

Farm Productivity to Income Inclusiveness

*J P Mishra
Shivalika Gupta*



The government walked the talk of doubling farmers' incomes through a financial sanction to the discourse of shifting away from farm production/productivity to income inclusiveness with a clear, actionable roadmap. There is a logical progression to how the programmatic framework to deal with agriculture-allied sector has evolved over previous 3 years from production to income security in agriculture to post harvest challenges to livelihood generation. Income security has been a recurring theme in all the three previous budgets

The Union Budget 2018-19 is an exemplary effort for Sabka Sath Sabka Vikas. The budget puts all its weight for improving the agrarian economy and has a suitable blend of inclusiveness, innovations and out of box initiatives. The emphasis laid on income rather than production alone has been an obvious choice as though, input intensive agriculture, so far, has transformed a food deficit nation into food surplus and net exporter, but the impressive gains of technology were harnessed largely in select geographies leaving large tracts that do not enjoy the luxury of adequate water at all quarters of the years, far behind. The declining size of farms, depleting resources and escalating costs of applied inputs and farm labourers has reduced the net return from farming. The call given by the Hon'ble Prime Minister to double the farmers' income by 2022 has been put in the right perspective through this budget. The strategy revolves around raising farmers' welfare and ending agrarian distress by using comprehensive 'production, process and market' approach through higher investments on market infrastructure, processing, value addition and agri-business, and diversification along with farmers' welfare initiatives.

India's long neglected agrarian prowess found its deserving mark in the Finance Minister's budget speech for the financial year 2018-19. The proposed financial statement presented on 1st February, 2018 is a bold outline for a multi-dimensional attack on farmer distress. It is comprehensively anchored around inclusiveness with a focus on innovations, income, investment and rural infrastructure. On a budgetary note, the increase in allocations to agriculture and allied sector for the financial year 2018-19 at about 15 percent looks slightly lower, but the inter se priorities has set the tone and the tenor in which the Government wants to deal with farmers' risks with 22 percent higher allocation to crop insurance under PM Fasal Bima Yojana than previous year. The higher allocation for organic farming value chain, high value commodities, critical inputs and services, and farm credit is the evidence that farmers and farming are the corner stone for the Government. The allocation for seed is demand driven which gets augmented every year at RE stage. The processing and value addition has been a weak area so far which has got tremendous focus in the budgetary allocation with Ministry of Food Processing Industries being

J P Mishra is Adviser (Agriculture) NITI Aayog, Government of India. He is an Agronomist and has worked over 23 years in Agricultural Research and Development. He has also worked with flagship programmes like National Food Security Mission and Rastriya Krishi Vikas Yojana of Ministry of Agriculture.

Shivalika Gupta is a Young Professional, NITI Aayog, Government of India, New Delhi

Higher Budgetary Allocation (Table-1)

S No	Department/Ministry	2016-17	2017-18	2018-19	per cent change
1	M/O Agriculture	44,500	50,264	57,600	15 per cent
1.1	DACFW	36,912	41,105	46,700	14 per cent
1.2	DAHDF	1,858	2,167	3,100	43 per cent
1.3	DARE	5,729	6,992	7,800	12 per cent
2	M/O Food Processing Industries	713	715	1,400	96 per cent

allocated with almost 100 per cent increase over 2017-18 (Table 1).

The comparative statement of actual expenditure of 2016-17, revised estimates of 2017-18 and the budgetary allocation of 2018-19 obviously indicate a definite trend of priority setting of the Government. All the critical segments of Indian Farming have been focussed with higher budgetary allocation (Table 2) and the continuum has been brought under more inclusion with some of the path breaking statements of action envisaged in the Union Budget 2018-19. A clear set of initiatives marking a paradigm shift in the fundamental

way of approaching agricultural sector has been envisaged. While doing so, the Government has successfully identified the limiting factors impeding farmers' ability to realise their much deserved income.

