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Shifting Priorities of Union Government's Budgetary Support for Agriculture - An Analysis

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Authors
Gurpreet Singh and Nilachala Acharya

You can reach the authors at: gurpreet@cbgaindia.org and nilachala@cbgaindia.org

Designed by
Yashoda Banduni

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Centre for Budget and Governance Accountability (CBGA)
B-7 Extn./110A (Ground Floor), Harsukh Marg, Safdarjung Enclave,
New Delhi-110029
Phone: +91-11-49200400/ 401/ 402
Email:info@cbgaindia.org
Website:www.cbgaindia.org

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List of Acronyms

AASs	Agriculture and Allied Sectors
APMC	Agricultural Produce Marketing Committee
BE	Budget Estimates
FPO	Farmer Producer Organisations
GCF	Gross Capital Formation
GDP	Gross Domestic Product
GVA	Gross Value Added
KALIA	*Krushak* Assistance for Livelihood and Income Augmentation
MSP	Minimum Support Price
PKVY	*Paramparagat Krishi Vikas Yojana*
PMFSBY	*Pradhan Mantri Fasal Bima Yojana*
PM-KISAN	*Pradhan Mantri Kisan Samman Nidhi*
PMKSY	*Pradhan Mantri Krishi Sinchai Yojana*
PPP	Public-Private Partnership
RE	Revised Estimates
RKVY	*Rashtriya Krishi Vikas Yojana*

Introduction

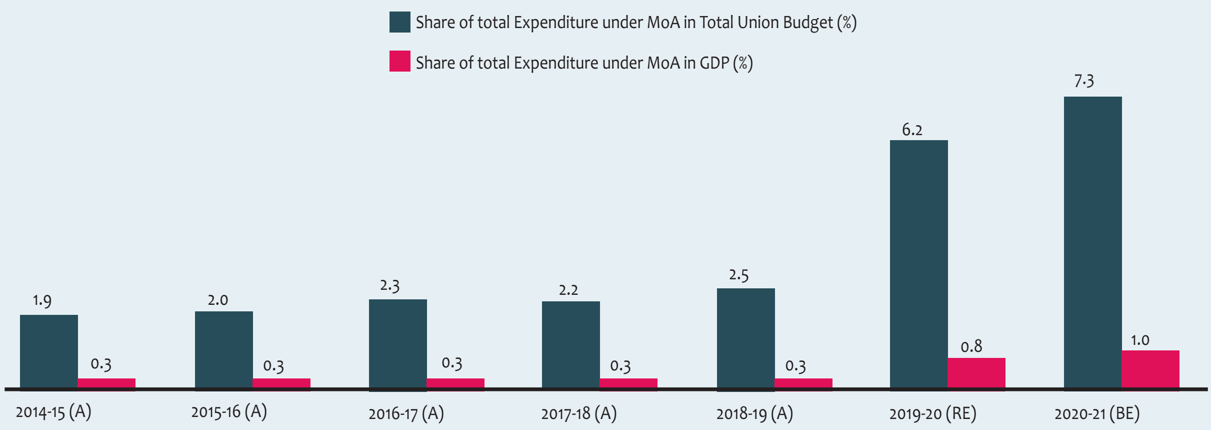
The agriculture sector has been the backbone of the Indian economy with strong backward and forward linkages. The structural crisis in the sector has been intensified in recent years due to long-term policy neglect and de-prioritisation of the budget both at the levels of the Union and state governments (Jha and Acharya, 2011; Dev, 2018; Himanshu, 2019). With the plank of doubling farmers' income, the revival of the rural sector of the country expected an overhaul; however, it seems that again the policy directions only could address the symptoms of the problem without considering issues of systemic change and reforms needed for the sector.

The debate around reviving the agriculture sector has remained limited to a few issues such as cash benefits in the form of income transfers, debt relief etc. However, none of these measures advocates for increase in public expenditure that can bring sector wide improvement and address the real crisis(CBGA, 2020a). In this context, the present paper makes an attempt to understand the recent policy and budgetary priorities in the sector and try to explore some of the challenges in dealing with agrarian crisis in India. On the basis of this exploratory analysis, it provides a few recommendations for course corrections in policy and budgetary framework towards agriculture and allied sectors[1] (CBGA, 2020a).

