Budget to sustain recovery in agriculture growth

The Budget 2017-18 provides strong push to the initiatives started in last two years beside covering some of the much needed reforms in agricultural marketing.

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Indian agriculture is characterised by a cyclical trend of good growth and poor growth. The stagnant growth rate at low level combined with decline in size of land holding implies much slower growth in farm income per holding. This calls for three pronged strategy: lifting growth trajectory upward; imparting stability to production and focusing on farm income.

The last year's Budget announced major initiatives focused on this strategy. These include renewed emphasis on irrigation under Pradhan Mantri Krishi Sinchai Yojana, upgrading agricultural markets under E-NAM, crop insurance plan Pradhan Mantri Fasal Bima Yojana, soil health card for balanced and efficient use of fertiliser, push to agricultural and rural infrastructure and increased supply of institutional credit for agriculture.

The Budget 2017-18 provides strong push to the initiatives started in last two years beside covering some of the much needed reforms in agricultural marketing. PMFBY has received strong response from farmers. The sum insured in kharif season 2016 was 60 per cent higher than kharif 2015 and number of non-loanee farmers who opted for crop insurance increased six times. Higher allocation for PMFBY this year will help in raising coverage and addressing production risk faced by farmers. Among various components of PMKSY, micro irrigation, which involves use of drip, sprinkler and such irrigation devices, is the most important component for getting quick results in raising irrigation coverage, achieving efficiency in water use and raising productivity. Dedicated allocation of Rs 5,000 crore for micro irrigation is a step towards 'more crop per drop'.

Capital formation in agriculture, both on public as well as private account show decline in real terms after 2011-12. The decline in total capital formation was 2.4 per cent during 2014-15 and 5.2 per cent during 2015-16.

The Budget raises target for institutional credit supply to agriculture by 11.1 per cent, from Rs 9 lakh in 2016-17 to Rs 10 lakh in 2017-18. Trend and pattern in institutional finance for agriculture in recent years show a decline in share of cooperatives, decline in share of term credit and highly skewed distribution across states. More allocation is needed for cooperatives and for term loans. The distribution of credit should be changed from the states saturated with credit towards the credit starved states such as Bihar and Odisha.

Unscientific use of fertiliser without reference to fertility status of the soils is causing nutritional imbalance, economic loss and deficiency of micro nutrients. Most of the farmers do not have the access to soil labs to check for the proper use of various plant nutrients for their crops. Setting up of mini soil testing labs in all KVKs and by private entrepreneur will promote scientific use of fertiliser and help in cost saving and productivity increase.

The target of doubling farmers' income cannot be met without improving terms of trade for agriculture or higher price realisation for farm produce. This requires complete revamping of agriculture marketing system and infrastructure. The country has been discussing reforms in agricultural markets for a long time to liberalise agricultural market, attract private investments in post harvest value chain and to use modern technology and commerce in various transactions. But the change has been very slow, diluted and mainly notional.

by **Ramesh Chand**

Source:http://indianexpress.com/article/business/budget/budget-to-sustain-recovery-in-agriculture-growth-4504881/

Budget hikes for rural India inadequate

THE HANS INDIA | Feb 03,2017

Still about 95% of the rural economy is informal both in agriculture and non-agriculture. Even though agriculture contributes only 13% of India's GDP, it is a source of livelihoods for about 50% of the population. Agricultural sector growth was robust at 4.1% in 2016-17, but it was at the back of only 1.2% growth in 2015-16 and negative growth (-0.2%) in 2014-15.

Figures indicate that the rural non-farm sector growth was adversely affected by demonetisation. Hence, farmers' organisations and villagers had big hopes on the budget 2017-18 to revive rural economy and aim towards doubling their incomes, but it followed a minimalist approach with no big-bang initiatives.

