CII
Confederation of Indian Industry

POLICY watch

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Focus: Sustainable Agriculture Development Key to Inclusive Growth

In India, the overriding importance of agriculture can be easily recognized by the fact that 58 per cent of the workforce is engaged in the sector. Agriculture continues to be the main occupation of a large section of rural society, and food accounts for about half of the household expenditure of an average Indian. Thus, growth in agriculture is a must for overall development and reduction in poverty.

If we look at the 11th Plan Period, agricultural GDP registered an increase of 3.3 per cent. This growth was higher than the growth reported in the 10th or the 9th Plan. While examining related drivers of development, we find the total value of output in agriculture proper (crops and livestock) grew and averaged 3.8 per cent per year of the Plan period. Horticulture, growing at 4.7 per cent, was only marginally short of the 5 per cent target. Private investment in agriculture accelerated, land productivity was enhanced and there was an improvement in total factor productivity. Thus, at a macro level, agriculture performance did improve in the 11th Plan.

Yet, the 3.3 per cent growth fell short of the Plan target (4 per cent). Looking deeper, we find that agriculture still faces many serious social, environmental and fiscal challenges. Shrinking land base, dwindling water resources, adverse impact of climate change, shortage of labour and increasing costs and uncertainties remain the key challenges to be addressed.

I would say that increasing productivity and investments will be key towards meeting current challenges. This, however, demands a conducive policy environment in terms of allowing aggregation of land to build scale in operation and invest in technology and infrastructure; giving freedom to farmers to sell directly to aggregators, food processors and retailers outside mandis; and incentivizing private investment across the supply chain to name a few. Thus, industry participation will play a critical role in addressing the challenges of the agriculture sector with the Government playing the role of an active enabler and partner.

The right focus on agricultural growth will be critical for the 12th Five Year Plan to attain its objective of faster, more inclusive and sustainable growth. Global experiences of growth and poverty reduction also show that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture (Mid Term Review, 11th Five Year Plan, Planning Commission, Government of India).

As mentioned earlier, though agriculture growth accelerated in the 11th Plan, it is still below the targeted 4 per cent and so much more needs to be done. The successes and revolutions in Indian agriculture need to be replicated and scaled up across commodity chains and geographies.

This issue of Policy Watch takes a comprehensive look at the opportunities and challenges in the agriculture sector and focuses on key recommendations that CII has been pursuing in its dialogue with the Government and other stakeholders to attain the targeted 4 per cent growth. ■

Chandrajit Banerjee
Director General
Confederation of Indian Industry

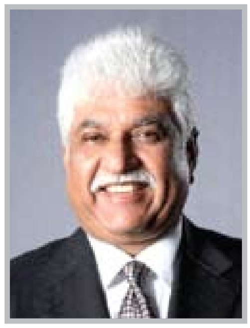
Inside this Issue

Policy Reforms a Must to Encourage Private Investment and Boost Farmer Income

What are the key challenges in the agriculture sector?

Indian agriculture and food systems face some serious challenges today despite several positive developments in recent years. These developments include creation of knowledge, information exchange, introduction of modern technology and growing international trade. However, agricultural growth has lagged behind the desired targets over the past Plan periods.

The reasons for this shortfall are well known. Fragmentation of land holdings and inadequate input delivery mechanisms clearly limit scale in operations. Fragmented supply chain and inadequate infrastructure affect supply, value addition and technology advancements. Current policies do not incentivize the farmer to invest in increasing farm productivity nor diversify cropping patterns. In the near future, agricultural systems will be increasingly challenged by water scarcity and climate change, putting pressure on supply to respond to rising demand.



Rakesh Bharti Mittal
Chairman, CII National Council on Agriculture and Vice Chairman & Managing Director Bharti Enterprises Limited

Given this situation, we at CII believe that agriculture in India needs the right impetus. The need for robust policy reforms is evident.

What steps, according to you, are essential to develop robust agriculture policy reforms?

In order to build a productive and competitive agriculture sector that effectively ensures food security and overall economic development, it is essential to move away from policy flip-flops and knee jerk reactions. We need clear responses, in line with long term strategies that address key imbalances. We need to shift away from subsidies that have exacerbated this imbalance in use of resources linked to agriculture. To develop a robust agriculture sector, the following measures need to be considered:

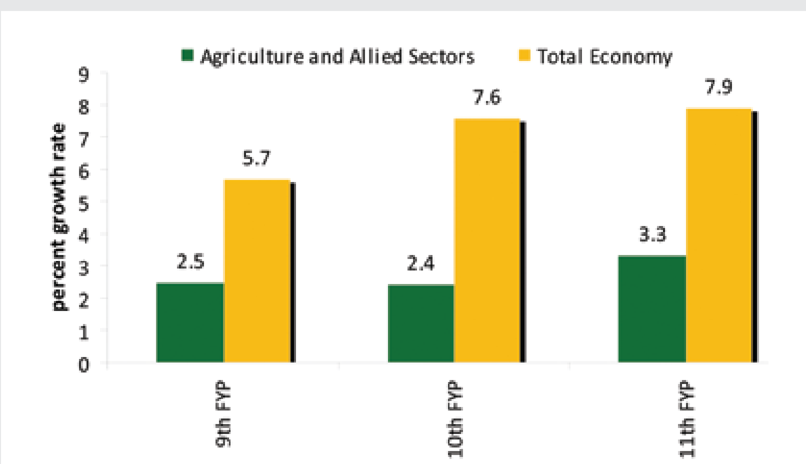
Redress Imbalance Between Production and Consumption in Different Categories. Falling cereal consumption across India, malnutrition concerns and changing tastes call for agricultural diversification and effective price policy. Minimum Support Price (MSP) policy with certainty of procurement in rice is an example that can be followed to encourage farmers to shift focus to pulses and oilseeds where India is currently a net importer.

