

WAITING FOR THE
BUDGET

Farm Policy Shifts through Budget Pronouncements

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The finance minister's annual budget speech has emerged as the prism through which one can discern the policy drift or direction of the government of the day. As the speech is also an ideal platform for political posturing, the discerning eye has to segregate wheat from the chaff of budgetary announcements.



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Do budget speeches, right from Independence, reflect any strategy for agricultural development? Do they constitute changing and random initiatives announced with an eye to vote bank? Does the political rhetoric about farmers get transmitted to the ground as inclusive, robust growth of entire farming community? Do the specific measures to mitigate agrarian crisis have the desired impact in the long run? How often is the old wine is passed off as new wine to humble farmers?

The answer to such questions would help the farming community take budget speeches in the right perspective. It would be worthwhile to analyze the agricultural content of budget speeches

Intensive Agricultural Development Programme (IADP) to boost agricultural production.

Thus, the agricultural strategy was driven more by the need to feed the masses by any means than by the need to attain this goal through extreme focus on ramping up farm output. The hint that this strategy was flawed emerged in first half of the sixties.

The late Morarji R. Desai, said in his budget speech for 1963-64: "With a view to stimulate agricultural production and to give the agriculturist the confidence that if he stepped up production, he would not lose by a fall in prices, minimum prices for wheat and procurement prices for rice were announced, the ceiling price for cotton was further raised and measures to sustain jute prices at remunerative levels have been strengthened".

Morarji Desai's successor, the late T.T. Krishnamachari, articulated this in his budget speech for 1964-65: "It is now generally agreed, for example, that trying to keep agricultural prices

India's agriculture strategy was driven more by the need to feed the masses by any means than by the need to attain this through focused ramping up of farm output

right from the first one, for 1947-48, to the latest one for 2016-17.

The trend of dependence on imports for management of food economy continued after the Independence. The focus of the government then was to keep ration food supply smooth and tame inflation, especially food inflation, through liberal imports. In the fifties, food imports used to make the largest dent on scarce foreign exchange resources, year after year.

India depended on bilateral deals including grants for food imports from countries such as the United States, Canada and Australia. The massive wheat imports under PL 480 loans extended by the US became the pivot around which the food economy was managed.

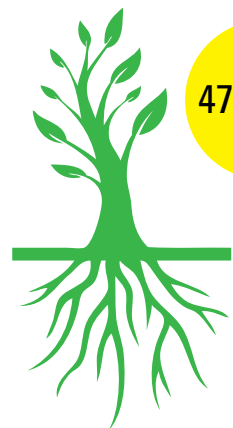
The consumer was thus the focus. Nowhere was he figured in the scheme, a bitter fact borne by the absence of the common noun 'farmer' or its variant in budget speeches till 1960-61 (See box). The government banked on the 'Grow More Food Campaign/Scheme', which lacked missionary zeal in the fifties. In the sixties, it later relied on

too low for producers may defeat the objective of raising agricultural production" (see box MSP raj).

Even as the fruits of a fledgling green revolution started appearing, the short-sighted mandarins

MSP Raj

In 1965-66, the budget speech of T. T. Krishnamachari marked the first farmer-centric milestone by voicing the need for payment of remunerative prices to growers: "We shall, however, take care that the agencies we have created for the purchase of foodgrains will maintain prices at levels remunerative to the farmer, so that he will have a continuing incentive for producing more. These agencies will at the same time take advantage of the current improvement in supplies to build up buffer stocks so that, in future, we shall be able to deal better with any fluctuations in agricultural output ... We are attempting to evolve a price structure for agricultural commodities in keeping with these general principles".



in the Indira Gandhi government fished for an opportunity to tax the perceived rise in agricultural prosperity. Finance minister, the late Y. B. Chavan, observed in his speech for 1972-73: "It has often been said that the agricultural sector, which has been witnessing significant growth in income over recent years, should also make an appropriate contribution to the overall needs of the country" and levied excise/customs duties on tractors, fertilizers and power-driven pumps.