Fund increase marginal

The total allocation for the rural, agriculture and allied sectors in 2017-18 is Rs 1.87 lakh crore, which was only 11.6% higher than the 2016-17(Revised estimates). Out of this, allocation to agriculture was Rs 58,663 crore which was 11.1% higher and for rural development was Rs 1,28,560 crore which was again 11.8% higher than the 2016-17 (RE). This marginal increase of about 11% in both the sectors indicates little emphasis on rural sector, despite lofty goals.

Rural credit

The Budget has, however, given big thrust to credit availability to the farm sector with a target of Rs 10 lakh crore. It can only work if we are able to reduce costs and increase profitability in farming sector through innovative schemes like balanced use of fertilisers by promoting soil health cards, ensuring remunerative prices. Otherwise, farmers end up with indebtedness without welfare gain.

Rural housing got priority

Budget allocation to Pradhan Mantri Awaas Yojana-Grameen was 23,000 crore, 53% higher than last year. Allocation to MGNREGA was Rs 48,000 crore, marginally higher compared to 2015-16 (RE) but focus on creating productivity enhancing assets like farm ponds and compost pits is a welcome step. There was no change in funds allocated to Prime Minister Gram Sadak Yojana (PMGSY) at Rs 19,000 crore.

Agricultural development schemes

Fund allocation to green revolution heading (National Food Security Mission with Rs 1,720 crore and Rastriya Krishi Vikas Yojana with Rs 4,750 crore and others) was increased by 32.6% to 13,741 crore. However, provision for PMFBY was decreased from Rs 13,240 crore in 2016-17(RE) to Rs 9,000 crore. Projection of increase in coverage from 30% to 40% of the cropped area needs explanation.

Strengthening of soil health card scheme by involving 648 KVKs is a good step. Strengthening e-NAM by providing Rs 75 lakh each mandi is also a good step. However, the assaying systems should have been given priority for e-NAM to be fully-functional, but there is no provision in this regard. Allocation to agricultural research and development was increased marginally, which is too little to meet increasing cost of high-tech research.

Little emphasis on poor

Rural electrification and poverty elimination reduce disparities among regions and people, but increase in allocation is marginal. Allocation of only Rs 4,814 crore is not sufficient to make villages 100% electrified under Gram Jyoti Yojana. Rs 4,500 crore allocation to Deendayal Antyodaya Yojana to bring one crore households out of poverty and to make 50,000 gram panchayats poverty free by 2019, the 150th birth anniversary of Gandhiji is a welcome step, but needs more focused efforts by bringing private funds and expertise if required. Increase in allocations to National Livelihood Mission Ajeevika, white revolution (dairy sector) and blue revolution (fisheries) is marginal.

Policy Reforms

Budget also talked about market reforms like introduction of new model law on contract farming to open up agricultural markets and create competitive market structures. However there was no mention of implementation of Model Agricultural Land Leasing Act, 2016.

Overall, it appears that increasing farmers' incomes as well as area under irrigation got priority but not enough funds. Private sector help may be taken under CSR to reach the benefits to small and marginal farmers and other vulnerable sections of rural India. (Writer is Director, National Institute of Agricultural Extension Management, Hyderabad)

Budget allocation for flagship programmes of agriculture and rural development (Rs. cr)

Component	2016-17(RE)	2017-18(BE)	% change over 2016-17(RE)
Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)	47499	48000	1.1
Pradhan Mantri Awas Yojna (PMAY)-grameen	15,000	23,000	53.3
Pradhan Mantri Gram Sadak Yojna (PMGSY)	19000	19000	0.0
Green Revolution (including NFSM, RKVY)	10360	13741	32.6
Pradhan Mantri Fasal Bima Yojana (PMFBY)	13240	9000	-32.0
Pradhan Mantri Krishi Sinchai Yojana (PMKSY)	5189	7377	42.2
National rural Drinking Water Mission	6000	6050	0.8
National Livelihood Mission -Ajeevika	3334	4849	45.4
Price Stablisation Fund for pulses	3400	3500	2.9

