

**Meeting of National Development Council on Issues relating to Agriculture**  
**Vigyan Bhavan, New Delhi**  
**May 29, 2007**

P. Chidambaram  
Minister of Finance

Ladies and Gentlemen,

I am happy that this meeting of the National Development Council brings agriculture to where it belongs – at the top of the agenda of policy makers. In my Budget Speech for 2007-08, I had quoted Jawaharlal Nehru, who said “Everything else can wait, but not agriculture.”

2. Self-sufficiency or mere self-sufficiency in essential food items is not, in the Indian context, an academic or ideological issue. It is a matter of dire necessity. No country as large as India can hope to meet the requirements of its people for cereals, pulses, oil seeds, sugar, milk, etc. through imports on a large scale. While supply-demand gaps are not unusual in any economy, especially a growing economy, any supply-demand gap in essential food articles has the effect of exacerbating the problems relating to maintenance of price stability. While imports are a short-term answer to the supply-demand gap, practical experience shows that India does not have too much room to manoeuvre.

3. It is a matter of satisfaction that we have put behind us the years of high inflation. I may recall that in 1979-80 the average inflation measured by WPI was 17.1 per cent. In the years immediately after the reform process started, between 1990 and 1995 average inflation was 11.0 per cent. As recently as the period between 2000 and 2004 it was 4.9 per cent. But the tolerance level for inflation has come down sharply. Therefore, we aim to control inflation at between 4.0 and 4.5 per cent. The recent spell of inflation was largely due to the spurt in prices of primary articles – and that includes, apart from metals, food articles. The contribution of primary articles to WPI inflation was as much as 43.8 per cent on May 12, 2007. Needless to say, inflation has other consequences and obliges Government and the RBI to take strong measures. Therefore, even from the point of view of sound macro-economic management, it is necessary that we maintain adequate supplies of food articles and the resulting price stability.

4. I am particularly concerned about the stagnation in production during the period 1998-99 to 2006-07.

- The area under food grains has stagnated between 120 million and 125 million hectares. Of this, the area under wheat has stagnated between 25 million and 27.5 million hectares and the area under paddy has stagnated between 41 million and 45 million hectares.
- Excluding the outlier years, the production of wheat has stagnated between 68 million and 73 million tonnes and the production of rice has stagnated between 85 million and 91 million tonnes.
- Productivity has also stagnated. In case of wheat, it is approximately 2,700 kgs per hectare and in the case of rice it is approximately 1,950 kgs per hectare.

It is therefore necessary that we urgently address the issues relating to both production and productivity. Listening to the statements made this morning by

Honourable Chief Ministers and Honourable Agriculture Ministers, I am happy that there is an emerging consensus on launching a Mission to increase the production of wheat, rice and pulses.

5. The Mission should aim at not only increasing production but also productivity. The major factors that have caused a deceleration in productivity growth include: over exploitation of soil nutrients reserve and organic matter; improper water management; imbalanced and sub-optimal use of fertilizers; continuous cultivation of same genetic material; non availability of certified seeds; break down of extension services and inadequate post harvest management infrastructure including marketing. Lack of technological breakthrough in the development of agro-climate-specific seeds, particularly for rain-fed areas, has also been a cause of decelerating productivity.

6. There are also many reports and studies which point to startling yield gaps between States and within States. For example,

- (i) In wheat, average yield in Punjab and Haryana (at 4.2 and 4.0 tonnes per ha) is significantly higher than that in Bihar and Madhya Pradesh (1.8 tonnes per ha), and in Maharashtra and Himachal Pradesh (at 1.3/1.4 tonnes per ha).
- (ii) Further, within the States with lower yields for wheat, there exists considerable gap between actual levels and levels under improved practices.
- (iii) In the case of rice, even in irrigated areas, actual yield in 2003-04 varied significantly from 2.18 tonnes per ha in Uttar Pradesh to 1.45 tonnes per ha in Chhattisgarh.

7. I am confident that this Conference will be able to adopt, in the form of a resolution, a plan of action that will clearly spell out the respective obligations of the Central Government and the State Governments. It is in our common interest that we agree on a plan of action and implement it without let or hindrance.

8. The Central Government has been devolving an increasing amount of funds to the State Governments and Union Territories by way of shared tax revenues and by way of grants and loans. In 2003-04, the resources transferred to State Governments and Union Territories was Rs. 137,367 crore. In 2007-08, it will be Rs. 249,437 crore. Nevertheless, I realize that, when we launch the Mission, there will be a demand for more funds. Large outlays are normally routed through the Finance Commission or the Planning Commission and take into account over all resource availability. Unusual situations demand unusual answers. Hence, I would support the proposal to provide additional resources and transfer the same through the method of Additional Central Assistance (ACA). In my view, the horizontal allocation across States should be based on a transparent formula: the size of agricultural GDP of the State and the prevalent yield gap could be among some of the parameters.

9. The success of the Mission would depend upon the willing participation of States to take the actions that fall within their area of responsibility. Recognizing the different requirements of the States, I support the view that we should develop State-specific plans for agriculture. Even a State-specific plan should be an aggregate of district-specific plans formulated for the districts in that State. Each State should also ensure that its current level of expenditure on agriculture, as a proportion of total State plan expenditure, is maintained – that should be the base line – and additional resources are found by the State Government also from its own resources. The

additional resources of the Central Government and the State Governments should be spent wisely – without wastage and without corruption – and focus on irrigation, seeds, soil testing, better delivery of fertilizer subsidy, modern markets and, last but not the least, agricultural research and extension.

10. I commend the high sense of responsibility and commitment displayed by the members of the Hon'ble National Development Council. I am confident that, working together, we can put agriculture at the top of the agenda. I am also confident that the adoption of a resolution which captures the sense of the deliberations – the draft of which, I am told by Agriculture Minister, will be circulated to you shortly before the lunch break – will be a major step towards achieving our desired goal in the agricultural sector. I thank you for your support and cooperation.

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