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Report Name: COVID-19 in India - GOI's Economic Package for Self-Reliant India - Food and Agriculture Items

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Report Highlights:

On May 12, 2020, Prime Minister Narendra Modi announced a special COVID-19 economic relief package of INR 20 trillion (\$263 billion), equivalent to almost 10 percent of India's Gross Domestic Product (GDP). Instead of extending short term fiscal relief to the Indian farm sector, the agricultural portion of the package includes long-term measures to address some critical infrastructure gaps and strengthen credit supplies, and proposes long-pending policy reforms that should, over time, significantly help Indian farmers.

GOI's \$263 Billion Economic Package for a Self-Reliant India under the COVID-19 Shadow

On May 12, 2020, Prime Minister (PM) Narendra Modi announced that he intended to turn the ongoing COVID-19 crisis into an opportunity to achieve a Self-Reliant India (*Atmanirbhar Bharat*). The PM announced a special economic package of 20 trillion Indian Rupees (INR) (\$263 billion), equivalent to almost 10 percent of India's Gross Domestic Product (GDP) as part of a broad undertaking for the economy to recover from the COVID-19 pandemic while achieving the goal of a self-reliant India. The economic package includes the [INR 1.7 trillion \(\\$22.3 billion\) relief package](#) announced on March 27, 2020, which was designed to provide a safety net to India's most economically vulnerable citizens affected by the lockdown.

This second package includes financial incentives announced by the government and Reserve Bank of India to provide relief to both businesses and individuals during the ongoing lockdown period.

After announcing the package on May 12, over the next five days (May 13-17), Finance Minister (FM) Nirmala Sitharaman conducted a series of press conferences to announce various measures under the *Atmanirbhar Bharat* Special Economic Package addressing a select sector each day. On Thursday, May 14, and Friday, May 15, the relief measures focused on initiatives and reforms to help India's agricultural sector.

- May 13 : [Businesses including Micro, Small and Medium Enterprises \(MSMEs\)](#)
- May 14 : [Poor, including Migrants and Farmers](#)
- May 15 : [Agriculture](#)
- May 16 : [New Horizons of Growth](#)
- May 17 : [Government Reforms and Enablers](#)

Food and Agriculture Initiatives in the Special Package

The May 14-15 measures continue to emphasize the GOI's focus on providing food and a financial safety net to India's economically vulnerable citizens hit hardest by the ongoing national lockdown that began March 25. This sector includes India's farmers, rural workers, and other marginalized populations.

The supply chain disruptions due to the lockdown exposed critical infrastructure gaps and long-pending governance issues that plague the farm sector, impacting perishables like fruits, vegetables and dairy and livestock products. The second and third tranches of the package propose measures to deal with those gaps. Most of the proposals on agriculture presented by the FM are long-term measures that will result in significant market reforms.

Government Proposes Major Policy Reforms

Using the COVID-19 crisis as an opportunity, the FM proposed major policy reforms to remove hurdles constraining agricultural growth and farmer income. In the third tranche, the FM proposed to deregulate major food crops from the 1955 Essential Commodity Act (ECA), allow farmers to sell outside government regulated markets, enact a central law to permit barrier-free inter-State trade of farm commodities and ensure a legal framework for facilitating contract pricing and reduce risk for farmers and other actors in the supply chains. More information is provided below:

- The ECA will be amended to deregulate food stuffs such as cereals, pulses, oilseeds, edible oils, onions and potatoes. Consequently, these products will no longer be exposed to stock limits, except in the case of a national calamity or famine or an extraordinary surge in prices. However, stock limits would not apply to processors based on their installed capacity and exporters against their export demand. The FM said that the archaic ECA was established when the country was facing severe food shortages, but today it is no longer relevant, as the country has a significant food surplus. The existing system of stock limits can be arbitrarily changed by the central and state governments' investment in marketing, storage and processing of these products.
- The Central law will provide choices to farmers to sell produce at fair and appealing prices, remove barriers for free intra-state trade and provide a framework for e-trading of agriculture produce. In most states, the existing agriculture marketing system restricts agriculture produce sales by licensee operators in the government designated market yards, who have created hindrances in the free flow of agricultural produce, fragmenting supply chains, and consequently lowering commodity prices for farmers. The proposed law will give more choice for farmers to sell their produce to alternate buyers, and encourage investments in reducing post-harvest loss through improved storage and marketing infrastructure.
- A legal framework will be created to help farmers to engage with buyers (processors, aggregators, large retailers, exporters, etc.) in a fair and transparent manner for an assured sales price at an agreed quality at the time of sowing. Risk mitigation for farmers and assured returns and quality standardization for the buyer forms an integral part of the program. The proposed framework would also provide farmers with assured sale prices and quantities even before the crop is planted and allow private stakeholders to invest in inputs and technologies in the agricultural sector.
- A "One Nation, One Ration Card" technology system will enable beneficiaries under the 2013 [National Food Security Act \(NFSA\)](#) to access Public Distribution System (PDS) food rations from any fair price shop (FPS) in India by March 2021. The COVID-19 crisis lockdown revealed that, due to bureaucratic challenges, poor migrant families were often unable to obtain food while. The new scheme will enable a migrant beneficiary to access PDS food from any FPS in India, and the goal is that an estimated 670 million beneficiaries in 23 states and covering 83 percent of the PDS population will be covered by August 2020, with 100 percent national portability achieved by March 2021.

