

Potential of Public-Private Partnerships in Agriculture for Inclusive Development: A Study of Uttar Pradesh

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The inclusive progress of economy of any state is not imaginable without adequate agricultural development. It has direct impact on industrialization and investment. The state of Uttar Pradesh is endowed with abundant natural resources in terms of fertile land, good river system, varied soil and climatic conditions, good support in terms of industries and most important, enterprising people & technical talent. This provides an immense opportunity to develop a vibrant agrarian economy.

In this backdrop, the present paper attempts to examine the potential areas for public-private partnerships in agriculture for accelerating inclusive development in Uttar Pradesh. The paper presents a critical assessment of such efforts till date and identifies constraints in public-private partnership. The Government of Uttar Pradesh has done many things to improve the agriculture sector but there is no plan of action to attract the private sector investment in this sector. This will lead to no where and hence, the agenda of inclusive development should be the top most priority of Uttar Pradesh. The question before all of us is "How do we go about?"

Keywords: Agriculture; Inclusive growth; Potential; Public-Private Partnership; PPP.

INTRODUCTION

Uttar Pradesh is the most populous state of India and after Maharashtra, it is the second largest economy in our country. Agriculture forms the primary sector of Uttar Pradesh economy, where the share of agriculture, in the over all economy of Uttar Pradesh is 28 per cent serving as the source of livelihood for seven out of 10 people. Thus, agriculture has been a way of life and continues to be the single most important livelihood of the masses in Uttar Pradesh.

The state is endowed with abundant natural resources in terms of fertile land, good river system, varied soil and climatic conditions, good support in terms of agro-industries and technical talent, which are conducive for agricultural production and thus the state is producing the largest share of food grain in India. The state's share is 19.41% in fruits and 29.55% in vegetables production. The major vegetables cultivated are peas, potato*, cabbage, tomato, okra and other leafy vegetables and the major fruits grown are mango (ranks 1st), aonla (ranks 1st), guava (ranks 4th), banana & litchi. Uttar Pradesh is the largest exporter of processed frozen meat and contributes more than 60% of India's meat exports annually, largest milk producer** (ranks 1st) and contributes approximately 1/5th of the total milk production of the country. The state is the largest food grain***

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producer. Major food grains produced in the state include rice, wheat, maize, bajra, gram, pea, lentils and second largest producer of rice, accounts for about 13% of the national production. The details are given in Table 1 and 2.

Table 1: Contribution of Uttar Pradesh in Key Agricultural Products (2011-12)			
S.No	Item	India	U.P.
1	Food Grains***	25740	5170
2	Wheat	9390	3170
3	Rice	10430	1400
4	Pulses	1720	240
5	Sugar Cane	35770	12550

All figures are in million tones

Source: Directorate of Agriculture, GoUP

Table 2: Contribution of Uttar Pradesh in Key Agricultural Products (2011-12)				
S. No	Item	India	U.P.	U.P.'s Rank
1	Potato*	39.66	13.58	1st
2	Livestock (excluding Cow)	529.69	60.27	1st
3	Milk Production**	121.85	21.03	1st
4	Vegetables	146.55	43.30	2nd
5	Fruits	74.87	14.53	6th
6	Maize	16.72	1.04	6th
7	Oil Seeds	31.10	0.91	7th

All figures in Million tonnes except Livestock, which is in Million nos.

Source: Source: Dept. of Food Processing, GoUP

In spite of the natural resources strength and developed infrastructure facilities, the numbers of small and marginal farmers and landless farmers have increased considerably. Over the years, the increase in population and inadequate employment generation has stimulated pressure on agriculture. The issues responsible for this have been identified as:-

- Population increase,
- High pressure on Agricultural for livelihood,
- Degradation of land.

- Inadequate investment in agricultural sector,
- Lack of adequate infrastructure,
- Lack of co-coordinated approach,
- Lack of inclusive participation in the growth process,
- Rapid urbanization, migration of village people.

In this backdrop, the present paper attempts to examine the potential areas for public-private partnerships in agriculture, for accelerating inclusive development in the state through linking the farming systems and agriculture to the value chain and markets, in order to achieve higher economic margins and resource efficiency.

Inclusive growth: The inclusive progress of economy of any state is not imaginable without adequate agricultural development, which has a direct impact on industrialization and investment. This provides an immense opportunity to develop a vibrant agrarian economy. The inclusive growth implies participation in the process of growth and also sharing of benefit from growth. It can be observed from long-term perspective that the focus is on productive employment rather than on direct income sharing, as a means of increasing income for excluded groups. According to absolute definition, the inclusive growth is considered to be pro-poor as long as the poor gets the whole some and meaningful benefits, as reflected in some agreed measures for removing poverty.

