SUMMARIES OF GROUP DISCUSSION

SUBJECT I

ISSUES IN FORESTRY DEVELOPMENT IN INDIA

Rapporteur: Katar Singh*

The Group started its deliberations with the Rapporteur recapitulating the major issues specified by him in his Rapporteur’s Report for further discussion at the Conference. Two more issues, namely, classification of forests, and role of technology, were also suggested for discussion. But it was contended that these could be discussed under one of the issues specified in the Report, namely, ‘Policy Instruments for Increasing Area, Production and Productivity of Forests.’ A summary of the discussions held and the consensus that seemed to be emerging therefrom is presented below issue by issue.

1. POLICY INSTRUMENTS FOR INCREASING AREA, PRODUCTION AND PRODUCTIVITY OF FORESTS

The Group discussed various practicable policy instruments for increasing area, production and productivity of various kinds of forests, namely, government reserved forests, civil/soyam forests, panchayat forests and forests on private lands. The Group concluded that there was substantial scope for increasing area, production and productivity of forests of all types. But to begin with, efforts should be concentrated on development of waste lands and problem soils and reforesting them with appropriate tree species. The technology in terms of tree species and complementary packages of silvicultural practices appropriate for various types of soils was available with various State Forest Departments, the Central Soil Salinity Research Institute, Karnal and a few Agricultural Universities. What was needed was an appropriate institutional/organizational structure for developing, afforesting and managing community waste lands and problem soils. The Group discussed various alternative organizational forms for the purpose and agreed that, to begin with, three alternatives, namely, vertically integrated co-operative structure, preferably of the Anand type, van panchayats of the Uttar Pradesh Hills type and autonomous watershed development authority might be tried in a few selected areas and their performance studied and evaluated. The Group appreciated that, in view of the heterogeneous agro-economic and ecological conditions obtaining in various parts of the country, it was neither desirable nor feasible to recommend a specific institutional structure for this purpose. The Group agreed about the need to adopt an integrated watershed development approach for determining the optimum land use pattern for various areas. The watershed plans could be prepared

* Professor, Institute of Rural Management, Anand.
by Agricultural Universities and other technical institutions and implemented by an appropriate organization/authority. A view was expressed by many participants that autonomous watershed development authorities may be set up for implementing the plans.

Among the instruments that could be used in the short run to increase the productivity of various types of forests, use of appropriate technology and of economic incentives was highlighted. It was agreed that the grants and subsidies earmarked by government for forestry development purposes should be channeled through the appropriate organization/authority set up for the purpose. The authority/organization should work in close collaboration with the Forest Departments and Agricultural Universities, voluntary agencies and other public and private organizations engaged in forest development activities.

The Group suggested that the existing ban on felling trees by individuals should be relaxed to motivate people to grow trees. The permission to fell trees may be granted subject to two conditions, namely, the trees proposed to be felled must attain a certain specified minimum age and trees felled must be replaced by planting an equal number of saplings. The Group noted the information provided by one of the participants that 16 types of forests have already been recognized and that classification of the existing forests by ownership was also available. In view of this, it was decided that there was no need for reclassifying the forests. However, the Group decided that there was need for determining the minimum area that should be put under forest in each of the ecological zones in the country.

In the context of appropriate institutional structure for managing the afforestation of common lands, the Group emphasized the need for identifying, developing and training good leaders from within the area concerned. The Group expressed the view that some of the salient features of the Anand pattern co-operative structure including a provision for identification and development of right kind of leadership and for minimizing the chances of vested interests using these organizations for enhancing their personal benefits, may be included in the bye-laws of the proposed organization.

2. CONCEPTUAL AND EMPIRICAL PROBLEMS IN ESTIMATING DEMAND FOR AND SUPPLY OF FOREST PRODUCTS AND A MINIMUM INFORMATION SYSTEM FOR FORESTRY SUB-SECTOR

The Group examined the existing information base for estimating the demand for and the supply of forest products. The Group concluded that so far as the data regarding area, production and productivity of government owned forests are concerned, there already existed a reasonably satisfactory information system in the Forest Departments but there was need to set up a system for collecting and monitoring the necessary data for the non-government forests. For this purpose, the use of existing district statistical staff was suggested. So far as the data required for estimating and projecting demand for various forest products were concerned, the Group found that there did not exist a unified system for collecting, compiling and moni-
toring information on various determinants of demand like price of forest products, prices of their substitutes, income of consumers, changes in tastes and preferences of consumers over time, etc. The Group recommended that the National Sample Survey may be assigned the responsibility to collect data on consumption and prices of various forest products consumed by the households, and that the existing district statistical staff may be asked to collect and monitor data on various aspects of demand for the unorganized sector industries. The Group also noted that the organized industries like paper and plywood industries have already established their own information systems. What was needed was a mechanism by which this information could be made available to the researchers. It was suggested that the interested researchers should approach the concerned industries/organizations and collect the necessary information from them after assuring them that the information so collected would not be used for any purposes that may be detrimental to their interests. The Group thought that the agricultural economists could make a major contribution at the analysis stage. Whatever information that was already available with various agencies should be analysed properly and rigorously. The Group also suggested that since the time-series data necessary for estimating demand functions are not available, researchers may consider using the other alternative of collecting and using cross-section data.

