in agricultural production:

The changes in Crop pattern in India

Crops	1950-51	1980-81	1984-85	1999-2000
Rice	30.8 mh	40.2 mh	41.2 mh	45.0 mh
Wheat	9.7 mh	22.3 mh	23.2 mh	27.4 mh
Jowar	15.6 mh	15.8 mh	16.0 mh	10.4 mh
Bajra	9.0 mh	11.7 mh	10.7 mh	8.8 mh
Maize	3.2 mh	6.0 mh	5.8 mh	6.4 mh
Pulses	19.1 mh	22.5 mh	22.7 mh	21.2 mh
Total food grains	97.3 mh	126.7 mh	126.7 mh	123.1 mh
Commercial crops				
Oil seeds	10.7 mh	17.6 mh	19.0 mh	24.4 mh
Cotton	5.9 mh	7.8 mh	7.4 mh	8.8 mh
Sugarcane	1.7 mh	2.7 mh	3.0 mh	4.2 mh
Jute	0.6 mh	0.9 mh	0.8 mh	1.0 mh

(m.h – million hectares)

The trends in the production of major crops

	1950-51	1960-61	1970-71	1980-81	1990-91	2000-01
Foodgrains	51	74	105	129.6	176	208.9 ⁽⁹⁹⁻⁰⁰⁾
(m.t)	21	30			74.3	86.8
Rice	6	11			55.1	70.0
Wheat	11	22			32.7	29.0
Coarse cereals						
Oil seeds	6.2	7.3	8.3	11.4	16.8	25 ⁽⁹⁶⁻⁹⁷⁾
(m.t)						21.6 ⁽⁹⁹⁻⁰⁰⁾
Sugar cane	57	110	126.4	154.2	241	315.1 ⁽⁹⁹⁻⁰⁰⁾
(m.t)						299.2
Cotton (bales)	3.0	7.6	7.6	7.8	9.1	11.6
						12.1 ⁽⁹⁹⁻⁰⁰⁾
Jute (bales)	3.3	5.7	5.5	6.4	8.1	9.4 ⁽⁹⁶⁻⁹⁷⁾
						10.8 ⁽⁹⁹⁻⁰⁰⁾

Trends in crop yield

Crops	Year 1950-51	1980-81	1999-2000
Paddy	6 qtls	12 qtls	26 qtls
Wheat	6 qtls	14 qtls	21 qtls
Oil seeds	5 qtls	6 qtls	6 qtls
Maize	7 qtls	8 qtls	12 qtls

As shown in the above table-2 the total production of food grains has increased from 51 million tones in 1950-51 to 208 million tones in 99-00. In the total production of food grains the main cereals paddy and wheat dominates. There is negligible increase in the production of pulses. Similarly in the oil seeds no significant change. But the production of sugar cane has increased remarkably from 57 million tones to 315 million tones in the same period. Again in cotton and jute production things have not changed considerably.

The trends in yield show that India is still below World's average in the production of paddy and wheat. For instance against World's average of 36 qtls in India it is 26 qtls. Similarly in wheat, it is 21 qtls against 26 qtls of World's average production.

Though India produces more than 21% of the World's paddy production and rank II in total production, in yield its ranking is 28. Similarly in wheat it produces 8.4% of total World's production and rank III. But in yield India ranks 31st. through out the planning period agricultural growth rate was around 3%.

Technological Changes In Indian Agriculture and GREEN REVOLUTION

The term "Green Revolution" refers to a tremendous increase in agricultural production. In India it is also called a technical breakthrough in agricultural production. It was also used in the context of significant break through in the production of food grains. More importantly, an increase in the yield of wheat from 850 k.g. in 1960-61 to 1878 in 1984-85.

Mr. M.S. Swaminathan has stated that " slowly but surely the yellow colour of seedlings of various crops started turning Green due to increased development of chlorophyll, as a result of better nutrition and this change in colour is popularly referred to as Green Revolution".

After a miserable failure of Agriculture during last years of the third plan, the next years experienced a spectacular increase in food grains production from a mere 72 million tones in 1965-66 to 96 million tones in 1967-68. This tremendous increase in food grains production was termed as the first phase of Green Revolution in India. The same thing happened in 1983-84 and 1991-92. After the fourth plan India has become almost self sufficient in food production. At present it is in a position to maintain 70 to 80 million tones of buffer stocks and exporting the same quantity to other countries.

Causes for Green Revolution;

The package of four measures responsible for green revolution in India; they are,

1. Intensive Cropping;

The biochemical technology was adopted in India by 1960's; the use of short duration variety of seeds enabled the farmers to grow more than two crops in an year. The rotation of crops and others helped to increase in production.

2. Technical Reforms;

In 1965 I.C.A.R was established to conduct Agricultural Research. So many Agricultural Universities were also established. This enabled to develop new method in agricultural production.

3. Package of Inputs.(I.A.D.P. and H.Y.V)

There has been an intensive increase in the supply of agricultural inputs. The starting of two important programs are responsible for this. They are I.A.D.P and H.Y.V. Programmes. Under I.A.D.P the government supplied required inputs in an intensive manner in selected

districted. The import of fertilizer has been increased from 86 million tones in 1970-71 to 2591 million tones in 1993-94. Under H.Y.V program the government supplied hybrid seeds or magic seeds to improve yield and avoid deceases. This magic or wonder seeds considerably increased the yield.

4. Role of Public institutions;

The government established N.C.D.C and A.R.D.C to increase agricultural credit. They took so many measures to increase investment and modernization in Agriculture.

In addition to the above package measures the government established A.P.C in 1964 and also Food Corporation of India. It guaranteed minimum prices to selected Agricultural products. This has ensured the farmers profits. This “system approach” has brought about considerable change in agricultural production and ushered a new era in the field of Agriculture. The scenario has changed from “Begger bowl” to the “Sufficiency and Surplus Bowl”.