Aggregation of Agricultural Land Holdings. Land fragmentation is a concern as it adversely affects scale of operation, crop diversification and mechanization. Consolidation of farm holdings is a necessity today. CII's recommendations in this context aim to ensure that the farmer is fully protected against any possible loss of his land to the tenant. Smart policy that protects landowners and enables better use of resources for regular pay is needed.

On the lines of CII's recommendations the states of Punjab and Rajasthan have announced policies for land reforms. The Government of Rajasthan agreed to a 30 year lease [15+15] while Punjab has left it open ended or up to mutual agreement between the lessor and lessee.

Ensure Better Prices to Farmers and Consumers. Today, farmers are prohibited by regulation to sell directly to aggregators, food processors and retailers. As a result, they are falling victim to the manipulations

Figure 1: Growth Performance of Total Economy and Agriculture & Allied Sectors



of the middlemen. There is a very strong case for implementing the Model Act in its true spirit across states particularly in the context of exempting fruits and vegetables and other perishables like fisheries from the ambit of the law.

CII has recommended that farmers be given the freedom to sell directly to food processing companies / aggregators / processors etc in addition to selling through Government or private mandis. The market fee should be applicable in cases where market facilities are being availed and not for transactions taking place outside the market yard. This, in turn, will facilitate private participation and attract much needed private investment in developing agricultural markets, grading and standardization, quality certification, warehouses, cold storages and other post-harvest management facilities to address the problem of wastage.

Besides the essential reforms mentioned above, are there other reforms that you find complementary to future development plans?

There is a strong need to devise appropriate legal and institutional arrangements for contract farming. The goal is to enable scale in operations. Contract farming can provide twin benefits to the farmer and industry. Private industry across India is developing new models to reach out to farmers and providing new technologies, investing more in modern supply chains and in organized food retail. The need is to scale up these interventions through appropriate policy reforms.

FDI in agriculture will bring in efficiencies along with new competition. The benefits from a change in players and anticipated improvements in the present situation could accelerate investment in logistics, build scale and help create efficient supply chains. Such investment in states, however, needs enabling implementation of the Model Act and land aggregation. ■

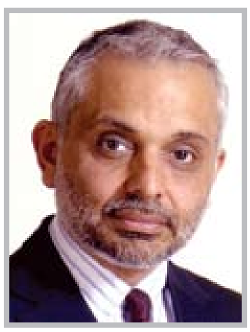
Scaling Public Private Partnerships in Indian Agriculture

We hear a lot about the role Public Private Partnerships (PPPs) can play in the growth of the agriculture sector. What, in your opinion, is encouraging such an interest in PPP?

Today the prime concern in agriculture is increasing and managing production in an environmentally and financially sustainable manner through the right strategies, policies and interventions. Other key concerns are improving market access, scaling operations, reducing wastage, introducing efficiencies in the supply chain, and post-harvest management while increasing farmer incomes. Addressing all these demands investment, which needs to come from the private sector and so PPP is important.

Private sector involvement in Indian agriculture is not a recent development, but it has a long way to go. Successful examples in technology infusion like Bt cotton, hybrid maize and technology dissemination suggest beneficial outcomes from public partnership with the private sector. R&D partnerships in PPP mode are critical for agriculture and its allied sectors.

In addition, future breakthrough technologies



Hari S Bhartia
Past President, CII; Chairman, CII-Jubilant Bhartia Food & Agriculture Centre of Excellence and Co-Chairman & Managing Director Jubilant Life Sciences Limited

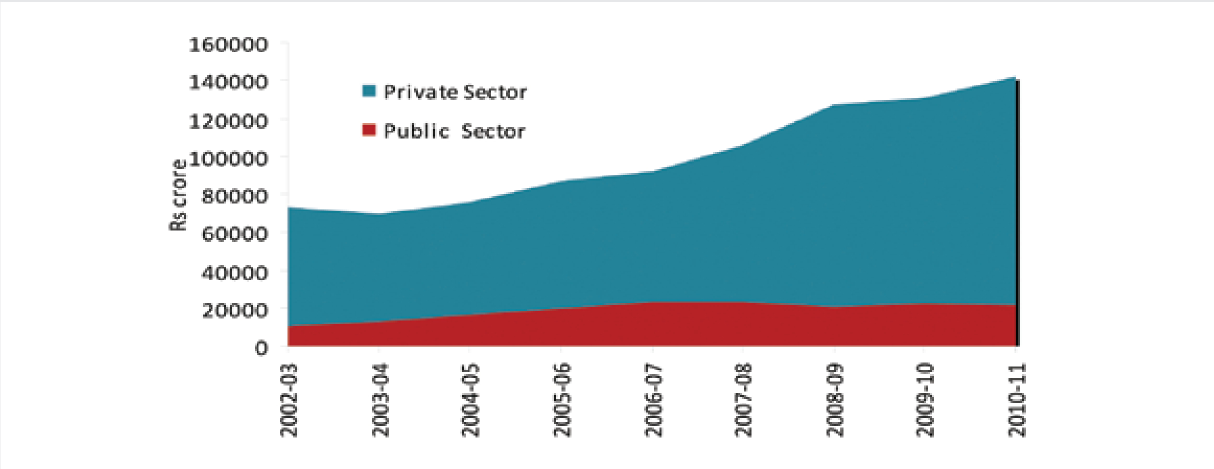
in agriculture will increasingly come from the private sector. India's private sector has the strength to multiply those technologies and reach millions of farmers, both big as well as small, in the fastest possible way. There is a need to channelize these sources so that the process ensures private sector profitability and benefits to the farming community. This will become the most powerful route for poverty reduction.

