

Farm-loan waivers by more States could set back the exchequer by ₹2.5-lakh cr: Crisil

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Farm-loan waivers are a paradox in a year of normal monsoon and could increase the pressure on the already stretched financials of States concerned, says a new report.

The Crisil Research Insight report on the just concluded monsoon sought to depict a sordid fiscal picture if more States were to latch on to the idea of loan waivers.

Collective costs

Doing an encore on what Uttar Pradesh, Maharashtra, Karnataka, and Punjab have done, would set back the exchequer by ₹2.5 lakh crore in collective costs, it said.

This would amount to 0.5 per cent of GDP per year, assuming the waiver gets equally staggered over three years, the report said.

The cost could be significantly higher for Tamil Nadu,

which has the highest outstanding agricultural loans among States. Kerala, Madhya Pradesh and Rajasthan, too, could feel some pressure.

Farm incomes remain stressed, given the volatility in prices and declining realisations. The good monsoon and bumper crop of last year had lowered prices of most of the foodgrains.

For pulses and oilseeds, prices fell even below their minimum support prices and cost of cultivation, resulting in a loss on the margins.

For several crops, prices and profit margins have declined in recent months. Many States are trying to assuage distressed farmers by announcing loan waivers.

Lower sowing

Compared with last year, sowing as of September 29 was lower for foodgrains and oilseeds, the report noted.



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The government's first advance estimates suggest kharif production could be 2.8 per cent lower year-on-year for foodgrains and as much as 7.7 per cent lower for oilseeds.

But the decline is also because of the fact that last year witnessed a sharp increase in both

the sowing area and production of most crops, the report said.

Reflecting on monsoon performance of monsoon, the Crisil report said that 2017 has been bountiful, allaying initial fears of an El Nino effect coming into play.

While the Indian Meteorological Department had forecast a two per cent deficiency, the actual deficiency is five per cent against three per cent last year, which still is normal.

However, distribution has been uneven with excess rains in some parts and severe shortage in others.

At an aggregate level, three agriculturally important States — Tamil Nadu, Gujarat and Andhra Pradesh — recorded excess rains causing floods or flood-like situations.

And as the season draws to a close, Uttar Pradesh, Haryana, Punjab and Madhya Pradesh are showing a high deficiency at 19 per cent or more.