**UNIT-4**

# Problems and prospects of Indian Agriculture, agriculture development during plan period

#### **1. The First Plan (1951-56)**

Immediately after independence, the country was faced with two major problems  food crisis, and shortage of industrial raw materials such as raw jute and raw cotton.

The major objectives of the First Plan in the field of agriculture were to correct the imbalances caused by partition in the supply of food grains and commercial crops and improve infrastructural facilities.

Agriculture, including irrigation and power, was, therefore, accorded the highest priority. That is why the First Plan assigned the maximum priority to the agricultural sector. This is clear from the fact that 31 p.c. of the total plan outlay was devoted to agriculture. But the First Plan set very modest targets for the production of most crops.

The results achieved during the First Plan were quite satisfactory for two-fold reason—favourable weather conditions and effective implementation of plan programmes. Consequently, the target for food grains production was exceeded. As against the target of 62 million tonnes, actual production of food grains was nearly 66 million tonnes.

Efforts to improve agriculture were spread throughout the country and to involve every village in it through the Community Development Programme. A new land policy was also adopted with a view to eliminating exploitation and extending security of tenure.

#### **2. The Second Plan (1956-61)**

However, there was a sudden reversal of strategy during the Second Plan.

**The emphasis shifted from agriculture to industry for three different reasons:**

(a) The smooth performance of agriculture during the First Plan period,

(b) The possibility of financing economic development through foreign aid, particularly food aid, and

(c) The consideration that heavy industry was the leading sector of economic development.

The Government adopted the strategy of developing heavy industries following the then Soviet model of industrialisa­tion. Consequently, the outlay on agriculture was reduced to 20 p.c from 31 p.c. made in the First Plan.

But, as far as production of major crops was concerned, quite ambitious targets were set. However, due to the adoption of a wrong strategy, miscalculation and poor implementation of most of the programmes, the performance of the agriculture was quite dismal.

#### **3. The Third Plan (1961-66)**

The planners subsequently realised that the strategy of development adopted during the Second Plan was wrong. It was felt that, in an agrarian economy, any setback on the agricultural front would spell disaster for the whole economy.

Thus, during the Third Plan the Government made greater allocation for agriculture i.e., Rs 1,745 crore compared to Rs 950 crore in the Second Plan. However, the percentage share of agriculture in total plan outlay remained unchanged at 20.

The main objectives of the Plan were to achieve self-sufficiency in food grains and increase in agricultural production to meet the requirements of industry and export. A number of institutions were set up to extend support to development activities in different fields.

The performance of the Plan was more or less satisfactory—at least in the first four years. A record output of 89 million tonnes had been achieved in case of food grains. However, the performance in the last year was dismal due to the disastrous drought of 1965-66 and two wars (one with China in 1962 and another with Pakistan in 1965).

However, in 1966-67, a new strategy of agricultural development was adopted.

(a) High Yielding Varieties Programme (HYVP), and

(b) The Multiple Cropping Programme — both based on the exotic, high-yielding, short duration crop varieties.

The other elements of the strategy were the new concepts of irrigation and water management, adaptive research and price guarantee to producers. However, due to failure on the agricultural front, the whole planning process received a severe jolt and formulation of the Fourth Plan was delayed by no less than three years.

#### **4. The Fourth Plan (1969-74)**

While most of the programmes adopted under the new strategy were continued in the Fourth Plan, a new orientation was imparted to agricultural policy. In order to achieve growth with social justice, the agricultural policy laid stress on helping the weaker and vulnerable sections of the population and backward areas.

High priority was accorded to technology as a major input. Besides attainment of self-sufficiency, the Plan envisaged building up of a sizable buffer stock and stoppage of concessional imports of food grains.

Modest targets were fixed for agricultural production and realistic allocations were made for agriculture and irrigation. The Plan started with a happy note. The production of food grains reached an all-time high of 108 million tonnes in 1970-71. However, poor monsoons in the next two years led to crop failure and this created the problem of price inflation.

#### **5. The Fifth Plan (1974-79)**

Renewed emphasis was placed on agriculture in the Fifth Plan. The growth target in the agricultural and allied sectors had been fixed at 3.94 p.c. Necessary allocation was made for important programmes like minor irrigation, high-yielding varieties of seed and distribution of fertilisers.

As in the Fourth Plan, outlay on agriculture was 21 p.c. of total Fifth Plan outlay. Ambitious targets were fixed for the agricultural sector. However, the performance was not satisfactory in the first year due to fall in production.

Due to setback on the agricultural front, the rate of growth of the economy (as measured by per capita income) reached a vanishing point. The performance of the agricultural sector, however, started improving from the second year as output reached a new record. In spite of this, the Fifth Plan was cut short by one year by the erstwhile ruling party, the Janata Government.

