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Study lays focus on farm infra to boost agri growth

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To achieve higher agricultural GDP growth, the government would have to invest more in farm infrastructure such as roads, education, power and irrigation, while also making use of new crop varieties like GM and hybrid crops from big multinational corporations, according to Indian Council for Research on International Economic Relations (ICRIER).

A study, compiled by the premier economic research body ICRIER, called for replacing the subsidies on power, fertiliser and irrigation with the Direct Benefit Transfer (DBT) to farmers, completion of long delayed irrigation projects in mission mode, discouraging water intensive crops — rice and sugarcane — in water-scarce regions and providing institutional credit support to water efficient drip irrigation. These steps, the study says, could boost and sustain the country's agricultural growth in the next decade or so and help bring down the poverty levels in the country faster.

The study, 'supporting Indian farmers:the smart way', has also stated that moving from price policy like Minimum Support Price (MSP) to income policy through DBT to the farmers in case of fertiliser and power subsidies, prioritising digitisation of land records, completion of 337 pending small, medium and major irrigations projects, increasing efficiency in water use, encouraging farmers in states such Punjab and Maharashtra to shift from paddy and sugarcane respectively towards less water-intensive crops and adoption of drip irrigation in a large scale would boost agricultural growth in the country.

In addition, the study highlighted water and electricity subsidies, together, add up to around 4.8% of the agriculture GDP, or around 55% of all farm subsidies. "We must move from dole model to investment based model for ensuring that the country achieve a higher agricultural growth rate which would reduce poverty faster," Ashok Gulati, chair professor, ICRIER and co-author of the study said.

According to Gulati, more than ₹1.8 lakh crore annually is provided under agricultural subsidies including fertiliser, power, irrigation etc., which could used as investment in agricultural such as research and development, roads, electricity, education and promotion of marketing infrastructure.

The study points out that over the past three decades, input subsidy as a percentage of agricultural GDP has risen sharply while public capital formation has fallen from 6% to around 3%. As of 2012-13, the input subsidy has touched 9% of agricultural GDP while capital formation is just a mere 3%, the ICRIER paper stated. However, this subsidy had picked at 15% in 2008-09.

"We urgently need to focus on need to adopt policies for giving higher returns on agricultural GDP and have greater impact on poverty alleviation," Gulati said.

Moreover, the study point out that for every million rupees spent on agriculture R&D, the number of poor would fall by 251 — contrast this with a mere 11 in the case of the fertiliser subsidy and a negligible number in the case of irrigation. Every rupee spent on agriculture R&D, similarly, helps increase agriculture growth by ₹7.68 – higher yielding seeds, the ICRIER study noted.

Stating that the government must phase out interest subvention scheme currently provided to farmers who take agricultural credit, the study suggested adoption of universal crop insurance as suggested by RBI committee on medium term path on financial inclusion last year. Besides, the paper also proposes incentives for long term credit to stimulate private capital formation. "In 2013, about 56% agricultural credit are availed from banks while 44% credit is still follows from non-institutional sources like money lenders and micro-finance institutions," the paper noted.