Introduction
CHAPTER I
INTRODUCTION

Agricultural development is a many faceted process. Its goal is concerned with the raising of the levels of economic activity and ensuring higher standards of living. Raising the levels of economic activity would imply the expansion of production. As development takes place the roles and priorities of different aspects of the economy undergo changes. The strategy of development would require a careful assessment of existing resources and technologies that can be harnessed for developing productive potentialities. The extent to which agriculture can contribute to income growth and investible surpluses could determine the general levels of economic development.

Tamil Nadu is predominantly an agricultural economy. According to 1981 census, 67 percent of its people live in villages and 65 percent of the rural population depend on agriculture and allied activities for their subsistence. In such an economy, agricultural development becomes essential. The state may promote agricultural development by facilitating and specifying a process of enhancing the productive
capacity of the agricultural sector so that it may produce more goods and services and also income for the farming population.

The early economic writers recognised the importance of agriculture in economic development. According to Adam Smith the production of an agricultural surplus to support non-farm production was very essential for economic development. More recently the allocation of labour from rural areas towards modern industry is emphasized.

Lewis in his model 'Economic Development with Unlimited Supplies of Labour', observes that development takes place as a result of reallocation of agricultural workers (whose contribution to output in the agricultural sector is zero or negligible) to industry where they become productive members of the labour force at a wage rate equal to the institutional wage rate in agriculture.

Gustav Ranis and John Fei constructed a theory of economic development by first analysing the role of the 'neglected' agricultural sector in a static sense and then generalising the 'static' analysis by introducing the possibility of an increase in agricultural productivity.

Cochrane in his book 'The World Food Problem: A Guardedly optimistic view', observed that the necessary
finance needed to employ surplus labour released from agriculture can be obtained in any one or in a combination of three basic ways: i) by squeezing more agricultural surplus. ii) by slowing down the rate of investment in the non-farm sector and in basic infrastructure and iii) by obtaining foreign loans and grants. He further states that in the early stages the growth rate of agricultural production can be raised by raising the market prices and by a strategy emphasising the use of modern technology and supporting infrastructural facilities and services. Such steps were indeed taken in Tamil Nadu.  

Johnston observed "An increase in agricultural productivity has played a crucial role in the industrial development of modern nations and is of particular importance in Asiatic countries of today".  

Agriculture in developing economies is generally characterised by built-in inelasticity which is displayed in its delayed, lagged and sometimes even negative response to development demands. The obstacles to the development of agriculture may be considered as structural, technical and behavioural. The structural disabilities comprise of the natural and random influences of weather, the general
prevalance of tenancy farming, the defective credit structure, the lack of storage amenities, the exploitation by speculative middlemen and the absence of proper marketing facilities. Technical rigidities such as the uneconomic size of the operational holding, the feature of factorial disequilibrium on the farm, the low levels of capital input, the limited application of inorganic manure and chemical fertilisers, and the use of archaic methods of cultivation also accentuate the problem of inelastic agricultural supplies. The structural and technical defects could be noticed in Tamil Nadu agriculture when the state was formed in 1956. Underlying these structural and technical and behavioural characteristics there was a tradition-bound and status-oriented rural population. The adherance to known, traditional methods of cultivation, production for self-consumption or subsistence, make agricultural production inelastic. This could produce imbalances between agriculture and rest of the economy in the context of a growing economy.

Against this background, the present study examines agricultural development in Tamil Nadu. The study analyses problems related to various regions and crop patterns, agricultural income growth, land reforms, production of foodgrains and non-foodgrains, marketing, prices and credit supply.
Many studies have been undertaken from time to time on different aspects of the agricultural economy of the state. The Agro Economic Research Centre carried out a number of studies under the sponsorship of Ministry of Agriculture (Government of India). The data collected by the centre constituted a basis for the appraisal of agricultural performance by the Government of India. The reports of Department of Agriculture (Government of Tamil Nadu) were also helpful in piecing together some of the facets of the agricultural economy of the state. The Madras Institute of Development studies, which was established in 1971, has also been focussing on agricultural problems from time to time and its recent publication 'Tamil Nadu Economy: Performance and Issues' (1988) included agriculture in an important way.

Studies in Farm Management concerned with Thanjavur and other districts appeared in the late sixties. Sonachalam's work on 'Land Reforms in Tamil Nadu' (1973) furnished a detailed account of the emergence of small holder farming in the state.