Shortcomings or Limitations of Green Revolution in India:

1. Still agriculture is a gamble in the monsoons: Increase in the production has not been uniform through out the period. The periods of good monsoons are going to alternate with the periods of bad monsoons: accordingly agricultural production fluctuates.
2. The so called green revolution initiated by new strategy has been significant in wheat production and considerable some extant in rice, maize and jowar. The same thing has not happened to other crops. It is so negligible in commercial crops like oilseeds, cotton and jute.
3. The increase in agricultural production does not include the whole community of farmers. The benefits of the agricultural development programmes benefited, mostly the rich farmers. By and large, the small and marginal farmers does not affected from the new strategy of green revolution.
4. Again the symptoms of green revolution can be seen in the states like Punjab, Haryana, Western U.P and some selected districts of other states. The remained parts of the country still very back ward.

However future prospects are good. There is need of creation of post harvest technology and infra structure in war footing to make use of potentialities of agricultural production. Other wise all the efforts would become wastage. More importantly Indian agriculture must be geared itself to face the impact of globalization.

LAND REFORMS IN INDIA

Introduction;

The Development in its initial stage mainly takes the forms of structural change. Accordingly, Agricultural Development required structural changes. The defective organization, particularly, the land tenure system was mainly responsible for the backwardness of Indian agriculture. There fore, the government resorted to the structural changes in the name of Land Reforms after independence.

What is Land Reforms.?

The changes which are made and proposed to be made in the Land tenure system or the Agrarian System in the country is called Land Reforms.

The land tenure system in India was suffering from innumerable defects like small holdings or uneconomic holdings, lack of ownership, division and sub-division, fragmentation, intermediaries and inequitable distribution of landed property. To solve these problems the government took the following measures which constitute main programs of Land reforms;

1. Abolition of Zamindari or intermediaries system;
2. Tenancy Reforms;
3. Ceiling on land holdings;
4. Consolidation of land holdings and
5. Co-Operative farming.

1. Abolition of Zamindari System;

This system was introduced by Lord Cornwallis during British rule in the country. Under this system one who owned land and paying land revenue to the government were called land lords or zamindars. They were not the cultivators. These zamindars acted in between the government and cultivators. They used to collect higher rent or revenues from the cultivators and settled in far away from agriculture. This led to absentee landlordism. Besides, the money extracted from agriculture did not used for capital formation and reinvestment in agriculture. The zamindars had used to enjoy the fruits of agriculture with out participating in it. But this defective system was convenient for the then British government; it was helpful in easy collection of land revenue and controlling of rural people through zamindars.

After independence, the government abolished this intermediaries system and brought more than 20 million tenants into direct contact with the government. They also became the owners of the land. The zamindars, in turn given compensation; IT was estimated to be Rs. 641 crores.

2. Tenancy Reforms;

Tenancy cultivation is another defect of the land tenure system in India. Under this system the actual cultivator is not the owner of the land. There is also the exploitation of tenants by collecting high rents. More over there is no security of tenure ship. Consequently, the tenants lose interest in the improvement on the land. More than 20 percent of cultivable land is under this system. Arthur Young pointed the importance of personal interest on land with the following statement; "Give a man the secure possession of a bleak rock he will turn into a garden; give him a nine years' lease of a garden and he converts it into a desert".

Of course, the above statement signifies the secret of ownership. To solve these problems the government resort to certain steps. These are called Tenancy Reforms; they are,

The fixation of rent. For eg. as $\frac{1}{3}$ or $\frac{1}{5}$ of the produce. The land lords cannot collect more than this fixed rent.

Providing permanent tenure ship; the government put the condition that the land lords can take back land only for personal cultivation. While doing so they should leave some portion of land with tenants.

The tenants became owners; where ever it is possible, the government tried to convert tenants into the owners.

3. Ceiling on land holdings;

For all practical purposes, the land reforms mainly refer to ceiling legislations. This is aimed at redistribution of landed property to bring about social and economic justice in rural India. It can also avoid under utilization of landed property.

Ceiling means 'to fix a limit'. Accordingly ceiling legislations fixes a maximum size of land can be owned by a person or a family. (family holding) the surplus land above the ceiling will be taken away by the government and distribute the same among landless agricultural labourers.

The state governments have passed ceiling legislations. However, the level of ceiling differs from state to state, and with in the state, from land to land. For eg. Bihar government has classified the lands into five categories, accordingly, different level of ceiling were fixed. Some types

of land were given exemptions, they are, plantations, Dairy lands, lands owned by sugar mills and co-operatives, etc.

But the main problem with these ceiling legislations is the implementation. The landlords did use all their political, money and muscle power to keep away these ceiling legislations. They had resort to all sorts of manipulations to escape from ceiling legislations. For the entire country, the surplus land declared was 620,000 hectares.

4. Consolidation of land holdings;

Consolidation of holdings refers to bringing together in one compact block all plots of land of a farmer which are scattered all over the village. Consolidation can be achieved first by pooling all scattered land together and dividing them into single compact blocks.

The process of consolidation is very technical and difficult one. It is very difficult to provide all types of land in a particular place. Moreover, the farmers will be having spiritual and emotional attachment to particular land and thereby it is very difficult to convince them to give up their land.

The process of consolidation has been completed in the states of Punjab, Haryana, Rajasthan and Uttar Pradesh.

5. Cooperative Farming;

It is said that cooperation is the panacea for all the ills of agriculture. Accordingly, the cooperative farming has been suggested. There are three types of cooperative farming; they are, cooperative collective farming, cooperative peasant farming and cooperative joint farming.

For Indian conditions, cooperative joint farming was selected as an ideal one. Under cooperative joint farming the farmers will pool all their land, live stock, capital, labour and other resources. Then cultivate jointly. After the harvest they share produce among themselves. The farmers will retain ownership of land with themselves.

Though cooperative farming is the best solution, it has not become successful. There are 2800 cooperative joint farming societies working in the country.

The cooperative joint farming can provide the benefits of large scale production, collective bargaining, easy finance, transport etc. The above programmes of land reforms started with higher objectives and hopes. But all of them remained on papers. No sincere efforts been made to implement them. There fore one can say that land reforms have failed and did not achieve the set objectives.

