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Though the Budget has not paid attention to boosting yields in low-productivity states, moves like setting up of new R&D institutions are welcome steps

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It's a ₹5,000-crore positive surprise in store

THE BUDGET WAS expected to address issues such as persistent food inflation, aggravated by prospects of poor monsoon, frequent price shocks for various commodities, restrictive market regulations leading to inefficiencies, the raw deal that producers get and labour shortage due to the MGNREGA.

The main reasons for high food inflation are the increasing cost of production, rising price spread between producers and end-users, changes in dietary preferences and increase in money supply. The short-term answer to reducing the cost of production is by harnessing the potential of low productivity states whereas the long-term solution is technology.

Unfortunately, the Budget has not paid attention to the first aspect of relying more on low-productivity states for growth. However, announcements

such as setting up of new R&D institutions are welcome steps.

India has a track record of facing severe droughts without any significant disruption to the economy. This has been possible due to public stockholding of foodgrain. Over time, the country's production base and requirements have risen sharply, but we have not augmented our stockholding capacity to match demand. Even the recent Economic Survey quotes outdated buffer stock norms, which are much lower than what the country requires for price stabilisation and PDS. The budget proposes ₹5,000 crore for developing scientific warehousing. Hopefully, it will be for all kinds of commo-

MEASURES LIKE SOIL HEALTH CARDS, POLICY FOR BALANCED USE OF FERTILISER AND CLIMATE ADAPTATION FUNDS WILL ADDRESS THE ISSUE OF SUSTAINABILITY

ties. This is the Budget's biggest step for agriculture.

Steep price increases have become common in India and consumers want stable supply throughout the year whereas production is concentrated in some seasons. Matching demand and supply requires rea-

sonable capacity, in most cases cold storage. The available cold storage capacity is not adequate even for potato. The vital link between harvest and consumption is weak, the major reason for price shocks in case of perishables and semi-perishables. The Budget proposes ₹500 crore as price stabilisation fund for agricultural commodities. This, along with the allocation for scientific

storage, will be helpful in addressing price volatility and its effect.

Even after a decade of the Agricultural Produce Market Committee (APMC) Act, serious reforms have not been undertaken by states. Competitive markets and integrated value chains, which are needed to reduce large price spreads, have been reckoned by the Budget but precious little has been done to reform the system.

Measures such as soil health card, policy for balanced use of fertiliser and funds for climate adaptation will address sustainability issues and long-term concerns. The import duty on RBD palm oil has been slashed from 7.5% to zero, which will further raise the dependence on imported edible oil. It seems the threat of poor monsoon and its likely effect on oilseed production led to this step; it would have been better to lower the duty moderately.