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SUMMARIES

IMPACT OF FARM SUBSIDIES ON PRODUCTIVITY, INCOME AND EMPLOYMENT IN BIHAR (A CASE STUDY IN MUSAHARI BLOCK, DISTRICT: MUZAFFARPUR, BIHAR)

S. P. Sinha and Jagdish Prasad*

An attempt is made in this paper to assess the impact of subsidies on agricultural productivity, income and employment of the selected beneficiary farmers' households in Musahari block, Muzaffarpur district in Bihar during 1979-80 (pre-subsidy period) and 1981-82 (post-subsidy period). Out of a sample of 40 households, 40 per cent (16) were marginal farmers and 30 per cent (12) were small farmers. As such, 30 per cent of the households, not eligible otherwise for subsidy, also receive subsidy under target-oriented programmes. This amounts to a lack of proper identification and misuse of the subsidy programme as these households belong to middle and large farm households. Some 37.50 per cent (15) of the households received subsidies for the purchase of minor irrigation inputs; 35 per cent (14) of the households received subsidies for the purchase of improved seeds and chemical fertilizers; 15 per cent (6) of the households, belonging to the category of marginal and small farmers, received subsidies for pumping sets and tubewells; and 22.50 per cent (9) of the households belonging to medium and big farmers' groups also received subsidies on these accounts. On the other hand, 27.50 per cent (11) of the marginal farm households received subsidies for the purchase of livestock. Marginal farmers have not benefited much from the subsidies for irrigation and agricultural inputs because of their resourcelessness and small size of land holdings. This subsidy requires matching capital investment in irrigation facilities and these farmers were hardly in a position to meet these expenditures.

The crops grown by the beneficiaries consisted largely of paddy, wheat and maize. The cropping intensity on these farms increased from 153.93 to 160.24 per cent after the subsidy. Farm productivity was higher in all farm households in 1981-82 as compared to 1979-80. The highest (39.66 per cent) increase in income was shown by the size-group between 0.0 to 1.0 acre. Similarly, the highest increase (8.22 per cent) in employment in terms of man-days was also shown by the same size-group.

The policy implications are: firstly, the subsidy programme must be selective and discriminating; secondly, the subsidy programme on irrigation must be oriented in favour of community irrigation works to alleviate the constraint of resourcelessness of marginal and small farmers; thirdly, the subsidised purchase of milch cattle needs to be intensified and strengthened; lastly, there is no case for any subsidy for the large farm households. Proper identification of the beneficiaries must be given due importance to check misuse of funds.

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SUBSIDY AS AN INSTRUMENT FOR IMPROVING THE ECONOMIC CONDITION OF THE MARGINAL AND SMALL FARMERS: A CASE STUDY OF THE DISTRICT OF GANJAM, ORISSA

Ajit Kumar Mitra*

An attempt has been made to assess the effectiveness of the subsidy (and credit) programme of the Small Farmers Development Agency (SFDA) in improving the economic condition of the marginal and small farmers in the district of Ganjam, Orissa. The study is based on secondary data and covers a period between April 1971 and March 1980. Important programmes relating to the subsidy (and credit) of the SFDA suffered from extremely limited scope and coverage during this period. Even when subsidy (and credit) was available, it was difficult to utilize it properly due to inadequate availability of HYV seeds, chemical fertilizers, pesticides, etc. This prevented many recipients of subsidy to take full advantage of the new technology to improve their economic condition. Besides, due to inadequate experience of many marginal and small farmers to operate different types of minor irrigation structures or manage dairy, poultry and sheep/goat rearing enterprises, there was a certain amount of concealed transfer of the benefits of the subsidy in favour of large affluent farmers. So the subsidy (and credit) programme of the SFDA was not very effective during this period in improving the economic condition of the marginal and small farmers of the district in a significant way. In order to make the subsidy (and credit) programme of the SFDA an effective instrument for increasing the income and production of the marginal and small farmers, it is desirable to extend the scope and coverage of this programme. Besides, greater emphasis may be placed on the proper distribution and effective utilization of the subsidy. For this purpose, it may be desirable to organize the marginal and small farmers.