#### **6. The Sixth Plan (1980-85)**

The agricul­tural growth pattern during the Sixth Plan period took into account the immediate as well as long-term needs of agricultural commodities both for domestic consumption and for export. The highest priority was assigned to bridging the gap prevailing between actual and potential farm yields even at current levels of technology through the removal of existing constraints. Agriculture and allied activities received adequate attention through the development of appropriate packages of technology, services and public policies.

#### **7. The Seventh Plan (1985-90)**

Total outlay on agriculture, irrigation and rural development was Rs. 48,100 crore or 22 p.c. of the total plan outlay. The Seventh Plan aimed at an agricultural growth rate of 4 p.c. p.a. and the target for food grains output was kept at 3.7 p.c. p.a.

**The major programme thrusts in the Seventh Plan were:**

(i) Special rice production programmes in the Eastern region,

(ii) National Oilseeds Development Projects,

(iii) National Watershed Development Programme for rain-fed agriculture, and

(iv) social forestry.

This sector witnessed a growth rate of 3.2 p.c. p.a. During the Seventh Plan, the area under irrigation was proposed to be increased at the rate of 2.5 million hectares p.a.

#### **8. The Eighth Plan (1992-97)**

The Eighth Plan gave priority to the **“growth and diversification of agriculture to achieve self-sufficiency in food and generate a surplus for exports.”** Investment in agriculture, irrigation and allied sectors showed a sharp rise over the previous plans.

The share of public and private sectors investments in the Eighth Plan in agriculture and rural development stood at 22 p.c. of the total investment as compared to 11.23 p.c. in the Seventh Plan. The Eighth Plan aimed at achieving an agricultural growth rate of 4 p.c. during the Plan period. A major effort was given during the Eighth Plan period to increase the output of rice, pulses and oilseeds.

During the plan period, there has been a shortfall in investment in all the sectors, including agriculture where, actual investment was just 59 p.c. of planned investment. Despite this, agriculture recorded a growth rate of 4.7 p.c. At the end year of that Plan, food grains output, however, touched a record level of 199.3 million tonnes against the target of 210 million tonnes.

#### **9. The Ninth Plan (1997-2002)**

The thrust of the Ninth Plan was to achieve agriculture-led growth. For the first time since 1960s, the Planning Commission had focused on agriculture, instead of industry, in the Ninth Plan. It was targeted to grow at 4.5 p.c. p.a. during the Ninth Plan period. It envisaged a food production of 230 million tonnes against the 1990 “million tonnes attained in 1996-97.

Actual production of food grains fell far short of the targeted production. Actual production was 212 million  a shortfall of 18 million tonnes. In case of production of oilseeds, performance was disappointing. Anyway, food crisis did not emerge because of building up of huge buffer stock of food grains.

To achieve this growth rate, the Planning Commission recommended a four-pronged strategy including a viable minimum support price and input subsidy policy. The public sector had been allocated Rs 8,75,000 crore. Agriculture got a whopping 19.4 p.c. of the total on outlay.

The actual growth rate in agriculture and allied activities fell short even of the revised targets of 3.9 p.c. Realised growth rate for 1997-2002 came to 2.1 p.c. The reform process had failed to stimulate our agricultural sector.

#### **10. The Tenth Plan (2002-07)**

The Ninth Plan experienced a slowdown in the growth potential of the economy that needed to be reversed in the Tenth Plan. As for as the sectoral allocation of public resources is concerned, agriculture did not receive high priority in the Tenth Plan.

Tenth Plan allocation for agriculture, irrigation, etc., amounted to Rs 3,05,055 crore— an increase of 51.4 p.c. over the Ninth Plan. It aimed at pushing up the growth rate of agriculture 2.1 p.c. on the average attained during the Ninth Plan to 4 p.c. during the entire Plan period of the Tenth Plan.

Tenth Plan recorded a growth rate of 2.3 p.c. (because of poor monsoon. Deficient rainfall in 2002, 2004 and 2006 has led to (i) poor agricultural growth, (ii) reduction in the share of agriculture in GDP from 23.8 p.c. in 2002-03 to 20.5 p.c. in 2006-07.

Economic Survey, 2006-07 says, **“The structural weaknesses of the agriculture sector reflected in low level of public investment, exhaustion of the yield potential of new high yielding varieties of wheat and rice, unbalanced fertiliser use, low seeds replacement rate, inadequate incentive system and post-harvest value addition were manifest in the lackluster growth during the new millennium.”**

#### **11. The Eleventh Plan (2007-12) and Second Green Revolution:**

Against the backdrop of miserable performance of Indian agriculture during the Tenth Plan, a higher annual growth rate of 4 p.c. p.a. to achieve the targeted GDP growth rate of 10 p.c. over this plan period is urgently needed in the current plan.

