



## Agri-spending will boost farm incomes

 [sanskritias.com/current-affairs/agri-spending-will-boost-farm-incomes](https://www.youtube.com/watch?v=...)



### (Mains GS 3 : Issues related to Direct and Indirect Farm Subsidies and Minimum Support Prices)

#### Context:

In the Union Budget 2022-23, the overall budgetary allocation towards the agricultural sector has marginally increased by 4.4% but the rate of increase is lower than the current inflation rate of 5.5%-6%.

#### Spending in agriculture:

- The Food and Agriculture Organization (FAO) of the United Nations (UN) report for 2001 to 2019 shows that, globally, India is among the top 10 countries in terms of government spending in agriculture, constituting a share of around 7.3% of its total government expenditure.
- However, India lags behind several low-income countries such as Malawi (18%), Mali (12.4%), Bhutan (12%), Nepal (8%), as well as upper middle-income countries such as Guyana (10.3%) and China (9.6%).

#### Agriculture Orientation Index:

- Agriculture Orientation Index (AOI) is an index which was developed as part of the Goal 2 (Zero Hunger) of the 2030 Agenda for Sustainable Development in 2015.

- The Sustainable Development Goal (SDG) 2 emphasises an increase in investment in rural infrastructure, agricultural research and extension services, development of technology to enhance agricultural productivity and eradication of poverty in middle- and lower-income countries.
- The AOI is calculated by dividing the agriculture share of government expenditure by the agriculture value added share of GDP; in other words, it measures the ratio between government spending towards the agricultural sector and the sector's contribution to GDP.
- India holds only the 38th rank in the world, despite being an agrarian economy wherein a huge population is dependent on the agricultural sector for its livelihood, and despite being among the largest producers of several crops produced and consumed in the world.

### **A comparative analysis:**

- Although the AOI has shown an improvement since the mid-2000s, as part of the general revival that took place in several middle-income countries, India's AOI is one of the lowest in Asia and among several other middle-income and upper-income countries.
- Asia as a whole performs much better, with a relatively higher performance by Eastern Asian countries and China has been doing remarkably well with an index steadily improving and crossing one.
- Similarly, in countries such as the Republic of Korea, the value of AOI has been greater than one and greater than two since 2005-06 respectively.
- Even lower income African countries such as Zambia, have commendable spending in the agricultural sector despite being a landlocked country.

### **Higher crop yield:**

- The enormous spending on the agricultural sector by East Asian countries is also reflected in their higher crop yield. For example, the total cereal yield in India is only around 3,282 kilograms per hectare compared to 4,225 kg per hectare in Asia. and within the Asian region, Eastern Asia has the highest cereal yield of 6,237 kg per hectare.
- In China, even with an average land holding size of 0.6 hectares, which is much lower than India's average land holding size, the performance of the sector in terms of crop yield is much higher than India.
- For example, the cereal yield is 6,296 kg per hectare, pulses yield is 1,815 kg per hectare and vegetable crops yield is 25,546 kg per hectare in China; the corresponding figures for India are 3,282 kg, 704 kg, and 15,451 kg, respectively. Both India and China are among the world's largest producers of wheat, rice, cotton and maize.

### **Low budgetary allocation:**

India's index is one of the lowest, reflecting that the spending towards the agricultural sector is not commensurate with the sector's contribution towards GDP.

- The budgetary allocation towards the agricultural sector shows that there has been a drastic slashing of funds toward important schemes such as crop insurance and minimum support price (MSP).
- Even with an overall increase in budgetary outlays, the allocation towards Market Intervention Scheme and Price Support Scheme (MIS-PSS) was only ₹1,500 crore which is 62% less than the previous allocation of ₹3,959.61 crore in revised estimates (RE) of FY 2021-22.

#### **Capital investment:**

- The capital investment in the agricultural sector is more crucial than price support programmes but there has not been any considerable and commensurate increase in the allocation towards capital investment, especially for promotion of rural infrastructure and marketing facilities.
- Allocation for rural development was 5.59% in the previous Budget and it has been reduced to 5.23%.
- The allocation of funds towards schemes such as Pradhan Mantri Kisan Samman Nidhi (PM KISAN), Pradhan Mantri Kisan Maandhan Yojana, though desirable, will not result in long-term asset generation.

#### **Towards a path:**

- The intensification in government spending towards the agricultural sector is the key to attain the sustainable development goals of higher agricultural growth and farm income.
- The focus on development of irrigation facilities, urban infrastructure and development of national highways must be complemented with an emphasis on the development of rural infrastructure and rural transportation facilities, along with an increase in the number of markets, as suggested by the National Commission on Farmers.
- These measures will play a crucial role in enhancing farmers' access to markets and integrating small and marginal farmers into the agricultural supply chain to a greater extent.