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# SUMMARIES OF GROUP DISCUSSION

## SUBJECT I

### WAGES AND INCOMES OF THE WEAKER SECTIONS IN RURAL INDIA

RAPPORTEUR : G. Parthasarathy\*

The fact that almost all the participants had no opportunity to read the papers was found to be a handicap for effective and meaningful discussions on papers submitted to the Conference. It was not possible for the Group to examine methodological issues, *viz.*, the data base of the papers, the statistical techniques, etc., in a satisfactory manner. A further handicap for a meaningful dialogue on methodological issues was the absence of a number of authors who contributed papers to the Conference at the group discussions. Under these circumstances the Group chose to start its discussions upon the Rapporteur's evaluation of the facts presented in the papers and of his appreciation of the issues arising from the papers.

Two broad conclusions that emerged from the papers presented were that (a) in most parts of the country there was a decline in real wages though in almost all the studies an increase in the trend of money wages was noticed; (b) quite a few papers bring out that the Green Revolution period was comparatively better compared to the pre-Green Revolution period. Though the Group did not examine in depth the methodological issues, it is noticed that the inferences drawn by different authors regarding the rates of growth of real wages varied for the same area, even though the data are said to be drawn from the same source. The need for cautious use of the DES data on agricultural wages (published by the Directorate of Economics and Statistics, Ministry of Food and Agriculture, Government of India) was stressed. It is also noticed that the consumer price index for agricultural labour (ACPI) data also suffer from several limitations. The use of these data as a deflator may give an upward bias. The differences in the rates of growth of real wages noticed in the papers for the same area studied are also due to the use of different indices. Studies which used ACPI food index show in general lesser rates of growth than those which used ACPI general index, since the food index rose at a much faster rate than the general index. The Group also noticed that the studies based on the Farm Management data of 1954-57 and 1966-67 to 1969-70 show lesser rates of growth of real wages than those which are based on DES data. The Group cautioned that inferences based on DES and ACPI data are likely to have an upward bias and further in so far as these samples of villages are drawn from those which are closer to the towns, inferences based on these may lack a representative character. While

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the Group recognized the limitations of the data base no disagreement with the broad conclusions of the papers that real wages of labour appear to have declined in many parts of the country was expressed. The inference that the real wages of agricultural labour in most parts of the country did not increase appear to agree with what is to be expected from the macro-facts relating to the rate of growth of agricultural production, rate of growth of supply of labour, rate of growth of employment in non-farm sector, elasticity of demand for labour with respect to output, elasticity of substitution between capital and labour, etc.

The Group then discussed some basic questions relating to the need for focus on annual wage bill as distinguished from daily wage rate. It was also pointed out that in considering the trends in real wages one need to be careful in choosing his deflator. Under certain circumstances it may be more meaningful to consider the trends in real wages in terms of significant items in the consumption basket of the agricultural labour. This point is illustrated with reference to Kerala. The picture that one gets regarding the trends in real wages in Kerala might differ depending upon whether one chooses the prices of tapioca or of rice. It is also noticed that the trends in wage rates might not adequately reflect the changes in the position of labour. The dynamics of the system might generate favourable or unfavourable forces which affect parts of the consumption basket but which are not adequately represented in the trends in real wages. What then needs to be considered in studying the trends in the position of weaker sections is the operation of the various markets, namely, the land market, the product market and the capital market in the economy in relation to these groups. It is suggested that given the agrarian structure in most parts of the country, the operation of these markets does not contribute to a situation which advances the interests of the weaker sections. The Punjab situation in which impressive rates of growth of real wages have been noticed, should be understood against the background of unique historical circumstances. It is not valid to expect these circumstances to be repeated in most parts of the country.

The Group then pursued the discussion by raising the question whether in the context of feasible rates of growth both in agriculture and non-agriculture, which cannot be high enough to provide expanding employment and income for the weaker sections, a radical change in the agrarian structure, as has been suggested in the Presidential Address, is compelling to combine growth with expanding employment and income for the weaker sections. A related question that has been raised in the context is that even assuming that a radical change in the agrarian structure raises the level of income of the weaker sections immediately, whether this does not pose the problem of low rates of growth of real income unless such a reorganization is accompanied by appropriate institutional arrangements for maintaining high rates of capital accumulation. The question that is posed is what types of institutional arrangements ensure high rates of capital accumulation in small peasant agriculture.

