Green Paper on Farmers, Farming & Rural Economy 2018

4 Years - 4 Budgets: What Has This Central Government Delivered?

जय किसान आंदोलन

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4 Years… 4 Budgets: What has this Central Government Delivered?

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1. Introduction: An Anti-Farmer Government

The present Central government, led by Mr. Narendra Modi, assumed power on 26 May 2014. During the election campaign, the party and Mr. Modi himself had made a number of promises to the farmers. The BJP's election manifesto also contained some concrete promises about "Productive, Scientific and Rewarding" agriculture. It is well established that the farmers were among the key sections that swung towards the BJP in the 2014 elections and ensured the electoral success of BJP.

The BJP's Manifesto committed the party to giving the "highest priority to agricultural growth, increase in farmer's income and rural development". Specifically, the Manifesto promised, among other things, the following major steps to improve the life and livelihood of the Indian farmers:

- Increase public investment in agriculture and rural development;
- Ensure a minimum of 50% profit over the cost of production (elaborating this promise in every election meeting, Mr. Modi specifically promised cost plus 50% to be the basis of the revised Minimum Support Price, if he is voted to power);
- Put in place welfare measures for farmers above 60 years in age, small and marginal farmers and farm labours;
- Adopt a 'National Land Use Policy', which will look at the scientific acquisition of non-cultivable land;
- Farm insurance scheme to take care of crop loss due to unforeseen natural calamities; and
- Strengthen and expand rural credit facilities.

Besides, the Manifesto also made a series of specific policy commitments, which included:

- Reform of the APMC Act;
- Set up 'agro food processing clusters';
- Set up the 'Organic Farming and Fertiliser Corporation of India', to promote organic farming and fertilisers;
- Introduce latest technologies for farming and high yielding seeds;
- Introduce and promote low water consuming irrigation techniques;
- Introduce soil assessment based crop planning and setting up mobile soil testing labs; and
- Innovation labs to conserve agro-biodiversity.

The story of this government in power for nearly four years is a story of betrayal of the solemn promises made to the farmers. It not only continued all the anti-farmer practices of the previous regime, but actually came up with newer ways to cheat and defraud the farmers.

Far from giving farmers and farming 'the highest priority' during a period when they most needed the governmental support, this government has tried to take away whatever little support different sections of farmers had. The most acute crisis in the farm sector was met by silence and indifference. Budgetary and other announcements were turned into nothing except grand standing, with little action or money to back up these announcements. Dressed up, ineffective schemes were used to garner publicity. Faced with the inevitable failure to meet its own targets and promises, this government shifted goalpost and covered its failure with propaganda. The only time this government showed political will and determination on the farm sector, it was about snatching away the meagre assets and livelihood opportunities of the farmers.

The following acts of omission and commission of this government since 2014 make this undoubtedly the most anti-farmer central government in the history of independent India:

1. The government reneged on its core and solemn promise of revising MSP on the cost plus 50% formula, by solemnly affirming in the Supreme Court that this formula suggested by the National Farmers' Commission and also promised by the BJP Election Manifesto, as unworkable;

2. Far from enhancing the MSP to the level it had promised, this government actually brought down the routine annual increment in MSP to a level lower than the previous UPA regime which it rightly criticised for not addressing the farm crisis;

3. One of the first acts of this government was to try to stop the existing practice by the state governments of offering state-specific bonus on select crops to supplement the centrally announced MSP;

4. Faced with two consecutive droughts in the first two years of its tenure, the government failed to even match the drought relief effort in 2009-10; it did little except a routine raise in compensation amount and revising the eligibility cap, while trying to shrug off its responsibility in the Supreme Court;

5. In 2015, this government made repeated attempts to dilute the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 and take away some benefits accorded to the farmers after 120 years of enduring the British-era Land Acquisition Act; when it did not succeed in getting parliamentary approval, the government has effectively stalled the implementation of this Act and has encouraged the state governments to bypass it;

6. This government has systematically diluted different environmental laws that were protecting adivasis farm livelihoods where a continuum of forest-agriculture-culture-community exists, thus stripping the most vulnerable farmers from their hard-earned protection;

7. Initially, this government made a determined bid to dismantle Mahatma Gandhi National Rural Employment Guarantee Scheme; when the attempt was foiled by public opinion and the Supreme Court, the government has choked the programme of adequate and timely funds and reneged on its legal commitment to provide timely wages and compensation for delayed payments;

8. Beginning with imposition of Minimum Export Price on potatoes in 2014, this government has consistently followed anti-farmer trade policies – exports were not allowed despite good harvest and large-scale imports that led to crash in domestic prices were permitted repeatedly;

9. Far from increasing public investment in agriculture, this government did not even maintain the existing levels; instead, the burden of expenditure has been passed on to state governments leading to an overall decline in public expenditure in agriculture in GDP terms;

10. The government's ill-advised and shoddily implemented policy of demonetisation dealt a severe blow to the farmers who were recovering from double-drought, bringing the prices crashing down;

11. The Central government has shifted the debt relief burden to state governments which are doing a shoddy job of loan waivers announced. This, despite the fact that much of the agrarian crisis can be attributed to Union Government's policies.

12. The government's crude attempts to regulate livestock markets for the sake of unstated agendas, in the name of prevention of cruelty to animals, would have dealt a severe blow to livestock farmers in the country.

Needless to say, most of the major policy measures promised by this government to the Indian farmers have not seen the light of the day. No social security measures have been taken for farmers above the age of 60 or for other marginal and vulnerable farmers and landless labour. Many categories of farmers such as tenant farmers, sharecroppers, landless cultivators, women farmers and adivasi farmers continue to be excluded from all support systems and programmes like bank credit, crop procurement, crop insurance and various subsidies. There is no initiative towards National Land Use Policy to regulate acquisition of fertile land. Most of the specific measures detailed in the BJP Manifesto have not seen the light of the day. This colossal failure cannot be hidden behind the limited progress of schemes like Soil Health Card scheme and the large outlays for the *Pradhan Mantri Fasal Bima Yojna*, most of which has gone to private insurance companies. Nor can it be concealed from public view by suppressing inconvenient data, e.g., getting the National Crime Records Bureau to tweak its data on farmers' suicide, or worse, not allow it to put out its data for 2016 so far, even as we are in 2018.

The last four years of the functioning of this government have demonstrated a lack of political will to stand with the farmers in their hour of need in the face of growing agrarian crisis. It has remained unconscionably unresponsive and irresponsible to farmers' plight in the country. The sad and undeniable fact is that the farmer comes last in the priorities of this government.

2. Overall Picture: Stagnation and Crisis

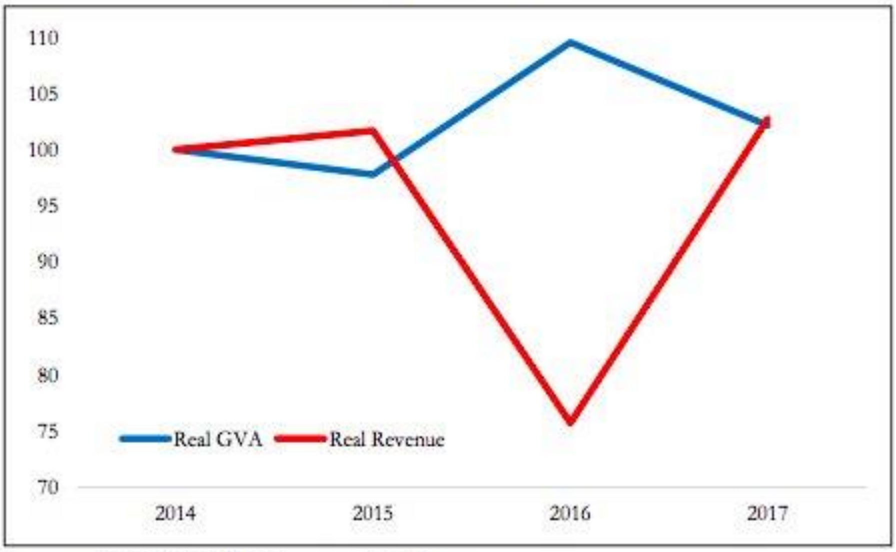
This government came to power with big support from rural India, with promises that it will address the agrarian crisis and turn around the farm sector. Further, in the Budget speech of 2015-16, the government promised “Doubling of Farm Incomes by 2022”. While many of us believed that doubling of farm incomes in 7 years was too slow and inadequate a response to the crisis, it was expected to bring a much-needed shift of focus from increasing production to increasing farm incomes.

To double real incomes in 7 years, an annual increase of 11% in real incomes (adjusted for inflation) was required starting from 2015-16. However, three years after the promise, the government has not even adopted a roadmap for doubling farm incomes. The reality of the farm sector after 4 years of the NDA government is that of continued crisis and spate of farm suicides, distress and agitations around the country.

