

CONSORTIUM OF INDIAN FARMERS ASSOCIATIONS

BUDGET PROPOSALS 2008-2009

Submitted To
Shri. P. Chidambaram
Hon'ble Finance Minister
Government of India
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"Trade increases the wealth and glory of a country:
But its real strength and stamina are to be looked for
among the cultivators of the land"
- Lord Chatham



by
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APPEAL TO UPA GOVERNMENT

The Indian Agrarian crisis are looming large on the horizon which may destabilize economic stability and national integration. The urban rural divide and organized and unorganized sectors economic disparities are causing innumerable problems.

While the situation looks grim they are not beyond solution. Empowerment of farmers through policy changes & resource allocation. It requires leadership abilities which you have.

"A great leader is for himself &
A good leader is for others"
- Sai Baba

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UNION BUDGET 2008-09 - PROPOSALS OF CIFA

1. Infrastructure development and public investment

1.a. Infrastructure development and public investment being the booster engines of agri growth, budget allotments to be doubled to Rs. 24,000 Crores under Agriculture & Rural development and to Rs. 22,000 Crores under accelerated irrigation development.

The share of Agri sector in national income sharply declined by 2/3rd from 55% in 1950s to 18% now. Rural population dependant on agriculture, however, declined only marginally and now stand at about 60%. The average growth rate of agri sector for the past 60 years is around 2.5%. If we take into account population growth in rural areas during the period, there is near stagnation of per capita real income of those dependant on agriculture while those in other sectors doubled and trebled. Between 1994-5 and 2003-4, the per capita real income of the agriculture-dependent population increased by only 5 percent in absolute terms, which amounts to virtual stagnation. When per capita real income for the country as a whole has been growing at a rate well in excess of 4 percent per annum on average, a vast majority of its population, almost 60 percent of it, was witnessing a virtual stagnation in its per capita real income.

This has resulted in wide disparity in rural and urban per capita incomes. Periodical surveys of NSSO on rural and urban household expenditure also confirms this widening disparity process. When all is said and done, majority of population dependant on agriculture in the decades to come is a reality and budget proposals should take this reality into account. Surely we can not allow majority of people feeling left behind and weeping.

If we search for causes for this state of affairs, a few stark facts stare us at our face.

→ Investment is the most important single factor in the growth process. Several development economists have reiterated this proposition. Public investment in agriculture

has been rising steadily till 1980-81 and thereafter it started moving downward. The C.S.O series on public investment in agriculture available since 1960-61 showed a rising trend till 1980-81, stagnation at that level for 4-5 years and a decline thereafter. As the public investment is meant for infrastructural development and it augments productive capacity, the level of public investment is crucial for long term growth of output. Accordingly, it has been pointed out that the decline in public investment in agriculture that set in during early 1980s would have adverse impact on the growth of agricultural output. Share of agri sector in public investment in total CGF sharply declined from 14% in 1970-71 to around 6% now. Investment in Agriculture as percentage of GDP declined to 1.3%. Share of agriculture in plan outlay dwindled from a high of 15% in the first plan to a mere 3.6% now.

→ Union government spent Rs.63 per hectare of net sown area of the country during 5th Plan, which reduced to Rs.34 during 6th Plan and Rs.18 during 7th Plan. The amount spent on agricultural infrastructure during the 1990s was less than Rs.10 per hectare of area. Union government's contribution to capital formation in agriculture constituted about 1.80 percent of NDP from agriculture during late 1970s. The contribution has dwindled to 0.25 percent during the 1990s. The capital expenditure by Union Government declined by 45-50 percent in each successive Five Year Plan following 5th Plan.

→ The main aim of fixed investments in an economy is to provide impetus to growth process. Public investment achieve this goal by creating, improving and maintaining suitable infrastructure while private investment contributes by adding to stock of capital, durable assets, resource improvement etc, which augment productive capacity and also improves production efficiency.

→ This requires that resources for growth and development should be allocated massively to achieve 4% growth in Agri GDP. The terms of trade for agriculture and institutional investment credit advanced to farmers have positive and

significant impact on private capital formation in agriculture. Studies have shown, that public as well as private investment in agriculture have positive and significant impact on agricultural productivity.

