Step up Agri Spending, Boost Farm Incomes

Why in news?

While the overall budgetary allocation towards the agricultural sector has marginally increased by 4.4% in the Union Budget 2022-23, the rate of increase is lower than the current inflation rate of 5.5%-6%.

What is the status of government spending on agriculture?

- **FAO report**- As per the FAO of the United Nations (UN) report for 2001 to 2019, India is among the top 10 countries in terms of government spending in agriculture, constituting around 7.3% of its total government expenditure.
- However, India lags behind several low-income countries such as Malawi (18%), Mali (12.4%), Bhutan (12%), Nepal (8%), and China (9.6%).
- **Agriculture Orientation Index (AOI)**- It was developed as part of the Goal 2 (Zero Hunger) of the 2030 Agenda for Sustainable Development in 2015.
- It measures the ratio between government spending towards the agricultural sector and the sector's contribution to GDP.
- India's index is one of the lowest, reflecting that the spending towards the agricultural sector is not commensurate with the sector's contribution towards GDP.

> *The SDG 2 emphasises an increase in investment in rural infrastructure, agricultural research and extension services, development of technology to enhance agricultural productivity and eradication of poverty in middle- and lower-income countries.*

How can India's spending be compared with other Asian countries?

> *India holds 38th rank in the world, despite being an agrarian economy and despite being among the largest producers of several crops produced and consumed in the world.*

- **Government spending-** India's AOI is one of the lowest in Asia and among several other middle-income and upper-income countries.
- Asia as a whole performs much better, with a relatively higher performance by Eastern Asian countries.
- Republic of Korea and China have been doing remarkably well with an index steadily improving.
- **Crop yield**- The enormous spending on the agricultural sector by East Asian countries is also reflected in their higher crop yield.
    - For example, the total cereal yield in India is only around 3,282 kg per hectare

compared to 4,225 kg per hectare in Asia.
- In China, with an average land holding size of 0.6 hectares, which is much lower than India's average land holding size, the performance of the sector in terms of crop yield is much higher.

What about the budgetary allocation?

- **Budgetary allocation**- The overall budgetary allocation towards the agricultural sector has marginally increased by 4.4% in the Union Budget 2022-23.
- **Reduction of funds**- However, there has been a drastic slashing of funds toward important schemes such as crop insurance and minimum support price (MSP).
- The allocation towards Market Intervention Scheme and Price Support Scheme (MIS-PSS) was only Rs. 1,500 crore which is 62% less than the previous allocation.
- The Pradhan Mantri Annadata Aay Sanraks Han Abhiyan (PM-AASHA) was allocated just Rs. 1 crore for the year as against an expenditure of Rs. 400 crore in 2021-22.
- The distribution of pulses to States for welfare schemes has also been reduced.
- There is an overall reduction in Rs. 718.8 crore in total central schemes/projects, which may have serious implications for the performance of the sector.
- **Capital expenditure**- There has not been any considerable increase in the allocation towards capital investment, especially for promotion of rural infrastructure and marketing facilities.
- The allocation of funds towards schemes such as Pradhan Mantri Kisan Samman Nidhi (PM KISAN), Pradhan Mantri Kisan Maandhan Yojana, though desirable, will not result in long run asset generation.

PM-KISAN is a Central Sector Scheme that entitles Rs.6000 per annum per family to all land holding eligible farmer families.

PM Kisan Maan Dhan Yojana is a voluntary contributory pension scheme that provides a minimum fixed pension of Rs.3,000 to the small and marginal farmers on attaining the age of 60 years.

What is the way forward?

- An intense government spending towards the agricultural sector is essential to attain the sustainable development goals of higher agricultural growth and farm income.
- There must be an emphasis on the development of rural infrastructure and rural transportation facilities, along with an increase in the number of markets, as suggested by the National Commission on Farmers.
- These measures will enhance the farmers' access to markets and integrating small and marginal farmers into the agricultural supply chain to a greater extent.

References

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Quick Bits

PM- AASHA

- Introduced in 2018
- Aim- to ensure remunerative prices to the farmers for their produce
- Components of PM-AASHA
    - Price Support Scheme (PSS)
    - Price Deficiency Payment Scheme (PDPS)
    - Pilot of Private Procurement & Stockist Scheme (PPPS)
- **Price Support Scheme (PSS)** - In PSS, physical procurement of pulses, oilseeds and copra will be done by Central Nodal Agencies with proactive role of State governments.
- In addition to NAFED, Food Cooperation of India (FCI) will take up PSS operations in states /districts.
- The procurement expenditure and losses due to procurement will be borne by Central Government as per norms.
- **Price Deficiency Payment Scheme (PDPS)**- It cover all oilseeds for which MSP is notified.
- In this, direct payment of the difference between the MSP and the selling/modal price will be made directly into registered bank account of the farmer.
- This scheme does not involve any physical procurement of crops.
- **Pilot of Private Procurement & Stockist Scheme (PPPS)-** It has been decided that for oilseeds, states have the option to roll out PPSS on pilot basis in selected district/APMC(s) of district involving the participation of private stockiest.
- The selected private agency shall procure the commodity at MSP in the notified markets.

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