Armed with the recommendations of Professor K. N. Raj committee on taxation of agricultural incomes and wealth, Y. B. Chavan turned his eyes on direct taxation of agricultural income in his BS for 1973-74: "One of their principal recommendations is that agricultural income should be taken into account in determining the rate of tax applicable to non-agricultural income. This will help to reduce sharp disparities in the tax burden on persons with similar incomes. I consider this recommendation of the Committee to be well-conceived, and am accepting it".

Y. B. Chavan then provided for the "aggregation

showing impressive results under IADP, he pieced together four elements of green revolution in his budget speech for 1975-76. The elements that he listed were: HYV, fertilizers, irrigation and farm credit and farmer service societies for providing agri-inputs and for marketing farm produce.

C. Subramaniam also injected the idea of inclusive development of agriculture: "The increase in agricultural output that we are aiming at is thus not a matter of mechanically reaching a magic number. Considerations of balance between classes of farmers and of regions, and of ensuring a pattern of production that is in consonance with our socioeconomic objectives are equally important."

In his next speech, C. Subramaniam remained grooved to green revolution without using the term. He announced reduction in fertilizer prices keeping in view "the importance of ensuring that the output-input ratio in agriculture does serve to stimulate further investment and thus larger production." He also pitched for growth of industries that have backward or forward linkages with the agriculture.

"Building a forward looking, dynamic and diversified agricultural economy", needs an "integrated development of crop production, livestock and poultry, fisheries and forestry"

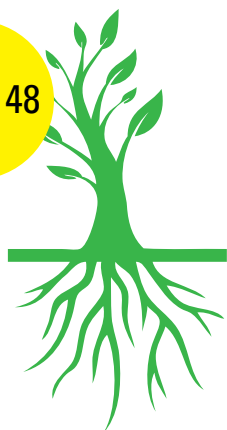
of both the agricultural and non-agricultural components of a taxpayer's income for purposes of determining the rates of income-tax that will apply to the non-agricultural portion in cases where the taxpayer has non-agricultural income exceeding the exemption limit".

In the very next year, he accelerated the tax button on farming: "I also propose to rationalize some of the exemptions available at present under the Wealth Tax Act. I propose to withdraw the separate exemption in respect of farm houses. Tax payers will, however, have the option to claim exemption in respect of one farm house, or one other house property within the existing limit of ₹1,00,000. Exemption in respect of agricultural land will be linked with the exemption in respect of specified financial assets, so that the total exemption in respect of agricultural land and specified financial assets will be limited to ₹1,50,000."

Y.B.Chavan's successor, the late C. Subramaniam, apparently tried to offset the adverse of agri taxation with certain positive initiatives. With high-yielding varieties (HYV) of foodgrain and fertilizers

The baton for holistic growth of agriculture was picked up well by C. Subramaniam's successor, H. M. Patel, under the first non-Congress regime; the Janata government who said in 1977-78: "We feel that for building a forward looking, dynamic and diversified agricultural economy, it is necessary to aim at integrated development of crop production, livestock and poultry, fisheries and forestry. Special emphasis will need to be laid on development of dairy industry on a co-operative basis 'with a view to enabling milk producers to get better and fair prices. Creditable progress has been made in the first phase of Operation Flood Scheme and we must now get moving to take the full advantage of Operation Flood Phase II."

The budget speech for 1978-79, saw H. M. Patel scrapping excise duty on power-driven pumps primarily used for irrigation and giving a "rebate of duty" on electricity used for agricultural purposes. The paradigm shift in perspective for agriculture happened next year when the Deputy Prime Minister, late Ch. Charan Singh, presented the budget for 1979-80.





Apart from announcing a huge hike in allocation of funds for agriculture, Charan Singh unveiled a slew of tax concessions to give a leg-up to farm production. These included income tax exemption to Agricultural Refinance and Development Corporation to facilitate reduction in interest rates on loans meant for irrigation and land development.

The return of Congress at the centre in 1980 was accompanied with farm governance pragmatism. The late R. Venkataraman thus abolished agricultural wealth tax on farm assets except plantations in his budget speech for 1980-81: “Our experience of over the last decade has been most disappointing. The amount realized as wealth-tax on agricultural property has generally been less than ₹1 crore per annum. The valuation of agricultural land has posed difficulties leading to complaints of harassment”.

