

Agriculture and the Union Budget, 2018-19



Source: modernfarmer.com

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Agriculture and the Union Budget, 2018-19

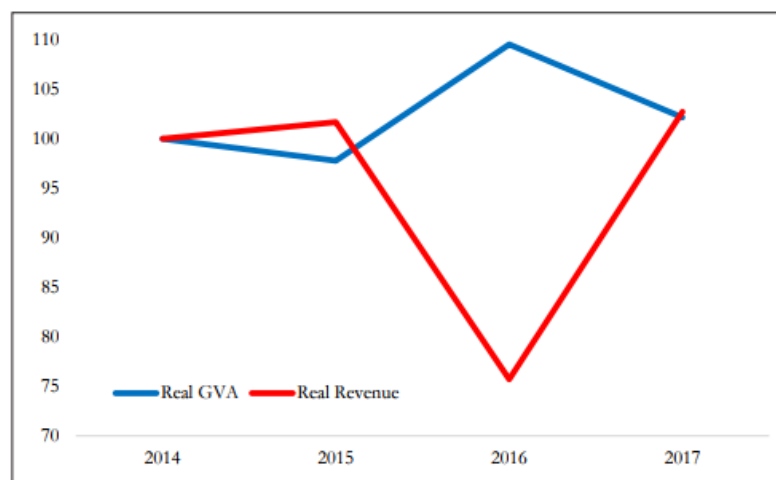
Introduction

Finance Minister Arun Jaitley presented the Union Budget for the year 2018-19 in the Parliament on 1st February 2018. In the backdrop of deep farm distress and rising dissatisfaction amongst the farming community, the focus of the budget was largely on agriculture. But while the Budget is bold in setting the goals, inadequate outlays and lack of mechanisms make the fulfilment of these goals an unlikely possibility.

Current Crisis

The recently released Economic Survey 2017-18 gave shocking insights into the current state of agriculture in India. The level of real agricultural GDP and real agriculture revenues has remained constant in the last four years (figure 1). The Survey holds weak monsoons in the years 2014-15 and 2015-16 as partly responsible for this sluggish growth. However, as can be seen in the graph, real revenues in agriculture reached their lowest in the year 2016-17 possibly on account of the demonetisation measure, something which the Survey chose not to highlight. Further, the Survey notes that climate change might further reduce farm incomes by 15-18 percent on average, even rising up to 20-25 percent in unirrigated areas. This reality is in stark contrast to the Prime Minister's laudable call for doubling farmers' incomes by 2022.

Figure 1: Real Growth Value Added (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.

Source: Economic Survey, 2017-18

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Minimum Support Prices

Acknowledging the need for action to double farm incomes, a key announcement in the Budget speech was that the minimum support price (MSP) for all unannounced kharif crops would be set at least at one and half times of their production cost. The announcement, however, falls short in defining what actually constitutes 'production cost.' The National Commission on Farmers, headed by Professor M.S. Swaminathan, had in 2006 recommended that the MSP "should be at least 50% more than the weighted average cost of production." The Commission for Agricultural Costs and Prices (CACP), the body that recommends MSPs for various crops, defines production costs through three measures: A2, A2+FL, and C2. As Harish Damodaran explains, A2 costs cover actual paid-out expenses incurred by farmers – both in cash and in kind – on seeds, fertilisers, pesticides, hired labour, fuel, irrigation, etc; A2+FL includes A2 plus an imputed value of unpaid family labour; and C2 includes, along with A2+FL, rent and interest foregone on owned land and fixed capital assets. This makes C2 a more comprehensive measure of production cost,ⁱ and as is clear, C2 is higher than A2+FL.

It is over C2 that farmers have been demanding MSP since the Swaminathan recommendations, but the Budget speech fails to categorically define which production costs would be considered to calculate MSPs. Moreover, the Finance Minister's claim that the government has already declared MSP for the majority of rabi crops at least at one and a half times the cost involved is in contrast with the numbers released by the CACP. As per a notification last year by the Department of Agriculture, Cooperation and Farmers Welfare, the government on October 24, 2017, approved the increase in MSPs for all rabi crops of 2017-18 season which are to be marketed in the year 2018-19.ⁱⁱ The details of the MSPs are given in the table below:

Figure 2: MSPs for all rabi crops of 2017-18 season which are to be marketed in the year 2018-19 (Rs.)