3. MARKETING AND PRICING PROBLEMS

The Group examined the existing marketing and pricing systems for various forest products. The Group took note of the fact that in most of the States, the State Forest Development Corporations were responsible for both marketing and pricing the produce. Since there was only one paper contributed on this topic, not much discussion took place on marketing and pricing problems. However, in view of the observations made by a few participants, the Group recommended that the existing pricing policy may be re-examined by a panel of experts consisting of economists and foresters to find out whether the existing system is rational and whether the prices fixed by the corporations reflect the true resource cost of various forest products. The Group felt that at present many forest products are under-priced and therefore the market prices do not give the correct signals to producers. The need for setting up an appropriate market intelligence system for forestry products was also highlighted. The Group expressed the view that if the cooperative structure was adopted, various marketing problems may be taken care of by the apex co-operative unions/federations.

4. PEOPLE’S PARTICIPATION IN SOCIAL FORESTRY PROGRAMMES

The Group was unanimous in accepting the fact that most of the social forestry programmes launched in the country so far had failed to involve the local people who were intended to be their main beneficiaries. The Group examined a number of alternative approaches to involving people
SUMMARIES OF GROUP DISCUSSION

in the social forestry programmes and finally arrived at a consensus that a vertically integrated co-operative structure may be appropriate for the purpose. To begin with, tree growers' co-operative societies may be organized at the village level to undertake the work of raising and distributing saplings and providing technical inputs, information and training to their members in collaboration with the Forest Department officials. In due course of time, when a sufficient number of village level societies are organized, a district level union may be organized to take care of procuring, processing and marketing of forest produce of the village level societies. The membership of these village level societies should be open to both land owning and landless households. The village panchayat concerned may lease to the tree growers' society, some of the panchayat lands for afforestation purposes on a long-term basis. The tree growers' society may, in turn, allocate this land to the landless households, and marginal and small farmers for planting trees. In this way, the co-operative structure would create a congenial environment for the people to participate in the social forestry programmes. The Group highlighted the need for channelising all government grants and subsidies earmarked for social forestry activities through the tree growers' co-operative societies/unions after they are established. This in conjunction with the immediate benefits in the form of forage grasses and fuelwood would provide enough incentive to the people, especially the rural poor, to become members of the society and grow trees.

5. CONSEQUENCES OF DENUDATION OF FORESTS AND SHIFTS IN LAND USE FROM AGRICULTURAL CROPS TO TREE CROPS

The Group took an inventory of various physical, economic and ecological causes and consequences of growing denudation of forests in the country. In general, the increasing pressure of human and livestock populations on land was found to be the most important cause of denudation of forests. However, in the absence of any quantification of the consequences of denudation, the Group found it difficult to make any specific policy recommendations for alleviating the problems. The Group agreed that there was need for micro level studies to measure quantitatively the various impacts of denudation of forests. The Group took note of the recent trends in shifting of land from agricultural crops to tree crops in many States of the country, especially Punjab, Karnataka and Kerala, and concluded that there was need for comprehensive social benefit-cost analysis of these shifts in land use pattern. The analysis should consider both losses and gains in the producer's and the consumer's surpluses that would be generated in the economy as a result of these shifts and then determine the net gain or loss to the society. After having made such analyses, if it was found that the shift from foodgrains crops to tree crops was not in the larger interest of the society, government intervention in the pricing of tree crops might be necessary to affect the relative economics of foodgrains crops and tree crops such that was desirable socially, became economically profitable to the individual producers.
SUBJECT II

RURAL INDUSTRIES: THEIR POTENTIAL
AND CONSTRAINTS

Rapporteur: R. R. Doshi*

The deliberations on the subject began with the understanding of the significance of rural industrialisation in the process of India’s economic development. Rural industrialisation programme has the potentialities of dispersal of economic activities in the countryside, utilization of local resources, creating extensive off-farm employment opportunities for the rural masses and, with all this, attainment of the objectives of growth and social justice envisaged in the Plans of the country. The unconditional acceptance of the potentialities of rural industrialisation programme at the very outset by the participants provided a firm ground for perusal of the pinching elements particularly and harping upon the ways and means for a better outcome.

