



IMPORTANCE OF AGRICULTURE IN INDIAN ECONOMY

In the previous lesson we have learnt how agriculture was developed in India from ancient times. In this lesson you will learn about the importance of agriculture in the economic development of a developing country like India. Many rural households depend on agriculture and agriculture related activities for their income and livelihood. With the concerted efforts of millions of farmers, agricultural scientists, central and state government, the country has been transformed from the food deficit nation at independence to a food surplus and food exporter nation now. Therefore, the growth in agriculture is essential to this country's overall development.



LEARNING OUTCOMES

After studying this lesson, the learner:

- identifies different sectors of Indian economy;
- explains how agriculture acts as source of food, feed and fibre;
- analyzes role of agriculture in supplying raw material to industries; and
- examines how agriculture contributes to employment generation and international trade of our country.

2.1 SECTORS OF ECONOMY

The economy can be broadly divided into various sectors based on the nature of economic activities and the types of goods and services produced. The main sectors of the economy include:

Scope and Importance
of Agriculture

Notes

A. Primary Sector

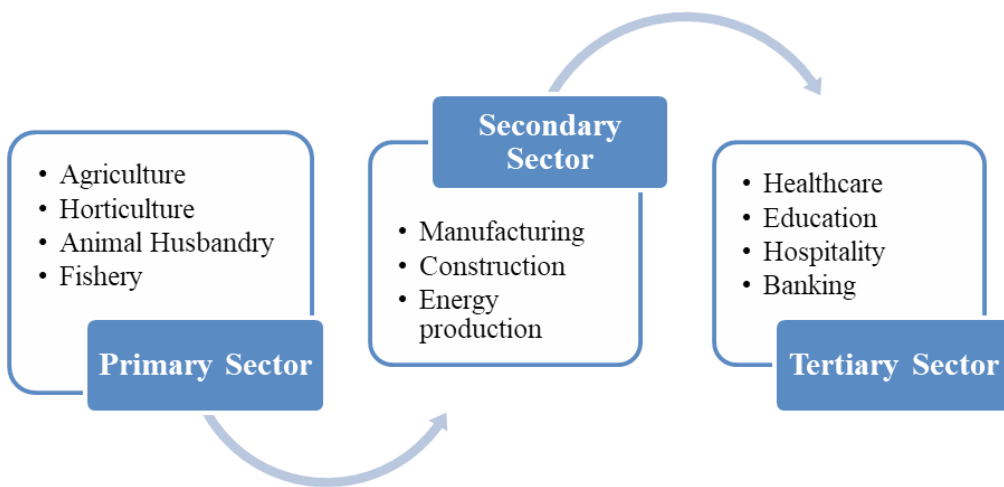
The activities which involve extraction and production of raw materials using natural resources are categorized under primary sector. It includes agriculture, forestry, fishery, mining and quarrying.

B. Secondary Sector

The secondary sector covers the activities like changing the natural products into other forms through ways of manufacturing, processing, etc. Here the product is not produced by nature, but rather are made through the process of manufacturing. This could be in a factory, a workshop or at home. Manufacturing of steel, weaving of cloth, using cotton fibre from the plant are examples of this activity.

C. Tertiary Sector/Service Sector

Tertiary activities provide support to the primary and secondary sectors through services. Activities under this sector do not produce goods themselves, however they provide an aid or a support for the production process. Transport, storage, trade, packaging, insurance, advertising, communication, banking are some examples of tertiary activities.

**Importance of Primary Sector in Indian Economy**

Primary sector helps in the development of nation in many ways like providing source of food, feed, fodder and fibre, income and livelihood support, employment generation, supplying raw material to industries, national income, international trade, etc.



2.2 INDIAN AGRICULTURE AT PRESENT SCENARIO

Agriculture is the foundation of livelihood, civilization, culture and heritage of India. It includes all aspects of crop production including horticulture, livestock management, fisheries, forestry, *etc.* Agriculture is defined as 'an art', science and business of producing crops and livestock for economic purposes. India being a developing country, most of the products that we consume in our daily life comes from agricultural activities like dairy, forestry, poultry and fishery.