Some members of the Group contended, based on past experience, that the possibilities of increasing the share of labour force in non-agriculture are limited and we should expect the labour force in agriculture to grow. They did not, however, share the view that the possibilities of rates of growth in agriculture are low. It was said that agriculture could not only contribute to much higher rates of growth, but given appropriate investments it could also generate higher rates of employment and incomes for the weaker sections. The specific suggestion was an appropriate change in the product-mix from low labour intensive crops to high labour intensive crops. Empirical data were cited to show that there is a high degree of association between net value added and higher labour intensity per hectare. Such shifts are also justified on the ground that the high labour intensive crops have high income elasticity of demand. The Group discussed the possibilities for improvement in employment and income of the weaker sections through appropriate manipulation of the product-mix. While it is conceded that changes in the product-mix might generate more employment along with increase in the net value added, the significance of this strategy in benefiting labour spread over wide areas is questioned. It is noticed that many commercial crops are largely localised and the possibilities for extending them over wide areas appear to be limited. There are also issues which are related to technology, markets—internal and external—capital intensity, etc. In this context it is noted that the potential for generating employment in the service sector is great; but even this might call for changes in the distribution of income.

The issue relating to appropriate institutional arrangements so as to maintain a high rate of capital accumulation in the present system of agriculture did not receive adequate attention of the Group.

The Group noted that social engineering of a degree required for effective changes in agrarian structure may not be forthcoming. Given this, it addressed itself to the question whether an effective trade union movement if built up, could protect and advance the interests of agricultural labour. It was suggested that the trade unions of agricultural labour could help to increase the wage rates without affecting employment only under special assumptions. Even if they could, it would be difficult for them to sustain the rates of growth of real wages, if growth induced demand for labour was not rising. This took the Group to the issues relating to the minimum wages, since it was felt that minimum wages backed up with the force of legislation, could provide opportunities for the growth of trade unions. Two issues have been raised in this context. The first relates to the mechanism of fixation of minimum wages. It is noticed that minimum wages paid tend to be below the market wages and the revision is done only once in five years in most of the States, though there is provision for annual revision by administration. The Group recommended the need for fixing the minimum wages in kind though option might be given to the labour to get the equivalent amount in cash. The second issue relates to the circumstances under which a trade union

could be effective in ensuring the payment of minimum wages to the labour. The Group felt that in the absence of a guaranteed employment by public authorities trade unions cannot be effective even in ensuring the payment of minimum wages. The need for public authorities ensuring guaranteed employment to rural labour raised further issues. Employment given by public authorities should not only ensure incomes for the weaker sections currently but it should generate productive assets which have to raise the rates of employment and simultaneously influence the level of prices of wage goods favourably. Secondly, it has to be ensured that the nature of technology and the land markets operating in the private sectors in agriculture will not throw increasing burdens on the public sector. The question is raised whether the preceding two conditions could be achieved without effective interference with the structure of rights of private property in land. It is conceded that even if a radical land redistribution programme is not visualised an effective employment programme to be operated by public authorities would call for programmes of land use operated by public authorities on private land. This would become necessary particularly in newly irrigated areas. It would be wrong to think that a rural employment programme operated by public authorities could be confined only to creation of infra-structure. Still another issue that has been raised in this context is the desirability of permitting payment and acceptance of wages even below the minimum on the assumption that full employment is guaranteed by public authorities at a minimum wage and those entering into transactions at rates lower than the minimum do this because they find the alternative preferable.

A feeling that one got at the end of group discussions was that any serious attempt at improving the lot of the weaker sections would come into conflict with the structure of rights of private property as they are currently understood, though there could be differences of opinion on the nature and extent of changes in the agrarian structure. Another strong feeling that one got was that the concern for the weaker sections called for building up organizations and administrative structures in which the agencies are seized with what one perceptive writer calls "a sense of empathy."

## SUBJECT II

## ECONOMICS OF COMMERCIAL CROPS

RAPPORTEUR : I. J. Singh\*

*Definition of Commercial Crops*

At the outset, it was mentioned that the current practice of designating only the non-food crops as commercial crops was not appropriate. Crops like wheat, rice, coarse grains and pulses are as much commercial crops, for example, in Haryana and Punjab, as cotton or oilseeds. This is also true where large quantities of marketable surplus of foodgrains are produced. The Group, therefore, felt that in the present context, the crops may be re-classified as food and non-food crops. The food crops would include cereals, pulses, vegetables and fruits. The non-food crops would include fibres, oilseeds, sugarcane, fodder and beverages.

