The Budget and the Farmers: The government's dilemma in 2018*

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It is widely expected that this Budget is going to be oriented towards farmers, at least in declared intent. The Finance Minister has already declared this – and even if he had not, the political pressures for it are now obvious. Persistent agricultural distress has been intensified by demonetisation; farmers have been openly protesting in various parts of the country; and the number of farm suicides has started climbing once again. But for this government, all that was not seen as much of a problem when elections were not around the corner.

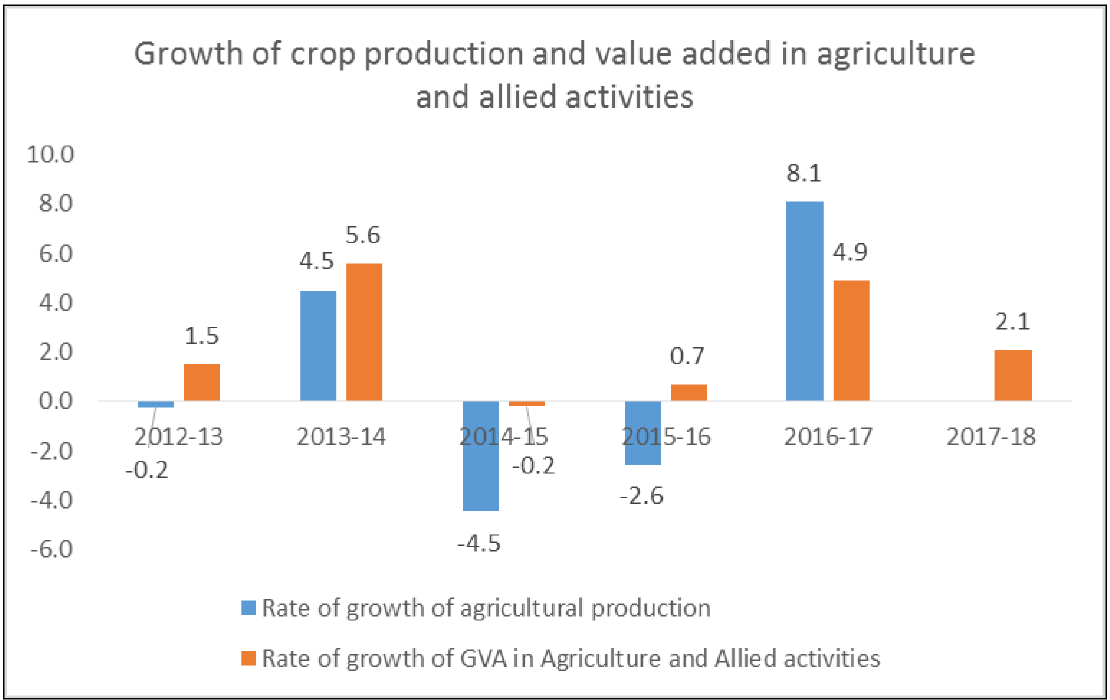
Now that there is a real chance that we may have general elections even within this calendar year (and in any case we must have them by April 2019) this has clearly concentrated the minds of the ruling party. After all, a major element of the campaign plank of the BJP in 2014 was the promise of doubling farm incomes in five years. So the date for achieving this has been conveniently pushed back to 2022 in official statements – but without the base year being specified!

The promise of "achhe din" clearly caught the imagination of cultivators: it is estimated that nearly half of all landowning farmers voted for the BJP in 2014. Thus far, farmers have received very little in return for that decisive vote – indeed, it could be argued that they were betrayed, as many farmer leaders have already declared. For the most part, the central government ignored the plight of farmers, and also reduced public spending in key areas of rural social services that directly affect the lives of farmers and their families. Cutbacks in per capita spending on nutrition, public health and education affect the majority of rural people, obviously including farmers as well. Credit to agriculture, and especially to small and medium farmers, has shrunk as a share of total bank credit, and even the number of small holder credit accounts has come down.

