

03.02.2017



More Water For The Field

But silence on reforming food and fertiliser subsidies is disappointing.

The lesson the government learnt is that it needs to focus on providing irrigation to our farmers.

The first two years of the Modi government led to a collapse of agri-GDP growth to 0.5 per cent; but the third year (FY17) is likely to register a growth of 4.1 per cent, primarily due to normal rainfall. This, along with falling global prices, brought food inflation down to below 4 per cent, giving much-needed relief to consumers.

The lesson the government learnt is that it needs to focus on providing irrigation to our farmers. The prime minister voiced the slogan of “Har khet ko pani” and “per drop, more crop” to drought-proof agriculture and ensure water use efficiency. This will help augment farmers’ earnings and contribute to the doubling of their incomes in five years, as reiterated by the finance minister.

Accordingly, Budget FY18 has given priority to raising funds for irrigation. An enhanced corpus of Rs 20,000 crore with NABARD for irrigation, on top of last year’s Rs 20,000 crore, is a very welcome step. NABARD is confident about raising roughly Rs 15,000 crore by March-end 2017, and it has already sanctioned projects worth about Rs 36,000 crore for which funds need to be raised from the market now. Add to that the corpus of Rs 5,000 crore for micro-irrigation with NABARD, plus Rs 7,160 crore for the schemes under the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), and one can clearly see that the government seems willing to walk the talk on its irrigation promises. But one needs transparent monitoring to ensure that these resources don’t disappear, just as water vanishes in sand.

The Pradhan Mantri Fasal Bima Yojana (PMFBY) crop insurance scheme, which was launched last year, also finds a special mention in the budget with the finance minister clearly charting out its course; the aim is that in the next

two years, the government will cover half of the cropped area under this scheme.

The experience of kharif crops in 2016 shows a dramatic improvement in coverage. The budget provides Rs 9,000 crore for subsidising farmers' premiums, but our calculations show that this may fall short by about 25 to 33 per cent; it may have to be raised in the revised budget estimates. However, the litmus test of this scheme will be how fast farmers are compensated when crops are damaged in drought or floods. In this regard, the response to 2016's kharif floods in Uttar Pradesh, Bihar and Assam did not give much satisfaction. The government needs a champion within the system to ensure this scheme wins farmers' full confidence — which is still missing.

A corpus of Rs 8,000 crore (Rs 2,000 crore to start within this year) with NABARD for promoting milk processing too is a great idea. One hopes that NABARD will help cooperatives and the private sector on equal terms to set up about 20 milk processing plants of 10 lakh litres processing capacity each day (each plant will cost about Rs 100 crore), especially in central and eastern India, which can give a big fillip to dairy activities, augmenting farmers' incomes. Other initiatives, like eNAM for linking markets, Pradhan Mantri Gram Sadak Yojana (PMGSY) for roads, etc., are all steps in the right direction which would support farmers in a healthy way.

The only disappointment in the budget is that the government is absolutely silent on reforming food and fertiliser subsidies, totaling more than Rs 2,15,000 crore plus pending bills of about Rs 80,000 crore. This is the biggest resource guzzler with high inefficiency and leakages. Unless these areas are boldly reformed, agriculture will not get wings to take off fully.