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New GOI Budget 2014-15 – Agricultural Highlights

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Report Highlights:

India's new National Democratic Alliance Government presented its inaugural budget on July 10, 2014.

The new budget indicates a continuation of the previous government's agricultural programs, as well as a number of new programs which aim to improve agricultural infrastructure and farmer access to credit. Import tariffs for most food and agricultural products remain unchanged, excepting for de-oiled oilseed cakes and meals, wherein the import duty has been exempted till December 31, 2014.

General Information:

On July 10, 2014, Finance Minister Arun Jaitley presented the National Democratic Alliance (NDA) Government's inaugural [budget for Indian fiscal year \(IFY\) 2014/15\(April/March\)](#). In his budget speech, Minister Jaitley noted that after two years of sub-five percent levels of growth, India's economy faces serious challenges. Moreover, he noted that the Government of India (GOI) will be more proactive in terms of taking steps to avoid the double-digit rates of food price inflation, which had occurred during the last two years. Additionally, he also cited his Ministry's objectives to achieve higher levels of growth, a sustained balance of payment, and more prudent, stable macroeconomic policies. He further stated that the new budget marks the beginning of a longer-term effort to achieve sustained annual growth levels of 7-8 percent within the next 3-4 years.

Earlier on July 9, 2014, the GOI released its [Economic Survey 2013/14, which](#) forecast the Indian economy to grow within the range of 5.4 to 5.9 percent in IFY 2014/15, and surpass the sub-five percent levels of growth experience during the past two years. The survey reported that the agricultural sector and related industries grew at the relatively robust rate of 4.7 percent in IFY 2013-14. This is reasonably higher than the agriculture sector's long-term average (1999/00-2012/13) rate of growth, which is about three percent. Total food grain production in IFY 2013/14 is estimated at a record 264.4 million metric tons (MMT), an increase of more than 20 MMT over production averages from the previous five years. However, the survey cautioned that after three years of bumper-crop harvests, India's agriculture production may be negatively affected by dry, *El Niño* weather patterns in the IFY 2014/15. There is concern that if *El Niño* conditions occur, monsoon-season crop yields may be negatively affected, which could add pressure to food prices.

During his budget speech, the Finance Minister reiterated the GOI's commitment to sustaining the agricultural sector's four-percent levels of growth through enhanced agricultural technologies as to usher in a second green revolution, as well as a 'protein revolution'. The GOI will focus on integrating markets across the country working closely with state governments, commit to reforms in the food sector by restructuring Food Corporation of India, and improve the efficacy of the Public Distribution System.

Significant Increase in Budget Allocation for Agriculture over Last Year

Agriculture clearly remains a priority for the NDA Government. The new budget reflects a significant 65 percent increase in allocation (central plan and central assistance to state plans) over the previous IFY, equating to an increase to INR 290.3 billion. This figure is higher than the interim budget allocation of INR 283.2 billion announced by the previous United Progressive Alliance Government. However, most of this increase is due to consolidating ag-related activities and/or line items under the agriculture category under central assistance to state plans, whereas in past years these same allocations were categorized under different headers. The budget and related documents can be found at <http://www.indiabudget.nic.in/budget.asp>.

Note: Besides the GOI's budget allocations, the states also allocate significant state-level funding for the food and agriculture sector. The estimates for the state budgets and/or state-level allocations for agriculture and related sectors are not included in the following Table 1.

Table 1. India: Selected Agricultural and Food related Budget Items (in Billion Indian Rupees)

