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Global Economic Crisis and Indian Agriculture: Impacts and Perspectives

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I

INTRODUCTION

The world was caught in a severe economic crisis, which primarily originated from the U.S. in early 2007. Over the past two years, the crisis has virtually spread to the entire world causing an extreme credit crunch. Around the world, stock markets have plummeted and large financial institutions have collapsed forcing the governments to come out with multibillion dollar bailout packages. This has affected both the developed and developing world. According to the International Monetary Fund (IMF) in 2009 the global economy was projected to shrink by 0.6 per cent and world trade by 2.8 per cent. Apart from economic ramifications, the turmoil in the financial sector has also caused some political instability across the world. Countries like France, China, Russia, and Iceland have witnessed violent protests against job cuts and other contractionary government policies. To avert further damage, governments and central banks of the countries have initiated a series of measures, both conventional and non-conventional, to rejuvenate the financial system.

Although India has responded well to the food and fuel crises and has by and large, maintained prudent macroeconomic management; the magnitude of the financial crisis has hit our country very hard because of its strong connectivity with global financial markets (World Bank, 2009). Therefore, contrary to the initial claims of immunity to the fallout, the crisis had crept into the Indian economy and India has been facing major challenges owing to the global financial crisis. The immediate effects were plummeting stock prices, net outflow of foreign capital, large reduction in foreign exchange reserves, and the abrupt tightening of domestic liquidity. Consequently, a rapid depreciation in the exchange rate and a surge in short-term interest rates were observed.

The impact of the economic crisis has percolated to all major sectors of the economy, although the magnitude of the impact varies from sector to sector. The depth and size of the downturn depends on the extent of integration of these sectors with the world economy. The agricultural sector has also felt the heat of the

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meltdown, but there is lot of uncertainty about the magnitude of the impact of economic recession on agriculture. It assumes more significance in India as more than half of the workforce is still employed in the agricultural sector and a majority of them constitute the most vulnerable section of the society. However, it is being argued that the agricultural sector in India may not be adversely affected and there are indications that it may even make some contribution towards reviving the Indian economy. However, convincing empirical evidence does not support such an argument. And although the macro issues have been much commented upon, but specific impact of economic crisis on agriculture, the most important source of livelihood in India, has not received due attention. This paper deciphers some of the crucial issues of the implications of the economic crisis on Indian agriculture, the policy response and the future challenges to contain the negative impact of global economic crisis on Indian agriculture. The paper is organised as follows. The impact of economic recession on Indian agriculture is discussed in the next section. The policy response and the measures initiated to contain the adverse impact are discussed in the third section. The next steps required to accelerate the agricultural growth have been discussed in the final section.

II

IMPACT OF GLOBAL ECONOMIC RECESSION ON INDIAN AGRICULTURE

India has opened its market since the beginning of the past decade (more precisely since July 1991) by lowering tariff and non-tariff barriers, as well as liberalising investment policies. Still Indian agriculture is far less vulnerable to the external economic shocks than agriculture in many developing countries. Agricultural trade still accounts for less than 10 per cent of agricultural gross domestic product (AgGDP). However, Indian agriculture cannot be completely insulated from the global and domestic economic recessions. The impact of economic crisis is transmitted through three distinct channels, viz., financial sector, exports and exchange rates, and the impact manifests itself in several direct and indirect ways. Some of the implications of the economic crisis are discernible in the short-run, while others may be visible only in the long run. It is difficult to gauge the impact of economic crisis on Indian agriculture in the short run. However, the trends in some broad parameters may indicate its implications and the possible options can be worked out to mitigate its adverse impact. The broad indicators for assessing the impact of economic recession on Indian agriculture could be the trends in agricultural exports, AgGDP, Foreign Direct Investment (FDI), agricultural prices, flow of institutional credit to agriculture, etc. This is not the exhaustive list of indicators but it still indicates the broad contours of the impact of economic recession on Indian agriculture. The trends in these indicators have been assessed and briefly discussed in the following sections.

