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THE INDIAN SOCIETY OF AGRICULTURAL ECONOMICS
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AIMS AND OBJECTS

To promote the investigation, study and improvement of the economic and social conditions of agriculture and rural life through

- (a) periodical conferences for the discussion of problems;
- (b) the publication of papers or summaries of papers, either separately or collectively; or in a periodical which may be issued under the auspices of the society;
- (c) co-operation with other institutions having similar objects, such as the International Conference of Agricultural Economists and the Indian Economic Association; etc.

"GOVERNMENT AND AGRICULTURE" *

BY

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The book under review has been issued in the series American Government in Action. It is a contribution to an understanding of the contemporary issues facing the American farmers. It is also a critical study of how the American Government has responded to the farmers' needs by creating one of the world's outstanding examples of effective administrative co-ordination—viz. the Department of Agriculture. Dr. Blaisdell, who was formerly Assistant to Mr. Wilson (Under Secretary of Agriculture), has written from the 'inside'—but with a fine sense of detachment—the first comprehensive account of the Department of Agriculture as a continuing force in American life to-day. At a time when plans for the agricultural development of India are taking shape, it would be worth our while to cast a purposeful glance at the American agricultural scene. The American scene as unfolded by Dr. Blaisdell may indicate to us the usefulness of certain methods of approach and may give us some valuable hints in our task of putting Indian agriculture on a much more solid foundation.

Dr. Blaisdell starts off with an analysis of the nature of the farm problem in America. He suggests that the problem is one of maladjustment between agriculture and the rest of the nation's economy. The evidences of this maladjustment are to be found in the inadequate income of the farmers, the poor services and few conveniences of the countryside, the declining capital in agriculture, the increase in farm tenancy and widespread soil erosion. All these phenomena are illustrated with a wealth of statistical material that should be the envy of any student of Indian agriculture. Basically the American farm problem is regarded as one of inadequate income, because most farmers do not have sufficient resources to maintain themselves and their families according to the American standard of living. In 1929, a good year, agriculture contributed between 10 and 11% to the national income from goods and services. Yet in that year about half the farmers each produced less than \$1,000 worth of products.

* Government and Agriculture by Donald C. Blaisdell (American Government in Action Series. Published by Farrar and Rinehart, Inc., New York 1940. Pp. 217.,

(which is about the same as the value of the production of a typical peasant farm of northern Europe) and 15% of the farms produced less than \$400 worth of products. "As Dr. O. E. Baker says—this is approaching the Chinese level of production." The **per capita** contribution of agriculture to the national income was 53% of **per capita** income of the whole population, in 1910 but by 1932 it had fallen to 30%. In order to measure agriculture's position relatively to that of the rest of the country, figures of the **net** farm income available for living have been compared, with the **net** non-farm incomes. These statistics reveal that on the whole agriculture lived well during the decade of the first World War. Since then it has never been on a par with the remainder of the country. Statistics collected in 1935 and 1936 by the National Resources Committee show that the average income per non-relief farm family was \$965 with an average of 4.5 persons per family, the comparable figures for non-farm urban families being \$1,475 and 3.6.

Despite this major handicap of inadequate income, many of the services and conveniences taken for granted by city people are not within the reach of farm people. As regards health and medical services, the general hospital is predominantly an institution of population centres. Over 40% of the 1338 counties of U.S.A. do not contain a registered general hospital. The rural group stands lowest in the cost of medical services bought. For 86 out of 100 farm mothers the delivery room is a more or less hastily converted bedroom, while 71 out of 100 of their city sisters have the advantage of hospital care. Farm areas are similarly handicapped in regard to school facilities and labour saving devices. According to the 1930 Census, the rural illiteracy rate is more than twice as high as the urban rate (being 6.9% of those 10 years old or over). In the same year, 60% of the farms had automobiles, but only 34% had telephones, 30% had radios, 15% had water piped into the house and 10% had electric service (this last was 25% in 1939). This indicates that American farms are behind the times according to American Standards. Other indicators of the maladjustment are the declining capital in agriculture, the increase in farm tenancy and widespread soil erosion.

Dr. Blaisdell then proceeds to analyse the **factors responsible for this maladjustment**. The farmers' customary production policies reflect the difficulty of adjusting agricultural production to changes in demand. This difficulty was made more serious by the rising production costs which were due partly in to the effect of the American tariff and partly to the price fixing policies of business executives.

