Editorial Comments

Union Budget spurring Agriculture Growth

The Union Budget 2019-20 places a lot of emphasis on agriculture growth and development

The maiden budget speech by the New Finance Minister, Nirmala Sitharaman emphasized the relevance of gaon, gareeb and Kisan in the new government's reform initiatives. The union budget 2019-20 continued with the previous government's mission of doubling farmers' income and allocations made simply reflected this resolve.

The Budget 2019-20 made a historic allocation for the Ministry of Agriculture and Farmers' Welfare. An amount of Rs 1,30,485 crore —the highest-ever has been allocated for the sector. Agriculture, which formed 3.5% of the budget in FY19, comprised 5.4% of budgeted expenditure in FY20, an increase of 1.9 percentage points (the biggest rise). The allocation proposed represents a 140 per cent jump over the '18-19 budget estimate of Rs 57,600 crore. This leap is mostly due to the staggering Rs 75,000 crore allocated to the Pradhan Mantri Kisan Samman Nidhi (PM-Kisan). Of the agriculture ministry's budget, 57 per cent is now for direct cash assistance to the farmers.

Pradhan Mantri Matsya Sampada Yojana (PMMSY), was another significant proposal by the government. The scheme intended for the Fishing and fishermen communities envisages to establish a robust fisheries management framework at the same time addressing critical gaps in the value chain, including infrastructure, modernization, traceability, production, productivity, post-harvest management, and quality control. This should be seen in wake of the rising importance of the fisheries sector in the agri exports. Strengthening of the downstream activities of fisheries segment was long overdue.

Another significant reference that was made in the budget was about Zero Budget Farming. While saying that we must be returning to basics, Smt-Nirmala Sitharaman suggested the minimalistic Zero Budget Farming as one of the steps to inch towards the larger goal of doubling farmers' income. Technically known as Zero Budget Natural Farming (ZBNF), the system is a set of farming methods that involve zero credit for agriculture and no use of chemical fertilisers, thus avoiding any expenditure or credit on purchased inputs.

The budget has also proposed Cluster based development through 'Scheme of Fund for Upgradation and Regeneration of Traditional Industries' (SFURTI) which offers to set up more Common Facility Centres (CFCs) to facilitate cluster based development to make the traditional industries more productive, profitable and capable for generating sustained employment opportunities. Focusing on Bamboo, Honey and Khadi clusters, SFURTI envisions setting up 100 new clusters during 2019-20 which should enable 50,000 artisans to join the economic value chain. Further, to improve the technology of such industries, the Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE) has been consolidated for setting up of Livelihood Business Incubators (LBIs) and Technology Business Incubators (TBIs). Farmers' access to market has been a critical issue in agriculture. This year the Finance Mnister has ensured the formation of 10,000 new Farmer Producer Organizations, to ensure economies of scale for farmers over the next five years. Besides this, the Government plans to work with State Governments to allow farmers to benefit from e-NAM.

Agricultural infrastructure has always been the weakest link in the farming segment. It was promised in the budget to support private entrepreneurships in driving value-addition to farmers' produce from the field and for those from allied activities, like Bamboo and timber from the hedges and for generating renewable energy. Creating infrastructure for cattle feed manufacturing, milk procurement, processing and marketing were also given equal emphasis.

Agriculture remained an important focal point of the Union budget. Going by the historic allocation and the schemes, the resolve had been to address the strain and stress in the agriculture sector. The years before were particularly difficult on the farmers. This budget has aspired to reduce that strain and add more value and income to the farming segment.

From Green Revolution to Zero Budget Farming

The Union Budget roots for Zero Budget Farming

Zero Budget Farming was an important take away from this year's budget. When the Finance Minister reiterated her stance and resolve in doubling farmers' income in time for the 75th year of Independence, she chose Zero Budget Farming to represent the steps that would lead us in that direction.

It is unclear whether it was the loss of faith in the modern agriculture practices or the failure to see any breakthrough in agriculture growth in recent years, had the minister decide to side with the 'back to basics option'. It could be probably an indication as to in which direction our agriculture policies will be shaped. We may side with nature this time to increase the income for the farmers.