Agricultural Exports

Two remarkable developments have taken place in India's agricultural exports during the post-liberalisation period. One, the agricultural exports have grown at a much faster rate since the initiation of liberal economic policies where agricultural exports in value terms have grown annually from 18.9 per cent during 1990s to 15.2 per cent during 2000s (Table 1). Second, there has been a substantial change in the composition of India's agricultural exports. Floriculture, fruits and vegetables (fresh and processed), buffalo meat, poultry products, etc., have emerged as the promising components of the agricultural export basket. The export of floricultural products have grown annually on an average of 19.6 per cent during 1990s to 15.5 per cent during 2000s. Fresh fruits and vegetables, and meat and meat products have also picked up momentum in the later period (2000-01 to 2008-09). The other cereals and dairy products have shown exceptionally high growth rates during this period. India's ban on non-basmati rice exports has registered a sharp decline in the annual growth rate of rice exports from 48.8 per cent in 1990-99 to 2.3 per cent during 2000s.

TABLE 1. COMPOUND ANNUAL GROWTH RATE OF AGRICULTURAL EXPORTS

(per cent per annum)

Product	Quantity		Value	
	1990-91 to 1999-2000	2000-01 to 2008-09	1990-91 to 1999-2000	2000-01 to 2008-09
(1)	(2)	(3)	(4)	(5)
Floriculture	21.9	4.35	19.6	15.5
Fresh fruits and vegetables	2.5	16.3	4.1	20.1
Processed fruits and vegetables	20.7	11.3	18.1	20.9
Meat and meat products	12.0	9.0	14.3	23.9
Poultry products	9.3	60.3	28.4	18.3
Dairy products	6.5	25.0	3.1	42.8
Total animal products	8.8	25.9	12.4	24.8
Basmati rice	12.6	8.4	12.0	20.9
Non-basmati rice	52.5	15.4	48.8	2.3
Other cereals	-4.9	51.7	0.9	67.1
Total cereals	24.7	7.3	21.6	18.6
Tea	-0.04	0.5	7.8	4.4
Marine products	10.2	-0.6	19.1	1.1
Spices	8.9	14.0	25.5	18.2
Cashew nuts	4.8	3.1	16.6	5.6
Total agricultural and allied products	-	-	18.9	15.2

It would be interesting to see whether there has been any divergence from the long-term trend in the export of important agricultural commodities due to economic recession. For this, the export of major agricultural products (including livestock products) during 2007-08 and 2008-09 can be compared. Based on the available empirical data, the impact of economic recession on agricultural exports is visible in many major exported commodities (Table 2). The most promising export commodities like floricultural products, poultry products, and other animal products have been negatively hit, in contrast to their general growth trend. A reduction in the export quantities of other major components of foreign exchange earners like spices and marine products is also a cause for concern. However, the decline or slowdown in exports cannot be entirely attributed to the economic recession. For instance, the export of non-basmati rice had declined in 2008-09 because its export was banned to ensure national food security. Similarly, the shrinking export of poultry products may be attributed to the import ban imposed by several countries on poultry products due to avian influenza.

TABLE 2. RECENT EXPORT OF MAJOR AGRICULTURAL PRODUCTS FROM INDIA

	Quantity (MT)		Value (million $)		Change over the previous year	
Products (1)	2008-09 (2)	2007-08 (3)	2008-09 (4)	2007-08 (5)	Qty (MT) (6)	Value (million $) (7)
Floriculture	37005	42357	98	109	-5352	-11
Fresh fruits and vegetables	2646266	1724574	796	602	921692	193
Processed fruits and vegetables	844881	774849	688	606	70032	82
Meat and meat products	503053	497061	1170	930	5991	241
Poultry products	1057016	1355246	92	109	-298230	-17
Dairy products	70147	69415	223	218	731	5
Total animal products	1646790	1932856	1503	1268	-286066	235
Basmati rice	1556411	1183356	2061	1074	373055	987
Non-basmati rice	931880	5285916	367	1831	-4354037	-1464
Other cereals	3999648	3228052	852	742	771596	110
Total cereals	6530113	9752246	3298	3670	-3222133	-372
Tea	203207	198548	556	500	4659	56
Marine products	376438	487495	1292	1694	-111057	-402
Spices	516944	619612	774	1032	-102669	-258
Cashew nuts	126151	111275	639	546	14876	93
Total agricultural and allied products	-	-	21208.4	16267.12	-	4941

Source: DGCI&S, Kolkata.

