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**STANDING COMMITTEE ON AGRICULTURE
(2002)**

THIRTEENTH LOK SABHA

**MINISTRY OF AGRICULTURE
(Department of Agriculture and Cooperation)**

**DEMANDS FOR GRANTS
(2002-2003)**

**{Action Taken by the Government on the Recommendations/
Observations contained in the Thirtieth Report of the
Standing Committee on Agriculture (2002)}**

THIRTY FIFTH REPORT



Presented to Lok Sabha on 19.12.2002
Laid in Rajya Sabha on 19.12.2002

LOK SABHA SECRETARIAT

December, 2002/Agrahyana, 1924 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON AGRICULTURE (2002)

Shri S.S. Palanimanickam - Chairman

LOK SABHA

2. Shri Ram Tahal Chaudhari
3. Shri Shivraj Singh Chouhan
4. Shri Thawar Chand Gehlot
5. Shri Chintaman Wanaga
6. Shri Ramdas Rupala Gavit
7. Shri Y.G.Mahajan
8. Shri M.Master Mathan
9. Shri Rampal Singh
10. Shri Tejveer Singh
11. Smt. Prabha Rau
12. Shri Bhaskar Rao Patil
13. Shri Tarachand Shivaji Patel
14. Shri Lakshman Singh
15. Smt. Rama Pilot
16. Shri Adhir Chowdhary
17. Shri Abul Hasnat Khan
18. Shri Mahboob Zahedi
19. Shri N.R.K. Reddy
20. Shri Ambati Brahmaniah
21. Prof. S.P. Singh Baghel
22. Shri Chandra Bhushan Singh
23. Shri Bhalchandra Yadav
24. Shri Anant Gudhe
25. Shri Daud Ahmad
26. Shri Raghunath Jha
27. Shri Surinder Singh Barwala
28. Shri Tarlochan Singh Tur
29. Shri Bhan Singh Bhaura
- @30. Shri Ramjiwan Singh

RAJYA SABHA

31. Dr.A.R.Kidwai
 32. Shri Oscar Fernandes
 33. Smt. Jamana Devi Barupal
 34. Shri M. Rajashekara Murthy
 35. Chaudhary Harmohan Singh Yadav
 36. Shri R.Kamaraj
 37. Shri R.S. Gavai
 38. Shri Rao Man Singh
 - \$ 39. Shri Sukhbir Singh Badal
 - + 40. Shri Datta Meghe
 - %41. Shri Sudershan Akarapu
 - *42. Prof. R.B.S. Varma
-
43. Vacant
 44. Vacant
 45. Vacant
-

SECRETARIAT

1.	Sh. P.D.T. Achary	-	Additional Secretary
2.	Sh. N.K. Sapra	-	Joint Secretary
3.	Sh. Raj Shekhar Sharma	-	Deputy Secretary
4.	Smt. Anita Jain	-	Under Secretary
5.	Ms. Amita Walia	-	Senior Executive Assistant

\$ Shri SukhbirSingh Badal has been nominated to this Committee w.e.f. 28.3.2002.

Sardar Balvinder Singh Bhundar has resigned from Rajya Sabha w.e.f. 7.3.2002.

Shri Suryabhan Patil Vahadane has retired from Rajya Sabha w.e.f. 2.4.2002.

Shri Balwant Singh Ramoowalia ceased to be the Member of this Committee owing to his nomination to
Committee

on Tourism w.e.f. 2.4.2002.

@ Shri Ramjiwan Singh has been nominated to this Committee w.e.f. 19.4.2002

+ Shri Datta Meghe has been nominated to this Committee w.e.f. 22.4.2002

% Shri Sudershan Akarapu has been nominated to this Committee w.e.f. 2.5.2002.

Shri Kailash Joshi has resigned from this Committee W.e.f. 28.6.2002

*Prof. R.B.S. Varma has been nominated to this Committee w.e.f.
2.8.2002.

Shri Sharief-Ud-Din Shariq, has resigned from the membership of Rajya
Sabha w.e.f. 26th October, 2002.

Shri Gandhi Asad and Shri Devi Prasad Singh both retired from Rajya Sabha w.e.f. 25th November, 2002.

INTRODUCTION

I, the Chairman of the Standing Committee on Agriculture (2002) having been authorised by the Committee to submit the Report on their behalf, present this Thirty Fifth Report on Action Taken by Government on the recommendations/observations contained in the 30th Report of the Standing Committee on Agriculture (2002) on Demands for Grants (2002-2003) of the Ministry of Agriculture (Department of Agriculture and Cooperation).

2. The Thirtieth Report of the Standing Committee on Agriculture (2002) on Demands for Grants (2002-2003) of the Ministry of Agriculture, (Department of Agriculture and Cooperation) was presented to Lok Sabha on 23.04.2002 and laid in Rajya Sabha on 24.04.2002. The Department of Agriculture & Cooperation was requested to furnish action taken replies of the Government to recommendations contained in the Thirtieth Report. The replies of the Government to all the recommendations contained in the Report were received.

3. The Committee considered the action taken replies furnished by the Government, approved the draft comments and adopted the Thirty Fifth Report at their sitting held on 6.11.2002. Minutes of the sittings are placed in Appendix-I.

4. An analysis of the Action Taken by the Government on the recommendations/observations contained in the Thirtieth Report (13th Lok Sabha) of the Committee is given in Appendix-II

NEW DELHI
6, November, 2002
15 Kartik, 1924(Saka)

S.S PALANIMANICKAM
Chairman
Standing Committee on Agriculture.

APPENDIX II

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE 30TH REPORT OF STANDING COMMITTEE ON AGRICULTURE (13TH LOK SABHA)

(i)	Total number of Recommendations	17
(ii)	Recommendations/Observations which have been Accepted by the Government	
	Serial Nos. 2, 3, 4, 5, 6, 10, 12 & 13	
	Total	8
	Percentage	47.06%
(iii)	Recommendations/Observations which the Committee Do not desire to pursue in view of the Government's replies	
	Nil	
	Total	Nil
	Percentage	0%
(iv)	Recommendations/Observations in respect of which replies Of the Government have not been accepted by the Committee	
	Serial Nos. 7, 11, 14, 15 & 16	
	Total	5
	Percentage	29.41%
(v)	Recommendations/Observations in respect of which Final replies of the Government are still awaited	
	Serial No. 1, 8, 9 & 17	
	Total	4
	Percentage	23.53%

CHAPTER I

REPORT

This Report of the Committee on Agriculture deals with the action taken by the Government on recommendations contained in the Thirtieth Report (Thirteenth Lok Sabha) of the Standing Committee on Agriculture (2002) on Demands for Grants (2002-2003) of the Ministry of Agriculture (Department of Agriculture & Cooperation) which was presented to the Lok Sabha on 23 April 2002 and laid in Rajya Sabha on 24 April 2002.

1.2 Action taken replies have been received from the Government in respect of all the 17 recommendations contained in the Report. These have been categorized as follows:-

- (i) Recommendations/Observations that have been accepted by the Government (Chapter - II of the Report)

Recommendation Sl. Nos. 2, 3, 4, 5, 6, 10, 12 and 13 (Total-8)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies (Chapter - III of the Report)

Total-Nil.

- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (Chapter - IV of the Report)

Recommendation Sl. Nos. 7, 11, 14, 15 and 16 (Total-5)

- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited (Chapter - V of the Report)

Recommendation Sl. Nos. 1, 8, 9 and 17 (Total-4)

1.3 The Committee will now deal with the action taken by the Government on some of their recommendations:

SEEDS

Recommendation No. 7

1.4 The Committee had noted that as against Rs. 60 crore proposed for seed sector by the Department only Rs. 26.96 crore had been allocated by the Planning Commission. The representative of Department of Agriculture & Co-operation during evidence submitted that to bring improvement in seed sector they would need more financial support to sustain the schemes under operation as well as legislative support to bring about change in Seeds Act. The Committee had opined that seed being the most crucial and vital input of agriculture production, necessary financial and legislative support should be given to the Department for carrying out reforms in the sector. The Committee, had, therefore, recommended that the allocation for seeds should be increased at the revised estimate stage to the level proposed by the Department so as to enable them to implement the scheme fully.

1.5 The Government in their action taken reply have stated that the recommendation of the Committee has been noted. Department of Agriculture & Co-operation has proposed an outlay of Rs. 5,164 crore against which only Rs. 2,167 crore were allocated for the year 2002-03. Keeping in view the reduced allocation for the year 2002-03, the allocation for various sectors including Seed Sector was reduced accordingly. The recommendation of the Committee would be taken care of at Revised Estimate Stage subject to the availability of more funds at RE stage.

