33

STANDING COMMITTEE ON AGRICULTURE

(2007-08)

FOURTEENTH LOK SABHA

MINISTRY OF AGRICULTURE
(DEPARTMENT OF AGRICULTURE AND COOPERATION)

DEMANDS FOR GRANTS (2007-2008)

{Action Taken by the Government on the Recommendations/ Observations contained in the Twenty Seventh Report of the Standing Committee on Agriculture (2006-2007)}

THIRTY THIRD REPORT

LOK SABHA SECRETARIAT

NEW DELHI

NOVEMBER, 2007/AGRAHAYANA, 1928 (Saka)

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Presented to Lok Sabha on 30.11.2007

Laid in Rajya Sabha on 30.11.2007

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Prof. Ram Gopal Yadav – Chairman

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3. Shri Anil Basu
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3.	Shri Raj Kumar	-	Deputy Secretary
4.	Shri N.S.Hooda	-	Deputy Secretary
5.	Ms. Amita Walia	-	Under Secretary

INTRODUCTION

I, the Chairman, Standing Committee on Agriculture, [2007-2008] having been authorized by the Committee to submit the Report on their behalf, present this Thirty Third Report on Action Taken by the Government on the Recommendations/Observations contained in the Twenty Seventh Report of the Standing Committee on Agriculture (2006-2007) (Fourteenth Lok Sabha) on Demands for Grants of the Ministry of Agriculture (Department of Agriculture and Co-operation) for the year 2007-2008.

2. The Twenty Seventh Report of the Standing Committee on Agriculture (2006-2007) on Demands for Grants (2007-2008) of the Ministry of Agriculture (Department of Agriculture& Co-operation) was presented to Lok Sabha on 27.04.2007 and laid in Rajya Sabha on the same day. The Ministry of Agriculture (Department of Agriculture& Co-operation) was requested to furnish action taken replies of the Government to the recommendations contained in the Twenty Seventh Report. The replies of the Government to all the recommendations contained in the Report were received.

3. The Committee considered the action taken replies furnished by the Government at their sitting held on 27.11.2007, approved the draft comments and adopted the Thirty Third Report. Minutes of the sitting are placed at Appendix I.

4. An analysis of the Action Taken by the Government on the recommendations/observations contained in the Twenty Seventh Report (14th Lok Sabha) of the Committee is given in Appendix-II.

NEW DELHI;
27 November, 2007
6 Agrahayana, 1929(Saka)

PROF. RAM GOPAL YADAV
Chairman,
Standing Committee on Agriculture.

CHAPTER I

REPORT

This Report of the Committee on Agriculture deals with the action taken by the Government on the recommendations contained in the Twenty-Seventh Report (Fourteenth Lok Sabha) of the Standing Committee on Agriculture (2006-2007) on Demands for Grants (2007-2008) of the Ministry of Agriculture (Department of Agriculture & Co-operation) which was presented to the Lok Sabha and laid in the Rajya Sabha on 27.4.2007.

1.2 The Action Taken replies have been received from the Ministry of Agriculture (Department of Agriculture & Co-operation) in respect of all the 19 recommendations contained in the Report. These have been categorized as under:-

(i) Recommendations/Observations that have been accepted by the Government (Chapter II of the Report)

Recommendation Sl. Nos. 3, 8, 9, 10, 12, 15 and 16 (Total – 7)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's action taken reply (Chapter III of the Report) - NIL

(iii) Recommendations/Observations in respect of which action taken replies of the Government have not been accepted by the Committee (Chapter IV of the Report)

Recommendation Sl. Nos. 2, 6, 7, 11, 13 and 14 (Total – 6)

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited (Chapter V)

Recommendation Sl. Nos. 1, 4, 5, 17, 18 and 19 ((Total – 6)

1.3 The Committee desire that the final replies in respect of the recommendations for which only interim replies have been furnished by the Government should be furnished expeditiously.

1.4 The Committee will now deal with the action taken by the Government on some of the recommendations in the succeeding paragraphs.

Allocation for the North-Eastern States

(Recommendation Sl. No. 2)

1.5 The Committee have recommended as under :-

"The Committee note that 10% of Plan funds of the Department are allocated to the North-Eastern States for the special development of this area. However, it is observed that the actual release of the funds is much less than the amount allocated. During the Xth Plan period, the amount allocated at RE stages was Rs.1550.25 crore though the actual release was Rs.1205.53 crore which is the 77.77% of the allocation. The main reasons for shortfall in release of funds, as told by the Department, are inadequate demand from some of these States and non-submission of utilization certificates in respect of funds released. It has also been informed that the unutilized portion of allocated funds to these States is credited to the Non-lapsable Central Pool of Resources for North Eastern States for their development.

Taking a serious view of the situation, the Committee desire that all the funds allocated for the North-Eastern region should be spent for the development of that area only. As far as the issue of inadequate demand from the North-Eastern States is concerned, it is the duty of the Central Government to apprise these States about various schemes of the Agriculture Department, devised for them. The Committee feel that if the States are fully aware of the Schemes then only they can come up with their demands for funds for specific schemes. The Committee also emphasize that the unutilized amount of agriculture sector which goes to the non-lapsable pool should be spent for agriculture related activities only. Because once lapsed to that pool, there is no source of knowing that the funds which were allocated for the purpose of agriculture are really being spent on the same. The Committee, therefore, recommend that all out efforts should be made to ensure that the funds meant for North-Eastern States, are fully utilized and that can be done by proper extension services and by having a mechanism to trace the proper utilization.

The Committee in its earlier Report on Demands for Grants have recommended that the expenditure actually incurred on Schemes in North-Eastern States should be reflected separately in Demands for Grants document of the Department, so as to have a clear cut picture of the progress made in this regard. The Committee have been informed that this matter is still under consideration of the Ministry of Finance. The Committee, therefore, again recommend that the matter should be expedited and the actual expenditure be reflected, separately, in the demands for grants document of the Department.

1.6 The Ministry in its Action Taken reply has stated as follows :-

"Department of North-Eastern Region Development has intimated, that the main reason for the inability of the N.E. States to utilize allocated funds under various Central Sector Schemes is lack of physical infrastructure. Non-Lapsable Central Pool of Resources Scheme therefore aims at speedy development of infrastructure both in economic as well as social sector. The projects under the scheme are sanctioned on the basis of priority lists submitted by concerned States. Once the infrastructural facilities improve, the N.E. States will be able to utilize allocated funds under different schemes. Funds in Non-lapsable pool come from about 50 Ministries/Departments. It is not possible to maintain a similar sectoral allocation under the scheme.

As regards DAC, with a view to create awareness of the schemes being implemented by the Department of Agriculture & Cooperation amongst North-Eastern States the following steps have been taken :-

(a) Special awareness/training programmes are organized by NIAM and NABARD Consultancy Services (NABCONS), the implementing agencies of schemes of Agricultural Marketing Division. Schemes are also being advertised through local newspapers.

(b) Guidelines of the schemes are also being circulated to N.E States from to time.

(c) Regional Centre of Organic Farming, Imphal has been entrusted with the work of advising NE States on implementation and monitoring of the scheme titled National Project on Organic Farming.

(d) N.E. States are being apprised of the benefits/details of the schemes through regular review meetings, workshops, seminars, interface campaigns and publicity through website.

(e) Orientation Workshops are held in NE States for familiarizing them about the schemes. Regular handholding support is also provided to them for implementation of the schemes.

(f) The experience of other States in implementing the programmes is also shared with State Nodal Officers of NE States in quarterly national workshops.

(g) NE States are requested formally as also in Zonal Conferences, Rabi and Kharif Campaigns held annually for formulation and submission of Annual Action Plans for implementation of various schemes in order to fully utilize the allocated funds.

The matter of reflecting actual expenditure on the schemes in North Eastern Region in Demands for Grants of the Ministry has already been taken up with the Budget Division of Ministry of Finance and they are examining the same."

Comments of the Committee

1.7 The Committee are not convinced with the reply of the Government that it is not possible to maintain a sectoral allocation under the Non-Lapsable Central Pool of Resources scheme as funds in non-lapsable pool come from about 50 Ministries/Departments. They, therefore, reiterate their earlier recommendation that the unutilized amount of agriculture sector which goes to the non-lapsable pool should be spent only for agriculture related activities of North-Eastern States. They also recommend that a mechanism should be devised to monitor the proper utilization of funds for which these were originally sanctioned for each State of North-East Region. The Committee may also be apprised of the action taken by the Budget Division of Ministry of Finance in the matter of reflecting actual expenditure on the schemes in the North-Eastern Region in Demands for Grants document of the Ministry of Agriculture.

National Rainfed Area Authority

(Recommendation Sl. No. 6)

1.8 The Committee have recommended as under :-

"The Committee note that the National Rainfed Area Authority (NRAA) has been constituted on 03.11.2006 with a budgetary provision of Rs. 100 crore during 2007-08 to coordinate all schemes relating to watershed development, and to give focused attention to the problem of the rainfed areas of the country. The Committee have been informed, that the first tier of the Authority is a Governing Board that will provide the necessary leadership and appropriate coordination in the implementation of the programme, and the second tier would be the Executive Committee consisting of technical experts and representatives from stakeholder Ministries. The Committee also note that there is no proposal to include the State Governments in the NRA Authority.

The Committee are of the firm opinion that the representation of the State Government on this Authority should be pre-requisite as Agriculture is a State subject and this Authority has to deal with the problems of whole country having 24 climatic zones. They, therefore, recommend that at second tier, representatives of various State Governments should also be included so as to have a full picture of the requirements of the regions. The Committee also feel that one representative of the farmers should also be associated with the Executive Committee of the Authority."

1.9 In its Action Taken reply the Ministry has stated as under:-

"The structure, composition and mandate of the National Rainfed Area Authority (NRAA) are as approved by the Cabinet. There is no provision of giving representation to the State Governments either on the Governing Body or on the Executive Committee. However, the relevant States will be invited to the meetings of the Executive Committee of the NRAA, as and when required, as special invitees.

In so far as the inclusion of one farmers' representative in the Executive Committee is concerned, it is submitted that there is a provision for farmers' representative at the Governing Body level and already Shri R.V.Chavan has been nominated as member of the Governing Board. All policy decisions will be taken by the Governing Board and the Executive Committee is the implementing arm."

Comments of the Committee

1.10 The Committee are not convinced with the reply of the Government that there is no provision of giving representation to the State Governments either on the Governing

Body or on the Executive Committee of the National Rainfed Area Authority (NRAA) and that relevant States will be invited to the meetings of the Executive Council of the NRAA as and when required, as special invitees. Since Agriculture is a State subject and this authority has to deal with the problems of all the 24 climatic zones of the country, the Committee recommend that all the States should be represented on this authority so as to have a detailed discussion on the requirements of each of the regions and to have coordinated efforts in the implementation of all the schemes relating to the watershed development programme.

Subsidies in Agriculture

(**Recommendation Sl. No. 7**)

1.11 The Committee have recommended as under :-

"The Committee note that the major subsidies being provided in India are on Food/Seed, Indigenous (Urea) Fertiliser, Imported (Urea Fertiliser), Sale of decontrolled fertilizer with concession to farmers, petroleum subsidy and grant to NAFED under Market Intervention Schemes (MIS) and Price Support System (PSS). State Governments give subsidies for Irrigation and Electricity etc.

The Committee feel that the real benefits of subsidies do not reach the farmers. Most of our farming is based on rain/monsoons and not many farmers in village actually have tubewells and operate it through electricity where subsidy is given. Even the benefits of subsidies on urea/fertilizer is reaped by the manufacturers and not by the poor farmers.