The Economic Survey 2018 has confirmed what farmers have clearly experienced in the NDA regime: "In the last four years, the level of real agricultural GDP and real agriculture revenues has remained constant"(p.10). In the graph below, the Real Revenue is proxy for farm incomes and there is little increase in 4 years, let alone the required 11% per year.

Figure 2.1 Real GVA and Real Revenue in Agriculture
Source: Economic Survey 2018

Figure 7. Agriculture: Real GVA and Real Revenue (Crops: 2014 = 100)



Source: AGMARKNET, Survey calculations.

Note: Values for 2016 and 2017 Crop GVA estimated using real agriculture GVA to Crop GVA ratio for previous years. Real revenue (output times prices received by farmers and deflated by the CPI for agriculture) is a proxy for real incomes; Agriculture GVA is based on the financial year while real revenue is based on the calendar year.

The Economic Survey also points to three disturbing trends in the present. (a) Decline in rural wages, (b) Lower sowing for both Kharif and Rabi even one year after demonetisation, and (c) Unusually lower prices of agricultural commodities, even below MSP.

As for the future, the Economic Survey points out that in the medium term, “farmer income losses from climate change could be between 15 percent and 18 percent on average, rising to anywhere between 20 percent and 25 percent in unirrigated areas.”

What does this say about the government’s promise of Doubling Farm Incomes? In fact, the Economic Survey has been deafeningly silent in the past 3 years on how to double farm incomes. The Chief Economic Advisor doesn’t seem to believe that there is any roadmap to achieving it. So, is this yet another empty promise, a *jumla,* to divert farmers’ attention from the government’s reneging of its election promise on MSPs?

Demonetisation was in many ways the last straw on the back of Indian farmers. This ill-advised and shoddily executed move could not have come at a worse time for the farming community. It was the time of Kharif harvest and start of Rabi sowing. By now the mayhem caused by demonetisation has been adequately documented, though still not acknowledged by this government. Demonetisation adversely affected the farmers in multiple ways:

- Formal financing of farmers in many parts, especially Punjab, Uttar Pradesh, Odisha, Maharashtra, Gujarat and Kerala is significantly dependent on cooperative banks, which were barred from exchange-deposit of demonetised currency, causing trauma to farmers.
- Sudden withdrawal of cash impacted the farmers through the input-output channels as well as price and output feedback effects. Sale, transport, marketing and distribution of ready produce to wholesale centres or mandis, was dominantly cash dependent. This affected the farmers in multiple ways: disruptions, breaks in the supply chains feedback to farmers as a result of fall off sales, increased wastage of perishables and lower revenues.
- The input side was equally affected as many payments/purchases, such as seeds, fertilisers, implements and tools, were outright in cash. Borrowing-financing operations of larger farmers and organised producers were also cut off or severely clipped.
- These general effects were most telling in some sub-segments: Winter crops such as wheat, mustard, chickpeas suffered for want of enough seeds on time to exploit the adequate soil moisture. Plantation crops such as rubber, tea, jute, cardamom witnessed no wages paid to workers. Small-medium tea growers had few buyers. Raw jute’s trade halted by paucity of funds affected procurement-delivery by traders. Daily arrivals in cotton had plunged to 30,000-40,000 bales against the usual 1.5-2 lakh bales. Vegetables and fruits depended critically upon a cash-strapped transport sector for daily supply network which collapsed due to Note-ban.

In many ways the Indian farmer is yet to recover from the staggered impact of this move.

In short, the farm sector has stagnated in the past 4 years, and the crisis experienced by farmers has become much worse. It is clear that much of this is due to the actions or failures of the government.

3. Prices: *Kisan ki Loot*

Net returns from agriculture matter most to the farmers and with poor returns, they are being pushed into debt, distress and suicides. Hence the emphasis on remunerative prices and the universal demand of Indian farmers' organisation for 'C2 + 50%', *i.e.*, Minimum Support Prices (MSP) which provide 50% margin over the C2 cost of production.

In 2014, Prime Minister Narendra Modi, the then chief campaigner of BJP promised, in hundreds of campaign rallies across rural India that if voted to power, his government would provide MSP which would be one-and-a-half times the Cost of Production with the 'cost' including all costs incurred in the production. The BJP pre-poll manifesto (2014) promised to ensure 50% profit over the cost of cultivation.

The promise has been blatantly broken in the past 4 years with MSPs being kept substantially low to an extent that in many cases, they deliver negative returns (Table 4.1). In fact, in its first year of being in power, the central government even prohibited the state governments from declaring additional bonus in MSP for their own farmers. The average returns of the past four years are negative in case of 7 crops out of the total 20 for which MSP is declared; in most of the rest of the crops, the returns are very marginal, ranging between 2% to 8%; and in not a single case, in any year, has the MSP been 50% above C2. (Table 3.1). This means that the net income of farmers has remained either critically low or negative.

Table 3.1: Net Returns over C2 Cost of Production provided by MSP

(Dark cells indicate average negative net returns over C2)

Commodity	MSP Margin over C2 Cost of Production				
	2014-15	2015-16	2016-17	2017-18	NDA Average
KHARIF					
Paddy Common	7%	6%	7%	4%	**6%**
Jowar-Hybrid	-14%	-19%	-18%	-19%	**-18%**
Bajra	16%	10%	9%	12%	**12%**
Ragi	-14%	-20%	-20%	-19%	**-18%**
Maize	12%	8%	6%	2%	**7%**
Tur (Arhar)	3%	8%	17%	18%	**12%**
Moong	-7%	-3%	1%	-2%	**-3%**
Urad	1%	3%	7%	20%	**8%**
Groundnut	3%	-4%	-2%	9%	**2%**
Sunflower Seed	-3%	-8%	-11%	-9%	**-8%**
Soyabean		8%	9%		**8%**
Sesamum	-4%	-9%	-10%	-7%	**-8%**
Nigerseed	-10%	-10%	-11%	-21%	**-13%**

Cotton	8%	1%	6%	-8%	**2%**
RABI					
Wheat	22%	31%	35%	38%	**32%**
Barley	4%	12%	18%	18%	**13%**
Gram	5%	10%	26%	25%	**16%**
Lentil (Masur)	2%	7%	18%	14%	**10%**
Rapeseed/Mustard	24%	29%	33%	30%	**29%**
Safflower	-18%	-12%	-6%	3%	**-8%**

Source: Calculations based on CACP reports (2014-15 to 2017-18)

Table 3.2 compares the returns provided by MSP over cost of production during the past 4 years of NDA government and the 5 years of UPA-2 government.

Table 3.2: NDA vs UPA-2: Net Returns and Gross Returns provided by MSP

(Dark cells indicate lower returns under NDA compared to UPA-2)

Commodity	**MSP Net Returns over C2**		**MSP Gross Returns over A2+FL**	
	UPA Average (2009-14)	**NDA Average (2014-18)**	**UPA Average (2009-14)**	**NDA Average (2014-18)**
KHARIF CROPS				
Paddy Common	23%	**6%**	69%	**39%**
Jowar-Hybrid	-8%	**-18%**	19%	**9%**
Bajra	16%	**12%**	57%	**47%**
Ragi	-12%	**-18%**	11%	**1%**
Maize	10%	**7%**	46%	**41%**
Tur (Arhar)	9%	**12%**	63%	**51%**
Moong	-2%	**-3%**	30%	**25%**
Urad	9%	**8%**	54%	**43%**
Groundnut	7%	**2%**	38%	**28%**
Sunflower Seed	3%	**-8%**	27%	**17%**
Soyabean Yellow	11%	**8%**	50%	**48%**
Sesamum	0%	**-8%**	39%	**21%**
Nigerseed	-4%	**-13%**	25%	**12%**
Cotton	30%	**2%**	80%	**39%**

RABI CROPS				
Wheat	36%	**32%**	112%	**101%**
Barley	18%	**13%**	70%	**61%**
Gram	17%	**16%**	76%	**71%**
Lentil (Masur)	5%	**10%**	68%	**73%**
Rapeseed/ Mustard	36%	**29%**	120%	**97%**
Safflower	-16%	**-8%**	9%	**15%**

Source: Calculations Based on CACP reports 2009-10 to 2017-18

In 17 out of the listed 20 crops, the net returns at MSP during the 4 years of NDA government are significantly lower than the net returns at MSP during the previous UPA-2 government (Table 3.2). This makes the betrayal of promise by Mr. Modi all the more blatant, because the crux of his argument (in 2014) was that the net returns of farmers were low during UPA and needed to be raised significantly.

