

> Perspective: Right to Food 58

> Green Fingers: Kinnow Farmer Survives 64

# FARMERS' FORUM

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Issues and Ideas for Indian Agriculture

## FARMLAND FOR INDUSTRY

SHOULD THE FARMER PAY FOR  
GIVING UP HIS LAND? 24

## BUDGET 2013<sub>07</sub>

## Towards a Fair Deal for the Farmer?





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# Farmer Just as Important as the Farm Sector

*When one farmer works hard he becomes rich;  
when all farmers work hard, all farmers become poor*

India has made great strides in increasing agriculture production over the last many years. It is time that the country focused on farmer prosperity. Very often, wrong data, incorrect interpretation of facts and lopsided analyses have led to disastrous consequences for the nation. This is one area where there is urgent need for not only correct data but innovative thinking as well to address the myriad issues relating to Indian agriculture. Budget 2013-14 should be a good place to make a beginning.

The entire business of collecting data, determining measurement indices and data analyses has to be put on a professional and scientific footing to understand the real distress on farms to enable policy makers make informed choices and fund allocations for the farm sector. This discussion assumes paramount importance on the eve of the budget because deceptive indices and data are normally propounded as growth indicators. Economists and those in power are constantly manipulating information. Good policies based on wrong information do as much damage as bad policies.

It was said at a seminar on a new 'Vision for Agriculture' at the World Economic Forum, Davos, that I attended that: "Everyone gets snippets of information and no one fully understands their implication." This pearl of wisdom holds true for people across the board but particularly for policy makers and economists vis-à-vis Indian farmers.

Numbers around the gross domestic product (GDP) considered by many as the right measure of a growth of a nation have ceased to be relevant. Projections linking growth to GDP are not enough. Consider the reality: an insured tractor has an accident and the GDP goes up. At best GDP is like a speedometer for the economy but does not tell us if it is heading in the right direction. Yet policy makers cynically hide bad policies under the cover of GDP growth. Farmers would have preferred slower growth than the targeted percentage provided the gains were equitable and environmentally sustainable for all stakeholders.

Humongous figures of expenditure on infrastructure projects are quoted all the time. When the government lays electricity wires and poles, one naively believes that the job of rural electrification is accomplished even though no electricity is actually delivered to farmers. The farmer then is forced to use diesel for power generation, increasing the fuel subsidy bill.

**GOOD POLICIES  
BASED ON  
WRONG  
INFORMATION  
DO AS MUCH  
DAMAGE AS  
BAD POLICIES.**





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EVERY RUPEE SPENT ON AGRICULTURAL R&D GIVES MORE THAN 13 TIMES RETURN TO THE RURAL ECONOMY AND, IN TURN, TO FARMER PROSPERITY. YET GOVERNMENT SPENDING ON RESEARCH AND DEVELOPMENT IS INSUFFICIENT.

04

denied access to credit. It is time that the government focused on collecting correct data and tabulating real disbursement of funds. Even data collected for tabulating the minimum support price (MSP) by the Commission for Agriculture Costs and Prices (CACP) is often incorrect and both farmers and the commission are suspicious of the same numbers but for completely different reasons.

How one measures returns on investment is important for planning a better future. The extension of roadways into rural areas has been an excellent augury for rural economic upliftment and serves as a good example of what works. There is the not-so-good example of research and development (R&D) expenditure on the farm/rural sector. Every rupee spent on agricultural R&D yields more than 13 times return to the rural economy and furthers farmer prosperity. Yet government spending on R&D is insufficient and private investment is urgently required to supplement it. However, while partnerships with the private sector will be an integral part of any successful future strategy, they can at best complement the government sector, not replace it.

Ultimately money is finite and innovative ways are needed to measure the cost of lost opportunities to be able to educate policy makers on follies of the past and what present policies should focus on. Development policies have regrettably given rise to socio-economic crises in Indian farming: most farmers do not want their children to remain farmers or their daughters to marry one. This is what the government needs to understand before embarking on a course of action. Mere farm sector allocations that benefit many save the farmer is hardly the best that the finance minister can do.

The farmer does trust the government's intent but seeks better application of mind so that his problems are addressed. The good news is that the government is trying to mend its ways under intense public scrutiny. It needs to do more than just announce policies and tout them as reforms. Growth, prosperity and equality must be synonymous with policy making. ●



*Ajay Vir Jakhar*

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## COVER STORY

**BUDGET 2013 07**  
Towards a Fair Deal  
for the Farm Sector?  
*Surinder Sud*

**BUDGET 2013 14**  
Will the Finance Minister Favour the Farmer?  
*Naresh Minocha*

**FARMLAND FOR INDUSTRY 24**  
Should the Farmer Pay for Giving up His Land?  
*A Farmers' Forum Report*

**OUTLOOK**  
**2012-13 46**  
Marginal Dip in Indian Crop Output?  
*Pramod S. Bhardwaj*

**ANALYSIS**  
**POOR FARM-MARKET LINKAGES 50**  
in India's Agriculture Value Chain  
*A Farmers' Forum Report based on a paper by Anshul Pachouri*

**PERSPECTIVE**  
**RIGHT TO FOOD 58**  
Do We Have to Wait Till 2014?  
*Asish Ghosh*

**GREEN FINGERS**  
**KINNOW FARMER SURVIVES;**  
**But Wary of Imports 64**  
*Ajay Vir Jakhar*



## To the Editor

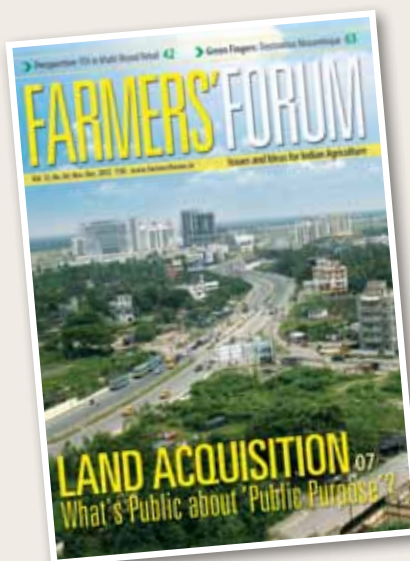
### Providing a reality check

Apropos of your editorial “2013: Wishing the Farmer Safe ‘land’ing” (*Farmers’ Forum* November–December 2012), I am amazed at the wishful thinking of our policy makers who insist that the farmers of India are progressing. Do they have no connect with reality? I am very happy that *Farmers’ Forum* is trying to focus on the genuine issues that afflict farmers. The Bharat Krishak Samaj has many members in Ujjain and I invite you to visit our region to understand and highlight issues important to us too and also prove to the policy makers how correct you are in your assessment. Madhya Pradesh has made some progress in agriculture but the state is still far behind other states like Haryana and Punjab.

**Vijay Bharadwaj,**  
Ujjain, Madhya Pradesh

### Salaam Kurien

Ashim Choudhury’s tribute to the legendary Verghese Kurien, “The toast of India! Amul man” (*Farmers’ Forum* November–December 2012), was enlightening and entertaining. The country joins you in saluting that great personality, who has transformed the lives of millions of farmers across the country. It is very important for us to remind ourselves of such inspirational men and women who have served this country so that they can continue to inspire us. I hope someone would do the same for Odisha farmers and transform their lives. There is so much poverty in our state,



### Whither law for the land?

Apropos of your article, “The law and land acquisition: public purpose rarely for public” by Pranab De (*Farmers’ Forum* November–December 2012), one is aghast to note how land is acquired for public purpose and used for other things with such cynical regularity even as the poor lose their land and livelihood. So much has been said against this mad rush to acquire land but the government continues to go ahead remorselessly. Please continue to be boldly critical of such blatant assault on the sensibilities and livelihoods of the farmers and always remember that the farmers are with you.

**Suman Maheshwari,**  
Jaipur

which needs leaders of such vision and enterprise.

**Deepika Rani,**  
Cuttack, Odisha

### Farm facts from the world

Your Green Fingers, “Destination Mozambique: Where Cashew and Mango Grow Wild” (*Farmers’ Forum* November–December 2012) made for most interesting reading. Indeed, Green Fingers is a particularly interesting column in *Farmers’ Forum* where you share insights from your travel throughout the country and the world. Such information is most valuable for your readers and opens up their minds to new ideas. I have worked in Africa for some time and think that there is good opportunity for Indians to succeed but only with government help. It is good to know that farmer complaints are listened to and addressed. As you say, that is more than what obtains in India and is indeed an encouraging sign. However, Africa comes with its own risks. There are other countries around the world like Georgia, for instance, which are also welcoming farmers. The Indian government must do more to help Indians.

**Surat Negi,**  
Uttarakhand

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earlier numbers.**



# BUDGET 2013

**Towards a Fair Deal  
for the Farm Sector?**

**Surinder Sud**



For the first time, the finance minister began his customary series of pre-budget discussions with experts by meeting representatives of the farm sector. Some viewed it as an indication of the priority that the government intends to attach to agriculture though, in reality, such conjectures are only ascertained after the presentation of the actual budget. More often than not, pre-budget expectations are belied with finance ministers delivering high-sounding promises in their budget speeches but without matching them with adequate resource allocations.

The most critical need today is to boost result-oriented investment – both public and private investment – in agriculture, leading to adequate capital formation and quicker growth. Public investment in agriculture, which was hiked perceptibly in the last three years of the 10th plan, saw a steady decline in the 11th plan – from Rs 23,257 crore in 2007-08 to 21,500 crore in 2011-12. Private investment, on the other hand, increased during this period from Rs 82,484 crore to Rs 1,20,754 crore.

Conceding this, the Planning Commission states in the 12th plan document that the 11th plan's goal of increasing public investment in agriculture to four percent of the agricultural gross domestic product (GDP), which is necessary to achieve the targeted four percent overall annual growth in



## The 11th plan goal of increasing public investment in agriculture to four percent of the agricultural GDP, to achieve a four percent overall annual growth in agriculture, was missed

agriculture, has not been achieved.

The case of public investment in research and development (R&D) is, indeed, no different. It has for long been stagnant at a mere 0.5 percent of the agricultural GDP. Though the 11th plan had a target of raising it to one percent, actual average annual investment on R&D during this period was only around 0.7 percent of the agricultural GDP (at 2006-07 prices). At the current prices, this figure would appear even slimmer at just 0.64 percent of the farm sector GDP.

The 12th plan document, as approved by the National Development Council, has again envisaged raising agricultural research funding to one percent of this sector's GDP. This would indeed call for a substantial step up in the allocation

for this purpose in the budgets for 2013-14 and subsequent years.

Clearly, much of the growth in the agricultural GDP has, in the recent past, been driven largely by private investment. This trend is difficult to sustain unless public investment also goes up. Steady increase in private investment in the absence of similar rise in public investment can actually cause distress among farmers since this investment is usually used to cope with deteriorating natural resources (land fertility and water availability), adverse effects of weather and higher labour costs. The consequential increase in cost of production erodes returns from investment.

Thus, next year's budget should make a decisive move towards boosting public investment in







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agriculture, especially in areas such as irrigation, land and water conservation, agricultural services, marketing, post harvest value chain, animal husbandry and, most importantly, R&D. Besides, it needs to enhance farmers' access to cheaper credit by reviving sick cooperative credit societies. A boost to the use of modern post-harvest technology, including value-addition through on-farm and off-farm agro-processing, is imperative for reducing losses and enhancing farmers' income.

Indeed, it goes to the credit of the government that it has managed to sustain a healthy annual growth in the institutional credit to agriculture, which determines the farmers' capacity to invest in yield-enhancing and cost-reducing technologies. A working group of the Planning Commission has assessed the demand for agricultural credit during the 12th plan at between Rs 31,24,624 crore and Rs 42,08,454 crore. To meet this demand, the total flow of institutional credit to farm sector would, evidently, have to be doubled from the 11th plan level. The banking sector alone cannot,

obviously, meet the challenge of such mammoth disbursement of farm credit.

The cooperative sector, which has far better penetration in rural areas, will have to share a sizable burden of this task. However, at present, the financial health of the cooperative credit sector is rather dismal, thanks to nearly 60 percent erosion in its own funding resources. It is, therefore, imperative to restore the cooperative structure's fiscal health through adequate capital infusion, institutional reforms and professional management of various tiers of the cooperative credit structure. The beginning for this would need to be made from the next budget itself.

In the area of water management, the budget will indeed need to encourage expansion of irrigation and efficient use of available water, besides promotion of dry-farming technologies. Though the centre has been stepping up allocations for the Accelerated Irrigation Benefit Programme (AIBP) year after year to speed up the completion of irrigation projects, where bulk of the work has already been completed, returns have not been commensurate with investments.

On the whole, funds availability for the irrigation sector has been on the wane largely due to the states' inability to commit the required resources for this vital sector. This is borne out by the fact that the 11th plan's original target of creating 16 million hectares of additional irrigation potential had to be revised downwards to 9.5 million hectares. However, though this curtailed goal is said to have been achieved by and large, the actual utilization of the created additional potential has merely been around 2.7 million hectares.

Thus, the centre will not only have to induct more resources in the creation of fresh irrigation potential but will also have to do it in a manner that forces the states to do the same as well. Higher allocations would also be needed for command area development to ensure actual utilization of irrigation potential created at a heavy cost.

In the minor irrigation sector, the use of groundwater for irrigation has been on the rise. However, exploitation of this resource has now tended to reach the plateau in many regions. Many areas have, in fact, begun to witness fast depletion of groundwater reserves because the annual water extraction exceeds the recharge by a wide margin. This trend needs to be curbed by both discouraging excessive extraction and facilitating groundwater replenishment through rainwater harvesting



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and other water conservation measures through watershed development approach.

Simultaneously, dryland agriculture, which has, for long, been a victim of virtual neglect, will need higher attention in the coming budget. For, even after tapping the entire available potential of surface as well as groundwater irrigation, nearly 40 percent of farmlands would still depend wholly on rainfall for crop production. These areas can contribute substantially to the total agricultural production if fiscal and other incentives are available to the farmers to deploy modern drought-resilient technologies besides taking measures for on-farm water conservation. Research on dryland agriculture technology, too, needs higher funding.

Soil health management is another area that merits greater attention. The nutrient status of Indian soils is fast declining due to continued farming for centuries and inadequate replenishment of the consumed nutrients through addition of organic and inorganic manures. As much as 90 percent of Indian soils are now reported to be low in nitrogen (N), 80 percent in phosphorus (P), and 50 percent in potassium (K). Incidences of micronutrient deficiencies are also on the rise. Particularly worrisome is the paucity of micronutrients like

sulphur, zinc, manganese, boron and some others. The farmers are unable to reap the potential yield of even the high-yielding crop varieties without adding these nutrients to the soil.

This involves additional cash expenses, which many farmers can ill-afford without financial support from the government. At the same time, higher resource allocation is needed to put up more soil testing laboratories to guide farmers on the precise application of macro as well as micronutrients. This aspect will need to be taken care of in the budget in order to prevent further deterioration in soil health.

A major problem faced by farmers, particularly in agriculturally progressive tracts, is the shortage of farm labour and high wage rates, especially since the introduction of the Mahatma Gandhi National Rural Employment Guarantee (MNREGA) scheme. This has necessitated increased use of machines, which many farmers find difficult to afford. The budget should, therefore, aim at bringing down prices of farm machinery by reducing duties on them and offering other kinds of fiscal sops.

The viability of agriculture is gradually getting eroded because of high production costs and low





restrictions, further constrain free and fair trade. As a result, barring those producing wheat and rice in areas covered under the government's price support operations, farmers generally do not get proper prices for their produce. The gap between prices received by the producers and those paid by the consumers is untenably wide.

Most of these issues can be addressed by incentivizing expansion of the marketing infrastructure with greater private participation, which would not only improve physical access to markets but also pave the way for competitive marketing. Besides, incentives are needed for creating the post-harvest value chain comprising cold stores, warehouses and logistics infrastructure as also for disseminating price information. Such measures would, in particular, benefit the marketing of high-value and perishable produce, such as fruits, vegetables and livestock products, which are contributing substantially to food inflation.

Another way to improve the viability of agriculture is to promote value-addition of farm produce through processing. While several fiscal incentives have already been offered by the government to spur the growth of organized food

## The National Sample Survey (NSS) data showed that 40 percent of farmers wanted to give up farming as it was no longer profitable for them

price realization by farmers. Little wonder that the National Sample Survey (NSS) data showed that 40 percent of farmers wanted to give up farming as it was no longer profitable. Reforming agricultural marketing is most critical for ensuring better prices to producers in order to restore, at least partly, if not fully, profitability of farming.

At present, marketing is deemed to be one of the weakest links in the agricultural development chain. Agricultural markets suffer from inefficiencies as well as infrastructural inadequacies, which need to be addressed urgently. Farmers at most places, especially in the interiors, usually have to dispose of their produce at throwaway prices for want of access to a proper market at a convenient distance.

Even in the regular market yards, marketing operations generally lack transparency and are marked by high price volatility. The much-needed market intelligence, especially price information, is not readily available to most farmers. Needless curbs and controls, including movement

processing industry, similar sops are necessary for encouraging on-farm value-addition as well. This can be done through simple technologies for grading, packaging and different ways of preliminary processing, such as dehydration, sun-drying, pickling and others, for increasing the shelf life as well as the market value of the products.

