



Short Article

Indian Agriculture in the Eleventh Five-Year Plan

India's economy has maintained a healthy growth rate of over 8 per cent per annum in recent years. Amongst the key sectors, agriculture and allied activities hold the key to sustained growth in the coming years. Against this backdrop, the main thrust of the Eleventh Five-Year Plan (2007-2012) is "Towards Faster and More Inclusive Growth".

The imminent position of the agricultural sector in this faster and inclusive growth paradigm has three key elements: a growth rate pegged at around 4 per cent, agri-product export growth at 10 per cent and, consequent to rapid urbanization, a faster pace of change in the food consumption basket. Clear understanding of the desirability and feasibility of these growth rates is critical for their implications on the smallholder driven, commodity producing sector.

Growth rate dilemma

The 4 per cent growth rate in agriculture and allied sector activities is aptly disaggregated into demand and supply side intervention in the Eleventh Plan approach. However, a back-to-basics view shows that production growth is determined by growth in cropped area and yield, limited by biological principles and natural resources.

When the crop production growth rate is given, its validity can be checked using area and yield information. With the real limitation of area growth during the Eleventh Plan period, due to exponential growth in the number of special economic zones (SEZ), it leaves yield growth rate; namely the productivity question. Thus, the onus on attaining 4 per cent growth in agriculture and allied production activities certainly falls on obtained or expected values of yield rates.

Smallholder friendly focus

Smallholder agriculture in the country has comparative advantage centred around the smallholder farming community. This advantage is available to the state agencies as well as to all those associated with the agribusiness sector.

The three primary issues with special reference to a state or region could be categorized as follows: exploring the matrix of agriculture (crop husbandry), livestock and environment (including horticultural and non-timber forest products); changes in the rural economic environment and the identification of various segments of farmers in a state/region who will be impacted.

The common thread has been that scientists are attempting to provide specific instances to reconnect the science with farmers in the field on the one hand and agricultural department officials on the other. The criticality of budgetary funds into the agricultural sector, to specifically address the knowledge deficiency in a sustainable

manner, has been underscored.

Region specific cost-risk-return trinity

Primary production activities in rural areas generally address a micro level, cost-risk-return trinity. The growth in the number of SEZs to enhance industrial activities may result in more agricultural land being taken out of cultivation leaving yield as the only answer. This is the key constraint identified in the supply side of the Eleventh Plan approach.

Another related, and critical, component is technological intervention. That technology is typically non-linear and lends itself to price and income substitutions in smallholder dominated agriculture once again has attained importance. There is an urgent need to devise a mechanism to encourage agricultural scientists to pro-actively consider the region-specific optimization framework within the cost-risk-return trinity constraints.

The quality and quantum of land and water are dominant concerns for all states. With the deepening of the water table, the quality of water is bound to influence crop sequencing and output. Therefore, the diversification agenda for micro-level planning must factor the health of soil and water quality into the main investment plan.

The great disconnect between the scientific fraternity and farmers fields will be addressed through extension activities, though agricultural extension represents a meagre 4.7 per cent of the total central annual plan outlay for 2006-2007. Besides, the proposition of attaining 10 per cent growth in agri-product exports will raise critical questions on quality and globally valid certification systems. The compliance cost burden in the smallholder dominated system must be borne by public agencies to provide the required cost advantage.

Finally, environmental and net returns trade-offs need to be examined within the diversification discourse. It must be appreciated that market price is not the sole or best objective 'marker' for diversification. The key issue must be to incorporate corrections to environmental aberration in the cropped area through policy instruments, particularly in agriculture. Clarity in such areas will greatly aid our efforts to reach the 4 per cent growth target. ■

Written by Prof. J. George, Chief Promoter, Strategic Economic Management Initiatives in Governance and Chair, Faculty of Economics and Development Planning, HIPA and Member of a Working Group set up by the Planning Commission for the Eleventh Five-Year Plan preparation.

(References available upon request)

Flash **BREAKING****Extreme Poverty Up in Poorest Nations**

"The least developed countries (LDCs) remain marginalized in the world economy and continue to suffer from extreme poverty, child mortality and HIV/AIDS," said the president of the 61st session of the UN General Assembly. In many instances development is hampered by civil conflict and the cost required to rebuild life. Despite average growth of 6 per cent achieved by LDCs in 2004, overall progress remains mixed. Recent studies by UN and the World Bank have revealed that 34 of the total of 50 LDCs are experiencing increased extreme poverty.

