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Budget 2019-20: Possible Implications for the Agricultural Sector

Since time immemorial, agriculture in India has been one of the most important sectors of the economy. Its contribution to employment generation, directly and indirectly, is the highest, especially in rural India. The agricultural and allied sectors in India have grown at an annual growth rate of nearly 2.9% from 2014-15 to 2018-19. Women's participation in agriculture has also seen an increase with 13.9% share during 2015-16, from 11.7% during 2005-06.

The agricultural expenditure registered an average annual fall of (-) 9.4% during 2010-11 to 2014-15. However, the same exhibited a sudden spurt post 2014-15. A jump of 108.4% was observed in the actual expenditure on agriculture in 2015-16 over 2014-15 alone. In fact, during 2014-15 to 2018-19, the expenditure on this sector increased at an impressive AAGR of 72.3%.

Further, the utilization rate for the agricultural sector (based on the expenditures by two departments[3]), which was hovering around 80% during 2011-12 to 2014-15, shot up to as high as 165.1% in 2015-16 and stood at 139% in 2018-19.

Year wise actual expenditure and budget for agriculture sector (in ₹ '000 crore)

	Actual	Budget	Actual	Budget	Utilization of Agriculture budget (Actual/ Total of Agriculture Budget)	Growth in total[1] actual expenditure on agriculture (y-o-y)	Actual	Budget	Share of budgetary allocation of agriculture as a percentage of total
	Department of Agriculture, Cooperation and Farmers' Welfare		Department of Agricultural Research and Education				Grand Total of Union Budget		
2010-11	10.5	8.9	5.4	3.8	124.9%	-	1197.3	1108.7	1.1%
2011-12	8.9	9.7	4.7	5.0	93.1%	-14.3%	1304.4	1257.7	1.2%
2012-13	9.6	11.3	4.5	5.4	84.2%	3.4%	1410.4	1490.9	1.1%
2013-14	10.4	12.0	4.7	5.7	85.4%	7.6%	1559.4	1665.3	1.1%
2014-15	5.1	6.2	4.8	6.1	80.5%	-34.4%	1663.7	1794.9	0.7%
2015-16	15.3	6.2	5.4	6.3	165.1%	108.4%	1790.8	1777.5	0.7%
2016-17	36.9	36.0	5.7	6.6	100.1%	106.2%	1975.2	1978.1	2.2%
2017-18	37.4	41.9	6.9	6.8	91.1%	4.0%	2142.0	2146.7	2.3%
2018-19[2]	67.8	46.7	8.0	7.8	139.0%	70.8%	2457.2	2442.2	2.2%
2019-20	-	130.5	-	8.1		-	-	2786.3	5.0%

Source: Union Budgets of various years

[1]Total here is the sum of actual expenditure for Department of Agriculture, Cooperation and Farmers' Welfare and Department of Agricultural Research and Education
[2]The actual figures for 2018-19 are actually the revised estimates
[3]Department of Agriculture, Cooperation and Farmers' Welfare & Department of Agricultural Research and Education

The budgetary allocation to the agriculture which remained below the 1.5% mark until 2015-16, jumped to 2.2% in 2016-17 and has remained in that range. In fact, in 2019-20, the allocation reached 5%, mainly on account of PM Kisan Yojana.

Even in the allocation to the two departments, an increase of more than twice in 2019-20 was observed, vis-à-vis the budgeted expenditure for 2018-19.

Analysing Union Budget 2019-20

In the Union Budget 2019-20, the allocation for Department of Agriculture, Cooperation and Farmers' Welfare stood at ₹130,485 crore. The budgetary estimate for the Agriculture Ministry for 2019-20 is 140% higher than that for 2018-19 at ₹57,600 crore, primarily due to ₹75,000 crore allocation to PM-Kisan. However, this is ₹10,000 crore lesser than the allocation in the interim budgetary estimate 2019-20.

The newly carved out Ministry of Fisheries, Animal Husbandry and Dairying have been allocated ₹3,737 crore. Of this, ₹805 crore has been allocated to Pradhan Mantri Matsya Sampada Yojana (PMMSY) to address critical gaps in the value chain, including infrastructure, modernisation, traceability, production, productivity, post-harvest management and quality control.

The Union Budget 2019-20 attempted to meet the twin objectives of growth and inclusiveness from the point of view of agriculture. When doubling of farmers' income agenda is being rigorously pursued by the government, a fresh slew of measures through this Budget will only firm up the prospects of the agriculture and rural development sectors.

An announcement of formation of 10,000 new Farmer Producer Organizations (FPOs) over the next five years is a step towards the same. With an increasing number of FPOs in the agriculture space, the economies of scale can be harnessed to achieve the goal of doubling farmer's income by reduction in input costs and assuring better price realisations by the farmers for their output. Further, Government proposed to expand the women self-help groups (SHGs) interest subvention programme to all districts. For every verified woman SHG member, having a Jan Dhan Bank account, an overdraft of ₹5,000 will be allowed. One woman in every SHG would also be made eligible for a loan up to ₹1 lakh under the MUDRA scheme. These incentives proposed for women SHGs will not only lead to livelihood generation and women empowerment, but also nurture first-generation entrepreneurs though the MUDRA loans. With the proposed interventions, not only farmers, but also rural entrepreneurship will get the necessary boost. The Interim Budget 2019-20 in February 2019, announced Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) to provide ₹6,000 in income support to 12.6 crore small and marginal farmers.