→ One study indicates that a one hectare increase in net sown area increases agriculture output by Rs 22,284, An increase of 1 percentage point in the terms of trade in favour of agriculture raises agriculture output by Rs 1,12 crore. One rupee spent on public sector capital formation contributes to GDP growth by Rs 6 (present value. at 10 per cent rate of discount), A 1 per cent increase in public investment leads to 0.17 per cent increase in private investment.

→ Credit to agriculture as a proportion of total bank credit of commercial banks decreased from 15 per cent in 1990-91 to 9.9 per cent in 1999-2000 and further to 9.6 per cent during 2000-01. The rural credit-deposit (CD) ratio which was 60 per cent in 1990-91 fell to 39 per cent in 2000-01, though it recovered to 49.87 per cent in 2004-05.

→ The declining trend in public sector agricultural investment should be reversed by increasing allocation. Flow of investment credit should also be increased simultaneously.

→ It is therefore clearly evident that massive public investments in agriculture is called for together with increase in investment credit.

1.b. Water Shed development - to develop 35 lakh Hectares allot Rs. 1,500 Crores

Consequent on in discriminate exploitation of ground water the irrigation sources are badly affected and there is immediate need to improve the ground water level, by developing innovative water harvesting structures like Check Dams etc.

→ It is suggested to make additional budget allotment of Rs. 1,500 Crores.

1.c. Restoration of all water bodies - to allot Rs. 10,000 Crores

Majority of water bodies (Tanks & Kuntas) are located in rain fed areas. Due to continued negligence in maintenance of such water bodies ground water level in the catchment areas is very badly affected. Besides, the area under the command of such water bodies left fallow for a long time. The drinking water sources are also affected.

→ It is suggested that additional budget allotment may be made for restoration of all water bodies in the country.

1.d. 1 Million farm ponds - to allot Rs 5,000 Crores

Under rain fed conditions the crop failure is mainly due to dry spell at the critical period of the crop. Hence, the farm ponds are suggested for harvesting rain water and storing to provide water to the crop at the critical period.

→ It is suggested to provide additional allotments for implementing digging farm ponds programme by linking with NREGS.

2. Productivity Issues

2.a. Soil health rectification and retention under Public Private Partnership (PPP) Rs. 240 Crores

Consequent on use of excessive chemical fertilizers and not following rotation of crops, the soils are badly degraded and needs immediate treatment to rectify and retain soil health. The International, National, research institutions and commissions appointed for the welfare of farmers emphasized the need of upgrading soil health.

→ It is suggested to press into advanced mobile soil, water, leaf testing laboratories at 2 per district for 600 districts at Rs. 30 Lakhs each under Public Private Partnerships for upgrading and retaining soil fertility with in a time bond programme with accountability and liability.

→ **2008-09 budget allotment suggested Rs360 Crores**
(2 x 600 x Rs. 30 Lakhs = 360 Crores)

2.b. Total seed replacement by providing high yielding certified seed - Rs. 10,000 Crores

Seed plays vital role in the enhancement of the agriculture production along with maintaining quality of agricultural produce. Consequent on usage of sub standard and spurious seed resulted stagnation in the yields. National, International and various commissions appointed for development of agriculture (including Prof. M.S. Swaminathan Report) suggested 100% seed replacement to enable to provide food security.

→ It is suggested that additional budget allotment may be made for provision of certified seed for all agriculture holdings in the country.

2.c. Use of organic fertilizers, Compost and micro nutrients - Required allocation Rs. 5,000 Crores.

Encouraging organic production and usage is conducive for environmental protection and also reduction of pollution in urban areas. This process is labour intensive and urban waste conversion is expensive due to mechanization and taxation.

→ A new programme should be designed, wherein farmers who use organic source of nutrients be provided 50% of the labour cost.

→ This programme should also be linked to NREGP.

→ Bio fertilizers and bio pesticides should be encouraged by making them free of all taxes.

→ The prices of bio fertilizers and bio pesticides should be rationalized.

