

EXECUTIVE SUMMARY

A. THE ISSUE

- The CSO makes efforts to use current data available from official and non-official sources for improving the quality and coverage of macro-economic aggregate.
- In case of agriculture sector following two issues were examined for improving quality and coverage of the sector
 - Coverage (production) of horticultural crops – use of data made available by NHB and State Governments
 - Producer prices for wheat and rice – when minimum support prices are higher as compared to average producer prices provided by the State Government.
- The results of the exercise conducted in NAD were presented before the Advisory Committee on National Accounts for their suggestion.
- The Committee, after extensively deliberating on the agenda, recommended constitution of a Sub-committee with the following terms of reference:
 1. To suggest suitable sources of the data for area, production and prices for estimating the value of output of horticultural crops,
 2. To suggest price data to be used when prices reported by States were below the MSP.

B. THE APPROACH

- There is no such thing as a level of output, prices or inter-industry flows independent of the statistical operations involved in its measurement. These are statistical constructs that are operationally meaningful through the levels of aggregation, valuation, basic units of count and the weighting schemes used which are, however, determined by some theoretical background and with some analytical aim in mind. (Richter, J – Use and misuse of national accounts from a modeling perspective, The review of income and wealth, Series No. 40, No. 1, March 1994)
- Thus the basic approach is to examine the coverage and concept of the data and to decide which one to use.

C. RECOMMENDATIONS

A summary of recommendations made by the Sub-committee are given below:

Section I. AN OVERVIEW OF AGRICULTURAL STATISTICAL SYSTEM

- A statement showing horticultural crops included in land use statistics is shown in Annexure II.1. The Sub-committee noted that statistics collected in each states/UTs are not being tabulated in many States. The Sub-committee recommends that this data may be compiled for improving the quality and

coverage of horticultural statistics and creating a consistent series at national and state level.

- At present, only three horticultural crops i.e., onion, potato and tapioca are covered under General Crop Estimation Survey (GCES) this scheme. The Sub-Committee recommends that a few more important crops may be included in the scheme.
- The Sub-committee noted that the Ministry of Agriculture is using the data being provided by National Horticulture Board for all policy and reporting purposes. The Ministry does not use the data collected under CES – F&V as the scheme was started as a pilot scheme and has not been reviewed since then. The Sub-committee recommends that a comprehensive review of the methodology used and results obtained may be made in selected states to decide future of the work.

Section II. MSP & PRICES TO BE USED IN COMPILING NATIONAL ACCOUNTS RECOMMENDED BY SNA

The Advisory Committee on National Accounts has requested the Sub-committee to examine the minimum support prices (MSP) and price data (average producer prices) furnished by the States for rice and wheat and suggest appropriate prices for wheat and rice in cases where MSP are lower than average producer prices supplied by respective State Governments. In this regard the Sub-committee has noted that:

- (a) In recent years a large amount of data on prices are being released by Government. One of the most important sources is AGMARKNET (<http://agmarknet.nic.in>) where daily price data are available for 253 agricultural commodities (of which more than 150 commodities relate to horticulture). However, these price data are collected from different types of wholesale markets for different varieties. The sub-Committee recommends that this price data may be suitably aggregated to present meso and micro picture.
- (b) The most suitable prices for compiling output of agriculture are the average producer prices which can be best estimated as the farm gate prices in India.
- (c) There were substantial increases in the MSPs of rice and wheat after the mid-nineties. MSP of wheat was increased by a whopping Rs 95 (including bonus) per quintal in 1996- 97 and MSP of paddy was increased by Rs 35 per quintal in 1997-98. Increase of MSP of food grains by large magnitudes continued till 2000-01 (Table 3.1).
- (d) The increase in the MSP of food grains during 2002-03, 2003- 04 and 2004-05 was rather moderate (Table 3.1). Keeping in view the hardships suffered by farmers in the drought year of 2002-03, a one-time special drought relief of Rs.20 per quintal was announced in the case of paddy. A one-time special drought relief of Rs.10 per quintal was also announced for wheat in 2002-03. The MSP for paddy and wheat for 2003-04 crop year was fixed by absorbing the special drought relief for rice and wheat in their respective MSPs. A marginal increase of Rs 10 per quintal in the MSPs of wheat and rice has been announced for the crop year 2004-05.
- (e) A comparison of prices (in Rs. Per Kg) derived from Consumer Price Index Numbers (Agricultural labourers and Rural labourers), used by NAD, prices provided by State Governments and MSP are given in Table III.2.

