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## Union Budget 2017-18 Emphasis on Agriculture Fertiliser Sector Ignored

to Rs. 13,240 crore from the earlier Rs. 5,500 crore to settle arrear claims. The sum insured under this scheme had more than doubled from Rs. 69,000 crore in *kharif* 2015 to Rs. 1,41,625 crore in *kharif* 2016.

To augment the soil testing infrastructure, mini-labs would be set up in all the 648 Krishi Vigyan Kendras (KVKs) across the country which will issue soil health cards. Simultaneously, farmers will receive the advice for optimum use of plant nutrients and other farm practices.

A Long Term Irrigation Fund was earlier set up under NABARD. Hon'ble Finance Minister announced an addition of Rs. 20,000 crores to its corpus. This will take the total corpus of this Fund to Rs. 40,000 crores. In addition, a dedicated Micro Irrigation Fund of Rs.5000 crore will be set up by NABARD to achieve the goal, 'per drop more crop'.

For the post-harvest phase, steps will be taken to enable farmers to get better prices for their produce in the markets. The e-National Agricultural Market (e-NAM) will be expanded to cover 585 APMCs from the present 250. To boost post-harvest facilities, an assistance of upto Rs. 75 lakh will be provided to each e-NAM market for establishment of cleaning, grading and packaging facilities to enhance the value addition to the farmers' produce.

The government proposes to integrate farmers who grow fruits and vegetables with agro processing units for better price realisation and reduction of post-harvest losses. In this context, a model law on contract farming would be prepared and circulated among the States for adoption.

Government has made effort to reorient MGNREGA to support doubling of farm income. While providing at least 100 days employment to every rural household, MGNREGA should create productive assets to improve farm productivity and incomes. According to Hon'ble Finance Minister, the target of about 5,000 farm ponds and 10 lakh compost pits announced in the last Budget from MGNREGA funds will be fully achieved. During 2017-18 another 5 lakh farm ponds will be taken up.

The initiatives mentioned in the foregoing paragraphs are steps in the right direction to increase income of farmers and rural population. These need to be lauded. However, the budget has remained completely silent on reforms in fertiliser sector which is key to increase agricultural productivity. Under

Union Budget for 2017-18 contains three major departures from the past practice. First, the presentation of Budget has been advanced to 1<sup>st</sup> February to enable Ministries and Departments to operationalize all schemes and projects right from the commencement of the next financial year. Second, the Railways Budget has been merged with the General Budget to facilitate multi modal transport planning including railways, highways and inland waterways. Third, plan and non-plan classification of expenditure has been done away to give holistic view of allocations for sectors and ministries and optimal allocation of resources.

Keeping in view its commitment to double farmers' income by 2022, present government continues to maintain its emphasis on the agriculture and rural sectors. The total outlay for agriculture, allied and rural sectors is Rs. 1,87,223 crore for next financial year. The budget also proposes expansion in credit flow to farmers, enhancing irrigation coverage, revamp soil health card programme, increase in allocation for Fasal Bima Yojana, augment dairy and agri-marketing infrastructure, reorient MGNREGA, expand national agricultural marketing (e-Nam), etc.

In a bid to ensure enough credit available to farmers, there is hike in agriculture credit target to Rs. 10 lakh crore. The government also announced digitization of functional primary agriculture credit societies (PACS) and their integration with the core banking system of the District Central Co-operative Banks (DCCB). The farmers will also benefit from 60 days' interest waiver announced by Hon'ble Prime Minister in respect of loans from the cooperative credit structure due to demonetization of high value currency notes.

Allocation for the Pradhan Mantri Fasal Bima Yojana has been hiked to Rs. 9,000 crore for 2017-18 to bring more farmers under the ambit of the scheme. Coverage under the crop insurance scheme will be increased to 40 per cent of the cropped area in 2017-18 and 50 per cent in 2018-19, up from 30 per cent in the current financial year. In 2016-17, the provision was increased

allocation of subsidy continues. The issue of inverted duty structure in respect of raw materials for manufacture of P & K fertilisers remains unaddressed. A minor relief given in customs duty for import of LNG will help to reduce subsidy on urea of a few hundred crores. The expectation of reduction in corporate tax has not been fulfilled for urea and P & K manufacturers. However, the relief given to small scale and medium scale industries in terms of reduction in corporate tax may benefit a few SSP units.

