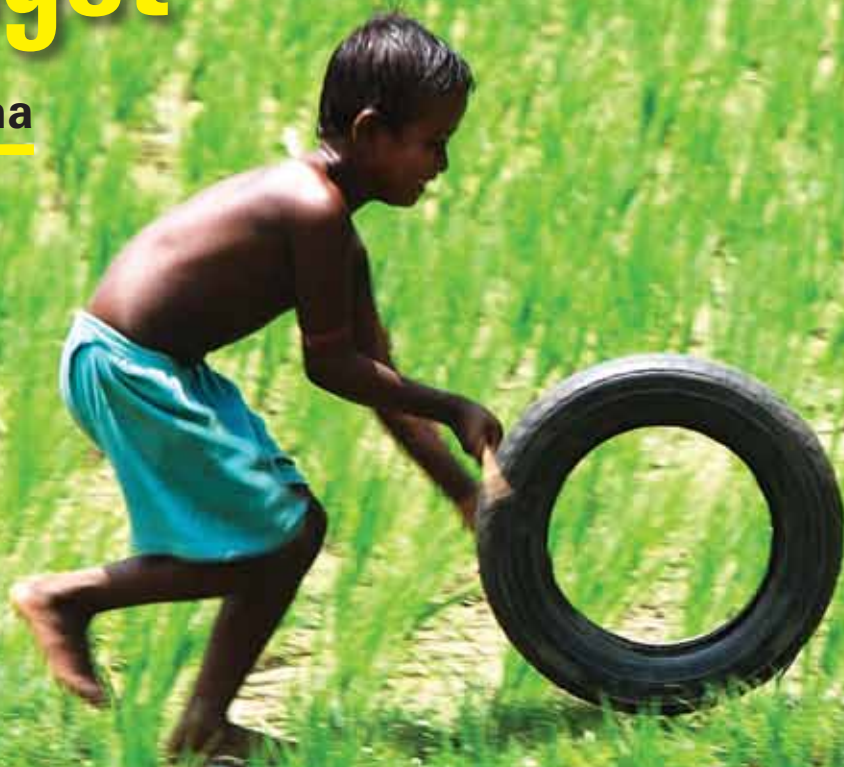


**COVER
STORY**

From Manifesto to Budget

Naresh Minocha





“Agriculture is the engine of India’s economic growth and the largest employer, and BJP commits highest priority to agricultural growth, increase in farmer’s income and rural development”.

*– BJP manifesto
Lok Sabha polls; April 2014.*

The Bharatiya Janata Party’s manifesto in 2014 said that the party would increase public investment in agriculture and rural development. It resolved to “take steps to enhance the profitability in agriculture, by ensuring a minimum of 50 per cent profits over the cost of production, cheaper agriculture inputs and credit; introducing latest technologies for farming and high yielding seeds and linking MGNREGA to agriculture”.



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The list of the BJP’s promises to the agriculture sector is long and cannot be fulfilled in one or two years. Nevertheless, it is natural for farmers and farm experts to expect a road-map for implementation of objectives listed in the manifesto. There can arguably be no better person than finance minister Mr Arun Jaitley to look towards for substantive steps in this direction in the forthcoming budget for 2015-16.

Mr Jaitley’s maiden budget, unveiled in July 2014, provided for token or small allocations towards implementation of certain promises. He had also announced a few schemes, some of which were under implementation for several years. Certain additional schemes are yet to be implemented. Before chipping in with a few ideas for the consideration of the finance minister for the 2015-16 budget, it would be appropriate to know the status of the farm-centric announcements in the budget for 2014-15.

Mr Jaitley had announced a new irrigation scheme named Pradhan Mantri Krishi Sinchayee Yojana with an allocation of ₹1,000 crore. The finance ministry admitted in the winter session of Parliament that a concept note on the scheme is under preparation. In its Mid-Year Economic Analysis (MYEA) 2014-2015 presented to Parliament on December 19, 2014, the ministry also admitted that the ₹50-crore budget announcement relating to the blue revolution and development of domestic cattle breeds are also in concept mode: “Concept Note on the Scheme ‘National Kamdhenu Breeding Centre’ has been approved by Hon’ble Agriculture Minister. EFC (Expenditure Finance Committee) memo has been circulated among the concerned ministries including Department of Expenditure. EFC memo on ‘Blue



revolution-Inland Fisheries' is being prepared".

