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## SUMMARIES OF GROUP DISCUSSION

### SUBJECT I

#### INSTITUTIONAL FINANCE FOR AGRICULTURAL DEVELOPMENT

RAPPORTEUR : V. S. VYAS\*

This subject attracted a large number of participants working in the co-operative sector, commercial banks and various government departments, apart from the university teachers and researchers. This meant a loss in the academic rigour but gain in the immediate relevance of the discussion which ensued.

The Group decided to organize the discussion broadly on the lines suggested in the Rapporteur's Report. The first question taken up for discussion was whether the non-availability of credit in adequate quantity and/or on reasonable terms was a handicap for agricultural growth in the country during the past few years.

It was noted that the problem of long-term and medium-term credit has to be discussed separately from the problem of short-term credit. The former is a problem of overall resource availability and of satisfying competing claims of various sectors and activities. The Group mainly discussed the problems connected with short-term credit. It was generally agreed that so long as the available resources are not utilized, although their marginal productivity is higher than the going rate of interest, there is a possibility of credit being one of the bottlenecks. It was recognized, though, that factor imbalance at the farm level, internal capital rationing and the scarcity of some of the inputs may also lead to a similar situation. The Group agreed that there were imperfections in the capital market which inhibited the use of some of the inputs or did not enable the farmers to use the inputs to the extent economically warranted. It was pointed out with a flourish by some of the participants, *i.e.*, those working with the public and private financing agencies that now all possible arrangements are being made to make "any programme which is technically feasible and economically viable, also financially possible."

The Group next took up the question of the method of estimating the demand for credit for coming few years, say, next five years. Two different approaches were reported. One, the aggregate approach or the ratio approach which assumes certain relationship between the gross value of agricultural products and the credit requirements. The changes in the economy such as increasing extent of monetization, the adoption of improved technology, a progressively rising market supply function, etc., can also be provided for, albeit in an *ad hoc* manner, in arriving at the estimates of credit requirements by this approach. The second approach is essentially a micro approach based on budgeting and linear programming. The estimate of credit requirements for a synthetic or a representative farm at different levels of input use is worked out and provision is made for permitting credit to remove the capital constraint.

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The estimates prepared on the basis of the ratio approach should not be considered more than the 'informed guess-work.' As regards the micro approach the difficulty arises when these farm level estimates are 'blown-up' to give aggregate or regional picture, because the constraints which are real at the farm level may not be so at the aggregate plane, and vice versa. Another caution suggested was the likely changes in the propensities to consume and save. However, more fruitful work can be done by following the latter approach and more research efforts should be made in this direction.

The Group then discussed the role of the commercial banks in correcting some of the deficiencies in the credit structure which affect agricultural production. The important points made in this connection were : firstly, the banks will enter in the field of agricultural credit in a business-like way, and therefore, they are likely to be more flexible in the disbursement of credit both in amount as well as in regard to terms. Since credit has to be rationed, a profit maximizing institution can do so more effectively. Secondly, the commercial banks are likely to look into not only the present possibilities but also the potential future demands for credit. Thirdly, they have the advantages over non-institutional agencies as they can, within the well-known limitations, create loanable funds.

As regards the effect of commercial bank's entry on the existing credit supplying agencies, particularly co-operatives, the views were divided, although not as sharply as one would have expected. One view seemed to favour the entry of commercial banks for the reasons given above, while the other section of the participants had some misgiving on this score.

On the question of reserving spheres of activities for different financing agencies, the Group took into account the delineation of the functions on the basis of area, by projects, and according to various strata of farmers. The consensus was that a statutory limitation on the activities of any of the financing agencies will be neither desirable nor feasible. At the same time for evolving a proper agricultural credit policy, it is necessary that the competence of different financing agencies in different types of activities should be fully taken into account. It was suggested, for instance, that the commercial banks with their experience of financing trade and industry and also due to their rapport with the wholesale traders or industrialists, may be better equipped for financing certain types of activities like marketing of inputs and products, provision of infra-structure, etc. It was noted in this context that by definition agricultural finance need not be restricted to the direct financing of agricultural production but should also include financing ancillary activities which help agricultural growth. At the same time, in certain areas the competition between various financing agencies, especially the co-operatives and the commercial banks, cannot be assumed away. Particularly, as was suggested by a section of the Group, the co-operatives may lose the profitable business if the bigger farmers are financed by the commercial banks. Similarly their programme of mobilization of the savings will be affected. The answer to these doubts was that the co-operatives should pay or should be made to pay, greater attention on improving efficiency. However, it was also pointed out that so long as the financing of the small farmers is the responsibility of the co-operatives they do carry a load which affects their capacity to make profits.

