

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary _ Public

Date: 4/1/2015

GAIN Report Number: IN5043

India

Post: New Delhi

New GOI Budget 2015-16 - Agricultural Highlights

Report Categories:

Agriculture in the Economy

Trade Policy Monitoring

National Plan

Policy and Program Announcements

Approved By:

Jonn Slette

Prepared By:

Mona Kapoor and Santosh K Singh

Report Highlights:

On February 28, 2015, Indian Minister of Finance Arun Jaitley announced the annual Indian Union Budget. The 2015 budget aims to achieve higher levels of growth and curb India's fiscal deficit by boosting investment. Agriculture remains a significant component of the budget, with funds allocated for agriculture credit, irrigation, and soil health. Import tariffs for most food and agricultural products remain unchanged.

General Information:

On February 28, 2015, Minister Jaitley, presented the National Democratic Alliance (NDA) Government's first full year [Budget for Indian Fiscal Year 2015-16 \(April-Mar 31\)](#). During Minister Jaitley's budget speech, he stated that India has reestablished its economic credibility through significant steps taken by the NDA Government. He further noted that most growth forecasts have upgraded India's economic outlook while downgrading global economic growth. He also emphasized that India's states are equal partners in the process of economic development, as all public expenditures by the Government of India (GOI) or the states should contribute to job creation, poverty elimination, and economic growth.

On February 27, 2015, one day prior to the release of the full budget, the GOI released the [2014-15 Economic Survey](#). The survey stated that India's economy has moved beyond the recent economic slowdown by taking step to address persistent inflation, high fiscal deficits, weak domestic demand, current account imbalances, and an unstable rupee. According to the survey, India's 2015/16 gross domestic product (GDP) growth is projected at 8.1-8.5 percent and double-digit growth is expected in the coming years. The survey further reported that agriculture and related sectors experienced an average annual growth rate of 3.8 percent since 2004-05, although growth in 2014/15 declined to 1.1 percent due to weak monsoon. Total production of food grains during 2014-15 is estimated at 257.1 million metric tons (MMT), which is the fourth highest in quantitative terms in recorded history.

Budget Continues to Focus on Agriculture

Minister Jaitley mentioned in his budget speech that the GOI's will continue to support programs targeted at alleviating poverty, as well as other national priorities such as agriculture, education, health, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), and rural infrastructure, to include roads. He reiterated the GOI's deep commitment to supporting farmers and stated that the NDA Government has taken steps to address two critical factors critical related to agricultural production: soil and water. The GOI will support the agriculture sector with the help of effective and hassle-free agriculture credit, with a special focus on small and marginalized farmers. He also said that the GOI will continue to support employment through the MGNREGA, increase farmer incomes, and create a national agricultural market, which would moderate price fluctuations.

- ☞ Allocation for agricultural research and education set at INR 33.2 billion, roughly the same as last year. A post-graduate institution for horticultural research and education will be established in Amritsar, Punjab.
- ☞ INR 53 billion allocated to *Pradhanmantri Gram Sinchai Yojana* (Prime Minister's Village Irrigation Scheme) to support micro-irrigation, watershed development, and improved water-use efficiencies under the "Per Drop More Crop" micro-irrigation program. States are urged to contribute additional funding.
- ☞ Institutional agriculture credit for farmers was raised to INR 8.5 trillion for 2015/16 from last year's level of INR 8.0 trillion.

- ☞ INR 250 billion allocated to the Rural Infrastructure Development Fund (RIDF) set up in National Bank for Agriculture and Rural Development (NABARD).
- ☞ INR 150 billion allocated for the Long Term Rural Credit Fund.
- ☞ INR 450 billion allocated for the Short Term Cooperative Rural Credit Refinance Fund, and INR 150 billion for the Short Term Regional Rural Banks (RRB) Refinance Fund.

Budget Allocations

The 2015 budget reflects an overall 12 percent decrease from the previous year for direct GOI agricultural allocations and allocations to the individual states for state-specific, ag-related programs. Despite the decrease, the NDA Government claims to have streamlined the previous government's agriculture development programs. India's individual states continue to receive significant levels of funding through the annual GOI budgetary process for their respective food and agriculture sectors. (NOTE: estimates for state budgets and/or state-level allocations for agriculture and related sectors are not included below in Table 1.) The budget and related documents can be through the following URL: <http://www.indiabudget.nic.in/budget.asp>.