Agriculture is the main source of livelihood to the rural Indian population, providing food, feed, fibre and supplying raw material to the industries. Since independence, India has made good progress in agriculture. The food grain production, which was merely 51 million tons (Mt) in 1950-51 increased over 6 times to be 316 Mt in 2022. Indian agriculture has made significant progress over the years. Today, agriculture is technology and knowledge-based.

- Earlier, farmers were using traditional farming practices for land preparation and weeding with the help of bullocks using *deshi* plough, irrigation by canal or surface water using labour, harvesting and threshing were done with the help of manual labour.
- Today farmers are using modern technologies at different stages of cropping from field preparation using tractor driven cultivator to harvesting of crops with the help of combine harvester, threshing with the help of thresher, efficient irrigation through micro-irrigation & sprinkler.

India has also become the largest producer of milk, pulses and jute and the second largest producer of rice, wheat, cotton, fruits and vegetables in the world. India is also one of the leading producers of spices, fish, poultry, livestock and plantation crops. Multiple other types of crops are also cultivated in our country. Latest modern technologies in agriculture include use of drone, satellite imaging and sensors, IoT-based sensor networks, weather forecasting, automated irrigation, application of data analytics and machine learning for decision making, etc.



INTEXT QUESTIONS 2.1

1. Which sector forms the base for the industrial and service sectors?

Scope and Importance
of Agriculture

Notes

2. Which of the following is the component of agriculture?
 - a. Livestock production
 - b. Fishery
 - c. Poultry
 - d. All of the above
3. List out a few examples of the secondary and tertiary sectors.

2.3 ROLE OF AGRICULTURE IN INDIAN ECONOMY

Agricultural development is an integral part of the economic development of the nation. It contributes to development of economy through following ways:

1. Source of food, feed and fibre
2. Source of income and employment for the rural household
3. Supplying raw material to industries
4. Contribution in national income
5. Supplementing in international trade

2.4 SOURCE OF FOOD, FEED AND FIBRE

Food

The food we are consuming daily is coming from agriculture and agriculture related sectors like cereals, pulses, fruits, vegetables, dairy products and various packaged products. Following are the examples of few food producing plants

- a. **Cereals:** Rice, wheat, maize, sorghum, bajra, ragi
- b. **Pulses:** Gram, greengram, blackgram, redgram
- c. **Oilseeds:** Sunflower, safflower, groundnut, sesame
- d. **Fruits:** Mango, grapes, guava, banana
- e. **Vegetables:** Potato, tomato, onion, cabbage, cauliflower, brinjal, spinach
- f. **Spices:** Turmeric, chillies, ginger, garlic, black pepper, cardamom
- g. **Medicinal & aromatic plants:** Tulsi, aloe vera, ashwagandha, fenugreek, lemon grass, mint, fennel
- h. **Plantation crops:** Tea, coffee, coconut, arecanut, rubber

**DO YOU KNOW**

Both cereals and pulses are together called food grains.

Table 2.1: Production of major food commodities in India (in million tonnes)

Commodity	Year 1950-51	Year 2021-22	Times increase
Food grains	51	317	6.2
Vegetables & fruits	25	333	13.3
Milk	17	210	12.4
Egg (billion)	1.8	122	67.8
Fish	0.8	14.2	17.8

Feed and Fodder

For rearing of cattle, farmers grow fodder crops. Fodder crops are those crops which grown primarily as feed for animals. Forage and fodder crops include berseem, sorghum, bajra, maize, napier grass, *etc.* Fodder may be of two types i.e. green and dry. Examples of green fodders are berseem, sorghum, maize, bajra *etc.* and dry fodders are wheat straw, paddy straw, sorghum and bajra straw *etc.*

Various feed cakes are used as animal feed because they contain digestible fibre, minerals, and vitamins that are suitable for improving the health of cattle. Examples of feed cakes are groundnut cake, coconut cake, sunflower seeds cake, rapeseed cake, *etc.* Groundnut cake is one of the best protein supplements for livestock feeding and is extensively used.

By produce (straw) of most of the crops is used as fodder for animals like wheat straw, sorghum straw, maize straw, rice straw, *etc.* and they are also called dry fodder. Similarly, feeds for poultry and fisheries are also made from different agricultural produce.