Causes for the low yield in Agriculture or The Problems of Indian Agriculture

There are many reasons for the backwardness of Indian agriculture. These are also responsible for low productivity. The average yield per hectare is very low when compared to other countries.

The following are the main problems of Indian agriculture which are also responsible for low productivity;

1. Unit of cultivation: the average cultivator in India does not have adequate land to cultivate. The size of the average farm is very small in India.

2. Land ownership: The system of land ownership in India is quite peculiar. The cultivator is most often not the owner of the land. He is only a tenant. He may be driven out of the land by the land lord at any time. Naturally, no tenant won't like to spend money on the improvement of the land in order to get maximum output. Low productivity in agriculture is, therefore, due to lack of security to the tenant.

3. Lack of irrigation: Adequate water is required for crops. Most of the regions in India do not have adequate rainfall or are not served by artificial irrigation. Accordingly, agriculture in these regions becomes a gamble in the monsoons; it is destroyed by either too much rain or by too little rain. If irrigation facilities were provided to all the farmers in the country, total agricultural production would multiply manifold.

4. Defective equipment: Moreover, the vast majority of Indian farmers still use primitive equipment and implements. They have their bullocks and wooden ploughs. They use ordinary seed and not specially selected and improved seed. They do not follow any of the improved techniques which farmers in other countries have been adopting.

5. Inadequate finance: Finance is required for every business. Agriculture too requires funds. But the Indian farmer is so poor that he is unable to finance his agricultural operations by himself. He borrows money from money lenders at very high rates of interest and generally is forced to sell his produce to pay off his debt.

6. Defective marketing: Related to finance is the defective marketing system. The farmer has always been exploited by traders and money-lenders and has been forced to accept low prices for his produce.

Absence of good roads has prevented him from taking his surplus produce to the market towns (or the mandis). The illegal and unfair practices present in mandis (such as false weights and measures and even open cheating) have always prevented the ignorant and illiterate farmers from going to mandis. Difficulties of finance and marketing have been largely responsible for keeping the Indian farmers to remain poor.

7. Rural indebtedness: Indian farmers are not only poor but are perpetually burdened by debt. The Indian farmers borrow for entirely unproductive purposes also as for instance, for the celebration of marriages, to go to courts (i.e., litigation), and so on. In many cases, debt is inherited.

8. Overcrowding: A very important defect of Indian agriculture now is overcrowding i.e., too many people are working and depending on agriculture. About 68% of our working population is engaged in cultivation. It is estimated that at least 20% of the people can be easily shifted from agriculture to industries and to other sectors.

Thus Indian agriculture has suffered badly because of small size of farms, faulty systems of land tenure, inadequate irrigation facilities, poor finance and marketing facilities, heavy indebtedness of the farmers, defective equipment and overcrowding of agricultural occupation.

Agricultural finance

Finance is the life blood of business. To carry out their agricultural operations, Indian farmers are in need of finance. Unfortunately, Indian farmers do not have funds of their own. They have not been able to secure adequate and cheap finance for their seasonal agricultural operations or for making permanent improvements on land.

The financial requirements of the Indian farmer can be classified into three types, depending upon the period and the purposes for which they are required.

Short term credit

Medium term credit and

Long term credit

The farmers need funds for short term periods of say, 12 to 15 months for the purpose of cultivation. He may want to buy seeds, fertilizers, fodder for cattle etc. Such short period loans are normally repaid after the harvest has been collected.

The farmers requires finances for medium periods, that is, up to 5 years, for the purpose of buying cattle, agricultural implements, for repairing wells or to make some improvements on land. The farmers may repay these loans with in three to five years.

The farmers needs finance for long period of 5 to 15 years or more for the purpose of buying additional land, to make permanent improvement on land , to construct wells, to pay old debt and purchase costly agricultural machinery like tractors. These loans are generally of large amounts and hence can be repaid only gradually over a number of years.

The Indian farmers need adequate, cheap and timely loans. They need loans not only for agricultural operations but also for consumption the have only their land to offer as security against credit. Hence there is great risk involved in lending to the farmers and commercial banks have been hesitant to lend to farmers.

Sources of rural finance:

The Indian farmers meet their need for funds through loans from both non-institutional and institutional sources;

Non-institutional Sources; Rural Money lenders, Land Lords, Traders, Friends and Relatives.

Institutional Sources;
Co-operative societies
Commercial banks
Land development banks
Regional rural banks
NABARD

These institutional and non-institutional sources are explained as follows:

1. Rural Money lenders;

For a long time, the money lenders have occupied the most important place in the field of agricultural credit. There are two kinds of money lenders, the professional and non-professional money lenders. In the past these money lenders were the largest source of agricultural credit. But due to the growth of institutional credit their role has been reduced. The money lenders were mainly responsible for rural indebtedness. They charge a very high rate of interest. They also maintain false accounts. Often, they cheat farmers. Since they are easily accessible to the farmers and provide personal credit, they easily come under their clutches.

2. Co-operative credit Societies

There are three tier co-operative credit structures in the country. At the village level there are primary co-operative credit societies, at the district level, there are central co-operative banks as federation of primary credit societies and at the top state level, there is Apex bank or state co-operative society.

Working of co-operative societies:

PCC societies at the village level are expected to attract deposits among the well to do members and non members in the village. This would develop thrift and self help. The society would give loans and advances to the needy members. It also gets assistance from DCC societies.

The central co-operative societies have three sources of funds, namely their own share capital and reserves, deposit from public and loans from the state co-operative bank. Their chief function is to lend to the primary credit societies to enable the latter to lend to their members in turn. The state co-operative bank finances co-ordinates and controls the working of the co-operative banks in the state. It serves as a link between the RBI and the general money market on the one side and co-operative central primary societies on the other.

3. Land development banks in India:

The land development banks are set up by the government to provide long term credit to farmers against the mortgage of their land. Loans are given for periods ranging from 15 to 20 years to make permanent improvement on land, to purchase costly equipments. As these loans are made against the security of mortgage of lands these banks were formerly called land mortgage banks. But, now the emphasis is that these banks help in development and hence are known as land development banks. Since 1950, the RBI has started taking an interest in the progress of land development banking. The number of land development banks increased from 286 to 356 during 1951 and 1981. Total loans granted to farmers increased from Rs 3 crores to Rs 440 crores.