(Rs. Per quintal)

Commodity (Fair Average Quality)	2017-18 Season		
	MSP for 2017-18	Bonus	Total (MSP + Bonus)
Wheat	1735	-	1735
Barley	1410	-	1410
Gram	4250	150	4400
Masur (Lentil)	4150	100	4250
Rapeseed/Mustard	3900	100	4000
Safflower	4000	100	4100
Toria	3800	100	3900

Source: Department of Agriculture, Cooperation and Farmers Welfare

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On the other hand, following are the costs of production released by the CACP in its Price Policy for Rabi Crops (2018-19).

Figure 3: Projected Costs of Production of Mandated Crops during Rabi Marketing Season, 2018-19 (Rs.)

Crops	Cost of Production (₹/qtl)		
	A ₂	A ₂ +FL	C ₂
Wheat	642	817	1,256
Barley	522	845	1,190
Gram	1,977	2,461	3,526
Lentil	1,845	2,366	3,727
Rapeseed & Mustard	1,354	2,123	3,086
Safflower	2,216	3,125	3,979

Source: Price Policy for Rabi Crops (2018-19), Commission for Agricultural Costs and Prices

Following is the comparison of the MSPs and costs of production.

Figure 4

Type of Crop	A ₂ +FL (Rs.)	C ₂ (Rs.)	MSP set by the Government (Rs.)	Returns over A ₂ +FL	Returns over C ₂
Wheat	817	1256	1735	112.3%	38.1%
Barley	845	1190	1410	66.8%	18.4%
Gram	2461	3526	4400	78.7%	24.7%
Lentil	2366	3727	4250	79.6%	14%
Rapeseed and Mustard	2123	3086	4000	88.4%	29.6%
Safflower	3125	3979	4100	31.2%	3.04%

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Comparing the returns over A2+FL and C2, it is clear that the Finance Minister's claim to have increased the MSP for rabi crops 50% more than the production costs rests, at best, on taking A2+FL as the production cost. For C2, however, the returns were nowhere close to 50%. Assuming that the same trajectory would be

followed for kharif crops, MSPs would be calculated as per A2+FL and not C2. In fact, as many commentators have noted, 50% returns over A2+FL were already been provided under the UPA government. As per Kirankumar Vissa, national working group member of All India Kisan Sangharsh Coordination Committee, average gross returns over A2+FL for most crops were higher under UPA-II government as compared to that under the NDA government.

Figure 5

Crops	Average Gross Returns over A2+FL under UPA-II (2009-14)	Average Gross Returns over A2+FL under NDA (2014-18)
Paddy	69%	39%
Wheat	112%	101%
Cotton	80%	39%
Soyabean	50%	48%
Maize	46%	41%
Gram	76%	71%
Bajra	57%	47%
Jowar	19%	9%
Rapeseed	120%	97%
Groundnut	38%	28%
Tur	63%	51%

Source: Kirankumar Vissa, *The Wire*ⁱⁱⁱ

Budgetary Allocations

To chalk out the strategy to double farmers' incomes, a committee was constituted in 2016 under the Chairmanship of Dr. Ashok Dalwai. In its report released in 2017, the committee announced that an additional investment of Rs 6,399 billion is required from both public and private sectors to enable doubling of farmers'

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real income by 2022–23. However, the budget numbers show a meagre increase in the budgetary allocations for the Ministry of Agriculture and Farmers' Welfare.