The data on the monthly exports of overall agricultural and allied products over the past two years has revealed that there has indeed been a decline in the exports since April 2008, which happens to be the period when recession had intensified. During the period, from April 2008 to September 2009 the export value declined from U.S. $1742 million to U.S. $781 million due to reduced demand from major destinations like U.S.A., U.K., U.A.E., Japan, Saudi Arabia, etc., the economies which have been severely hit by recession, was supposed to be the major reason, though the role played by other factors discussed above cannot be ruled out.

It was noticed that the major export destinations of several important agricultural products are high income countries particularly the U.S.A, U.K., Japan, U.A.E., Saudi Arabia, Germany, etc. whose economies have been badly hit by economic recession (Table 3). U.S.A. is the prominent destination for commodities like floricultural products, processed meat, spices, cashewnuts, marine products, etc. Around 22 per cent of the total floricultural products, 20 per cent of spices, 35 per cent of cashewnuts and 13 per cent of marine products from India were destined to U.S.A. in the year 2008-09. These commodities may face further depression in demand in the coming months. Similarly, a substantial chunk of fresh fruits and vegetables, poultry products, basmati rice, spices, cashewnuts and floricultural products were also exported to European countries like U.K., the Netherlands and Germany, which may have be adversely affected. The other Asian destinations such as Malaysia, Philippines, China etc. were also facing recession, which may have further worsened the situation.

TABLE 3. MAJOR DESTINATIONS OF INDIA'S AGRICULTURAL EXPORTS

Product (1)	Major destinations (2)
Floriculture	U.S.A., Netherlands, U.K., Germany, Japan
Fresh fruits and vegetables	Bangladesh, U.A.E., Malaysia, Netherlands, U.K.
Meat and meat products	Vietnam, Malaysia, Philippines, Saudi Arabia, U.A.E.
Processed meat	Seychelles, U.A.E., Hong Kong, Germany, U.S.A.
Poultry products	U.A.E., Kuwait, Oman, Germany, Japan
Dairy products	Bangladesh, Algeria, U.A.E., Yemen, Egypt
Basmati rice	Saudi Arabia, Kuwait, U.K., U.A.E., U.S.A.
Rice non-basmati	Bangladesh, U.A.E., Saudi Arabia, South Africa, Nepal
Wheat	Bangladesh, Philippines, U.A.E., Sudan, Myanmar
Tea	U.A.E., Russia, U.K., Iran, U.S.A.
Marine products	Japan, U.S.A., China, Spain, Belgium
Spices	U.S.A., Malaysia, U.K.,U.A.E., Bangladesh
Cashew nuts	U.S.A., UAE, Netherlands, Japan, U.K.
Total agricultural products	U.S.A., U.K., U.A.E., Bangladesh, Saudi Arabia

Source: DGCI&S, Kolkata.

Agricultural GDP

The performance of agriculture and the allied sectors in comparison to other sectors has been modest over the years. In the 1980s, the growth in agricultural gross domestic product (AgGDP) has been encouraging at about 4.7 per cent compared to only 1.4 per cent in the 1970s. The following period witnessed a mild slowdown, with an average annual growth of 3.8 per cent between 1990-91 and 1996-97. In the