The Group then discussed the question of enabling the commercial banks to perform their role in the field of agricultural finance more effectively. The

suggestions made may be broadly classified under three heads, namely, the organizational innovations, the procedural adaptations and the State policy.

Several suggestions were made on the organizational and procedural aspects. The main points emphasized were to build a cadre of managers who could deal with the problem of farm finance and to avail of the support from agricultural research institutions. In this connection a suggestion was made to build an expertise on Farm Appraisal. Also, the problems of ascertaining creditworthiness and procedures for recovery of loans should be carefully looked into, because these are the areas where co-operatives had faced, and are facing serious difficulties.

There was rather a fuller discussion on the State guarantee to the commercial banks especially when the banks are asked to finance a more risky venture or to go to a more difficult area. It was generally agreed that any such guarantee need not be a cent per cent guarantee because that, apart from other undesirable consequences, would make the banks more complacent. Similarly it was pleaded that the State Governments should permit more flexibility to the banks on collaboration projects. Also, there is a need for a proper co-ordination between the supply of inputs, the extension services and the supervision of the utilization of the farm loans.

Another interesting point debated was in connection with the fluctuations in agricultural production and its effect on the recoveries. While a suggestion was made to build a special fund in the banks for this purpose, many did not favour it. The general view was that if a strong movement for encouraging thrift and savings could be initiated along with the loan advances, it would be a more desirable alternative.

Several lacunae were pointed out in the existing legislation and rules regarding equitable mortgages, stamp duty, the right of pre-emption given to the co-operatives in the foreclosure of mortgages and, certain acts which regulate the rate of interest for the credit advanced to the farmers.

There was more or less general agreement that for quite some time to come, the problem of short-term production credit for a large majority of farms will have to be tackled by the co-operatives alone; therefore, streamlining the function of the co-operative credit societies' structure is a *sine qua non* for enlarging the use of modern inputs for agricultural production. The Group devoted sometime to examine the measures which would enable the co-operatives to perform their task more effectively. Discussion in this aspect was also divided into three stages, organizational aspect, the procedural aspect and the State policy.

As regards organizational aspect two important problems were more fully discussed. First was the evaluation of the present three-tier system of the co-operatives. The Group could not come to any general conclusion as to the superiority of the three-tier or the two-tier system. The opinions were divided mainly because the experience in this regard is a varied one. Secondly, the question of viable primary units was taken up. Various criteria of viability were discussed. It was agreed that judged from any criteria, it was not the optimum size at a given point of time, but the potentialities after a more intensive utilization of the primary

unit's services, that one should take into account while examining the viability or non-viability of a unit. It was agreed that even after taking all this into account, most of the primary units, even in the co-operatively progressive States, are non-viable. One of the suggestions was amalgamation of non-viable units. The only defect seemed to be that in the amalgamated societies, as in the bigger societies, the headquarter villages get undue advantages. This was sought to be corrected by suitable changes in the representation of beneficiary villages on the managing committee. The second alternative suggested was to start new and bigger units as it would be difficult to improve the existing weak societies.

As regards the procedures, the Group pointed out three basic lacunae. Firstly, most of the procedures are framed from the point of view safeguarding the interest of the central financing agency rather than taking into account the interests of the farmers. Secondly, some of the procedures, forms, etc., are unnecessarily cumbersome and at the same time do not serve any purpose. Thirdly, there is absolute rigidity in the rules governing the co-operatives which does not permit them to operate in a flexible or discretionary manner.

As regards the State policy the Group underlined the harm done by over-officialisation in the co-operative movement which has brought in its wake the well-known defects like 'targetry', red-tapism, absence of genuine interest and initiative, etc.

The Group felt that measures to strengthen the credit structure have to be adopted in a co-ordinated manner. They were also convinced about the desirability of co-ordination not only between banks and co-operatives but also within the co-operative sector between short-term and long-term financing agencies, marketing and credit agencies, etc.

