The Indian Budget 2011-12: A Step towards Sustainable Agriculture and Rural Development

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"Our goal is to touch the magical number of 10% growth. Can we do it this year? I am doubtful. Can we do it next year? I think it is possible. If we get our act together and our agriculture grows to 4.5 %, then India can grow at 10% in 2008-2009".

Ex- Finance Minister Mr. P Chidambaram, August 2007

The above statement clearly reveals the importance of agriculture in Indian economy. Despite its declining contribution in the nation's GDP, agriculture is still the backbone of the Indian economy. Approximately 60% of Indian population is dependent on agriculture for its livelihood directly or indirectly. Agriculture is still a provider of wage goods like food, fibre and fuel and also provider of raw material for a large number of industries. It also plays an important role in India's foreign trade. Broadly speaking, the proportion of agriculture goods which are exported is approximately 50% of our total exports. There is no exaggeration in saying that without growth of agriculture, it is futile to think of a high GDP growth rate of the country. In fact if agriculture goes wrong, nothing can go right. Mr. Mukesh Ambani, Reliance Industries, has aptly stated **"India's future is in her farms. Agriculture has the potential to accelerate growth and social development in India."**

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The budget of 2011 presented on Feb 28th[2] 2011 by our finance minister Mr Pranab Mukherjee reveals the government's pro agriculture mandate. It clearly indicates that agriculture and rural development are at the top in the priority list of the government. The present budget is a reflection of notion that government is true to its promises of bringing the smile back to the farmers. Many provisions made in the budget would certainly boost the agriculture and rural development. No doubt that this budget is a move in the direction of direction of sustainable agriculture and rural development. This article examines various initiatives of the budget 2011-10 taken for agricultural and rural development. An effort has been made to analyze the impact of these initiatives on Indian agriculture and rural development and to suggest various measures for the future growth of agriculture and rural economy.

Main Provisions Of Budget 2011 For Agriculture And Rural Development:

- A four pronged strategy covering agriculture production, reduction in wastage of produce credit support to farmers and a thrust to the food processing sector has been announced. For this purpose the total allocation to "Rashtriya Krishi Vikas Yojana" has been increased from Rs 6755 crore in 2010-11 to Rs 7860 crore in 2011-12.
- The eastern regions of the country are still waiting a green revolution to happen. In this direction an allocation of Rs 400 crore has been made for improving rice based cropping system of Assam, West Bengal, Orissa, Bihar, Jharkhand, Eastern Uttar Pradesh and Chhattisgarh.
- It has been proposed to provide an amount of Rs 300 crore to promote 60,000 pulses villages in rain fed areas to increase the crop productivity and strengthening market linkages.
- With the purpose of providing balanced diet to people, an amount of Rs 300 has been allocated to promote higher production of cereals like bajra, jowar & ragi and other millets.
- In 2011-12 budgets the "National Mission for Protein Supplements" has been launched with an allocation of Rs 300 crore to take up activity to promote animal based protein production through live stock development.

- To ensure adequate availability of fodder "Accelerated Fodder Development Program" has been proposed for which an amount of Rs 300 crore has been allocated to benefit the farmers in 25,000 villages.
- To sustain agricultural productivity in the long run, the budget proposes to promote organic farming methods.
- In the present budget, the finance minister has raised the targets of agriculture credit by the banks from Rs 3, 75,000 crore to 4, 75,000 crore. For this purpose the capital base of NABARD will be strengthened by infusing Rs 3,000 crore in a phased manner as government equity.
- To ensure the adequate availability of vegetable and fruits by removing the bottlenecks in retailing capacity and reducing the wastage, in the present budget a provision has been made to set-up 15 "Mega Food Parks".
- Due to successful government procurement program it is necessary to increase storage capacity for such large quantities. In the present financial year an addition of 40 lakh tonnes will be made by Mar 2012 under the "Rural Godown Scheme".
- In the present budget it has been emphasized that state government should review and enforce a reformed "Agriculture Produce Marketing Act" urgently to remove the flaws in our supply chains as far as foods and vegetables are concern.
- The government has proposed allocation of Rs 1, 60,887 crore for social sector in the rural economy that amounts to 36.4% of the total allocation, with a focus on inclusive development.
- A proposal has been made for introducing "National Food Security Bill" to fight against hunger and malnutrition.
- A significant amount of Rs 58,000 crore has been allocated for UPA Government's flagship program "Bharat Nirman" for inclusive development. Besides a program has been finalized to provide Rural Broad Band Connectivity to all 2, 50,000panchayats in the country in three year.
- Under MGNREGA it has been proposed that wage rates notified under this program will be indexed to consumer price index (CPI) for agricultural