For relieving farmers from uncertain prospects, the Government of India intends to work with the State Governments so that farmers benefit from the national agriculture market (e-NAM). At present, eNAM trade takes place in 585 agricultural produce market committees (APMCs). However, e-NAM, which was launched in 2018, could not be of much benefit to farmers as APMCs lacked infrastructure.

Another big announcement was zero-budget farming. The concept of zero-budget farming, which some farmers have exemplarily proved to be viable, will boost the confidence of farmers. With conventional means, the farmers will be able to enhance their income levels by keeping the input costs under control.

Pulses Scenario in India

Overview

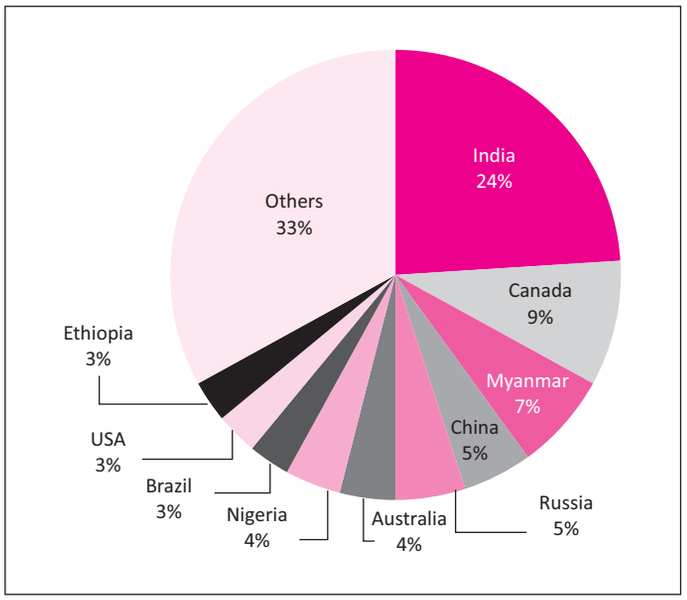
Pulses are species that belong to the legume family and include lentils, beans, peas, and chickpeas. They are a vital source of plant based proteins and amino acids. Moreover, they have nitrogen-fixing properties which can contribute to increasing soil fertility and have a positive impact on the environment.

Production

Global scenario

According to FAO, the global production of pulses increased from 783.6 million tonnes (MT) in 2013 to 959.8 MT in 2017, and recorded an average annual growth rate of 5.4%, during this period. In fact, the last two years of 2016 and 2017 have seen a substantial increase. While the growth in the global production of pulses was registered at 7.6% in 2016, it grew by approximately 15% in 2017.

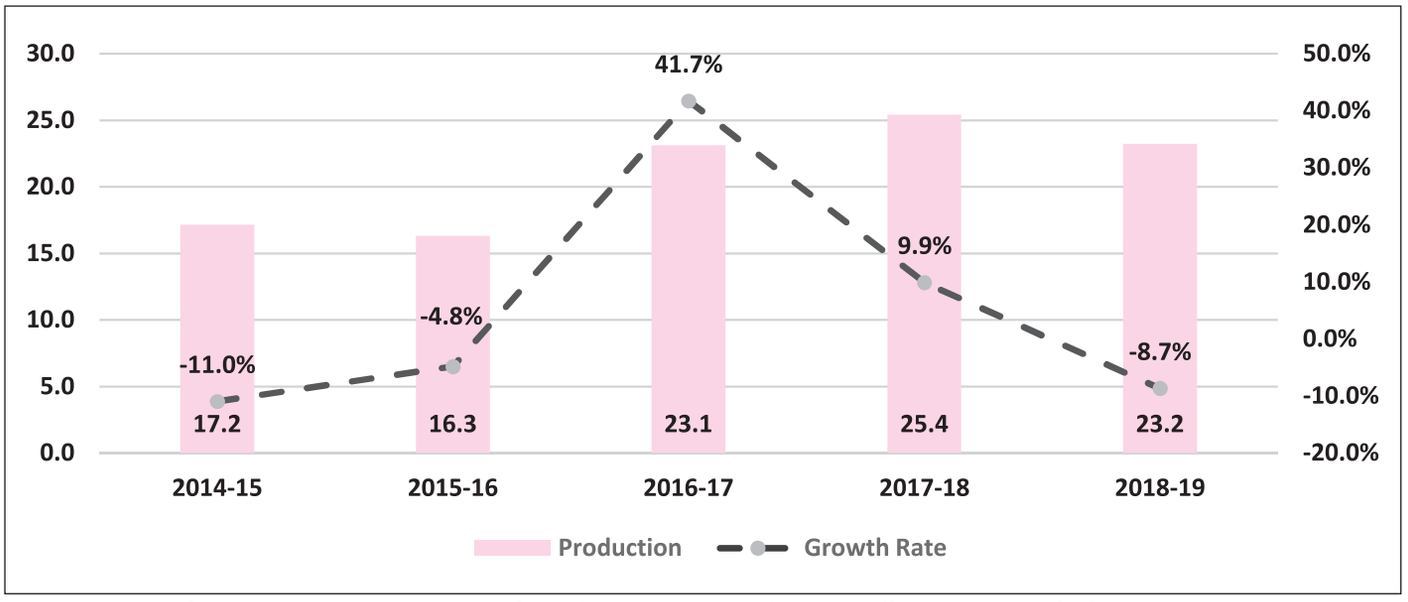
Major producers of pulses: 2017



Source: FAO

As far as the global major producers of pulses are concerned, India alone produces around one-fourth of the global production. It is followed by Canada (9.1%); Myanmar (7.3%); China (5.2%); and Russia (4.4%).

