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# THE INDIAN JOURNAL OF AGRICULTURAL ECONOMICS



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## WORLD FOOD AND AGRICULTURE 1958

*The State of Food and Agriculture 1958*, devotes special attention to a comparison of the situation in the economically more developed and less developed parts of the world.

The year 1957-58 saw the first check in the steady expansion of world agricultural production since the war. The preliminary FAO index of world agricultural production showed a decline of one point from 120 in 1956-57 to 119 in 1957-58 and the *per capita* agricultural production declined by 2 per cent from 109 to 107 during the same period. The overall decline in agricultural production in 57/58, though mainly attributed to weather conditions, is also due to other factors such as general fall in real prices in export market, lack of marketing facilities and farm credit, unrealistic price policies and unsuitable methods of land tenure, etc. While weather was the immediate cause of the decline in world production in 1957-58, there has been for some years a slowing down in the rate of expansion, especially in Western Europe, North America and Oceania. A comparison of the average annual increase in production in the four years from 1952-53-1953-54 to 1956-57-1957-58 with the corresponding rise in the four preceding years (1948-49-49-50 to 1952-53-53-54) showed that the growth of production in the agriculturally more advanced countries (Western Europe, North America and Oceania) is less than one third as fast in the last four years than in the four preceding years. The slower tempo in these regions must be attributed primarily to the inhibiting effects of agricultural surpluses. In general, weather has not been less favourable. In the economically less developed regions, the rate of expansion has been more sustained. There has been a decline of about 20 per cent in the average rate of progress in the four regions of Latin America, Far East (excluding China) Near East and Africa, taken together, though Latin America is an exception to the generally slower trend.

Agricultural production as a whole increased at the average rate of about 2.4 per cent per annum or rather more than 0.9 per cent faster than the growth of world population. During the four-year period 1952-53-53-54 to 1956-57-57-58, while population in the economically developed regions increased at the average rate of 1.2 per cent, agricultural production increased only at the rate of 1 per cent. On the other hand, in the economically less developed regions, agricultural production has continued to grow faster (at the average rate of 2.6 per cent) than population (which increased at the rate of 1.7 per cent). There are two striking facts in world agricultural production. In the less developed regions, taken as a whole, *per capita* production, both of food and all agricultural products was no greater in recent years than before the war. Secondly, virtually the whole increase in world *per capita* production has resulted from the increased output of North America and Western Europe. The need to maintain and increase the efforts towards a balanced and economic development of the agricultures in the underdeveloped regions is emphasised. The more rapid growth of population in the less developed regions necessitates a relatively faster growth of production if their generally meagre levels of consumption are to be raised.

In respect of individual commodities, world production of wheat which was estimated at 123 million tons in 1957-58, showed no change. There were, how-

ever, significant shifts in the distribution of production. Supplies of coarse grains were much larger than in 1956-57. Because of the heavy supplies, prices were at the lowest level since World War II. Production of rice in 1957-58 however declined by 3.9 million tons or 4.2 per cent over 1956-57. There has been continuous rise in the consumption of sugar as well as its production. In regard to other commodities as well, production has either continued to increase or remained at the level of 1956-57.

The volume of international trade in agricultural products continued to rise in 1957-58 at a rate of 3 per cent over 1956, which was, however, less than in the two preceding years when it averaged 8 per cent. The increased volume of trade was largely, though by no means entirely, due to surplus disposal operations in the United States, and to a much lesser extent in Western Europe. On the import side, about 60 per cent. of the increased volume of trade was accounted for by larger imports into Western Europe mainly of raw materials and beverages and about 30 per cent by larger food imports into the Far East, partly for reserve stocks and partly for current consumption. Net exports of food and feeding-stuffs from the less developed regions of the world as a whole to the industrialized countries had shrunk by 1956 and '57 to little more than one-third of their pre-war volume. Two dominant trends influenced the shift in the pattern of world trade in agricultural products in 1957, viz., (i) the surplus situation in the more industrialized countries, and (ii) the decline in net exports from the less developed regions as their requirements absorbed more and more of their own production. There are at present no indications of any substantial change in these trends.