In conclusion, the Group recognized that now in our country the credit policies have to be framed in an entirely different context than was obtaining a few years back : firstly, because of the potentialities opened up by new technology, and secondly, due to the entry of commercial banks in the field of farm finance in a big way.

## SUBJECT II

### ECONOMIC ASPECTS OF HIGH-YIELDING VARIETIES PROGRAMME

RAPPORTEUR : T. N. SRINIVASAN\*

The first issue that excited the attention of the participants was the question whether the optimal dosage of nitrogen should correspond to the level that will maximize the net monetary returns to the individual farmer or to the level that will maximize the physical output per acre. Some were of the view that the latter level is the one that will maximize the returns from fertilizer use from the point of view of the country as a whole. It soon emerged that this view is not tenable. It was pointed out that (a) as long as the individual farmer is the decision-maker and he has no influence over the price of his inputs and output he will not consider any other level than the one that will maximize his returns, (b) given (a), once the aggregate supply of nitrogen is determined (presumably after giving due consideration as to the social return to investment in fertilizer production), the problem reduces to one of choosing the appropriate price for fertilizers relative to that of output. The appropriate price is one which will equate the demand for fertilizers arising out of the profit maximizing calculus of the farmers with the pre-determined supply. Some participants suggested that this discussion is entirely academic because in their regions the level of nitrogen use is nowhere near the profit maximizing level given the going prices of nitrogen and output. After some discussion it emerged that this is again misleading since the actual price paid by the user of fertilizer may be higher than the controlled price and indeed, the relatively low level of nitrogen used by the farmer may be optimal given the higher black market price he has to pay for this input.

The discussion then passed on to the question whether the exclusive attention paid to the optimal use of just one among many inputs, namely, nitrogen, was justified. The fact that the marginal yield response of a variety to a given level of nitrogen could be dependent on the levels of other inputs, in particular, other chemical inputs, militated against such exclusive attention to nitrogen. Quite a few claimed, that in so far as the areas they were familiar with are concerned, the effects of different chemical inputs were additive and hence the marginal response to nitrogen was independent of the levels of these inputs. Others, quite rightly, countered this view and said that absence of interaction among chemical inputs at low levels does not preclude the presence of such interaction at higher levels. One needs to keep one's eyes open for such interaction in determining optimal dosages of each chemical input.

The variability over areas and over years of the response of any given high-yielding variety to nitrogen was pointed out. This variability, it was generally agreed, raised problems for meaningfully evolving a set of recommended dosages and practices for large areas, such as States or even districts even if one were to ignore the output price variation among such areas. It was also pointed out that this creates even greater difficulties in defining yardsticks for the country as a whole.

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Timely availability of inputs like water, fertilizers, adequate credit and marketing arrangements as well as proper farm management practices were emphasized as essential for realising the full potential of the high-yielding varieties. The view was expressed that the present zonal restrictions on movement of foodgrains can come in the way of success of this programme.

The next two issues taken up for discussion were (1) whether the target of 5 per cent rate of growth during the Fourth Plan for the agricultural sector as a whole is feasible and (2) whether the variability in the performance of Indian agriculture has been increasing over the years. The question of feasibility of the target growth rate was raised in the context that (a) the successful high-yielding varieties relate only to wheat and some coarse grains and these constitute only a small fraction of agricultural output, (b) the fact that extensions to gross sown area in the next few years can only be marginal, (c) the past growth performance is closer to 3.2 per cent per annum compounded rather than 5 per cent. It was argued by others that the target indeed is feasible in view of the facts that (i) the 5 per cent growth overall is an average of a somewhat higher rate for foodgrains and a rate no higher than the past trend for crops like oilseeds, tobacco, etc., (ii) the additional output envisaged over the Fourth Plan of foodgrains is of the order of 32 million tonnes of which nearly 23 million tonnes are expected from an additional 39 million acres or so under high-yielding varieties of foodgrains. Nearly four million tonnes more are expected from multiple cropping, four million tonnes from extension of minor and major irrigation, etc.

Some expressed their misgivings regarding these numbers. Firstly, the rate of adoption of high-yielding varieties has been considerably below the target in their areas and it is not unreasonable to expect such shortfalls in the future also. Secondly, the yardstick used in estimating additional output from high-yielding varieties may not be realistic. Thirdly, some asked whether there will be enough irrigated area to extend cultivation of these varieties to the extent projected.