To attain such growth rate, what is needed is an improvement in the scale of operations and quality of agricultural reforms introduced by State Governments and various agencies. These reforms must aim at efficient use of various agricultural resources and conservation of soil, water and energy on a sustainable basis and in a holistic framework.

However, this plan places emphasis on corporate investment to boost agricultural growth. The approach paper envisages contract farming as a method of attracting corporate investment in Indian agriculture.

**The Approach Paper of the Eleventh Plan has highlighted this holistic framework and mapped out this following strategies to be adopted during the Eleventh Plan period:**

(i) Doubling the rate of growth of irrigated areas;

(ii) Improving water management, water harvesting and watershed development;

(iii) Diversification of crops into high value outputs (fruits, vegetables, flowers, herbs and spices) without disturbing food security;

(iv) Providing easy access to credit at affordable rates,

(v) Refocusing on land reform issues.

**Thrust areas of the Eleventh Plan relating to agriculture and irrigation cover:**

(i) Ensuring food security;

(ii) Supportive State-specific agriculture strategy and programmes;

(iii) Better seed production,

(iv) Development of modern markets, etc.

The Approach Paper of the Eleventh Plan supports the recommendations of the National Commission on Farmers relating to soil health care and enhancement, water harvesting, credit and insurance reform, technology delivery, assured and remunerative marketing, etc.

Finally, this Approach paper calls for a ‘Second’ green revolution that involves improvement in farm productivity on a sustainable basis without injuring ecology.

# Growth and Problems of Major Industries: Iron and Steel Industry

#### **Progress of Iron and Steel Industry in India**

We live essentially in an age of iron and steel. “Because of its hardness, strength and durability, because of the ease with which it can be cast and worked into any desired shape and because of its remarkable cheapness under modem methods of production, iron is the most important and widely used metal in the service of man”.

Iron and steel were the harbinger of industrial revolution in late 18th and early 19th century. Today this industry has proved to be the harbinger of globalisation. It is one of the very few industries that have assumed a global character with developments in one region affecting the industry almost everywhere else; and India is no exception.

The proud machine civilization of modem age would not have existed without iron. The sturdy structure of modem industrial world i made of steel. Iron and steel is the basic or key industry and lays the foundation of a vibrant industrial economy.

Most of the subsidiary industries such as automobiles, locomotives, rail tracks, ship­building, machine building, bridges, dams and a host of other industrial and commercial activities depend upon iron and steel industry. No wonder, per capita consumption of iron and steel is one of the most significant measures of the level of industrialisation and economic growth of a country.

Although Indians are known for their technique of smelting iron since early time, the first iron an steel unit on modem lines was established in 1830 at Porto Nova in Tamil Nadu. However it could not succeed and was closed down in 1866. The other efforts made during the second half of the 19th century also met with the same fate.

The real beginning of modem iron and steel industry was made in 1907 only when Tata Iron and Steel Company (TISCO) were set up at Jamshedpur (Sakchi at that time). The Indian Iron and Steel Company (IISCO) were set up in 1919 at Bumpur followed by the setting up of Mysore Steel Works at Bhadravati (now Visveswaraya Iron and Steel Works) in 1923.

Iron and steel Industry witnessed rapid growth after Independence. India produced 16.9 lakh tonnes of pig iron in. 1950-51. The development of iron and steel industry was envisaged during the first Five-Year Plan, but it was during the Second Five-Year Plan that the three integrated steel projects were started at Bhilai, Rourkela and Durgapur.

India is now the eighth largest producer of steel in the world. Recent developments have amply demonstrated the mettle of Indian steel industry to rise even further and become a major player in the world. However steel is known to be an industry witnessing periodic business cycles of upswings an downswings.

Steel Authority of India (SAIL) Established in 1973, SAIL is a government undertaking and is responsible for the management of steel plants at Bhilai, Durgapur, Rourkela, Bokaro and Bumpur and also the Alloy Steel Plant at Durgapur and Salem Steel Plant. The management of Indian Iron and Steel was taken over by Government on 14th July, 1976. SAIL also took over Maharashtra Elektrosmelt Limited, a mini steel plant, in January 1986. Visweswaraya Iron and Steel Limited were also taken over by SAIL in August 1989.