Comments of the Committee

1.6 The reply of the Government that since the allocation of the Department of Agriculture and Cooperation have been reduced to nearly half of the proposed outlay, allocation for the seed sector had to be curtailed accordingly, is not at all convincing. There should be no reduction in the allocation for the seeds sector because making available good quality seeds is a crucial factor in raising agriculture production. The Committee feel that much more investment should be made in the production of high yield and good quality seeds of various crops. The Committee, therefore, would like the Government to ensure that allocation for seeds sector must be increased at R.E. stage to the level proposed by the Department so that this sector does not suffer due to lack of funds.

The Committee further note that the Department's reply is silent about the need to give legislative support for carrying out reforms in seeds sector, particularly the desired changes in the Seeds Act. The Committee would like to be apprised of the measures initiated by the Government in this regard also.

INFESTATION OF COCONUT CROPS

Recommendation No. 11

1.7 The Committee had noted with serious concern the large-scale damage to coconut crops due to mite infestation in the States of Kerala, Karnataka, Orissa, Andhra Pradesh, Maharashtra and Tamil Nadu. They were constrained to note that the disease which first came to notice in 1998 has still not been controlled even after 4 years. It was apprehended that if the disease is not controlled, the economy of the entire Southern States would be affected and the phenomenon of cotton farmers committing suicide would reach the coconut farmers also. It had also come to the notice of the Committee that farmers were resorting to toddy tapping due to mite infestation. As toddy tapping destroys the real crop of coconut, they felt that efforts should be made to make it disease free so that the farmers were not compelled to resort to toddy tapping, which proves to be very destructive in long term for them.

The Committee, therefore, had strongly recommended that the Department should address this problem urgently and find out some biological/chemical solutions to effectively control this mite in a time bound manner.

1.8 The Department in their reply have stated that the incidence of Eriophyid Mite of coconut was first reported in India from Ernakulam district of Kerala in 1998 which spread to 11 districts in Kerala and other neighboring States, viz. Tamil Nadu, Karnataka, Andhra Pradesh and Pondicherry. The mite infestation causes production of extremely small sized nuts with surface warting and longitudinal fissures with immature fall.

In order to develop technologies for control of mite, a network programme under National Agriculture Technology Project (NATP), with an outlay of Rs. 104.25 lakh, has been established, wherein all the major coconut growing states are participants.

Government has initiated various measures including the use of biopesticides/safer chemical pesticides for the control of coconut mite.

The Steering Committee constituted by Government of India on coconut mite, reviewed the status of the pest and technological developments for its management. The Committee, after several deliberations and discussions with all the research workers and experts of development agencies, suggested that a holistic approach should be adopted in managing the coconut gardens to combat this pest. It also emphasized lesser usage of synthetic pesticides against the pest. The common recommendations of the Committee for management of coconut mite are: (i) Improving nutrient status of coconut palms through application of organic manure, neem cake and the recommended dose of fertilizer in two split application; (ii) Use of botanical pesticides such as spraying of neem oil, garlic and soap mixture, or azadirachtin (Neemazal) or Econeem; (iii) Use of bio-pesticides; (iv) Use of chemical pesticides, i.e. spraying wettable Sulphur; and (v) Growing of compatible inter crops/mixed crops. Whenever chemicals are used, harvesting shall not be done for a minimum period of 45 days.

The financial assistance provided during 1998-99 to 2001-2002 for management of mite in each State are given below:

State	Assistance provided (Rs. in lakh)
1. Kerala	3009.00
2. Tamil Nadu	1054.43
3. Karnataka	1350.40
4. Andhra Pradesh	370.00
5. Orissa	16.00
Total	<u>5799.83</u>

Comments of the Committee

1.9 The Committee note that the Department have initiated some measures for control of coconut mite. They, however, feel that the measures taken so far are not adequate. The Committee are of the opinion that the Government has not properly gauged the magnitude of the problem, in view of the fact that the mite has not yet been controlled. The Committee strongly feel that commensurate efforts should have been made in this regard. The Committee, therefore, desire that there should be a crash programme to deal with this problem scientifically by setting up a Board with technical and scientific expertise to advise on the problem till it is solved. The Committee would like the Government to take urgent action on the above Committee's recommendation and apprise them of the same within 3 months of presentation of the Report.

RURAL GODOWNS

Recommendation No. 13

1.10 The Committee had noted that the Department had formulated a new Central Sector 'Capital Investment Subsidy Scheme' for construction/expansion/renovation of Rural Godowns to create scientific storage capacity with allied facilities in rural areas, wherein it was proposed to provide 25% subsidy on the capital cost to the entrepreneurs. Under the scheme 25 per cent would be contributed by the entrepreneurs and the rest 50% would be provided as loan by Cooperative Bank or other institutions.

The Committee fully approved the scheme as it would meet the long-standing requirement of the farmers for storing their farm produce in the vicinity of their farm and prevent them from resorting to distress sale immediately after harvest. They had desired that the scheme should be finalized and implemented at the earliest.

1.11 The Government in their reply have stated that in order to strengthen the storage infrastructure in the country, a new Central Sector Scheme of Capital Investment Subsidy for construction/renovation/expansion of Rural Godowns had been approved on 26.02.2002. An amount of Rs. 90.00 crore had been allocated as Central subsidy for the implementation of the Scheme during 2001-03. Under the scheme, promoter of rural godown project is provided subsidy @ 25% of the capital cost of the project subject to a ceiling of Rs. 37.50 lakh and subsidy @ 33.33% of the project cost upto a ceiling of Rs. 50.00 lakh for North-Eastern States, hilly areas and in cases of promoters belonging to SC/ST. The project for construction of rural godowns can be taken up by individuals, farmers, group of farmers/Growers, Partnership/Proprietary firms, Non-Government

Organisations (NGOs), Self Help Groups (SHGs), Companies, Corporations, Co-operatives, Agricultural Produce Marketing Committees, Marketing Boards and Agro Processing Corporations in the entire country. The guidelines for implementing the scheme have been circulated to all States/Union Territory Administrations, Banks and Corporations.

Comments of the Committee

1.12 **The Committee are happy to learn that the guidelines for implementing the scheme on construction of Rural Godowns have been circulated to all States/Union territory Administrations, Banks and Corporations. They, however, observe that the Scheme has not been properly publicized by the concerned agencies. They, therefore, desire that the Department should ensure that enough publicity is given to the scheme by the States/ Union territory Administrations Banks, Corporations, etc. so that more and more targeted groups apply under the scheme and make it a success. It should also be ensured that the interest charged by banks on loans for the scheme are at concessional rates.**

NATURAL RESOURCE MANAGEMENT

Recommendation No. 14

1.13 The Committee were unhappy to find the slow pace of reclamation of degraded land undertaken by the Department. During the Ninth Plan an area of 12.62 lakh ha. was likely to be reclaimed against the total estimated area of 173.6 million hectares of degraded land in the country. The Committee had noted that although the scheme on reclamation of degraded land was subsumed under Macro-Management mode w.e.f. November 2000 but there was a decline in provision for schemes under Natural Resource Management (NRM) in this mode. The States made a provision of Rs. 104.42 crore during 2000-2001 under Macro-Management for the schemes of NRM against an allocation of Rs. 127.5 crore by the Department. The Committee were of the view that since land reclamation schemes required huge funds and give only long-term benefits, these schemes should be taken out of the Macro-Management mode and implemented separately as a Central Sector Scheme.

1.14 The Government in their action taken reply have stated that it is a fact that the budget provision made by the State Government under the Macro Management for the schemes of Natural Resource Management (NRM) is on the decline when compared with the allocation made by the Department before being subsumed under Macro Management. Consequently, it has affected the pace of reclamation of degraded land being undertaken by the Department.

Under the Macro Management Mode funds are released in lump sum on the basis of the approved Work Plan of the States/Union territories. The States' Agriculture Departments further allocate the funds to the various implementing agencies as per their

allocation in the Work Plan. The States have been requested to ensure that the proportionate allocation in the Work Plan for natural resource management programmes (NWDPPRA, RVP, FPR etc.) is not less than the average proportionate funds released under the corresponding schemes to the total releases under 27 erstwhile Centrally Sponsored Schemes during the Ninth Plan Period. Moreover, the Scheme of Macro Management provides flexibility to States to allocate more funds to these programmes. As per the proposed State-wise allocation under Macro-Management mode for the year 2002-03 the funds allocated to NRM programmes by the States/Union territories in their work plan for the year 2002-03 works out to nearly Rs. 296.18 crore out of the total allocation of funds of Rs. 781.68 crore (Central share is Rs. 709.85 crores), which works out to 38% for NRM programmes which seem to be quite reasonable compared to funds allocated to other programmes for the year 2002-03. In view of the above, it is not considered necessary to take out the Natural Resource Management Programmes from Macro Management Mode and implement it as a separate Centrally Sponsored Scheme.