The Group discussed the present pattern of land use in the context of increasing population and limited availability of cultivable land in the country. Due to the growing numbers and increasing urbanisation, more land is being diverted to such non-agricultural uses as housing, communication, industries, etc., leaving a small proportion of land for growing crops to meet the increasing demand for foodgrains, industrial raw materials and exports for earning foreign exchange.

*Possibilities of Substitution*

In this context, the question was raised whether any major shifts in acreages under foodgrains and other major crops would be possible and economical? It was pointed out that any policy decision in this regard will need consideration of a number of issues. For example, is the present land use in India compatible with the social objective of preventing hunger in the country? Is the present pattern of food production helping the poor, or is it only subserving the needs of well-to-do sections of the population? How important is each crop for the economy as a source of industrial raw material for the existing industries, which provide employment and in which large amounts of capital have been invested and as an earner of foreign exchange?

The existing cropping pattern in the country is heavily dominated by foodgrains as cereals and pulses accounted for nearly three-fourths of the total cropped area. The proportion of area under other main crops was 8.5 per cent under oilseeds, 1.7 per cent under sugarcane and about 5 per cent under cotton. Therefore, the possibilities of reducing the area under non-food crops such as oilseeds, sugarcane and cotton appeared to be extremely limited.

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It was argued that the area under sugarcane cultivation in various States of India and the yield per hectare do not justify the present pattern of land use. The States of Haryana, Punjab, Uttar Pradesh and Bihar accounted for nearly 70 per cent of the total area of sugarcane in the country. However, the per hectare yield in these States is only about half of that in Andhra Pradesh, Maharashtra, Karnataka and Tamil Nadu. It was, therefore, argued that the possibilities of concentrating sugarcane cultivation in the southern States and diverting area from sugarcane to food crops such as maize, jowar, paddy and wheat, etc., in the northern States should be explored by considering the relative pay-off from these crops. It was pointed out that the choice of the cropping pattern would depend upon the profitability of alternative patterns within a given region, rather than by the profitability of a crop between the regions. There may also be other factors like investment in processing industries which would affect decisions involving the shift in cropping pattern.

As in the case of sugarcane, the Group felt that land under cotton in some States was giving very low yield calling for shift of the acreage to other essential food crops. For example, some areas of Maharashtra State (excluding Vidarbha region), Andhra Pradesh, Madhya Pradesh and Karnataka could perhaps reduce area under this crop and divert it to produce foodgrain crops having more comparative economic advantage than cotton.

Some synthetic fibres can satisfactorily replace cotton in various uses in industry or in apparel. However, the production of several synthetic fibres is capital intensive and these industries may take a long time to replace the cotton textile. The Group again felt that the States like Gujarat, Haryana, Punjab and Tamil Nadu where yield per acre is higher may explore the possibilities of concentrating on production of cotton in areas where this crop gives a higher yield and has a bigger comparative advantage, than the cultivation of food crops. Competition from synthetic fibres is a more serious problem in the case of international market for jute. More attention should be given to evolve a better quality of jute.

The Group felt that to meet the social objective of feeding the growing population, serious attention is needed in planning our food production programme through re-allocation of funds for research and development.

#### *Integrated Price Policy*

A question was raised whether it would be desirable to reduce the area under commercial crops with a view to attaining self-sufficiency in foodgrain production; and, if so, whether the prices of foodgrain crops should be made more remunerative to serve as incentives to the farmers? Should the existing price policy of fixing procurement prices only for major foodgrain crops be extended to cover other non-foodgrain crops? It was felt that it would be



difficult if not impossible to administer an integrated price policy for all the major crops. During the discussions on this aspect, a suggestion was made to evaluate the role of regulated markets in mobilizing the marketable surpluses and ensure to the producer a fair share of the consumer's rupee. The Group also felt that the existing agricultural price policy has its limitations and while fixing prices for different crops under the integrated price policy scheme, the input prices need to be considered.

#### *Crop Output Growth Rates*

The Group discussed the output growth rates of foodgrains vis-a-vis commercial crops, and noted that the annual output growth rates of major non-food crops have been smaller than those for the foodgrain crops, especially wheat and rice, during the post-green revolution period.