Fibre

Fibre crops are the crops which are grown in the field for their fibres that are used to make cloth, ropes, paper, *etc.* Fibre crops are also known as natural fibres as they are

Scope and Importance of Agriculture



Notes

Scope and Importance
of Agriculture

Notes

obtained directly or indirectly from nature or from different sources of plant and their products. Some examples of fibre crops are cotton, jute, hemp, coir, *etc.*

**INTEXT QUESTIONS 2.2**

1. Give three examples of cereal crops.
2. Write the name of three green fodder crops.
3. The crop grown for feeding of animals is called
4. Which of the following is dry fodder crop?

a. Berseem	b. Wheat straw
c. Napier grass	d. Cow pea
5. Which crop is used for making cloths?

a. Rice	b. Maize
c. Jute	d. cotton
6. Which feed cake is considered as best protein supplement for livestock?
7. Pick the odd one out

a. Wheat, maize, gram, bajra	b. Sunflower, groundnut, turmeric, sesame	c. Grape, jute, guava, mango
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2.5 SOURCE OF INCOME AND EMPLOYMENT

Besides securing food, feed and fibres, agriculture is also the main source of income and livelihood for the majority of the Indian population living in rural area. The allied activities of agriculture like livestock, forestry, fisheries, and poultry play an important role in the income of small and marginal farmers. If crop fails due to adverse climatic condition like excess rainfall, drought, insect and pest attack, these allied activities help the farmers in meeting their loss.

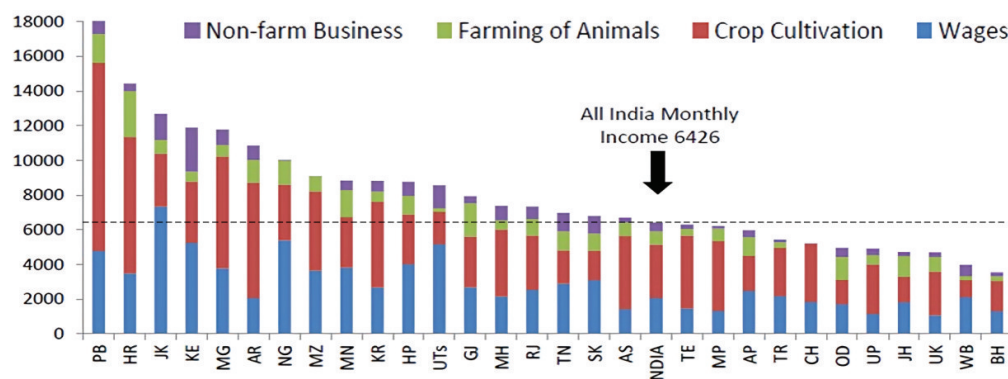
You can understand the importance of this sector on livelihood, employment generation by identifying the number of workers (farmers + labourers) engaged in agriculture. At



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the time of independence, around 72 % of the Indian population was engaged in agriculture and agriculture related activities. Even today about 55 % of the Indian population is engaged in agriculture (Economic Survey, 2022). Although people are migrating from rural area to urban areas, still this sector is the largest employer of the workforce in India.

- Rearing of cattle is considered as one of the best source to augment the household income by selling milk and milk products to the neighbours or villagers on daily basis.
- Modern agriculture is technology based. Through learning of new technologies, people can professionally engage with various sectors of agriculture for earning. There are lots of employment opportunities in various field businesses like agri-startup, warehousing, cold storage, processing industry, infrastructure development, marketing, Farmers Producer Organization (FPOs), etc.