Ninth Plan (1997-2002), a further deceleration was observed, with the sector growing only at an average rate of 2 per cent against the targeted 4 per cent per annum. In the first three years of the Tenth Plan (between 2002-03 and 2004-05), the performance of the sector was rather disappointing with an annual growth of mere 1.1 per cent. However, the subsequent years witnessed a revival in agricultural growth. The trend in agricultural GDP during the past two decades suggests that the sector has been growing slowly and steadily, but with occasional slumps. The reasons for slow growth during the 1990s and early 2000s are many, ranging from poor monsoons to depressed agricultural commodity prices in the world market. Besides, public investment in agriculture declined throughout the 1990s, leading to a slowdown in sectoral growth. Conscious efforts have been made in recent years to raise investment in agriculture and it has started to bear fruits in terms of higher agricultural growth. Further, with increasing integration with the global economy, the output from the agricultural sector has become relatively more vulnerable to external pressures.

The current crisis is expected to have a modest effect on the GDP of agricultural and allied products. Recent trends indicate that the sector is not witnessing similar growth achieved during the previous year. Agricultural GDP is expected to decline by -1.7 per cent in 2009-10 as compared to 1.1 per cent in 2008-09. According to CMIE forecasts, the trend would continue in 2010-11 also with a forecaste growth rate of 6.3 per cent. The downtrend is visible in the industrial and service sectors also. The increase in industrial growth rate from 3.9 per cent in the previous fiscal to 9.4 per cent in the current year is more conspicuous than that of the agricultural sector but the estimates for services sector are comparatively better.

The trends in AgGDP seem to have weak links with the present recession. Agricultural growth has been accorded priority to improve the distributional aspects by which several schemes like National Food Security Mission, Rashtriya Krishi Vikas Yojana, substantial increase in the flow of agricultural credit, waiving off agricultural loans, etc. have been launched to foster growth in this sector. These schemes are likely to taper off the adverse impact of the economic recession on agriculture to a large extent. However, the economic crisis may put downward pressure on farm production in the short-run. Even though the government provides a shield to the farmers by intervening in the agricultural markets to realise stabilised income, its intervention is limited to a few commodities in some states. Therefore, in spite of government's efforts, farm income is expected to have slightly adverse impact due to economic recession. It is important to note that rainfall and other weather parameters influence agricultural growth significantly.

Foreign Direct Investment

Foreign Direct Investment (FDI) inflow into the core sectors plays a significant role as a source of capital, management, and technology in transitional economies. It implies that FDI can have positive effects on the host economy's developmental efforts. As mentioned earlier, India has opened its economy and has allowed the entry of multinational corporations (MNCs) as a part of the reform process started in the beginning of 1990s. Like many other countries, India has offered greater incentives to encourage FDI inflows into its economy. The presence of FDI inflow in India was negligible till 1991, but there has been a steady build-up in the actual FDI inflows in the post-liberalisation period. The share of FDI in GDP was merely 0.03 per cent in 1991, which rose to about 3 per cent in 2009-10. Its annual growth during this period was phenomenal. The FDI inflow has been growing rapidly since then with a quantum jump after 2004-05. From US $3250 million in 2004-05, the FDI has leaped to over US $247329 million in 2008-09. However, since February 2008, a reversal in the trend has been observed. A perusal of the monthly inflow of FDI between January 2008 and January 2010 suggests a clear decline over a period of 24 months.

The share of agriculture in the total FDI in India is negligible. The recent data show that agriculture accounted for only about 1.5 per cent of the total FDI inflows into India. In the agriculture sector, the entry of FDI was confined to plantation crops, food processing industries, agricultural services and agricultural machinery. FDI has been allowed in fertiliser manufacturing also, which have a direct bearing on agriculture but was not allowed in the cultivation of crops or rearing of livestock. However, its entry into the food processing sector can have ramifications on the agriculture sector (though it may be limited). Therefore, though the FDI inflow has slowed down over the past one year, its impact would not be visible on agriculture, as the dependence of agriculture on FDI is minimal.