Budget Expenditure Towards Agriculture in Recent Years

During the last couple of years, a series of interventions have been attempted to revive the growth of the agriculture sector through a substantial increase in the budget allocation / expenditure towards this sector. Interventions such as the *Pradhan Mantri Kisan Samman Nidhi* (PM-KISAN), the *Pradhan Mantri Fasal Bima Yojana* (PMFSBY), and an increase in the Minimum Support Price (MSP), among others, are the major push initiatives towards fulfilling the

Figure 1: The Allocation / Expenditure for MoA as Proportion of Total Union Budget and GDP since 2014-15 (in per cent)



Note: Gross Value Added (GVA) figures are at 2011-12 basic prices (at current prices), data taken from Economic Survey 2019-20.
Source: Reproduced from Decoding Priorities, An Analysis of Union Budget 2020-21, CBGA, New Delhi.

[1]The terms agriculture sector and agriculture & allied sectors have been used interchangeably.

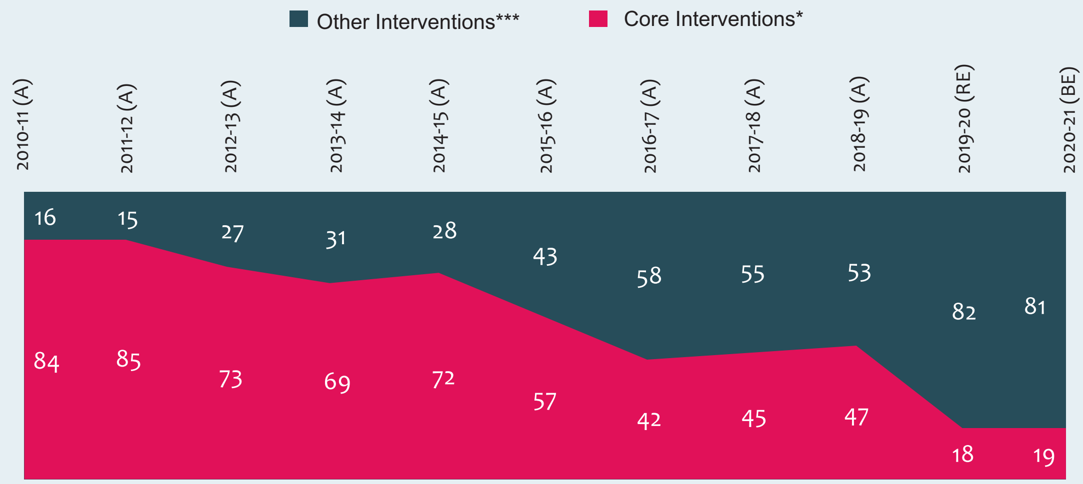
objective of doubling farmers' income by 2022, taking 2015-16 as the base year. In this direction, the Union Budget 2020-21 for agriculture and allied sectors (budget allocations for the Ministry of Agriculture, Cooperation and Farmers' Welfare and the Ministry of Fisheries, Animal Husbandry and Dairying) has increased from about Rs. 1.67 lakh crore in 2019-20 (Revised Estimates) to Rs. 2.21 lakh crore in 2020-21 (Budget Estimates).

The major increase in the budget expenditure towards this sector has been witnessed from 2018-19 (refer Figure 1) with the introduction of the PM-KISAN scheme. With the promise to provide Rs. 6,000 per annum per cultivator, the Union Budget allocated Rs. 75,000 crore for PM-KISAN in 2019-20 (BE) and in 2020-21 (BE), which accounts for more than 66 per cent of the total budget allocated for agriculture and allied sectors.

Shifting the Priorities

The increase in the share of public expenditure for the sector is due to higher allocations towards cash transfers through various schemes. Four major schemes, namely, PM-KISAN, PMFBY, the Interest Subvention Scheme for Farmers and the Price Support Scheme provide direct monetary benefits to farmers, which constitute around 81 per cent of total expenditure for the sector. These schematic allocations to address the issue of doubling farmers' income (termed here as 'other interventions') do not directly enhance the capacity of agriculture production / productivity through development of infrastructure or capital formation in the agriculture sector. Secondly, in these schemes, the Ministry of Agriculture does not carry out its core mandate of promoting agriculture but rather acts as facilitator in disbursing the cash flows to farmers through either banks or insurance companies. The rest of the allocations / expenditure within the Ministry of Agriculture and Farmers' Welfare (can be termed here as 'core interventions') is directly meant for enhancing the production of crops and non-crops. The

