



*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

---

## **Rapporteur's Report on Global Meltdown and Its Impact on Agriculture – Critical Constructs and Remedial Measures**

**Rapporteur: Debabrata Datta\***

Seven papers have been received on the above mentioned topic of immense importance for the Indian economy. All these papers are serious attempts to trace the implications of global financial crisis for the agricultural sector of India. Of course while reporting on these papers one should keep in mind at the outset that production cycle of agricultural sector is of long duration and therefore the effect of an event, howsoever important, may not be so visible immediately. Hence any paper working on the impact of global melt down on agriculture within a year of the event must face the problem of unavailability and inadequacy of relevant data. Time series analysis, it is said can be meaningful only when there is a history.

The paper by Deepak Shah shows that although world recession did not result in large scale job loss in agricultural sector in India and rather the demand for labour increased on account of NREG scheme etc., the cash crops faced volatility of prices. Shah shows that international prices of several agricultural products including prices of some food and beverages registered sharp fall in international prices. Foodgrains on the other hand showed sharp increase on account of supply side factors and inadequate food management policy. Thus the global recession brought a mismatch in the agricultural sector and compounded the problems of cash crop growers. This highlights the need for policy measures to safeguard the agricultural sector from global ups and downs.

Ramesh Chand *et al.* in their paper examine the impact on agriculture through three channels namely, resource flow between agriculture and non-agricultural sector, terms of trade and global trade of agricultural products. They find an increase in the ratio of public and private investments and agricultural output and thus conclude that resource flow was not affected by global recession. The quantum of fertilisers used in Indian agriculture also increased in the post-recession period. The terms of trade moved in favour of agriculture implying that global meltdown affected the demand for non-agricultural products more than the demand for agricultural goods. The study observes that there was slight fall in the net trade of Indian agriculture with import rising and export falling in terms of US \$. Taking all these factors into account and also taking into account sharp rise in food prices the paper concludes that a close monitoring of the sector by the government has been effective in decoupling India's agricultural sector from rest of the world and safeguarding it from the shocks of global economy.

---

\*Professor, Institute of Management Technology, Ghaziabad – 201 001 (Uttar Pradesh).

S.P. Bhardwaj with the help of econometric exercise makes a micro economic study of mentha oil, an export oriented agricultural commodity, used as industrial raw material. The paper shows in terms of an ARCH model that price volatility increased in the financially turbulent years of 2008 and 2009. The production of mentha oil however was on the rise and surplus for exports was available. Thus the paper concludes that price volatility can be attributed to the global disturbances and thus this case study shows that agricultural products used as industrial raw materials have suffered during recession.

The paper by Anjani Kumar *et al.*, having used the data on monthly exports of agricultural and allied products shows that there has been a decline in exports since April 2008 and this decline can be attributed to the fall in demand in major markets of countries like U.S.A., U.K., etc. which were hard hit by recession. The paper observes that the crisis has only a modest effect on agricultural production and prices and government measures of transferring purchasing power to the rural sector through programmes like farm loan waiver scheme or NREGS have been in good stead in protecting the agricultural sector from global shocks. But the paper argues that there is no scope for complacency and when Government plans to further open up the economy, it is necessary to harness the opportunities in agricultural trade by suitable long term strategy.

The paper by V.K. Rawat *et al.*, is not directly linked to global crisis but deals on the important issue of crisis in Indian agriculture in the context of debt and risk management. The paper deals elaborately on the increased tendency of farmers' suicides in the early part of the current decade. The paper suggests several measures to address the problem in the short run and underscores the need for increasing the competitiveness of the Indian agricultural sector to face the challenges of uncertainties resulting from trade liberalisation.

Smita Sirohi *et al.*, in their paper focuses on the dairy sector and shows that Indian dairy sector has witnessed some slow down in export but has not experienced the same volatility in prices as in international markets. The paper observes that susceptibility of Indian dairy sector to global economic crisis is not profound but this sector faces the challenges of low productivity, inadequate value addition and poor product quality.

The paper by J.S. Chawla presents a general overview of the Indian agricultural scenario in the context of global crisis and dwells upon the stimulus packages and food price inflation.

To sum up, the observations and conclusions from these papers can be as follows.

1. Impact of global meltdown on Indian agriculture has been modest and mostly felt by the export-oriented products. There has been a small decline in agricultural exports in terms of US\$.

2. There should not be any complacency, as in the coming days Indian agricultural sector is likely to be more opened up. This sector should be ready for capitalising on the opportunities of global business and for facing the threat of challenges of more global competition.
3. Government policy of transferring purchasing power to rural sector has helped the agricultural sector in the period of economic slowdown.
4. A redeeming feature of agricultural sector is the increasing trend of investments.
5. The recessionary period witnessed a mismatch with food prices rising sharply and export-oriented goods facing price volatility. In this situation market will lead to intra-sector resource flow, which may need management and close monitoring and some objective-oriented policy formulations.

#### RESEARCH ISSUES FOR DISCUSSION

On the basis of the above observations, the following research issues come to the fore for discussion. An important question is that to which extent the agricultural sector in India be opened up and what will be the road map for this task. As has been correctly pointed out in the papers submitted, the path of liberalisation has the opportunities for farmers to have higher sales revenue but it is also likely to increase risk and uncertainties. It is to be ascertained that how much risk the Indian agricultural sector can bear and what sort of credit support it requires for this purpose. The optimality of cropping pattern is another important research issue up for discussion. Switching over to commercial crops in order to capitalise on the global opportunities exposes the agricultural sector to the fluctuations in the international market. Given this possibility what are the static and dynamic comparative advantage pattern?

The role of the government in the emerging scenario is another important issue of discussion. The research papers have documented the positive role of the employment generation and other transfer programmes of the government in the period of global recession. But can these programmes be so designed that some permanent benefits accrue to the agricultural sector? This issue is important in the context of the high food inflation of the recent times. Indian economy needs a vibrant agricultural sector that can feed its growing population. Can the government subsidisation programmes be tuned accordingly so that a development-oriented co-ordination between government and public initiative is ensured?