PB – Punjab, **HR** – Haryana, **JK** – Jammu & Kashmir, **KE** – Kerala, **MG**– Meghalaya, **AR** – Arunachal Pradesh, **NG** – Nagaland, **MZ** – Mizoram, **MN** – Manipur, **KR** – Karnataka, **HP** – Himachal Pradesh, **UT** – Union territory, **GJ** – Gujarat, **MH** – Maharashtra, **RJ** – Rajasthan, **TN** – Tamil Nadu, **SK** – Sikkim, **AS** – Assam, **TE** – Telengana, **MP** – Madhya Pradesh, **AP** – Andhra Pradesh, **TR** – Tripura, **CH** – Chhattisgarh, **OD** – Odisha, **UP** – Uttar Pradesh, **JH** – Jharkhand, **UK** – Uttarakhand, **WB** – West Bengal, **BH** – Bihar

Fig. 2.1: State-wise monthly income of the farmers in different sources (Source: Report on Doubling Farmers Income (2017))

The fig 2.1 shows the average monthly income of farmers for various states of India. Here you can identify that monthly income of a farmer is not same in every state. In state like Punjab, it is very high while in Bihar, it is very low. You can observe that the all India monthly average income of farmer is Rs. 6426/-.

Scope and Importance
of Agriculture

ACTIVITY 2.1

You have seen that monthly income of farmer varies from state to state. Why does it happen? Think about it and discuss with your parents.

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Table 2.2: Total number of workers and share of cultivators and agriculture labourers in India

Year	Total Workers (Million)	Agricultural Workers (Million)			Share in total workers (%)		
		No of Cultivators	No of Agricultural Labourers	Total	% Cultivators	% Agricultural Labours	% Total agricultural workers
1951	139.5	69.9	27.3	97.2	50.11	19.57	69.68
1961	188.7	99.6	31.5	131.1	52.78	16.69	69.48
1971	180.4	78.2	47.5	125.7	43.35	26.33	69.68
1981	244.6	92.5	55.5	148.0	37.82	22.69	60.51
1991	314.1	110.7	74.6	185.3	35.24	23.75	58.99
2001	402.2	127.3	106.8	234.1	31.65	26.55	58.20
2011	481.9	118.8	144.3	263.1	24.65	29.94	54.60

Source: Report on Doubling Farmers Income (2017)

In the table 2.2, you can observe that the number of farmers (cultivators) was increasing till the year 2001, however, since then, it has declined. In case of agricultural labourers, their numbers have grown from 2001 to 2011; it increased from 106.8 million to 144.3 million. The percentage of agricultural labourers to total workers in the economy has been decreasing. This indicates that some number of the population is shifting out from agriculture to other sectors. This shifting work force may be going for job, self-employment in industries or for higher studies.



INTEXT QUESTIONS 2.3

1. Which occupation is the major source of employment for Indian population?
2. The average monthly income of the farmers in India is
3. At present how much percentage of Indian population is engaged in agriculture and agriculture related activities?



ACTIVITY 2.2

Visit your neighbourhood and identify the crops grown by them. Categorize those crops under different crop groups, like cereals, pulses, fruits, vegetables, fodder etc.

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2.6 SUPPLYING RAW MATERIAL TO INDUSTRIES

Agriculture is the base for other sectors of the economy i.e. secondary and tertiary sector. In India, agriculture is the major source of raw materials for various industries. Agriculture and industry are interrelated to each other for their development. The industries which are based on agricultural production are called Agro-based industries. Few examples of these are food industry, sugar industry, textile industry, edible oil, plantation industries (viz. tea, coffee, rubber), and cottage industries.

- Children's favourite jam, jelly, candy, murabba, sauce, ketchup, pickles, *etc.* all are processed products made by processing of various agricultural or livestock product.
- Variety of sweets and dairy products like chocolates, ice cream, paneer, *etc.* are made from milk and milk products.
- In winter season, we all require woollen cloths. The wool is harvested from sheep.
- Meat industry has been growing very fast since last two decades.

Scope and Importance
of Agriculture

Notes

- Agriculture also depends on various other industries like fertilizer, agro-chemicals, farm machineries, irrigation equipment, credit from financial institution, etc.

**ACTIVITY 2.3**

Make a list of food items at your home and categorize into fresh agricultural commodities, processed commodities, or value added commodities.

(Note: Fresh commodities are those which are in the same form as it might be harvested from the field. Processed commodities are those whose form have been changed without adding any other material. Value added commodities may be those which are manufactured by processing and mixing of more than two commodities)

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2.7 IMPORTANCE OF AGRICULTURE IN INTERNATIONAL TRADE

India is one of the largest agricultural product exporters in the world. It helps in earning foreign exchange and providing gainful employment to large population. Agricultural export constitutes 12.42 per cent of the total country's exports. During 2021-22, the country recorded US \$ 49.6 billion in total agriculture exports.