Zero Budget farming technically called as Zero Budget Natural Farming (ZBNF) relies on no externally applied inputs. Having said that, no credit or zero budget goes into this system of farming. The reliance on locally procured inputs as fertilizers and seeds cuts down on the dependence of farmers on the market for procuring them. With no external inputs applied, farmers are insulated from the rise in price of the inputs or the lack of access to reliable inputs. No inputs translates to no investments leading us to the moniker, "Zero Budget'.

This type of farming was a grass root level movement of peasants that originated from Karnataka and which later spread to many other states. The movement in Karnataka state was born out of collaboration between Mr.Subhash Palekar, who put together the ZBNF practices, and the state farmers association Karnataka Rajya Raitha Sangha (KRRS). The Farming basically relies upon cowdung, cow urine (of local breeds), lime, straw, leaves essentially procured locally. Botanicals are also relied upon. The Economic Survey mentioned Zero Budget Natural Farming (ZBNF) along with Vedic Farming, Homa Farming and Cow Farming and how these "climate friendly" agricultural practices can enable "elimination of chemical pesticides" and restoration of soil organic matter and fertility.

While one can consider the benefits accrued from natural farming, it would be naïve to assume that zero budget farming with its one stroke can double the income of farmers. While it is true that it negates the necessity of many of the store bought inputs, it is still difficult to believe that it works on 'zero' budget. The labour charges that go into the elaborate preparation of the special concoctions utilizing good amounts of cow dung and urine has been unaccounted for. The system also prefers local breeds of cows and hence their access and procurement would also be a difficult issue. The produce from these farms are technically organic and hence would be unfair to be sold in conventional markets where they do not fetch a premium price. Moreover, the yield obtained from this type of farming would be lesser when compared to those following modern agricultural practices. If increasing farmers' income is gauged by decreasing the money spent on the farm by farmers at the cost of reducing the yield, the strategy needs to be relooked. We do not want the food prices to rise.

Today we have assumed the state of complete food security. Our struggles are towards increasing the access of farmers to markets. We need better infrastructure, logistics – a better connect. It would be unwise to reject the modern system of farming and pursue a loose ended and undefined system of farming. Farmers' welfare is definitely of paramount importance. So is also our commitment towards food security. We have to direct our policies towards getting better market access to our farmers, equip them for facing climate changes, ensure proper credit management and most of all stop lending support to unscientific paradigms. Our policies should be rational, reasonable and stable. Light science lead the humanity.

Editorial Comments

Union Budget sans Development

Union Budget has very little to offer for the agri sector

The second budget presented this year following the elections was an extension of the previous line of work of the government. Nothing substantial or groundbreaking appeared for the agriculture sector, eventhough the sector was in dire need of serious interventions at the government level.

The Union Budget 2019-20, however, made a historic allocation for the Ministry of Agriculture and Farmers' Welfare with an amount of Rs 1,30,485 crore —the highest-ever that has been allocated for the sector. Agriculture, which formed 3.5% of the budget in FY19, comprised 5.4% of budgeted expenditure in FY20, an increase of 1.9 percentage points - the biggest rise. The allocation proposed represents a 140 per cent jump over the '18-19 budget estimate. However, this leap was mostly on account of the staggering Rs 75,000 crore allocated to the Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)programme. More than fifty per cent of the amount allocated to agriculture ministry thus goes in to direct cash assistance. No major schemes or development programmes were eligible enough to be addressed by the government. The proposed payment of Rs 6,000 per farmer in the PM-Kisan scheme is an income support and intends to raise the spending capacity of the rural India. However, it is unclear how this will have a positive impact on the farm sector. This cannot even be considered as an allocation towards the agriculture sector. The amount under the scheme has a very little chance of percolating into the development agenda of farm sector.

A passing reference of Zero Budget Farming by the Finance Minister was another interesting takeaway from the budget this year. The type of farming that relies on locally procured inputs and that which avoids chemicals and depends on bio-fertilisers and bio-pesticides is fairly at an experimental stage in certain pockets of the country. Without any scientific data to back, the Zero Budget Natural Farming (ZBNF) may not yield comparable results across the nation. The results may not be reproducible and hence it would be a fallacy to assume that the adoption of ZBNF would raise the farm incomes substantially. ZBNF was practically followed before green revolution - the one which seriously compromised our ability to feed the nation. We seem to be interested to go back to basics and not forward into the future.