→ Excise relief to composting equipment and machinery using urban and agriculture waste be examinant for excise

→ A total allocation Rs. 5,000 crores is suggested for this sector which cover subsidy on bio fertilizers and bio pesticides (Rs. 1000 crores), cash incentives to farmers raising green leaf manure (Rs. 1000 crores) and capital subsidy/ 50% reimbursement of labour cost for all farmer and excise waiver on compost equipment & machinery

2.d. Curtailing crop losses due to pests and deceases in the states where pesticides are not used, like Orissa, Jharkhand.

Some of the backward states are not aware of using pesticides for saving crops from pests and diseases. Such states should

be provided pesticides with full subsidized cost to enable to increase production and meet food security.

→ It is suggested additional budget allocation for this purpose.

3. Taxes Issues

3.a. Taxes on all Agri inputs, machinery and equipment to be Waived, to reduce physical drudgery and to retain youth in farming.

The cost of Agricultural inputs viz., Seed, Fertilizers, Pesticides, Drips, Agricultural implements bullock and machine driven are abnormally increased due to levy of various taxes by GOI and State Governments. Further there is large gap between the production and sale prices of inputs in the absence of transparent mechanism in arriving production cost and fixing prices.

→ To bridge large gap, reduce production costs of agricultural commodities and to attract youth towards farming it is suggested to waive all taxes on agricultural inputs, agricultural machinery and equipment.

3.b. To encourage custom hiring of agriculture equipments by Panchayats, SHGs, farmers clubs by subsidizing hire charges.

Agriculture sector is facing acute agriculture labour problem due to migration of labour to towns and cities in search of better livelihoods. Consequently the farmers are required to depend on agricultural machinery for carrying out agricultural operations from sowing to marketing and incur huge expenditure towards agricultural machinery hire charges.

→ It is suggested that modern agricultural equipment small and big may be provided to village Panchayats, Co-operatives, SHGs and farmers clubs at subsidized prices so that these agencies can provide the agricultural machinery to the farmers to enable completion of agricultural operations timely. The subsidies may be directly passed on to the farmers who acquire agriculture machinery and equipment.

4. Extension Services

4.a. Agri extension to be strengthened through PPP

While presenting 2007-08 budget in the parliament the Hon'ble Finance Minister has rightly stated that agriculture extension is collapsed in the country. This resulted in indiscriminate use of fertilizers, pesticides, non adoption of rotation of crops, non adoption of innovative culture practices and also pre & post harvesting technologies. There is immediate need to strengthen agriculture extension in Public, Private Partnership. It is necessary to strengthen agri extension under PPP with sufficient incentives.

→ It is suggested to make additional allotment in the 2008-09 budget for the purpose. Media dealing with agri extension programmes may be provided incentives.

4.b. Sufficient budget be allocated for establishing 24 hours Kisan Channels in all Regional languages either by Government or through Private Public Partnership

4.c. Progressive farmers (organizations) in villages to be trained as para extension workers.

The progressive farmers are adopting innovative culture practices and reducing cost of cultivation, increasing yields, obtaining remunerative prices by following pre & Post harvest technologies and maintaining quality of yields. Replication of such technologies facilitate other farmers to benefit with such culture practices.

→ It is suggested that progressive farmers may be further trained in innovative crop technologies, appointed as para extension workers and necessary additional budget allocation made in the 2008-09 budget.

4.d. The agri clinics and Agri business centers schemes may be modified to attract more entrepreneurs.

4.e. Agriculture research requires additional resource. The Government is requested to increase the budget allocation to agriculture research to 1% of the total resources. Private agriculture research be given incentives as Government alone can't meet the requirement.

5. Agricultural credit and crop insurance

5.a. Credit to all farmers, adequate and timely without collateral security upto at Rs 1 lakh at 4% rate of interest.

The total cropped area in the country is estimated at 190.64 Million Hectares. Similarly the total agricultural holding in the country are estimated at 160 Million. It is estimated that 25% to 30% of agriculture holdings only are covered by inadequate agricultural institutional credit and balance 70% to 75% are depending on input dealers, traders and private lenders at higher rates of interest. The co-operatives which were extensively catering to the agricultural credit needs of farmers are now sick and unable to come to the rescue of farmers.

→ It is suggested that holding wise agricultural credit requirements may be assessed, all holdings tagged on to one of the banks located in the area and provide hassle free adequate credit facility to all agriculture holdings based on scale of finance fixed for each crop and each purpose under short, medium and long term loans.

