5

STANDING COMMITTEE ON AGRICULTURE
(2004-2005)

FOURTEENTH LOK SABHA

MINISTRY OF AGRICULTURE
(Department of Agriculture and Cooperation)

DEMANDS FOR GRANTS
(2004-2005)

{Action Taken by the Government on the Recommendations/
Observations contained in the First Report of the
Standing Committee on Agriculture (2004-2005)}

FIFTH REPORT

LOK SABHA SECRETARIAT

March, 2005/Phalguna, 1926 (Saka)

FIFTH REPORT

STANDING COMMITTEE ON AGRICULTURE

(2004-2005)

(FOURTEENTH LOK SABHA)

MINISTRY OF AGRICULTURE
(Department of Agriculture and Cooperation)

DEMANDS FOR GRANTS (2004-2005)

(Action taken by the Government on the Recommendations/Observations contained in the First Report of the Standing Committee on Agriculture (2004-2005)

Presented to Lok Sabha on 2.3.2005
Laid in Rajya Sabha on 3.3.2005

LOK SABHA SECRETARIAT
NEW DELHI

March, 2005/Phalguna, 1926 (Saka)

CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON AGRICULTURE
(2004-2005)

Prof. Ram Gopal Yadav – Chairman

MEMBERS

LOK SABHA

2. Shri Hiten Barman
3. Shri Manoranjan Bhakta
4. Shri G.L. Bhargava
5. Shri Kuldeep Bishnoi
6. Shri Nihal Chand Chauhan
7. Shri Shivraj Singh Chouhan
8. Shri Lalchand Kol
9. Shri Khagen Das
10. Shri Dharmendra
11. Shri Sharanjit Singh Dhillon
12. Shri Raghunath Jha
13. Smt. Rupatai D. Patil Nilangekar
14. Shri Prakash V. Patil
15. Shri A. Ravichandran
16. Shri K.J.S.P. Reddy
17. Shri Y.S. Vivekananda Reddy
18. Shri Harihar Swain
19. Shri M.P. Veerendra Kumar
20. Shri Mahboob Zahedi
21. # Smt. Anuradha Choudhary

RAJYA SABHA

22. Smt. Mohsina Kidwai
23. Shri Harish Rawat
24. Shri Pyarelal Khandelwal
25. Shri Raj Nath Singh
26. Shri Sk. Khabir Uddin Ahmed
27. Shri Bhagwati Singh
28. Shri Datta Meghe
29. Shri Bashistha Narain Singh
30. Shri Sharad Anantrao Joshi
31. *Dr. M.S.Gill

Chaudhary Munawwar Hassan ceased to be the Member of this Committee owing to his nomination to the Standing Committee on Labour w.e.f.16.8.04 vide L.S. Bt.Pt.-II dt.16.8.04

Smt. Anuradha Choudhary has been nominated to this Committee w.e.f. 30.8.2004 vide L.S. Bt.Pt-II, dt. 30.8.2004

Shri Raashid Alvi ceased to be the Member of this Committee owing to his nomination to the Committee on Personnel, Public Grievances, Law & Justice w.e.f 31.8.2004 vide R.S. Bt Pt-II dt. 31.8.2004

*Dr. M.S. Gill has been nominated to this Committee w.e.f 31.8.2004 vide R. S. Bt Pt-II dt. 31.8.2004

SECRETARIAT

1.	Shri N.K. Sapra	-	Joint Secretary
2.	Shri Devender Singh	-	Director
3.	Shri K.D. Muley	-	Under Secretary
4.	Ms. Amita Walia	-	Committee Officer

INTRODUCTION

I, the Chairman of the Standing Committee on Agriculture (2004-2005) having been authorised by the Committee to submit the Report on their behalf, present this Fifth Report on Action Taken by Government on the recommendations/observations contained in the First Report of the Standing Committee on Agriculture (2004-2005) on Demands for Grants (2004-2005) of the Ministry of Agriculture (Department of Agriculture & Cooperation).

2. The First Report of the Standing Committee on Agriculture (2004-2005) on Demands for Grants (2004-2005) of the Ministry of Agriculture, (Department of Agriculture and Cooperation) was presented to Lok Sabha on 17.8.2004 and laid in Rajya Sabha on the same day. The Department of Agriculture and Cooperation was requested to furnish action taken replies of the Government to recommendations contained in the First 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 Fifth Report at their sitting held on 17 February, 2005. 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 First Report (14th Lok Sabha) of the Committee is given in Appendix-II.

NEW DELHI
17 February, 2005
28 Magha, 1926(Saka)

PROF. RAM GOPAL YADAV
Chairman
Standing Committee on Agriculture.

CHAPTER I

REPORT

This Report of the Committee on Agriculture deals with the action taken by the Government on recommendations contained in the First Report (Thirteenth Lok Sabha) of the Standing Committee on Agriculture (2004-2005) on Demands for Grants (2004-2005) of the Ministry of Agriculture (Department of Agriculture and Co-operation) which was presented to the Lok Sabha and laid in Rajya Sabha on 17.8.2004.

1.2 Action taken replies have been received from the Government in respect of all the 16 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)

Recommendations Sl. Nos. 1,3,5,7,8,9,11,12 and 14
(Total- 9)

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

(iii) Recommendations/Observations in respect of which reply of the Government have not been accepted by the Committee (Chapter IV of the Report to be commented upon in Chapter I of the Report)

Recommendation Sl. No. 2,4,6,10,13,15 & 16 (Total- 7)

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

1.3 The Committee will now deal with the action taken by the Government on some of their recommendations which have not been accepted and have been included in Chapter-IV and Chapter-II of the Report.

RECOMMENDATION SERIAL NO.2

Investment in Agriculture

1.4 Although the Agriculture Sector is the backbone of Indian economy, it is starved of capital. The share of Agriculture in total Gross Capital Formation (GCF) has declined from 21 per cent in 1951-52 to 15.4 per cent in 1980-81, and further reduced to mere 8 per cent in 1999-2000. Investment in Agriculture as per cent of gross Domestic Product (GDP) had declined from 1.9 per cent in the early 1990s to 1.3 per cent in 2000, which is a matter of grave concern. The contribution of the public sector in GCF has also sharply declined. The Committee are concerned to note that the decline in public sector Gross Capital Formation mainly reflects the decline in expenditure on irrigation works.

It is estimated that in order to achieve the national growth of 8 per cent in the Tenth Plan period an investment of approximately Rs.33, 000 crore (at 1993-94 prices) in the years 2006-2007 would be required. Government spending in the Agriculture will have to be significantly stepped up from the present level to meet the growth targets. The Committee, therefore, desire the Government to increase the investment in Agriculture Sector and formulate suitable Schemes to attract more capital from the Private Sector to give boost to the Agriculture in the country.

REPLY OF THE GOVERNMENT

1.5 In order to facilitate higher growth rate in Indian agriculture, it is necessary to step up investment. It is also necessary to pay special attention to dry land farming. Equally important is the introduction of marketing reforms aimed at promoting, inter-alia, public-private partnership. The following measures seek to facilitate higher growth rate in Indian Agriculture:-

- Doubling rural credit in three years, easing the burden of debt and high interest rate and nursing cooperative back to health.
- Special programme for dry land farming in the arid and semi-arid regions of the country, horticulture and water management.
- Stepping up public investment in agriculture research and extension, rural infrastructure and irrigation
- In order to guide the States in the implementation of reforms, Central Government had drafted a Model Act on Agricultural Marketing. This Act would promote direct marketing of Agricultural commodities from the farmers' fields, without the necessity of going through licensed traders and regulated markets. The Model Act also seeks to provide an institutional framework for contract farming. It is expected that these arrangements will facilitate linking the farm sector to agro-processing industry and to sources of extension advice, seeds, credit and markets.
- Reforms in the APMC Act were discussed at the National Conference of State Ministers on 19th November, 2004 at Bangalore, wherein States were advised to complete the process of amending APMC Act within a period of 2-3 months.

The Ministry of Agriculture has also launched a scheme to provide investment subsidy to marketing infrastructure projects in States undertaking reforms. Large-scale investment in agri-infrastructure projects is expected to result in far reaching benefits for all the stake holders.

COMMENTS OF THE COMMITTEE

1.6 **The Committee note that the Government measures aimed at stimulating growth in agriculture are totally shorn of attaining the desired investment targets. Concrete and concerted efforts, therefore, need to be taken to achieve the investment target of Rs. 33,000 crore till the terminal year of the Tenth Plan, to attain the national growth of 8 per cent and generate overall employment opportunities.** ***The Committee are constrained to note that the Government's routine reply smacks of utter lack of farsightedness in achieving the targets. The Committee would like to be apprised of the firm proposals to achieve the target investment of Rs. 33,000 crore in the remaining years of the 10th Five Year Plan period. Further, the Committee are unhappy to note that the Government has not paid any attention to their recommendation for attracting capital from private sector to boost the agricultural investment in the country. The Committee are of the view that the resources of public sector alone can scarcely be sufficient enough to provide the requisite stimulus to agriculture. In their considered view the foremost step in this direction should be to take the concrete measures for making agriculture a paying preposition and a profitable venture so as to attract investment from private sector also. The Committee, therefore, expect that the Ministry would make every endeavour to ensure that the measures instituted for galvanising agricultural growth are monitored scrupulously to achieve the envisaged targets.***

RECOMMENDATION SERIAL NO. 3

Utilisation of Plan Funds

1.7 The Committee are constrained to note the low utilization of Plan funds by the Department. During the Ninth Plan the Department could utilize Rs.7,673.70 crore out of the allocated amount of Rs.9,293 crore. During 2002-2003 and 2003-2004 also the Department could not utilize the entire allocated amount. The Committee are informed that one of the reasons for under utilization is unspent balances with the States and also non-submission of utilization certificates by most of the States on time. The Committee observe that most of the times Central Government delay release of funds to the States or release it at the fag end of the financial year and expect the States to utilize it in very short time. Obviously, the States are not in a position to spend the entire amount and have unspent balance lying with them. The Committee, therefore, recommend that the release of the funds to the States should be made on time so that they could utilize the amount rationally and there is proper monitoring of expenditure. The Committee also desire that there should be proper coordination with the State Governments so as to obtain Utilization Certificates and to safeguard that money released is spent only on approved Schemes and programmes.

The Committee notice that in respect of some of the Schemes, the funds have been utilized by the States but they have expressed their inability to contribute the matching shares. The Committee, therefore, recommend that while formulating Centrally Sponsored Schemes the financial capability of State Governments to contribute their share should also be assessed so that they do not face difficulties at a later stage and the Schemes are implemented effectively. The Government may also consider the peculiar socio-economic conditions and industrial backwardness of States so that suitable incentives and concessions are incorporated in the Centrally Sponsored Schemes for harmonious growth and development of all Regions and States.

REPLY OF THE GOVERNMENT

1.8 For on-going schemes funds are released in time. However, so far as new schemes are concerned, it takes time in getting the approval of the competent authority, which at times results in delay in releasing funds.

The implementation of the schemes and expenditure is regularly monitored. For proper utilization of the funds, the Government of India has got regular interaction with the State Governments and the problems, if any, are sorted out.

Under Macro Management of Agriculture (MMA) Scheme, States have flexibility to select the schemes of their felt needs and priorities. The contribution of the State Governments has been brought down to 10 per cent as against the normal level of 25 per cent. In the case of North Eastern States, the entire fund is provided by the GOI under this Scheme. For Technology Mission for Integrated Development of Horticulture in North Eastern States including Sikkim, Jammu & Kashmir, Himachal Pradesh and Uttaranchal, 100 per cent contribution is given by the Government of India.

COMMENTS OF THE COMMITTEE

1.9 The Committee note the reply of the Government that funds for on-going schemes are released in time to the States but release of funds for new schemes get delayed due to late approval by the competent authority. ***The Committee strongly feel the urgent need to modify the approval procedure so that funds for implementation of these schemes could be released to the State Governments well in time. The***

Committee feel that some tangible timeframe for release of funds should be set up and an effective monitoring mechanism put in place at the Central level for proper and time-bound utilization of funds released to the States. Needless to say, the timely release of funds will lead to proper and just utilization of funds by the States and effective expenditure monitoring by the Ministry. The Committee recommend that in case of any unwarranted delay in approval/release of funds, responsibility must be pin pointed.

<u>RECOMMENDATION SERIAL NO.4</u>

<u>Suicides by farmers</u>

1.10 The Committee are appalled over the continuing incidences of suicide committed by the Farmers in the country. In Andhra Pradesh – 435, in Karnataka – 469, in Maharashtra – 197, in Orissa – 100 cases, in Rajasthan and Punjab – 3 cases in each state of suicides by farmers have been reported. Similarly, cases of suicides have been reported in varying number from other States. The extremity which drives the farmers to commit suicide demonstrates their agonizing plight and the scant attention paid by the concerned States to their problems. On a query, the Committee were shocked to learn that even the actual reasons for suicides are also not reported by some of the State Governments. The Committee draw an unmistakable conclusion that certainly crop failures due to drought and other natural calamities. heavy indebtedness of the farmers and the ruthlessness of the money lenders are some of the immediate and direct cause for these acts of suicides. It is all the more painful that the State Governments, which are the investigating agencies; do not want to share the facts. As a result the families of all such farmers do not get compensation and the Union Government cannot take appropriate preventive measures for want of factual position from the State Governments.