The question of deciding whether there exists a ‘Strategy’ of rural industrialisation at work in India involving a systematic and well-thought out programme of action was reviewed in different contexts: (a) is it a policy of spacial dispersal of urban industries to the rural areas or of rejuvenation of the traditional village industries?, (b) is it a policy of production of commodities which the rural people do not necessarily consume or of their basic needs?, (c) is it a policy of linkage between urban and rural industries or of development of rural industries in isolation?, (d) is it a policy concerned merely with employment creation or also with improvement of technology and productivity?, (e) would the rural industries provide primary or supplementary employment? and (f) would they lead to wage-labour employment or self-employment?

The consensus of the Group was that rural industrialisation cannot be isolated from the agricultural activity and linkage between the two has to be found out in a dynamic situation. The government policy has been, by and large, employment-oriented as the objective of employment creation could not be brushed aside on account of social, political and economic exigencies. The framework of a strategy of rural industrialisation should consist of attempts towards rejuvenation of traditional village industries by improvement of their technology, dispersal of modern manufacturing activity in the countryside with or without a linkage to the existing village industries as also production of any type of commodities that would cater to the needs of the country’s population and that may or may not be based on the local resources. In the case of household industries the conflict between employment and technology did not arise as much as it did in the case of non-household industries. The rural industries would continue to be supplementary source of income-earning to those who are earning from agriculture and can be

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* Reader, Department of Economics, Shivaji University, Kolhapur (Maharashtra).
promoted and developed as full-time employment activity for the village artisans, landless labourers and educated unemployed. Rural industrialisation is a long-term programme no doubt; however, a short-term strategy can also be evolved therefrom. The programme aimed at the economic upliftment of the rural masses and backward regions of the country.

As regards the programmes at work, the Group reacted rather strongly to the policy and implementation of the Integrated Rural Development Programme (IRDP). ‘Integration’ of rural development programmes is something more than a mere co-ordination of them; the programmes should be complimentary rather than competitive. Actually, there are programmes running parallel without proper backward and forward linkages among them. On account of this, the IRDP has been less than an ‘integrated’ programme. An attempt towards vertical integration of the developmental activities was badly needed to make them fruitful.

A number of factors were noted as hurdles in the spread of industrial and manufacturing activity in the rural areas. Low level of productivity, prevalence of traditional technology, lack of knowledge of the new developments in the field of production, caste specific nature of the village industries, lack or inadequacy of the infrastructure, difficulties in securing adequate finance, administrative lags, lethargy and inefficiency, and non-availability of required skill and entrepreneurial ability were enumerated as the constraints in the task at hand. Much emphasis was, however, given on the marketing problems that the rural producer has to face. Especially in the case of the village industries, because of absence of standardisation of their products, the producers, by force of circumstances, fell prey to the intermediaries.

It was pointed out that a number of agencies were at work in removing these hurdles. District Rural Development Agencies (DRDA), Farmers’ Service Societies (FSS), Regional Rural Banks (RRB), Khadi and Village Industries Commission (KVIC), commercial and co-operative banks and District Industries Centres (DIC) have been the prominent ones. The National Bank for Agriculture and Rural Development, as an apex body, has also been active. However, doubts were expressed about the efficiency and effectiveness of their efforts. The stories of success and failure were vehemently put forth.

As marketing problems were sorted out as prominent one among the constraints, to overcome them a case for establishment of a rural industries marketing agency was made. While working within a co-operative framework and having a three-tier pattern it may help in bringing about standardisation of products particularly in the case of small and village industries, in conveying the consumer preferences, in procuring raw materials, in bringing about technological upgradation and in the development of entrepreneurial skills.

Entrepreneurial development to fill in the leadership gap would be possible by encouraging the urban-based persons in industries to come back to the rural areas. It would be feasible as they have the rural background, experience of industrial activity, trade links, savings at hand, and so on. Group entrepreneurship of such persons can also be encouraged. The
experience of Training of Youth for Self-Employment (TRYSEM) was still far from satisfactory.

Multi-agencies operated in the province of rural industrialisation programme. DRDA, DIC, Small Scale Industries Centres (SSIC) and others worked on their own lines. However, a proper planning of the entire programme was conspicuous by its absence. Hence, for effective performance district as an unit of planning should be adopted. DRDA should be the central organizing agency, a systematic planning of programmes be resorted to with the help of expert assistance and the block level authority being the actually implementing agency be revitalised. A proper monitoring and evaluation of the programmes at work should be taken care of.

As regards the patronage to the small and village industries vis-a-vis large industries, even in the process of development and dispersal, the policy upheld the cause of the former while in practice the weight has remained in favour of the latter.

Reservation of spheres of production was restricted to the small industries, dropping out the village industries. The policy was justified, by and large, on the basis of a need to protect the people of small means engaged in such units. However, this should not remain a perpetual game; it should be bound by time limit. At this juncture at least, the policy cannot be extended to the village industries.