Even a simple task such as launching a Kisan TV channel with ₹100-crore allocation is yet to take off. "EFC memo received from Prasar Bharati was circulated to all the appraisal agencies and comments of some of the stake holders have been received. SFC (Standing Finance Committee) Meeting under the Chairmanship of Secretary (I&B) is to be held for appraisal of Kisan Channel scheme", says the MYEA.

As for announcements that amount to old wine in new bottle, consider the case of soil health. The budget provided for issue of soil health card to farmers, overlooking the fact that lakhs of such cards have been issued by different states to growers under a centrally sponsored scheme named National Project on Management of Soil Health and Fertility (NPMSHF).

According to the Compendium on Soil Health issued by the agriculture ministry in January 2012: "0.74 crore soil health cards were issued to farmers during 2010-11 compared to about 0.57 crore during 2009-10". The MYEA explains: "EFC meeting held on 28.10.2014. New Scheme Soil Health Card will roll out in coming months". Have the existing soil health cards become soiled?

The Mid-Year Economic Analysis 2014-15 has nothing substantial to flaunt for backing up the budget's tall promise to roll out initiatives to herald the second green revolution

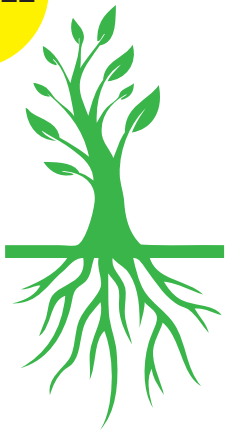
Mr Jaitley should address this question in the forthcoming budget speech.

Then again, the MYEA has nothing substantial to flaunt for backing up the budget's tall promise to roll out initiatives to herald the second green revolution. In his budget speech, Mr Jaitley had articulated the government's commitment to sustaining a four per cent growth in agriculture. He stated that "for this we will bring technology driven second green revolution with focus on higher productivity and include 'protein revolution' as an area of major focus".

The MYEA says: "NFSM-Pulses is implemented in 615 districts of 27 states for increasing the production and productivity of pulses. Additional area coverage for increasing pulses production: during *rabi*/summer 2014-15 is also being implemented for ₹224.42 crore. Adaptive research projects are being implemented by national and international research organization



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to address various research issues and gaps of potential yield and yield realized at farmers' field. Efforts are being made to promote area expansion in rice fallows and cultivation of pulses as inter-crop with oilseeds/commercial crops/coarse cereals etc".

The budget announcement to set up Price Stabilization Fund (PSF) to manage volatility in prices of agricultural commodities is turning out to be a damp squib. The MYEA's update on this proposal says: "A draft EFC memo proposing a revolving corpus fund of ₹500 crore for providing working capital to states and to central/state agencies for procurement and distribution of perishable agricultural and horticulture produce. The fund is proposed to be replenished @ ₹100 crore in 2015-16".

The government first shrunk the domain of PSF from agricultural produce to horticultural produce. The PSF's scope has been further reduced to two



staple vegetables in the draft operational guidelines for PSF released by the agriculture ministry on January 12, 2015 for seeking public comments! The draft says: “To begin with, interventions would be supported for onions and potato only. However, other commodities may be added later”.

The draft observes: “Horticultural commodities are not covered under the minimum support price (MSP) mechanism and therefore, the farmers, at times, do not even recover their cost of cultivation, being fully dependent upon the market for disposal of their produce. As a result, farmers suffer the most on account of steep fall in prices”.

If the budget created illusions of a vertical take-off to utopia among stakeholders, the MYEA

Table: Trends in the Country's Gross Domestic Product & Agricultural GDP

Period	Total GDP	Agriculture & Allied Sector GDP
2007-08	9.3	5.8
2008-09	6.7	0.1
2009-10	8.6	0.8
2010-11	8.9	8.6
2011-12	6.7	5.0
2012-13 (RE)	4.5	1.4
2013-14 (PE)	4.7	4.7

Source: Parliamentary Standing Committee on Agriculture, Report on Department of Agriculture & Co-operation's Demand for Grants 2014-15, 18 December 2014

