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A BUDGET WITHOUT A VISION FOR AGRICULTURE

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

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A farmer spreads fertilizer in a field, at a village in Madurai. | Photo Credit: PTI

Globally, there is a twin crisis in agriculture: in food and in fertilizers. On the one hand, there are fears of a fall in the global production and availability of food. The rise in food inflation has been an area of serious concern for the government and the Reserve Bank of India. On the other, global fertilizer prices have risen by about 200% over the past two years. Consequently, the prices of fertilizers and other farm chemicals in India have also shot up.

Domestically, the Union government has the unenviable task of explaining why it failed to double the real incomes of farmers between 2015 and 2022. Official data show that real incomes from cultivation have fallen in absolute terms after 2015. Between 2020-21 and 2022-23, annual growth rates in agriculture and allied sectors have been stagnant between 3% and 3.5%. Agricultural exports have risen, but the impact of this has been insignificant outside a handful of commodities.

Thus, the objectives of the Budget could be formulated as two-fold: one, it must have protected farmers and consumers from the food and fertilizer crises; and two, it must have taken steps to raise net incomes from cultivation.

It was widely expected that food and fertilizer subsidies would be retained or increased. The restructuring of the food distribution guidelines, which effectively ended a part of the free supply of food grains under the Pradhan Mantri Garib Kalyan Anna Yojana, was a disappointment even prior to the Budget. The Budget has reaffirmed that stance and cut food subsidy from 2.87 lakh crore in 2022-23 (RE) to 1.97 lakh crore in 2023-24 (BE). Fertilizer subsidies have also been cut from 2.25 lakh crore to 1.75 lakh crore. In effect, these cuts will expose farmers to the vagaries of the global market and render the economics of agriculture more fragile. Landless households in rural areas are also likely to be affected adversely, as the allocation for the Mahatma Gandhi National Rural Employment Guarantee Scheme has been cut from 73,000 crore in 2022-23 (BE) to 60,000 crore in 2023-24 (BE).

The cut in fertilizer subsidies will increase the costs of cultivation for farmers, but there is no amelioration to be expected from a compensatory rise in output prices. The rise in minimum support prices between 2020-21 and 2021-22 just covered for the rise in input costs and did not leave any space for higher net incomes.

There has been no solace on the production front too. Yields in agriculture remain low. Rising fertilizer prices have led to lower consumption of fertilizers in farms, leading to imbalanced nutrient application and even poorer prospects of yield rise. The government, on the other hand, has been promoting variants of “natural farming”. The Budget has even allocated 459 crore to a new National Mission on Natural Farming. But natural farming has no scientific validation and is likely to reduce crop yields by 25-30%. If yields fall, how can farming stay viable in the face of rising input prices and stagnant output prices?

Amidst all the talk of raising capital expenditure, agriculture presents us with a story of utter neglect. Capital investment is required in agriculture not just for irrigation but also to build/improve agricultural markets (mandis). The total capex of the government in 2022-23 was 7.5 lakh crore, but allocation under the capital accounts of crop husbandry, animal husbandry, dairy and fisheries was just 119 crore. In 2023-24, this is expected to fall to 84.3 crore. Under the capital account of irrigation and flood control, the budgeted allocation in 2022-23 was only 350 crore, which is slated to fall to 325 crore in 2023-24. The Agriculture Infrastructure Fund (AIF) is another much-touted scheme. The budgeted allocation for AIF in 2022-23 was 500 crore, of which only 150 crore was spent. In 2023-24, the allocation of 500 crore has been retained.

The Finance Minister made a series of other announcements on agriculture in her speech, but the allocations for these schemes or scheme components are not listed in the Budget documents. Essentially, all these are fragmented allocations thinly spread across diverse departments with only an indirect or marginal impact on the agricultural sector. Good examples are the Agriculture Accelerator Fund, PM-Pranam, GOBARdhan, Bhartiya Prakritik Kheti Bio-Input Resource Centres, Mishti, and Amrit Dharohar. There was much time spent in the speech on millets too, but without any explicit allocation other than in upgrading a Centre for Excellence in Hyderabad. There was yet another announcement on a targeted investment of 6,000 crore under the Pradhan Mantri Matsya Sampada Yojana, but the actual increase in allocation in the Budget papers is only 121 crore.

The Budget fails to address the most pressing problems in Indian agriculture. The lack of a scientific and grounded vision, which must have ideally driven the quantum and direction of allocations, is telling.

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Agriculture / Union Budget

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