Faced with criticism of breaking the promise on MSPs, there has been an attempt by the government to bring up (A2+FL) as the basis of cost of production, thereby trying to show higher margins. However, the government's own CACP reports make it clear that the "net returns" are the returns over C2 cost of cultivation. The returns over (A2+FL) are considered "gross returns". It is widely accepted that imputed costs such as rental value of land should be included in the Cost of Production. In fact, government committees such as Ramesh Chand Committee recommend that a further component of 10% Management Cost should be added to the Cost of Production. The Swaminathan Commission makes clear arguments why the MSP should be C2+50%. In any case, Table 3.2 shows that even in terms of returns over A2+FL, the NDA government has done worse than UPA-2 in 18 out of 20 crops. This is hardly what Shri Modi promised while campaigning across rural India.

Even these low MSPs are not being obtained by the farmers. An analysis of the prices in the month of November 2017 shows that in case of 7 out of 8 major crops, the average APMC market prices are significantly below than their MSP. For example, during the said moth, maize was selling at Rs.1162 while its MSP was Rs.1425. Similarly, Paddy was selling for Rs.1431 while its MSP was Rs.1550 (Table 3.3). Though these are the official figures from the APMC market yards, in reality the prices obtained by the farmers are significantly lower. While projecting the official prices for the entire kharif crop and taking the estimated marketed surplus, the estimated deficit (loss) for farmers on account of not receiving the declared MSP is Rs.32,702 crores. (Table 3.3).

Table 3.3: Market Prices Lower Than MSP and Resulting Deficit for Farmers

CROP	Declared MSP (Rs./qtl)	Avg. APMC Market Price	Promised MSP at Cost+50%	Marketable Surplus (lakh qtl)	Deficit as per Declared MSP (Rs. Cr)	Deficit as per Promised MSP (Rs.Cr.)
Paddy	1550	**1431**	2226	7,985	9,503	63,484
Maize	1425	**1162**	2094	1,649	4,338	15,372

Bajra	1425	1139	1917	593	1,695	4,610
Soyabean	3050	2533	4382	1,163	6,015	21,506
Groundnut	4450	3684	6134	569	4,361	13,945
Cotton	4320	4389	6564	3,195	-	69,485
Urad	5400	2886	6776	216	5,442	8,419
Moong	5575	4452	8550	120	1,349	4,923
TOTAL					**32,702**	**201,744**

Source: Calculations Based on CACP reports, APMC market data from www.agmarknet.nic.in, and marketable surplus estimates from dacnet.nic.in

Considering the promised MSPs at 50% above Cost of Production, the deficit borne by farmers is more than Rs.2 lakh crores (Table 3.3)

The import of large quantities of red gram (*tur dal)* in late 2016 led to a crash in their prices in December 2016. Though the government had the stated policy of "Incentivising Production of Pulses" and farmers increased the area under *tur* dal cultivation (based on signals from the government), the market prices went below the MSP of Rs. 5050, resulting in huge losses to farmers in many states such as that of Telangana and Maharashtra.

The prices of commodities for which MSP is not declared such as potatoes, onions, vegetables and milk have also been unremunerative leading to widespread farmers distress and massive farmers protests. Yet, the governments have not taken effective steps of market intervention.

The Central government has schemes in place such as Market Intervention Scheme and Price Support Scheme but the budgetary allocation for these has been very meagre (Table 3.4). Agencies such as NAFED and MARKFED are not in a position to make timely and sufficient market intervention. Even when intervention is made, it is often too late to stop distress sale.

Table 3.4: Budgetary Allocations for Market Intervention Scheme and Price Support Scheme (2015-16 - 2017-18)

Scheme	2015-16 (Revised)	2016-17 (Revised)	2017-18 (Budget)
Market Intervention Scheme & Price Support Scheme (MIS-PSS)	Rs. 48.46 Cr	Rs. 145.69 Cr	Rs. 199.3 Cr

The Price Stabilisation Fund for cereals and vegetables under Ministry of Agriculture had a grossly inadequate allocation of only Rs. 660 crores in 2015-16. In 2016-17, this fund was shifted to Ministry of Consumer Affairs, and it has been mostly used to prevent price hike for consumers, rather than procurement to help farmers. After shifting to Ministry of Consumer Affairs, the expenditure and allocations have increased (Table 3.5). This clearly show that the priority of the government is to intervene mainly to control increase in prices for the consumer rather than protect farmers from a price crash. As the government reported in PIB (Press Release dated March 28, 2017), the allocated fund was used to import 5000 tonnes of pulses and 2000 tonnes of onions; thus creating a buffer of 17,747 tonnes of onions, etc.

Table 3.5: Budgetary Allocations for Price Stabilisation under Ministry of Agriculture and Ministry of Consumer Affairs

Scheme	2015-16 (Revised)	2016-17 (Revised)	2017-18 (Budget)
Price Stabilisation Fund for Cereals and Vegetables (under Ministry of Agriculture)	Rs. 660 Cr	-	-
Price Stabilization Fund (under Ministry of Consumer Affairs)	-	Rs. 3400 Cr	Rs. 3500 Cr

Source: Union Budget 2017-18

The Central government has proposed a new Market Assurance Scheme (MAS) and sought inputs of States on this. The MAS is meant to ensure MSP 11egalizing11 by farmers – a welcome objective as such. The main assurance from the Centre is that if the states make a loss due to procurement and sale, the Centre will provide up to 30% of the cost of procurement. However, unless sufficient funds are provided at the outset to enable procurement, and the infrastructure and capacities are built at the state level for timely procurement and sale, the states may not be in a position to deliver. Further, 30% loss indemnity may not be enough. The responses from the states, so far, are indicative of this.

The *Bhavantar Bhugtan Yojana* or Price Deficit Payment scheme has been introduced in Madhya Pradesh in Kharif 2017 season to provide 'price deficit payments' to farmers if the market prices are below MSP. However, the implementation in the first season has resulted in little benefit to the farmers, with very little to prevent manipulation of prices by the traders. The state government claims to have disbursed Rs.1900 crores as compensation, but a large section of farmers growing those crops have been excluded from the scheme. Moreover, these excluded farmers had to bear the brunt of larger price crash because of market manipulation.

In the light of highly inadequate allocations to MIS-PSS so far, the seriousness of the Centre on MAS or *Bhavantar Bhugtan Yojana* will be judged by whether sufficient budget allocations are made for this or not, whether adequate quantities of produce are covered under the scheme, and whether the implementation challenges & pitfalls are understood & addressed effectively.

4. **Credit: Little trickle down**

Most readers have knowledge about farm suicides, and that the most direct and proximal cause for such extreme measures is indebtedness (which in turn builds up due to a vicious circle of many factors making farming unviable). The number of indebted households amongst agricultural households has increased to 52% from 48.6%, (around 4.68 crore households), along with an increase in average amount of outstanding loan (Rs. 47000/- in 2013, compared to Rs. 12585 in 2003). In this context, it is important to discuss about institutional agriculture credit.

While media make screaming headlines out of announcements around agriculture credit, and while the Finance Minister and Government made it look as though it is of their own doing, it is important to note that year-on-year growth of agri-credit is something to be expected. If nothing else, even with the same set of farmers and area, "scale of finance" or size of crop loan for different crops increases, which will be reflected in overall agri-credit also. What is worth noting however, is that credit to agriculture is actually showing a ***<u>deceleration in growth from scheduled commercial banks</u>***, which have become the main source of agri-credit (70-75% of ground level flow of agri-credit comes from commercial banks, compared to Regional Rural Banks or Cooperative Banks).

Record agri-credit has nothing to do with the budget outlays, other than to the extent that a certain amount of interest subvention subsidy is connected to these targets. Admittedly, that has become one of the largest cost-heads in the Agriculture Ministry in the past two years, due to a clever move to shift this subsidy from the Finance Ministry. Even in that interest subvention outlay, ***carry over liabilities are not being budgeted for payment*** (around Rs. 41750 crores is the estimated backlog to be paid to banks against their claims), ***while under-utilisation of interest subvention budget seems to be happening***.

It is often shown that credit targets have been surpassed by banks. However, it would be good to go beyond the 'target' announced, and get down to figuring out the real vexatious issues related to agricultural credit, from the farmers' end and to see if the government has tackled them seriously or not. ***For instance, going beyond absolute numbers of 'targets', it is important to note that commercial banks, mainly private banks, have failed to meet <u>priority sector lending target of 18% in agriculture</u>.***

Who accesses subsidized agri-credit?

A larger share of agri-credit from institutional sources is apparently <u>taken by non-farmers (~52%)</u>, even as the largest percentage of our marginal farm households don't have access to institutional credit (85% of agri households with marginal landholdings depend on private sources for their loan requirements). While RBI has issued guidance to banks that all efforts should be made to reach the level of 13.5% to non-corporate farmers ('direct credit' in earlier parlance), ***<u>this average figure stood at 11.70% in 2016-17</u>***. When compared to NSSO estimates of indebted households that too ones borrowing from institutional sources, one can see that so-called "agricultural accounts" in banks don't correlate.