5.b. Debt burden of the farmers to be reduced as a one time measure.

During the last decade the farmers suffered huge crop losses due to natural calamities and their debt burden is enormously increased. Neither the crop insurance schemes or relief announced under drought and flood relief schemes rehabilitated the distressed farmers. This situation is prevalent in the whole country. Average debt burden of each farmer in the country is assessed about Rs. 15,000/-. The prices of agricultural commodities are not increased on par with the prices of various agricultural inputs. The debt relief schemes implemented by GOI during 2004 has not provided any relief since a farmer whose loan was rescheduled under RBI package was required to pay Rs. 27,866/- for a loan of Rs. 10,000/-. This anomaly has already been brought to the notice of finance ministry and RBI. The relief schemes announced have helped the banks to clean their balance sheets but not the farmers since they were evolved without consulting the farmers organizations.

→ It is suggested that farmer welfare centric debt relief scheme may be implemented in consultation with farmers organizations, by reducing debt burden of farmers (Short, Medium and long term loans).

5.c. When there is crop failure, interest to be waived, and when there are two crop failures both interest and principal to be waive. A special fund to be created for this purpose.

A long term policy is required to be evolved to come to the rescue of farmers when they are affected by crop losses due to natural calamities. It is suggested that a special fund may be created to meet such eventualities without charging relief expenditure under regular agriculture sector budget.

→ It is suggested to evolve a policy for waiving interest if farmer suffers one crop loss and total loan (Principal and Interest) waiver when farmer is affected by two crop losses

5.d. Crop Insurance and Varsha Bhima to all farmers, village as a unit and prompt settlement of claims.

The crop insurance schemes which are under implementation are not providing any relief to the farmer when he suffers crop losses due to higher premium, non coverage of all risks, cumbersome methodology adopted in settlement of claims, delay in indemnifying crop loss claims and not adopting village as a unit for assessing crop losses.

→ It is suggested to evolve farmer friendly crop insurance/ Varsha Bhima schemes with subsidized premium, taking village as a unit, prompt settlement of claims taking actual crop loss into consideration without adopting previous years average and threshold yields etc., into consideration. A fund may be created for the purpose so that expenditure under crop insurance should not be a charge on the regular budget.

6. Rural Grain Storage

Million grain rural storage units at a cost of Rs. 5,000 crores, (including cold chain) by encouraging Panchayaths, SHGS, Commodity Groups, cooperatives with working capital and incentives.

Grain storage space is a major limitation today, forcing farmers for distress sale. Adequate storage space should be

created in identified village clusters at a total cost of Rs. 5,000 crores.

→ These should be taken up on a PPP basis, out of which Rs. 4,000 crores may be allocated to storage structures and Rs. 1000 crores on training and capacity building.

7 MSP related Issues

MSP to be fixed at C2 cost plus 50%, establishment of price stabilization fund.

MSP plays crucial role in obtaining remunerative price by farmers for agricultural commodities. Directorate of Economics and Statistics (DES), New Delhi obtains data regarding costs of cultivation of various crops from the centers working under the Agricultural Universities of concerned states for which the work is entrusted by Commission for Agricultural Costs and Prices (CACPC), New Delhi. In this context it is noticed that large number of field assistant posts are vacant and there is no transparency in the data collected. The computation of costs regarding family labour & bullock power and other parameters adopted have no relevance with the cost of cultivation actually incurred by farmers. Further it is observed that data pertaining to previous years is adopted for current year with out giving cognizance to the increase in the cost of inputs.

→ It is suggested that the whole system to be revamped and transparent procedures introduced by involving and inducting more farmers into the system as recommended by Prof. M.S. Swaminathan to enable the farmers to obtain remunerative prices. Required budget allotments be made for the purpose.

→ It is suggested to strengthen marketing intelligence and intervention programmes to enable farmers to obtain remunerative prices. Price stabilization fund may be established.

8. Farmers Welfare

To create Farmers welfare fund to cover health and old age pension.

When the farmer reaches advanced age, he is susceptible to accidents while involving in agricultural operations and variety

of health problems. It is suggested to evolve a scheme to cover health accidents and old age pension on attaining 60 years of age.