It was pointed out, however, that in addition to areas that have irrigation facilities, there are areas with assured rainfall and these must also be taken into account. This view was questioned by some who argued that classifying areas as having assured rainfall merely on the basis that they have on an average 45" or more of rainfall is not very meaningful. The variability of rainfall must also be taken into consideration. Also the fact that some of the irrigation facilities themselves are subject to the vagaries of weather has to be kept in mind. Some questioned also the official estimates (as of now) of the area under high-yielding varieties on the ground that the *patwari* does not estimate such acreages, and the area estimates are derived on the basis of seed absorption. It emerged that besides seed absorption, credit provided, fertilizer used, etc., also provide checks on the estimates and at any rate, from 1968-69 direct estimates of the area under these varieties will become available.

On the question of increasing variability in agricultural performance, one view was that it may be more apparent than real because (a) in earlier years, the yield rate was an eye estimate of the *patwari* and this procedure is likely to result in less apparent variability while in later years yield is estimated by the crop-cutting method and this is likely to reveal the true variability in output, (b) the observed fact that in later years output varied more than area corroborated the



point (a) because area estimates continue to be *patwari* estimates and hence less variable. It was pointed that this explanation is inadequate because even in the period before crop-cutting experiments came in to use, the phenomenon of increasing variability was observed for part of the period. This part of the period was associated with extension of area under cultivation (thereby bringing in marginal land) and large fluctuations in weather. The period of relative stability was one during which (i) there was not much area expansion, (ii) weather fluctuations were not abnormal, (iii) agricultural research resulted in drought resistant varieties being introduced, and (iv) there was extension of irrigation which was used more as a protective measure than as a productive measure. Thus the question of increasing variability is not completely resolved.

The next important question to be discussed was whether there is any inherent tendency in the high-yielding varieties programme to widen income inequalities within a region as well as between regions. It was argued that in almost all regions land distribution is one of high concentration and this will result in even higher concentration of output if the larger farmers receive disproportionate benefit from the programme. Also, given the positive correlation between marketed surplus and size of land holdings, the distribution of this surplus and cash income of farmers is likely to be even more concentrated than output. It was however added that there are mitigating aspects also to this bleak picture. Firstly, even if land is unequally distributed, the same is not true to the same extent with respect to irrigated land which is the relevant land from the point of view of the high-yielding varieties programme. Also, the smaller farmer is likely to have a higher yield per acre and may also be in a better position to supply the larger labour input needed by the new varieties. It was suggested that disbursement of inputs should be based on technical considerations alone and political aspects should be kept out. If such a procedure were followed, the small farmer is likely to benefit since the technology of the new varieties has no scale bias. There was also a suggestion that in so far as exports of some foodgrains are feasible, small farmers may be encouraged to supply the export market and enabled to do so by the provision of adequate inputs, credit, etc.

The question of fiscal means to redress whatever adverse effect on income distribution that may be associated with the new varieties programme was then considered. It was suggested that one may consider exempting small farmers from procurement levy and engage in compulsory procurement at below the market price from larger farmers. This was objected to by some as indirect taxation. Another proposal was a slab system of land revenue, again excluding small farmers. At this stage, it was pointed out the size of holding that will distinguish a large farmer from small farmer will itself depend on the technology of cultivation and this fact has to be borne in mind. Some pleaded that rather than taxing the large farmer, he should be given a tax holiday like the one given to some new investment in industry. Others countered this argument by saying that large farmers have enjoyed a tax holiday anyway and besides it was not clear that leaving income untaxed at the hands of these farmers may necessarily go into socially desirable investments and may indeed be frittered away in conspicuous consumption.

The next issue that agitated some of the participants was the question of mechanization in agriculture that is taking place in some parts of the country.

It was pointed out that the high-yielding varieties and the associated mechanization are more a land-saving and labour-using form of technical change than a labour-saving one. As such it has not resulted in any displacement of labour but to larger employment at the going wage rate or even a substantial rise in the agricultural wage rates. It was argued that availability of credit at subsidized interest rates might encourage socially undesirable form of investment such as in over-mechanization. The remedy in such a situation, it was agreed, was to charge an appropriate price for credit rather than ban mechanization altogether. Not only credit should be appropriately priced, but other inputs such as irrigation water which is now heavily subsidized, electricity, fertilizer, etc., should be properly priced taking into view that the substantial profitability associated with new varieties will enable farmers to pay the economic price for such inputs.

