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Restraint on revdis, promise to the farmer is ignored

Budget does well to shore up fiscal space. But it needed to do more for agriculture

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WHAT ARE THE main highlights of the budget in the agri-food space? If I had to sum it up in just two words, I would say "revdi restrained". Let's look at some of the key figures. The food subsidy in the FY24 budget is estimated (BE) at roughly 1.97 lakh crore against the revised estimates (RE) of FY23 at Rs 2.87 lakh crore. This means a net saving of roughly Rs 90,000 crore. This has been done by discontinuing the earlier PM-GKAY (Garib Kalyan Anna Yojana), which was started during the Covid-19 period by giving an extra 5 kg of grain free to more than 81 crore people. This has been stopped from January 1. Instead, PDS supplies under the National Food Security Act (NFSA), for which rice and wheat were being charged Rs 3 and Rs 2 per kg, are now made free -- this has been renamed as PM-GKAY.

Now, let's look at the other, second-biggest subsidy — for fertilisers. In the BE of FY24, it is provisioned at roughly Rs 1.75 lakh crore as against the RE of FY23 at Rs 2.25 lakh crore — a saving of about Rs 50,000 crore. This has been made possible primarily by the lower costs of imported fertilisers and gas, as the global economy has absorbed the shock of the Russia-Ukraine conflict. Hope this does not go out of hand in FY24.

On top of these two major subsidies, the BE under PM-KISAN for FY24 has been kept at Rs 60,000 crore, the same as the RE of FY23. Recall that this scheme was announced in the run-up to the 2019 parliamentary elections. Rs 6,000 was to be given in three tranches of Rs 2,000 each to more than 11 crore farming households. Since then, the nominal amount has remained constant. With inflation over the last four years, this has actually eroded in real terms by about 20 per cent, if not more.

Farmers have been pressing for raising the amount to at least Rs 8,000 per family, but the Finance Minister (FM) has shown restraint. However, one never knows what will happen by the end of the year -- the compulsions of electoral politics could force the Modi government to raise the amount to Rs 8,000, perhaps even more.

A factor that can transform agriculture and also tame food inflation is how much the nation spends on agri-R&D. The budget for the Department of Agriculture Research and Education (DARE) has been provisioned at Rs 9,504 crore, up by about 9.7 per cent over the RE of Rs 8,659 crore in FY23. This is too meagre a change and cannot make our agriculture resilient to climate change, which is already knocking on our doors.

In any case, right now, savings from these subsidy schemes will help the FM to rein in the fiscal deficit to 5.9 per cent, as budgeted for FY24. It is commendable that the RE of the fiscal deficit in FY23 has remained at 6.4 per cent of the GDP, as was provisioned in the budget. Reducing the fiscal deficit further — to 4.5 per cent by 2025 as the FM says — would be a great achievement, especially when she has increased the overall capex in the economy by more than 30 per cent. That only shows a sense of rationality in restraining revdis and focusing on growth. If India can remain on this path for a few more years, it can outshine many of its peers in the G20.

A few other steps that can help agriculture move towards higher efficiency and inclusiveness are building the digital infrastructure for farmers, setting up the Agriculture Accelerator Fund, focusing on horticulture value chains, giving a big thrust to millets mission, setting up storage facilities for farmers at the cooperative level, and targeting overall credit disbursement of Rs 20 lakh crore.

The FM also talked of developing alternatives to chemical fertilisers and giving a boost to natural and organic farming. However, most of these initiatives are at a nascent stage and will only make a marginal difference. There is no earth-shaking policy for agriculture in this budget that can quickly double farmers' income.

Readers may recall that in 2016, Prime Minister Narendra Modi shared his dream of doubling farmers' incomes by 2022-23. During the last nine years of the Modi government, Indian agriculture has grown, on average, by 3.5 per cent per annum — the same as what was achieved during the 10 years of the UPA government, which targeted a 4 per cent agri-GDP growth rate. The current regime set far more ambitious targets. However, the performance of agriculture has been the same under both regimes.

The data of the three Socioeconomic Surveys conducted over the last two decades reveals that the real incomes of farmers closely follow the growth rates in agri-GDP. Given this backdrop, it seems that it will be business as usual or farmers. That's not very encouraging because agriculture employs the largest share of our workforce (46.5 per cent).

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If we want to ensure long-term food and nutritional security for the largest population on this planet, we need to raise our expenditure on agricultural research, education, and innovation to at least 1 per cent of the agri-GDP. But the data released by the Comptroller and Auditor General (CAG) reveals that the Centre and states combined spent less than half of this benchmark on agri-R&D in the pre-Covid year, FY20.

If we have to be self-reliant in food, and not suffer the wheat crisis Pakistan is suffering or undergo something similar to Sri Lanka's food crisis, we have to almost double our expenditure on agri-R&D to make our agriculture resilient to climate change. I wish the FM had taken this bold step.

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