Food and Fiscal Relief Measures

The GOI's first COVID-19 relief package announced on March 27 focused on providing free food rations to 800 million people (two-thirds of the population) and cash transfers to other needy classes. This included the following:

- 5 kilograms (kg) of rice or wheat per person per month for three months (April-June 2020). This was in addition to the regular monthly food ration quota provided in the PDS system under NFSA with 5 kg of wheat or rice per person with wheat at INR 2/kg, and rice at INR 3/kg;
- 1 kg of pulses per family per month free of cost for next three months;
- Increase in the wages under the [Mahatma Gandhi National Rural Employment Guarantee \(MNREG\) Program](#) from INR 182 (\$2.4) per day to INR 202 (\$2.7) per day;
- INR 500 (\$6.6) per month to 200 million poor women, mostly rural, for next three months;

- INR 1000 (\$13.2) ex gratia payment to poor senior citizens, widows and the disabled, largely in rural areas.
- INR 2000 (\$26.4) advanced to 87 million farmers under the existing [PM Kisan Scheme](#).

Other fiscal support extended to farmers and rural workers under the March 27 package included a 3-month crop loan moratorium to 30 million farmers for a total loan worth INR 4.2 trillion (\$55.5 billion). Approximately 40-50 percent more people are enrolled for MNREG program in May 2020 compared to last year. Various states and state governments intend to continue this work during the monsoons.

In the May 14-15 measures, the FM announced additional support to migrant workers and rural workers:

- INR 35 billion (\$460 million) earmarked for providing free food grains to 80 million migrant workers who are not staying in the state where they have been issued the NFSA ration card. These migrants will be provided a monthly 5 kg of rice or wheat, per person and 1 kg of pulses for next two months (May-June). This measure is intended to provide immediate relief to the migrant workers who are temporarily stuck due to the national lockdown and are facing severe food shortages. The government earmarked an additional INR 35 billion (\$500 million) for the food grains to migrant workers. However, most of these workers are NFSA beneficiaries in other states and will not benefit from additional grain rations from their respective states of residence, as this was already budgeted in the March 27 relief package.
- INR 400 billion (\$5.3 billion) increase in allocation to MNREG Scheme to provide an employment boost to the migrant workers returning from the cities to rural areas due to the lockdown. The additional allocation of INR 610 billion was allocated to MNREG in the February 2020 budget. The new allocation is estimated to generate an additional 3 billion labor hours for returning migrant workers for the next 3-4 months before the COVID-19 situation normalizes in the urban areas. These additional MNREG labor hours will also create rural infrastructure projects such as micro-irrigation systems to boost agriculture production.

Proposed Measures to Strengthen Credit, Infrastructure, Logistics and Capacity Building

- **INR 300 billion (\$4 billion) Additional Emergency Working Capital for farmers through the National Bank for Agriculture and Rural Development (NABARD).** This amount is over and above the INR 900 billion already being provided by NABARD for meeting crop loan requirements of Rural Cooperative Banks and RRBs, and will support an estimated 30 million, predominantly smallholder or marginal farmers.
- **INR 2 trillion (\$26.3 billion) credit boost to 25 million farmers under *Kisan (Farmer) Credit Card (KCC) Scheme*.** A special drive to provide concessional credit to [PM-KISAN](#) beneficiaries through KCC, which will also be extended to fishermen and livestock farmers.
- **INR 1 trillion (\$13.2 billion) Agri Infrastructure Fund for farm-gate infrastructure for farmers.** These funds will finance Primary Agricultural Cooperative Societies (PACS), [Farmer Producer Organizations](#), agriculture entrepreneurs, and start-ups, among others for the development of affordable and financially viable farm-gate, aggregation point and post-harvest management infrastructure.

