INTERIM REPORT
OF THE

NATIONAL COMMISSION ON AGRICULTURE

ON

REORIENTATION OF PROGRAMMES

OF

SMALL FARMERS AND MARGINAL FARMERS AND AGRICULTURAL LABOURERS DEVELOPMENT AGENCIES

GOVERNMENT OF INDIA

MINISTRY OF AGRICULTURE

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SUMMARY OF RECOMMENDATIONS

PROGRAMME—APPROACH AND DIMENSIONS

1. The basic approach to the programme for small and marginal farmers should be to improve their crop production. (Paragraph 3.4).

2. Whether it is development of crop production through irrigation or water harvesting and land development in rainfed areas or development through subsidiary occupation programmes, a compact area approach should be adopted in all the project areas in order that the programmes might benefit the small and marginal farmers and agricultural labourers in the same area. The distinction between Small Farmers Development Agency (SFDA) and Marginal Farmers and Agricultural Labourers Agency (MFAL) should be abolished.
(Paragraphs 3.7 and 3.8).

3. In areas where surface water schemes or large-scale ground water schemes are possible, the States should assume responsibility to plan for irrigation schemes which would benefit substantially, if not exclusively, the small and marginal farmers. The State Governments should as a matter of priority prepare suitable Plan schemes for the selected districts and earmark necessary Plan funds for the purpose. (Paragraph 3.10).

4. Consolidation of holdings should be accorded priority in the areas selected for the programme of development and special efforts made to bring the holdings of small and marginal farmers into compact blocks where preferential irrigation could be given to them through State sponsored community wells for best results. In the absence of consolidation of holdings and wherever a groundwater scheme is developed, a group approach to the irrigation needs of the small farmers would have to be considered by including, if necessary, the large farmers who might have their lands in the irrigation command but taking care to see that the financial assistance in the shape of subsidy is made available only to small and marginal farmers benefiting from the irrigation source. The Rajasthan pattern of group owned wells, which is working satisfactorily, may be adopted as far as practicable. (Paragraphs 3.13 and 3.14).

5. Since the small and marginal farmers in rainfed areas are more vulnerable and require State assistance, it would be

necessary to extend the coverage of the programmes to these farmers as much as possible. The State should take up schemes for water harvesting as a part of the general programme of minor irrigation and the beneficiaries should be charged only the rate for the benefit. In addition, the State should undertake works, on its own, on a substantial area for land shaping, soil conservation, etc. Private wells in these areas should also be given State support. (Paragraph 3.15).

6. Special efforts should be made to adopt improved dry farming practices in the selected areas under rainfed conditions. (Paragraph 3.16).

7. For the purpose of the programme, the maximum limit of holdings of small farmers should not be above 2 hectares and of marginal farmers above one hectare. (Paragraph 3.19).

8. The coverage of small and marginal farmers in the combined project areas should perferably be in the ratio of 1:3 on an average to ensure that the programme has the necessary tilt in favour of marginal farmers. (Paragraph 3.20).

9. Considering the administrative capability and the need to devote individual attention, it should be possible to cover about 70,000 farmers in an area under an Agency. The programme is better organised on a district basis by following the principle of one district one agency. Where, however, extension of the programme to adjoining districts becomes absolutely necessary due to local conditions, the minimum area which can be covered by Agency programmes should be a Block.

(Paragraph 3.21).

10. The programme should be extended during the Fifth Five Year Plan to 160 Agency Units (including the existing 79.5 Agency Units) covering about 11 million families. This will mean the extension of the programme to an additional 80.5 Agency Units during the Fifth Plan. (Paragraph 3.23).

11. It will be appropriate and reasonable to distribute the additional Agency Units on the basis of the Statewise distribution of the number of small and marginal farmers and agricultural labourers. Based on this principle, the allocation of Agency Units to States and Union Territories should be as indicated in paragraph 3.24. (Paragraph 3.24).

12. In extending the programme, emphasis should be on the selection of areas having fairly assured rainfall. The programme need not be extended to drought affected districts in which a separate programme has been taken up.
(Paragraph 3.25).

13. Individual subsidiary programmes such as milk production, poultry raising, sheep rearing and pig production should be superimposed as separate programmes in those combined programme districts which coincide with those suggested for the special subsidiary programmes. The financing of these special programmes should be self-contained and should not be done from out of the project funds now earmarked for the combined programme. In other combined programme districts, haphazard and small schemes of subsidary occupations should not be sponsored. (Paragraph 3.28).

14. The combined programme Agencies should be in close touch with the special subsidiary programmes and be responsible for identifying the beneficiaries amongst the small and marginal farmers and agricultural labourers for these programmes. In the selection of these beneficiaries, steps should be taken to include such of those small and marginal farmers and agricultural labourers as would not be able to cross the minimum need level by the crop production and area development programmes alone. A substantial number of persons selected for the special programmes should be additional to the persons selected for the main programme. (Paragraph 3.29).

15. The entire programme should be time-bound and target-oriented and should be implemented with a sense of urgency. (Paragraph 3.28).

TECHNICAL AND INSTITUTIONAL SUPPORT TO THE PROGRAMME

16. It would be necessary to ensure that special programmes like those of the SFDA/MFAL which are meant for the weaker sections of the population do not suffer neglect because of lack of attention by the extension staff at all levels—district, block, circle and village. The extension machinery in the districts should be strengthened and oriented to pay particular attention to the problems of small and marginal farmers.
(Paragraph 4.3).

17. As many Farmers' Service Societies as possible should be established in the project areas to ensure the provision of credit, service, supply and marketing facilities and also technical advice at one place. (Paragraph 4.7).

18. There should be one graduate Agricultural Extension Officer for every 10,000 to 12,000 of population in the project areas. (Paragraph 4.8).

19. More attention to problems of small and marginal farmers at individual level being essential for the success of the programme, the States should provide the necessary additional extension staff in the project areas. At the village level, the pattern obtaining in the Intensive Agricultural Area Programme should be adopted. To ensure the availability of adequate additional staff, the release of funds for the projects should be linked with the provision of additional extension staff for the programme in the project areas by the States. (Paragraph 4.9).

20. Since the Agricultural Officer-in-charge of a district has numerous responsibilities, there should be a Special Officer under him to coordinate, guide and supervise the work of the specialists and extension workers in the field in relation to the programmes for small and marginal farmers. (Paragraph 4.10).

FINANCING OF COMBINED SFDA/MFAL PROGRAMMES

21. The subsidies of 25 per cent for small farmers and 33-1/3 percent for marginal farmers presently being allowed under SFDA and MFAL programmes should be continued under the combined programme during the Fifth Plan period. (Paragraph 5.3).

22. There is no need to grant a higher rate of subsidy at 50 per cent to irrigation projects constructed by Panchayat or Cooperatives or Gramsabhas. They should, however, be allowed subsidy as would have been granted to individual small and marginal farmers benefiting from the well or tubewell. When a large farmer comes within the command of such a well or tubewell, he should pay for his share of the cost without a subsidy. The State Corporations need not be given any subsidy. (Paragraph 5.5).

23. In difficult areas, the problem of risk of failure of the well or tubewell should be rationalised by following the method

adopted in Rajasthan for installing community tubewells. A standard output per well should be fixed on the basis of observed pattern and the community should be charged for the well in relation to the standard output. The State should subsidise whatever is not covered by the charges including the entire cost of completely failed wells. In areas better endowed with water facility and potential, a provision of Rs. 1.5 lakhs per Agency for the risk fund should be made. In areas less endowed with water facility and potential, a risk fund of about Rs. 3 lakhs may be necessary for each Agency.
(Paragraphs 5.6 and 5.7).

24. Since a substantial number of small and marginal farmers in dry areas would have to be covered under the programme, the State should play a vital role in such areas by organising works on its own. The State should undertake major works on catchment basis, while minor works could be taken up by individuals or groups. There should be adequate provision for State works in the budgets of the Agencies. (Paragraph 5.8).

25. The risk fund subsidy should be given to the cooperative credit agencies for additional long, medium and short term loans on a reduced scale and on the pattern indicated in paragraph 5.11. (Paragraph 5.11).

26. Adequate precautions should be taken so that the full amounts of credit sanctioned to the small and marginal farmers for improving their crop production do reach them. There should not be any deductions by way of adjustment of old debts.
(Paragraph 5.12).

27. The input subsidy should be given to marginal farmers at the rate of 33-1/3 precent of cost upto a ceiling of Rs. 100 as at present but it should be restricted to only one cropping season. (Paragraph 5.13).

28. There is no need for special subsidies for marketing and processing units and for custom service units and for charges. In view of various other subsidies and help being given to individual beneficiaries, the State Governments should depend on Plan schemes in the State sector for the purpose.
(Paragraph 5.14).

29. The subsidy on transportation of inputs should be continued and a provision per Agency Unit of Rs. 1 lakh for comparatively better areas and Rs. 2 lakhs for relatively less endowed areas should be made. (Paragraph 5.15).

30. The existing subsidies for the development of markets and storage facilities in the project areas should be continued and a provision of Rs. 4 lakhs per Agency Unit for this purpose would be sufficient. (Paragraph 5.16).

31. The provision for staff subsidy to institutions and for Agency staff which are presently built into the budgets of the Agencies should hereafter be made by the State Governments in their Plan budgets. (Paragraph 5.17).

32. Similarly, the States would have to meet the cost of staff except the salary of the Managing Director (which will be borne by the financing bank) of the Farmers' Service Society which may be set up in the project areas. (Paragraph 5.18).

33. The cost of additional extension staff in areas where the projects would be taken up should be borne by the States themselves. The necessary provision which the States would be required to make in their budgets towards staff subsidy to institutions and Agency and extension staff would on an average, amount to about Rs. 25 lakhs per Agency Unit during the Fifth Plan. (Paragraphs 5.19 and 5.20).

34. In addition, a provision of Rs. 241 crores should be made in the Central Sector of the Fifth Plan for this programme extending over 160 Agency Units. (Paragraph 5.20).

SECTION I

INTRODUCTION

1.1. One of the terms of reference given to the National Commission on Agriculture relates to the study of the problems of "small farmers and agricultural labour viewed in the context of social justice and equality of opportunity and as a factor in securing effective participation of the bulk of the Indian peasantry in the stepping up of agricultural production." This is also one of the items on which the Commission is required to make interim recommendations to the Government. The Commission has examined various aspects of the problem of small and marginal farmers and agricultural labourers and has since submitted two Interim Reports to the Government, one on "Milk Production through Small and Marginal Farmers and Agricultural Labourers" and the other on "Credit Services for Small and Marginal Farmers and Agricultural Labourers".

1.2. India's rural population consists predominently of small and marginal farmers cultivating holdings upto 2 hectares and of agricultural labourers. Of all rural households, small and marginal farmers represent 52 per cent and agricultural labourers 24 per cent. Despite two decades of planning for economic development, bulk of them have remained poor living below the minimum standard of consumption of Rs. 20 *per capita* per month at 1960-61 prices or Rs. 37 at 1971-72 prices. The magnitude of the problem and the absolute number of small and marginal farmers and agricultural labourers vary from State to State. The principal cause of poverty among small and marginal farmers has been the low resource base and their inability to take advantage of the modern agricultural technology and to develop well organised subsidiary occupations to improve their income.

1.3. Self-reliance and reduction of poverty are the two basic aims of the Fifth Five Year Plan. Agricultural production has to increase if the various needs of the population, the industries and the exports are to be satisfied. A vigorous programme of production by utilising as much as possible the land resources through the use of improved technology is, therefore, called for. The holdings of small and marginal farmers together account for about 20 per cent of the cultivated area in the country. Any programme designed to increase production cannot but include this large land area, where small and marginal farmers, if adequately helped, can contribute substantially to the production in the country.