ROLE OF SUBSIDY IN AGRICULTURAL DEVELOPMENT (A CASE STUDY IN AJITMAL BLOCK, DISTRICT ETAWAH)

S. R. Yadav, Dal Singar Singh and Arvind Kumar Dubey†

The present investigation was carried out in Ajitmal block in Etawah district of Uttar Pradesh in 1980-81, with a view to determine the impact of subsidy on the incomes of small and marginal farmers. Data were collect-

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ed from 30 beneficiary and 30 non-beneficiary small and marginal farmers, selected randomly from five villages of the block. The size of holding was almost equal in both the categories, but capital investment, cropping intensity, and the percentage of area under irrigation were significantly higher among the beneficiary farms. The provision of subsidy resulted in an increase in total income. It was about 50 per cent more for both the beneficiary small and marginal farms in comparison to those of the respective non-beneficiaries. On the beneficiaries' farms, incomes from crop growing were about 70 per cent more and from milk production about 40 per cent higher than those of the non-beneficiaries. Thus, the provision of subsidy to small and marginal farmers plays an important role in increasing income. The small and marginal farmers are not in a position to increase the number of milch animals and to adopt the improved crop and dairy technology with their existing meagre resources. Therefore, to help them benefit from improved agricultural technology and dairy production together, a provision of subsidy is essential.

CONTRIBUTION OF SUBSIDIES IN INCREASING FARM PRODUCTION AND INCOME UNDER IMPROVED TERRACING PROGRAMME IN UTTAR PRADESH HILLS

K. M. B. Rahim and V. K. Sharma*

Improved terracing helps farmers achieve higher yields through conserving soil and water and reducing losses of plant nutrients. It confers social benefits in the form of reduced soil erosion and flood damage, increased production and additional employment. It is presumed that the social benefits outweigh the social costs and a subsidy is justifiable. The government offers a subsidy equal to 50 per cent of the average cost of construction of improved terraces. A sample of 90 respondents spread over two sub-watersheds in the Ramganga catchment in Uttar Pradesh hills was studied for obtaining data on costs and benefits of terracing. Six slope ranges upto 30 per cent and three altitude levels from 600 metres to over 1,500 metres were covered. The results indicated that without subsidy, the benefit-cost ratios were less than unity in most cases except for slopes upto 20 per cent when irrigation was also provided after terracing. With a subsidy of Rs. 1,000 per hectare, the benefit-cost ratios improved to more than one in all cases where irrigation was provided, as also for slopes upto 10 per cent from non-terraced land to improved terracing. Therefore, the present reluctance of the farmers to construct improved terracing without subsidies is explained. The necessity of offering subsidies is also established.

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RATIONALE OF SUBSIDY FOR DAIRYING IN PUNJAB

B. R. Garg and Naginder S. Dhaliwal*

An attempt is made in this paper to study the rationale of subsidy in dairying through (*i*) costs and benefits in household dairy enterprise (2 buffaloes); (*ii*) cash flow analysis, and (*iii*) an *ex post* evaluation of dairy by carrying out financial analysis of the beneficiaries with subsidy and otherwise. The study was based on primary as well as secondary data collected from 40 beneficiaries of Small and Marginal Farmers and Agricultural Labourers' Development Agency in two villages in Bhatinda district of Punjab State and the concerned commercial banks respectively. The study covered the period 1976 to 1981. The gross benefits accruing to the dairy project were higher than the costs, thus showing positive net returns. Cash flow analyses for dairies with and without subsidy showed that the loan outstanding at the termination of the project (5 years) was Rs. 696.49 for the project with subsidy and Rs. 2,502.71 for the project without subsidy. The NPV was positive and CB ratio more than 1 even at 50 per cent discount rate for projects with subsidy and life of 3 and 5 years. The NPV for dairy projects without subsidy was positive at 8 per cent and negative at 10 per cent. The IRR was 9.8 per cent with a project life of 3 years. With the project life of 5 years without subsidy, the NPV was positive at 30 per cent and negative at 35 per cent discount rate. The IRR was estimated to be 34.8 per cent per annum.