While comparing the subsidies being given in India and other countries the Committee note that the per hectare subsidies in Japan in 1999 were $ 11,792, in EC $ 831, in OECD $ 218 and USA $ 129. In India it was only $ 53. Similarly, the per farmer subsidy in 1999 was $ 26,000 in Japan, $ 21,000 in USA, $ 9000 in Canada, $ 17,000 in EC and $ 11,000 in OECD. In India it was $ 66. The aggregate subsidy for agriculture in India was estimated at $ 8.50 billion in 2001-02 as against $ 49.08 billion in USA, $ 47.20 billion in Japan and $ 115.33 in European Union.

The Committee agree that agricultural subsidies are a powerful instrument in the hands of the Government not only to protect the interest of the farmers but also to regulate or even to manipulate the domestic prices and import/export of agricultural commodities.

More than 50% of the agricultural holdings in India are in rainfed areas, so the subsidy given on food, to Electricity Boards/Corporations and Fertilizer companies do not count much for the farmers of rainfed areas. Committee fail to understand this policy of giving subsidy to the electricity boards, fertilizer companies, petroleum companies and grants to NAFED for Market Intervention Scheme (MIS), in the name of subsidy to agriculture sector, whereas the 90% farmers do not get any benefit of this subsidy policy, as they do not own Tubewells run on electricity and do not use fertilizers (Urea etc.). Food subsidy should not be treated as agricultural subsidy as the beneficiaries are mainly consumers and not producers. The Committee, therefore, recommend that the subsidy should be given to the farmers directly by providing him seed, fertilizer, soil nutrients, diesel or electricity for his tubewells etc. at cheaper rates as compared to the prevalent market rates.

The Committee are of the opinion that, no doubt, our country cannot compete with the developed countries in the amount of subsidies they provide to their farmers but at least we can try to give the real benefits of the subsidies to small and needy farmers. The Committee recommend that alternative mechanisms for delivery of subsidies should be tried and tested to provide cost effective income transfers to the truly needy farmers."

1.12 The Ministry has stated in its Action Taken reply as follows :-

"The Central Sector Scheme 'Development and Strengthening of Infrastructure Facilities for Production and Distribution of Quality Seeds' which is intended to develop and strengthen the existing infrastructure for production and distribution of certified/quality seeds, has the provision of providing financial assistance to the farmers through the State Governments/UT Administrations and autonomous implementing agencies under its following components:-

1. Seed Village Programme:-

To upgrade the quality of farmer-saved seed which is about 80-85% of the total seed used for crop production programme, following financial assistance is provided:

(i) for distribution of foundation/certified seed at 50% cost for production of quality seeds by farmer. While distributing seeds, the farmers are charged only 50% cost after deducting the subsidy at the rate 50%, thereby directly benefiting the farmers.

(ii) for training of farmers on seed production and technology aspects @ Rs.15,000/- for a group of 50-150 farmers;

(iii) for procuring of Pusa Bin/Mud Bin/Bin made from paper pulp etc. for storing of seed produced by the farmers on their farms at 25% for general farmers and 33% for SC/ST farmers.

Scope of this programme is being sought to be widened by providing subsidy for hybrid seed production @ 75% of cost of production.

2. Assistance for Boosting Seed Production in the Private Sector:

Under this component, credit linked back-ended capital subsidy at the rate of 25% of the project cost subject to a maximum limit of Rs.10.00 lakh per unit on seed infrastructure development is being provided. Private companies, partnership firms, individual entrepreneurs, self help groups and seed cooperatives are eligible to get assistance under the component and this component is being implemented through Commercial Banks, Scheduled Commercial Banks, Regional Rural Banks and National Cooperative Development Corporation. This assistance is primarily for low value high volume seeds.

Department of Fertilizer has informed that fertilizer subsidy is presently provided to the farmers by way of subsidized selling prices as compared to the prevalent market prices or normative delivered cost of the fertilizers at the farm gate level. The difference between the selling prices as notified by the Government and the normative delivered cost of fertilizer at farm gate level is disbursed as subsidy to the manufacturers/importers on sale of subsidized fertilizers. The subsidy, therefore, reaches the farmer in the form of notified selling prices, which are below the actual delivered costs. The present dispensation is in line with the recommendation, except for the fact that the subsidy is released to the manufacturers/importers after the fertilizer has been sold to the farmers at cheaper rates.

Fertilizer industry has agreed to have a study on alternative framework for fertilizer subsidy disbursement in India conducted. M/s.Tata Consultancy Services has been engaged by the Fertilizer Association of India for this study. The study report has been received and is under examination by the Department of Fertilizers.

Ministry of Petroleum & Natural Gas have informed that Diesel is already being sold across the country at price lower than International price. Customs Duty on Diesel has been reduced to 7.5% from 10%. Price of Diesel was reduced on two occasions i.e. on 30.11.2006 and 16.02.2007. The ad-valorem excise duty component on diesel has been reduced from 8% to 6% and Central Sales Tax on diesel has been reduced from 4% to 3% in Union Budget 2007-08. In view of this, further subsidized supply of diesel to farmers is not feasible.

Ministry of Power have informed that a new tariff policy under Electricity Act, 2003 has been notified in January,2006 which inter-alia provides that tariff for agricultural use may be set at different level for different parts of a State depending on the conditions of the groundwater table. A higher level of subsidy could be considered to support poorer farmers of the region, where adverse ground water table condition requires larger quantity of electricity for irrigation purposes subject to suitable restrictions to ensure adequate ground water levels and sustainable use thereof. The policy outlines that subsidized rates of electricity should be permitted only upto a pre-identified level of consumption beyond which tariffs reflecting efficient cost of service should be charged from consumers. If the State Government wants to reimburse even part of this cost of electricity to poor category of consumers, the amount can be paid in cash or any other suitable way."

Comments of the Committee

1.13 From the reply of the Government, the Committee have noted that for boosting seed production and its storage, the Government is providing subsidy to various components under the Development and Strengthening of Infrastructure Facilities for Production and Distribution of Quality Seeds. However, no subsidy is provided to the farmers directly with regard to the seed, fertilizer, electricity, diesel, etc. purchased by them from the market. The Government in their reply have stated that Custom Duty on diesel has been reduced from 10% to 7.5% and ad-valorem Excise Duty has been reduced from 8% to 6% and Central Sales Tax from 4% to 3% in the Union Budget 2007-08, therefore, further subsidized supply of diesel to farmer is not feasible. The Committee are not convinced with the reply of the Government as this reduction in various duties on diesel are for all consumers and these are not farmers specific concessions. Similarly, the fertilizer subsidy is also not directly percolating to the farmers as the same is disbursed to the manufacturers/importers directly. The Committee, therefore, reiterate their earlier recommendation that in order to provide seed, fertilizer, soil-nutrients, diesel, electricity etc. to the farmers at cheaper rates compared to the prevalent market rates, the subsidy on these items should be provided directly to the farmers and for that a mechanism should also be devised to provide cost effective income transfers to the small and marginal farmers particularly. The Committee may also be apprised of the recommendations made by the Tata Consultative Services for fertilizer subsidy disbursement and the action taken by the Government thereon.

Agricultural Credit

(Recommendation Sl. No. 11)

1.14 The Committee have recommended as under :-

"The Committee have been informed that during the first nine months of 2006-07, 63 lakh new farmers were financed by the banking system as against the target of 50 lakh new farmers set for the year 2006-07. The Finance Minister in his budget speech 2007-08 has indicated a target of Rs. 2,25,000 crore as farm credit for the year with an addition of 50 lakh new farmers to the banking system and also a provision of Rs. 1677 crore for two per cent interest subvention for short-term crop loans. This is a major step forward, and indicative of Government's commitment for improving the economic well-being of the farmers. However, the Committee is deeply concerned that even after announcement of the scheme of interest subvention of 2 per cent on loan, the farmers are not able to come out of the debt trap and are committing suicides. The moneylenders are still popular as they are still ruling the rural credit system by giving timely credit to local farmers but on exorbitant interest rates. Therefore, the Committee recommend that the moneylender's role in farmer's credit should be regulated in terms of loan amount as well as interest rates so as to treat them as part of rural credit system. However, their role can be reduced only if the farmers have more access to the banking system and get timely credit on easy terms at their doorstep.

The Committee feel that announcement of the loan factor will not stop the distress state of farmers, rather providing of irrigation facilities with efficient water management, distribution of high-yielding variety seeds at subsidized rates and also income increasing opportunities through horticulture, livestock, poultry, dairying and fisheries are also a must to decrease the suicide rate of farmers. The comprehensive rehabilitation package for especially distressed districts should include these factors also.

The Committee recommend that the rate of interest on farm credit should be reduced to the level of 4 per cent simple interest as has been suggested by National Commission on Farmers headed by M.S. Swaminathan, and in no case the interest should surpass the original amount of the loan so that the exploitation of farmers by the financial institutions is restricted.

The Committee have noted that in the case of poultry industry, due to loss created by the outbreak of Avian influenza, the Government of India announced a financial package along with one time interest subvention of 4 per cent in the last year i.e. 2006-07 for a period of one year on the outstanding principle amounts of loan availed by the poultry units. Therefore, the Committee recommend, that the interest subvention for the loans availed by the farmers of 31 suicide prone districts and other districts areas should also be increased to four per cent and may be distributed through RBI and its banking system as is being done in the case of poultry units."

1.15 In its Action Taken Reply, the Ministry has stated as follows :-

"Government is concerned about reducing the role of moneylenders in availability of the credit to the farmers and has initiated several measures for ensuring timely credit on easy terms to the farmers. Some of the important initiatives are :-

(i) The Government of India on 18.6.2004 announced a special farm credit package. Following are the highlights of this announcement:–

- Increase in credit flow to agriculture sector @ 30% per year.
- Public Sector Commercial Banks and RRBs to bring 50 lakh new farmers into the credit fold every year.
- Credit to tenant farmers and oral lessees.
- Debt restructuring and relief for:
    - Farmers in distress
    - Farmers in arrears
    - OTS for small and marginal farmers
    - Loans to farmers for Redemption of debts from non-institutional lenders.
- Refinements in Kisan Credit Card (KCC) Scheme and revisiting of Scales of Finance and realigning the same to meet the realistic credit needs of the farmers.
- Formation and financing of self-help groups of tenant farmers and oral lessees to provide credit to this category of farmers.

(ii) In the Union Budget for the year 2006-07, it was announced that effective from Kharif 2006-07, farmers would receive crop loans up to a principal amount of Rs. 3 lakhs at 7% rate of interest and the Government would provide necessary interest subvention for this purpose. This policy has been continued in the year 2007-08 also.

(iii) Reserve Bank of India has instructed the banks not to insist on collateral/ margin/security requirements for agricultural loans up to Rs. 50,000/-.

(iv) Government has approved a revival package for Rural Cooperative Credit Institutions (short-term) involving, inter-alia, a financial outlay estimated at Rs. 13,596 crores to be shared by Central Government, State Governments and the Cooperative Credit Structure.

(v) The Government has constituted an Expert Group under the Chairmanship of Prof. R. Radhakrishna, Director, Indira Gandhi Institute of Development Research, Mumbai to look into the problems of Agricultural indebtedness in its totality and suggest measures to provide relief to farmers across the country.