Table: Decline in Share of Agriculture & Allied Sectors in the Country's Gross Domestic Product

(Rs in crore)

Items	Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
GDP of Agriculture and Allied Sectors	6,60,987	7,17,814	7,53,832	7,64,510	8,00,548
Per cent to total GDP	14.6	14.6	14.4	13.9	13.9

Source: Parliamentary Standing Committee on Agriculture, Report on Department of Agriculture & Co-operation's Demand for Grants 2014-15, 18 December 2014

Table: Annual Rate of Growth in Agriculture Investment and Input Subsidies from 1981-2012 at 2004-05 price (Rs Billion)

Average	Public GCFA	Private GCFA	GCFA	Input Subsidy	Irrigation	Credit	Power	Fertilizer	Input Subsidy
1981-1989	105	231	336	347	36	19	54	235	618
1990-1999	92	329	422	476	62	14	201	195	744
2000-2011	175	769	945	639	86	47	257	248	825
1981-2011	127	461	588	502	64	29	180	227	739
Annual Rate of Growth (per cent)									
1981-1989	-3.70	1.79	0.14	8.04	8.69	12.36	21.09	4.99	6.13
1990-1999	2.78	3.11	3.06	2.49	2.49	-10.24	11.87	-4.24	1.43
2000-2011	6.38	8.75	8.25	3.18	3.19	9.99	2.33	2.98	1.52
1981-2011	3.27	6.39	5.64	2.60	3.21	3.96	6.65	0.12	1.00

Note: GCFA - Gross Capital Formation in Agriculture

Source: Investment Priority for Poverty Reduction and Higher Agricultural Productivity, a presentation by Centre for the Study of Regional Development, Jawaharlal Nehru University (JNU)

Table: Number & Area of Operational Holdings as Disclosed in Rajya Sabha (Question dated December 12, 2014)

Category of Holdings	Number of Holdings			Area			Average Size of Holdings		
	2000-01*	2005-06*	2010-11	2000-01*	2005-06*	2010-11	2000-01*	2005-06*	2010-11(P)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Marginal (Less than 1 hectare)	75,408 (62.3)	83,694 (64.8)	92,356 (67.0)	29,814 (18.7)	32,026 (20.2)	35,410 (22.2)	0.40	0.38	0.38
Small (1.0 to 2.0 hectares)	22,695 (19.0)	23,930 (18.5)	24,705 (17.9)	32,139 (20.2)	33,101 (20.9)	35,136 (22.1)	1.42	1.38	1.42
Semi-Medium (2.0 to 4.0 hectares)	14,021 (11.8)	14,127 (10.9)	13,840 (10.1)	38,193 (24.0)	37,898 (23.9)	37,547 (23.6)	2.72	2.68	2.71
Medium (4.0 to 10.0 hectares)	6,577 (5.5)	6,375 (4.5)	5,856 (4.3)	38,217 (24.0)	36,583 (23.1)	33,709 (21.2)	5.81	5.74	5.76
Large (10.0 hectares and above)	1,230 (1.0)	1,096 (0.8)	1,000 (0.7)	21,072 (13.2)	18,715 (11.8)	17,379 (10.9)	17.12	17.08	17.37
All Holdings	1,19,931 (100.0)	1,29,222 (100.0)	1,37,757 (100.0)	1,59,436 (100.0)	1,58,323 (100.0)	1,59,180 (100.0)	1.33	1.23	1.16

No. of Holdings: ('000 Number)

Area Operated: ('000 Hectares)

Average Size: (Hectares)

* Excluding Jharkhand

Source : Department of Agriculture and Co-operation (Agriculture Census 2010-11, Provisional) Agricultural Statistics at a Glance 2013

served as a fizz-out of gas from a hot-air balloon for certain budgetary announcements. This happened during the United Progressive Alliance (UPA) government too. This, despite the fact that there is no substitute for public investment in farming and allied areas, which serves as the most important propeller for holistic growth in agriculture.

