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Global Agricultural Information Network

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GOI Budget 2013-14 – Agricultural Highlights

Report Categories:

Agriculture in the Economy

Trade Policy Monitoring

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Policy and Program Announcements

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Report Highlights:

In the Government of India [budget for 2013/14](#), import tariffs for hazelnuts and dehulled oats were reduced to 10 percent and 15 percent ad valorem, respectively. Allocations for domestic food subsidies were raised to INR 900 billion (approximately \$16.5 billion at the current exchange rate). A new National Livestock Mission was allocated INR 3.07 billion (\$56.1 million).

General Information:

Introduction

On February 28, 2013, Finance Minister P. Chidambaram presented the Government of India [Budget for Indian fiscal year \(IFY\) 2013/14](#) (April/March) on February 28, 2014, against the backdrop of a slowdown in the Indian economy. This is the last budget before the next parliamentary elections in 2014. In his budget speech, Minister Chidambaram said that Indian economy is not unaffected by the global slowdown since 2010/11, with the economy in the ongoing IFY 2012/13 expected to grow only 5.0 to 5.5 percent, well below India's potential growth rate of 8 percent.

The [finance minister said](#) that despite the slowdown in the economy, agriculture continues to perform well. The total food grain production in IFY 2012/13 is expected to be over 250 million tons, and agricultural exports during April-December 2012 are estimated at over INR 1.38 trillion (\$25.3 billion). However, he expressed concerns about continued high food inflation and the need to take all possible steps to augment food supplies to meet growing demand. Consequently, agriculture continues to remain a high priority in the budget with the planned allocation for agriculture and allied sectors raised by 18 percent to INR 187.81 billion (\$3.4 billion).

Table 1. India: Selected Agricultural and Food-Related Budget Items (in Billion Indian Rupees)

A: Central Plan Outlay for Programs of Various Ministries					
Ministry of Agriculture		2011/12 Actual	2012/13 Budget	2012/13 Revised	2013/14 Budget
1	Crop Husbandry	80.66	90.34	80.71	98.76
2	Soil and Water Conservation	0.15	0.16	0.16	0.19
3	Animal Husbandry	7.24	10.63	8.49	9.75
4	Dairy Development	1.96	3.53	4.95	5.25
5	Fisheries	3.04	3.00	2.73	3.17
6	Forestry and Wild Life	9.14	9.07	7.55	10.41
7	Plantations	5.95	4.46	4.04	4.58
8	Food, Storage and Warehousing	7.03	7.87	7.26	8.01
9	Agricultural Research and Education	25.73	28.98	22.94	31.13
10	Co-operation	1.24	1.25	0.93	12.15
11	Other Agricultural Programs	19.80	17.64	19.96	15.35
	Total	161.94	176.92	159.71	187.81
Ministry of Rural Development		2011/12 Actual	2012/13 Budget	2012/13 Revised	2013/14 Budget
1	Special Programs for Rural Development	47.04	63.09	49.87	85.08
2	Rural Employment	292.13	330.00	293.87	330.00
3	Land Reforms	1.06	1.36	0.86	3.40
4	Other Rural Development Programs	35.76	13.19	11.23	9.25
	Total	375.99	407.63	355.83	427.73
Ministry of Water Resources		2011/12	2012/13	2012/13	2013/14

		Actual	Budget	Revised	Budget
1	Major and Medium Irrigation	1.90	7.45	2.04	6.40
2	Minor Irrigation	1.41	3.37	1.63	2.72
3	Flood Control and Drainage	1.75	1.93	0.61	2.89
	Total	5.06	12.75	4.28	12.00
B: Non-Plan Expenditures by Major Category					
Item		2011/12 Actual	2012/13 Budget	2012/13 Revised	2013/14 Budget
1	Fertilizer Subsidies	700.13	609.74	659.74	659.72
2	Food Subsidies	728.22	750.00	850.00	900.00
3	Debt Relief for Farmers	11.76	-	-	-
4	Agriculture and Allied Services	24.91	35.58	29.55	30.07
5	Irrigation and Flood Control	3.78	3.96	4.24	4.52
C: Interest Subsidies					
Item		2011/12 Actual	2012/13 Budget	2012/13 Revised	2013/14 Budget
1	Interest Subvention for Providing Short-Term Credit	32.83	60.00	54.00	60.00
2	Interest Subvention to Cooperative Sugar Mills Through NABARD	0.35	0.31	0.31	0.31
3	Interest Subsidies for <u>Khadi</u> and Other Village Industries	0.27	0.27	0.00	0.27
D: Other Subsidies					
Item		2011/12 Actual	2012/13 Budget	2012/13 Revised	2013/14 Budget
1	Subsidy on imports of pulses	2.50	30.00	27.00	25.00
2	Subsidy on imports of edible oils	3.66	6.15	6.18	3.18
3	Internal transport subsidy on exports of sugar	0.15	0.25	0.05	0.00
4	Subsidy on maintenance of buffer stock of sugar	0.11	0.17	0.04	0.05
5	Subsidy on financial assistance to sugar mills	0.47	0.52	0.52	1.16
6	Grant to NAFED for MIS/PSS	0.02	1.10	0.90	0.51
7	Procurement of cotton by Cotton Corporation of India under Price Support	0.22	2.00	1.21	2.00
8	Subsidy to Jute Corporation of India towards market operation	0.55	0.55	0.55	0.55

Source: Expenditure Budget, Vol. I, statement [13](#), statement [4](#), and statement [5](#), and statement [6](#), Government of India

Note: Totals may not equal sum of line items due to rounding error.