The Government of India has approved a rehabilitation package of Rs. 16978.69 crore for 31 suicide prone districts in the four states of Andhra Pradesh, Maharashtra, Karnataka and Kerala. The package will be implemented over a period of 3 years and include both immediate and medium term measures. The rehabilitation package aims at establishing a sustainable and viable farming and livelihood support system through debt relief to farmers, improved supply of institutional credit, crop centric approach to agriculture, assured irrigation facilities, watershed management, better extension and farming support services and subsidiary income opportunities through horticulture, livestock, dairying, fisheries etc.

The National Commission on Farmers headed by Dr. M.S. Swaminathan has, inter-alia, recommended for reduction of rate of interest on farm credit to the level of 4%. A conference of State Agriculture Ministers was convened on 22nd December, 2006 to discuss the recommendations of the National Commission on Farmers (NCF) and the revised draft national policy for farmers as suggested by NCF. There was broad consensus among the states on the revised Draft national Policy for farmers. Based on the feedback received in the conference, a note alongwith a “Draft National Policy” has been submitted to the Committee of Secretaries (COS) set up for the purpose.

As regards, interest on agriculture loans, Reserve Bank of India has advised commercial banks that when crop loans or installments under term loans become overdue, banks can add interest outstanding to the principal and compound the interest. However, total interest debited to an account should not exceed the principal amount in respect of advances to small and marginal farmers. This stipulation is applicable only to short-term loans. Further, RBI has clarified to the banks that the above stipulation would be applicable only to short term loans advanced to small and marginal farmers."

Comments of the Committee

1.16 The Committee are not convinced with the reply of the Government with regard to the fact that on the issue of interest on Agricultural loans the Reserve Bank of India has advised Commercial Banks that when crop loans or instalments under Term Loans become overdue, banks can add interest outstanding to the principal and compound the interest. However, total interest debited to an account should not exceed the principal amount in respect of advances to small and marginal farmers and this stipulation has been stated to be applicable only to short-term loans. The Committee are of the opinion that this term `small and marginal farmers' is a very deceptive term as many a farmers have committed suicides due to failure of their crops irrespective of their being small and marginal or not. Therefore, they recommend that the instructions for total interest debited to an account not exceeding the principal amount should be applicable to all the distressed farmers on short term as well as long term loans without any distinction as has been done by the RBI in this regard.

The Committee would also like to be apprised of the status of the implementation of the National Policy for farmers as suggested by the National Commission on Farmers and also action taken by Government on fixing the rate of

interest on farm credit @ 4% as recommended by the National Commission on Farmers.

Modified National Crop Insurance Scheme

(Recommendation Sl. No. 13)

1.17 The Committee have recommended as under:-

"The Committee has been informed that Modified National Agricultural Insurance Scheme (MNAIS) to take care of shortcomings/limitations in National Agricultural Insurance Scheme (NAIS), like unit area of insurance, calculation of insurance claims, low indemnity level, calculation of guaranteed income, etc., was prepared by the Department of Agriculture & Cooperation and submitted for approval to Planning Commission in February, 2005. The Planning Commission returned the MNAIS suggesting to shift the scheme to Non-Plan side. It favoured the funding only for overhead component of costs of the modified scheme. It also laid down a condition that the scheme can be supported on pilot basis but only in the districts/States which have requisite data collection capability and have infrastructure for obtaining the feedback. And since this data is required to have actual calculations and there being need to have subsidy on the premium this cannot be started as a Plan Scheme.

The Committee in their 18th Report (2006-07) recommended that the on-going scheme of crop insurance being implemented as Plan scheme since 2000, if modified to make it more farmer friendly, should not be shifted to non-plan side. During the examination of DFG of 2007-08, the Committee have been informed that as suggested by Planning Commission, the Ministry of Agriculture to start with, came with the scheme on pilot basis for 100 districts for the consideration of Expenditure Finance Committee, but the meeting was said to have been postponed at the instance of Planning Commission on the ground that the scheme has not yet been given its "in principal" approval. The matter was taken up at the level of Agriculture Minister with Deputy Chairman, Planning Commission but the issue is still to be resolved.

The Committee are anguished at the delaying tactics of the Planning Commission for its non-serious attitude towards the farmers of this country. The Committee, therefore, recommend that this matter should be resolved amicably and MNAIS must be approved as a Plan-scheme as in the case of the earlier crop insurance scheme. The farmers of this country also need a fair deal for the loss of their crops caused by natural and weather vagaries and for no fault of theirs."

1.18 The Ministry in its Action Taken reply has stated as follows :-

"Recently, the Planning Commission vide letters dated March 8, 2007 and March 29, 2007 has reiterated their earlier stand on the Modified NAIS that the subsidy on the insurance premium can not be treated as plan expenditure. It has been suggested that the existing National Agricultural Insurance Scheme (NAIS) may be transferred to non-plan side and proposal on Modified NAIS may be initiated on Pilot basis in selected districts, with a flexibility to formulate the scheme by the State if so desired. The Central Assistance to meet the expenditure incurred on the formulation of the scheme including data collection and other related expenses may be provided through a separate Central Sector/Centrally Sponsored scheme and the premium subsidy component may be provided as an additional central assistance by the Planning Commission on the recommendations of the Ministry of Agriculture as per pre-decided terms and conditions.

The comments of Ministry of Agriculture on the view of Planning Commission has been sent by the Hon'ble Agriculture Minister vide letter dated 2nd April, 2007 and the Planning Commission has been requested to expedite the clearance of the proposal on Modified NAIS. The matter again came up for discussion in the meeting held on 5.4.2007 at Yojana Bhavan, New Delhi wherein some positive response from the Planning Commission was noticed. By referring the discussion of this meeting, Secretary (A&C) has requested Secretary (Expenditure) for initiating the process of convening the EFC meeting. Response from the Ministry of Finance, Department of Expenditure is still awaited."

Comments of the Committee

1.19 The Committee express their displeasure over the inordinate delay in finalizing the Modified National Agricultural Insurance Scheme (MNAIS) as a Plan scheme. They, therefore, urge the Government to expedite the clearance of the said scheme without any further loss of time.

Minimum Support Price (MSP)

(Recommendation Sl. No. 14)

1.20 The Committee have recommended as under:-

"The Committee note that the Government's price policy for agriculture commodities seeks to ensure remunerative prices to the growers for their produce with a view to encouraging higher investment and production to safeguard the interest of consumers by making available supplies at reasonable prices. Towards this end, the Government announces each season Minimum Support Price (MSP) for major agricultural commodities and organizes purchase operations through public and cooperative agencies.

The Committee feel that the criteria of fixing the Minimum Support Price, which is being done by the Commission for Agricultural Costs and Prices (CACP) has become outdated, and the prices so fixed are not delivering the desired benefits to the farmers. The Committee, therefore, recommend that the Minimum Support Prices should be reviewed and it should be 50% more than the weighted average cost of production. The Committee further recommend that while calculating the costs, the farmer himself should be considered as a skilled worker, and his wages should be calculated equal to that of a skilled labour.

The Committee further observe that to help raise the agricultural growth rate from 2.3 per cent to 4 per cent, the MSP should be announced well before the sowing season which will help the farmers to decide which crop they should grow. In other words, the Government can play a major role in increasing or decreasing the net sown area of any crop. This will also help in determining the market prices. The Committee are also of the opinion that in order to balance the interest of farmers as well as consumers, the procurement price of the Government may be kept at a higher level than the MSP, so that the market remains stable and the farmers also get a good price for their produce. The Committee strongly recommend that the bonus should form the part of MSP itself and should not be announced separately for Government procurement purposes. To offset the higher price of procurement, the Government may give subsidy to the consumer through public distribution system. This mechanism may help the farmer in getting a higher price depending on the market situation at the time of harvesting."

1.21 The Ministry in its Action Taken reply has stated as follows:-

"The Commission for Agricultural Costs and Prices (CACP) recommends Minimum Support Prices (MSPs) for major agricultural commodities (namely Paddy, Wheat, Jowar, Bajra, Maize, Ragi, Barley, Arhar (Tur), Urad, Moong, Gram, Lentil (Masur), Groundnut-in-shell, Soyabean, Sunflower Seed, Sesamum, Nigerseed, Rapeseed/Mustard, Safflower, Cotton, Tobacco, Jute, Copra and Sugarcane) as per the Terms of Reference assigned to it. While recommending MSP, the Commission takes into account a number of relevant factors such as cost of production, trends in input prices, market prices, demand-supply situation and inter crop price parity, emerging demand supply situation, procurement and distribution, terms of trade between agriculture and non-agriculture sectors. The estimates of cost of production are considered vital in recommending MSP. The cost of production includes imputed value of wages of family labour.

As regards the review of MSP suggested by the Hon'ble Standing Committee, an expert Committee under the Chairmanship of Prof. Y.K. Alagh, has examined the methodological issues for computation of MSP. The report of the Committee is under consideration of the Government.

In a vast country like India with different agro climatic regions and cropping pattern, sowing season is not uniform across states / crops. Efforts are, therefore, made to bridge the gap between the sowing season and the announcement of MSPs so as to give necessary price signal to farmers, which helps them in the choice of crops. The dates of announcement of MSPs for kharif crops and rabi crops in recent years are given in the following table.

Year	Kharif	Rabi
2001-2002	07.09.2001	02.04.2002
2002-2003	26.09.2002	13.02.2003
2003-2004	30.07.2003	18.12.2003
2004-2005	10.08.2004	03.11.2004
2005-2006	20.04.2005	29.09.2005
2006-2007	27.07.2006	27 & 30.10.2006
2007-2008	17.05.2007	Report from CACP awaited.

Since the MSPs are announced earlier and the procurement season starts much later (after harvest of crops), decision on bonus is taken just before the start of the procurement season depending on prevailing market situation and assessment of market prices. Moreover, incentive bonus announced over and above the MSP is exempted from State taxes and levies and thus it helps to contain food subsidy."

Comments of the Committee

1.22 **The Committee are not satisfied with the reply of the Government over the issue of recommending Minimum Support Price to be 50% more than the weighted average cost of production. Just depending upon the recommendations of Commission for Agricultural Costs and Prices (CACP) without assessing the actual plight of the farmers is not the solution. The Committee, therefore, reiterate their recommendation that MSP should be 50 per cent more than the C2 cost. Moreover, the farmer himself should be considered as a highly skilled labour while calculating the costs, because a farmer gains valuable experience over the years in the process of production that he becomes as good as a highly skilled labour in the field. Hence he should be paid accordingly.**

The Committee also reiterate their recommendation to fix the MSP before the sowing season. Procurement Pricing Policy including post-harvest adjustments should be devised carefully and higher procurement price should be announced at the harvesting time so that farmers get remunerative price for their produce and the Government is also not short of foodgrains in the buffer stock which result in importing the same at higher prices at later stage. The Committee would also like to be apprised of the recommendations of Alagh Committee and follow-up action taken by the Government thereon.

CHAPTER-II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

RECOMMENDATION NO. 3

Delay in approval of Schemes

2.1 The Committee have been informed that in case of 15 new schemes proposed to be implemented during the Tenth Plan period i.e. 2002-03 onwards, there have been inordinate delays in the approval. Out of the 15 new schemes, only three could be approved during 2004, four during 2005 and seven schemes were approved in 2006 only and one scheme was not approved at all. The Committee fail to understand as how with this pace of the approval of the schemes, actual implementation can be effected. This shows the seriousness with which the Government implements its approved schemes. At this rate, the agriculture sector will never be able to achieve its targeted growth rate. In view of this loss of precious time and in view of the target of achieving agricultural growth rate in excess of 4% as per National Agriculture policy, the Committee recommend that higher allocations should be made for the implementation of these schemes in the Revised Estimates of 2007-08 and for the whole 11th Plan period also. It should also be ensured that the Plan schemes do not take much time to take off and approval procedure should be completed within six months of decision of introduction of a new scheme.