4. Regional Rural Banks;

on October 2-1-1975 the government of India set up the first set of 5 RRBs, two in U.P and one each in Haryana, Rajasthan and West Bengal. These loans were sponsored by nationalized banks. Their share capital subscribed by central government, state government and sponsored banks.

The RRB grants loans and advances to small and marginal farmers, rural artisans and agricultural labourers for productive purposes. The rate of interest charged by RRB is low. RRBs are allowed to open branches only in a given region. By June 1982 RRB have opened 5400 branches. By this time their deposits came to Rs 380 crores and made advances to Rs 460 crores. The RRBs have given cheap credit to the schedule castes and tribes under the new 20 point Programme.

NABARD:

NABARD was set up in July 1982 under a special Act of the parliament. The share capital of NABARD has taken up by the government of India and the RBI.

NABARD gives short term loans, medium and long term loans to state co-operative banks, LDBs, RRBs.

It gives long term loans to state government up to 20 years to subscribe to the share capital of co-operative credit societies. Again it serves as a refinancing institution.

It inspects the workings of RRBs and co-operative. Finally NABARD co-ordinates the work of government, the planning commission and RBI.

AGRICULTURAL MARKETING

1. Introduction
2. Where to sell?
3. Necessary conditions
4. Defects of agricultural marketing
5. Measures for improving market
6. Conclusions.

1. Introduction

Defective marketing system is one of the main causes of low productivity in Indian agriculture. It is one of the most important problems which the Indian farmers face in their day to day life. The prosperity of the farmers depends upon the value they realize from the sale of their produce. Farmers, therefore, require the services of well organized marketing system backed up by good transport and scientific storage facilities. Efficient agriculture requires the existence of a well organized marketing system.

The existence of well regulated and controlled markets will encourage farmers to sell larger quantities of what they produce and thus encourage economic growth.

2. How does farmer sell his produce?

There are many ways by which farmer may dispose of his produce.

a. The farmer sells his produce to the village traders.

It is estimated that in the Punjab state 60% of wheat, 70% of oil seeds and 27% of cotton are sold in the village itself.

b. The farmer may sell in the weekly market.

These are also known as the hats or shandies. Besides, there may be shandies held once in a year.

c. The farmers may sell in the mandi.

The mandi may be situated some miles away from their village. In the mandis there are brokers or dalals who help the farmers to sell their produce to the wholesalers.

3. Necessary conditions for good marketing:

1. Good storage facilities

2. Retaining power
3. Speedy and adequate transport facilities
4. Clear-cut market information
5. Organized and regulated markets
6. Small number of middlemen

4. Defects of agricultural marketing:

Judging from the above consideration the position of agricultural marketing is unsatisfactory. It is unsatisfactory because of following reasons:

1. Illiteracy and ignorance of farmers:

The Indian farmer is poor, illiterate and ignorant. As such he has no idea of proper marketing.

2. No staying power:

The average farmer is so poor and indebted that he has no capacity to wait for better prices. He is in need of immediate funds. So he has been forced to dispose his produce immediately after the harvest. What ever may be the prevailing prices? He has to under take distress sales which further weaken his economic position.

3. Lack of storage:

It is also responsible for forcing the farmer to sell at low prices during harvest than to wait till the prices are favorable.

4. Inadequate transport facilities:

Lack of speedy and adequate transport facilities force the farmers to sell their produce to intermediates in the village. In India most of the villages have not linked with markets. The existing roads are kaccha ones. They are unusable in rainy seasons.

5. Unfair practices in mandis:

Further, in the Indian market the farmers suffer from the fraudulent practices indulged in by the merchant class. These practices are settlement of prices under cover, use of code language, false weighments ets, A variety of charges like weighment, tips, coolliage, charity for temple etc, would flee the farmer of his rightful dues.

6. Absence of grading and standardization:

7. Lack of market information:

Our farmers are not getting proper market information regarding actual prices, supply and demand etc, He is completely in dark. They have to accept what ever the price the merchant class quotes.

8. Existence of too many middlemen:

There are large numbers of middlemen in Indian agricultural marketing. They are in the form of dalals, commission agents, arhatiyas etc, The difference between the prices which farmers receives for his produce and the price which the consumer pays for it is large. Hence, the greater percentage of the price or profit goes to middlemen.

Thus, the farmer is handicapped by several disabilities as a seller. He sells his produce at an unfavourable place, unfavourable time and unfavourable price.

5. Measures for improving agricultural marketing;

After independence the government took many steps to improve agricultural marketing conditions. They are:

1. Establishing of regulated markets:

An important measure undertaken is the setting up of regulated markets by various states under legislations. At present there are more than 3000 regulated markets in the country. With the establishment of these regulated markets, most of the malpractices have disappeared and the market charges have been rationalized. Besides, weights and measures have been standardized. It is the policy of the government to convert progressively all the markets in India into regulated markets.

2. Setting up of marketing organization:

The functions of these organizations are investigation, development and grading. Investigation consists of preparing market surveys of important commodities, an estimation of the problems of regulated market and an assessment of the problems arising out of lack of transportation, storage and other facilities. Development work follows such surveys and investigation.

3. Introduction of Grading;

Grading is a purely technical work and consists of determining different grades and standard of agricultural commodities after the study of their chemical properties. Under the agricultural produce grading and marketing act (AGMARK), the government has set up grading stations for commodities like ghee, flour, eggs, etc,

4. Ware housing: The national co-operative development and ware housing board plans and promotes programmes for the production, processing, marketing storage, ware housing and import and export of agricultural produce through co-operative societies.

1995-3167 licensed cold storages in India

5. Supply of marketing information: The Government is also made arrangement for the supply of information through T.V, radio, etc, about supply, demand and prices.

