Proceedings of the Seminar on
'Transforming Indian Agriculture from a Way of Life into an Enterprise'
Held on August 8, 2010 at Hotel Golconda, Hyderabad

As part of the First Annual Day Celebrations of the SVVR Educational Society, its constituent unit, the Food and Agri-Business School (FABS), organised a one-day seminar on 'Transforming Indian Agriculture from a Way of Life into an Enterprise' on 8th August 2010 at Hotel Golconda, Hyderabad. Participants at the Seminar included agro-industry practitioners, experts from Planning Commission, experts from developmental agencies, the civil servants working in the state and central government undertakings, academicians, students of FABS, professionals and practising managers interested in agribusiness sector, the founding members of the Society and the Press. The following is a brief report on the proceedings of the Seminar.
India has come a long way in food security since 1950s – from a state of begging bowl to plenty – thanks due to 1st Green Revolution. It increased the yields of agriculture crops to grow at 1.72% during 1950-51-to 1993-94, which declined to 1.1% during 1993-94 to 2003-04. The poor growth rate since 1990s is mainly due to low productivity of most crops in India. For example, India ranks second in paddy area and production in the world after China and 13th in yield per acre. Similarly, in the case of wheat, it is first in area & 2nd in production after China but 8th in per acre yield. Same is the story in most other crops.

In his welcome address, Dr. K Prathap Reddy, Director, FABS listed several reasons contributing to the poor growth rates in agriculture sector. First, it is the technology deficit. After the early success in yield breakthroughs in major crops in 1960s, Indian agricultural scientists have not succeeded in achieving similar breakthroughs afterwards. Second is the manpower deficit. Indian agriculture sector is severely impacted by rapid depletion of, intellectual capital in rural areas, especially since mid 1990s. Added to this is stagnant or perhaps declining professional manpower in public extension system. Third is the extension deficit, which is a result of the first two. Fourth is share of agriculture sector's capital formation in GDP which declined from 1.92% in the early 1990s to 1.28% in the early 2000s.. This declining share was mainly due to the stagnation or fall in public investment in agriculture. Fifth is excessive government's control over agriculture sector. Agriculture sector is yet to experience the fruits of liberalization, like its counterparts – the corporate and services sectors.

Besides the above constraints, Dr. Reddy felt that Indian farmers face several other problems and risks – most of them are man-made and are sometimes induced by government policies.

First, the Indian farmers face the risk of crop failures due to natural calamities like drought and floods, and asymmetrical distribution of rainfall during monsoon and unseasonal rains during other periods. The second type of risk is the market risk. Farmers are not sure about the price they will realize when their crops are harvested – in good harvest years, there is the lack of government support (inefficiencies in the functioning of FCIs and marketing boards), and in good years, farmers are not allowed to reap the benefits of good prices due to government controls on movement of agri commodities. In either case, the farmers are adversely affected. The third type of risks are input related and mostly policy-induced – the quality of seeds is anybody's guess in the era of truthfully lebelled seeds; the suspect quality of pesticides is inducing farmers to use excessive dosages; the irregular and irrational timings of power supply to the farmers hardly enthuse any youth to venture into agriculture; the fertilizers availability, which was quite comfortable until a few years back, has now become a big question mark. This is on the top of subsidies to urea inducing its excessive usage and damaging soil health. And the credit to the farmers is either inadequate or untimely. All these risks are to be borne by farmers which make farming very uncompetitive and uneconomical. He noted that the agriculture sector can transform into an enterprise only when the deficits and risks are properly addressed, intellectual capital depletion facing the sector is arrested and the youth are drawn into it.

