

- Input subsidies have led to the wasteful use of canal water, ecological degradation from water logging etc over-drawl of ground water resulting in the shortage of drinking water in several parts of the country.
- The benefits flowing to the farmers and consumers of food is illusory, as it is leading to the degradation of soil on account of excessive chemicalization.
- In the initial stages of the adoption of new technology in agriculture, some of these subsidies may be justified but over a period of time, it was found that the richer states and well-irrigated areas, certain crops, rich farmers captured a disproportionately high share of the major input subsidy programme. Some estimates show that cultivators receive only 50 percent of the budgeted fertilizer subsidy.
- While withdrawing subsidies, care should be taken to remove inefficiencies in production and distribution of inputs and services. The distribution system is characterized by inefficient transmission and widespread pilferage. Irrigation system is characterized by inflated costs on account of bad design, inefficiencies in services and management and leakages in construction. Due to these inefficiencies the actual subsidy going to farmers using these inputs is far less than what is projected. A case for reducing subsidies will be strengthened if the input use efficiency improves.
- The public investment in real terms in the agriculture sector has actually declined in the last two decades. The inadequacy of investments has slowed the pace of technological change in agriculture with adverse effects on productivity. Input subsidies (on power, fertilizers and irrigation) have been rising while public investment has been declining. There is a view that subsidy reduction should not be linked to resource mobilization. It should be linked more with sustainability of natural resources and cropping patterns. Although the states have major responsibility in raising agricultural investments, particularly in irrigation, centre also has to help the states in augmenting the resources.

**3. Rural Infrastructure and Bharat Nirman :** Investment in rural infrastructure is more important for agricultural growth, as it helps to ensure timely and adequate delivery of inputs to the farmers and on the output front integrating local markets with national and international markets. The announcement of Bharat Nirman programme in 2005 by the GOI in order to improve agriculture and rural infrastructure is in the right direction.

**4. Irrigation and Water Management :** Development of irrigation and water management are crucial for raising levels of living in rural areas. Around 40 percent of country's cultivated area is irrigated. Nearly 37 percent of the available irrigation potential from major and medium irrigation projects in the country still remains to be exploited. The Bharat Nirman Programme indicates creation of 10 million hectares additional assured irrigation during the four year period (2005-09). Rain fed areas constitute about 60 percent of the 142 million hectares net sown area in the country. Rain-fed agriculture is characterized by low levels of productivity and low input usage. The bulk of rural poor lives in the rain-fed regions. Therefore, it is important to accord high priority to sustainable development of these areas through watershed development approach. Infact watershed development has been given high priority, but it does not appear to be making much head way except in isolated cases, primarily under the initiatives and close supervision of a few NGOs. Watershed development can sustained in the long-run only through social mobilization and capacity building. Land use should be