- Indicates less than 0.01 billion rupees.

Exchange rate: 54.7 Indian rupees = \$1.00 on March 4, 2013.

Support Ongoing Agricultural Programs

The government will continue to support ongoing programs for enhancing agricultural production, but has provided higher allocations to some programs:

- Finance Minister recognized the gains achieved through the Bringing Green Revolution in Eastern States (BGRES) program, and allocated INR 10 billion (\$182.8 million) for FY 2013-14.
- Government recognizes that the traditional Green Revolution states are facing problems of stagnating yields, degradation of soil and falling water tables, and seeks to promote crop diversification as a solution. An allocation of INR 5 billion (\$91.4 million) has been made for encouraging crop diversification in these states.
- Allocation for agriculture research is raised to INR 34.15 billion (\$624.3 million), which includes funds for establishing two new research centers – National Institute for Biotic Stress Management Raipur, Chhattisgarh, and in Ranchi, Jharkhand, and Institute for Agriculture Biotechnology in Ranchi, Jharkhand.
- Allocated INR 2 billion for undertaking pilot projects on cultivation of nutricereals (cereals with higher micro-nutrient content) in districts facing malnutrition.
- Government to launch National Livestock Mission in 2013-14 with an allocation of INR 3.07 billion.

Expand Agriculture Credit

- The target for institutional agriculture credit to farmers for 2013-14 is raised to INR. 7 trillion (\$130 billion) compared to INR 5.75 trillion (\$115 billion) in 2012/13.
- The interest subvention scheme for providing short term crop loan at 7 percent interest will be continued in 2013-14. The scheme will be extended to private commercial banks also.
- INR 50 billion (\$914 million) will be made available to the National Bank for Agriculture and Rural Development (NABARD) to finance construction of grain warehouses.

Import Duty on Most Products Unchanged, Except for Few

The 2013 budget left the basic import duties and local excise taxes on most agricultural and food products unchanged except for following:

- Basic duty on hazel nuts (HS 0802.21 and 0802.22) lowered to 10 percent from 30 percent.
- Basic duty on dehulled oats (HS 1104.22) lowered to 15 percent from 30 percent, probably to support breakfast cereal manufacturers.
- Basic import duty on specified machinery used in leather/footwear industry and all textile machinery under HS 84.44-49 reduced to 5 percent from 7.5 percent to support leather goods and textile sectors.
- An export duty of 10 percent imposed on raw sugar, white or refined, to discourage sugar exports and to stabilize domestic prices on expected tight domestic supplies due to the cane shortage in Maharashtra.
- Basic import duty on raw silk raised from 5 percent to 15 percent to support local silk producers against cheaper silk imports, mostly from China.
- De-oiled rice bran oil cake has been exempted from the export duty of 10 percent levied since IFY 2010/11.

Additional Support to Textile Sector

- The government proposes to continue the Technology Upgradation Fund Scheme for the textile sector in the 12th five year plan (2013-17) with an investment target of INR 1.51 trillion (\$27.6 billion). The major focus will be on modernization of the power loom sector. The allocation for FY 2013-14 is INR 24 billion (\$439 million).
- A new scheme called the Integrated Processing Development Scheme will be implemented in the 12th Five Year Plan to address environmental concerns of the textile industry, including effluent treatment infrastructure. Allocation of INR 500 million (\$9.1 million) for IFY 2013-14.
- Ministry of Textile has been allocated INR 500 million (\$9.1 million) as an incentive for setting up of Apparel Parks to house apparel manufacturing units.
- Working capital and term loans at a concessional interest of 6 percent to handloom sector. Total budget allocation of INR 960 million (\$17.6 million) for an interest subvention scheme for 150,000 weavers and 1,800 primary cooperative societies.

Food Subsidy Mounts as Government Gears Up to Launch National Food Security Act

A steady increase in the support price of wheat and rice, without any increase in sales price of these commodities through the Public Distribution System and subsidized sales of wheat to local millers and exporters, has resulted in significant increases in the GOI food subsidies in the recent years (see IN3012). The 2013 budget estimates the food subsidy for IFY 2012/13 at INR 850 billion (\$15.5 billion), significantly higher than INR 750 billion (\$15 billion) budgeted in 2012/13 budget. The 2013 budget has allocated INR 900 billion (\$16.5 billion) for IFY 2013-14, which includes an additional allocation of INR 100 billion (\$1.8 billion) towards the incremental cost for National Food Security Act (NFSA) over and above the normal provisions for food subsidy.

On December 22, 2011, the Indian Cabinet submitted a National Food Security Bill to the Parliament for approval. Finance Minister Chidambaram in his budget speech said that the Parliament will pass the bill as early as possible. The NFSA will likely raise the food subsidy bill to over INR 1 trillion (approximately USD 18 billion) per annum if launched throughout the country. While the government may launch the NFSA in phases, the food subsidy bill for 2013/14 is likely to be much higher than the budgeted amount.

Fertilizer Subsidy Also Grows

The government shifted to a “nutrient-based subsidy” policy in 2010/11 to promote balanced fertilization and lower subsidies. However, fertilizer subsidies have exceeded the budgeted amount, with the revised estimate for IFY 2012/13 estimated at INR 659.7 billion (\$12.1 billion) against the initial budget of INR 609.7 billion (\$11.5 billion). The 2013 budget allocation for fertilizer subsidies for 2013/14 is unchanged at INR 659.7 billion (\$12.1 billion) but is likely to go up on higher global prices of fertilizer and petroleum by-products.