



**Government of Karnataka**

# **Speech**

of

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**Chief Minister of Karnataka**

At the meeting of the

**National Development Council**

in New Delhi

on

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1. Today's National Development Council meeting, to discuss the report of its Sub-committee on Agriculture, comes at a very critical time when both the Central and the State Governments need to take some far-reaching, bold and innovative decisions and initiatives to rejuvenate agriculture in the country.

2. The strength of India's agricultural sector, which contributes around 20% of national income and employs 60% of the labour force in rural India, is vital to the country's economy. To my mind, the main challenge before all of us is how we could make economic, social and environmental sustainability a corner stone of our agricultural strategy in the 21<sup>st</sup> century – especially in the context of the recent trends of globalisation. We are aware that the current globalisation drive has two interesting and significant aspects. The first is the global ideological shift in terms of a realignment of national policies towards economic liberalization and the dismantling of the state's role

in economic management and opening of the economy to international trade and investment. We have witnessed this trend, in greater or lesser degree in our country too, since the onset of economic reforms in the early '90s. The second aspect of the current globalization drive is the spread of the new information and communications technology, which has brought in a sea change in production processes, the world over. These developments have influenced the fundamentals of the farming landscape in developing countries, in many ways.

3. The National Commission on Farmers has rightly called for a three pronged strategy to ensure the economic well being and nutrition security of rural families. These include: a) enhancing productivity of assets owned by farming families such as land, livestock and fish ponds on an environmental and economically sustainable basis, b) creating an enabling environment for vigorous initiative towards skill improvement of landless labourers who constitute the vast majority of the rural work force. This group will have to be supported by growing opportunities in non-farm employment through market driven micro

enterprises; with backward linkages to credit and technologies and forward linkage with markets; and c) the rural artisans working in the secondary and tertiary sectors of the economy will have to be strengthened to enhance the competitiveness of agriculture through value addition to primary products and diversification of livelihood opportunities.

4. The macro-economic situation of agricultural sector during the last decade has been very disheartening. The sector has received less than its due share of public resources as well as private investment. The adverse consequences of this imbalance are reflected in present state of the agriculture sector in the country which after having registered a greater rate of 3.2% between 1980-1996, declined to 2.1% growth rate in the Ninth Plan period of 1997-2002 and further to 1.5% during 2006-07.

5. Moreover we have witnessed in recent years the horrific impact of the rise in indebtedness of small and marginal farmers. The cost - risk - return profile of farming has gradually worsened for some 80 million

farming families across the country, operating small holdings (between one and two hectares). These resource poor families, mired in debt are unable to benefit from the economies of scale both at the production and post harvest phases of farming. It is on a holistic appraisal of all these factors that my Government came to a conclusion that a substantive debt amelioration strategy was the first step required in lifting these farmers out of a vicious circle of deprivation and despair and putting them on a renewed path of growth. The Karnataka budget 2007-08 announced the Government's decision to waive co-operative loan up to Rs.25,000 per farmer and continue to provide co-operative loans at 4% interest which was announced in the budget for 2006-07. I would like to use this platform to urge the Union Government to also consider similar steps in the case of commercial bank loans availed by farmers. It is my firm belief that they would provide a much needed boost to this moribund sector.

6. The recent spate of suicide of small and marginal farmers has also brought into sharp focus the sad plight of farmers. Farmers' suicide is an

unfortunate result of the mismatch between the GDP growth and wealth distribution in our country. Agriculture has become the weakest sector of the economy and the small and marginal farmers have been sidelined to the fringes. The greatest worry of the farmer relates to the price he is likely to get for his produce at harvest time. Assured and remunerative price for farm produce is the core issue. Farmers should be assured that there would be strong Government intervention to prevent distress sales.

7. Consider, for example, the plight of farmers cultivating sugar cane. Karnataka is one of the leading producer of sugar in the country. In the current year, sugarcane has been cultivated in an area of 3.75 lakh hectares and the total estimated production of sugar cane is 357 lakh tones. Of this, 240 lakh tons has to be crushed for sugar production in the sugar factories. However, the sugar factories are facing acute financial crisis due to depressed prices and have stopped crushing operations. Since the cane prices were fixed before the sugar prices experienced the fall, the factories are bound to pay the agreed price to the farmers, which is no longer economically viable.

Needless to say, this has left thousands of sugarcane growers in great distress. Many of them have borrowed large sums in anticipation of remunerative prices and others have simply been left in a lurch with their cane not even being crushed. We need to come to the rescue of the sugarcane growers in this precarious situation by announcing incentives, both to the factories and to the farmers. I would urge the Union Government to take the lead in this regard and to protect the sugar industry and farmers from the fluctuations of the world market.

8. To protect the interests of farmers and prevent distress sales, Market Intervention Scheme ought to be supported more vigorously by the Central Government. More specifically, in the context of Karnataka the Union Government should provide a matching contribution to the corpus of the State Revolving Fund for Market Intervention.