Comments of the Committee

1.15 The reply of the Department to the recommendation of the Committee is not at all convincing. The Committee are surprised to note that on the one hand the Department have themselves admitted that the budget provision made by the State Government was on the decline compared to the allocation made by the Department before being subsumed under Macro-Management mode consequentially affecting the pace of reclamation of degraded land, on the other the Department have stated that the allocation for NRM programmes seemed to be quite reasonable and it was not considered necessary to take out the Natural Resource Management

Programmes from Macro Management Mode for implementing it as a separate Centrally Sponsored Scheme. The Committee fail to understand as to how the allocation for NRM programme could be termed as reasonable in spite of decline in the allocation for the programme thereby resulting in slowing down of the pace of reclamation of degraded land. The Committee in their earlier reports had also emphasized the importance of Natural Resource Management programmes to be implemented as 100% centrally funded schemes. The Committee are of the opinion that the States do not give due importance to NRM schemes in their work plans under Macro Management mode, as it requires huge funds and benefits accrue only in the long run. Moreover, in view of the States' inability to contribute their share under this scheme, they find it very unattractive to invest, resulting in allocation of less funds. Therefore, the degraded lands are being reclaimed at a very slow pace and in the present circumstances the trend is more towards decline. The Committee, therefore, reiterate their earlier recommendation and desire that NRM schemes must be taken out of Macro Management mode and implemented separately as fully funded Central Sector Scheme in order to give them due importance and enable its proper implementation.

AGRICULTURAL CREDIT

Recommendation NO. 15

1.16 The Committee were of the opinion that credit plays an important role in successful agricultural operation. As per the instructions of the Reserve Bank of India, every commercial bank has to give minimum 18 per cent of the total credit to agriculture. But, many banks had not been able to reach even 18 per cent. As informed by the Chairman, NABARD during evidence that the average credit by banks to the agriculture sector is between 14 and 15 per cent. The Committee had desired that RBI should go into non-adherence of their instructions by the commercial banks and ensure that this stipulation was met by all the banks.

The Committee were unhappy to note the high rate of interest being charged on the loans to the farmers. The Committee had noted that NABARD was established mainly for refinancing activities relating to agriculture and rural development. NABARD has been giving refinance to commercial banks, RRBs and cooperative banks at the interest rate varying between 5.5% and 7.0% on short-term loans to farmers. The commercial banks provide loan to farmers at high rate of interest. In case of cooperative banks the loan reached the farmers through a three layers system. At each layer transaction cost was added and ultimately the farmers were getting loans at the interest rate as high as 13-17%. This was an area of deep concern to the Committee and they, therefore, had recommended that the Government needed to give focused attention in this regard with a view to ensuring that the interest rate which was ultimately charged from the farmers get reasonably reduced. The Committee had desired that the rate of interest charged from farmers

should not be more than 2% of rate of interest on which NABARD is giving refinance.

1.17 The Government in their action taken reply have stated that for the domestic commercial banks, the Reserve Bank of India (RBI) has stipulated a target of 18 per cent of net bank credit for lending to agriculture. Against this target, achievement as on September 2001 was 15.63%. RBI monitors lending to the agriculture sector by banks on a regular basis and banks that fall short of the targets are advised by RBI to improve their flow of credit to these sectors. Banks have also been advised by RBI to improve their flow of credit to agriculture so as to achieve the stipulated target by March 2003. This Department has also taken up with the Finance Ministry vide Letter No. K-12012/2/2001-Credit-I dated 15th January, 2002 to advise the commercial banks to achieve their target of 18% lending to the agriculture sector.

As a part of financial sector reforms, the Commercial Banks, Cooperative Banks and Regional Rural Banks (RRBs) have been given freedom to fix their lending rates to be charged from the ultimate borrowers. In the case of Commercial Banks there is a stipulation by the RBI that they cannot charge interest rates to the ultimate borrowers at rates higher than their Prime Lending Rate (PLR) for loans upto Rs. 2.00 lakh. The PLR is currently in the range of 11.00 to 12.00 per cent. In case of cooperative banks and RRBs there is complete freedom and they have been permitted to determine their own interest rates based on their cost of funds, transaction and risk costs etc. It is, however, pointed out that NABARD refinance

to cooperative banks is only around 23% of their total short- term lending and the balance requirement is met by borrowing from the market which results in increasing the borrowing cost of cooperative banks resulting in their charging higher rates of interest than the rate at which they have been granted loans/advances by NABARD. Refinance support from NABARD need to be viewed only as a supplementary source of funds to the banks rather than a bench mark for determining the interest rates to ultimate borrowers. NABARD, however, periodically reviews the rate of interest being charged by cooperative banks and RRBs and advises them to fix the interest rates at a reasonable level so that it does not causes hardship to the farmers.

Comments of the Committee

1.18 The Committee are least satisfied with the reply of the Department. They are of the view that merely advising the banks to take steps to improve their flow of credit to agriculture so as to achieve the stipulated target of 18% of net bank credit for lending to agriculture sector is not enough. The Department need to go into reasons for the banks not being able to reach the stipulated target of 18% flow of net credit to agriculture and find out ways and means in overcoming the hurdles to achieve that goal. The Committee, therefore, would like the Government to take concrete steps in this direction and apprise them of the same within three months of the presentation of this Report to Parliament.

As regards the Government's response to the Committee's recommendation to reduce interest rates charged from farmers, the Committee do not feel inclined to accept the Government's contention that re-finance support from NABARD needs to be viewed only as a supplementary source of funds to the banks rather than a

bench mark for determining the interest rates to ultimate borrowers. NABARD is considered as a Development Bank with the main objective of facilitating credit flow for agriculture and rural development. This can, however, be achieved only when loans are made available to the farmers at a reasonable rate of interest. Moreover, when NABARD is giving refinance to banks at lower interest rates the benefit thereof should be fully percolated to the farmers. The commercial banks have been giving loans to farmers at the same rate of interest as they are giving to the business and the industry in spite of getting refinance from NABARD. It clearly shows that the NABARD refinance has not benefited the farmer at all. The Committee are distressed that the Ministry has also not insisted that the benefit of refinance scheme must be passed on to the farmers.

The Committee note that RBI has imposed restrictions on commercial banks that interest rates on agriculture loan to the ultimate borrowers cannot be higher than their Prime Lending Rate (PLR) for loans upto rupees two lakh only. Keeping in view the higher recovery rate of agriculture loans, the Committee feel that PLR for agricultural loans should be lower and, in any case, loans advanced to the farmers should not be more than PLR irrespective of the amount of the loan.

The Committee further note that under the new credit policy of RBI interest rates on deposits have come down drastically. Banks have more funds now as surplus due to the lowering of CRR and SLR. The Committee feel that NABARD should reduce their refinance rate currently being charged in the range of 5.5% to 7% on short term loans. NABARD rates on refinance should be restructured to conform to the new RBI credit policy.

In regard to the Government's plea that NABARD refinance to cooperatives being only 23% of total short-term lending, the Committee would like NABARD to consider increasing the refinance to banks for agriculture lending so that they charge lower interest rates from farmers. The Committee, therefore, reiterate their earlier recommendation that the Government should take steps to ensure that interest rates which are ultimately charged from the farmers get reasonably reduced and the rate of interest charged from farmers should not be higher by more than 2% rate of interest on which NABARD is giving refinance. In this connection, the Committee desire that NABARD refinance should be given to only those banks which are ready to give benefits of refinance to farmers and at operational cost up to maximum of 2% only on the rate of interest charged by NABARD.

CROP INSURANCE

Recommendation No. 16

1.19 The Committee were constrained to note that National Agricultural Insurance Scheme, which was very important for farmers, had not become popular with them as it suffered from inherent defects. The unit of Insurance has currently being taken as block. The Committee had been informed that the Government had reliable data upto block level and they were trying to reach panchayat level and ultimately they propose to reach village as a unit.

The Committee were of the view that unless the village level is reached the farmers will be unable to get full benefit from the scheme. The Committee, therefore, recommended that the Government should make all out efforts to reach the village level as a unit as early as possible so that the farmers do not get disillusioned with the scheme.

1.20 The Ministry in their reply have stated that the National Agricultural Insurance Scheme (NAIS) is operating on area approach. The defined area may be a Gram Panchayat, Mandal, Hobli, Circle, Firka, Block, Taluka, etc. as decided by the State Government. However, each participating State/Union territory is required to reach the level of Gram Panchayat as a unit of insurance in order to reflect realistically the crop losses suffered on account of natural calamities. But reduction in the unit of insurance will definitely lead to conduct greater number of Crop Cutting Experiments (CCEs). Implementing States are not in a position to undertake additional CCEs because of limited manpower and the other infrastructural facilities available with them.