#### *Technology for Commercial Crops*

The Group pointed out that at present there is no acceptable high-yielding technology for commercial crops and specially for dry land areas. The Group felt that more research and development efforts are needed to develop a suitable high-yielding technology for the commercial crops, and more aggressive and systematic extension efforts are required for its wide diffusion on the farms. In this context, the experiences of Haryana and Punjab in successfully diffusing the high-yielding technology at the farmers' level need to be followed by other States. Technological changes particularly in the case of commercial crops involve high risk in the early stages of adoption. It was felt that a crop insurance scheme, at least, on an experimental basis, may be introduced for selected crops in selected areas.

#### *Inter-disciplinary Approach*

With a view to making the existing improved technology more acceptable to the farmers, the Group suggested that the Economists need to work in close collaboration with the crop specialists to make their recommendations more realistic and acceptable to the farmers. Whatever technology for the commercial crops is available at present in the country should be extended to the farmers through the extension wings in the Agricultural Universities of different States in close collaboration with the State Departments of Agriculture.

## SUBJECT III

## STRATEGY FOR AGRICULTURAL GROWTH AND EQUITY

RAPPORTEUR : V. S. Vyas

The Group explored several approaches to study the implications of various development strategies for agricultural growth and equity.

One suggestion was to identify the strategic and supportive variables in the process of growth. The former would include technology and institutions and the latter the policy packages and organizational structures. The interdependence among the strategic variables and between strategic and supportive variables was accepted and underlined. The other suggested approach was to identify various sources of growth without categorising them as basic or supportive. It was maintained that this would cast the net wider, as it would include even those factors which have local or transitory significance.

The third approach was to assess the process of agricultural development in this country during the last two or three decades and to infer from it the factors which are relevant for agricultural growth or equity or both. It was maintained that a critical review of this nature would enable us to make suggestions on the type of corrective measures which would improve the performance of the agrarian economy from the points of view of growth and equity. After such a critical review, one may come to the conclusion that given the nature of social and economic institutions, we could expect only marginal improvements, and that for more remarkable changes an overhauling of the existing institutions is inevitable.

The Group decided not to prejudge the issues, but to examine the interplay of technology and institutions at the disaggregated planes. For this purpose, the problems of growth and equity were discussed in the context of the wheat regions where a superior technology is available, the rice growing regions of south and east where the promise of a viable technology has not yet fully materialised and, the vast millet tracts where no path-breaking technology is yet in sight. The focus on technology as one of the key components of growth could be considered a handicap in arriving at meaningful conclusions; on the other hand, the procedure had the advantage of generating much fuller discussion on a limited range of issues.

As the technology was at the centre of discussion, there was a lively and useful discussion on the research priorities. It was felt that a well defined research policy and action emanating from it can generate technological pack-

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ages which are more relevant to the social needs and better attuned to the factor endowment of a given region. An absence of such clear directives can lead to the employment of research resources in areas which are of lesser importance in the hierarchy of social goals. The neglect of research on millets and other so-called inferior cereals will be one example of an absence of laying down priorities in consonance with the social needs; the recent emphasis of research on long staple cotton rather than on more extensively grown medium and short staple cotton is another example of the same phenomenon. Thus, the research policy has not only to contain with the resolution of physical constraints, it is also to be in sympathy with the value orientation of the social system. Only then a perspective for evaluating the social significance of technical change can be provided.

At the same time, it was pointed out, one should not expect too much from the technology alone. We should realise that the agricultural scientists are working in a framework defined by severe natural and physical constraints. Some of these, at this state of knowledge, are unchangeable. These factors may give a particular bias to the technical research and the resultant outcome. In this situation the corrective measures have to be adopted at the social and political plane.

The Group examined the growth and equity implications of technology revolving round high-yielding varieties of seeds. It was generally agreed that it was a superior production technology. Also, the impact of this technology in areas where it could be extended on the absolute income levels of the poorest sections of the rural society, namely, the agricultural labourers was favourable. Thus, it has made a dent on the problem of absolute poverty. But in the process the relative income distribution has become more skewed. One will have to take a position on the question as to whether our immediate concern should be on reducing the level of absolute poverty or on concentrating on the measures which are likely to minimize the overall inequality in the agricultural sector. This again is a question of priorities.