The Committee, therefore, recommend that the Union Government should not always wait for the reports from the State Governments, whenever there is a drought or any other natural calamity. The Union Government *ab initio* should come forward and enquire the factual position on their own also and take adequate and immediate steps to mitigate the sufferings of the bereaved family. The Committee are shocked to learn that in some cases the deaths of female farmers are not counted as farmer's death as the agriculture holdings are owned by male members with the result the bereaved family is deprived of compensation. The Committee see no reason for such a gender based discrimination and remind that if any female farmer commits suicide for the same reasons, her family should also be equally compensated.

The Committee strongly recommend that the Department should take concrete preventive measures to arrest the recurrence of such tragic deaths. The farmers should be educated by extension workers to face the challenges of life and not to take such an extreme step which, besides being self-destructing, devastates the family as well. The India Meteorological Department (IMD) can also come to the rescue of farmers considerably by making correct forecast of the weather condition. Farmers can be motivated to opt for crop-insurance by providing them soft-term packages and in case of crop failures; insurance claims should be settled immediately. To tackle their heavy indebtedness problem and to see that the farmers are not trapped in the vicious circle of indebtedness, the flow of soft-term institutional credit should be increased so that they are not forced to take loans from private moneylenders. The Committee would also like the

Government to make a case study of farmers committing suicide due to indebtedness and the suicides committed by the commercial borrowers, if any.

REPLY OF THE GOVERNMENT

1.11 Agriculture is a State subject. State Governments are responsible for implementation of the policies and programmes for development of agriculture in the States. At the Centre, the Union Government recognizes its responsibility towards farmers and agriculture and undertakes requisite steps to enhance agricultural production and productivity through various schemes and Centrally sponsored programmes that would assist the augmentation of living standards of the farmers and the rural poor.

Highest priority has been accorded to revitalize agriculture for improving the conditions of the farmers, which has suffered because of successive drought in various regions during the last 4-5 years and other natural calamites, high indebtedness and failing crops. The Government is fully conscious of the magnitude of the problems of the farmers and taking steps for strengthening and streamlining the flow of agriculture credit.

Indebtedness has been identified as one of the major causative factors for suicides by the farmers. The constant pressure exerted by the lending agencies to repay the loans without considering farmer's repaying capacity further accentuates his misery which ultimately forces him to resort to the extreme step. In the case of institutional credit, relief measures are available to the farmers but for the loans taken from informal sources, no such facilities are generally available.

The solution to the problem of indebtedness lies in galvanizing the institutional credit sources to devise appropriate mechanism and products for weaning away the farmers from informal credit sources as well as in enhancing the profitability of agriculture through increasing productivity, reducing cost of production and formulating appropriate prices support measures.

Several measures have been initiated by the Government of India to galvanize the institutional credit system to make them more responsive to the need of farmers. Some of the important measures initiated in this regard are as under:-

The Reserve Bank of India has issued standing guidelines to the Banks for providing relief to the farmers in areas affected by natural calamities. These guidelines have been issued to enable the banks to take uniform and concerted action expeditiously, particularly to provide financial assistance to the farmers affected by natural calamities. These guidelines inter alia envisage:

- Conversion/rescheduling of loans in the event of natural calamity for periods ranging from 3 to 9 years depending upon the successive crop failure/intensity of damage of crops
- Grant of fresh crop loans to affected farmers.
- Conversion of principal as well as interest due on the existing loans.
- Grant of consumption loans.
- Not to compound interest in respect of loans converted/rescheduled, etc.
- Not to charge penal interest in respect of current dues in default.

In order to protect the farmers from the adverse effect of natural calamities leading to failure of crops, National Agricultural Insurance Scheme is in vogue since Rabi 1999-2000. The Scheme envisages coverage of all farmers (loanee and non-loanee both) irrespective of their size of holdings, more crops (including annual horticultural/commercial crops) and more risks.

As a special dispensation for the agriculture sector, the Government of India has advised all the Public Sector Banks to reduce their lending rate for agriculture to a single digit rate of not more than 9% per annum on crop loans up to a ceiling of Rs.50,000/-. Keeping in view the importance of flow of credit to agriculture, in particular to the smaller borrowers who may not have the necessary assets as collateral, the banks have been advised to waive margin/security requirements for agricultural loans up to Rs.50,000/- NABARD has also issued guidelines on scheme for redemption of Debts of Farmers from non-institutional sources.

In so far as accurate weather forecasting in concerned, the IMD is now engaged in auditing its own system of forecast to give improved forecast in future. The Department of Science and Technology has already announced a package of Rs.500 crore for procuring modern equipment and upgrading the facilities for this purpose with the IMD. The Ministry of Agriculture has also initiated work on the project for Extended Range Forecast System (ERFS) for climate risk management in agriculture. The appropriate model would be developed by IIT, Delhi that will also provide necessary support for implementation of the project by the Department of Science and Technology. The ERFS project is expected to facilitate extended range forecast of rainfall and surface temperature from monthly to seasonal scale in India.

To provide relief to the farmers due to crop failure, guidelines have been issued on rescheduling of loans and one time settlement of past defaults. Safety nets to the farmers have been provided against loss of production through schemes like National Insurance Schemes (NAIS), Farmers Income Insurance Scheme (FIIS) which is being implemented on pilot basis. The Government is also implementing Minimum Support

Price (MSP) and Marketing Intervention Scheme (MIS) to ensure remunerative prices to the farmers. Further drought relief assistance is also given to the States both in the form of financial assistance and food grains as and when necessary.

COMMENTS OF THE COMMITTEE

1.12 ***The Committee are aware of the constitutional provisions as also the pivotal role of the Union Government in formulating and implementing national policies and programmes for increasing agricultural production and productivity. While taking strong exception to the reply of the Ministry, the Committee are of the considered view that the Union Government cannot escape its responsibility towards the farmers by invoking the plea that agriculture is a State Subject'. It is deplorable that the Department's selective reaction on the observations made by the Committee merely indicates lack of seriousness on the part of the Union Government on this vital issue. A Government cannot and should not pledged to function for the welfare of the farmers rest satisfied by merely initiating measures aimed at alleviating the sufferings of farmers unless the adequacy and efficacy of such measures transform their lives and the agriculture sector.*** **Curiously, however, the Government has maintained studied silence as regards the recommendation of the Committee for making a case study of farmers committing suicide due to indebtedness vis-à-vis commercial borrowers. The need for commissioning such a case study emerges all the more stronger in view of the revelation made to the Committee during their recent Study Visit that the money lenders employ strong-arm tactics for recovery from the farmers. The Committee are also dismayed to note that the Department is silent about gender-based discrimination in the matter of awarding compensation to female farmers.**

While reiterating their earlier recommendation for stopping such gender-based discrimination, the Committee strongly urge the Government to ensure that the multiple-measures initiated by them are stringently monitored and periodically reviewed to secure the interest of the farmer. Further, the Committee believe that the State machinery, if alert and sensitive to the problems of farmers, can certainly take effective pre-emptive measures to ward off incidents of suicide among farmers.

RECOMMENDATION SERIAL NO. 5

Credit Flow to Agriculture

1.13 The Committee note that the total credit flow to Agriculture in the Ninth Plan (1997-2002) amounted to Rs. 2,29,956 crore. A substantial jump in the credit flow to Agriculture is envisaged in the Tenth Plan (2002-2007) which is projected at Rs. 7,36,570 crore almost three times the Ninth Plan Achievement. The total flow of institutional credit to agriculture during 2002-03 has been Rs. 70,810 crore as against Rs. 62,045 crore in 2001-2002. During 2003-04, the estimated figure of such credit is Rs. 80,000 crore. The Committee feel that although there is some increase in the Agricultural credit in the first two years of the Tenth Plan, the increase is not commensurate with the Plan projection. The Committee, however, note that the Finance Minister in his Budget Speech (2004) has announced to double the flow of agricultural credit in three years.

The Committee note that out of the 26 major commercial banks only 8 banks have achieved the target of 18 per cent (as stipulated by RBI) of total agriculture advance to Net Bank credit. While commending the Banks like State Bank of Indore, State Bank of Saurashtra, Punjab National Bank which extended credits to farmers even beyond the stipulated target of 18 per cent, the Committee deplore the poor performance of some major banks like State Bank of Travancore, Bank of Maharashtra, Dena Bank, Oriental Bank of Commerce, UCO Bank who could not reach beyond 12 per cent and the Corporation Bank which could lend only 9.58 per cent.

The Committee are concerned to note that some of the banks are not able to meet the RBI stipulation of 18 per cent of total bank advances to Agricultural Sector, with the result, the farmers are taking loans from unscrupulous private money lenders on exorbitant rate of interest in the absence of institutional loan. The Committee also note the lack of easy accessibility of bank branches in rural areas and the long and arduous procedural formalities for taking loans making them easy prey to the private money lenders. The Committee, therefore, recommend that the loan procedure should be simplified and the commercial banks should reach the farmers, as they are doing in the cases of housing and auto loans, so that more and more farmers are able to avail of the bank loans in time of need. This would go a long way to save the farmers from the clutches of money lenders and the claws of death. The Committee would also like the Government to make it incumbent upon every bank to meet the stipulation of providing a minimum of 18 per cent agricultural credit.

REPLY OF THE GOVERNMENT

1.14 Expanding the outreach of Rural Financial Institutions and simplification of lending procedures are high on the agenda of the Ministry of Agriculture and this agenda is being pursued actively with the Ministry of Finance and the Reserve Bank of India. The Government of India in concert with the Reserve Bank of India has initiated various policy measures to improve accessibility of farmers to the institutional credit sources and to simplify the lending procedures. The emphasis of these policies has been on progressive institutionalization for providing timely and adequate credit to farmers with particular focus on small and marginal farmers and weaker sections of society to enable them to adopt modern technology and improved agricultural practices for increasing agricultural production and productivity. The different elements of policy which make for a cogent framework under which agricultural credit is extended are adequacy of credit availability, equitable access, rationalization of rates of interest, enhancement in the limit for collateral free loans, timeliness, risk mitigation, attention to credit starved sectors, regions and sections of the population, sustainability of credit institutions, etc. Government of India and RBI have introduced policies in all these aspects and refined the same over a period of time based on the feedback received from its implementation.

Banks have been advised to undertake procedural simplification and modifications in regard to agricultural loans, including simplification of loan sanction and disbursement procedures, forms of loan applications, loan agreements, rationalization of internal returns of banks, delegation of adequate powers to the Branch Managers, introduction of composite cash credit limits to farmers, introduction of new loan products and delivery system like Kisan Credit Cards (KCCs) & SHGs, disbursement of loans in cash wherever necessary, dispensing with the 'No Dues Certificate', discretion to branches/banks on matters relating to waiver of margin/security requirements for agricultural loans upto Rs. 50,000 and upto Rs. 5 lakh in the case of agri-business and agri-clinics, etc. Considering the fact that the dividing line between production and consumption needs of the poor is very thin and lack of short-term consumption loans could result in the diversion of resources from investments, the banks have been advised to consider providing a separate, flexible, revolving credit limit to small borrowers for meeting temporary shortfalls in family cash flows. Banks have been advised to evolve suitable credit products/packages in this regard. It has been reported that the poor often keep away from banks for want of information about procedures. This is further compounded as information on requirements for obtaining loans is not available in one go. Keeping this in view, banks have been advised to take necessary steps to reduce any information gap to avoid such a situation. It has been suggested that loan application forms and information brochures should be in vernacular for loan products which should also contain a comprehensive checklist of documents/information to be furnished as also procedural requirements to be complied with for availing of loans. The banks have been advised to display details of such information on banks' notice boards.

For the domestic commercial banks, the Reserve Bank of India has stipulated a target of 18 per cent of their Net Bank Credit (NBC) for lending to agriculture. However, against this target, achievement as on March 2004 has been 15.45%. Ministry of Agriculture is concerned about the shortfall in achievement of the stipulated target of lending to agriculture sector and has been taking up this issue from time to time at the appropriate levels in the Ministry of Finance and RBI, the latest being Agriculture Minister's letter to Finance Minister on 8 June 2004. Prime Minister's Office in its communication dated 18 August 2004 has advised the Ministry of Finance to take all necessary steps to ensure that the Commercial Banks achieve the target of lending 18 per cent of their Net Bank Credit to agriculture sector by Financial Year 2005 -2006 positively.

