

General Studies-3; Topic: Agriculture

Budget Proposals for Enhancing Farmers Income

1) Introduction

- Agriculture, which is the backbone of the country in terms of livelihood, has not been good in the last few years.
- Income in the hands of the farmers has remained substantially subdued over the past decades.
- The budget introduced several measure focused on improving the income and demand in rural India.

2) Present Status

- Growth of gross value added (GVA) in agriculture declined from 6.3% in 2016-17 to 2.1% in 2017-18.
- The average growth rate of agricultural GDP in the last four years was only 2.2% per annum.
- The Economic Survey also indicates that the level of agricultural GDP and real agricultural revenue has remained constant in the last four years.

3) Budget Proposals

- A minimum support price of 1.5 times the input cost for Kharif crop to farmers.
- Developing and upgrading the existing 22,000 rural haats into gramin agricultural markets (GrAMs).
- These GrAMs, electronically linked to e-NAM will provide farmers to make direct sale to consumers and bulk purchasers.
- Agri-Market Infrastructure Fund will be setup for developing and upgrading agricultural marketing infrastructure in the GrAMs and APMCs.
- Setting up of a fisheries and aquaculture infrastructure development fund (FAIDF) and animal husbandry infrastructure development fund (AHIDF) with a corpus of Rs10,000 crore.
- Doubling the allocation for the food processing sector.
- 100% tax deduction for Farmer producer companies.
- “Operation Greens” with an outlay of Rs 500 Crore to address the challenge of price volatility of perishable commodities like tomato, onion and potato.
- Organized cultivation of highly specialized medicinal and aromatic plants.
- Organic farming by Farmer Producer Organizations (FPOs) and Village Producers’ Organizations (VPOs) in large clusters will be encouraged.
- Re-structured National Bamboo Mission to promote bamboo sector in a holistic manner.
- Extending Kisan Credit Cards to fisheries and animal husbandry farmers to help them meet their working capital needs.
- Liberalizing farm export policies and setting up state-of-the-art testing facilities in mega food parks.

4) Problems faced by Farmers

- Farmers are not getting remunerative prices for their produce.
- MSPs are effective only for wheat and rice and, occasionally, for a couple of other crops in a handful of states.
- The distortions in the agricultural produce market committee (APMC) system.
- Both kharif and rabi crops are vulnerable to weather shocks.
- Water scarcity and limited efficiency in existing irrigation schemes.

- Significant price fluctuations in perishables such as onions, potatoes and tomatoes.

5) Concerns / Challenges

- It is not clear on the resources needed and how the MSP is going to be implemented.
- Allocation for the food processing sector is not enough.
- India processes only 10% of its fruits and vegetables, as compared to 40-70% in many other countries.
- The growth rate of farmer incomes between 2003 and 2013 was only 3.1% per annum. If we want to double farmer incomes, growth should be more than 10%.
- The budget has not talked about reducing subsidies and increasing investments.
- Decline in private investment in agriculture.
- Climate change might reduce farm incomes by up to 20-25% in the medium term.
- We need climate-resilient agriculture and the budget is silent on climate change and natural resource management.

6) Way Forward

- The public policy must show some urgency in revitalizing agriculture.
- The cultivation of horticulture crops in clusters would promote the value-chain to production and marketing.
- Farmer producer companies can help small and marginal farmers achieve economies of scale.
- Bring science and technology to farmers.
- Agricultural R&D is the main source of innovation, which is needed to sustain agricultural productivity growth in the long-term.
- Replacing untargeted subsidies (power and fertiliser) by direct income support.
- Extending irrigation via efficient drip and sprinkler technologies.

7) Conclusion

- The budget proposals for the agriculture sector are in the right direction but may not be enough to revive the sector and double farmer incomes.