Co-operative marketing societies:

There were 3960 primary marketing societies, 186 district marketing societies, 25 state co-operative marketing societies and 1 FNAM societies. At the moment co-operative marketing accounts for hardly about 10% of the trade in agriculture commodities.

Agricultural Prices and Policy

In an agricultural country like India, the prices of agricultural commodities especially prices of food grains, hold a key position in the price structure of the country. Especially after the 1955, the rise in consumer's prices index is mainly due to a rise in agricultural prices. During the second plan period, while the general index rise by about 26 percent the index for food grain prices increased only by about 15 %, but during the third plan period, while general price level increased only by about 36%. Prices of food grains rose by about 58%.

The following table gives the details rise in the prices of Agricultural products;

<u>with</u>	<u>Base Year</u>	<u>year</u>	<u>indices</u>	<u>% increase</u>	<u>Derived indices</u>
					1950-51 =100 100
1952-53		1950-51	110		
		1960-61	123.8	+6.3	112.7
1961-62		1970-71	201.4	+3.2	211.9
1970-71		1981-82	236.5	+12.3	501.1
1981-82		1993-94	271.2	+6.1	1359.0
1993-94		1999-2000	159.1	+1.2	2162.2

The prices may rise faster at times and fall rapidly at some other times due to a temporary imbalance of supply of and demand. Excessive fall in agricultural prices is dangerous, as it leads to a great fall in the income of the farmers. In an agricultural country a fall in agricultural prices distress for a majority of the people and a large decline in government revenue too. Ultimately, it cause fall in the supply of agricultural produce. Again, the fall in the price of agricultural produce will reduce the purchasing power of rural people. This will lead to a fall in the demand for industrial products. Hence it becomes essential to guarantee a minimum price to agriculturist.

Excessive rise in prices is also equally dangerous and harmful to the economy. A steep rise in prices increases the cost of living. Further, once the prices of agricultural products rise they are likely to cause an inflationary cycle in the economy. With the increase in the cost of living, the workers will claim higher wages and allowances. When wage

increases, the cost of production of manufactured articles will go up and increase their prices.

Thus, both sharp fall and steep rise in agricultural prices are harmful to the economy. The problem is one of stabilizing the prices and preventing violent fluctuations.

Causes for rise in demand:

For the past few decades, agricultural prices increased sharply due to the following factors:

Firstly, the rapid growth in population was mainly responsible for increase in demand for agricultural prices, especially of cereals (rice, wheat etc). In the last few decades population rose by 2.5%, where as agricultural production over the same period increased by 1.8%.

Secondly, rise in the income and increasing money supply caused an increase in demand.

Thirdly, increasing demand for the export of agricultural products is also responsible in rising demand.

Lastly, the prices of agricultural produce increased sharply due to speculative activities.

On the supply side, the production in agriculture is mainly for subsistence and there was no marketable surplus. Again, the failure of monsoons leads to a sudden fall in production. Even the hoarding and marketing problems are responsible for rise in prices.

Agricultural Price Policy

The principal objectives of agricultural price policy in India are as follows:

1. To ensure a reasonable relationship between the prices of food grain, crops and between agricultural commodities and manufactured products.
2. To achieve a balance between the economic interests of producers and consumers, by permitting price fluctuation with in a limited range.
3. To avoid seasonal fluctuation and maintaining parity among different regions.
4. To protect the interest of the consumer by enabling him to produce food grains at fair prices and to stabilize the general price level.

Instruments of price policy:

The major instruments of price policy are:

1. Support prices: Every year, the government through agricultural price commission makes announcement of minimum support price for major farm products, well in advance of the sowing seasons. Even in the case of glut in the market, prices are not allowed to fall below these announced minimum prices.

2. Procurement prices: Procurement prices are fixed at higher level as compared to the minimum support prices. The government purchases a part of marketable surplus at procurement prices. These are meant for maintaining the public distribution and for building up buffer stocks.

3. Issue prices: Through the public distribution system, government offers essential goods at price below the market price. The issue price is the price at which the government supplies food grains through ration shops.

4. Buffer stocks: These are known as emergency stocks which are used to mitigate seasonal and other fluctuations. Soon after harvest, the government procures food grains from producers for building up 'Buffer stocks' of grains.

Agricultural price commission: It was set up in January 1965 to advise the government "on the price policy of agricultural commodities particularly paddy, rice, wheat, jowar, bajra, maize, gram and other pulses, sugarcane oilseeds, cotton, and jute with a view to evolving a balanced and integrated price structure in the perspective. It was renamed Commission for Agricultural Costs and Prices (CACP) in 1985. ever since its inception, the Commission has been announcing minimum support prices, procurement prices and issue prices for a number of Agricultural commodities.

Organization of food zones; To introduce price stability in agricultural products, the country was divided into 8 wheat zones, rice zones were formed in south India. Because of the failure of this system, each state has been divided into a separate zone. Inter state restriction in the movement of food grains was removed in 1977.

Public distribution system

Introduction:

The study of the economic aspects of public distribution system in food grains assumes great importance since it involves problems and policies pertaining to food grains production, procurement, pricing, building up of buffer stocks for price stabilization and finally equitable distribution of the available supplies at fairly reasonable prices there by protecting the vulnerable sections of the community.

The History of PDS:

The system of public distribution in food grains dates back to the years of Second World War. In the socialistic countries public distribution in food grains formed the part and parcel of the economic system. In the developed capitalistic countries, the system was first introduced as the emergency measure during the war for the benefit of the common mass. But later on, it was directed towards the policy of price support. In the LDCs, it was introduced to meet the scarcity and as price control measures.

In India, the system of public distribution in food grains, commonly known as price control and rationing, also came into force during the period of Second World War. With the beginning of the planning era, the system was assigned a significant role for achieving more equitable distribution of the available supplies at reasonable prices. The policy, however, was relaxed to some extent during the late fifties and early sixties on account of favourable food positions in the country. But it was enforced with greater vigor following the occurrence of two successive drought years in the later part of the sixties. The policy was again slackened in the early seventies. But due to bad crop cycle global inflation in 1974 the system of public distribution in food grains had come under sever strain to achieve the objectives of price stability and distributive equality. The economic policy of the Janatha party, which seized power in 1977 also envisaged “a well functioning public distribution system” as an essential component of the price policy.

