

BA Part 2

Economics (Hons)

Topic: Agriculture in India

Introduction

Agriculture is the primary source of livelihood for about 58% of India's population. Gross Value Added (GVA) by agriculture, forestry and fishing was estimated at Rs. 19.48 lakh crore (US\$ 276.37 billion) in FY20 (PE). Growth in GVA in agriculture and allied sectors stood at 4% in FY20. The agriculture, forestry and fishing gross value added (GVA) growth is likely to be 3% in the second quarter of FY21.

The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year due to its immense potential for value addition, particularly within the food processing industry. Indian food and grocery market is the world's sixth largest, with retail contributing 70% of the sales. The Indian food processing industry accounts for 32% of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth.

Essential agricultural commodities export for the April-September period of 2020 increased by 43% to Rs. 53,626 crore (US\$ 7.3 billion) over Rs. 37,397 crore (US\$ 5.1 billion) in the same period last year.

Market Size

During 2019-20* crop year, food grain production was estimated to reach a record 295.67 million tonnes (MT). In 2020-21, Government of India is targeting food grain production of 298 MT.

Production of horticulture crops in India was estimated at a record 320.48 million metric tonnes (MMT) in FY20 as per second advance estimates. India has the largest livestock population of

around 535.78 million, which translates to around 31% of the world population. Milk production in the country is expected to increase to 208 MT in FY21 from 198 MT in FY20, registering a growth of 10% y-o-y.

Sugar production in India reached 26.46 MT between October 2019 and May 2020 sugar season according to Indian Sugar Mills Association (ISMA).

India is among the 15 leading exporters of agricultural products in the world. Agricultural export from India reached US\$ 38.54 billion in FY19 and US\$ 35.09 billion in FY20. The total agricultural export was US\$ 10.40 billion between April and October 2020.

The organic food segment in India is expected to grow at a CAGR of 10% during 2015- 25 and is estimated to reach Rs. 75,000 crore (US\$ 10.73 billion) by 2025 from Rs. 2,700 crore (US\$ 386.32 million) in 2015.

Investments

According to the Department for Promotion of Industry and Internal Trade (DPIIT), the Indian food processing industry has cumulatively attracted Foreign Direct Investment (FDI) equity inflow of about US\$ 10.20 billion between April 2000 and September 2020.

Some major investments and developments in agriculture are as follows:

In March 2020, Fertiliser Corporation of India (FCI), the oldest large -scale fertiliser manufacturer in the country, crossed one million production and sales mark.

Nestle India will invest Rs. 700 crore (US\$ 100.16 million) in construction of its ninth factory in Gujarat.

In November 2019, Haldiram entered into an agreement for Amazon's global selling program to E-tail its delicacies in the United States.

In November 2019, Coca-Cola launched 'Rani Float' fruit juices to step out of its trademark fizzy drinks.

Two diagnostic kits developed by Indian Council of Agricultural Research (ICAR) - Indian Veterinary Research Institute (IVRI) and the Japanese Encephalitis IgM ELISA were launched in October 2019.

Investment worth Rs. 8,500 crore (US\$ 1.19 billion) have been announced in India for ethanol production.

Government Initiatives

Some of the recent major Government initiatives in the sector are as follows:

In November 2020, the government inaugurated a mega food park in Punjab worth Rs. 107.83 crore (US\$ 14.6 million) that will be spread across over 55 acres of land.

In October 2020, the Tribal Cooperative Marketing Development Federation of India (TRIFED) included 100 new Forest Fresh Organic Products sourced from tribes across India on its e-marketplace (tribesindia.com).

In October 2020, Agri-lender Nabard (National Bank for Agriculture and Rural Development) proposed plans to set up a subsidiary to provide guarantee for loans under agriculture and rural development.

In October 2020, the government announced that it is putting up a common data infrastructure for farmers in the country. PMFBY (Pradhan Mantri Fasal Bima Yojana), PM-Kisan and the Soil Health Card will be integrated through a common database, along with land record details.

In September 2020, the government launched the PM Matsya Sampada Yojana, e-Gopala App and several initiatives in fisheries production, dairy, animal husbandry and agriculture. Under this scheme, an investment of Rs. 20,000 crore (US\$ 2.7 billion) will be made in the next 4-5 years in 21 states.

In May 2020, Government announced the launch of animal husbandry infrastructure development fund of Rs. 15,000 crore (US\$ 2.13 billion).

In September 2019, Prime Minister, Mr Narendra Modi launched National Animal Disease Control Programme (NADCP), expected to eradicate foot and mouth disease (FMD) and brucellosis in livestock. In May 2020, Rs. 13,343 crore (US\$ 1.89 billion) was allocated to the scheme.

The Government of India came out with Transport and Marketing Assistance (TMA) scheme to provide financial assistance for transport and marketing of agriculture products in order to boost agriculture exports.

The Agriculture Export Policy, 2018 was approved by the Government of India in December 2018. The new policy aimed to increase India's agricultural export to US\$ 60 billion by 2022 and US\$ 100 billion in the next few years with a stable trade policy regime.

The Government of India is going to provide Rs. 2,000 crore (US\$ 306.29 million) for computerization of Primary Agricultural Credit Society (PACS) to ensure cooperatives are benefitted through digital technology.

The Government of India launched the Pradhan Mantri Krishi Sinchai Yojana (PMKSY) with an investment of Rs. 50,000 crore (US\$ 7.7 billion) aimed at development of irrigation sources for providing a permanent solution from drought.

Government plans to triple the capacity of food processing sector in India from the current 10% of agriculture produce and has also committed Rs. 6,000 crore (US\$ 936.38 billion) as investments for mega food parks in the country, as a part of the Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters (SAMPADA).

The Government of India has allowed 100% FDI in marketing of food products and in food product E-commerce under the automatic route.

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