Agricultural Prices

The economic recession can influence the agricultural prices through contracting demand for agricultural goods. However, basic agricultural commodities (especially staples) are by and large, income inelastic and therefore even an income that is shrinking will have little effect on the demand for agricultural commodities. However, demand for high-value commodities like fruits, vegetables, milk, meat, eggs, etc. is highly sensitive to income and even a slight decline may have a significant impact on the demand for these commodities. It is clear from the estimates of expenditure elasticity of major food groups by Mittal (2008), who has shown that the expenditure elasticities for cereals, fruits and vegetables, milk and meat, fish and eggs were 0.17, 0.72 and 1.19 and 1.30, respectively. The price trends in agricultural commodities indicate that economic recession is not likely to have a significant impact on agricultural prices. Though negative growth in inflation (based on wholesale price index) has been recorded for the first time in the past 35 years, the foodgrain prices have gone up significantly during the past two years. The price of rice has increased by 54 per cent between January 2008 and April 2010. The price of wheat has exhibited an upward trend and has grown by 14 per cent during this period. However, this should be interpreted with caution as the government has considerable intervention in agricultural output and input markets. The Government of India has recently increased minimum support prices of major agricultural commodities substantially which would help in reducing the farmers' cost of production through pumping in a substantial amount as fertiliser subsidy. Even the milk prices are administered to a large extent by the National Dairy Development Board (NDDB). NDDB being the biggest player in milk market, helps to check the surge in milk prices and ensures a relatively stable milk market in India. These interventions imply that the Government of India absorbs the impact on price (if any) and both producers and consumers are protected by checking the price transmission to them in the short-run. The recent trends in the wholesale prices of selected agricultural commodities as presented in Table 4, does not support such an argument.

TABLE 4. RECENT TRENDS IN WHOLESALE PRICE OF SELECTED AGRICULTURAL COMMODITIES

(Rs./qtl)

Year (1)	Month (2)	Rice (3)	Wheat (4)	Arhar (5)	Other pulses (6)	Edible oil (7)	Sugar (8)	All flowers (9)
2008	January	1473	1120	2517	2120	5867	1488	
	February	1499	1138	2721	2286	5077	1508	
	March	1568	1150	2878	2379	5982	1550	
	April	1602	1109	2841	2228	5364	1555	1500
	May	1849	1113	2809	2711	5009	1597	
	June	1833	1148	2930	2511	5421	1600	
	July	1795	1134	3173	2553	6253	1656	
	August	1874	1168	2898	2680	5773	1860	2865
	September	1818	1195	3149	2344	5646	1890	2521
	October	1940	1247	3128	2653	5706	1888	4833
	November	1933	1179	3157	2244	6710	1884	
	December	1803	1154	3113	2626	6800	1861	
2009	January	2009	1206	3262	2729	6724	1886	
	February	1852	1194	3451	2797	6252	2156	
	March	1861	1149	3604	2559	6325	2147	2184
	April	1880	1146	3848	2531	4965	2338	2547
	May	2047	1148	4061	2953	5267	2408	2925
	June	2098	1151	4228	3019	5311	2461	1781
	July	2198	1191	5336	3417	5240	2501	2020
	August	2126	1226	5037	2999	5222	2827	2713
	September	2130	1230	5567	3031	5213	3050	3060
	October	2119	1257	5709	4374	5204	3026	1345
	November	2048	1330	5839	4705	5183	3445	2017
	December	2243	1422	5573	3904	5230	3388	3279
2010	January	2360	1415	5266	4245	5322	3882	1256
	February	2276	1408	4634	3184	5316	3758	1465
	March	2238	1326	4353	3050	5254	3273	1928
	April	2267	1275	4731	2981		3189	3422
Change in price (per cent)		53.90	13.84	87.96	40.61	-10.45	114.31	

Source: Directorate of Statistics, Ministry of Industry, Government of India.

