All Farmhands on the Deck

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Agriculture can be a wealth creator and the Economic Survey has identified areas where investment is needed. This year's Union budget has taken the cues, allocating ₹2.83 lakh crore for agriculture and allied activities, irrigation and rural development.

The Survey reveals a fluctuating trend for gross capital formation (GCF) in agriculture and allied sectors relative to gross value added (GVA) in agriculture — from 16.5% in 2012-13 to 15.2% in 2017-18. This is due to decline in private investment in agriculture from 15.6% in 2013-14 to 12.8% in 2016-17. Moreover, investments in the crop sector are high, more than 80%, compared to allied sectors considering their contributions in total GVA and indicating higher growth potential in allied sectors. Changing dietary preferences and rising global population create prospects for increase in demand for milk, meat, eggs, fish and other livestock products, which explains the substantial support to allied sectors in the budget.

Small and marginal farmers account for more than 85% of operational holdings and 45% of cultivated area with limited resources to invest in fixed assets. Public sector investments must bridge this gap through investments in agri-infrastructure including storage, transport and irrigation. Also, there is an urgent need to encourage corporate private sector investment, currently at about 3%. This requires an enabling environment, including changes in regulatory and institutional frameworks such as the Agricultural Produce Market Committee (APMC) Act, Essential Commodities Act (ECA), land tenure and contract farming.

The budget's 16-point action plan, including developing seamless national cold supply chain, village storage schemes, Kisan Rail, Krishi Udan and implementation of model laws on land leasing, contract farming and the Agriculture Produce and Livestock Marketing (Promotion & Facilitation) (APLM) Act, is critical in this context.

The Seeds of Mechanisation

The Survey finds that farm mechanisation in India is low at 40%, compared to about 60% in China and 75% in Brazil. Mechanisation can offset rising cultivation costs, driven by rising labour costs due to shrinking labour pool and rising wages.

As per the 2015-16 Agriculture Census, 86.08% of all holdings are small and marginal holdings. The average holding size has declined from 1.15 hectares in 2010-11 to 1.08 hectares. Mechanisation geared to small holdings, as done in China with average holdings of 0.6 hectares, can ensure efficient utilisation and higher productivity.

Developing solar energy-powered farm machinery would promote sustainable cultivation and create local demand for solar farming. This is reflected in the budget's push for the Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan (PM-KUSUM) scheme.

The Survey reveals that distribution of agricultural credit is skewed against the northeastern, hilly and eastern states. Less than1% of agricultural credit is disbursed in the northeastern states, primarily because of limited sources for credit for farmers here. Commercial banks, which provide 75% of total credit, have limited presence in these areas, the share of cooperatives dropped steadily from over 50% in 1991 to 12.9% in 2017-18, and the share of regional rural banks (RRBs) has been stagnant at around 12%.

Small and marginal farmers are unable to access credit as they lack collateral. To remedy this, the budget proposes expanding the National Bank for Agriculture and Rural Development (Nabard) refinance scheme, setting an agricultural credit target of ₹15 lakh crore for FY2021, and covering all eligible beneficiaries of PM-KISAN under the Kisan Credit Card (KCC) scheme.

Risk is inherent to agriculture, which impacts profitability and private investment. The Survey shows that crop insurance coverage is low at 23% of gross cropped area, compared to 69% in China and 89% in the US. Lack of awareness, and unavailability of land records and other documents are main reasons for this. The compensation is often delayed, inadequate and sometimes denied. These concerns must be addressed given the rising incidence and intensity of extreme weather events due to climate change.

Conservation of natural resources is critical for wealth creation. Micro-irrigation is recognised as a farm imperative in the Survey. The budget, therefore, proposes comprehensive measures for 100 water-stressed districts.

Fishing in Calm Waters

The Survey has recognised the allied sectors of high potential. The budget, too, makes several provisions for livestock sector, including elimination of foot and mouth disease, and brucellosis in cattle and peste des petits ruminants (PPR), a.k.a 'goat plague', in sheep and goat by 2025. The coverage of artificial insemination is also to be increased from 30% to 70%. Fish production is to be raised to 200 lakh tonnes by 2022-23 and fishery exports to ₹1 lakh crore by 2024-25 by involving 3,477 'Sagar Mitras' and 500 fish farmer producer organisations (FPOs).

Together, the critical areas identified in the Survey, and measures announced in the budget, will help realise the objective of doubling farmer's income by 2022-23 and wealth creation.

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