Pulses Production in India (MT)



Source: Directorate of Economics & Statistics Department of Agriculture, Cooperation and Farmers Welfare, Government of India

Major pulses produced in India (MT)

	2014-15	2015-16	2016-17	2017-18	2018-19	Share in %, 2018-19	AAGR (2014-15 to 2018-19)
Tur	2.81	2.56	4.87	4.29	3.5	15.1%	12.8%
Gram	7.33	7.06	9.38	11.38	10.09	43.5%	9.8%
Urad	1.96	1.95	2.83	3.49	3.21	13.8%	15.0%
Moong	1.5	1.59	2.17	2.02	2.37	10.2%	13.2%
Lentil	1.04	0.98	1.22	1.62	1.56	6.7%	12.0%
Others	2.51	2.18	2.66	2.62	2.49	10.7%	0.6%
Total	**17.15**	**16.32**	**23.13**	**25.42**	**23.22**	**100.0%**	**9.5%**

Source: Directorate of Economics & Statistics Department of Agriculture, Cooperation and Farmers Welfare, Government of India

Indian Scenario

As per the 3rd advance estimates of Directorate of Economics & Statistics Department of Agriculture, Cooperation and Farmers Welfare, Government of India, the production of pulses in India reached 23.2 MT in 2018-19, up from 17.2 MT in 2014-15, and grew at an average rate of 9.5% per annum, during this period.

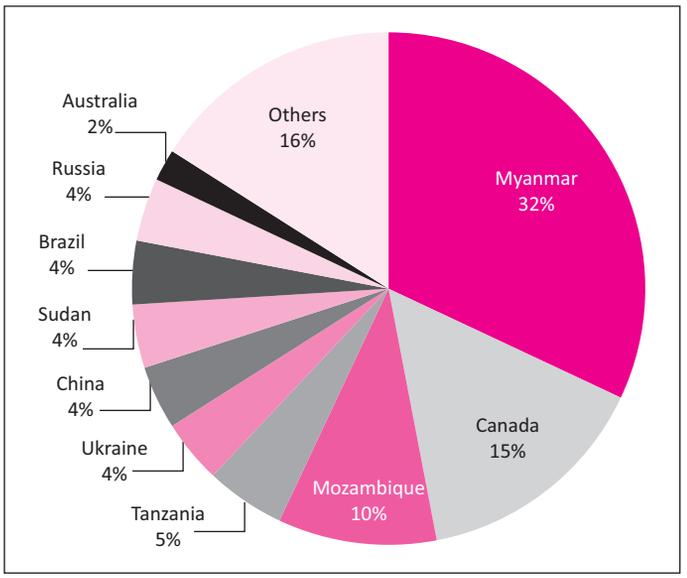
'Gram' contributes most to the pulses production in India. It alone contributed to over 40% production of pulses in India during 2018-19. Pulses, namely, 'Urad', 'Tur', and 'Moong' registered a double digit AAGR in their production, during 2014-15 to 2018-19.

Further, the share of pulses in the area under production for agriculture has increased from 12.5% in 2007-08 to 15.6% in 2017-18. The States of Madhya Pradesh (32.1%); Rajasthan (13.4%); and Maharashtra (13.1%) are the largest producers of pulses in India.

Trade

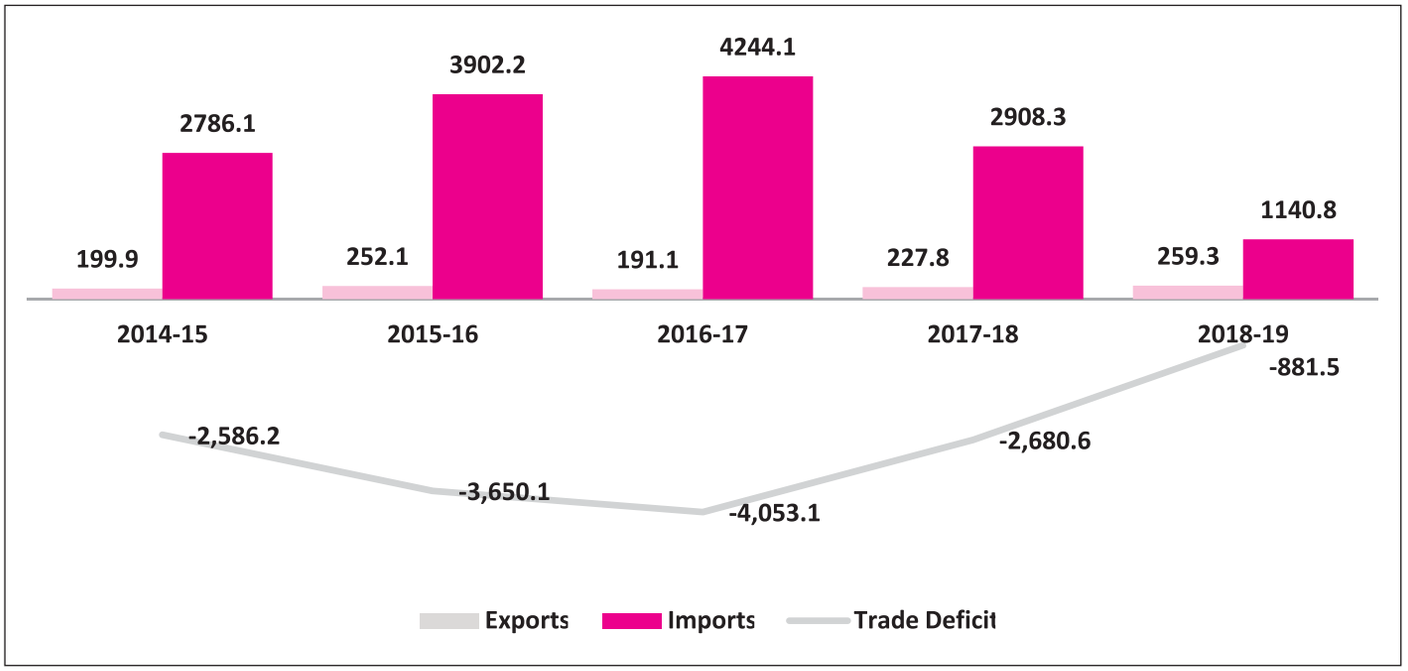
India holds a huge trade deficit in the pulses, despite being the world's largest producer. India had a trade deficit of US$ 881.5 million in 2018-19, which was significantly down from US$ 2586.2 million in 2014-15.