By A Amarender Reddy

Source: http://www.thehansindia.com/posts/index/News-Analysis/2017-02-03/Budget-hikes-for-rural-India-inadequate/277996

Growth story of agriculture intact even post demonetisation: NITI Aayog

ET Bureau | Jan 11, 2017,

Playing down the impact of demonetisation on agriculture, NITI Aayog member Ramesh Chand said even post demonitisation the growth story of agriculture is intact as there is small and insignificant effect on growth of output as well as farmers' income since November 8 when the government decided to cancel the legal tender of Rs 500 and Rs 1000 notes, thus rendering 86% of the currency redundant.

"Agriculture, which is largest informal sector of Indian economy, has shown strong resilience to effect of demonetisation," Ramesh Chand said in a blog co-authored by consultant Jaspal Singh.

According to Chand, no effect of demonetisation was seen on prices of major crops like paddy, soyabean, and maize in November. "instead the wholesale prices in APMC mandis of the country were around 3% higher in November as compared to the month of October," he said, adding that however, prices of maize and soyabean fell in the month of December but paddy prices ruled higher than previous two months and also as compared to last year. "There might be some delays in payment to the farmers due to cash crunch but that is a temporary phenomenon," he said.

Commenting on the farmers' income, Chand said that the growth rate in farmers' income is projected to be slightly lower due to drop in prices of perishables during the months of November and December. "The net effect of fall in prices on farmers' income is estimated to be -0.26%. Factoring this change, farmers' income in year 2016-17 is projected to witness increase of 5.8% in real terms," he said.

Riding high on the higher sown area both for rabi and kharif crops, Chand said that rabi output in 2016-17 could be 4.96% higher than 2015-16 while that of kharif is 3.5% more than last year, resulting in higher production.

According to the first advance estimate for year 2016-17 the increase was 57% in pulses, 40.8% in oilseeds, 19.4% in coarse cereals, 6.7% in cotton and 2.8% in paddy. Sugarcane production in 2016- 17 is estimated to be 13.3% lower than 2015-16. These changes sum up to 10% increase in kharif output over the last year.

“Based on above changes the growth rate for crop sector, which constitutes 62.3% of value of output of total agriculture, for the whole year is projected to be 7.48%, if there is no severe shock to crops during February –April, 2017,” Chand added.

By Yogima Seth Sharma,

Source:http://economictimes.indiatimes.com/articleshow/56441617.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Budget priorities of farming community

New Delhi Times | Jan 23rd, 2017

Budget has to focus on increasing farmers income to eliminate distress and widespread farmer suicides. The years 2014-15, 2015-16 were bad agricultural years, although 2016-17 is a normal year, farmers are not yet recovered from adverse effects of demonetization. To realize the medium term goal of doubling farmers income by 2022, the budget 2017-18 needs to focus on ensuring better prices to farmers. Investments required to achieve this needs to be recognized as public good as they reduce farmers distress and increase social harmony. The following points may be useful to meet the farmers expectations.

Strengthening regulated markets and eNAM

Infrastructure in Agricultural Produce Market Committees (APMCs are regulated markets at block level) is rudimentary and neglected by government since last fifty decades. They lack storage, cleaning, grading and other basic infrastructure. Each APMC market needs to be equipped with basic facilities like cleaning, grading, storing and minimal processing facilities to get higher prices for the farmers. Electronic-National Agricultural Market (eNAM) needs to be implemented with full spirit in all states and arrangements for independent assaying should be made to make eNAM truly national markets. Results shows that farmers price can be increased by 10-20% with minimal value addition activities like cleaning, grading and e-auctioning.

Recognizing tenants as farmers

Informally, tenant farmers contribute about 50% of the total farming community, but they are not officially recognized. Tenant farmers pay about 30% of the gross output to the landlords as rent. As a result economic viability of tenant farmers is questionable and needs a policy framework to make them economically viable for long run sustainability of agricultural sector. NITI Aayog "Model Agricultural Land Lease Act, 2016" needs to be implemented so that the tenants can avail credit, subsidy and other government programmes in parity with owner-farmer, at the same time protecting fully the rights of the land owners.