### Locational Factors:

Iron and steel industry uses large quantities of heavy and weight losing raw materials and its localisation is primarily controlled by the availability of raw materials. Coal and iron ore are the two basic raw materials used by iron and steel industry and on the basis of minimum transportation cost most of the steel plants are located at three distinct places viz. (i) near coal fields, (ii) near iron ore mining centres and (iii) at places between areas of coal and iron ore production.

Most of the iron and steel plants of India such as Jamshedpur, Bumpur, Durgapur, Rourkela, Bhilai and Bokaro are located in Jharkhand, West Bengal, Orissa and Chhattisgarh. These states are very rich in coal and iron ore deposits and are important producers of these materials.

Visveswaraya Iron and Steel Works at Bhadravati is a major exception which is located far away from the main coal producing areas of the country. Earlier, this centre was depending upon charcoal which was available locally. Now it uses hydroelectricity from the Sharavati Power Project.

The other raw materials used in this industry are manganese, limestone, dolomite, chromite, silica, etc. These raw materials are used in small quantities and can be transported without much difficulty. Hence, they do not materially affect the localisation of this industry.

Another important factor influencing the localisation of iron and steel industry is the availability of market. Steel products of an integrated steel plant are quite bulky and it has been estimated that the transport cost per tonne-kilometre of steel product is about three times more than that of coal or iron ore.

Thus, following the theory of minimum transportation cost many centres of iron and steel production tend to be attracted by market. Moreover, recent technological developments in transport, the use of scrap as raw material and the agglomeration economics have made market oriented location more advantageous than ever before. With the increasing popularity of open hearth process, scrap has become a very important raw material in this industry.

About half of the metal now melted ‘in world’s iron and steel furnaces is scrap. Industrialized areas, specially with steel consuming industries, are the major sources of scrap iron. Thus, the market has double attraction, as the consumer of steel and as a source of raw materials. However, the use of scrap as raw material on a large scale is yet to pick up in India.

From the above discussion, it is clear that in the present day localization of iron and steel industry, each of the three factors viz., coal, iron ore and market has almost equal significance. The geographical coincidence of any two of the three factors would easily determine the site of the steel plant.

In another situation, when some ingredients are to be imported or finished steel is to be exported, sea port locations are preferred. This is exemplified by the establishment of the Vishakhapatnam Steel Plant at a sea port. A few more plants in the offing such as Mangalore and Ratnagiri also favour seaboard location.

### Centres of Production:

At present there are 10 primary integrated plants and a large number of decentralised scondary units known as mini steel plants. Besides, there are several rolling and re-rolling mills and foundries which manufacture different items of steel using pig iron and ingot steel. There are about 10,000 foundries, 95 per cent of which are concentrated in the western states of Maharashtra and Gujarat and in the southern state of Tamil Nadu.

#### **Some of the major problems faced by Indian iron and steel industry are as follows:**

1. **Capital:**

Iron and steel industry requires large capital investment which a developing country like India cannot afford.

Many of the public sector integrated steel plants have been established with the help of foreign aid.

1. **Lack of Technology:**

Throughout the 1960s and upto the oil crisis in mid-1970s, Indian steel industry was characterised by a high degree of technological efficiency. This technology was mainly from abroad. But during the following two decades after the oil crisis, steep hike in energy costs and escalation of costs of other inputs, reduced the margin of profit of the steel plants.

This resulted in lower levels of investment in technological developments. Consequently, the industry lost its technology edge and is now way behind the advanced countries in this regard. Material value productivity in India is still very low.

In Japan and Korea, less than 1.1 tonnes (and in several developed countries 1.05 tonnes) of crude steel is required to produce a tonne of saleable steel. In India, the average is still high at 1.2 tonnes. Improvement in the yield at each stage of production, particularly for value added products will be more important in the coming years.

1. **Low Productivity:**

The per capita labour productivity in India is at 90-100 tonnes which is one of the lowest in the world. The labour productivity in Japan, Korea and some other major steel producing countries is about 600-700 tonnes per man per year.

At Gallatin Steel a mini mill in the U.S. there are less than 300 employees to produce 1.2 million tonnes of hot rolled coils. A comparable facility in India employs 5,000 workers. Therefore, there is an urgent need to increase the productivity which requires retraining and redevelopment of the labour force.

#### **4. Inefficiency of public sector units:**

Most of the public sector units are plagued by inefficiency caused by heavy investment on social overheads, poor labour relations, inefficient management, under­utilisation of capacity, etc. This hinders proper functioning of the steel plants and results in heavy losses.

#### **5. Low potential utilisation:**

The potential utilisation in iron and steel is very low. Rarely the potential utilisation exceeds 80 per cent. For example, Durgapur steel plant utilises only 50 per cent of its potential. This is caused by several factors, like strikes, lockouts, scarcity of raw materials, energy crisis, inefficient administration, etc.