9. The agreement on agriculture under WTO has opened many issues in international trade that remain to be resolved. It is also impinging on the domestic agriculture policy and prices. State Governments

need to be fully involved with these issues. States are seldom consulted on WTO matters and whenever such a consultation takes place it is perfunctory. The Central Government should constitute a Permanent Secretariat, which should interact with State Governments on a regular basis.

10. It has been my Government's earnest desire to help the rural community, particularly the disadvantaged sections. Indeed, the first task that our Government set for itself was to prepare a "farmer centric" policy document. Apart from consultation with experts, my insights into the problem of this sector have been deepened with my personal interaction with a wide spectrum of farmers. Over the last eight months I have undertaken a programme of over night stay in the villages which has come to be known as 'Gram Vastavya'. During my over night stays in 29 villages across the different districts of Karnataka, I have had opportunity to directly interact with people in the villages. I have stayed with villagers belonging to different disadvantaged sections of the rural society like households of minorities, SCs, STs and families of farmers who have committed suicide



and households with HIV positive persons. This has helped me both to learn about their problems and to reaffirm my Government's commitment to address the problems of such specially disadvantaged households. These village visits also provide me an opportunity to learn first hand about the problems of the people through 'JANATA DARSHANS' in which thousands of people have an opportunity to meet me and the officials to explain their problems. Needless to say, the village stay programme also gives an opportunity for the district administration to improve the infrastructure and living conditions in the clusters of villages selected for the Gram Vastavya. The programme of Grama Vastavya has created a great deal of interest among the villagers and given them a new hope that their problems would receive attention at the highest level in Government and galvanize the official machinery into taking remedial action to redress their grievances. Several of our budgetary initiatives in the agricultural sector are a direct outcome of the insight I have gained of rural reality as a result of these stays in villages, including the 'SUVARNA GRAMODAYA' which aims to comprehensively address issues relating to rural development.

11. The Sub-committee of the National Development Council has done a commendable job of flagging the important issues impinging on Indian agriculture. I am happy that its Report is placed before NDC for a wider debate. Based on the deliberations today, the Planning Commission will be better equipped to draw up implementable Action Plans for achieving the desired growth rate of 4% in the 11<sup>th</sup> Plan. My Government, which has been actively involved in the deliberations of the Sub-committee is in broad agreement with the conclusions and recommendations made in the Report. At this juncture, I would like to react to some of the specific recommendations, highlight a few achievements of our State and also seek GOI's support and guidance on a few issues:

- a) I do agree with the view expressed in the Report that there are a large number of restrictions and statutory regulations on food processing industries and that these need to be liberalized. The most pronounced among them is the high cost of freight. The freight cargo subsidy presently given by APEDA is inadequate and

has to be hiked up substantially to achieve higher exports. There are issues of trade restrictions too. For example, Karnataka grows excellent quality pomegranate, which are exported to European States. However, the United States has prescribed rigid export procedures which do not allow for these exports and which need to be reviewed by the two Governments and a memorandum of understanding arrived at, as in the case of Mango.

- b) It is a matter of some satisfaction that the Horticulture sector in Karnataka is showing remarkable promise and has proved to be the most viable alternative to agricultural crops. We have initiated several measures to provide assistance to our horticulturists in their production, post harvest and marketing efforts. While the National Horticulture Mission has been a great boon to the State farmers, I request Government of India to be liberal in extending this mission to the remaining 10 districts of the State and allow the State to adopt programmes best suited to its local conditions.

- c) While our proposal for AEZ for floriculture, gherkins, rose, onion and vanilla have already been sanctioned by the Union Government, the proposals in respect of other crops such as mango, pomegranate, grapes, lime, potato and aromatic and medicinal plants are yet to be cleared. These need to be sanctioned expeditiously.
- d) My Government has proposed to establish a new horticultural university at Bagalkot, which will provide the appropriate institutional support for research and capacity building in the backward areas of Northern Karnataka. I seek the help of Government of India for the early clearance from the ICAR for this project and also for Central assistance. The Government of India also needs to take up through the Indian Bureau of Plant Genetic Resources the issue of reducing the hurdles in getting required plant varieties from different countries and enabling smooth introduction of new and exotic crop varieties that can be incorporated in innovative breeding

- . programmes for agriculture, horticulture and floriculture.
- e) Karnataka has a very second low replenishable groundwater resources among the major states, second only to Rajasthan. We have therefore given the highest priority for watershed development, since 75% of the cropped area in Karnataka depends upon low and uncertain rainfall. As a part of our watershed development, we have initiated a new scheme called the "Suvarna Krishi Honda Yojane", launched on the eve of State's golden jubilee celebrations. The scheme envisages the construction of 50 thousand farm ponds with priority for SC/ST and SF/MF fields. The objective of the farm pond is to collect the run off during the rainy season and to use the same water during critical periods in the cropping cycle and also to irrigate horticulture plants. The ponds also provide opportunities for providing additional income to the farmers through activities such as fish rearing.