RBI had issued guidelines in 2015, setting a sub-target of 8% within the priority sector lending for agriculture (which is set at 18%) for small and marginal farmers, to be achieved by March 2017 – this was done after unwisely doing away with a distinction between 'direct' and 'indirect' lending. <u>Private banks (which provide 23% of agri credit from banks) have not fulfilled the sub-target</u>.

Incidentally, the credit disbursed to small and marginal farmers in the first two years of Modi government was a lower portion in the total credit disbursed, compared to 2013-14. It is worth remembering that small and marginal farmers constitute roughly 85% of the total holdings and around 60% of 'agricultural accounts' while their share in agri-credit disbursed was only around 44% in 2016-17 (remember that agriculture credit is not just about crop loans and cannot be equated to area cultivated) and importantly, ***the average loan amount has actually declined by about Rs 5000***.

Tenant Farmers, Women Farmers

While NSSO estimated that leased-in area within the total operated area to be around 11% (2012-13), which is around 105 lakh hectares. In certain states, it is as high as 34%, and even these numbers could be under-reported data. In just Telangana and Andhra Pradesh, it is estimated that there are around 35 lakh tenant farmers. Even though these farmers incur more expenditure than other farmers just by the fact that they also have to pay ever-increasing lease rents in addition to other cultivation expenses, they don't get to avail of agri-credit from institutional sources since banks continue to seek pledging of land titles even for short term crop loans (which is in violation of RBI guidelines on the matter). It is seen that a vast majority of farm suicides in these states are of tenant farmers. Similar is the case of women farmers. No gender-disaggregated data is maintained to know how much agriculture credit has gone to women land owners. Even though women in agriculture are farmers in their own right, because of lack of land ownership, they are not considered as Farmers.

Though the concept of Joint Liability Groups existed in the banking system prior to the BJP government too, a new scheme called 'Bhoomiheen Kisan Credit' scheme was announced in 2015. However, JLG financing is the same as before, where adequate investments are not made into institution-building of these JLGs to make them 'credit worthy' for banks (unlike in the case of SHGs, which also work on joint liability principles but have stable institutional systems built).

It is not out of place to bring up the exercise done by NITI Aayog on creating a ***Model Land Leasing Act 2016***, which did not really address the protection of lessee's rights even though the power play between a land lessor and lessee is unequal in our system. This Model Act did not explicitly build in access to credit and other services for lessee farmers by obligating state departments and agencies to ensure the same. Compared to the Model Land Leasing Act 2016 of Government of India, the Licensed Cultivators Act of Telugu-speaking states of Telangana and Andhra Pradesh is far more progressive and 13egalizin of the requirements of tenant farmers. It is worthwhile to note that only Madhya Pradesh has reportedly brought in a new land leasing legislation after the efforts of the Centre to push a Model Act on all states. Even here, there is no report of any significant benefits accruing from the implementation of this Act. Uttar Pradesh made a minor but significant modification in its existing law that expanded the definition of who all can lease out land, thereby 13egalizing land leasing but not necessarily protecting lessee farmers.

"Non-Performing Assets" in Agriculture & Allied Sectors

There is a popularly-held notion that NPAs (Non-Performing Assets) are high in agricultural sector. However, evidence points to a different picture. The total NPAs of Banks was at 7285 billion rupees in March 2017, up from 5662 billion rupees in 2016, out of which agriculture was only 602 billions in 2017, and 488 in 2016. *Agri NPAs, therefore, are only around 8.3% of the overall NPAs in our Banks. That reflects the discipline and ethos of our farmers, who repay despite adversities.*

Table 4.1 Write-offs (incl. compromise) to reduce NPAs of Public Sector Banks

Year	Agriculture & Allied Activities	Industry
2016-17	7091	48435
14/2017 to 30/9/2017	2369	36510

Source: Lok Sabha Unstarred Question No. 1295 on "Corporate Loan & Agricultural Loan", dated 22/12/2017 - (Amount in crores of rupees)

The present government is apparently keen and ready to bail out industry more than farmers.

It is well known that agriculture is an enterprise where hardly any variable/factor is in the control of the entrepreneur. The land plot operated, the uncontrollable weather conditions, suitable crops to be sown and the markets in which the produced commodity is to be sold are all a given, which are mostly not in the control of the farmer. Riskiness is high, with weather variability playing havoc with the farmers' plans in addition to volatile markets.

Though there are so called calamity relief guidelines issued by the RBI from time to time, these are not followed. These are also not necessarily farmer-friendly – for instance, rescheduled crop loans, when they are made into medium term loans after a disaster, attract a 9% interest rate, with an interest subvention of just 2% available that too only on the first year of the restructured/rescheduled loan. An RTI response received from RBI on loan rescheduling and other calamity relief measures in 2016-17 (the natural disasters of this year were widely reported across at least 15 states) shows that only 21.5 lakh agricultural accounts benefited from rescheduled loans due to disasters. Worse, only 7.77 lakh accounts saw fresh loans being disbursed after restructuring.

What farmers need are "non-recourse" loans, where repayment defaults due to disasters and other similar losses will have no implications for the personal assets of the farmers (no auctioning of the gold, or land pledged or no recovery of agricultural machinery and other assets by bullying recovery agents).

- There has been a deceleration in growth in agriculture credit from commercial banks in the recent past, which account for nearly 75% of agri-credit
- Priority sector lending target for agriculture (18%) and for small and marginal farmers in particular (a sub-target of 8%) have not been met by private banks (which account for 23% of agri-lending within commercial banks), creating an overall performance picture which is marginally lower than targets laid down by Reserve Bank of India
- Budgetary outlays for interest subvention scheme are not covering cumulative backlog to be paid to farmers, and even here, there appears to be under-utilisation
- Within the loans disbursed to small and marginal farmers, there has been a decline of Rs. 5000/- on an average in the recent past.
- The average lending figure to non-corporate farmers stood at 11.7% while RBI exhorts banks to make all efforts to reach at least 13.5% target
- Agri NPAs are only 8.3% of the overall NPAs of our banks
- Tenant farmers and women farmers are not getting institutional credit cover, due to non-adherence to RBI norms for crop loans to be advanced without any collateral other than crop value.
- NITI Aayog's Model Land Leasing Act 2016 has had no takers other than Madhya Pradesh – the model law has inadequate protection for lessee farmers' interests in any case
- Farmers need "non-recourse", limited liability loan products and this requires a major overhaul of the agriculture credit norms, including the calamity relief guidelines of RBI

5. Irrigation: Long on claims, short on delivery

Strengthening of irrigation and water management is a crucial part of the government's role in supporting agriculture. Since 2015-16, the government brought in various schemes of irrigation projects, watershed development, micro-irrigation and command area development under a single umbrella "Pradhan Mantri Krishi Sinchai Yojana" (PMKSY).

PMKSY has four components, *i.e.,*

1. Accelerated Irrigation Benefits Programme (AIBP), focusing on faster completion of ongoing medium and major irrigation projects
2. Har Khet Ko Pani, covering Command Area Development & Water Management (CAD&WM), minor irrigation and Repair, Renovation & Restoration (RRR) of water bodies
3. Per Drop More Crop, aimed at improving on-farm water use efficiency through micro-irrigation such as drip systems, sprinklers, pivots and rain guns
4. Watershed Development, focused on rainwater harvesting, management of run-off and recharging groundwater table.

While PMKSY has been considered by the government as a very prestigious initiative with Rs.50,000 crore planned allocation until 2019-20, the progress after three years of announcement has been mediocre. Most targets have not been achieved, and budget allocations have lagged the originally planned allocations. While large targets have been announced such as 76 lakh hectares of irrigation under AIBP by December 2019, the progress has been very poor. In what seems to be a common practice with this government, the announced plans and targets for these programs extend beyond its term (until 2019-20 in this case) so that final evaluation of achievements cannot happen in the current term!

Most significantly, it is clear that groundwater has become the most important source of irrigation, and even in the absence of irrigation, soil moisture and subsoil water availability is crucial for crops in rainfed areas. The Economic Survey 2018 also highlights the urgent need to focus on the Rainfed areas which suffer the worst impacts of climate change. However, the Watershed Development component has been relatively neglected, with a big shortfall in allocations compared to the requirement. A large Groundwater Management Improvement Program of Rs.6000 crores was mentioned as a proposal in Budget 2016-17, but the program has not been initiated so far.

1. Accelerated Irrigation Benefits Programme (AIBP)

In 2016, fresh targets were announced for AIBP for irrigation potential creation and expenditure. Out of the 149 major and medium irrigation projects approved for Central Assistance under AIBP, 99 projects have been prioritized for completion in a period of 3 years, resulting in additional irrigation coverage over 76 lakh hectare. These projects have been phased as Priority I, Priority II and Priority III.

