Jaitley may lend an ear to farm sector

Lingering distress in the sector may force the govt to think innovatively

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Agriculture sector, which suffered badly despite higher production in the last two years, may be a key focus area for the NDA government, when it presents its last full-fledged Union Budget before the 2019 general elections.

Attending a function recently in the Capital, Union Finance Minister Arun Jaitley unequivocally said that that the farm sector would be a top priority for the government, as unless the gains reach farmers and are visible in the farming sector, the economic growth would be justifiable and equitable.

GDP growth

Farm sector has, undoubtedly, been an area of concern for the Modi government. Since it came to power in 2014, the average annual growth in agricultural GDP was just around 2 per cent, nearly half of what was attained during the 10 years of the previous UPA regime.

The latest numbers coming from the Central Statistics Office are a clear indication of a lingering distress in the agrarian sector. As against the previous year's 4.9 per cent, the growth in farm and allied sector is pegged at 2.1 per cent in the current fiscal. This was despite a bountiful monsoon, which is expected to ensure the foodgrains output in 2017-18 would be similar to – if not more than – the record 275 million tonnes in 2016-17.

The lower growth forecast was actually not because of the drop in farm production, but due to the falling prices of farm produce, which are being witnessed all across the country. Farmers in many parts of the country have been protesting the plummeting prices, which not only dented their income, but also pushed most of them into deeper debts.

Understandably, farmer groups in the country have been clamouring for better remunerative prices and the waiver of farm debts – the promises that the BJP has had made in its 2014 election manifesto.

Official sources admit that there is a crisis, but attribute ... prices of agricultural commodities. "As compared to 2014, the prices of agricultural commodities are on an average down by 15 per cent," they say.

While that was true, many feel that the government could have handled the crisis well. The glut could have been managed to some extent if the government was on top of the things and dovetailed its export-import policies accordingly. Of late, there have been some positive steps in this direction, but the initial dilly-dallying has already ... stance, recently the government increased import duties on pulses and oilseeds to ensure that the landed prices of these commodities are aligned with the minimum support price of those produced domestically.

The tardy progress in completion of pending irrigation projects have been an issue. "It was not that investments weren't being made in these projects, but many of them are still stuck for a variety of reasons," said an official source. As a result, of the 99 major and medium irrigation ... tion by 2019, as part of the Long Term Irrigation Fund, only a dozen have been completed so far. As per the government timeline, 54 of them should be ready by the end of this financial year. Measures to speed up the execution of some of these irrigation projects may find mention in the Budget, the sources said.

"Another area the government should concentrate is crop insurance. The crop insurance scheme, even though the NDA government has made it much more attractive, is actually not working well on the ground. But it is just a matter of giving it a serious push and making it work," noted agricultural economist and former chairman of CACP, Abhijit Sen, said.

Innovative thinking needed

Considering that the capacity of the government agencies to procure from farmers is limited, the government may have to find some innovative ways to put money in the hands of the farmers, who get prices much below MSP for their produce. The Budget may come up with some schemes that would help augment the prices of farm produce. The Madhya Pradesh government recently introduced a price deficiency payment scheme in which the government has promised to pay farmers directly the difference between MSP and modal prices of eight notified commodities, including some pulses and oilseeds. However, in the present form, this price deficit finance scheme needs to be tweaked before it can become effective.

Jaitley may also be expected to give further push to agri-marketing reforms, which the government initiated through the much-talked-about eNAM two years ago. A more focussed effort in this direction, some say, would help remove price distortion that many commodities ...

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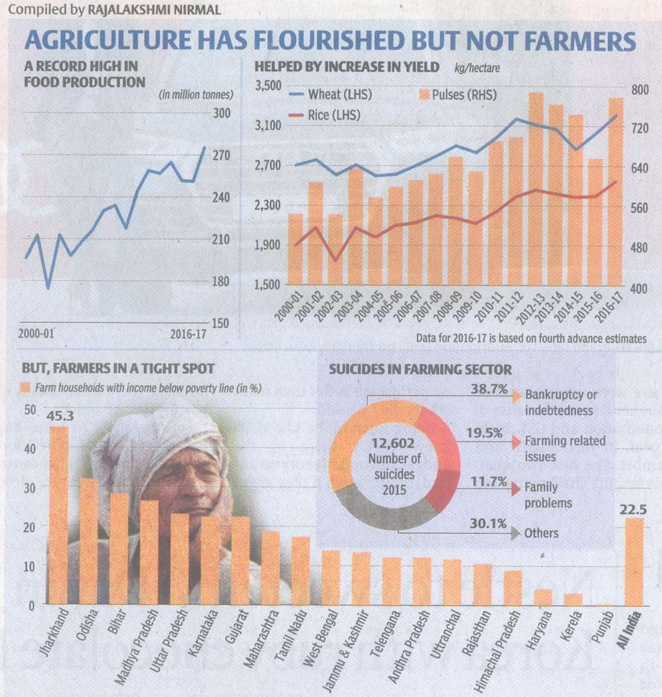

Source: Agricultural Statistics, 2016; Expenditure Survey Data, 2011-12, NSSO; National Crime Bureau

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India is yet to emerge as a significant playerin the world agriculture market

Finance Minister must focus on promoting investment, technology upgradation

The agriculture sector is an important engine of the economy and it needs continued policy and investment support as almost half of the labour force is still supported by it, and only strong growth can dent rural poverty. With good monsoons holding the key to output and productivity, risks in the sector have not reduced over the decades.

Added to these are the new challenges related to climate changes. It is essential that the upcoming Budget increase public investment and encourage private investment in the agriculture sector, according to the Federation of Indian Chamber of Commerce and Industry.

A stable and clear policy to encourage agri exports should also be laid out so as to ensure that it leads to an increase in India's share in the global trade of agricultural products, as well as increase the income of farmers and contribute to the overall economy of the country.

To put Indian agriculture on a high growth trajectory, the first and foremost step is to reframe policies and al... mand side as well as supply-side issues which act as major deterrents to the flow of value-adding investments in this sector.

The Budget should have a special focus on deploying technology that could strengthen agri statistics to reduce information arbitrage on data on sowing, crop condition, prices and stockholding.

India is yet to emerge as a significant trade partner in the world agriculture market. India holds around 1 per cent of the global trade in agri-commodities – the announcement of a stable, medium-term policy on external trade in agri commodities is vital.

The Budget should also introduce a national law to promote ease of doing business in agriculture, especially for the smooth and uninterrupted movement of agri commodities across the country. To promote scientific warehousing, funds should be allocated to NABARD for supporting all registered warehouses of WDRA to create grading and sorting infrastructure, along with commodity assaying capabilities