The question whether the tenancy system that exists today was acting as hindrance to the adoption of new varieties was then taken up. One view was that even a tenant with no security of tenure and bearing the entire cost of cultivation and paying as high as 50 per cent of output as rent to the landlord can still earn a handsome profit if he cultivated the new varieties. Some pointed out that cost sharing arrangements are now coming into vogue and these will raise tenant's returns and induce him to use larger doses of inputs. There was also the suggestion that share cropping may in fact represent an attempt by the landlord to assure himself of a permanent source of agricultural labour.

In the last session Mr. Seiji Sakiura from Japan described the historical pattern observed in Japan in the adoption of new varieties. He argued that in Japan, at the early stages the yield-growth was achieved through proper selection of seed and extension of the agricultural practice of successful farmers to others. At this stage there were no new varieties and not much of chemical fertilizers. At the second stage, when high cost chemical fertilizers became available, new varieties with relatively low response to fertilizer use were introduced. At the third stage when the real cost of fertilizer fell substantially, varieties with higher response to fertilizer were adopted. The fixed rent tenancy system of Japan did not impede the adoption of new varieties.

It was pointed out that the new Indica varieties being tried in India (as contrasted with Japonica varieties) had higher yields at all levels of nitrogen as compared to the traditional varieties. Hence the new varieties dominate the old varieties and the three stages of Mr. Sakiura may not be relevant to India.

## SUBJECT III

### INTERNATIONAL TRADE IN AGRICULTURAL COMMODITIES WITH PARTICULAR REFERENCE TO PRIMARY PRODUCING COUNTRIES

RAPPORTEUR : C. H. HANUMANTHA RAO\*

The Group started the discussion of this subject with a major limitation which it inherited from the previous Conference. I am referring to the scope of the subject which is very wide and which, therefore, ruled out any intensive discussion of specific problems. However, the Group tried to focus on India's export problems relating to primary commodities.

#### I. INSTABILITY IN EXPORT EARNINGS

The Group started its deliberations with a critical examination of the hypothesis suggested by Mac Bean that instability in export earnings is not a serious problem for developing countries. The Group felt that the conclusions arrived at by Mac Bean are traceable to several methodological weaknesses in his analysis. It was pointed out that the developing countries cannot be treated as a homogeneous category because they are passing through different stages of economic development so that the impact of foreign trade on the growth of the national economy differs from country to country. It is possible that the fluctuations in export earnings do not always cause fluctuations in imports because of the offsetting effect of foreign aid in the case of many countries. It was, therefore, suggested that instead of correlating the instability in export earnings with the instability in the national income, it would be useful to study the effects on the growth of the particular export industries subject to fluctuating earnings.

As to the impact of the fluctuations in export earnings on the growth rate of the economy, it was agreed that it would be wrong to draw inferences without taking into account a number of variables which influence the growth of the economy. A reference was made in this connection to the findings of A. Maizeles<sup>1</sup> that in the case of 21 developing countries a strong inverse correlation was noticed between the growth of national income and the instability in export earnings, when the growth of fixed investment was considered as another independent variable.

#### II. TERMS OF TRADE

The Group also noted the view recently put forward by some experts that the terms of trade have not been unfavourable to the developing countries. The Group noted that if the improvements in the quality of manufactured goods as well as the reduction in the freight costs of primary commodities are taken into account, the terms of trade between the primary commodities and the manufactures may not show any deterioration. However, the Group felt that many of the developing countries specialising in one or two primary commodities, the

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\* Institute of Economic Growth, Delhi-7.

1. See his review of Mac Bean's book in the *American Economic Review*, June, 1968.

demand for which is inelastic, may have experienced adverse terms of trade. Although more empirical work needs to be done on this problem it was felt that the hypothesis of deteriorating terms of trade for many of the developing countries cannot be rejected on the basis of the available evidence.