Lederer, Edith M., 2006. Extreme Poverty Up in Poorest Nations. Guardian Unlimited, <http://www.guardian.co.uk/>, (19 September 2006).

Viet Nam Calls for Stronger Foreign Investment in Agriculture

Under a national programme to attract foreign direct investment (FDI) in the five-year period between 2006 and 2010, Viet Nam will strive to lure more FDI in its agriculture, especially in biotechnology. This is hoped will turn out more high-quality strains of plants and animals, foodstuff processing technologies, post-harvest preservation techniques as well as constructing agricultural facilities, and also in the field of processing agricultural, forestry and seafood products. The country is expected to issue more preferential policies to foster investment and develop material zones, agricultural infrastructure, rural areas, human resources, markets and the capital market. By early September, Viet Nam had attracted 1,095 FDI projects with a total registered capital of US\$ 5.2 billion, specializing in agriculture, forestry and seafood. There are 805 valid projects totalling 3.9 billion dollars with investors from various countries.

People's Daily Online, 2006. Viet Nam Calls for Stronger Foreign Investment in Agriculture, <http://english.peopledaily.com.cn/>, (18 September 2006).

ADB Helps Bangladesh Improve Rural Infrastructure

The Asian Development Bank (ADB) will lend US\$ 96.1 million to Bangladesh to help it expand economic opportunities for the rural poor by improving rural infrastructure and local governance. The project will upgrade 9,920 km of roads that make up the rural road network, 370 rural markets and 190 union councils' offices and facilities, thus helping reduce poverty in 23 districts covering about 55 per cent of rural residents living below the poverty line. The improvements will provide local inhabitants with more efficient transport to markets and trading centres, as well as access to social and welfare services. More than 6 million people are expected to benefit from better access to markets and social services.

People's Daily Online, 2006. ADB Helps Bangladesh Improve Rural Infrastructure, <http://english.peopledaily.com.cn/>, (18 September 2006).

Job Training for Farmers is Key to Global Competitiveness

According to Phan Van Dien on the seminar of "Rural Viet Nam's Integration Into the World Economy", farmers in Viet Nam must receive vocational training if the country's agricultural sector is to compete on the global stage. Better education is critical to promote the sector and introduce farmers to advanced techniques used in production. Higher quality products and lower production costs could be realized through proper job training. Higher labour productivity and better prices could also be obtained if farmers began to use biotechnology. More knowledge concerning market consumption trends, food processing and post-harvest handling are also required. Some Vietnamese products are becoming popular overseas, but 90 per cent of farm products do not have uniform quality because they are produced by numerous small farming households.

Vietnam Economic Times, 2006. Job Training for Farmers is Key to Global Competitiveness: Experts, <http://www.vneconomy.com.vn/>, (18 September 2006).

Legally Empower the Poor, Unlock Human Potential

A survey showing an increase in the head count index of poverty from 15.97 per cent to 17.75 per cent of total population across Indonesia has received significant coverage in the press recently. The increase in poverty has raised the legitimate question of what needs to be done to alleviate poverty. One factor that is inextricably linked to poverty is the lack of legal protection for the poor. Over 70 per cent of workers in the developing world survive in the informal economy. Conversely, extending legal protection, such as property rights and labour rights to the poor can provide them with greater certainty, access to capital and incentives to work their way out of poverty. Enforceable legal rights give the poor security to invest in their future rather than live from day to day. The majority of the world's three billion poor people live their lives outside the rule of law. Four key areas need to be addressed to legally empower the poor and help them escape abject poverty. First, better access to the formal justice system and the rule of law is required. Second, an inclusive system of property rights is required. Third, labour rights need to encourage the poor to move to the formal labour system. Finally, the entrepreneurial efforts of the poor need to be acknowledged and encouraged. When market opportunities appear, the poor have consistently proved they are capable of capitalizing on them. In an effort to unlock this human potential, the Commission on Legal Empowerment of the Poor was launched and aims "to make legal protection and economic opportunity not the privilege of the few, but the right of all". It promotes a wholly different approach to the poverty debate the inextricable link between pervasive poverty and the absence of legal protection for the poor. ■

Based on Singh, Naresh, 2006. Legally Empower the Poor, Unlock Human Potential. The Jakarta Post, <http://www.thejakartapost.com/>, (25 September 2006).