1.4. A frontal attack on the rural poverty is inescapable. In the "Approach to the Fifth Plan 1974—79", special attention to the poorest 30 per cent of the population is envisaged in order to reduce their poverty. On a rough reckoning, this will mean about 30 million families in the rural areas, whose monthly *per capita* consumption is below the desirable minimum. The bulk of small and marginal farmers and agricultural labourers who constitute the vast majority in the rural areas come within the poorest three deciles of the population. In order to make a dent into their poverty, it is at the income creation stage that the attention has to be focussed. They must be given adequate opportunities to increase their income to satisfy their minimum needs. This would be possible if their productive capabilities are developed and utilised and adequate employment opportunities created.

1.5. Thus, both from the point of view of production and of reduction of poverty, particular attention to the needs of small and marginal farmers and agricultural labourers is warranted. The facilities created through general programmes of development tend to gravitate towards those who are more affluent, influential and aggressive in the rural society. By the time these facilities permeate to the lower levels, the cost of the service becomes high and the States find it difficult to maintain it. That is why selectivity is necessary. Programmes and facilities are required to be specially designed to benefit the weaker section directly and in the quickest possible time.

1.6. Seen from this angle, special programmes of Small Farmers Development Agency (SFDA) and Marginal Farmers and Agricultural Labourers (MFAL) initiated during the Fourth Five Year Plan have very good possibilities in providing the necessary fillip to the economy of these weaker sections in the society. Keeping in view the "Approach to the Fifth Plan 1974—79", the Commission has, in this Interim Report, considered certain modifications in these two schemes of the Government of India to fit them into the strategy for achieving reduction of poverty and inequality. It would be a big step forward if through these programmes a substantial part of 30 million poorest families are enabled to improve their income and consumption. However, even with the development of crop production, the incomes of a sizable number of marginal farmers in irrigated areas and both small and marginal farmers in rainfed areas would continue to be below the desirable minimum. They have to be provided with opportunities for supplementary income. We have already dealt with milk production by this section of the population in a separate Interim Report. In two other Interim Reports, the Commission is dealing with subsidiary occupations for small and marginal farmers and agricultural labourers like poultry, piggery and sheep rearing and sericulture.

1.7. We would like to point out that in this Interim Report, the Commission is dealing not with the physical progress of SFDA and MFAL programmes but with certain aspects which require reorientation in the context of the accepted objectives of the Fifth Plan. In the course of its study, the Commission addressed the State Governments and Project Officers of SFDA to elicit information and views on some aspects of these schemes. The Questionnaires are reproduced in Appendices I & II.

SECTION II

HISTORICAL REVIEW

2.1 The All India Rural Credit Review Committee considered the problem of small holdings and came to the conclusion that by proper State support and appropriate institutional changes and/or procedures, it should be possible to tackle effectively the proplems of what it classified as potentially viable farmers. The potentially viable farmers whom it called small farmers were those whose agricultural business including subsidiary activities like animal husbandry could be rendered viable if there was support in terms of irrigation, supplies of inputs and services at fair prices etc. The Committee considered that as a first tranche in the uplift of the rural sections of the community, it was clearly desirable to deal with the potentially viable farmers as a class and bring them above the poverty level in a phased programme of action. The committee, therefore, in its Interim Report submitted to the Government of India in February, 1969 recommended an institutional set up in the form of Small Farmers Development Agency and suggested measures for expanding the flow of institutional credit and other State assistance to the small farmers in an integrated effect to raise their economy to surplus level. As regards the small farmers who were not potentially viable and who were classified as marginal farmers and the entire class of agricultural labourers, the Committee took the view that they required "A far-reaching programme of rehabilitation, including, but extending far beyond mere credit".* The Committee did not formulate any specific scheme for them.

2.2 These recommendations led to detailed consideration of the problems in the Government of India. The Planning Commission also sponsored some diagnostic studies into the problems and prospects of small farmers. Restriction of the programme to potentially viable farmers, to a large extent, limited the scope of the schemes to areas where there was assured railfall or good irrigation support or irrigation potential. The farmers in the dry zones would not be able to better themselves without a determined effort to improve their

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*Report of the All India Rural Credit Review Committee, 1969, p. 537

economy. Whereas the policy of development of crop production was expected to provide opportunities to farm labour in those areas for fuller and more remunerative employment, it was felt necessary to devise subsidiary programmes for supplementing their income. This policy was applicable in a large measures to the class of marginal farmers also. For the success of the subsidiary activities, it was considered necessary to provide adequate credit and organise marketing facilities. It was, therefore, decided to launch a programme for the betterment of marginal farmers and agricultural labourers in addition to the programme for small farmers.

2.3 During the Fourth Five Year Plan (1969-74) two schemes in the nature of pilot projects were initiated in the Central sector of the Plan. One was the scheme for Small Farmers Development Agencies (SFDA) and the other for Marginal Farmers and Agricultural Labourers (MFAL). Under these schemes, a separate Agency was to be set up as a registered society for each project to implement the programme. These Agencies were to be provided with special funds from the Government of India and a nucleus staff under a Project Officer and were intended to act as catalysts for development in the districts of their operation. A close coordination between the Agency on the one hand and the executive departments and institutions in the districts on the other was envisaged to ensure that the programmes identified by the Agency were expeditiously put through by the concerned departments and institutions. For this purpose, the Commissioner/District Collector was made the Chairman of the Agency and representatives of concerned departments and institutions its Members.

2.4. The SFDA projects were to be kept distinct from MFAL projects, because the accent on programmes in these two projects varied. At the same time it was realised that their areas of operation might coincide in certain cases. In that event, it was contemplated that it might be possible to use the SFDA as the instrument for executing the MFAL scheme. At present, there are 46 SFDA projects (covering 54 districts) and 42 MFAL projects (covering 47 districts) operating in the States and Union Territories (vide Appendix III). Six projects are common to both SFDA and MFAL schemes covering 9 districts. In addition, the Government of Mysore is operating one SFDA project and one MFAL project on its own. It is also understood that Punjab has initiated similar State-financed projects in four districts.

SFDA

2.5. Each SFDA project was to be confined to a compact area such as a district or part of a district and cover about 50,000 families in a phased programme during the Fourth Plan period. The average outlay on each project was fixed at Rs. 1.5 crores during the Fourth Plan. The SFDA, registered as a Society, would receive funds directly from the Central Government. The main functions of the Agency would be to identify the problems of small farmers in its area, prepare appropriate programmes and devise ways and means of implementing them. As far as possible, the Agency was to work through existing institutions though it might undertake some of the programmes directly, where absolutely necessary. For purposes of identification of small farmers, a small farmer was defined as one having a holding size between 1 and 2 hectares. In dry areas the upper limit was raised to 3 hectares.

2.6. The focus in the programmes for small farmers was to be on intensive farming, although subsidiary occupations were included in the programmes. The SFDA was required to organise the necessary support to enable the small farmers to take advantage of the improved agricultural technology. The Agency was expected to promote the flow of credit through co-operatives and commercial banks by giving necessary support in the shape of risk fund, managerial subsidy, share capital contribution etc. The scheme envisaged that the Agency would help small farmers in securing loans and other facilities by giving them financial assistance in the shape of 25 per cent subsidy. The Agency was also to ensure adequate arrangements and facilities for storage, transportation, processing and marketing of the small farmers' produce. Wherever possible, the small farmers were also to be helped to add to their incomes through subsidiary activities such as dairy farming, poultry raising, etc. and through agro-based industries.

MFAL

2.7. The MFAL scheme was intended to cover marginal farmers, generally having holdings of not more than one hectare and agricultural labourers having homestead and earning 50 per cent or more of their income from agricultural wages. Each project was expected to cover about 20,000 families during the Fourth Plan period. The emphasis in these projects was to be on provision of subsidiary occupations and other employment creating programmes on the basis of integrating the programmes with local planning. The project was expected to be located close to an urban centre which could provide a profitable market for products like milk, egg, poultry, fish etc. and to have the necessary infrastructure for a credit programme. As in the case of SFDA, the MFAL was also to be a separate Agency on the lines of the SFDA. The average outlay on each project was fixed at Rs. 1 crore during the Fourth Plan. The Agency was required to identify the problems of marginal farmers and agricultural labourers, formulate schemes for providing gainful employment to the participants and evolve suitable institutional, financial and administrative arrangements for implementing the various programmes. It was expected to help the participants in getting necessary credit and other facilities by providing financial assistance in the shape of 33-1/3 per cent subsidy from the Agency. In special cases, the Agency could, with the prior approval of the Central Government, undertake works programme, establish common facilities and also undertake processing and marketing of products till proper organisations were established for the purpose.

2.8. The SFDA programmes as initially conceived were kept distinct from the MFAL programmes and marginal farmers in SFDA areas were excluded from assistance from the SFDA and vice versa. Following a re-examination later, it was found that it would not be practicable to exclude marginal farmers in areas where SFDA programmes were under implementation. The Government of India has since decided that the farmers with holdings below the floor limit adopted by the SFDA may also be included in the programmes which have been drawn up or being considered by the Agency. However, the extension of the coverage of SFDA programmes to marginal farmers has to be programme-wise and limited to the programme which are being taken up by the SFDA. For the present, it is not the intention that the SFDA should identify all the marginal farmers in the area or start programmes for all of them. The assistance from the SFDA would be available to the marginal farmers on the same terms as for small farmers in such programme areas. Following the extension of the coverage of programmes to marginal farmers, the SFDA authorities have been asked to indicate additional allotment of funds required by them to cover marginal farmers in their areas of operation. Wherever the authorities have already selected small farmers for various programmes, they have been asked to prepare supplementary lists of the identified marginal farmers for purposes of assistance under the respective programmes.

2.9. A total amount of Rs. 103 crores has been allocated for the two schemes during the Fourth Plan. Most of the projects now under operation were sanctioned during 1970-71. However, they started to function effectively in the field from 1971-72. The National Seminar on SFDA/MFAL projects held in April, 1972 recommended the continuance of the schemes in the Fifth Plan to enable them to have a full five year period of operation. The projects have now run for some time and have provided valuable experience.

SECTION III

THE PROGRAMME—APPROACH AND DIMENSIONS

3.1. The approach to the Fifth Five Year Plan has laid particular emphasis on programmes which have the effect of reducing poverty of the poorest 30 per cent of the population. The cycle of low-income-low-consumption-expenditure of small and marginal farmers and agricultural labourers who form the bulk of this population has to be broken and additional income created if their level of consumption is to be raised. This is possible if only the productive capabilities of this class of people are sufficiently improved.

3.2. The small and marginal farmers derive the major portion of their income from crop production. Any effort to improve their economic status would have to be directed first to the improvement of their crop production.

3.3. Various studies have shown that small and marginal farmers, if helped with necessary resources and guidance, can increase their crop production considerably; the small size of the holdings is not a constraint. The handicaps from which the small and marginal farmers suffer are lack of resources, facilities, technical guidance and allocative efficiency. A recent study conducted by the Centre for Management in Agriculture of the Indian Institute of Management, Ahemdabad* into the problems and possibilities of improvement of small farmers has concluded that significant gains in farm business incomes are possible if managerial efficiency regarding allocation of resources is improved. Gains are much larger if adequate resources are made available and used and the farmer takes to improved technology. With additional resources even with traditional technology the farm business income of nonviable irrigated and unirrigated farms increased by as much as 120 per cent and 130 per cent respectively. When new technology is introduced along with additional capital, then farmers in both irrigated and unirrigated tracts get maximum incomes. The farm business income in respect of farmers with unirrigated land has been shown to go up by 182 per cent while in the case of farmers with irrigated holdings, the increase was even more at

*"Small Farmers—Problems and Possibilities of Development Centre for Management in Agriculture, Indian Institute of Management, Ahmedabad, 1973.

284 percent. The study also emphasises that the additional capital requirements for the new technology will be much higher than with the traditional cultivation practices.

