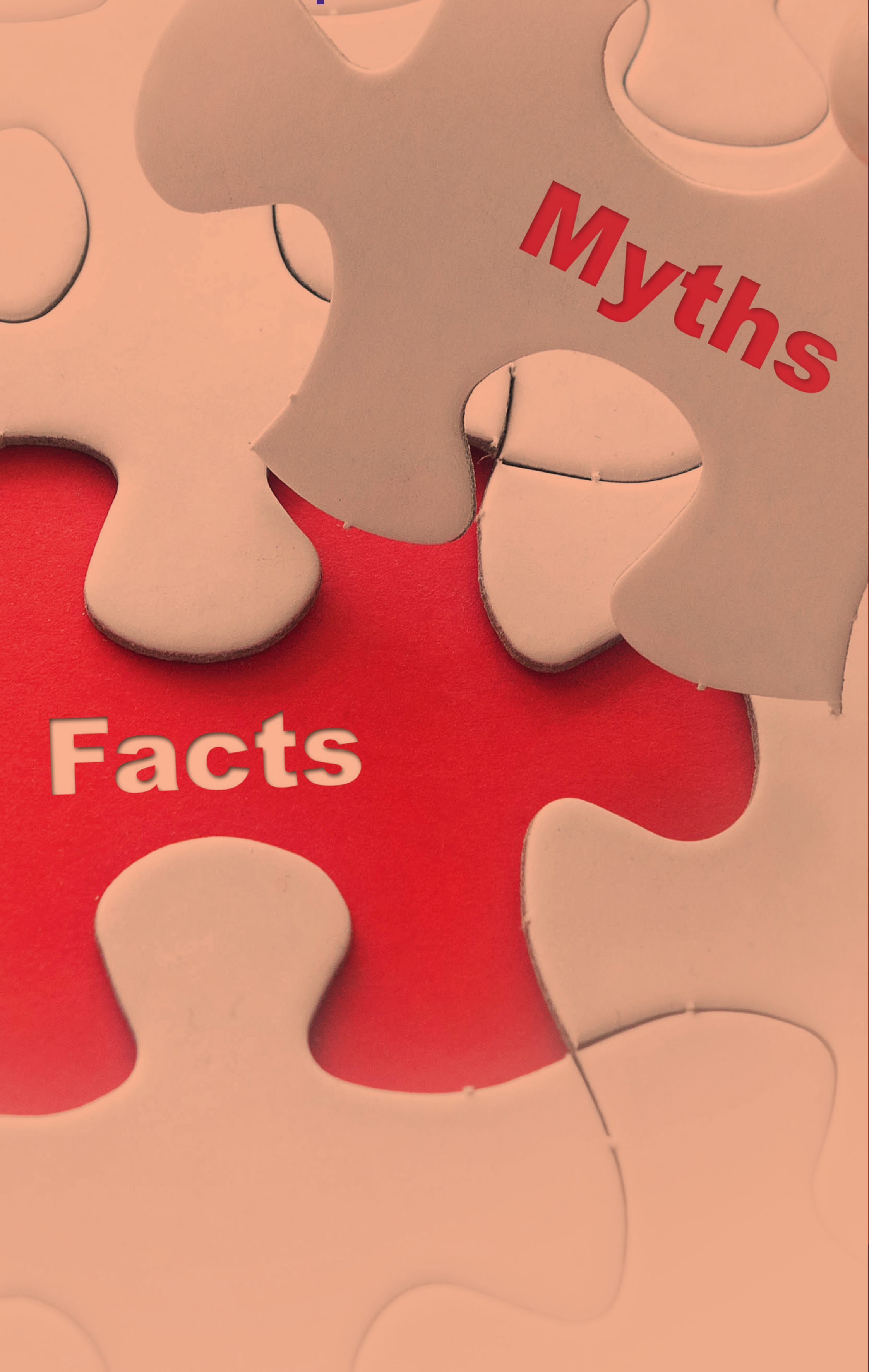
# Debunking Agriculture's Triumphs

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# Debunking Agriculture's Triumphs