labor. The “anganwadi workers” and “anganwadi helpers” who are the backbone of “Integrated Child Development Services Scheme” will be paid remunerations of Rs 3000 and 1500 per month against 1500 and 750 per month last year.

- In the budget of 2011-12, for the very first time specific allocation have been made towards Scheduled Castes Sub-plan and Tribal Sub-Plan. The budget allocation for primitive tribal groups has been increased from Rs 185 crores in 2010-11 to Rs 244 crore in 2011-12.
- For “Serva Shiksha Abhiyan” a provision of Rs 21,000 crore has been made which is 40% higher than Rs 15,000 crore in the budget 2011
- A scholarship scheme for needy students belonging to scheduled castes and scheduled tribes studying in class ninth and tenth has been proposed.

Government Expenditure on agriculture under various Budgets

The following table gives an overview of the allocation of funds in various budgets on agriculture and allied activities:

	Budget Estimates			Actual Expenditure		
Year						
Agriculture and Cooperation						
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
2011-12	9262.0	400.0	9662.0	NA	NA	NA
2010-11	8280.0	606.0	8886.0	NA	NA	NA
2009-10	7200.0	608.2	7808.2	6827.1	1051.3	7878.5
2008-09	6900.0	628.8	7528.8	6545.1	527.8	7072.9
2007-08	5520.0	387.2	5907.2	5768.9	972.8	6741.7
2006-07	4800.0	379.2	5179.2	4637.7	639.1	5276.8
2005-06	4179.3	380.5	4559.8	3817.5	375.4	4192.9

2004-05	2650.0	344.0	2994.0	2656.3	259.7	2915.9
Agriculture Research and Education						
2011-12	2800.0	2157.6	4957.6	NA	NA	NA
2010-11	2300.0	1518.1	3818.1	NA	NA	NA
2009-10	1760.0	1481.4	3241.4	1707.0	1503.4	3210.4
2008-09	1760.0	920.0	2680.0	1630.0	1195.2	2825.2
2007-08	1620.0	840.0	2460.0	1280.3	901.7	2182.0
2006-07	1350.0	810.0	2160.0	1283.2	783.9	2067.1
2005-06	1150.0	792.0	1942.0	1046.8	829.7	1876.4
2004-05	1000.0	753.3	1753.3	816.0	773.5	1589.5
Animal Husbandry and Dairying						
2011-12	1600.0	96.3	1696.3	NA	NA	NA
2010-11	1300.0	98.7	1398.7	NA	NA	NA
2009-10	1100.0	106.3	1206.3	870.7	10.3	881.0
2008-09	1000.0	62.4	1062.4	865.1	66.7	931.7
2007-08	910.0	45.0	955.0	782.2	54.3	836.5
2006-07	777.0	42.9	819.9	677.2	167.9	845.1
2005-06	669.1	41.6	710.7	589.2	38.3	627.4
2004-05	500.0	36.4	536.4	563.5	41.8	605.3
Fertilizers						
2011-12	225.0	50020.0	50245.0	NA	NA	NA
2010-11	215.0	50000.0	50215.0	NA	NA	NA
2009-10	200.0	50000.0	50200.0	199.7	60416.1	60615.8
2008-09	200.0	31000.0	31200.0	49.3	74775.9	74825.3
2007-08	45.0	22487.0	22532.0	40.0	31776.4	31816.4
2006-07	98.8	17287.0	17385.8	86.9	26239.5	26326.4
2005-06	111.8	16287.0	16398.8	103.9	18317.4	18421.2
2004-05	130.2	12698.0	12828.2	48.5	15896.4	15944.9

source : http://indiabudget.nic.in, NA: Not Available

If we closely analyze the budget expenditure on agriculture during last few years , we can easily conclude that the government has steadily increased its expenditure on Agriculture and the present budget is not an exception. By allocating increasing amount to various activities related to agriculture the government has proved that the development of agriculture and rural economy is the need of hour and government is adamant for it. The above table clearly reveals that the government is willing to take serious step to promote agriculture and rural development.

