

**Speech of Shri Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, at the 53rd meeting of the National Development Council held on 29th May 2007 at Vigyan Bhavan, New Delhi.**

Respected Prime Minister  
Minister Members of the Planning Commission  
Members of the Union Cabinet,  
Chief Ministers,  
Other distinguished participants.

The major issues facing this meeting have been outlined by the Prime Minister in his opening address and have been further elaborated by the Hon'ble Minister for Agriculture.

The Planning Commission has been working on these issues to evolve a strategy for the 11<sup>th</sup> Plan. In this process, we have reviewed the work of several expert groups and the report of the NDC Committee. Our present perception is summarised in the paper on "*Agricultural Strategy for the Eleventh Plan: Some Critical Issues*" which has been distributed to all participants as an input into the deliberations of this meeting. I will, therefore, limit my remarks to only a few issues.

The Prime Minister has already referred to the emergence of a technology fatigue in Indian agriculture. This is reflected in the fact that the yield of new varieties released in recent years has plateaued. However, there is still considerable scope for increasing productivity in the field because the yields actually being achieved on the field for many crops in many States are much below the realisable potential even of existing varieties if best cultivation practices are used.

- ***In wheat, the unutilized potential is only 6% in Punjab, but it is 84% in Madhya Pradesh***
- ***In Maize, the gap is only 7% in Gujarat, but it is as high as 300% in Assam.***
- ***In rice the potential yield increase is over 100% in Assam, Bihar, Chhattisgarh and UP.***

These yield gaps suggest that there is considerable scope for increasing production with existing technology to realize the targets of 4% growth in agricultural GDP in the Eleventh Plan.

In the longer run we must go beyond closing yield gaps and work to extend the technology frontier to overcome the problem of technology fatigue. This is especially so, given the challenge of global warming and the need to adapt to possible climate change which may impact adversely on agricultural production unless we can discover new varieties that can handle new stresses. We need to strengthen our national agricultural research effort to achieve this objective. This calls for additional resources and also a more result oriented, strategically driven research system. We will address these issues in the Eleventh Plan.

Although the potential yield gap is large, it is important to recognise that realizing these yields requires co-ordinated effort and additional cost. Part of the additional cost has to be met through increased public investment, or publicly funded plan expenditure on irrigation, watershed management, rural roads, the extension system etc. Part of the cost has to be incurred by the farmer himself, and this must be facilitated by acting on several fronts. We must address the knowledge gap about what works best under different circumstances. We must also ensure that the farmer has access to critical inputs of reliable quality such as seeds, fertilisers, pesticides etc. All this has to be underpinned by easy availability of credit, and also reasonable assurance of being able to market the crop at a profit.

The agricultural strategy for the Eleventh Plan must address all these needs of the farming community in an integrated manner. We must ensure that the necessary increase in public investment for agriculture takes place and both the Centre and the States have a major role to play in this process. The specific initiatives needed to support agriculture will obviously vary from state to state, depending upon agro-climatic conditions. State government agencies, supported by the Central government as appropriate, have the major role in implementation. They have to ensure that critical inputs of reliable quality, including especially seeds, fertilizers, credit etc. are made available at the right time. Since seeds are so critical, States' need to prepare their seed plans early, so that the Centre can give any necessary help.

In this context, I should mention that we had requested the ICAR to prepare some material for Hon'ble Chief Ministers indicating state-specific technology options. They have produced a book in record time which has already been distributed to you. Further details can be obtained from the ICAR if required.

The Prime Minister referred to food security as an important objective of agricultural policy. This is especially so in the wake of stagnation in the production of foodgrains over several years. Fortunately, the yield gaps in foodgrain crops in many areas suggest that we can evolve a strategy for increasing production of wheat by 8 million tones, rice by 10 million tones and pulses by 2 million tones by the end of the 11th Plan period. A food security mission will be launched to achieve these objectives, focusing for each crop on selected districts in States which provide scope for significant yield increases at modest costs.

While food security is important, our projections also suggest that production of foodgrains needs to increase by only 2 to 2.5 per cent a year over the 11th Plan period. This means that if agriculture as a whole is to grow at 4%, it will be necessary for other sectors to grow at around 6%. Agricultural diversification into horticulture, dairying poultry and fisheries must therefore form a critical part of our agricultural strategy. We need to pay much more attention to the specific needs of these sectors in the future.