#### **6. Heavy demand:**

Even at low per capita consumption rate, demand for iron and steel is
increasing with each passing day and large quantities of iron and steel are to be imported for meeting the demands. Production has to be increased to save precious foreign exchange.

#### **7. Shortage of metallurgical coal:**

Although India has huge deposits of high grade iron ore, her coal reserves, especially high grade cooking coal for smelting iron are limited. Many steel plants are forced to import metallurgical coal. For example, steel plant at Vishakhapatnam has to import coal from Australia. Serious thought is now being given to replace imported coal by natural gas from Krishna-Godavari basin.

#### **8. Inferior quality of products:**

Lack of modern technological and capital inputs and weak infrastructural facilities leads to a process of steel making which is more time consuming, expensive and yields inferior variety of goods. Such a situation forces us to import better quality steel from abroad. Thus there is urgent need to improve the situation and take the country out of desperate position.

# Growth and Problems of Major Industries: Sugar

Sugar is the second largest agro-based industry in India. The industry provides employ­ment to about two million skilled and semi-skilled workers besides those who are employed in ancillary activities, mostly from rural areas. Though the industry contrib­utes a lot to the socio-economic development of the nation, it is plagued with a number of problems such as cyclical fluctuations, high support prices payable to farmers, lack of adequate working capital, partial decontrol and the uncertain export outlook.

Despite the problems, the industry has good growth potential due to steady increase in sugar consumption, retail boom and diversification into areas such as power generation and production of ethanol. In addition to this, strong possibilities exist for counter trade, if the Government designs and develops sugar industry-oriented policies. With this back­ground, an attempt has been made to examine the problems and prospects of sugar industry in India.

Sugar Industry in India is well developed with a consumer base of more than billions of people. It is also the second largest producer of sugar in the world. There are around 45 million of sugarcane growers in India and a larger portion of rural labourers in the country largely rely upon this industry. Sugar Industry is one of the agricultural based industries. In India it is the second largest agricultural industry after.

#### **Trade Policy:**

Forced by the severe domestic shortages and abnormally high sugar prices since begin­ning of 2009, the Government of India (GOI) took several measures to relax import restrictions to augment domestic supplies. On February 17, 2009 the government re­laxed the norms for duty free imports of raw sugar under the advance licensing scheme (ALS) exempting future export commitments from actual user conditions for raw sugar imports during February 17, 2009, the government allowed mills to import raw sugar at zero duty under the open general license (no future export commitments).

The govern­ment also allowed select State Trading Enterprises (STEs) to import white sugar at zero duty. Subsequently, on July 31, 2009, the government allowed duty free imports of white sugar by traders and processors until November 31, 2009. Through a series of notifica­tions the GOI has extended the duty free imports of raw sugar and white sugar up to December 31, 2010.

The GOI has also exempted imported sugar, both raw sugar and white sugar, from the levy sugar obligation and the market quota release system, appli­cable to domestic sugar. With the sugar prices easing, there is an increasing pressure from the local industry to re-impose the import duties on white and raw sugar, and reverting back to the old import policy regime. Currently, the GOI does not allow exports of sugar and or provide any export incentive (transport subsidy) for sugar.

#### Sugarcane Production and Pricing Policy:

The Government of India (GOI) supports research, development, training of farmers and transfer of new varieties and improved production technologies (seed, implements, pest management) to growers in its endeavour to raise cane yields and sugar recovery rates. The Indian Council of Agricultural Research (ICAR) conducts sugarcane research and development at the national level.

State agricultural universities, regional research insti­tutions, and state agricultural extension agencies support these efforts at the regional and state levels. The central and state governments also support sugarcane growers by ensuring finance and input supplies at affordable prices.

The GOI establishes a Minimum Support Price (MSP) for sugarcane on the basis of rec­ommendation by the Commission for Agricultural Costs and Prices (CACP) and after consulting State Governments and associations of the sugar industry and cane growers.

Last year the GOI announced a new system of Fair and Remunerative Price (FRP) that would links the cane price with sugar price realization by the sugar mills. Several state governments further augment the MSP/FRP, typically by 20-25 per cent, due to political compulsions rather than market pricing.

#### **Sugar Production and Marketing Policy:**

The GOI levies a fee of Rs.240 ($5.33) per ton of sugar produced by mills to raise a Sugarcane Development Fund (SDF), which is used to support research, extension, and technological improvement in the sugar sector. The SDF is also often used to support sugar buffer-stocks operations, provide a transport subsidy for sugar exports, and pro­vide an interest subsidy on loans for the installation of power generation and ethanol production plants. In March 2008, the GOI enacted the Sugar Development Fund (Amend­ment) Bill, 2008 that enables the government to include the use of the funds for debt restructuring and soft loans to the sugar mills.