The public sector needs to develop rain-fed areas, with a focus on natural resource management to augment production of pulses and millets. These are areas where, till date, not much private investment has taken place. Also, since the transition from traditional to high value agriculture will be primarily driven by private investment, Government policy needs to catalyze greater investments in R&D, roads and public irrigation.

What are the distinct roles of the private and public sector for PPP in agriculture, and can you share examples of PPP with evident success?

I believe that the Government and the private sector have to play specific yet complementary roles in agriculture growth through PPP. The roles of both partners need to be clearly defined for specific interventions. Watershed development, rural roads, rural electrification, large irrigation schemes, large scale extension and setting up of rural market infrastructure will continue to remain in the domain of the Government. Public investments in these areas will induce private sector investments in other areas of the supply chain that

Figure 2: Gross Capital Formation (GCF) in Agriculture & Allied Sectors: Public and Private Sector Contributions



Source: CSO data, 12th Plan document, Planning Commission, Government of India

are critical for the growth of high value agriculture. The Government has to largely play the role of an enabler by providing the right policy and regulatory environment, while the private sector brings investment, technology and improved market access.

Result-oriented collaborations in PPP mode have improved efficiency and enhanced access to new products and services that target the rural poor fostering greater pro-poor innovative activity in the food and agricultural sector.

There are several examples of successful PPP projects. One such example of value creation can be found in the dairy sector. A three-way joint venture between West Bengal Milk Federation, Keventer and NDDB has emerged as the market leader in the category. Today the milk unit commands 40 per cent of market share in the pouch segment in greater Kolkata. The ice cream unit is the frontrunner with 55 per cent markets share. Another example - the Government of Rajasthan, with an aim to improve economic self-sufficiency of tribal maize farmers, entered into a PPP. The PPP project ensured farmers had access to high yielding hybrid maize seeds and training on improved agronomic practices. As a result, maize farmers were able to increase yields and improve their quality of life through enhanced incomes.

The examples above on value creation via PPP projects can be compared with partnerships enabled for information dissemination. The state of Uttarakhand "DevloPPP.de" project enabled SMS based agri information for small farmers in the state. Mobile based agri-information services to a number of farmers in the next three years aims to empower them with improved market access. The IFFCO Kisan Sanchar Limited (IKSL) is another example of PPP delivering information and solutions to farmers. This initiative has empowered 1081002 active users of the Value Added Services by providing timely information.

On capacity development, the Gujarat Government has also initiated an innovative PPP project to benefit marginalized tribal farmers. The estimated benefit to 50,000 farm families will be enabled by helping farmers learn skills to mechanize their farms, and in turn, increase crop yields.

What measures would help step up the pace of PPP in agriculture?

PPP, as we can see, is becoming an effective instrument for dissemination of information, on-farm demonstration of technology, facilitating credit and risk management, which enables access to inputs and markets by way of providing market information and in the buying of commodities when the farmers want to sell. The urgent need now is to create an appropriate framework to scale up these collaborations.

The Public-Private Partnership for Integrated Agricultural Development (PPPIAD) proposed by The Ministry of Agriculture can be a way to scale up. Under PPPIAD, states are to facilitate 'large scale integrated projects led by private sector players with a view to aggregating farmers and integrating agricultural supply chains.' The idea is to leverage corporate interest and marketing solutions to part-finance mobilization of expertise to form farmer producer organizations (FPOs) and infuse technology and capital to enhance farm production and value addition.

Besides this, PPP arrangements should move beyond bilateral collaboration between a Government agency and a private industry or corporation. PPP for sustainable agricultural development should tap existing networks for public service provision though multi-partner structures that build on the work done by non-governmental organizations (NGOs), university research institutes and foundations. Through PPP, successful synergies that leverage each partner's strengths and enable greater achievements would have a positive impact on the public and private sector. ■

Food Processing to Lead Growth in Agriculture

What are the key factors driving the growth of food processing and the increased involvement of Indian Industry in this sector?

The Food Processing (FP) sector is the link between agriculture and industry. The sector offers the potential to transform the rural landscape by improving the value of agricultural produce resulting in better remuneration to farmers, employment generation, improved supply chain infrastructure and improved nutritional intake by consumers.

According to Ministry of Food Processing Industries (MOFPI), the FP sector has been growing faster than the agriculture sector. Organized food retail, consistent export growth along with growing urbanization, increasing disposable income and changing food consumption patterns are driving growth of the food processing industry in India. Employment in this sector has increased with an Annual Average Growth Rate of 3.65 per cent (AAGR 2005-06 to 2009-10) while invested capital grew at an AAGR of 18.33 per cent for the same period. All these trends confirm the food processing sector's immense potential to drive growth of the agriculture sector.

What is your view on Public-Private Partnerships (PPPs) in the food processing sector? Do we have examples to learn from and scale up PPP in various states?