A Paradigm Shift: Broadened Scope & Operation

Vast disparities within the sector do exist. The Census 2011 data revealed that nearly 55 percent agriculturalists are agricultural labour. The SECC 2011 data estimates 56.4 percent of rural households to be landless. A minimum of 16.44 million workers depend on livestock rearing

and fisheries for livelihood. The policy derivatives emphasised in the Union Budget 2018-19 will have long lasting impact on the nation's agricultural landscape owing to their inclusive nature. The Budget explicitly recognises agriculture as an enterprise. The approach is empowering to the farmers given the historical treatment of farmers as passive recipients of benefits of the Government's schemes. To this effect, the judicious use of resources to ensure outreach to a wide spectrum of stakeholders within agriculture – ranging from small and marginal farmers, fishery farmers, animal husbandry – including food processing and rural connectivity not only recognises and mainstreams agriculturalists but also gives an out of box directional changes to include lessee cultivators, livestock rearers, small fish growers under the ambit of farm credit. Needless to mention the importance of this sole sector as it supports more than 50 percent of the country's workforce. The agriculture-allied sector is at the very foundation of rural prosperity, where 70 percent India still resides.

Table 2: Larger Focus on Critical Areas of Agri and Agri-business

Priority Area	GOI Programmes	2016-17	2017-18	2018-19	per cent change
Risk Management	P M Fasal Bima Yojana	11,051.00	10,699.00	13,000.00	22 per cent
Organic Farming	Organic Value Chain Development for NER	48.20	100	160	60 per cent
High Value Commodities	Mission on Horti. Development	1,493.07	2,190.00	2536	16 per cent
Quality Inputs and ToT	Seed and Planting	167.85	480.00	332.00	-31 per cent
	Plant Protection	137.86	62.66	129.25	106 per cent
	Agri Extension	590.46	821.00	1,020.00	24 per cent
	Farm Mechanization	366.93	776.71	1,165.29	50 per cent
Water positive Investments	PMKSY-Har Khetko Pani	439.8	1888	2600	79 per cent
	PMKSY -Per Drop More Crop	1991.25	3000	4000	33 per cent
Low cost credit to farmers	Agri credit to farmers	900000	1000000	1100000	10 per cent
White Revolution	Livestock Mission, LHDC	1309.16	1632.97	2219.89	36 per cent
Blue Revolution	Integrated Dev of Fisheries	387.81	301.73	642.61	113 per cent
Processing & Value Addition	PM Kisan Sampada Yojana	-	-	1313.08	-

The government walked the talk of doubling farmers' incomes through a financial sanction to the discourse of shifting away from farm production/productivity to income inclusiveness with a clear, actionable roadmap. There is a logical progression to how the programmatic framework to deal with agriculture-allied sector has evolved over previous 3 years from production to income security in agriculture to post harvest challenges to livelihood generation. Income security has been a recurring theme in all the three previous budgets. PradhanMantriFasalBimaYojana, announced in the second year of the government's incumbency for securing a farmer's economic position, now covers 26.50 percent of farmer population. It became a game changer in the sense that coverage of non-loanee farmer increased by 6 times in Kharif 2017. Initiatives were launched on micro-irrigation, soil health and organic farming to ensure sustainability in agriculture. The discourse on soil health cards has moved ahead to explore benefitting uses of the tool, beyond merely ensuring outreach. Till now, 11.5 crores soil health cards have been dispatched by the government. 470 markets have been

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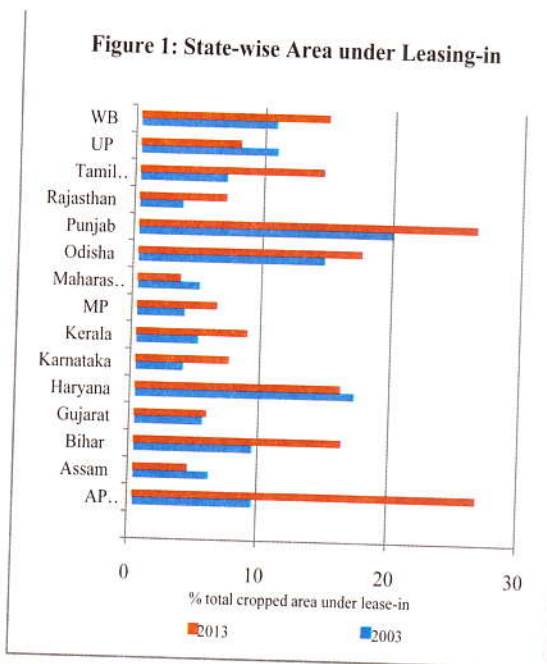
'OPERATION GREENS'