Aggregate world stocks of agricultural products in 1957-58 showed little change from a year earlier and are now estimated to be equivalent to about 10 per cent of world agricultural production. About three quarters are located in North America. There was a decline in the stock of wheat by about 5 million tons or 10 per cent during 1957-58, mainly because of smaller crops in North America. Stocks of coarse grains in North America rose nearly by a quarter to the record level of over 60 million tons. Stocks of cotton in the United States have been reduced by about 40 per cent from peak levels in 1956-57 as a result of production controls and largest volume of exports. There was a renewed rise in the world stocks of butter by 35 per cent and a further rise in stocks of coffee, after a temporary decline in 1956-57.

The slow decline in the general level of agricultural prices, though reversed temporarily in the first half of 1957, continued later in the year and in early 1958. The FAO index of average export unit value (price) of agricultural products for 1957 at 95 was three points higher than in 1956. The halt in the downward drift of agricultural prices, however, was in a sense illusory, since the purchasing power of agricultural products on international markets continued to fall because of the continuing rise in average unit values of manufactured goods. In comparison with the base period 1952-53, the average purchasing power of agricultural products fell by about 10 per cent, of which about one-half represented lower agricultural prices and the other half the increase in the average export unit values of manufactures.

Because of the gradual decline of average export unit values of agricultural products during the past four years and in their purchasing power, the sharp rise

in the volume of agricultural exports in 1957 has not been accompanied by a corresponding increase in earnings by agricultural exporters. Thus for agricultural products as a whole, the increase of 20 per cent in the volume of exports in 1957 over 1952-53 resulted in an increase of only 8 per cent in earnings (in real terms). The main rise in export values occurred in North America and thus essentially reflected the increase in exports under special terms. In Latin America and the Far East, real earnings from agricultural exports were appreciably lower by 3 per cent than in 1956. The recession in the United States and the slowing down of economic expansion in Western Europe led to weakening of the demand for agricultural and forest products on international markets. On the other hand, the demand for domestically produced foodstuffs and in general for agricultural raw materials, has been generally well maintained in both developed and less developed countries.

Farm prices were reasonably stable in most countries, especially in the more developed regions and in some cases showed a small increase in 1957-58, largely because of the influence of price support measures or of temporary shortages of supplies. In some countries, e.g., Australia, Belgium, Canada and Finland, there was a fairly strong movement against farmers in 1957 and early 1958, either because prices received fell or prices paid rose, or a combination of both. Nearly in all the exporting countries, including the United States, farm incomes tended to decline in spite of the extensive income support measures built up over the last few years. In most importing or self-sufficient countries, on the other hand, government measures to support farm incomes have been reasonably successful, and in a few instances, e.g., in the United Kingdom and West Germany, there was some increase in absolute terms, though not in comparison with incomes in other sectors of the economy.

The upward trend of retail prices continued in 1957, though there were indications that the rise may have been somewhat slower than in 1956. In most countries food prices kept fairly closely in line with the movement of the general cost of living. Increase in retail food prices reflected partly higher farm prices and partly the continuing rise in distribution costs. In some countries, there was also reduction or abolition of consumer subsidies or the removal of price controls.

As regards the main developments in agricultural policies in 1957-58, there have been relatively few major policy changes in the economically more advanced countries of North America and Western Europe, but increasingly serious consideration is being given to a more fundamental approach to the problem of agricultural surpluses. In Western Europe the problems and reorganisations arising in agriculture as a result of the establishment of the Common Market and the negotiations for a wider Free Trade Area have received much interest. A number of changes have been announced in the agricultural policies of the Communist group of countries, especially the U.S.S.R., as part of the drive to catch up with the increased demand for food and other agricultural products stemming from the long period of priority to heavy industries. In many instances prices to farmers have been increased and methods for the collection and sale of agricultural products simplified. In the U.S.S.R., the machine-tractor stations are being disbanded and their equipment sold to collective farms. In the under-developed countries of Latin America, South-East Asia, Near East and Africa, shortages of public



investment funds and foreign currency, both largely stemming from the decline in real prices and earnings from primary exports, have hampered badly needed measures for agricultural expansion and for general development. Nevertheless, vigorous efforts are being made to maintain the tempo of agricultural development. In a number of cases greater priorities have been given to agricultural projects and the share of agriculture in available investment funds has been increased. In several countries, reserve stocks have been established as an insurance against future shortage and also to stabilise farm prices.