PPPs have been heavily promoted in the education, health and infrastructure sectors to improve efficiency in service delivery. This approach is gaining momentum in agriculture and food processing, with evident opportunities in infrastructure development, capacity building, Research and Development (R&D).

Various State Governments have also initiated PPP projects in the sector. The Government of Haryana initiated a PPP project under the Haryana State Agriculture Marketing Board (HSAMB) to set up food processing plants for fruits and vegetables at Rohtak and AbubShahar. Pack houses-cum-cold storage facilities are being established under PPP mode at various locations.

Piruz Khambata
Chairman, CII National Committee on Food Processing and Chairman & Managing Director Rasna Private Limited

PPP models already exist and the experience thus far has been a mixed bag. Past experiences offer important lessons to be able to scale up and replicate these initiatives.

Certain big ticket infrastructure projects in the sector should be fast forwarded. The Mega Food Park scheme of the MOFPI is one such initiative, which received a good outlay from the Government. The scheme needs to be studied in detail and modified to make it much more effective and ensure timely execution within the given regulatory structure. A total of 30 Mega Food Parks under the Infrastructure Development Scheme were approved for the 11th Plan period in PPP mode (e.g. the Srini Mega Food Park at Chittoor). There is a need to develop crop/ produce linked clusters to channel all activities so that they get full advantage of the Mega Food Parks scheme.

Capacity building and R&D needs to build on the good work done by Government universities and the private sector to develop higher yield products. Skill development requires an additional push with active participation by industry and Government.

Which recommendations proposed by the CII Food Processing Committee enable increased private industry involvement in the sector over the long term?

Private food industry members need timely availability of quality raw material, better infrastructure and enhanced credit availability. The CII National Committee on Food Processing has made relevant recommendations to address these constraints and help spur growth of a buoyant food processing industry through private participation.

Industry Investments to Improve Infrastructure Development: The infrastructure (cold chain, Food Park etc) primarily suffers due to inadequate investments and several restrictions on private sector participation. The need is to enable the private sector to bring in investment and new technology for integrated supply chain development.

Incentives for the Sector to Ensure Affordability and Access by Domestic Markets: The benefits going to agriculture should be extended to food processing. Taxation on processed food keeps them out of reach of the common man. The importance of food processing given the convenience products on the shelf, provide enough reason for the sector to be tax free (ref: direct and indirect taxes) and ensure the prices are right and products remain accessible to all.

Credit Access Under Priority Sector Lending (PSL): The RBI issued revised PSL guidelines in July last year. Here we recommended agriculture and allied activities be treated as a composite sector, by making no distinctions in direct and indirect lending categories. Inclusion of all advances to agriculture and food processing under PSL needs to be enabled without any limitation on expenditures made on plant and machinery CAPEX. ■

Address Sectoral Challenges to Unlock Opportunities for Growth

Clocking a growth of 3.3 per cent during the 11th Five Year Plan (see Figure 1) period is certainly good news for Indian agriculture, having moved beyond the average growth rate of 2.4 per cent during the previous plan period. Yet it is short of the 4 per cent target.

Agriculture has undergone several positive changes – the sector has become more resilient to weather shocks and annual volatility in performance has declined. Gross capital formation in agriculture has increased with rising contribution from the private sector. Also, agricultural exports have increased significantly although imports of pulses and oilseeds continue to be huge. Despite political opposition, multi-brand food retail has been opened up to foreign direct investment (FDI). Incentives through higher price support, assured procurement coupled with an increase in real agricultural wages have triggered increase in demand for food and non-food items.

Being increasingly demand driven, agriculture today is not restricted to farming alone but includes the entire value chain. From being dependent on food aid to achieving self-sufficiency, India is being viewed as a significant player in contributing towards global food security.

However, the sectoral challenges are many. Farming continues to be threatened by climate change, state level performance remains volatile and non-uniform (see Table 1) and weak firm-farm linkages limit farmers' access to inputs and output markets. Despite the rising food subsidy bill, a considerable share of the population lacks economic access to food, thereby threatening food and nutrition security.

Moreover, burgeoning subsidies have resulted in excessive use of fertilizers and distortions in the use of NPK (Nitrogen Phosphorus Potassium). States which led the first green revolution today face over-exploited groundwater resources as observed in Punjab, parts of Haryana and Uttar Pradesh while the excessive use of chemicals has resulted in severe deterioration of soil health. These subsidy driven policies have taken away the much needed public sector attention. Areas in need of attention include increasing availability of quality (hybrid and high yielding) seeds and feed for livestock and agri R&D and technology infusion across commodities and regions.

Hence there is a need for robust policy reforms and strategic partnerships between the public and private sectors to overcome the challenges. Partnerships to correct the imbalances are needed to accelerate the transformation of the agriculture sector.

A performance snapshot shows that production of cereals (1 per cent to 3 per cent) and pulses (1.8 per cent to 4.2 per cent) increased significantly between the 10th and 11th Plan periods. Increasing growth in horticulture (2.6 per cent to 4.7 per cent) and livestock (3.6 per cent to 4.8 per cent) during the same time period indicate that agriculture has been diversifying and responding well to the changing demand patterns – from traditional grains to high value and processed commodities (see Figure 4). Despite positive production trends, low and stagnating yields have been a concern. There is an opportunity for technological breakthrough, replicating the success in Bt cotton and hybrid maize in pulses and oilseeds. To promote agricultural diversification, it will be important to create the right policy and price incentives. It is time to shift water intensive crops to the better endowed eastern region.

This will unlock the resources needed to advance growth in the high value sector in the northern region.

