Budget for Farming

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The Budget is not just a collection of numbers, but an expression of our values and aspirations.

~ Jack Lew

In a Kisan Rally in Bareilly on 28 February 2016, the Prime Minister of India Shri Narendra Modi made a clarion call to double farmers' incomes by 2022. This statement assumed an official tone when the finance minister recalled it in his budget speech of financial year 2016-17 (FY17). It was followed by setting up a committee for Doubling Farmers' Income (DFI) under the chairmanship of Ashok Dalwai, then additional secretary in the Union Ministry of Agriculture and Farmers' Welfare (MoA and FW).

The Dalwai Committee on DFI clearly states that the objective of the government is to double farmers' incomes in real terms by 2022 over a period of seven years (2016-17 to 2022-23). Realizing, the objective would require farmers' to grow at a compound annual growth rate (CAGR) of 10.4% per annum in real terms.

Whereas NABARD All India Rural Financial Inclusion Survey (NAFIS) 2016-17 estimates that an average Indian farming household earned ₹8,931/month (₹1,07, 172/year) in the agriculture year 2015-16. This is up from ₹2,115 earned in 2002-03 as per NSSO's SAS, implying a compounded annual growth rate (CAGR) of about 12% in nominal terms and 3.7% in real terms (2015-16 base).

To achieve the DFI by 2022-23, the Dalwai committee points out that farmers' real incomes need to grow at 10.4% per annum, i.e., 2.8 times the growth rate achieved historically (3.7%) and it has not achieved this. Instead it went down to less than 3.0% by 2017-18 and the achievement was far lower than the targets. With less than two years left its high time we revisited the strategies.

Similarly, the dependence of agriculture on natural resources requires sustainable management of these resources for risk mitigation and management, particularly in the context of increasing farmer distress and vulnerability to risks associated with climate change.

Towards this a shift away from high water intensive, high chemical intensive, high energy intensive and high carbon emitting production systems to low water, low chemical, low energy and net carbon fixing production systems is essential and states are really not performing well on several ecological sustainability indicators On 26 November 2017 during The Prime Minister's address to the nation (Mann ki Baat), he requested in halving urea consumption by 2022.

On various occasions the Prime Minister and other ministers and also The 2019 Union Agricultural Budget have emphasized that organising farmers into producer organisations is the best strategy forward and the government proposes to establish 10,000 farmer producer organisations.

All the above calls for a substantial shift in the way agriculture is understood and supported in the last 70 years. These fundamental shifts have to happen in terms of budgetary allocations, institutions functions, policy articulations and regulatory systems operate. Annual Budgets are the time to articulate these shifts. But we wonder whether the 2019 budget presented by Smt. Nirmala Seetharaman has made any effort in this direction.

Zero Budget Natural Farming or a shift towards agroecological approaches was stated in the budget but nearly 36% of the total allocations were for chemical fertilisers which is nearly 24% up from previous year allocation. Whereas allocations for organic/natural farming is under Paramparagat Krishi Vikas Yojana was only Rs. 325 Cr up only by 8% compared previous year, Organic Value Chain Development for North East Region was Rs. 160 Cr down by 12% and National Project on Organic Farming allocations were only Rs. 2.0 cr down by 20% compared to previous years.

All the 18 odd central schemes are bundled under 'Green Revolution' had an allocation of Rs 12,560 crore for 2019-20 as against the revised estimate of Rs 11,802 crore for the 2018-19. The budgets under some of these schemes like RKVY (Rs. 3800 Cr), National Food Security Mission (Rs. 2000 Cr), National Horticultural Mission (Rs. 2000 Cr), National Mission on Agricultural Extension (Rs. 950 Cr) all will be used only to promote the conventional chemical farming. The entire budgetary allocation for agriculture research also is spent on researching and promoting the conventional agriculture in the name of improving the productivity to meet the Food Security Needs. Whereas focus should have been on ecological sustainability of farming.