Figure 2: Share of Union Government Expenditure on Core Vs. Other Interventions for AASs since 2010-11 (per cent)



Note: * Core Interventions include the schemes meant for crop and non-crop sectors and other systemic interventions in Agriculture and Allied Activities sector. ** Other Interventions include Budget allocations / expenditure on PM-KISAN, Crop Insurance, Price Support and Interest Subvention to Farmers

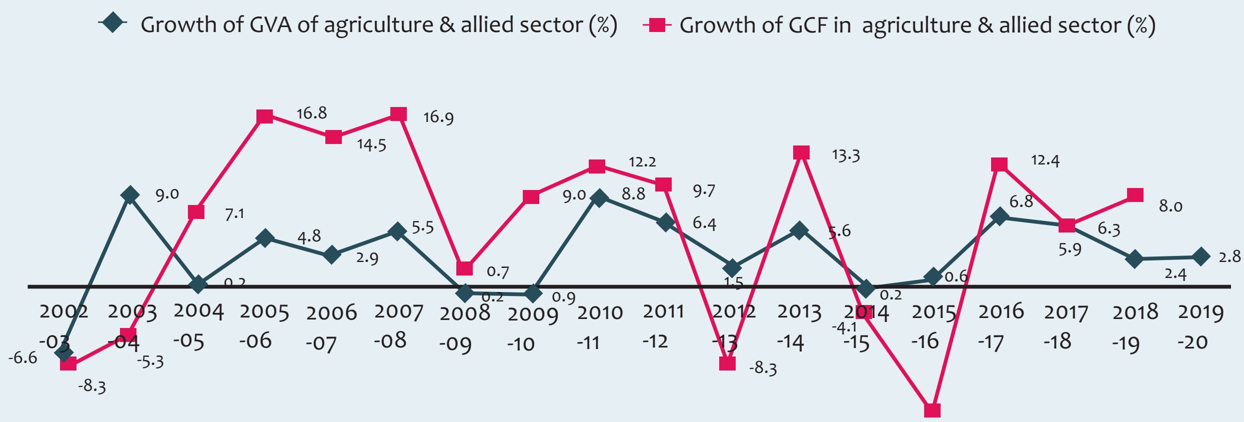
Source: Reproduced from Decoding Priorities, An Analysis of Union Budget 2020-21, CBGA, New Delhi.

allocations under schemes, such as the *Rashtriya Krishi Vikas Yojana* (RKVY), the *Paramparagat Krishi Vikas Yojana* (PKVY), the *Pradhan Mantri Krishi Sinchai Yojana* (PMKSY), the Blue Revolution, the White Revolution etc., which have been directly contributing in enhancing the production of agricultural outputs, have seen a decline over the period. The share of total allocations towards these core interventions has reduced from 84 per cent in 2010-11 to 19 per cent in 2020-21 (BE) (refer Figure 2).

This major shift in the composition of budgetary priority within the agriculture sector, from core to other interventions, raises questions on the strategy to achieve the stated objectives of higher growth of the sector and farmers' income. Again, it is crucial to note that cash transfer schemes target individual beneficiaries who may or may not be the real cultivators of the land. It has been reported that schemes such as PM-KISAN, Loan Waiver etc. exclude tenant farmers and women farmers which constitute a major part of farming community[2]. No modification in the implementation process of these schemes has been adopted to ensure the inclusion of women farmers and tenant farmers in the Union Budget 2020-21. An exclusionary route of a similar nature can also be witnessed in state specific schemes, such as *Rythu Bandhu* in Telangana and *Krushak* Assistance for Livelihood and Income Augmentation (KALIA) in Odisha. The solution to the problem, therefore, lies in legalising the land leasing system. Legal reforms such as implementation of the Model Agricultural Land Leasing Act, 2016 can be a way forward in targeting the real beneficiaries.