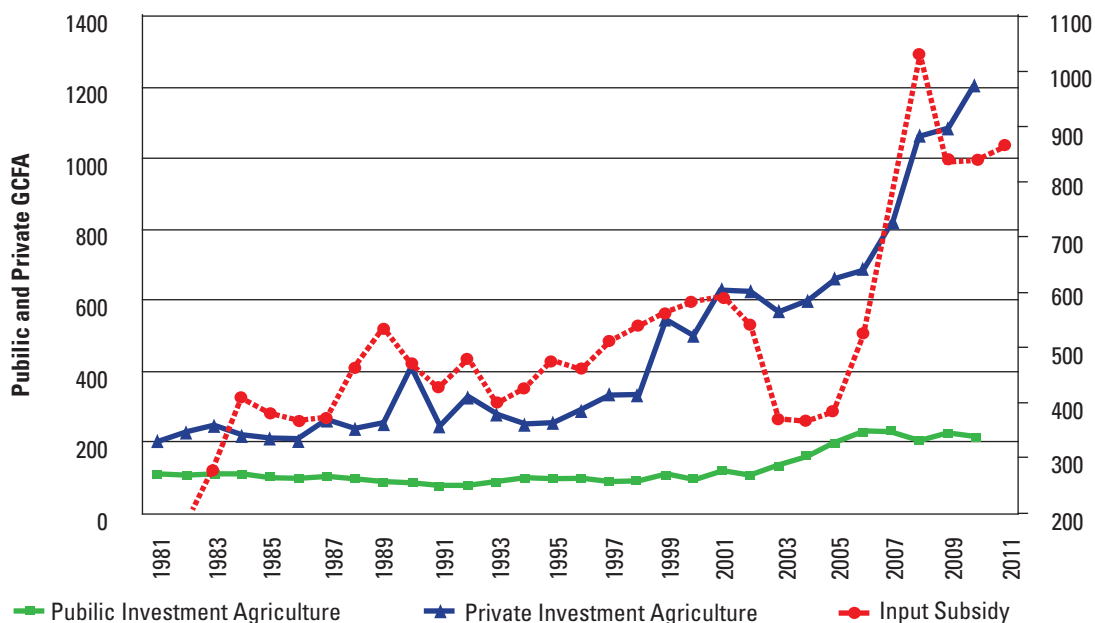
A presentation by Centre for the Study of Regional Development, Jawaharlal Nehru University (JNU) says: "Social benefits from agricultural expenditure are far greater than the private producer benefits. Amount spent by private sector tends to be lower than the socially optimal level, and this under-provision creates a rationale

for the public provision of such goods".

The presentation, 'Investment Priority for Poverty Reduction and Higher Agricultural Productivity' given to the National Food Security Mission (NFSM) in November 2014 notes: "Investments in agriculture (both public and private) have increased at a much faster rate during 2000 compared to subsidies; subsidies not crowded out public investment. Investment and subsidy distribution across states continues to be extremely unequal. Relative decline in expenditure on economic heads – agriculture, irrigation and rural development have borne the maximum brunt".

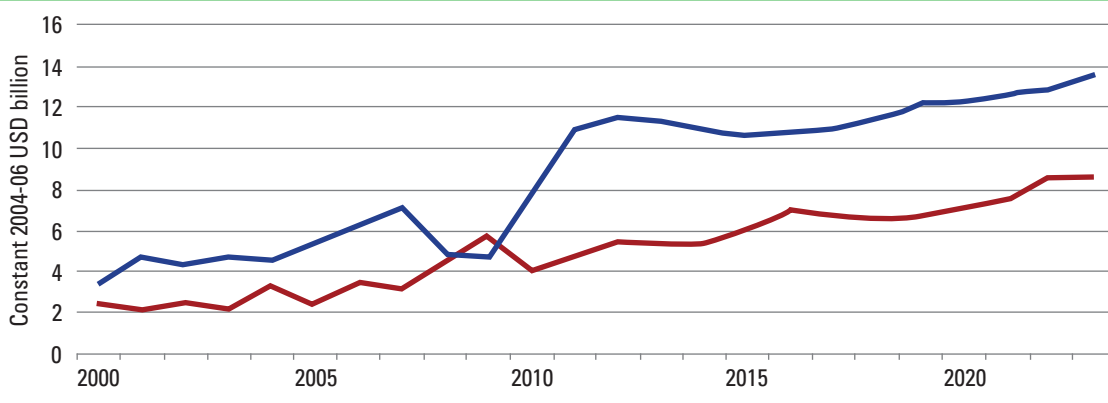
The answers to parliamentary questions during the