While the 23 projects under Priority I are supposed to be completed by March 2017, only 18 projects have been taken up out of which only 4 have been 100% completed by December 2017, creating additional irrigation potential of 1.01 lakh ha as compared to the target of 1.5 lakh ha for the period. Similarly, in the 31 projects under Priority II to be completed by March 2018, the achievement of irrigation potential has been only 29% until December 2017.

Table 5.1: Progress of AIBP – Creation of Irrigation Potential: Targets, Deadlines and Achievement as of Dec 2017

AIBP Projects	Irrigation Potential (in Lakh Ha.)			Deadline for Completion
	Original Target for the projects	Target for creation after March'16	Achieved during Mar'16 -Dec'17	
Priority-I (23 projects)	3.65 Lakh ha	1.5 Lakh ha	1.01 Lakh ha (66%)	Mar 2017
Priority-II (31 projects)	17.75 Lakh ha	5.18 Lakh ha	1.52 Lakh ha (29%)	Mar 2018
Priority-III (45 projects)	46.77 Lakh ha	23.79 Lakh ha	2.90 Lakh ha (12%)	Dec 2019

Source: www.pmksy.gov.in MIS report on AIBP

It is clear from the above that while high targets were announced, thousands of crores have been allocated and spent, and Rs.20,000 crore fund created with NABARD, the progress on AIBP has been poor so far.

2. Har Khet Ko Pani :

Under Har Khet Ko Pani Component of PMKSY, the Command Area Development & Water Management (CADWM) programme has been taken up by Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR, RD&GR) with a view to enhance utilization of irrigation potential created. While the target has been set as 15 lakh hectares by 2019, the Field Channels/On Farm Development (OFD) works have been undertaken in 9.97 lakh ha under CADWM programme.

While the target for RRR (Repair, Renovation and Restoration) of water bodies has been 1.5 lakh hectares, 0.147 lakh hectares (10%) was completed in 2015-16 but no funds were released in 2016-17!

3. Per Drop More Crop:

Under Per Drop More Crop component, the target is to bring 100 Lakh hectare areas under Precision irrigation during 2015-20. Until 2017, micro-irrigation has been extended to 18.38 lakh hectares under this program.

4. Watershed Development Component (WDC)

The WDC-PMKSY encompasses the projects under the Integrated Watershed Management Programme (IWMP) of Department of Land Resources which included erstwhile programs of Drought Prone Area Programme (DPAP), Desert Development Programme (DDP) and Integrated Wastelands Development Programme (IWDP).

A total of 8,214 projects to cover an area of 39.07 million ha were sanctioned under IWMP till March, 2015. Out of the total 8,214 projects sanctioned so far, 119 projects (1.45%) are in the consolidation phase, 4,613 (56.16 %) have moved to the works phase and 3,482 (42.39 %) are still in the preparatory phase. Under WDC-PMKSY, these 8214 projects are to be taken to completion, targeting an area of 11.5 lakh hectares under irrigation coverage during 2015-20.

However, the budget allocations have a large shortfall compared to the Fund Requirement of these projects under IWMP. While Rs.21,110 crores is required until 2019-20, the Cabinet note on PMKSY approved only Rs.12,000 crores. Even the amounts approved in the Cabinet note have not been allocated in the Budgets of 2016-17 and 2017-18. This shows the neglect of the Watershed Development program which should be the most crucial part of the PMKSY.

Table 5.2: Budget Shortfall for Watershed Development compared to Funds Requied

<table>
<tr><th>Year</th><th>Annual Fund Requirement for 8,214 Sanctioned Projects (in Rs. Cr.)</th><th>Amount Approved in the Cabinet Note of PMKSY (in Rs. Cr.)</th><th>Amount Allocated in Budget (in Rs. Cr.)</th><th>Shortfall In Budget Allocation (in Rs. Cr.)</th></tr>
<tr><td>2016-17</td><td>7,482.02</td><td>1,950.00</td><td>1,550.00(R.E)</td><td>(5,932.02)</td></tr>
<tr><td>2017-18</td><td>5,749.69</td><td>2,540.00</td><td>2150.50(B.E)</td><td>(3,599.19)</td></tr>
<tr><td>2018-19</td><td>4,685.02</td><td>3,300.00</td><td colspan="2" rowspan="2"></td></tr>
<tr><td>2019-20</td><td>3,193.37</td><td>4,300.00</td></tr>
<tr><td>Total</td><td>21,110.14</td><td>12,000.90</td><td colspan="2">Total Shortfall = 9,531.21 Crore</td></tr>
<tr><td colspan="5">Note : The Schemes of Drought Prone Area Programme (DPAP), Desert Development Programme (DDP) and Integrated Wasteland Development Programme (IWDP) of the DoLR were integrated and consolidated into a single modified programme called Integrated Watershed Management Programme (IWMP) with effect from 26.02.2009 for development of rainfed/degraded areas. Subsequent to the approval of PMKSY, IWMP was subsumed as one of its components and IWMP is now implemented as WDC-PMKSY w.e.f. 01.07.2015.</td></tr>
</table>

Source: Union Budget 2017-18 and Report of Parliamentary Standing Committee on Agriculture

Not even a single project out of 8214 projects of WDC-PMKSY has been declared to reach an official closure till date by the DoLR. This performance is contrary to the period formulated for completion of projects as per the common guidelines for Watershed Development.

Summary: The performance as well as allocations for the much-hyped PMKSY have been highly unsatisfactory. This is of great concern, especially in the light of the challenges of Climate Change highlighted in the Economic Survey 2018.

6. Crop Insurance - For farmers or for insurance companies?

One of the most hyped schemes introduced by the present NDA government is the crop insurance scheme - *Pradhan Mantri Fasal Bima Yojana* (PMFBY), introduced in 2016. The government has promoted PMFBY as a one-stop solution for all production risks. The claimed benefits are:

- Expanding coverage of crop insurance from the existing level of 22.5% to 30% in 2016-17, 40% in 2017-18 and 50% in 2018-19
- Upper cap on premium share to be paid by farmers so that they don't have to pay more than 2% for food crops and 5% for commercial crops. No upper cap imposed on total actuarial premium charged by companies – with the balance to be paid by the government.
- Farmers would get adequate compensation for all risks faced including localised risks, post-harvest losses, prevented sowing, etc.
- For most major crops, the unit of insurance would be taken as a village.

In reality, most of the flaws of the earlier schemes were not fixed in PMFBY including accountability. Instead, the PMFBY resulted in huge profits to insurance companies while the farmers failed to receive commensurate benefits.

Windfall Profit to Private Insurance Companies

PMFBY allows states to choose insurance companies through competitive bidding. Companies which propose to collect the least premium are selected to implement the scheme for that particular district. This process with entry of private companies is supposed to reduce the premium burden on the government. However, PMFBY has actually increased the average actuarial premium collected across the country to an average of **12.55%** of insured amount.

Reports indicate that financial year 2016-17 has been the most profitable for insurance companies, recording 131% growth in crop insurance. Gross premium collected by companies including the share of central and state governments and farmers was Rs. 22,004 crores while the total claims paid were only Rs. 12,020 crores, making a profit of Rs.10,000 crores (Table 6.1). The claims-to-premium ratio was only 55%, with a small percentage of insured farmers benefiting from claims.

Table 6.1 : Claims and Premium Paid

Season	Gross Premium (in Rs. Cr.)	Claims Paid (in Rs. Cr.)	Claims paid as percentage of premium	Percentage of Insured Farmers Benefited
Kharif 2016-2017	16,476	9,007	55%	24%
Rabi 2016-17	5,528	3,013	55%	10%
Total 2016-17	**22,004**	**12,020**	**55%**	

(Source: Rajya Sabha Question No.810)

The premiums quoted for individual crops also went up drastically with no cap under PMFBY (Table below).

