

Union Budget 2022-23 : Maintaining Momentum in Agriculture Sector

Frank Notes



Dr. S. Nand

The First Advance Estimates released by the National Statistical Organization (NSO) in January 2022 projected a GDP growth of 9.2 per cent in the current fiscal, after recovering from a historic contraction last year. The third wave of COVID-19 is not expected to impact the economy in any major way. Agriculture and allied activities have shown resilience during pandemic. Agriculture and allied sectors are expected to perform well with an estimated growth rate of 3.9 per cent in gross value added at constant prices for 2021-22. Sustained growth in this sector has been possible not only due to good monsoon but efforts of the central and state governments to facilitate all agriculture related activities and ensuring availability of all agri-inputs.

The Budget 2022-23 has maintained continued and increased focus on agriculture. The budget aims at boosting farmer's income and the viability of agriculture as a remunerative economic activity. The government intends to pay Rs 2.37 lakh crore this year as direct payment for minimum support price (MSP) for wheat and paddy to ensure assured income to the farmers. The provision of MSP has led to higher procurement of wheat and paddy in 2021-22 covering about 163 lakh farmers. In the budget 2022-23, the government has proposed to set up a dedicated fund for agri-tech start-ups which will help farm produce value chain. The government is set to launch public private partnership (PPP) model to incentivise agri-tech

players and other stakeholders in the agriculture value chain. The objective is to deliver digital and hi-tech services to farmers, which would enable them to cut costs, find new markets and gain competitiveness in the global markets.

For enhancing productivity and efficiency in the sector, the government is looking to deploy drones for agriculture monitoring, crop assessment, digitisation of land records and spraying of insecticides and nutrients. The Ministry of Agriculture and Farmers Welfare (MoA&FW) in January 2022 had provided for grants up to 100% of the cost of agriculture drones priced up to Rs. 10 lakh to research institutes, Krishi Vigyan Kendras and State Agriculture Universities taking up demonstration at farmers' fields while Farmer Producer Organisation (FPOs) are eligible to receive a grant of up to 75% of cost of drones. This is expected to speed up the adoption of this new technology.

Other major announcements in this area include implementation of rationalized and comprehensive scheme to increase domestic production of oilseeds and hence reduce dependence on imports; implementation of Ken-Betwa Link project which is expected to provide irrigation benefits to more than 9 lakh hectares of farmer's land and encouraging agricultural universities to include modern day agriculture, value addition and management in their curriculum. Besides this, the government is also facilitating co-firing of 5-7 per cent bio-mass pellets in thermal power plants that will result in annual reduction of 38 MMT of carbon dioxide emission. This is expected to provide extra income to farmers and help avoid stubble burning in agriculture fields.

This Union Budget has clubbed major activities of agriculture sector under a new Krishionnati Yojana divided under 10 areas like agri-extension, integrated development of horticulture, and seed and planting material, etc. However, there will not be separate programmes like National Project on Soil Health and Fertility, Rainfed Area Development and Climate Change, Paramparagat Krishi Vikas Yojana and National Project on Agro-Forestry, etc. Emphasis on extension

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services has been increased with state participation. Allocation under Rashtriya Krishi Vikas Yojana (RKVY) has been increased where states have freedom to develop and implement their own plans. India is one of the major producers of millets in the world. In the International Year of Millets, Government to boost production, domestic consumption and exports of millets, has made provision for supporting post-harvest value addition and branding millet products nationally and internationally.

Government has ensured that adequate funds are available for fertilizer subsidy. It provided additional allocation of Rs. 65,000 crore in 2020-21 over and above the original budget estimates (BE) of Rs. 71,309 crore, to clear long pending backlog of outstanding subsidy dues. Budget allocation for 2021-22 was 79,530 crore comprising Rs. 58,768 crore for urea and Rs. 20,762 crore for P & K fertilizers. Under normal circumstances, with not much of backlog of previous years, this provision would have been adequate. But, abnormal and unprecedented increase in international prices of fertilizers and raw materials during the year increased the subsidy requirement significantly.

Government was quick to respond to the situation and vide notification dated 20th May, 2021 increased the subsidy on DAP and 24 other grades of NP/NPKs. Subsidy for urea is automatically increased due to fixed MRP for farmers. Subsidy on P&K fertilizers was further enhanced for *rabi* crop vide notification dated 13th October, 2021. An additional allocation of Rs. 60,593 crores (76 per cent) over and above the budget allocation in 2021-22 was made through supplementary demand for grants for fertilizer subsidy. With this, the total allocation for

fertilizer subsidy for 2021-22 comes out to Rs.1,40,122 crores including the original BE of Rs. 79,530 crores. This increase in fertilizer subsidy during current year ensured that farmers remain insulated from the unusually high increase in cost of fertilizers.

For the year 2022-23, the budget allocation for fertilizer subsidy is Rs. 1,05,222 crores. This is higher by more than Rs. 25,000 crores from the BE of 2021-22. Adequacy of allocation of Rs. 1,05,222 crores for 2022-23 will depend on international prices of energy, fertilizers and raw materials. But industry has reasons to remain hopeful that government will again extend help by way of additional allocations in case of continued upward pressure on the fertilizer and energy prices.

The industry has been continuously striving for ensuring availability through domestic production and imports even at thin or negative margins. The last quarter of the current year continues to remain challenging due to continued upward push to prices of fertilizers and fertilizer raw materials. P&K sector is almost entirely dependent on import of raw materials due to lack of natural resources of phosphate and potash. This segment of industry has maximized production in spite of challenges of availability and high prices of inputs in international markets. Even urea sector is dependent on imported LNG to the extent of more than of 80% of its requirement of natural gas. In spite of multi-fold increase in pooled price of gas for urea sector this year, average cost of production of domestic urea remained lately about 50% of price of imported urea. This has helped not only in ensuring supplies but also in saving huge subsidy on urea for the country.

The performance of agriculture sector has been very encouraging so far and it will attain new heights with all the measures implemented and initiated by the central and state governments. In addition to ensuring food security of this vast nation, agriculture will continue to make progress towards sustainability, remunerative operation and increasing contribution to agri-exports. Fertilizer industry will continue to play its crucial role in achieving these objectives and success story of agriculture sector. ■