Highlights

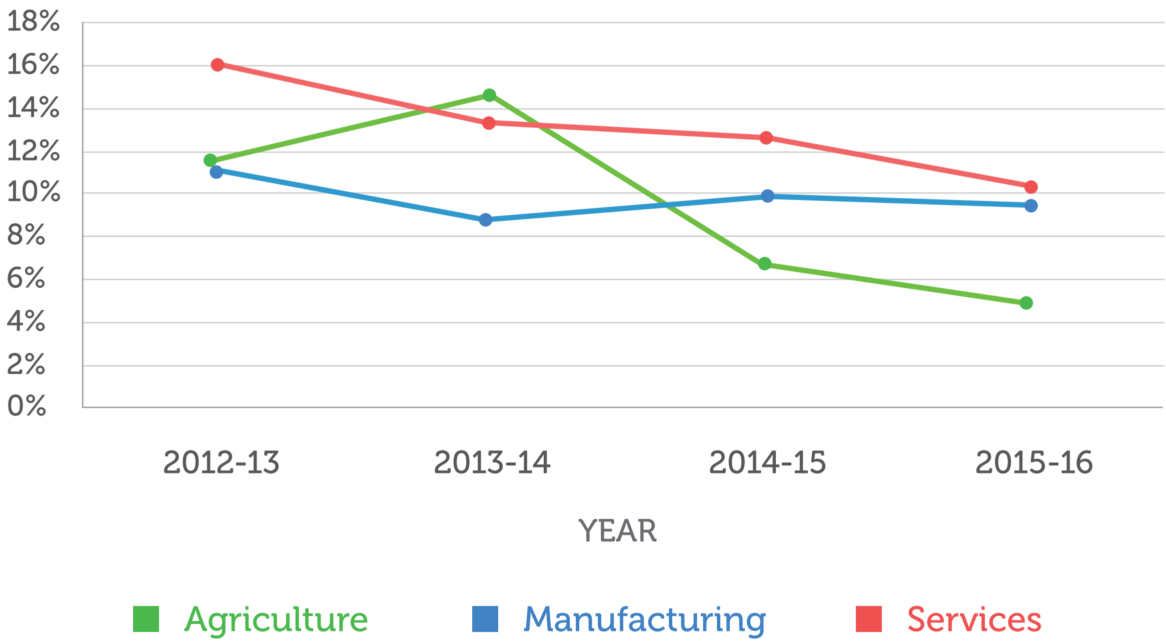
- Non-Manufacturing saw a 104% increase in labour added between 2004-05 and 2009-10. Although, this was the highest addition to employment among the four sectors, non-manufacturing saw a mere per-capita income increase in the same time period: only 0.91%
- Due to low yield productivity in agriculture, despite subsidies on all essential inputs wage growth is a graveyard for farmers
- AgRisk data suggests that large household sizes with maximum 10 members have limited income with average monthly income of only Rs. 6,658
- Resistant to populist agendas, major reforms like urea management, land use and efficient river usage will lead to changes wherein farmers would not have to shift their job

Growth in India has been largely reliant on the service sector and private consumption. Economic growth decelerated to 6.1% year on year in the first quarter of FY17 compared to expectations of 7.1% (TradingEconomics). Ad ecomposition of the GDP shows a declining growth rate in the services and agriculture sector from 2012 to 2016.

This has affected the labour market spilling over from the agriculture sector With crop prices and ever- increasing debt burden, labourerswaning farmers look for a secondary source of income which previously came from the tertiary sector like working as housemaids, cleaner, drivers in big cities. Modern services requires killed workers, which workers fleeing agriculture do not possess.Thus, they have shifted to the next best alternative: the non-manufacturing sector.

According to NSSO report, employment in non-manufacturing sector saw the highest CAGR of 13% from 27.9 million in 2004 -05 to 56.8 million in 2009-10 while agriculture and manufacturing did not add any workers as the CAGR for