Kurien and Josef James (1970) dealt with the exodus of rural population to urban areas and the various ways in which its impact on the Tamil Nadu economy was produced. Kurien's 'Dynamics of Rural Transformation' (1987) also discussed the
agrarian problems in Tamil Nadu giving special importance to the problems of poverty. A number of other studies of agricultural economy have also been made. Many of these studies have been concerned with selected villages. In some cases, the scope of the studies extended over a few villages sometimes, a district or two. Thus there have been studies on Thanjavur, Coimbatore, Chingleput or South Arcot districts. In many instances the analysis covered only a short time span.

The present study has several aspects. This study covers the whole state and includes all the crops grown within the state. It has been taken as appropriate to analyse problems not only by taking short periods into consideration but also the long term. The small farmers economy which has emerged in the state has been given consideration. Such an economy could cause a high cost economy indeed.

The main objectives kept in view may be described as follows.

i) To assess the changes in the patterns of land utilisation in Tamil Nadu.

ii) To assess the cropping pattern in Tamil Nadu and the role played by food crops and non-food crops.

iii) To analyse the nature of the land reforms introduced in the state and their consequences for the farm economy.
iv) To study the nature of the market economy that emerged in the agricultural sector and the impact of the market economy on agricultural development.

v) To assess the nature of money and capital markets in relation to the agricultural sector.

vi) To analyse the change in the income generated from agricultural sector and their implications, and

vii) To study the impact of agriculture on income levels in the state.

In the course of study, the following propositions were examined.

i) The increasing pressure of rural population on land has reduced the availability of land and led to small scale farming

ii) Land reform measures have resulted in the emergence of a small holder farming system.

iii) Consequent to the new technology in agriculture, agricultural production tended to fluctuate in wider margins. Whereas the production possibilities have increased, the actual achievements have been varying from time to time owing to the operation of seasonal factors as well as the factors concerned with output markets.
iv) Rigidities in the agrarian structure of Tamil Nadu set in because of small holder agriculture which tends to be supported by credit and input subsidies.

v) The area cropped under different crops like paddy, Cholam, Cumbu, Groundnut has become inelastic to price changes even as extensive cultivation has become difficult in the state.

vi) Institutional finance to agriculture has moved in step with agricultural production.

vii) Among the factors affecting per capita income movements in Tamil Nadu, agriculture might be weak because of its instability.

Source of Data and Methodology

The data for the study were collected from the Season and Crop Reports, Tamil Nadu: An Economic Appraisal, and Agro STAT, Tamil Nadu, all published by the Government of Tamil Nadu. The reports of the Central Statistical Organisation, the National Sample Survey, the Reserve Bank of India and the Directorate of Economics and Statistics were also used. The annual reports of the Ministry of Agriculture and various issues of the monthly journal of Agricultural Situation in India were used in the course of the study.
To study growth rates the annual growth rates of the form \( \frac{P_t - P_o}{P_o} \) the compound growth rates based on \( P_t = P_o (1+r)^t \) and the continuous growth rate derived from the exponential function \( Y = Ae^{rt} \) have been used. A distributed lag model was used in order to study the supply response of the selected crops. The step-wise regression method was used to identify the most important of the factors affecting SDP from agriculture, percapita income and bank credit. To study the instability revealed by area cropped, production and productivity of major crops the coefficients of variation have been used. To estimate the inequalities of land ownership and the cultivated holdings, gini ratios were computed. The dummy variable model was used to study the impact of rainfall on the area, production and productivity of paddy and millets.

**Plan of Work**

Chapter I of the present study outlines the scope of the study. Chapter III gives an account of the physical features of the different regions in the state and describes their importance in agriculture. Chapter II discusses land utilisation and the crop pattern followed in the state. Chapter IV discusses the characteristics of rural population in Tamil Nadu. Chapter V describes the changes in tenurial pattern prevailing
in Tamil Nadu since 1956 and attempts to evaluate the emergence of small holder cultivation. The area, production and productivity with respect to food crops are dealt with in Chapter VI. In chapter VII the five year plan and development programmes of the government are dealt with emphasising the new technology employed in agriculture. In Chapter IX an attempt was made to analyse regulated markets and the cooperative marketing societies. The impact of agricultural prices on cropped area was also analysed in this chapter. An attempt has been made in this study to critically analyse the performance of cooperative banks, commercial banks and regional rural banks in promoting agricultural development in the State in Chapter X. To analyse the impact of agricultural development the data on state domestic product and per capita income were studied in Chapter XI. A summary of the various aspects of the present study is then presented in Chapter XII.
REFERENCES