While considering the question of the further extension of this technology, the Group addressed itself to the proposition whether the situation warrants basically the technological and organizational adaptations or it demands more fundamental structural changes. As should be expected, the participants were sharply divided on this issue. Some of them maintained that without reordering the relationship in land, particularly without a drastic re-distribution of land holdings, the extension of the technology, or for that matter any significant improvement in productivity cannot be ensured. Another section of opinion, while not disputing the need for structural changes, was that with proper corrective actions such as, public investment in irrigation, consolidation of land holdings, strengthening the extension services and rationalising the input supply systems, it should be possible to extend this technology to the areas and sections yet uncovered.

The third viewpoint was that the need for institutional change, particularly that symbolised by the land reforms would differ from region to region. While in a State like the Punjab, proper technical support and adequate supply of inputs can still help to improve upon the results, in a State like Bihar no worthwhile results can be expected without a thorough reform in the ownership and use of land. There is a need, according to this view, for a discriminating approach, depending on the inequities in the land holding structure on the one hand, and the level of development in other supportive systems (such as, extension, credit, inputs supply and product marketing), on the other. This view does not deny the inter-relationship among the land market, labour market, capital market and the commodity market, it only suggests that the nature and degree of the structural obstacles in these markets may differ from area to area and may call for distinct remedies.

The Group briefly reviewed the prospects of growth and equity in the predominantly rice growing areas, particularly in the eastern parts. It was suggested by many participants that an appropriate technology and the supportive systems are still lacking in the rice areas. The institutional handicaps will come to the fore more sharply only after a viable technology is offered for application at the farm level. It was also suggested that in these areas with heavier concentration of population and no prospects of spectacular rate of growth in agriculture, the solution may lie in fields outside agriculture.

The Group reviewed the existing and on-the-anvil technology for the dry zones. It was brought out that the technological efforts are channelled in two distinct directions. One in the field of plant breeding, *i.e.*, evolving drought resistant and high-yielding crop varieties and the supportive package of practices. Second, in conserving the rainfall water which is available in small quantities during a short period. Another important feature of this economy is the high variability in production mainly introduced by fluctuations in rainfall. In the existing circumstances, the farmers try to counter or adapt to the variabilities either at the production plane, *e.g.*, having low yielding but drought resistant varieties and crops, or by accumulating or depleting inventories (of grain or cattle or any other marketable products) depending on the "goodness" of the season. As it is, both methods are costly and inefficient.

The above-mentioned constraints and the present directions in research emphasize the need for large-scale collective or group efforts and that too on an area basis. At the moment the States have taken the initiative in sponsoring and/or executing soil and water conservation schemes. There is large scope for organizing co-operative action by the beneficiaries of such programme, both at the implementation stage and also in subsequent follow-up stages.

More important, for reasons given earlier, is the need for socialisation of risks so that its incidence is not exclusively borne by the individual farmers.

The last point was emphasized also in the context of severely exploitative relationships in credit and in marketing obtaining in these areas. The exploitative relationships have roots in large fluctuations in production and variability in incomes. An income stabilization programme would strengthen the farmers' capacity to resist the exploitative elements.

In the last session, the Group posed to itself the question of supportive actions to break the hegemony of the rich in the rural areas. According to some participants, such hegemony cannot be reduced in any meaningful way until and unless radical structural changes take place in the society. The other view was that the well defined State measures as well as voluntary collective actions can enable the poor to prevent the rich and the powerful in the village society to pre-empt the goods and services which are meant for the weaker sections. The policy packages aimed at this objective would include the social control of water and other scarce resources, availability of credit to the small farmers, institutionalisation of the production of the high cost inputs such as hybrid and exotic seeds. Similarly, collective actions to avail of the economies of scale as in irrigation, crop planning and crop protection, in marketing output, etc., were considered both desirable and feasible. It was suggested though that to take rigid stance on the form and content of joint action may dry up the springs of collective endeavour.

The Group briefly considered the question of existing and possible transfer mechanisms. A point of view was that the very increase in agricultural production, particularly foodgrains production, if it leads to the lowering of the foodgrains prices, would benefit the landless labourers, marginal farmers and the urban poor, *i.e.*, all those who depend wholly or largely on the market for obtaining their foodgrains supplies. This in itself can be a valuable contribution to agricultural growth in terms of equity. The other viewpoint was that such contributions would not come automatically in the absence of proper fiscal and pricing policies. Although to get these policies accepted in the face of opposition from the powerful vested interests is not an easy task, it was maintained by some participants that the recent developments in this regard are not altogether disappointing.