In order to overcome this difficulty a new method, namely Small Area Crop Estimation Method (SACEM) has been devised by the Indian Agricultural Statistics

Research Institute (IASRI) to make assessment of yield rates at Gram Panchayat level. This new method is under process of experimentation in one selected district of each implementing State. In case the method is found suitable it will help in reducing the unit area of insurance and at the same time it would be economical also.

Comments of the Committee

1.21 **The Committee are not satisfied with the reply of the Government. While noting that the States, due to limited manpower and infrastructure facilities available with them for undertaking additional crop cutting experiments (CCEs) are not in a position to reach panchayat level as a unit of insurance, the Committee feel that in view of importance of the scheme, the Centre should impress upon the States to make all out efforts to provide sufficient manpower and infrastructure facilities for the same on a priority basis. They further desire that the Centre should extend all assistance to the States to strengthen their machinery for crop cutting experiment so that the level of Gram Panchayat as a unit of insurance is reached at the earliest.**

The Department in their reply have informed that a new method, namely Small Area Crop Estimation (SACEM) to make assessment of yield rates at Gram Panchayat level was under process of experimentation in one selected district of each implementing State. The Committee desire that the experimentation of SACEM should be expedited and they are apprised of the results at the earliest.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 2)

REMUNERATIVE PRICES TO FARMERS

2.1 The Committee are happy to find that there has been a record production of foodgrains in the country in the year 2001-2002. Many States will now become surplus in foodgrains. The Committee feel that the responsibility now lies with the Government to ensure that farmers get due benefit of good production and prices of foodgrains do not crash. The Government has recently announced Minimum Support Price (MSP) of wheat and other agricultural commodities. The Committee desire that Department should maintain an active coordination with the Ministry of Food & Public Distribution so as to oversee that prices do not fall alarmingly in any of the mandis. It should also be ensured that appropriate and timely measures are taken to procure the foodgrains at MSP.

Reply of the Government

2.2 The wholesale prices of cereals are continuously monitored and instances of market prices ruling below the Minimum Support Prices are referred to the Department of Food & Public Distribution and Food Corporation of India (FCI) for taking necessary action. The Directorate of Marketing & Inspection and the Market Trend Analysis (MTA) Division of the Directorate of Economic & Statistics are also asked to look into the cases of market prices ruling below the MSPs and report back to the Government. The FCI is required to intervene in the market for undertaking price support operations in case the market prices fall below the MSPs fixed by the Government.

Recommendation (Sl. No. 3)

EXPORT PROMOTION FOR AGRICULTURAL PRODUCE

2.3 The Committee are happy to note that the new EXIM Policy announced by the Minister of Commerce is beneficial to the farmers as it makes export free, easy and rewarding for them. There has been increase in food grains production during 2001-2002, but it will be

beneficial only if the farmers are able to export their produce and get better remuneration for their labour. Now new EXIM Policy being in favour of farmers, it is for the Department to take advantage of the policy and make suitable schemes for farmers to help export their produce. Keeping in view this liberal policy, the Committee recommends that the Department should set up a committee to explore various avenues for promoting exports. As the farmers cannot export their produce individually, there must be some agency to channelise their exports.

The Committee further desire that the Department should set up a separate wing for providing export intelligence to the farmers in regard to what type of variety should be grown, which is in great demand in the international market and similar information. It will facilitate the farmers to accordingly produce and export as per the requirement of the international market to reap maximum benefits out of it.

The Committee desire that Department should give a careful consideration to all the above suggestions of the Committee and bring out a comprehensive scheme in this regard. The Department should also play a proactive role in facilitating export of agricultural produce.

Reply of the Government

2.4 During the calender year 2001 India exported approximately 73 lakh MT of foodgrain to over 15 countries of the world, making a major break through. To further increase these exports, Ministry of Food and Consumer Affairs has constituted a Standing Committee to solve the problems being faced by the exporters in this regard.

The EXIM Policy 2002-07 of the Government recognizes the important role to be played by State Governments, agriculture being the State subject. Under the new policy provisions have been made for allocation of funds by Ministry of Commerce to States doing well in terms of gross exports and rate of growth of exports.

Some of the steps taken/proposed to be taken by the Government to boost export and provide export intelligence to the farmers are as follows:

- (a) Providing assistance for raising small and large nurseries for production of good quality planting material, upgradation of technical know-how of farmers through demonstrations, training and publicity, rejuvenation of old plantations, area expansion improving productivity and training of farmers.

- (b) Grant of financial assistance for improved packaging, strengthening of quality control and modernization of processing units.
- (c) Arranging promotional campaigns such as buyer-seller meets and participation in important fairs and exhibitions.
- (d) Providing assistance in development of data base and dissemination of market information.
- (e) Providing assistance for setting up of laboratories for testing of products to ensure quality, eliminating contamination and ensuring freedom from fungi and bacteria.
- (f) Providing assistance for various inputs, implements and integrated pest management, upgradation of technical know-how of farmers through demonstrations, training's and publicity for increasing production.

The Department of Agriculture and Cooperation will give a careful consideration to the suggestion of the Committee to set up a separate wing for providing export intelligence to the farmers.

Recommendation (Sl. No. 4)

ON FARM WATER MANAGEMENT

2.5 The Committee are happy to note that the scheme 'On Farm water Management in Eastern India' has been finally approved by the Planning Commission. The Committee are given to understand by the Department that this is a very vital scheme and it will make a big difference in the food grains production as the Eastern States have a great potential for development of minor irrigation through ground water.

The Committee, therefore, desire that since the scheme has now been approved, the Department of Agriculture & Cooperation should make concerted efforts to realise the full potential of the scheme. The Department should also ensure that the financial institutions provide easy and timely credit to the farmers so that more and more pump sets are installed to take benefit of the scheme.

Reply of the Government

2.6 The Centrally sponsored scheme of 'On Farm Water Management for Increasing Crop Production in Eastern India' has been launched by Government of India during 2001-02 for all districts of the States of Eastern India *viz*, Arunachal Pradesh, Assam, Bihar,

Chhattisgarh, Jharkhand, Manipur, Mizoram, Orissa besides 35 districts of Uttar Pradesh and 9 districts of West Bengal. The scheme is back ended credit linked one with the funding pattern of 20:30:50 *i.e.* 20% of unit cost will be contribution from the beneficiaries, 30% as Government of India subsidy and remaining 50% as bank loan. The scheme is being implemented through NABARD. The scheme got approval for Tenth Five Year Plan also. The components of the scheme are: (i) Assistance for installation of shallow tubewells with pump sets, (ii) Assistance for low lift irrigation points, (iii) Assistance for electric/diesel water pumping sets and (iv) Assistance for dug wells in plateau regions only.

During 2001-02, a sum of Rs. 15 Crores as GOI subsidy has been released to NABARD for implementation of the scheme. A sum of Rs. 115 Crores as GOI subsidy for the year 2002-03 has been allocated for the above States against the approved allocation of Rs. 150 Crores of GOI subsidy. NABARD has issued its operational guidelines to their respective regional branches in this regard. NABARD is also preparing the banking plans for providing easy and timely credit to the farmers under the scheme and the participating institutions have been advised to make wide publicity for the scheme through local media, posters etc.

Wide publicity about the scheme is also being given in the concerned States. The State level monitoring committees for monitoring the programme are also being constituted.

State level meetings have been held in Assam, Uttar Pradesh and Orissa. Such meetings will be held in other States also.

Hon'ble Agriculture Minister has written to all the Members of Parliament and Chief Ministers of these States for a wider publicity.

Recommendation (Sl. No. 5)

COTTON CROP

2.7 The Committee are constrained to note the continuous decline in the yield of cotton in some of the States. In Gujarat, Maharashtra, Madhya Pradesh, Tamil Nadu, it has come down from 400, 139, 147, 315 kg. per hectare in 1998-99 to respectively 122, 100, 80, 268 kg. per hectare in 2000-2001. The Technology Mission on Cotton has not been able to address the woes of the cotton farmers and farmers continue to commit suicide due to failure of crops and losses sustained.

The Committee desire that the Government should take a serious note of it as cotton is a very important Crop especially of rainfed areas and is grown on 50% area of the country. They desire that immediate and vigorous steps should be taken in regard to availability and good quality of seeds, removal of contamination in cotton, marketing, ginning and remedy for pests and disease affecting cotton crops.

Reply of the Government

2.8 During 2000-01, maximum losses occurred in cotton production in the State of Gujarat and Madhya Pradesh. Losses in production occurred due to drought conditions in these States.

There was not only a reduction in total rainfall during the year 2000-2001, but also early termination of monsoon during third week of August, which coincided with the boll formation in the cotton crop which resulted in the reduction of yield. The failure of monsoon also affected the subsequent picking of the crop in these States.

