

Farming needs liberalised leasing laws

Informal tenancy arrangements arising out of a restrictive environment do not encourage productivity improvements

RAKESH BHARTI MITTAL

On the eve of every monsoon season it is customary among economists and journalists to look at the perils of Indian agriculture and debate its over dependence on the rain gods. But the debate very rarely moves beyond this 'natural handicap'. It's perhaps time to also look at the 'man-made' factors that can actually be managed to improve agricultural productivity and rural income.

Now, some bare facts about the enormity of the problem agriculture is facing today. After growing 3-4 per cent respectively in the 10th and 11th Plan, growth in agricultural output has slowed down to 1.7 per cent in the first three years of the 12th Plan. While the share of agriculture in India's GDP is only about 14 per cent, the sector employs 49 per cent of the national workforce and 64 per cent of the rural workforce. A sector accounting for half the population needs our urgent attention.

Land consolidation

Over the past 70 years, our population has grown four times, which has effectively resulted in a similar drop in per capita landholding. In fact, of the total holdings today, 85 per cent are in small and marginal farm categories of less than two hectares. Fragmented landholdings have not only hindered infusion of technology (use of hybrid varieties and farming techniques) but capital investment (irrigation and mechanisation of land holdings) as well, resulting in low yields as compared to global standards.

According to the latest FAO Report, the average yield of rice in India is 2.3 tonnes/ha as against a global average of 4.37 tonnes/ha. Countries such as Australia, US and

China enjoy productivity levels of 10.1 tonnes, 7.5 tonnes and 6.5 tonnes, respectively.

Fragmented land holdings have also meant that too many hands are employed to produce too little. 'Hidden unemployment' is quite evident, as most of our land under cultivation happens to be of the single crop variety because of lack of irrigation facilities.

To usher in a transformational change, we need to initiate action on multiple fronts. Crop diversification — multiple cropping and introduction of high value crops — needs to be backed by a significant step-up in investment in research and irrigation. Technology upgrade — introduction of high yielding varieties and investment in post-harvest storage and processing — will also be critical to improve realisation for farmers. As important as all the above would be an accelerated shift of people working in farms to other non-farm occupations.

The Government has already made its intent clear while announcing big investments in agriculture in the 2016-17 Budget. One thing that can really galvanise the sector is enabling larger land holdings and incentivising the farmer and private sector to take land on long tenure lease and make the requisite investments in terms of capital and technology.

The private sector is better placed to improve yield through research, modern irrigation methods, introduction of high yielding varieties and appropriate crop rotations to increase soil productivity. Enhanced productivity and cost efficiency will reflect in increased farm incomes.

Liberalise leasing laws

Leasing of farm land has long remained a contentious issue. Most



Running out of space Land consolidation by private players can make a difference *V. KRISHNAN*

State governments have hesitated to bring in liberalised land leasing laws that enable 'organised usage' of farm land. Restrictive tenancy laws enacted in the 1960s and 70s continue to be in force in many States, effectively ruling out leasing of land to the private sector.

While some States such as Kerala, Jammu & Kashmir and Manipur completely rule out leasing, others like Karnataka, Uttar Pradesh, Madhya Pradesh, Chattisgarh, Telangana, Odisha, Himachal Pradesh, Uttarakhand and Tripura allow only restrictive categories of people to lease out land.

In Haryana, Gujarat, Maharashtra, Assam, Andhra Pradesh, Tamil Nadu, and West Bengal, though there is no legal ban on leasing, there are enough restrictive clauses to discourage leasing per se.

Lack of liberalised leasing laws has resulted in 'concealed tenancy'

or 'informal tenancy'. Such tenancies restrict investment in land improvement and irrigation because of the inherent overhang of uncertainty. The other problem informal tenants face is lack of access to institutional credit and insurance. Worst of all, in view of the legal restrictions, many land owners prefer to keep their land fallow due to fear of losing their ownership rights.

In the past few decades, even socialist countries such as China and Vietnam have liberalised agricultural land leasing with significant impact on growth and equity. There is no reason for India to be hesitant.

The need of the hour is a liberalised land leasing law that not only ensures complete security of ownership rights for land owners and no tenancy rights for lessees, with a provision of automatic resumption of land to the lessor after the expiry of the lease period.

In fact, Punjab and Rajasthan already have legislations allowing long term lease of land. It's high time the Central Government brings into force the Model Land Leasing Act that can be adopted by the State Governments.

Productivity gains

Leasing out land to a better organised private farming entity can have decisive impact both on productivity and the income of the lessor. Land owners can not only earn regular rental from their leased out land but seek employment with the lessee cultivator, which can earn him/her regular wages as well. Alongside this income multiplier, the potential impact of private sector intervention on the overall agronomic environment too can be of immense value.

Private management cannot just dramatically transform the way the factors of production — land, labour, capital and technology — are employed in the sector, it can also leave a powerful 'demonstration effect' even on other farmers. These farmers, in large numbers, can gain from best practices to increase their yield/ha as well as become a partner in such private initiatives.

Another equally powerful consequence can follow private sector involvement in agriculture: sustained investment in post-harvest management and processing by corporates, which can create incremental employment opportunities to take care of the 'hidden unemployment' in rural areas.

Agriculture desperately needs a transformational thrust. Allowing private sector to deliver this will be a welcome initiative.

The writer is the vice-president of CII and vice-chairman of Bharti Enterprises

*Rajshree
ACTO
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