The Government of India follows a policy of partial market control and dual pricing for sugar. The local sugar mills are required to supply 20 per cent of their production to the government as ‘levy sugar’ at below-market prices, which the government distributes through the Public Distribution System (PDS) to its below-poverty line population at subsidized rates.

Mills are allowed to sell the balance of their production as ‘free sugar’ at market prices. However, the sale of free-sale sugar and levy sugar is administered by the government through periodic quotas, designed to maintain price stability in the market.

On March 12, 2009 the central government advised the state government to impose stock and turnover limits on traders to prevent hoarding of sugar. Khandsari sugar has also been brought under the ambit of stockholding and turnover limit from July 17, 2009. Most state governments imposed stock and turnover control orders in their respective states.

On August 22, 2009, the government imposed stock holding limits on large con­sumers (food and beverage companies) who consume more than 1.0 ton of sugar per month. Initially these consumers were asked to maintain stock necessary to meet not more than 20 days requirements; which were further lowered to 10 days requirements in February 2010.

These limits are effective up to Sept 30, 2010. With the improvement in domestic sugar supplies, there is growing pressure from the domestic sugar mills and traders to remove these stock limits.

In May 2011, the government allowed futures trading in sugar, and three national exchanges have been given permission to engage in sugar futures trading. However, in May 2009, the government suspended futures trading in sugar until December 2009, which has been subsequently extended till September end 2010.

#### **Sugar Decontrol in India:**

The Government of India has launched economic reforms in 1991 and process of liberalisation, privatization and globalization was started to give a new thrust towards different segments of Indian economy. Naturally, Sugar industry is also crying for sugar decontrol since long in the changed scenario.

Sugar Industry is seeking freedom at least from the mandatory supply of the Sugar by the industry at below cost for state-run welfare programmes – also known as the levy obligation – and the monthly sale quota. These apart, the government also decides the minimum price the mills have to pay for sugarcane purchases periodical limits on stocks large buyers can hold to thwart hoard­ing. The sector has been under the government control since 1940s.

The Sugar Industry is facing problem between high cane prices-often used by state gov­ernments as a tool to get the political support of the farming community-and low sugar sales realisation. The cash-strapped sugar industry has also renewed its calls this year again (2011-12) for lifting the government control over the sector. Surplus sugar stocks for a second straight year have kept domestic prices subdued for more than six months now despite a 17% hike in cane prices in the largest producing state of Uttar Pradesh and to a large extent in other states.

#### **Present Regulatory Framework for Sugar:**

The Sugar mills are mandated to sell 10% of their output to the government for its public distribution system around 60% of their cost of sugar at current prices. The government’s control over how much sugar mills will sell in the open market each month compounds their worries as a failure to complete sales with in the month could result in a conversion of the unsold quantity into the levy quota. The levy obligation alone cost $2,500 crore to $3,000 crore a year to the sugar mills.

#### **Composition of the Committee:**

The Government of India has constituted in January, 2012 six-member committee under the chairman-ship of Dr. C. Rangarajan, chairman. Economic Advisory Committee to the Prime Minister to look into all issues relating to de-regulation of the sugar sector. It has been assigned to give its recommendations to the Prime Minister at the earliest.

Other members on the panel include the Chief Economic Advisor, Dr. Kaushik Basu; the Chair­man of Commission for Agricultural Costs and Prices, Dr. Ashok Gulati; Secretaries of Agriculture, and Food and Public Distribution, Secretary EAC, Dr. K.P. Krishan; and the former secretary of Food and Public Distribution, Mr. Nanda Kumar, currently a mem­ber of National Disaster Management Authority.

The Committee has been empowered to involve such experts, academics as required as special invitees. The food ministry would provide the necessary support to the commit­tee in discharging its functions.

Actually in late 2010, the Prime Minister had set up a four- member committee under Dr. C. Rangarajan to look into the issue of linking cane prices to the sugar rates. “In a sense, the present committee is an extension of the earlier committee, and may look into all issues relating to the sugar sector.”

“The industry welcomes the constitution of such a committee consisting of several expe­rienced senior economists and government officials. It expects for some positive out­come quickly, which will be in the interests of both the farmers as well as the industry.” Various controls and dwindling returns on sugar sales bled their viability and that is why Sugar industry is demanding for decontrol.

#### **Rationale of Sugar Control:**

(i) Present L. P. G. environment has created conducive environment for sugar decon­trol.

(ii) It is in accordance with the policy of the government to reduce subsidy in public distribution mechanism.