Farmer Producer Companies to linking to markets

Farmers Producer Companies (FPCs) needs to be promoted to increase scale economies in production as well as marketing as share of small farmers is more than 80%. Warehouses need to be established in each village with the help of FPCs to facilitate farmers to avoid distress sale during harvest period and to sell at higher prices later. These village level warehouses need to be linked to the national electronic-grid to track the quantity of various agricultural produce in stock through electronic networking. In turn, this grid should be linked to independent assaying systems, eNAM, banks and commodity exchanges for seamless transaction and credit flow to farmers. This will facilitate post-harvest bank finance to farmers to stop distress sale. As a first step, warehouse receipts needs to be popularized among farming communities to take advantage of higher prices by the farmers.

Futures trading and options

Futures commodity exchanges like NCDEX and MCX needs to be strengthened with wider participation of traders and farmers for better price discovery but with strong regulation to eliminate speculation to safeguard farmers. Farmers participation can be done through farmer producer companies and banks which have significant exposure to commodity markets to hedging commodity price risk. Newly introduced options are ideal instruments for risk management and hedging for both banks and FPOs.

Fodder and livestock markets

Livestock sector contributes more than 50% of gross value addition of agricultural GDP and is growing at more than 6% per annum. However, fodder and livestock markets were neglected since last fifty years of agricultural planning, as a result fodder and livestock markets not developed. There was a need to establish and develop regulated fodder and livestock markets at least one for every 50 km radius to supplement existing informal fodder and livestock markets to encourage livestock rearing as supplementary income source.

Agricultural Export Zones

Although Agricultural Export Zones (AEZs) were created with good intention, they have not given proper incentives for making them competitive globally and many are non-functional. They need to be revived wherever demand exists with incentives like duty free import of machinery, modern processing equipment, adoption of technology and Safety Standards etc.

Public-Private-Farmer Partnerships

Developing agricultural market infrastructure itself may not be economically viable for private sector. Agricultural market infrastructure is a public good, needs government support. Public Private-Farmer Partnerships needs to be encouraged in developing market infrastructure so that farmers can do minimal processing and grading before selling and fetch higher prices. Innovative approaches like developing recreation facilities, shopping complexes within private markets make them economically viable.

Backward areas

Backward areas needs to be given special focus for strengthening market and other physical infrastructure like rural roads, markets and farm ponds under Prime Minister Krishi Sinchai Yojana(PMKSY) and Prime Minister Gram Sadak Yojana (PMGSY) and other projects so that the cost of production and other logistic costs in farming will be reduced.

Crop Insurance

Penetration of crop insurance among non-loanee farmers and tenant farmers is negligible. Prime Minister Fasal Bhima Yojana(PMFBY) needs to focus on non-loanee farmers with additional incentives to insurance companies.

The 2017 budget is the right platform to introduce agricultural programmes with sufficient fund allocation to direct Indian farming towards doubling farmer's income by 2022. The agricultural planners should not ignore this opportunity for the betterment of the farmer's situation to curtail farmer's distress and wide scale suicides.

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NOTE: The views expressed here are those of the authors and do not necessarily represent or reflect the views of New Delhi Times (NDT)

Source: http://www.newdelhitimes.com/budget-priorities-of-farming-community123/

Revival of rural economy should be top priority

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Farmers plough and sow cotton seeds in a field in Shahpur village, about 79 km west of Ahmedabad

The rural economy has been stagnant and more volatile for the last three years. Although the area under rabi crops is 2% higher than normal this year, fertilisers use decreased by 7%, indicating slowdown in input use and probable reduction in output. Overall, agricultural sector growth may not exceed 3.5% per annum.