In his keynote address, Mr. P. K. Agarwal , Advisor to the Chief Minister, Government of Andhra Pradesh noted the bright and dark spots of Indian agriculture . The country is endowed with 2nd largest arable land in the world. Its diverse agro-climatic zones facilitate the production of a wide range of agricultural commodities. India's share in is around 11% of world food production. These features should ordinarily place the country in an enviable position in the international setting. But it is not to be. The negative features of the country's agriculture outscore the positive aspects. A large percentage of population depends on the agricultural sector but its contribution is GDP is very low, signifying the sector's low productivity. Huge subsidy schemes of government have not left much money for investment in agriculture. Poor infrastructural facilities like rural roads, cold storages and warehousing facilities, market yards, credit facilities, insurance back up to cover risk, mark the agricultural scenario of the country.
Mr. Agarwal further stated that the the farmers to benefit from agriculture, agro-processing that adds value to the produce is essential. But value addition and processing in India is still in infancy. Less than 2% of horticulture produce is processed in India compared to 80% in Malaysia. Hence price realization by farmers for horticulture produce is very low compared to global markets. The farmers' price realization is quite satisfactory where the processing is higher as in the case of milk & milk products (35%) and marine products (21%).

On the policy front too there are many negatives. Government's market intervention through price policy, export-import policy has most often not come to the aid of the farmer. These shortcomings need to be overcome if agriculture is to be transformed from a way of life into an enterprise. FDI norms need to be altered to permit 100% FDI in food processing. Liberalization of import and export policies for agriculture commodities, except for negative items, is the need of the hour. APMC/ PFA Act need to be substituted by Food Safety Act. Farmers need to be given a minimum of 10 market choices (local markets, aggregators, pack house, processors, exporters, warehousing, farmer markets, future market, contract farming, retail sale). There is an urgent need for changes in government's policies regarding process, market intervention and crop insurance. These policy interventions are essential for ttransforming Indian agriculture into an enterprise - which is not a matter of choice, it is a must. The earlier this transformation is effected the better it is for the farmer in particular and the agricultural sector in general.

In the process of bringing about the needed transformation of the agricultural sector, linking farmers to market is the key. Leading the panel discussion on the linkage, Dr. N. Viswanadham, Professor, Indian School of Business, spoke of the areas that need to be focused. For one, he emphasized that India should aim to become food basket for the world. For that to happen, the traditional production-oriented market should be transformed into a customer-driven market. The minimum support price policy and the retail trade play a pivotal role in the process of accomplishing this objective. Second, the food processing needs to be encouraged for it adds value to agri-products besides providing gainful employment opportunities to the unemployed and the under-employed. Third, both the flow of goods and the flow of information, to the consumer and the farmer, should be streamlined. While the development of the marketing infrastructure is essential for the flow of goods, the IT sector contributes greatly for the spread of information. He commented that the Panchayats should play a pivotal role in the spread of information. He averred that he looks forward to the day when India becomes a food basket of the world.

In his intervention, Mr. S. Dave, Director, APEDA, expressed the view that in the process of transforming agriculture into an enterprise, the farmers should not be treated just as producers but as partners in agribusiness. In a context where developed countries provide huge subsidies to their farmers, to penetrate their market is not easy. Non-price competition involving the supply of quality foods should be the strategy in this respect. He recommended that India should:

- Focus on International trade and Food safety & quality standards,
- The real drive for agriculture should be consumer focus. Consumers can be won over by supplying graded and safety foods,
- International trade skewed towards the developed countries – international quality, standards are developed to suit the developed countries & developing countries like India are at the receiving end. We should strengthen the functioning of our codex commission to ensure reaching international standards in grading and quality fruits and vegetables, and
- Encourage entrepreneurs set up units for processing and value addition .

In his address, Mr. Madhav Reddy, Southern Regional Head, MCX, opined that when seen in the context of need, the number of regulated markets that cater to the needs of the farmers are too few. Currently there are 7157 regulated markets but we need at least 40,000 markets. The number of intermediaries between the farmer and the consumer is too large. As a result, the share of the consumer price going to the farmer is very low. It is often the case that the middlemen earn a disproportionately large share of the consumer rupee without adding anything of value to the farmer's produce. The farmer is in the dark about the price information. Mr. Reddy felt that futures market holds a promise to the farmer by providing direct access to the markets.

Dr. M. S. Rao, CEO, Heritage Foods, emphasised the need to come up with a good package of agricultural practices to cut costs and improve yields, while at the same time improving quality of the produce. He notes that the practice of staggered sowing of seeds can reduce the risk in the cultivation of vegetables. While pointing out that the farmer, left to himself, can invest his financial resources to circumvent some of the problems he faces, he cannot be expected to invest to increase his access to power, irrigation and some infrastructural facilities. In the context, there is no substitute for government investment. He is of the view that Indian farmers can benefit by adapting agricultural technology followed abroad with little additional cost. In this regard, he referred to the case of Turkey where the practice of sun-drying of tomatoes is resorted to for increasing their shelf-life.

