# DEPARTMENT OF COMMERCE

## PATTAMUNDAI COLLEGE

Pattamundai, Kendrapara, Odisha

Organises Seminar On

# "Crisis Of Agrobased Industries In Current Scenario"

***Resource Person of the Seminar:-***

**Dr Girish Patra**

**Ex- Reader in Commerce,**

**Kendrapara Autonomous College,**

**Kendrapara.**

## On 07.12.2017

# ***REPORT***

An extramural seminar was organised by Department of Commerce, Pattamundai College, Pattamundai on dated 07the December 2017on the topic of " CRISIS OF AGROBASED INDUSTRIES IN CURRENT SCENARIO ". The Resource person of the seminar was Dr.Girish kumar Patra, Reader & H.O.D of Commerce, Kendrapara (auto) College, kendrapara. Prof.Ramesh Chandra Sahoo, Principal of this college chaired the meeting. Prof. Sanjib kumar Dash , Head of the Department gave a key note address of the topic and welcomed the guest on the dice and the participants. Most of the students of +3 Commerce Honours and all the faculty members were present in the seminar. The meeting was ended with vote of thanks by Prof.S.P.Choudhury .

# ***INTRODUCTION:-***

Agriculture is the foremost source of livelihood for about 60% of India's population. Gross Value Added by agriculture, forestry and fishing is estimated at Rs 17.67 trillion (US$ 274.23 billion) in FY18.

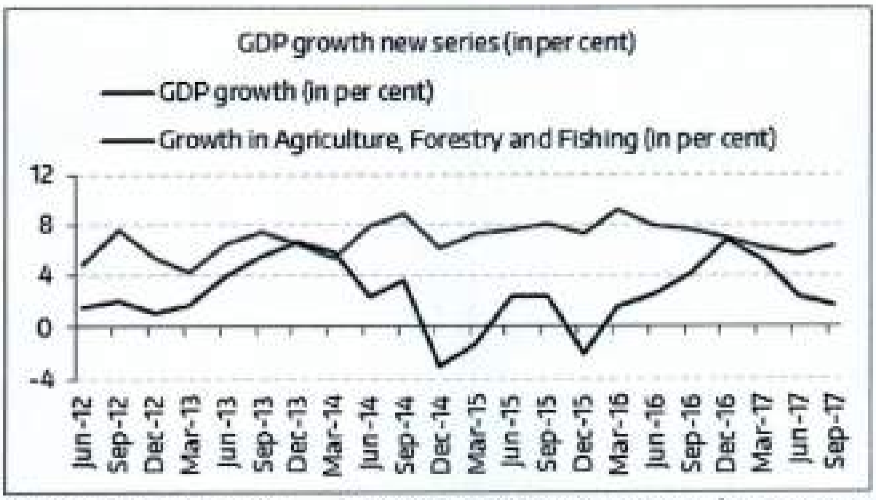
The Indian food industry is expected for huge growth, increasing its contribution to world food trade every year due to its immense potential for value addition, particularly within the food processing industry. The Indian food and grocery market is the world's sixth largest, with retail contributing 70 per cent of the sales. The Indian food processing industry accounts for 34% of the country's total food market, which is one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth.

