



Budget 2020 | Economic revival has agriculture as a good starting point

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Since public memory is short, there is every likelihood that food inflation of 14.12 per cent in December 2019 will obfuscate the last four year's history of low prices of food items. Vocal sections of urban India would do well to remember that in January 2017, May to August 2017 and July 2018 to January 2019, food inflation in urban areas was in the negative and for many crops, farmers were not recovering even their cost of cultivation.

The current surge in food inflation should not hide the fact that the agriculture sector has been facing acute distress. Recent rise in food prices, especially vegetables, will not sustain for long as a bumper rabi crop will cause dip in prices of most food crops.

In March 2018, nearly 50,000 farmers and tribals marched from Nashik to Mumbai in the Kisan Long March. This was followed by a similar gathering of farmers and agricultural labourers in Delhi in November 2018. It was probably the result of these large demonstrations that persuaded the government to announce PM-Kisan in the interim budget of 2019-20. Though an amount of Rs 75,000 crore was budgeted in FY2020, it will

not provide any support to sharecroppers, tenants and agriculture labourers. They may have to wait for another election to receive attention of the government.

Since the general elections, the agriculture sector has taken a back seat as the economy has itself touched new lows and now the government itself does not expect growth to be more than 5 per cent in 2019-20. Even though issues concerning agricultural and rural sector are complex and demand a consensus with state governments, people expect that the Budget 2020 will not ignore rural economy.

While the wish-list of the agricultural and rural sector is long, there are three main areas that need attention of the government and soon: small and declining size of farms, especially in eastern India, dependence on monsoon for over 52 per cent of cropped area and the inability of farmers to realise remunerative prices for most of the time -- except for some crops such as wheat, paddy and sugarcane.

Farmer producer organisations (FPOs) are seen as an answer to declining size of landholdings. There are about 5,000 FPOs assisted by various agencies of the central government and in the [Union Budget](#) of 2019 it was announced that another 10,000 FPOs would be formed in the next five years. Their experience so far has been mixed and they are visible only in a few states.

Without a serious linkage to markets, the FPOs have not been able to crack the distortions caused by imperfect markets. It is still early days for the FPOs and sooner than later Nabard (National Bank for Agriculture and Rural Development) and other organisations promoting them will withdraw their active engagement. It will be then that their utility for farmers will be tested.

In the meantime, the engagement of states with the FPOs can provide them hand-holding support required in early days. Some of them are showing a promising start and if the success can be replicated, the challenge of declining farm size can be partly met.

However, the number of people dependent on small and marginal farms can only go down by creating employment opportunities in other labour-intensive sectors such as construction, textiles and services such as education and healthcare. However, it would need a lot more attention on the economy than the government has demonstrated. Skilling the rural population for these opportunities is not going to be easy.

Water woes of agriculture have been a concern of successive governments. It was in 2016 that the Pradhan Mantri Krishi Sinchai Yojana (PMKSY) was rolled out. After the formation of the new government in May 2020, the Jal Shakti Abhiyan (JSA) has been launched in all 256 water-stressed districts, especially in the southern states.

Under the PMKSY, 99 irrigation projects, pending for a long time, were identified for completion by December 2019 and funding of states' share was tied up through easy loan from Nabard. These projects, which were implemented by irrigation departments of states, aimed at bringing irrigation to 76.03 lakh hectares (ha) of land. By December 2019, only 23.5 lakh ha have been brought under irrigation. It is not known if water has actually reached this 23.5 lakh ha area.

If there is one intervention by the government that will address agriculture distress, it is making water available for irrigation. More than money, it is monitoring of irrigation projects which can hasten their completion. Coupled with micro-irrigation, this can bring transformation in both rain-fed and irrigated areas.

Third, it has to be understood that no government can procure all the 22 notified agriculture commodities at minimum support price. Procurement operations on a large scale cause losses and distort cropping patterns. The most important intervention of the government would be to allow free play of markets and make the trading in mandis transparent. The infrastructure in mandis, even in Punjab and Haryana, is not up to the mark and even dryers are not available. As a result, farmers bring their produce with high moisture leading to lower price.

One hopes that the Budget will allocate large funds to modern infrastructure in mandis so that the produce of farmers can be brought to the FSSAI (Food Safety and Standards Authority of India) specifications. Sorting machines for grading can also get higher price to farmers for better quality of produce.

The Budget is coming in the midst of a genuine economic crisis. Agriculture could be a starting point for recovery. In the last one month, the contentious issue of citizenship has sapped the energy of the government.

If it is decided that everyone residing in India will be required to prove her citizenship by providing legacy documents, as was done in Assam, the economy will go for a tailspin as almost the entire government machinery will do nothing but verify documents of 137 crore people. Beginning with the Budget, one hopes that the government will focus on the economy rather than on divisive issues.

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