Public and Private Investment in Agriculture and Input Subsidy, Rs Billion at 2004-05 Price



Source: Investment Priority for Poverty Reduction and Higher Agricultural Productivity, a presentation by Centre for the Study of Regional Development, Jawaharlal Nehru University (JNU) to National Food Security Mission, 10th November 2014

In real terms India exports and imports will rise, stable on net basis



The country's foreign trade in farm commodities as projected by OECD-FAO Agricultural Outlook 2014-2023

last two sessions confirm the belief that the budget is more a joy-ride for farmers than a flight to *achche din*. The reply to a precise question raised in Rajya Sabha on December 19, 2014 is an eye-opener. The question was: "Whether Prime Minister's Office has sent any proposal to the ministry for implementation of the report of Swaminathan Commission and provision of MSP at the rate of 1.5 times the cost of agricultural production, if so, the details thereof, and the response of government thereto; and (b) whether government would provide MSP at the rate of 1.5 times the cost of agricultural production from next crop season, if so, the details thereof, and if not, the reasons thereof?"

The official reply: "Swaminathan Commission's Report on Farmers had recommended that the MSP should be at least 50 per cent more than the weighted average cost of production. This recommendation was not accepted by the government as minimum support price is recommended by Commission of Agricultural Costs and Prices (CACAP) on objective criteria, considering a variety of relevant factors. It was thought that prescribing an increase of at least 50 per cent of cost might distort the market. A mechanical linkage between MSP and cost of production may be counterproductive in some cases... A committee consisting representatives of the state governments and farmers has been



constituted to examine methodological issues in fixing MSP”.

Does this reply not indicate that the government is back-tracking on BJP’s solemn resolve to ensure a minimum of 50 per cent profits over the cost of production? The government stance also put a question mark over the Prime Minister Mr Narendra Modi’s tweet on this subject sent during the Lok Sabha election campaign. On April 6, 2014, Mr Modi had tweeted: “Why should our farmers not get the right price? Farmers are not begging, they worked hard for it and should get good prices.”

As for other steps being taken by the government to improve the profitability of farming sector, the official reply dated December 12, 2014 says: “The government is implementing various missions, schemes and projects, which facilitate production, availability and distribution of quality seeds and fertilizers to farmers. Details of these initiatives are appended...”.

Consider now the subject of coping with the agrarian crisis and the consequent farmers’ suicides, the reply to a question dated 19 December 2014 says: “Agriculture is a state subject under the Constitution and therefore, states are primarily responsible for development of agriculture sector and welfare of farmers including payment of compensation to the victims of suicides. Government of India has however, taken several steps to revitalize the agriculture sector and improve upon the condition of farming community on sustainable basis by increasing public investment, improving farm practices, rural infrastructure, extension, marketing, etc. Various programmes/schemes for the development of agriculture sector are being implemented in a decentralized manner with flexibility to state governments to formulate and implement appropriate projects to suit their specific requirements...”.

Asked whether the government had taken any

The Swaminathan Commission had recommended that the MSP should be at least 50 per cent more than the weighted average cost of production. This recommendation was not accepted by the government

What if? A fairy tale of good agri-governance

The Agriculture Caring Party (ACP) comes to power at the centre for the first time since Indian independence. The electorate, comprising food producers and consumers, vote for a party with a long-term vision for sustainable agriculture and food security. Unlike other political parties that make rosy promises to farmers prior to elections and backtrack, the ACP is committed to honouring its promises. It stays focused on its commitment to reinvent agriculture, usher in the second green revolution, end the agrarian crisis and make farming a viable platform for building a value chain for manufacturing and services.

The ACP, however, finds it cannot achieve its agri-led agenda for growth as it is outnumbered in the Rajya Sabha. It, then takes a cue from the preceding BJP-led NDA government, which issued 10 ordinances in its first seven months of operations. The ordinances, among other things, liberalize foreign investment in the insurance sector, open up coal mining to private sector with freedom for sale of coal in the open market and provide better deal to non-resident Indians. The agriculture sector does not figure in the NDA’s scheme of ordinance raj.