Public-Private Partnership: The Public-Private Partnership (PPP) is a collaborative effort between the public and private sectors in which each sector contributes to the planning, resources and other activities needed to achieve a shared objective. A public-private partnership has also been defined by the nature of the parties engaged in collaboration. In this context, the definition is: "public-private partnership is an arrangement entered into-between two or more parties, specifically a nonprofit, publicly-funded institution (e.g. National

agricultural research agencies), on the one hand and for-profit company (e.g. major multinational, research-based agricultural firms) on the other.”

The public-private partnership is a multidisciplinary, integrated and stakeholder approach to address issues for economic growth and development. The literature has referred to the concept of Public-Private Partnership as:-

- I) In the standard neoclassical economics literature, public-private partnerships are the subject matter of traditional welfare analysis, typically evaluated according to the efficiency of their social welfare impact. Public-private partnerships are also a topic of analysis in information economics which studies the level of focus on the relationship and incentives that become the basis for the flow of information between partners (Binenbaum, et. al. 2003).
- II) In the institutional economics literature, a public-private partnership is a governance strategy designed to minimize transactions costs or other costs associated with forming and sustaining relationships. It involves contracting, coordinating, and enforcing a relationship between actors engaged in the production of some good or service (Williamson, 1975, 1979). The magnitude of such transactions costs is determined by - the frequency with which public and private parties interact, the uncertainty of these transactions and the limits on actors, rational behavior, and the specificity of assets used in the interactions (Rangan, et. al. 2003). The extent to which the partnerships reduce transactions costs and improve the potential for realization of economic opportunity, may determine the beneficial structure of production than, say, market-based operations, inter-firm research association or vertical integration of production activities into a hierarchical firm structure.
- III) In the innovative system's literature, the focus is on the economic and social institutions that affect the opportunities for science-based innovation within a given social or geographic region (Dosi, et. al. 1988; Hartwich, et. al. 2003). This has contributed significantly to the discussion of networks and their effect on the activities and interactions that generate innovation.
- IV) In the development policy and public administration literature, the study of public-private partnership represents a recent paradigm shift in the field of organizational thinking. The literature argues that public-private partnerships are an optimal policy approach to promote social and economic development that brings together efficiency, flexibility, competence of the private sector with the accountability, long-term perspective and social interests of the public sector (Richter, 2003; O.Looney, 1992; Etzioni, 1973). While such partnerships blur the classic distinction between the public and private sectors in a modern economy, they also enhance the potential for both efficient and equitable production and distribution of social benefits (Larkin, 1994). These issues receive particular attention in the health and pharmaceutical sectors, where the global and regional public-private partnerships are increasingly common (Buse and Walt, 2000a,b; Buse and Waxman, 2001; Lehman, 2001; Ollila, 2003).
- V) The Indian Council for Agricultural Research (ICAR) states that PPP provides a functional mechanism for collaboration to leverage CPS resources, for adaptation of technology and for commercialization where the costs, risks and benefits can be shared. Improvements are possible as the growing demand for quality agricultural products in agriculture through the integration of producers on the one hand and retailers and processors on the other. This not only creates an opportunity to reduce the

risk in production and price, but also enhances the potential to create partnerships between farmer's groups and market players; besides opening up better links with input suppliers, financial and research institutions (Tiwari, 2012).

- VI) Public-Private Partnerships, especially for sustainable agricultural development can also include multi-partner structures that brings together private companies with entities such as non-governmental organizations (NGO), university research institutes and foundations, (Nuziveedu Seeds, 2012).
- VII) In agricultural research, the growth of education, extension and infrastructure by Public-Private Partnerships through Private distribution of Public Technologies, Private Purchase of Public Research and Technologies and Public Private collaborative Research Partnership can be made, (Andrew, et.al 2001)

Private-Public Partnership- Potentials: Public-private sector partnership (PPP) is a new institutional arrangement to bring in synergy, mobilize resources, generate, validate and transfer technologies. Therefore, Public-private partnership provides opportunities to addresses the following:-

- Reduces public capital investment,
- Improves efficiency due to strong profit incentive,
- Private entity is more accountable than government,
- Specialized expertise,
- Relieves government from staffing issues,
- Shares risk/ responsibility,
- Government can still step in when private entities are not performing.

The state initiatives: The state offers a wide range of subsidies, fiscal and policy incentives, industry friendly policy framework to foster investments

coupled with availability of skilled and semiskilled workforce, attractive incentives and a responsive and prompt public delivery system. Some of financial incentives provided by Uttar Pradesh government (Food Processing Industrial Policy, 2012) are as follows:

- i) 100% Exemption from Stamp Duty.
- ii) Exemption from Mandi Fees :
- iii) Interest subsidy
- iv) Capital Investment Subsidy
- v) Research & Development Grant
- vi) Assistance for Global competitiveness, quality & standardization
- vii) Assistance for Patent/ Design Registration
- viii) Assistance for Market Development.
- ix) Assistance for Human Resource Development under National Food Processing Mission

Learning from Successful Public-Private Partnership initiatives in Agriculture in India: Public- Private Partnerships have already been developed in agriculture sectors. The success stories of some of them are mentioned as follows:-

The Project Golden Rays is a Public-Private Partnership developed in Rajasthan, where farmers had opted for maize in view of the rising commodity prices. The yields remained sub-optimal, despite hybrid seeds, poor farming practices and a lack of access to appropriate inputs. Monsanto worked together with the State and NGOs on-site in 5 districts to implement credit and farmer capacity building. Yields have reportedly increased as have the farm income. This same model was applied in Odisha / Orissa state, with 30,000 hectares of farm. Maize is mostly grown in the tribal districts in Odisha, (Programme Golden Rays, 2009-10). The learning of Project Golden Rays, Rajasthan can be applied to PPP initiatives in the field of agriculture in Uttar Pradesh.