### III. STABILIZATION OF EXPORT EARNINGS

On the question of stabilization of export earnings of a commodity like tea, it was pointed out by some members that the growing diversification of markets and changes in the quality of product make the operation of International Buffer Stocks a difficult proposition. A member suggested the possibility of stabilizing export earnings from tea through the export quota scheme. However, it was pointed out by some members, that the very process of diversification of markets and the consequent uncertainty faced by individual developing countries induces competition among them which in turn inhibits mutual co-operation. In view of these difficulties it was suggested by a member that it would be prudent to concentrate on the expansion of demand for tea rather than subject oneself to the regulations involved in the export quota system. In the case of jute goods, however, it was felt necessary to reduce instability in prices through the operation of buffer stocks because the instability in such cases may restrict the long-run demand through the adoption of substitutes.

### IV. EXPLORATION OF NEW MARKETS

It was agreed that it would be difficult to explore new markets for traditional export items so long as such commodities are exported in their traditional forms. In view of the increasing consumer preference for processed goods in sophisticated forms, it was pointed out that the income elasticity of demand for such processed and sophisticated goods would be much higher than that for raw products. It was suggested further that the growth of agro-based processing industries for export purposes would promote employment and technical progress within the country. A member suggested that considerable research is needed to locate those varieties or characters of a commodity which might be in demand abroad. Groundnuts were suggested as a case in point. Similarly, it was pointed out by some members that export promotion of a fruit like banana would inevitably require the development of certain varieties which are preferred abroad. In the case of tea, for instance, it was suggested that the promotion of certain brands and enhancing their flavour may considerably increase the export prospects.

### V. AUGMENTING THE EXPORT SURPLUSES

Discussion on this aspect related to (a) measures to increase export surpluses by reducing domestic consumption; and (b) measures to increase the production of exportable commodities. The discussion was focussed mainly on groundnuts and groundnut cake-exPELLER as well as de-oiled cake. A member argued that the quota restrictions in regard to the export of groundnuts encouraged domestic consumption and strengthened the monopolistic tendencies in the industry concerned. Some others felt, on the other hand, that in the case of essential commodities like edible oils due consideration has to be given to domestic consumption requirements and exports cannot be encouraged at the cost of domestic consump-

tion beyond a point. Removal of export quotas may cause an abnormal rise in the prices within the country giving rise to several socio-political problems. It was agreed, however, that in the case of HPS groundnut, export quotas are not necessary because the demand for it is mainly external and it is far more profitable to export this groundnut and import soyabean oil rather than use it internally as a source for oil. Even in the case of groundnut kernels, it was argued by a member that since our exports of this commodity constitute a very small proportion of total groundnut output, some increase in its exports will not materially affect the domestic supply position and may not also reduce the export of de-oiled cake. Some members differed with this view and argued that even in the case of de-oiled cake, the benefit from exports has to be compared with opportunities foregone in terms of milk and milk products, as cake is an important cattle feed. Similarly, it was pointed out that banana is a poor man's fruit and is a substitute for cereals upto a point. Therefore, while making investments in the promotion of banana exports which anyway constitute a very small proportion of domestic output, we need to compare the benefits with the welfare lost. Recognizing the need for such cost-benefit approach in the case of individual commodities, it was pointed out that in many cases partial analysis may not take us very far because of the several inter-relations involved and therefore a more generalised analysis should be preferred to the highly partial and the individual commodity centered analyses.

On the production front several members pointed out that the high-yielding varieties of certain foodgrains have raised their profitability in relation to the competing non-food crops which might also be the exportable ones. This together with the price support given to foodgrains may encourage the diversion of resources to the food crops. It was pointed out, for instance, that in Saurashtra and Vidarbha a marked shift of cultivated area towards bajra and jowar was noticed which may affect the output of groundnut and other non-food crops. Where groundnut competes with rice under new irrigation schemes such as Nagarjunasagar project, a conjecture by a member that the area under groundnut may increase appeared plausible because varietal improvements in the case of rice are not, as yet, impressive. The remedy for this imbalance lies in making commensurate efforts for varietal improvements in the case of exportable commodities as well as for the price support.

The immediate result of the increase in the comparative advantage of foodgrains would be the emergence of some export surpluses in the case of certain foodgrains like Basmati rice. Such export surpluses of foodgrains, it was pointed out, may offset the decline in the export surpluses of other primary commodities. Since the exports of foodgrains would be a new venture, any success in this respect would depend upon the exploration of markets and sustaining them through the building up of buffer stocks which are also necessary for internal price stabilization.