Improved Governance, Infrastructure Key to Higher South Asia Growth

A new ADB report says that improved governance, better quality regulation and infrastructure can help South Asian economies emerge as the "New Tigers" of Asia. The South Asia Economic Report (SAER) underscores that South Asia, led by India and Pakistan, posted stellar growth in 2005 and has registered higher growth than its peers in Southeast Asia in the past five years. High growth is forecast to continue through 2007. Restructuring and privatizing state-owned banks will remain a high priority on the reform agenda. Despite a shift towards market liberalization, South Asia continues to be over regulated. Firms are frequently confronted by the heavy burden of administrative regulations. The SAER concludes that there is considerable scope to improve the effectiveness and efficiency of government interventions. The SAER also recommends that public investment is targeted at areas where infrastructure bottlenecks are emerging. Electricity is one of the most critical bottlenecks. The quality of transport infrastructure also needs improving. In addition to increasing public and private spending on infrastructure, there is a need for better targeting of investment and in particular, for improvements in sector policies, governance and the institutional environment. The report says that intra-regional trade and investment offer immense opportunities to accelerate growth and reduce poverty in South Asia. India could become a hub of intra-industry trade in the region and boost the inflow of foreign investment into South Asia. ■

Based on ADB, 2006. Improved Governance, Infrastructure Key to Higher South Asia Growth, Says ADB Report, <http://www.adb.org/>, (19 October 2006).

Food Insecurity Worsens in Rural Areas

Foodgrain availability in rural India has fallen to 152 kg per capita, 23 kg less than in the 1990s, creating large-scale food insecurity in India's villages. The poorest 30 per cent of Indian households eat less than 1,700 kilo calories per day, per person, well below the international minimum standard of 2,100 kilo calories per day, even if they spend 70 per cent of their income on food. Jean Ziegler, United Nations Special Rapporteur on the Right to Food, in 'The Extent of Chronic Hunger and Malnutrition in India', reports that falling agricultural wages, increasing landlessness and rising food prices have severely undermined the right to food in rural India. The report, which reviews "the situation of hunger, malnutrition and food insecurity in India" and whether the theory of "hunger amidst plenty" stands, has made some startling revelations. Over 47 per cent of children are underweight and 46 per cent stunted in their growth, figures higher than most countries in poverty-stricken sub-Saharan Africa. Expressing doubts over the government's claim that poverty in India had actually declined from 36 per cent to 26 per cent between 1993 and 2000, there is considerable debate as to whether the decline in poverty levels is simply a result of changes in methods of data collection. One explanation may be that the assumed cost of a minimum food basket no longer reflects the real cost of food in India. In some states, feudalistic patterns of land ownership persist despite its legal abolition and the Land Ceiling Act. The focus on a more export-oriented economy has seen a shift from subsistence to cash crops, reducing the cultivation of grains, pulses and millets for household consumption. With cash crops requiring increasingly expensive inputs such as seeds and fertilizer, many farmers have been pushed heavily into debt, explaining the increasing number of farmer suicides – nearly 10,000 by 2004. It also criticizes India for altering the Public Distribution System (PDS), the world's largest food-based safety net, from a universal system to a targeted one, in 1997. This has created the paradox of huge excess stocks of foodgrain held with the Food Corporation of India, adding to costs and therefore to losses, and leading to substantially higher food subsidies. ■

Based on OneWorld South Asia, 2006. Food Insecurity in Rural India Has Worsened Since 1990s: UN, <http://southasia.oneworld.net/>, (October 2006).

An Innovative "Farmer Centred Approach" to Restructure Markets

"There is an urgent need to have a new "farmer centred" approach in agri-food chain systems. Farmers will judge their involvement in the process on how they can realize real benefits to their net incomes. We will never improve the marketing chain without involving the key actors: farmers!" said the President of the International Federation of Agricultural Producers (IFAP), Jack Wilkinson. Over the last ten years there has been a rapid rise of supermarkets and growing concentration in global agri-food chain markets. As further concentration by these corporations takes place, it becomes critical for farmers in all countries to organize in order to meet the challenge. Market concentration is a key issue for farmers in developed countries as well as in developing countries; even though more resources are required to be better organized to meet standards and augment their skills to better negotiate. Farmers need the skills to negotiate in the market place but also a system where they are more equal partners with the large corporations. Farmers are concerned as to whether including the smallholders in the national production systems will secure and sustain their place within national and regional markets. Farmers require good regulatory frameworks in order to compete. ■

Based on IFAP, 2006. Having an Innovative "Farmer Centred Approach" to Restructure Markets, <http://www.ifap.org/>, (28 September 2006).