A) Central Plan Outlay for Programs for Various Ministries						
Ministry of Agriculture						
	Item	2012/13 Actual	2013/14 Budget	2013/14 Revised	2014/15 Interim	2014/15 New
1)	Crop Husbandry	86.60	98.76	99.73	33.80	44.32
2)	Soil and Water Conservation	0.15	0.19	0.19	0.18	0.18
3)	Animal Husbandry	8.88	9.75	8.35	1.26	1.72
4)	Dairy Development	5.24	5.25	4.83	4.11	4.11
5)	Fisheries	2.97	3.17	2.91	3.78	4.23
6)	Forestry and Wild Life	8.06	10.41	7.72	3.79	3.79
7)	Plantations	5.01	4.58	3.99	3.70	3.70
8)	Food, Storage, and Warehousing	7.64	8.01	6.55	7.47	7.27
9)	Agricultural Research and Education	24.61	31.13	23.35	30.84	33.54
10)	Cooperation	1.04	12.15	0.96	0.97	1.25
11)	Other Agricultural Programs	20.08	15.35	17.00	9.97	11.20
	TOTAL	170.30	198.75	175.57	99.87	115.31
Ministry of Rural Development						
	Item	2012/13 Actual	2013/14 Budget	2013/14 Revised	2014/15 Interim	2014/15 New
1)	Special Programs for Rural Development	50.87	85.08	42.07	14.09	14.09
2)	Rural Employment Guarantee Program	302.74	330.00	330.00	6.36	6.36
3)	Land Reforms	0.95	3.40	1.94	0.26	0.26
4)	Other Rural Development Programs	11.24	9.25	1.38	8.10	9.90
	TOTAL	365.79	427.73	375.39	28.81	30.61
Ministry of Water Resources						
	Item	2012/13 Actual	2013/14 Budget	2013/14 Revised	2014/15 Interim	2014/15 New
1)	Major and Medium Irrigation	1.79	6.40	2.39	7.71	11.24
2)	Minor Irrigation	1.28	2.72	1.15	3.81	3.81
3)	Flood Control and Drainage	1.32	2.89	1.11	2.93	2.93
	TOTAL	4.39	12.01	4.64	14.45	17.97
B) Central Assistance for State Plans ¹						
Agriculture						
	Item	2012/13 Actual	2013/14 Budget	2013/14 Revised	2014/15 Interim	2014/15 New
1)	Agriculture and Cooperation	-	-	-	172.88	164.60
2)	Animal Husbandry and Dairying	-	-	-	10.35	10.35

	TOTAL	-	-	-	183.23	174.96
Rural Development						
	Item	2012/13 Actual	2013/14 Budget	2013/14 Revised	2014/15 Interim	2014/15 New
1)	Rural Employment Guarantee Program	-	-	-	340.00	340.00
2)	Other Rural Development Programs	-	-	-	368.06	385.09
	TOTAL	-	-	-	708.06	725.09
C) Non-Plan Expenditures by Major Category						
	Item	2012/13 Actual	2013/14 Budget	2013/14 Revised	2014/15 Interim	2014/15 New
1)	Fertilizer Subsidies	656.12	659.72	679.72	679.70	729.70
2)	Food Subsidies	850.00	900.00	920.00	1150.00	1150.00
3)	Agriculture and Allied Services	28.49	30.07	29.96	32.14	33.14
4)	Irrigation and Flood Control	4.09	4.52	4.24	4.68	4.72
D) Interest Subsidies						
	Item	2012/13 Actual	2013/14 Budget	2013/14 Revised	2014/15 Interim	2014/15 New
1)	Interest Subvention for Providing Short-term Credit to farmers	54.00	60.00	60.00	60.00	60.00
2)	Interest Subvention to Cooperative Sugar Mills Through NABARD	0.31	0.31	0.96	-	-
3)	Interest Subsidies for Khadi and Other Village Industries	0.12	0.26	0.26	0.26	0.27
E) Other Subsidies						
	Item	2012/13 Actual	2013/14 Budget	2013/14 Revised	2014/15 Interim	2014/15 New
1)	Subsidy on imports of pulses	2.70	2.50	1.58	0.10	0.10
2)	Subsidy on imports of edible oils & STC losses in trading of edible oils	6.17	3.18	3.18	-	-
3)	Internal transport subsidy on exports of sugar	0.04	-	-	-	-
4)	Subsidy on maintenance of buffer stock of sugar	0.04	0.05	0.08	0.05	0.05
5)	Subsidy on financial assistance to sugar mills	0.52	1.16	0.90	0.00	1.00
6)	Reimbursement to FCI for Shortages in handling imported fertilizers	0.00	0.51	0.43	0.00	0.00
7)	Grant for implementation of MIS/PSS	0.90	0.85	0.46	0.80	0.80

8)	Procurement of cotton by Cotton Corporation of India under Price Support	0.68	2.00	1.52	1.20	1.20
9)	Subsidy to Jute Corporation of India towards market operation	0.55	0.55	0.62	-	-
Source: GOI Expenditure Budget Vol 1, statement 13 , statement 2 , statement 4 , statement 5 , and statement 6 . Notes: ¹ GOI has restructured the centrally sponsored schemes (CSS) from IFY 2014/15, which includes National Rural Employment Guarantee Program, National Agriculture Development Program, and National Crop Insurance Program. Funding to these schemes has been provided as Central Assistance to State Plans since IFY 2014/15. Exchange rate: INR 59.90=\$1.00 on July 21, 2014. Totals in the table may not equal sum of line items due to rounding error. - Indicates less than 0.01 billion Indian rupees.						