The rise in foodgrain prices cannot be blamed on higher procurement prices alone, since the prices of pulses, which are not covered by public procurement, have registered a whopping increase in prices. The price of pigeonpea witnessed 88 per cent increase in its price between January 2008 and April 2010, while the price of other pulses increased by 41 per cent in this period. The only food category for which prices have fallen is edible oils (-10.4 per cent), which reflects the decline in oilseed prices as world prices have crashed. The increase in the prices of food commodities does affect the household budgets, especially among the poor for whom food still accounts for more than half of the total household expenditure. Wheat and rice still remain the dominant source of calories in the diets of most Indian consumers, and together these account for 22 per cent of the household expenditure in rural areas and 13 per cent in the urban areas – more than on any other item. All urban households, landless households, small and marginal farmers in rural areas, are net buyers of cereals (Mahajan, 2009). Thus, an increase in the price of these staple food items amounts to a reduction in real income.

Monthly trends in the wholesale price index of primary articles vis-à-vis manufactured products and all commodities during the past two years did not indicate a decline in the prices of primary articles. Therefore it is anticipated that the reduced demand for consumables as a result of recession would not result in the reduction of prices of agricultural commodities in comparison to manufactured and other industrial and fuel products.

Institutional Credit to Agricultural Sector

India's financial integration with the outside world is deep. As a result, the Indian financial market-equity market, money market, forex market and credit market has come under the pressure of liquidity squeeze, with its global financial sources drying up. The problem has got further accentuated with the reversal of capital flows away from the domestic market. The intervention of Reserve Bank of India in the forex market to manage volatility in the rupee has further added to tightening of liquidity (Subbarao, 2009). However, the extent of permeability of these factors having an adverse impact on the flow of institutional credit to the agricultural sector is to be looked at closely.

The Government of India has taken special care in ensuring adequate availability of credit to the agricultural sector in recent years. A number of policy measures like farm credit package and Special Agricultural Credit Plans (SACP), have been initiated to improve credit flow to this key sector. The overall farm credit has increased from Rs. 69,560 crore in 2002-03 to Rs. 2,92,437 crore in 2008-09 (Table 5). The total credit flow to agriculture during 2009-10 was expected to be order of Rs.3,25,000 crore, of which 51 per cent (Rs. 165439 crore) of which has already been distributed till October 31, 2009. The target for the year 2010 is still higher at Rs.3,75,000 crore. Because of this mandated priority sector lending, it is likely that the farm sector may remain insulated from the unleashing credit crunch at least in the short-term. Moreover, the Reserve Bank of India's policy packages starting mid-September, 2008 to keep credit delivery to important sectors on track, would also work in favour of the agricultural sector.

TABLE 5. DISTRIBUTION OF INSTITUTIONAL CREDIT TO AGRICULTURAL AND ALLIED ACTIVITIES

(Rs. crore)

Institutional credit from (1)	2002-03 (2)	2003-04 (3)	2004-05 (4)	2005-06 (5)	2006-07 (6)	2007-08 (7)	2008-09 (8)	2009-10* (9)
Cooperative banks	23716	26959	31424	39786	42480	48258	36762	32925
RRBs	6070	7581	12404	15223	20435	25312	26724	20065
Commercial banks	39774	52441	81481	125477	166485	181087	228951	112449
Total	69560	86981	125309	180486	229400	254657	292437	165439

Source: *Economic Survey 2008-09*, * Upto 31st October 2010.

A perusal of the outstanding sectoral credit to the agricultural and allied sector shows that the growth in credit over the period December 2007 to November, 2009 has been more or less stable. However, during the same period, there was a downward pressure in credit growth to the food processing sector, which may indirectly affect the agricultural sector.