Considering that animal husbandry is truly the livelihood mainstay for a sizable chunk of rural households, especially small and marginal farmers and landless labours, this sector needs financial and infrastructural support. The livestock sector accounts for nearly 30 percent of the farm sector GDP. Besides, it also helps farmers to hedge their risks against crop failures due to natural disasters and other causes by ensuring some income support even during such events.

An effective health cover for animals is vital for boosting this sector. Besides, facilities for chilling and refrigerated transportation of perishable livestock produce are also important. Facilities





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## The centre will not only have to induct more resources in creating fresh irrigation potential but will have to do it in a manner which forces the states to do the same

for genetic upgradation of unproductive or low-yielding cattle and other farm animals through artificial insemination needs to be expanded substantially. These aspects need investment from the government.

Agricultural extension, essential for the transfer of technology and other knowhow, is in shambles in most states. Though several initiatives have been taken in this field by setting up Krishi Vigyan Kendras (farm science centres), Agricultural Technology Management Agencies (ATMAs), agri-clinics and agri-business centres, they suffer from lack of resources. More funds need to be set apart for expanding their network and improving their functioning.

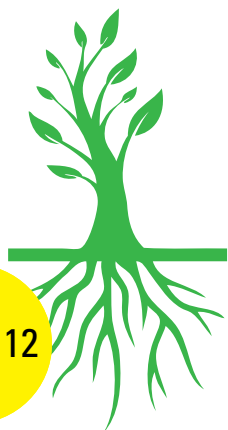
This apart, there is urgent need for rationalizing duties on imports and exports of agricultural commodities. Higher import duties need to be imposed on items that can easily be grown at home, such as oilseeds and pulses. The present policy of artificially depressing domestic prices of these commodities by encouraging imports at concessional import duties deters the local farmers from expanding area under these crops or using yield-boosting cash inputs to raise their production.

Agricultural exports, on the other hand, need to be encouraged to ensure remunerative prices

to farmers. These measures would need to be supplemented with stable export policies. The government should desist from imposing abrupt bans on exports as a kneejerk reaction to even small upward movement in domestic prices.

Given that there is no old age social security for farmers, demand for the introduction of some kind of a pension scheme for them has been gaining ground of late. Such a scheme can be fiscally viable if the financial expenses are shared by farmers (25 percent), the state government (25 percent) and the centre (50 percent).

Indeed, the overall thrust of the budget should be to modernize Indian agriculture and uplift the socio-economic status of farmers. This can be best ensured by making agriculture production demand-driven and market oriented, apart from increasing farmers' share in the money spent by the consumers. To achieve these objectives, the outlay for the agriculture and allied sector would have to be hiked substantially. Just cosmetic changes in allocations, which are customary, will not do. Moreover, release of central funds to the states for different agricultural development schemes should be linked to actual achievements. Most importantly, budgetary provisions have to be supported by favourable policies to be able to serve the desired purpose. ●





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# BUDGET 2013

## Will the Finance Minister Favour the Farmer?

Naresh Minocha

15



Will finance minister P. Chidambaram juggle the imperatives to promote sustainable, vibrant agriculture with the electoral compulsions in the forthcoming budget 2013-14? This question is nagging analysts in the run-up to the Lok Sabha polls due in the first half of 2014, along with a string of state assembly polls in between. Can he ignore the votes of the farming community which faces a host of problems at personal, financial and administrative levels?

There are pressing problems such as restructuring of agricultural debt and fertilizer subsidies that are awaiting resolution by the union government. There is need to pump in more money into a whole range of farm sector issues that include crop insurance, agricultural storage and logistics and soil testing and farm mechanization. Indeed, P. Chidambaram has a backlog of agriculture issues to clear in the forthcoming budget. Will he rise to the occasion and put the entire agriculture sector on a robust and sustainable growth trajectory through the instrument of the budget?

This crystal-gazing is justified if one factors in the fact that Mr Chidambaram is an astute budget-realist-politik blender. Recall how he had prepared the 2008-09 budget against the backdrop of the Lok Sabha and assembly elections. In his budget speech delivered on February 29, 2008, he had announced the Agricultural Debt Waiver and Debt Relief (ADWDR) for which he allocated Rs 60,000 crore



## Liberal restructuring is resorted to for the industrial sector while smaller borrowers, such as agriculture and micro and small enterprises, see less of restructuring. -- RBI deputy governor

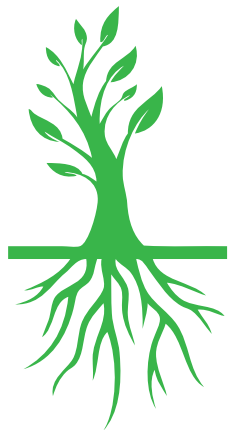
to benefit 40 million farmers. This initiative served as a major plank for United Progressive Alliance (UPA) to return to power in May 2009.

After the UPA victory, the ADWDR was expanded to benefit more farmers following an intervention by the Congress vice-president and Lok Sabha member, Rahul Gandhi. The Congress party said on its website in September 2008: "Farm Loan Waiver now Rs 72,000 crore. Congress Ka Haath Annadata Ke Saath (Congress' hand is with the food provider, the farmer)."

The Congress/UPA's hand has, however, since then been more latched to the corporate sector. Recall the umpteenth cases of corporate debt

restructuring (CDR), an euphemism for bail-outs, sanctioned by public sector banks. If such loan reliefs (which are different from loan write-offs) are available for the asking, why cannot a similar provision be made for farmers, many of whom are caught in the vortex of debt burden-triggered agrarian crisis?

There is a case for unveiling CDR-type farm debt restructuring (FDR) scheme and one has heard if one hears the truth from the horse's mouth. In August 2012, the Reserve Bank deputy governor K. C. Chakrabarty disclosed that the ratio of restructured accounts to gross advances is the highest for the industrial sector at 8.24 percent (with







medium and large industries sector accounting for 9.34 percent). The ratio for agriculture stood at 1.45 percent, while that for services stood at 3.99 percent (with micro and small services being 0.94 percent). Also, the ratio stood at 2.24 percent for priority sector advances and at 5.83 percent for non-priority sector loans. “The data clearly highlights the fact that restructuring is resorted to liberally in case of the industrial sector (particularly large industries), while smaller borrower accounts such as agriculture and micro and small enterprises see less of restructuring”, the RBI deputy governor had pointed out.

Mr Chakrabarty added: “There is a need for a structured mechanism for considering restructuring of retail, SME and agricultural loans just as there is the CDR for considering restructuring proposals for larger accounts. This structure will need to be built in at various levels – at the state, the district, the region and the bank

level.” The RBI deputy governor has thus made Mr Chidambaram’s task easier. He can easily defend the suggested long-overdue reforms by pointing out that the suggestion came from the apex bank.

This apart, Mr Chidambaram should unveil a slew of other financial reforms to improve the flow of loans to all sections of rural community and thus facilitate inclusive growth. He can rely on authoritative reforms proposals emanating from the banking sector. He would certainly act on the many initiatives in short-term farm cooperative credit mooted by the RBI-appointed expert committee on the three-tier Short Term Cooperative Credit Structure (STCCS) that submitted its report on January 24, 2013.

Again, the finance minister should not forget the unfinished agricultural agenda that he himself set in the budgets that he presented over the years. He had, for instance, mooted direct transfer of fertilizer subsidy to farmers in his budget speech







for 2007-08. He had said the government intended to implement a pilot programme in at least one district in each state in 2007-08. The UPA is lagging behind on this paradigm-shifting proposal. It is currently rolling out pilot projects in 11 districts of the country.

The UPA is also unsure about when it could implement the direct fertilizer subsidy (DFS) scheme across the country. The farmers expect the finance minister to make DFS inflation proof. In other words, the DFS should fully factor in the increase in prices of imported fertilizers and raw materials.

It is one thing to electronically deliver cash into farmer accounts through the Aadhar-enabled payment mechanism or any other smart-card system. It is, however, altogether a different ballgame to ensure that farmers get the right fertilizers in right quantity and at the right time throughout the country. The question is: Can the

raw materials, weakening of Indian rupee, non availability of funds for subsidy and delays in processing and payment of fertilizer subsidy bills pose many challenges to the industry in ensuring availability of fertilizers to the farmers. Further, the pricing policies and ad-hoc tinkering with such policies are making the matter worse both for industry and agriculture.”

Pending the emergence of an inflation-indexed and shortage-proof DFS, the finance minister should sort out the mess created by the botched implementation of nutrient-based subsidy (NBS), which he mooted in his 2008-09 budget speech. The prices of NBS fertilizers have gone through the roof over the last two years thanks to a subsidy cut, increase in prices of imported fertilizers and their raw materials and an alarming depreciation of rupee against dollar. The artificially low price of urea, which is outside the NBS and is under statutory control, has remained unchanged during

## Pending an inflation-indexed and shortage-proof DFS, the finance minister should sort out the mess created by the botched implementation of nutrient-based subsidy (NBS) scheme

UPA's Aadhar-enabled 'pure magic' ensure delivery of all grades of fertilizers in sufficient quantities across the country?

Being an open-minded intellectual, Mr Chidambaram should pay heed to what his distinguished political rival from Tamil Nadu has said. Addressing the National Development Council on December 27, 2012, the Tamil Nadu chief minister, Selvi J. Jayalithaa had observed: “The cash transfer mechanism will not work for certain schemes like the public distribution system and fertilizer subsidy, where ensuring availability of food grains and fertilizers is much more crucial to preserve food security than transferring cash. It is almost as if the central government is trying to abdicate its responsibility and just throw money around, instead of addressing real issues of availability.”

Mr Chidambaram should also lend an ear to the fertilizer industry, which is saddled with a high inventory of decontrolled fertilizers as well as liquidity crunch caused by subsidy arrears that would cross the Rs 40,000 crore mark by March 31, 2013. The Fertilizer Association of India (FAI) says: “High international prices of fertilizers and

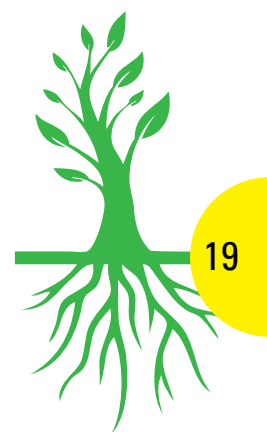
this period, except for a small technical increase.

This has changed the relative pricing of nutrients, leading to increased usage of cheap urea and decreased application of NBS fertilizers, thereby decreasing the crop response to fertilizer application and harming the soil health. The ratio for three primary nutrients, nitrogen, phosphate and potash (NPK) has swung far away into the danger zone from the desired national average ratio of 4:2:1. Mr Chidambaram must thus restructure fertilizer subsidy by increasing the urea price and reallocating the resulting subsidy savings to NBS fertilizers as suggested by the fertilizer industry.

NBS can succeed only when urea is brought under it. In fact, unsubsidized organic fertilizers as well as bio-fertilizers should be brought under NBS. So should liquid fertilizers and all other non-subsidized grades of speciality fertilizers.

Among all subsidies, the one for fertilizers has been projected in a bad light by influential analysts, who have eulogized food subsidy as a constitutional obligation. The latter dole-out would shoot up massively once the national food security law is enacted and enforced.

Time has come for the finance minister to view



**Table: Trends in loan restructuring across all sectors**

Particulars Segments	2009-10		2010-11		2011-12	
	Gross Advances	Restructured Standard	Gross Advances	Restructured Standard	Gross Advances	Restructured Standard
Agriculture	25.74	64.91	15.65	11.16	15.09	20.74
Industries	24.14	39.87	26.96	{-}0.23	19.52	64.70
Industries - Micro and Small	13.00	52.79	12.84	{-}3.61	20.32	{-}17.51
Industries - Med and Large	26.79	99.21	29.96	0.11	19.38	72.59
Services	29.02	79.91	31.99	35.67	20.74	134.34
Services - Micro and Small	53.87	49.44	42.19	1.50	14.74	1.02
Services - Med and Large	22.03	89.36	28.37	44.04	23.10	157.35
Others	1.08	49.37	16.78	{-}14.80	11.20	{-}16.04

Source: Address by Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at the Corporate Debt Restructuring Conference 2012 organized at Mumbai on August 11, 2012.

## NBS, coupled with drip and sprinkler irrigation, would do wonders to farm productivity, soil health as well as food security if it covers all nutrients and fertilizers

both fertilizers and food subsidy as necessary fiscal evils to be nurtured for safeguarding national agricultural security on which hinges national territorial integrity and economic development.

If fiscal compulsions require reduction in overall subsidy bill, the rationalized NBS fertilizer subsidy should be viewed as a productive tool and not a drain on the exchequer. Let Mr Chidambaram fix a rule of thumb to determine the ratio between fertilizer and food subsidy if he has to put an overall ceiling on all major subsidies as certain percentage of the gross domestic product. Should fertilizer and food subsidies be allocated in a 1:1 ratio?

NBS, if coupled with drip and sprinkler irrigation, would do wonders to farm productivity and soil health as well as food security if it covers all nutrients and fertilizers. The pre-requisite for successful implementation of NBS is creation of universal soil testing facilities and issue of soil health cards to all farmers.

As the Parliamentary Standing Committee (PSC) said in December 2011: "Once this exercise is carried out, the Nutrient Based Subsidy Scheme could be implemented in a more professional and purposeful manner and thereby contribute towards increased agriculture production in the country and thus providing food security to the nation."

The forthcoming budget thus must specify targets for enabling universal access to soil testing facilities including mobile laboratories under the National Project on Management of Soil Health and Fertility (NPMSHF). The testing infrastructure is not only woefully inadequate but also primarily

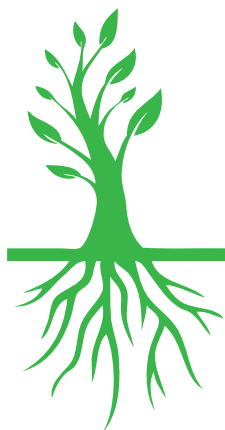
lacking in testing for all micronutrients. With the Food and Agriculture Organization (FAO) proposing observance of World Soil Day annually on December 5, it is time to upgrade the NPMSHF into a national soil health mission with revised mandate and funding.

All farmers must be provided with facilities to regularly obtain test results of their soils for all nutrients including micronutrients. This task should be achieved in 2013-14 for protecting soils and for promoting sustainable farming. Mr Chidambaram should also ensure implementation of the 2012-13 budget proposal to bring fertilizer projects under the government's Viability Gap Funding (VGF) scheme. This scheme should fund a fleet of mobile soil testing laboratories that industry should partly finance from its funds earmarked for corporate social responsibility, agricultural extension and fertilizer marketing.

What applies to soil testing applies equally well to testing of all crop inputs including pesticides and seeds. The government must realize that substandard and spurious inputs are doing great harm to farming. The finance minister should thus provide adequate funds for setting up of all crop inputs testing facilities across the country.

Besides, Mr Chidambaram ought to give a big push to drip irrigation and sprinkler irrigation systems to promote optimum usage of both fertilizers and water.

He should also unveil a national strategy for deepening and widening self-sufficiency in food production by giving workable incentives to





farmers and research community to facilitate crop diversification.

As the Commission for Agricultural Costs and Prices (CACP) says in its note on rabi bonus submitted in November 2012: “In 2011-12, the country imported edible oils worth Rs 46,262 crore and pulses worth Rs 8,767 crore, giving a clear signal that, at the margin, we need to diversify from cereals to oilseeds and pulses so long as we remain internationally competitive in these on import parity basis.”

The finance minister also ought to give careful consideration to diverse suggestions on agriculture spread over pre-budget memoranda submitted by different entities. He should in particular remove anomalies such as the one pointed out by Federation of Indian Chambers of Commerce & Industry (FICCI).

In its pre-budget memorandum for 2013-14, FICCI says: “Under the prevailing taxation system, while primary dairy cooperatives at the village level are exempt from paying income tax, the district and state level cooperatives are taxed at the rate of 35 percent. In 2006-07, the government reduced the income tax rate for private dairy companies by 10 percent but did not reduce it for cooperatives. In order to strengthen the cooperative dairy sector, which occupies 18 percent of the sector the income tax rate for cooperative sector needs to be brought at par with private dairy companies.”

In fact, Mr Chidambaram should utilize the budget as a platform to herald a new deal for cooperatives especially agricultural and rural cooperatives. The reforms package might well include setting up of a cooperatives stock exchange to improve the visibility and importance of cooperatives, some of which have done well at the state level. There is a need to replicate success of national cooperative brands such as Amul, IFFCO and Lijjat Papad .

