

1st February, 2018



**Outcomes of
Union Budget 2018-19
(Related to Agriculture
&
Commodities Market)**

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Agriculture and Rural Economy

- Govt's emphasis will be on generating higher incomes for farmers.
- Govt in its manifesto had stated that the farmers should realize at least 50 per cent more than the cost of their produce, in other words, one and a half times of the cost of their production. Government has been very much sensitive to this resolutions and it has declared Minimum support price (MSP) for the majority of Rabi crops at least at one and a half times the cost involved. In the budget 2018-18, the Govt. has decided to implement this resolution as a principle for the rest of crops. Announcement was that as per pre-determined principle, Government has decided to keep MSP for the all unannounced crops of kharif at least at one and half times of their production cost.
- Increasing MSP is not adequate and it is more important that farmers should get full benefit of the announced MSP. For this, it is essential that if price of the agriculture produce market is less than MSP, then in that case Government should purchase either at MSP or work in a manner to provide MSP for the farmers through some other mechanism. Niti Ayog, in consultation with Central and State Governments, will put in place a fool-proof mechanism so that farmers will get adequate price for their produce.
- Government will create an institutional mechanism, with participation of all concerned Ministries, to develop appropriate policies and practices for price and demand forecast, use of futures and options market, expansion of warehouse depository system and to take decisions about specific exports and imports related measures.
- The finance minister announced strengthening of e-NAM and to expand coverage of e-NAM to 585 APMCs. 470 APMCs have been connected to e-NAM network and rest will be connected by March, 2018.
- The Government will develop and upgrade existing 22,000 rural haats into Gramin Agricultural Markets (GrAMs). In these GrAMs, physical infrastructure will be strengthened using MGNREGA and other Government Schemes. These GrAMs, electronically linked to e-NAM and exempted from regulations of APMCs, will provide farmers facility to make direct sale to consumers and bulk purchasers.
- An Agri-Market Infrastructure Fund with a corpus of Rs.2000 crore will be set up for developing and upgrading agricultural marketing infrastructure in the 22000 Grameen Agricultural Markets (GrAMs) and 585 APMCs.
- Task of connecting all eligible habitations with an all-weather road has been substantially completed, with the target date brought forward to March, 2019 from March 2022. In the budget 2018-19, Announcement was made to strengthen and widen its ambit further to include major link routes which connect habitations to agricultural and rural markets (GrAMs), higher secondary schools and hospitals. Prime Minister Gram Sadak Yojana Phase III will include such linkages.
- To develop cluster based model in a scientific manner for identified agriculture produces in our districts in the same manner as developed model for industrial sector.
- The Ministry of Agriculture & Farmers' Welfare will reorient its ongoing Schemes and promote cluster based development of agri commodities and regions in partnership with the Ministries of Food Processing, Commerce and other allied Ministries.
- Government has promoted organic farming in a big way. Organic farming by Farmer Producer Organizations (FPOs) and Village Producers' Organizations (VPOs) in large clusters, preferably of 1000 hectares each, will be encouraged. Women Self Help Groups (SHGs) will also be encouraged to take up organic agriculture in clusters under National Rural Livelihood Programme.
- Government shall support organized cultivation and associated industry. A proposal was made to allocate a sum of Rs.200 crore for this purpose.
- Allocation of Ministry of Food Processing is being doubled from Rs.715 crore in RE 2017-18 to Rs.1400 crore in BE 2018-19. Government will promote establishment of specialized agro-processing financial institutions in this sector.
- Government proposed to launch an "Operation Greens" on the lines of "Operation Flood". "Operation Greens" shall promote Farmer Producers Organizations (FPOs), agri-logistics, processing facilities and professional management. Also proposed to allocate a sum of Rs.500 crore for this purpose.

- Export of agri-commodities will be liberalized. Proposal was made to set up state-of-the-art testing facilities in all the forty two Mega Food Parks.
- The Government proposed to extend the facility of Kisan Credit Cards to fisheries and animal husbandry farmers to help them meet their working capital needs. Small and marginal farmers will get more benefits.
- The Government proposed to launch a Re-structured National Bamboo Mission with an outlay of Rs.1290 crore to promote bamboo sector in a holistic manner.
- Government of India will take necessary measures and encourage State Governments to put in place a mechanism that their surplus solar power is purchased by the distribution companies or licencees at reasonably remunerative rates.
- Government will set up a Long Term Irrigation Fund (LTIF) in NABARD for meeting funding requirement of irrigation works. Scope of the Fund would be expanded to cover specified command area development projects.
- Announced setting up a Fisheries and Aquaculture Infrastructure Development Fund (FAIDF) for fisheries sector and an Animal Husbandry Infrastructure Development Fund (AHIDF) for financing infrastructure requirement of animal husbandry sector. Total Corpus of these two new Funds would be Rs.10,000 crore.
- Government has been steadily increasing the volume of institutional credit for agriculture sector from year-to-year from Rs.8.5 lakh crore in 2014-15 to Rs.10 lakh crore in 2017-18. In Budget 2018-19, it was proposed to raise this to Rs.11 lakh crore for the year 2018-19.
- NITI Aayog, in consultation with State Governments, will evolve a suitable mechanism to enable access of lessee cultivators to credit without compromising the rights of the land owners.
- Government will extend a favourable taxation treatment to Farmer Producers Organisations (FPOs) for helping farmers aggregate their needs of inputs, farm services, processing and sale operations.
- A special Scheme will be implemented to support the efforts of the governments of Haryana, Punjab, Uttar Pradesh and the NCT of Delhi to address air pollution and to subsidize machinery required for in-situ management of crop residue.
- Ground water irrigation scheme under Prime Minister Krishi Sinchai Yojna- Har Khet ko Pani will be taken up in 96 deprived irrigation districts where less than 30% of the land holdings gets assured irrigation presently. In Budget 2018-19, it was proposed to allocate Rs.2600 crore for this purpose.
- In the year 2018-19, for creation of livelihood and infrastructure in rural areas, total amount to be spent by the Ministries will be Rs.14.34 lakh crore, including extra-budgetary and non-budgetary resources of Rs.11.98 lakh crore. Apart from employment due to farming activities and self employment, this expenditure will create employment of 321 crore person days, 3.17 lakh kilometers of rural roads, 51 lakh new rural houses, 1.88 crore toilets, and provide 1.75 crore new household electric connections besides boosting agricultural growth.

Tax incentive for promoting post-harvest activities of agriculture

In order to encourage professionalism in post-harvest value addition in agriculture, the government proposes to allow 100% deduction to these companies registered as Farmer Producer Companies and having annual turnover up to Rs.100 crores in respect of their profit derived from such activities for a period of five years from financial year 2018-19. This measure will encourage "Operation Greens" mission announced earlier and it will give a boost to Sampada Yojana.

Bullion Sector

The Government will formulate a comprehensive Gold Policy to develop gold as an asset class. The Government will also establish a system of consumer friendly and trade efficient system of regulated gold exchanges in the country. Gold Monetization Scheme will be revamped to enable people to open a hassle-free Gold Deposit Account.

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