III

POLICY RESPONSE

The Government of India has been highly proactive in managing the ongoing economic crisis with a slew of monetary and fiscal measures to stabilise the financial sector, ensure adequate liquidity, and stimulate domestic demand. The negative impact has been, to an extent, mitigated by the quick policy response by both Reserve Bank of India and Government of India. The RBI has infused about US $80 billion, as additional liquidity by cutting the cash reserve ratio (CRR), lowering the statutory lending rate (SLR) and unwinding the market stabilisation scheme (MSS). The RBI has also signalled its expansionary preference by cutting its repo rate (at which it lends funds to commercial banks), from 9 to 5 per cent in less than six months (Kumar, 2009) and the reverse-repo rate has also been brought down to 3.5 per cent to discourage banks from parking overnight funds with the RBI. The monetary policy measures have succeeded in stabilising interest rates and making domestic liquidity available. The exchange rate has also been stabilised and capital outflows have been contained, with foreign exchange reserve being maintained at around $250 billion level. Thus, the pressure on the financial sector has been eased. Three fiscal stimuli have been announced between November 2008 and February 2009. This amounts to about 1.3 per cent of the Indian GDP. Besides, the fiscal outlay of measures were also announced in the interim budget for 2008-09 in February 2008 and regular budget

2009-10 in July. These included some measures that implied a hefty transfer of purchasing power to the farmers and to the rural sector in general. These included, farm loan waivers, funds allocated to the National Prime Minister's Rural Road Programme, National Rural Employment Guarantee Scheme and a large increase in subsidies on account of fertilisers and electricity supplied to the farmers. Besides, the National Food Security Mission and Rashtriya Krishi Vikas Yojana have also been launched to accelerate agricultural growth. All these measures have helped to shore up rural demand for both consumer durables and non-durables.

IV

FUTURE CHALLENGES AND THE WAY FORWARD

Uncertainty is likely to prevail on the impact of economic recession on Indian agriculture and the debate may continue. However, the available data so far shows that agricultural exports, the easiest indicator to measure the impact of any slowdown, have been affected adversely. The major export destinations of India's agricultural products like U.S.A., U.K., Japan, U.A.E., Saudi Arabia and other European and Asian countries are under the wrath of recession, which has led to the observed slowdown in agricultural exports. Recent estimates and projections for AgGDP for the ongoing fiscal and the next fiscal year are non-conclusive, though they indicate a somewhat adverse scenario. The slowdown in FDI is clearly evident, though it may not have a significant direct impact on agriculture as the share of FDI in agricultural investment is negligible. The flow of institutional credit is more or less stable. Recession does not appear to have any effect on the prices of primary articles, possibly due to the government intervention in stabilising them. However, contraction of demand may lead to lower consumption of high-value agricultural commodities. Recession may also slow down both private and public investments, which in turn will take some years to show its impact on the performance of agricultural sector in India. Further, it depends a lot on the time horizon required for arresting the economic recession and bringing the economy again on a path of higher growth. If the economy revives early, the impact of economic crisis would be tapered off and the reverse may happen if recession persists for a longer period. Although, India has been proactive in ameliorating the negative impacts of economic crisis, there is no room for complacency. The spillover negative impacts can be very large and the present scenario calls for a judicious decision for maintaining sustainable growth of the Indian agriculture sector. On the eve of India's plan to further open up its agricultural economy, it is perhaps advisable to devise a long-term strategy to harness the opportunities in agricultural trade which might have been created by the countries like U.S.A. facing severe economic recession. Therefore, implementation of the agricultural development agenda requires a renewed commitment and a new vision to implement policies that simultaneously aim at increasing agricultural productivity, creating fair market regime, conserving natural resources, investing in creating better agricultural infrastructure and stimulating agricultural R&D. The policy options and measures must include ways to improve access to the markets of developed countries accompanied by development, acquisition, transfer and diffusion of new technologies in order to increase productivity and competitiveness. A careful look at the expenditure priorities in agriculture is required. It is commendable that investment in agriculture and social security has increased by 27 per cent in India in 2008. The spending on agricultural R&D, rural infrastructure, rural institutions and information monitoring and sharing are among the most effective investments for promoting agricultural growth and reducing poverty. There is wide scope for increasing competitiveness of Indian agriculture. The policies to improve availability of infrastructure, reducing transaction cost of private investment through better governance, and reducing the restrictions on trade and investment will go a long way in making Indian agriculture vibrant and more competitive in the future.

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