The Committee desire that the Government should bring this observation of the Committee to the pointed attention of the Planning Commission and Ministry of Finance for appropriate and immediate action. They further desire that Government to ensure that the schemes of Eleventh Plan do not meet the same fate as the Schemes in the earlier Plan and the Schemes get implemented without any undue hassles and delays.

REPLY OF THE GOVERNMENT

2.2 The Department of Agriculture & Cooperation has requested the Planning Commission to provide an additional outlay of Rs.2026.97 crores in the current fiscal over and above Rs.5560.00 crores approved at BE stage for the year 2007-08. The observation of the Hon'ble Committee regarding streamlining the approval procedure so as to complete it within six months of the decision of introduction of a new scheme has already been communicated to the Planning Commission and Ministry of Finance.

RECOMMENDATION NO. 8

ISOPOM

2.3 The Committee are constrained to note the acute shortage of pulses and oilseeds in the Country. Showing concern about stagnation in the production and productivity of pulses, the Finance Minister during his Budget Speech on 28.02.2007 proposed to expand the Integrated Scheme for Oilseeds, Pulses, Oilpalm and Maize (IOPOM) with a sharper focus on scaling up the production of breeder, foundation and certified seeds. The Committee are also informed, that the Scheme of ISOPOM which was implemented from 1st April, 2004 in 14 major States for oilseeds and pulses, is being reviewed, in order to modify it to increase the production and productivity of pulses and oilseeds.

The Committee recommend that the Government should try to enhance the cultivable area under pulses and oilseeds. Apart from National Seeds Corporation(NSC) and State Farm Corporation of India (SFCI), NAFED being the apex organization in cooperative sector and with the largest marketing network in the country, should also be involved in all the activities of

ISOPOM, which will be beneficial for increasing the production, productivity and marketing of pulses and oilseeds in the country. The Committee also strongly recommend that under ISOPOM production and distribution subsidy should be increased to the extent of 50% of the cost of certified seed from the existing rate of 25%.

REPLY OF THE GOVERNMENT

2.4 Government has formulated a short term plan for increasing the area under cultivation of pulses and oilseeds and also to increase production and productivity of pulses and oilseeds in major growing States during Kharif 2007-08 under ISOPOM. The production targets for these crops have been fixed for the year 2007-08 as under:

Oilseeds	312.00 lakh tonnes
Pulses	156.00 lakh tones

As regards the recommendation of Committee to include NAFED as a designated Central Agency for Seed production/distribution under ISOPOM and also to increase production and distribution subsidy to the extent of 50% of the cost of certified seed from the existing rate of 25%, the Department contemplates to suitably modify the Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize (ISOPOM) to incorporate these changes for implementation of ISOPOM during XIth Plan.

RECOMMENDATION NO. 9

Organic Farming

2.5 The Committee are happy to note that the 'National Project on Organic Farming' which was launched on a pilot basis in October, 2004, to inter-alia facilitate, encourage and promote development of organic agriculture in the country and putting in place a system of certification of organic produce, is now proposed to be implemented as a full fledged scheme during the 11^{th} Five Year Plan period with an outlay of Rs.150 crore. However, the Committee are dissatisfied with the poor performance of the project. The Committee observe that the scope of organic farming is very wide. Organic products are largely in demand in foreign countries also. US Bio-Terrorism Act 2002, European Union Food Law 178/2002 and U.S. National Organic Programme - Organic Food Production Act 1999 have made it mandatory to have traceability and organic certification on the organic food imported in their countries. Therefore, if the nation has to take organic farming seriously, the Government should encourage it and work very systematically and efficiently. The Committee recommend that agencies like NAFED should be involved in the organic projects. They should be encouraged to take the project right from the beginning, nurture it and then market the products in India and abroad so that traceability and organic certification issues are taken care of. The Committee are confident that this encouragement to organic farming will go a long way in improving the fiscal and physical health of the Nation.

REPLY OF THE GOVERNMENT

2.6 On the recommendation of the Committee, NAFED has been requested to submit proposal, in case they are interested in this activity, under National Project on Organic Farming. Incidentally Agricultural and Processed Food Products Export Development Authority (APEDA), Ministry of Commerce & Industry has been undertaking this activity for export of organic products.

RECOMMENDATION NO. 10

Allocation for Credit Division

2.7 The Committee have been informed that the focus of the credit policy of the country has been to provide timely and adequate support to farmers at reasonable rates of interest. However, the Central assistance to State Governments under various Centrally sponsored and Central sector plan schemes has been reduced from Rs. 828.75 crore in 2005-06 to Rs. 680.38 crore in 2006-07 and again to Rs. 545 crore in BE of 2007-08. The Committee are unable to comprehend as to how the Agriculture credit is being strengthened by reducing the budgetary allocation regularly year after year. The Committee, therefore, recommend that the allocation for the Credit Division should be enhanced at Revised Estimates stage to the level of the demands projected by the States, so that the schemes are not resource starved and are implemented in right earnest.

REPLY OF THE GOVERNMENT

2.8 Credit Division operates two Central Sector plan schemes namely, Investment in Debentures of State Land Development Banks and National Agricultural Insurance Scheme. Both these schemes are demand driven and releases are made as per the demands made by the agencies concerned i.e. State Land Development Banks and Agricultural Insurance Company of India Ltd. Though the budget estimates for 2007-08 is Rs. 545.00 crore for these two schemes, but actual expenditure may exceed this amount depending on the demand made by the implementing agencies. Accordingly, if more funds will be needed, enhanced allocation will be sought at Revised Estimates stage.

RECOMMENDATION NO. 12

Allocation for Crop Insurance

2.9 The Committee note that under National Agricultural Insurance Scheme (NAIS) during the last twelve crop seasons (i.e. from Rabi 1999-2000 to Kharif 2005), 751 lakh farmers have been covered over an area of 1220 lakh hectares insuring a sum amounting to Rs. 70696 crore. During 11th Plan period an outlay of Rs. 4530 crore including Rs. 906 crore has been proposed (Rs. 600

crore for existing NAIS in about 400 Districts and Rs. 306 crore for proposed Modified NAIS in 100 Districts) for 2007-08, but only Rs. 500 crore has actually been provided in BE of 2007-08. During the oral evidence, representative of the Department also admitted that under NAIS the allocation is much less than what they had asked for and they need another Rs. 600 crore for this Scheme. Therefore, the Committee recommend that another 600 crore should be allocated at Revised Estimates stage so that the farmers do not suffer losses due to sudden and unforeseen circumstances causing damage to their crops.

REPLY OF THE GOVERNMENT

2.10 This department appreciates the concern of the Committee for increase in allocation of budget under Crop Insurance Scheme during 2007-2008 (at Revised Estimates stage). The matter has already been taken up with the concerned authority for increasing the budgetary provision. Increase in budget allocations is mainly required for meeting the claims liability of various States affected by natural calamities. In past also, funds for Crop Insurance Scheme, whenever required, have been provided at the time of Revised Estimates. In this year also more funds will be demanded at Revised Estimates 2007-08 stage.

RECOMMENDATION NO. 15

Horticulture

2.11 The Committee note that under the Horticulture Division Rs. 2222.40 crore have been allocated as against the proposals of Rs. 2385.60 crore during 2007-08. Two flagship schemes which were launched by Government in 2005-06, viz. (i) National Horticulture Mission (ii) Micro Irrigation Scheme and a new scheme of National Bamboo Mission are to be implemented in full swing during the current year. The National Horticulture Mission can offer much needed diversification to high valued crops so as to tap the benefits of the country's varied agro-climatic conditions in favour of horticultural produce. The Committee are of the opinion that Rs. 2222.40 crore allotted to the Horticulture Division against the proposal of Rs. 2385.60 crore for Horticulture Mission, may affect the performance of these schemes. The Committee, therefore, recommend that the allocation for horticulture sector should be enhanced at the revised estimate stage because the horticulture is fast gaining acceptability among the farmers and becoming a good means to raise their financial position.

REPLY OF THE GOVERNMENT

2.12 As observed by the Committee, the horticulture sector provides the much-needed diversification for growth to tap the benefits of the country's varied agro-climatic conditions in favour of horticultural produce. The necessary impetus for such growth can be achieved by allocating requisite funds for implementation of schemes. However, the quantum of additional funds will depend on the progress of expenditure and pace of implementation by the implementing agencies under different schemes. Keeping in view the requirement of funds for these schemes, necessary action will be taken to provide the quantum of additional funds for implementation of schemes at revised estimate stage.

RECOMMENDATION NO. 16

Agricultural Marketing

2.13 The Committee note that the Public Private Participation (PPP) model was proposed to be implemented to set up model terminal markets in different parts of the country, whereby the terminal markets would be build, owned and operated by a corporate/ private/ cooperative entity (Private enterprise) either on its own or through adoption of an outsourcing model, the Committee are informed that these agricultural markets can be set up only in the States that have amended their Agricultural Produce Marketing (Regulation) Act (APMC Act), so as to allow direct marketing and contract farming and to promote setting up of markets in private and cooperative sectors, but some States are yet to amend their APMC Act. The Committee feel that this concept of terminal markets is likely to be very beneficial to the farmers as well as consumers. Therefore, they recommend that the remaining States should be asked to amend their respective Acts expeditiously and the terminal markets should be set up at the earliest.

REPLY OF THE GOVERNMENT

2.14 The State Governments which have, so far, not amended the APMC Act as suggested by the Department of Agriculture and Cooperation are being continuously reminded and pursued with to amend their APMC Act. A D.O. reminder from Hon'ble Agriculture Minister addressed to Hon'ble Chief Ministers of the remaining States was issued on 24th January, 2007 requesting them to complete the reform process. The progress regarding setting up of modern terminal markets in the country is being reviewed with the State Governments by this Ministry every month in the meetings taken at Secretary/Additional Secretary level and process of setting up such terminal markets has already been initiated by Chandigarh Administration for Chandigarh, Madhya Pradesh Government for Bhopal & Indore, Maharashtra Government for Mumbai, Nasik & Nagpur and many others States are also in the process of doing initial preparations under the Schemes.

CHAPTER-III

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

-- Nil --

CHAPTER-IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation No. 2

Allocation for the North-Eastern States

4.1 The Committee note that 10% of Plan funds of the Department are allocated to the North-Eastern States for the special development of this area. However, it is observed that the actual release of the funds is much less than the amount allocated. During the Xth Plan period, the amount allocated at RE stages was Rs.1550.25 crore though the actual release was Rs.1205.53 crore which is the 77.77% of the allocation. The main reasons for shortfall in release of funds, as told by the Department, are inadequate demand from some of these States and non-submission of utilization certificates in respect of funds released. It has also been informed that the unutilized portion of allocated funds to these States is credited to the Non-lapsable Central Pool of Resources for North Eastern States for their development.

Taking a serious view of the situation, the Committee desire that all the funds allocated for the North-Eastern region should be spent for the development of that area only. As far as the issue of inadequate demand from the North-Eastern States is concerned, it is the duty of the Central Government to apprise these States about various schemes of the Agriculture Department, devised for them. The Committee feel that if the States are fully aware of the Schemes then only they can come up with their demands for funds for specific schemes. The Committee also emphasise that the unutilized amount of agriculture sector which goes to the non-lapsable pool should be spent for agriculture related activities only. Because once lapsed to that pool, there is no source of knowing that the funds which were allocated for the purpose of agriculture are really being spent on the same. The Committee, therefore, recommend that all out efforts should be made to ensure that the funds meant for North-Eastern States, are fully utilized and that can be done by proper extension services and by having a mechanism to trace the proper utilization.