Flash EVENTS



Asian Simulation and Modeling Conference 2007

9 - 11 January 2007

Chiang Mai, Thailand

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Delhi Sustainable Development Summit 2007

22 - 24 January 2007

New Delhi, India

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International Conference - Vulnerability, Social Exclusion and the State in the Informal Economy

26 - 28 March 2007

Cape Town, South Africa

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2007 Marketing and Public Policy Conference

1 - 3 June 2007

Washington, D.C., USA

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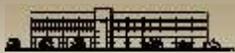
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Book Review

Poverty and Equity: Measurement, Policy and Estimation with DAD

Jean-Yves Duclos and Abdelkrim Araar, joint publication by Springer, New York, USA and the International Development Research Centre, Ottawa, Canada, 2006. ISBN-13:978-0387-33318-2

“Who is poor?” This apparently simple question is essential for all institutes; organizations, researchers and policy-makers engaged in poverty alleviation and development issues. Assessing poverty, equity and the impacts of policies and projects on these issues is complex. Duclos and Araar address many aspects involved in poverty assessment in their book “Poverty and Equity: Measurement, Policy and Estimation with DAD”.

Targeted readers of this book consist of senior undergraduates and graduate students of economics, researchers and analytical policymakers. In general, it provides specialized information for social scientists and statisticians, although some parts are also interesting for less specialized readers. The book contains 18 chapters divided into six parts. At the end of each chapter suggestions for further reading are put forward. Throughout the book the material is illustrated with clear figures and the reader is given the opportunity to actively gain knowledge of the material through the exercises provided.

The first part (Chapters 1 & 2) describes conceptual and methodological issues on poverty and well-being assessment. Attention is paid to two main approaches, namely the welfarist and non-welfarist approaches¹. The welfarist approach focuses mainly on comparing “economic well-being” and is in line with traditional economic theory; whereas the latter uses a wider definition of well-being. It was developed in response to the welfarist approach. Within the non-welfarist approach two methods are highlighted, based on “basic-needs” and “human capability”. In addition, important points concerning gathering and using empirical data are described. Attention is paid to survey issues, income versus consumption issues, price variability and household heterogeneity.

Part II “Measuring Poverty and Equity” discusses and compares several methods to measure poverty inequality, social welfare, as well as vertical and horizontal equity. Methods are accompanied by formulae and figures. Methods described here for measuring inequality and social welfare are, among others, the Lorenz curves, Gini and Atkinson indices. The equally distributed equivalent (EDE) incomes approach and poverty gap approach to

measure poverty are described. Attention is given to estimating poverty lines and measuring progressivity and vertical equity.

Until here the book primarily focuses on cardinal comparisons of poverty and equity, on the comparison of numerical estimates, which is relatively straightforward. Ordinal comparisons that broadly rank poverty and equity across distributions are touched upon in Part III of the book. Methods that can establish whether a distribution of well-being or a policy 'dominates' another in terms of some generally defined ethical criteria are discussed. Tools that can be used to understand and predict how targeting, price changes, growth and fiscal policy can affect poverty and equity are described in Part IV “Poverty and Equity: Policy and Growth”.

The software “Distributive analysis/Analyse distributive, DAD,” is introduced in Part V. DAD, its use and its possibilities are briefly described. More information can be found on <http://www.mimap.ecn.ulaval.ca>. This Java-based software was especially designed for developing countries due to increased demand from analysts from developing countries to perform poverty and inequality analyses. It facilitates the analysis and comparison of social welfare, inequity, poverty and equity using micro (or disaggregated) data. DAD is very accessible and user-friendly using pop-up application windows and spreadsheets. It is available free of charge and can be accessed through the earlier mentioned link. The final part of the book is entirely devoted to exercises on how to implement some of the methods and techniques described in the book.

This book represents a large source of information on a wide range of topics and methods concerning poverty and equity assessment. The theoretical information combined with practical exercises and explanations on the uses of DAD make this book accessible and interesting for people with different background knowledge on the subject. ■

Reviewed by Erika Speelman, Associate Expert, UNESCAP-CAPSA, Bogor, Indonesia.

¹Ravallion, 1994, Poverty Comparisons, Fundamentals of Pure and Applied Economics, Switzerland: Harwood Academic Publishers.