Figure 6 (Rs. in crores)

Financial Years	Department of Agriculture, Cooperation and Farmers' Welfare	Department of Agricultural Research and Education	Department of Animal Husbandry, Dairying and Fisheries	Total Budgetary Allocation to Ministry of Agriculture and Farmers' Welfare	Total Budget
2017-18 (all figures RE)	41105.00	6992.00	2166.74	50,263.74	2217750.06
2018-19 (BE)	46700.00	7800.00	3100.00	57,600.00	2442213.30

Source: Union Budget, 2018-19

Moreover, the share of the agriculture ministry as a percentage of total budget expenditure is merely 2.35%. In the last budget, as per Revised Estimates (RE) figures, the share stood at 2.26%. This implies a negligible increase of 0.09 percentage points for the year 2018-19. Additionally, the allocation for the Price Stabilization Fund, set up in 2014-15 to help regulate the price volatility of important agri-horticultural commodities like onion, potatoes and pulses, etc., has been reduced to Rs. 1500 crores from Rs. 3500 crores (2017-18 BE and RE). The allocation for the Market Intervention scheme, to procure generally perishable agri-horticultural commodities to provide remunerative prices to the farmers in case of glut in production and fall in prices, has gone down from Rs. 950 crores (RE) to Rs. 200 crores. Similarly, the allocation for Rashtriya Kisan Vikas Yojana has also gone down from Rs. 4500 crores (RE) to Rs. 3600 crores. Further, even as the Economic Survey highlighted the negative effects of climate change on farm incomes, schemes such as Climate Resilient Agriculture Initiative (CRAI) and Rainfed Area Development and Climate Change (RAD&CC) have not seen any significant rise in their allocations. For CRAI, allocation has been pegged at Rs. 52 crores as compared to Rs. 50 crores in the last budget; for RAD&CC, it is Rs. 234 crores as compared to Rs. 210 crores (RE) in the last budget.

In the case of MGNREGA, the allocation for 2018-19 is Rs. 55,000 crores. This is technically higher than the last year's BE figures of Rs. 48,000 crores. However, as Social activist Nikhil Dey points out, Rs. 7,000 crores were released in January as 'Extra Budgetary Resources' for MGNREGA, which makes the overall allocation for the financial year 2017-18 Rs. 55,000 crores, equal to the allocation in this year's Budget. Even this amount, as Mr. Dey notes, is not enough to meet the already pending liability of Rs 11, 646 crores in wages to the workers, which implies that the new financial year has already started with a deficit.^{iv} Moreover, an independent study conducted last year by Rajendran Narayanan from the Azim Premji University corroborated the need for more budgetary allocations for MGNREGA by pointing out that 80% of the funds allocated to the scheme had been utilised in just four months, leaving merely 20% for the rest of the year.^v

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Way Forward

Some positive steps announced in the budget relate to animal husbandry and fisheries. The Finance Minister announced a provision of Rs. 10,000 crores for the Fisheries and Aquacultures Infrastructure Development Fund and Animal Husbandry Infrastructure Development Fund, although there is no allocation in the budget for the latter. It is thus important for the Government to match its policy promises with adequate levels of allocations and set target dates to achieve the stated purposes. Similarly, a new scheme ‘Operation Greens’ has been announced with an outlay of Rs 500 crores to address the challenge of price volatility of perishable commodities. But the already continuing Price Stabilisation Fund and Market Intervention schemes, both of which address price volatility of important perishable agri-horticultural commodities need to be rejuvenated with increased allocations. Finally, the Government needs to categorically define what constitutes as ‘production costs’ in its own books and remove any ambiguity on the issue.

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ⁱ <http://indianexpress.com/article/india/the-cost-plug-50-percent-swaminathan-formula-mirage-agriculture-sector-minimum-support-price-4715922/>

ⁱⁱ <http://agricoop.nic.in/sites/default/files/english.pdf>

ⁱⁱⁱ <https://thewire.in/220311/indias-farmers-budget-2018-nothing-hoax/>

^{iv} <https://thewire.in/219983/mgnrega-little-attention-budget-speech-effective-spend-last-year/>

^v <https://thewire.in/201313/mgnrega-wage-payments-delay/>

Headlines

Why MSP at 1.5 Times Cost is another Empty Promise for Farmers

(Kabir Aggarwal, *The Wire*, February 4, 2018)