The Committee in their earlier Report on Demands for Grants have recommended that the expenditure actually incurred on Schemes in North-Eastern States should be reflected separately in Demands for Grants document of the Department, so as to have a clear cut picture of the progress made in this regard. The Committee have been informed that this matter is still under consideration of the Ministry of Finance. The Committee, therefore, again recommend that the matter should be expedited and the actual expenditure be reflected, separately, in the demands for grants document of the Department.

REPLY OF THE GOVERNMENT

4.2 Department of North-Eastern Region Development has intimated, that the main reason for the inability of the N.E.States to utilize allocated funds under various Central Sector Schemes is lack of physical infrastructure. Non-Lapsable Central Pool of Resources Scheme therefore aims at speedy development of infrastructure both in economic as well as social sector. The projects under the scheme are sanctioned on the basis of priority lists submitted by concerned States. Once the infrastructural facilities improve, the N.E.States will be able to utilize allocated funds under different schemes. Funds in Non-lapsable pool come from about 50 Ministries/Departments. It is not possible to maintain a similar sectoral allocation under the scheme.

As regards DAC, with a view to create awareness of the schemes being implemented by the Department of Agriculture & Cooperation amongst North-Eastern States the following steps have been taken :-

(a) Special awareness/training programmes are organized by NIAM and NABARD Consultancy Services (NABCONS), the implementing agencies of schemes of Agricultural Marketing Division. Schemes are also being advertised through local newspapers.

(b) Guidelines of the schemes are also being circulated to N.E States from to time.

(c) Regional Centre of Organic Farming, Imphal has been entrusted with the work of advising NE States on implementation and monitoring of the scheme titled National Project on Organic Farming.

(d) N.E. States are being apprised of the benefits/details of the schemes through regular review meetings, workshops, seminars, interface campaigns and publicity through website.

(e) Orientation Workshops are held in NE States for familiarizing them about the schemes. Regular handholding support is also provided to them for implementation of the schemes.

(f) The experience of other States in implementing the programmes is also shared with State Nodal Officers of NE States in quarterly national workshops.

(g) NE States are requested formally as also in Zonal Conferences, Rabi and Kharif Campaigns held annually for formulation and submission of Annual Action Plans for implementation of various schemes in order to fully utilize the allocated funds.

The matter of reflecting actual expenditure on the schemes in North Eastern Region in Demands for Grants of the Ministry has already been taken up with the Budget Division of Ministry of Finance and they are examining the same.

COMMENTS OF THE COMMITTEE

4.3 For comments of the Committee please refer to Para No. 1.7 of Chapter I of this Report.

Recommendation No. 6

National Rainfed Area Authority

4.4 The Committee note that the National Rainfed Area Authority (NRAA) has been constituted on 03.11.2006 with a budgetary provision of Rs. 100 crore during 2007-08 to coordinate all schemes relating to watershed development, and to give focused attention to the problem of the rainfed areas of the country. The Committee have been informed, that the first tier of the Authority is a Governing Board that will provide the necessary leadership and appropriate coordination in the implementation of the programme, and the second tier would be the Executive Committee consisting of technical experts and representatives from stakeholder Ministries. The Committee also note that there is no proposal to include the State Governments in the NRA Authority.

The Committee are of the firm opinion that the representation of the State Government on this Authority should be pre-requisite as Agriculture is a State subject and this Authority has to deal with the problems of whole country having 24 climatic zones. They, therefore, recommend that at second tier, representatives of various State Governments should also be included so as to have a full picture of the requirements of the regions. The Committee also feel that one representative of the farmers should also be associated with the Executive Committee of the Authority.

REPLY OF THE GOVERNMENT

4.5 The structure, composition and mandate of the National Rainfed Area Authority (NRAA) are as approved by the Cabinet. There is no provision of giving representation to the State

Governments either on the Governing Body or on the Executive Committee. However, the relevant States will be invited to the meetings of the Executive Committee of the NRAA, as and when required, as special invitees.

In so far as the inclusion of one farmers' representative in the Executive Committee is concerned, it is submitted that there is a provision for farmers' representative at the Governing Body level and already Shri R.V.Chavan has been nominated as member of the Governing Board. All policy decisions will be taken by the Governing Board and the Executive Committee is the implementing arm.

COMMENTS OF THE COMMITTEE

4.6 For comments of the committee please refer to Para No. 1.10 of Chapter I of this Report.

Recommendation No. 7

Subsidies in Agriculture

4.7 The Committee note that the major subsidies being provided in India are on Food/Seed, Indigenous (Urea) Fertiliser, Imported (Urea Fertiliser), Sale of decontrolled fertilizer with concession to farmers, petroleum subsidy and grant to NAFED under Market Intervention Schemes (MIS) and Price Support System (PSS). State Governments give subsidies for Irrigation and Electricity etc.

The Committee feel that the real benefits of subsidies do not reach the farmers. Most of our farming is based on rain/monsoons and not many farmers in village actually have tubewells and operate it through electricity where subsidy is given. Even the benefits of subsidies on urea/fertilizer is reaped by the manufacturers and not by the poor farmers.

While comparing the subsidies being given in India and other countries the Committee note that the per hectare subsidies in Japan in 1999 were $ 11,792, in EC $ 831, in OECD $ 218 and USA $ 129. In India it was only $ 53. Similarly, the per farmer subsidy in 1999 was $ 26,000 in Japan, $ 21,000 in USA, $ 9000 in Canada, $ 17,000 in EC and $ 11,000 in OECD. In India it was $ 66. The aggregate subsidy for agriculture in India was estimated at $ 8.50 billion in 2001-02 as against $ 49.08 billion in USA, $ 47.20 billion in Japan and $ 115.33 in European Union.

The Committee agree that agricultural subsidies are a powerful instrument in the hands of the Government not only to protect the interest of the farmers but also to regulate or even to manipulate the domestic prices and import/export of agricultural commodities.

More than 50% of the agricultural holdings in India are in rainfed areas, so the subsidy given on food, to Electricity Boards/Corporations and Fertilizer companies do not count much for the farmers of rainfed areas. Committee fail to understand this policy of giving subsidy to the electricity boards, fertilizer companies, petroleum companies and grants to NAFED for Market Intervention Scheme (MIS), in the name of subsidy to agriculture sector, whereas the 90% farmers do not get any benefit of this subsidy policy, as they do not own Tubewells run on electricity and do not use fertilizers (Urea etc.). Food subsidy should not be treated as agricultural subsidy as the beneficiaries are mainly consumers and not producers. The Committee, therefore, recommend that the subsidy should be given to the farmers directly by providing him seed, fertilizer, soil nutrients, diesel or electricity for his tubewells etc. at cheaper rates as compared to the prevalent market rates.

The Committee are of the opinion that, no doubt, our country cannot compete with the developed countries in the amount of subsidies they provide to their farmers but at least we can try to give the real benefits of the subsidies to small and needy farmers. The Committee recommend that alternative mechanisms for delivery of subsidies should be tried and tested to provide cost effective income transfers to the truly needy farmers.

REPLY OF THE GOVERNMENT

4.8 The Central Sector Scheme 'Development and Strengthening of Infrastructure Facilities for Production and Distribution of Quality Seeds' which is intended to develop and strengthen the existing infrastructure for production and distribution of certified/quality seeds, has the provision of providing financial assistance to the farmers through the State Governments/UT Administrations and autonomous implementing agencies under its following components:-

1. Seed Village Programme:-

To upgrade the quality of farmer-saved seed which is about 80-85% of the total seed used for crop production programme, following financial assistance is provided:

(i) for distribution of foundation/certified seed at 50% cost for production of quality seeds by farmer. While distributing seeds, the farmers are charged only 50% cost after deducting the subsidy at the rate 50%, thereby directly benefiting the farmers.

(iv) for training of farmers on seed production and technology aspects @ Rs.15,000/- for a group of 50-150 farmers;

(v) for procuring of Pusa Bin/Mud Bin/Bin made from paper pulp etc. for storing of seed produced by the farmers on their farms at 25% for general farmers and 33% for SC/ST farmers.

Scope of this programme is being sought to be widened by providing subsidy for hybrid seed production @ 75% of cost of production.

2. Assistance for Boosting Seed Production in the Private Sector:

Under this component, credit linked back-ended capital subsidy at the rate of 25% of the project cost subject to a maximum limit of Rs.10.00 lakh per unit on seed infrastructure development is being provided. Private companies, partnership firms, individual entrepreneurs, self help groups and seed cooperatives are eligible to get assistance under the component and this component is being implemented through Commercial Banks, Scheduled Commercial Banks, Regional Rural Banks and National Cooperative Development Corporation. This assistance is primarily for low value high volume seeds.

Department of Fertilizer has informed that fertilizer subsidy is presently provided to the farmers by way of subsidized selling prices as compared to the prevalent market prices or normative delivered cost of the fertilizers at the farm gate level. The difference between the selling prices as notified by the Government and the normative delivered cost of fertilizer at farm gate level is disbursed as subsidy to the manufacturers/importers on sale of subsidized fertilizers. The subsidy, therefore, reaches the farmer in the form of notified selling prices, which are below the actual delivered costs. The present dispensation is in line with the recommendation, except for the fact that the subsidy is released to the manufacturers/importers after the fertilizer has been sold to the farmers at cheaper rates.

Fertilizer industry has agreed to have a study on alternative framework for fertilizer subsidy disbursement in India conducted. M/s.Tata Consultancy Services has been engaged by the Fertilizer Association of India for this study. The study report has been received and is under examination by the Department of Fertilizers.

Ministry of Petroleum & Natural Gas have informed that Diesel is already being sold across the country at price lower than International price. Customs Duty on Diesel has been reduced to 7.5% from 10%. Price of Diesel was reduced on two occasions i.e. on 30.11.2006 and 16.02.2007. The ad-valorem excise duty component on diesel has been reduced from 8% to 6% and Central Sales Tax on diesel has been reduced from 4% to 3% in Union Budget 2007-08. In view of this, further subsidized supply of diesel to farmers is not feasible.

Ministry of Power have informed that a new tariff policy under Electricity Act, 2003 has been notified in January,2006 which inter-alia provides that tariff for agricultural use may be set at different level for different parts of a State depending on the conditions of the groundwater table. A higher level of subsidy could be considered to support poorer farmers of the region, where adverse ground water table condition requires larger quantity of electricity for irrigation purposes subject to suitable restrictions to ensure adequate ground water levels and sustainable use thereof. The policy outlines that subsidized rates of electricity should be permitted only upto a pre-identified level of consumption beyond which tariffs reflecting efficient cost of service should be charged from consumers. If the State Government wants to reimburse even part of this cost of electricity to poor category of consumers, the amount can be paid in cash or any other suitable way.