COMMENTS OF THE COMMITTEE

1.15 The Committee take note of the considerable efforts being made by the Ministry of Agriculture for expanding the outreach of rural financial institutions and for simplification of lending procedures. They, however, feel that the attitude of some of the major banks is rather intransigent being far short of meeting the stipulated target of 18 per cent of their Net Bank Credit (NBC) for lending to agriculture. The Committee would like the Ministry of Agriculture to *convey the displeasure of the Committee to the Ministry of Finance and request them to obtain the comments of each of banks which have defaulted on one or the other count to meet the stipulated flow of agricultural credit. If necessary, the Committee shall not hesitate to haul up representatives of such defaulter banks. The Committee also desire that the provision of penal action should also be introduced to rein in the defaulting banks.*

RECOMMENDATION SERIAL NO. 6

Interest rate for Agricultural Loans

1.16 The Committee are happy to note that following their earlier recommendations, the Government have lowered the rate of interest on Agricultural credit and all the public sector banks have been advised to reduce their lending rate for agriculture to a single digit of not more than 9 per cent per annum on crop loans upto a ceiling of Rs. 50,000. But, they are disappointed to note that this lower rate of interest is only upto a ceiling of Rs. 50,000 and in case of commercial banks the interest rate is not to exceed the Prime Lending Rate (PLR) that is 10-11 per cent. Moreover, Cooperative Banks and Regional Rural Banks are free to fix their own interest rate ranging between 9 and 15 per cent. The Committee are seriously concerned to note that though the National Bank for Agriculture and Rural Development (NABARD) is giving refinance on Agricultural loans at the rate of 5.25 per cent to 6.75 per cent (depending upon the size and purpose of loan) to the Banks but the rate of interest ultimately being charged by such leading institutions from the borrower is in the range of 9 to 15 per cent.

The Committee came across a number of cases of farmers committing suicides due to their poor financial position and failure of crops due to various reasons. The Committee feel that high rate of interest and the perpetual burden of loans are perhaps the major factors compelling the poor farmers to commit suicide. The Committee, therefore, recommend that the Government should instruct cooperative Banks and Rural Banks also to reduce the rate of interest rationally because small and marginal farmers take loans from these banks only. They further recommend that the ceiling of Rs. 50,000 should be increased to Rs. 1,50,000 for charging the minimum rate of interest. The Committee also desire that since NABARD is providing refinance at a lower rate of interest, the actual rate of interest to be charged from the farmers should also be reasonably reduced and the difference should not, in any case, be more that 2-3 per cent.

The Committee further note that while giving agricultural loans, many a time, the land, crop or agricultural machinery of the farmers is used as collateral guarantee by the credit giving bank/institution. In case of non-payment of the loans, some times farmers not only lose their lands but also undergo the trauma of being sent to jails and sometimes they have to pay all the expenditure incurred by the enforcement agencies, viz. police etc. in the process and for his food etc. in the jail. The Committee desire the Government to ensure that in case of their inability to pay the debts, the farmers may not be deprived of their hypothecated land or agricultural machinery because the whole existence of poor farmers is entirely dependent on this land, cattle, machinery, etc.

REPLY OF THE GOVERNMENT

1.17 Ministry of Agriculture has been taking up the issue of lowering the rate of interest on agricultural loans from time to time at the appropriate levels in the Ministry of Finance, the latest being Agriculture Minister's letter to Finance Minister on 8 June 2004.

Though, as a part of financial sector reforms, the banks (Commercial Banks, Cooperative Banks and RRBs) have been given freedom to fix their lending rates to be charged from the ultimate borrowers but as a special dispensation for the agriculture sector, the Government of India has advised all the Public Sector banks to reduce their lending rate for agriculture to a single digit rate of not more than 9% per annum on crop loans upto a ceiling of Rs. 50,000/-. It is expected that this rate will benefit most of the crop loan account holders and will cover almost all the small and marginal farmers.

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. Refinance from NABARD constitutes only a small proportion of the ground level credit disbursed by the cooperative banks and the major portion of the resources are arranged by the cooperative banks from the open market including deposit mobilization, the cost of which is generally high. Refinance support from NABARD need to be viewed only as a supplementary source of funds to the cooperative banks rather than a benchmark 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 cause hardship to the farmers. Mandating the spread at 2-3% between the refinance interest rate and ultimate lending rates may not be a feasible option as it may lead to deceleration in agriculture credit flow because fixation of spread depends on several factors like the transaction and risk cost, cost of raising funds by the banks, etc.

Ministry of Agriculture appreciates the fact that interest rate is an important aspect of credit. The expectations of borrowers for lower interest rates on loans to agriculture have increased. In addition to reasonable rate of interest, borrower is also concerned with the timeliness and adequacy of credit and accompanying costs he/she may have to incur to avail credit. In order to deliver adequate credit in time and in a cost effective manner, banks have been advised to pay attention to their systems and procedures and to initiate appropriate measures to ensure that no avoidable expenses are incurred by the borrowers for getting a loan sanctioned.

Chief Ministers of all the States/ UTs have been requested by the Union Agriculture Minister to review their State laws to remove the provision for arrest and detention of farmers and strengthen the other alternatives of recovery measures by analyzing and eliminating the real causes of poor recovery like loan waivers, general remissions, bogus loaning, etc.

COMMENTS OF THE COMMITTEE

1.18 **The Committee view the high rate of interest being charged on agricultural credit as one of the main causes for the plight of small and marginal farmers. They, therefore, reiterate their earlier recommendation to increase the ceiling of Rs. 50,000 to Rs. 1,50,000 for charging the minimum rate of interest, i.e. a single digit rate of not more than 9 per cent per annum on crop loans. The Committee also**

desire the Banks to give top priority to small and marginal farmers while disbursing the crop loans with lower interest rate. ***The Committee would also like the Government to ensure that in no case the indebted farmer is deprived of his land since his existence and of his family depends entirely on it.***

RECOMMENDATION SERIAL NO. 7

Crop Insurance

1.19 The Committee are constrained to note that the 'National Agricultural Insurance Scheme' (NAIS), which is being implemented in 23 States and 2 Union territories is not delivering the desired results. The remaining States/Union territories are also reluctant to adopt the Scheme for one or the other reasons. The Committee also note that a sum of Rs. 1,879.02 crore during 2002-2003 (Kharif and Rabi) and Rs. 278.46 crore during 2003 (Kharif) has been released to the Agriculture Insurance Company of India Ltd. (AIC), which is the Implementing Agency (IA) of NAIS, but claims to the tune of Rs. 474.26 crore are pending under NAIS till July 2004. It has been informed that in most cases, the concerned State Government's share of funds is awaited. The Committee are of the view that payment of insurance should not be delayed due to any reason otherwise the very purpose of insurance is defeated and farmers are just helpless in the time of crisis. They, therefore, desire the Union Government to persuade the State Governments to make adequate provision in their Budgets for meeting the financial liabilities under NAIS so that farmers' interests do not suffer on account of inability of a State Government to make its contribution. The Committee also recommend the Government to bring more crops under the purview of NAIS so that more and more farmers are benefited.

The Committee observe that under NAIS 'Block' or 'Tehsil' is being taken as unit for collection of data for assessing the damage to the crops. Under such a system, if the crop of a few farmers is damaged in a village, they do not receive the benefit of the Insurance Scheme as they are not counted sufferer. The Committee, therefore, recommended that the village should be taken as a unit of collecting data. Initially, 'Gram Panchayat' level should be reached and ultimately it is the village level data which will accrue actual benefits to the poor farmers under the National Agricultural Insurance Scheme.

REPLY OF THE GOVERNMENT

1.20 National Agricultural Insurance Scheme (NAIS), at present, is being implemented by 23 States and 2 Union territories. Other States like Punjab, most of the North-Eastern States etc. are not implementing the Scheme due to various reasons. But the Government of India from time to time is impressing upon the States/Union territories to implement the Scheme.

NAIS envisages time bound settlement of claims. It is Government's endeavor that claims of a season, if any, are settled before the commencement of the same season next year. Implementing States/Union territories are requested from time to time to make adequate budget provision in their budget and for timely payment of their share towards financial liabilities. Recently, Union Agriculture Minister has requested the Chief Ministers of all implementing States for expeditiously payment of share of their financial liabilities under NAIS. Besides this States are requested to make available requisite yield data to the Implementing Agency within stipulated time so that timely processing of admissible claims may be made.

NAIS, at present, covers three categories of crops namely, (a) food crops (cereals, millets & pulses), (b) oilseeds and (c) annual commercial/horticultural crops. Initially, three crops, namely sugarcane, cotton and potato were covered under Annual commercial/horticultural crops which have now risen to eleven. However, State Governments are free to increase the number of crops subject to the availability of past yield data based on crop cutting experiments for adequate number of years and capacity of State Government to conduct the requisite number of CCEs.

At present, the Scheme is operating on the basis of 'Area Approach', i.e. defined areas which may be a Gram Panchayat, Mandal, Hobli, Circle, Firka, Block, Taluka etc. as decided by State Government, for each notified crop. No doubt, reduction in unit area of insurance will help in more realistic assessment of claims. But it may be difficult for implementing states to make assessment of yield based on Crop Cutting Experiments (CCEs) at smaller unit area level, because of large number of CCEs required to be undertaken for making assessment of the yield. The implementing States do not have adequate infrastructure to conduct required number of CCEs.

The efforts have been made to explore alternative methods for making assessment of yield at smaller unit area of insurance through Small Area Crop Estimation Method (SACEM) and Satellite Remote Sensing Technique. SACEM, which was based on farmer's appraisal, was experimented in selected districts/ crops but it has not proved an effective method. Similarly, Satellite Remote Sensing Technique will also take some more time in reaching out to Gram Panchayat level for making assessment of yield. In spite of all this, reduction in the unit area of insurance is under consideration of the review process of NAIS. Further, the Scheme provides for individual based assessment, in the case of localised calamities such as hailstorm, landslide, cyclone and flood, which is implemented in limited areas on an experimental basis and may be extended to more areas in the light of operational experience gained.

COMMENTS OF THE COMMITTEE

1.21 **The Committee are pleased to note that the Government share their perception that the reduction in unit area of insurance will help in more realistic assessment of the damage to the crops and consequential accrual of benefits to the poor farmers under the National Agricultural Insurance Scheme (NAIS). The Committee also take note of the efforts being made to explore alternative methods for making assessment of yield at smaller unit area of insurance through Small Area Crop Estimation Method (SACEM) and Satellite Remote Sensing Technique (SRST).**

The Committee desire the Government to collect all relevant details with regard to assessment method(s) adopted for crop insurance by some major developed and developing countries and apprise the Committee about the effectiveness of such methods in their respective countries and feasibility of adopting the same in India.

RECOMMENDATION SERIAL NO. 10

Seed Crop Insurance

1.22 The Committee note that 'Pilot Scheme for Seed Crop Insurance' was initiated from Rabi 1999-2000 on pilot basis in 10 States with the objective to provide financial security and income stability to the Breeder Seed growers in the event of failure of seed crop and encourage participation of new/breeders/growers to undertake seed production programme of newly released hybrid/improved varieties. The Committee find that the Scheme has not been found popular with the seed growers, therefore, it was proposed to drop the Scheme during Tenth Plan period on the advice of Planning Commission. One of the reasons for non popularity of the Scheme among the farmers as advanced by the Department, is delay in settlement of claims by General Insurance Corporation (GIC), which is the implementing agency.

The Committee take strong exception to the dilatory settlement procedure of GIC. This is purely an administrative matter which can be amicably resolved by stipulating speedy settlement of claims of the farmers. The Committee, therefore, strongly recommend that the GIC should be asked to review their procedure to settle such claims on a priority basis. The Committee may be apprised of the action taken by GIC in this regard.

The Committee also note that the National Council for Applied Economic Research (NCAER) was assigned the task to evaluate the Scheme, but they have not submitted any Report so far. The Committee desire that the NCAER should be asked to submit their report within one month of presentation of this Report and only after examining their evaluation Report any decision regarding the fate of this important Scheme should be taken.

The Committee are of the considered view that unless protection is given to the seed growers through the Scheme of Seed Crop Insurance, it will be very difficult to encourage the private seed growers to take up seed production. The Committee consider that this Scheme is one of the rarest methods by which the seed production can be encouraged all over the country and risk in sowing such new variety of seeds can be covered and adequate protection be given to the farmers. The Committee, therefore, recommend that the Scheme should not be discontinued and efforts should be made to suitably popularise the Scheme among the farmers by spreading awareness about the advantages of the Schemes.

REPLY OF THE GOVERNMENT

1.23 The Department of Agriculture and Cooperation has awarded a fresh study to evaluate the Seed Crop Insurance Scheme to Agriculture Finance Corporation, as the response from NCAER was not forthcoming. The decision on continuance of the Scheme will be taken after the conclusion of this evaluation study.