THE RATIONALE OF INPUT SUBSIDIES: THE CASE OF FERTILIZER

N. V. Namboodiri †

Subsidies on fertilizers date back to the Third Five Year plan (1961-66) and today subsidies on fertilizers are next only to those on food. The central issue of this paper is to examine whether the subsidies on fertilizer are fully justifiable, and who enjoys the major benefit from fertilizer subsidies. The relevance of continuing fertilizer subsidy has been looked into by examining the gap between actual and optimal fertilizer use, returns from fertilizer application and the relative change in fertilizer and foodgrain prices. The results recommend the continuation of a fertilizer subsidy though its benefits are not widely dispersed. The irrigated tracks and the relatively well-endowed areas corner much of the benefit from fertilizer subsidies. As long as input-output price relations are in farmers' favour, fertilizer consumption would continue to rise irrespective of price rise. At the same time, the backward and inaccessible areas demand discriminatory approach in granting fertilizer subsidies.

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PRICE SUPPORT VERSUS INPUT SUBSIDY FOR ACHIEVING SELF-SUFFICIENCY IN WHEAT PRODUCTION IN INDIA

K. N. Rai, Shri Niwas and B. S. Panghal*

The study makes an attempt to analyse the programmes of price support and fertilizer subsidy for achieving self-sufficiency in wheat in the country. The criteria used to evaluate these two policies are (*a*) the cost of the programme to the government, (*b*) the efficiency of the programme, (*c*) the distribution of benefits and (*d*) foreign exchange savings. The total cost to the government in the case of price support programme was worked out to be Rs. 344.90 crores whereas it was Rs. 76.37 crores for the fertilizer subsidy programme. This shows the superiority of the fertilizer subsidy over price supports. Based on the total social benefit and cost of the two programmes, the benefit-cost ratios worked out were 4.12 and 10.19 for the price support and fertilizer subsidy programmes respectively. Therefore, based on this criterion too, fertilizer subsidy is to be preferred. Although the total private benefit of price supports was higher at Rs. 466.62 crores than that of the fertilizer subsidy policy at Rs. 265.70 crores, social benefits showed the reverse, *i.e.*, they were higher by Rs. 91.64 crores in the case of the fertilizer subsidy programme. Thus again fertilizer subsidy programme fares better. The net savings in foreign exchange were Rs. 610.60 crores and Rs. 435.14 crores for price support and fertilizer subsidy programmes respectively. Under this criterion the price support does prove to be better than the fertilizer subsidy programme. Thus, on the whole, fertilizer subsidies are more effective in achieving food self-sufficiency.

SUBSIDY AS AN INSTRUMENT FOR INCREASING AGRICULTURAL PRODUCTION AND INCOME

A. K. Bhatnagar†

Central and State Government budget documents are the only source of data for subsidies. While there is full information available in respect of direct subsidies, not much is known about hidden subsidies. The official estimates of subsidies are also more or less silent about the hidden or covert subsidies. The available details reveal that there are direct subsidies for fertilizers and food and indirect subsidies for irrigation in the form of operating losses in this activity. Out of these three, fertilizer and irrigation subsidies are going to the producer while the subsidy on food is going to the consumer. The food subsidy is, therefore, not relevant in the present context. Fertilizer and irrigation subsidies have, therefore, been discussed in detail. Although subsidy on fertilizers has shown remarkable results in increasing the food production, still it cannot be allowed to continue indefinitely. It has to be phased out sooner or later. In this paper, the case of irrigation subsidy has however been advocated very strongly. It has to be increased. More water is to be made available to the farmers by digging more canals. This is a stupendous task and should be taken up at the national level.

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