The Technology Mission on Cotton (TMC) was launched in February 2000 and became operative from 2000-2001. The TMC consists of four Mini-Missions, Mini Mission-I, being implemented by Indian Council of Agricultural Research (ICAR), is for developing new varieties & technologies with a thrust for technologies on pest/water/nutrient management & development of varieties resistant to diseases/pest/abiotic stresses including genetically modified plants such as Bt. Cotton. Mini Mission-II is being implemented by the Department of Agriculture & Cooperation (DAC) for undertaking extension/developmental activities for increasing production. Major thrust has been given to the activities related to Integrated Pest Management (IPM) like IPM demonstration-cum-training, surveillance of diseases/pest, establishment of bio-agent production units, supply of bio-agents, pheromone traps and sprayers.

IPM Farmers' Field Schools and demonstrations are being organised by the Central IPM Centres and State Departments of Agriculture wherein farmers are imparted training on recognition of pests and defenders and use of bio-pesticides like *Bacillus thuringiensis*. Nuclear Polyhedrosis Virus and Neem formulations. Wherever necessary, farmers undertake need based chemical control measures.

FAO's programme 'IPM Cotton in Asia' is being implemented in the States of Karnataka, Andhra Pradesh, Tamil Nadu and Maharashtra. Under this programme, season long training courses on IPM in Cotton are being organised in the States to train Master Trainers who in turn organise Farmers' Field Schools on Cotton IPM in their States.

To supplement the States' efforts, Rs. 50.00 lakh grants-in-aid has been provided to each of 22 States including cotton growing States for mass production of bio-control agents and bio-pesticides.

With a view to reducing the use of chemical pesticides, biopesticides like *Bacillus thuringiensis*, Nuclear Polyhedrosis Virus, Neem formulations, *Trichoderma* etc. have been registered under the Insecticides Act, 1968 and they are commercially available for use by the farmers.

Besides, assistance is also given on the production and distribution of seed as well as water saving devices like sprinkler/drip. The latest technologies developed by the research system are also transferred to farmers through demonstration & training under Mini Mission-II.

During the implementation of the scheme, some interventions have been identified and made part of the Mini-Mission-II from 2002-2003. These include activities on Insecticide Resistance Management (IRM), assistance for distribution of breeder seed, maintenance of nucleus and breeder seed, strengthening of existing and establishing new bio-agent production units by various agencies including private sector, demonstration on cotton-specific farm implements/equipments. Besides, more activities like seed treatment, light traps etc. have been proposed for the Xth Plan.

Mini Mission-III & IV are being implemented by Ministry of Textiles. Mini-Mission-III is meant for the development of market infrastructure, while, Mini-Mission-IV for modernization of ginning/pressing factories. The main aim of these Mini-Missions is to reduce the contamination and improving cotton quality as well as to facilitate the marketing of cotton.

Government is, thus taking all possible steps for educating the farmer in pest control and improving the yield and quality of cotton. Government of India and State Governments and all concerned with cotton sector are interacting through various meetings/conferences/workshop etc. for this purpose.

Recommendation (Sl. No. 6)

BT. COTTON

2.9 The Committee find that the Government have approved the planting of Genetically Modified Bt. Cotton. The variety has been permitted after undertaking wide range of studies on its effects on environment, ecology, human beings and animals. The planting of Bt.

Cotton has been approved subject to some conditions so as to prevent gene flow to neighbouring fields. The Committee recommends the department to be vigilant about the conditions being strictly followed by dealers/farmers. But at the same time it may be ensured that the implementing agencies should not harass the farmers. A suitable monitoring machinery in this connection should be put in place.

Reply of the Government

2.10 The Genetic Engineering Approval Committee (GEAC) set up under the Environment (Protection) Act, 1986 in the Ministry of Environment & Forest has cleared the commercial release of three Cotton Hybrids developed by MAHYCO namely, Bt. MECH-12, Bt. MECH-162 and Bt. MECH-184 subject to certain conditions. The concerned State Governments have been apprised of these conditions and have been requested to take appropriate action to prevent the sale of spurious seeds of Bt. Cotton. The State Governments have also been requested to monitor the sale of Bt. Cotton seeds and on monthly basis appraise the Department of Agriculture & Cooperation of the various measures taken by them to promote the right use of this technology.

Action has been taken for making farmers aware of Bt. Cotton recommended for different States. The Directorate of Cotton Development has released a press note through the State Government for the attention of the farmers of the States of Punjab, Haryana and Rajasthan.

Furthermore various cotton-growing States have also been advised regarding cultivation of Bt. Cotton and precautions to be taken by them for checking sale of spurious seed as Bt. Cotton or sale of F2 Bt. Cotton. The State has also been requested to organise public awareness campaign on various aspects of Bt. Cotton through newspapers, leaflets and other mode of communication.

Recommendation (Sl. No. 10)

SOIL TESTING

2.11 The Committee are constrained to note inadequate soil testing facilities in the country especially in West & East Zone. As per the material submitted by the Department, while the annual analyzing capacity is 2343000 and 2613000 number of soil samples per year in South & North Zone, it is only 124100 and 841000 number in the West & East Zone. The Committee would like the Department to find out the reasons for low capacity of Soil Testing Labs in these zones and desire that suitable steps should be taken to enhance the soil testing capacity in those areas.

Reply of the Government

2.12 The annual analyzing capacity in the South, North, West and East zones is 23,43,000; 26,13,000; 12,41,000 and 8,41,000, respectively. The inter-zone variations are on account of differing number and size of States included in each Zone as also due to varying levels of Soil testing facilities available in different States. However, it is true that the present capacity of analyzing soil samples is insufficient to cater to the need of 106 million farm holdings in the country. Therefore, a Centrally Sponsored Scheme 'Balanced and Integrated use of Fertilizers' was implemented during the 9th Plan with setting up/strengthening of soil testing laboratories as one of its components. Since this Centrally Sponsored Scheme has been included in the macro-management mode *w.e.f.* October 2000, the State Governments were requested to incorporate the component of setting up/strengthening of soil testing laboratories in their Work Plans. The State Governments were also requested to encourage the establishment of soil testing laboratories in cooperative/private sectors (including through NGOs) on economic viability basis. Since State Governments have to provide the staff and infrastructure facilities for setting up soil testing laboratories therefore the initiatives are to be taken by them. However, the State Governments are repeatedly being pursued to strengthen soil-testing facilities in the States.

Recommendation (Sl. No. 12)

MARKETING REFORMS

2.13 The Committee observe that the main problem that the farmers face is related to the marketing of their produce. They have been informed that most of the States have 'Agricultural Marketing Act', which forces individual farmers to sell their produce only to designated agencies and do not allow them to sell in the open market. It has also been stipulated in the act that private sector cannot make investment in the marketing infrastructure. The Committee note that Karnataka Government had agreed to amend the act and has signed on MOU with NDDB to set up horticulture terminal market and associated facilities with their collaboration. The Committee highly appreciate this move of the State Government and desire that the other States should also follow Karnataka Government and make amendment in their respective marketing acts, so that private sector is also able to set up the market and farmers have freedom to sell their produce wherever it is profitable to them. This recommendation of the Committee may be communicated to the State Governments for its expeditious implementation by the Ministry.

Reply of the Government

2.14 The recommendation made by the Committee has been noted. All the State Governments/Union Territory Administrations have been requested to amend their respective Agricultural Produce Marketing Regulation Acts expeditiously.

Recommendation (Sl. No. 13)

RURAL GODOWNS

2.15 The Committee note that the Department has formulated a new Central sector 'Capital Investment Subsidy Scheme' for construction/expansion/renovation of Rural Godowns to create scientific storage capacity with allied facilities in rural areas, wherein it is proposed to provide 25% subsidy on the capital cost to the entrepreneurs. Under the scheme 25 per cent, entrepreneurs will contribute and Cooperative Bank or other institutions will provide 50% loan.

The Committee fully approve the scheme as it would meet the long-standing requirement of the farmers for storing their farm produce in the vicinity of their farm and prevent them from resorting to distress sale immediately after harvest. They desire that the scheme should be finalised at the earliest and implemented at the earliest.

Reply of the Government

2.16 In order to strengthen the storage infrastructure in the country, a new Central Sector Scheme of Capital Investment for construction/renovation/expansion of Rural Godowns has been approved on 26.2.2002. An amount of Rs. 90.00 crores has been allocated as Central subsidy for the implementation of the Scheme during 2001-03. Under the scheme, promoter of rural godown project is provided subsidy @25% of the capital cost of the project subject to a ceiling of Rs. 37.50 lakhs and subsidy 33.33% of the project cost upto a ceiling of Rs. 50.00 lakhs for North-Eastern States, hilly areas and in cases of promoters belonging to SC/ST. The project for construction of rural godowns can be taken up by individuals, farmers, group of farmers/ Growers, Partnership/Proprietary firms, Non-Governmental Organisations (NGOs), Self Help Groups (SHGs), companies, Corporations, Co-operatives, Agricultural Produce Marketing Committees, Marketing Boards and Agro Processing Corporations in the entire country. The guidelines for implementing the scheme have been circulated to all States/Union Territory Administrations, Banks and Corporations.