- ❖ On the lines of "Operation Flood"; to address price volatility of perishable commodities like potato, tomato and onion
- ❖ Will promote Farmer Producers Organizations (FPOs), agri-logistics, processing facilities and professional management
- ❖ Allocation of Rs. 500 crore

linked to e-National Agriculture Market platform so far. Infrastructure building for the livestock sector also has been a recurring theme in the preceding budgets. The road network has been systematically planned to improve access to rural habitations, and hence agricultural markets. PM KisanSampadaYojana is the real approach to link the major production clusters with processing and post-harvest management for value addition.

so far, this credit was available to only those cultivators having land titles or some license for availing institutional credit as in the case of AP Licence for bank credit to lessee cultivators. This arrangement has left behind a significant part of population involved in farming on lease in land. The number of tenant cultivators in the country is difficult to estimate given that most cases go unreported. However, the estimates have indicated the number of lessee cultivators increasing over years and more than one-third amongst them are landless, while close to 56 percent are marginal landowners. The various NSSO surveys have indicated a significant increase in lessee cultivators over years. They cultivate over 25 per cent of total operational holdings in some States (Figure 1). The other interesting fact is that the land leased-in by pure tenants (the landless households tiling land by leasing in) increased by over 2.5 times since 1991 (from about 12.1 per cent in 1991 to 30 per cent by 2012-13). In some of the states this number has doubled during 2003 to 2013 (Figure 2). This significant increase in pure tenants signifies the role of landless households' contribution in achieving food security but without any incentives

Figure 1: State-wise Area under Leasing-in



Inclusiveness: Focusing The Unfocused

A regular increase in volume of institutional credit in the budget for agriculture since 2004 saw a great fillip in the farm credit availability and flow, albeit with regional variations and inter se prioritization. The target of Rs. 11 lakh crore agricultural credit for the year 2018-19 will help give the much needed push for private investment in agriculture along with raising farm level productivity. However,

for credit, relief and government programmes. This has clearly set the action to include the large and actively contributing farming population under the institutional credit network. The Union Budget 2018-19 made a focused announcement to make access to credit inclusive. NITI Aayog is mandated to find novel approaches to mainstream these tenant farmers by strengthening their access to crop loans for augmenting their economic viability and social status; including improving their access to other farm, off-farm and non-farm employment opportunities along with farming on lease. Another landmark initiative in the Budget 2018-19 is towards viewing agriculture in its entirety by extending credit facilities to farmers engaged in fishery and animal husbandry on the same pattern as crop loans under Kisan Credit Card Scheme. It is noteworthy, that animal, dairying and fisheries contribute to almost 27 percent of agricultural GVA with a potential to directly impact status of small, marginal and landless farm households. The importance of the sector is also amply reflected in the 31 percent increase in allocation to Department of Animal Husbandry, Dairying and Fisheries. Much needed public investment for the infrastructure creation in animal husbandry and fisheries sector has also been catered to through 2 new corporates with a cumulative amount of Rs. 10000 crore. The National Health Protection Scheme providing coverage to 10 crore households will be the silver lining in the cloud to millions of rural households including farmers.

Market and Remunerative Price to All

Inclusive MSP

Minimum Support Price under price support mechanism, so far, has been limited to select crops and select geographies of the country. Another criticism of MSP has been that it often does not provide adequate incentive over cost of production. In a first of its

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BAMBOO IS 'GREEN GOLD'

- ❖ Bamboo grown outside forest areas have been removed from the definition of trees
- ❖ Launch of Re-structured National Bamboo Mission
- ❖ An outlay of Rs. 1290 crore has been allocated to promote bamboo sector in a holistic manner