Importance of public distribution system:

1. Price system or market mechanism excludes the poor from the consumption of essential articles. Hence, public distribution is essentially designed for the equitable distribution of the scarce commodities.
2. The price control system can enable the government to statutorily reduce the prices, but it cannot prevent black market. Any pressure on demand leads to further rise in price. So, the system of public distribution along with the price control is necessary to help the poor consumers.
3. The public distribution system is a sensible method of controlling demand.
4. In order to save farmers from the clutches of middleman, it becomes necessary for the government to intervene with a policy of support price, procurement of the marketed surplus under the system of public distribution, particularly in the years of glut.

For economic equity and distributional efficiency the Programme of public distribution in food grains in India has been extended not only to the vulnerable sections of the population but also to the vulnerable areas of the country.

The burden of food subsidy:

P.D.S. is highly subsidized in India and this has put a severe fiscal burden on the government. Subsidy on P.D.S arises from the difference between the issue price and the economic cost of FCI. It has increased from Rs. 117 crore in 1972-73 to Rs. 662 crore in 1980-81, again, food subsidy rose to Rs. 2,850 crore in 1991-92 and further to Rs. 9,200 in 1999-2000.

The quantities supplied through P.D.S outlets remained below 5 million tones up to 1963. In 1991-92 it reached 19.0 million tones. In 1995-96, the combined allocation of rice and wheat was 25.9 million tones.

The number of fair price shops has increased over the years. The number increased to 0.47 lakhs in 1960, to 3.12 lakhs in 1984 and 4.61 lakhs in 2000. It is envisaged to have one fair price shop for every 2000 population.

Features of P.D.S. in India;

1. Selected essential commodities are distributed through the fair price shops and co-operatives which operate under government control and direction.

2. Free market mechanism co-exists with the public distribution system.
3. The government maintains a buffer stock.
4. It has been primarily an urban oriented system.
5. Prices charged are lower than the market prices.

Objectives: the basic objectives of the system are:

1. To improve distribution of basic goods
2. To control prices of essential commodities
3. To meet consumption needs of masses
4. To maintain good quality at low cost.
5. To bring stability in prices; and
6. To weave the production and marketing system in to a unified whole.

Problems:

1. It is restricted in its scope in terms of the range and quantities of different commodities supplied through the system.
2. As against its declared objective, the system has largely benefited the well to do sections of the society.
3. The system has been faced with serious operational problems like inadequate procurement and storage facilities, finance, administrative, etc; (Rs.27000 crores for storage only)
4. The cost of operating the system has been very high.
5. The operations of fair price shops and co-operatives have led to serious malpractices, like issuing ration against bogus cards, charging higher prices for controlled commodities, delay in lifting of stocks etc.

Suggested remedies:

1. Facilities of fair price shops should be extended to each village panchayat.
2. Efforts should be made to provide these outlets regularly with essential commodities.
- 3 Special quotas should be fixed for weaker sections.
4. Protection should be provided to consumers in relation to quality, quantity and price.
5. Fair prices shops should be managed by actual beneficences and supervised by specially recruited and trained officials.

9. Conclusion:

In the later amendment to the constitution, the word 'Socialist' has been incorporated into the preamble of the constitution. It is the hope of future. The planning commission said that without proper food security democracy and economic planning does not have any meaning at all. The people should understand the very purpose of PDS administered prices and subsidies. The 'haves' should not deny the opportunities of the poor. It is shocking that in Bangalore city only more than 4 lakh bogus gas connections. The same is true in case of ration cards. It should defeat the very purpose of PDS. Therefore the government should bring about cohesive measures to curb this menace of bogus cards. Still 37 % of 121 crores of Indian population are under poverty conditions. Without removing the haves from PDS and other subsidies the government cannot bring down the incidence of poverty and destitution. The benefits of poverty eradication programmes should reach the actual beneficiaries. The PDS is an important step in achieving the objective of the constitution, that is making India a socialist society in future.

Gandhian approach to Rural Development

Gandhiji wanted the revival of ancient village communities with prosperous agriculture and small industries with participation of people at all levels. He declared that the real India was to be found in the villages and not in the towns and he accepted the remark that an Indian village was “a collection of in sanitary dwellings constructed on a dung hill” his earnest desire and vowed ambition in life was that every Indian village should be converted into a little self-sufficient republic. His ideal of Village Sarvodaya implied that an ideal village must fulfill the following conditions:

- (1)The village should be neat and clean with all facilities.
- (2)There should be adequate water supply and provision for drainage.
- (3)The village should have a school and a public hall.
- (4)Provisions should be made for Dharmasala, Gosala, Cattle-shed, etc.
- (5)There should be a village dispensary.
- (6)Rural activities should be organized on co-operative basis.
- (7)Rural administration should be carried out by the village panchayats duly elected.
- (8)The village should be protected from robbers and wild animals.
- (9)A system of village guards must be made compulsorily.
- (10) There should be fruit trees in the village and only if space is available cash crops could be grown.
- (11) There should be total prohibition of liquor, and consumption of any alcoholic or narcotics should be adjured.
- (12) There should be play ground facilities and compulsory education at the elementary level.
- (13) Places of worship should be maintained neat and clean.
- (14) The caste system should be abolished.

The Sarvodaya philosophy is based on the values of freedom, equality, justice and fraternity. It means the realization of the true democracy where purity of wisdom would prevail. The Sarvodaya State would respect all religions.

This type of rural living, according to Gandhiji is ‘Swaraj’ or ‘Rama Rajya’. Sarvodaya principle will ensure the greatest good for the largest number. Sarvodaya is a pathway for individual for regulated life and salvation through happy contended and pious life. It insists on decentralization of political and economic power. It follows the path of peace and non-violence. It appeals to Dhana, Yagna, Yoga and

Dharma, i.e., charity, sacrifice, work for salvation and social morality and religion.