Agriculture in India has been primarily driven by the public sector. Policy uncertainty driven by food security considerations

T Nanda Kumar
Member, National Disaster Management Authority, Former Secretary (Agriculture), Government of India

"The second green revolution is more likely to be market led unlike the first green revolution that was largely input driven. Increasing consumer preference for better quality food and awareness about food safety will require developing the value chains - from farm to market. To my mind, technologies that will enable this and policies that envision this need to be considered and worked upon. Management at the farm level and all along the value chain will play a critical role in achieving this."

often interrupt public private partnerships. Increasing cereal production from 203.1 million tonnes in 2006-07 to 257.44 million tonnes in 2011-12 was accompanied by increased procurement of cereals and unprecedented piling up of stocks of 82.4 million tonnes (as of June 2012). While the National Food Security Mission (NFSM) and the higher minimum support price helped boost production of cereals, the situation also resulted in a huge food subsidy bill without significant gains in improving economic access to food. The value of intermediate inputs increased from 2.4 per cent in the 10th Plan - to 4.3 per cent in the 11th Plan surpassing the growth in value of agricultural output (see Figures 5A and 5B). This calls for realignment of priorities.

Persistent high food inflation, particularly in high value commodities, is clearly indicative of rising demand and gaps in the supply chain. The paucity of processable varieties and huge post-harvest losses have stemmed availability and created price pressures. The policy agenda needs to shift from augmenting production of food grains alone and focus on the priority areas in the non-food grain sector that require greater investments and partnerships.

The 12th Plan has clearly identified the key drivers of growth. There is a distinct shift in approach from being crop and farmer specific to looking at cropping patterns and farmer organizations in aggregation, rationalizing subsidies to augment public investments in agriculture and restructuring public programs to render these more action oriented.

Consolidation of farm holdings and aggregation of farmers will be instrumental in moving away from small scale, subsistence farming towards large scale farming critical for utilization of resources, technology and investments. Given the predominance of smallholders – 83 per cent of all farm holdings and 41 per cent of area being less than 2 hectares, policy reforms need to ensure their economic viability and bring them into mainstream agriculture. Different models of Farmer Producer Organizations (FPOs) will be instrumental in creating economies of scale and improving their bargaining power. Currently, 60 per cent of

Dr Ashok Gulati
Chairman, Commission for Agricultural Costs & Prices (CACP)

"For Indian agriculture to grow at more than 4 per cent annually - get the markets right, get the prices right. Policymakers should use income policy for achieving equity ends and let price and trade policies play their role in efficient allocation of resources and propelling growth."

the farmers are outside the ambit of formal credit. This credit gap needs to be addressed together with issues related to crop planning, technology adoption, access to inputs and markets. The proposed Seed Mission aims at the production, promotion and utilisation of quality seeds through FPOs.

Land reforms directed towards creation of land lease markets, encouraging aggregation and allaying fears of owners losing their ownership rights while tenants retain incentives for investment need to be pursued with extra zeal. Land aggregation will allow farmers to come together as a group and access formal credit, other inputs and subsidies that are being directed towards group activities. The idea of Public Land Bank (PLB) will encourage farmers wanting to quit agriculture to do so without fear of losing ownership while the same land can be leased out to groups of small and marginal farmers. Given that processing and retailing thrive on economies of scale, it will be important to create the same at the backend to allow effective market linkages.

Agricultural marketing infrastructure and practices faces serious challenges in terms of lack of physical infrastructure, transparency in operations, and too many checks and controls. While the Model Act (amended APMC Act) aims at creating direct firm-farm linkages, the pace and enthusiasm with which the Act has been implemented is not uniform across states. Thus implementation till date has offered little benefit to farmers and private buyers. Implementation of the Model Act in its true spirit will give farmers the freedom to sell outside Government regulated market yards. The 12th Plan focuses on the need to push for fast track development of marketing infrastructure in a time bound manner critical to containing post-harvest losses. A uniform code of conduct for marketing practices and doing away with multiple checks and balances will be important to attract private investments in building warehouses, cold chains and private market infrastructure. Increasing demand for high value and processed food will necessitate quick development of the agri and food processing sector. Allowing FDI in multi-brand food retail will require cleaning up the marketing inefficiencies to enable creation of firm-farm synergies.

Subsidies need to give way to increased investments. In balancing the objectives of promoting higher agricultural growth and ensuring food security of the masses, several imbalances have emerged over time. There is a realization that these imbalances need to be corrected to ensure that the growth process is sustainable. Much of the subsidies have outlived their significance and it is time to rationalise the same. For instance, fertilizer subsidies have increased over time and accounted for 8.1 per cent of agriculture GDP in 2008-09 without resulting in significant enhancement in crop productivity. It has also resulted in over-use of fertilizers and highly distorted use of NPK detrimental to soil health. With urea not included in the Nutrient Based Subsidy (NBS) scheme, it has limited impact on correcting the imbalances in use of NPK. There is a need to introduce crop and location specific packages of products that will ensure productivity gains. Direct transfer of subsidies to farmers is a means of reducing the subsidy burden and allowing the farmers to benefit from the subsidies available.

With the National Food Security Bill (NFSB) on the agenda, it will be important to assess the extra food subsidy burden (at 5 per cent of agriculture GDP in 201-11) and the benefits accruing from it in terms of improved access to food. The functioning of the Public Distribution System (PDS) has been subject to a lot of criticism in terms of leakages, pilferage and Food Corporation of India (FCI) crowding out private sector participation in food grain procurement, storage and distribution. Rolling out larger food subsidy commitments will require revamping of institutions including the PDS and FCI to deliver services. Alternatively, models that involve greater decentralization and private sector participation should be encouraged given that there is need for investments.