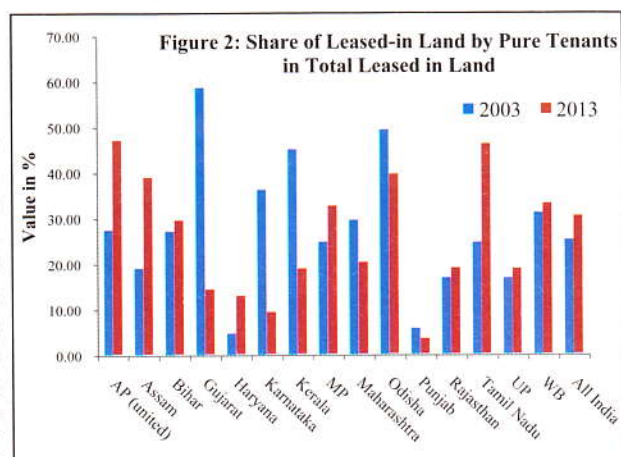
kind announcement, the Government has directed NITI Aayog to suggest alternate mechanisms for ensuring receipt of MSP equivalent returns to the farmer. Often the farmer is forced to sell at market prices below MSP with no option of realising a higher income. The Government has stepped forward to formulate initiatives to purchase produce at MSP or through some other mechanism to ensure that at least the amount declared as MSP reaches the farmer. The announcement is a welcome move given the think tank's recent appraisal of MP's *Bhaavantar Yojana* (Price Deficiency Payments) as one such alternate mechanism. That the MSP itself is now mandated to be pegged 'in-principle' at 50 percent higher

than the production cost of the farmer is another step towards ensuring income inclusiveness. The NITI Aayog has been mandated to work on Artificial Intelligence in different sectors including agriculture. This will help in optimization of resources for better planning and

Market near the Farm Gate

guiding the farmers to produce based on the future demands.

One of the reasons for the vast gap between farm harvest price and MSP is limitations to market access. Nearly 85 percent of the total cultivators belong to small and marginal category; their access to markets is limited owing to low scale of production. The absence of linkage between the farmer and the wholesale markets has been long impeding the formation of an accessible, decentralised market structure. The Government has set aside Rs. 2000 crores for upgrading 22000 rural periodic markets into Grameen Agricultural Markets (GrAMS) to



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GRAMIN AGRICULTURAL MARKETS (GrAMs)

- ❖ Rs.2000 crore Agri-Market Infrastructure Fund for developing and upgrading agricultural marketing infrastructure to be set up
- ❖ Electronically linked to e-NAM and exempted from regulations of APMCs
- ❖ Will provide facility to farmers to make direct sale to consumers and bulk purchasers

serve as multipurpose platforms for assembly, aggregation and local retail. GrAMs will provide systemic linkage access points to realise the vision of a unified national market by bringing primary post production activities to farmers at village level. To complete the perspective, the Prime Minister Gram Sadak Yojana Phase 3 will pay special attention to connecting habitations with GrAMs through all-weather roads.

Valuing the Value Chain System

An unabashed thrust on rural livelihoods—both on farm and non-farm—envisages cultivating a paraphernalia for remunerative village level agricultural value chain development, infrastructure creation and price realisation at farmers' level. An explicit focus on cluster based approach to developing agriculture in a dispersed manner can potentially form the basis of future public and private agribusiness initiatives. Further, aggregation through Farmer Producer Companies (FPCs) has a dominant role in bringing forth specialisation and scale to an otherwise fragmented sector, along with necessary managerial and technical backing. A 100 percent tax

deduction to FPCs with turnover of less than Rs. 100 crore will go a long way to make these units economically viable. FPOs also form the cornerstone of newly launched Operation Greens for managing supply of Onion, Potato and Tomato (OPT) throughout the year. A separate corpus of Rs. 500 crore will be utilised for Operation Greens to promote agri-logistics, processing facilities and professional management for OPT crops.

The allocation for food processing sector, as important as it is to contribute nearly 8.80 percent and 8.30 percent GVA in manufacturing and agriculture respectively, has been nearly doubled from Rs. 715 crore in 2017-18 to Rs. 1400 crore in 2018-19. Unexploited agriculture export capacity (USD 70 billion) of the country is indicated to be utilised through targeted export liberalisation measures and testing infrastructure creation in all of the 42 Mega Food Parks.