Major import sources of Pulses for India



Source: DGCIS

India's Trade in Pulses (US$ Million)



Source: Ministry of Commerce and Industry

Minimum support price for major pulses (₹/quintal)

Pulses	2014-15	2015-16	2016-17	2017-18	2018-19	AAGR (2014-15 to 2018-19)
Tur	4350	4625	5050	5450	5675	6.9%
Gram	3175	3500	4000	4400	4620	9.9%
Moong	4600	4850	5225	5575	6975	11.2%
Urad	4350	4625	5000	5400	5600	6.5%
Lentil	3075	3400	3950	4250	4475	9.9%

Source: Commission for Agricultural Costs and Prices (CACP)

The top three import sources for pulses in India contributed to almost 57% of the total imports in 2018-19, with Myanmar at 31.5%, being the top import source.

Minimum Support Price (MSP)

MSP is the price at which government purchases crops from the farmers, whatever may be the price for the crops. It is an important part of India's agricultural price policy which helps to incentivize the farmers and thus ensures adequate food grains production in the country. In the case of pulses, the MSP was the highest for 'Moong' at ₹6975/quintal in 2018-19 and has been the fastest to grow in the last 5 years, amongst other major pulses.

Export Policy

Under Advance Authorization Scheme, import of pulses is allowed for export after domestic processing and value addition. In 2017, all varieties of pulses, including organic pulses, were made free for export without any quantitative ceilings, till further order. However, for export through non-Electronic Data Interchange (EDI), Land Custom Stations (LCS), the exporter will have to do prior-registration of quantity with DGFT. Further, export of pulses to Bhutan is exempted from any ban and without any quantitative restriction.

Import Policy

Import of pulses is allowed without any quantitative restrictions except in the case of Peas, Tur, Moong, and Urad. The Directorate General of Foreign Trade (DGFT) in August 2017 revised the import policy of Tur (Arhar) from free to restricted and imposed quantitative restriction on their import with an annual (fiscal year) quota of 2 lakh MT with some conditions. DGFT also revised import policy of Moong/Urad from 'free' to 'restrict'. The new policy subjected the import of Urad/Moong to an annual (fiscal year) quota of 1.5 lakh MT (each).

With respect to 'Yellow peas', initially, DGFT revised import policy of 'Yellow Peas' from free to 'restricted' in April, 2018 and imposed quantitative restriction on their import with 1 lakh MT for the period of 1st April to 30th June, 2018. Since then, the restriction has been extended from time to time. In April, 2019 it further extended the period of restriction on import of peas from 1st April, 2019 to 31st March, 2020. During this period, total quantity of 1.5 Lakh MT of peas is allowed against license as per the procedure to be notified by DGFT.

References:

- Ministry of Agriculture & Farmers welfare
- CACP
- FAO
- DGCIS

Bananas: Global Scenario and India's Export Potential

Overview

Banana is the one of the most important fruit crops in India with its year round availability, affordability, varietal range, taste, nutrition and medicinal value. It also has a good export potential. Banana evolved in the humid tropical regions of South-East Asia with India as one of its centres of origin. Modern edible varieties have evolved from the two species – Musa acuminata and Musa balbisiana and their natural hybrids, originally found in the rain forests of South-East Asia. During the seventh century AD its cultivation spread to Egypt and Africa. At present, banana is being cultivated throughout the warm tropical regions of the world between 30° N and 30° S of the equator.

Major Producers of Banana (2017)

	Production (% of total production)	Area (% of total area)	Yield (tonne/ ha)
India	26.8%	15.3%	35.4
China	9.8%	6.5%	30.5
Indonesia	6.3%	2.1%	60.2
Brazil	5.9%	8.3%	14.3
Ecuador	5.5%	2.8%	39.7
Philippines	5.3%	7.9%	13.5
Angola	3.8%	2.5%	30.2
Guatemala	3.4%	1.4%	48.5
Colombia	3.3%	2.4%	28.1
Tanzania	3.1%	8.7%	7.1
World	**100.0%**	**100.0%**	**20.2**