Armed with a robust majority in the Lok Sabha like NDA-III, the ACP is confident of converting all ordinances into enactments through the channel of joint sitting of both houses of Parliament. The ACP then finds that all NDA’s predecessors, irrespective of political hues had also resorted to promulgation of ordinances on various issues due to several reasons, including corporate lobbying. The only common feature of all political regimes was neglect of agriculture-focused legislation.

The ACP then asks the Ministry of Agriculture and Co-operation and other related ministries to identify long-pending and urgent issues that require legal interventions. Even before the list is prepared, an MP finds that two bills, crucial for heralding the second green revolution, are pending in the Rajya Sabha. These are the Seeds Bill, 2004 that was introduced by UPA-I in December 2004 and the Pesticides Management Bill 2008 that was also introduced by UPA-I in October 2008.

At a meeting of the ACP’s Parliamentary Board, the same MP tells his colleagues that these bills were gathering dust in Parliament because the agriculture sector does not know the ‘ABCD of lobbying’. The farmers only know how to agitate





and when they agitate forcefully, the government of the day listens. The concern peters out shortly after farmers agree to go back to farms. This has been the pattern since the Independence.

In the case of the two pending bills, the farmers did not lobby and the lobbyist in the seeds and pesticides industry could hardly outsmart the big brothers of the corporate world, who had ready access to the government machinery right from the Prime Minister to a section officer in any ministry.

The ACP decides to act responsibly. Instead of opting for easy option of promulgating ordinances, it revives the seed and pesticides bills in Rajya Sabha. It updates them by moving official amendments to the bills. Knowing well that it would fail to get the bills passed in Rajya Sabha, it sticks to good constitutional governance instead of standing on false prestige. After the bills are defeated in the Upper House, it calls for joint sitting where both the bills are passed, thereby paving the legal way for the second green revolution.

The ACP updates the Seeds Bill by incorporating provisions for safe trail of genetically engineered seeds and their commercial launch, overriding restrictive provisions that exists any other law. As the ACP is an environmentally-responsible party, it wants

farmers to embrace genetically modified seeds that are tailored for efficient use of water and fertilizers and can withstand many pests and adverse weather and agronomic factors. The updated Pesticides Management Bill also facilitates integrated pest control techniques. It also creates robust ecosystem for development and launch of new formulations.

The Ministry of Water Resources also pitches before the cabinet for its approval of two important draft legislations, National Water Framework Bill and River Basin Management Bill that were unveiled for public comment by UPA-II in June 2013. The bills are crucial for not only fulfilling the UPA's but also the NDA's vision for bringing water to every field as well as for industrial development and meeting other commercial and residential requirements.

Though agricultural marketing is a state subject, yet the ACP opts for public consultation to explore options for giving a legal framework for transforming the country into a seamless national agricultural market.

Why can this fairytale be transformed into a resolute action by the Modi sarkar? The least it can do is to announce its intent to separately roll-out a roadmap to 're-architecture' farm laws.



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steps to transform wastelands into cultivable land, the reply to a question dated December 19, 2014 says: “As per the Seventh Schedule of the Constitution of India, land and its management comes under the purview of state governments and, therefore, it is for the state governments to take suitable steps to convert cultivable waste land into agricultural land”.

A glance through such replies shows absence of any innovative initiative so far. The government has perhaps reserved new ideas on agriculture for the forthcoming budget speech of Mr Jaitley. While no one knows what the finance minister has up in his sleeves for the farming sector he is certainly open to all ideas from all quarters.

One good idea to pitch before Mr Jaitley is to make quantum jump in allocations for soil health, organic manure and bio-fertilizers to coincide with observation of 2015 as International Year of Soils (IYS) by Food and Agriculture Organization (FAO). Experience shows that annual allocations for protection of soil health and production of both organic and bio-fertilizers are woefully inadequate.

The sufficient and timely availability of diverse grades of these two fertilizers at affordable prices is required not only to protect soil health but also improve crop yields. The government should unveil a scheme to enhance the participation of agri-input

companies, hotels, big restaurants, *mandis* and waste processing units in the production of organic fertilizers manufactures from food wastes.

It should also give a big boost to production of bio-fertilizers by agri-entrepreneurs, co-operatives and farmer producer companies as this business requires modest capital investments. The scheme should facilitate marketing of the products of these ventures by chemical companies that have vast market reach. As for soil protection, the centre should create enact a law that would enable the states to levy tax on fallow land in both urban and rural areas. This would also force real estate companies to cover their acquired land parcels with greenery.