The government as in the previous years also have shown least interest in furthering the research aspiration of the agriculture sector. We undoubtedly are content with the tag on spending least on research and development in the world. Agriculture growth in the future years will be contingent upon how we propose to face the challenges which are renewed every passing year. Climate change, pest and disease resurgence, declining soil fertility, depleting resources have become persistent problems in agriculture. We need to find a right direction to address these challenges. We have to fund appropriate research and development initiatives to find solution to these problems. This budget clearly lacks any vision in this area.

The budget remained elusive with regard to any programmes implementing Good Agriculture Practices or the likes in Indian agriculture scenario. This seems strange considering the impetus the government gave to agri exports last year by formulating a policy exclusive to that domain. Indian food safety system is unfortunately several notches below. Until and unless government finds a way to address these issues, policies like Agri Export Policy will not make any visible impact on the agri sector.

The budget has simply glossed over the agriculture sector of the country and suggested impractical ideas like Zero Budget Farming to meet the expectations of farmers. There was no roadmap that was suggestive of any developmental programmes. It was devoid of any long term plans and lacked practical wisdom.

Resurgence of FPOs

FPOs can increase the scalability of farm operations and hence income

India continues to be one of the world's leading agriculture producers. This has however not elevated the living conditions of the farmers. They remain impoverished, debt ridden and marginalized.

One of the main reasons for this paradox is the scale at which agriculture is practiced by individual farmers in India. More than eighty percent of the farmers in India are small and marginal which means their area of operation is less than two hectares. The disadvantages in being small in scale of production, scale of operation and marketable surplus highly limits their profitability and income. This arises from the huge gap that exists between farm and markets. Timely, easy and cheap access to markets are crucial. Poor postharvest handling and perishability of produce severely reduces the chances of small farmers in recovering income from marketing of produce. Lack of storage facilities and processing opportunities also exacerbates the situation. The situation demands alternate models that would increase the scalability and profitability of farming.

This Union budget there were references to cluster based approach and the Finance Minister expressed hope that 10,000 new Farmer Producer Organisations would be formed in the next five years. Formed by a group of farm producers and a registered body with producers as shareholders in the organisation, FPOs deal with business activities related to farm produce and works for the benefit of the member producers with the profit being shared among the producers.FPO was devised to strengthen the negotiation prowess of farmers through developing a judicious economy of scale at the farm-gate. Their collective power can be utilized in procuring Inputs, enjoying the benefits of Farm mechanisation, developing Post-harvest Infrastructure and Market access & connectivity.

The FPOs have over the years attracted much attention. There are over 3,000 FPOs in India. But to what extent they are profitable is questionable. The success of FPOs to a large extent depends on a slew of disparate and disconnected entities such as banks, retailers and the corporate sector. The value chain required for the development of FPOs, hence is not limited to one participant. A congenial ecosystem is a must for development of producer organizations because they have to deal with the most vulnerable part of agri-value chain, which starts from the farm and goes on till processing and the far-away markets. The critical ecosystem services include emergency credit, consumption credit, production credit, retail services of inputs for agriculture and other agricultural production services required by the small and marginal farmers. Unless these services are provided by a producer organization, it cannot divert the surplus produce from the local trader or shop keeper to the producer organization. In addition, the producer organization can take up other services related to facilitating linkage with the banks and line departments for ensuring the infrastructure access for the business.

A dedicated technical support component is needed to provide the requisite knowledge to FPOs to migrate to a more value-addition and agribusiness focused model. Private sector, knowledge institutions, and NGOs can be suitable additions to this collectivization. FPOs also need financing partners to facilitate capital infusion into FPOs. Unfortunately, FPOs have never been the primary interest of credit lending organization. The credit worthiness of FPOs need to be popularized and promoted to overcome this. Business competence is another criteria that is crucial for the success of the FPOs. Corporate skills and leadership comes in handy as well. Data and technology can expedite the professionalization of FPOs.

The role of FPOs in upscaling the income potential of small farmers is immense. Their role in the entire supply chain from input to marketing is underexplored. However with the current emphasis on the FPOs in the Union Budget, there will be a growing optimism in developing them.