In the interim budget speech for the same year, he announced the decision to set up the National Bank for Agriculture and Rural Development (Nabard), thereby fulfilling Congress promise made in its 1977 election manifesto. His successor, Pranab Mukherjee, carried forward farm tax reforms by abolishing wealth tax on plantations in his budget speech for 1982-83. The next year he abolished estate duty on farm land.

The late V. P. Singh, in the Rajiv Gandhi

Estate duty in respect of agricultural land is a State subject and that the Centre has levied estate duty on agricultural land only by virtue of resolutions passed in this regard by States enabling the Union to do so. Our experience is that the valuation of agricultural land leads to administrative difficulties and litigation. The yield from this levy has also not been significant over the past several years. Moreover, after the abolition of wealth-tax on agricultural land, including plantations, there is little practical justification for continuing the levy of estate duty on agricultural land. I, therefore, propose to remove the levy of estate duty on agricultural land”.

— Pranab Mukherjee, 1983-84

government, paid attention to easing agrarian distress in 1985-86: “A crop failure, in the event of a drought or flood, can have disastrous effect on the livelihood of our farmers and their families. The government has, therefore, decided to introduce a comprehensive scheme of crop insurance. Henceforth, there will be a built-in insurance cover for all crop loans.”

In the subsequent year, he set in motion the process of phasing out cess on agricultural commodities. V. P. Singh stated: “The Long Term Fiscal Policy recognizes that cesses levied as excise

duties contribute to the multiplicity of taxes. As an endeavour to reduce the number of these cesses, it has been decided to dispense with the cess on cotton, copra and vegetable oils". Rajiv Gandhi, who took finance portfolio from V. P. Singh, unveiled tax concessions for agro-based industries such as textiles, jute and food processing.

In 1988-89, finance minister N. D. Tiwari took a slew of measures to provide relief to farmers facing four successive poor monsoons. The initiatives included restructuring of farm loans, reduction in interest rates and setting up of the National Agricultural Credit Relief Fund. He also asked fertilizer companies to provide a 7.5 per cent discount on fertilizer prices.

The finance minister, S. B. Chavan, unveiled a slew of tax concessions for the food processing industry and its products to consolidate the agricultural value chain 1989-90. The emergence of the short-lived National Front government, under Prime Minister V. P. Singh, marked a new milestone in mitigating agrarian distress. Finance minister, Prof. Madhu Dandavate, announced debt waiver scheme for poor farmers and certain other rural folk in his speech for 1990-91.

He also announced the government decision to unveil an Agricultural Policy Resolution on the lines of Industrial Policy Resolution, 1956. The return of Congress to power at the centre put Dr Manmohan Singh in the hot seat of the finance minister. In his maiden budget speech for 1991-92, he focused on fertilizer subsidy reforms by announcing price decontrol of four fertilizers and a cap on subsidy for another fertilizer. In the subsequent year, he retained the theme of fertilizer subsidy reforms while unveiling new initiatives such as intent to constitute a Small Farmers' Agri-Business Consortium.

Dr Singh kept struggling with fertilizer subsidy reforms in his budget speeches for 1993-94 and 1994-95. The next year, he turned his focus on agricultural capital formation. He thus announced his decision to establish a new Rural Infrastructural Development Fund within the Nabard. The objective of the proposed fund would be to sanction loans to states and their public enterprises to complete ongoing irrigation, soil conservation, watershed management projects and other forms of rural infrastructure, he explained.

Then came the Deva Gowda/United Front government (UDF) and the emergence of P. Chidambaram as the new face of economic



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The Relief Factor

"Over the years, poor farmers, artisans and weavers have accumulated debt which they are unable to repay. They have been caught up in a vicious circle of indebtedness and low incomes which keeps them in perennial poverty. In order to relieve our farmers from the burden of debt, an assurance was given in the National Front's manifesto that relief will be provided to farmers with loans upto ₹10,000 as on 2nd October, 1989. I am glad to inform the House that we are now ready with the scheme of implementation of debt relief to fulfil the promise, and redeem the pledge given to the kisans and artisans".