Comments of the Committee

2.17 For Comments of the Committee please see Para No. 1.12 of Chapter I of this Report.

CHAPTER III

**RECOMMENDATIONS/OBSERVATIONS WHICH THE
COMMITTEE DO NOT DESIRE TO PURSUE IN
VIEW OF GOVERNMENT'S REPLY**

—NIL—

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 7)

SEEDS

4.1 The Committee note that as against Rs. 60 Crore proposed for seed sector by the Department only Rs. 29.96 crore have been allocated by the Planning Commission. The representative of Department of Agriculture and Cooperation during evidence submitted that to bring improvement in seed sector they would need more financial support to sustain the schemes under operation as well as legislative support to bring about change in Seeds Act. The Committee opine that seed being the most crucial and vital input of agriculture production, necessary financial and legislative support should be given to the Department for carrying out reforms in the sector. The Committee, therefore, recommend that the allocation for seeds should be increased at the revised estimate stage to the level proposed by the Department. So as to enable them to implement the scheme fully.

Reply of the Government

4.2 The recommendation of the Committee has been noted. Department of Agriculture and Cooperation has proposed an outlay of Rs. 6154 crores against which only Rs. 2167 crores were allocated for the year 2002-03. Keeping in view the reduced allocation for the year 2002-03, the allocation for various sectors including Seed sector was reduced accordingly. The recommendation of the Committee would be taken care of at Revised Estimate Stage subject to the availability of more funds at RE stage.

Comments of the Committee

4.3 For comments of the Committee please see para 1.6 of Chapter I of this Report.

Recommendation (Sl. No. 11)

INFESTATION OF COCONUT CROPS

4.4 The Committee note with serious concern the large-scale damage to coconut crop due to mite infestation in the States of Kerala, Andhra Pradesh, Karnataka, Orissa, Maharashtra and Tamil Nadu. They are constrained to note that the disease which first came to notice in 1998 has still has not been controlled even after 4 years. It is apprehended that if the disease is not controlled, the economy of the entire Southern States would be affected and the phenomenon of cotton farmers committing suicide would reach the coconut farmers also. It has also come to notice of the Committee that farmers are resorting to toddy taping due to the mite infestation. As toddy taping destroys the real crop of coconut, they feel that efforts should be made to make it disease free so that the farmers are not compelled to resort to toddy taping, which proves to be very destructive in long term for them.

The Committee, therefore, strongly recommend that the Department should address this problem urgently and find out some biological/chemical solutions to effectively control this mite in a time bound manner.

Reply of the Government

4.5 The incidence of Eriophyid Mite of coconut was first reported in India from Eranakulam district of Kerala in 1998 which spread to 11 districts in Kerala and other neighbouring States, viz., Tamil Nadu, Karnataka, Andhra Pradesh and Pondicherry. The mite infestation causes production of extremely small sized nuts with surface warting and longitudinal fissures with immature fall.

In order to develop technologies for control of mite, a network programme under National Agriculture Technology Project (NATP), with an outlay of Rs. 104.25 lakh, has been established, wherein all the major coconut growing States are participants.

Government has initiated various measures including the use of biopesticides/safer chemical pesticides for the control of coconut mite.

The Steering Committee constituted by Government of India on coconut mite, reviewed the status of the pest and technological developments for its management. The committee, after several deliberations and discussions with all the research workers and experts of development agencies, suggested that a holistic approach should be adopted in managing the coconut gardens to combat this pest. It also emphasized lesser usage of synthetic pesticides against the pest. The common recommendations of the Committee for management of coconut mite are: (i) Improving nutrient status of coconut palms through application of organic manure, neem cake and the recommended dose of fertilizer in two split application; (ii) Use of botanical pesticides such as spraying of neem oil, garlic and soap mixture, or azadirachtin (Neemazal) or Econeem; (iii) Use of bio pesticide; (iv) Use of chemical pesticides i.e., spraying wettable Sulphur; and (v) Growing of compatible inter crops/mixed crops. Whenever chemicals are used, harvesting shall not be done for minimum period of 45 days.

The financial assistance provided during 1998-99 to 2001-2002 for management of mite in each State are given below:

(Rs. in lakh)

State	Assistance provided
1. Kerala	3009.00
2. Tamil Nadu	1054.43
3. Karnataka	1350.40
4. Andhra Pradesh	370.00
5. Orissa	16.00
Total	5799.83

Comments of the Committee

4.6 For comments of the Committee please See para 1.9 of Chapter I of this Report.

Recommendation (Sl. No. 14)

NATURAL RESOURCES MANAGEMENT

4.7 The Committee are unhappy to find the slow pace of reclamation of degraded land undertaken by the Department. During the Ninth Plan an area of 12.63 lakh ha. is likely to be reclaimed against the total estimated area of 173.6 million hectares of degraded land in the country. The Committee note that although the scheme on reclamation of degraded land was subsumed under Macro-Management mode w.e.f. November, 2000 but there was a decline in provision for schemes under NRM in this mode. The State made a provision of Rs. 104.42 crore during 2000-2001 under Macro-Management for the schemes of National Resource Management against an allocation of Rs. 127.5 crore by the Department. The Committee are of the view that since land reclamation schemes require huge funds and give only long-term benefits, these schemes should be taken out of the Macro-Management mode and implemented separately as a Central sector scheme.

Reply of the Government

4.8 It is a fact that the budget provision made by the State Government under the Macro Management for the schemes of Natural Resource Management (NRM) is on the decline when compared with the allocation made by the Department before being subsumed under Macro Management. Consequently, it has affected the pace of reclamation of degraded land being undertaken by the Department.

Under the Macro Management Mode funds are released in lump sum on the basis of the approved Work Plan of the States/UTs. The State Agriculture Department further allocates the funds to the various implementing agencies as per their allocation in the Work Plan. The States have been requested to ensure that the proportionate allocation in the Work Plan for natural resource management programmes (NWDPR, RVP, FPR etc.) is not less the average proportionate funds released under the corresponding schemes to the total releases under 27 erstwhile Centrally Sponsored Schemes during the Ninth Plan Period. Moreover, the Scheme of Macro Management provides flexibility to States to allocate more funds to these programmes. As per the proposed State-wise allocation under Macro Management mode for the year 2002-2003 the funds allocated to NRM programmes by the States/UTs in their Work Plan for the year 2002-03 works out to nearly

296.18 crore out of the total allocation of funds of Rs. 781.68 crore (Central share is Rs. 709.85 crores), which works out to 38% for NRM programmes, which seems to be quite reasonable compared to funds allotted to other programmes for the year 2002-03. In view of the above, it is not considered necessary to take out the Natural Resource Management Programmes from Macro Management Mode and implement it as a separate Centrally Sponsored Scheme.

Comments of the Committee

4.9 For comments of the Committee please *See* para 1.15 of Chapter I of this Report.

Recommendation (Sl. No. 15)

AGRICULTURAL CREDIT

4.10 The Committee are of the opinion that credit plays an important role in successful agricultural operation. As per the instructions of the Reserve Bank of India, every commercial bank has to give minimum 18 per cent of the total credit to agriculture. But many banks have not been able to reach even 18 per cent. As informed by Chairman, NABARD during evidence that the average credit by banks to agriculture sector is between 14 and 15 per cent. The Committee desire that RBI should go into non-adherence of their instructions by commercial banks and ensure that this stipulation is met by all the banks.

The Committee are unhappy to note the high rate of interest being charged on the loans to the farmers. The Committee note that NABARD was established mainly for refinancing activities relating to agriculture & rural development. NABARD is giving refinance to commercial banks, RRBs and cooperative banks at the interest rate varying between 5.5% and 7.0% on short-term loans to farmers. The commercial banks provide loan to farmers at high rate of interest. In case of cooperative banks the loan reaches the farmers through a three layers system. At each layer transaction cost is added and ultimately the farmers are getting loans at the interest rate as high as 13-17%. This is an area of deep concern to the Committee and they, therefore, recommend that the Government needs to give focussed attention in this regard with a view to ensuring that the interest rate which are ultimately charged from the farmers get reasonably reduced.

The Committee desire that rate of interest charged from farmers should not be more than 2% of rate of interest on which NABARD is giving refinance.

Reply of the Government

4.11 For the domestic commercial banks, the Reserve Bank of India (RBI) has stipulated a target of 18 per cent of net bank credit for lending to agriculture. Against this target, achievement as on September 2001 was 15.63% RBI monitors lending to agriculture sector by banks on a regular basis and banks that fall short of the targets are advised to take steps for improving flow of credit to these sectors. Banks have also been advised by RBI to improve their flow of credit to agriculture so as to achieve the stipulated target by March, 2003. This department has also taken up with the Finance Ministry *vide* letter No. K-12012/2/2001-Credit-I dated 15th January, 2002 to advice the commercial banks to achieve their target of 18% lending to the agriculture sector.

