

How Not to Treat Agriculture*

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It is scarcely surprising that farmers are upset with the Modi government. Indeed, the rosy dreams created by that famous BJP campaign advertisement, when farmers spoke of the high crop prices and better cultivation conditions that they would get once the “achhe din” of the new government arrived, probably seem like a cruel joke now.

The most immediate concern is the [Land Acquisition Bill](#) that the government is trying to force through Parliament (apparently even considering a joint session to get around the opposition in the Rajya Sabha) after promulgating an ordinance to that effect. In a surreal replay of arguments made by some members of the previous government, those who are demanding fair compensation and proper rehabilitation for farmers are being branded as “anti-development” – as if those who will lose their land and their livelihood are not even meant to be part of the development process and should simply make sacrifices for the profits of others.

This reflects a basic unwillingness on the part of this government to accept that economic progress must be sought for in ways that do not trample on basic human rights, and that respect for both nature and people cannot be allowed to wait until some desired goal of per capita incomes is achieved, but must be a part of the overall growth strategy itself. But it also reflects a degree of contempt for both farmers and farming, a contempt that is manifest in a number of other acts of omission and commission of this government.

Consider the acts of omission first. The decade of the UPA governments had turned out to be relatively better for farmers, because of more public spending directed to agriculture and the rural areas generally as well as higher global prices for many crops, which also influenced domestic crop prices. But signs of deceleration were already evident in the later years of the UPA-2 government. Gross capital formation in agriculture has been falling, both as a share of GDP in agriculture and as a share of total capital formation in the economy. And things have deteriorated significantly since.

Growth of value added in agriculture is estimated to have declined from 3.7 per cent in 2013-14 to only 1 per cent in 2014-15, the first year of the Modi government – and that too despite weather conditions that turned out to be much more favourable than expected. The Minimum Support Prices of important grains were increased only slightly, ostensibly to control inflation (which was anyway substantially lower because of favourable global trends). Meanwhile input prices faced by farmers did not really come down despite falling world oil prices, mainly because the government grabbed the benefits by raising its own taxes and excise duties. Meanwhile, the perverse incentives created by the structure of fertiliser prices, with huge imbalances in the use of nitrogenous and phosphatic fertilisers and consequent adverse effects on the soil and on yield, have been even worse in the past year. Agricultural credit – which has increased quite a bit in the early years of the UPA – has barely increased under the Modi government, and much of this was captured by the much wider range of beneficiaries who are now classified under the broad head of priority lending, rather than reaching small and marginal farmers.

All these forces have combined to create much worse conditions in the countryside than have been witnessed for around a decade. This situation cries out for much greater policy focus on agriculture. Instead, the Modi government is going beyond what could be called benign neglect of agriculture to policy moves that are likely to harm its viability.

The [Union Budget](#) is only the most recent manifestation of this. Budgetary allocations for agriculture have been slashed drastically – and this after a year in which the Modi government spent 26 per cent less than it had allocated in its first budget on agriculture, irrigation and flood control (both in terms of Central government plan spending and transfers to the States under these heads). Compared to 2013-14, the last year of the UPA government, actual spending by the Central government and transfer to states is currently budgeted to decline by 22 per cent in nominal terms. If inflation is taken into account, this amounts to a real decline of nearly one-third. And – given the Finance Minister's propensity to enforce fiscal cuts in the middle of the year – even this amount is not guaranteed and could well turn out to be much lower than the budgetary outlay. So, precisely at a time when agriculture needs much more assistance and public spending, this is set to decline very sharply.

The cuts in irrigation are particularly mystifying, because this government has already declared itself to be in favour of increased public investment in necessary infrastructure. The allocation for the [Accelerated Irrigation Benefit Scheme](#) has been savagely cut from the Rs 4630 crore that was actually spent in 2013-14 to only Rs 1000 crore for the budget year 2015-16. A part of this shortfall is supposed to be met by the newly constituted Pradhan Mantri Krishi Sinchayee Yojana, for which Rs 1000 has been allocated. But since an equal amount was budgeted for that last year, and only Rs 4 crore was finally spent, there can be some justified scepticism about how much of that will actually see the light of day.

There are other acts of policy commission that have significance. The dissolution of the Planning Commission and all the structures and mechanisms in which it was involved, without any clarity about what exactly the [NITI Aayog](#) will do in its place, has consequences for many sectors and areas, and agriculture is certainly one of them. Under the [Rashtriya Krishi Vikas Yojana](#) of the UPA government, the increased central spending on agriculture under the Plan was linked to states spending. The RKVY provided 100 per cent central funding if states maintained their share of public spending on agriculture – and this led to a substantial increase in public spending on agriculture across all states. This had positive effects on agricultural research and extension systems in particular. Now all of that has simply dissolved, and it is unclear what will happen to such public expenditure, other than a basic sense that it will decline.

It could be argued that states will have more funds to spend because of the higher tax devolution as a result of the Finance Commission award. But the additional resources likely to come to States is estimated to be only 0.7 per cent of GDP – and the Centre has already clawed back most of this by drastically reducing its spending on many social sectors, including health and education. If the state governments now have to shell out much more simply to pay for salaries under the ICDS and National Health Mission, as well as to maintain their public educational institutions, how will they possibly find more resources for agriculture? Instead it is likely that we will see near-

chaos in many social sector programmes across the country, as well as in public systems set up to assist farmers.

There is another angle to the issue of state spending, which links up to the point about land acquisition and its costs. Whenever land is acquired according to some definition of public purpose, state governments are the ones who are supposed to provide the resources for compensating those who are displaced. In the current government's apparently aggressive plans for infrastructure expansion, including its various proposals for new roads, railway expansion, "smart cities" and the like, it is completely unclear about whether the likely costs of compensation and rehabilitation have been adequately budgeted for. But the threat of these increased costs being passed on to state governments could well be used as a weapon to persuade some political parties ruling state governments to support the NDA's Land Acquisition Bill, which they would otherwise decry as anti-farmer. This may explain the surprising support recently extended to the Bill by the Akali Dal, for example.

So there are now greater chances of farmers being thrown off their land, as well as worse chances of them eking out viable livelihoods from their holdings. Either way, the immediate future does not bode well for agriculture, which still accounts for around half of India's workers. That India can never succeed economically without a vibrant agriculture is obviously a lesson yet to be learned by the current government.

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