The centre’s failure to steer agriculture right

Watching the pace at which events succeed each other in India is like witnessing a croupier dealing out cards at a casino: Each card is topped by another in the blink of an eye just as new events rapidly push aside older ones. The Union budget seems to be an age ago, although we must remind ourselves that Parliament has only just passed it. Commentary on the budget in the media has already faded, crowded out by constant chatter on the elections in three North-Eastern states, Canadian Prime Minister Justin Trudeau’s passage across India, involving many costume changes, the latest gross domestic product numbers, etc. It is thus an appropriate moment to return to the prosaic subject of the budget and briefly examine its treatment of agriculture.

Three things stand out as the headline readouts.

Like its many previous avatars stretching back almost two decades, this budget too lacks an overarching direction in which the central government wants to steer agriculture. At least in the case of industry or services, there is some link to larger themes and ongoing initiatives: Make In India, goods and services tax (GST) consolidation, affordable housing, health coverage to vulnerable households, Swachh Bharat, etc. But there is no clear vision for agriculture in the budget.

Ongoing schemes in agriculture have acquired the status of railway projects sanctioned over the years: New ones keep getting added but no one can shut down any of the existing ones. This potpourri is hardly a recipe for the transformation so desperately required in the sector. So, a lack of ambition is the biggest disappointment in the budget as far as agriculture is concerned.

Second, the focus, as always, is on outlays, ignoring outcomes. Agriculture credit provisioning, among a plethora of interventions, goes up substantially, while the challenge of connecting millions of small and marginal farmers to institutional finance has remained unaddressed for the last two decades. This is unlikely to unshackle these farmers from the grip of moneylenders, the only avenue available to them to finance cropping operations. With informal sector interest rates starting at 24% (compared to 0-7% from banks and cooperatives), there is likely to be no breakthrough in investments on small farms, where the maximum unutilized productivity potential waits to be tapped.

Third, the thorny but critical issue of agriculture marketing reform has again been sidestepped, perhaps in deference to impending state assembly polls and the parliamentary election next year. Rural marketing hubs will benefit from some infrastructure upgrade, which is welcome. But the real knot to be untied in marketing is rearranging the institutional arrangements under the agriculture produce marketing committee (APMC) legislation. This challenge has been ducked, yet again.

There is an urgent need to introduce competition, transparency and technology-enabled transactions in the 7,000-plus *mandis* in the country. These measures are fiercely resisted by incumbent players, who have managed political cover to support their stance all these decades. Even e-NAM, the electronic trading portal for agricultural commodities launched by Prime Minister Narendra Modi, remains stunted and has failed to provide an alternative and efficient marketing platform to farmers.

To be fair, the political economy of agriculture marketing is complicated and does not lend itself to easy solutions. But marketing reform remains central to the goal of doubling farmer incomes, a vision which the prime minister again committed himself to at a conference held in mid-February, after the budget had been presented.

Farmers, especially in the central, eastern and North-Eastern regions, are not likely to be incentivised to make investments in land improvement, machinery and technology unless the prospects of better prices materialize. This can only happen by treating the entire country as a unified market for agricultural goods, as is the case for industrial products. Supportive policies for allowing direct purchase at the farm gate, portal-based trading, reform of antiquated storage and movement restrictions, and a more liberal external trade stance will be among the other essential components of a marketing reform package.

Almost the entire tenure of the present government has gone by without meaningful reform of the fertilizer subsidy, admittedly a minefield at any point, but hardly one the government would dare to address in its last full budget. Subsidies currently dwarf investments in agriculture by a ratio of 4:1. A great deal of evidence exists on subsidies causing imbalanced use of nitrogenous fertilizers, leading to damage to soil health and other adverse consequences. One would have expected a purposeful beginning of the process of subsidy reform, even if the road map extended several years hence.

Most of these measures are within the power of the Central government, though the states will have to be brought around to play their role. As we saw in the case of the GST roll-out, significant amounts of political capital will have to be invested by the national leadership to achieve a turnaround in the fortunes of agriculture. Budget 2018 makes it apparent that the powers-that-be don’t believe the moment has arrived to make that move yet.

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