COMMENTS OF THE COMMITTEE

4.9 For comments of the committee please refer to Para No. 1.13 of Chapter I of this Report.

Recommendation No. 11

Agricultural Credit

4.10 The Committee have been informed that during the first nine months of 2006-07, 63 lakh new farmers were financed by the banking system as against the target of 50 lakh new farmers set for the year 2006-07. The Finance Minister in his budget speech 2007-08 has indicated a target of Rs. 2,25,000 crore as farm credit for the year with an addition of 50 lakh new farmers to the banking system and also a provision of Rs. 1677 crore for two per cent interest subvention for short-term crop loans. This is a major step forward, and indicative of Government's commitment for improving the economic well-being of the farmers. However, the Committee is deeply concerned that even after announcement of the scheme of interest subvention of 2 per cent on loan, the farmers are not able to come out of the debt trap and are committing suicides. The moneylenders are still popular as they are still ruling the rural credit system by giving timely credit to local farmers but on exorbitant interest rates. Therefore, the Committee recommend that the moneylender's role in farmer's credit should be regulated in terms of loan amount as well as interest rates so as to treat them as part of rural credit system. however, their role can be reduced only if the farmers have more access to the banking system and get timely credit on easy terms at their doorstep.

The Committee feel that announcement of the loan factor will not stop the distress state of farmers, rather providing of irrigation facilities with efficient water management, distribution of high-yielding variety seeds at subsidized rates and also income increasing opportunities through horticulture, livestock, poultry, dairying and fisheries are also a must to decrease the suicide rate of farmers. The comprehensive rehabilitation package for especially distressed districts should include these factors also.

The Committee recommend that the rate of interest on farm credit should be reduced to the level of 4 per cent simple interest as has been suggested by National Commission on Farmers headed by M.S. Swaminathan, and in no case the interest should surpass the original amount of the loan so that the exploitation of farmers by the financial institutions is restricted.

The Committee have noted that in the case of poultry industry, due to loss created by the outbreak of Avian influenza, the Government of India announced a financial package along with one time interest subvention of 4 per cent in the last year i.e. 2006-07 for a period of one year on the outstanding principle amounts of loan availed by the poultry units. Therefore, the Committee recommend, that the interest subvention for the loans availed by the farmers of 31 suicide prone districts and other districts areas should also be increased to four per cent and may be distributed through RBI and its banking system as is being done in the case of poultry units.

REPLY OF THE GOVERNMENT

4.11 Government is concerned about reducing the role of moneylenders in availability of the credit to the farmers and has initiated several measures for ensuring timely credit on easy terms to the farmers. Some of the important initiatives are :-

(i) The Government of India on 18.6.2004 announced a special farm credit package. Following are the highlights of this announcement:–

- Increase in credit flow to agriculture sector @ 30% per year.
- Public Sector Commercial Banks and RRBs to bring 50 lakh new farmers into the credit fold every year.
- Credit to tenant farmers and oral lessees.
- Debt restructuring and relief for:
    - Farmers in distress
    - Farmers in arrears
    - OTS for small and marginal farmers
    - Loans to farmers for Redemption of debts from non-institutional lenders.
- Refinements in Kisan Credit Card (KCC) Scheme and revisiting of Scales of Finance and realigning the same to meet the realistic credit needs of the farmers.
- Formation and financing of self-help groups of tenant farmers and oral lessees to provide credit to this category of farmers.

(ii) In the Union Budget for the year 2006-07, it was announced that effective from Kharif 2006-07, farmers would receive crop loans up to a principal amount of Rs. 3 lakhs at 7% rate of interest and the Government would provide necessary interest subvention for this purpose. This policy has been continued in the year 2007-08 also.

(iii) Reserve Bank of India has instructed the banks not to insist on collateral/ margin/security requirements for agricultural loans up to Rs. 50,000/-.

(iv) Government has approved a revival package for Rural Cooperative Credit Institutions (short-term) involving, inter-alia, a financial outlay estimated at Rs. 13,596 crores to be shared by Central Government, State Governments and the Cooperative Credit Structure.

(v) The Government has constituted an Expert Group under the Chairmanship of Prof. R. Radhakrishna, Director, Indira Gandhi Institute of Development Research, Mumbai to look into the problems of Agricultural indebtedness in its totality and suggest measures to provide relief to farmers across the country.

The Government of India has approved a rehabilitation package of Rs. 16978.69 crore for 31 suicide prone districts in the four states of Andhra Pradesh, Maharashtra, Karnataka and Kerala. The package will be implemented over a period of 3 years and include both immediate and medium term measures. The rehabilitation package aims at establishing a sustainable and viable farming and livelihood support system through debt relief to farmers, improved supply of institutional credit, crop centric approach to agriculture, assured irrigation facilities, watershed management, better extension and farming support services and subsidiary income opportunities through horticulture, livestock, dairying, fisheries etc.

The National Commission on Farmers headed by Dr. M.S. Swaminathan has, inter-alia, recommended for reduction of rate of interest on farm credit to the level of 4%. A conference of State Agriculture Ministers was convened on 22nd December, 2006 to discuss the recommendations of the National Commission on Farmers (NCF) and the revised draft national policy for farmers as suggested by NCF. There was broad consensus among the states on the revised Draft national Policy for farmers. Based on the feedback received in the conference, a note alongwith a "Draft National Policy" has been submitted to the Committee of Secretaries (COS) set up for the purpose.

As regards, interest on agriculture loans, Reserve Bank of India has advised commercial banks that when crop loans or instalments under term loans become overdue, banks can add interest outstanding to the principal and compound the interest. However, total interest debited to an account should not exceed the principal amount in respect of advances to small and marginal farmers. This stipulation is applicable only to short term loans. Further, RBI has clarified to the banks that the above stipulation would be applicable only to short term loans advanced to small and marginal farmers.

COMMENTS OF THE COMMITTEE

4.12 For comments of the committee please refer to Para No. 1.16 of Chapter I of this Report.

Recommendation No. 13

Modified National Crop Insurance Scheme

4.13 The Committee has been informed that Modified National Agricultural Insurance Scheme (MNAIS) to take care of shortcomings/limitations in National Agricultural Insurance Scheme (NAIS), like unit area of insurance, calculation of insurance claims, low indemnity level, calculation of guaranteed income, etc., was prepared by the Department of Agriculture & Cooperation and submitted for approval to Planning Commission in February, 2005. The Planning Commission returned the MNAIS suggesting to shift the scheme to Non-Plan side. It favoured the funding only for overhead component of costs of the modified scheme. It also laid down a condition that the scheme can be supported on pilot basis but only in the districts/States which have requisite data collection capability and have infrastructure for obtaining the feedback. And since this data is required to have actual calculations and there being need to have subsidy on the premium this cannot be started as a Plan Scheme.

The Committee in their 18th Report (2006-07) recommended that the on-going scheme of crop insurance being implemented as Plan scheme since 2000, if modified to make it more farmer friendly, should not be shifted to non-plan side. During the examination of DFG of 2007-08, the Committee have been informed that as suggested by Planning Commission, the Ministry of Agriculture to start with, came with the scheme on pilot basis for 100 districts for the consideration of Expenditure Finance Committee, but the meeting was said to have been postponed at the instance of Planning Commission on the ground that the scheme has not yet been given its "in principal" approval. The matter was taken up at the level of Agriculture Minister with Deputy Chairman, Planning Commission but the issue is still to be resolved.

The Committee are anguished at the delaying tactics of the Planning Commission for its non-serious attitude towards the farmers of this country. The Committee, therefore, recommend that this matter should be resolved amicably and MNAIS must be approved as a Plan-scheme as in the case of the earlier crop insurance scheme. The farmers of this country also need a fair deal for the loss of their crops caused by natural and weather vagaries and for no fault of theirs.

REPLY OF THE GOVERNMENT

4.14 Recently, the Planning Commission vide letters dated March 8, 2007 and March 29, 2007 has reiterated their earlier stand on the Modified NAIS that the subsidy on the insurance premium can not be treated as plan expenditure. It has been suggested that the existing National Agricultural Insurance Scheme (NAIS) may be transferred to non-plan side and proposal on Modified NAIS may be initiated on Pilot basis in selected districts, with a flexibility to formulate the scheme by the State if so desired. The Central Assistance to meet the expenditure incurred on the formulation of the scheme including data collection and other related expenses may be provided through a separate Central Sector/Centrally Sponsored scheme and the premium subsidy component may be provided as an additional central assistance by the Planning Commission on the recommendations of the Ministry of Agriculture as per pre-decided terms and conditions.

The comments of Ministry of Agriculture on the view of Planning Commission has been sent by the Hon'ble Agriculture Minister vide letter dated 2nd April, 2007 and the Planning Commission has been requested to expedite the clearance of the proposal on Modified NAIS. The matter again came up for discussion in the meeting held on 5.4.2007 at Yojana Bhavan, New Delhi wherein some positive response from the Planning Commission was noticed. By referring the discussion of this meeting, Secretary (A&C) has requested Secretary (Expenditure) for initiating the process of convening the EFC meeting. Response from the Ministry of Finance, Department of Expenditure is still awaited.

COMMENTS OF THE COMMITTEE

4.15 For comments of the committee please refer to Para No. 1.19 of Chapter I of this Report.

Recommendation No. 14

Minimum Support Price (MSP)

4.16 The Committee note that the Government's price policy for agriculture commodities seeks to ensure remunerative prices to the growers for their produce with a view to encouraging higher investment and production to safeguard the interest of consumers by making available supplies at reasonable prices. Towards this end, the Government announces each season Minimum Support Price (MSP) for major agricultural commodities and organizes purchase operations through public and cooperative agencies.

The Committee feel that the criteria of fixing the Minimum Support Price, which is being done by the Commission for Agricultural Costs and Prices (CACP) has become outdated, and the prices so fixed are not delivering the desired benefits to the farmers. The Committee, therefore, recommend that the Minimum Support Prices should be reviewed and it should be 50% more than the weighted average cost of production. The Committee further recommend that while calculating the costs, the farmer himself should be considered as a skilled worker, and his wages should be calculated equal to that of a skilled labour.

The Committee further observe that to help raise the agricultural growth rate from 2.3 per cent to 4 per cent, the MSP should be announced well before the sowing season which will help the farmers to decide which crop they should grow. In other words, the Government can play a major role in increasing or decreasing the net sown area of any crop. This will also help in determining the market prices. The Committee are also of the opinion that in order to balance the interest of farmers as well as consumers, the procurement price of the Government may be kept at a higher level than the MSP, so that the market remains stable and the farmers also get a good price for their produce. The Committee strongly recommend that the bonus should form the part of MSP itself and should not be announced separately for Government procurement purposes. To offset the higher price of procurement, the Government may give subsidy to the consumer through public distribution system. This mechanism may help the farmer in getting a higher price depending on the market situation at the time of harvesting.

REPLY OF THE GOVERNMENT

4.17 The Commission for Agricultural Costs and Prices (CACP) recommends Minimum Support Prices (MSPs) for major agricultural commodities (namely Paddy, Wheat, Jowar, Bajra, Maize, Ragi, Barley, Arhar (Tur), Urad, Moong, Gram, Lentil (Masur), Groundnut-in-shell, Soyabean, Sunflower Seed, Sesamum, Nigerseed, Rapeseed/Mustard, Safflower, Cotton, Tobacco, Jute, Copra and Sugarcane) as per the Terms of Reference assigned to it. While recommending MSP, the Commission takes into account a number of relevant factors such as cost of production, trends in input prices, market prices, demand-supply situation and inter crop price parity, emerging demand supply situation, procurement and distribution, terms of trade between agriculture and non-agriculture sectors. The estimates of cost of production are considered vital in recommending MSP. The cost of production includes imputed value of wages of family labour.

As regards the review of MSP suggested by the Hon'ble Standing Committee, an expert Committee under the Chairmanship of Prof. Y.K. Alagh, has examined the methodological issues for computation of MSP. The report of the Committee is under consideration of the Government.