Mr Chidambaram should consider granting

**The reforms should lead to setting up of a cooperatives stock exchange to improve the sector's visibility. It must replicate success of national cooperative brands such as Amul, IFFCO and Lijjat Papad.**



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**Impact of the nutrient based subsidy (NBS) in India?**

- Subsidy rates revised down for 2012/13
- Fast rising retail prices of P and K fertilizers (due to reduction of subsidies, firm international prices and depreciation of the rupee) → disincentive for use
- Widening price differential between urea and non-urea fertilizers → distorts the N:P2O5:K2O ratio
- Unbalanced fertilization → negative impact on soil fertility, long-term productivity, profitability and fertilizer N use efficiency

*Current system is not sustainable:  
Will the government of India adjust the NBS for 2013/14?  
And, if so, in what direction?*

ifa  
Short term fertilizer market outlook

Source: International Fertilizer Industry Association (IFA) Presentation December 2012

**Some important concerns**

- Do progressive farmers come forward for soil testing?
- Why most STLs test NPK alone in this era of multi-nutrient deficiencies?
- Why there is no programme of sample exchange and regular monitoring of the quality of analysis?
- Is the investment of fertiliser industry in soil testing adequate? (only 7% STLs belong to the fertiliser industry)
- Do the prescriptions from STLs really address nutrient imbalance arising due to multi-nutrient deficiencies?
- Do farmers receive soil test reports well before sowing/planting?
- Are fertilisers containing usually deficient nutrients (NPKSZnB) available in the market?

Source: Presentation on 'Improving Soil Health for Balanced Plant Nutrition' by IARI scientists, B.S. Dwivedi and S. P. Datta, December 2012.

The author, a senior journalist, specializing in the chemicals, fertilizers, energy and telecom-munications is consulting editor, [taxindiaonline.com](http://taxindiaonline.com) and associate editor, [gfilesindia.com](http://gfilesindia.com).

investment-linked tax incentives to cooperatives especially in areas that require urgent attention – foodgrain storages and cold-chain logistics. If KRIBHCO can operate a freight train, there is no reason why it cannot venture into the agricultural logistics business.

Another suggestion that merits attention has come from the Institute of Chartered Accountants of India (ICAI). It has proposed incorporation of the old definition of agricultural produce as provided in the Notification No. 13/2003 ST

dated 20.06.2003 in the Finance Act. The ICAI has pointed out that the existing definition of agricultural produce incorporated in the Finance Act 2012 implicitly excludes commodities such as cereals, pulses, copra and jaggery. This would result in increase in the cost of excluded commodities.

Way back in February 1997, Mr Chidambaram said in his 1997-98 budget speech: "Agriculture is the lifeblood of our economy." Time has now come to affirm this belief through concrete budgetary initiatives. ●



# Innovation for better farming



Research to fulfill changing needs of Farmers and End users...

## Key Products

### Hybrid :

**Bollgard Cotton** : Jai BG-II, 3028 BG-II, 3034 BG-II

**Okra** : 113 **Brinjal** : 786, **Ajay Tomato** : 2110

**Watermelon** : Kashish **Cabbage** : Manas, Neelu

**Cauliflower** : Empire **Chilli** : Ankur-32, 226, 930

**Maize** : Aditya **Paddy** : 7434, 3585, 7042

**Bajra** : 068, 045

### Research :

**Okra** : Ankur 40, Ankur 41

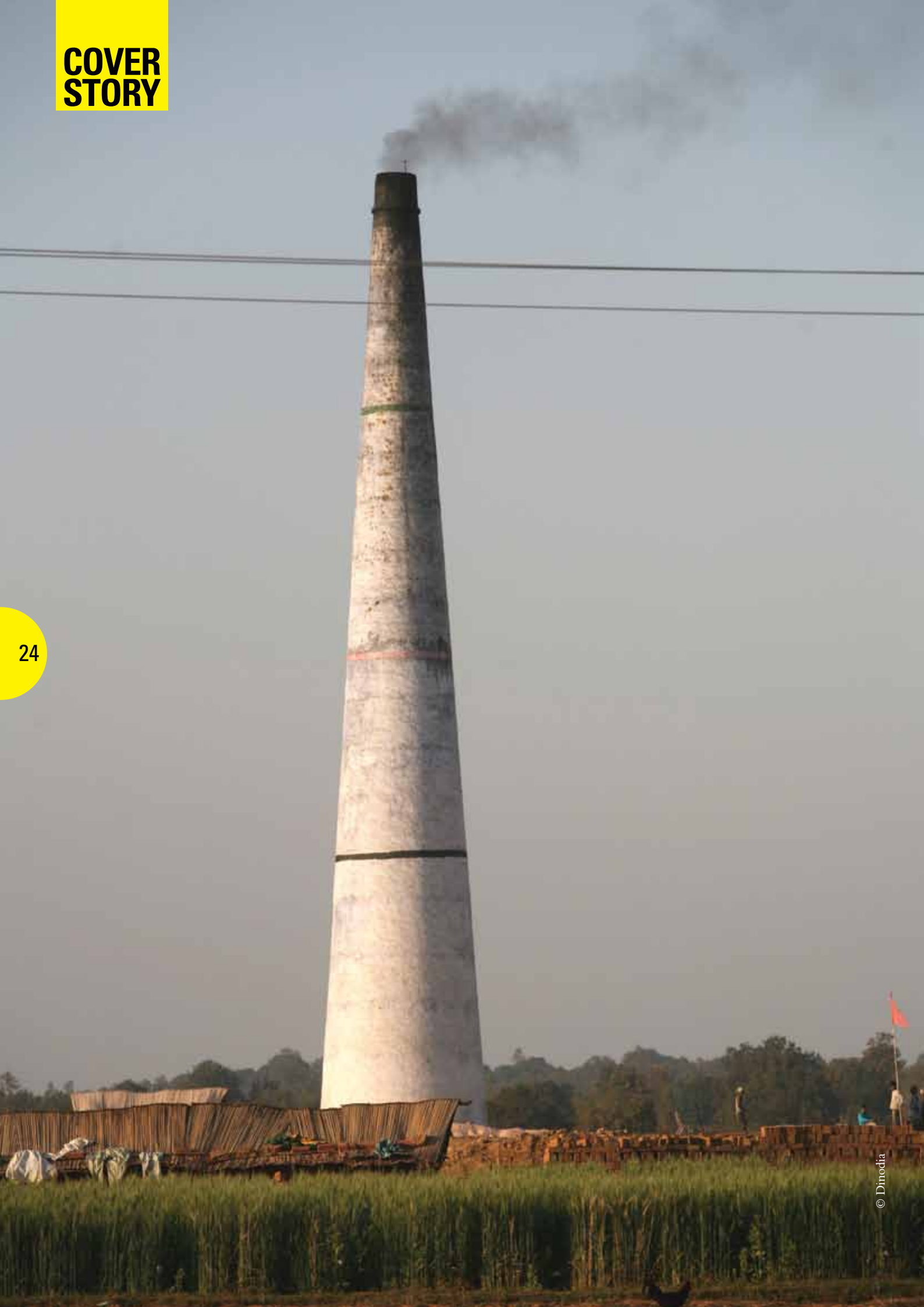
**Paddy** : Sonam, Rupali, Pooja

**Wheat** : Kedar, Omkar, Mangesh



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# Farmland for Industry

## Should the Farmer Pay for Giving up His Land?

### A Farmers' Forum Report

**T**he Land Acquisition Bill, which strengthens landowners' rights during acquisition for development, has become a highly contentious issue with people from different sections of Indian society, representing various interest groups, unhappy for a variety of reasons. The bill, which aims to replace the outdated British-era Land Acquisition Act, 1894, has been considered by the parliament's Standing Committee on Rural Development but is yet to be presented in parliament. Major issues under discussion are loss of livelihood for farmers, inadequate compensation and rehabilitation, position of public private partnerships (PPP) vis-à-vis land acquisition and, of course, the government's role in the process.

On December 13, 2012, the cabinet approved the final version of the bill; more than a year after the parliament had sent its previous avatar to the Standing Committee. In the course of the year, the bill has been through multiple modifications, been vetted by the cabinet — where various infrastructure ministries objected to provisions seen as hurdles to investment and industry — and been the subject of three rounds of discussion in a ministerial panel headed by agriculture minister, Sharad Pawar.

In a bid to bring together different perspectives, opinions and point of views on one platform, Bharat Krishak Samaj (BKS) organized a conference on "Land Acquisition Bill: Issues and Concerns of the Indian Farmer" in New Delhi on January 9, 2013 at the India International

Centre. A panel of experts — including politicians, bureaucrats, social activists, policy-makers and an industrialist — shared their opinions on the positive and negative aspects of the bill.

The speakers were Sumitra Mahajan, Member of Parliament (Bharatiya Janata Party) and chairperson, Standing Committee on Rural Development; R. V. Kanoria, former president, Federation of Indian Chambers of Commerce and Industry (FICCI); Harsh Mander, director, Centre for Equity Studies, New Delhi and former member, National Advisory Council; Sandeep Dikshit, Member of Parliament (Indian National Congress); K. B. Saxena, professor of social justice and governance, Council for Social Development (CSD) and Madhuresh Kumar, national organizer, National Alliance of People's Movements (NAPM). The programme was moderated by senior journalist and educator, Paranjoy Guha Thakurta.

Ajay Vir Jakhar, editor, Farmers' Forum and chairman, Bharat Krishak Samaj, introduced the subject by stating that the farming community understands the burden on land and the need to create jobs. "... there is a need to take the youth out of agriculture into other fields because there is too much pressure on land. We understand that we need to create jobs in service and industry sectors to be able to do so." He also spoke about the need for land acquisition by private sector. "While we agree that land is required for industry, we also understand that private sector is there to make profits. In the process, you create jobs and thereby create value for India, which is very good but it should not be at the cost of the farmer community."



## Land acquisition not the only farming problem

**SUMITRA MAHAJAN**

*Member of Parliament and chairperson, Standing Committee on Rural Development*

**T**he Standing Committee's draft on the Land Acquisition Bill was prepared by members from all political parties and, while opinions differed, there was unanimity on rehabilitation of farmers and their dependants along with surety of justified price of land. The committee's report on the bill was in accord with the members' opinions; there was total unanimity, which was quite unique and most of the amendments have been accepted.

One gets the incorrect impression, whenever the land acquisition issue is raised – since it relates to a century old law of 1894 – that the government has the right to acquire land. However, it is a right up to a certain extent from a development point of view. Discussions and debates often centre around whether the word 'acquisition' is justified but the main issue today is different. It is the deterioration of the state of Indian agriculture and farmers, which is not on account of land acquisition only. The Indian countryside is changing rapidly; an era of cash crops has come in; farmers are looking at ways to make money from agriculture.

Even a city person like me has, over my seven tenures as M.P. from Indore, Madhya Pradesh, visited villages and talked to farmers about little issues that bother them. I can safely say that land acquisition is not the only reason for the deterioration in agriculture; the cash crops culture is also responsible. The once famous Maalvi wheat of Indore (a type of wheat) has now become scarce. Different types of wheat breads available in the market require different varieties of wheat but people want wheat with higher productivity and yields. Therefore, there is little interest in producing Maalvi on a large scale. It is produced for personal use and even this is on the verge of being done away with and India is losing its own specialties.

Some Indian crops are necessary because they contain natural properties in greater proportion such as the two types of gram (chana). Between country gram (desi chana) and dollar gram (videsi chana), the latter fetches dollars and finds greater demand. In my constituency, desi chana is on the verge of disappearing like Maalvi wheat and jowar. Cash crops like soyabean, number wheat, shankar makka and such others have replaced our desi breads.

There are other attitudinal changes as well. I belong to Mata Ahilya's constituency. Ahilyabai Holkar was a politician who cared for birds and animals. She would save some crop to feed the birds. Nowadays, farmers complain about birds and animals destroying entire crops of jowar before they can be reaped.

The major debate in the country is, however, around land acquisition and some essential points need to be borne in mind while discussing the issue:

- Since land acquisition is a state issue, it should be left to them.
- One should not be concerned about the multiple crops grown on land but the suitability of the crop for that particular area.
- As far as unused land acquired by the government and given to private players is concerned, if the land remains unused for five years, the farmer who owned it should have the first right to determine what should be done with it. If there are no takers, the area could be placed under a land bank.
- As far as earmarking of land for a particular purpose and then, post-acquisition, bringing in a policy, as was done in Indore – never mind the purpose – is concerned, between 20 percent and 30 percent of developed land should be returned to the farmer.



- Communication is the key. Farmers have been skeptical about the usage of developed land. I have explained to them the usefulness of land near a medical hub or using land to build provision stores, hostels, small hotels and such like and they were convinced.

The government, however, did not heed the Standing Committee's recommendation on not acquiring land on behalf of industry. Also, there is a provision to amend the bill at any point of time, which the committee did not agree to. It wanted a transparent system and adherence to the laws for amendments but this was not agreed to and will be debated in the Lok Sabha along with other issues.

Besides, the government has exempted special economic zones (SEZs) from this law even though much of the land is acquired for SEZs. The committee also said that if private players purchase land directly from farmers, the responsibility of rehabilitating those farmers is the state government's. While many of the committee's suggestions were accepted, some were not.

in which one conducts oneself. The government acquires land for 'public purpose' (which includes industry) and engages in commerce. It buys land for 'x' price and sells for five or 10 times more to industry. The farmer only gets the price at which the land was acquired.

The problem lies in the circle rates declared by the government that do not reflect the market reality. So the entire concept of higher compensation of two to four times the value of land, which has been included in the land bill, partly stems from the incorrect circle rates. The first issue to be addressed is finding a methodology that reflects the correct value of land for the correct purpose.

The second issue revolves around the government deciding the purpose of acquisition after the land has been acquired. It is very important that the land bill forces the land to be earmarked for a particular purpose in advance. Only when a private transaction takes place between the seller and the buyer of the land after the purpose for the acquisition is cleared or earmarked, will the correct

**The committee said that if private players purchase land directly from farmers, the responsibility of rehabilitating those farmers is the state government's.**

## **Farmers worried about unfair price; not land acquisition**

**R. V. KANORIA**

*Former president, FICCI*

**I**t would be wrong to start from the premise that change will not happen vis-à-vis the Land Acquisition Bill. Change is the only constant in this world; old crops will give way to new, old systems will give way to new, old ways of production will give way to new. One has to live with change. As far as land use is concerned, certain fundamental issues have led to farmers thinking that the land has been acquired or taken away at prices that do not reflect the correct compensation. That is really the key problem.

Farmers are not worried about land being acquired; they are worried about the price or compensation, which is not adequate or does not reflect the true value. Part of the problem lies with the government, industry and the manner





value of the land be reflected. There would be transparency and corruption in changing land use can be avoided. A clear definition in the land bill, which is absent now, is needed and even FICCI has openly said that earmarking use would lead to cleaner land deals.

The third issue is whether private industry should acquire land for itself. If it comes to a last mile kind of a problem, where acquiring a large tract of land becomes difficult because somebody is sitting on a small tract in the middle, government intervention is required to help the final transaction because it obstructs the concept of bringing industry to that place. Ultimately, the power lies with the state and if one looks at the broader concept of wanting the country to provide new growth opportunities, there is a need for a balanced approach between agriculture, industries and services.

Holistic thinking on what land is suitable for industry and government intervention is important at a threshold, though whether it should be 80 percent or 90 percent can be debated. Industry appears to be comfortable with

and emotional point of view, the answer is 'yes'. One is not talking about purchased land, which is bought with the seller's consent; there is no need to give that land back, whatever the use because it is a willingly agreed upon transaction between two parties. When it comes to the question of returning land, what happens when industry comes up and there are large tracts of land in between, where no farming or social development or housing is possible. Merely returning the land, as provided and envisaged in the legislation today, is not the right answer. It may not be possible to return the land. In such cases other ways to compensate should be found out.

The innovative concept of the Magarpatta farmers at Magarpatta City in Pune is a great example. They realized that development was going to happen and since Pune was growing, housing was bound to come up on their agricultural land. Rather than fight the system, they decided to join it by forming a cooperative land bank. Farmers themselves decided to develop a housing complex and retained a portion of it – 20 percent or 30

## Power lies with the state and if the country is to provide new growth opportunities, there is a need for balance among agriculture, industry and services

this figure though it has been talking about 67 percent. This figure should be decided on a case-by-case basis. Every land acquisition should not become an issue where state intervention would be required.

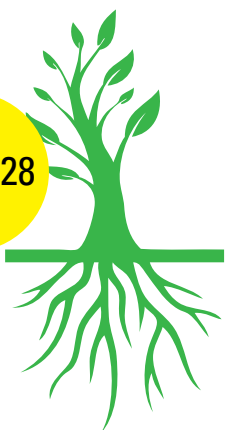
What should be the definition of public purpose? One cannot say that any industry is public purpose; that would not be correct and it would be contingent upon industry to acquire their land themselves. More importantly, the government should declare its intent that a particular area would get converted for industrial use. If that intent is made known in advance, industry can use those tracts; the change in land use would become mandatory on the part of the government on one hand and the farmers would get the right price on the other. This would be a negotiated deal and questions of rehabilitation and resettlement (R&R) would not arise. The price itself would be a transaction with mutual consent between the seller and the buyer reflecting the true market price.

Should unutilized acquired land be given back? On a purely theoretical and from a psychological

percent – to generate income, which was not sold. An IT/ software development park was set up and buildings were given out on rent. They hired good architects; put in the right management. Thus, first, they created a cooperative land bank and, second, they distinguished between ownership and management.

