Union Budget 2024-25: Some boost for agriculture and rural economy

India spends only 0.4% of agri GDP on R&D and it is far below the levels in China, Brazil, and Israel

Representative Picture

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The agriculture sector has grown at an annual growth rate of 4.2 per cent in the last five years. However, the second advance estimates for FY24 indicate a dismal seven-year low of just 1.4 per cent. Rural demand including that for FMCG goods continued to lag due to low incomes and higher food inflation but there are some green shoots now.

Although overall inflation for rural areas in June was 5.7 per cent, the consumer food price index recorded inflation was 9 per cent. Climate change in terms of heat waves and unseasonal rains is also a reason for higher food inflation. Rural real wage growth has been either low or negative in the last one decade. Thus, there has been some stress in both agriculture and rural non-farm sectors. In this context, a boost for agriculture and rural demand was expected. The performance of agriculture and rural areas is important to achieve the goal of Viksit Bharat by 2047.

The measures announced in the Budget on agriculture and rural areas are in the right direction. It may increase incomes of the population but whether it is sufficient to revive the rural sector is not clear. The announcements on capital expenditure, manufacturing, services, MSMEs, health, education, and taxation will also help rural areas.

It is good to see importance being given to agriculture by putting it among nine priorities. It focuses on productivity and resilience in agriculture. Under agriculture, the finance minister lists (a) transforming agricultural research (b) release of new varieties (c) natural farming (d) mission for pulses and oilseeds (e) vegetable production and supply chains (f) digital public infrastructure for agriculture (g) shrimp production and export. These are good schemes. Strengthening supply chains and digital public infrastructure is important to get higher prices and incomes for farmers. Success of all these programmes, however, depends on the allocation of funds and efficient implementation.

The Budget shows some increase in the allocations for agriculture and allied activities from ~1.41 trillion in FY24 (RE) to ~1.52 trillion in FY25 (BE) – an increase of 8 per cent.

On agriculture R&D, the amount given is only ~9,941 crore in FY25. The allocations for food and fertiliser subsidies, rural development, MGNREGA and PM-Kisan are the same as in the Interim Budget.
Much more is needed for improvement in agriculture and rural areas. Basically, we have to repurpose and change the narrative of agriculture towards more diversified high value production, better farm incomes, marketing and trade reforms, nutrition sensitive, inclusive and environment friendly and climate resilient agriculture.

The Economic Survey 2023-24 says that the agriculture sector has specific challenges such as “low productivity levels, the impact of variability in weather, fragmented land holdings and inadequate marketing infrastructure” that affect agriculture performance. There is a need for significant increase in public investment in agricultural R&D as India spends only 0.4 per cent of agricultural GDP on and R&D, and it is far below the levels in China, Brazil, and Israel.

Significant disparities across states exist in agriculture, rural industry and services. Therefore, in a vast country like India, a regional approach is needed as states play an important role in agriculture and rural development. The central government has to work closely with the states in improving incomes and livelihoods, inclusive growth and sustainability in agriculture and rural areas. There are suggestions to establish Agriculture Council for coordinating with states on the lines of the GST Council. The Budget provisions are in the right direction. However, more measures are required to improve incomes and demand in rural areas.

The writer is former chairman, Commission for Agricultural Costs and Prices and Former Director, IGIDR