Source: FAO

Production

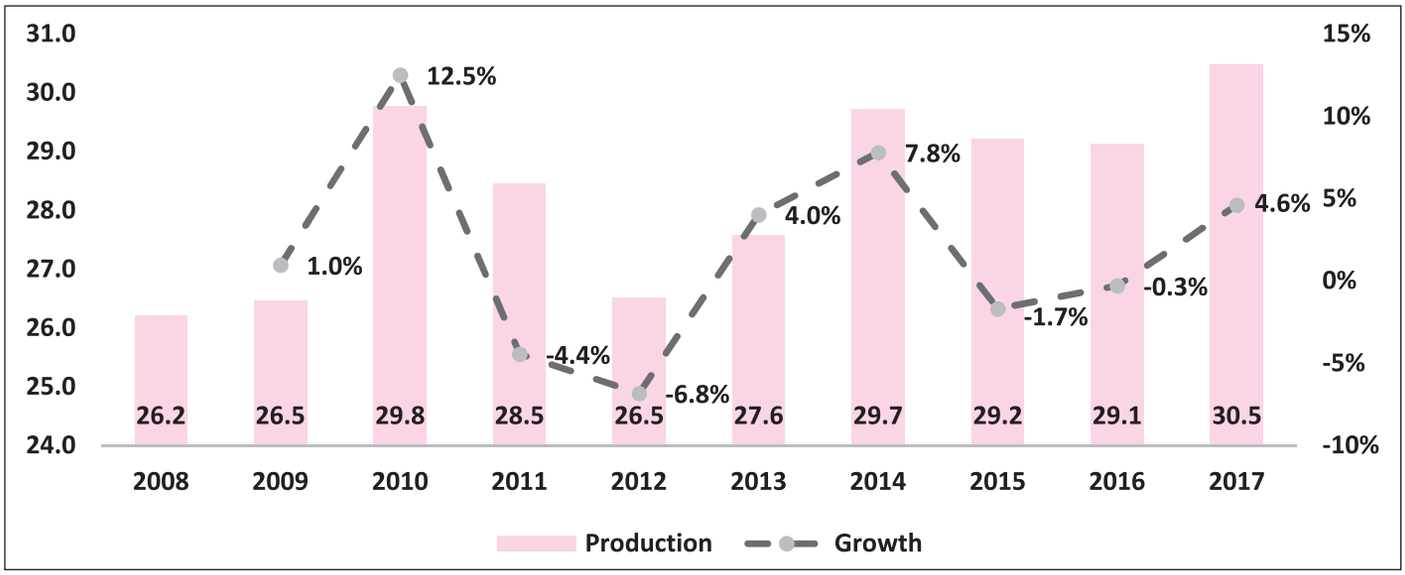
The global production of bananas was recorded at 113.9 million tonnes (MT) in 2017, up from 112.2 MT in 2013. The major producers of bananas in the world include India (26.8%); China (9.8%); Indonesia (6.3%); Brazil (5.9%); and Ecuador (5.5%).

In India, the production of bananas increased from 26.2 MT in 2008 to 30.5 MT in 2017, registering an AAGR of 1.8%, during this period.

Trade

The global exports of bananas (HS code-0803) in

Production of Bananas in India (MT)



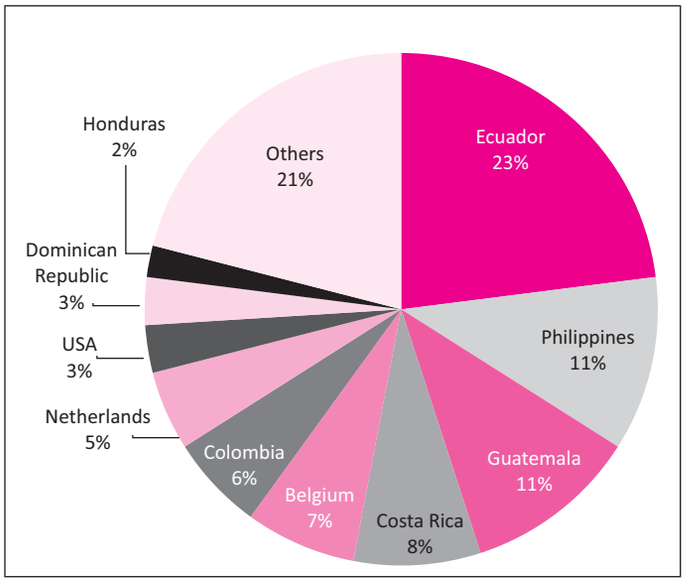
Source: FAO

2018 were recorded at US$ 13.7 billion, up from US$ 8.3 billion in 2009, growing at an average annual rate of 6%, during this period. In fact, the exports of US$ 13.7 billion recorded in 2018 have been the highest ever. Ecuador contributed to almost one-fourth of the total exports of banana in 2018. This was followed by Philippines (11%); Guatemala (10.8%); Costa Rica (7.5%); and Belgium (7%).

While India is the largest producer of bananas in the world, it also consumes the same in huge number. As a result, the exports of bananas by India, though decent in value, do not contribute significantly to the global exports.