Agricultural prices, marketing and international trade are important spheres of agricultural policy for the state and Central governments. These factors, to a large extent, determine the prices at which farmers sell their produce and at which consumers buy food for consumption and manufacturers buy inputs for manufacturing their products. Hence, Government policy and operational mechanisms have evolved over time to fix remunerative prices to farmers for major agricultural crops, regulate markets and determine the orientation of foreign trade policy. 5.2 The agricultural price policy initially focused on providing food at affordable prices to consumers. It was only with the Agricultural Price Commission (1965), set up to advise the Government on a regular basis to evolve an integrated price structure, that maintaining the balance between farm price and consumer price became a main objective. The later modifications in 1980 and 1986 shifted the focus of agricultural price policy i) from maximizing agricultural production to evolving a production pattern supportive of general economic development needs; and ii) to making the farm sector more vibrant, productive and costeffective. The current instruments of agricultural price policy include minimum support prices, market interventions, buffer stock operations, distribution of foodgrains through public distribution systems, the encouragement of producers' cooperatives, regulation of agricultural trade and creation of agricultural marketing infrastructure. 5.3 Agricultural marketing in India faces many challenges. These include lack of reforms in the State Agricultural Produce Market Committees (APMC) Acts, absence of private sector competition, lack of proper grading and packaging at the farm level, non-issue of sales receipts and invoices, post-harvest losses, etc. Against this backdrop, the Government has initiated many reforms, including the creation of an e-trading platform for a national agriculture market. Similarly, with the increasing share of agricultural commodities in overall exports/imports, trade policy has been amended from time to time in response to domestic availability and the price situation. Agricultural Prices 5.4 The movement in food and agricultural commodity prices is an outcome of the complex interplay of demand and supply forces conditioned by domestic and international policies and market situations. While short-run supply shocks are often held responsible for the price rise, equally responsible are long-run demand and growth, and relatively inelastic food supply conditions owing to low investment. Increasing climatic variations, as evident from the recent episodes of uneven and untimely rainfall in certain parts of the country, further accentuate the pressure on food prices. 5.5 The changes in food prices in India at the wholesale and retail level are captured in the movement of the Wholesale Price Index (WPI) and Consumer Price Index (CPI). In the WPI (Base: 2004-05), food inflation is broadly classified into food articles and food products, with a combined share of 24.31 per cent. The CPI, on the other hand, measures changes in the retail prices of food items over time. As per the new series of CPI (Base: 2012) released by the Central Statistics Office (CSO), the "food and beverages" category has 54.18 per cent, 36.29 per cent and 45.86 per cent weight in the rural CPI, urban CPI and the CPI (combined), respectively. With the decision of the Reserve Bank of India to anchor its monetary policy stance on the headline CPI (combined) inflation rate from April 2014 onwards, food inflation, which has a weightage of 46 per cent in the index, plays a crucial role in shaping the overall growth prospects of the economy. Agricultural Prices, Marketing and International Trade Chapter-5 143 144 State of Indian Agriculture 2015-16 5.6 As shown in Figure 5.1, the rate of food inflation as measured by the WPI and CPI moderated since July 2014, after staying high persistently during the past two years. While the wholesale inflation rate for all commodities stood at 2 per cent during 2014-15, prices of food articles and food products rose by 6.1 per cent and 2.4 per cent, respectively, aggregating to an overall food inflation rate of 4.9 per cent. The retail prices of food items under the new series of CPI also witnessed a downward trend in the second half of 2014-15. This moderation in inflation was mainly on account of low international commodity and oil prices, subdued demand, supply-side interventions by the Government to tame inflationary tendencies and a proactive monetary policy by the Reserve Bank to anchor inflationary expectations. During 2015-16 (Apr-Dec), while overall inflation (WPI) remained negative, the rate of food inflation witnessed a sharp increase since August 2015, mainly due to an unprecedented rise in the prices of pulses. During the period, as against an average rate of 2 per cent food inflation, the prices of pulses rose by about 40 per cent. Similarly, the retail prices of pulses, as measured by the CPI (combined), increased by around 30 per cent during 2015-16 (Apr-Dec), as compared to an average increase of 5 per cent in the overall food and beverages group. The significant increase in inflation in the case of pulses was attributed mainly to a shortfall in production owing to adverse climatic conditions and partly due to the statistical base effect.

The slow growth of agriculture remains a weak link in the overall Indian economy. Let's take a look at Figure 1. Figure 1 uses the new gross domestic product (GDP) series, which was launched in January 2015, to plot the GDP growth and the growth of agriculture, forestry and fishing, within that, over the last few years.

What does Figure 1 tell us? It tells us very clearly that the overall GDP growth is much faster than the growth in agriculture on the whole. There are exceptions to this rule. In the period of three months ending December 2013 and March 2014, growth in agriculture was a little faster than the overall GDP growth.