High Value Commodities

High value commodities such as horticulture and Medicinal & Aromatic Plants (MAPs) have received special attention in the budget to augment the farm income. An estimated

8,000 species of medicinal herbs and medicinal plants are found in the country. Indian fragrance market is reported to have showcased a steady growth in the past, with The Economist's Intelligence Unit estimating the sales value of perfumes and fragrances in India as USD 3169 million. While Operation Greens will help provide a push to perishable horticulture produce, a sum of Rs. 200 crore has been set aside for supporting organized cultivation of MAPs for the benefit of MSMEs in the associated industry. Much work has been undertaken in the previous two years by NITI Aayog with other ministerial stakeholders in the domain of demand and supply forecasts in agriculture, a sanction for the same in the budget proposal is encouraging.

Natural Resources and Sustainability

The price and productivity incentivization in Union Budget 2018-19 has been carefully intertwined with an equal focus on modern day sustainability factors. Farmer Producer Organisations are recognised as potent vehicles to usher in initiatives to promote organic farming with a proposed scale of 1000 ha each. The allocation to Organic Value Chain Development for North East Region has been increased by 60 per cent. The North Eastern Region is largely organic by default and offers unique scope for exporting organic produce under ASEAN and Act East policy of the Government. The water positive investments under PMKSY-HarKhetKoPani and PMKSY-Per drop More Crop has been increased by 38 and 33 percent, respectively for the year 2018-19. The ambit of the PM Krishi Sinchayi Yojana (PMKSY) scheme will be expanded to counter the deteriorating ground water condition by focussing energies on 96 deprived districts where less than 30 percent landholdings get assured irrigation. A special scheme with state level inter-governmental

cooperation to subsidise machinery for in-situ management of crop residue has also been declared in response to the deteriorating air quality in Delhi during winters. The announcement is in sync with this year's Economic Survey asserting contribution of smoke from burning fields post harvesting paddy in North India. Mechanisms to sell surplus solar power by farmers to electricity grids and distribution companies instinctively combine income generation and sustainability targets. Galvanizing Organic Bio-Agro Resources Dhan (GOBAR-DHAN) Scheme has been announced for management and conversion of cattle dung and solid waste in farms to compost, fertilizer, bio-gas and bio-CNG. The Union Budget has also given a due thrust on convergence of programmes in 115 aspirational districts identified by NITI Aayog to transform them as a mission to usher in New India by 2022. The focus in these Aspirational districts would be transforming health, nutrition, education, agriculture, digital connectivity, skill development and basic infrastructure.

Conclusion

The Union Budget has firmly recognised the belief that developing a favourable rural ecosystem is the imperative for agriculture to sustain as an industry. Sufficient continuity can be seen through inclusion of command area development projects under the previously announced Long Term Irrigation Fund with initial corpus of Rs 20000 crore. Easier access to electricity, LPG connections, sanitation, housing, and health announced through various initiatives through budget proposal cumulatively add to the vision of doubling farmers' incomes. The increase in allocation to National Rural Livelihood Mission by 28 percent compared to the previous year and launch of revamped

National Bamboo Mission with an outlay of Rs. 1290 crore would play a critical role in augmenting the farm and non-farm income and employment in rural India. The distribution of funds seems to indicate a reorientation of financial resources towards pre-determined, sharp and key actionable initiatives that can yield results in a short period. The previous year's budget cuts for research and development in crop sciences and animal sciences has seen a welcome reversal with these sub-heads witnessing 78 percent and 47 percent increase respectively for the year 2018-19. This has been much awaited and timely as future agricultural growth needs path breaking technologies that

require huge investment in research and institutional strengthening. The pattern of the allocation for the year 2018-19 reflects a sharpened focus of budget spending on specific pressure points to propel rural agricultural development in a holistic manner. It has been anchored around the 'Farmers' Welfare' with due focus on inclusion, innovation, employment, and sustainability. The inventiveness of this year's financial statement is in the careful use of limited funds for an appropriate mix of key initiatives. Grounding these initiatives at the earliest will usher in a new development full of prosperity and inclusiveness in the country. □

(E-mail: mishrajaip@gmail.com)


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