Role of agriculture - Economic Slump

What is the issue?

- The National Statistical Office's first advance estimates released recently show a 7.2% fall in gross value added (GVA) for 2020-21.
- While this would be the sharpest fall ever recorded in India, a more significant aspect is to do with the driving factor (economic sector).

What do earlier economic slumps show?

- There have been four earlier occasions when the country's GVA has suffered contraction.
    - GVA is GDP net of all taxes and subsidies on products. It is thus a more accurate measure of economic activity.
- The extent of negative growth in those four years was lower than the 7.2% being projected for the current fiscal.
    - 1979-80 (minus 5.2%), 1972-73 (minus 0.3%), 1965-66 (minus 3.7%) and 1957-58 (minus 1.2%)
- In each of those four previous years, the primary cause was agriculture.
- All four were drought years and the farm sector (agriculture, forestry and fishing) registered minus growth.
    - minus 12.8% in 1979-80, minus 5% in 1972-73, minus 11% in 1965-66 and minus 4.5% in 1957-58

What is different this time?

- The low growth in agriculture in the previous years, in turn affected the rest of the economy.
- However, this is not the case in 2020-21.
- So, beyond the bigger decline in GVA/GDP this time, it is the sector that is behind the decline that is more significant.
- While overall GVA is expected to shrink 7.2%, agriculture and allied activities are set to post 3.4% growth.
- During the worst phase of Covid-19 and the nationwide lockdown, it is the farm sector that kept the rest of the economy going.
- If the farm sector had not grown at all, the GVA decline would have worked out to 7.7%, not 7.2%.
- Incidentally, in 2019-20 as well, agricultural growth at 4% surpassed the

3.9% for the economy as a whole.

- Reasons:
  - Agriculture's relatively better performance in the last 2 years is largely a result of consecutive years of good monsoon (and also post-monsoon) rains.
  - Recharged groundwater tables and reservoirs getting filled to near capacity led to increase in crop acreages and higher production.
  - Besides these, farming operations being exempted from lockdown restrictions also helped.

Why has this not prevented the economic slump?

- The farm sector doing well has not however prevented the current worst economic slump.
- This is because in 1979-80, agriculture's share in India's GDP at constant prices was 33.9%; in 1957-58, it was 48.2%.
- In effect, a drought year in those times invariably translated into low/negative growth rates and vice versa.
- However, the condition is different today. The share of agriculture in real GVA was only 14.6% in 2019-20.
- This is estimated to go up to 16.3% this fiscal, but not enough to make a big difference in the economy even in a bountiful monsoon year.

Source: The Indian Express

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