It has been clearly stated that to achieve the objective of doubling farmers' income, a sustained growth of more than 10 per cent is required in agriculture's Gross Value Added (GVA) at least for half a decade (Chand, 2017). The growth of Gross Capital Formation (GCF) is critical to achieving agriculture growth. As seen in Figure 3, the growth rates of GVA and GCF in agriculture are moving together with some exceptions due to price variations or weather shocks. Therefore, the fluctuations in the growth of GVA are mainly due to changes in the

Figure 3: Annual growth rate of Gross Value Added (GVA) and Gross Capital Formation (GCF) in AASs since 2002-03 at constant price (2011-12)



Note: Figures for growth rate of GFC are till 2018-19. Growth rate of GVA for 2019-20 is based on first advance estimate taken from Economic Survey, 2019-20
Source: Compiled from the data: 1. Economic and Political Weekly Research Foundation data base 2. Economic Survey, 2019-20.

[2] As less than 14 per cent holdings have been reported as women operated holdings (Agricultural Census, 2015-16)

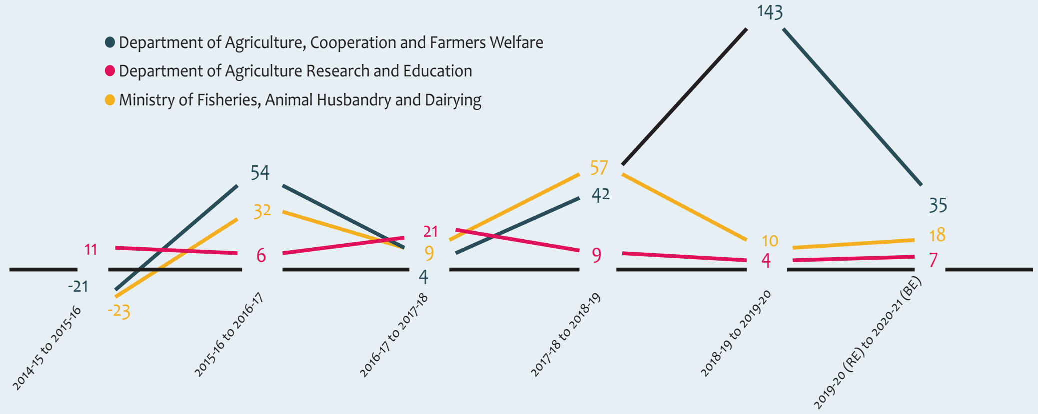
growth of GCF in the sector. The main reason for such fluctuations in the growth of GCF is a decline in public sector investment and an increasing dependency on private investment. The private investments in agriculture are not sustained due to low returns and the lack of an assured return. In such a scenario, moving from investing (public investment) in core interventions to a direct benefit transfer approach may not realise the target of doubling farmers' income by 2022.

Further Diversions from the Public Provisioning

Rather than focusing on creating and strengthening infrastructure through public investment, the recent budgets has sought initiatives through a public-private partnership (PPP) mode. The provisions to enhance the capacity and quality of storage in the country, the upgradation of 162 million tonnes capacity of agri-warehousing while creating additional storage capacity at the block/taluk level is to be carried out through the PPP mode have been announced in the 2020-21 budget. The aim of creating village storage capacity, to be run by self-help groups, have also been proposed to empower rural women economically; however, additional allocations for the purpose are missing in the Union Budget 2020-21. To strengthen the supply chain for primary products, and provide market linkages for perishable products, namely, fish and milk, nationally and internationally, two schemes - *Kisan Rail* and *Krishi Udaan* have been announced in the last budget. This aims to boost the marketing of horticulture products in tribal districts as well as North-East India. However, there is no budget allocation for Krishi Udaan as it will be launched in due course. *Kisan Rail* in PPP mode will be launched by the Ministry of Railways with the objective of developing a national cold supply chain for perishable products. However, the fact that the budget allocation for the PPP projects (overall) under the Ministry of Railway has declined from Rs. 28,100 crore in 2019-20 (BE) to Rs. 25,292 crore in 2020-21 (BE), indicates a clear re-prioritisation of the budget without much emphasis on fresh investment for the purpose.

Lowering public investment in new initiatives of upgrading the capacity of infrastructure may further deepen the agrarian crisis and may prove counterproductive to increasing farmers' income. The strategy paper for improving farmers' income (Chand, 2017) mentions that

Figure 4: Annual growth rate of budget allocations towards Department of Agriculture, Cooperation and Farmers' Welfare, Department of Agricultural Research and Education and Ministry of Fisheries, Animal Husbandry and Dairying since 2014-15 (per cent)



Note: Department of Agriculture, Cooperation and Farmers' Welfare (excluding Interest Subvention and Income Support schemes)
Source: Compiled by the authors from the data given in Union Budget Documents, various years.

transformative gains are required from agricultural research and innovation; however, the growth of public expenditure towards the Department of Agricultural Research and Education does not bear this out (refer Figure 4).