**Figure 1:**




www.equitymaster.com Source: Centre for Monitoring Indian Economy

The trouble is that the new GDP series has data starting from only June 2011. Given this, we have growth rates from June 2012 onwards. In order to look at periods before June 2012, we need to use the old GDP series. On the Centre for Monitoring Indian Economy website, I could find data from December 1999 onwards.

I have plotted that data in Figure 2. Figure 2 plots the overall GDP growth along with the growth in agriculture, forestry and fishing.

**Figure 2:**

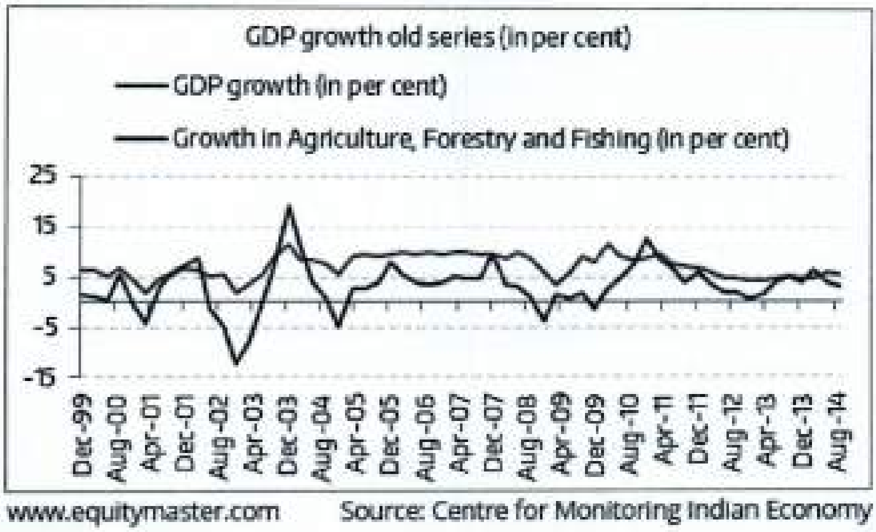



Figure 2 like Figure 1 clearly tells us that even as per the old GDP series, the GDP growth as a whole was much faster than the growth in agriculture, forestry and fishing. Of course, there were occasions (though not many) where the overall GDP growth was slower than growth in agriculture.

The result of this slower growth has been the size of agriculture as a part of the overall economy has been shrinking over the years. This becomes clear from Figures 3 and 4. Figure 3 uses the new GDP series data.

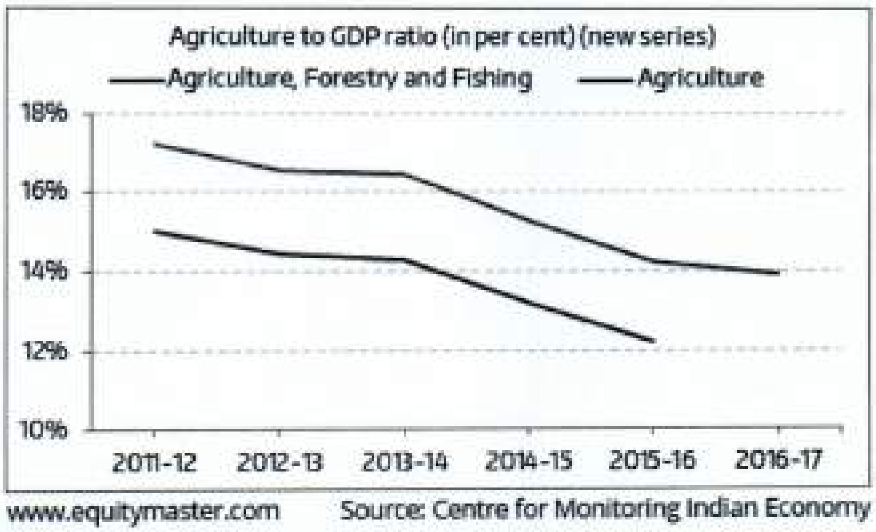
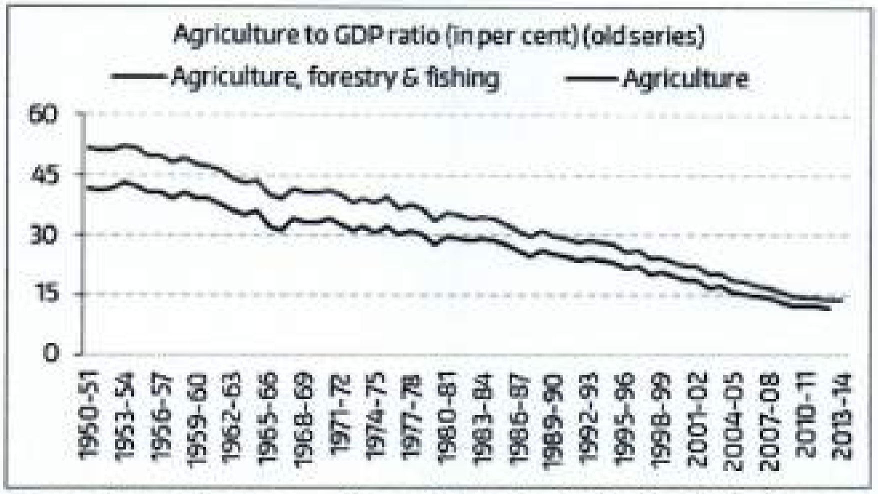