Gandhiji's economic ideas did not lead to any theory or dogma or 'ism'. He was a practical economist giving solutions to the problems of Indian economy. His theory of trusteeship and dignity of labour have their own place in the field of economics. He was a socialist and a communist in a different sense. If Marx was scientific materialist, Gandhiji was a practical idealist and spiritualist.

To sum up Gandhiji's village Sarvodaya Programme could bring better results, as his philosophy has to be started from grass roots. A decentralization economy with abundant cottage industries should be the only solution for rural India. His principles of Sarvodaya are not utopian. All of his principles could be adopted at the village level, provided the hungry power-mongering pseudo-politicians are flushed out the villages first and then from the country.

The Gandhian thought appears to be the only answer to the morass prevailing in almost all spheres. Gandhiji waged a relentless war against exploitation in whatever form it exists. What is more, he was a practical idealist. He did not preach anything which he did not practice. For good governance, Gandhiji advocated decentralization of power and widespread distribution of power in both political and economic spheres.

The crisis we are facing at present is a crisis in leadership. We do not find leaders known for rectitude. They are after power, self and position. Probably we are moving towards an amorphous society. In his preface to the book, the author quotes Louis Fischer: "the world has achieved brilliance without conscience. Ours is a world of nuclear giants and ethical infants. We know more about war than about peace, more about killing than we know about living". We are after a preposterous life-style which leads to capricious use of scarce resources.

Gandhiji's long stay in South Africa (1893 – 1914) did influence his basic philosophy of life. He developed the technique of Sathyagraha (civil resistance) for fighting group injustice. He began to realize how colour, which is an accident of birth, is given undue importance, and allowed to determine an individual's status in society.

Gandhiji believed that modern civilization based on materialism can not lead the nation to achieve Swaraj from within and without. Of course, Gandhiji was not against science and technology. Mechanization is welcome so long as it does not make labour surplus and idle.

Gandhiji put the individual at the centre of the society, and made him the prime agent of social transformation. The concept of 'Swadeshi' has also been not properly understood. It is not parochial in nature. It strikes a balance between patriotism and universalism.

Gandhiji strongly believed that moral revolution resulting in inner transformation alone can bring about the requisite change in people. Most of his views have permanent value.

Panchayati Raj institutions as a means of poverty Alleviation:

India became free in 1947. The population of India was the then approximately 320 millions. Today, after half century of independence and development our population has crossed one billion mark with nearly 320 millions people are reported living below poverty line i.e. the number of people that we had at the time of independence are now below the poverty line and also illiterate. What have we achieved after independence? We can claim many things in quantifiable terms but the fact remains that half of the world's illiterate and poverty stricken population live in India and in the Indian sub-continent.

About this persistent poverty in India Mahatma Gandhi had warned us just before the independence in his constructive programme (written in 1941 and revised in 1945) that "working for economic equality means abolishing the eternal conflict between capital and labour... A non-violent system of government is clearly impossibility so long as the wide gap between the rich and the hungry millions persists... A violent and bloody revolution is a certainty one day unless there is a voluntary abdication of riches and the power that riches give and sharing them for the common good.

In ancient India, there was no economic problem, villages being self sufficient, self contained isolatory units. Even before the advent of the British rule in our country, its economic organization was satisfactory; every village had three classes of people, cultivators, artisans and village officials and panchayat. The towns and important villages of these days were famous for handicrafts. Regarding the Indian village communities, Sir Charles Metcalfe had written in his minute (1830) that they were little republics having within themselves nearly everything that they wanted. Every village community was happy, and enjoyed freedom and independence to considerable extent.

India was very much famous for throughout the world for her achievements in small scale industry and cottage industry which was due to the village solidarity and self-sufficiency. As the industrial commission observed, "At a time when the West of Europe, the birth

place of modern industrial system, was inhabited by uncivilized tribes, India was famous for the wealth of her rulers and for the high artistic skill of her craftsmen and even at a much later period when the merchant adventures from the west made their first appearance in India, the industrial development of this country was at any rate, not inferior to that of more advanced European nations”.

New problems were created after the advent of the British rule. The economic life of the village community organization of the village communities underwent a drastic change, and cottage industries declined. The main cause on account of which these industries declined were: disappearance of the native Indian courts, establishment of British rule, competition from machine industry, free trade policy of the Indian government, growth of middleman export of materials. According to Jawaharlal Nehru, the old orders of cottage industries were killed and its rebirth was not permitted by the British authorities in the interest of the British industry. In the same way old village system ended “without any rebirth of new village system. (Jawaharlal Nehru, Glimpse of World History)”.

As a result of the decline of cottage industries a large number of people became unemployed who went back to agriculture which resulted into increased pressure of people on land. With the establishment of the large scale industries, the condition of the poor people became deplorable as economic power came to be centralized in a few hands. It created the problem of unfair distribution, the rich became richer and the poor, poorer. This was the reason why Mahatma Gandhi always favours decentralization of planning.

Poverty alleviation in five year plans:

Poverty has never been taken as target in our five year plans except fifth five year plan where Eradication of poverty and to attain self sufficiency was taken as main objective. The ninth five year plan (1-4-1997 to 31-3-2002) has accepted eradication of poverty as main objective. It emphasizes on to create sufficient productive employment and give priority to the development of agriculture and villages for eradicating poverty.

Rural unemployment:

According to general survey done by the National Sample Survey Organization (NSSO), 62% of total unemployment exists in rural sector and only 38% of urban sector in our country. Fourth plan gave serious attention to the problem of unemployment. Eighth five year plan allocated Rs.30,000 crore for rural development and it has Rs.42,874 crore for the ninth five year plan.

The programmes that were especially adopted under the fourth plan included small farmer development programme (SFDP) Marginal Farmer and agriculture Labour Agency (MFALA), Drought prone area programme (DPAP) and crush scheme for rural employment. In the fifth plan food for work programme and minimum needs programme were launched. All these programmes were aimed at the poorer people of the rural areas. These programmes were designed to provide financial support and to create direct employment opportunities for poorest farmers' labourers in various public work projects. During the sixth plan in 1980, the government started the National Rural Employment Programme (NREP) in lieu of Rural Labour Force Programme such as caste plan and food for work plan.