Demonetisation wreaked devastation in general, but even more drastically on small and medium farmers, who faced massive difficulties in accessing their own money to buy inputs and then sell their produce. More than a year after that disastrous move, many farming groups are yet to recover as supply chains continue to be disrupted and demand remains depressed. And then the erratic use of arbitrary export bans on some crops have prevented farmers from getting remunerative prices for cash crops, while their subsequent lifting benefited traders rather than cultivators.

Just consider how agricultural incomes have moved in the period since this government came to power. The chart shows how, since 2014-15, incomes from agriculture and allied activities have scarcely grown, even in years when crop production has increased. In the four years since April 2014, the government's own (admittedly rosy) estimates of value added in this sector show that it increased by less than 8 per cent over that entire period. It would be even less in per capita terms – a far cry from the doubling that was promised.

This is just as true of the current year, when a good monsoon resulted in much higher levels of crop production, only for cultivators to face depressed market conditions that have even forced some of them to destroy their crops because of the low prices they would receive. From onions to potatoes, stories of despair abound as farmers face market prices below their costs of cultivation, find that they cannot afford to store their crops for future sale and so simply dump them.



No wonder farmers are so angry! And quite apart from this anger, it should now be apparent even to the government's economists that they can ignore agriculture only at the peril of endangering the prospects of the economy as a whole. There are serious medium term concerns about agricultural growth that could affect both incomes of the majority that still rely on these activities for their livelihood, as well as national food sovereignty.

The Economic Survey 2017-18 that has just been released recognises many of these problems. The Survey (in Volume I) notes that climate change is impacting farm incomes through an increase in average temperatures, a decline in average rainfall and an increase in the number of dry days. It estimates that farmer income losses from climate change alone could be between 15 percent and 18 percent on average, rising to anywhere between 20 percent and 25 percent in unirrigated areas. Obviously, more irrigation is required – but in a context when groundwater resources are already being depleted, so innovative technologies are required, which in turn require more public investment.

Besides continued rain dependence, the Survey (in Volume II) also recognises the reality of ineffective public procurement, insufficient investment in research and extension and weak post-harvest infrastructure. But all of these problems cry out for significantly enhanced public investment, which has not at all been forthcoming from the government so far. Will this Budget really be any different? And even if it is, will the actual expenditure keep up with declarations of intent?

The Economic Survey also identifies an important recent trend in the structure of this sector: a decline in the share of crop production in total GVA of the sector, from 65 per cent in 2011-12 to 60 per cent in 2015-16; and a rise in the share of livestock rearing from 22 per cent to 26 per cent. (This fits in with the findings of the National

Sample Surveys which found the share of livestock in farm business incomes going up from only 4 per cent in 2002-03 to 13 per cent in 2012-13.) But that was before the gau rakshaks across the country were allowed to run wild and terrorise those making perfectly legal and honest livings from the cattle trade, to the point that many farmers no longer find it worthwhile to keep cattle at all since their disposal has become such a problem.

The last may not be a problem that can be solved by the Budget, as it reflects a political choice of the central government and several state governments. But at the very least, the Budget could certainly make much greater provision for various kinds of public spending on agriculture, as well as on non-crop activities to compensate farmers who are facing losses because of these ill-advised and violent tendencies. It should also definitely ensure sufficient provision for MNREGA that enables many small farmers to survive, and finally recognise that it is legally a demand-driven programme that cannot be constrained by budgetary limits.

But the scale of increased spending that is required for all of this is unlikely to be met, given the self-imposed constraints of "fiscal responsibility". How then can this government manage the differing expectations of farmers as a political constituency and financial investors as the more powerful lobby? This trade-off is likely to be managed by packaging and public relations, something that this regime has shown that it is really good at. Expect a lot of talk about how much is being done for farmers – but don't expect too much action.

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