**Figure 3:**

**Figure 4:**



www.equitymaster.com Source: Centre for Monitoring Indian Economy

What Figures 3 and 4 tell us very clearly is that the size of agriculture as a part of the overall economy (measured by the GDP) has shrunk rapidly over the years. This has happened because the overall GDP (i.e.the non-agriculture part of the economy) has grown at a faster rate.

As can be seen from Figure 4, in 1950-1951, agriculture formed more than 40 per cent of the economy. By now it is down to 12 per cent. This has happened as the average land holding on which farming is carried out has fallen over the years, as land has been divided across generations. The average size of the land farmed by the Indian farmer has fallen over the decades and in 2010-2011, the last time the agriculture census was carried out, stood at 1.16 hectares. In 1970-1971 it had stood at 2.82 hectares. This fall in farm size has made farming in many parts of the country, an unviable activity, leading to the size of agriculture as a part of the economy becoming smaller and smaller.

The trouble is that agriculture still employs a large portion of the workforce. While, it's contribution to the overall economy has come down, a large number of people continue to remain dependent on income from agriculture. Take a look at Table 1.

**Table 1:**

| Year | Agriculture's share in the rural economic output (in per cent) | Year | Share in rural employment (in per cent) |
|---|---|---|---|
| 1970-1971 | 72.4 | 1972-1973 | 85.5 |
| 1980-1981 | 64.4 | 1983 | 83.6 |
| 1993-1994 | 57.0 | 1993-1994 | 78.4 |
| 1999-2000 | 51.4 | 1999-2000 | 76.3 |
| 2004-2005 | 38.9 | 2004-2005 | 72.6 |
| 2011-2012 | 39.2 | 2011-2012 | 64.1 |

*Source: Changing Structure of Rural Economy of India Implications for Employment and Growth, Ramesh Chand, S. K Srivastava and Jaspal Singh, Discussion Paper, NITI Aayog, December 2017.*

As can be seen from Table 1, the share of agriculture in the rural economy has fallen from 72.4 per cent to 39.2 per cent, over the four-decade period between 1970-1971 and 2011-2012. During the same period, the proportion of people dependent on agriculture as a mode of employment, hasn't come down at the same rate.

In 1972-1973, the share of agriculture in rural employment was 85.5 per cent. This came down to 64.1 per cent in 2011-2012. So, 64.1 per cent of the rural workforce produced 39.2 per cent of the rural economic output in 2011-2012. Hence, agriculture has many more people dependent on it, than is economically feasible.

It is clear from Table 1 that between 2004-2005 and 2011-2012, the proportion of people dependent on agriculture as employment has come down. This is a trend that would have continued. Even with that many more people continue to be dependent on agriculture than is economically feasible.