## VI. BILATERAL TRADE WITH EAST EUROPEAN COUNTRIES

The Group noted that India's bilateral trade with East European countries on rupee payment basis has contributed to a considerable increase in our exports, the bulk of which constitutes a net addition rather than a drain on free foreign exchange earnings. Many of the commodities exported to these areas did not

find adequate markets outside so that this outlet contributed to the stability in our export earnings also. Regarding the terms of trade, it was pointed out that the prices received from this area were in general higher than those in the rest of the world. However, since the prices paid for imports from East European countries are not comparable with those ruling in the free market areas owing to quality differences, it was difficult to be conclusive on the question of our terms of trade with East European countries vis-a-vis rest of the world. The Group also noted some criticisms of the foundations of this bilateral trade, viz., insufficient regard for comparative advantage and uncertainty regarding future prospects. A member pointed out that in so far as our exports to these areas constitute a net addition which cannot alternatively be sold elsewhere, the concern about the terms of trade vis-a-vis rest of the world was unwarranted. The comparison, if any, could be made only with the competing needs of domestic consumption of such commodities. It was argued, however, that since the resources can be diverted in the long-run towards the production of those commodities which are in demand in the rest of the world, a comparison of terms of trade with the latter would be necessary in the interests of long-run export prospects.

A member pointed out that East European countries usually bought our goods at minimum export prices fixed by the Government and hinted at the possibility of export price of some of the commodities being lower than in the rest of the world. Tobacco was cited as an instance in this connection. However, the same member pointed out that there were some other advantages especially the liberal conditions regarding transport associated with this bilateral trade which might make it on the whole profitable. Where private dealers are involved in selling goods to these countries, there is no need to entertain fears regarding prices, as they are free to sell such goods in the free market areas, also. Again the example of tobacco was cited in the case of which the role of State Trading Corporation has been negligible. A member felt that in view of our import requirements for industrialization, our bilateral trade with East Europe holds promise for some time to come until we reach a reasonable degree of self-sufficiency in the production of essential machinery.

The question of bilateral arrangements with other countries as also the bilateral arrangements between private traders were discussed. A member suggested that in regard to certain commodities long-term agreements with West Germany and Japan would be useful as this would help in advance planning of the internal production of the commodities concerned. It was pointed out, however, that there was no need to negotiate bilateral trade arrangements whenever the possibility of trade arose. There could be several methods short of bilateral trade such as exploration of markets and the promotion of market intelligence by the Government for the benefit of the private trade. Since, among other disadvantages, bilateral trade commits the resources to particular lines of production it would be advisable to avoid hasty arrangements.

## VII. CO-OPERATION AMONG DEVELOPING COUNTRIES

The Group critically examined the traditional argument that the prospects of trade among the developing countries are not bright because there are not enough complementarities between these countries. Some members argued that the developing countries are not a homogeneous category but are passing



through different stages of development. A member pointed out that our economy has been diversified to a significant extent in the recent period and we are in a position to export many of the manufactures and semi-manufactures to other developing countries which are in need of such goods. What is needed to promote such trade is the active participation of the State and other international agencies for the provision of the necessary credit and other services. Co-operation among developing countries could take other forms also. For instance, in regard to the stabilization of tea prices, India and Ceylon could explore the possibilities of co-operation. A member pointed out that in view of our growing fertilizer requirements, import of ammonia from the Middle Eastern countries would offer scope for co-operation. On the whole, the Group felt the need to increase trade among developing countries without necessarily resorting to bilateral arrangements.

#### SUBJECT IV

#### DEVELOPMENT OF FISHERIES—ECONOMIC ASPECTS

RAPPORTEUR : B. S. SAXENA\*

In view of a large number of issues raised in the Rapporteur's Report, it was felt that it is difficult to discuss all of them in the limited time available. Accordingly a tentative priority of issues to be discussed was drawn by the group.