The higher birthrate in the rural regions was another factor working in the same direction to add to the disadvantage of agriculture.

This picture of contemporary American agriculture is not an inspiring one. Washington was asked by farmers to undertake the correction of this maladjustment. How it responded to the call of Agriculture is next surveyed. The most general and most pressing needs of agriculture were met through research and through practical assistance. In most important instances the response was stimulated by farmers' organizations. It became more frequent with the passage of time and continued regardless of partisan politics. In the spirit of assistance, of guidance and of leadership, government response has produced during the last hundred years a large volume of legislation on the basis of which a number of services are now carried on for the benefit of farmers. The most eventful decade from the point of view of legislation has been the one from 1929 (Agricultural Marketing Act) to 1938. (Agricultural Adjustment Act). The Government's farm policy during these years has gone through three stages of development. The A.A. Act (1933) authorized production control, which was followed by the agricultural conservation programme based on the 1936 Soil Conservation and Domestic Allotment Act. The third stage is marked by the A.A. Act of 1938. The policy of production control was intended to adjust production and supplies of various crops more closely to demand by using a number of methods the most important of which was contracts with producers. The Secretary of agriculture entered into contracts with growers who were to be paid cash benefits in return for signed contracts whereby they agreed to adjust their acreage or production in line with the secretary's offers. The scheme was voluntary but as under it producers realized a larger income from a smaller acreage it attracted as many as 46% of all farmers in 1934. The cash payments to farmers were financed from the proceeds of a tax on the processing of the basic farm commodities to which the act applied. Production control came to an abrupt end in January 1936, when the supreme court held that agriculture was a local matter, that the 1933 Act controlled production and that the Congress had no power to enact such a law as such power was not delegated to it by the Constitution. The power of the Congress to levy taxes for the general welfare did not include the power to tax one group of people—processors of farm commodities—for the benefit of another group—farmers.

The crisis following the Supreme Court decision was met by the Congress passing the Soil Conservation and Domestic Allotment Act

(1936). In the earlier farm programme production control was the main objective defined by law, while soil conservation and farm management were by-products. After 1936 the latter became the primary function under the law, with production adjustment as a by-product. Under the 1936 Act the government made cash payments to farmers to offset some of the expenses incurred in following soil-conserving practices. Farm management so as to slow down soil erosion and to build up soil fertility was recognized as a basic need of American agriculture. The programme was open to all farmers who received benefit payments for decreasing the acreage under soil-depleting crops and for increasing the acreage of soil-conserving crops. Such a programme met the farmer's need of income protection and the nation's need of soil protection. Two-thirds of the farmers in the country were involved in the programme. Though valuable in many respects, the conservation's approach was insufficient by itself to safeguard farm income against price instability due to short crops or excessive supplies. The return of normal weather in 1937 led to surpluses of farm products accompanied by decline in prices. Farmers' organizations had realized the limitations of the Conservation programme and they wanted a long-time agricultural programme which would recognize agriculture's right to a fair share of the national income. The new A.A. Act became law in February 1938. The general purposes of the Act are to conserve the nation's soil resources and to use them efficiently; to assist in the marketing of farm products for domestic consumption and export; and to regulate interstate and foreign commerce in five basic commodities: cotton, wheat, corn, tobacco and rice. Such regulation of commerce aims at minimizing violent fluctuations in supplies and prices, at protecting consumers by maintaining adequate reserves and at assisting farmers in obtaining a fair share of the national income. The principal means to reach these objectives are soil conservation on a national scale; acreage allotments to stabilize production, loans to enable farmers to hold large carry-overs in surplus years; contributions to farm income through the making of parity payments so as to provide farmers producing basic commodities a return as nearly equal to parity price as possible. As regards support, more farmers co-operated in the 1938 programme than in any previous programme. In 1939 parity and adjustment payments (for soil conservation) amounted to \$675 m. but the net income per person living on farms was only 3/4ths of parity. In May 1940, the average price of farm commodities was 98% of pre-war (1909-14), while average price of things bought by farmers was 123%. The purchasing power of farm

commodities for goods farmers buy was only 81% as great as it was in 1909-14, showing that the maladjustment has not yet been completely corrected.