Since the produce in all these sub-sectors is perishable, diversification has important implications for modernizing marketing and the development of logistics support, cold chains and downstream linkages with food processing. Amendment of the APMC Act is an important first step in this process. Many states have amended the Act, but they have yet to complete the process by notifying the rules. This must be done. Contract farming is another innovation which is being encouraged by many states. It does not raise the problems associated with corporate farming and it could prove to be a useful method of linking farmers to markets. However, the need for regulation, especially with regard to dispute resolutions needs to be examined.

Irrigation is one of the most important areas where public investment must be increased so as to increase the supply of water, which is a critical input. We propose to provide substantially expanded central support for this sector in the form of an expanded AIBP programme in the 11th Plan. I am pleased to announce that the Finance Minister has agreed to provide additional resources for this programme beyond the amount included in the budget in the current year.

While investing more in irrigation, must also avoid the problems experienced in the 10th Plan when the target for expenditure on irrigation was exceeded, but the addition to potential irrigated areas was only 50% of the target, and actual area under irrigation did not increase at all. This can happen because water available is not evenly distributed in the command area so that actual irrigation is less than the potential and the increase is offset by declines in irrigation elsewhere because systems are not properly maintained.

We need to find ways of doing better in future. Given the large number of projects that are under implementation, we should obviously avoid adding new projects and focus on completing on-going projects as quickly as possible. Contract management in AIBP projects should be improved through resort to fixed time contracts, which yield much better results. One model project per state should be taken up focusing on modernization and rehabilitation of an existing irrigation project. NREG/BRGF funds can be utilised in districts where they are available, to supplement resources available for command area development. Participatory irrigation management should be encouraged and water user associations should be allowed to collect water charges and use a substantial portion of the funds for maintenance.

It is equally important to address the water input problem of rainfed areas, which currently account for 2/3<sup>rd</sup> of the arable areas. Here we have to distinguish between areas such as Bihar and parts of West Bengal which have relatively high rainfall and therefore considerable scope for ground water exploitation, and the problems of low rainfall dry land areas, where the focus must be on water conservation and ground water recharge. The high water table in the Eastern region provides scope for relatively easy productivity gains based on exploitation of available water, and much of the foodgrain increase under the food security mission can come from these areas. There is need for a State specific strategy to exploit these gains.

Turning to dryland areas, studies show that investment in watershed development if properly planned, with community involvement, can yield a higher rate of return than many major and medium irrigation projects. States which have the option of investing in irrigation or in watershed development would be well advised to consider the optimum division of available resources between the two. The recently established National Rainfed Area Authority can help, if desired, in evolving plan for rainfed areas.

Let me now turn to the issue of how to incentivise state-specific strategies which was specifically mentioned by the Prime Minister. Over the years, there has been a tendency for agricultural planning at the state level to become much weaker. State allocations to agriculture have shrunk relative to other sectors and for the content of state plans is often driven by the various Central schemes dealing with individual crops. Often, the state agricultural plan is little more than the aggregation of the states' share of various Central schemes.

We have worked closely with the Ministry of Agriculture to make a break from this pattern. The details of what we propose are spelt out in sections 4.30 to 4.33 of the Planning Commission Paper on Agricultural Strategy, which is one of the documents before you. In essence, we propose that states should evolve district agricultural plans, taking account of the specific agro-climatic conditions of the district and utilizing available resources from the BRGF and NREG, where these area in operation and other schemes. Based on these district plans, the states should evolve a state level agricultural plan aimed at delivering agricultural growth of the level consistent with the national target of 4% growth.

The Central Government will introduce a new additional Central Assistance Scheme to help in meeting the additional resource requirement of such an agricultural plan, on a shared basis, provided the State meets a base-line level of expenditure on agriculture from its own resources. This will provide a new mechanism whereby the States can evolve a holistic state-specific agricultural strategy which is more than simply summation of existing Central schemes and receive Central Assistance in a flexible manner to support this strategy. The details of this programme will be worked out and shared with the states in the near future. We will make adequate provision for the new scheme in the Eleventh Plan and I am happy to State that the Finance Minister has agreed to provide additional resources in the current year itself so that the new scheme can commence in this year itself.

There are many other issues relevant for this meeting and they have been addressed in the Planning Commission's document which is before you. Lack of time prevents me from dealing with these issues individually. However, I look forward to the views of the Chief Ministers on these and other issues.