There is often confusion between the farmer who owns the land and one who tills it. This distinction needs to be revisited if one is to really address the issue of productivity. With the population increasing, families getting divided and subdivided and individual land holding falling, there is a decline in use of technology in farming. This has nothing to do with the land bill but needs to be considered in the broader context of increasing agriculture and productivity.

The worry is that the entire issue of food is being addressed in a wrong manner. Ensuring food security by keeping land banks in agriculture is a misplaced notion. The focus must be agriculture productivity (beginning with a host of reforms in agriculture) along with the land bill. In 1991, many





reforms were introduced in industry when not many believed that Indian industry would be able to compete when tariff fell. Tariff on polyester used to be 300 percent; the average tariff was in three digits. Imports were protected by 100 percent tariff. Today, the average is below nine percent but Indian industry is competing globally; it is going abroad.

The same thing can be done with agriculture. The farmers are intentionally kept this way by thwarting necessary changes. There is talk about cash crops or shift in consumption pattern from wheat, rice and cereals to protein and other crops. One needs to recognize this trend that is supported by increasing societal affluence. It may be unequal but there is affluence. The equality issue also needs to be addressed and food security needs to be tackled with agriculture reforms and one must not confuse land reforms with food security.

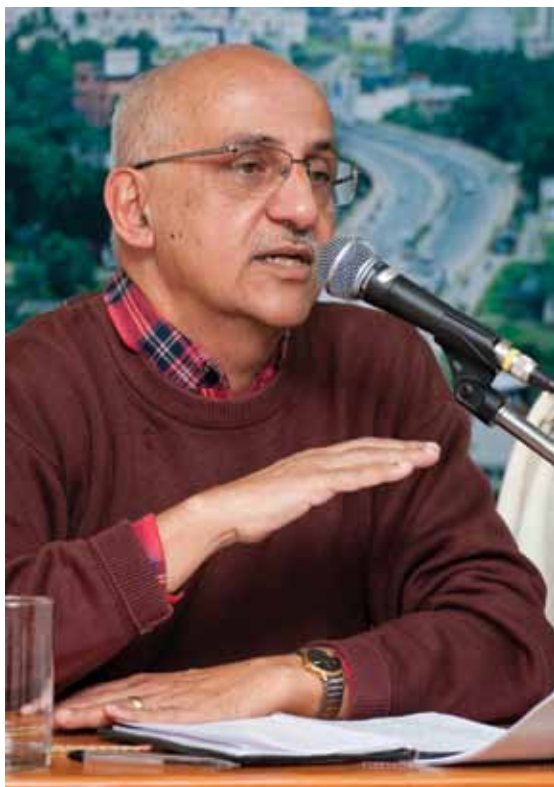
The Prime Minister said at a meeting of the National Development Council (comprising the chief ministers of all states): “We need to build on the success of the last plan by increasing land productivity in agriculture so that we not only meet our rising demand for food but also increase incomes of those who depend on agriculture. Paradoxically, we should not aim at increasing total employment in agriculture. In fact, we need to move people out of agriculture by giving them gainful employment in agriculture sector.”

Ajay Jakhar also said in his opening remarks: “It is only when fewer people depend upon agriculture that per capita incomes in agriculture will rise significantly and sufficiently to make farming an attractive proposition.” There is need to dismantle this entire methodology of state control over the movement, selling and marketing of foodgrain.

As far as multi-crop land is concerned, the entire Indo-Gangetic plain has multi-cropped land: in the states of Uttar Pradesh, Bihar and Jharkhand, which are economically challenged and need economic development. Should multi-crop land be never used for industry and the states condemned to remain under developed because no land will be available for development and industry? Does one really want to do that? These issues have to be looked at very critically.

Industry does not want large amount of lands; 1,000-5,000 acres is not that large. Tackling the issue of environment and of providing support services for industry would become simpler if such tracts are earmarked in advance. Planned development is possible but India chooses haphazard development instead. Industries are being located in the wrong place, displacing agriculture. The land bill in its present form is likely to create confusion and contention than actually solve problems.





## Minimizing displacement: the main task

**HARSH MANDER**

*Director, Centre for Equity Studies, New Delhi,  
Former Member, National Advisory Council (NAC)*

There are three yardsticks to evaluate the efficiency of the draft Land Acquisition Bill. First, it should minimize displacement. There have been discussions on whether the bill should be pro farmer or pro industry. Whatever be the standpoint, the law must minimize displacement. The colonial law led to large-scale displacement by the Sardar Sarovar Dam, the coal mines of Singrauli, or the private acquisition by Jindals in Raigarh for instance. Whatever the deal, the kind of distress and suffering that displacement causes, places a duty on us to do it only as a last resort.

The old law made land acquisition easy because, by definition, the government only had to declare that the acquisition was for 'public purpose' for it to be deemed so. No one could challenge it. As a result, large tracts of land, far in excess of need, were acquired. Also, non-displacing alternatives were not explored despite the provision to acquire land where farmers were not affected or would suffer less. The law as it is now discourages displacement but hinges a lot on the definition of public purpose.

We need to define it further.

The focus should, however, be on one central question: whether the state should be acquiring the land for private industry. It is a complex question and both the government and the Standing Committee need to reflect more carefully about its implications as well as on social movements that it would lead to. Powerful social movements against the bill came in a context of much of the land being acquired for public purpose "by the government to be used by the government" on which came up dams, coal mines, super thermal projects, highways and such others. We are now living in a dramatically changed world. Most public purpose is being implemented by the private sector.

In this context, should the bill be restricted to public purpose implemented by the public agencies alone, it would become irrelevant because it would not cover more than 10 percent of the land transfers and changes in land use as a result of industrialization and urbanization. It should be recognized that what was described as public purpose in the past is now being executed by private industry alone or in collaboration with the government.

This leads to the question of whether the government should have anything to do with it? I initially believed that government has nothing to do with private sector acquisition. Private sector is for profit and can do the acquiring itself. Why should the government be asked to use draconian powers to take away land from unwilling farmers?

I believed in letting the market forces rule but revisiting Raigarh after 20 years provided an accurate picture of what private land acquisition means. What does acquiring land with mutual consent mean at the ground level? The way powerless tribal communities have been dispossessed by the private sector with virtually no protection from the states will amount to an extremely unequal relationship. Equally bad is the option of the state coming in for compulsory acquisition in a situation where the private sector has acquired much of the land save a bit because of stubborn resistance from farmers. That is worse. It really means bringing in state power to crush whatever organized resistance the farmers and other livelihood losers are going to muster in a land acquisition situation. The ground situation would be very peculiar with the unorganized lot, who gave the land, not benefitting equally compared to those who had resisted. They will get different prices, R&R packages and such compensations.

Again, if only market forces are at work, it would

mean an absence of a binding duty to compensate adequately, engage in R&R and other benefits. So what really sounds like a radical left position actually becomes a positively right position because industry would love a situation where they are freed from all obligations that a carefully developed law is going to provide to livelihood losers.

This law for the first time says that “we should worry not just about who loses land but who lose livelihoods. For instance, the tenants, the landless workers.” No market arrangement is going to ensure that the landless worker, who is displaced from that land, is paid. So this business about states keeping their hands off or coming in for small segments of land that could not be acquired is completely unacceptable.

The other issue on which there is no clarity from the Standing Committee is letting industry choose the route that it would like to take, the market route or the acquisition route. To my mind, the state must regulate all transactions of private land for industrialization or urbanization processes in order to give full protection guaranteed under the law to ordinary people.

The second yardstick is about the process being

fair and transparent. Various committees that were to be formed for Social Impact Assessment (SIA) processes were meant to be independent. The government draft, unchanged by the Standing Committee, largely makes them dominated by state governments or their representatives like the chief secretary presiding over the committee and such others. This does not solve the problem of transparency. Just as there is independent Environment Impact Assessment of projects, there should be a similar tradition in doing Social Impact Assessment in land acquisition. Fairness and transparency have been lost substantially because while the form has been established, it has not been made genuinely autonomous.

The issue of informed consent had got a lot of media attention as well because 80 percent of affected people’s consent was to be taken. However, the affected people should not only be the land losers but also those losing their livelihoods.

This brings us to the final yardstick for ensuring a fair livelihood for land losers. The bill is pretty strong and good and retains many satisfactory elements some of which needs to be further strengthened. Most importantly, it recognizes not

**The state must regulate all transactions of private land for industrialization or urbanization processes in order to give full protection guaranteed under the law to ordinary people**





just who owns the land but the livelihood losers too. They should be protected. Making R&R a legal right, as proposed by the NAC, which has been retained, must be applauded.

As recommended by the NAC, the price of land was set at six times the registered sale deed because land was undervalued and industry was very unhappy with that figure. We argued that since it is a tiny fraction of the total cost and gives a fair deal to farmers, industry should accept it gracefully. The bill brought it down to four times. The NAC recommended not just a one-time payment but monthly payment for 33 years to land and livelihood losers. This was because farmers are not skilled to handle large sums of money but a monthly amount over a generation would enable them to make this transition easily. The draft bill has put it at 20 years.

Land for land is a necessary element but has been restricted only to tribal communities in the bill. It should hold good for all land losers. The recommendation says that five percent of high quality farming land can be acquired. That is a dilution from what was initially said. There should be a ban on acquiring double crop farming land and better options should be looked at.

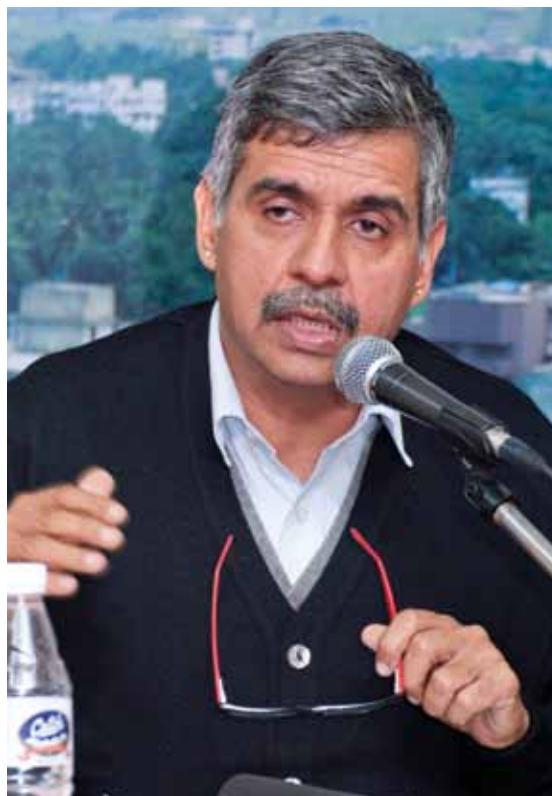
On the third parameter around ensuring a better deal in terms of compensation and rehabilitation, the bill is doing better than the past. Where it needs a lot of work is around minimizing the displacement and establishing an independent, fair and transparent process.

## Need to keep Indian federalism in mind

**SANDEEP DIKSHIT**  
*Member of Parliament*

**A**s a member of the parliament's Standing Committee on Rural Development, I have heard both sides of the debate: industry's view point as well as other points of view and tried to understand both perspectives. I was fortunate enough to be a member of the parliamentary committee formed about three to four years ago to draft the previous version of the bill under honourable Kalyan Singhji. It had taken us around one and a half to two years to come up with the bill and it has taken almost a year and a half under Sumitrajji to produce the bill.

The members obviously bring their own experiences into play but, notably, this committee



has tried to mediate between the government's policies and what the public desires. It also tried to keep opposing voices in perspective because the committee cannot go by its own opinions, nor can it undermine the basic thought behind the government policy. Despite differing opinions, the committee would be responsible for standing by the basic principle behind the bill.

What we are talking about is land acquisition and not land purchase, which needs a greater understanding. Also, this is not a final comprehensive bill on land acquisition, which is governed by many different things. One cannot address each and every aspect of this issue in this bill. There are different platforms for different problems but I would like to throw some light on all the different voices that cropped up during the process of drafting the bill.

Almost every state placed its point of view to the committee in a very reasonable manner. The state governments were a little worried that the bill might become an obstacle in their path of industrial development. Some insisted that they had set very good examples in some instances and be allowed to carry on and not be interfered with. We felt that state governments were right on certain points and independent India does present a different picture in terms of federalism.

Sitting in New Delhi and making a law is neither



enough nor meaningful for the states. We accepted these realities. State governments also have rights and we accepted some of their recommendations. We were surprised by certain issues like multi-crops, land bank, nature of land to be acquired and were clearly told by the states that 10-15 members sitting in New Delhi could not decide their fates because every state had different geographical structures and conditions. Therefore, these matters should be left to the states.

The West Bengal government had brought to our attention, during the drafting of the earlier version of the bill, the fact that all land in the state is multi-cropped and it was worried that a provision declaring that no multi-crop land could be used for industry would mean that it would have no land for industry. There is logic in this argument. In any event, today, there are enough people in these states raising their voices against the state governments if they went wrong.

The committee wanted states to maintain a land account by creating at least a land utilization plan or policy. It is said that industries acquire more land in the present phase than in earlier phases but nobody knows for sure. Even today, we are unable to say how much acquired land is allocated to the housing sector and how much to industry. No state

thing is clear here that one comprehensive, all-encompassing, bill might not be the order of the day. The committee was constrained in that it had to present its views on one bill.

The committee also thought that there should be a different bill for rural and urban areas given the dissimilarities between rural and urban land acquisition systems. Farmers from around the national capital region will have very different issues from the farmers, say, in Raigarh. Therefore, it has become necessary for urban and rural land acquisition bills to be separate. Most problems like irrigated land and multi-crop land will get mitigated automatically.

The next question is around land title. Who will be the owner of the acquired land? Industries want to avoid tough title policies but, if they are unable to fulfill the conditions of the acquired land policy, who will be the original owner of that particular land? We have been unable to find an answer. Individuals should have the right to go to court and raise questions even about the eventual title of the land if the buyer strays from the written commitments. Keeping in mind the long-term perspective, given the sort of litigations in India, we could not reach a consensus on the issue. Dilutions of provisions in the bill have been made with this

**In West Bengal, all land is multi-cropped and the state was worried that if no multi-crop land could be used for industry, it would mean that it would have no land for industry**

government could provide this data. We are able to say how much agriculture land has been acquired and how much needs to be acquired but this is not enough detail for land expenditure. Without knowing anything about land expenditure, how can one make a broad land utilization policy?

An interesting thing around compensation was the little or no difference of opinion among the states but industry had different viewpoints. Industries in the manufacturing sectors were not willing to pay more than three or four times the circle rates but the housing sector and some others had no problem. This was a big issue and we suggested that this benefit be given to the farmers directly. There are other aspects of land acquisition that are beset with problems. We could include different provisions such as different compensation for the housing sector and manufacturing sector but we had to work under certain limitations. One





obstacle in mind.

We also discussed land acquisition for public private partnership (PPP), public infrastructure and such others without reaching a solution. One has to be sensitive while defining PPP. It is not correct to say that land acquisition by the government is right while such acquisition by private players is wrong, indicating that everybody in government is good and all private players are bad. The reality is often quite the opposite. Some issues are very simple like land acquisition for roads but not so for schools and hospitals because of different motives for starting a school or a hospital for private people and the government. There were thus many questions without straight solutions; regulating the price of electricity for instance. This is a big issue for the government because electricity is produced by private players.

In matters of resettlement and rehabilitation and compensation, there was support from the

## It is difficult to ascertain the price difference between the circle rate and the actual rate of land

industrial sector though there were differences on equal compensation for all land-owners, irrespective of land use. The committee put its foot down on the issue of equal compensation. Use of the land has nothing to do with the landowners' right to compensation.

Circle rates are another area of confusion. It is difficult to ascertain the price difference between the circle rate and the actual rate of a particular piece of land for want of any empirical, anecdotal or survey evidence. The value of any land depends on whether a college is being set up or an industrial complex. There is no scientific basis of fixing the circle rates. People say it is a 'psychological theory'. This is another reason why separate land acquisition bills for rural and urban areas are needed. Urban areas have smaller variation between circle rates and actual rates. The opinions on circle rates were varied even within the committee but we calculated and projected a value that we thought was just.

## Question-answer session I

**Q:** First, why is the consent of the displaced people not sought? Only the land losers' consent is sought in the current draft of the bill. Second, a lot of unused land is lying with the government and public sector undertakings. Is there some way for different parties to come together and form a land bank in order to determine how much land lies thus unused? Possibly, this unused land can be given to the private players before farm land is taken.

**Q:** You say that a farmer is not as concerned with his land being acquired as he is with the compensation he gets. Is this based on data or only a guess?

**Q:** I am from Bihar and have seen a lot of land being acquired and, in many cases, without the process of land acquisition being completed. The money has not been fully paid or sometimes not paid at all. Does the new bill address this issue?