The services rendered by the Federal Government for **Farm Marketing** are on standard lines. They include the crop reporting service and the Market News Service on the basis of federal standards for principal farm products. The Government assists the states in the construction of hard surface roads; undertakes to see that reasonable rates and conditions of service are maintained by carriers and sponsors the extension of credit to farmers' co-operatives for the marketing of crops. The administration of the Federal Warehouse Act rests with the Secretary of Agriculture and the federal warehouse receipt is becoming more and more recognized as prime collateral for agricultural loans. Along the route followed by the farm products from producers to consumers, the federal government functions as a policeman and regulator so as to assure the farmer a fair price for his product. This function involves a number of activities maintaining quality, grading, supervision of goods handled and shipped and administering the commodity Exchange Act regulating futures trading. The Department of Agriculture also executes the programme of marketing agreements under which the Secretary of Agriculture issues an order provided the marketing agreement is signed by handlers of at least 50% of the volume of the commodity. The order comes into force provided it is approved by at least 2/3rds of the producers (either by number or by volume of commodity involved). For milk, the agreements establish minimum prices which handlers in a marketing area must pay to producers. For fruits and vegetables, the programme to provide for the regulation of shipments out of a producing area on the basis of volume or on the grades and sizes of a commodity which may be shipped. More than forty such agreements have been in use for milk, dairy products and other farm commodities. The 1938 Farm Act authorized the Secretary of Agriculture to maintain four regional research laboratories, one in each major farm areas, for developing new uses and new markets for the main surplus agricultural commodities.

The Department of Agriculture also helps farmers through its **surplus removal programmes** which deal with price-depressing surpluses and encourage increased consumption and wider markets. The Secretary is authorized to purchase and make donations of agricultural commodities and to subsidize domestic consumption and exports. These programmes are financed from a permanent appropriation of 30% of the receipts from customs duties and from other

funds. There are three types of such surplus removal programmes; (i) Purchasing surpluses and subsequently giving them to state relief administrations for distribution to persons eligible for public assistance, including lunches to school children. Over 10 m. persons were so served for the year ending June 1939. (ii) Food Stamp Plan: Under this scheme, persons receiving public assistance may purchase orange-coloured stamps up to a certain limit. For each dollar's worth of such stamps, fifty cents' worth of blue surplus stamps are given free to the family. The blue stamps are to be used only for purchasing those food products declared by the Secretary of Agriculture to be "Surplus." (iii) Export Subsidy Programme, which has been used on a large scale since 1938. The Surplus Commodities Corporation purchased wheat in the domestic markets and sold it to wheat exporters at prices which would enable them to meet world competition. Out of the 118m. bushels exported during the year 1938-39, 94m. bushels were moved through the wheat and flour subsidy programme. Exports of cotton have been subsidised for short periods, notably during the first five months of the 1939-40 year. The author is of the opinion that in the light of America's willingness to discuss and negotiate with other countries equally interested in producing for a world market, the temporary use of export subsidies recedes in importance.

Soil conservation has been receiving its due attention only since 1933. The great importance of this subject is brought out by statistics of soil erosion. These revealed that in 1935, U.S. cropland area would have to be reduced by half in order to save the soil. Even with the best soil conserving practices at least 1/5th of the area should be retired as not suitable for production. "With continuance of the manner in which the soil is now being squandered, this country of ours has less than one-hundred years of virile national existence." The causes leading to the misuse of soil are examined and remedies for avoiding soil misuse are suggested. The need for co-ordination between federal, state and local authorities for a successful soil-conservation programme is emphasised. Control of grazing lands and administration of forest areas both aim at soil conservation. The soil conservation service is also required to undertake propaganda to educate the public. It pays subsidies to farmers following soil-conserving practices and buys up land which needs retirement as being unsuited, for cultivation. It also gives technical guidance to Soil Conservation Districts.