Table 6.2: Examples of very high premiums charged by insurance companies

Crop	Season	District	State	Premium
Taur	Kharif 2016	Umaria	Madhya Pradesh	40%
Gram	Kharif 2016	Balghat	Madhya Pradesh	30%
Cotton	Kharif 2017	Gadwal	Telangana	31%
Groundnut	Kharif 2017	Rajkot	Gujarat	58%
Jowar	Kharif 2017	Tapi	Gujarat	40%

Source: PMFBY Notifications released by respective state governments

In fact the premiums in some cases went so high that if such an amount would have been paid directly to the farmers, it would have right away doubled their incomes. For example, at 31% premium for cotton and a scale of finance of Rs. 82,500 per hectare, the total cost to insure a hectare would be **Rs. 25,575 -** double the income of the cotton farmers during this period. The premium burden on state governments also becomes enormous. Analysis of actuarial premium for notified crops and net sown area of all crops in Telangana in Kharif 2017 shows us that if all farmers in the state had been insured, the total premium would have been **4,476 crores**. The state government's share would have been **1,736 crores** for just one season, whereas the budget allocation for PMFBY in the 2017-18 state budget was just **Rs. 200 cr.**

Most Deserving Farmers did not benefit due to Improper Design and Implementation

- Lack of information and awareness: Most farmers do not possess information to make a claim even if they are eligible for it. Surveys show that most farmers aren't aware of how they can get insured, the terms of insurance, the details of premiums or payouts, and of the existence of crop insurance itself. Notifications are not released in regional language. Most insured farmers don't receive a policy document from the bank confirming the insurance.
- Lack of accountability: Measures for the 'implementing agencies' (private insurance companies) or any grievance redressal measure.
- Lack of trained personnel: Neither the insurance companies nor banks nor the agriculture department has trained personnel who can respond to farmers when needed.
- Insurance Unit still too large: PMFBY dictates that 'major' crops must be insured at the village level but it does not define what a 'major' crop is. In every district, only one crop is insured with a village as a unit, while all other crops have a tehsil or district as a unit. Therefore, even when an entire village faces loss, there is no insurance payout.
- Non-loanee farmers: The percentage of non-loanee farmers getting insurance has remained low under PMFBY. It is mainly the loanee farmers who are insured because the loans make it mandatory.
- Several risks not covered: PMFBY made no improvements in terms of addressing increasing risks to farmers' produce from wild animals, for instance.

While the BJP Manifesto promised to "Implement a farm insurance scheme to take care of crop loss due to unforeseen natural calamities", implying universal coverage of all farmers and all calamities, what we have in reality is a highly inadequate mechanism that farmers are having to contend with. It also becomes important to analyse the performance of PMFBY vis-à-vis the impacts of climate change projected by the Economic Survey 2017-18. Unless the implementation of PMFBY is drastically overhauled, the scheme provides more benefit to the insurance companies than the farmers, while draining the budget.

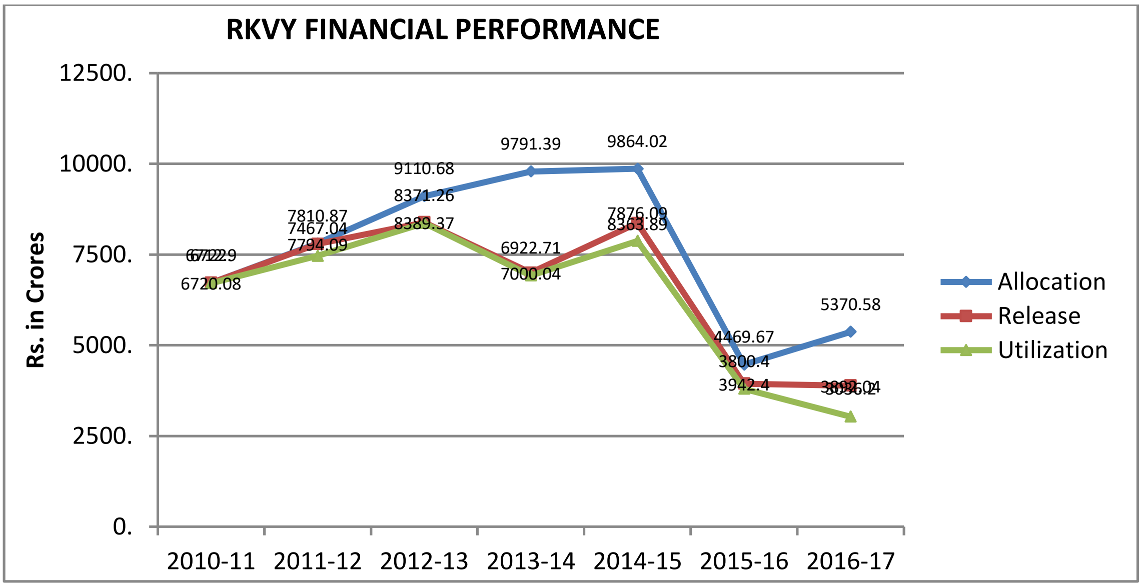
7. Major Schemes: Stingy Allocations, Shoddy Implementation

Rashtriya Krishi Vikas Yojana (RKVY)

In May 2007, the National Development Council mooted the idea of 'National Agriculture Development Programme' or 'Rashtriya Krishi Vikas Yojana' (RKVY) for rejuvenating agriculture and for re-orienting agri-development strategies to meet the needs of farmers. Accordingly, RKVY was evolved, where states were expected to draw up localised plans to be screened and cleared at the state level, with full integration of livestock, poultry and fisheries. 20 sectors were created in this programme, under which all projects were classified into - this included crop husbandry, horticulture, sericulture, animal husbandry, fisheries, seed, agriculture mechanisation, extension, natural resource management, post-harvest management & marketing, research, organic farming, micro-irrigation, information technology, dairy development and even non-farm activities.

In a NITI Aayog meeting in February 2015, a Sub-Group of Chief Ministers took up rationalisation of Centrally Sponsored Schemes, and this came into effect from August 2016. Out of 28 schemes consolidated from 66 earlier schemes, RKVY has been classified as a "Core Scheme".

Picture 7.1: Year-wise Budgetary Allocation, Release & Utilisation for RKVY:



Source: Compiled together from Lok Sabha Q.2847, dated 27/8/2013 (upto 2011-12); LS Q.794, dated 1/3/2016 (2012-15) and LS Q.2552, dated 1/8/2017 (for year 2015-16, 2016-17 upto 27/7/2017) along with Q.No.2125 dated 1/1/2018 (Rs. in Crores)

It is apparent that other than ***drastic and continuous reduction in allocations for RKVY scheme,*** in the past two years (compared to the outlays in the UPA regime), the difference between release of funds and utilisation has widened. It is also noted that while during the UPA time, the difference between allocation and release was wide, in the current NDA government, ***the gap between release and utilisation has further increased.***

During XI Plan, Rs. 25,000 crores were allocated for RKVY scheme and Rs. 22,408.77 crores were released under this scheme, out of which Rs. 22,332.97 was utilised. From FY 2015-16, the funding pattern was shared between the Centre and States in the ratio of 60:40. Ministry of Agriculture attributes this as the reason for slow-down in the pace of implementation of RKVY. The budget for 2017-18 under this scheme was Rs. 4750 crores.

It is seen that ***work progress in RKVY***, which has been conceived as a decentralised, integrated programme, ***is affected in other ways too***. For instance, in FY2016-17, only 12 State Agriculture Plans and 247 (out of 652) District Agriculture Plans had been prepared (by 15/2/2017).

It is reported that RKVY has been revamped with effect from 1.11.2017 as *Rashtriya Krishi Vikas Yojana* - Remunerative Approaches for Agriculture and Allied sector Rejuvenation (RKVY - RAFTAAR) with the objective of promoting agri-business entrepreneurship with focus on development of pre & post-harvest infrastructure (value-chain linked production). The stated reason for the revamping is a concurrent evaluation report of the scheme assigned to Institute of Economic Growth which observed that there is very little focus by the States/UTs on Marketing, Food Processing and Innovative projects under the scheme.

It is reported that in FY 2015-16, some ***state governments have utilised allocations provided under RKVY for meeting drought-related contingencies*** and this amounted to Rs. 146 crores (LS Q-2727). This is probably indicative of lack of resources set aside and lack of efficient systems for disaster related contingencies.

Paramparagat Krishi Vikas Yojana (PKVY) & Mission Organic Value Chain Development for North Eastern Region (MOVCDNER)

PKVY and MOVCDNER are two new schemes, initiated after BJP came to power in 2014. Other than a few projects supported under RKVY, during the UPA government, organic farming did not receive any big thrust, despite it being low in risk and high in profitability for farmers. Due to such schemes, the certified cultivated organic farming area in India saw a significant jump from 5.04 lakh hectares in FY 2012-13 to 14.4 lakh hectares in FY 2016-17.
PKVY scheme adopts a cluster approach, along with a quality assurance mechanism of Participatory Guarantee System (PGS). As per a Lok Sabha reply (Q. No. 2484) dated 2/1/2018, starting from FY2015-16 when the scheme was launched, 10,000 clusters have been created covering 2 lakh hectares. However, an impact assessment study commissioned by the Ministry to MANAGE, Hyderabad, shows that by November 2017, ***only 6211 clusters were formed with 1.66 lakh hectares covered under certification***. It appears that physical targets were not actually met under PKVY as planned.