COMMENTS OF THE COMMITTEE

1.24 The Committee deplore that the Government have made no manifest effort to persuade the GIC to streamline their claim settlement procedure so that farmers feel encouraged to opt for the Seed Crop Insurance Scheme. Surprisingly, the scheme launched in 1999-2000 is yet to be evaluated by the Government. Obviously, due to want of proper follow up, the fate of the Scheme continues to hang in balance. The Committee expect a comprehensive report to be placed before them within one month of the presentation of this report regarding the conclusion of evaluation study as also the efforts being made to popularise the Scheme.

RECOMMENDAION SERIAL NO. 13

Remunerative Prices to Farmers

1.25 The Committee are informed that the Commission on Agricultural Costs and Prices (CACP), which is an independent Commission, recommends the Minimum Support Price (MSP) for some crops under Price Support Scheme (PSS). The CACP fixes the price based on some formula taking into consideration many factors relating to costs, International Schemes and demand and supply position, etc. Based on their recommendation and after taking the Cabinet approval, the Government declare the MSP for notified Agricultural commodities. The Committee are further informed that MSP functions as one of the factors to encourage or discourage production of any particular crop.

The Committee observe that under the Price Support Scheme (PSS) new crops/commodities are not being included. They desire that some more agricultural commodities like cash crops, which largely affect the farmers financial condition, should also be included under the list of notified commodities for PSS.

The Committee feel that the prices under MSP, really do not quite reflect and include all the costs and labour invested by the farmers. There is substantial deviation from the actual costs and market price. The farmers are not getting remunerative price for their produce and the margin is becoming less day by day. The Committee, therefore, desire the Government to chalk out specific schemes for the farmers so that they are able to receive the full benefits of their produce at the appropriate time.

The Committee are of the opinion that fixing of MSP cannot be the criteria for discouraging any particular crop, because the farmer knows best about his soil and the crop best suited for his land. He cannot grow a particular crop on the soil simply on the basis of high support price. It is just unrealistic to fix low support price of a specific commodity for merely discouraging its production. It is unfair to impose low MSP on the farmers if they are not inclined to grow the alternative crop because of non-suitability of soil. The Committee, therefore, recommend that the factor of encouraging or discouraging the production of any particular crop should not be taken into consideration for fixing the Minimum Support Price of any Agricultural Commodity.

REPLY OF THE GOVERNMENT

1.26 The minimum support prices (MSP) for major agricultural products are fixed by the government, each year, after taking into account the recommendations of the CACP. While formulating these recommendations, the Commission analyses a wide spectrum of data, covering the costs of cultivation/production, trends and spread of input use, production and productivity of the crop concerned, market prices, both domestic and global, inter-crop price parity, emerging supply-demand situation, procurement and distribution, terms of trade between agricultural and non-agricultural sectors, and so on. Since the price policy involves considerations of long-run consequences, the Commission also looks at the yield- raising research being conducted by institutions like ICAR. The basic data are generally collected from the Directorate of Economics and Statistics, State Governments, Central Ministries and the nodal agencies concerned with the implementation of agricultural price policy. It may be stated that the estimates of cost of cultivation/ production take into account all the agricultural inputs including seed, fertilizer, pesticides, mandays, irrigation, power, interest on cost of land, depreciation on implements, and machinery.

COMMENTS OF THE COMMITTEE

1.27 The Committee are surprised to note that the Department has conveniently overlooked the observation of the Committee regarding inclusion of some more agricultural commodities under the list of notified commodities for Price Support Scheme (PSS). ***The Committee, therefore, reiterate their earlier recommendation to***

include some more agricultural commodities like cash crops etc. under the list of notified commodities for PSS because financial position of many a farmer depends on these crops. The Committee also suggest inclusion of one or two primary crops from every State/region in consultation with the State Governments, in the list of Minimum Support Price (MSP) so that farmers in each region/State could benefit by the Scheme. Undoubtedly, inclusion of more crops under the lists will be an appreciative step in the direction of providing remunerative prices to the farmers of the entire country.

RECOMMENDATION SERIAL NO.15

Construction of Cold Storages/Rural Godowns

1.28 The Committee note that under the Central Sector Scheme for construction of Rural Godowns, Rs.100 crore has been allocated for 2004-2005. During the last three financial years, 1,120 rural godowns have been renovated and 3,731 godowns have been sanctioned for modernization/construction but the Committee is surprised to know that the availability of cold storage/rural godowns is almost nil in most of the North Eastern States. The Committee are at a loss to find that north eastern region is completely neglected as such. They, therefore, recommend that cold storages/rural godowns should immediately be constructed in these areas.

In other areas of the country also the situation of cold storage is far from enthusing. The farmers are selling their produce at a throw-away price because there is no cold storage or godown available in their vicinity and brokers and middlemen are taking advantage of their plight. The Committee, therefore, desire that the Scheme of construction/renovation of cold storage/rural godown should be strengthened for the benefit of small, medium, and marginal farmers. The allocation under the scheme be enhanced at the revised estimate level so that more farmers could store their farm produce in the vicinity of their farms and are prevented from resorting to distress sale immediately after harvest.

REPLY OF THE GOVERNMENT

1.29 The Scheme had not initially received good response from NE region due to availability of less marketable surplus and scarcity of land in hilly areas. As per the feedback received, the Scheme is picking up in NE States also. As on 31.03.2004, 24 new projects with capacity of 54,000 MTs and 27 projects with capacity of 2,700 MTs in the Cooperative Sector have been sanctioned. The publicity and training and awareness programmes are also being conducted in these areas to encourage people to undertake projects under the Scheme. However, with a view to encourage small farmers and entrepreneurs in North East Region in the country to undertake construction of projects under the scheme, the following modifications have been made:-

a) Smaller godowns of 50 to 100 MTs have been made eligible for subsidy under the Scheme to encourage on farm storage.

b) For hilly areas, where there is a scarcity of land, the size of godown eligible for subsidy under the scheme; of Rural Godowns has further been reduced from 100 MT to 25 MT.

c) Five lakh MTs capcity has been reserved for small farmers.

Target of 90 lakh MTs of rural godown was fixed for construction during 10^{th} Plan period which has now been revised to 140 lakh MTs.

COMMENTS OF THE COMMITTEE

1.30 The Committee are pleased to note that the work of construction of cold storages/rural godowns is picking up in North Eastern States also with the launching of publicity, training and awareness drive. The Committee expect similar drive to be launched country-wide as farmers everywhere have been suffering huge losses for want of adequate cold storage facilities in their vicinity. The Committee, therefore, desire the Government to enhance the budgetary allocation under the scheme for construction/renovation of rural godowns/cold storages at the earliest.

RECOMMENDATION SERIAL NO.16

Agri Clinics/Agri Business centres

1.31 The Committee are happy to note that the Scheme of "Agri-clinics/Agri-business Centre" aims at providing training to the agricultural graduates to enable them to establish fee based extension services. A sum of Rs.16.50 crore has been allocated for 2004-05 under the scheme. So far 4,854 candidates have been trained but only 988 candidates could set up their Agri-Clinics/ Agri-busines ventures. The Committee in their earlier Reports on Demands for Grants of the Department had recommended for providing some subsidy to the willing candidates for opening agri-clinics but it has been informed that the demand of subsidy component has been dropped by the Department as the proposal could not get the nod of the Planning Commission.

The Committee observe that a large number of agriculture graduates in the country are unemployed. Though they can receive training under the above mentioned scheme but they are not in a position to set up their ventures without the help of the

Government. The Committee, therefore, strongly recommend that at least 25 per cent subsidy under the Scheme should be provided to the willing agriculture graduates to set up their venture if the Government really want to make their scheme successful. The Committee further recommend that the banks should be instructed to provide easy loans to the unemployed agricultural graduates so that they could set up their own centres. Needless to say, such an innovative step will encourage the young graduates to come forward to earn their livelihood and will also benefit the farmers as they can avail agricultural services like soil testing facilities and expertise in their vicinity.

REPLY OF THE GOVERNMENT

1.32 The Central Sector Scheme "Establishment of Agri-Clinics and Agri-Business centres by Agriculture graduates" aims at using vast pool of agriculture graduates of the country to provide extension services to farmers on payment basis by setting up their private ventures. The scheme provides equal opportunities to all eligible agriculture graduates irrespective of age to support agriculture development through economically viable self-employment ventures.

As on 1st October, 2004, 5376 agriculture graduates have been imparted training at different training institutes in the country. As many as, 1119 of Centres/ventures have been set up; by the agriculture graduates throughout the country. Sixty six training institutions are engaged in imparting training to the applicants across the country.

The scheme is being closely monitored by Government of India, SFAC, MANAGE and NABARD. The progress of the scheme and bank related issues were reviewed in two meetings on 30th July, 2004 and 3rd August, 2004 under the

Chairmanship of Additional Secretary and Secretary, Department of Agriculture and Cooperation respectively.

Four banks namely State Bank of India Union Bank of India, Canara Bank and Punjab National Bank had participated in the meeting chaired by Secretary (A&C) on 3rd August, 2004. Each of these banks identified one district in two States for further work on the Scheme.

National Institute of Agricultural Extension Management (MANAGE), Hyderabad has sent list of the agricultural graduates trained till now to all the nationalized banks. MANAGE has organized a two day workshop for twenty officers of NABARD to sensitize them about the scheme

The original scheme provided for subsidy and training components. The Planning Commission and Ministry of Finance, while apprising the scheme, did not approve the subsidy component. However, as per the recommendation of the first Report of the Standing Committee, the Planning Commission and Ministry of finance would be approached again to consider subsidy under the scheme. It is further submitted the budgetary provision for subsidy component exists under the scheme.

COMMENTS OF THE COMMITTEE

1.33 While taking note of the reply of the Government, the Committee reiterate their earlier recommendation and desire the Government to persuade the Planning Commission and Finance Ministry to reconsider their decision as introduction of subsidy component under the scheme 'Establishment of Agri-clinics and Agri-Business Centres by Agriculture Graduates' will go a long way in gainful

engagement of Agri-graduates in their vicinity and acceleration of agricultural production and productivity.

The announcement made by the Government in the Annual Budget 2004-05 to aggressively promote agri-business looks hollow since only four banks have come forward to take one district in two states for further work on the scheme of agri-clinics and agri.-business. The Government have also not responded to the recommendation of the Committee for provision of easy loans to unemployed agricultural graduates to set up their own Agro-centers. The Committee would like to be apprised within next three months as to what action has been taken by the Government to instruct commercial banks to provide loans to such graduates on easy terms and conditions

CHAPTER – II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

RECOMMENDATION SERIAL NO. 1

Allocation for the Department

2.1 The Committee are happy to note that Agriculture and allied Sector registered a growth rate of 9.1 per cent in 2003-04, reflecting the growth in physical production and remunerative prices of agricultural goods. The growth rate of the sector for 2003-04 has been one of the highest in recent years and only marginally lower than the previous high of 9.6 per cent achieved in 1996-97. The Committee also note that against the proposed outlay of Rs.25,001.75 crore by the Department the Planning Commission made an allocation of Rs.13,000 crore during the Tenth Plan. In the same way for 2004-05, the Department proposed an allocation of Rs. 4,513.89 crore but the plan allocation made is only Rs.2,670 crore as against Budget Estimates of Rs.2,187 crore during 2003-04 which shows an incrase of 22.08 per cent.

The Committee have been time and again recommending that there should be substantial increase in allocation of Plan funds in favour of the Agriculture sector, as this is a crucial sector of the Indian economy providing employment to around 65 per cent of the total work force and contributing 24.2 per cent to the total Gross Domestic Product (GDP). Despite the unparallel role of agriculture in the national economy, agriculture has not received the desired attention. The Committee also notes that despite the announcement of the Prime Minister to accord priority to it, agriculture sector is yet to receive adequate budgetary allocation. The Committee, therefore, strongly recommend that the Ministry of Agriculture must take up the matter with the Planning Commission and Ministry of Finance and impress upon them to take a realistic view about the quantum of Plan funds required for the Department of Agriculture and Cooperation and make allocations accordingly at least at the revised estimate stage as per the projections made by the Department.

REPLY OF THE GOVERNMENT

2.2 The Department of Agriculture & Cooperation (DAC) had approached the Planning Commission to increase its Plan outlay in 2004-05. Planning Commission has provided only an additional amount of Rs.440.00 crore to the DAC in 2004-05.

RECOMMENDATION SERIAL NO. 3

Utilisation of Plan Funds

2.3 The Committee are constrained to note the low utilization of Plan funds by the Department. During the Ninth Plan the Department could utilize Rs.7673.70 crore out of the allocated amount of Rs.9,293 crore. During 2002-2003 and 2003-2004 also the Department could not utilize the entire allocated amount. The Committee are informed that one of the reasons for under utilization is unspent balances with the States and also non-submission of utilization certificates by most of the States on time. The Committee observe that most of the times Central Government delay release of funds to the States or release it at the fag end of the financial year and expect the States to utilize it in very short time. Obviously, the States are not in a position to spend the entire amount and have unspent balance lying with them. The Committee, therefore, recommend that the release of the funds to the States should be made on time so that they could utilize the amount rationally and there is proper monitoring of expenditure. The Committee also desire that there should be proper coordination with the State Governments so as to obtain Utilization Certificates and to safeguard that money released is spent only on approved Schemes and programmes.