In a vast country like India with different agro climatic regions and cropping pattern, sowing season is not uniform across states / crops. Efforts are, therefore, made to bridge the gap between the sowing season and the announcement of MSPs so as to give necessary price signal to farmers, which helps them in the choice of crops. The dates of announcement of MSPs for kharif crops and rabi crops in recent years are given in the following table.

Year	Kharif	Rabi
2001-2002	07.09.2001	02.04.2002
2002-2003	26.09.2002	13.02.2003
2003-2004	30.07.2003	18.12.2003
2004-2005	10.08.2004	03.11.2004
2005-2006	20.04.2005	29.09.2005
2006-2007	27.07.2006	27 & 30.10.2006
2007-2008	17.05.2007	Report from CACP awaited.

Since the MSPs are announced earlier and the procurement season starts much later (after harvest of crops), decision on bonus is taken just before the start of the procurement season depending on prevailing market situation and assessment of market prices. Moreover, incentive bonus announced over and above the MSP is exempted from State taxes and levies and thus it helps to contain food subsidy.

<u>COMMENTS OF THE COMMITTEE</u>

4.18 For comments of the committee please refer to Para No. 1.22 of Chapter I of this Report.

CHAPTER-V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH THE FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation No. 1

Budgetary Allocation

5.1 The Committee note that for the Tenth Five Year Plan (2002-2007), Ministry of Agriculture (Department of Agriculture & Cooperation) had proposed an outlay of Rs.25002 crore keeping in view the thrust areas identified for the Tenth Plan. However, Rs.16093.32 crore were allocated as budget estimates and only an amount of Rs.15612 crore was made available in the Revised Estimates from 2002-03 to 2006-07.

The Committee further note that the average growth in the Tenth Five Year Plan in agriculture and allied sector is 2.3% as compared to an aggregate of 7.6% for all sectors of the economy. The Committee are of the opinion that though the periodic failure of the monsoon in the last few years can be attributed to be a contributory factor for shortfall in the agricultural growth rate, lack of adequate funding and investment in the agriculture is also one of the primary reason for deceleration.

The Committee has been informed that the Plan Budget estimates for 2007-08 has been Rs.5560 crore (1.72% of Central Plan Outlay) as against RE of Rs.4900 crore during 2006-07, though the Department had put forward a demand of Rs.7325.96 crore. The Committee feel, and as also agreed by the representative of the department during evidence, that this amount of Rs.5560 crore is not sufficient enough to meet the requirement of the agriculture sector. Therefore, the Committee recommend that if the Government is serious enough to increase the agricultural growth rate and investment in agriculture, the Planning Commission and Finance Ministry should be asked to allocate at least Rs.2000 crore more for 2007-08 at the Revised Estimates stage.

The Committee strongly feel that the strategy of planned development would lose its sanctity and would remain only on papers, if the life line of funds to this vital and basic sector is throttled, as the growth of all other sectors is inextricably linked to the growth of agricultural sector. The Committee, therefore, expects a reasonable and liberal approach in making allocations in favour of agriculture and allied activities in the present and future budgets.

REPLY OF THE GOVERNMENT

5.2 The Planning Commission has been specifically requested to allocate over and above the approved outlay of Rs.5560.00 crore, an additional outlay of Rs.2026.97 crores to this Department in the current fiscal as per the details given below :-

(Rs. in crore)

S.No.	**Scheme / Activity**	**Additional Outlay**
1.	Additional Central Assistance	1500.00
2.	National Food Security Mission	
(i)	National Food Security Mission - Rice	138.11
(ii)	National Food Security Mission - Wheat	291.95
(iii)	National Food Security Mission - Pulses	96.91
	Total	2026.97

Recommendation No. 4

Scheme on Enhancing Sustainability of dryland farming systems

5.3 The Committee are shocked to learn that the `Scheme on Enhancing Sustainability of Dryland Farming Systems', for which provision was made under the Tenth Five Year Plan, has still not been launched. Explaining the reasons for non-approval of the scheme, the Government informed that it could not be launched as it was considered appropriate to firm it up after consultation with the newly set up `National Rainfed Area Authority'. The reason given by the Government is not at all satisfactory and amounts to covering their own lapses.

The Committee are highly critical of this explanation and attitude of the Government; as it is very much evident that this scheme was proposed during the Tenth Plan when the National Rainfed Area Authority was not even conceptualized. Now after expiry of whole of the 10th Plan, the Government comes up with the idea of referring it to the Authority which has yet to become functional. The Committee desire the Government to explain whether for all these years they were awaiting for the Authority to be set up to refer this scheme to it which actually even they did not know at that point of time that it is going to be set up. Then how could they propose it at all during tenth plan when there was no intention of approving and implementing. The delay in launching of the Scheme will have an adverse effect on the farmers, a vast majority of whom are dependent upon monsoons.

Taking serious cognizance of the whole matter, and in view of the importance of the scheme, the Committee recommend that the `Scheme on Enhancing Sustainability of Dryland Farming Systems should be approved immediately for implementation and it should be launched, with or without consultation with National Rainfed Area Authority, within three months of presentation of this Report to Parliament.

REPLY OF THE GOVERNMENT

5.4 The Scheme 'Enhancing Sustainability of Dryland Farming Systems' could not be launched during Tenth Plan because of non approval of the outlay of Rs.73.7 crores for the years 2005-06 and 2006-07 by the Ministry of Finance. They instead reiterated that the scheme may be examined by National Rainfed Area Authority before its approval. Considering the recommendations of the Committee contained in their 23rd Report, the note for EFC of the proposed scheme during Eleventh Plan period with an outlay of Rs. 1548.74 crores has been submitted to Planning Commission and National Rainfed Area Authority for approval. However, Planning Commission and Ministry of Finance will be requested again to accord their approval for the implementation of the scheme pending consultation of National Rainfed Area Authority as desired by the Parliamentary Standing Committee on Agriculture.

Recommendation No. 5

Global Warming

5.5 The Committee notes with concern the adverse effects of global warming on Agriculture. A recent study conducted by a reputed journal of U.K. has shown that about 30% of the variation in the global agricultural yield can be explained by temperature rise. Our country being the second largest producer of wheat, and the fifth largest producer of maize in the world, is bearing the brunt and suffering a silent kill on its agrarian economy. One study shows that even 0.50^0 C rise in temperature may reduce the yield of wheat in India by 450 kg. per hectare.

The Committee are of the view that it is high time to take this issue seriously because the economic impact of such global warming is higher in developing and poor countries rather than in developed countries. The Committee recommends that high temperature tolerant varieties of crops should be developed and the farmers should be educated to take care of the issue and grow their crops accordingly. Tsunami affected areas should also be studied to find out the impact of global warming as these coastal areas are most likely to be adversely affected. The Department should chalk out the alternative land and water use strategies to combat global warming so as to minimize the impact and losses for food security of the country.

REPLY OF THE GOVERNMENT

5.6 The subject of climate change is dealt by the Ministry of Environment & Forests. However, the effects of global warming on agriculture are being studied by Indian Council of Agricultural Research through their Net-work Programme on Impact Adaptation and Vulnerability of Indian Agriculture to Climate Change with an outlay of Rs.9.11 Crore. These research projects of ICAR aim at study of the impact of climate change on agriculture systems including the livestock, fisheries, horticulture and forestry at 16 locations spread across the country. Though, no clear-cut findings are available, since research project is under progress, however, intensity of the extreme events like drought, flood, heat waves, cold waves, cyclonic incidents etc. has increased. Preliminary studies taken up under the network programme on climate change sponsored by Indian Council of Agricultural Research (ICAR) at Central Research Institute for Dryland Agriculture indicate that negative departure of annual rainfall (over the period of 1960-2004) has been noticed in some northern part of the country comprising parts of Western Uttar Pradesh, West Madhya Pradesh, Haryana, Uttaranchal, Himachal Pradesh and entire North Eastern States and in some parts of the Southern Peninsula covering South Telangana, parts of Rayalaseema, Vidarbha and Tamil Nadu.

Further, the rainfall analysis carried out at 1140 stations located in the rainfed regions of the country has shown that 73 percent of the stations are subjected to short term fluctuations (less than 7 years) in annual rainfall. The increase in minimum temperature by 4 to 5 degree Celsius over its normal value coinciding with the reproductive (grain bearing) stage of wheat crop during 2005-06 Rabi season, considerably affected the wheat production. As per information available with the Indian Meteorological Department (IMD), the surface air temperatures over the Indian subcontinent show a slight warming trend by about 0.4 Degree Celsius during the past 100 years. This warning trend is however not uniform either in time or in space.

In non-irrigated areas the strategy for land and water use is based on watershed development approach. Under the Ministry of Agriculture, watershed programmes namely, (i) National Watershed Development Project for Rainfed Areas (NWDPRA) (ii) Soil Conservation for Enhancing Productivity of Degraded Lands in the Catchments of River Valley Project and (iii) Watershed Development Project in Shifting Cultivation Areas (WDPSCA) are being implemented which have components of increasing vegetative cover and harvesting rain water including ground water recharge. Under these programmes, agro-forestry and farm-forestry are also supported.

In addition to these, Ministry of Rural Development is also implementing three major programmes, namely, Desert Development Programme (DDP), Drought Prone Area Programme (DPAP) and Integrated Wasteland Development Project (IWDP) which are also implemented on watershed approach basis and help in minimizing the adverse effect of climate change.

Indian Council of Agricultural Research has developed a number of varieties/hybrids of different food crops to suit different agro-ecological conditions. In wheat, the late sown varieties tolerate heat stress to a large extent. Late sown variety DBW-14 for Northeastern plain zone tolerates heat to a great extent. Heat tolerant genotypes viz. HD 2808, RAJ 3765 and WH 730 indicated considerably less reduction in grain yield per spike in response to high temperatures and low rate of leaf senescence. Some of the heat tolerant wheat varieties are NW-2036, NW-

1014 and HW-2045, HD-2643 and K-8962. The adoption of these varieties and their production-protection technologies help in mitigating the adverse effect of Global Warming.

Besides, the high temperature tolerant and drought resistant varieties of crops are being promoted through Integrated Cereals Development Programmes (ICDP-Rice/Wheat/Coarse cereals) in different states of the country. The farmers are also advised to adopt light frequent irrigations in wheat in the event of rise in temperature during flowering/grain formation stages. The technologies developed and recommended by the National Research System are also popularized amongst the farmers under the schemes, which include strategies to combat Global Warming as well.

Recommendation No. 17

Agriculture Extension

5.7 The Committee are perturbed to note that even the Finance Minister during the Budget speech had to admit that the Agricultural Extension system seems to have collapsed and now the Training and Visit (T&V) programme, which brought in the Green Revolution of 1960s has to be replicated with suitable changes. The Committee were informed by the representatives of the Department during oral evidence that the Agriculture Technology Management Agency (ATMA) which has been established in 262 districts of 27 States and 2 Union Territories, is proposed to be extended to another 300 districts for which outlay has been enhanced from Rs. 50 crore in 2006-07 to Rs. 230 crore in 2007-08.

The Committee are perplexed to note the contradictions, that on the one hand, the Government admit the agricultural extension has failed, and on the other hand, the Government propose to enhance budget for further strengthening of ATMA, which has not shown any tangible results. The Committee are of the view that if ATMA has not succeeded up to now, either it should be revamped or the Government should come up with a scheme which works better that ATMA because for several years agricultural extension has been responsible for not percolating the real benefits of research of the schemes of the Department to the farmers.