- **INR 100 billion (\$1.3 billion) scheme for Formalization of Micro Food Enterprises (MFE).** The scheme will provide funds to unorganized MFEs units for technical upgrades, brand building and marketing to promote health and wellness, herbal, organic products through the [food cluster development approach](#). The FM reported that the scheme will help about 200,000 MFEs, producer organizations, self-help groups and cooperatives working to develop specialized food clusters such as a select variety of mango in Uttar Pradesh, saffron in Jammu & Kashmir, etc.
- **INR 200 billion (\$2.6 billion) for fishermen through Pradhan Mantri Matsya Sampada Yojana (PM Fish Resource Scheme) Funds** to address the critical gaps in fisheries value chain for integrated, sustainable, inclusive development of marine and inland fisheries. The allocation of INR 110 billion is for activities in marine, inland fisheries and aquaculture, and the balance INR 90 billion is for infrastructure including markets, cold chain, fishing harbors, etc. The FM said that these funds will provide employment to an additional 5.5 million people and raise fish production by 7 million metric tons over the next five years.
- **INR 133.4 billion (\$ 1.75 billion) outlay for National Disease Control Program** to control foot and mouth disease and brucellosis. The aim is to achieve 100 percent vaccinations in cattle, buffalo, sheep, goat and pig populations (530 million).
- **INR 150 billion (\$1.97 billion) Animal Husbandry Infrastructure Development Fund** to support private investment in dairy processing, value addition and cattle feed infrastructure, with added incentives for establishing plants for export of niche products.
- **INR 40 billion (\$526 million) for promotion of herbal cultivation** in one million hectares in the next two years. Funds to be used for development of a corridor of medicinal plants along the banks of the River Ganges, and a network of regional markets for medicinal plants across the country.
- **INR 5 billion (\$66 million) for beekeeping initiatives** such as infrastructure development related to integrated beekeeping development centers; collection, marketing and storage centers, post-harvest and value addition facilities, etc. The government expects that these activities will increase the incomes of about 200,000 beekeepers and improve quality of honey for the consumers.
- **INR 5 billion (\$ 65.8 million) for extending the Operation Greens from Tomato, Onion and Potato (TOP) to all perishable fruits and vegetables (TOTAL).** The lockdown resulted in severe supply chain disruptions leading to distressed sales and a price reduction of perishable fruits and vegetables. Operation Greens will be extended to all fruits and vegetables offering (i) 50 percent subsidy on transportation from surplus to deficient markets and (ii) 50 percent subsidy on storage, including cold storages on a pilot basis for six months which will be later be expanded and extended.

Fiscal Measures for Other Sectors that May Include Food/Agri Businesses

Some of the GOI's measures to ease the liquidity pressure for MSMEs, Non-Banking Financial Institutions (NBFI), and small businesses like street vendors are also likely to affect the food and agriculture sector as they constitute a significant share of the industry.

MSMEs:

- Allotted INR 3 trillion (\$39.7 billion) emergency credit line, i.e. collateral free loans. This would ensure that 4.5 million MSME units will have access to working capital to resume business activity and safeguard jobs.
- Allotted INR 200 billion (\$6.6 billion) subordinate debts for about 0.2 million MSMEs that are stressed or saddled with non-performing assets.
- Equity infusion of INR 500 billion (\$6.6 billion) for cash strapped MSMEs.
- MSME definition expanded to allow higher investment limits.
- Global tenders will not be allowed to participate in government procurement bids up to INR 2 billion (\$26.3 million), offering opportunities for MSMEs.

NBFIs:

- INR 300 billion (\$3.9 billion) special liquidity scheme fully guaranteed by the government for Non-Banking Finance Companies, Housing Finance Companies and Micro Finance Institutions, many of which support the MSME sector.
- INR 450 billion (\$5.9 billion) expanded partial credit guarantee scheme, of which the first 20 percent of losses will be borne by the GOI.

Street Vendors:

- Allotted INR 50 billion (\$657 million) credit line for street vendors with initial working capital up to INR 10,000 (\$131.6), which will support about 5 million vendors.

Attachments:

No Attachments.