The Committee notice that in respect of some of the Schemes, the funds have been utilized by the States but they have expressed their inability to contribute the matching shares. The Committee, therefore, recommend that while formulating Centrally Sponsored Schemes the financial capability of State Governments to contribute their share should also be assessed to that they do not face difficulties at a later stage and the Schemes are implemented effectively. The Government may also consider the peculiar socio-economic conditions and industrial backwardness of States so that suitable incentives and concessions are incorporated in the Centrally Sponsored Schemes for harmonious growth and development of all Regions and States.

REPLY OF THE GOVERNMENT

2.4 For on-going schemes funds are released in time. However, so far as new schemes are concerned, it takes time in getting the approval of the competent authority, which at times results in delay in releasing funds.

The implementation of the schemes and expenditure is regularly monitored. For proper utilization of the funds, the Government of India has got regular interaction with the State Governments and the problems, if any, are sorted out.

Under Macro Management of Agriculture (MMA) Scheme, States have flexibility to select the schemes of their felt needs and priorities. The contribution of the State Governments has been brought down to 10 percent as against the normal level of 25 percent. In the case of North Eastern States, the entire fund is provided by the GOI under this scheme. For Technology Mission for Integrated Development of Horticulture in North Eastern States including Sikkim, Jammu & Kashmir, Himachal Pradesh and Uttaranchal, 100 percent contribution is given by the Government of India.

COMMENTS OF THE COMMITTEE

2.5 For comments of the Committee please refer to Para No. 1.9 of Chapter I of the report.

RECOMMENDATION SERIAL NO. 5

Credit Flow to Agriculture

2.6 The Committee note that the total credit flow to Agriculture in the Ninth Plan (1997-2002) amounted to Rs. 2,29,956 crore. A substantial jump in the credit flow to Agriculture is envisaged in the Tenth Plan (2002-2007) which is projected at Rs. 7,36,570 crore almost three times the Ninth Plan Achievement. The total flow of institutional credit to agriculture during 2002-03 has been Rs. 70,810 crore as against Rs. 62,045 crore in 2001-2002. During 2003-04, the estimated figure of such credit is Rs. 80,000 crore. The Committee feel that although there is some increase in the Agricultural credit in the first two years of the Tenth Plan, the increase is not commensurate with the Plan projection. The Committee, however, note that the Finance Minister in his Budget Speech (2004) has announced to double the flow of agricultural credit in three years.

The Committee note that out of the 26 major commercial banks only 8 banks have achieved the target of 18 per cent (as stipulated by RBI) of total agriculture advance to Net Bank credit. While Commending the Banks like State Bank of Indore, State Bank of Saurashtra, Punjab National Bank who extended credits to farmers even beyond the stipulated target of 18 per cent, the Committee deplore the poor performance of some major banks like State Bank of Travancore, Bank of Maharashtra, Dena Bank, Oriental Bank of Commerce, UCO Bank who could not reach beyond 12 per cent and the Corporation Bank which could lend only 9.58 per cent.

The Committee are concerned to note that some of the banks are not able to meet the RBI stipulation of 18 per cent of total bank advances to Agricultural Sector, with the result, the farmers are taking loans from unscrupulous private money lenders on exorbitant rate of interest in absence of institutional loan. The Committee also note lack of easy accessibility of bank branches in rural areas and the long and arduous procedural formalities for taking loans making them easy prey to the private money lenders. The Committee, therefore, recommend that the loan procedure should be simplified and the commercial banks should reach the farmers, as they are doing in the cases of housing and auto loans, so that more and more farmers are able to avail of the bank loans in time of need. This would go a long way to save the farmers from the clutches of money lenders and the claws of death. The Committee would also like the Government to make it incumbent upon every bank to meet the stipulation of providing a minimum of 18 per cent agricultural credit.

REPLY OF THE GOVERNMENT

2.7 Expanding the outreach of Rural Financial Institutions and simplification of lending procedures are high on the agenda of the Ministry of Agriculture and this agenda is being pursued actively with the Ministry of Finance and the Reserve Bank of India. The Government of India in concert with the Reserve Bank of India has initiated various policy measures to improve accessibility of farmers to the institutional credit sources and to simplify the lending procedures. The emphasis of these policies has been on progressive institutionalization for providing timely and adequate credit to farmers with particular focus on small and marginal farmers and weaker sections of society to enable them to adopt modern technology and improved agricultural practices for increasing agricultural production and productivity. The different elements of policy which make for a cogent framework under which agricultural credit is extended are adequacy of credit availability, equitable access, rationalization of rates of interest, enhancement in the limit for collateral free loans, timeliness, risk mitigation, attention to credit starved sectors, regions and sections of the population, sustainability of credit institutions, etc. Government of India and RBI have introduced policies in all these aspects and refined the same over a period of time base on the feedback received from its implementation.

Banks have been advised to undertake procedural simplification and modifications in regard to agricultural loans, including simplification of loan sanction and disbursement procedures, forms of loan applications, loan agreements, rationalization of internal returns of banks, delegation of adequate powers to the Branch Managers, introduction of composite cash credit limits to farmers, introduction of new loan products and delivery system like Kisan Credit Cards (KCCs) & SHGs, disbursement of loans in cash wherever necessary, dispensing with the 'No Dues Certificate', discretion to branches/banks on matters relating to waiver of margin/security requirements for agricultural loans upto Rs. 50,000 and upto Rs. 5 lakh in the case of agri-business and agri-clinics, etc. Considering the fact that the dividing line between production and consumption needs of the poor is very thin and lack of short-term consumption loans could result in the diversion of resources from investments, the banks have been advised to consider providing a separate, flexible, revolving credit limit to small borrowers for meeting temporary shortfalls in family cash flows. Banks have been advised to evolve suitable credit products/packages in this regard. It has been reported that the poor often keep away from banks for want of information about procedures. This is further compounded as information on requirements for obtaining loans is not available in one go. Keeping this in view, banks have been advised to take necessary steps to reduce any information gap to avoid such a situation. It has been suggested that loan application forms and information brochures should be in vernacular for loan products which should also contain a comprehensive checklist of documents/information to be furnished as also procedural requirements to be complied with for availing of loans. The banks have been advised to display details of such information on banks' notice boards.

For the domestic commercial banks, the Reserve Bank of India has stipulated a target of 18 per cent of their Net Bank Credit (NBC) for lending to agriculture. However, against this target, achievement as on March 2004 has been 15.45%. Ministry of Agriculture is concerned about the shortfall in achievement of the stipulated target of lending to agriculture sector and has been taking up this issue from time to time at the appropriate levels in the Ministry of Finance and RBI, the latest being Agriculture Minister's letter to Finance Minister on 08th June 2004. Prime Minister's Office in its communication dated 18th August, 2004 has advised the Ministry of Finance to take all necessary steps to ensure that the Commercial Banks achieve the target of lending 18 per cent of their Net Bank Credit to agriculture sector by Financial Year 2005 -2006 positively.

COMMENTS OF THE COMMITTEE

2.8 For comments of the Committee please refer to Para No.1 15 of Chapter I of the report.

RECOMMENDATION SERIAL NO. 7

Crop Insurance

2.9 The Committee are constrained to note that the 'National Agricultural Insurance Scheme' (NAIS), which is being implemented in 23 States and 2 Union Territories is not delivering the desired results. The remaining States/Union Territories are also reluctant to adopt the scheme for one or the other reasons. The Committee also note that a sum of Rs. 1,879.02 crore during 2002-2003 (Kharif and Rabi) and Rs. 278.46 crore during 2003 (Kharif) has been released to the Agriculture Insurance Company of India Ltd. (AIC), which is the Implementing Agency (IA) of NAIS, but claims to the tune of Rs. 474.26 crore are pending under NAIS till July 2004. It has been informed that in most cases, the concerned State Government's share of funds is awaited. The Committee are of the view that payment of insurance should not be delayed due to any reason otherwise the very purpose of insurance is defeated and farmers are just helpless in the time of crisis. They, therefore, desire the Union Government to persuade the State Governments to make adequate provision in their Budgets for meeting the financial liabilities under NAIS so that farmers' interests do not suffer on account of inability of a State Government to make its contribution. The Committee also recommend the Government to bring more crops under the purview of NAIS so that more and more farmers are benefited.

The Committee observe that under NAIS 'Block' or 'Tehsil' is being taken as unit for collection of data for assessing the damage to the crops. Under such a system, if the crop of a few farmers is damaged in a village, they do not receive the benefit of the Insurance Scheme as they are not counted sufferer. The Committee, therefore, recommended that the village should be taken as a unit of collecting data. Initially, 'Gram Panchayat' level should be reached and ultimately it is the village level data which will accrue actual benefits to the poor farmers under the National Agricultural Insurance Scheme.

REPLY OF THE GOVERNMENT

2.10 National Agricultural Insurance Scheme (NAIS), at present, is being implemented by 23 States and 2 UTs. Other States like Punjab, most of the North-Eastern States etc. are not implementing the Scheme due to various reasons. But the Government of India from time to time is impressing upon the States/UTs to implement the scheme. NAIS envisages time bound settlement of claims. It is Government's endeavor that claims of a season, if any, are settled before the commencement of the same season next year. Implementing States/UTs are requested from time to time to make adequate budget provision in their budget and for timely payment of their share towards financial liabilities. Recently, Union Agriculture Minister has requested to the Chief Ministers of all implementing States for expeditiously payment of share of their financial liabilities under NAIS. Besides this States are requested to make available requisite yield data to the Implementing Agency within stipulated time so that timely processing of admissible claims may be made.

NAIS, at present, covers three categories of crops namely (a) food crops (cereals, millets & pulses), (b) oilseeds and (c) annual commercial/horticultural crops. Initially, three crops, namely sugarcane, cotton and potato were covered under Annual commercial/horticultural crops which have now rose to eleven. However, State Governments are free to increase the number of crops subject to the availability of past yield data based on crop cutting experiments for adequate number of years and capacity of State Government to conduct the requisite number of CCEs.

At present, the Scheme is operating on the basis of 'Area Approach' i.e. defined areas which may be a Gram Panchayat, Mandal, Hobli, Circle, Firka, Block, Taluka etc. as decided by State Government, for each notified crop. No doubt, reduction in unit area of insurance will help in more realistic assessment of claims. But it may be difficult for implementing states to make assessment of yield based on Crop Cutting Experiments (CCEs) at smaller unit area level, because of large number of CCEs required to be undertaken for making assessment of yield. The implementing States do not have adequate infrastructure to conduct required number of CCEs.

The efforts have been made to explore alternative methods for making assessment of yield at smaller unit area of insurance through Small Area Crop Estimation Method (SACEM) and Satellite Remote Sensing Technique. SACEM, which was based on farmer's appraisal, was experimented in selected districts/ crops but it was not proved effective method. Similarly, Satellite Remote Sensing Technique will also take some more time in reaching out to Gram Panchayat level for making assessment of yield. Inspite of all this, reduction in the unit area of insurance is under consideration of the review process of NAIS. Further, scheme provides for individual based assessment in case of localised calamities such as hailstorm, landslide, cyclone and flood, which is implemented in, limited areas, on an experimental basis, and may be extended to more areas in the light of operational experience gained.

COMMENTS OF THE COMMITTEE

2.11 For comments of the Committee please refer to Para No. 1.21 of Chapter I of the report.

RECOMMENDATION SERIAL NO.8

Agricultural Marketing

2.12 There can be no denying the fact that the Marketing of agricultural produce is the most important factor for the farming community, particularly for those who are small producers and completely dependent on the marketing of their crop. They get their livelihood by marketing their agri produce which is the product of a year long labour of their entire families. An inter-Ministerial Task Force set up by the Government suggested a package of reform measures, such as amendments in the State Agricultural Produce Marketing control (APMC) Act to encourage development of competitive agricultural markets on the private and cooperative sectors, and deregulation of marketing system to promote private investment in marketing infrastructure. The Committee recommend the Government to implement all the measures suggested by the Task Force in a time bound manner.

The Committee is pleased to note that the government has formulated a Model Law on Agricultural Marketing and Contract Farming in consultation with the State Governments and representatives of Trade and Industry. The Committee recommend the Government to insist upon the State Governments to make the desired amendments in their respective States APMC Act at the earliest so that the implementation process is started in right earnest.