— Prof. Madhu Dandavate, 1990-91

reforms in 1996. In his budget speech for 1996-97, P. Chidambaram talked of removing controls on agriculture. He also articulated the UDF's resolve to double flow of credit to agriculture and agro industries within five years.

The next year P. Chidambaram unveiled agro industries decontrol reforms. "The Rice Milling Industries (Regulation) Act, 1958 and the Ginning and Pressing Factories Act, 1925 will be repealed. Licensing, price control and requisitioning under



In 1998-99, Yashwant Sinha, in his maiden speech, addressed farm debt and farmer suicides. He created a milestone in farm credit by introducing Kisan Credit Cards

the Cold Storage Order, 1964 will be removed. The Edible Oils and Edible Oil Seeds Storage Control Order, 1977 and the Cotton Control Order, 1986 will be invoked only in well-defined emergency situations. Domestic futures trading would be resumed in respect of ginned and baled cotton, baled raw jute and jute goods". He also announced excise duty exemption for agricultural and horticultural machinery, milking machines and dairy machines and all jute products.

Later, the birth of the National Democratic Front government led to a re-focus on alleviating farm distress. In his maiden budget speech for 1998-99, Yashwant Sinha who addressed issues of farm debt and farmer suicides and created a new milestone in farm credit by announcing the decision to introduce Kisan Credit Cards (See box):

In the speech for 1999-2000, Yashwant Sinha announced the decision to launch the National Programme for Rural Industrialization (NPRI) with the mission to set up 100 rural clusters every

year. In the subsequent year, he announced intent to merge 28 ongoing separate centrally sponsored schemes of agricultural development into one comprehensive programme. In his BS 2001-02, he announced a scheme for setting up of agriclincs and agribusiness centres by agricultural graduates.

In 2002-03, Yashwant Sinha changed the tune to political rhetoric by underpinning his speech to the 'Kisan Ki Azaadi' concept: "Freedom to the farmer, Kisan Ki Azaadi is the overarching goal of our policy" that focuses on diversification of agriculture and removal of regulatory and procedural rigidities. The exit of the NDA and formation of an United Progressive Alliance (UPA) government kindled new hope for farmers during 2004.

In his speech for 2004-05, P. Chidambaram announced a few targets, the chief being doubling agricultural credit in three years. The next year, 2007-08, he returned to fertilizer subsidy reforms with a steep hike in subsidy bill. He disclosed his intent to launch a pilot scheme to provide



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fertilizer subsidy directly to farmers. In 2008-09, with an eye on Lok Sabha polls, P. Chidambaram unveiled a big-bang ₹71,000-crore farm debt waiver scheme.

With the return of the UPA, P. Chidambaram's successor, Pranab Mukherjee, returned to fertilizer subsidy, which has remained Gordian knot in spite of patchy reforms since 1991-92. In 2009-10, Pranab Mukherjee announced the intent "to move towards a nutrient based subsidy regime instead of the current product pricing regime", which he believed would "lead to availability of innovative fertilizer products in the market at reasonable prices".

The next year, he unveiled a proposal to spread green revolution to the eastern region of the country. He also mooted a scheme to organize 60,000 "pulses and oil seed villages" in rain-fed areas during 2010-11. The saga of announcing new schemes, repackaging old ones and coining of new politically correct schemes has continued since then. Thus, the present finance minister, Arun Jaitely, announced a decision to roll-out Kisan TV in his maiden speech for 2014-15. He also announced a credit scheme for half a million "Bhoomi Heen Kisan" groups, apart from pitching for "Protein Revolution".

In his speech for 2016-17, Arun Jaitley articulated the Prime Minister's Narendra Modi's

Of Debts and Suicides

"Farmers often face chronic problems of overdue loans due to circumstances beyond their control. They are even committed to civil prison for this default. While the repayment culture must improve, this government is determined to create conditions so that no farmer goes to jail for a loan repayment default or is forced to commit suicide ... The Reserve Bank will be issuing appropriate guidelines to the banks for hassle-free settlement of old cases of over dues. Banks will be encouraged to provide appropriate relief on accumulated interest in deserving cases".

