

Impact of Structural Change on Agricultural Performance in Andhra Pradesh

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Abstract

Over past 26 years, the structural change in Andhra Pradesh economy and its agriculture has been slow. The divergence of productivity of labor between nonagricultural economy and the agricultural sector is still widening, and so is the difference between the share of labor in agriculture and the share of agricultural output in the economy. A turning point where the productivity differential and the differences in labor and output share of agriculture start declining is not close at hand. In agriculture, economic growth has shifted consumer demands away from cereals, pulses and oilseeds towards horticulture and livestock products that have much higher income elasticities. In this paper we briefly analysis agriculture performance in Andhra Pradesh. Agriculture growth rates among the states have recently started to converge and GDP. That existed prior to the economic reforms of the early 1990s, has disappeared. The

*relationship between initial poverty and current agricultural growth has also disappeared, and it is the middle income states that have been growing the fastest over the past two decades. **Methodology** For this study, the secondary data sources like National Agricultural Report and Economics Survey is used to analyze national level tendency of structural change and the possible reasons and the situation in Andhra Pradesh. In addition to this the Economic Survey of Andhra Pradesh report 2016-17 Agriculture Action Plan 2017-18 is considered for this analysis. The primary sources of the data have been collected through a questionnaire from the study area and the major observation focuses on agricultural performance in Andhra Pradesh. It is **hypothesised that** with changing policies in the name of reforms, the agriculture structure manifested into grave distress,*



subsequently the small and marginal farmers are affected the most.

Keywords: Structural, Agriculture, Performance, Productivity

INTRODUCTION

Andhra Pradesh State is “the bejeweled rice bowl of India”. Agriculture plays an important role in the livelihoods of people as 63 per cent of the population in Andhra Pradesh live in rural areas and depend on agriculture and related livelihood opportunities. The agriculture plays an important role not only in the economy but also for achieving the food security for the state and also for the country. Our main challenges are, growing water scarcity, degrading natural resources like land and decreasing per capita availability of land and water resources. Further, rain fed agriculture in the whole state and irrigated agriculture in the coastal region is very much vulnerable to the impacts of natural calamities. The new State of Andhra Pradesh with 13 districts has great potential for agriculture and allied sectors. Andhra Pradesh State consists of six agro climatic zones and five different soil types to grow wide range of crops

throughout the year of Andhra Pradesh’s total population, approximately 63 per cent or 46 lakh families are dependent on the agriculture and allied sectors. The growth of the agriculture and allied sectors is expected to reflect in an upward economic mobility of these families. The farmer’s income is not in commensurate with production cost. Factors like increased labour cost, out-migration to nearby urban areas and inflationary pressures have added to the miseries of farmers’ livelihoods. Further, distress sale of commodities, absence of adequate storage and processing facilities and non-remunerative prices have also added to miseries of farmers over the years. Fast forward, during 2016–17, the agriculture and allied sectors grew at 14.03 per cent with horticulture growing at 16.79 per cent fisheries at 30.09 per cent and livestock at 12.18 per cent This sector contributed a 27.8 per cent of total state’s GVA (gross value added), with ₹1,38,833 crores at 2011–12 constant prices.

According to the estimates of Economic Survey of Andhra Pradesh, 2016–17, the food grains production was 156.85 lakh tonnes, and oilseeds production was 24.62 lakh tonnes, an increase from the previous

year of 9.09 per cent and 12.9 per cent respectively. In the food grains segment paddy, bajra, maize, ragi, and pulses production increased a little, whereas jowar, other millets and wheat decreased. In the oilseeds segment, the production of groundnut and castor saw a drop while sesamum production improved. The consequences of 14.03 per cent growth in the agriculture and allied sectors have to reflect on the upward economic mobility of the approximate 62 per cent (Economic Survey of Andhra Pradesh, 2016–17) of the state's population dependent on these sectors.

REVIEW OF LITERATURE

Amaresh Dubey (2009) found that intra-state disparities are also increasing and from the policy point of view, intra-state disparities need the same kind of attention that rising inter-state inequalities have attracted in recent times. Suryanarayana, M.H. (2009) addresses issues related to definition, dimension, and measure of economic disparities from the perspective of the finance commission. It illustrates concepts and measures within the Kuznet's framework to Karnataka and Maharashtra. Though the two states are better-off than the

rest of the nation as a whole, in terms of mean based estimates of average income, they have pronounced inter-regional disparities, inter-personal inequalities and intra-regional deprivations. Broad based inclusion measures are generally higher in poor backward regions and vice versa, implying broad based backwardness and inclusion in deprivation. Such a scenario sets limits on the potential for resource mobilization and makes a case for investment strategies that promote broad based inclusive growth across all regions at the state level.