Mr. Arun Jaitley, in his fourth Budget, announced that he is fulfilling a promise made by his party in the election manifesto for the 2014 Lok Sabha elections, the promise of a minimum support price (MSP) that is 50% higher than farmers' cost of production. However, on closer inspection, the announcement is misleading. The MSP for eligible crops is declared by the Commission for Agricultural Costs and Prices (CACP) which has three different definitions of production costs – A2, A2+FL and C2. After analysing the projected costs for the 2017-18 rabi season, the difference between C2 and A2+FL is substantial, implying that when the finance minister's formula for determining MSP at cost plus 50% is applied, the result will vary significantly depending on which cost is taken into account. 'Cost of production' for farmers' has meant C2 and not A2+FL. Now, there are some suspicions if the finance minister meant the entire cost of production or some reduced amount," said Harpal Singh, president of Bhariya Kisan Union (Asli). Ashok Gulati, agriculture economist, notes that if A2+FL is to be taken as cost of production, then there is nothing new in what the finance minister has announced.

Read More: <https://thewire.in/220943/farmers-msp-budget-2018-arun-jaitley/>

Date Accessed: 05.02.2018

Economy

SEBI gets teeth to act against exchanges, new market outfits

(Ashish Rukhaiyar, *The Hindu*, February 4, 2018)

The proposed amendments to the SEBI Act and the Securities Contracts (Regulation) Act introduced as a part of the amendments to Finance Bill 2018 will give more power to SEBI to impose monetary penalties on market intermediaries and clearing corporations as well as act against newer participants like investment advisers and analysts. The new amendment will also allow SEBI to pursue cases including cases against the legal representatives of defaulters if in case a defaulter passes away during the course of regulatory proceedings. The penalty which can be upto 1 lakh per day of non compliance, is considered to be a deterrent against furnishing false or incomplete information and is a considerable increase in the powers of SEBI which earlier only had the power to censure and issue warnings.

Read more: <http://www.thehindu.com/business/markets/sebi-gets-teeth-to-act-against-exchanges-new-market-outfits/article22651393.ece?homepage=true>

Date Accessed: 06.02.2018

Governance and Development

POLITICS AND GOVERNANCE

Bihar: 40% of kidnappings in 2017 for marriage, reveals police data

(Santosh Singh, *The Indian Express*, February 5, 2018)

A breakdown of the annual police data in Bihar has revealed that 40% of the kidnappings in Bihar were for marriage. An alarming 8336 cases of kidnapping were reported till November 2017 out of which 3419 were related to marriage. However the police declined to elaborate on the definition of kidnapping for marriage and stated that very few cases pertained to marriage at gun point. Most of the complaints were lodged by families of men and women fleeing their homes to get married. The government has termed it as a social issue rather than law and order and recommended community policing to find a solution.

Read more: <http://indianexpress.com/article/india/bihar-40-per-cent-of-kidnappings-in-2017-for-marriage-reveals-police-data-5051517/>

Date Accessed: 05.02.2018

HEALTH

Use of Sanitary Pads Sparse Despite Govt Schemes: Studies

(Neetu Chandra Sharma, *Livemint*, February 5, 2018)

The Menstrual Hygiene Scheme (MHS) to provide subsidized sanitary napkins was launched by the health ministry in 2011 that aimed to reach 15 million girls aged 10 to 19 and in 152 districts across 20 states. However, the scheme has been plagued by procurement issues, high costs, lack of knowledge and lack of disposal facilities. Recently, an evaluation of MHS done by Chandigarh's Postgraduate Institute of Medical Education and Research published in International Journal of Community Medicine and Public Health in 2016 suggests that even after several years of its launch, the scheme couldn't become popular due to irregular supply of sanitary napkins. The study found that 80% adolescent girls were aware about sanitary napkins but only 30% have actually used them.

