

01.02.2017

BusinessLine

Groundwork for growth

The Change

There are many goodies for the farming community. An 11 per cent increase in agri credit — ₹10 lakh crore in 2017-18, ₹452 crore towards the National Project on Soil Health and Fertility for 2017-18, and setting up of a Micro Irrigation Fund will not only help farmers but also companies in the agri-input and irrigation space.

The Background

About two-third's of the country's population is dependent directly or indirectly on agriculture, which contributes about a sixth to the economy. With just 46 per cent of the total sown area under irrigation, the country's agricultural prospects are directly linked to monsoon rainfall. This is not just a threat to the country's food security, but also affects allied sectors. Investment in irrigation, research and technology is needed to make it resilient.

The Verdict

Higher credit for agriculture will ensure availability of funds to buy agri-inputs – fertilisers, seeds and pesticides. Setting up of soil testing labs will promote balanced fertilisation and augur well for Coromandel Fertilisers, GSFC and Aries Agro, which sell phosphatic fertilisers and micro-nutrients.

Investment in micro irrigation is positive for irrigation equipment makers such as Jain Irrigation and also other specialty nutrient and water soluble fertiliser makers such as Coromandel International, GSFC and Rallis India.

Integration of spot, derivative market to boost agri eco-system

The proposal to set up an expert committee to study and promote creation of an operational and legal framework to integrate the spot and derivatives market in the agricultural sector will help farmers improve their post-harvest risk by hedging on the commodity exchanges and improving their realisations.

B Thiagarajan, Chairman and Joint Managing Director, Blue Star, who is on the CII National Committee on State Level Coordination, said the move would give a fillip to the entire agriculture eco-system and help reduce post-harvest wastage with development of cold storage facilities besides encouraging investments in agriculture processing units in rural areas.

Farmers can get better prices by sorting and grading their produce before finalising a deal based on the price signals from the transparent online platform, he added.

Veeresh Hiremath, Research Analyst, Karvy Comtrade, said the move will help the derivative commodity exchange include more delivery centres based on the quality of the produce and farmers' interest. The price polling mechanism conducted by commodity exchanges to settle futures contracts can become more transparent with the emergence of an online national agriculture market, he added

Jaitley seeds the farm Modi ploughs



Insurance push Coverage under the crop insurance scheme will be increased to 40 per cent of the cropped area in 2017-18 and 50 per cent in 2018-19, up from 30 per cent in the current fiscal

Bigger outlay will boost credit flow to farmers, expand crop insurance and irrigation coverage

Reiterating its commitment to double farmers' income by 2022, the Narendra Modi government continued to maintain its emphasis on the agriculture sector and announced a major hike in the Budget outlay. This is expected to boost credit flow to farmers, expand crop insurance and irrigation coverage besides augmenting dairy and agri-marketing infrastructure.

Finance Minister Arun Jaitley hiked the total outlay for agriculture, allied and rural sectors by almost a fourth to ₹1,87,223 crore for next financial year, while declaring the government's intent to give a push for contract farming, which the corporates are keenly awaiting.

Jaitley, in a bid to ensure enough credit available to the farmers, hiked agriculture credit target to ₹10 lakh crore, while announcing digitisation of functional primary agriculture credit societies (PACS) and their integration with the core banking system of the District Central Co-operative Banks (DCCB).

PACS' are a major source of credit disbursal to farmers and about 40 per cent of the small and marginal farmers depend on them to avail credit. Nabard will help computerise and integrate the PACSs with DCCBs at a cost of ₹1,900 crore over three years, with financial participation from the States.

Crop insurance

Allocation for the Pradhan Mantri Fasal Bima Yojana has also been hiked to ₹9,000 crore for 2017-18 to bring more farmers under the ambit of the scheme. Coverage under the crop insurance scheme will be increased to 40 per cent of the cropped area in 2017-18 and 50 per cent in 2018-19, up from 30 per cent in the current financial year. In 2016-17, the provision was increased to ₹13,240 crore from the earlier ₹5,500 crore to settle arrear claims. The sum insured under this scheme had more than doubled from ₹69,000 crore in kharif 2015 to ₹1,41,625 crore in kharif 2016.

The e-National Agricultural Market (e-NAM) will be expanded to cover 585 APMCs from the present 250. To boost post-harvest facilities, an assistance of upto ₹75 lakh will be provided to each e-NAM market for establishment of cleaning, grading and packaging facilities to enhance the value addition of the farmers' produce.

“If the hike in agri-rural allocation largely goes towards productive infrastructure it would give a fillip to the rural economy and create jobs,” said Sanjay Kaul, MD and CEO, National Collateral Management Services Ltd. “There is, however, little to cheer for the private sector which was expecting initiatives to incentivise them to make fresh investments,” he added.