The Committee have noticed that one of the reasons for farmers for not getting the remunerative price for their crop/produce is the inadequate marketing facilities, for want for which major part of their crop go waste. Farmers are not in a position to reach the market in time due to improper forward linkages forcing them to resort to distress sale or complete degeneration of their produce for lack of timely market access

The Committee consider this as an unmitigated double disaster, that is to say, the loss of the farmer and the colossal national loss. The Committee, therefore, recommend the Government to provide the basic marketing facilities to the farmers in their vicinity so that they get full remuneration for their produce within time before the food grain or produce get perished.

REPLY OF THE GOVERNMENT

2.13 The Inter Ministerial Task Force on agricultural marketing in its report had made several recommendations on which action is to be taken by various Departments of the Central Government and by the State Governments/ UT Administrations. The action taken so far in respect of these recommendations is as under:-

(i) Reforms in Marketing Law

The Ministry of Agriculture, Government of India has formulated a "Model Act" on agricultural marketing in order to guide the States in implementing reforms by way of promotion of direct marketing and contract farming arrangements and allowing competitive markets in private and cooperative sectors. The aforesaid reforms in the Model Law were discussed in a meeting on State Agricultural Ministers held on 07th January, 2004. The Model Act has been circulated to all state Governments/UT Administration for further follow up action as the subject matter falls within their purview. Hon'ble Agriculture Minister has requested all the States/UTs on 16th July, 2004 to suitably amend their APMC Act in the overall national/ State interest and more so in the interest of farmers.

(ii) Department of Food and Public Distribution is actively considering introduction of negotiable ware house receipt system in the country, which would result in benefits viz. increased liquidity in rural areas, lower cost of financing, shorter and more efficient supply chains and enhanced rewards for grading and quality of commodities including agricultural commodities. Department has set up a core group on 31.08.2004 with the following responsibilities:-

a) to formulate the draft central legislation for making warehouse receipt a negotiable instrument;
b) to examine the issue of setting up a regulatory mechanism and accreditation agency for public and private warehouses and suggest to the Government accordingly;
c) any other work related to the objective of making the warehouse receipts an effective negotiable instrument.

(iii) In order to encourage pledge financing, Reserve Bank of India (RBI) has issued instructions categorizing marketing credit to agriculture under "Priority Sector". Limit of credit has been increased from Rs. 1 lakh to Rs. 5lakhs. Duration of credit has also been increased to one year.

(iv) Central legislation dealing with Essential Commodities (E.C.) Act has been liberalized by the Department of Consumer Affairs to remove all controls on the movement, storage and marketing of agricultural commodities including abolition of licensing system.

(v) Forward and Future Markets have been identified as an important tool of price discovery and risk management in agricultural commodity markets. The Department of consumer Affairs has lifted ban in respect of 54 important commodities for futures trading and granted "National" status to two commodity exchanges in the country.

(vi) A "Group of Ministers" is currently in the process of finalizing the framework of an "Integrated Food Law" in order to bring convergence of several laws including the Prevention of Food Adulteration Act to create an enabling environment for accelerated growth of agro-processing industry in the country. Ministry of Food Processing Industries is servicing the Group of Ministers.

(vii) With a view to attract large investments for development of agriculture markets in the country, this Ministry has formulated a new Scheme under which assistance would be provided to the States, who amends APMC Act to promote direct marketing, contract farming and competitive markets in private and cooperative sectors. The Scheme will be implemented during Tenth Plan with an outlay of Rs.175crore for providing subsidy @ 25 per cent of the capital investment and @ 33.33 per cent for NE, hilly and tribal areas and to SC/ST entrepreneurs. In addition, there will a central allocation of Rs.15 crore for strengthening laboratory network and for general awareness/training programmes and studies.

RECOMMENDATION SERIAL NO. 9

Watershed Development in Shifting Cultivation Areas in North Eastern States:

2.14 The Committee are constrained to note that for Watershed Development in Shifting Cultivation Areas in North Eastern States only Rs.100 crores have been allocated for Tenth Plan. Every year Rs.20 crore are being allocated under the Scheme. The Committee fail to see the tokenism of providing same meager amount year after year without taking into consideration the rising inflation and the mounting cost. Considering the fact that the people in these areas do not have any permanent land or House and they keep on shifting from one hilltop to another for cultivation and the financial constraints of these States, the Committee recommend that the allocation under Watershed Development in Shifting Cultivation Areas in North Eastern States be increased to Rs.50 crore for 2004-05 at the Revised Estimate stage.

REPLY OF THE GOVERNMENT

2.15 The Department are implementing "Watershed Development Project in Shifting Cultivation Areas (WDPSCA) in 7 North-Eastern States. The Planning Commission is providing necessary funds as 'Special Additional Central Assistance to State Plan'. The BE for 2004-05 is Rs.20 crores.

The Committee have recommended that this amount should be raised to Rs.50 crores at RE stage.

The suggestion of the Committee is welcome. The matter will be taken up with the Planning Commission accordingly. The outlay of the Project will be increased to

Rs.50 crores in a phased manner subject to Planning Commission providing necessary funds and keeping in mind the capacity of the States to utilize additional funds.

RECOMMENDATION SERIAL NO. 11

Organic Farming

2.16 The Committee are pleased to note that a Scheme of 'National Project on Organic Farming' has been formulated during Tenth Plan and Rs. 32 crore have been allocated for 2004-05 for the purpose. The Committee also note that there is a proposal to set up the 'National Institute of Organic Farming'.

The Committee opine that there are special benefits and scope for Organic Farming in the country. There is large awareness among the people world over about the harmful effects of the inorganic farming with the result the demand for organic products in the western world is increasing which also increases the scope of export of organic produce. The Committee, therefore, recommend that the Government should provide incentives and encouragement to the farmers for Organic Farming and the financial provision under the Scheme should be enhanced to meet the requirement. The project for 'National Institute of Organic Farming' may be completed at the earliest.

REPLY OF THE GOVERNMENT

2.17 A new Scheme, "National Project on Organic Farming" has been approved recently with an outlay of Rs. 57.05 crores for production, promotion and market development of organic farming in the country during the remaining period of 10^{th} Plan. The main components of the Scheme are:-

(i) Putting in place a system of certification of organic produce.

(ii) Capacity building through service providers.

(iii) Financial support for commercial production units for production of organic inputs like:-

(a) Fruits and vegetable waste compost;

(b) Bio-fertilizer production; and

(c) hatcheries for vermiculture.

(iv) Promotion and extension of organic farming.

The project will be implemented on pilot basis to begin with during the 10^{th} Plan.

RECOMMENDATION SERIAL NO. 12

Availability of Quality Seeds

2.18 On going through the documents furnished by the Department, the Committee understand that there is sufficient availability of certified quality seed as per the demands of the farmers. However, some members of the Committee expressed their concern over the fact that the farmers are not getting adequate quality seeds in time. In reply to a particular question, the Ministry have informed that during the year 2002-03 the quantity of seed distributed by private sector was 56.61 lakh quintals, which is 57.75 per cent of total seed distributed in the country. The Committee observe that when the farmers require the quality seed, the Government agencies do not have the adequate stock to supply, in that case, the farmer either cannot sow the seeds in time or have to buy the same from the private dealers at exorbitant prices without any guarantee of germination and healthy produce. The Committee expect the Government to ensure timely availability of certified quality seeds according to the needs of the farmers.

The Committee also hold the view that the farmers should also be involved in development and strengthening of infrastructure facilities in the production, preservation and distribution of quality seeds and the Government should provide technical and financial support to them so that the shortage of good quality seeds can be minimized.

REPLY OF THE GOVERNMENT

2.19 The overall seed replacement rate in the country is about 15% through formal seed sector and the remaining 85% is met through farmers saved seed. Therefore, it is essential to improve usage of quality seeds through enhanced seed production and distribution. Hence both public and private seed sectors are to be encouraged. State Government and State Seed Corporations (alongwith National Seeds Corporation, State Farms Corporation of India and private seed sector) have been asked to increase their quantum of seed production to provide quality seeds on time at reasonable prices. The required facilities for public and private sectors have been provided.

The existing Seeds Act, 1966 provides that the labeled seeds also conform to minimum seed standard of germination and purity. The proposed Seeds Bill, 2004 provides registration of the kind/variety of seeds on the basis of its performance which is printed on the label.

Involvement of farmers in production, storage and distribution will be strengthened with the implementation of the Scheme on Development and Strengthening of Seed Infrastructure Facilities for Production and Distribution of Quality Seeds. Under this scheme it is proposed to provide foundation seeds to the farmers at subsidized rates and impart technical training to farmers on quality seed production, processing, packaging and storage at farms. Seed Storage bins are also to be provided to the small and marginal farmers at subsidized rates to preserve the seeds.

RECOMMENDATION SERIAL No.14

Revival of Cooperatives

2.20 The Committee note with satisfaction that the Cooperative sector in India has emerged as one of the largest in the world with more than 5.45 lakh societies of various types with a membership of more than 23.62 crore. The Committee note that during the Ninth Plan period Rs.527.98 crore have been utilised as compared to Rs.662.43 crore allocated for cooperative division. During 2002-03 and 2003-04 also the utilisation had been around only 37 percent and 60 percent respectively. The Committee hardly need to emphasize that cooperatives play and important role in agriculture and rural economy and, therefore, it is imperative to increase the flow of investment to the sector so as to give it further impetus. They, therefore, desired the Government to improve the financial performance of the cooperatives by strengthening the cooperative movement and utilise the funds allocated for the sector.

The Committee also note with concern the weak conditions of some of the cooperative societies in the country. Unless these cooperatives are revived, the farmers cannot avail benefits from these societies. They, therefore, recommend the Government to ensure that the cooperatives are provided necessary support, encouragement and assistance so that they work as autonomous, self-reliant and democratically managed institutions accountable to their members and make a significant contribution to the Agriculture sector of the national economy. The Committee further recommended that one time catch up grant should be provided for the revival of sick cooperatives so that they start working for the welfare of the farmers and the community as a whole.

REPLY OF THE GOVERNMENT

2.21 In order to strengthen the cooperative movement, the outlay during the 10th Plan has been ear-marked as Rs.458.50 crore and the BE for 2004-05 has been enhanced to Rs.74.17 crore. During the 10th Five Year Plan, the ongoing schemes of the 9th Plan have been merged in the form of two restructured schemes viz. "Central Sector Scheme of Cooperative Education & Training" and "Central Sector Scheme of Assistance to NCDC Programmes for Cooperative Development". During the first two years of the 10th Plan, there was under utilisation of the funds mainly due to non approval of the two restructured schemes. Now, the EFC meeting for the two schemes have been held and the schemes are likely to approved during the current year.

The Multi State Cooperative Societies Act has been amended in the year 2002 to make cooperatives autonomous, self reliant and democratically managed institutions. The States are being persuaded to amend their State Acts on the same lines. Constitutional amendment to ensure the autonomous, democratic and professional functioning of the cooperatives under the State Cooperative Acts are also under consideration. The modalities for amendment of the Constitution are being worked out.

A task force has been constituted to look into the aspects of providing financial assistance to rural cooperative and credit institutions. The task force has been asked to submit its recommendations

A new scheme for rehabilitation of cooperative processing units under the restructured scheme of "Assistance to NCDC programmes for cooperative development" is under consideration of the Department. Under this scheme, an allocation of Rs.443.00 crore (Rs.348.00 crore loan and Rs.95.00 crore as subsidy has been proposed for the 10^{th} Plan. The Department will provide the grants component while the loan component will be arranged by the NCDC. The restructured scheme is likely to be approved during the current year.

CHAPTER-III

Recommendations/Observations which the Committee do not desire to pursue in view of the Government's action taken replies

NIL

CHAPTER-IV

RECOMMENDATION SERIAL NO.2

Investment in Agriculture

4.1 Although the Agriculture Sector is the backbone of Indian economy, it is starved of capital. The share of Agriculture in total Gross Capital Formation (GCF) has declined from 21 per cent in 1951-52 to 15.4 per cent in 1980-81, and further reduced to mere 8 percent in 1999-2000. Investment in Agriculture as per cent of gross Domestic Product (GDP) had declined from 1.9 per cent in the early 1990s to 1.3 per cent in 2000, which is a matter of grave concern. The contribution of the public sector in GCF has also sharply declined. The Committee are concerned to note that the decline in public sector Gross Capital Formation mainly reflects the decline in expenditure on irrigation works.

It is estimated that in order to achieve the national growth of 8 per cent in the Tenth Plan period an investment of approximately Rs.33, 000 crore (at 1993-94 prices) in the years 2006-2007 would be required. Government spending in the Agriculture will have to be significantly stepped up from the present level to meet the growth targets. The committee, therefore, desire the Government to increase the investment in Agriculture Sector and formulate suitable Schemes to attract more capital from the Private Sector to give boost to the Agriculture in the country.