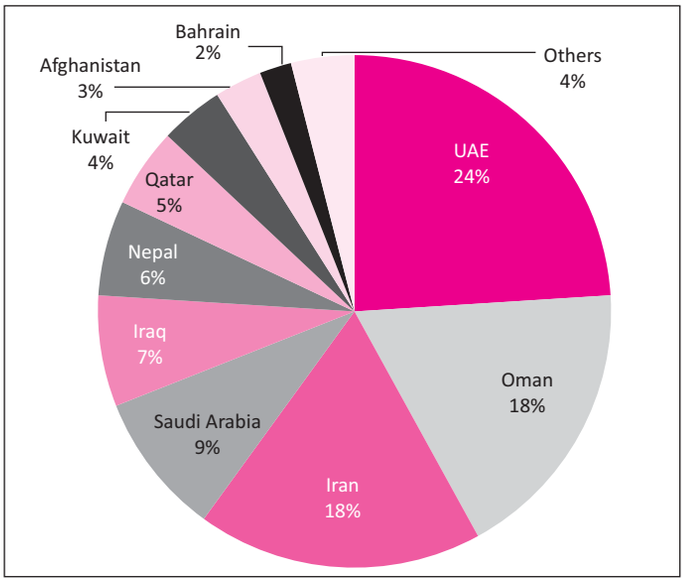
India's exports of bananas which were recorded at US$ 21.7 million in 2008 have more than doubled since then and were recorded at US$ 56.2 million in

Major global exporters of bananas: 2018



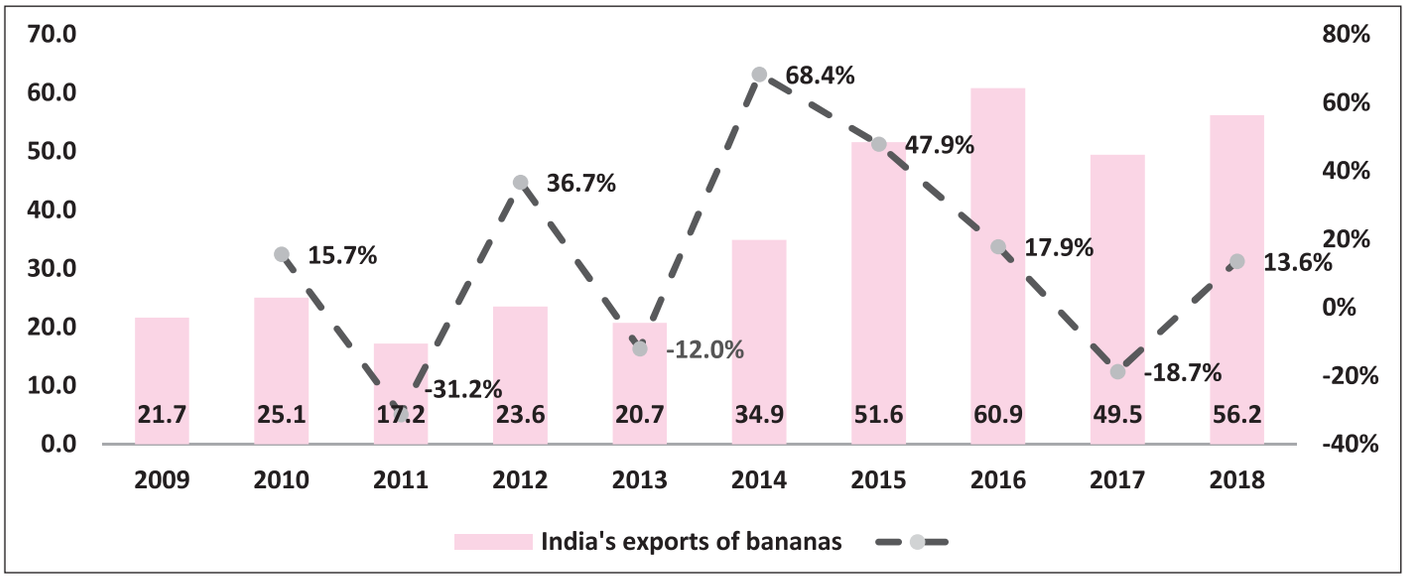
Source: UN COMTRADE

India's major export destinations for bananas: 2018



Source: UN COMTRADE

India's Exports of Bananas (US$ Million)



Source: UN COMTRADE

2018, registering an AAGR of 15.4%, during this period.

Further, with respect to India's major export destinations in 2018, Oman alone contributed to almost 25% of India's exports of bananas. In fact, the top 5 export destinations for India's bananas contributed to over 75% of India's exports of the same.

Export Potential of Indian Bananas

- Within India, more than 27% of total banana production takes place in the States of Maharashtra and Gujarat. These States in India could have more focussed approach towards exports of bananas.
- There exists scope for banana exporters from India to cater to key global markets like the US, Belgium, Russia, Germany and Japan (top 5 importers of bananas in 2018).
- A superior cultivar, namely Grand Naine, having significant demand in the international market is being cultivated on a sizeable area in Maharashtra and Gujarat States. This could be an added export item if scale could be achieved.
- Red banana cultivar, which is preferred in some countries, can create a niche market for itself with support of display, campaign etc. Red banana is a highly prized variety from Kerala and Tamil Nadu. Its commercial cultivation is prominent in the Kanyakumari and Tirunelveli districts of Tamil Nadu. It is also popular in Karnataka, Andhra Pradesh, and, to some extent, in western and central India
- Banana is cultivated in substantial acreage and in different agro-climatic conditions, and consequently is in a position to meet the massive demands from importing countries on a continuous basis, provided planting and cultivation is well planned.
- Agri Export Zones for promoting exports of banana have been established in Maharashtra. This could help in value added exports of bananas from India.
- Besides, this post-harvest handling facilities are available at a small scale at Navsari and Borsad in the Gujarat State, preventing pilferage.