As a part of financial sector reforms, the Commercial Banks, Cooperative Banks and Regional Rural Banks (RRBs) have been given freedom to fix their lending rates to be charged from the ultimate borrowers. In case of Commercial Banks there is a stipulation by the RBI that they cannot charge interest rates to the ultimate borrowers at rates higher than their Prime Lending Rate (PLR) for loans upto Rs. 2.00 lakhs. The PLR is currently in the range of 11.00 to 12.00 per cent. In case of cooperative banks and RRBs there is complete freedom and they have been permitted to determine their own interest rates based on their cost of funds, transaction and risk costs etc. It is however pointed out that NABARD refinance to cooperative banks is only around 23% of their total short term lending and the balance requirement is met by borrowing from the market which results in increasing the borrowing cost of cooperative banks resulting in their charging higher rates of interest than the rate at which they have been granted loans/advances by NABARD. Refinance support from NABARD need to be viewed only as a supplementary source of funds to the banks rather than a bench mark for determining the interest rates to ultimate borrowers. NABARD, however, periodically reviews the rate of interest being charged by cooperative banks and RRBs and advices the to fix the interest rates at a reasonable level so that it does not causes hardship to the farmers.

Comments of the Committee

4.12 For comments of the Committee please *see* para 1.18 of Chapter I of this Report.

Recommendation (Sl. No. 16)

CROP INSURANCE

4.13 The Committee are constrained to note that National Agricultural Insurance Scheme, which is very important for farmers, has not become popular with them as it suffers from inherent defects. The unit of Insurance is currently being taken as block level. The Committee have been informed that the Government has reliable data upto block level and they are trying to reach panchayat level and ultimately they propose to reach village as a unit.

The Committee are of the view that unless the village level is reached the farmers will be unable to get full benefit from the scheme. The Committee, therefore, recommend that the Government should make all out efforts to reach the village level as a unit as early as possible so that the farmers do not get disillusioned with the scheme.

Reply of the Government

4.14 National Agricultural Insurance Scheme (NAIS) is operating on area approach. The defined area may be a Gram Panchayat, Mandal, Hobli, Circle, Firka, Block, Taluka etc. as decided by the State Government. However, each participating State/UT is required to reach the level of gram panchayat as a unit of insurance in order to reflect realistically the crop losses suffered on account of natural calamities. But reduction in the unit of insurance will definitely, lead to conduct greater number of Crop Cutting Experiments (CCEs). Implementing States are not in a position to undertake additional CCEs because of limited manpower and the other infrastructural facilities available with them.

In order to overcome this difficulty a new method namely Small Area Crop Estimation Method (SACEM) has been devised by Indian Agricultural Statistics Research Institute (IASRI) to make assessment of yield rates at Gram Panchayat level. This new method is under process of experimentation in one selected district of each implementing State. In case the method is found suitable it will help in reducing the unit area of insurance and at the same time it would be economical also.

Comments of the Committee

4.15 For comments of the Committee please *See* para 1.21 of Chapter I of this Report.

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation (Sl. No. 1)

REDUCED ALLOCATION IN FAVOUR OF DEPARTMENT

5.1 The Committee note with concern that the Department of Agriculture and Cooperation had proposed an outlay of Rs. 18253.81 crore for the Ninth Five Year Plan but only Rs. 7813.69 crore (at RE stage) has been provided to the Department by the Planning Commission, which works out to be only 43% of the amount proposed. Again during the Tenth Plan the Department posed a demand of Rs. 25,000 crore before the Planning Commission but only Rs. 13,200 crore has been approved, which is only 52.8% of the amount proposed. The Committee are further disappointed to note that against the projected demand of Rs. 5164.41 crore for 2002-2003, the department has been provided Rs. 2167 crore, which is only 41.96% of the proposed demand. Thus, it is seen that continuously for years together less than 50% of the amount is being allocated by the Planning Commission as against the proposed amount, i.e. Less than half of the requirement of funds is being met. The Committee are unable to understand as to how the Government proposes to double the agricultural production in 10 years as envisaged with only 50% of funds required to undertake various schemes to increase production by the Department. The Committee wish to emphasize that the agricultural growth has a strong bearing on the growth of economy as a whole. In their opinion, continued inadequate allocations for this key sector of economy will have an adverse impact on the total economy of the country.

The Committee, therefore, strongly recommend that the Planning Commission should take a realistic view on the amount of funds required by the Department and enhance budgetary allocation at the Revised Estimate stage. They also desire that in the subsequent years the Planning Commission should try to make budgetary provisions as per the projections of the Department.

Reply of the Government

5.2 The recommendation of the Parliamentary Standing Committee for enhancing the budgetary allocations at Revised Estimate stage as well as for the subsequent years for this Department has been brought to the notice of the Planning Commission and the Ministry of Finance.

Recommendation (Sl. No. 8)

SEED CROP INSURANCE

5.3 The Committee note that pilot scheme for Seed Crop Insurance has not gained popularity due to high premium rates. No subsidy on premium is available to the farmers under the scheme. The Committee are of the view that without subsidy this scheme cannot be expected to be a success. They, therefore, recommended that the Government should review the scheme and provide necessary subsidy support to it as is done in the case of National Agricultural Insurance Scheme.

Reply of the Government

5.4 The Department of Agriculture & Cooperation has approached an independent agency to study the Seed Crop Insurance Scheme and suggest measures, including subsidy support on premium for making the scheme more attractive to the farmers.

Recommendation (Sl. No. 9)

NOVOD

5.5 The Committee observe that National Oilseeds & Vegetables Oil Development Board (NOVOD) is functioning for opening up newer areas and non-traditional seasons for promotion of oilseeds crops. It is also looking into developing newer and unconventional methods for the use of vegetable oils, promoting good nurserical programmes and marketing thereof. The Committee were informed that the Planning Commission wished to discontinue it but on request from the Department, NOVOD has been allowed to function for another six months only, after which its performance will be reviewed by the Planning Commission for continuation or otherwise. The Committee

are of the opinion that NOVOD has come up with newer strategies in this area, which sound very promising in the future. The biotechnology is coming up in a big way and private dealers will come up with new genetically modified seeds, which will affect farmers. The Committee, therefore, recommend that Planning Commission should approve the continuation of NOVOD Board so that development of non-traditional crops gets the required impetus.

Reply of the Government

5.6 There is full justification for the continuance of the NOVOD Board on the following grounds:-

- (i) The country has yet to attain self-sufficiency in the production of edible oils. Tree Borne Oilseeds (TBOs), which can be grown in wastelands, will help in supplementing the efforts of increasing production of edible oils.
- (ii) The exploitation of by-products and derivatives is another important aspect. In many areas TBOs provide new materials to tribals and allow them to exploit the resources for income generation.
- (iii) The achievement of the NOVOD Board are not only production related but also extend to research and development in production areas, post harvest management, research and development of economically viable products, processing, marketing etc. NOVOD Board is the only organization in the country undertaking, these activities under one umbrella.
- (iv) There is no institutional arrangement either at State or at Central level, which provide effective coordination for implementing the various activities of TBOs in an integrated manner. A new set up at State level will be a costly proposition. NOVOD Board is definitely a cost effective and better arrangement to effectively coordinate with Central/ State research and development institution like SAU, ICAR, CSIR etc.

The Planning Commission had opined that activities of NOVOD Board may be transferred to ICAR. It may be pointed out that ICAR at present has not taken up any development activities on TBOs. ICAR, as a matter of fact, has expressed its un-willingness to take up activities on TBOs. The Standing Committee on Food, Civil Supplies and Public Distribution on edible oil comprising of 45 members of Parliament

(30 from Lok Sabha and 15 from Rajya Sabha) have also recommended that NOVOD Board should be given the Coordinated role and made responsible for oilseeds of tree and forest origin. The Committee has further said that the collection of three borne oilseeds which is of crucial importance from the national point of view, needs much greater focus and that for the best coordination with the States and various Ministries of Union Government, the NOVOD Board would be the most appropriate body to galvanize the collection and coordination activities.

Therefore as recommended by the Parliamentary Standing Committee on Agriculture in their meeting held on 6.4.2002, this Department (Deptt. of Agri. & Cooperation) has already taken-up the matter with the Planning Commission indicating all the above details and have requested them for the continuance of the NOVOD Board. This Department will further pursue this matter with the Planning Commission at the appropriate level.