Mr Jaitley must show the political spine to bring urea under nutrient-based subsidy (NBS), an idea that has been recommended time and again by all stakeholders including official committees. If it cannot be done in one shot, let it done in a span of three years or so. The NBS scheme should cover all nutrients and all fertilizers including liquid ones. This would facilitate balanced application of fertilizers, thereby improving yields and minimizing damage to soils caused by imbalanced application of nutrients.

To ensure that companies pass on the subsidy to farmers and to free them from serving as conduits for subsidy, the government should revive the idea

of cash transfer of subsidy to farmers and share-croppers. A clear and firm road-map in this realm would free the companies from the blemish of pocketing a part of subsidy. The resulting decontrol of fertilizer prices would facilitate massive and diversified investment in fertilizer sector.

Decontrol should signal the entry of refineries in production of urea through the gasification of petroleum coke that they produce as by-product in large volumes. Put simply, fertilizer subsidy reforms can create generate multiple benefits. It is the political short-sightedness that is preventing the flow of benefits to farmers, industry and the unemployed persons. These reforms would thus also facilitate increase in application of liquid fertilizers along with irrigation water through drip irrigation systems.

Another immediate challenge that should attract Mr Jaitley's attention is the incessant fragmentation of farm holdings due to population explosion. The country is entering the age of micro-farming in the increasingly globalized economy. The Indian Council of Agricultural Research (ICAR) in its

shrinking farms is a dramatic increase in yields, for which genetically modified (GM) seeds are the pre-requisite. The NDA government has embraced the UPA's policy paralysis in this area. Let the budget serve as platform for ending the current freeze on field trial and commercial launch of GM seeds.

- The budget should also provide for a scheme for promotion of companies that would lease the entire range of farm equipment to small and marginal farmers.
- The long-term solution to land and population pressure lies in vertical farming. The budget should provide for additional R&D allocation for this relatively unexplored terrain.
- The government should also create awareness about the scope and importance of growing creepers along with ornamental plants near the boundary walls/fences of buildings across the country. This should improve the supply of availability of vegetables and fruits borne by creepers.

More such initiatives can be thought of to ward off the impending slow-down in the country's agricultural growth. According to the OECD-

The average size of landholding in India would be mere 0.68 ha in 2020 and would be further reduced to a low of 0.32 ha in 2030. This is a very complex problem

Vision 2030 released in January 2011 says: "The average size of the landholding declined to 1.32 ha in 2000-01 from 2.30 ha in 1970-71, and absolute number of operational holdings increased from about 70 million to 121 million. If this trend continues, the average size of landholding in India would be mere 0.68 ha in 2020 and would be further reduced to a low of 0.32 ha in 2030. This is a very complex and serious problem, when share of agriculture in gross domestic product is declining, average size of landholding is contracting (also fragmenting), and number of operational holdings are increasing".

Further, "Declining size of landholdings without any alternative income augmenting opportunity is resulting in fall in farm income, causing agrarian distress. A large number of smallholders have to move to post harvest and non-farm activities to augment their income. The research focus should be to evolve technologies and management options to suit needs of smallholders' agriculture and also to involve them in agri-supply chain through institutional innovations".

The easiest way to increase income from

FAO Agricultural Outlook 2014-2023 released in July 2014, Indian annual agricultural growth is projected to decline from 4.6 per cent in the last decade to three per cent over the next decade. Even the lower growth would be enough to raise per capita supplies considerably.

In a chapter titled 'Feeding India: Prospects and Challenges in the Next Decade', the Outlook adds: "Key uncertainties in this scenario lie in India's macro performance, productivity/yield growth and the viability of government programmes. Sustained high income growth is the most critical ingredient to realization of the outcomes of the outlook scenario. But so is continued strong productivity growth, which, given the policy framework, will be key to preventing higher domestic prices that would reduce consumption". The slow-down in growth can obviously constrain the export of farm commodities and processed food products.

Mr Jaitley has thus a policy and investment challenge at hand to overcome risks of slow-down in agricultural growth, apart from honouring the BJP's polls promise in letter and spirit. ●