References:

➢ APEDA
➢ FAO
➢ UN COMTRADE

Wheat Outlook

Wheat is one of the most important food grains of India and is the staple food in most of the northern and north-west part of India. Globally, Russia and China are the other two major consumers as well as producers of wheat.

Production

Global Scenario

The global wheat production, according to FAO, for the year 2017 was 771.7 MT, which observed an increase of 3.0% from its previous year production

and registered an AAGR of 2.1% in the production, during the period 2013 to 2017.

China is the biggest producer of wheat globally, with over 17% of total production coming from China. China is followed by India and Russia, which contribute 13% and 11% to the global production, respectively. The other major producers include US, and France, amongst others.

Indian Scenario

According to Department of Agriculture, Cooperation and Farmers Welfare's fourth advance estimates, the production of wheat India for the year 2018-19 is estimated at 102.2 MT, up from 99.9 MT in 2017-18. Interestingly, India's target of wheat production was also 102.2 MT for 2018-19. Since 2014-15, the total production has shown an increasing trend with the production increasing from 86.5 MT in 2014-15 to 102.2 MT in 2018-19, thereby registering an AAGR of 4.3%, during this period.

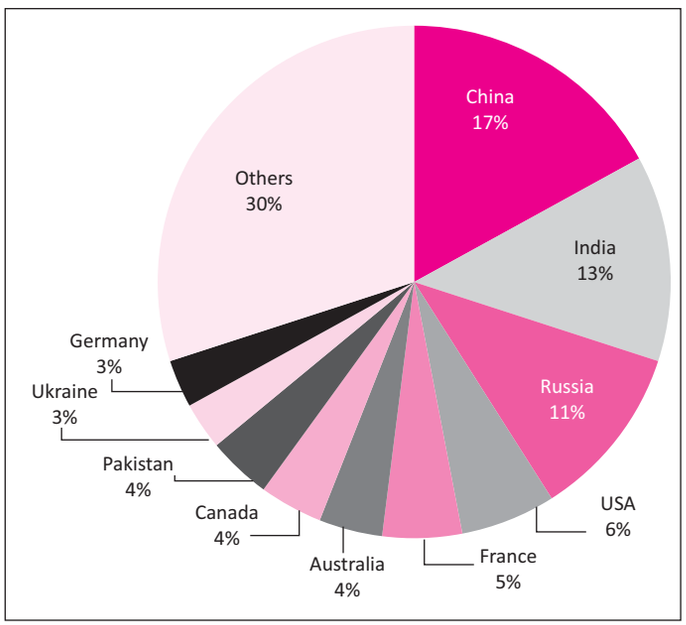
Trade

Global Scenario

The global exports of wheat[4], during 2018, were recorded at US$ 41.2 billion, down from US$ 47.8 billion in 2014, registering an AAGR of (-) 3.1%, during this period. Amongst the major exporters, Russia accounted for 20.5% of total wheat exports in 2018. The other major exporters of wheat include Canada (13.8%), US (13.2%), France (10%), and Australia (7.5%). While India is one of the major producers of the wheat in the world, its high domestic consumption restrains it from exporting wheat in large quantities.

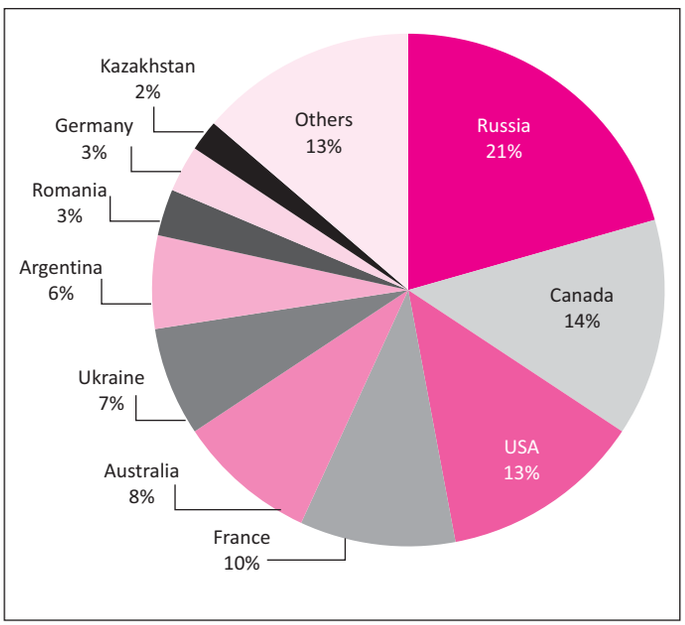
In terms of major global importers, Egypt was the largest importer of wheat with a share of 6.1% in

Major global exporters of wheat: 2014



Source: Food and Agriculture Organization of the United Nations (FAO)