REPLY OF THE GOVERNMENT

4.2 In order to facilitate higher growth rate in Indian agriculture, it is necessary to step up investment. It is also necessary to pay special attention to dry land farming. Equally important is the introduction of marketing reforms aimed at promoting, inter-alia, public-private partnership. The following measures seek to facilitate higher growth rate in Indian Agriculture:-

- Doubling rural credit in three years, easing the burden of debt and high interest rate and nursing cooperative back to health.
- Special programme for dry land farming in the arid and semi-arid regions of the country, horticulture and water management.
- Stepping up public investment in agriculture research and extension, rural infrastructure and irrigation
- In order to guide the States in the implementation of reforms, Central Government had drafted a Model Act on Agricultural Marketing. This Act would promote direct marketing of Agricultural commodities from the farmers' fields, without the necessity of going through licensed traders and regulated markets. The Model Act also seeks to provide an institutional framework for contract farming. It is expected that these arrangements will facilitate linking the farm sector to agro-processing industry and to sources of extension advice, seeds, credit and markets.
- Reforms in the APMC Act were discussed at the National Conference of State Ministers on 19th November, 2004 at Bangalore, wherein states were advised to complete the process of amending APMC Act within a period of 2-3 months.

The Ministry of Agriculture has also launched a scheme to provide investment subsidy to marketing infrastructure projects in States undertaking reforms. Large-scale investment in agi-infrastructure projects is expected to result in far reaching benefits for all the stake holders

COMMENTS OF THE COMMITTEE

4.3 For comments of the Committee please refer to Para No. 1.6 of Chapter I of the report.

RECOMMENDATION SERIAL NO.4

Suicides by farmers

4.4 The Committee are appalled over the continuing incidences of suicide committed by the Farmers in the country. In Andhra Pradesh – 435, in Karnataka – 469, in Maharashtra – 197, in Orissa – 100 cases, in Rajasthan and Punjab – 3 cases in each state of suicides by farmers have been reported. Similarly, cases of suicides have been reported in varying number from other States. The extremity which drives the farmers to commit suicide demonstrates their agonizing plight and the scant attention paid by the concerned States to their problems. On a query, the Committee were shocked to learn that even the actual reasons for suicides are also not reported by some of the State Governments. The Committee draw an unmistakable conclusion that certainly crop failures due to drought and other natural calamities. heavy indebtedness of the farmers and the ruthlessness of the money lenders are some of the immediate and direct cause for these acts of suicides. It is all the more painful that the State Governments, which are the investigating agencies; do not want to share the facts. As a result the families of all such farmers do not get compensation and the Union Government cannot take appropriate preventive measures for want of factual position from the State Governments.

The Committee, therefore, recommends that the Union Government should not always wait for the reports from the State Governments, whenever there is drought or any other natural calamity. The Union Government *ab initio* should come forward and enquire the factual position on their own also and take adequate and immediate steps to mitigate the sufferings of the bereaved family. The Committee are shocked to learn that in some cases the deaths of female farmers are not counted as farmer's death as the agriculture holdings are owned by male members with the result the bereaved family is deprived of compensation. The Committee see no reason for such a gender based discrimination and remind that if any female farmer commits suicide for the same reasons, her family should also be equally compensated.

The Committee strongly recommends that the Department should take concrete preventive measures to arrest the recurrence of such tragic deaths. The farmers should be educated by extension workers to face the challenges of life and not to take such an extreme step, which besides being self-destructing devastates the family, as well. The India Meteorological Department (IMD) can also come to the rescue of farmers considerably by making correct forecast of the weather condition. Farmers can be motivated to opt for crop-insurance by providing them soft-term packages and in case of crop failures; insurance claims should be settled immediately. To tackle their heavy indebtedness problem and to see that the farmers are not trapped in the vicious circle of indebtedness, the flow of soft-term institutional credit should be increased so that they are not forced to take loans from private moneylenders. The Committee would also like the Government to make a case study of farmers committing suicide due to indebtedness and the suicides committed by the commercial borrowers, if any.

REPLY OF THE GOVERNMENT

4.5 Agriculture is a State subject. State Governments are responsible for implementation of the policies and programmes for development of agriculture in the

States. At the Center, the Union Government recognizes its responsibility towards farmers and agriculture and undertakes requisite steps to enhance agricultural production and productivity through various schemes and centrally sponsored programmes that would assist the augmentation of living standards of the farmers and the rural poor.

Highest priority has been accorded to revitalize agriculture for improving the conditions of the farmers, which has suffered because of successive drought in various regions during the last 4-5 years and other natural calamites, high indebtedness and failing crops. The Government is fully conscious of the magnitude of the problems of the farmers and taking steps for strengthening and streamlining the flow of agriculture credit.

Indebtedness has been identified as one of the major causative factors for suicides by the farmers. The constant pressure exerted by the lending agencies to repay the loans without considering farmer's repaying capacity further accentuates his misery which ultimately forces him to resort to the extreme step. In the case of institutional credit, relief measures are available to the farmers but for the loans taken from informal sources, no such facilities are generally available.

The solution to problem of indebtedness lies in galvanizing the institutional credit sources to devise appropriate mechanism and products for weaning away the farmers from informal credit sources as well as in enhancing the profitability of agriculture through increasing productivity, reducing cost of production and formulating appropriate prices support measures.

Several measures have been initiated by the Government of India to galvanize the institutional credit system to make them more responsive to the need of farmers. Some of the important measures initiated in this regard are as under:-

The Reserve Bank of India has issued standing guidelines to the Banks for providing relief to the farmers in areas affected by natural calamities. These guidelines have been issued to enable the banks to take uniform and concerted action expeditiously, particularly to provide the financial assistance to the farmers affected by natural calamities. These guidelines envisages inter alia:

- Conversion/rescheduling of loans in the event of natural calamity for periods ranging from 3 to 9 years depending upon the successive crop failure/intensity of damage of crops
- Grant of fresh crop loans to affected farmers.
- Conversion of principal as well as interest due on the existing loans.
- Grant of consumption loans.
- Not to compound interest in respect of loans convereted/rescheduled etc.
- Not to charge penal interest in respect of current dues in default.

In order to protect the farmers from the adverse effect of natural calamities leading to failure of crops, National Agricultural Insurance Scheme is in vogue since Rabi 1999-2000. The scheme envisages coverage of all farmers (loanee and non-loanee both) irrespective of their size of holdings, more crops (including annual horticultural/commercial crops) and more risks.

As a special dispensation for the agriculture sector, the Government of India has advised all the Public Sector Banks to reduce their lending rate for agriculture to a single digit rate of not more than 9% per annum on crop loans up to a ceiling of Rs.50,000/- Keeping in view the important of flow of credit to agriculture, in particular to the smaller borrowers who may not have the necessary assets as collateral, the banks have been advised to waive margin/security requirements for agricultural loans up to Rs.50,000/- NABARD has also issued guidelines on scheme for redemption of Debts of Farmers from non institutional sources.

In so far as accurate weather forecasting in concerned, the IMD is now engaged in auditing its own system of forecast to give improved forecast in future. The Department of Science and Technology has already announced a package of Rs.500 crores for procuring modern equipment and upgrading the facilities for this purpose with the IMD. The Ministry of Agriculture has also initiated work on the project for Extended Range Forecast System (ERFS) for climate risk management in agriculture. The appropriate model would be developed by IIT, Delhi that will also provide necessary support for implementation of the project by the Department of Science and Technology. The ERFS project is expected to facilitate extended range forecast of rainfall and surface temperature from monthly to seasonal scale in India.

To provide relief to the farmers due to crop failure, guidelines have been issued on rescheduling of loans and one time settlement of past defaults. Safety nets to the farmers have been provided against loss of production through schemes like National Insurance Schemes (NAIS), Farmers Income Insurance Scheme (FIIS) which is being implemented on pilot basis. The Government is also implementing Minimum Support Price (MSP) and Marketing Intervention Scheme (MIS) to ensure remunerative prices to the farmers. Further drought relief assistance is also given to the states both in the form of financial assistance and food grains as and when necessary.

COMMENTS OF THE COMMITTEE

4.6 For comments of the Committee please refer to Para No.1.12 of Chapter I of the report.

RECOMMENDATION SERIAL NO. 6

Interest rate for Agricultural Loans

4.7 The Committee are happy to note that following their earlier recommendations, the Government have lowered the rate of interest on Agricultural credit and all the public sector banks have been advised to reduce their lending rate for agriculture to a single digit of not more than 9 per cent per annum on crop loans upto a ceiling of Rs. 50,000. But, they are disappointed to note that this lower rate of interest is only upto a ceiling of Rs. 50,000 and in case of commercial banks the interest rate is not to exceed the Prime Lending Rate (PLR) that is 10-11 per cent. Moreover, Cooperative Banks and Regional Rural Banks are free to fix their own interest rate ranging between 9 to 15 per cent. The Committee are seriously concerned to note that though the National Bank for Agriculture and Rural Development (NABARD) is giving refinance on Agricultural loans at the rate of 5.25 per cent to 6.75 per cent (depending upon the size and purpose of loan) to the Banks but the rate of interest ultimately being charged by such leading institutions from the borrower is in the range of 9 to 15 per cent.

The Committee came across a number of cases of farmers committing suicides due to their poor financial position and failure of crops due to various reasons. The Committee feel that high rate of interest and the perpetual burden of loans are perhaps the major factors compelling the poor farmers to commit suicide. The Committee, therefore, recommend that the Government should instruct cooperative Banks and Rural Banks also to reduce the rate of interest rationally because small and marginal farmers take loans from these banks only. They further recommend that the ceiling of Rs. 50,000 should be increased to Rs. 1,50,000 for charging the minimum rate of interest. The Committee also desire that since NABARD is providing refinance at lower rate of interest, the actual rate of interest to be charged from the farmers should also be reasonably reduced and the difference should not, in any case, more that 2-3 per cent.

The Committee further note that while giving agricultural loans many a times, the land, crop or agricultural machinery of the farmers is used as collateral guarantee by the credit giving bank/institution. In case of non-payment of the loans, some times farmers not only loose their lands but also undergo the trauma of being sent to jails and sometimes they have to pay all the expenditure incurred by the enforcement agencies viz. police etc. in the process and for his food etc. in the jail. The Committee desire the Government to ensure that in case of their inability to pay the debts, the farmers may not be deprived of their hypothecated land or agricultural machinery because the whole existence of poor farmers is entirely dependent on this land, cattle and machinery, etc.

REPLY OF THE GOVERNMENT

4.8 Ministry of Agriculture has been taking up the issue of lowering the rate of interest on agricultural loans from time to time at the appropriate levels in the Ministry of Finance, the latest being Agriculture Minister's letter to Finance Minister on 08th June 2004.

Though, as a part of financial sector reforms, the banks (Commercial Banks, Cooperative Banks and RRBs) have been given freedom to fix their lending rates to be charged from the ultimate borrowers but as a special dispensation for the agriculture sector, the Government of India has advised all the Public Sector banks to reduce their lending rate for agriculture to a single digit rate of not more than 9% per annum on crop loans upto a ceiling of Rs. 50,000/-. It is expected that this rate will benefit most of the crop loan account holders and will cover almost all the small and marginal farmers.

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. Refinance from NABARD constitutes only a small proportion of the ground level credit disbursed by the cooperative banks and the major portion of the resources are arranged by the cooperative banks from the open market including deposit mobilization, the cost of which is generally high. Refinance support from NABARD need to be viewed only as a supplementary source of funds to the cooperative 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. Mandating the spread at 2-3% between the refinance interest rate and ultimate lending rates may not be a feasible option as it may lead to deceleration in agriculture credit flow because fixation of spread depends on several factors like the transaction and risk cost, cost of raising funds by the banks etc.

Ministry of Agriculture appreciates the fact that interest rate is an important aspect of credit. The expectations of borrowers for lower interest rates on loans to agriculture have increased. In addition to reasonable rate of interest, borrower is also concerned with the timeliness and adequacy of credit and accompanying costs he/she may have to incur to avail credit. In order to deliver adequate credit in time and in a cost effective manner, banks have been advised to pay attention to their systems and procedures and to initiate appropriate measures to ensure that no avoidable expenses are incurred by the borrowers for getting a loan sanctioned.

Chief Ministers of all the states/ UTs have been requested by the Union Agriculture Minister to review their state laws to remove the provision for arrest and detention of farmers and strengthen the other alternatives of recovery measures by analyzing and eliminating the real causes of poor recovery like loan waivers, general remissions, bogus loaning etc.

COMMENTS OF THE COMMITTEE

4.9 For comments of the Committee please refer to Para No. 1.18 of Chapter I of the report.

RECOMMENDATION SERIAL NO. 10

Seed Crop Insurance

4.10 The Committee note that ‘Pilot Scheme for Seed Crop Insurance’ was initiated from Rabi 1999-2000 on pilot basis in 10 States with the objective to provide financial security and income stability to the Breeder Seed growers in the event of failure of seed crop and encourage participation of new/breeders/growers to undertake seed production programme of newly released hybrid/improved varieties. The Committee find that the Scheme has not been found popular with the seed growers, therefore, it was proposed to drop the Scheme during tenth Plan period on the advice of Planning Commission. One of the reasons for non popularity of the Scheme among the farmers as advanced by the

Department, is delay in settlement of claims by General Insurance Corporation (GIC), which is the implementing agency.