Read More: <http://www.livemint.com/Politics/zbk4JLAnsoHjmbvp1rgeNJ/Use-of-sanitary-pads-sparse-despite-govt-schemes-studies.html>

Date Accessed: 05.02.2018

Funds Test for Largest Health Scheme

(G.S Mudur, *The Telegraph*, February 2, 2018)

The Centre has proposed the world's largest government-funded healthcare programme to provide hospitalisation cover to more than 10 crore families. While the Public health specialists see the scheme as a significant expansion over the Centre's existing Rashtriya Swasthya Bima Yojana (RSBY), which provides an annual coverage of Rs 30,000 to poor families, and similar state schemes, the health economists say these funds are inadequate. "There's a huge gap between the allocation and what is needed," said Sakhtivel Selvaraj, a senior health economist at the New Delhi-based Public Health Foundation of India. Health economists have highlighted that a scheme that covers only hospitalisation will not protect families from expenses on out-patient consultations, medicines or diagnosis outside hospitals.

Read More: <https://www.telegraphindia.com/india/funds-test-for-largest-health-scheme-205531>

Date Accessed: 5 February, 2018

LAW AND JUSTICE

Supreme Court Rues Lack of Interest in Welfare Measures for Widows

(Editorial, *Hindustan Times*, February 5, 2018)

According to the 2011 Census, there are more than 56 million widows in the country. Along with China (with more than 50 million widows), India accounts for a third of the global population of women who've lost their husbands. Referring to reports by the National Legal Services Authority and the National Commission for Women (NCW) on the condition of shelter homes for widows abandoned by their family members in Vrindavan, a bench comprising Justices Madan B Lokur and Deepak Gupta have stated that the social security measures supposed to be implemented by the Centre and the states had proved ineffectual. In a report filed in the

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apex court, the NCW had recommended making children responsible by law for looking after their widowed mothers under the Maintenance and Welfare of Parents and Senior Citizens Act, 2007.

Read More: <https://www.hindustantimes.com/editorials/supreme-court-rues-lack-of-interest-in-welfare-measures-for-widows/story-4IZeVLh12fOXL6YfcEkXtN.html>

Date Accessed: 05.02.2018

Examining if Statute of Limitation on Reporting Child Abuse can be Removed: Maneka Gandhi

(ENS, *The Indian Express*, February 5, 2018)

The Ministry of Women and Child Development is considering redefining laws related to child sexual abuse by removing the statute of limitation on reporting child abuse so that justice, even if late, is not completely denied to the victim. Arguing that the victims of such incidents often do not find the courage to report it until they are adults, removing the constraints of limitation period will help them to secure justice and overcome their trauma. Since neither the POCSO or IPC explicitly include any provision for late reporting of child sexual abuse, perpetrators often inculcate a sense of immunity. This gray area in laws relating to child sexual abuse will soon be addressed by the Ministry by recommending modifications.

Read more: <http://indianexpress.com/article/india/examining-if-statute-of-limitation-on-reporting-child-abuse-can-be-removed-maneka-gandhi-5051519/>

Date Accessed: 05.02.2018

Society

GENDER

At least 75% Bohra Women Admit Female Genital Mutilation, says Study

(Shalini Nair, *The Indian Express*, February 6, 2018)

A study titled “The Clitoral Hood A Contested Site” conducted by independent researchers and released as a part of the project for International Day against FGM shows that 75 per cent of those interviewed had subjected their daughters to the practice. While 33 per cent of female respondents said FGM has had an adverse impact on their sexual life, 10 per cent of the women reported having frequent urinary tract infections, incontinence and sometimes excessive bleeding. The respondents also admitted to low self-esteem anger and depression as a direct consequence this practice. The prevalence of the practice varied from 64 per cent in upper income groups to 100 per cent among poorer families. This report comes in the light of the government denying to the Supreme Court that any reliable data on the practice of FGM is available in the country. MP Shashi Tharoor who released the report termed it as a human rights violation that the government should abolish immediately.

Read more: <http://indianexpress.com/article/india/75-bohra-women-admit-female-genital-mutilation-study-5052869/>

Date Accessed: 06.02.2018

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