How the present budget will promote the agriculture and rural development?

After analyzing the present budget, it is not difficult to interpret that all the provisions of the budget are one step forward in the direction of agriculture and the rural development. One of the most welcome proposals made in the budget is to link the wages of agricultural labour under NREGA Act to the consumer price index (CPI). We should now accept the harsh reality that food inflation has increased by leaps and bounds. Rapidly increasing food inflation has adversely affected the common man India, particularly rural poor who spend the most of their income on food items. The skyrocketing prices of food items have been resulted in eroding their purchasing power and worsening the extent of poverty among them. In such a critical situation linking wages to CPI, budget will act as shield against the rising food inflation. Besides the increased remunerations for Anganwadi workers is a welcome step which will also help rural poor to fight with inflation. It shows that the government is really serious about the concerns of common man.

Other highlights of budget include the creation of Mega Food Park to address the problems of availability and affordability of fruits and vegetables. This is a bitter fact that 40% of the fruits and vegetable production in India goes waste due to lack of storage, cold-chain and transport infrastructure. Creation of Mega Food Park will help to minimize the wastage of fruits and vegetable .The story of the food grains is also not at all different from it. This is misfortune of India that on the one hand, due to rising prices people are not able to purchase the adequate food grain, on the other hand million of tons of food grain procured by the government from farmers is getting spoiled due to shortage of storage capacity available in the country. The present budget is the ray of hope in this regard as it has proposed the allocation of significant funds to improve the capacity of godowns and cold storages. Moreover, the government is encouraging private sector's contribution in this area, which is praise worthy step.

Proposal of a reformed Agriculture Produce Marketing Act in the budget is a very relevant and significant step in the present day conditions. Due to flaws in the supply chain there is huge gap between the price at which farmer sells his product and the price at which consumer purchases the product. This act may be very useful in minimizing the number of intermediaries and other flaws in the supply chain of agricultural products .Thus will be beneficial to both consumers as well as producers. The present budget is also one step ahead in reducing regional disparities in terms of agricultural production. To bring eastern states in the orbit of green revolution, significant amount has been allocated in the present budget. But the best part of the story is that in the present budget organic farming has been given a high priority as we have witnessed the adverse impact of indiscriminate use of high yielding varieties (HYV seeds), chemical fertilizers and pesticides chemical fertilizers and pesticides in Indian agriculture. Likewise proposals have been made to increase the production of cereals, pulses, and palm oil, animal fodder will make the Indian agriculture more profitable and sustainable.

Despite multidimensional development of banks and other financial institutions, we cannot deny the fact that Indian farmers are still dependent on non-institutional credit from money lenders and mahajans. This form of credit is very much exploitative in nature. Government has this realization and this has been reflected in the government's announcement of the provision of rural credit. To provide adequate institutional credit to Indian farmer the finance minister, in the present budget has raised the targets of bank credit flows to the farmers. For this purpose government has proposed to strengthen the capital base of NABARD.

No doubt that the rural infrastructure is very important in eliminating poverty and regional disparities. In this budget government has special focus on social sector in rural areas which will ensure the inclusive development. The finance minister has allocated very significant amount of fund to promote inclusive development under UPA Government's flagship programs. It is true that the literacy is one of the strongest tools for inclusive growth and empowerment flows from the education. Accordingly, the Sarva Shiksha Abhiyaan has been given a very high priority in this budget. Besides many new programs proposed in the budget in the field of education will certainly lead to the sustainable rural development and inclusive growth by enhancing education among rural poor particularly students of scheduled castes and scheduled tribes.