**Q:** (For Sandeep Dixit). There is a fair amount of literature on compensation calculation both on the end use of land and on how customary laws and customary rights are being quantified into pre-eminent domain. I wonder why there is a dilemma about whether the rate should be five or six times the circle rate. In fact, the global evidence of the Land Watch Institute shows that most of the time the value of land escalates eight to 15 times. So six times is a very benevolent benchmark. Why did we peg it at four? Also (for Harsh Mander and Sumitra Mahajan), we keep encountering a kind of cynical wordplay in terms of free, prior, informed consent versus free, prior, informed consultation. The consultations are in spaces of absolute powerlessness. I wonder if we have ring-fenced that or are we still falling into the same trap? I have done a fair amount of work in the ground zero of base metal mines at Keonjhar and, trust me, it all works on consultation. There is nothing called consent over there. Is there any way of ring-fencing this?

**Q:** A comment: First, Kanoriaji mentioned that a farmer is ready to give up his land. He is not. There is no question about this. Second, taking land for private industry in any form, for whatever reason, needs to be facilitated. When you want some 50 or 100 acres and you are short of 10 acres, you get the plot next to it. When you need as much as 2,000 or 3,000 acres, you will run into patches of people who do not want to sell. For patches of 50-100 acres, I

am sure this clause of 20 percent is irrelevant. We have people from the United States Department of Agriculture (USDA) who will agree that even in the USA, when they acquired land for the railways in the last century, the railways had to go and buy the land. The government did not say that you can have this land. They had to go to the farmer, offer a price that he was ready to accept. I think that should happen here. So while there are lots of things that have been taken care of, lot more needs to be done.

**Q:** Why is there no minimum land price just like we have minimum support prices for our agricultural products?

**SUMITRA MAHAJAN:** Someone talked about land banks. We have clearly suggested that any land unutilized for five years will go back to the farmer from whom it was acquired, if the farmer is available and keen to have it. If not, the government must take it under land banks. Now any land lying with the railways, for example, is being utilized. Once this law comes into effect, we can move ahead with other unused land lying with the government. No law has ever come to be implemented with retrospective effect. However, we have suggested that anyone who has not been compensated should be paid the full amount. However, we cannot go back 50 years in time. We have also recommended the consent of gram sabha for acquisitions.

**R. V. KANORIA:** First, the question that was directed at me on the farmer's willingness to part with land. I talk more from an intuitive experience in my own acquisition process. Let us say that I have acquired land for a solar project in Rajasthan. We needed about 250 acres of land. I had no problem in buying the land directly. I agree that there should be a threshold for government intervention. I am not talking about small tracts of land. Government intervention should be for acquiring large tracts of land, where some public purpose is involved. If you are talking about large power projects amongst others, one has to look beyond profit.

I also want to point out that we start from the premise that all industries are there for profit and will treat everybody unfairly. That perception needs to be changed. We are also sanctimonious about the farmer not knowing how to use money and that he should be paid a monthly amount for 33 years, which is absolutely ridiculous. If you want that money to be paid, put it in a bank and let the annuity be paid to the farmer. Why



should it be contingent on handling it for 33 years?

You are assuming that industry will remain permanent. Some companies make profit while others make losses. I think the whole concept is misplaced. States are also pursuing development but we need to find a balance. What we need is a transparent method of acquisition of land and that will come only when everybody comes together.

**HARSH MANDER:** On the ground, there is nothing called consultation. At most times the farmers are forced to give up their land. Even when there is consultation, it is not a transparent process. There is great inequality of power and knowledge, apart from fear and intimidation. To answer the question of who is better: industry or government? In a democracy, the question is not who is better but who can be held accountable. I cannot hold an industry accountable but only the representatives of the government. I am not saying that government servants are bad or industry is good. I would like Mr Kanoria to revise his statement that farmers freely and happily give up their land.

**SANDEEP DIKSHIT:** Somebody asked where the act would apply retrospectively. Where the compensation has not been given, even though acquisition notices has been issued, the new rates will apply but where the process has started the new act will not apply. However, once the new act is notified everything will happen according to it. Somebody asked why the rate of land was pegged at four times its original value. The important question is whether the circle rates reflected the actual value of the land. After that comes the escalation of land prices. Should the basis for calculating the value of land be what it would fetch post acquisition, we would have calculated it differently.

Someone asked about private purchase of land. This bill is about acquisition of land and has nothing to do with private purchase. If the central or the state governments wish to put a caveat in order to protect the interests of the farmers, there are other acts through which this objective might be realized.





## Ground realities still ignored; the poor left in the lurch

**K. B. SAXENA**

*Professor of Social Justice & Governance, Council for Social Development (CSD)*

Poor people are the most affected by the current paradigm of development as well as by the process of land acquisition, the two being integrated. It is on the strength of their agitation that government has been forced to revisit the Land Acquisition Act after 55-58 years. However, thus far, the proposals and amendments fail to satisfy the basic issue that the affected people are raising.

The government has produced about four to five drafts of land acquisition amendment bill from 2007. The final version is yet to be presented to the house. Over the period, there have been improvements and retrogression and it is clear that the final bill will not be able to neutralize the intensity of discontent among small, marginal and, particularly, tribal farmers. The government may ignore them or use force against them for land acquisition and institutionalize a development model or push class development but the idea that the affected people should accept the bare minimum is not acceptable.

A very crucial development has taken place in the

past that is glaringly reflected in the entire debate of land acquisition. The character of governance has changed enormously. Governance today, in the field or in the secretariat, at the bureaucratic level, as well as the political level, is tilted in favour of industry. Even minimum grievances of the poor farmers against industry or the government are not addressed. As a result, officers in the district or sub-divisional levels or tehsildars apply force or push the farmers to surrender their land. Even the promise of compensation is not fulfilled.

Earlier, the 'aam aadmi', particularly tribal farmers, would consider the district collector their 'mai-baap'. They would simply go to the collector seeking justice and get things sorted out in a reasonable way. Today, not just the policy frame and development ideology, even the character of the government has become regressive, intensifying the conflict.

Another issue is that our agrarian structure has a loose concept of farmers. Is farmer a person who owns the land or someone who is cultivating the land? There is a big difference between the two. There are large tracts of tenant-cultivated land; tenants comprise agricultural labour and sharecroppers amongst others. The policy framework is, however, 'land owner' centric and only this category largely benefits from rehabilitation and compensation. As a result, the majority, comprising tenants, is ignored in the general policy frame. Although the proposal in the current bill provides for a one-year transitional allowance and seeks to compensate tenants in lieu of employment, in totality the government has ignored this particular segment.

There is another reason for this anomaly. Due to the characteristics of our agrarian structure, our land records do not record the tenants or sharecroppers. The Tenancy Law recognizes the tenants working on someone else's land and records their name enabling them to be a part of the compensation paid at the time of land acquisition. None of the farmers (land owners) are, however, willing to register names of tenants or sharecroppers on land records. So in the past 50-60 years their name have not been recorded anywhere in India except in West Bengal, where the CPI(M) did it through its party structure.

Therefore, whenever land is privately purchased, it tends to hurt the tenants and share-croppers because the deal is always with the owner. In the new bill, these tenants and sharecroppers would

be considered persons interested only if the state governments recognize them. Recognition involves landowners recording the names of sharecroppers but even this change, which has been incorporated in the bill, is quite cosmetic in nature and will not work.

The case of private purchase is also not an innocent process even in the best of times. Inequality of transaction persists during the process of buying and selling with the strong always dominating. Poor people have almost nil bargaining power. The problem gets compounded when the bureaucratic machinery sides with industry. Do farmers willingly sell their land? They may be willing near big cities but, in general, there is total opposition to land acquisition.

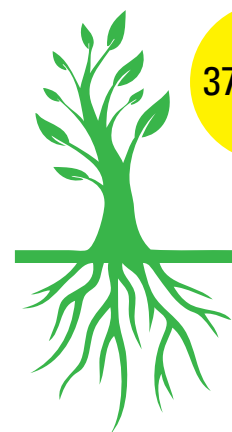
A different set of dynamics is emerging in Punjab, Delhi and Haryana where landowners are selling their land at Rs 1 crore per acre and buying lands cheaply from tribals in Madhya Pradesh, Jharkhand and other states. This is against the law and is generating a different kind of conflict that is not on record and nobody is recognizing it. Also, land acquisition from tribal areas is against the law: the 5th and 6th schedules (of the Indian

Constitution). Yet, no action is taken against it because the government is the acquirer of land as well as the custodian.

The bill says, for the first time, that the government: “won’t acquire land in scheduled areas” but dilutes it again by saying “as far as possible”. This virtually means that land would be acquired and tribals would not survive. Under this development paradigm, in another 30-40 years, our tribes will vanish and be reduced to dalit agricultural labourers. There are some tribes that are not agriculturally inclined and survive on forest-based economy. They will also be forced to become agricultural labourers and may not even survive for more than five or 10 years. We are dealing with an enormous human and social problem that, I am afraid, has not been seriously discussed by the government.

Even the land records are not properly archived in this country. The government has not been serious about updating it because it is a tedious and expensive process and easier to ignore. As a result, today the land records do not reflect the ground reality. For example, a highly irrigated area is recorded as futile land as it once was and

**Do farmers willingly sell their land? They may be willing near big cities but, in general, there is total opposition to land acquisition**





compensation is given on the basis of such record. In this case, there would be no compensation, which will generate enormous conflict. The government has promised to look into this issue before giving compensation. However, this cannot be done in a capsule form in three months.

The other issue is of common property resources of which the government is the owner. In India there is no vacant land. Customs, traditions and user practices for decades have left no unutilized land. People also have documentary claims on these types of land and they cannot become a part of the deal in land reforms implementation process because of the insensitivity, negligence and bias of the machinery. People claim that they have been using land for a long period but the government acquires it forcibly stating that these people have no such claims. In the case of Posco in Odisha, it was found that out of 4,000 acres of land hardly 30-40 acres were privately owned and the rest was public land in government records. There are huge claims on those public lands resulting in the ongoing conflict. There is no provision to address

administration sends the police and obtains forcible consent using muscle power.

Therefore, there is a need to recognize this and establish credibility of the arrangements and a transparent policy in which people will have faith. Otherwise, the limited benefit that the government is seeking to give will go to the wrong side.

On the issue of unutilized land, the government has been acquiring land for private sector industries post 1984. Before that, huge areas of land were acquired for public sector banks. The tragedy is that the lands were acquired mostly in tribal areas, which were not needed for the next 50 years. During my stint as a Deputy Commissioner of Dhanbad, huge tracts of land were acquired for Bokaro Steel Plant. Slowly, there were huge encroachments and a contractors' colony was established. No one took any action. There is no provision in the law for the government to take over acquired land that is misused. The other point is that the unutilized land already with industry should be utilized first to minimize displacement.

Thus far, according to unofficial statistics, 60

**As far as the rehabilitation policy is concerned, in 2007, the government made this policy with a view to making it a law. It has been five years on the ground but there is no sign of that transition**

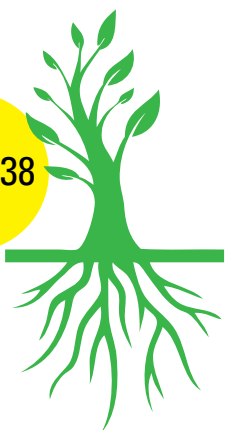
such issues in the present draft bill.

As far as the rehabilitation policy is concerned, in 2007, the government made this policy with a view to making it a law. It has been five years on the ground but there is no sign of that transition. States have different views and talk of their own rehabilitation policies, which are hardly visible. Some states say that industries that acquire land are responsible for rehabilitation. So who is accountable? Whatever be the rehabilitation policy, the government must ultimately be responsible for its execution. People cannot trust industry to implement this policy and the government must mediate in this process or else the poor will suffer.

The problem of governance is visible in its implementation of laws and policies. For example, the Panchayats (Extension to Scheduled Areas) Act (PESA) provides for gram sabhas (comprising all residents of a village) to be consulted for land acquisition but there is nothing about consent. The ground reality is that the administrative machinery is not even ready for a transparent consultation. When villagers are against the process, the local

million people have been displaced between 1947 and 2000. Of them around 50 percent are tribals and 20 percent dalits. Only 24 percent have been rehabilitated and the rest have been left out. This bill has been mute on this issue. What kind of credibility does it establish before the affected people? The government is not even recognizing that this is a problem. This backlog problem is intensifying the element of suspicion and lack of credibility. In case of unutilized land, in the 2007 draft the government proposed that land unutilized by the industry for five years will be given back. Now, it has been changed to 10 years.

Finally, the government feels that its work is over after compensation is paid but affected people are interested in an assured, dignified livelihood. If they are moved out of agriculture and land, their only productive asset, is taken away, the least the government should do is to provide an assured, continuing and dignified employment. Neither land for land (the new draft provides this for tribals only), nor assured and dignified employment is provided. The government also proposes that



wherever employment is not provided, people will be compensated with Rs 5 lakh. The fact is that the poor people will not get employment and discontent will only increase.

## More propaganda than real change

**MADHURESH KUMAR**

*National Organizer, National Alliance of People's Movements (NAPM)*

**H**ere are some facts: more than 500 groups of people are involved in opposing different projects at various places under the National Alliance of People's Movements. After 65 years of Independence, the government took an initiative for farmers in the form of the Land Acquisition Bill that has not been up to the mark. This is government propaganda that the bill is beneficial for farmers. It does not benefit them. Nor does it address the real issues of consent and retrospective application.

According to this bill, there is no need for landowner consent if land is acquired for government projects. Six million people have been displaced by government projects till date. Why is the government not talking about them? There is talk of consultation and taking farmer consent and to that extent one has moved one stage up. In the previous bill (till 2011), there was an option of consultation with the gram sabha but this bill replaces it by the gram panchayat and municipal corporation.

Next comes the definition of public purpose land. According to this bill, everything from making potato chips to airplane is public purpose. The government is not concerned that you are a farmer growing potato; it wants to give that land to Pepsi for making potato chips there. What is the logic behind this? For the government, agro processing, warehouse, supply of agro inputs and such others fall under public purpose.

This bill is totally based on the needs of farmers of Delhi and NCR but problems differ throughout the country. Farmers do not want to give up their land; not even farmers of Delhi and NCR. There is a misconception about Delhi and NCR farmers being rich and wanting to sell their land. It is not so. For example, the Wave City project of the late Ponty Chaddha requires 9,000 acres of land. There are 23 villages affected by this. Initially it



was said that there is mutual consent but now the government is taking land with the help of the urgency clause. Farmers are protesting and are not willing to give up their land. This should be borne in mind.

This bill does not address the issue of forceful acquisition. The Standing Committee said that only five percent of land is acquired by using the law in the country and the rest is acquired by using other 16 Central Acts such as mining, railway, highway and such others, which are outside this bill. Jairam Ramesh said that he included SEZ Act in this bill. He is right because SEZ is a flop story but the government is taking another route to acquire land to establish Industrial Manufacturing Zones, Industrial Processing Zones and the Delhi-Mumbai Industrial Corridor. For this it needs a huge amount of land. SEZs require up to 1,000 acres but these projects need five times as much.

One is not fighting industry here. One is fighting the government. Who wants the Land Acquisition Bill? Is it the farmer, industry or the government? The government and industry desperately want this bill. Whether Manmohan Singh or Narendra Modi, both want to give land to industries because their investment is engaged there. India Infrastructure 2009 report clearly said that 70 percent of investment is embroiled in protest against land acquisition.

The inclusion of social assessment in this



bill is welcome but the government has not included local bodies that should be listened to. One member of this committee has said that “occupation implementation” is included in this bill. If you are not able to implement the existing occupation law, how can you execute it just by inserting it? The bill clearly mentions that whenever we need land we can acquire it by writing so. The collector can acquire it. What then is the use of the aforementioned provisions? Many state government have often failed to

implement the Land Ceiling Act adequately. Why are the big players and landowners like the Tatas, Jindals, Reliance and such others not stopped? Why are we fighting? According to the 73rd amendment, there should be a role of gram sabha in district or village planning committees and that is our right but the government wants land for ‘development’ only. It is a political bill and while the government recognizes the importance of certain criticisms, it is not willing to address them politically. ●



## Question-answer session II

**Q:** It was said that land records have not been updated but there have been computerization in many states and the central government is funding it. Unfortunately, it is only being computerized in irrigated areas. So, generalization is not easy.

**A:** Computerization of land records does not mean updating land records. It is garbage in and out. This process merely transfers old data on to the machine. The computerized but old record is of no benefit.

**Q:** The basic problem with land is that holdings are not consolidated. Punjab, Haryana and western

Uttar Pradesh are successful not only because there is irrigation but also due to the consolidation of land holding. Nobody is talking about consolidation in other states.

**A:** Land consolidation process is an entirely anti-poor process. At villages, the poor oppose land acquisition because big farmers take their small plots away for consolidation. There was a time when Punjab and U.P. went in for land consolidation but, today, no farmer wants to do it. Land consolidation is not land reforms. It merely transfers land from poorer to richer farmers.



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## Based on a note circulated by Sumitra Mahajan

*Member of Parliament and chairperson, Standing  
Committee on Rural Development*

It is proposed that the Land Acquisition, Rehabilitation and Resettlement Bill (LARR), 2011, will be changed to 'The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2012'. The government introduced the LARR bill on September 7, 2011, which was referred to the parliament's Standing Committee on Rural Development for examination after widespread opposition. The committee made several important recommendations.