- f) In the participatory watershed development approach, unit cost per hectare is one of the important factors to be considered. During the last 5 years, the unit cost fixed per hectare for various schemes varied from Rs. 4500 to Rs. 6000. However the minimum wages for labour, material costs and fuel charges have increased enormously overtime. The prevailing unit cost is just sufficient for only land treatment. We feel that livelihood for the landless community is an important component of the participatory approach and in order to cover it, would recommend an increase in the unit cost to Rs.12,000 per hectare for all the schemes in general.
- g) There has been enormous growth in the livestock sector during the last four decades. The sector has made significant contribution towards employment generation, upliftment of economic conditions and providing nutrition, draught, power, and biomass fuel in rural areas. Livestock plays an important role in agricultural economy and provides full time and subsidiary

employment to rural families especially women, and also ensures nutritional safety. While a steady increase in meat and poultry production has taken place, particularly in the private sector, in the recent years, there is still the need to improve backyard rearing practices. There is significant gap between per capita availability and the recommended per capita consumption of milk, meat and egg. More attention is needed for hygienic production of meat. Adequate funding for modernization of abattoirs is very essential.

- h) The livestock insurance scheme taken up by the Government of India on pilot basis in four districts of Karnataka needs to be extended to all other districts in the state. This is without doubt a very important scheme and if extended fully and implemented well, should be of great benefit to the rural community. Government of India assistance is also required for providing insurance coverage for the shepherd community.

- i) In order to give special focus for preservation and supply of fodder as recommended in the "Report", separate institution like Fodder Development Corporation may be established in addition to providing increased assistance for the existing centrally sponsored schemes on grassland development and seed production.
  
- j) Karnataka has scaled new heights in the field of co-operative dairying and our successful implementation of the "Operation flood" program has led to a steep increase in milk production and has given fillip to new technologies in processing and marketing of milk. Bangalore, Dakshina Kannada, and Kolar Milk Unions have been acknowledged as the best Milk Unions in the Productivity enhancement activity. Added to this, Hassan, Mysore and Bangalore Milk Unions and Mother Dairy have recently bagged National award for total energy conservation management. To sustain the momentum of dairying activity a stable cattle breeding program is essential. We need to strengthen the breeding program by



import of exotic bulls and germplasm from developed countries like Australia and New Zealand. To this end, I welcome the suggestion made in the Report that a set of breeding policy guidelines should be evolved by GOI and circulated to State Governments for developing state and area specific breeding policies.

- k) The Government of Karnataka acknowledges the support extended by Government of India to the rural women folk by providing financial assistance under "Support to Training and Employment Programme" and also for "Clean Milk Production programme" at village level. These programmes have not only helped in empowerment of women but also significantly contributed for hygiene during milk production and procurement. The coverage for these programmes may be extended to the entire rural sector, as the women folk in rural sector are mainly involved in rearing of milk animals.
- l) Reservoirs constitute the most potential resources of inland water fisheries. Quality fish

seed is a precursor for development of all the inland fisheries resources of the State. I agree with the conclusion in the Report that quality seed is a major handicap in development of fisheries.

- m) In the marine sector major thrust will be on establishment of infrastructure facilities like construction of fishing harbours and fish landing centers and improvement of hygienic conditions as per international standards. I suggest that a model Fishing harbour should be constructed in Karnataka with 100% funding from the Government of India conforming to international standards of hygiene and sanitary parameters.
  
- n) Government of Karnataka has agreed in principle to amend the Karnataka Agricultural Produce Marketing (Regulation) Act 1966 on the lines of Model Act suggested in the Report to improve credit outreach. A bill to amend the Act has been introduced in the State Legislature.

- o) The recommendations of Vaidyanathan Committee on the revitalization of co-operative credit structure are under the active consideration of the State Government.
- p) I agree with the recommendations in the Report that TAC clearance of all projects without serious inter-state problems may be expedited. Government of India should consider relaxing the norms and simplifying the procedure for clearance of projects in the shortest possible time. A mechanism with representation from all concerned ministries and the concerned State may be created to periodically review the status of clearance of projects and expedite it.
- q) MOE&F could consider raising the cost limit for major projects needing environment clearance from Rs.100 to Rs.450 crore as the ceiling of Rs.100 crore was fixed in 1994 and construction costs have risen substantially since then.

- r) I agree with the norms suggested in the Report for identifying National Project in Irrigation and requests the Central Government to provide liberal grant for these projects.

12. In recent months, my Government has been concerned with the problem of regional imbalances in the State. Regional disparities have afflicted agricultural production in the State. My Government has therefore prepared a Special Development Plan amounting to Rs. 16000 crores to be implemented over the next eight years for providing additional allocation to the backward taluks of the State. While implementing the Special Development Plan, the recommendations made in the Report will be given special attention.

13. Friends, the interests of our farmers must be nurtured and protected because agriculture is still the cornerstone of our economy. Massive investments in agriculture and irrigation will ensure a strong economy, food security and reduce poverty. We must foster public/private partnership and introduce major reforms to make governance more effective and accountable.

14. I compliment the members of the Sub-committee on Agriculture for identifying the thrust areas and preparing a workable blue print for injecting new vigour in this sector. I am sure that continued co-operation between the Government of India and Karnataka in charting the course of action outlined by the sub-committee would enable and empower our farmers in leading a better life.

**Jai Hind, Jai Karnataka**