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Farm sector performance crucial for growth: Panel

By C. ANAND REDDY

New Delhi, Jan. 20: Prime Minister's Economic Advisory Council (EAC), headed by Dr C. Rangarajan, has identified two downside risks for the Indian economy in the during the next financial year 2008-09. One is in agricultural production levels and the other is the power situation. Due to soaring of international food prices, especially in countries like the US, Brazil and the European Union, domestic food security will be on a rough tide, Dr Rangarajan said while releasing a report on "Review of Indian Economy in 2007-08".

The performance of the farm sector will have an important bearing on the GDP growth rate during 2008-09, he said.

However, the EAC was optimistic that due to impressive projections of food grain production and as the procurement by government agencies is expected to be good, it will have an offsetting effect.

As such, food stocks management will be a focus area in the coming days.

The EAC pegged the growth rate of the agriculture sector in 2007-08 at 3.6 per cent, revised from 2.5 per cent of the "July 2007 Outlook" report given by the EAC.

When compared to July 2007, the agricultural outlook is better now, the council felt.

The baseline growth projection of 8.5 per cent in 2008-09, as done by the EAC, will be subject to the 2008 southwest monsoon, apart from the power situation and extent of downturn in the global economy, Dr Rangarajan said.

He felt that the rupee appreciation will have a beneficial effect on the sector. "For instance, rupee cost of imported edible oils will be lower. International food price increases may be moderated," he said.

He termed subsidies a measure which is not "fiscally healthy". Part of the subsidy burden of the previous year is getting carried over to current year.

This, in turn, will cause an increase in the level of outstandings, which is not welcome, he said. On the highly debated fertiliser subsidy issue, Dr Rangarajan had a simple but effective suggestion. He wanted the Centre to do away with current system of indirect subsidy to farmers.

"Instead, the government shall give a given quantity of fertiliser to each farmer and leave the price of additional quantities needed by big farmers to market dynamics," he said.