- Acquisition of land for public purpose, PPP, private companies and such others: The committee recommended that central or state governments can acquire land for infrastructure projects and projects for public purpose but not for private companies, private enterprises or for the PPP model projects.
- Sale or purchase of land: Considering that the sale or purchase of land is a state subject, the state legislatures, bearing in mind the provisions of the Act, may by law provide for R&R provisions on sale or purchase of land. Limits/ceiling for the purpose shall be fixed by the respective state, keeping in view the availability of land and density of population.
- Role of local self-government established by Parts IX and IX A of the Constitution: The gram sabha's consent should be necessary; mere consultation will not suffice.
- Special provisions for food security: The committee recommended that the government consider exclusion of all land under agricultural cultivation instead of multi-crop land for acquisition to ensure food security.
- As far as the proposed five percent district wise limitation for acquisition of land is concerned, the state governments may fix the percentage restriction district wise or state wise as a whole.
- Exemption of central acts from the provision of the bill: The 16 central acts included in the 4th Schedule to the bill that, inter alia, include Cantonment Act, Electricity Act, National Highways Act, SEZ Act and such others, may not be exempted.
- Determination of market value: In order to ensure that land losers get due compensation and to avoid pitfalls of the authority of one designated officer, the committee recommended a multi-member and pricing commission or an authority to finalize the cost of land acquisition/compensation state wise or area wise.

- Acquisition of land under the "urgency" provision: The committee agreed to the existing provision that land acquisition under emergency provisions will be restricted only for the purposes of defence of India on national security or for any emergency arising out of natural calamity.
- National monitoring committee for R&R: The committee wanted state monitoring committees to monitor R&R, restricting the role of national monitoring committee.
- Return of unused land: The land should be returned to the owners if not utilized within five years from the date of possession.
- Power of government to amend the schedules: The committee did not agree to the provision under Clause 99 of the bill that provides that the central government may amend or alter any of the schedules to this bill by issuing a notification. Accordingly, the government would have to bring amendment bills before the parliament for amending any of the schedules of the bill. The schedules deal with compensation, R&R provisions and infrastructure facilities of the land losers.

## Amendments proposed by the government:

The recommendations of the committee were considered by the Group of Ministers (GOM). Based on the GOM proposals, the government moved 154 amendments in the bill, of which 26 are substantive in nature. Of these, 13 have been proposed in accordance with the recommendation of the Standing Committee.

- Revised definition of purpose and revised consent requirements
- Restrictions on multi crop-land acquisition: states to fix the limits
- Restrictions on the agricultural land acquisition: states to fix the limits
- Restriction on private purchase of the land: states to fix the limits. If these limits are crossed, the R&R provisions of this law will apply.
- Second amendment in furtherance of the preceding amendment has also been made to empower states to fix purchase limits.
- A new section has been inserted to provide for additional compensation for affected families that are twice displaced.
- Special provisions for scheduled castes (SC) and tribes (ST), which include greater benefits and enhance safeguards.
- Provisions for reservation and other benefits

for SCs and STs in continuation of the previous amendment.

- State-level monitoring committee established to supervise R&R functions.
- The period for the return of unused land has been reduced from 10 to five years.
- An amendment has been made, which allows the state governments the option to return the land to the original owners if they so decide.
- An amendment has been made to extend the provisions of this act to all exempted legislations in the fourth schedule within one year of its commencement.
- The provisions related to SC and STs have been removed from the schedules to the law and brought into the main legislation.
- Notably, an important recommendation of the committee that the government should not acquire land for private companies and PPP projects has not been accepted.

### Information on the colonial law

The land acquisition process is carried out under the provisions of the Land Acquisitions Act, 1894, which came into force with effect from February 2, 1899. This act has been modified 17 times. Some of the shortcomings in the Land Acquisition Act, 1894 are:

- Acquiring authority could carry out forced acquisitions
- No appeal mechanism to stop the process
- Absence of R&R provisions
- Scope of misuse of urgency clause
- Low rates of compensation

### National Alliance of People's Movement comment on the proposed bill

The recently placed 147 amendments to the Land Acquisition, Rehabilitation and Resettlement Bill (LARR), 2011, by the Ministry of Rural Development in parliament neglect the key recommendations of the Parliamentary Standing Committee comprising members from different political parties. The bill proposed to be renamed as 'The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2012' only facilitates resource grab.

The NAPM has been demanding free, prior-informed consent of the gram or basti sabha for deciding the nature of public purpose, approval of the project and their participation in R&R and various



steps of project implementation. Unfortunately, under the pressure from industry and its lobbyists, even an 80 percent consent clause of the project-affected people is now being reduced to two third of the land losers alone. Similarly, small benefits like a house plot to those displaced are being taken away by increasing the time of residence from three years to five years prior to displacement.

In spite of numerous deliberations with the ministry, displacement in urban centres seems to be nowhere on the radar. A separate legislation on the urban evictions and displacement is the only way out now. However, the current draft of the bill, which has been accepted by the Group of Ministers, is a retrograde step that will only facilitate transfer of precious natural resources to private corporations and facilitate further corruption and fuel land conflicts.

The bill has no doubt sought comments and suggestions through the website but has limited the time to 30 days. No regional or state consultations were held by the Ministry for Rural Development, as was strongly suggested by NAPM and NFFPFW, amongst others. The ministry has not accepted some of the Standing Committee's recommendations and NAPM's comments address those issues.



## On food security and agricultural land acquisition

No forcible acquisition of agricultural land for non-agricultural purpose, including single crop and multi-crop land.

- **The ministry says only multiple-crop land can be excluded**

How can the in-between farms that may be un-irrigated, rain fed or single cropped be left out? 75 percent of India's agricultural land is rain fed, most of it is single cropped and held by dalits, adivasis and marginal farmers. Protecting them and all farmlands for food security, which comes not from PDS but self-sufficient agriculture, is a must.

## On acquisition for private and PPP projects:

No forcible acquisition for private projects or PPPs that cannot be categorized as public purpose projects.

- **The ministry has rejected this with a provision that consent of 80 percent of the project-affected people will be sought before acquisition for any private projects**

In this era of neo-liberal economic reforms, private projects with corporate investment and interests are taking a much larger toll of land and other natural resources, uprooting residents by killing communities that are generations old. This must come to an end and can be stopped with the state ceasing to act as a facilitator and land dealer. The state cannot transfer valuable livelihood resources such as land and water to the profiteering bodies in the garb of 'public interest' and 'public purpose' at the cost of livelihood of nature-based and working class segments of society.

## On bringing 16 central Acts under purview of this bill:

The Standing Committee has recommended that all 16 central Acts be brought under the purview of the new Act, to make all equal before the law (Article 14 of the Constitution).

- **The Ministry of Rural Development wants to exclude 13 of them including Industrial Development Act, Land Acquisition (Mines) Act, National Highways Act and others from the purview of the new act.**

This means that 90 percent of land acquired as of today will continue to suffer injustices, with no change at all. The Standing Committee recommendations must be upheld to end brutal and unjust acquisition for all projects.

## On role and consent of gram and basti sabha

The committee asks that all studies – SIA, EIA, expert committee appraisal – be done in consultation with the gram sabhas and the reports be made available to them.

- **The ministry emphasizes that there is the 80 percent consent of project-affected persons (PAF) provision for acquisitions for PPPs and private sector projects.**

Consent and direct involvement of majority of gram sabhas is essential for every project, including PPPs and public purpose projects. Even 80 percent consent of the project-affected population for private projects alone is not sufficient. Also, linear projects should not be exempt. Under the provision of consent of 80 percent affected, people will be subject to numerous manipulations. The experience with 70 percent consent in Slum Rehabilitation Scheme in Mumbai is quite telling.

## On return of unutilized land to farmers and land banks

The committee recommended that the land not used for five years from the date of possession should be returned to the original landowners.

- **Ministry accepts the reduced five year time period but opposes its return to the landowner and suggests that it go to the state land bank.**

The ownership of the land lies with those who till it and, if not used, it must be returned to the owners or distributed amongst the project-affected people. We oppose any feature that will promote land banks, since it has promoted large-scale acquisition in the past and later illegal transfers to corporations for real estate and other purposes.

## On retrospective application of the law

On the question of retrospective application of the R&R provisions, the committee has suggested that the ministry re-examine the issue and incorporate necessary provisions

- **The ministry has not accepted it and refused to do so.**

It needs to be noted that nearly 100 million people have been displaced since Independence, with a dismal 17-20 percent rate of resettlement and rehabilitation. We had suggested not only the retrospective application of the provisions of the new Act but that a National Resettlement and Rehabilitation Commission be established to deal with the claims of the project-affected people from various projects.



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2012-13:

# Marginal Dip in Indian Crop Output?

**Pramod S. Bhardwaj**

Contrary to talk around deficient monsoon not affecting Indian farming, the second advance estimates of crop production released by the ministry of agriculture says that India's food grain production is projected to dip marginally by 3.5 percent to 250 million tonnes in 2012-13. Save for pulses, major crops are expected to drop significantly. Wheat production, estimated at 92 million tonnes, will see a marginal drop of two million tonnes, while rice production may decline to 102 million tonnes, compared to 105 million tonnes in 2011-12.

There is an anticipated drop in the production of commercial crops too. While oilseed production may drop by a million tonnes to 19.45 million tonnes, the declines in sugar cane and cotton production are expected to be sharper. Sugar cane is estimated to drop to 334.5 million tonnes from 361 million tonnes last year.

Though the cropped area under rabi was up marginally to 59.20 million hectares in 2012-13, from 59.16 million hectares in 2011-12, the acreage under wheat is marginally lower at 29.50 million hectares from 29.59 million hectares last year. Rabi rice acreage was 14.7 million hectares, compared to 24.2 million hectares in the financial year (FY) 2011-12; pulses witnessed marginal fall and acreage was at 14.4 million hectares, lower than 14.5 million hectares in the corresponding period in the FY 2011-12.

Gram sowing has increased to 9.3 million hectares in 2012-13 from 8.9 million hectares in the last crop year while oilseeds and mustard saw a rise in acreage by a couple of million hectares. The total acreage for pulses was marginally down but the area under chana is up by about five percent. Acreage for lentils and peas are estimated to go down. Canadian peas have moved into India largely as a substitute for desi chickpea, so the size of gram crop is significant.

"Although the final leg of monsoon last year improved the prospects of better yield leading to marginal increase in gram, oilseeds and mustard acreage, wheat and rabi rice planting has gone down", an agriculture ministry official said based on field reports trickling in from key states. The deficient monsoon last year along with a prolonged

dry spell once again "may be termed as a key reason for low rabi food grain production but heavy rains that occurred recently across many states and Himalayan regions from February 3 would boost the growth of crops already in vegetative state now", the agriculture department said.

These rains would rejuvenate aquifers and facilitate a robust vegetation of rabi crops. The amount of rainfall across areas will be a boon for rabi sown crops like wheat, gram, chickpea, mustard, linseed and barley peas.

While India is a large producer of a number of major crops including wheat, from a global price-discovery perspective, it is a modest importer or exporter of wheat depending on how big the crop is. India has a substantial impact on the pulse market though. It is the world's largest pulse producer but an even bigger importer. Last year's erratic monsoon has led to an estimated drop in production which could put further pressure on already higher food prices, according to a professor in the department of economics, Himachal Pradesh University.

Given the improved moisture levels in early February, outlook for the gram crop has apparently improved and timely rainfall would facilitate a good yield. The recent frost scare did not do much damage.

## The final leg of the monsoons led to a marginal rise in gram, oilseeds and mustard acreage but wheat and rabi rice declined

Area under Rabi (in lakh hectares)		
Crops	Area Sown (2012-13)	Area Sown (2011-12)
Wheat	298.19	298.61
Rice	20.99	23.97
Sorghum	38.84	37.75
Coarse cereals	62.15	59.59
Gram	94.78	89.92
Pulses	148.13	147.42
Rapeseed and mustard	67.23	65.80
Oil seeds	87.29	85.95
Total rabi area	616.75	615.53





## Production estimates for major crops for 2012-13 (compared to final estimates for the previous five years)

Crop	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Rice	96.69	99.18	89.09	95.98	105.31	101.80
Wheat	78.57	80.68	80.80	86.87	94.88	92.30
Jowar	7.93	7.25	6.70	7.00	6.01	5.26
Bajra	9.97	8.89	6.51	10.37	10.28	8.15
Maize	18.96	19.73	16.72	21.73	21.76	21.06
Coarse Cereals	40.75	40.04	33.55	43.40	42.04	38.47
Tur	3.08	2.27	2.46	2.86	2.65	2.75
Gram	5.75	7.06	7.48	8.22	7.70	8.57
Urad	1.46	1.17	1.24	1.76	1.77	1.74
Moong	1.52	1.03	0.69	1.80	1.63	1.27
Total Pulses	14.76	14.57	14.66	18.24	17.09	17.58
Total Food Grains	230.78	234.47	218.11	244.49	259.32	250.14
GroundNut	9.18	7.17	5.43	8.26	6.96	5.78
Rapeseed & Mustard	5.83	7.20	6.61	8.18	6.60	7.36
Soyabean	10.97	9.91	9.96	12.74	12.21	12.96
Total Nine Oilsedds	29.76	27.72	24.88	32.48	29.80	29.47
Cotton #	25.88	22.28	24.02	33.00	35.20	33.80
Jute, Mesta ##	11.21	10.37	11.82	10.62	11.40	11.13
Sugarcane	348.19	285.03	292.30	342.38	361.04	334.54

# million bales of 170 kg each,

## million bales of 180 kg each.

## Contrary to practice when weather-spawned maladies are feared, irrigation for wheat field preparation and transplanting of summer rice crops are on in full swing

Until recently there had been concerns about spiralling dryness in key regions for the rabi crop. The stage for a looming drought like situation and marginal fall in acreage was initially set by the summer monsoon that, in 2012, was somewhat below normal but stood at 92 percent of the long-term average for India as a whole and 93 percent for the northwest. The rains, vital for the 55 percent of Indian farmland without irrigation, are still eight percent short of average in the June to September season, although in the week ending on September 12, they were 21 percent above average.

The shortfall in rains in some drought-hit areas in the west and south has affected planting of cereals and pulses, threatening output. Elsewhere, the late revival has improved prospects for summer-sown crops, including major rice crops. The four-month long rainy season usually starts retreating from Rajasthan by mid-September.

As a result, the size of India's acreage in pulse and wheat crops directly impacts how much the country is likely to source from elsewhere. It is the winter rabi crop that has highest impact on prairie pulses since this is when the bulk of the chickpea, lentils and peas is grown.

Abrupt weather conditions prevailed in some states during the past few days with frost scare intensifying across central India. In order to prevent contagion of pests, insecticide application was advised if required, as light intensity of pests and diseases like aphids in vegetables, fruit borer, white fly, leaf curling in solanaceous vegetables and pod borer in pigeonpea and chickpea crops were noticed.

Contrary to practice when weather-spawned maladies are feared, irrigation for wheat field preparation and transplanting of summer rice crop are on in full swing. Also, despite the dry weather conditions in north Karnataka, harvesting of chickpea, pigeonpea, safflower and sunflower have sustained momentum and, as of now, no major pests and diseases have been discovered. Minimal shifts in weather condition over the coming two months may eventually turn out to be the key for harnessing better gains.

The bottomline is that while the weather through February and March will be important, there is no reason to fear that India's winter rabi production will be low enough to occasion greater imports than had been projected. ●

The author  
is a writer on  
agriculture

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# Poor Farm-Market Linkages in India's Agriculture Value Chain

**A Farmers' Forum Report based on a paper by Anshul Pachouri**

**T**he agriculture value chain in India suffers from many bottlenecks that lead to low income for farmers and high inflation in food prices. This Farmers' Forum report draws from a paper on Economic Inefficiencies in Farm-Market Linkages in Agriculture Value Chain in India: Problems and Solutions; ISAS (Institute of South Asian Studies, National University of Singapore) Working Paper No. 163 – December 28, 2012 by Anshul Pachouri. This report focuses on the traditional agriculture value chain in India and its inefficiencies.

The regulation of agriculture produce market in India began in 1963 to address the ineffectiveness and inefficiencies in agriculture markets that were poorly organized and led to ineffective farm-market linkages, low income to farmers, high post harvest losses and high marketing costs. The APMC (Agriculture Produce and Marketing Committee)

Act was meant to change all this. It prohibited directly selling agriculture produce to consumers by mandating sales through regulated government mandis and gave more power to bureaucrats for the management of APMCs with a market fee charged for each transaction, which contributed to government revenues.

Agriculture marketing is regulated by each state's APMC Act with an agriculture produce marketing committee responsible for a particular market area. These committees have local farmers as their members and are often administrated by bureaucrats with no regular elections, empowered to establish markets, manage issue and admission of traders, levy market fees and manage local operations. The APMC collects significant revenues for the government but there is little investment to develop wholesale markets professionally.

The APMC Act was enacted to protect the





farmers from market shocks and help them get justified price for their produce. Unfortunately, over the years, traders' monopoly and government over-regulation continued and the required innovations and development of new markets remained a distant dream.

