

Lead Piece



Agriculture growth could reduce by over 6%?

The Prime Minister's Economic Advisory Committee in its latest estimates has projected that during the current financial year, the agriculture could experience minus two % growth. However, in a year when the monsoon deficit has been 23%, the highest since 1972 and when drought has been declared in 299 districts during the monsoon itself (a record by itself), this deficit seems to be a gross, misleading under-estimate.

India's finance minister has said that the rice production during the rabi could reduce by 16 million tons, which is 18.91% reduction compared to kharif rice production of 84.58 M T last year, as per the fourth advance estimates of Ministry of Agriculture. However, the area under paddy during kharif was 20.23% lower in current year at 27.2 m ha, compared to 34.1 m ha last year. Moreover, there was also damage to the sown crop due to drought and flood. Hence the Rabi rice production is more likely to be around 65 M T, about 23% lower than last year. In fact, the first estimates of the Kharif Production from the Union Ministry of Agriculture in early Nov 2009 showed that production in all crops is likely to go down by around 13%, with the exception of Cotton, which may see statistically insignificant tiny growth. These figures did not include the contribution of animal husbandry, fruits and vegetables. Secondly, these are physical production figures, the financial deficit figures could be somewhat different, as Prof Suresh Tendulkar, former chairman of the Prime Minister's Economic Advisory Committee suggested to this author.

Now the Union Agriculture secretary says that the ministry has raised the Rabi rice production target by around 1.5 MT from the production of 14.47 MT last year. The Ministry also hopes to produce 82 MT wheat in Rabi (Financial Express 28x09), up from 80.58 MT last year. However, these hopes seem unfounded since the level of water as on Oct 22, 2009 (the significant date from the point of view of Rabi season) in the 81 reservoirs

monitored by the Central Water Commission was 8% below the storage figure last year on the same date.

More significantly, the storage of water in the Indus basin reservoirs was massive 39.12% below the storage figure on the same date last year. Considering the importance of these reservoirs for the North West India states of Punjab, Haryana and Rajasthan, it seems that the hopes of Rabi production going above the last year figure seems like wishful thinking. It is true that with the predominance of groundwater irrigation in

NW India, the deficit in reservoir storage need to translated into deficit in irrigation or agriculture production in Rabi. However, it should be noted that the groundwater levels are plunging at alarming rates in Punjab and Haryana. Here it should shock all concerned that while normally the groundwater levels go up during the monsoon even in Punjab, this year, even *during monsoon*, the groundwater levels have *dipped in all districts of the state*, except Kapurthala.

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AGRICULTURE

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Punjab govt has already set the target of wheat production at 14.66 MT, down from 15.73 MT last year (Financial Express 29x09). Even this 7% lower target seems difficult to achieve, considering the reservoir storage position in Indus basin. Similarly it is doubtful if Haryana will be able to realize its target of 11.46 MT.

Most significantly, it may be noted that the agriculture will also face implications of a high base this year since the foodgrains production last year at 233.88 MT was highest ever. Here the experience of previous years when country faced huge monsoon rainfall deficit could provide some guidance. The previous four such years of high monsoon deficits in last 40 years, along with the decline in agriculture production experienced in respective years is given in the table here.

Year	Monsoon rainfall deficit	Decline in Agriculture growth rate
1972-73	24%	4.6%
1979-80	19%	12.2%
1987-88	19%	0.8%
2002-03	19%	5.9%
2008-09	22.7%	>6%?

(The Hindustan Times 241009)

If we look at the above table, we see that the only year when high deficit has not led to high negative agriculture growth rate was 1987-88 (foodgrains production in this year fell by 2.1%), but this was possibly because of the low base effect, since agriculture production in 1986-87 had declined by 3.7% (foodgrains production declined by 4.7%), the agriculture production in 1985-86 grew by low 2.5% (foodgrains production grew by 3.4%) and the agriculture production in 1984-85 was also negative at 1.2% (foodgrains production fell by huge 4.5%). (<http://indiabudget.nic.in/es1990-91/1%20The%20Economic%20Situation%20in%201990-91.pdf>) Thus it is clear that low decline in Agricultural Production in 1987-88, in spite of 19% monsoon deficit was because the three previous years were also drought years.

Similarly the 1972-73 (foodgrains production fell by 7.4%) decline of 4.6% in agriculture production in the above table is deceptive, since the previous year of 1971-72 also faced a decline in agriculture production by 1.7% and decline in food production by 3.4%. (<http://indiabudget.nic.in/es1972-73/2%20The%20Agrarian%20Scene.pdf>)

When this author raised this issue with Planning Commission member Prof Abhijit Sen, he agreed that the deficit will be higher than 2% estimated by the PM's Economic advisory committee, but he declined to hazard a guess what would be the likely deficit. He said that the assumption that Bihar and Eastern UP will produce more wheat in current Rabi is unlikely to be correct.

It is clear from the above analysis that if the past experience is any guide, the agriculture production in

current fiscal is likely to fall by at least 6%, if not over 12% as in 1978-79. The foodgrains production in current fiscal is likely to fall by at least 10%, if not more. It may be better to be realistic in our estimates and prepare for the implications there of, than give unrealistic positive spin to these figures, as is the habit of many today.

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Opposition to Bt Brinjal grows Besides large number of farmers and civil society groups, now state governments have also decided to oppose the Bt Brinjal cultivation. Madhya Pradesh has now joined Kerala, Orissa and Chhattisgarh in saying no to Bt Brinjal. State agriculture minister said that it is "the latest version of East India Company type colonization of the country". (The Hindu 28x09)

FAO And World Bank Back Food Pirates The UN's Food and Agriculture Organisation has taken a U-turn in its clear position on the race by food-importing countries and private companies to buy land overseas for domestic food and agriculture needs. Terming this land grab as 'neo-colonial' system, the FAO chief Jacques Diouf had earlier said: The risk is of creating a neo-colonial pact for the provision of non-value-added raw materials in the producing countries and unacceptable work conditions for agricultural workers. But just prior to the Food Summit in Mid November '09 in Rome and ostensibly to please the investors as well as the food importing countries, the FAO has gone in for a complete turnaround, seeking now a voluntary code of conduct.

Jacques Diouf's that stand was however diametrically opposite to that of the International Food Policy Research Institute (IFPRI) in Washington DC, a think-tank that always thinks in favour of the agribusiness industry. Joachim von Braun, IFPRI Director General said importing nations realised that dependence on the international market made them vulnerable – not only to surging prices but, crucially, also to an interruption in supplies. "They want to secure the supply lines of food," he had said. IFPRI therefore had called for a code of conduct for the investing companies and countries.

In my opinion, these companies and food importing countries are no better than food pirates. They are literally snatching food from the hands of the hungry populations in the countries that are leasing or outrightly selling their limited land resources to foreign investors. I increasingly find the line that separates the World Bank/MNCs and the UN/FAO has now blurred considerably.

The United Nations has started drawing up a code of conduct to regulate overseas investment in farmland, but the voluntary rules will not be ready for at least a year. The code is the first attempt to control the growing trend of so-called "farmland grab" deals, which involve rich countries such as Saudi Arabia and South Korea investing in overseas farming to boost their own food security. (Devinder Sharma in Countercurrents.org, 191109)