## Indian Sectorial G.V.A. Growth Rates




*Source: Central Statistics Office*

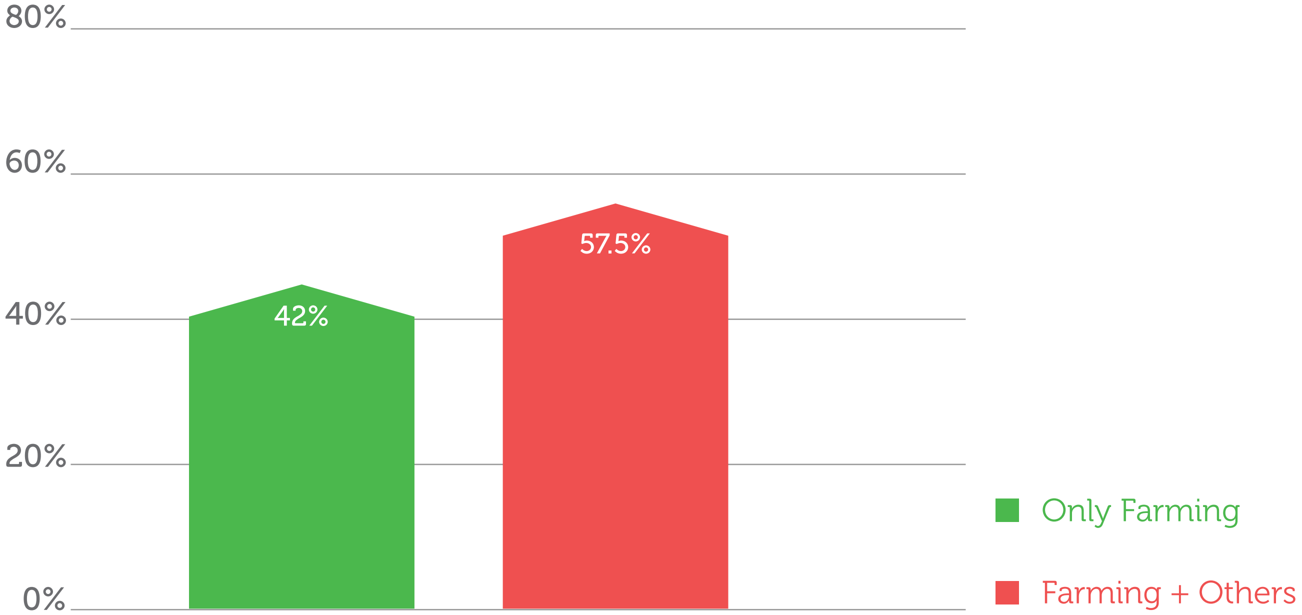
both the sectors was negative 2% supporting the hypothesis. As services show a declining Gross Value Added (GVA)trend, it also added a mere 0.4% CAGR in employment between 2004-05 and 2009-10. Unfortunately for farmers, this is a graveyard for wage growth. Although, non-manufacturing saw the highest workforce growth, the per-capita income CAGR is far below compared to agriculture: 5.9% in non-manufacturing v/s 15.4% in agriculture.

Non-manufacturing consists of constructions, water and electricity: A sector which will witness tremendous growth as we shift our focus on better infrastructure. But, this is still a massive unorganised sector. Farmers look for jobs which pay quickly, as they live off daily wages. Thus, they are forced into these jobs and are exploited by employers.

It seems that expanding a country's manufacturing base is a precursor for sustained economic growth as exemplified by China, Japan, South Korea and other western economies. This is simple Developmental Economics. When our incomes rise, our initial consumptions are food and clothing. When incomes rise further and we have more disposable income, we switch to industrial products- television, cars along with basic services like banking. When incomes rise further, services take the lead. The demand for private and expensive healthcare, tourism, restaurants, financial services, child and

elderly care businesses increase. That is why it is not unusual for developed countries to have over 60% of their labour force in services. People consume more services not when technological advance slower their prices but when they have reached alevel of affluence that satisfies most of their needs.
But this transition didnottakeplaceinIndia.Instead, India leapfrogged from agricultural growth and moved on to services sector with limited improvements in incomes or standard ofliving skipping industrial growth.

Farmer Survery in Mandsaur, M.P.




*Source: AgRisk Data Analytics*

The service sector contributes to 60% of GDP but only employs 24% of the Indian workforce. Unlike manufacturing and non-manufacturing which include labour- intensive activities that do not require a specific knowledge base for workers, services are skill-focused. Therefore, many farmers have not been absorbed by the service sector as well as high-skilled manufacturing sector. The most unfortunate part about the agriculture sector is that even after governmental-provision for subsidized inputs and tax-free income, Indian farmers are unable to make ends meet. This can be supported by a survey by AgRisk on 80 Farmers in Mandsaur district, Madhya Pradesh which show that 57.5% farmers had secondary jobs besides farming as labourers, milkmen, pundits, carpenters, shop-owners that provided an average of Rs. 6,658 per month. Mostly, these incomes were utilized to meet the daily expenses of households whose sizes varied from 2 to 10 with 78.75% families consisting of more than 4 family members unlike families in urban India as found by AgRisk Data Analytics.

Large household sizes, inability to make ends meet and limited opportunities to improve their standard of living can lead to no incentive to improve on farming methods leading to improved agricultural productivity. Agrarian reforms leading to improved productivity and sustainability is necessity of the hour.

But when will we Indians realize the importance of sustainability-driven reforms in agriculture?