Public private partnerships (PPPs) will be key to the second green revolution in Indian agriculture. Rationalizing agricultural subsidies will free up considerable financial resources for public investments in agriculture to catalyze private investments. The private sector already contributes about 80 per cent of the gross capital formation in agriculture (see Figure 2) and there is scope for further investments in technology, farm mechanisation and in various levels along the value chain critical for growth.

Agriculture has benefitted from PPPs and there is scope for scaling up these partnerships across value chains and agro climatic regions. Agriculture research and education (R&E) will benefit significantly from PPPs wherein the former can provided the infrastructure and outreach network and the latter can develop R&D. This will not only help increase spending on agri R&E, accounting for 0.7 per cent during the 11th Plan but also contribute to larger dissemination at the ground level. Private sector can play a meaningful role in food grain management in partnership with the public sector in creating storage capacity to hold large stocks of grain, as also engage in procurement and distribution of grains.

There is a consensus that agriculture needs to move onto a higher growth trajectory having implications on the performance of the overall economy. Riding the achievements from the 11th Plan, there is a lot of enthusiasm in taking the reform agenda ahead for rejuvenating Indian agriculture. The design of programs like National Food Security Mission (NFSM), Rashtriya Krishi Vikas Yojna (RKVY), introduction of crop specific missions and the deployment of resources clearly indicate that there is a strong willingness to work in partnerships to create the right incentives and investments in line with the objective of inclusive growth. ■

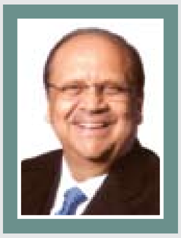
P Chengal Reddy
Secretary General, Consortium of Indian Farmers Alliance (CIFA)

"Farmers work closely with industry and this partnership needs to be used to address the challenges faced in agriculture. Goals of economic equity and social justice for farmers are important as we strive towards increasing the income of farmers. We farmers totally support progressive policy reforms in FDI and decontrol of sugar. However, much more needs to be done. The Indian Industry must come forward to have national and state level coordinating committees with farmers so that the investment by private sector in agriculture infrastructure, commodity trading and long term contract farming can evolve."

While Public Private Partnership (PPP) is in focus, it is more important that private - private partnerships also happen. That means companies on the input side and value chain side get together at the district level to collaborate voluntarily. Where an agro chemical or seed or an irrigation company comes together with buyers to collectively provide solutions to farmers - from knowledge to the right inputs – they enable precision farming and improved productivity driven by better knowledge. Farmers can then look at providing output to the buyer at a reasonable price and with profit.

Anil Jain
Managing Director and CEO, Jain Irrigation Systems Limited

Agricultural growth has been input intensive these past five years. This trend can be seen in the growth of intermediate inputs (4.3 per cent per annum) which was much higher than the growth of output. The 12th Five Year Plan recommends a re-look at the policies relating to inputs, especially highly subsidized inputs like fertilizer and power. Reducing related fertilizer and fuel subsidies for the desired moderation in the use of these inputs would ensure productivity gains and sustainable use of our resource base. In my perspective, critical and urgent reforms needed to complement this shift include faster registration of new pesticide products, immediately stopping the proliferation of registration of generics (to safeguard quality), clarity on the approval of GMOs and passing of the New Seeds Act and the Pesticides Management bills.



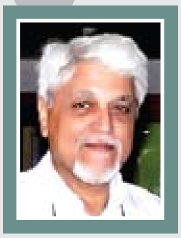
Salil Singhal
Co-Chairman, CII Agriculture Council and Chairman & Managing Director, PI Industries Limited

India needs to make itself a sustainable economy that is competent to provide the world with cutting edge solutions in agriculture. To achieve this, we need visionary changes in the current policy framework and our attitude towards agriculture. Agriculture can only become a profession by choice if appropriate skill building initiatives are undertaken and sustainable agricultural practices adopted. Capital investment in modernising agriculture technology should be incentivised with appropriate subsidies. Research and Development in agriculture, biotechnology and relevant sciences should be encouraged through PPP models and these outputs should be available to the farming community to enhance their agricultural practices.

R Mukundan
Deputy Chairman, CII (WR) and Managing Director, Tata Chemicals Limited

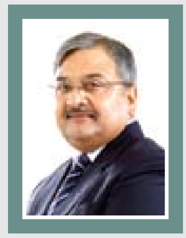
Mechanization is a significant challenge and linked to labour availability on the farm. Currently, the focus is on ensuring mechanization solutions are accessible and available to various segments of farmers. What shapes development here is the creation of business models as farmers cannot afford harvesters, harvester equipments and / similar expensive machinery. One needs to determine whether a contractor model or resource center model can work. We are working at various levels and with different agencies to find solutions because we know that mechanization can help improve productivity and farmer profitability.

Satish Nadiger
Managing Director & CEO, John Deere India Pvt. Limited



Of a total land area of about 140 million hectares, currently only about 80 million hectares is under irrigation. To achieve the food target of 450 million tonnes by 2050, another 125 million hectares must be brought under irrigation. Competing demands on water from other sectors means we must produce more with less. Increasing the use of micro irrigation systems is a viable solution. With improved provision of resources (land and seed) and technology to the farmers, related capacity building will be a key factor in the success of agriculture.