The Road ahead: Despite various provisions made in the budget, the path of sustainable rural and agricultural development is full of hurdles. We should not forget that the growth rate of agriculture has been very low in the recent past and the more concerning fact is that it has been declining in recent past. Virtually all food grains suffer a sharp decline in the rate of growth of output and yield. According to Prof V. K. R. V. Rao, “India requires a minimum growth rate of 4 % in food grains and 6% in non food grain crops during the rest of this century to meet the basic requirement of the economy for food and agricultural raw material.” Naturally this high rate of growth is really very difficult to achieve in near future and requires serious measures to be taken by the government urgently.

There have been certain reasons responsible for the dismal performance of the agriculture. One important reason is the decline in agricultural investment by the government. Since the early eighties the public investment in agriculture has experienced a secular decline but the input subsidies are increasing continuously. In the early phase of reforms an attempt was made to arrest and reverse the trend but this effort could not sustain. The Gap between subsidy and investment kept widening. Today input subsidies, together with food subsidies amount to roughly five to six times the public investment in agriculture. The level of investment in agriculture must be raised. The strategy should be to contain and target subsidies and plow the savings back into agriculture as investment. Research shows that the investments in R&D have the highest impact on agricultural growth per million rupees invested. The rate of return on public investment in research has been as high as over 60 % in India. India currently invests only about 0.5% of its AGDP on agricultural research, compares to 0.7 per cent in developing countries and as much as 2-3 per cent in developed countries. Investment in rural roads has the most potent effect on poverty alleviation, per million rupees invested, and followed by investment in R&D. India's expenditure in these areas continues to be among the lowest in the world in comparative terms. Though the government has taken many steps in this direction but the results are far from satisfactory.

To empower the poor, best way is to provide them employment. Government is doing its best in this direction under NAREGA but the rising food inflation has weakened the government’s efforts .To protect the rural poor against inflation, government may pay the wages to the rural workers under NREGA in form of food grains instead giving in monetary terms. In this way government can optimally utilize the food grains available in the government godowns and can also avoid its wastage due to shortage of storage capacity. One most important suggestion here may be that the government should construct godowns and cold storages under the NREGA to enhance the storage capacity of food grain in the country. All these steps will prove very fruitful in enhancing agriculture and rural development and eliminating rural poverty. .

Many studies conducted on agriculture reveal the after sixty years of planning, we are not able to provide adequate irrigation facilities to our farmers. Even today, agriculture is the gamble of monsoon. Moreover many mega projects are not getting completed in time. The plan to connect the rivers has not been realized due to many constraints. Thus this requires serious attention. Of course the public and private partnership holds the key of success. Government should also do concrete efforts in providing adequate institutional credit to the farmers.

Green Revolution has been stagnating in the northwest states of Punjab, Haryana, and western Uttar Pradesh, as well as in the southern states of Andhra Pradesh and Tamil Nadu. To keep pushing the production frontier outward, India must invest in new technologies particularly biotechnology. We have witnessed that indiscriminate use of high yielding varieties (HYV seeds), chemical fertilizers and pesticides has resulted in severe health hazard for farming community as well as it has also influenced the long run the fertility of the land .In such a critical situation promotion of organic farming in India is the need of the hour . One of the important areas where a lot has been left to be done is the land reform. Government failed to implement the land reforms. Still agriculture in India is facing the problem of fragmentation of holdings, there has been very little redistribution of land in favour of the small and marginal farmers, the average size of holding is very small, tenancy rights are not in place and tenants are still scared of eviction. In such a case, no one can deny the urgency of land reforms and their effective implementation.

Conclusion: At last it can be concluded that the present budget is a step forward in the direction of agricultural and rural development. It has shown that the government is very much concerned about agriculture and rural development and accordingly allocated adequate funds for these areas. Government is making serious efforts to bring second green revolution in the country. To achieve this goal, the government has taken steps for increasing production, promoting organic farming, to remove the flaws in the supply chain to provide agricultural credit to farmers, to minimize the wastage of the product, empowering the rural poor through education. In fact agriculture sector needs a thorough overhauling and a new deal including increasing investment in irrigation and rural infrastructure, credit delivery, increasing use of modern science and technologies, the diversification of the cropping pattern, educating the farmers , Improving rural connectivity and access to information etc. to make agriculture sustainable and globally competitive . In the budget 2011, the government has addressed all these issues by proposing various policies and allocating sufficient funds which will contribute positively in the field of agriculture and rural development in the long run.