- India's agriculture sector primarily exports agricultural produce, marine products, plantation, and textile & allied products.
- Marine products, sugar, spices, meat, and raw cotton are major exported products.
- Rice (Basmati and non-Basmati) is the largest exported agricultural product from India.

The largest importers of India's agricultural products are USA, China, Bangladesh, UAE, Indonesia, Vietnam, Saudi Arabia, Iran, Nepal and Malaysia. Organisations like the Agriculture and Processed Food Products Export Development Authority (APEDA), the Marine Products Export Development Authority (MPEDA), commodity boards like the Coffee Board, Rubber Board, Spices Board, *etc.*, are actively involved to promote the export of various agricultural and allied commodities.

Table 2.3: Export of major agricultural commodity from India from 2017-18 to 2021-22

Commodities (Quantity in '000' tonnes)	Year				
	2017-18	2018-19	2019-20	2020-21	2021-22
Non-Basmati Rice	8,633	7,534	5,036	13,087	17,260
Wheat	229	183	217	2,086	7,234
Basmati Rice	4,051	4,415	4,454	4,631	3,947
Cashew	90	78	84	70	75
Fresh Vegetables	2,296	2,915	1,927	2,326	2,384
Fresh fruits	657	736	819	956	1,164
Buffalo Meat	1,348	1,233	1,152	1,085	1,176

(Source: APEDA, 2022)

Moreover, India also imports some agricultural products. Indonesia is the largest agri-exporter to India, followed by Malaysia, Argentina, Ukraine, and USA. Major imported agricultural products are

Vegetable oil > Pulse > Spice > Processed cashew



INTEXT QUESTIONS 2.4

- Give two examples of agro based industries.
- The major commodity exported from India is
 - Vegetable oil
 - Basmati rice
 - Processed cashew
 - Rubber
- India imports agricultural products majorly from Indonesia (True/False).



Notes

Scope and Importance
of Agriculture

Notes

2.8 SHARE IN NATIONAL INCOME

National income means total amount of money earned by people within a country in a year. Economic activities like crop cultivation, forestry, fisheries, agro based industries, employment, exports, imports, etc. contribute to the total national income.

At the time of independence, agriculture was the main source of national income and contributed nearly 50% to India's national income. However, with rapid growth of other sectors (secondary or tertiary), the share of agriculture in the Indian economy has decreased. Still, agriculture continues to be major the source of livelihood for the majority of Indian population. But it is also important to note that the growth of other sectors depends on the performance of agriculture sector. Because of this reason, agriculture continues to be the dominant sector in Indian economy. Therefore, this sector remains largest employer of workforce in India which accounted for about 15% to the overall Gross Domestic Product (GDP) of India during 2022-23 (Economic Survey, 2023).

Table 2.4: Share of different sectors in Indian economy (as percentage of GDP)

Sectors	1960s	1970s	1980s	1990s	2000s	2010s	2022-23
Agriculture & allied activities	43.7	40.6	34.6	28.7	22.5	15.2	15.13
Industry	15.8	16.9	19.0	20.6	20.7	20.9	30.67
Services	40.5	42.5	46.3	50.7	56.8	63.9	54.20

In table 2.4, we can see the share of different sectors of economy (e.g. agriculture, industry and services) from 1960s in terms of their contribution in gross domestic product (GDP). It is noticed that contribution of agriculture was 43.7% in 1960s which was gradually reduced to 15.2% in 2010. In the same period, the contribution of industry and service sector has increased from 15.8 to 20.9% and 40.5% to 63.9% respectively. This indicates higher growth in industry and service sector than agriculture sector at present time. You will learn the reason for this uneven growth in subsequent chapters.

**INTEXT QUESTIONS 2.5**

1. Agricultural activities that contribute to national income are,
&
2. How much is the agriculture sector currently contributing to national income?

**ACTIVITY 2.4**

Identify the different sectors of economy producing the following products. Provide tick marks (✓) against right answer.