3.4. Farm management studies have also shown that in irrigated areas of Punjab and Haryana, a one hectare farm with a current investment of Rs. 1254 can, with improved technology, give a net monetary return of Rs. 2750 by raising two crops—kharif paddy followed by rabi wheat. Similarly, the alternative rotation of kharif maize followed by rabi wheat can give a net income of Rs. 2600 with an investment of Rs. 1075. Incomes of this order would take the farmers with irrigated holdings of one hectare above the national desirable minimum level of consumption which can be put at about Rs. 2500 per family assuming the per capita consumption at Rs. 37 per month at 1971-72 prices. It appears possible to attain this level of income from a holding of about 2 hectares in rainfed areas with land development, application of improved technology and necessary physical inputs. Even in holdings below this size in rainfed areas, gains are possible with such an approach although these may not be sufficient to take the family above the minimum consumption level. However, the economics clearly show that if proper arrangements are made to improve the crop production of the small and marginal farmers, both in irrigated and unirrigated areas, the income levels can be substantially improved. Considering this, the Commission feels that the basic approach in the programme for small and marginal farmers should be to improve their crop production.

3.5. Irrigation is the best programme for growth of the economy of an agriculturist. An irrigation scheme normally covers an area and gives benefit to big, small and marginal farmers in the area. A new project can similarly cover all these classes. A community approach can cover small and marginal farmers. The irrigation programme has, therefore, to be area based and should cover small and marginal farmers and also big farmers, where they come under the command of the irrigation source. Even in rainfed areas, the land development measures have to be on area basis which means that small and marginal farmers have to be covered under the same programme.

3.6. The subsidiary occupation programme has also to cover both the small and marginal farmers in the same area. Our analysis shows that in SFDA areas, the accent being on crop production, the coverage of small farmers under subsidiary occupations is not much. Even when the stress is on subsidiary occupations in MFAL areas, the number of marginal farmers to be identified for each of the subsidiary occupations is limited. The subsidiary occupation of milk production or poultry rearing or pig breeding requires the support of a good marketing organisation. The MFAL programme no doubt contemplates the creation of common facilities for production, processing, storage and marketing. But for the programme to be successful, it is to be based on a commercial production and not on a byproduct production as in the past. The implications are all too evident. A subsidiary occupation programme for small and marginal farmers and agricultural labourers will not succeed without the adequate infrastructure of production, processing, marketing and storage along with the required veterinary services. This has been explained in detail in our Interim Report on Milk Production through Small and Marginal Farmers and Agricultural Labourers. This is also confirmed in the Interim Reports on Poultry, Sheep and Pig Production* and on Sericulture†. The subsidiary programmes to help the small-man must be substantial. The Commission is of the view that the same pattern as for the milk production programme would have to be followed in the case of other subsidiary occupations. A massive programme of this nature can be sustained if the number of beneficiaries is sufficiently large. It was this logic which made the Commission recommend in its Interim Report on Milk Production through Small and Marginal Farmers and Agricultural Labourers that the milk programme should cover small farmers, marginal farmers and agricultural labourers in the same area and give them a two-thirds share in the benefits.

3.7. We thus find that whether it is development of crop production through irrigation or water harvesting and land development in rainfed areas or development through subsidiary occupation programmes, a compact area approach is necessary, which certainly allows the programmes to benefit the small as well as the marginal farmers in the same area. Our objective being to benefit the small and marginal farmers and agricultural labourers so that they can better themselves and cross the poverty line, if possible, with State assistance and our above analysis showing that there is need to cover both small and marginal farmers under the irrigation, land development and

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*Interim Report on Poultry, Sheep and Pig Production Through Small and Marginal Farmers and Agricultural Labourers for Supplementing their Income.

*Interim Report on Sericulture.

subsidiary occupations programmes in the same area, the artificial distinction between SFDA programme and MFAL programme should now be given up.

3.8. The Commission, therefore, recommends that in all programmes of SFDA/MFAL, a compact area approach should be followed and these Agencies should cover both small and marginal farmers and agricultural labourers in the same area. This should hold good in respect of both the existing SFDA/MFAL projects as well as additional ones recommended in this Report.

3.9. In paragraph 3.4, we have emphasised that the programmes for small and marginal farmers and agricultural labourers would in future lay emphasis on development of agriculture with particular reference to crop production. This we have done, keeping in view the possibility that, for a considerable time to come, the small and marginal farmers and agricultural labourers would have to depend on agriculture alone for their employment and incomes. The generation of additional incomes from the holdings of the small and marginal farmers would to a great extent depend on the support of irrigation and the adoption of improved technology in irrigated as well as dry areas. The small and marginal farmers are dis-advantageously placed with regard to both surface and ground water irrigation. If water can be made available to them for an intensive programme of crop production, there can be a substantial and permanent improvement in their economy. But there are many difficulties arising out of the present position of the small and marginal farmers in the village and the existing level of infrastructure which prevent them from utilising the available potential economically. The difficulties are:—

(i) In the existing irrigation schemes, the holdings of large, small and marginal farmers are generally interspersed and it would be difficult to commit the available irrigation facility for the benefit of small and marginal farmers only. In the bulk of the ayacut, water is distributed amongst the farmers in proportion to the size of their irrigable holdings.

(ii) In areas where ground water schemes are possible, individual investment by a small or marginal farmer is generally a case of over-capitalisation and State schemes have no preference for small and marginal farmers.

(iii) Because of fragmentation of holdings and scattering of plots, a community approach to irrigation becomes difficult without a programme of land consolidation preceding such an effort.

3.10. In the SFDA/MFAL programmes, there is provision of long or medium term loan to the farmer for constructing his own irrigation source, either an open well or a tubewell with a pumpset, if necessary. If water can be made available to the small and marginal farmers, the major constraint, by and large, would have been removed. Irrigation schemes which have the objective of helping the small and marginal farmers must recognise the difficulties involved and plan to meet all such difficulties. In some areas the best irrigation facility that can be provided is probably a medium or minor irrigation project or a large-sized State tubewell. If such a scheme is the answer to the need for irrigation in the selected areas, then it is obvious that it should be treated as a priority item. We, therefore, recommend that in areas where surface water schemes or large scale ground water schemes are possible, the States should assume responsibility to plan for irrigation schemes which would benefit substantially, if not exclusively, the small and marginal farmers. The State Governments should as a matter of priority prepare suitable Plan schemes for the selected districts and earmark necessary Plan funds for the purpose.

3.11. In most cases, however, State assistance will be required to encourage private initiative in creating an irrigation source. The wells or tubewells can be constructed either individually or on a group basis or community basis. Community wells or tubewells are required in certain specific situations. Firstly, where the holdings are fragmented and it is not economical for any one farmer to own an irrigation source, a community source is necessary. Secondly, where water table is very deep and the large sized tubewells are the economic answer and large coverage is necessary for the economy of the project, the community approach becomes imperative. A third situation is the extremely dry areas where ground water is limited and the problem is to give the benefit to maximum number of small and marginal farmers. In all these cases a community well is necessary. It can be through the Panchayats, or the cooperatives or even by a group of farmers whose lands can be commanded by the project. The jointly owned well will be better run than a purely community well where the running would be impersonal and may well have to be through paid employees who add to the cost but not efficiency. A community approach of this kind is, however, not easy to get. On the other hand, this is necessary in the present status of the SFDA and MFAL projects where even dry areas have been included. A Panchayat or community well may be benefiting the bigger farmers also, though they may be in minority, because they happen to be within the command of the well. But, on the other hand, a joint well or a tubewell can be purposefully constructed for the sole benefit of small and marginal farmers. In the absence of consolidation of holdings, many small and marginal farmers with scattered holdings would not be in a position to take advantage of the programme of community wells individually. The possibility of a group of small and marginal farmers having a joint well would then have to be explored to benefit as large a number of such farmers as possible. In Rajasthan, there are group-owned wells and the rights of the members of the group are recorded in the revenue records. This system is working satisfactorily.

3.12. Where land is highly fragmented, a community approach becomes difficult. Consolidation of holdings is the best solution in such a situation. By the process of consolidation, the holdings of small and marginal farmers could be brought together into compact blocks where preferential irrigation could be given to them through State sponsored programme of community wells. This method has been successfully adopted in the Federal Republic of Germany where the holdings of small farmers have been brought together into compact blocks near the village and the farmers encouraged to cultivate the block on a cooperative basis. The big landholders are allotted land away from the village. This is an example worth emulating in this country.

3.13. An analysis of the present position in the States has revealed that consolidation operations in the SFDA/MFAL areas have been taken up only in parts of the districts covering a few selected number of villages with the bulk of work still remaing to be done. Replies received from the SFDA project authorities indicate that there is no programme of land consolidation in as many as 20 out of 36 projects for which information is available and of the 16 projects where consolidation programme is in operation, it is being undertaken only as a continuation of a Plan programme already under execution in the areas but no special priority appears to have been given to this programme. Considering the importance of consolidation of holdings in the context of the improvement of the economy of small and marginal farmers, the Commission recommends that consolidation operations should be accorded priority in the areas selected for the programme of development and special efforts made to bring the holdings of small and marginal farmers into compact blocks where preferential irrigation through State sponsored community wells could be arranged for best results.

3.14. In the absence of consolidation of holdings and wherever a ground water scheme is developed, a group approach to the irrigation needs of the small and marginal farmers would have to be considered by including, if necessary, the large farmers who might have their lands in the irrigation command but taking care to see that the financial assistance in the shape of subsidy is made available only to small and marginal farmers benefiting from the irrigation source. We also recommend the adoption, as far as practicable, of the Rajasthan pattern of group-owned wells referred to in paragraph 3.11.

3.15. Not all the holdings of the small and marginal farmers in the selected districts can be under the command of the irrigation sources. In fact, their number would be substantially large particularly in areas which are relatively less endowed with water facility and potential. Even in districts relatively better endowed with water resource, a large number of farmers would have to depend on rainfed farming. It is these people who are more vulnerable and require State assistance to improve their economy. Since the objective of the programme is to help this category of farmers, it would be necessary to extend the coverage to the farmers in the rainfed areas as much as possible. In these areas dry farming techniques have to be adopted. There are water harvesting techniques and improved cultivation practices for rainfed areas. One of the techniques could be in the nature of cross bunds across the slope to retain moisture supported by dugwells in the valleys wherever possible. The former can be State programmes where they cover large areas and individual or community programmes with necessary State assistance where they cover single or a few farmers' holdings. The State schemes should be taken up as a part of the general programme of minor irrigation and the beneficiaries should be charged only the water rate for the benefit. In addition, the State should undertake on its own, works on a substantial area for land shaping and soil conservation, etc. as individual effort in this direction is likely to be limited.

3.16 The Dryland Farming Projects have thrown up certain results in regard to improved practies of cultivation. In order that maximum gains are possible from the investments, special efforts should be made to utilise these results and introduce improved pratices in the selected areas under rainfed conditions.

3.17 To sum up, a combined programme of development should be taken up on a compact area basis and should stress on the following: —

(i) Intensive crop production in areas already covered by irrigation facilities with State assistance to the small and marginal farmers;

(ii) Contruction of new private irrigation sources and public irrigation works to benefit small and marginal farmers in the area with appropriate State assistance and support for a programme of intensive crop production; and

(iii) Promotion of suitable cropping patterns and scientific dry-farming practices in the area where irrigation may not be possible, with State assitance, in order to increase the yield and also provide a base for possible subsidiary occupations like animal husbandry, poultry, etc., as recommended in our Interim Reports.