Any increase in the farmers income can only happen if there is increase in the prices or reduction in the costs of production. The data from the CACP (Commission on Agricultural Costs and Prices) and other data economic indicators show that overall agri-GDP tumbling down from about 4% in the last three years of the UPA II government to 1.8% in the first three years of NDA I rule. Even including 2017-18, the performance of agriculture GDP under four years of the current government may turn out to be just 2%. The Minimum Support Price operations are restricted to very few states and very few farmers and have problems in fixing the price to procurement.

For example, Farmers cultivating paddy, maize, cotton, soybean and potato have all experienced loss in 2014-15 compared to 2012-13 and 2013-14 and further. During Kharif 2017-18 (for which data is available now) out of 361.08 Lakh Metric tons (LMT) of paddy procured, Punjab contributed maximum (118.33 LMT) followed by Haryana (39.92 LMT), Andhra Pradesh (38.76 LMT), Telangana (36.22 LMT), Odisha (32.6 LMT) and Chhattisgarh (32.07 LMT). During Rabi 2018-19 out of 355.12 LMT of wheat procured, Punjab contributed 126.91 LMT followed by Haryana with 87.39 LMT, Madya Pradesh with 72.87 LMT and Uttar Pradesh 50.88 LMT.

The budgetary allocations for crops which are procured by the Government for Market Intervention Scheme and Price Support Scheme (MIS-PSS) (Rs. 3000 Cr) which was used most of the times to help consumer price stabilisation than to help farmers , Distribution of Pulses to State / Union Territories for Welfare Schemes (Rs. 800 Cr), Pradhan Mantri Annadata Aay Sanrakshan Yojana (PM-AASHA) (Rs. 1500 Cr) which is a new scheme to subsidise losses states/private players may make in the process of ensuring MSP to farmers. However, last three years experiences show that the stocks procured by national agencies like NAFED have been released into the market at much cheaper prices and depressing the prices for farmers.

Therefore, Government should come up with a comprehensive approach of market intervention schemes so that it will distort the prices for farmers. This can only happen if the FPOs can be strengthened and market reforms are carried out in favor of farmers. To address the marketing issue, the finance minister again talked about forming 10,000 Farmer Producer Organisations. In the last five years more than 5,000 FPOs have been formed but are struggling to find their feet on ground as enough support is not being provided. This budget also has not earmarked any budget for FPOs. Access to affordable credit, simplified tax and legal compliances is important as the producer companies get governed under Companies Act, 2013.

As the income of the farmers were not going up,the Centre announced what they call as Pradhan Mantri Kisan Samman on the lines of Direct Income Support measure like Rytubandu in Telengana and KALIA in Odisha.Similar schemes were announced by other states like Krishi Krishak Bandhu by West Bengal and YSR Rytu Barosa (earlier Annadata Sukhibava) by government of Andhra Pradesh. Unfortunately, all these schemes have picked random numbers in terms of support provided under Direct Income Support and has not made any effort to institutionalise the process, linking it to the inflation like the salaries of the employees. Another major problem is all these support measures are linked to land ownership. This excludes large numbers of tenant farmers. Measures like this along with interest subvention on farm credit, disaster compensations, income tax exemptions going for land owners, more incentives are created for landowning and less and less for cultivation. This is creating a disastrous situation in states where tenant farmers numbers are in high.

To conclude, leaving the debates about whether ZBNF is scientific or can meet the food needs of the nation, shift towards agroecological approaches is essential. There are number of examples across the country shows that a scientific agroecological approach to farming can reduce impact on environment, make food safer and help farming resilient to climate change. Similarly, organising farmers into collectives to increase their bargaining power is important.

Farmers Producer Organisations is certainly a way forward whatever be the format.The Finance Minister has mentioned promotion of ZBNF and FPOs but no allocations have been made in budget. No policy changes are announced in making the mainstream institutions and making a shift towards these. This becomes only a lip service to the cause and may not help farming sector.