In Chapter III, the first of the special chapters, a regional study has been made of the main agricultural problems in Africa, South of the Sahara and the government programmes and policies adopted to meet them. Nearly 75 per cent of the population is engaged in agriculture. The density of population is generally low. With only 5 per cent of the world's population, the region is estimated to contain more than 15 per cent of the total agricultural area. Agricultural production is, however, only about 4 per cent of the world total. In world trade in agricultural products, the region looms a little larger and is estimated to account for nearly 10 per cent of its total value.

The main food and agricultural problems of the region are low productivity, inadequate food consumption, particularly from the viewpoint of nutritional quality and the vulnerability of export revenues to fluctuations in world prices. The main obstacles to agricultural progress stem from the practice of primitive techniques of production, different forms of shifting cultivation, the tribal systems of land tenure which are ill-adapted to the production of surpluses for sale and to improved techniques and the inadequacy of marketing and transport facilities.

Agricultural production has increased remarkably rapidly at an average annual rate of about 3 per cent since the war but it is still low in relation to population and to available land and is largely subsistence in character. The volume of agricultural exports has grown faster than production and by 1956 exports were 144 per cent of the 1948-52 average compared with 123 per cent for production. Most of the main products except for cocoa and oil palm products have shown a very sharp expansion. Export values have fluctuated considerably, with serious effects as the exports of many of the territories consist almost entirely of one or two products. Incomes received by producers have to some extent been protected by the price stabilization schemes in many territories. The volume of agricultural imports has also increased rapidly by more than 50 per cent since 1948-52.

It is observed that the increase in food and agricultural production has more than kept up with the growth of population in the post-war period. Dietary surveys indicate that intake of calories generally more or less corresponds to calculated needs. In some areas, there is a severe shortage in the period immediately preceding the harvest while deficiencies of proteins are widespread. The qualitative deficiencies of diets cause much morbidity and mortality in the region, contributing to the very high rate of infant mortality between the ages of one and four and reducing the productivity of the adult population.

The first and most basic stage of government assistance is in the organisation of research. In spite of the rapid post-war expansion of research services, much

remains to be learned about the maintenance and increase of fertility in tropical and sub-tropical soils. Crop improvements and plant protection have so far been concentrated largely on export crops. More research is needed on local food crops, especially those which could improve the quality of the dietary. There is also slow progress in the development of suitable systems of mixed farming. It appears that the actual application of improved methods lags behind the achievements of research and the gap will grow unless extension services are expanded.

Mainly under the influence of the development of cash crops, tribal systems of land tenure are evolving in many areas toward the individualization of land ownership, with government aid and safeguards. The supply of agricultural credit seems inadequate. There is probably much scope for the experimental introduction of supervised credit and for a further development of co-operative credit. There has been good progress in the organisation of marketing facilities in many parts of the region. A large number of public or semi-public corporations have also been established, especially since the war, for the marketing of specified export crops. Guaranteed producer prices are now widespread, quality has been improved by the introduction of grading systems and better methods of processing. The provision of transport facilities has generally been the main factor in opening up new areas for the production of cash crops and is an essential part of the transition from a subsistence to a market economy.

Since World War II, agriculture, fisheries and forestry have benefited from a marked expansion in public development expenditure, both directly and also as a result of improvements in transport and other basic services. Apart from the large part played by metropolitan financial assistance, a high proportion of total funds are allocated to basic services, particularly transport and to social projects. Recently, in revising plans and preparing new ones, an increased proportion has generally been allocated to the productive sector, including agriculture. In the earlier post-war years, the shortage of equipment and technicians were the chief limiting factors in most territories. At present there are signs of the emergence of a shortage of capital for agricultural development. The region is entering a period when capital supplies, especially from loans and from current revenue resources for the execution of development plans are likely to be tighter. This emphasises the need not only for increased international attention to the mobilization of capital for underdeveloped regions but also for closer examination of priorities in development planning.

The second of the special chapters reviews the rapid post-war growth of world's forest products industries and their impact on the world's forests.

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