(iii) Levy quota pricing is irrelevant because cost of sugar production is increasing on continuous basis.

(iv) Most of the sugar units are non-viable due to levy quota burden and restrictions on open market sale quota etc.

(v) Sugar mills are facing resource crunch and they also need funds for their expan­sion and modernization programmes. Survival of sugar units will be at stake in case decontrol is not there.

#### Prospects of Sugar Decontrol under Present Scenario:

The timing of demand for decontrol of sugar sector is quite appropriate. Sugar output during this season is expected at 25-26 million tonnes (mt). This, along with opening stocks of 6.1 mt, can more than take care of domestic demand of 22-23 mt. With no major festivals, November to March is usually a lean period for local consumption. But for farmers sugar realizations during this period matter, as they determine the cane price mills can realistically afford to pay.

This is also a time when supplies from Brazil dry up, with the new crop there due for crushing only from early April. All this provides a window of opportunity to free the industry – from levy obligations, controls on how much sugar any mill can sell in the open market in a month, and stocking limits – and also open up exports. Sugar prices are firming up now in the sugar market.

#### Problems of Sugar Industry:

(i) It is characterized by instability in recurring imbalance between the demand for and supply of sugar in the country.

(ii) It is a totally agro-based industry. The manufacturing plant is merely an extrac­tion unit. Sugarcane forms about 2/3rd of the total manufacturing cost of sugar.

(iii) Sugar mills are facing tough competition from gur and khandsari producers who try to corner major chunk of sugarcane from the farmers.

(iv) Poor yields of cane per hectare, low recovery of sugarcane; uneconomic size of sugar units increase the cost of production and force them to become uncompetitive in the international market.

(v) Organized cane suppliers and manufacturing units generally exploit the small cane growers as they do not have sufficient bargaining power.

(vi) Growing obsolescence and old machineries have forced the large number of sugar mills to become sick.

(vii) The Sugar industry has been delicensed since August 1998 but government still regulate the free sale quota and export volume of the sugar to regulate the domes­tic price scenario.

#### Suggestions:

(i) Government should formulate the policy of area demarcation for cane supplies. It will prevent unhealthy competition among sugar factories in enticing growers to supply their cane at bargaining prices.

(ii) Sugar factories should be allowed to develop their own cane areas for improving their internal cane supplies.

(iii) Sugar factories should formulate their own cane drawl programme based on reg­istration of cane on an area basis.

(iv) Sugar Factories should be required to pay more incentives for early maturing cane varieties to encourage more production in early months of crushing.

(v) Optimum utilization of the by-products should be ensured to improve viability of the mills.

(vi) Import of raw sugar should be allowed on systematic basis to avoid shortage of sugar.

# Growth and Problems of Major Industries: Cotton Textiles

### Growth and Development:

India held world monopoly in the manufacturing of cotton textiles for about 3,000 years from about B.C. 1500 to A.D. 1500. In the middle ages, Indian cotton textile products were in great demand in the Eastern and European markets.

The muslins of Dhaka, chintzes of Masulipatnam, calicos of Calicut, baftas of Cambay and gold-wrought cotton piece goods of Burhanpur, Surat and Vadodara acquired a worldwide celebrity by virtue of their quality and design.

This industry could not survive in the face of strong competition from the modern mill industry of Britain which provided cheap and better goods as a result of Industrial Revolution in that country. Moreover, the British textile industry enjoyed political advantage at that time.

The first modem cotton textile mill was set up in 1818 at Fort Glaster near Kolkata. But this mill could not survive and had to be closed down. The firat successful modem cotton textile mill was established in Mumbai in 1854 by a local Parsi entrepreneur C.N. Dewar. Shahpur mill in 1861 and Calico mill in 1863 at Ahmedabad were other landmarks in the development of Indian cotton textile industry.

The real expansion of cotton textile industry took place in 1870’s. By 1875-76 the number of mills rose to 47 of which over 60 per cent were located in Mumbai city alone. The industry continued to progress till the outbreak of the First World War in 1914. The total number of mills reached 271 providing employment to about 2.6 lakh persons.

The First World War, the Swadeshi Movement and the grant of fiscal protection favoured the growth of this industry at a rapid pace. Demand for cloth during the Second World War led to further progress of the industry. Consequently, the number of mills increased from 334 in 1926 to 389 in 1939 and 417 in 1945. Production of cloth also increased from 4,012 million yards in 1939-40 to 4,726 million yards in 1945-46.

The industry suffered a serious setback in 1947 when most of the long staple cotton growing areas went to Pakistan as a result of partition. However, most of the cotton mills remained in India. Under such circumstances, India faced a severe crisis of obtaining raw cotton.