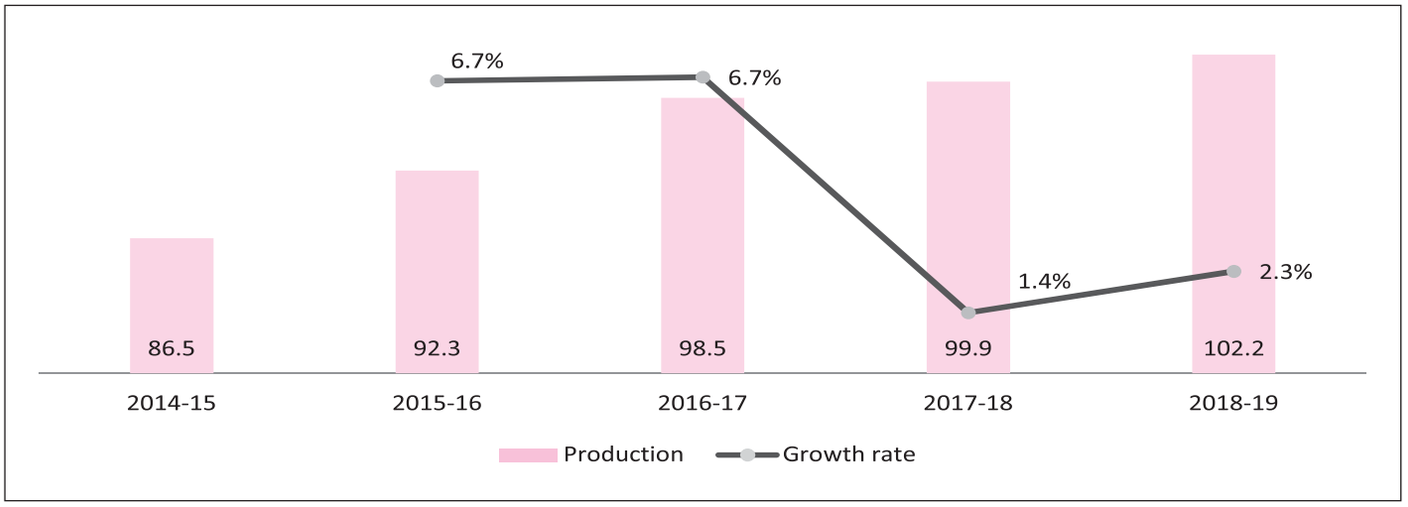
Major global exporters of wheat: 2018



Source: ITC Trademap

[4]HS 1001

Wheat Production in India (in MT)



Source: Third Advance Estimates of Production of Food grains for 2018-19, Department of Agriculture, Cooperation and Farmers Welfare

2018. It is followed by Indonesia (6%), Algeria (4.3%), Italy (4.2%), and Philippines (3.9%).

Indian Scenario

Most of the Indian wheat production is consumed domestically, and the trade in wheat is therefore, relatively low. The total import of wheat increased from US$ 6.5 million in 2014 to US$ 1201.6 million in 2017, before falling back to US$ 19.4 million. India's wheat imports are largely dependent on the domestic production, which in turn, is majorly dependent on the monsoon conditions. In 2017, when the wheat imports touched US$ 1 billion, India majorly imported wheat from Ukraine (44.6%), Australia (40.4%), and Russia (8.3%). Further, with respect to the exports, in 2018, the major exporting destinations for Indian wheat were Nepal (57%), Afghanistan (21.1%), Bangladesh (7%), UAE (4.1%), and Somalia (3.1%).

Wheat Outlook

According to United States Department of Agriculture (USDA), India is set to harvest third consecutive record wheat harvest (100 MMT) in the upcoming year (MY 2019/20). The Government of India's continual increases in the minimum support price (MSP) for wheat, coupled with the expectation of governments in wheat growing states announcing additional bonuses, and expanded MSP procurement operations, all are factors which prompted farmers to continue to plant wheat.

India's Trade in Wheat

Year	Exports (US$ million)	Imports (US$ million)
2014	1109.9	6.5
2015	155.9	135.0
2016	49.9	412.6
2017	55.4	1201.6
2018	46.3	19.4

Source: ITC Trade Map

References:

- FAO
- ITC Trade Map
- Ministry of Agriculture & Farmers welfare
- USDA

News Focus

Government increases Customs Duty on Wheat

The Government of India recently hiked the customs duty on wheat from 30% to 40% to curb imports and protect the domestic industry. The government wants to restrict overseas purchase so that domestic prices of wheat do not come under pressure as the country's wheat output is expected to scale a record high this year. The Central Board of Indirect taxes and Customs released a notification regarding this recently. The customs duty was also increased from 20% to 30% in May 2018. The Government has fixed wheat's minimum support price (MSP) or the price at which it buys from farmers, at ₹1,840 per quintal, up from ₹1,735 a year earlier, as part of its decision to fix the support price at a minimum of 1.5 times the production cost.

Source: Ministry of Finance

NABARD announces ₹700 crore VC fund for agri, rural startups

The National Bank for Agriculture and Rural Development (NABARD) recently announced a ₹700 crore venture capital fund for equity investments in agriculture and rural-focused startups. NABARD has been contributing to other funds till now and this is the first time that it has launched a fund of its own. The fund has been launched by Nabventures, a subsidiary of NABARD, and has a proposed corpus of ₹500 crore with an option to retain over-subscriptions of ₹200 crore, called as the greenshoe option. NABARD has given an anchor commitment for the fund, which will be investing across startups engaged in agriculture, food and rural development space. The fund is expected to have a high impact as it will provide a boost to investment ecosystem in the core areas of agriculture, food and improvement of rural livelihoods. Till now, NABARAD has contributed ₹273 crore to 16 alternate investment funds.

Source: NABARD

Restriction on Import of Pea Seeds Removed

The Government of India recently removed restrictions on imports of pea seeds, a move which may help reduce prices and increase availability of the commodity in the Indian market. The imports, however, are subject to certain conditions. While the imports were allowed with a license earlier, an importer would not require a license from the Government now. Import policy of seeds of peas is amended from restricted to free category.

Source: The Hindu Business Line

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