The committee allots shops in the wholesale market yard to various brokers and traders based on an eligibility criteria upon payment of license fees. Normally, number of license holders exceeds number of shops available in the market yard, which causes a problem of crowding. Licenses given to the brokers are renewable every year and are known to pass from one generation to the other.

*Figure 1* (page 52) shows the traditional agriculture value chain, which dominates agriculture marketing in India. The numeric percentages in the figure show the distribution of the final price paid by the consumer among different components

of the value chain.

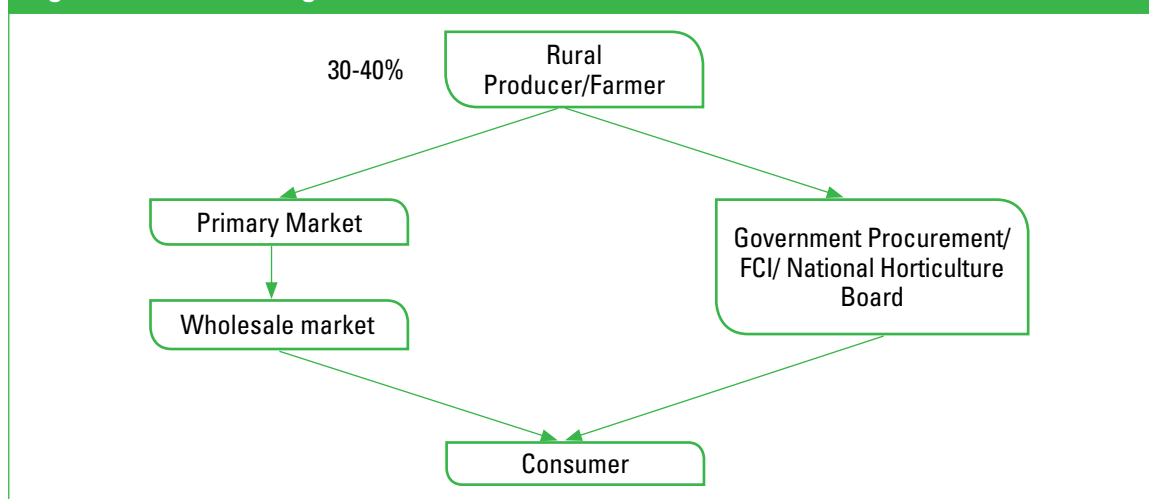
There are greater numbers of regulated wholesale markets/mandis in the states of Andhra Pradesh, Bihar, Maharashtra, Madhya Pradesh, Uttar Pradesh and which account for nearly 53 percent of the total regulated wholesale markets/mandis in India. Some regulated wholesale markets are not functional and transactions happen outside the premises but the market fee is collected by the APMC. Exporters, processors or retail chain operators could not procure directly from farmers due to the APMC Act regulations; they had to come to the mandi and buy the produce through normal auction.

Also, an agricultural commodity moving from one state to another attracts a "mandi fee" every time it enters a new regulated market.

Various studies have shown that farmers get only 35-40 percent of the retail price paid by the



Figure1: Traditional Agriculture Value Chain in India



Source: IFPRI, CII, Ministry of Agriculture

## Stakeholders in the agriculture value chain work in silos rather than in an integrated or coordinated manner. Collaborative forecasting of demand and production is absent

consumer and the rest remains with the middlemen.

The number of wholesale markets increased from 268 during Independence to nearly 6,300 in 2007; 98 percent of these markets were regulated in some way or the other, showing the intensity of government intervention in agriculture marketing. There are around 20,870 rural primary/temporary markets that might supply to urban wholesale markets. Farmers have the options to sell to local primary markets or to local village agents, who are in some way or the other connected to the brokers, collection centres of companies or government regulated agriculture markets/mandis.

The majority of the agriculture produce is sold through brokers or traders in wholesale or local primary markets thanks to limited number of options. There are also some suburban wholesale markets in India that buy agriculture produce from local primary markets and sell to urban wholesale markets. Retailers in urban areas and some consumers buy directly from these urban wholesale markets.

Some 95 percent of sale of fresh produce, especially in the horticulture sector, takes place through the traditional value chain. Various stakeholders in the agriculture value chain are farmers, wholesalers, processors and retailers, who work in silos rather in an integrated or coordinated manner. The concept of collaborative

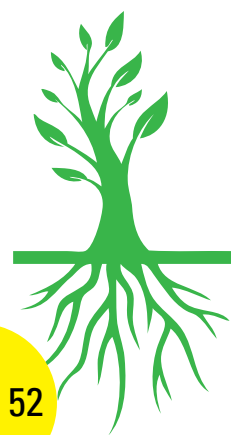
forecasting of demand and production planning at the backend with information sharing is missing in the agriculture value chain, giving rise to inefficiencies in the system.

Middlemen or brokers charge exorbitant margins for services they render and cause delays in transactions. Small farmers, largely unorganized, are not in a position to negotiate to secure a fair portion of the price paid by the consumer. Brokers too have little incentive to work efficiently with wholesale markets being poorly planned and crowded anyway.

Retailers are basically roadside vendors, kiosks, stalls and moving carts that deliver home to home. The last link in the value chain is the end consumer who has little choice but to consume whatever is available and has no control on quality of the food. It is very difficult for a consumer to buy fresh produce of a specific quality.

The post-harvest loss in fruits and vegetables is around 40 percent, on account of poor storage, handling and processing facilities and lack of marketing channels. Matters are made worse by the sorry handling of perishables. On an average, fruits and vegetables pass through six to seven middlemen before reaching the consumer.

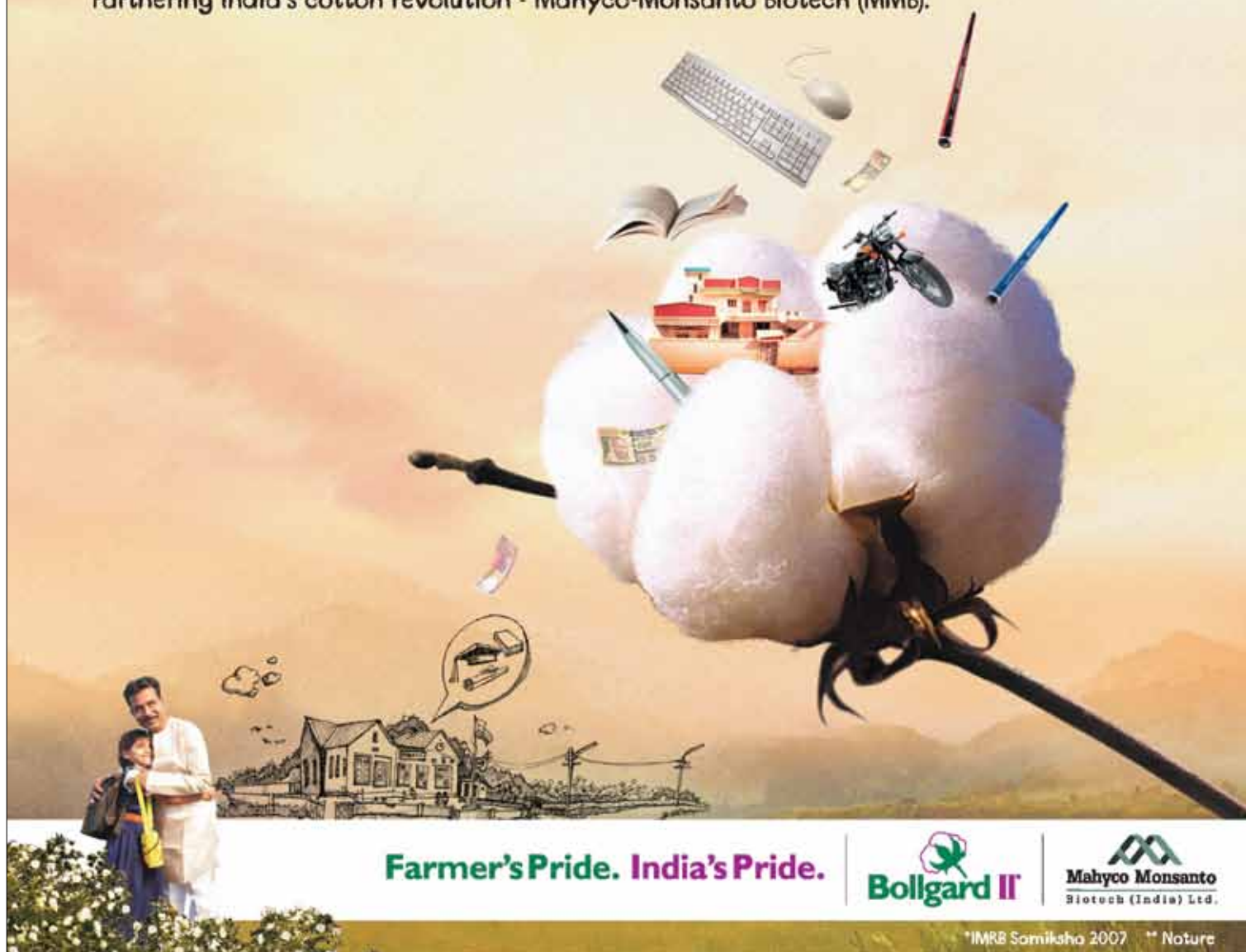
The process of agriculture marketing in regulated government wholesale markets/mandis is equally inefficient. The farmer arrives at the wholesale



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market to the shop of the particular broker who sells agricultural produce through open-auction method and buyers purchase from there. The brokers often do not even take possession of the produce but just take their commission.

Most wholesale markets do not have proper facilities for weighing or storage and operate in unsanitary conditions without even proper pest control. These increase post-harvest losses and this holds true for wholesale markets for both staple and non-staple crops.

The government amended the APMC Act in 2003, thereby allowing direct marketing of agriculture produce, contract farming and development of market infrastructure by private players. The implementation of the amended APMC Act varies from state to state and may be summed up as under:

**Ineffective Laws:** According to the APMC Act, broker charges and market fees are fixed. However, broker rates differ significantly and are charged from the farmer against regulation. It clearly shows that the present system of implementing the act does not work in an effective manner and there is an urgent need for more compliance in the whole agriculture marketing system.

**High transaction costs for farmers:** Farmers incur labour costs for loading and off-loading produce and pay for weighing it, thereby increasing their total cost of selling their agricultural produce. It is estimated that the cost of transportation of agricultural produce from farms to the wholesale markets accounts for nearly 10 percent of the total value of agriculture produce in many cases. Time taken by the farmer to transport the produce is three to four hours sometimes. Often farmers do not even negotiate the price of agricultural produce with the broker before going to the wholesale market. As a result, they are bound to sell at the given price at that particular time in order to save on costs of transporting the produce back to their farms.

**The dual role of broker and wholesaler:** APMC officials give two licenses, one for the broker and the other for the wholesaler. A broker does not take ownership of the produce but connects buyers and sellers through auctions. He earns a fixed brokerage as commission fee charged from the buyer. The wholesaler takes ownership of the produce and earns from the difference in the price at which he buys from the farmer and sells it further. It is found that, many times, the same





person takes the licenses of both the broker and the wholesaler. This creates a conflict of interest and confusion in the minds of farmers and makes the system non-transparent to farmers vis-à-vis the actual prices, while the traders extract high profits.

**Flaws in information flow and lack of quality check:** There is no effective mechanism, to look at food quality and safety in wholesale markets. Brokers and retailers touch some of the produce for a few minutes to check for freshness. There is no discussion on quality of seeds, use of fertilizers and other inputs used in production during the auction process. The weighing methods in wholesale markets are often old and farmers often complain about the rounding off effects with brokers always at an advantage. Different studies have shown that lack of information integrity leads to farmers getting paid less for their high quality agriculture produce while retailers feel that they have paid more for lower quality food.

**Lack of options other than the broking system:** Farmers have few selling options and can only choose between different brokers in the wholesale market. Many farmers deal with one broker for several years, developing some kind of relationship with them. Brokers are a united lot and they form unions to negotiate with the government and influence the market. They were able to establish their monopoly that the APMC Act had reinforced by mandating that farmers sell their agriculture produce at regulated wholesale markets.

The margin in transactions between buyer and seller at wholesale markets is between 13 percent and 26 percent. The aforementioned inefficiencies make farm-market linkages very imperfect, leading to lower margins for farmers and high prices for the retailer. Despite these problems, the broker system prevails in the entire agriculture value chain because:

**1. Reduction in transaction costs:** Farmers tend to develop a kind of relationship with a particular broker over the years and believe (often incorrectly) that dealing with a single broker saves a lot of time incurred in transactions and searching for the right agent.

**2. Getting access to credit:** Indian agriculture is dominated by a large number of small and marginal farmers who need financing that the broker supplies often on condition that the farmer will sell his produce to the financing broker. Under these circumstances, farmers are

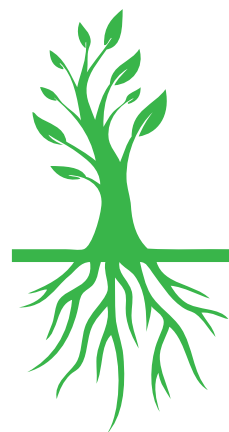




Table 1

Reforms	State/Union Territory
1 States/UTs where APMC Act reforms has been done for direct marketing, contract farming and markets in private and cooperative sector	Andhra Pradesh, Arunachal Pradesh, Assam, Goa, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Maharashtra, Mizoram, Nagaland, Odisha, Rajasthan, Sikkim, Uttarakhand and Tripura
2 States/UTs where APMC Act reforms have been done partially	a) Direct Marketing: NCT of Delhi, Madhya Pradesh and Chhattisgarh b) Contract Farming: Chhattisgarh, Madhya Pradesh, Haryana, Punjab and Chandigarh
3 States/UTs where there is no APMC Act and hence no reforms are required	Bihar, Kerala, Manipur, Andaman & Nicobar Islands, Dadra & Nagar Haveli, Daman & Diu, and Lakshadweep
4 States/UTs where APMC Act reforms are already there	Tamil Nadu
5 States/UTs where administrative action is initiated for reforms	Meghalaya, Haryana, J&K, West Bengal, Puducherry, NCT of Delhi and Uttar Pradesh.

*Adapted from Chapter 5; Agriculture Prices and Markets, Ministry of Agriculture, 2012*

## The APMC Act that was initially framed to promote fair trade in agriculture commodities has now become the biggest enemy of the farmer's interests

in no position to negotiate better prices for their produce as they cannot hold on to their crop because of liability to repay the loan.

**3. Access to Inputs:** Farmers are often incentivized to maintain their relationship with brokers through input advances. The broker gives money to the farmer for buying seeds, fertilizers and other agriculture inputs. Many times, brokers also provide seeds and other inputs directly to farmers instead of cash.

These point to the absence of micro-finance for farmers, lack of crop insurance facilities and lack of options to sell other than to brokers. The APMC Act that was initially framed to promote fair trade in agriculture commodities has now become the biggest enemy of the farmer's interests. With the advent of time, inefficiencies have piled up and India needs a new rational approach to tackle this problem.

The government has initiated some fundamental reforms to remove inefficiencies in the traditional agriculture value chain and to benefit farmers. Agriculture is a state subject and state governments are more concerned and influential in implementing these reforms. In order to increase income of farmers and promote the role of private sector in agriculture marketing, a model APMC Act was introduced by the Ministry of Agriculture in 2003. The model Act aims to remove all barriers and monopoly of brokers in the present agriculture marketing system. Some key features are:

- Allows establishment of private market yards and purchase of agriculture produce directly from farmers.
- Permits establishment of a National Integrated Produce Market (Terminal Market) to sell horticulture crops.
- Allows contract farming under written agreement recorded within the market committee and enables e-trading.
- Permits sale of agriculture produce in market yards, private yards and other places to license holders, without actually bringing the produce to save transportation cost and handling losses.
- Makes it mandatory for the seller to pay the buyer on the same day; else a penalty of one percent per day is levied for the next five days. Failure to pay even after five days, leads to cancellation of the license of the holder.
- Allows market committees to fix the market fee between one percent and two percent of the price of the agriculture produce that can only be charged once.
- Requires market fees to be paid by buyers and not the seller or farmers.

Table 1 shows the status of the agriculture marketing reforms and the progress in the implementation of the APMC Act with 17 states already amending the APMC Act as per the provision of model Act and seven states notifying APMC rules under their Acts. ●

Anshul Pachouri is an independent researcher and can be contacted at anshulpachouri@yahoo.co.in. The views expressed in this paper are those of the author and do not necessarily reflect those of ISAS.





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# Right to Food

Do We Have to Wait Till 2014?

Asish Ghosh



The National Food Security Bill that came up in July 2011 is considered a significant step towards ensuring the fundamental Right to Life. The preamble to the bill has drawn from a series of international conventions starting with the Universal Declaration on Human Rights, 1929 (Article 25), International Covenant on Economic, Social and Cultural Rights, 1966 (Article 11), Convention on the Rights of the Child, 1989 (Articles 22, 23, 24, 26, 27.1, 27.3), Convention on the Elimination of All Forms of Discrimination of Women, 1979 (Articles 1, 13, 14) and Convention on the Rights of Persons with Disabilities, 2008 (Articles 5, 25, 28).

