

Union Budget 2023-24: Vision of Future - Ready Agriculture Sector

Frank Notes



Arvind Chaudhary

The National Statistical Organization (NSO) released the First Advanced Estimates on Gross Domestic Product (GDP) earlier last month. As per the estimates, Indian economy is expected to grow at 7.0 per cent in the current fiscal year. Most of the international agencies such as World Bank and International Monetary Fund, too have pegged down the growth rates to 6.6 per cent and 6.1 per cent in 2023. Despite this lower growth rate than estimated earlier, India is projected to be the fastest growing economy in the world in 2022-23. These growth figures are, in part, attributed to the performance of agriculture and allied activities which is expected to grow at 3.5 per cent at constant prices in FY 23, surpassing the growth levels of pandemic years. The buoyant performance of the Indian agriculture sector could be ascribed to the sustained and timely measures taken by the Central and State Governments to ensure that there was no interruption in any of the agriculture related activities. This ensured food security not just for India but also for other countries impacted by the pandemic and geopolitical conditions. In recent years, the country has emerged as one of the major exporters of agricultural products with rising share in overall exports since 2019-20.

In the Budget 2023-24, the government has prioritized agriculture under inclusive development which is one of the seven priority areas called as the 'Saptrishi' of the Budget. This is evident from a quick glance at the budget statistics that shows continued and increased spending on agriculture over a 5-year period, growing at a CAGR of 5 per cent. The spending on agricultural research and education too has risen at a CAGR of 6 per cent during the same period. Adoption of technology, establishment of agri start-ups, provision for agri

infrastructure and building green agriculture have been identified as the major drivers.

Hon'ble FM announced that the government will attempt to build a digital public infrastructure as an open source, open standard and inter operable public good. This initiative is expected to provide relevant information services on crop planning and facilitate easy access to farm inputs, credit, insurance besides supporting the growth of agri-tech industry and start-ups through crop estimation and market intelligence. An 'Agriculture Accelerator Fund' will be set-up to encourage agri-tech start-ups by young entrepreneurs in rural areas. The fund is aimed at bringing innovative technologies to transform agricultural practices that will further increase productivity and profitability of the sector. As pointed out by Economic Survey 2022-23, there are already more than 1,000 agri-tech start-ups that are helping farmers in improving their farming techniques. Further planning and allocation in this area is expected to enhance these activities and make agriculture future-ready.

With an objective to ensure hassle-free credit availability to farmers, the government has announced an increase in agriculture credit target to Rs. 20 lakh crores, an increase of around 8 per cent from 18.5 lakh crores in 2022-23, with a focus on animal husbandry, dairy and fisheries. This target allocation has consistently been increasing every year over the past several years. The government provides this credit at subsidized interest rates for loans up to Rs. 3 lakh. Considering the budgetary allocation under the centrally sponsored schemes, there has been no change in the budgeting of PM-Kisan. However, expenditure under PM Fasal Bima Yojana, Agriculture Infrastructure Fund and Krishonnati Yojana has received higher allocations than the revised estimates of 2022-23.

In another far-reaching initiative, it has been announced to construct a massive decentralized storage capacity at Panchayat level using the National Cooperative Database that is being prepared for countrywide mapping of cooperative societies. The capacity is anticipated to help farmers store their produce and sell at appropriate times to realize better remunerative prices.

Other important announcements include setting up of an Atmanirbhar Clean Plant Program to boost availability of disease-free, quality planting

The Budget 2023-24 has the vision of future-ready agriculture sector. Healthy agriculture sector will help in economic growth making the country a developed nation as envisaged by our Hon'ble Prime Minister.

material for high value horticultural crops at an outlay of Rs. 2,200 crores. Further, with the purpose of enhancing productivity of extra-long staple cotton and reduce India's dependence on imports, the government plans to adopt a cluster based and value chain approach through Public Private Partnerships mode for input supplies, extension services, and market linkages. Furthermore, aiming at making India a global hub for millets, the government has announced to support Hyderabad based ICAR-Indian Institute of Millets Research as the Centre of Excellence for sharing best practices, research and technologies at the international level.

In pursuit of greener growth, there is a provision of Rs. 35,000 crores for priority capital investments towards energy transition. It is aimed to produce 5 MMT of green hydrogen annually by 2030 to reduce dependence on fossil fuels. The budget has also announced a new scheme named PM-PRANAM. The scheme aims to nudge states to promote balanced use of chemical fertilizers and adopt more efficient alternate fertilizers. The government has been emphasizing increased use of organic manures and natural farming. Keeping in view the importance of chemical fertilizers and falling international prices of raw materials and finished fertilizers, the government has, once again, ensured reasonable funds for fertilizer subsidy.

Government has been providing sufficient funds for fertilizer subsidy for last three years. During the year 2022-23, the government had budgeted Rs. 1,05,222 crores for fertilizer subsidy. But, the unusual spike in international prices caused disruption in the availability and prices of raw materials and finished fertilizers. This led to a huge increase in subsidy requirement to insulate the farmers and agriculture from skyrocketing fertilizer prices. The Government promptly increased subsidy on DAP and 24 other grades of NP/NPKs. Subsidy for urea had also increased due to fixed MRP for farmers. Overall, the total subsidy on fertilizers was increased to Rs. 2,25,222 crores in

revised budget estimates, a rise of Rs. 1,20,000 crores as against the original budget allocation.

The budget allocation for fertilizer subsidy is Rs. 1,75,103 crores for FY24. Budget for urea subsidy is Rs. 1,31,100 crores which is lower by Rs.22,998 crores than the revised BE for 2022-23. Similarly, the subsidy for P&K fertilizers have also been reduced by Rs. 27,122 crores. The reason behind this reduction compared to RE 2022-23 is significant downward trend in international prices of fertilizer related commodities. However, adequacy of allocation will depend on actual international prices of energy, fertilizers and raw materials during the year. The industry has no reason to worry on this count since the government has been prompt in making additional funds available when situation demanded during last three years.

The industry on its part, has continuously strived to ensure timely availability of fertilizers through domestic production and imports even at times with negative margins. The falling prices of fertilizers ironically have posed another challenge to the industry due to inventory of high cost raw materials and finished products. P&K sector is almost entirely dependent on import of raw materials due to lack of natural resources of phosphate and potash. The Department of Fertilizers (DoF) has been revising NBS rates on half yearly or quarterly basis. Any reduction in NBS rates for last quarter of 2022-23 with regulated MRP will cause losses to the P&K industry due to high cost inventory. Now that situation on prices and availability front has normalised, government should allow the MRPs of P&K fertilizers to float as was the case till two years ago.

Under-recovery under all heads of fixed cost in urea pricing policy has also been a cause of anxiety for the industry. Government is now seriously considering reforms in the urea pricing and subsidy policy. Industry is fully engaged to help bring the desirable changes in the interest of supply security of fertilizers and sustainable agriculture.

Fate of fertilizer industry is intimately related to agriculture sector of the country. The performance of the agriculture sector has been very promising so far. The latest budget has measures to make it future-ready. It is very essential that in addition to ensuring food security of this vast nation, agriculture sector becomes sustainable and more remunerative to our farmers. Fertilizer industry will continue to play its role and help in greening the Indian agriculture. ■