3.18 In the foregoing analysis, we have laid stress on intensive development of crop production for the benefit of small and marginal farmers belonging to the poorest 30 per cent of the population so that they can, with adequate State support, improve their economic position. It is to realise this objective that we have also recommended the coverage of both small and marginal farmers in selected areas under the special programmes taken up for the development of crop production. According to the definition now adopted, small farmers having holdings between 1 and 2 hectares in irrigated areas and between 1 and 3 hectares in dry areas and marginal farmers having holdings of one hectare and below are to be the partipants in the programmes undertaken in SFDA and MFAL project areas. In some areas, the limit has been raised even upto 4 hectares. As we have noted earlier, a farmer with a two hectare holding even in a dry area can attain an income level above the minimum considered nationally desirable. It does not stand to reason, therefore, to extend the benefit of this programme to farmers having holding sizes, above 2 hectares. A recent study conducted by

Agricultural Economics Research Centre, Delhi in one SFDA/project area concludes that:—

> "We have sufficient evidence to prove that proper attention has not been given to the problem of identification of small farmers. It is our impression that SFDA programme is treated as a programme of extended benefits and farmers—big or small—try to make suitable adjustments to pocket these benefits. Field staff—partly in their enthusiasm to fulfil the targets and partly in order to enlist the cooperation of influential persons for propagation of the programme—are willing to cooperate with the farmers. The result is that all the benefits extended under the scheme have not gone to the *small farmers* and leakages in the real effectiveness of the programme have been found to be not less than 30 percent."*

3.19 Another study† conducted in MFAL district has indicated that while the programme was intended to be limited to only marginal farmers, out of 48 participant households selected for the study, six of the households have lands between 2.8 and 4 hectares. These features are disturbing. If the programme for small and marginal farmers has to be truly a programme for the removal of their poverty, it is necessary to be vigilant and selective and to direct State assistance to those who deserve it the most. The dilution of the programme through leakages cannot be allowed. The Commission recommends that the maximum limit of holdings of small farmers should not be above 2 hectares and of marginal farmer above one hectare.

3.20. The National Sample Survey data on the distribution of owenership holdings‡ by size classes reveal that the number of ownership holdings in the country in the range up to one hectare is about 35 million while the number in the range of 1 to 2 hectares is about 11 million. This gives a ratio of about

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*Small Farmers Development Programme in Amritsar-Ferozepur (Punjab)—An evaluation of progress and Problems—Agricultural Economics Research Centre, University of Delhi, Delhi, 1973.

†"Study on Marginal Farmers and Agricultural Labour Development Programmes in the district of Baukura, West Bengal"—Agro-Economic Research Centre, Viswa Bharati, Shantinekatan, 1973.

‡NSS Report No. 144–17th Round.

3 : 1 in respect of ownership holdings of marginal and small farmers. It will be reasonable to expect the coverage of the programme to follow, on the acreage, this pattern in the combined project areas. This would ensure that the programme has the necessary tilt in favour of the marginal farmers who are more numerous in the country.

3.21. Considering the administrative capability and the need to devote individual attention, we feel that it should be possible to cover about 70,000 farmers in the area under an Agency during the Fifth Five Year Plan. It is administratively most convenient to organise the programmes on a district basis. It would, therefore, be preferable to follow the principle of one district one Agency. Where extension of the area to adjoining districts becomes absolutely necessary due to local conditions, the minimum additional area which can be brought within the fold of the Agency should be a Block. In general, the programmes will cover 17,500 small farmers and 52,500 marginal farmers in each Agency area thus ensuring the ratio 1 : 3. The coverage of small and marginal farmers for the development of crop production in each of the selected areas will then vary programmewise accordingly as these areas are well endowed with water facility and potential or relatively less endowed from the point of view of extending irrigation support.

3.22. At present, 79.5 Agency Units are operating the programme for small and marginal farmers and agricultural labourers in the States and Union Territories. The Agency Units in the Union Territories of Goa, Delhi and Pondicherry as well as those of Hoshiarpur and Ropar in Punjab have been treated as fractional units since the allocation of funds to these Agencies is less than what is normally given to fulfledged Agencies in other areas. These Agency Units comprise 46 SFDA and 42 MFAL projects. Among these Units, six are common to both the SFDA and MFAL.

3.23. Our approach being the creation of a combined Agency to look after the programme of small and marginal farmers and agricultural labourers in each area and our objective being to cover on an average, about 70,000 small and marginal farmers' families in the programme, we recommend that the proposed combined programme should be extended during the Fifth Five Year Plan period to 160 Agency Units including the existing 79.5 Agency Units. This will mean the extension of the programme to an additional 80.5 Agency Units during the Fifth Plan. The expanded programme will thus cover about 11 million families by the end of the Fifth Plan.

3.24. Since the programme is for small and marginal farmers and agricultural labourers, it seems appropriate to allocate 160 Agency Units to the States and Union Territories on the basis of the number of families belonging to these categories. But Statewise information on the number of small and marginal farmer families is not available. In the circumstances, based on the available census figures of cultivators and agricultural labourers, the number belonging to the category of small and marginal farmers has been apportioned on the basis of the observed size class distribution of ownership holdings to get a rough indication of the State-wise distribution of the number of small and marginal farmers. We have distributed 160 Agency Units among the States and Union Territories on this basis. Some States have a larger number of Units than warranted by the principle adopted for distribution. Since these projects are already on the ground and cannot be withdrawn, the number of Agency Units in some States would have to be less than those to which they are entitled. The additional Agency Units have been allocated to the States after making the necessary adjustments. The Commission, therefore, recommends adoption of the following allocation of Agency Units to the States and Union Territories.

TABLE—ALLOCATION OF ADDITIONAL AGENCY UNITS TO STATES

State/UT	Existing Agency Units.	Additional Agency Units.	Total Agency Units.
1	2	3	4
Andhra Pradesh	4	11	15
Assam	4	—	4
Bihar	5	13	18
Gujarat	5	1	6
Haryana	3		3

1	2	3	4
Himachal Pradesh	2	—	2
Jammu & Kashmir	4	—	4
Kerala	2	2	4
Madhya Pradesh	5	7	12
Maharashtra	4	8	12
Manipur	1	—	1
Meghalaya	2	—	2
Mysore	5	2	7
Nagaland	1	—	1
Orissa	5	2	7
Punjab	4	—	4
Rajasthan	5	—	5
Tamil Nadu	5	7	12
Tripura	1	—	1
Uttar Pradesh	6	20	26
West Bengal	5	4	9
Delhi	·5	—	·5
Goa, Daman & Diu	·5	—	·5
Pondicherry	·5	—	·5
Arunachal Pradesh	—	·5	·5
Unallotted	—	3	3
	79·5	80.5	160·0

The details are given in Appendix IV

3.25. About fifty percent of the existing Agencies appear to be located in districts which are relatively better endowed with water facility and potential. In our Interim Report on Modernising Irrigation Systems and Integrated Development of Commanded Areas, we had advocated development of the commanded areas of the irrigation projects. It is understood that special programmes of development for these areas are being contemplated for the Fifth Plan which would benefit small and marginal farmers in these areas. The number of better endowed areas will, therefore, be limited where the combined programme of small and marginal farmers could be extended. The next best areas which can be selected for this programme would be those having fairly assured rainfall. The programme need not be extended to drought affected districts in which a separate programme has been taken up.

3.26. Agricultural development leads to greater economic activity. It may reasonably be assumed that the programmes suggested in this Report will lead to considerable public and private works, intensive cultivation and extra production. We have recommended that the States should take up irrigation and land development works through State investment on a substantial scale in the areas selected. All these would have their impact on the demand for labour. A very rough estimate made* reveals that on an average, for the area under each Agency, a requirement of about 70,000 manyears of 100 days can be expected directly from the investment programme. The details are shown in Appendix V. If it is assumed that 50 percent of this labour would be provided by small and marginal farmers themselves, the requirement of the agricultural labourers is likely to be, on an average, about 35,000 manyears of 100 days in each area.

3.27. The programmes suggested above are basically oriented towards improvement of crop production by small and marginal farmers. While through this development small and marginal farmers above a certain level of holdings in irrigated and rainfed areas can be enabled to rise above the minimum level of consumption, there will be a large number still left who may not have an incremental income sufficient to cross the poverty line. To the extent possible, these small and marginal farmers would have to be assisted with subsidiary occupation programmes or suitable labour assignments to improve their economic position.

3.28. The subsidiary occupation programme is the main ingredient of the MFAL programme so far under execution. This programme has generally been of the nature of milk production and poultry raising. Some amount of sheep and pig rearing has also been supported here and there. In paragraph 3.6, we have discussed the magnitude of the programme which

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*The Report of the Working Group on Agriculture of the Committee on Unemployment, Govt. of India, 1972, was utilised for the calculations.

alone can give a steady and remunerative occupation to the entrepreneur of this class. The Commission has carefully considered whether in the combined programme for the small and marginal farmers and agricultural labourers the subsidiary programme should be continued as a part of the main programme invariably in all the projects. In its Interim Report on Milk Production through Small and Marginal Farmers and Agricultural Labourers, the Commission has recommended a programme for 107 districts in the country during the Fifth Plan period which, in its opinion, can be supported by an adequate marketing complex and an assured demand in selected urban centres of sufficient size. A number of districts where the combined programme would be taken up may coincide with the majority of the districts selected for the milk programme. The Commission recommends that the subsidiary milk programme should be superimposed as a separate programme in these combined programme districts. The financing of the milk programme should be self-contained in a separate programme and should not be done from out of the project funds now earmarked for the combined programme. Similarly, in the Interim Report now being issued by the Commission on Poultry, Sheep and Pig Production, 167 districts for poultry, 140 districts for sheep and 100 districts for pig have been suggested for the intensive programmes. These subsidiary programmes should, similarly, be taken up in those combined programme districts which coincide with those suggested for the individual special programmes of poultry, pig and sheep rearing. The financing of the programmes for each species should be similarly self-contained and should not form part of the combined programme funds. In other districts of the combined programme, the Commission recommends that haphazard and small schemes of such subsidiary occupations should not be sponsored or supported by the Agencies.

3.29. The combined programme Agencies should be in close touch with the special programmes of milk production, poultry raising, sheep rearing and pig production in whichever districts these special programmes are superimposed. These Agencies should be responsible for identifying the beneficiaries amongst small and marginal farmers and agricultural labourers for these special programmes. The Agencies should take steps to see that in this selection such of the small farmers, marginal farmers and agricultural labourers as would not get over the minimum need level by the crop production and area development programmes alone, may be suitably selected to give them an additional income to enable them to cross the minimum need level.

A substantial number of persons selected for the special programme should be additional to the persons selected for the main programme. This is necessary so as to spread the benefits to as large a number of the population in the lowest three deciles of income in the rural sector as possible. As a rough guide, more than half of the beneficiaries in the special schemes should be outside the main programme of crop production.

3.30. In the old programme, the agricultural labourer was directly looked after only in the MFAL areas in two ways. A certain amount of finances from the programme was earmarked for rural works. This amount was of the order of Rs. 20 lakhs per project. In addition, the labourers were also included in the subsidiary occupation programmes like milk production, poultry, sheep and pig rearing. Of course, their participation in the programme was very marginal. In the SFDA programme, there was no direct provision for the agricultural labourers. It was contemplated that the programme of additional agricultural production would automatically lead to additional employment facilities for the labourers. No attempt was made to quantify this. In the combined programme, the agricultural labourers would be given fair opportunity in the subsidiary occupation programmes wherever they are superimposed on the main programme. A substantial number of districts being covered by these additional programmes, the benefits would be also substantial in these districts. The subsidiary programmes now contemplated are several times larger than the previous programmes attempted under the MFAL projects. In addition, the area development programmes provided for in the combined programme would generate labour opportunities of 35,000 man-years of 100 days each to the agricultural labourers in the area as has been explained in paragraph 3.26. This is more than four times what has been provided in the MFAL programme specifically for agricultural labourers. In addition, the much more intensive crop production programme, both under irrigated agriculture and dry farming, would give increased labour opportunities to agricultural labourers in the districts than in the old programme.