In his presentation, Mr. Sanjeev Asthana, CEO, I Farms India, lamented that the present problems of Indian agriculture are the same as they were 15 years back. Margins in agriculture are low and therefore the youth is not interested to eke out a living in agriculture. The middlemen garner a large share of the consumer's rupee. In developed countries the value of land is directly proportional to the return from farming. But in India, there is a mismatch between land prices and income from land. The real estate boom is such as to induce farmers to sell off land and quit agriculture. He, at the same time, pointed out the opportunities that are in store for agriculturists. Focus on food security has for a long time led to production-focus on grains and pulses. But as of now the future lay in horticulture, especially for the multitude of small and marginal farmers. Horticulture provides employment enough to engage these farmers gainfully. There is an urgent need for taking agriculture ventures as projects. Take live projects, implement them fully, review and revise them to perfect each project. The labour system is changing. We need to develop technologies that address scarcity of labour.

Mr. P. Gopala Krishna, Senior Vice-President, Coromandal International, expressed the view that with appropriate but minor changes, indigenous technologies can bring about a significant improvement in agricultural productivity. He opined that farmers respond to changes in prices and in the process meet the demands that consumers place on them. He emphasized that unless farming becomes viable, youth cannot be motivated to join the sector.

Government's policies have a great deal to contribute to transforming Indian agriculture into an enterprise. Mr. V. V. Sadamate, Advisor, Planning Commission, spoke about the strategic initiatives taken by the government in this regard. In a country where 60% of the cultivable land is rain-fed, it is only appropriate that the government is promoting watershed management. If the targeted annual GDP growth rate of 9% is to be realised, it is necessary that the agricultural sector grows at 4%. Much of this growth has to come from horticulture, livestock and fisheries sectors, because the crop sector is recording no more than about 1.8% annual growth rate. To reach the targets set for the agricultural sector, regional planning must be accorded importance as the ills facing the sector can be best tackled at the micro-level. Novel forms of extension efforts involving progressive farmers are being made to rejuvenate the agricultural sector from its tardy growth. ATMA and KVKs are given priority by allocating nearly Rs. 300 croes each. Under RKVY, government has allocated Rs. 25,000 crores. During 11th 5-year plan, Rs. 1.0 lakh croes are being allocated to agriculture sector. Thus government is making all the efforts to strengthen agriculture extension system. Government is also very serious in promoting PPP model in agriculture sector. He then mentioned some of the existing programmes like ATMA and KVKs, and newer efforts like Hariyali Kisaan bazaars, Raithu Mitra, Raithu Sampark kendras, Agriclinics Centers, and Kisan Call Center, etc. Government has allocated nearly 50% funds allocated to the agriculture sector for the PPP model programmes.

In the technical session on managing farmers' risks, Mr. M. S. Sriram, Former Professor, IIM, Ahmadabad, argued that the agricultural sector needs government support since the liability faced by the farmers is unlimited while their profits are limited due to government's policies. Dr. KR Rao, Former Chief General Manager, NABARD, stressed the need for promoting farmers' organizations such as dairy cooperatives promoted by National Dairy Development Board (NDDB), producer companies, mahagrapes, etc. He had mentioned that NDDB is being given responsibility to implement a World Bank supported project for strengthening dairy sector in the country.

Dr. W. R. Reddy (Secretary, SVVR Educational Society) underlined the need to insure the risk facing the sector for it to transform into an enterprise. The agri-bureaucracy should be trained to respond sympathetically to the needs of the farmer and the agricultural sector. Mr. Raghunathan (FAO expert) and Mr. Prabhakar Reddy (farmers' representative) also addressed the participants of the seminar and stressed the need for protecting farmers' interests and reducing farmers' risks due to crop and market failures.

The seminar ended with a vote of thanks by Dr. NRN Reddy.