In general consumer prices are much higher than the producer prices which is generally true barring a few cases.

The sub-Committee recommends that :

- The AGMARKNET price data may be suitably aggregated to present meso and micro picture.
- The most suitable prices for compiling output of agriculture are the average producer prices which can be best estimated as the farm gate prices in India.
- As MSPs are fixed for 'fair average quality' grains and there were abrupt increases in MSPs for some time, NAD may accept prices provided by the State Government to value output of Wheat and Rice.
- NAD may also request Indian Association for Research in National Income and Wealth (IARNIW) to encourage research workers to examine the disaggregated price data and present the results in one of the Conference.

Section III. DEVELOPMENT OF HORTICULTURAL STATISTICS

- The Sub-committee recommends that scope and coverage of horticultural crops may be increased to cover various crops covered under the land use statistics. Periodic crop estimation surveys may be conducted to get bench mark estimates of production.
- A statistical cell may be created in the Horticulture Division of the Ministry of Agriculture for regular monitoring of data and the compilation methodology.

Section IV. ESTIMATES OF AREA AND PRODUCTION OF HORTICULTURAL CROPS IN INDIA

A comparison of data on area and production as well as derived productivity for four years starting 1999 – 2000 has been attempted to understand nature and magnitude of the issue. These sets of data are given in Tables V.1, V.2 and V.3 respectively. The examination of the data indicates that the estimates of area and production generated by both the sources differ widely. It reflects that there is no coordination between both the agencies, though, they belong to the Ministry of Agriculture.

Some of the specific observations regarding problems in the data are given below:

1. Coverage – In general NHB series is more comprehensive in comparison with corresponding series provided by the CES-FV. The NHB series, in addition to the states covered for each crops, also provides estimated value for those states which are not exclusively included in the series.
2. Inter-temporal and inter-agency consistency - In few cases area and production show violent year to year fluctuations.
3. Inconsistency between states and derived statistics like productivity – There are significant differences in derived statistics like productivity. These inconsistencies relate to estimates prepared by using the data of the two agencies as well as temporal discrepancies shown by the data of the same agency.

A closer look at the data indicates that a series based on NHB data (NHB data duly corrected for inconsistencies and imputing important gaps) could be used for compiling national accounts aggregates.

The Sub-Committee recommends that:

- The proposed design being prepared by IASRI should be user friendly and may include a section on concepts and definitions for use of field workers and for producing uniform data among states.
- To the extent possible, finer concepts like bearing and non-bearing trees may not be included for reducing investigator bias.
- The suggested methodology may also include method for accounting area and production of scattered crops. Similarly, issues like land under orchards leased (or used) for growing temporary crops may also be included.
- For the present purpose, the Sub-committee recommends that a closer examination of the existing data may be made by a central team of experts consisting of members from NAD, NHB, Horticulture Division and the DESAg to work out a consistent series of area, production and productivity of horticultural crops for use of Central Ministries. The team may use all the information being provided by different sources and may consult State Governments to accomplish the task.

In case of prices of horticultural production, recognizing the fact that (a) NHB prices relate to wholesale prices, (b) in general, fruits and vegetables have a much higher wastage rates, and (c) the trade and transport margins can be substantial, the Sub-committee recommends that the State Government prices may be used for compiling the national accounts aggregates. In the long-term more systematic efforts may be made for collection of price statistics.

General observation

Despite the progress made in this sector, authentic basic data on horticultural crops is yet to be developed. At present, the data are available from a variety of sources which differ from each other. Responsible agencies are producing these data sets without giving adequate attention on concepts and coverage leaving users in dilemma. Realizing this lapse, efforts have been initiated by NHB to collect and compile data on horticultural crops. Efforts at systematic documentation of data starting from the basic picture of area and production have yet to start.

The National Statistical Commission (NSC) constituted by the Government of India has made recommendations for improving the quality and coverage of the data. Selected recommendations pertaining to horticultural crops are given in Annexure VI.1. The recommendations made by the Sub-committee may also be considered while implementing recommendations made by NSC.