

Farming growth

The Budget offers necessary succour to the agriculture sector



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In all the intense debate over the claims and counter claims about GDP growth in the media, a few key points about agriculture often go unnoticed. The first of the lot is the fact that the growth rate in agricultural output in the past decade — 2004-05 to 2013-14 — has been at an average rate of 3.8 per cent.

To be fair, this is substantially higher than the less than 2 per cent growth in the previous decade. Not surprisingly, the recently revision of GDP figures by CSO indicates that the share of agriculture in GDP has increased from of 14 per cent to 18 per cent

The second point is that despite the drought during 2014, when rainfall was 12 per cent below normal (30 per cent for north-west India), the foodgrain production estimate for 2014-15 is at 257 million tonne (mt), or just 3 per cent below last year. Which means Indian agriculture has shown immense resilience, and India can take comfort in the fact that food security is not under threat.

Thirdly, India is a net exporter of agricultural commodities, and over 20 mt of foodgrain was exported in the past two years alone.

Lastly, the Wholesale Price Index on food inflation has shown that the inflation rate has come down from 9.4 per cent in 2013-14 to 4.8 per cent during April-December 2014. The recent cuts in diesel prices have further helped improve farm incomes.

That said, the census shows 90.3 million families dependent on agriculture. As a sector, agriculture provides livelihood to the highest number of people and will, therefore, always be central in all policy formulations.

Keeping these facts in the background, the Union Budget 2015-16 offers some key insights. The finance minister rightly mentions that there is an urgent need to create a national agriculture market for the benefit of the farmer. The Centre is expected to work with State

governments and the NITI Ayog to create a united national agricultural market. The NITI Ayog has an important task to deliver. It should also look at the whole gamut of APMC (agricultural produce market committee) reforms which the Economic Survey also talks about. The merger of the Forward Markets Commission with stock markets regulator SEBI will go a long way in improving the regulatory framework for agriculture commodities.

The target of providing electricity to the last 20,000 villages as well construct all weather roads to 1,78,000 inhabitants will complete the last loop, and reach out to the remotest part of our population. This will have a significant impact on the lives of isolated communities, and farmers will be able to access markets

The other important goal specifically outlined in the Budget is the Pradhan mantra gram Sinchai Yojna which aims at "Per Drop More Crop". The ₹5,300-crore provision to support micro irrigation and watershed development will make a significant dent in this space.

There is an ambitious programme of providing ₹25,000 crore as the corpus for Rural Infrastructure Development Fund in Nabard, ₹15,000 crore for Long-Term Rural Credit Fund, ₹45,000 crore

for Short Term Cooperative Rural Credit Refinance Fund and ₹1,5000 crore for short-term RRB Refinancing Fund. Clearly, this is a huge allocation for rebuilding 'Bharat'. With a total outlay ₹1 lakh crore, agriculture will get a boost.

The target for rural credit has been raised to ₹8.5 lakh crore so that farmers will not be constrained for working capital finance. With MNREGA allocations being increased, the robustness of the rural economy will be maintained along with the social objective of providing livelihood to the disadvantaged.

There are a couple of areas that have not found mention in this Budget, but as the finance minister says we are a 24X7, and a 365-days government, so the announcement may come later.

Enough nutrients

These relate to fertiliser subsidies and implementation of the high level report submitted by the Shanta Kumar Committee. This has implications on the fiscal health of the government as well the viability of the fertiliser industry. We need to wait to see to what extent the government implements the recommendations of the committee.

Finally, the individual State's commitment to agriculture will now be tested. We must remember, agriculture is a State subject and with a dramatic increase in resources in its hand, we can hope to see a substantial increase in allocations for agriculture, going forward.

It is also hoped that States will try and gradually correct the distortions caused giving free electricity. That can help restore the viability of State electricity distribution companies and protect the rapidly depleting ground water.

Therefore the finance minister in his first full Budget has successfully managed to do a balancing act and provide the necessary support for the agriculture sector.

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