— Yashwant Sinha, 1998-99

decision to facilitate a doubling of farmers' income in five years, apart from unveiling a revamped crop insurance scheme named the Prime Minister Fasal Bima Yojana. The Nabard recently invited offers for undertaking studies to grapple with the challenging and nebulous objective of doubling peasants' income by 2022.

The budget speech has been transformed into a political platform to create right noises on agriculture, which has continued to struggle for sustained, long-term four per cent annual growth rate since the Independence. ●



From Zero to Hero: The Kisan in the Finance Minister's Speech

The Indian public takes it for granted that the annual budget speech of the finance minister would be laced with flowery reference to the yeomen service rendered by farmers in providing food security.

Whether ornate mentions are ritualistic or reflect the government's genuine concern for farmers is a moot point. Equally debatable is whether there is any correlation between the lavish praise for farmers in the budget speech and their morale, in terms of reduction in agrarian distress and farmers' suicides.

The number of mentions of the common noun 'farmer' or its synonyms (peasant/agriculturalist) in the annual budget speech has increased from nil in the first decade of Independent India to a record 32 times in 2016-17 budget speech delivered by finance minister, Arun Jaitley.

The agricultural community might not be amused to know that successive finance ministers never cared to mention the word 'farmer' even once in their budget speeches beginning 1947-48 till 1960-61. In the latter year, the late Morarji R. Desai, finance minister, for the first time, ended the drought on this count by using the word agriculturalists in his budget speech. He did this with regard to taxation proposals too and not with reference the labours of the farmers in reducing food imports.

Delivering the 1960-61 budget speech on February 29, 1960, Morarji Desai stated: "At present, the business income of such societies is exempt from tax. This exemption is justified having in view the objective of the Co-operative Societies Act of 1912, namely, to facilitate the formation of co-operative societies for the promotion of thrift and self-help among agriculturists, artisans and persons of limited means. However, as the House is aware, of late, co-operative societies have widened their fields of activity and are carrying on substantial business involving transactions of a large scale with non-members. There is no justification for a complete tax exemption of business profits in their case."

Morarji Desai factored in the crucial role of farmers in making the proposed Third Five Year Plan a success in his budget speech for 1961-62: "A substantial increase in food production is the foundation on which the Plan rests, and I should like to take this opportunity of appealing both to our farmers and to the official and non-official agencies concerned with development in the rural areas to concentrate their effort on achieving the target of 100 million tons set out in the Draft Outline of the Plan".

The humble farmer, however, had to wait till

1979-80 to hear a finance minister express gratitude from his heart to farming community's contribution to food security. The deputy prime minister-cum-finance minister, the late Charan Singh, noted in his budget speech that record food production for the second year in a row was due to three factors that included the farmers' contribution.

Charan Singh, one of the most important kisan leaders that India has had, said: "It (record production) is also in a great measure due to the energy and toil of millions of farmers who have undertaken investment, absorbed new technology, adopted new cultural practices and contributed to the general good by growing two ears of corn in place of one".

N. D. Tiwari set a new record by referring to the 'farmer' 16 times in his budget speech for 1988-89. "We are proud of our farmers. By their hard work and unflinching determination through the years, they produced enough to enable us to build substantial food stocks. This helped us to withstand the impact of the current drought without acute food scarcity and widespread economic dislocation."

N. D. Tiwari's 16-mention record was doubled to 32-mentions by Arun Jaitley in his budget speech 2016-17. His speech on February 29, 2016, said: "We are grateful to our farmers for being the backbone of the country's food security. We need to think beyond 'food security' and give back to our farmers a sense of 'income security'. Government will, therefore, reorient its interventions in the farm and non-farm sectors to double the income of the farmers by 2022."

Farmers would prefer concrete action for doubling their average incomes to doubling of platitudes in the forthcoming budget speeches to 2022.



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