The country had, therefore, to resort to large-scale imports of long staple cotton which was an extremely difficult task in view of the limited foreign exchange reserves. The only solution to this problem was to increase hectare-age and production of long staple cotton within the country. This goal was achieved to a great extent in the post partition era.

### Present Position:

At present, cotton textile industry is largest organised modem industry of India. There has been a phenomenal growth of this industry during the last four decades. About 16 per cent of the industrial capital and over 20 per cent of the industrial labour of the country is engaged in this industry. The total employment in this industry is well over 15 million workers.

There are at present 1,719 textile mills in the country, out of which 188 mills are in public sector, 147 in cooperative sector and 1,384 in private sector. About three-fourths were spinning mills and the remaining one-fourth composite mills. Apart from the mill sector, there are several thousand small factories comprising 5 to 10 looms.

Some of them have just one loom. These are based on conventional handloom in the form of cottage industry and comprise decentralised sector of this industry. Table 27.4 shows that the constitution of decentralised sector is much more than the organised sector.

It has increased rapidly from a mere 19.31 per cent in 1950-51 to 58.96 per cent in 1980-81 and made a sudden jump to 87.95 per cent in 1990-91. It gradually improved during the first half of 1990s and stood at 94.63 per cent in 2003-04. (see Table 27.4)

**Table 27.4 Production of Cotton Cloth (Mill Cloth) in India, 2002-03:**

|  |  |  |
| --- | --- | --- |
| **State/Union Territory** | **Production in Sq Mtr** | **Percentage of all India production** |
| 1. Maharashtra | 3,82,257 | 39.38 |
| 2. Gujarat | 3,21,775 | 33.14 |
| 3. Tamil Nadu | 64544 | 6.69 |
| 4. Punjab | 55,784 | 5.75 |
| 5. Madhya Pradesh | 47305 | 4.87 |
| 6. Uttar Pradesh | 32386 | 334 |
| 7. Rajasthan | 28384 | 2.92 |
| 8. Pondicherry | 24357 | 2.51 |
| 9. Karnataka | 7,222 | 0.74 |
| 10. Kerala | 6342 | 0.66 |
| Total | 9,70,756 | 100.00 |

### Problems of Cotton Textile Industry:

Although cotton textile is one of the most important industries of India, it suffers from many problems. Some of the burning problems are briefly described as under:

#### 1. Scarcity of Raw Cotton:

Indian cotton textile industry suffered a lot as a result of partition because most of the long staple cotton growing areas went to Pakistan. Although much headway has been made to improve the production of raw cotton, its supply has always fallen short of the demand. Consequently, much of the long staple cotton requirements are met by resorting to imports.

#### 2. Obsolete Machinery:

Most of the textile mills are old with obsolete machinery. This results in low productivity and inferior quality. In the developed countries, the textile machinery installed even 10-15 years ago has become outdated and obsolete, whereas in India about 60-75 per cent machinery is 25-30 years old.

Only 18-20 per cent of the looms in India are automatic whereas percentage of such looms ranges from cent per cent in Hong Kong and the USA., 99 per cent in Canada, 92 per cent in Sweden, 83 per cent in Norway, 76 per cent in Denmark, 70 per cent in Australia, 60 per cent in Pakistan and 45 per cent in China.

#### 3. Erratic Power Supply:

Power supply to most cotton textile mills is erratic and inadequate which adversely affects the production.

#### 4. Low Productivity of Labour:

Labour productivity in India is extremely low as compared to some of the advanced countries. On an average a worker in India handles about 2 looms as compared to 30 looms in Japan and 60 looms in the USA. If the productivity of an American worker is taken as 100, the corresponding figure is 51 for U.K. 33 for Japan and only 13 for India.

#### 5. Strikes:

Labour strikes are common in the industrial sector but cotton textile industry suffers a lot due to frequent strikes by a labour force. The long drawn strike in 1980 dealt a severe below to the organised sector. It took almost 23 years for the Government to realise this and introduce legislation for encouraging the organised sector.

#### 6. Stiff Competition:

Indian cotton mill industry has to face stiff competition from powerloom and handloom sector, synthetic fibres and from products of other countries.

#### 7. Sick Mills:

The above factors acting singly or in association with one another have resulted in many sick mills. As many as 177 mills have been declared as sick mills. The National Textile Corporation set up in 1975 has been striving to avoid sick mills and has taken over the administration of 125 sick mills. What is alarming is 483 mills have already been closed.

**Exports:**

India is a major exporter of cotton textiles. Cotton yarn, cloth and readymade garments form important items of Indian exports. Indian garments are well known throughout the world for their quality and design and are readily accepted in the world of fashion.