Stemming the tide of agrarian distress

Similar to the last two Budgets, this year's pro-agriculture intentions are palpable through increased outlays to the agricultural sector and initiation of various programmes. They seem impressive, but closer scrutiny shows that the measures may be of little help to stem the tide of agrarian distress. There are some real challenges confronting three laudable **Budget announcements**.

Three challenges

The first is to **raise the minimum support price** (MSP) by at least 50% above the cost of production. The MSP will also be extended to all crops for which estimates on cost of cultivation and a remunerative price are to be ascertained. There are two pertinent issues here. One is to estimate the cost of production of commodities not covered under the scheme and their procurement procedures, if undertaken. Two, the production cost, as calculated by the Commission for Agricultural Costs and Prices, is based on three different methods, termed as A2, A2+FL, and C2. A2 covers all paid-out expenses, including in cash and in kind, namely, cost on account of seeds, chemicals, hired labour, irrigation, fertilizers and fuel. A2+FL covers actual paid cost and unpaid family labour. C2 includes all actual expenses in cash and kind incurred in production and rent paid for leased land, imputed value of family labour plus interest paid. In the last few years, the government has been giving MSP above 50% based on cost A2+FL, which is to be continued as per this Budget. But farmers, for many years, have been demanding that the raise in MSP be based on C2 instead. Also, little attention has been paid towards altering the ongoing 'high input cost and low output price' regime. While a workable formula for fixing MSP in consonance with the States will take time, the government must extend immediate help to farmers from rampant price volatility. The States can implement the 'price deficiency payment scheme' (difference between MSP and price received) as has been started in Haryana for some vegetables, and the Bhavantar Bhugtan Yojana in Madhya Pradesh for select oilseeds. These schemes can also encourage small holders, including tenants, who constitute at least 86% of farmers, to sell in the regulated markets.

Govt. to take steps to promote agri commodity exports, says Arun Jaitley

The second measure is to develop and upgrade the existing 22,000 rural haats into Gramin Agricultural Markets. A corpus of 2,000 crore has been allocated in the name of the Agri-Market Infrastructure Fund for developing and upgrading marketing infrastructure. Despite the promising appearance, the real challenges are to ascertain the priority of the respective States towards it and ways to accelerate its pace. The latter can be taken forward through public-private partnership, which has worked successfully in other sectors. Under market reforms, it will also be important to link production centres with marketing through agri-value chains, which would require farmers to aggregate, form self-help groups, or farmer producer organisations. The hard truth is that farmers, especially small landholders in less developed States, sell their produce mainly through village traders or government-run Primary Agricultural Credit Societies (for wheat and paddy at MSP) and often get exploited. It is a daunting task, particularly in the event of a crash in commodity prices, to have some mechanism in place to avert distress (as mentioned in the case of Haryana and Madhya Pradesh). A hike in MSP should be supplemented with irrigation, and reduction in fertilizer cost. Another interrelated initiative is the launching of 'Operation Green' with an outlay of 500 crore to address the challenge of price volatility of perishable commodities. This again makes it necessary for State governments to bring various programmes under one roof, perhaps within the Agricultural Produce and Livestock Market Committee 2017, to help farmers.

The third important step is to increase institutional credit from 10 lakh crore in 2017-18 to 11 lakh crore in 2018-19. The share of agricultural credit in gross domestic product in agriculture and allied activities has increased from 10% in 1999-2000 to 41% in 2015-16. The actual flow has considerably exceeded the target. Therefore, targeting of the announced allocation to the poorer farmers and tenants in each State will go a long way in improving their purchasing power and augmenting investment, which is currently low.

What’s missing

There are certain pressing issues not considered in this Budget that must be given closer attention. Close to 52% of net sown area (73.2 million hectares out of 141.4 million hectares) is still unirrigated and rainfed, in addition to the recurrence of floods and droughts due to climate change. Despite its presence in the Economic Survey 2017-18, the subject has not received due attention in this Budget. The plan is to take up 96 districts deprived of irrigation with an allocation of 2,600 crore under the Prime Minister Krishi Sinchayee Yojana — Har Khet ko Pani. The Centre will work with the State governments to enable farmers to install solar water pumps to irrigate fields. At the same time, the Minor Irrigation Census 2013-14, published in 2017, warns of a tremendous increase in deep tube wells to more than 2.6 million in 2013-14, from 1.45 million in 2006-07, and the resultant decline in the ground water table. It is ironic that the government aims to install more tube wells while being worried about depleting groundwater. A location-specific policy for irrigation with the identification of suitability of medium-major irrigation projects and/or minor or micro irrigation facilities is required to protect farmers from the adverse impacts of climate change. It must be supplemented with timely completion of pending canal irrigation projects, and strengthening of the National Agricultural Insurance Scheme by an increase in compensation and timely advice on weather. Technological interventions that update farmers about sowing and harvesting time and extension services can help prevent misfortunes.

Another key component missing in the Budget is investment in agricultural research and development (Ag R&D). This is a serious concern in view of the low annual rate of growth in agriculture in the last four years. More drought and pest-resistant crops are needed, along with better irrigation technology. Farmers also require interventions in the seed sector to raise production and diversify to alternate crops to induce higher growth. The most disquieting aspect is that India spends almost 6,500 crore on Ag R&D, which is not even 0.4 % of GDP from agriculture and allied activities. Dividends from Ag R&D are much higher in the less developed eastern and rainfed States and hence receive adequate funds.

Rather than enticing farmers with compensation and increased budgetary outlays, the government should assure doable action plans that quickly rescue them from price or crop failure. The long-term measures to increase their income and trigger agricultural growth, as reflected in the Budget, remain to accelerate investments in irrigation, infrastructure, improved extension services and institutions fully backed by a competitive marketing system.

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