New Programs to Supplement Ongoing Agricultural Programs

The NDA Government will continue to support ongoing programs initiated under the previous UPA Government, as well as fund new programs for enhancing agricultural production.

- Allocation for agricultural research and education through the Indian Council of Agricultural Research increased to INR 33.5 billion (\$560 million).
- INR 14.5 billion was provided as assistance to the states for various research activities, to include organizing two agricultural research centers of excellence (INR 1billion), two additional state agriculture universities, and two additional horticulture universities in select states (INR 2billion).
- Allocated INR 10 billion for a new irrigation program to enhance assured irrigation facilities to the farmers, and to mitigate risk in rain fed and monsoon-dependent areas.
- Allocated INR 1 billion to provide farmers with a soil health card, and an addition INR 600 million to establish up to 100 mobile soil testing laboratories.
- Allocated INR 1 billion to establish a National Adaptation Fund to study the effects of climate change on Indian agriculture.
- Allocated INR 5 billion to establish a Price Stabilization Fund, with the objective of addressing agricultural price volatility.
- Allocated INR 500 million to develop indigenous breeds of cattle.
- Allocated INR 500 million to enhance aquaculture and India's blue economy.

Expand Agriculture Credit

- The target for institutional agriculture credit to farmers for 2014/15 is raised to INR 8 trillion compared to INR 7 trillion in 2013/14.
- The interest subvention scheme for providing short term crop loan at seven-percent interest with a further concession of three percent for timely payment will be continued in 2014/15.
- Finance 500,000 joint farming groups comprising of small and landless farmers who lack collateral (land titles) through National Bank for Agriculture and Rural development in FY 2014/15.
- INR 50 billion will be made available to the NABARD to finance construction of grain warehouses to improve the availability of scientific warehousing infrastructure.

Import Duty Unchanged.

The 2013 budget left the basic import duties and local excise taxes on most agricultural and food products unchanged except for following:

- Basic duty (15 percent) on de-oiled soya extract, peanut oil cake/oil cake meal, sunflower oil cake/oil cake meal, canola oil cake/oil cake meal, mustard oil cake/oil cake meal rice bran/rice bran oil cake meal, and palm kernel cake has been exempted till December 31, 2014. This temporary measure has been taken to control the currently high domestic oil meal prices, which may be extended further from the December end deadline if the domestic prices remain high.
- Basic duty (7.5 percent) on fatty acids, crude palm stearin, RBD and other palm stearin is being exempted for manufacture of soaps and oleochemicals subject to actual user condition.
- Description of the product ‘sundried dark seed less raisins’ which attracts a concessional basic duty of 30 percent is being changed to ‘dark seedless raisins’. Currently the basic duty on other raisins is 100 percent.

National Food Security Act to be implemented

The previous government budgeted INR 1.15 billion for food subsidy for IFY 2014/15 in the interim budget accounting for the phased implementation of the National Food Security Act (NFSA). Although the Finance Minister did not specifically refer to the NFSA in his budget speech, he said that his government is committed to provide subsidized food grains to poor. Given that current food grain stocks are adequate, the GOI will undertake open market sales to keep food grain prices under control. Consequently, the budgetary allocation for food security has been unchanged at INR 1.15 trillion. Nevertheless, the Finance Minister promised to improve targeting of food subsidies by restructuring Food Corporation of India, reducing transportation and distribution losses and improving efficacy of the public distribution system (PDS).

Fertilizer Subsidy Raised

The previous UPA Government shifted to a “nutrient-based subsidy” policy in 2010/11 to promote balanced fertilization and lower subsidies. The budget has promised to formulate a new urea policy and raised the budgetary allocation for fertilizer subsidy to INR 729.7 billion from INR 679.7 budgeted in the interim budget. However, the fertilizer subsidy may increase due to global prices of fertilizer and petroleum-based byproducts.