Surender K. Makhija
Strategic Adviser, Jain Irrigation System Limited



Flip flops in policy making occur around the dilemma of ensuring better prices to farmers and low prices to consumers. Large corporates like us do not enter areas where the Government has huge interests because policy uncertainty exists. Commitments are made by corporates with big money and policy uncertainty affects returns expected from an investment and risks borne in PPP mode. If we look at changes desired for growth in agriculture I would like to mention the APMC Act. Here I am told the farmer's don't benefit, the state government doesn't benefit, the consumer doesn't benefit. So with this gap, who does the Act serve?

Moreover, if we look at APMC's, the implementation has created a lot of hassles in agri-marketing and is a mess. The money Government gets is also not very huge and the only money which actually goes to the Government is from Punjab and Haryana which handles grains and where the buyer is the Government. So the money moves from one pocket to another. If this is the reality across states, then this Act needs to be re-examined and while doing so, reason why fruits and vegetables (F&V) needs to be a part of the APMC.

Atul Chaturvedi
Chief Executive Officer, Adani Wilmar Limited

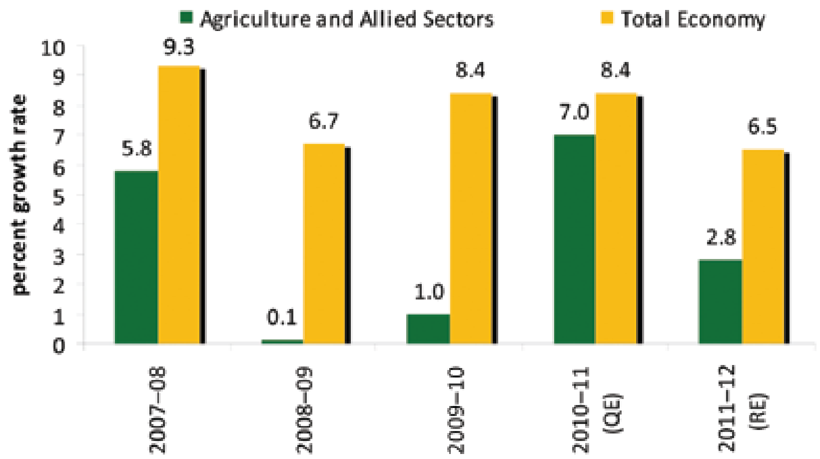
Infrastructure concerns are huge, particularly for perishables. About 25-40 per cent of India's agri produce is wasted due to improper transportation, storage, warehousing and lack of cold chain infrastructure. Due to lack of adequate storage facilities farmers are forced to sell their produce early without waiting for better market prices. Bringing in the private sector - both as a competitor and to complement the public sector - will add greater strength and value for money. Therefore, both must work complementarily to benefit both the farmers and the consumers.

B Thiagarajan
Chairman, CII Task Force on Cold Chain Development and President, Blue Star Limited

The Indian sugar industry, one of the main drivers of the rural economy, is challenged by excessive controls by multiple departments of the Central and State Governments. Adhoc sugarcane pricing policy, levy obligation below cost of production, control of exports, reservation of cane area etc are among various controls imposed on the industry. Dr. C Rangarajan Committee set up by the Prime Minister has already submitted its recommendations for decontrol of the sugar sector. These recommendations, which will surely benefit all the stakeholders across the entire value chain, especially the farmers, should be implemented without any further delay.

Ajit S Shriram
Co-Chairman, CII Task Force on Sugar and Deputy Managing Director, DCM Shriram Consolidated Limited

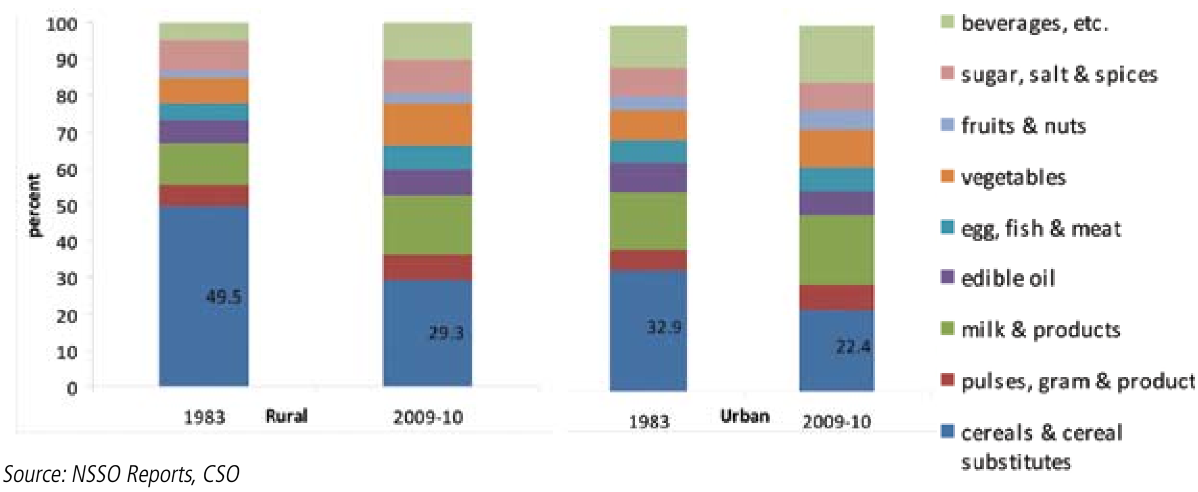
Figure 3 : Growth Performance of Total Economy and Agriculture & Allied Sectors