Recommendation (Sl. No. 17)

AGRI-CLINICS

5.7 The Committee are happy to note that the new central sector scheme for establishment of Agri-clinics and Agri Business Centres, wherein graduates and post-graduates in agriculture or allied services will be trained to create facilities for soil testing, supply of inputs, extension, guidance on how to use pesticides is receiving a very good response. The Committee feels that besides helping are farmers in absorption of productivity enhancing technologies, it will also provide opportunities for self-employment to agricultural graduates and postgraduates in a big way. However, the viability of units will greatly depend on the suitability of training given to entrepreneur for this venture. The representative of Department of Agriculture & Cooperation informed during evidence that only the training component of the scheme has been approved by Planning Commission and they propose to approach Planning Commission to provide incentive of about 25% subsidy on initial cost to eligible people, so that they get attracted towards programme.

The Committee, therefore, recommend that the Department should pose the demand to Planning Commission for provision of 25% subsidy at revised estimates stage to make the scheme of Agri-clinics a commercially viable venture.

Reply of the Government

5.8 Under the scheme, the agri entrepreneurs, who propose to avail the benefit of the scheme to set up agri-business ventures will be given training in Entrepreneurship Development, as well as training in their activity of choice. The training programme will comprise skill improvement and updation in the area of chosen activity, entrepreneurship and business management, and agricultural development problems in the area to be served by the proposed ventures. Thus the suitability of training given to entrepreneur is adequately taken care of Hon'ble Agriculture Minister has already taken up the matter with Deputy Chairman, Planning Commission to agree to the proposal of the Department for implementation of the scheme with subsidy component.

NEW DELHI;
6 November, 2002
15 Kartika, 1924 (Saka)

S.S. PALANIMANICKAM,
Chairman,
Standing Committee on Agriculture.

APPENDIX I

MINUTES OF THE NINETEENTH SITTING OF THE STANDING
COMMITTEE ON AGRICULTURE HELD ON WEDNESDAY,
THE 6TH NOVEMBER, 2002 IN COMMITTEE ROOM 'B',
PARLIAMENT HOUSE ANNEXE

The Committee sat from 1100 hrs. to 1240 hrs.

Dr. A.R. Kidwai—*In the Chair*

Lok Sabha

2. Shri Thawar Chand Gehlot
3. Shri M. Master Mathan
4. Shri Rampal Singh
5. Shri Tejveer Singh
6. Smt. Rama Pilot
7. Shri Abul Hasnat Khan
8. Prof. S.P. Singh Baghel
9. Shri Anant Gudhe
10. Shri Tarlochan Singh Tur
11. Shri Ramjiwan Singh

Rajya Sabha

12. Shri Oscar Fernandes
13. Shri M. Rajashekara Murthy
14. Shri R. Kamaraj
15. Shri R. S. Gavai

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri N.K. Sapra — *Joint Secretary*
3. Shri Raj Shekhar Sharma — *Deputy Secretary*
4. Smt. Anita Jain — *Under Secretary*

In the absence of Hon'ble Chairman (AC), the Committee chose Dr. A.R. Kidwai, MP from amongst themselves to take the Chair for the sitting under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

2. The Committee, thereafter, took up for consideration the draft Action Taken Report on 30th Report of the Committee on Demands for Grants (2002-2003) in respect of Ministry of Agriculture (Deptt. of Agriculture and Co-operation) and adopted the same within the amendments as shown in Annexure.

3. The Committee, then authorised the Chairman to finalise the above mentioned Action Taken Report and present it to the House on a date and time convenient to him.

The Committee then adjourned.

ANNEXURE

Page No.	Para No.	Modifications
1	2	3
1.	1.2	Delete recommendation Sl. No. 7 & 11 from (iv) & (i) respective and include them in (iii)
3.	1.6 (Recommendation No. 7)	Substitute: "The Committee note.....in this regard also." with the following:
		<p>The reply of the Government that since the allocation of the Department of Agriculture and Cooperation have been reduced to nearly half of the proposed outlay, allocation for the seed sector had to be curtailed accordingly, is not at all convincing. There should be no reduction in the allocation for the seeds sector because making available good quality seeds is a crucial factor in raising agriculture production. The Committee feel that much more investment should be made in the production of high yield and good quality seeds of various crops. The Committee, therefore, would like the</p>

Government to ensure that allocation for seeds sector must be increased at R.E. stage to the level proposed by the Department so that this sector does not suffer due to lack of funds.

The Committee further note that the Department's reply is silent about the need to give legislative support for carrying out reforms in seeds sector, particularly the desired changes in the Seeds Act. The Committee would like to be apprised of the measures initiated by the Government in his regard also.'

6. 1.9
(Recommendation No. 11

Substitute: "The Committee notein their 30th Report." with the following:

The Committee note that the Department have initiated some measures for control of coconut mite. They, however, feel that the measures taken so far are not adequate. The Committee are of the opinion that the Government has not properly gauged the magnitude of the problem, in view of the fact that the mite has not yet been controlled. The Committee strongly feel that commensurate efforts should have been made in this regard. The Committee,

therefore, desire that there should be a crash programme to deal with this problem scientifically by setting up a Board with technical and scientific expertise to advise on the problem till it is solved. The Committee would like the Government to take urgent action on the above Committee's recommendation and apprise them of the same within 3 months of presentation of the Report.

8. 1.12
Recommendation No. 13)

Add at the end of the para:
It should also be ensured that the interest charged by bank on loans for the scheme are at concessional rates.

14.15. 1.8
(Recommendation No. 15)

Substitute: "The Committee are least get reasonably reduced." with the following:

The Committee are least satisfied with the reply of the Department. They are of the view that merely advising the banks to take steps to improve their flow of credit to agriculture so as to achieve the stipulated target of 18% of net bank credit for lending to agriculture sector is not enough. The Department need to go into reasons for the banks not being able to reach the stipulated

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target of 18% flow of net credit to agriculture and find out ways and means in overcoming the hurdles to achieve the goal. The Committee, therefore, would like the Government to take concrete steps in this direction and apprise them of the same within three months of the presentation of this Report to Parliament.

As regards the Government's response to the Committee's recommendation to reduce interest rates charged from farmers, the Committee do not feel inclined to accept the Government's contention that re-finance support from NABARD needs to be viewed only as a supplementary source of funds to the banks rather than a bench mark for determining the interest rates to ultimate borrowers. NABARD is considered as a Development Bank with the main objective of facilitating credit flow for agriculture and rural development. This can, however, be facilitating credit flow for agriculture and rural development. This can, however, be achieved only when loans are made available to the farmers at a reasonable rate of interest. Moreover, when

NABARD is giving refinance to banks at lower interest rates the benefit thereof should be fully percolated to the farmers. The commercial banks have been giving loans to at the same rate of interest as they are giving to the business and the industry in spite of getting refinance from NABARD. It clearly shows that the NABARD refinance has not benefited the farmer at all. The Committee are distressed that the Ministry has also not insisted that the benefit of refinance scheme must be passed on to the farmers.

The Committee note that RBI has imposed restrictions on commercial banks that interest rates on agricultural loans to the ultimate borrowers cannot be higher than their Prime Lending Rate (PLR) for loans upto rupees two lakh only. Keeping in view the higher recovery rate of agriculture loans, the Committee feel that PLR for agricultural loans should be lower and, in any case, loans advanced to the farmers should not be more than PLR irrespective of the amount of the loan.

The Committee further note that under the new credit policy of RBI interest rates on deposits have come down drastically. Banks have more funds now as surplus due to the lowering of CRR and SLR. The Committee feel that NABARD should reduce their refinance rate currently being charged in the range of 5.5% to 7% on short term loans. NABARD rates on refinance should be restructured to conform to the new RBI credit policy.

In regard to the Government's plea that NABARD refinance to cooperatives being only 23% of total short-term lending, the Committee would like NABARD to consider increasing the refinance to banks for agriculture lending so that they charge lower interest rates from farmers. The Committee, therefore, reiterate their earlier recommendation that the Government should take steps to ensure that interest rates which are ultimately charged from the farmers get reasonably reduced and the rate of interest charged from farmers should not be higher by more than 2% rate of interest on which NABARD is giving refinance. In

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this connection, the Committee desire that NABARD refinance should be given to only those banks which are ready to give benefits of refinance to farmers and at operational cost up to maximum of 2% only on the rate of interest charged by NABARD.

APPENDIX II

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE 30TH REPORT OF THE STANDING COMMITTEE ON AGRICULTURE (THIRTEENTH LOK SABHA)

(i) Total number of Recommendations	17
(ii) Recommendations/Observations which have been Accepted by the Government Serial Nos. 2, 3, 4, 5, 6, 10, 12 & 13	
Total	8
Percentage	47.06%
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies Nil	
Total	Nil
Percentage	0%
(iv) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee Serial Nos. 7, 11, 14, 15 & 16	
Total	5
Percentage	29.41%
(v) Recommendations/Observations in respect of which final replies of the Government are still awaited Serial Nos. 1, 8, 9 & 17	
Total	4
Percentage	23.53%