In order to remove the unemployment among the rural youth, training (TRYSEM) was started in 1979. In 1983 rural landless employment guarantee programme (RLEGP) was started and the government started the Jawahar Rozgar Yojana in 1989, which was made more extensive by combining NREP & RLEP to create employment and thereby removing rural poverty and unemployment.

The integrated rural development programme (IRDP) was initially launched in 2300 blocks but was extended all over the country as a major poverty eradication programme, on October 2nd, in 1980. At present this programme is not in existence because IRDP with five other schemes (TRYSEM, development of women and children in rural areas (DWCRA), Gangan Kalya Yojana, SITRA and MWS) has been merged in newly introduced scheme viz. Swarna Jayanti Grama Swaraj Yojana with effect from 1-4-1999. The main aim of these programmes was to make the rural poor families economically independent so that they are able to cross the poverty line.

Gandhian Balance;

The only solution is Gandhian balance and harmony between producers and their environment. If Gandhian type of small scale and handicraft industries can grow in Punjab and the rich farmers buy these products. But the consumption standardization due to international demonstration effects will only mean larger employment in trade and not in industry at least in neighbourhood zones, that is why I come round again and again to a Gandhian philosophy as the only way out in the Indian impasse. Such philosophy will make a harmony between technology, production, employment and consumption preferences. The swadeshi philosophy has to be harmonized with the Gandhian philosophy of maximization of neighbourhood effects on employment of consumption.

Economic policies and reforms must be formulated and implicated with human face and egalitarian outlook, and regional disparities must be narrowed. In ever successive budget, they should be an upward revision in all allocations for social sector and rural development in real terms having full regard to inflationary spiral. It is the urgent need of the hour to aim economic growth more directly at the poor.

Human resource plays a pivotal role in development of the economy. Human resource harnesses, other resources available in the country, convert them into value added products and services and also contributes to the Gross National Product (GNP). Even Bill Clinton, the then president of the USA has once acknowledged the potential power of India to overtake even the USA. In the twenty first century provided we have will to prosper and the human resources are made best use of. The emphasis has to be on the development, small scale and labour intensive industries.

We can start units on Gandhigram Model to produce Soaps, Shampoos, toothpowder, Talcum powder, Biscuits, Bakery items, Snacks, Ice creams, fruit juice, Jams, Pickles etc. They will have to use local materials, follow-up the local techniques and traditions and exercise fully their individual judgment both with regard to designing and finishing. There is no necessity to import consumer goods of the multinationals into India. The Indian Government has to consider levying a tax on all mass produced goods in India so that the cottage, small scale and village industry production can be subsidized from the proceeds.

This is how our forefathers lived in a self-sufficient and content manner without any health hazards. So it imperative that total Globalization is not only unsuitable for a populace country like India, one can survive better by following the conventional and proved means of living.

It can never be shown generally either that the interests of master and labourer are alike, or that they are opposed; for, according to circumstances, they may be either. It is, indeed, always the interest of both that the work should be rightly done, and a just price obtained for it; but, in the division of profits, the gain of the one may or may not be the loss of the other. It is not true the master's interest to pay wages so low as to leave the men sickly and depressed, or the workman's interest to be paid high wages if the smallness of the master's profit hinders him from enlarging his business, or conducting it in a safe and liberal way. A stocker ought not to desire high pay if the company is too poor to keep the engine wheels in repair.

That, however, is not so. It would be so if the servant were an engine of which the motive power was steam, magnetism, gravitation, or

any other agent of calculable force. But he begin, on the contrary, an engine whose motive power is a soul, the force of this very peculiar agent, as an unknown quality, enters into all the political economist's equations, without his knowledge, and falsifies every one of their results. The largest quantity of work will not be done by this curious engine for pay, or under pressure, or by help of any kind of fuel which may be supplied by the Chaldron. It will be done only when the motive force, that is to say, the will or sprit of the creature, is bought to its greatest strength by its own proper fuel: namely, by the affections.

It may indeed happen, and does happen often, that if the master is the man of sense and energy, a large quantity of material work may be done under mechanical pressure, enforced by strong will and guided by wise method; also it may happen, and does happen often, that if the master indolent and weak (however good natured), a very small quantity of work and that bad, may be produced by the servant's undirected strength, and contemptuous gratitude.

They will find that commerce is an occupation which gentlemen will everyday see more need to engage in, rather than in the business of talking to men or slaying them; that, in true commerce, as in true preaching, or true fighting, it is necessary to admit the idea of occasional voluntary loss ;- that sixpences have to be lost, as well as lives, under a sense of duty; that the market may have its martyrdoms as well as the pulpit; and trade its heroism as, well as war.

Five great intellectual professions, relating to daily necessities of life, have hitherto existed – three exist necessarily, in every civilized nation:
The soldier's profession is to defend it.
The pastor's to teach it.
The physician's to keep it in health.
The lawyer's to enforce justice in it.
The merchant's to provide for it.

And the duty of all these men is, on due occasion, to die for it.
'On due occasion,' namely:
The soldier, rather than leave his post in battle.
The physician, rather than leave his post in plague.
The pastor, rather than teach Falsehood.
The lawyer's, rather than countenance injustice.

Conclusion.

The recent global meltdown, the growing corruption, family breakdowns unrests in all the fields can find answers in the above thoughts of Gandhiji. Even the former president of America Barack Obama in his recent visit to India has said that it was Gandhiji and Martin Luther King was always source of an inspiration to his life. Gandhiji had said that "there is sufficient resources on this earth to keep every men and women happy but not there greed". The success story of Japan is that the edifice of development was built on Gandhian principles. Unlike India in Japan every house was a cottage industry. They started with small and now all the major builders of the world are Japanese. There was inclusive growth in real sense in Japan in the beginning. Every japanee was an entrepreneur and a nation builder. it is unfortunate that Gandhi is to be remembered but his thoughts are forgotten. The result was the problems every where.