3.31. The programmes outlined above would have to be implemented with a sense of urgency. The Commission recommends that the entire programme should be time-bound that target-oriented to get tangible results within the specified period.

SECTION IV

TECHNICAL AND INSTITUTIONAL SUPPORT TO THE PROGRAMME

4.1. The organisation and the administration of the programmes of development for small and marginal farmers are important if full results out of the efforts to help the weaker sections of the community are desired. Our recommendations being for a combined approach to the problems of small farmers, marginal farmers and agricultural labourers in the area of operation, it would be necessary to develop a suitable organisation and structure which would give reasonable results. In both the SFDA and MFAL projects, the present approach is to have a coordinating organisation with a minimum of staff who would lay down the programme and ask for implementation. The task of actual implementation is to be distributed amongst the extension, supply and credit agencies already working in the districts. It was not contemplated that any new structure would be created for the actual implementation of the field programme.

4.2. In the course of implementation, difficulties are faced in bringing the concerned organisations together in the programme in the manner required. All these organisations already in the field have responsibilities of a varied kind and the SFDA and MFAL projects are not their only responsibility. They are, therefore, unable to give the concentrated attention which the programme demands. Secondly, it has been the experience all along that a common service in the rural sector is generally pre-empted by the rich and influential sections of the community. Unless special steps are taken to direct attention to the weaker sections and ensure targets of performance, it would be difficult to achieve results.

4.3. The National Seminar on Small/Marginal Farmers and Agricultural Labourers (1972) brought out the fact that the normal extension staff in the selected districts had, by and large, failed to provide sufficient guidance and assistance to the SFDA and MFAL authorities in identifying the problems of small and marginal farmers and agricultural labourers and in formulating appropriate programmes for implementation with the result that the SFDA and MFAL Agencies did not receive adequate extension support on the field. In such a situation, it would be necessary to ensure that special programmes like those of the

SFDA and MFAL which are meant for the weaker sections of the population are not neglected because of lack of attention by the extension staff at all levels—district, block, circle and village. The extension machinery in the districts should, of necessary, be strengthened and oriented to pay particular attention to the problems of small and marginal farmers.

4.4 It is admitted that the present structure of cooperatives is not efficient in meeting the needs of the weaker sections. The Commission examined the problems of credit, supply, services and marketing for the various programmes meant for the small and marginal farmers and agricultural labourers and recommended in its Interim Report on Credit Services for Small and Marginal Farmers and Agricultural Labourers the establishment of an intergrated agricultural credit service to tackle those problems. For this purpose, Farmers' Service Societies were proposed to be set up at the Tehsil/Block level and linked with the Lead Bank of the district. The recommendations of the Commission in this regard have been examined and the proposal to constitute Farmers' Service Societies has been accepted by the Government with certain modifications. The proposal is to set up Farmers' Service Societies in selected areas as a pilot experiment.

4.5. With a view to bringing about proper coordination between the SFDA/MFAL Agencies and the Farmers' Service Societies, it is proposed that one of the nominated Directors on the Farmers' Service Society should be an officer of the SFDA/MFAL. The Director so nominated would attend meetings regularly and give necessary guidance to the Board as well as the Managing Director of the Society, so that it functions effectively in implementing the various programmes meant for small and marginal farmers and agricultural labourers. Similarly, it is expected that the services of the entire extension machinery in the district would become available to Farmers' Service Societies.

4.6. The Farmers' Service Society is expected eventually to meet the cost of its staff including technical staff in the field. To start with, however, it is envisaged that subsidies would be necessary for managerial and technical personnel. Apart from the extension staff of the State Government or Zila Parishad/Panchayat Samiti, the Society would be having its own cell of technical personnel and field supervisors, the number and category of such technical staff and field staff being dependent on the area of its operation. It is expected that the financing institution, where it is a commercial bank, would meet the cost of the Managing Director of the Society for a period of 3 to 5 years. Similarly, in the initial years, the State Governments would have to provide subsidy towards the cost of the staff of the Society.

4.7. Thus, when a Farmers' Service Society is organised, it can, in one place, provide credit, service, supply and marketing facilities and also technical advice. In such an event, the co-ordinating Agency in the district, i.e. SFDA/MFAL, will have a much easier task to handle having to attend only to a certain number of Farmers' Service Societies in the district and ensure that their requirements are met in time by the concerned authorities. For this reason, the Commission recommends that as many Farmers' Service Societies as possible should be established in the project areas.

4.8. The adoption of improved agricultural practices requires technical advice and extension service. In its Interim Report on Some Aspects of Agricultural Research, Extension and Training, the Commission has recommended that from the point of view of ensuring an effective extension service on the field, it is desirable to provide a graduate Agricultural Extension Officer for a population of about 10,000 to 12,000 (at which level, incidentally, the branches of the Farmers' Service Societies are to be organised) and at the taluk level provide a group of subject-matter specialists relevant to the programme in the area. To start with, we recommend the same pattern in the districts where special programmes for small and marginal farmers are in operation.

4.9. We have noted earlier that a common service is generally pre-empted by the more influential among the rural population. There has, therefore, to be some special arrangements to ensure adequate attention to the small and marginal farmers in the project areas. This is all the more necessary because we have suggested coverage of large number of small and marginal farmers in rainfed areas, where technical competence is an extremely important factor. A small man requires the facilities much more. Individual attention to problems of small and marginal farmers would be possible only when the structure in the district is suitably strengthened and oriented to their needs. The strengthening would be necessary at all levels. At the village level, each village level worker should not have more than seven to eight villages under his jurisdiction as in the case of Intensive Agricultural Area Programmes. The success of the programmes outlined in the previous Section would depend in a large measure on the type and scale of extension service that the States are able to provide. The discussions at the National Seminar on Small and Marginal Farmers have revealed that the States have not so far provided the necessary additional staff in the project areas. If there is similar neglect in future, the entire programme will suffer. This must not be allowed to happen. The Commission, therefore, recommends that the release of funds for the projects should be linked with the provision of additional extension staff for the programme in the project areas by the States. The Commission is emphasising this in the interest of the programme and the weaker sections of the Society.

4.10. Since the Agricultural Officer in-charge of a district has numerous responsibilities, the Commission recommends that there should be a Special Officer under him to coordinate, guide and supervise the work of the specialists and extension workers in the field in relation to the programmes for small and marginal farmers. The problems of small farmers and marginal farmers require close study and understanding and frequent contact with the actual field conditions. The addition of a whole-time Special Officer for agriculture at the district level for this programme would ensure not only effective guidance to the extension workers but also help the project authorities and the Farmers' Service Societies, wherever they are established, in formulating suitable programmes and ensuring their implementation.

SECTION V

FINANCING OF COMBINED SFDA AND MFAL PROGRAMMES

5.1. Our analysis has shown that for the programme to be successful, it has to be on a compact area basis and must include within its ambit the small and marginal farmers and agricultural labourers in the same area. The pilot schemes of SFDA and MFAL had to limit the number of beneficiaries and the area of operation in order to restrict the expenditure per district to the allotment in the Plan. In this Section, we examine the financial requirement of the programme we have suggested during the Fifth Plan period. In this connection, the methods of financing of the programme at present needs a re-examination. It is necessary to know whether all the types of subsidies and help built into the pilot schemes should continue or we can modify them further in the light of experience.

5.2 Under the approved scheme, the SFDA provides a subsidy not exceeding 25 percent of the capital investment on construction of wells, purchase of equipments, livestock, etc. Similarly, the MFAL Agency also gives subsidy subject to a maximum of 33-1/3 percent to the marginal farmers for capital investment in crop production, animal husbandry, etc. These subsidies had initially varied from State to State and in one and the same State from project to project. The Government of India has since decided to allow the subsidy at a uniform rate of 25 percent to small farmers and 33-1/3 percent to marginal farmers and agricultural labourers on capital investment undertaken by the participant farmers.

5.3 There are two important reasons why these subsidies for capital investment in land shaping, canals, drainage and irrigation are justified and should be continued. The class of farmers who are selected for the programme comprises those whose present income places them below the minimum need level of consumption. Even with the facilities available under the programme, many of them would still remain with incomes below the minimum need level. This is the class which has so far not benefited by the massive investment that the State has made in agricultural development in the shape of irrigation, soil conservation and other programmes. Till now, the benefits have mainly gone to the richer class. In addition, those who got the benefits of State irrigation projects are not paying even the moderate maintenance rates, let alone a fair return on the capital spent. This has resulted in a heavy subsidy in the system in favour of the richer farmers who have so far been benefited by the State programmes of irrigation and drainage. The State should construct a large number of irrigation and drainage projects for the benefit of the small and marginal farmers out of their Plan resources but the programmes which are of the kind of wells and shallow tubewells have to be private or community ventures. Because of this, it is not fair to deny them a certain amount of State support to the programme. In the view of the Commission, the subsidies of 25 percent for small farmers and 33-1/3 percent for marginal farmers would be fully justified.

5.4 Today's marginal farmer has taken to various subsidiary occupations to augment his income and try to meet his minimum needs. Subsidiary occupations like animal husbandry, poultry rearing etc. are still mostly by-product enterprises and not very remunerative. The incomes from such occupations being insufficient, he has to go in for labour assignments in the agricultural and non-agricultural fields for his living. Labour opportunities do not depend on one's option but one has to fit into the market demand to get these opportunities for subsidiary incomes. These farmers have thus developed an economy which does not allow them to pay full and proper attention to their own farming operations. If to this class the investments bring in opportunities of better farming, it would take some time before they can adjust to the new routine and needs, and pay more attention to farming to the detriment of the normal labour assignments. Further, irrigation may be paying for itself and give a good income if the area of the farmer under irrigation is more than half hectare. But with fragmented holdings it may well happen that only one or two of the fragments get irrigation support. Thereby, the beneficiary is still not out of the woods. His consumption needs being imperative, he requires consideration in the terms of repayment. All this adds up to the second reason for maintaining the subsidy that is now given to small and marginal farmers in the projects.

5.5 At present, 50 percent subsidy is given to irrigation projects constructed by Panchayats/Cooperatives or *Gramsabhas* where the benefits flow largely to small and marginal farmers. This help has also been allowed to State tubewell organisations. We have seen that in certain cases a group approach to wells or tubewells would be beneficial. When some small farmers and marginal farmers combine themselves for the construction of a well or a tubewell, they would be entitled to subsidy as applicable to them. We think that a similar dispensation to Panchayat or Cooperative or *Gramsabhas* would be in order. There is no need to grant a higher rate of subsidy when these organisations undertake to construct wells or tubewells for the community. When a large farmer comes within the command of such a well or tubewell, he should pay for his share of the cost and no subsidy is required for him. No subsidy need, however, be given to State Corporations. The State Governments would have to ensure that these Corporations give special priority to the development of minor irrigation in the combined programme districts which would benefit a substantial number of small and marginal farmers.

5.6 In the irrigation programme, there is a risk of failure of the well or tubewell that has to be faced. As the small farmer or marginal farmer cannot afford to bear the loss, some consideration is necessary. At present, some States have evolved a scheme of bearing 25 to 100 percent of such infructuous expenditure. For the marginal farmer, even the half charge without getting any benefits may be too much. In the view of the Commission, the problem of risk can be rationalised by following, as far as practicable, the method adopted in Rajasthan for installing community tubewells. The problem arises in difficult areas where ground water is scarce and the quantities also vary from well to well. In such areas, maximum benefit to the area can be obtained by planning the location of the wells or tubewells on a scientific basis without reference to the persons on whose land it would fall; then treating them as community wells to be used by all the small and marginal farmers whose lands can be covered by the source. Thereby, it is possible to pre-empt, to some extent, the available ground water in favour of the small and marginal farmers' programme and also to get maximum benefit out of the available water. The Commission recommends that in difficult areas, this method should be uniformly adopted. According to the Rajasthan pattern, the standard output per well for the scheme is fixed taking into consideration the past experience of the area or similar areas and also based on the economics of possible agriculture on the amount of output allowed in the standard. If a bore or an excavation for a well does not strike water, the cost of the bore or excavation is not charged to the community. If the well gives the standard output, it is charged the average cost of completed wells in the area. If the output is less, the charge on the well is proportionately less. Similarly, if the output is larger, the charge is proportionately larger. After the entire account is settled, whatever is not recovered from the community is treated as the State subsidy for the failure to strike water or a reasonable quantity of water. A risk fund has, therefore, to be built into the budgets of the Agencies.