The non-farm sector is now contributing about 2/3rd of the rural economy. But its growth is also stagnant and there are supply side bottlenecks in terms of higher cost of production, lack of logistics, frequent power cuts and lack of skilled manpower. Still about 95% of rural economy is informal.

The recent demonetisation adversely impacted rural and informal sectors more than the formal/urban sector. The informal sector is suffering from technological backwardness and underemployment. It seems with the development there was a more of backwash effect with skilled manpower and capital moving to urban areas then the spread effect in the rural India.

However, budget is an opportunity to jumpstart production, demand and consumption with more allocation of funds to rural areas along with reallocation of funds to income and employment generation.

Agricultural growth is the key

Even though agriculture contributes only 13% of India’s GDP, it is a source of livelihoods for about 50% of the population. The key role agriculture played in increasing incomes of the poorest of the poor cannot be ignored.

Hence, the ongoing flagship programmes like Rastriya Krishi Vikas Yojana(RKVY) to increase farmers’ incomes, Prime Minister Krishi Sinchayi Yojana(PMKSY) to increase area under irrigation, Prime Minister Fasal Bhima Yojana(PMFBY) to increase coverage of crop insurance and e-National Agricultural Markets (NAM) for increasing market efficiency need to be given high priority with more fund allocation along with proper monitoring to reach the benefits to small and marginal farmers.

Employment guarantee, PDS and housing

The role of employment guarantee programme (MGNREGA) and Public Distribution System (PDS) is noteworthy in removing poverty. Some studies pointed out that if MGNREGA and PDS function well in the rural areas, they lift incomes of the poor on average 12%, which is a significant amount. There is a need for increasing rural consumption through putting money in the hands of consumers. The budget for employment guarantee programme, PDS, infrastructure projects like construction of rural roads, rural housing should be given high priority.

Improving terms of trade for agriculture and rural sector

In the recent past, terms of trade are going against the farming sector with increase in cost of cultivation mainly in terms of higher wage rates (labour charges), seed prices and pesticide prices. The prices of inputs are increasing but the prices of outputs are decreasing in agricultural sector. As a result, farming is becoming economically unviable.

It is also true for the most of the khadi and village industries. Distress migration from rural to urban is increasing because of unviable nature of agriculture as well as rural industries. Hence there is a need to focus on price or income support not only for agricultural sector but also to village and khadi industries.

Situation of tenant farmers

Land-lease rates were increased significantly in the recent years. As a result, economic viability of tenant farmers is questionable. There is increased distress and suicides among tenant farmers. Tenants have to pay about 30% to 40% of the average sales value of production to landlords for leasing-in land in most of the villages. This is unbearable if the crop fails, as it happens once in every three years.

Further, tenants are not eligible to avail of government schemes like subsidised seed, bank loan and subsidies on drip etc. There is a need for a clear policy on land-lease markets in line with the recent NITI Aayog report to reduce burden on the tenants at the same time protecting the ownership rights of landowners.

Degree of uncertainty about future

Uncertainty of agriculture is not decreased rather it increased over the years due to increased share of commercial crops, high fluctuation in prices, more use of purchased inputs and climate change. Farmers' incomes are now more volatile than the last ten years. There is no government programme/policy to reduce this uncertainty.

Although, there was price stabilisation fund, fund allocation and strength of implementing agencies are meager to effectively implement the programme. There is a need for concerted efforts to reduce this degree of uncertainty not only among farming community but also rural artisans.

Extra helping hand to farm and rural sector

Overall, this budget needs to give extra helping hand to the farmers, village artisans and rural industries to increase and stabilise their incomes, so that their future is secured and medium term goal of doubling farmers income by 2022 will be achieved.

By A Amarender Reddy Director, National Institute of Agricultural Extension Management, Hyderabad

Source: **http://www.thehansindia.com/posts/index/News-Analysis/2017-01-31/Revival-of-rural-economy-should-be-top-priority/277099**