Budgetary priorities towards non-crop sectors in recent budget

Given that the sector is vulnerable and faces income instability, the Union Government is encouraging agricultural households to diversify their source of income from crop to non-crop sectors, which would provide employment during lean season. Considering its high contribution to the farm economy, the Government created a new ministry for animal husbandry, dairying and fisheries in 2019. The ‘allied’ sectors have largely been neglected for a long time despite their growing significance in the agricultural economy and food and nutrition security of the country. It seems that the Union Budget 2020-21 has accorded a high priority to livestock and fisheries. The capacity of milk processing is proposed to be doubled by 2025 whereas fish production is projected to be raised to 200 lakh tonnes by 2022-23. The budget has made a special provision for an integrated farming system in rainfed areas through a mix of multi-tier cropping, bee-keeping, solar pumps, solar energy production and furthering Zero Budget Natural Farming. Coastal areas have also been prioritised through the involvement of youth in fishery extension by appointing 3,477 Sagar Mitras and 500 Fish Farmer Producer Organisations (FPOs). However, most of these initiatives have not been backed by budgetary provisions.

Measures During the Pandemic and Beyond

The impacts of pandemic on agriculture can be seen in terms of difficulties in marketing perishables, transporting inputs, credit availability etc. Union as well as States Governments have announced various measures to support agricultural operations during the pandemic. The package announced during mid-May, mostly comprised measures to strengthen agricultural infrastructure logistics, capacity building, governance and administrative reforms. A significant amount of funds (Rs 1 lakh crore) have been announced for building infrastructure projects in agriculture. Similarly, an amount of Rs 10 thousand crore has been announced for the formalisation of micro food enterprises and Rs 20 thousand crore for the *Pradhan Mantri Matsya Sampada Yojana* for the development of marine and inland fisheries. A major proportion of the fund has been allocated in terms of providing interest subsidy, additional borrowings and front-loading of PM *Kisan* funds (CBGA, 2020b).

Most of these measures to support agriculture seem quite complex and confusing, due to the following reasons. Firstly, a majority of these measures are similar to Budget announcements made last February. So, it is not clear that how much extra financial support has been granted for agriculture apart from budgetary provisions. Secondly, the gestation period of most of the measures seems to be long-run and do not really address the current challenges. Thirdly, the so-called institutional reforms in terms of amendments in APMCs, essential commodities and contract farming Acts are quite controversial. All the three farm bills provide immense control of the market to private players and do not really address the problem of post-harvest infrastructure in Indian agriculture. At the time when the economy is shrinking and only agricultural sector is showing a ray of hope, such reforms may only jeopardise the farming.

Concluding Remarks

Recent budgets and policy announcements for agriculture have been trying to place a greater emphasis on boosting agriculture and allied sectors through its various new initiatives. However a large number of these measures seem to be mere announcements as they are not backed by adequate budgets. It also appears that these budgets do not give due importance to enhancing the capacity of the sector in the long-run, and are resorting only to short-term measures. Moreover, investments are being made on interventions that are designed to reach farmers individually rather than enhancing the capacity of the sector. Indeed, a robust and sustained revival of the sector requires a number of significant changes in the overall policy framework for the agrarian sector, keeping the enhancement of viability of farming as an occupation at the centre. An enabling macro policy framework and complementary provisioning of resources for the agriculture and allied sectors would be crucial in this regard keeping in mind the following; Agriculture needs a sector wide improvement in public investment on infrastructure development. Secondly, agricultural policy must address the challenges faced by allied sectors. Thirdly, farmers and rural workers require handholding support. Therefore, budgets and policies towards agriculture and allied sectors must address the research education and extension issues at grassroots levels. Fourthly, key agricultural institutions should not be weakened in the wake of push towards privatisation and deregulation. Last but not the least, public expenditure framework requires a strong co-operative federalism whereby provisioning of resources from the Union government supplementing the resource requirements of States for the sector.

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For more information, please contact:
Centre for Budget and Governance Accountability
B-7 Extn/110A (Ground Floor) Harsukh Marg,
Safdarjung Enclave, New Delhi- 110029
Tel: (11) 49200400/401/402
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