About the subsidy given to the industrial units, it was needed to make the units viable. But, taking into account the wide experience of misutilization of the subsidy in cash, preference was shown for the subsidy in kind as also in the form of management assistance. With this also, one should be anxious about the possibility of diverting even the subsidy in kind.

It was observed that common production programme was presently being followed in the case of those activities which can be pursued with different technologies and on different scales. So it has limited applicability. An attempt in wider perspective can be a linkage of large and small units through a system of job work and sub-contracting by the former to the latter. Such a linkage would help in solving the crucial marketing problem of the small units located in urban as well as rural areas. Such a system is in vogue and can be encouraged deliberately for making the smaller units viable and stronger.

The programme of rural industrialisation has endeavoured to take industrial and manufacturing activity to the rural areas through a process of dispersal as also developing on sound footing the existing traditional units thereby creating an industrial climate in the countryside. For effecting this, creation of growth centres and provision of infrastructural facilities in the rural areas should be planned carefully. Development of focal points in specific regions by providing different kinds of complementary facilities on the lines of Punjab was also considered worth emulating.

A ‘cluster of village’ approach would also be beneficial if adopted sagaciously and without undue interference of exogenous elements.
SUMMARIES OF GROUP DISCUSSION

SUBJECT III

FACTOR SHARES IN INDIAN AGRICULTURE

Rapporteur: S. S. Grewal*

At the outset, the Rapporteur gave a gist of the main findings of the studies on this subject and posed issues for discussion. The issue relating to the methodology for determination of factor shares was taken up first. The methodology used was broadly classified into two categories. In the first category, production function approach (mainly using Cobb-Douglas type of production function) was used to estimate the factor shares. In the second category, actual accounting of factor shares was done either in the cost of production, gross value output or value added. The Group discussed the relative merits and demerits of these approaches. It was noted that the production function approach suffered from some limitations. The main problems faced in using the functional approach were: choice of the appropriate type of the production function, the independence of factors of production, proper specification of variables, etc. It was also noted that the reward of a factor of production would be equal to its marginal productivity only under the stringent conditions of a perfect market which seldom hold good in the real world. The second approach where the cost share is assumed to be equal to the factor share is valid only under the limiting condition of proportionality between gross value added and total cost, i.e., the prevalence of constant returns to scale.

Besides this, the measurement of inputs at the market prices in the presence of market distortions introduced through input subsidies and investment on infrastructure, etc., could lead to biases in the estimation of factor shares. The Group also emphasized the classification of capital into land-augmenting and labour-augmenting and proper distinction between capital stocks and flows. The limitation of estimating factor shares on the basis of individual crops was also recognized.

After examining the methodological issues, the Group took up the discussion on individual factor shares. The available evidence indicated that the share of land over time had declined marginally in most of the States. The possible explanation for this was found to be an increase in the share of capital. At this stage, the Group noted that the improvements in the quality of land through irrigation and soil conservation, etc., need to be disentangled to capture the real share of land. The Group was of the view that further studies would be needed to explain the spatial variations in the share of land in States at different levels of development.

The Group then took up the discussion on labour share which showed an increase over time in several States except Punjab where there was a slight decline. The increased share of labour in several States was attributed to

* Professor of Economics, Department of Economics and Sociology, Punjab Agricultural University, Ludhiana.
increased use of labour and rise in wage rates. However, the Group noted that the increased share would not necessarily mean an improvement in the condition of labour unless the total picture regarding the volume of employment and income from other sources was taken into account. The decline in labour share in the Punjab State was attributed to substitution of capital for labour. This decline, however, should not be taken to mean deterioration in the economic condition of labourers over time especially when the proportion of hired labour component indicated an increase and there was an increase in off-farm employment over time.

The share of capital over time showed an increase. The Group felt that it was bound to happen in a developing agriculture. This was reflected in increased capital-output ratio over time which, however, may not be a desirable trend in the long run.

After this, the residual share accruing to management factor was discussed. It was noted that in technologically advanced regions, this share declined sharply and on the other hand, there was a marked increase in the relatively backward regions. To explain this behaviour, the Group felt that the share accruing to management should be read with the trends in the shares of other factors of production. In this context, the need was stressed to examine carefully the phenomenon of interlocking of factor markets.

The Group then turned to the discussion of the behaviour of factor shares in totality. The available evidence, although not quite firm, indicated an increase in the share of labour and capital and a marginal decline in the share of land. This could be taken to mean a development in the right direction. However, this needs to be authenticated with further studies to allay the apprehension of increasing inequality in agriculture which was voiced by certain participants. Since the farmer-operator, in general, happened to be a supplier of different factors of production in varying degrees, the Group felt that it was the surplus accruing to him after meeting the paid-out costs that should provide a better indication of his economic position instead of individual factor shares. Similarly, in the case of labourers, their income from all sources should provide a better idea of their economic condition rather than their share in the agricultural output alone.