Agmarket reforms

Further, in a bid to further expedite agriculture market reforms, States will be urged to denotify perishables from APMCs. “This will give an opportunity to farmers to sell their produce and get better prices,” Jaitley said, adding that the government proposes to integrate farmers who grow fruits and vegetables with agro processing units for better price realisation and reduction of post-harvest losses. Jaitley said a model law on contract farming would therefore be prepared and circulated among the States for adoption.

Contract farming

“The announcement on corporate farming was welcome and the sector will look forward to more clarity on this during the coming days,” said BJ Maheshwari, whole-time director of Dwarikesh Sugar Industries Ltd.

M Senthilkumar, Chairman, The Southern India Mills' Association, said the cluster approach for contract farming would benefit the predominantly cotton-based textile industry.

Jaitley further said that the issuance of soil health cards has gathered momentum and mini-labs would be set up in all the 648 Krishi Vigyan Kendras (KVKs) across the country to step up the issuance of such cards. About 5,000 farm ponds will be created in 2017-18 under MGNREGA. "These labs will help farmers to assess the actual nutritional requirements for their farmland and limit unnecessary expenditure on fertiliser," said MK Dhanuka, Managing Director, Dhanuka Agritech.

While the industry has largely welcomed the Budget, farmer organisations were a bit disappointed.

"Farmers wanted a big path-breaking measure, which would lift them out of the debt trap. Not a single step in this direction. No measures to help small, marginal and tenant farmers who are trapped in private loans with little access to institutional finance," Jai Kisan Andolan of Swaraj Abhiyan and other farmers' organisations said in a statement.

"Farmers affected by two consecutive droughts, and other calamities like floods, were hoping for a big revival package. The government gave nothing but PMFBY, which has already failed to help them this year," Swaraj Abhiyan said. Similarly, the solvent extraction industry, which was looking forward to a hike in duty differential between crude and refined oils, was disappointed with the Budget as Jaitley decided to maintain the status quo on the duty structure.

"This will discourage farmers from continuing to grow oilseeds and they may switch over to other crops. Our dependence on imports of vegetable oil will further increase," said Atul Chaurvedi, President, Solvent Extractors Association of India.

Though there was no plantation-sector specific announcement in the Budget, the United Planters Association of India has welcomed the additional allocations made to Commodity Boards in the Revised Estimate for 2016-17.

"This would, to a certain extent, help in disbursing the amounts due to growers under various developmental schemes," said Vinod Sivappa, President, Upasi.

No Big Bang Budget this

The Budget reflects sobriety in approach. The Budget focuses on rural areas, infrastructure and poverty alleviation. There is a reiteration that farmer incomes would be doubled. But what are the specifics? In the agri-rural space the Finance Minister has given a 24 per cent hike. If this largely goes towards

productive infrastructure, it would give a fillip to the rural economy and create jobs. There are several other positive announcements – movement towards integration of spot and futures markets, outlay of ₹8,000 crore through Nabard for the dairy industry micro, expansion of the Fasal Bima Yojana, a dedicated micro-irrigation fund of ₹5,000 crore, digitisation of primary agriculture credit societies (PACS) and a law for contract farming.

There is, however, little to cheer for the private sector which was expecting initiatives to incentivise them to make fresh investments. The banking system also expected schemes to fuel credit growth.

It is only in the housing sector that several steps have been announced. However, give the large inventory overhang it is doubtful whether these steps will provide the required impetus to this sector.

Budget outlays have been increased for a number of rural schemes but one would have expected at least one big ticket announcement that would directly alleviate rural distress. Perhaps, the expectation is that a number of small steps would all add up. But, the central question is: was this a wasted opportunity?

No bulk buying in edible oils

Edible oils ruled steady on Wednesday. Stockists stayed away from fresh bulk buys. Domestic futures markets were flat with thin volatility. Local refineries kept their rates steady. On the BCE, palmolein increased by ₹2. All other edible oils were unchanged.

Liberty's rates: palmolein ₹637, super palmolein ₹658 and soyabean refined oil ₹700. Ruchi traded sunflower oil for ₹705. Allana's rates: palmolein ₹637, soya refined oil ₹700, sunflower refined oil ₹710. Golden agri was quoting palmolein at ₹630.

At Rajkot, groundnut oil *telia* tin decreased to ₹1,470 (1,480) and loose (10 kg) ruled steady at ₹935.

Bombay Commodity Exchange spot rates (₹/10 kg): groundnut oil 1,000 (1,000), soya ref. 690 (690), sunflower exp. ref. 655 (655), sunflower ref. 705 (705), rapeseed ref. 800 (800), rapeseed exp. ref. 770 (770), cottonseed ref. 695 (695) and palmolein 624 (622).