Mahendra Dev, S. and Ravi, C. (2003) examined the macroeconomic performance and policies of Andhra Pradesh in terms of economic growth and human development. The macroeconomic performance in the last two decades is evaluated by them with the focus on the 1990s. Hanumantha Rao, C H and Mahendra Dev, S (2003) have found that Andhra Pradesh has earned for itself the reputation of being at the forefront of Economic Reforms in the country, thanks to its initiative in fiscal corrections and restructuring of institutions. However, there remain significant challenges in the economic and social sectors that the state

needs to address if it is to derive the full benefits of the reforms already launched and to make development more balanced, broad based and sustainable.

OBJECTIVE:

The present study takes the following as its objectives

To examine the structural changes in Agriculture of Andhra Pradesh

Structure of Work force in Andhra Pradesh

While liberalizing the economy, policy makers should remember that it is only agricultural growth, which determines the fortunes of a vast majority of farmers in India and also makes a dent in their poverty. Post liberalisation policies that have neglected public investment in rural infrastructure are primarily responsible for the steep deceleration in the agricultural growth. The present policies of fostering elite centered growth without according a very high priority to the agriculture would lead to the creation of a dual society.

Agriculture growth and GDP in AP

According to agriculture department, sowing operations were completed in just 15 lakh acres during the current rabi against the normal acreage of 63 lakh. Although, transplantations during the recently concluded Kharif were relatively better, experts noted that overall production could have dipped due to the non-availability of water during the peak season. More than 50 percent mandals of the state were declared drought-hit.

Interestingly, state government is claiming that it had achieved 25.61 percent growth rate in the agriculture sector. In reality, the agriculture sector growth is just around 3.79 percent little above the national average of 3.34 in the second quarter of the current fiscal. While the Gross Value Addition (GVA) from agriculture sector is Rs.732 crore in the second quarter of 2014-15, it went up by 25 crores as it recorded Rs.759 crore. In fact, the last fiscal's total GVA from agriculture is much better than the current achievement as it stood at Rs.787 crore. Curiously, the meager amount of Rs.759 was clubbed in the allied sectors which achieved a whopping Rs.18857 crore to make big claim.

Economic Reforms Period

Chowdry (2008) identified the major factors leading to the crisis. He said that debt burden, lack of quality inputs such as seeds, fertilisers and pesticides were the major reasons. Shortage of irrigation and power supply, scarcity of rains and crop conditions, gaps in research and agricultural extension services, tenancy and defective agricultural insurance, shortage of credit, inadequate market and UN remunerative agriculture prices and imports of agricultural commodities had adversely impacted the farmers.

Deepening Agrarian Crisis and Farmers' Suicides

The downward trend in agricultural sector had been steep since 1991. In fact, agrarian crisis has been deepening in the country in the last two decades due to the implementation of New Economic Policy (NEP) since 1991 by the dictates of the imperialist America and International Monetary Fund (IMF), World Bank (WB) and World Trade Organisation (WTO), the three organs it controlled. The deepening agrarian crisis is manifested in a number of

forms as discussed in the ensuing paragraphs.

Declining output growth rate

Deceleration of agriculture since 1990's is one of the manifestations of agrarian crisis in the economy. Production of both food grains and non-food grains grew at a faster rate during 1980s at 3.33 and 3.89 per cent, respectively. The overall growth rate of agricultural output was put at 3.45 percent. As against this, output growth rates of food grains and non-food grains decelerated during the period from 1990-91 to 2004-05 to 1.64 per cent and 2.81 per cent respectively. The overall output growth during this period was 1.96 per cent. This was much lower than the output growth rate during 1980s.

Farmers' indebtedness

Indebtedness of farmers is one of the most cruel and agonising phenomena of the agrarian crisis in the country and also Andhra Pradesh. According to National Sample Survey Organisation Report, 49 per cent of farmers are debt-trapped. The accumulation of farmers' debts is on account of substantial increase in the cost of

production of agricultural commodities, without matching the price-rise at the same rate. It is estimated that every farmer incurs an expenditure of ₹ 12,000 an acre annually on an average in crop production, while he gets an average annual income of only ₹ 9,000 an acre from all the crops put together. Thus, he is incurring a loss of ₹3,000 an acre in crop production. Further, the family expenditure of farmer on an annual average is ₹28,600/- His income from all sources is only ₹ 19,600. It means that the expenditure is higher than the income by ₹ 9,000 for every farm family on an annual average basis. This is why and how farmers have been trapped into debts perennially.