The Committee in their earlier reports on Demands for Grants, had recommended to provide 25% subsidy to the agricultural graduates to set up their ventures under the scheme of Agri-Business and Agri-clinics, but the issue of providing 25% subsidy has still not been finalized. The Committee highly deplore the delay on this issue and desire that the component of giving 25% subsidy to agriculture graduates to set up their ventures should be approved within 2 months of presentation of the Report to the Parliament.

REPLY OF THE GOVERNMENT

Extension Reforms

5.8.1 The Agriculture Technology Management Agency (ATMA) model for promoting reforms in extension system was pilot tested under the Innovations in Technology Dissemination (ITD) component of the World Bank supported National Agriculture Technology Project (NATP) during 1998-2005. A total of 28 districts were covered under ITD-NATP in phases in 7 States. The names of these districts is given in **Annexure-I**.

2. Reforms promoted under ATMA model include :

(a) Bottom-up planning.

(b) Decentralized decision making.

(c) Multi-agency implementation system.

(d) Farming systems approach.

(e) Extension support to farmers' groups.

3. Salient achievements/impact of ATMA programme under ITD-NATP are given in **Annexure-II.**

4. In view of encouraging results of ITD-NATP, the Department of Agriculture and Cooperation (DAC) had launched the Centrally Sponsored Scheme "Support to State Extension Programmes for Extension Reforms" based on ATMA model. The scheme was launched on 7th May, 2005 with the target of covering 252 districts during the X Plan. The status of implementation of this scheme as on 31.3.2007 in brief is given hereunder:

(a) 262 ATMAs have been set up.

(b) 2150 Farmers' Advisory Committees (FAC) have been constituted.

(c) 2258 Block Technology Teams (BTTs) have been constituted.

(d) About 7500 commodity based Farmers' Interest Groups (FIGs) have been formed.

(e) About 10 lakh farmers have participated in different extension activities implemented under this scheme as per details given in the following table:

Activities	Total participants
Exposure Visit of farmers	16,044
Training of farmers	1,16,125
Field Demonstrations	2,08,180
Kisan Melas/Exhibitions	6,65,420
Total:	10,05,769

5. The Hon'ble Finance Minister has also stated in his Budget Speech 2007 that: "In order to revive extension work, the Ministry of Agriculture will, in consultation with State Governments, draw up a new programme that will replicate T&V with suitable changes".

6. The matter was discussed with the States during Kharif Conference 2007 held on 3-4 April, 2007. States were requested to send their written suggestions for revitalization of the extension system, including launch of a new programme, by 7.5.2007. A day-long workshop for consultations on the subject with States and other stakeholders was held on 15.5.07. The important recommendations of the workshop are given in **Annexure-III.** These recommendations are being processed.

7. Subsidy as follows is being provided under Agri-Clinic and Agri-Business Centres Scheme:-:

(i) Credit linked back-ended capital subsidy @ 25% of the capital cost of the project funded through bank loan. This subsidy would be 33.33% in respect of candidates belonging to SC, ST, Women and other disadvantaged section and those from North-Eastern and Hill States.

(ii) Full interest subsidy for the first two year of the project.

Recommendation No. 18

Seed Crop Insurance

5.9 The Committee note that a Pilot Scheme for Seed Crop Insurance was initiated in 2000 with the objective to provide financial security and income stability to the Breeder Seed growers in the event of failure of seed crop and encourage participation of new breeders/growers to undertake seed production programme of newly released hybrid/improved varieties, but it was dropped during Tenth Plan.

The Standing Committee on Agriculture in their First Report (14^{th} Lok Sabha) had recommended for continuation and popularization of the 'Seed Crop Insurance Scheme' and to remove the bottlenecks in implementation of the Scheme. The Committee have been informed that the evaluation study for the Scheme was first awarded to the National Council for Applied Economic Research (NCAER) in Feb., 2002, then to Agriculture Finance Corporation in November, 2003 from whom the final report is yet to be received. The Committee fail to understand the logic behind awarding evaluation studies to the aforesaid agencies year after year without any outcome. How the Government is not asking these agencies to submit the Report in time. The Committee recommend that it is high time that the 'Scheme of Seed Crop Insurance' be implemented at the earliest and the 'Agriculture Finance Corporation' should be asked to submit their Report within two months of presentation of this report so that some protection is provided to the seed growers, otherwise, it will be very difficult to encourage the seed growers to take up seed production.

REPLY OF THE GOVERNMENT

5.10 The National Council for Applied Economic Research (NCAER) who were awarded the evaluation study in the first instance vide letter dated 26.02.2002 did not take up the work. Thereafter, the Department of Agriculture and Cooperation on 17.11.2003 requested Agriculture Finance Corporation to evaluate the Seed Crop Insurance Scheme. The Agriculture Finance Corporation submitted the draft report on the evaluation of Pilot Scheme of Seed Crop Insurance on 10.08.2005. The Department of Agriculture and Cooperation sought the comments on the report from State Governments, Seed Corporations and Seed Certifying Agencies. The comments received were forwarded to Agricultural Finance Corporation for finalization of the evaluation report. The Agriculture Finance Corporation has since submitted its report, which is being examined by the Department.

Recommendation No. 19

Cooperation

5.11 The Committee note with satisfaction that the cooperative sector in India has emerged as one of the largest in the world with 542566 cooperative societies and 424 multi-state cooperative societies. The Committee also note that Rs. 128 crore have been allocated for 2007-08 as against RE of Rs. 50.25 crore during 2006-07. Having accepted this fact, the Committee cannot help but express their concern about the weak condition of most of the cooperative societies in the country. The Committee feel that unless these cooperatives are revived, the farmers cannot avail the benefits of these societies. They, therefore, recommend the Government to ensure that the cooperatives are provided necessary support, encouragement and financial assistance so that they work as autonomous, self-reliant and democratically managed institutions accountable to their members and make a significant contribution to the agricultural sector of the national economy.

The Committee have been informed that the Task Force on revival of rural cooperative credit institutions under the chairmanship of Prof. A. Vaidyanathan has submitted its report and the Government has approved the package for revival of short-term rural cooperative credit structure involving financial assistance of Rs. 13596 crore. The Committee desire the Government to implement a package for revival of long-term cooperative credit structure also, including the recommendations made by the Vaidyanathan Committee, in this regard, because most of the times, the loans taken by the farmers are for long term as well.

The Committee also desire that Vaikunth Mehta National Institute of Cooperative Management (VAMNICOM), Pune, a premier institute in the field of cooperative management conducting professional degree courses, should be granted a deemed university status at the earliest so that exodus of highly talented and experienced faculty Members for want of good pay scales, is avoided and the students, otherwise well-qualified and well-trained by the institute, get good placement commensurate with their real caliber.

REPLY OF THE GOVERNMENT

5.12.1. To ensure the democratic, autonomous and professional functioning of cooperatives, it has been decided to amend the Constitution. The amendment to the Constitution, for the purpose, will address the key issues for empowerment of the cooperatives, through their voluntary formation, autonomous functioning, democratic control and professional management. The Constitution (one hundred and sixth amendment) Bill, 2006 has been introduced in the Lok Sabha on 22.05.2006. There is no specific provision in the Constitution (106th) Amendment Bill 2006 to revive the sick cooperative units. However, it is expected that ensuing autonomous functioning at cooperatives will enable the cooperatives to become self-reliant and economically viable.

2. Revival package for short term cooperative credit structure is under implementation. The task force has submitted its report on long term cooperative credit structure (LTCCS) to Government of India on 23.08.2006. In turn, Government of India, Ministry of Finance has asked for comments of the state governments. So far comments from a few states have been received. Government is in touch with other states for obtaining their comments on the report.

3. NCUI has submitted a proposal to this Department for setting up Jawaharlal Nehru International Cooperative University which will be located in the existing campus at VAMNICOM in Pune and all the institutions at NCCT will be its constituents/affiliates. The Deptt. is examining the proposal submitted by NCUI.

NEW DELHI;
27 November, 2007
6 Agrahayana, 1929(Saka)

PROF. RAM GOPAL YADAV
Chairman,
Standing Committee on Agriculture.

APPENDIX- I

<u>MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON AGRICULTURE HELD ON TUESDAY, THE 27TH NOVEMBER, 2007 AT 1500 HRS. IN COMMITTEE ROOM, 'B', GROUND FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI</u>

The Committee sat from 1500 hrs. to 1620 hrs.

PRESENT

Prof. Ram Gopal Yadav – Chairman

MEMBERS

LOK SABHA

2. Shri Anil Basu
3. Shri Manoranjan Bhakta
4. Shri Girdhari Lal Bhargava
5. Shri Deepender Singh Hooda
6. Shri Hari Rama Jogaiah
7. Shri Prabodh Panda
8. Shri K.J.S.P. Reddy
9. Shri M.P.Veerendra Kumar

RAJYA SABHA

10. Shri Harish Rawat
11. Shri Sharad Anantrao Joshi
12. Prof. M.S.Swaminathan

SECRETARIAT

1.	Shri A.K.Singh	-	Joint Secretary
2.	Shri Raj Kumar	-	Deputy Secretary
3.	Shri N.S.Hooda	-	Deputy Secretary
4.	Ms. Amita Walia	-	Under Secretary

At the outset, the Hon'ble Chairman, welcomed the Members to the sitting of the Committee and requested them to take up the following Memoranda on draft Action Taken Reports on Demands for Grants(2006-07) of the Ministry of Agriculture and Ministry of Food Processing Industries for consideration and adoption:-

(1) Memorandum No. 2 regarding draft Action Taken Report on the recommendations contained in the 27th Report on Demands for Grants (2007-08) in respect of Ministry of Agriculture (Deptt. of Agriculture and Co-operation)

(2) Memorandum No. 3 regarding draft Action Taken Report on the recommendations contained in the 28th Report on Demands for Grants (2007-08) in respect of Ministry of Agriculture (Deptt. of Agricultural Research and Education)

(3) Memorandum No. 4 regarding draft Action Taken Report on the recommendations contained in the 29th Report on Demands for Grants (2007-08) in respect of Ministry of Agriculture (Deptt. of Animal Husbandry, Dairying and Fisheries); and

(4) Memorandum No. 5 regarding draft Action Taken Report on the recommendations contained in the 30th Report on Demands for Grants (2007-08) in respect of Ministry of Food Processing Industries.

2. The Committee considered and adopted the draft action Taken Reports with minor modifications.

3. The Committee then authorized the Chairman to finalize and present the above-mentioned Reports to both Houses of Parliament.

The Committee then adjourned.

APPENDIX II

(Vide Para 4 of Introduction of the Report)

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE TWENTY SEVENTH REPORT OF STANDING COMMITTEE ON AGRICULTURE (14TH LOK SABHA)

(i)	Total number of Recommendations	19
(ii)	Recommendations/Observations which have been Accepted by the Government	
	Serial Nos. 3, 8, 9, 10, 12, 15 and 16	
	Total	7
	Percentage	36.8%
(iii)	Recommendations/Observations which the Committee Do not desire to pursue in view of the Government's replies	
	Nil	
	Total	0
	Percentage	0%
(iv)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee	
	Serial Nos. 2, 6, 7, 11, 13 and 14	
	Total	6
	Percentage	31.6%
(v)	Recommendations/Observations in respect of which Final replies of the Government are still awaited	
	Serial Nos. 1, 4, 5, 17, 18 and 19	
	Total	6
	Percentage	31.6%