Table 7.1: Allocation, Release & Expenditure in the first 3 years of PKVY:

2015-16			2016-17			2017-18		
Allocation	Release	Expenditure	Allocation	Release	Expenditure	Allocation	Release	Expenditure
337.63	226.20	188.92	238.23	152.19	71.38	138.35	84.45	NA
New clusters						122.47	60.40	NA

Source: Lok Sabha Unstarred Question No. 2484, dated 2nd January 2018

The MANAGE impact study shows that farmers are benefiting with higher net returns despite yields being somewhat lower as compared to farmers practising conventional agriculture. The higher net returns range from 20% to 50% across crops. The report of the study also notes that there is under-spending in the scheme. ***While in 2015-16, expenditure was 83% of the released***

amount, in the second year (2016-17), the expenditure was only 42% of the release, which itself was only 64% of the allocation. Delays in release of funds were also noted.

Not only is there a need to incorporate the many sound recommendations that have emerged from the impact assessment study of PKVY, there is also a need to scale up the programme ambitiously in all states. It is also important that the Government of India, in its technological approaches to farming, incorporates agro-ecology in every possible manner (not just in schemes), which includes methods like integrated farming, water harvesting, soil conservation, etc., and through all institutions including agriculture education & research institutions. ***The continuing dichotomised approach***, wanting to straddle an intensive external-input-based paradigm led by profiteering corporations, along with some organic farming schemes, ***will not do***.

8. MNREGS: Dismantle or Choke

Introduction

In Opposition, the BJP had been a virulent opponent of MGNREGA. In power, it continued to oppose it and attempted to throttle the statutory right-to-livelihood-support of rural workers. However a Supreme Court (SC) order of May 2016 compelled the Modi government to be proactive and supportive of MGNREGA. Faced with judicial compassion and scrutiny, the government changed the narrative and started claiming historic allocations and performances under MGNREGA. But, even under these circumstances, the government is doing everything in its power to choke MGNREGA by creating rules that act as roadblocks in implementation of the scheme in letter and spirit. The pernicious manner in which funds are being squeezed for MGNREGA is having a damaging domino effect on the program.

Restrictions on Projected Labour Budgets

MGNREGA stipulates that Gram Sabhas will determine the quantum and kind of work to be taken up but government has ignored this fact. The government is reducing projected person-days that emerge from such bottom up planning by using an illegal concept called "Approved Labour Budget' contrary to the spirit of MGNREGA. For example, in FY 17-18, the Projected Labour Budget was reduced by 25% (from 288 crore person-days to 215 crore person-days). At an average cost of Rs. 240 per day, this amounts to huge deficits in the allocation (Table below).

Moreover, funds are not made available to state governments for even the Approved Labour Budget. Through a series of amendments in the Annual Master Circular - the Central Government has given itself further discretion to withhold funds to State Governments by introducing 'Mid Term Reviews', 'Internal Audit Reports', and the 'Mother Sanction Order'. This allows the Central Government to hold back funds without any accountability.

Table 8.1: Cumulative Reduction in Person-days

Year	Project Person-days (crores)	Approved Person-days (crores)	% Reduction in Person-days	Deficit in Funds (Rs. Crores)
2017-18	288	215	25	17,527
2016-17	315	220	30	22,809

Source: www.nrega.in R 2.2.2

Delays in Wage Payments

The Ministry of Rural Development is not recording or displaying delays that occur at its level or that of the payment agencies (for which it is responsible). Two independent studies, using government's own data have shown that for the first two quarters of FY 17-18, rather than the figure of 85% wages paid on time, the actual ratio is likely to be closer to 32%, if central government and payment agencies delays are accounted for (Table 8.2). These delays also dampen demand for work as workers feel unsure about payment and consequently make them despondent. The two drought years (2015 & 2016) saw huge migration to cities when MGNREGA should have prevented that.

Table 8.2: Percentage of transactions when workers got wages within the stipulated 15 days

Year	Government Claims	Independent Study
FY 18	85%	32%
FY 17	42%	21%

No Accountability or Payment of Compensation for Delays
Since the full extent of delay is not being calculated, the full amount of compensation due to workers is also not being calculated. The accountability of the Central Government and payment agencies has not been fixed. A report by the Ministry of Finance (Aug'17) acknowledges that - "*It was found that the delay in payment to states was mainly due to infrastructural bottlenecks, availability of funds and lack of administrative compliance*."

Pending Liabilities
The last six FYs have ended with consistently high pending liabilities or backlogs of payments. Therefore any true representation of the adequate budget will account for these (Table 8.3)

Table 8.3: Pending Liabilities

Year	Pending Liability (of previous FY) [Rs. Crore]	Budgetary Allocation* (of that FY)[Rs. Crore]	Liabilities as % of allocation
2018-19	4,786**		
2017-18	11,646	48,500	24%
2016-17	13,220	38,500	34%
2015-16	12218	34,699	35%
2014-15	6102	34,000	18%
2013-14	6238	33,000	19%

Source: R 7.1.2. Outlays and Outcomes
* not including supplementary grants, if any
** as of date, figure likely to increase over the next two months

Centralisations Halting Material and Administrative Costs
Due to centralisation of fund release via the Management Information System, fund shortages have led to a halt in material and administrative payments causing havoc in the program at the ground level. Administration of this massive program requires adequately paid and trained staff, which becomes difficult when their wages are arbitrarily stalled for months on end.

Summary
As we await the budget allocations for it in FY 2018-19, MGNREGA is facing another monetary drought with liabilities for wage and material payments mounting every day. MGNREGA is a demand driven law, which means that money should be provided as per demand. However this is not happening. The allocation of FY 17-18 of Rs. 48,500 crores is long exhausted with expenditure having crossed Rs. 50,000 crores, and more than two months still left. While an increase in allocation for FY 18-19 is expected, the total amount required needs to be seen in context, not simply as an increased allocation.

9. Animal Husbandry: A tale of neglect

Livestock is an integral part of agriculture and farm livelihoods in India. Adivasis, pastoralists and small farmers own nearly 70% of all livestock in India. Ownership of livestock of some kind or the other provides 'liquidity' of assets for the farm households, in addition to providing various services (draught power for ploughing, transportation, food etc) and inputs (manure, for example). Livestock production is also crucial for overall food and nutrition security, in addition to contribution to the Indian economy.

As per NSSO 68th Round survey on Employment and Unemployment, 16.44 million workers as per usual status were engaged in the activities of farming of animals, mixed farming, fishing and aquaculture.

There are about 300 million bovines (with growth rate of cattle declining, incidentally), 65 million sheep, 135 million goats and 10 million pigs in addition to 730 million poultry as per the 19th Livestock Census in the country (2012).

In economic terms, the value of output of livestock sector at current prices was around 5.9 lakh crores during 2015-16, which is about 28.5% of the value of output from agriculture and allied sectors.

At the ground level, NSSO 70th Round survey which is a Situation Assessment Survey of agricultural households clearly shows that the number of households with livestock farming as their Principal Source of Income has increased to 3.7% from 3% in the 59th Round in 2003, a decade earlier. Further, within the break-up of the average monthly income per agricultural household at the all-India level shows that the share of livestock has increased to 11.9% from a meagre 4.3% in 2003.

For those agricultural households with landholding of less than 0.40 hectares (about 3.12 crore agricultural households), net receipts from farming of animals is higher than receipts from cultivation of crops. Meanwhile, NSSO data also shows that compared to crop production/cultivation, proportion of monthly average expenses on livestock farming declined from 2003 to 2013.

All of this is to show the (increasing) significance of livestock in the livelihoods of our farmers, especially the most marginalised. This is the case with women farmers too, whose relation to livestock rearing is well-acknowledged.

India is the largest producer of milk in the world, with milk production touching 155.5 million tonnes in 2015-16 (amounting to 337 grams of per capita availability of milk), with an annual growth of 6.27%. Egg, poultry, meat and fish production are also posting healthy growth rates.

The dairy cooperative network in the country includes 254 cooperative milk processing units, 177 milk unions covering 346 districts and over 1, 33,000 village-level societies with a total membership of nearly 14 million farmers.

It is in the above context, that we look at the performance of the BJP government vis-à-vis this sector.

Table 9.1 Allocation of Budgets for Animal Husbandry & Dairying

Financial Year	Total, Ministry of Agriculture Allocation (BE Plan, in Crores of Rs)	Department of Animal Husbandry & Dairying (BE Plan, in Crores of Rs)	Percentage
2012-13	21833	1716	7.9%
2013-14	22890	1749	7.6%
2014-15	23830	1800	7.6%
2015-16	21828	1491	6.8%
2016-17	25700	1600	6.2%
2017-18	51026**	2371	4.6%

*Source: Lok Sabha Starred Question No. 220, dated 2/1/2018, along with CBGA Analysis of Union Budget 2015-16 called "Of Bold Strokes and Fine Prints"; ** Includes 15000 crores of Interest Subvention*

As can be seen above, the Modi government's budgetary allocations for animal husbandry and dairying have actually been coming down as a proportion to the overall budgets meant for agriculture. It is worth noting that the 2016-17 and 2017-18 outlays for the Ministry also includes interest subvention to a tune of 15000 crore rupees, moved to the Ministry of Agriculture from the Ministry of Finance only in the recent past. Allocations to Animal Husbandry would be lower, in terms of proportion to the total outlay for the Ministry if this is taken into consideration.