Source: 12th Plan document, Planning Commission, Government of India

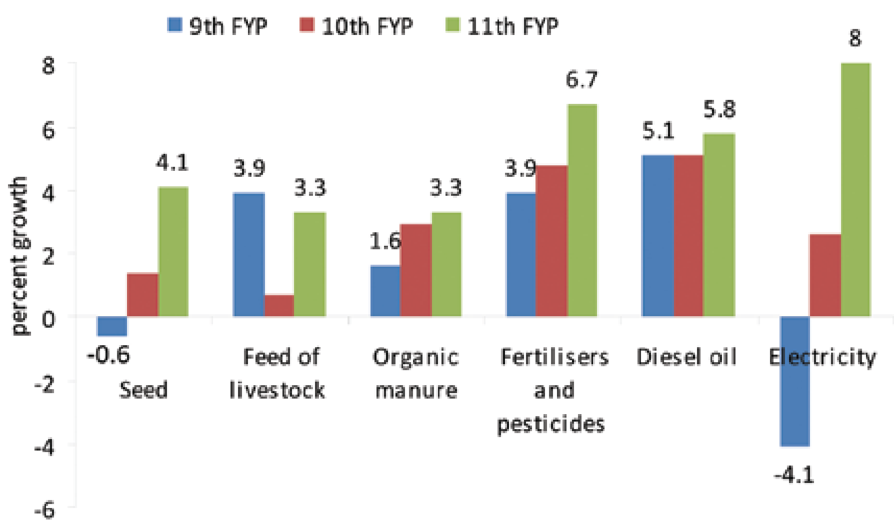
Figure 4: Consumption Changes in Urban and Rural India:

Less traditional grains and more high value and processed commodities



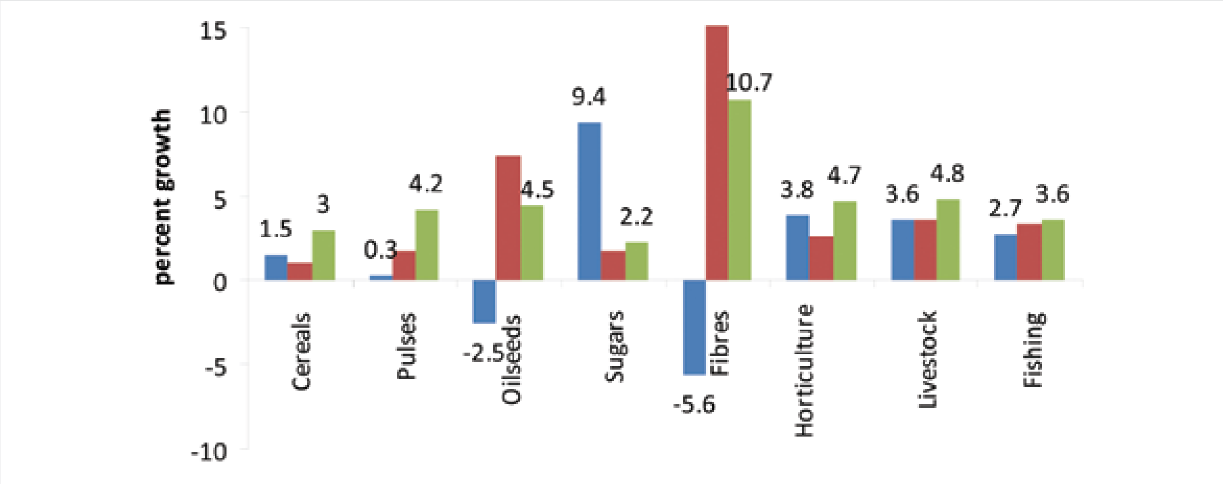
Source: NSSO Reports, CSO

Figure 5A: Average Annual Growth Rate of Value of Intermediate Inputs



Source: 12th Plan document, Planning Commission, Government of India

Figure 5 B: Average Annual Growth Rate of Value of Output by Selected Crops



Source: 12th Plan document, Planning Commission, Government of India

Table 1: State-Wise Annual Growth Rates of Gross State Domestic Product (GSDP) From Agriculture and Allied Activities Over Four Separate Periods Since 1981–82 (2004-05 prices)

	Average Annual Growth Rates For States With The Best Performance			
	1981-82 to 1993-94	1994-95 to 1999-00	2000-01 to 2004-05	2005-06 to 2011-12
Jharkhand	1.1	4.3	5.0	8.0
Chhattisgarh	4.9	-2.1	4.6	7.3
Manipur	2.8	2.1	5.8	5.9
Tripura	2.5	3.7	4.0	5.7
Mizoram			0.1	5.7

Note: All have above 5.5 per cent growth

	Average Annual Growth Rates For States With Low Performance			
	1981-82 to 1993-94	1994-95 to 1999-00	2000-01 to 2004-05	2005-06 to 2011-12
Kerala	3.2	1.9	1.7	-0.2
Jammu & Kashmir	1.3	5.2	3.6	0.7
Himachal Pradesh	2.8	0.3	8.0	1.5
Punjab	4.9	2.5	1.8	1.8
Uttarakhand	2.8	2.4	3.3	2

Note: All have below 2.5 per cent growth

Source: 12th Plan document, Planning Commission, Government of India

For suggestions or to advertise with us, contact Priya Shirali, Corporate Communications at priya.shirali@cii.in

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