Also, given their lack of technical skills, it remains difficult for people trying to move out of agriculture to find other jobs. Or find jobs that pay better.

**Table 2: Education level (general and technical) of usually employed rural workers of age 15-59 years**

(per cent)

| Percent of rural workers | Male | Female | Persons |
|---|---|---|---|

| | 2004-05 | 2011-12 | 2004-05 | 2011-12 | 2004-05 | 2011-12 |
|---|---|---|---|---|---|---|
| Secondary Education and above | 19.7 | 27.1 | 6.8 | 11.8 | 14.9 | 22.3 |
| With technical education | 1.7 | 1.6 | 0.7 | 0.7 | 1.3 | 1.3 |
| With vocational training | 14.2 | 15.4 | 13.0 | 12.7 | 13.8 | 14.6 |

*Source: Authors estimation based on unit-level NSS data on employment and unemployment survey.*
*Source: Changing Structure of Rural Economy of India Implications for Employment and Growth, Ramesh Chand, S. K Srivastava and Jaspal Singh, Discussion Paper, NITI Aayog, December 2017.*

Table 2 tells us that the education and technical skills of rural India are fairly limited. Given this, their ability to find a job outside agriculture remains limited. Also, the secondary education which more than a quarter of men had had in 2011-2012, cannot be taken very seriously. Madhav Chavan, of the Pratham Education Foundation, estimates that in the period of the ten years up to 2015, 10 crore children completed primary school without the ability to do some basic reading and mathematics.

If people are to be moved out of agriculture, first and foremost the quality of education being imparted in rural India needs to improve. The focus, at least in the initial years, needs to be on teaching basic skills of reading, writing and the ability to do basic maths, rather than complete the syllabus, as is the case currently. Also, the current system of no exams till class VIII needs to change. Further, skill development in order to make individuals employable, needs to be encouraged further and happen at a much larger scale than it currently is.

There are a whole host of issues that are holding Indian education back. These need to be tackled with obvious as well as out of the box solutions. And for this to happen, the ministry of human resource development needs to be a high-profile ministry, in fact the most important ministry in the government, which it currently isn't, nor was it earlier.

## CONCLUSION

The current crisis in agriculture is a serious one. The precarious situation is basically a result of neglect of the agrarian economy by successive governments. The roots of the crisis, however, are in the broader political economy paradigm that India has followed since the early 1990s. It has resulted in an increased frequency of such extreme episodes, and has also seen the intensity increase over the years. Unfortunately, the solutions being offered are not only inadequate to prevent the recurrence of such crises, but may in the long run actually aggravate the problems.

If there is one message from the analysis here, it is that the genesis of the current crisis lies in the faulty and ad-hoc export–import policy, lack of infrastructure, low investment, and cartelisation and collusion in agricultural markets, which have prevented farmers from realising market prices for their produce. It is the combination of these factors along with the twin droughts of 2014 and 2015 which created the current crisis in the first place.

It is also true that the situation worsened due to the sudden shocks of demonetisation and the hasty implementation of GST, which affected the rural economy adversely. Cash transfers are not a solution to any of these developments and are definitely no guarantee of protection against unforeseen events, whether natural or policy-induced. They are certainly not a substitute for the structural reforms needed in agriculture. The current crisis may have worsened due to the sharp fall in agricultural crop prices but it is ultimately a result of multiple failures of policy. Further, it is a crisis which is as much agricultural as it is caused by the failure of the non-farm sector in creating enough jobs as is evident from the deceleration in real wages in rural areas.