5.7 In the existing budgets of SFDA/MFAL there is already a provision for failed well subsidy. The provision generally made is about Rs. 1.0—1.5 lakhs. In view of the fact that there is considerable emphasis now on ground water survey before well points are located, the frequency of failure may be less. In areas better endowed with water facility and potential, a provision of Rs. 1.5 lakhs per Agency for the risk fund may be sufficient to insulate against completely failed wells and cases of insufficient discharge from the wells. In areas less endowed with water facility and potential, we feel that a risk fund of about Rs. 3 lakhs may be necessary.

5.8 We have recommended that a substantial number of small and marginal farmers in dry areas should be covered under the programme. The farmers in these areas may be slow to accept the improved technology of farming and make necessary investments. The State can play a vital role in such areas by organising works of its own. The State should undertake major works which are to be organised on catchment basis. In the case of minor works on individual holdings or a few farmers' holdings taken together, State subsidies to individuals would be necessary for programmes of land shaping, contour bunding etc. In the budgets of the Agencies, therefore, there is need to provide both for the State works and individual or group works. On the basis of the assumptions and calculations made in Appendix VI, it appears that, on an average, in areas better endowed with water facility and potential, a sum of Rs. 45 lakhs would be sufficient for works to be taken up by the State in each project area. In less endowed areas, a sum of about Rs. 67.50 lakhs may be necessary for each Agency.

5.9 An area programme for small and marginal farmers with suitable land development and irrigation facilities and technical advice makes the production levels fairly secure and the investment creditworthy. The schemes are theoretically neutral to scale. Yet it is a fact that the cooperative sector, though it has accepted the concept of growth for purposes of determining creditworthiness, has been reluctant to invest large sums of money to support the marginal farmers or even small farmers who may have viable programmes for proved creditworthy schemes. It is to woo them out of this reluctance that the large subsidies in long, medium and short term loans have been built into SFDA/MFAL credit systems. Are these people of small personal credit needs really a credit risk? It is generally the experience that the people of modest means try to discharge their debt obligations promptly because they are only too well aware of the risk of not paying which might result in the source of supply drying up.

5.10 In order to induce the cooperatives to support the production programme of the small farmer, marginal farmer and agricultural labourer, the scheme offers special subsidy of 6 percent to the primary cooperatives on the additional loans advanced by them to these people and 3 percent to the cooperative banks on this amount in the SFDA areas. In the MFAL areas, the corresponding amounts of subsidy are 8 percent and 3 percent. For long term credit, the land development banks get a 3 percent risk fund subsidy on their additional loaning to small and marginal farmers. These rates are fairly high. It is understood that at present the drawal on this risk fund is substantially lower than what was provided initially in the programme. It is true, however, that the loaning itself has been of a very low order in the SFDA and MFAL areas. Thus, we find that in all the SFDA projects, long and medium term loans advanced by cooperatives from the inception upto March, 1973 have been only about Rs. 21 crores and Rs. 8 crores respectively. The short term credit up to March 1973 during the cooperative year 1972-73 has also been only about Rs. 17 crores advanced to about 3.4 lakhs participant farmers against 23.6 lakhs farmers identified for participation in the programmes. These are clearly much below that required for a programme to generate production which should substantially add to the net income of the parties involved. Yet the programmes that are being propagated are all creditworthy schemes provided the full credit is given and the technical consultancy is made available. The risk element, therefore, is much less than in a general programme relating to the weaker sections of the community. In the view of the Commission, there is, therefore, no special reason why subsidies at such high rates should be given to the credit organisations. It is obvious that the cooperative credit system is lagging behind not for lack of sufficient incentives but undoubtedly for other reasons which the Commission has already dealt with in its Interim Report on Credit Services for Small Farmers, Marginal Farmers and Agricultural Labourers. It is observed that possibly in some projects, this risk fund is being used to support the share capital to be contributed by the farmers. We feel that the subsidy to be given in each programme which has been accepted for implementation should be more than enough to cover the share capital of the small and marginal farmers joining the cooperative credit system.

5.11 Considering this, the Commission recommends that the risk fund subsidy allowed to the cooperative credit agencies for additional long, medium and short term loans should be scaled down and given on the following pattern:—

Recommended Pattern of Risk Fund Subsidy

	Existing	Recommended
Long-term Loans:		
Land Mortgage Banks	3%	2%
Medium-term Loans :		
Primary Societies	6%*	4%
Central Cooperative Banks	3%	2%
Short-term Loans:		
Primary Societies	6%	4%
Central Cooperative Banks	3%	2%

*8% in MFAL areas.

5.12 The Commission would like to draw attention to a disturbing fact which has come to its notice. We understand that in the lending programme under the ARC schemes in some areas, the full amounts of the loans granted to small and marginal farmers are not reaching them. A substantial part of these loans is being deducted towards the recovery of old debts and only the balance is being made over to the farmers. As a result, the effectiveness of the credit programme which is designed to increase productive capabilities of the farmers gets considerably reduced. It is necessary to be vigilant and avoid such a situation in the credit programmes for small and marginal farmers. It is further understood that the banks have also a practice by which they endeavour to liquidate a small earlier debt by adding a suitable amount to the value of the loan so as to obtain the first charge on the security. So long as this does not affect the proceeds of the loan granted to a small or marginal farmer, there might not be any difficulty. However, considering the totality of the situation, the Commission would like to emphasise that the loans are given for specific purposes but if the amounts are allowed to be diverted, it would seriously undermine the effectiveness of the programme. The Commission, therefore, recommends that adequate precautions should be taken so that the full amounts of the credit sanctioned to the small and marginal farmers for improving their crop production do reach them. There should not be any deductions by way of adjustment of old debts.

5.13 Marginal farmers in the MFAL areas are allowed subsidies for inputs consisting of seeds, fertilisers and pesticides upto 33-1/3 percent subject to a ceiling of Rs. 100 per participant (unless a higher financial limit has already been sanctioned for special reasons in a particular project). This subsidy is allowed for two seasons within a year or spread over two years depending on local conditions. In the view of the Commission, this subsidy should be limited to only one cropping season. Where irrigation development is possible, the marginal farmer need be helped initially to take to improve agricultural practices. It is hoped that the returns from the irrigated farming will be sufficient to demonstrate to him the utility of improved technology. In dry areas, a substantial portion of the area would come under development through Government works. Moreover, in the scheme of things, there is also provision for subsidy on the cost of transport of inputs. Here also, the marginal farmer should be helped only initially to adopt improved farming practices for which a certain amount of help may be necessary. The input subsidy to marginal farmers should, therefore, be restricted to only one cropping season.

5.14 In the present scheme, there is provision for subsidies for marketing and processing units and for custom service units and charges. The Commission feels that the State Governments should draw up Plan schemes in the State sector for marketing and processing units and no special subsidy for these from the Agency funds is, therefore, called for. As regards custom service units and charges also, no special subsidy is considered necessary in view of the various other subsidies and help contemplated to be given to the individual beneficiary.

Assistance is available under other schemes to set up custom service centres. This should be availed of by the Agro-Industries Corporations to set up such centres. What the State should ensure is that fair rates are charged for these services from the beneficiaries and that the services are available in time to them.

5.15 The SFDA and MFAL schemes have a provision for subsidy for transport of input. The Commission feels that this subsidy should be continued. We feel that a provision per Agency of Rs. 1 lakh for comparatively better endowed areas and Rs. 2 lakhs for relatively less endowed areas should be allowed.

5.16 There is need to develop markets and storage facilities in the project areas. In the budgets of the existing projects, there is a provision for subsidy to cooperatives for storage construction. Similarly, funds are also provided by the Agencies for market development. In our view, such assistance should continue to be given. We feel that a provision of Rs. 4 lakhs per Agency for this purpose would be sufficient.

5.17 The provision for staff subsidy to institutions and provision for Agency staff which are now built into the budgets of the Agencies should hereafter be made by the State Governments in their Plan budgets. In making this recommendation, the Commission is guided by the consideration that when the programme is being extended substantially to cover a large number of small and marginal farmers, the States should also come forward to share some of the burden.

5.18 In Section IV, we have seen that the concept of Farmers' Service Society has been accepted. It may be expected that 40-50 such Societies may be established in the Agency areas during the Fifth Plan. These Societies would require financial support towards the cost of staff in the initial years. Except the salary of the Managing Director, which is to be borne by the financing bank, the State Government would be required to bear the cost of other staff of the Society. In addition, the States would have to contribute Rs. 1 lakh as contribution to the share capital per Society.

5.19 We have also stressed in Section IV that for the success of the programme it would be essential for the State Governments to provide adequate extension staff in the areas where these projects would be taken up. The cost of this additional staff should be borne by the States themselves.

5.20. Taking into consideration the requirement of funds to be provided by the States towards the staff subsidy to institutions including the Farmers' Service Societies, staff of the Agencies and the extension staff, it seems reasonable to provide, on the average, about Rs. 25 lakhs per Agency Unit during the Fifth Plan. The States would be required to make the necessary provision in their budgets.

5.21 In Section III, the Commission has recommended that there should be 160 Agency Units to cover about 11 million families of small and marginal farmers. Keeping in view the recommendations made above, the Commission has tried to estimate the requirements of funds per Agency Unit both in areas relatively well endowed with water facility and potential, and areas relatively less endowed with such facility and potential. The detailed breakdown of the estimates is in Appendix VI. On the basis of the calculations made, it appears that a provision of about Rs. 2.18 crores would have to be made per Agency Unit in well endowed areas and Rs. 1.91 crores per Agency Unit in less endowed areas. For the 160 Agency Units (76 units in well endowed areas and 84 units in less endowed areas), the total works out to about Rs. 326 crores. If credit is taken of nearly Rs. 45 crores likely to be spent during the Fourth Five Year Plan period on existing SFDA/MFAL projects, the net requirement works out to Rs. 281 crores. As recommended by us, the provision of staff subsidy to institutions and for Agency and extension staff totalling Rs. 40 crores would have to be made in the State Plan sector. The requirement in the Central Plan during the Fifth Five Year Plan will, therefore, be Rs. 241 crores. The Commission recommends that this amount be provided in the Central sector during the Fifth Plan.

SECTION VI

ACKNOWLEDGEMENTS

6.1 The Commission takes this opportunity to thank the officers of the Central and State Governments and Small Farmers' Development Agencies for their valuable help and suggestions, either in reply to Questionnaires or during personal discussions.

6.2 We wish to place on record our deep appreciation of the valuable contribution made by Shri S. K. Mitra, Joint Director, in the analysis of the problem and preparation of the Report. Shri S. M. Krishnamachar, Deputy Director, has, through hard work, analysed the relevant material and assisted in the preparation of the Report. Shri J. Satyanarayana, Assistant Director, rendered valuable help in the collection and analysis of the basic material. Shri B. K. Pathak, Technical Assistant, has also rendered valuable assistance.

