Background: As per the Ministry of Agriculture, Government of India, “agriculture is the principal source of livelihood for more than 58% of the population in the country”. However, there has been a continuous decline in the share of Agriculture and Allied Sector in the country’s GDP from 14.6% in 2010-11 to 13.9% in 2013-14, at constant 2004-05 prices. The Government of India has rolled out a multi pronged strategy matrix, towards boosting agricultural productivity in the country, which involves improvement of soil fertility, promotion of organic farming, water efficiency, and price stability. The Department of Agriculture & Cooperation has coalesced the sectoral fiscal incentive schemes under four broad umbrella schemes namely; Krishonnati Yojana, Pradhan Mantri Krishi Sinchai Yojana, National Crop Insurance Programme and Rashtriya Krishi Vikas Yojana.

Current Scenario: Among the major crops in India, the highest area under production was under food grains in 2013-14, standing at 1260.37 lakh hectare. Among the major cereals, Rice, Coarse cereals & Pulses commanded the greatest area under production (in descending order). Stocks of food grains (rice and wheat) held by FCI and State agencies were 41.0 million tonnes as on April 1, 2015 vis-à-vis the buffer stock norm of 21.0 million tonnes for April 1, 2015. Among cash crops, the lowest area under production was under jute and mesta and then sugarcane. However, production wise, sugarcane registered a high production of 350 million tonnes. A regards to West Bengal, the jute industry calls for a timely rejuvenation package to boost industry performance. Gross capital formation (GCF) in the Agriculture & Allied sector, as a percentage of Gross Domestic Product (GDP) rose from 14.9% in the FY(2006-07) to 21.2% for the FY(2012-13). It implies that over the period from 2006-07 to 2012-13, GCF in Agriculture increased at a Compound Annual Growth Rate (CAGR) of 8.42%. GCF factors in parameters like improvement of land and Irrigation works, laying of new orchards and plantations, purchase of agricultural machinery and implements, agriculture construction works, additions to livestock, fishing boats etc. The growth of Gross Value Added (GVA) at basic prices for agriculture & allied sectors is estimated to be at 1.1 percent in 2014-15, compared to 3.7 per cent in 2013-14.

Future Outlook: The Indian Meteorological Department (IMD) has predicted that rainfall during the southwest monsoon season is likely be “below normal” for the second consecutive year in India due to the impact of an El Niño weather pattern. This is likely to feed inflationary expectations in the economy due to the risk of bad weather patterns. Low farm output would affect rural income and GDP growth. A slowdown in agricultural output may also impact the public sector banks and may well cause a rise in NPAs. Public sector banks in India had loan outstanding to the tune of INR 7,500 billion to farmers as on February 2015. In the medium term, however, the agriculture sector can look forward to a host of growth drivers, which spell good opportunity, like growth in income and consumption, growth in food processing sector and increase in agricultural exports, increase in private sector participation in Indian agriculture, growing organic farming and usage of information technology, lifestyle changes and spurt in income levels, that has boosted the demand for the processed food industry.

Policy Announcements: Union Budget 2015-16 has rolled out a host of targeted fiscal incentives for the Agriculture sector. Some key areas are listed below:

INR 25,000 crore has been allocated in 2015-16 to the corpus of Rural Infrastructure Development Fund (RIDF) set up by NABARD.

INR 15,000 crore has been allocated for Long Term Rural Credit Fund; INR 45,000 crore has been allocated for Short Term Co-operative Rural Credit Refinance Fund; INR 15,000 crore has been channelized for short term RRB Refinance Fund.

INR 5,300 crore to support micro-irrigation, watershed development and the ‘Pradhan Mantri Krishi Sinchai Yojana’.

The government is also committed towards the creation of a National Agriculture Market for farmers, that will be crucial in moderating price rises of agricultural commodities.

To regulate price volatility and to mitigate hardships of consumers, a “Price Stabilization Fund” has been created.

To improve soil fertility on a sustainable basis, the Government of India has launched Soil Health Card Scheme with a target to provide 14 crore soil health cards to farmers by 2017.