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 Actual	2014/15 Budget	2014/15 Revised	2015/16 Budget
1)	Crop Husbandry	86.60	91.85	44.32	38.57	43.39
2)	Soil and Water Conservation	0.15	0.16	0.18	0.17	0.18
3)	Animal Husbandry	8.88	9.25	1.72	1.51	1.30
4)	Dairy Development	5.24	5.02	4.11	3.65	4.82
5)	Fisheries	2.97	3.16	4.23	3.02	4.11
6)	Forestry and Wild Life	8.06	8.85	3.79	3.18	2.75
7)	Plantations	5.01	4.68	3.70	3.47	3.60
8)	Food, Storage, and Warehousing	7.64	12.22	7.27	11.69	10.90
9)	Agricultural Research and Education	24.61	24.51	33.54	22.11	33.21
10)	Cooperation	1.04	1.12	1.25	0.99	1.12
11)	Other Agricultural Programs	20.08	17.07	11.20	13.64	11.20
	TOTAL	170.30	177.89	115.31	102.00	116.58
Ministry of Rural Development						
	Item	2012/13 Actual	2013/14 Actual	2014/15 Budget	2014/15 Revised	2015/16 Budget
1)	Special Programs for	50.87	42.97	14.09	7.96	11.07

	Item	2012/13 Actual	2013/14 Actual	2014/15 Budget	2014/15 Revised	2015/16 Budget
1)	Fertilizer Subsidies	656.12	673.39	729.70	709.67	729.69
2)	Food Subsidies	850.00	920.00	1150.00	1226.76	1244.19
3)	Agriculture and Allied Services	28.49	28.43	33.14	25.20	29.28
4)	Irrigation and Flood Control	4.09	4.32	4.72	5.00	5.07
D) Interest Subsidies						
	Item	2012/13 Actual	2013/14 Actual	2014/15 Budget	2014/15 Revised	2015/16 Budget
1)	Interest Subvention for Providing Short-term Credit to farmers	54.00	60.00	60.00	94.77	130.00
2)	Interest Subvention to Cooperative Sugar Mills Through NABARD	0.31	0.96	0.00		
3)	Interest Subsidies for Khadi and Other Village Industries	0.12	0.26	0.26	0.26	0.26
E) Other Subsidies						
	Item	2012/13 Actual	2013/14 Actual	2014/15 Budget	2014/15 Revised	2015/16 Budget
1)	Subsidy on imports of pulses	2.70	1.58	0.10	0.09	0.10
2)	Subsidy on imports of edible oils & STC losses in trading of edible oils	6.17	3.18	0.00	0.00	0.00
3)	Internal transport subsidy on exports of sugar	0.04	0.00	0.00	0.00	0.00
4)	Subsidy on maintenance of buffer stock of sugar	0.04	0.07	0.05	0.05	0.03
5)	Subsidy on financial assistance to sugar mills	0.52	0.00	1.00	7.03	8.00
6)	Subsidy on mktg & promotion of raw sugar production	0.00	0.00	0.00	2.00	0.00
7)	Reimbursement to FCI for Shortages in handling imported fertilizers	0.00	0.43	0.00	0.00	0.00
8)	Grant for implementation of MIS/PSS	0.90	0.45	0.80	0.70	0.80
9)	Procurement of cotton by Cotton Corporation of India under Price Support	0.68	1.52	1.20	0.00	0.00
10)	Subsidy to Jute Corporation of India towards market operation	0.55	0.62	0.00	0.00	0.00

Source: GOI Expenditure Budget Vol 1, [Statement 13](#), [Statement 04](#), [Statement 05](#), [Statement 06](#).

Notes:

¹ GOI has restructured the centrally sponsored schemes (CSS) from IFY 2014/15, which includes National Rural Employment Guarantee Program and National Agriculture Development Program. Funding to these schemes has been provided as [Statement 16 - Central Assistance for State Plans](#) since IFY 2014/15.

Exchange rate: INR 62.25 = USD1.00 on March 30, 2015.

Totals in the table may not equal sum of line items due to rounding error.

Indicates less than 0.01 billion Indian rupees.

Import Duty Unchanged.

The 2015 budget left the basic import duties and local excise taxes on agricultural and food products unchanged.

Unified National Agriculture Market

At the beginning of his budget speech, Minister Jaitley noted that the agricultural incomes remain low and that reasonable market prices for agricultural products are essential for the welfare of rural areas. He announced the creation of the “Unified National Agriculture Market”, which seeks to increase farm incomes and market prices for farm products. Currently, agricultural products are regulated under the Agricultural Produce Market Committee (APMC) Act, which is implemented by various states, which maintain different tax structures and regulations. Currently there are 2477 principal regulated APMC markets and 4843 sub-market yards which are also regulated by the respective APMCs throughout India. Minister Jaitley explained that India needs a unified national market structure and the GOI is ready to work with the state governments in National Institution for Transforming India (NITI), for the creation of a Unified National Agriculture Market.

Rural Employment Guarantee Program to Continue

Minister Jaitley reiterated the GOI’s commitment to ensure employment through the MGNREGA program and allocated INR 347 billion in support of this program. Funds will focus on improving the quality and effectiveness of activities under MGNREGA.

Food and Fertilizer Subsidy Raised

The 2015/16 budget allocated INR 729.69 billion the fertilizer subsidy at, an increase from 2014/15 revised allocation of INR 709.67 billion. The food subsidy allocation for 2015/16 was also raised to INR 1,244 billion from INR 1,226 billion last year.

Service Tax Exemption

A service tax exemption is provided 'food stuff' transportation via rail, marine vessels, and modes of land transportation for food grains including rice and pulses, flours, milk, and salt. The transportation of agricultural products also remains exempt from service taxes. Also, exempted from service taxes are value and/or supply chain services such as pre-conditioning, pre-cooling, ripening, waxing, retail packaging, and labeling of fruits and vegetables.