##### I. NATIONAL FISHERY POLICY

It was decided to start the discussion with the various aspects of a national fishery policy for India. It was almost unanimously agreed that in the interest of effective planning, it is high time that a national fishery policy is formulated. There was, of course, difference of opinion with regard to the priorities to be given to different objectives of the proposed national fishery policy. A section of the participants was of the view that production of cheap protein-food should be given first priority; while others were in favour of exports. However, the economic tools of the supply and demand curves seemed to be widely acceptable. It was, therefore, broadly agreed that marine fisheries should be looked upon preferably as a source of cheap protein-food supplies and export earnings whereas the inland fisheries should have bias for employment in the present context of the economic situation of the country. Wherever possible, fisheries should be developed as a supplementary industry as well. It was also recognized that in the interest of national exploitation of fishery resources which are available in abundance to India, it is very essential to distinguish between the 'maximum economic yield' and the 'maximum sustained yield.'

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## II. SUBSIDY vs. MANAGEMENT APPROACH

The Group discussed at length the role of subsidy vs. management approaches in the development of Indian fisheries. It was felt that it is necessary to evaluate in detail the impact of subsidy and other financial assistance available to the industry. It is likely to go a long way in improving the existing distribution pattern and evaluation techniques. But the Group was equally keen on developing the management techniques leading to greater efficiency and increased production because majority of the participants felt that the Indian fishing industry has reached the 'take-off' stage.

## III. FISHERY STATISTICS

The various issues relating to the existing fishery statistics were discussed at length and it was keenly felt that not only the biological but detailed economic and technological data relating to the fishing industry should be collected on continuous basis and made available to the fishery scientists in published form as in other fishery advanced countries like Japan, Norway, U.S.A., etc. It was also suggested that the various terms used in fisheries statistics should be clearly standardised and defined.

## IV. RENT ELEMENT

The element of rent in fisheries was critically examined in relation to inland, territorial and deep-sea waters keeping in view the "common property resource" character of the fishing industry. The Group was of the opinion that the licence fees charged in territorial waters and the prospective levy in the over-fished stocks of the Atlantic Ocean are more or less another form of rent-element. It was also felt that with the shift from Developing stage to Stabilizing and Declining stages of fisheries development the element of rent shall be increasing steadily.

## V. UNIFORMITY OF CONCEPTS

The concepts of fishermen, full-time and part-time, related worker, labourer, etc., were discussed at length. A section of the participants was of the view that the operational unit of production should be an important factor in defining some of the above-mentioned concepts. The theory of capital-unit was also suggested in this connection. However, it was broadly agreed that these concepts should be examined further in consultation with the fishery technologists and biologists and defined as far as possible on the same basis as in agriculture, keeping special regard to the industrial and social features of the industry, shore-based and vessel-based workers, etc.

## VI. FISHERIES LEGISLATION

The Group also discussed the need and scope of fisheries legislation in the different sectors (production, processing and distribution) of the industry and it was unanimously agreed that the existing fishery legislation needs to be strengthened in the interest of accelerated development of the industry. The

various types of difficulties usually encountered in such legislative measures, particularly in the field of marketing were also examined. It was also felt that the difficulties lying outside the economic field were more important than those within the economic field. In view of the various difficulties experienced in introducing such legislation and the specific characters of the industry, the Group was of the opinion that it is only a package legislation, *i.e.*, including all aspects of production, processing and marketing of the industry which can be more helpful. Half-hearted attempt in this direction is likely to create and not solve the difficulties.

## VII. MANAGEMENT ISSUES

The problems of unequal economic conditions of the shareholders, absentee landowners, willingness and ability to invest in small waters in the field of inland fisheries were also examined by the Group. In this connection the various alternative remedial measures of co-operatives, village panchayats, lease of the waters on the basis of potential productivity were considered in detail. It was broadly agreed that they may be adopted to achieve an efficient management of these waters according to the local circumstances and requirements. So far as the development of reservoir fisheries is concerned, the Group was of the opinion that substantial results can be achieved through a rational exploitation system.

In general, the Group was of the opinion that research in relation to the economic aspects of the Indian fishing industry has not made even a beginning in the real sense. It is, therefore, very essential that research projects in this field should be taken up in as great a number and over as wide an area as possible. Probably institutions like the Agro-Economic Centres, Directorate of Marketing and Inspection, Reserve Bank of India, Central Institute of Fisheries Education, National Council of Applied Economics Research, etc., can make significant contribution in this respect.