Products	Sectors of economy		
	Primary	Secondary	Tertiary
Chips			
Wheat			
Paddy			
Ice cream			
Steel			
Bricks			
Mobile services			
Pop corn			
Chappati (bread)			
Ladies finger/Bhendi			
Pea			
Boiled rice			

*Notes*

Scope and Importance
of Agriculture

Notes

**WHAT YOU HAVE LEARNT**

- Importance of agriculture lies in providing food and employment generation for majority of Indians.
- Different types of crops include field crops, cereals, pulses, horticultural crops, plantation crops, *etc.*
- An economy of a country can be divided in primary, secondary and tertiary sectors. Agriculture is the primary sector of Indian economy. Agriculture is the base for industrial and service sector.
- Today's agriculture is technology based. Improved technologies for agriculture are superior variety of crops, harvesting with the help of harvester, threshing with the help of thresher, agricultural drone, satellite photography and sensors, IoT-based sensor networks, weather forecasting, automated irrigation, *etc.*
- Agriculture is the largest employment providing sector in India. At present about 55% of Indian population is engaged in agriculture and agriculture related activities. There are lots of employment opportunities in agriculture sector like Startup, warehousing, cold storage, processing industry, infrastructure development, marketing, Farmers Producer Organization (FPOs), *etc.*
- Agriculture and allied sector contribute about 15% to the GDP of India.
- Agriculture supplies raw materials to the most of the agro based industries.
- Agriculture plays an important role in international trade. It helps to earn huge money by exporting agricultural products in foreign countries.

**TERMINAL QUESTIONS**

1. Give definition of agriculture.
2. Which are the three sectors of Indian Economy?
3. How agriculture is the basic source for food, feed and fibre? Discuss in detail.
4. Why does agriculture continue to remain important for Indian economy? Explain.
5. Agriculture is the major source of raw materials to various industries. Why?

6. 'Agriculture plays an important role in international trade'. Justify the statement.
7. Discuss about secondary and tertiary economic activities.



ANSWERS TO INTEXT QUESTIONS

2.1

1. Agriculture
2. All of the above (option d)
3. Secondary – manufacturing and construction
Tertiary – education and banking

2.2

1. Rice, wheat and maize
2. Berseem, maize and bajra
3. Fodder crop
4. Wheat straw (option b)
5. Cotton (option d)
6. Groundnut oilcake
7. a) Gram (Explanation: Gram is a pulse crop, others are cereal crop)
b) Turmeric (Explanation: Turmeric is a spice crop, others are oilseed crop)
c) Jute (Explanation: Jute is a fibre crop, others are fruit crop)

2.3

1. Agriculture and allied activities
2. Rs. 6426/-
3. 55%



Notes

Scope and Importance
of Agriculture

Notes

2.4

1. Sugar and textile industry
2. Basmati rice (option b)
3. True

2.5

1. Crop cultivation, forestry, fisheries
2. 18.6%

GLOSSARY

Cold Storage: A cold storage is a large refrigerated room or building designed for storage of goods in an environment below the outdoor temperature.

Exports: Exports are goods and services that are produced in one country and sold to buyers in another.

GDP (Gross Domestic Product): A country's Gross Domestic Product or GDP is the total monetary or market value of all the goods and services produced within the territory of the country during a specified period of time.

GVA (Gross Value Added): Gross Value Added (GVA) is the measure of the total value of goods and services produced in an economy (area, region or country) and the amount of value added to a product. While the GDP measures the total value of products and services that the country manufactures or delivers, the GVA measures the value added to the product in order to enhance its worth.

Imports: Imports are opposite to the exports. That means purchasing the commodities from other countries.

Start-up: A start-up is any business entity that is in the initial stages of business, but may have potential to scale up.

Warehouse: A warehouse is a large building where raw materials or manufactured goods can have stored until they are exported to other countries or distributed to shops.

SUGGESTED READING

1. *Hand Book of Agriculture*, Published by Indian Council of Agricultural Research (ICAR), New Delhi.
2. Singh, A., Sandhu, A. N. and Singh, J. (2014). *Fundamentals of Agricultural Economics*, Himalaya Publishing House, New Delhi.

MODULE - 1

Scope and Importance of Agriculture



Notes

WHAT YOU HAVE LEARNT