→ It is suggested to create farmers welfare fund and meet expenditures of farmers old age pensions, health and accidents.

9. Farmers Empowerment

To consult and involve farmers organizations in the matters of policy formulation and plans and schemes implementation.

It is observed that many of agriculture development programmes evolved by GOI and State Governments could not be successfully grounded and targets achieved viz., Vidharbha Scheme, 2004 RBI agriculture loans reshedulement package, Water saving devices schemes and agricultural machinery schemes due to defective formulation of schemes without involving farmers organizations and taking into the grass root level situation and implementing mechanism into consideration.

→ It is suggested that farmers organization may be involved in the matters of policy formulation, plans and implementation of schemes at all levels so that farmers organization can be taken into consideration and schemes grounded successfully for the welfare of farmers.

10. Long term policies for exports and processing

10.a Exports

Government is importing wheat, Edible Oil etc., at high cost. Even though production opportunities are available within the country. Sugar exports were banned during 2006 in spite of having huge stocks in the country. The import policies are arbitrary and are harmful to the interest of farmers.

→ It is suggested that Long term export policies be evolved, in consultation with farmers organizations.

10.b. Processing

Ready to eat and ready to cook foods have become essential for all people. Processing industry encourages contract farming. However, high taxation has made the products outside the reach of common man.

→ It is suggested that nominal taxation policy be evolved to make processed foods accessible to common man.

11. Implementation of NFC Report (Prof. M.S. Swaminathan Report)

The UPA government during 2004 appointed National Farmers Commission headed by Prof. M.S. Swaminathan to study the crisis in agriculture sector and suggest ways and means for achieving 4% growth rate in agriculture sector. The commission has submitted five exhaustive reports (Final Report during October, 2006) in the matter suggesting additional budget allocation under each agricultural development programme. Based on those recommendations the GOI announced National Policy for Farmers - 2007. It is observed therefrom that the State Governments were advised to prepare operational plans at district level, whereas the NFC Report suggested specific action points with necessary budget allotments. Similar National Policy was also announced during the year - 2002 and no progress could be achieved in the absence of increase in public investments in Agriculture sector by GOI. The recommendations of NFC made are in the nature of short, medium and long term action plans. Reduction in production costs, increase in yields and remunerative prices to agricultural commodities are of priority nature.

→ It is suggested that necessary additional budget allotments along with policy changes may be made in the 2008-09 budget while providing resources for meeting the expenditure under various other recommendations made in the NFC Report.

12. Strengthening of farmer groups

As 67% of our land holdings in the country are small and marginal in nature. Their marketable surplus would be limited and they are resorting to distress sale to a local agent, input supplier are local money lender. In order to achieve a fair price for his production.

→ It is suggested to organize farmers groups on commodity basis and strengthen them through collective action in procurement of inputs and selling the produce at their end. The SHG experience can be extended to the farmer group by allocating additional funds in 2008-09 budget.

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Definition of farmers

" Krishi Krutya Kayak Maduva
Sadbhaktan Padava Torayya -
Atana Tanushuddha, Atana Mana shuddha
Atana Bhava Voo Shuddha—"

"Show me the sacred feet of a farmer so
that I can bow before him—

**A farmer's body is pure;
his mind is pure and -
thoughts are pure—"**

**Mahatma Basveshwara (1105 1167 AD)
Social Reformer**

VISION

CIFA, is a national farmer apex body representing independent farmers associations from all parts of the India. CIFA envisages farmers empowerment through achieving economic growth and social equity and reduce disparities between urban and rural, organized and unorganized sectors. In acts as a catalyst for unifying the farming community by developing consensus on issues and programs. It endeavour to protect the interests of the farmer from the neglect of Governments and exploitation of the organized sectors.

PROGRAMS

1. Establishing commodity Interest Groups, Co-operatives and network them at different levels with facilities. Arrange contract farming and commodity trading.
2. Work with Governments and other institutions in development programmes.
3. Partnership with market chains, industry & Exporters.
4. Working with International farmers and development organizations - IFAP, FAO, World Bank & others
5. Work on social issues - dowry, un-touchability etc.
6. Establishing farmers info, training and study centers.
7. Working with Parliament Members Farmers Forum (PMFF)