In terms of actual expenditure, 2015-16 saw a decline from 1738 crore rupees in 2014-15 to 1418 crores in 2015-16. It is noted that there is a marginal decline in percentage of utilisation of budgets, vis-à-vis revised estimates, in the recent past (Ref: 37th Report of Standing Committee on Agriculture 2016-17 on Demands for Grants, March 2017).

It appears that the Department has been consistently requesting Ministry of Finance for higher allocation of resources. There appears to be an acute shortage of veterinary doctors and medicines, which is related to paucity of funds to the Department.

Table 9.2 Gap between Funds Demanded and Allocated

Year	**Funds demanded by Department**	**Funds allocated**	**Percent approved out of demand**
2012-13	3497.50	1910.00	54.6%
2013-14	3025.00	2025.00	66.9%
2014-15	3535.00	2174.00	61.5%
2015-16	4527.79	1491.14	32.9%
2016-17	3231.43	1600.00	49.5%

Source: 37th Report of Standing Committee on Agri. 2016-17 on Demands for Grants, March 2017

National Livestock Mission: One of the flagship programmes launched by the Government for the sustainable growth and development of the livestock sector was the National Livestock Mission launched in 2014-15. This was created by subsuming seven Centrally Sponsored and seven Central Sector schemes. However, the allocation under National Livestock Mission is too meagre, for such an important sector, with an approved outlay of just 2800 crore rupees.

It is seen that 281 crores (out of 312 crores allocation) were released to states in 2014-15, only 99 crores in 2015-16 (out of an allocation of 123 crores), and 249 crores (out of an allocation of 296 crore rupees) in 2016-17 as on 7/8/2017 (Rajya Sabha Q. No. 2912, dated 11/8/2017).

Milk Economy In Doldrums

Milk production is one of the mainstays of small farmers in our country. More than 1.5 crore families are depending on milk production for their survival. However, this milk economy is right now in the doldrums, with acute competition both in the domestic and global arenas. It is seen that consumer prices are often kept low because of such competition, which in turn means that procurement prices are being reduced, when it comes to milk producers.

A recent report from Food Sovereignty Alliance called "The milk crisis in India: The story behind the numbers" presents a grim picture of what is seen as a 'sunrise sector'. Global slump in prices plus a glut in the markets caused a serious crisis that was ignored by the government, which allowed imports without additional regulation, this report states. Small dairy farmers are being pushed into indebtedness with cost of production of each litre of milk increasing (especially after prolonged droughts etc.) whereas procurement prices are decreasing, and they are becoming contract based workers for big corporations. With evidence from the ground, this report demands for support for localised networks of milk producers, processors and consumers. However, there is no support available right now.

The following issues are noted with concern with regard to the livestock sector, which need serious addressal by the government.

- Reducing public outlays and expenditure are a serious problem, reflecting the negligence of the government of the sector.
- Price support policy for milk producers is missing, except for some state governments' initiatives on this front.
- Livestock extension services are almost absent.
- Similar is the case of livestock insurance.
- Disaster relief mechanisms are inadequate as seen in recent droughts across the country.
- The BJP government sought to commit a misadventure in this important sector by seeking to regulate livestock markets, in the name of 'prevention of cruelty to animals', with hidden agendas driving the move that would have proven disastrous for livestock rearers.
- Institutional credit flow for livestock sector has no specific allocations, nor shows any proportionate disbursements compared to the importance of the sector.
- Shrinking grazing lands and degraded pastures is a major problem for the sector. ***A land use policy along with an institutional regulatory mechanism was proposed by the BJP in its Manifesto. However, this was not taken up.***

10. Conclusion: What do the farmers want from Budget 2018?

1. **Price Support:** There is a need for a major raise in Minimum Support Prices of all crops, and introduction of more categories of agricultural produce into the MSP system.
   a. The MSPs should be set at a level which gives 50% margins above the C2 Cost of Cultivation, as promised by the BJP in its Manifesto.
   b. The recommendations of the Ramesh Chand committee on computation of cost of cultivation should be accepted forthwith.
   c. MSP for pulses and oilseeds, should follow the concept and the amount recommended by the Chief Economic Advisor's report on this subject.
   d. A statutory guarantee of MSP should be instituted for all farmers.
   e. Procurement operations should be expanded to include all crops where MSP is declared, including cereals, pulses, millets and oilseeds.
   f. Effective market intervention should be implemented across the country to ensure that farmers get at least the MSP.
   g. A Price Deficiency Payments scheme should be implemented, taking into account the pitfalls of the Madhya Pradesh scheme, so that the government is accountable for ensuring that MSP is realised by every farmer for all her/his produce, and will pay the shortfall in prices if any.
   h. The Market Intervention and Price Support Scheme and the Price Stabilisation Fund for Cereals and Vegetables should be allocated Rs.10,000 crores. Without a large allocation, these schemes are completely ineffective, and the farmers are being taken a ride.

2. The Centre should declare **an Agricultural Debt Relief package** of at least Rs.200,000 crores for the entire country, which is used with matching contributions from the state governments to implement debt relief. At least 25% of the package should be used to provide debt relief from non-institutional loans to tenant farmers, sharecroppers, adivasi farmers and women farmers who did not have access to institutional loans. However, a large allocation from the Centre is required for a meaningful implementation of the loan waivers announced by several state governments last year.

3. The Government needs to set up a permanent, statutory **Debt Relief Commission** for farmers. It is apparent that there is a need for an institutional mechanism on the lines of "bankruptcy protection" for farmers in distress years.

4. The Government should establish a **permanent, statutory Farmers' Income Commission** to ensure basic living incomes to all agricultural households. The Budget speeches in 2016-17 and 2017-18 talked about ensuring "income security" and reorienting its interventions to double farmers' incomes by 2022. However, no roadmap has been put in place so far. Especially in the light of 7th Pay Commission coming into force, the incomes of the employees in organised sector will see a substantive increase, whereas the incomes of farmers are either stagnant or declining (taking inflation into consideration).

5. The government much set up **Disaster Mitigation Fund**, as required under the Disaster Management Act, to meet the challenge of climate change for the Indian farmer, especially in rain-fed areas. Meanwhile, outlays for **disaster relief to farmers** should be increased to at least 25,000 crore rupees for this year, going by the drought experienced this year in various states.

A serious overhaul of the Disaster Relief system is urgently required, including the institutional machinery between Finance, Home and Agriculture Ministry streamlined and overhauled.

6. **Scaling up investments on risk-reducing ecological agriculture** by enhancing allocation for the Paramparagat Krishi Vikas Yojana (PKVY) to at least Rs. 1,000 crores, from the very meagre allocation of Rs. 270 crores last year. Within this scheme, a specific component of reviving traditional crop diversity in all farms of India may be introduced, to complement the efforts of revival of traditional cattle breed and agro-ecological farming.

7. **Allocation for irrigation in Pradhan Mantri Krishi Sinchai Yojana** (PMKSY) should be at least doubled with special focus on Rain-fed Areas. Only 7,377 crores were allocated to this scheme last year, which is less than the actual expenditure of 7,781 crores in 2015-16. PMKSY itself combined several existing irrigation schemes whose combined allocation in 2014-15 was already at Rs.13,492 crores. There should be a clear prioritisation for Minor Irrigation projects and watershed development, with the aim of providing Protective Irrigation to irrigated dry crops in rain-fed areas.

8. A **Credit Guarantee Fund** should be set up to increase the bankers' confidence in lending to non-land owning “licensed” cultivators or lessee farmers, both as individuals farmers and as Joint Liability Groups. Tenant farmers should be explicitly brought under various government services and schemes.

9. **Farmer Producer Organisations (FPOs)** should be the focus of a really meaningful Startup India mission. All the incentives being provided under Startup India mission should be extended to FPOs, including tax exemptions, provision of capital and infrastructure. Government should provide investments into working capital, decentralised storage infrastructure, processing and value addition facilities for farmer collectives, for more direct and branded marketing by producer collectives etc. Allocation should be taken up to 3000 crore rupees.

10. The government must provide adequate budgetary allocation for **MNREGS** to cover the projected Labour Budget for this year at current cost, pending liabilities and pending payment for delay compensation. Rough calculations show that it would mean at least Rs. 80,000 crores under this budget head.

11. Government must ensure that **special schemes as well as equal allocations in all schemes actually reach women farmers**, in the age of feminisation of agriculture.

Brought out by:

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