# EXTRAMURAL SEMINAR
# ON
## "CRISIS ON AGRO INDUSTRIES IN CURRENT SCENARIO"
## ORGANISED BY
## DEPARTMENT OF COMMERCE
## DATED- 07-12-2017

**Resource Person- Dr. G K Patra**


# ATTENDANCE SHEET

| sl no | Name of the Student | Roll No. | Signature |
|---|---|---|---|
| 1 | Srikrushna nandi | BC-16-004 | Srikrushna Nandi |
| 2 | Debasis panda | BC-16-092 | Debasis Panda |
| 3 | Anshuman Behera | BC-16-078 | Anshuman Behera |
| 4 | Goutam parida | BC-16-133 | Goutam parida |
| 5 | Abinash kumar Sahoo | BC-16-005 | Abinash kumar sahoo |
| 6 | Avijit Parida | BC-16-140 | AviJit parida |
| 7 | Abinash Swain | BC-16-019 | Abinash Swain |
| 8 | Sri krishna rout | BC-16-160 | Sri krishna Rout |
| 9 | Ankus kumar Das | BC-16-027 | Ankus kumar Das |
| 10 | Akash kumar Rout | BC-16-115 | Akash kumar Rout |
| 11 | Ananta kumar sahoo | BC-16-125 | Ananta kumar sahoo |
| 12 | Binay Pradhan | BC-16-085 | Binay Pradhan |
| 13 | Jatin Maharana | BC-16-026 | Jatin maharana |
| 14 | Ashis kumar choudhury | BC 16- 107 | Ashis kumar choudhury |
| 15 | subrat Mahapatra | BC-16-121 | subrat mahapatra |
| 16 | Kiran kumar Rout. | BC-16-101 | Kiran kumar Rout |
| 17 | Rasmi ranjan sahoo | BC-16-034 | Rasmi ranjan sahoo |
| 18 | Mukesh kumar Sahoo | BC-16-088 | mukesh kumar sahoo |
| 19 | Rudra Madhab swain | BC-16-143 | Rudra Madhab swain |
| 20 | Arijit swain | BC-16-079 | Arijit Swain |
| 21 | Manas kumar swain | BC-16-144 | manas kumar swain |
| 22 | Chinmay Jena | BC-16-139 | chinmay Jena |
| 23 | Malaya kumar Malik | BC-16-058 | malaya kumar malick |

# ATTENDANCE SHEET

| sl no | Name of the Student | Roll No. | Signature |
|---|---|---|---|
| 24 | Tapan kumar Mallik | BC-16-069 | Tapan kumar malik |
| 25 | Satyajit Biswal | BC-16-124 | Satyajit Biswal |
| 26 | Gyanaranjan Parida | BC-16-47 | Gyanaranjan parida |
| 27 | Deepak kumar sahoo | BC-16-159 | Deepak kumar Sahoo |
| 28 | Paresh kumar Dash | BC-16-080 | Paresh ku. dash |
| 29 | kalpana sahoo | BC-16-040 | kalpana sahoo |
| 30 | Annapurna Bhadra | BC-16-036 | Anapurna Bhadra |
| 31 | Barsharani Nayak | BC-16-110 | Barsharani nayak |
| 32 | Jonalisha Pradhan | BC-16-142 | Pragyaparamita malick |
| 33 | Pragyan Paramita Malik | BC-16-042 | Pragya paramita malik |
| 34 | Alima Barik | BC-16-055 | Alima Barik |
| 35 | sushree sumitra mohapatra | BC-16-067 | Sushree sumitra mohapatra |
| 36 | sasmita kar | BC-16-006 | Sasmita kar |
| 37 | Samuna Ram | BC-16-127 | Samuna Ram |
| 38 | Subhasree Nayak | BC-16-087 | Subhasree Nayak |
| 39 | Jyotsna Das | BC-16-060 | Jyotsna Das |
| 40 | sasmita Patra | BC-16-054 | Sasmita Patra |
| 41 | Niharika Das | BC-16-096 | Niharika Das |
| 42 | Itishree sahoo | BC-16-032 | Itishree Sahoo |
| 43 | manisha nayak | BC-16-157 | Manisha Nayak |
| 44 | sradhanjali Dash | BC-16-064 | Sradhanjali Dash |
| 45 | Mirnal Sahoo | BC-16-041 | mirnal sahoo |
| 46 | Pritimanjari Tarai | BC-16-063 | Pritimanjari tarai |