Before discussing the allocation of subsidy for 2017-18, there is need to review the situation in 2016-17. The year 2016-17 began with an estimated carry forward of Rs. 43,356 crore. The revised estimate of subsidy allocation for 2016-17 is pegged at Rs. 70,000 crore. 'On account' monthly payment of urea subsidy has been paid only till August 2016 and for the P & K fertilisers upto July, 2016. In addition, freight and balance subsidy disbursements are also pending. FAI had requested the government for additional allocation through supplementary grant to ease liquidity of the industry. An amount of Rs.10,000 crore has been provided as Special Banking arrangement (SBA) for 2016-17 which is yet to be disbursed. This amount will be repaid to the banks out of the allocation for 2017-18. Thus effectively, there will be a carry forward of almost Rs.30,000 crore to 2017-18.

During 2017-18, the amount allocated in the budget is Rs.70,000 crore which is same as revised estimate of 2016-17. After payment of previous year's backlog, including the amount sanctioned under SBA, the amount left for 2017-18 will be only about Rs.40,000 crore. This amount will be exhausted by first half of 2017-18. Currently, the prices of raw materials are showing upward trend which may lead to increase in the cost of production of fertilisers. There is need for

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supplementary grant and enhancement in allocation for 2017-18 to ensure timely payment of subsidy.

Customs and excise duty structure play an important role in incentivizing domestic value addition fulfilling 'Make in India Campaign' of the government. Domestic production of P & K fertilisers has been suffering due to unfair duty structure. As import of these fertilisers are free under OGL subsidy rates are same both for indigenously manufactured and imported products. FAI has been requesting the government for last several years to eliminate the duty or reduce it to 1% on imported raw materials, viz., rock phosphate, Sulphur, ammonia and phosphoric acid as against the existing rate of duty. This long pending demand of the Industry remains unaddressed.

There was expectation of reduction in corporate tax for the Industry as promised by the Hon'ble Finance Minister in his budget speech of 2015. The reduction proposed in corporate tax for medium and small scale industries will not help the fertiliser industry significantly.

In the Union Budget 2017-18, there is no mention about DBT for fertiliser sector. There is need for a clear road map and commitment for implementation of the DBT which is not spelt out in the Budget documents.

Fertiliser industry has been doing its best to ensure adequate quantity of quality fertilisers to the farmers at minimum prices even under difficult circumstances. Despite reduction in NBS for 2016-17, Industry reduced the retail prices of P & K fertilisers significantly consequent to softening in international prices with effect from June 2016. Retail price of potash was reduced across the board by Rs.5000 per tonne, DAP by Rs. 2500 per tonne and NP/NPKS by Rs.1000 per tonne. Thereafter, DAP price was further reduced by about Rs. 1300 per tonne. While doing so, industry's objective was to minimize the cost of inputs to the farmers without worrying about its low margins.

More recently, fertiliser industry whole heartedly supported the bold initiative taken by the government in regard to demonetization of high value currency notes of Rs. 500 and Rs.1000 in November 2016. Industry came forward to extend two months credit to the trade for sale of fertilisers to farmers. In this regard, Hon'ble Minister of Chemicals & Fertilizers and Parliamentary Affairs, Shri Ananth Kumar in his Inaugural Address during the FAI Annual Seminar 2016 in December 2016 said "I want to thank the Fertiliser industry because you are one of the first ones to welcome this bold decision of Narendra bhai Modi. That is a role model action. I salute you for that". Hon'ble Minister also gave kind assurance to the Fertiliser Industry that all issues including clearing the arrears of subsidy dues will be addressed in time bound manner. Unfortunately, the budget otherwise including various initiatives for agriculture sector has completely ignored fertiliser sector.

Industry still looks forward that the government will address the issues of timely payment of subsidy, inverted duty structure for raw materials of P & K fertilisers and a clear roadmap for implementation of DBT. ■