The NSPL has been running a programme with the

government of Uttar Pradesh under Private Public Partnership (PPP mode) for carrying out extension work in the state. Under this project, the company has provided extension services in 25 districts of Uttar Pradesh for paddy and maize crops. The extension work involved among other things, were Crop Demonstration, Farmers' Training and Field Visits for Kharif season 2011-12. The project met the desired result successfully and the UP government appreciated this partnership, (Nuziveedu Seeds, 2012). This project can be replicated in the other districts of Uttar Pradesh.

The NSPL's introduction of high density planting for cotton has found rich response in Maharashtra. The Government of Maharashtra has realized the importance of high density cotton planting to improve productivity of Cotton in Vidharbha region and sanctioned an extension program in PPP with NSPL to cover 10,000 acres with 2000 farmers in Akola, Amravati and Buldhana districts. The project is being implemented to assist poor farmers of major cotton growing districts of Vidharbha region to significantly improve productivity of their cotton crop. The project will include high density planting in 7500 acres under rain-fed conditions and 2500 acres under drip irrigation, (Nuziveedu Seeds ,2012).

Principles of Public Private Partnership in Agriculture in Uttar Pradesh: In view of the learning from successful efforts of Public-Private Partnership in agriculture sector and the government initiatives, the following principles may be adopted in Uttar Pradesh:

- Represent unique and advanced aspect of agriculture.
- Provide an effective, technical and commercial high-end platform.
- Educate various stakeholders of the state agriculture process.
- Create a direct interface between the various stakeholders.

The above mentioned principles of Public- Private Partnership will not only provide an opportunity to improve the productivity and distribution of agricultural produces but will also help in improving the inclusive development of the state. Some of the likely benefits are:

- Improve service delivery
- Improve cost-effectiveness
- Increase investment in public infrastructure
- Reduce public sector risk
- Deliver capital projects faster
- Improve budget certainty
- Make better use of assets.

Potential areas of Public-Private Partnership in Agricultural Sector: The Public-Private Partnership in Agricultural Sector in Uttar Pradesh has vast potential and may be tried in the following areas:

- Post Harvest Management:** To provide post harvest infrastructure facilities like Pack Houses/ Central Sorting, Grading, Packaging Centers with Pre-Cooling and Cool Chain facilities at the production centers. The cold storages in the terminal markets can be established.
- Food Processing Facilities:** To provide supporting infrastructure to meet the need for quality and safe food products facilities like quality testing laboratories can be established.
- Agriculture marketing setup:** To strengthen the state, the agriculture marketing setup has been accorded the top priority. The partnership for the establishment of infrastructure such as link roads, transport and cold storage, cool chain and processing units for perishable agricultural produce will be the viable area. In order to store the produce in the storage at mandi/ sub-mandis, in the anticipation of getting remunerative prices, facilities for credit on easy terms and condition will be made so that the farmers may bear the cost of storage.

iv. Agricultural Research and Extension: This may be made to strengthen the agricultural innovation systems like research, education, extension and infrastructure through Private distribution of Public Technologies, Private Purchase of Public Research and Technologies and Public Private collaborative Research Partnership.

CONCLUSION AND RECOMMENDATIONS

Agriculture forms the primary sector of Uttar Pradesh economy and the share of agriculture in over all economy of Uttar Pradesh is 28 per cent. The agro-climatic and geographic conditions of the state favours production of crops like paddy, wheat, sugarcane, potato, mustard, groundnut, gram, pea, lentil, various vegetables and fruits. The agricultural development and economic condition of the farmers is not yet appreciable. The inclusive progress of agricultural economy in Uttar Pradesh has immense potential to emerge as one of the most economically developed state in India. The state offers a wide range of subsidies, fiscal and policy incentives; industry friendly policy framework, to foster investments coupled with availability of skilled and semiskilled workforce. In addition to this, the PPP model should be tried for this purpose and a lot more may be learnt from the similar projects else where. This provides a unique opportunity to mobilise resources, generate, validate and transfer technologies, and synergise multiple efforts towards inclusive development. Therefore, the Public-Private Partnership in Agricultural sector in Uttar Pradesh has vast potential and may be a better platform in research and extension, post harvest management, food processing facilities, and agriculture marketing setup.

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