The bill has also cited the constitutional provision under Articles 14, 15, 21, 39(a), 41, 42 and 47 and referred to the Supreme Court ruling recognizing the Right to Food and Nutrition as fundamental rights. Besides, it has focused on the importance of having access to food and appropriate nutrition “throughout the life cycle of a human being from pregnancy to old age so as to ensure healthy body and mind” and lays special emphasis on pregnant and nursing women, for whom it proposes a monthly benefit of Rs 1,000 for six months to meet nutritional requirements, subject to the revision of the amount, based on the price index.

## While one feels that no right thinking person could oppose the Right to Food Bill, nearly 18 months have passed since the National Advisory Council put it in the public domain

The bill also rightly talks of the entitlement of children in the age group of 0-6. While children in the age group of 0-3 will be entitled to freshly cooked meals throughout the year, those in the age group of 3-6 will have entitlement for 300 days out of 365 days, as mentioned under section 7 of the bill.

Further, the bill proposes to provide midday meals in all schools run by local bodies, government and government-aided schools for students studying up to class VIII and to the 6-14 age group under section 8. It emphasizes that all children below the age of 14, including those who are out of school, will be entitled to food, as per section 9. The bill specifically mentions entitlements for destitutes (under section 11), homeless (under section 12), migrant workers (under section 13) and disaster-affected people (under section 14).



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Besides, it focuses on the rights of the persons living in starvation and ensures food twice-a-day, Rs 2,000 as maternity benefit and 200 days of wage employment for two years.

One tends to feel that no right thinking person in any democracy could ever oppose such a bill. Yet, nearly 18 months have passed since the National Advisory Council (NAC) put the Right to Food Bill in the public domain (July 2011) and the main worry seems to be around the enormous cost of implementation, once it is passed by the House of Parliament. The opposing forces cite two figures, one relating to the grain requirement to meet the demand as envisaged in the bill and the second to the budgetary allocation needed to implement the scheme.

It is projected that to meet all commitments, at least 62 million tonnes of food grains must be made available annually and Rs 95,000 crore will





be needed at current market rate to implement the bill. Questions are, however, being asked about the veracity of these numbers, especially with regard to the projected annual expenditure. About a year back, an analyst (Bhupal, Farmers' Forum, 12 (1), 2012) projected three scenarios that can be summarized as follows:

### Scenario 1

Government to bear entire cost of purchase of food grains at a minimum support price of Rs 1,612 per quintal of rice. With the cost of transport, storage and such others, the maximum expenditure would be Rs 12.92 per kg of food grain (assuming equal proportion of rice, wheat and millet will be provided) or a total cost of Rs 62,000 crore, which is 33 percent less than the projected expenditure.

### Scenario 2

If 75 percent of priority rural population is to be supplied with seven kg of foodgrain per person per month, the total cost will be Rs 70,000 crore, which is at least 20 percent less than the cost projected.

### Scenario 3

If 75 percent of rural and 50 percent of urban population is to be supplied seven kgs of foodgrain (at a stipulated price of Rs 3 per kg of rice, Rs 2 for wheat and Re 1 for millet), the expenditure will be Rs 88,370 crore, which is lower than Rs 95,000 crore.

Keeping the issue of rights aside, how long can India avoid addressing the ignominy of malnutrition amongst its children and mothers? The latest census says that the country has 15,87,89,287 children under the age of six of whom 48 percent are malnourished. Such wide spread malnourishment in nearly half of the Indian children will invariably lead to stunted growth, vitamin A deficiency, iodine deficiency and finally mental impairment. What will then obtain is that by 2025, India's adult population will suffer from serious health limitations, face high medical expenses on one hand and, faced with a large school drop out population, will have its projected economic productivity impinged upon on the other.

The expenditure on implementing the food bill should thus be looked upon as an investment





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for better economic productivity to ensure India's growth. Obviously, such a process perhaps will also remove the vulgar differences between the privileged rich and the deprived poor as witnessed these days.

In January 2013, the National Human Rights Commission (NHRC) organized a one-day meet to discuss the Right to Food. The NHRC has played a significant role as an advisory body in improving access to food for the poor in such ill-famed districts as Kalahandi, Koraput and Bolangir in Odisha. The NHRC chairperson, Justice K. G. Balakrishnan has pointed out that while India has a high level of foodgrain production, procurement, stocking and the distribution system continue to suffer from bad management.

Mr Sudhir Kumar, secretary, Department of Food and Public Distribution, government of India has admitted that "there is a record procurement of food grains, which is sufficient to take care of situation arising out of two bad monsoons." He said that leakages in targeted public distribution systems are a point of concern for "which the government is taking measures."

Some important suggestions that emerged at the conference, (NHRC, New Delhi, January 2013), are:

- Full nutritional security commitment in the National Food Security Bill has to be incorporated immediately
- Food will not be available unless adequate quantities are produced, properly stored and efficiently distributed

- Food availability cannot be restricted only to cereals; it must include pulses, oils, vegetables, fruits and animal-based proteins
- Food security entails making available adequate nutritional food that is locally acceptable. For this, the availability of safe drinking water is essential. All of this must be accessible and affordable
- Balanced diet should be provided in ICDS centres and midday meal schemes.

The experience so far with the targeted public distribution system shows that very large numbers of those who are hungry, poor or malnourished, who need its support, are excluded. "The government must keep this essential need under review, to eventually bring under its coverage all those in need." (<http://nhrc.nic.in/dispatch.asp?fno=12754>)

In January 2013, it was reported that "the government agencies have procured 177,18,657 lakh tonnes of rice during the on going kharif marketing season (KMS), 2012-13. As per the latest data provided by Ministry of Consumer Affairs, Food and Public Distribution, rice procured till January 4, 2013, during current KMS, is 21,27,62 tonnes more than the rice procured during the corresponding period last year. The highest procurement has been made in Punjab (85,56,984 tonnes) followed by Haryana (25,83,216 tonnes), Chhattisgarh (23,41,456 tonnes), Andhra Pradesh (17,18,052 tonnes),



## The unanswered question is why is the government delaying introducing the bill. Is it waiting for the 2014 general election as the opportune moment?

while Odisha (9,55,763 tonnes) and Madhya Pradesh (4,55,659 tonnes) also had significant procurements. (<http://www.ruralmarketing.org/a-record-procurement-of-177-lakh-tonnes-of-rice/>). It was noted that while nearly 62 million tonnes of foodgrain will be required annually, the government's food stock (as on January 1, 2013) is about 66 million tonnes.

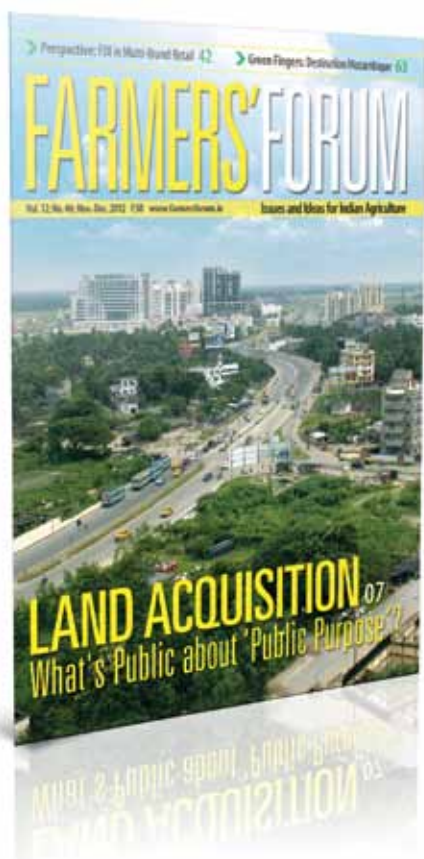
One fails to understand then why the bill has not been placed and debated in right earnest in parliament. A former NAC member, Harsh Mander, says in his recent book "Ash in the Belly: India's Unfinished Battle Against Hunger" (Penguin Books, December 2012), that: "When loss of life begins and when there are large food shortages, the media makes a noise and reports it. But somehow endemic hunger, ongoing hunger...does not capture the attention of the media. They're generally exiled more and more from mainstream media reporting. Also, how they report it; the dignity of people who live with

hunger and destitution, to see them as human beings, to see them as worthy individuals in their own right. There is, he says, a certain degree of 'normalization of hunger', where it is not considered worthy of reporting or attention." The author refers to the paradox in India: countries without the kind of capacities that India has "have actually done better than India in terms of reversing malnutrition and battling hunger." (Shah Shalini, 2013; The Hindu, January 24).

On January 11, 2013, the Standing Committee of Parliament on Food, Consumer Affairs and Public Distribution adopted the bill. As of now, the draft bill is ready to go to parliament. According to reports, the committee, headed by veteran Congress member of parliament, V. Muttamwar, passed it without any major amendments to it.

The unanswered question is why is the government delaying introducing the bill. Is it waiting for the 2014 general election as the opportune moment? ●

The author, former director general of the Zoological Survey of India, who currently heads Endev, West Bengal, is an acknowledged expert on biodiversity and environment



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# Kinnow Farmer Survives; but wary of imports

**Ajay Vir Jakhar**

**I**t is the coldest winter in many years as I drive from my village to Ghumankalan, a village in Tehsil Maur Mandi of Bhatinda district. I can barely see the edges of the road due to intense fog, which has actually blanketed the terrain after 7 am. It was relatively clear at 6 am but now there is zero visibility. I reach Ghumankalan at around 8 am and find Sukhpal on the field, like all farmers. There he will remain till sunset. It is a tough life and, contrary to what one may have heard, there is nothing glamorous about being a farmer if one has no other source of income.

Sukhpal Singh Bhullar is a prosperous farmer with many distinctions. The first, to my mind, is that he lives in a joint family with his parents, brothers and their families. He has, besides, received over 75 awards in various crop competitions since he began farming two decades ago. Amongst them are the Union Ministry of Agriculture's "Krishi Shiromani" award in 2002, and the "Chief Minister's Award" by the Punjab

Agriculture University (PAU).

Sukhpal's 19 year-old son studies in Canada and the father is confident that he will return to India and, hopefully, continue farming. The joint family owns 63 acres of land on which it has 58 acres of citrus – kinnow, that is actually a mandarin. It is at this time of the year when to hold a kinnow in one's hands is like holding on to a slice of sunshine.

Sukhpal has travelled overseas under various schemes of the Punjab government. He has visited the CIS countries to study marketing of fruits and vegetables. On Pepsico's invitation, he also visited USA to see citrus orchards. On his return to India, Sukhpal did not plant citrus unlike many other farmers, who were asked to switch over by the company. He first wanted a guarantee of compensation from Pepsico, should he ever be forced to uproot the trees because they were found unsuitable for Indian conditions. The company refused to give such a guarantee and Sukhpal desisted, unlike many farmers like me, who planted trees at Pepsico's behest and actually had to uproot them.

More than 90 percent of the kinnow trees from the Pepsico stable have been uprooted. When the

government of Punjab and Pepsico tried to introduce a new variety of trees without research and tried to replicate success from elsewhere – in this case, the USA – they blundered big time. Farmers had to suffer, which brings us to the basic issue around agriculture research and development. It takes 10 to 15 years of research to affect a new, commercially viable intervention. That is exactly why there is urgent need to invest in R&D now to be able to benefit the generations to come.

Sukhdev reminds me that I am tending to one of the oldest kinnow orchards in the country planted by my grandfather. Since then no new varieties of citrus have been successfully introduced on a commercial scale. What hurts more is that the orchard was planted in the 1960s. The system has failed the farmers. With another produce though, technical advisory services and tomato buyback by Pepsi had helped increase the yield of tomatoes from 150 quintals per acre to 300 quintals per acre.

Sukhpal is a man of many ideas. He likes to tinker with machinery and has fabricated his own

for training on use of soluble fertilizers. Nor is there any subsidy on soluble fertilizers. Fertilizer consumption would drop by 30 percent if one were to replace solid fertilizers with soluble fertilizers through drip irrigation.

There is also a problem with ground water quality, which is not very good to begin with and is becoming worse over time. Sukhdev hopes there will be a cheap filtration plant that could desalinate ground water for cultivation.

As all farmers across the world, Sukhpal has demands aplenty and, indeed, his list of genuine woes deserves attention. Electricity for farming is a major issue in Punjab. Sukhpal hopes that policy would ensure free, round-the-clock electricity for drip irrigation. It makes more sense than free electricity for flood irrigation. The government is subsidizing solar pumps for running a 2 HP motor, which is not enough to create adequate pressure for drip irrigation. Therefore, the solar panel subsidy should be available for running 5 HP motors. This is a practical suggestion for impractical minds making policies.

## The commerce ministry signed agreements with Pakistan to allow its subsidized kinnow to flood Indian markets, which would have depressed prices

spray-pump and kinnow grading-waxing plant. He also sells such plants to other farmers. Very seriously he tells me that girls do not want to marry farmers because making rotis in the kitchen is a very difficult task and, therefore, he is working on a cheap roti-maker so that the lives of rural housewives become easy.

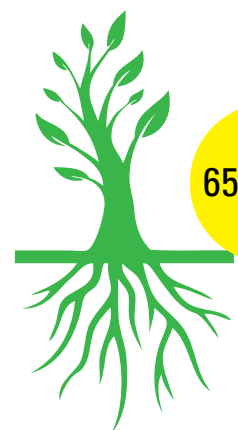
Sukhpal tells me that in the early 1990s, some scientists of the PAU suggested that drip irrigation was bad for citrus orchards and insisted that an old, existing orchard brought up on flood irrigation could not be shifted to drip irrigation. Sukhpal proved them all wrong when he first installed drip system from Jain Irrigation in 1996 on his orchard planted in 1989. Now his whole orchard is on drip irrigation and he does not flood irrigate anymore.

Drip irrigation has reduced his water consumption by 50 percent while the quality of fruit has improved. Normally, it is believed that the yearly kinnow yield alternates between good and bad. With drip irrigation, Sukhpal has managed to break the cycle of alternate yields. He complains that there is no help from any quarter

There is also a very big shortage of staff at the extension service centres. The National Horticulture Mission and Punjab government have various schemes for farmers but the information about these schemes is not available to most of the target audience. The staff is usually busy in offices completing subsidy files. Kinnow has anti-cancer properties of Limonene. If the National Horticulture Board promoted kinnow as being beneficial for health, the demand for kinnow would increase.

He wonders aloud as to why subsidy differs on the same item in different states when every other condition is similar. Subsidy is more in adjoining states. Subsidy is available for buying crates for harvesting kinnows but is not as per requirement of the farmer. Sukhdev has an informed opinion on several projects.

The National Horticulture Mission subsidy for community water tanks is very good. The idea of interstate visits by farmers is good as well and must be encouraged. Sale of saplings by unregistered nurseries must be stopped and more emphasis and support is required for rejuvenation of old orchards.







After walking through Sukhdev's beautiful orchard for an hour, it is time for tea with the family. I ask for tea without sugar. His father, Sardar Devinder Singh, inquires if I have high blood sugar. I say 'no' but he seems unconvinced. We are served home-made atta biscuits that are delicious.

Conversation veers around the state of agriculture and my hosts say that agriculture should be taught in schools, as a subject, till class 10. Today, a graduate farmer cannot even understand a soil test report. I agree because, initially, even I could not understand the soil test report. Shopkeepers normally recommend higher doses of pesticide than recommended by the private companies to increase sale. Sukhdev thinks that those selling pesticide and chemicals to farmers should be professionally qualified with an MSc. or BSc. in agriculture as mandated for employees of pharmaceutical shops.

There is no market intelligence on kinnow harvest, sale and demand from various centres across

India. Therefore, the price fluctuates tremendously. Pakistan exports kinnow to more than 100 countries while India exports in such small quantities that it does not even amount to one percent of the total kinnow produced. He rues that instead of promoting kinnow, the commerce ministry signed agreements with Pakistan to allow its subsidized kinnow to flood Indian markets. They would have depressed prices had not tensions with Pakistan stopped the trade.

Another serious problem is transportation and increasing cost of diesel. Truck unions, despite the Supreme Court ban, operate in Punjab and the transportation charge in the state is Re 1 per kg more than in adjoining states. This amounts to around 10 percent of the selling price, which, in turn, translates into farmers being illegally taxed.

Sukhpal's other observation is about reduction in use of pesticides by farmers growing Bt cotton that has reduced air pollution. There is also the question of fencing of orchards in Hoshiarpur, which is vulnerable to the wild boar menace. Besides, there is the waste of MNREGA money with many sarpanches siphoning off as much as 50 percent of the funds by giving 50 percent to the beneficiary without having him execute any work. Such wastage must be stopped.

Just as we are about to leave, the discussion turns to the fast declining socio-economic condition of Punjab. Expenditure on wedding and social functions has increased considerably and there is, besides, a virtual epidemic of drug and liquor addiction in the state. Sukhpal's father believes that if Punjab police could bring terrorism to an end, it surely can, provided there is the political will, end this menace.

Commenting on the editorial of the last issue of Farmers' Forum where we asked if there were chief ministers in India who actually farm, he pointed out that the chief minister of Punjab, Sardar Prakash Singh Badal, is, indeed, a genuine farmer. ●

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