Threatening unemployment:

Unemployment among farm families was rampant and its growth was phenomenal during the decade from 1993-94 to 2004. The unemployment rates among rural men increased from 5.6 to 9 per cent, while the same for rural women was from 5.6 to 9.3 per cent. These figures concealed the seriousness of unemployment problem. The problem was much deeper. In addition to unemployment, under-employment and disguised unemployment were also

prevalent in agriculture. These types of unemployment were causing distress to the farm families. Despite the stagnation of output, the workforce in agriculture continues to grow. So the growth of value added per worker in agriculture had been reduced to near-half (0.29 per cent per year during the decade from 1993-94 to 2003-04). Value added per worker in 2004-05 was lower than that of the value in 1999-2000.

Low level of farmers' income:

Farmers' income in real terms is on the lowest side. About 60 per cent of the people dependent on agriculture are having a share of about 14 per cent in the national income. And the 40 per cent of the people engaged in manufacturing, service and other sectors have a share of 86 per cent in national income. The National Commission on workers in unorganized sector estimated that about 77 per cent of the work force is living with less than ₹ 20 per day per capita.

Poverty of farmers:

Farmers are said to be the most poverty stricken people in the country, as they are living under sub-human conditions, facing acute shortage of food and nutrition,



clothing, shelter, drinking water, sanitation and least access to education and health. It is estimated that 70 per cent of farmers, mostly small, marginal and tenant farmers were facing the problem of acute poverty.

Migration of poor farmers and farm labour:

Due to lack of employment in the villages, farmers, especially small and marginal, agricultural labourers are migrating to nearby towns and far-off places in search of work. Reports coming from different parts of the country and also from some of the foreign countries, such as the Gulf countries, reveal that migrant people are being paid low wages. They are also subjected to harassment and slavery. They are living in worst conditions in places they migrated. Back home, old people and children are left at their homes in villages and they are the worst sufferers, as no one takes care of them. Children are engaged in tending cattle and hence no schooling for them.

Losing proposition:

Since agriculture has turned out to be a losing proposition, 40 per cent of farmers expressed their desire to quit agriculture

forthwith if they could find some good alternative source of livelihood. This is a finding of the National Sample Survey Organization, Government of India. According to Dr. Vandana Shiva (Internationally reputed environmentalist and social activist), “There is a genuine crisis in Indian agriculture. Subsidies and selective promotion of some sectors have benefited only a few rich farmers. Free trade or globalisation is a two-way trend, while exports in India the years of liberalisation have made no great strides, in fact only declined, and the entry of multinationals in the seeds, chemical fertilisers and pesticide sectors has hit Indian farmers hard”. The foregone discussion brings out clearly the picture of agrarian crisis in India, which threatens the livelihoods of millions of farmers and people dependent on agriculture. Farmers’ suicide is a manifestation of deepening agrarian crisis in the country.

CONCLUSION

Structural reforms on agriculture have positive and negative effects. Agriculture benefited indirectly due to disprotection given to industry in the post-reform period.

The terms of trade, private investment, opportunities for technology and specialization have increased for agriculture. On the negative side, trade reforms might have affected some crops and increased dependence on global prices which are volatile. Fiscal and financial liberalization also had some adverse impact on investments and credit.

There are many policy challenges for Indian agriculture. Both price and non-price factors are important for higher agricultural growth. The challenges for 'second green revolution' as compared to green revolution of 1960s and 1970s are: (a) globalization challenges, volatility in prices, (b) shrinking farm size than before, (c) dry land farming challenges, and (d) environmental stress. Small farmers are certainly going to remain in India the next decade or more. The main challenges are improving productivity and moving towards high-value agriculture and promote rural non-farm sector by maintaining food security for reducing poverty and hunger. There are six deficits in Indian agriculture. These are: (a) investment, credit and infrastructural deficit; (b) research and extension (technology) deficit; (c) market deficit; (d) diversification deficit; (e)

institutions deficit; and (f) education/skill deficit.

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