Sd/—Nathu Ram Mirdha
Chairman

Sd/- B. Sivaraman
Vice-Chairman

Member	Member	Member
Sd/- S.K. Mukherjee	S/d- T.A. Pai Sd/- Randhir Singh	*M.S. Swaminathan
Sd/- P. Bhattacharya	S/d- M.V. Krishnappa	Sd/- D.P. Singh Sd/- H.R. Arakeri
Sd/- Balwant Singh Nag	Sd/- Z.A. Ahmad	Sd/-A.M. Khusro
Sd/- Hari Singh	Sd/- Triloki Singh	Sd/- N.K. Panikar

Sd/- J.S. Sarma
Member Secretary

New Delhi
August 3, 1973

*On tour abroad.

सत्यमेव जयते

APPENDIX I
(See para 1.7)

NATIONAL COMMISSION ON AGRICULTURE

Term of Reference : E(iv)

QUESTIONNAIRE ON SMALL FARMERS

The Small Farmers' Scheme is a scheme for the economic betterment of the small farmer, based on the principle that a one-hectare farm provided with irrigation facilities to support two major crops in a year can provide sufficient output to support a farmer's family and provide surplus produce for the market and also surplus income in the hands of the farmer to enable him to amortise capital investment in irrigation facilities and land improvement alongwith short-term credit for intensive agriculture. The scheme, therefore, depends entirely on the provision of irrigation. Without the basic irrigation the Small Farmers' Scheme is meaningless.

CRITERION

1. What is the criterion adopted for determining the small farmers and how has the criterion been arrived at? What will be the number of farmers likely to come within the scope of the scheme if the limits are fixed at 2.5 to 5 acres in the case of irrigated or irrigable areas or upto 7.5 acres in the case of assured rainfall areas?

Irrigation Facilities

2. The scheme contemplates provision of long or medium-term loan to the farmer for constructing his own irrigation facilities either an open well or tubewell with, if necessary, pumping facilities if it is economic. Selection of areas was to be based on availability of ground water or water in streams from which it can be lifted.

A rough survey shows that there is yet no attempt to provide irrigation facilities for all the families of small farmers taking part in the scheme; thereby a basic requirement of the scheme appears to have been left unfulfilled. Is this observation true in the schemes taken up in your State?

3. In some areas the best irrigation facility that can be provided is probably medium or a minor irrigation project, of a large-sized tubewell under State auspices. No doubt, such an irrigation project will benefit not only the small farmers' families but also the larger farmers in the area and also the marginal farmers. Is such a scheme is the answer to the need for irrigation, it is obvious that the first essential is to complete such a scheme or schemes in the area as a priority item. Will this not be possible from the Plan resources earmarked for minor irrigation and medium irrigation in the State?

4. In some areas, probably, a combination of both State projects and private projects could be the answer. Has detailed planning been done for each of the small farmers' schemes in this respect in your State? What is the present position?

5. A farmer may have his land scattered over three or four plots. It may be difficult for one open well or tubewell to irrigate all his plots. In Gujarat, the problem has been solved to some extent by providing under-ground pipelines passing through other people's lands where the plots are fairly-near. This system also allows for taking water to neighbour's field where the neighbour is prepared to buy water regularly from the farmer. Is it possible to avail of such methods in your State to improve irrigation command of individual small farmers?

6. Community wells or cooperative well or tubewell sytems can be one answer where there is too much fragmentation or interspersing of small and marginal farmers' lands. What are the prospects of such methods succeeding in the Small Farmer's Schemes in your State?

Technical Support

7. A small farmers' scheme can succeed only if the farmer has prompt and effective technical advice to ensure his harvesting a reasonably good crop from his investments. What is the level of technical support that is given to the small farmers' scheme in your State? Is there a case for earmarking more skilled personnel for this purpose in the area covered by the small farmers' scheme and, if so, what are your suggestions?

Pest Control

8. One of the biggest hazards in intensive cultivation is the damage due to pests and diseases. Pest or disease control by individual farmer is ineffective if his neighbours do not observe similar routine. Pest or disease control is reasonably cheap if observed on an area basis by all the farmers effectively. Have you any methods in your State by which you can ensure that area covered by the operation of the small farmers' scheme can be protected where necessary against pests or diseases on an area basis by suitable organisation and suitable mobilisation of funds, equipment and pesticides? Are there any difficulties? Please state.

Marketing

9. As the objective of the small farmers' scheme is intensive cultivation of two major crops per year against a single doubtful major crop, there is bound to be increase in output in the various major crops attempted. Besides, the scheme will change the small farmers' group in the area from subsistence-farming to commercial farming. For the first time they will be looking for a market for their produce. Unless there is a suitable marketing system which will automatically absorb their produce at a fair price as and when offered, the scheme is bound to collapse. What is your thinking on this subject? Are any steps being contemplated to organise marketing in the small farmers' areas and, if so, please state the outlines of the scheme and difficulties, if any?

Credit

10. Long, medium and short-term loans will be required in large quantities of support a small farmers' scheme. The scheme contemplates help through cooperative system. Is your cooperative structure strong enough to take up the responsibility in the various areas selected for the scheme? If not, what are the alternatives you are contemplating in making credit availabe to the farmer?

11. The commercial banking system is a possible alternative. The system suffers from a lack of expertise in agriculture and a lack of personnel to cover large areas. A preliminary discussion shows that an adopted-village approach may produce quick results from the banking sector. The banks expect that technical help in formulating the agricultural programmes for the whole village and giving technical advice at various periods of the cropping seasons will be available from the Department in the village and that technical advice will be available for organised irrigation and constructing wells, tubewells, etc. Where rural electrification is needed, they also expect technical support. Is it possible to identify in the districts selected for the Small Farmers. Scheme, Villages which can be taken up in the first round under an adopted-village scheme to give the necessary impetus to the project? What are your views on this subject?

12. Are there any limitations in the matter of long-and medium-term loans for capital investment by small farmer in your State? If so, please state them and give your suggestions for improvement.

Record of Rights

13. What is the present position regarding the recording of rights of the small farmers, particularly the tenants' rights in the land records? Is the absence of such record of rights standing in the way of their getting the credit? What measures do you propose to take to remove this difficulty?

APPENDIX II
(See para 1.7)

NATIONAL COMMISSION ON AGRICULTURE

Information on Small Farmers Development Agency

1. Name of Project:

2. *Irrigation* *Number*

(a) Number of small farmers to be covered by SFDA

(b) Number of small farmers indentified for the purpose so far.

(c) Number of farmers out of (a) covered by existing irrigation facilities.

(d) Additional number of small farmers likely to be covered by new irrigation sources under the SFDA programme.

(e) Are there any pockets in the SFDA area which have existing irrigation facilities but the small farmers residing in these pockets have not been included in the SFDA programme? If yes, please indicate the number of such farmers.

(f) Are there any pockets in the SFDA area having irrigation potential (including ground water) but the small farmers residing in these pockets have not been included in the SFDA programme? If yes, please indicate the number of such farmers.

3. *Consolidation of holdings*

Is there any programme for consolidation in the SFDA area? If so, please indicate the details of the programme and progress achieved so far.

Appendix III
(See para 2.4)

List of SFDA/MFAL Projects

Name of the State/Union Territory	Projects	
	SFDA	MFAL
1	2	3
Andhra Pradesh	1. Cuddapah	1. Nalgonda
	2. Nalgonda	2. Visakhapatnam
	3. Srikakulam	
Assam	4. Goalpara	3. Mikir Hills
	5. Nowgong	4. Kamrup
Bihar	6. Champaran	5. Ranchi
	7. Purnea	6. Shahabad
	8. Patna	
Gujarat	9. Junagadh	7. Bulsar
	10. Surat	8. Baroda
	11. Sabarkantha	
Haryana	12. Ambala	9. Ambala
	13. Gurgaon	10. Bhiwani
Himachal Pradesh . . .	14. Sirmur	11. Solan
Jammu & Kashmir . . .	15. Anantnag	12. Baramula
	16. Jammu-Kathua	13. Poonch-Rajouri
Kerala	17. Cannanore	14. Cannanore
	18. Quilon	15. Quilon
Madhya Pradesh . . .	19. Bilaspur	16. Durg
	20. Chhindwara	17. Raison-Sehore
	21. Ratlam-Ujjain	
Maharashtra	22. Bhandara	18. Ratnagiri-Satara
	23. Thana-Nasik	19. Parbhani
	24. Ratnagiri-Satara	

1	2	3
Manipur	..	20. Manipur
Mysore	25. Bidar 26. Mysore 27. North Kanara	21. Tumkur 22. Bijapur
Nagaland	28. Nagland	23. Nagaland
Orissa	29. Bolangir 30. Dhenkanal 31. Ganjam	24. Cuttack 25. Keonjhar
Punjab	32. Amritsar-Ferozepur 33. Sangrur-Patiala	26. Hoshiarpur 27. Ropar 28. Jullundur
Rajasthan	34. Alwar 35. Bharatpur 36. Udaipur	29. Bhilwara 30. Ajmer
Tamil Nadu	37. Madurai 38. South Arcot 39. Tirunelveli	31. Salem 32. North Arcot
Tripura	..	33. Tripura
Uttar Pradesh . . .	40. Badaun 41. Fatehpur 42. Pratapgarh 43. Rae-Bareli	34. Mathura 35. Ballia
West Bengal	44. Darjeeling 45. Hoogly 46. West Dinajpur	36. Purulia 37. Bankura
Goa, Daman & Diu . . .	..	38. Goa
Meghalaya	..	39. K & J Hills 40. Garo Hills
Pondicherry	..	41. Pondicherry
Delhi	..	42. Delhi

APPENDIX IV

(See para 3.24)

Allocation of additional Agency units to States and Union Territories

State/Union Territory	Cultivators upto 2 hectares and Agri-Labourers* (in 000's)	Pro-rata No. of Agency Units	Existing Agency Units	Additional Units	Total Units
1	2	3	4	5	6
Andhra Pradesh	10950	17	4	11	15
Assam	2456	4	4	..	4
Bihar	12887	20	5	13	18
Gujarat	3893	6	5	1	6
Haryana	1310	2	3	..	3
Himachal Pradesh	687	1	2	..	2
Jammu & Kashmir	761	1	4	..	4
Kerala	2826	4	2	2	4
Madhya Pradesh	8397	13	5	7	12
Maharashtra	9034	14	4	8	12
Manipur	221	.35	1	..	1
Meghalaya	307	.5	2	..	2
Mysore	4856	8	5	2	7
Nagaland	178	.28	1	..	1
Orissa	4556	7	5	2	7
Punjab	1886	3	4	..	4
Rajasthan	2993	5	5	..	5
Tamil Nadu	8136	13	5	7	12
Tripura	286	.5	1	..	1
Uttar Pradesh	17542	28	6	20	26
West Bengal	6534	10	5	4	9
Andaman & Nicobar	7	.01	..	..	..
Chandigarh	3	Neg.			
Dadra & Nagar Haveli	27	0.04	..	..	..
Delhi	33	.05	.5	..	.5
Goa, Daman & Diu	88	.14	.5	..	.5
Laccadive	..	..	..	..	..
Pondicherry	56	.09	.5	..	.5
Arunachal Pradesh	176	.28	..	.5	.5
Unallotted	..	..	..	3	3
	1010.86	160.00	79.5	80.5	160.00

*The figures have been arrived at on the basis of 1971 Population Census. The proportion of households holding upto 2 hectares as given in NSS Report No. 144—17th Round, has been used to determine the number of cultivators with land upto 2 hectares. To this, the number of agricultural labourers has been added.

