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Union Budget 2021-22 Continued Focus on Agriculture and Fertilizer Sectors

Agriculture continues to be the backbone of Indian economy providing employment to almost 55% of the total workforce of the country. It has displayed tremendous resilience during the COVID-19 pandemic. Agriculture and allied sectors are the sole bright spot which will register a positive growth rate of 3.4% in gross value addition at constant prices for 2020-21, as per 1st Advance Estimates of National Income. Value addition in industry and services are estimated to contract by 9.6% and 8.8% respectively. 1st Advance estimates of National Income show a negative growth of 7.7% in GDP for the year 2020-21. After a massive contraction of 23.9% in first quarter of current year, there has been sharp pick-up in economic activities. Sustained agricultural growth in all the quarters has been possible due to timely intervention for maintenance of regular activities during lockdown. Stimulus packages in form of Atmanirbhar Bharat helped to arrest the steep slide in growth of overall economy.

The objective of inclusive development cannot be achieved without development of rural sector where large population is dependent directly or indirectly on agriculture. Growth in agriculture and allied sectors has the highest potential for improving the income levels of largest group of low income population of the country.

The government has, therefore, been rightly putting increasing thrust on agriculture, which received further impetus during the pandemic. Major announcements made under Atmanirbhar Bharat Abhiyan 1.0, 2.0, 3.0 and other packages included creation of Rs. 1 lakh crore Agri Infrastructure Fund for financing agri-infrastructure projects at farm gate,

at aggregation points and other projects for post-harvest management. Other announcements included Rs.10,000 crore scheme for Micro Food Enterprises, Rs.20,000 crore for PM Matsya Sampada Yojna, PM Garib Kalyan Ann Yojna providing foodgrains to around 80 crore ration card holders throughout the country, Rs.15,000 crore for Animal Husbandry Infrastructure Fund, operation Green for vulnerable crops like tomato, potato, onion, etc. 'One Nation One Ration Card' also enabled migrant workers access PDS benefits from any fair price shop in the country. Government also introduced legal reforms to provide freedom to farmers to market their produce and realise better prices.

Government continued to support farmers with increased levels of procurement at Minimum Support Price (MSP) for major crops like wheat, paddy, cotton, pulses etc. Procurement of wheat increased to Rs.75,060 crore for 2020-21 against Rs.33,874 crore in 2013-14. Similarly, procurement of paddy increased from Rs.63,928 crore in 2013-14 to Rs.1,72,752 crore in 2020-21. In case of pulses, the amount increased from Rs.236 crore to Rs.10,530 crore during the same period. This has been a result of increased levels of MSP for different crops and higher level of procured quantities covering more and more farmers.

Momentum has been maintained in the Union Budget 2021-22. The target of agricultural credit has been increased by 10% to Rs. 16.5 lakh crore with emphasis on flow of credit to animal husbandry, dairy and fisheries. Allocation for Rural Infrastructure Development Fund has been increased from Rs.30,000 crore to Rs.40,000 crore. The corpus of Micro Irrigation Fund created under NABARD has been doubled from Rs.5,000 crore to Rs.10,000 crore. To boost value addition in agriculture and allied products and their exports, 'Operation Green Scheme' currently applicable to tomato, onion and potato, will be extended to 22 perishable commodities.

As part of market reforms, 1.68 crore farmers have been registered under electronic National Market-e-NAM with a traded value of Rs.1.14 lakh crore. The government in the union budget has announced that 1000 more agricultural mandis will be integrated with

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e-NAM which will further improve transparency and competitiveness in the marketing of agricultural produce. Agriculture Infrastructure Fund will be made available to APMCs for augmenting their infrastructure. To mobilise resources for Agriculture Infrastructure Fund, government has levied Agriculture Infrastructure and Development Cess on specified goods w.e.f. 2.2.2021. Having disbursed a sizeable amount of direct cash transfer through Kisan Samman Nidhi and liberal free distribution of foodgrains to vulnerable classes during COVID-19 to address the immediate crisis created by the pandemic, the government has now endeavoured to address the structural issues through enhanced capital investment to strengthen the basic infrastructure for job creation and sustainable income in rural sector.

The fertilizer sector is intimately linked to agriculture. Indian fertilizer sector has also registered positive growth of 3.7% during April-December, 2020. In fact, fertilizer sector is the only industry registering positive growth during the COVID crisis among 8 core sector industries which cumulatively registered a negative growth of 10.1% during April-December, 2020. DBT sale of major fertilizers viz. urea, DAP and MOP at 26.8, 10.2 and 2.5 million tonnes recorded a growth of 5.3, 21.6 and 19.9%, respectively during April-December, 2020 over April-December, 2019. There has been overall growth of 10.6% in sale of fertilizers during the period. It is estimated that growth in fertilizer sale for the entire 2020-21 will be around 8% as against normal growth of 2-3% per year.

Government ensured that production, movement and sale of fertilizers remained uninterrupted during the lockdown and thereafter. Fertilizer and allied activities were exempted from lockdown restrictions. Railways waived penalties of demurrage and wharfage. There was priority in berthing of ships, discharge and movement of fertilizers from ports. But, even more important is that government continued to take initiatives in policies for the sector. Government cleared the policy for payment of additional fixed cost

to urea units under Modified NPS-III policy in March 2020. The decision had been pending since April 2014. Government also initiated and completed discussion on reforms in fertilizer sector through five high level Working Groups. These Working Groups have already submitted their recommendations to the government.

One of the serious pain points of fertilizer industry has been delay in payment of subsidy and carry-over of arrears from one year to another for past several years. First, the government released more funds by overriding the monthly and quarterly restrictions out of budget allocation right from the month of April, 2020. But, the most unprecedented step in this direction has been announcement of allocation of additional Rs. 65,000 crore for fertilizer subsidy as part of Atmanirbhar Bharat 3.0. This is over and above budget estimate of Rs.71,309 crore for the year 2020-21. This will help to clear all past dues including payment of revised fixed cost for urea units. The government has released Rs.15,160 crore out of this additional amount in January, 2021 by invoking Appendix-10 of General Financial Rules (GFR) 2017 and now the entire amount has been provided for under Revised estimates for 2020-21. The budget allocation for 2021-22 at Rs.79,530 crore is also higher than the BE of 2020-21. Agriculture Infrastructure and Development Cess of 5% imposed on import of Urea, DAP and MOP has also been neutralised by exempting these products from basic customs duty causing no impact on consumers.

Overall, it has been excellent year for agriculture and fertilizer sectors. These sectors provided stability to economy in difficult times. This has all been due to combined efforts of the government, farmers and industry. Time is now ripe to take the process of reforms further in fertilizer sector by implementing recommendations of five high level Working Groups. There has been unanimity on few major issues. One is bringing urea under nutrient based subsidy (NBS) scheme and other is payment of fertilizer subsidy directly into farmers' accounts. These reforms are overdue and are necessary in the interest of soil health, crop productivity and farmers' income. This will also free fertilizer industry from stifling controls and increase ease of doing business. This will lead to innovations in products and services for Indian agriculture. Agriculture sector is at the cusp of major shift towards higher yields and an economically more viable activity. Further reforms are required to give push to the progress in this direction. ■