A special chapter under the title "Science, Technology and Agriculture" describes the development of agricultural research in various

branches. The federal Government not only undertakes direct agricultural research in its Research Bureaus but also gives grants-in-aid to state agricultural experiment stations. The author then proceeds to give an account of the building up and working of the co-operative experimental station system. He realises that the advance of agricultural technology is not solely the result of government research but is also in part due to private research. Examples are, however, given of some of the achievements which can be directly attributed to government research. The main change brought about by agricultural technology is increased productivity due to (a) mechanization, (b) introduction of new and improved varieties of crops and (c) the greater use of fertilizers. The development of large farms and the stimulus to commercialisation of agriculture which are characteristic of American agriculture are directly to be accounted for by the advance of technology. Industry is also now utilizing farm crops on an increasing scale as a result of technological advance. The wider aspects of the influence of these changes on socio-economic relations are studied by the Bureau of Agricultural Economics. This is a recognition of the fact that the needs of farm people in an age of technology require scientific treatment just as the needs of crops and livestock have received over a series of years.

A separate chapter is devoted to the description of the federal system for the furtherance of farm security. The farm population is classified into various groups and the causes of their insecurity are examined. The insecure groups include tenants and croppers, farm labourers, families on submarginal land on holdings of inadequate size or hopelessly in debt, and farm young people unable to obtain farms. Together these groups make up fully half the total farm population of the U.S.A. They are helped by a comprehensive system of relief and rehabilitation by loans to tenants for purchasing farms, and by easy mortgage and production credit through land banks. Rehabilitation means helping a farm family to get back on its feet. The principal means used is extending credit and supervising the use made of it, the family being required to follow a plan. Loans are also made for community services of agricultural machinery and for medical care. Loans to acquire farms are given at 3% interest the loan to be repaid over a period of not more than 40 years. As security the government takes a first mortgage on the farm. Other methods of relief such as operating farm labour camps and financing housing schemes for farmers are also being experimented upon. It is admitted that the security programme contains a num-

ber of gaps. Agricultural labour is excluded from the old age insurance parts of the federal social security programme. The Fair Labour Standards Act provisions do not apply to agricultural workers who are thus denied the protection of the minimum wage and maximum hours provisions. Eligibility for relief in most cases rests on the fulfilment of minimum residence qualification. This causes hardship to many needy farmers moving from one area into another.

The author lays great emphasis on one important feature of American farm programme and that is the nature and extent of democracy in it. This is illustrated by various forms of farmer participation in the programme. Local administration of the agricultural adjustment programme of 1933 was in the hands of farmers themselves through farmer associations of which there were over 4600 in operation in 1935. They were later replaced by Agricultural Conservation Associations in 1936. The administration of the 1938 Farm Act is also in the hands of farmer committees selected by farmers. An essential functionary in the scheme is the extension agent who forms the link between the agricultural colleges and the farmers, bringing to the farms the latest research results and showing farmers by demonstration how to apply these results to their own farms. Farmers also advise the government by means, of referendums held on matters of policy. They have the authority to initiate action towards the establishment of soil conservation districts which already embrace more than a million farms. In the Rural Electrification Administration, farmer co-operatives have played a vital part. The administrative machinery of the farm programmes is so set up as to secure for the Secretary of Agriculture the composite judgment of farmers, agricultural experts, and administrative officers all working through a number of planning committees. It is by such co-ordination that the use of land is properly planned. Thus merely a million and a half farmers are working with the federal government in carrying out the manysided farm programme.

In the last chapter Dr. Blaisdell describes the organization and working of the **Department of Agriculture**. Within the department are 18 bureaus and offices with line functions and 12 with staff functions. The personnel includes 79,724 full-time employees, 20,623 part-time employees and 2,766 Co-operative employees engaged in almost every known profession and occupation. Nearly 1/7th of these are in Washington (13,950) and the remainder are scattered among approximately 3,000 field stations and offices throughout U.S.A. and elsewhere. Roughly 33,770 of full-timers are recruited from the Civil Service as also many part-timers. The problems of adminis-

trative management and of functional co-ordination have been tackled by the Secretary of Agriculture. The whole department was reorganized in 1938 when the Secretary set up an over-all planning agency for the department, and established new devices for correlating its various activities. The general administrative tasks are performed by the 12 staff units. The Bureau of Agriculture Economics Acts as the department's Central Planning Agency whereas the Agricultural Programme Board assists the Secretary in harmonizing the regulatory, educational, research and action programmes of the department. It is thus that the department enjoys its well deserved reputation of being, in the words of Sir Horace Plunkett, "perhaps the most popular and respected of the world's great administrative institutions."