Appendix V
(See para 3.26)

Calculation of Labour requirements for the investment programme in the area under each Agency

	Well endowed area		Relatively less endowed area	
1 — *New Minor Irrigation :*				
Programme . . .	Rs.	225 lakhs	Rs.	90 lakhs
31.5% labour component .	Rs.	70.80 lakhs	Rs.	23.35 lakhs
Mandays @ Rs. 2.50/man-day		28,35,000		11,34,000
Manyears of 100 days .		28,350		11,340
2 — *Exiting Irrigation :*				
Programme . . .	Rs.	26.24 lakhs		
80% labour component .	Rs.	21.00 lakhs		
Mandays @ Rs. 2.50/man-day		8,40,000		
Manyear of 100 days .		8,400		
3 — *Individual works in dry areas :*				
Programme . . .	Rs.	75.00 lakhs	Rs.	112.50 lakhs
80% labour component .	Rs.	60.00 lakhs	Rs.	90.00 lakhs
Mandays @ Rs. 2.50/manday . . .		24,00,000		36,00,000
Manyears of 100 days .		24,000		36,000
4 — *Government Works in dry areas*				
Programme . . .	Rs.	45.00 lakhs	Rs.	67.50 lakhs
75% labour component .	Rs.	33.75 lakhs	Rs.	50.63 lakhs
Mandays @ 2.50/manday	Rs.	13.50,000		20,25,000
Manyears of 100 days .		13,500		20,252
5 — Total manyears of 100 days @ Rs. 2.50 per day . .		74,250		67,600
If 50% is hired labour .		37,125		33,800

APPENDIX VI

(See para 5.8 & 5.21)

Basic calculations of the programme dimensions and detailed breakdown of the estimates

ASSUMPTIONS

1. There will be a total number of 160 Agencies, including the existing ones, during the Fifth Plan to cover about 11 million farmers.

2. On an average, each Agency will cover 70,000 farmers of which smal farmers will number 17,500 and marginal farmers 52,500 in the ratio of 1: 3 following the general pattern in the country as a whole.

> (This pattern is revealed by the NSS Report No. 144-17th Round, according to which the number of ownership holdings in the range upto one hectare is about 35 million while the number in the range of 1 to 2 hectares is about 11 million. This gives a ratio of about 3:1)

3. The limit of small farmers will be upto 2 hectares and marginal farmers upto one hectare. Where the limits are lower, as in Kerala, the lower limits will apply. Moreover, in irrigated areas, it will be reasonable to adopt lower limits.

4. The programmes will be for development of agriculture with particular reference to crop production.

5. The areas where the Agencies will be working are classified into two categories—

Those having some irrigation facilities including canal water and good rainfall and potential for irrigation development and those relatively less endowed with water facility.

No. of well endowed areas assumed:

42 existing SFDA/MFAL areas
34 new areas

76

No. of relatively less endowed areas assumed:

37.5 existing SFDA/MFAL areas
46.5 new areas

84.0

6. In well endowed areas, 5,000 farmers are assumed as having some irrigation facilities. Additional irrigation coverage may be about 25,000 farmers. The rest (40,000) will be on dry farming. In relatively less endowed areas 10,000 farmers may be brought under irrigation and the rest (60,000) will be on dry farming.

7. For small farmers, an average holding size of 1.2 hectares per farmer is assumed. For marginal farmers, it is taken at 0.4 hectare per farmer.

(The data on size class distribution ownership holdings as brought out in the NSS Report No. 144-17th Round reveal an average holding size of 0.3 hectare in the range upto one hectare and 1.4 hectares in the range 1 to 2 hectares. For purposes of calculation the average size of holding of a marginal farmer has been assumed at 0.4 hectare and of a small farmer (1-2 hectares) at 1.2 hectares. The lower average holding size of a small farmer has been taken keeping in view that some States have already fixed limits lower than 2 hectares and that in irrigated areas, it will be reasonable to adopt lower limits as holdings much less than 2 hectares are/can be made viable and can yield substantial income.)

8. Scale of investment per hectare—

(a) where there is already irrigation (in this case the development needed will be land shaping, drainage, etc.)	Rs. 875 per ha.
(b) where new irrigation is to be provided, the average cost alongwith land development .	Rs. 1500 per ha.
(c) in dry areas, for works on individual basis .	Rs. 1250 per ha.
(d) in dry areas, for works executed by the Govt.	Rs. 750 per ha.

9. In rain-fed areas, half the area may come under land development measures of which again half the area will be taken up for development by the Government and the other half by individual farmers.

10. Rate of programme subsidy—

Small farmers	25%
Marginal farmers	33-1/3%

11. (a) Risk fund subsidy on long and medium term loans:

On long term loans

Land Mortgage Banks	2%

On medium term loans

Primary societies	4%
Central Coop. Banks	2%

long and medium term loans are assumed in the proportion of 2:1.

(b) Risk fund subsidy on short term loans—

to primary societies	4%
to Central Coop. Banks	2%

12. Short term input loans—

(a) in irrigated areas	Rs. 500 per ha.
(b) in dry areas in well endowed areas . .	Rs. 375 per ha.
(c) in dry areas in relatively less endowed areas .	Rs. 250 per hectare

13. Input subsidy to marginal farmers for one season @ 33-1/3% of cost—

(a) in irrigated areas	Rs. 66.66 per farmer
(b) in well endowed dry areas . . .	Rs. 50.00 per farmer
(c) in relatively less endowed areas . .	Rs. 33.33 per farmer

Detailed estimates per Agency Unit (Rs. in lakhs)

	Well endowed area	Less endowed area
1. (i) Requirement for development—		
Small farmers	163.12	101.25
Marginal farmers	163.12	101.25
	326.24	202.50
(ii) Of which, loan portion—		
Small farmers	122.35	75.94
Marginal farmers	108.75	67.56
	231.10	143.44
(iii) Subsidy portion—		
Small farmers	40.77	25.31
Marginal farmers	54.37	33.75
	95.14	59.06
2. (i) Input requirement—		
Small farmers	90.00	60.00
Marginal farmers	90.00	60.00
(ii) Of which, loan portion—		
Small farmers	90.00	60.00
Marginal farmers	60.00	40.00
	150.00	100.00
(iii) Subsidy portion—		
Marginal farmers	30.00	20.00
3. Total subsidy 1 (iii) + 2 (iii)	125.14	79.06
4. Government works	45.00	67.50
5. Total Government Commitment for progarmmes 3+4	170.14	146.56
6. Risk fund subsidy on term loans—		
Long term loans—		
Land Mortgage Banks @ 2%	3.08	1.92
Medium term loans—		
(i) Primary Societies @ 4%	3.08	1.92
(ii) Central Coop. Banks @ 2%	1.54	0.96
	7.70	4.80

Detailed estimates per Agency Unit	(Rs in lakhs) Well endowed area	Less endowed area
7. Risk fund subsidy on short term loans		
(i) Primary Societies @ 4%	6.00	4.00
(ii) Central Co-op. Banks @ 2%	3.00	2.00
	9.00	6.00
8. Subsidy for failed wells	1.50	3.00
9. Subsidy for transport of inputs	1.00	2.00
10. Subsidy for storage and market development	4.00	4.00
TOTAL (Item 5—10)	193.34	166.36
11. Staff subsidy to institutions and Provision for Agency Staff	25.00	25.00
TOTAL (Items 5 to 11)	218.34	191.36

Detailed calculations

(Rs. in lakhs)

I—*Well-endowed area—76 Agency Units*

PER AGENCY UNIT :

A—With existing irrigation facilities 5,000 farmers, of which—

Small farmers—
$1,250 \times 1.2$ ha $\times$ Rs. 875 . . . = 13.12

Marginal farmers—
$3,750 \times 0.4$ ha $\times$ Rs. 875 . . . = 13.12

Subsidy—
Small farmers @ 25% . . . = 3.28

Marginal farmers @ 33-1/3% . . = 4.37

B—New Irrigation—25,000 farmers of which—
Small farmers—
$6,250 \times 1.2$ ha $\times$ Rs. 1500 . . . = 112.50

Marginal farmers—
$18,750 \times 0.4$ ha $\times$ Rs. 1500 . . . = 112.50

Subsidy—
Small farmers @ 25% . . . . = 28.12
Marginal farmers @ 33-1/3% . . = 37.50

		Rs. in lakhs
C.—Dry areas—40,000 farmers of which—		
Small farmers		10,000
and Marginal farmers		30,000
$\frac{1}{2}$ of the area will come under development of which $\frac{1}{2}$ area will be developed by farmers—		
(i) Small farmers—		
10,000 × 1.2 ha × $\frac{1}{4}$ × Rs. 1250 . . .	=	37.50
Marginal farmers—		
30,000 × 0.4 ha × $\frac{1}{4}$ × Rs. 1250 . . .	=	37.50
Subsidy—		
Small farmers @ 25%	=	9.37
Marginal farmers @ 33$\frac{1}{3}$%	=	12.50
(ii) $\frac{1}{4}$ area will be developed through Government works—		
Small farmers—		
10,000 × 1.2 ha × $\frac{1}{4}$ × Rs. 750 . . .	=	22.50
Marginal farmers—		
30,000 × 0.4 ha × $\frac{1}{4}$ × Rs. 750 . . .	=	22.50
TOTAL		45.00
D.—Input Loans—		
(i) In wet area—		
Small farmers—		
7,500 × 1.2 ha × Rs. 500	=	45.00
Marginal farmers—		
22,500 × 0.4 ha × Rs. 500	=	45.00
(ii) In dry area—		
Small farmers—		
10,000 × 1.2 ha × Rs. 375 . . .	=	45.00
Marginal farmers—		
30,000 × 0.4 ha × 375	=	45.00
E.—Input subsidy to marginal farmers—		
(i) In wet area—		
Marginal farmers		
22,500 × 66.66	=	15.00
(ii) In dry area—		
Marginal farmers		
30,000 × Rs. 50	=	15.00
TOTAL		30.00

II—*Less endowed area*—84 *Agency Units*

PER AGENCY UNIT

A—Irrigation development for 10,000 farmers of which—

Small farmers—

2,500 × 1.2 ha × Rs. 1500 . . .	= Rs. 45.00 lakhs

Marginal farmers—

7,500 × 0.4 ha × Rs. 1500 . . .	= Rs. 45.00 lakhs

Subsidy—

Small farmers @ 25% . . .	= Rs. 11.25 lakhs
Marginal farmers @ 33-1/3% . .	= Rs. 15.00 lakhs

B—Dry area covering 60,000 farmers of which—

Small farmers	15,000
Marginal farmers	45,000

Half the area will come under development, of which again half the area will be developed by farmers and the other half by the Government—

(i) Small farmers—

15,000 × 1.2 ha × ¼ × Rs. 1250 . .	= Rs. 56.25 lakhs

Marginal farmers—

45,000 × 0.4 ha × ¼ × Rs. 1250 . .	= Rs. 86.25 lakhs

Subsidy—

Small farmers @ 25%	= Rs. 14.06 lakhs
Marginal farmers @ 33-1/3% . .	= Rs. 18.75 lakhs
Total subsidy . . .	Rs. 32.81 lakhs

(ii) Government works—

Small farmers—

15,000 × 1.2 ha × ¼ × Rs. 750 . .	= Rs. 33.75 lakhs

Marginal farmers—

45,000 × 0.4 ha × ¼ × Rs. 750 . .	= Rs. 33.75 lakhs
Total cost of State Works . .	Rs. 67.50 lakhs

C—Input loans—

(i) In wet areas—

Small farmers—
2500 × 1.2 ha × Rs. 500 . . . = Rs. 15.00 lakhs

Marginal farmers—
7500 × 0.4 ha × Rs. 500 . . . = Rs. 15.00 lakhs

(ii) In dry areas—

Small farmers—

15,000 × 1.2 ha × Rs. 250 . . . = Rs. 45.00 lakhs

Marginal farmers—
45,000 × 0.4 ha × Rs. 250 . . . = Rs. 45.00 lakhs

D—Input subsidy to marginal farmers—
(i) In wet areas
7500 × Rs. 66.66 . . . . = Rs. 5.00 lakhs

(ii) In dry areas—
45,000 × Rs. 33.33 . . . . = Rs. 15.00 lakhs

Total . . . . . Rs. 20.00 lakhs

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