The Committee take strong exception to the dilatory settlement procedure of GIC. This is purely an administrative matter which can be amicably resolved by stipulating speedy settlement of claims of the farmers. The Committee, therefore, strongly recommend that the GIC should be asked to review their procedure to settle such claims on priority basis. The Committee may be apprised of the action taken by GIC in this regard.

The Committee also note that the National Council for Applied Economic Research (NCAER) was assigned the task to evaluate the Scheme, but they have not submitted any Report so far. The Committee desire that the NCAER should be asked to submit their report within one month of presentation of this Report and only after examining their evaluation Report any decision regarding the fate of this important Scheme should be taken.

The Committee are of the considered view that unless protection is given to the seed growers through the Scheme of Seed Crop Insurance, it will be very difficult to encourage the private seed growers to take up seed production. The Committee consider that this Scheme is one of the rarest methods by which the seed production can be encouraged all over the country and risk in sowing such new variety of seeds can be covered and adequate protection be given to the farmers. The Committee, therefore, recommend that the Scheme should not be discontinued and efforts should be made to suitably popularise the Scheme among the farmers by spreading awareness about the advantages of the Schemes.

REPLY OF THE GOVERNMENT

4.11 The Department of Agriculture and Cooperation has awarded a fresh study to evaluate the Seed Crop Insurance Scheme to Agriculture Finance Corporation, as the response from NCAER was not forthcoming. The decision on continuance of the Scheme will be taken after the conclusion of this evaluation study.

COMMENTS OF THE COMMITTEE

4.12 For comments of the Committee please refer to Para No. 1.24 of Chapter I of the report.

RECOMMENDATION SERIAL NO. 13

Remunerative Prices to Farmers

4.13 The Committee are informed that the Commission on Agricultural Costs and Prices (CACP), which is an independent Commission, recommends the Minimum Support Price (MSP) for some crops under Price Support Scheme (PSS). The CACP fixes the price based on some formula taking into consideration many factors relating to costs, International Schemes and demand and supply position, etc. Based on their recommendation and after taking the Cabinet approval, the Government declare the MSP for notified Agricultural commodities. The Committee are further informed that MSP functions as one of the factor to encourage or discourage production of any particular crop.

The Committee observe that under the Price Support Scheme (PSS) new crops/commodities are not being included. They desire that some more agricultural commodities like cash crops, which largely affect the farmers financial condition, should also be included under the list of notified commodities for PSS.

The Committee feel that the prices under MSP, really do not quite reflect and include all the costs and labour invested by the farmers. There is substantial deviation from the actual costs and market price. The farmers are not getting remunerative price for their produce and the margin is becoming less day by day. The Committee, therefore, desire the Government to chalk out specific schemes for the farmers so that they are able to receive the full benefits of their produce at the appropriate time.

The Committee are of the opinion that fixing of MSP cannot be the criteria for discouraging any particular crop, because the farmer knows best about his soil and the crop best suited for his land. He cannot grow a particular crop on the soil simply on the basis of high support price. It is just unrealistic to fix low support price of a specific commodity for merely discouraging its production. It is unfair to impose low MSP on the farmers if they are not inclined to grow the alternative crop because of non-suitability of soil. The Committee, therefore, recommend that the factor of encouraging or discouraging the production of any particular crop should not be taken into consideration for fixing the Minimum Support Price of any Agricultural Commodity.

REPLY OF THE GOVERNMENT

4.14 The minimum support prices (MSP) for major agricultural products are fixed by the government, each year, after taking into account the recommendations of the CACP. While formulating these recommendations, the Commission analyses a wide spectrum of data, covering the costs of cultivation/production, trends and spread of input use, production and productivity of the crop concerned, market prices, both domestic and global, inter-crop price parity, emerging supply-demand situation, procurement and distribution, terms of trade between agricultural and non-agricultural sectors, and so on.

Since the price policy involves considerations of long-run consequences, the Commission also looks at the yield- raising research being conducted by institutions like ICAR. The basic data are generally collected from the Directorate of Economics and Statistics, State Governments, Central Ministries and the nodal agencies concerned with the implementation of agricultural price policy. It may be stated that the estimates of cost of cultivation/ production take into account all the agricultural inputs including seed, fertilizer, pesticides, mandays, irrigation, power, interest on cost of land, depreciation on implements and machinery etc.

COMMENTS OF THE COMMITTEE

4.15 For comments of the Committee please refer to Para No.1.27 of Chapter I of the report.

RECOMMENDATION SERIAL NO.15

Construction of Cold Storages/Rural Godowns

4.16 The Committee note that under the Central Sector Scheme for construction of Rural Godowns, Rs.100 crore has been allocated for 2004-2005. During the last three financial years, 1,120 rural godowns have been renovated and 3,731 godowns have been sanctioned for modernization/construction but the Committee is surprised to know that the availability of cold storage/rural godowns is almost nil in most of the North Eastern States. The Committee are at a loss to find that north eastern region is completely neglected as such. They, therefore, recommend that cold storages/rural godowns should immediately be constructed in these areas.

In other areas of the country also the situation of cold storage is far from enthusing. The farmers are selling their produce at a throw-away price because there is no cold storage or godown available in their vicinity and brokers and middlemen are taking advantage of their plight. The Committee, therefore, desire that the Scheme of construction/renovation of cold storage/rural godown should be strengthened for the benefit of small, medium, and marginal farmers. The allocation under the scheme be enhanced at the revised estimate level so that more farmers could store their farm produce in the vicinity of their farms and are prevented from resorting to distress sale immediately after harvest.

REPLY OF THE GOVERNMENT

4.17 The scheme had not initially received good response from NE region due to availability of less marketable surplus and scarcity of land in hilly areas. As per the feedback received, the scheme is picking up in NE States also. As on 31.03.2004, 24 new projects with capacity of 54,000 MTs and 27 projects with capacity of 2700 MTS in the cooperative sector have been sanctioned. The publicity and training and awareness programmes are also being conducted in these areas to encourage people to undertake projects under the Scheme. However, with a view to encourage small farmers and entrepreneurs in North East Region in the country to undertake construction of projects under the scheme, the following modifications have been made:-

d) Smaller godowns of 50 to 100 MTs have been made eligible for subsidy under the scheme to encourage on farm storage.

e) For hilly areas, where there is a scarcity of land, the size of godown eligible for subsidy under the scheme; of Rural Godowns has further been reduced from 100 MT to 25 MT.

f) Five lakh MTs capcity has been reserved for small farmers.

Target of 90 lakh MTs of rural godown was fixed for construction during 10^{th} Plan period which has now been revised to 140 lakh MTs.

COMMENTS OF THE COMMITTEE

4.18 For comments of the Committee please refer to Para No. 1.30 of Chapter I of the report.

RECOMMENDATION SERIAL NO.16

Agri Clinics/Agri Business centres

4.19 The Committee are happy to note that the Scheme of "Agri-clinics/Agri-business Centre" aims at providing training to the agricultural graduates to enable them to establish fee based extension services. A sum of Rs.16.50 crore has been allocated for 2004-05 under the scheme. So far 4,854 candidates have been trained but only 988 candidates could set up their Agri-Clinics/ Agri-busines ventures. The Committee in their earlier Reports on Demands for Grants of the Department had recommended for providing some subsidy to the willing candidates for opening agri-clinics but it has been informed that the demand of subsidy component has been dropped by the Department as the proposal could not get the nod of the Planning Commission.

The Committee observe that a large number of agriculture graduates in the country are unemployed. Though they can receive training under the above mentioned scheme but they are not in a position to set up their ventures without the help of the Government. The Committee, therefore, strongly recommend that at least 25 per cent subsidy under the Scheme should be provided to the willing agriculture graduates to set up their venture if the Government really want to make their scheme successful. The Committee further recommend that the banks should be instructed to provide easy loans to the unemployed agricultural graduates so that they could set up their own centres. Needless to say, such an innovative step will encourage the young graduates to come forward to earn their livelihood and will also benefit the farmers as they can avail agricultural services like soil testing facilities and expertise in their vicinity.

REPLY OF THE GOVERNMENT

4.20 The central sector scheme "Establishment of Agri-Clinics and Agri-Business centres by Agriculture graduates" aims at using vast pool of agriculture graduates of the country to provide extension services to farmers on payment basis by setting up their private ventures. The scheme provides equal opportunities to all eligible agriculture graduates irrespective of age to support agriculture development through economically viable self-employment ventures.

As on 1st October, 2004, 5376 agriculture graduates have been imparted training at different training institutes in the country. As many as 1119 of Centres/ventures have been set up; by the agriculture graduates throughout the country. Sixty six training institutions are engaged in imparting training to the applicants across the country.

The scheme is being closely monitored by Government of India, SFAC, MANAGE and NABARD. The progress of the scheme and bank related issues were reviewed in two meetings on 30th July, 2004 and 3rd August, 2004 under the Chairmanship of Additional Secretary and Secretary, Department of Agriculture and Cooperation respectively.

Four banks namely State Bank of India Union Bank of India, Canara Bank and Punjab National Bank had participated in the meeting chaired by Secretary (A&C) on 3rd

August, 2004. Each of these banks identified one district in two States for further work on the Scheme.

National Institute of Agricultural Extension Management (MANAGE), Hyderabad has sent list of the agricultural graduates trained till now to all the nationalized banks. MANAGE has organized a two day workshop for twenty officers of NABARD to sensitize them about the scheme

The original scheme provided for subsidy and training components. The Planning Commission and Ministry of Finance, while apprising the scheme, did not approve the subsidy component. However, as per the recommendation of the first Report of the Standing Committee, the Planning Commission and Ministry of finance would be approached again to consider subsidy under the scheme. It is further submitted the budgetary provision for subsidy component exists under the scheme.

COMMENTS OF THE COMMITTEE

4.21 For comments of the Committee please refer to Para No. 1.33 of Chapter I of the report.

CHAPTER –V

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

NIL

NEW DELHI
17 February, 2005
28 Magha, 1926(Saka)

PROF. RAM GOPAL YADAV
Chairman
Standing Committee on Agriculture.

MINUTES OF THE THIRTEENTH SITTING OF THE STANDING COMMITTEE ON AGRICULTURE HELD ON THURSDAY, THE 17 FEBRUARY, 2005 AT 1230 HRS. IN COMMITTEE ROOM 'E', BASEMENT, PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 1230 hrs. to 1320 hrs.

PRESENT

Prof. Ram Gopal Yadav – Chairman

MEMBERS

LOK SABHA

2. Shri Hiten Barman
3. Shri Manoranjan Bhakta
4. Shri G.L. Bhargava
5. Shri Shivraj Singh Chauhan
6. Smt. Rupatai D. Patil Nilangekar
7. Smt. Anuradha Choudhary

RAJYA SABHA

8. Shri Harish Rawat
9. Shri Bhagwati Singh
10. Shri Sharad Anantrao Joshi
11. Dr. M.S. Gill

SECRETARIAT

1. Shri N.K.Sapra	-	Joint Secretary
2. Shri Devender Singh	-	Director
3. Shri K.D. Muley	-	Under Secretary
4. Smt. Ratna Bhagwani	-	Assistant Director

At the outset, the Chairman, welcomed the Members to the sitting of the Committee and requested them to take up Memoranda No. 5 containing draft Action Taken Report on First Report on Demands for Grants (2004-05) of the Ministry of Agriculture (Department of Agriculture and Cooperation) for consideration and adoption.

2. The Committee then considered and adopted the draft Action Taken Report with certain additions/modifications as suggested by members of the Committee.

3. The Committee, thereafter, authorised the Chairman to present the above-mentioned Report to the House on a date and time convenient to him.

The Committee then adjourned.

APPENDIX II

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON
THE FIRST REPORT OF STANDING COMMITTEE
ON AGRICULTURE (14^{TH} LOK SABHA)

(i)	Total number of Recommendations	16
(ii)	Recommendations/Observations which have been Accepted by the Government	
	Serial Nos. 1,3,5,7,8,9,11,12 and 14	
	Total	9
	Percentage	56.25%
(iii)	Recommendations/Observations which the Committee Do not desire to pursue in view of the Government's replies	
	Serial No. NIL	
	Total NIL	
	Percentage NIL	
(iv)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee	
	Serial No. 2,4,6,10,13,15 and 16	
	Total	7
	Percentage	43.75%
(v)	Recommendations/Observations in respect of which Final replies of the Government are still awaited	
	Serial Nos. NIL	
	Total NIL	
	Percentage NIL	