

Budget handholds the agricultural sector of Kerala

R Ramakumar

Professor, TISS Mumbai & Member, Kerala State Planning Board

When we discuss the budget for 2022-23, it must begin from the state of our agricultural sector. For the last decade, the annual growth rate in Kerala's agriculture and allied sectors is -2.2 percent. If only agricultural crops are considered, this growth rate will be -3.6 percent. In other words, in the last 10 years, there has been an absolute loss of about Rs 8,000 crore to Rs 10,000 crore in the agriculture sector of Kerala. This is the picture provided by the Central Statistical Office (CSO). If we look at household surveys conducted by organizations like the National Sample Survey Organization (NSSO), we can see that there has been a decline in the monthly income of an agricultural household during this period.

These figures show that there is a crisis in the agricultural sector. But when we talk about agriculture in the State, we do not consider this crisis. The picture painted is that of a sector which performs satisfactorily. What is this crisis in agriculture? In my view, there are three dimensions to it.

1. The first is the structural problems. The average area of our farms is small, which prevents farmers from earning the benefits of scale as well as command sufficient bargaining power in the market for outputs and value addition.

2. The second is technological problems. This refers to the failure to experiment with and adopt the latest scientific and technological innovations in agriculture. For example, Kerala is the State that uses the least quantity of chemical fertilizers per hectare in India. Ten years ago, Kerala consumed 106 kg/ha of NPK fertilizers; today we use just about 36 kg/ha.

3. The third is social and economic problems. In our State, there is a big problem of defining who is a farmer. There is no concept of the farmer as a person who depends only or primarily on the agricultural sector and works there for a major part of his/her time. We have more of part-time farmers in Kerala. We have not examined precisely how this feature affects the potential for private investment in Kerala's agriculture.

In short, Kerala's agricultural sector is in a crisis due to various reasons: structural, technical and socio-economic. But what is the manifestation of this crisis?

First, Kerala is the least productive state in India in many crops.

Second, there is a massive failure to organize aggregation and marketing.

Third, we have failed to link agricultural products to value addition.

When we consider the 13th Five Year Plan, we were able to achieve a few things. For the first time in history, we were able to keep the area of land under rice cultivation intact. Vegetable production was almost doubled. More progress was made, but crises like floods and the COVID pandemic reversed many of those achievements during the 13th Five Year Plan period. This has also influenced the negative growth rates that we noted earlier.

The Finance Minister presented the first budget of the 14th Five Year Plan period. There is no doubt that a new policy approach is needed in the agricultural sector. The inauguration of that new policy approach can be seen in this budget. The biggest challenge facing the agriculture sector in Kerala today is how to increase productivity. We should not be under any delusion that we can increase the farmer's income by 50 percent without decisively increasing the productivity of agricultural crops in Kerala. Second, the most important and primary crisis in the agricultural sector is the aggregation of products at the farm gate. We must aggregate the scattered production in small farms in one place. A third important issue is how to link the products aggregated and procured in this way with industries in processing and value addition.

So, how to increase productivity; how to solve the problem of aggregation; how to link agriculture to value addition. These three issues will find their mention in the budget.

Differences of opinion on these issues are strong. There is a section of environmentalists who argue that declining productivity is not a crisis at all. On the other hand, there are consultants from organizations such as the World Bank, who think there is a technocratic solution to all this. What we need is an approach with a sense of reality, moving away from that technocratic thinking and extreme environmentalism. This is the approach taken in this budget. We are also not facing a crisis that can be solved by the agriculture department alone. We will be able to do something in the agriculture sector only through the collective action of the Department of Agriculture, Animal Husbandry, Fisheries, Irrigation, Local Self-Government and Cooperation. We can see the urge to achieve that coordination as an important approach in many parts of this budget.

I shall give examples of the coordination problems. First, about 30 percent of the plan fund of the local self-government bodies should be spent on the production sector. But most panchayats spend less than 10 percent on productive sector. If we consider the figure that about Rs 8000 crore is distributed to the local self-government bodies as plan funds, we can spend about Rs 1500 crore more in the agricultural sector (as part of the production sector) with the current budget allocations. How do we make that possible? Line departments must work in coordination with the local self-governments.

Secondly, how do we address the problem of aggregation? How can marketing be improved using cooperative societies, farmer producer companies and Kudumbashree groups? It is commendable that this budget has given a significant priority to agriculture marketing, which we have not seen in many budgets so far. A new project called Cooperative Initiative in Technology Driven Agriculture (CITA) is being introduced in the budget, with an expenditure of around Rs 23 crore, utilizing cooperative institutions in Kerala. But the challenge is if the Department of Agriculture, the Department of Cooperation, and the Department of LSGs can forge a synergistic relationship to make this a reality.

These interventions using the cooperatives must ensure the creation of an efficient supply chain that benefits the farmer. CITA must become the site to connect the cooperative sector with not just aggregation but also value addition. Here again, the agriculture department, the cooperation department and the local self-governing bodies must all work hand in hand.

Thirdly, how do we address the coordination problem of planning itself? So far, all our schemes have been single-crop projects. But Kerala has a multi-crop farming system. In this

budget, for the first time in history, the Finance Minister has presented a plan to formulate and implement projects in the agricultural sector on a farm plan basis, thus accepting multi-crop farming systems as a reality. This farm plan scheme tries to examine how to maximize the income from each unit of land in our garden lands and homesteads.

The budget has also given a major thrust to the vegetable sector. The VFPCCK is our most important institution in the vegetable sector. This budget has given them the share they have never received till date. Their allocation was increased from Rs 14 crore to Rs 25 crore. If we manage to utilize this money properly, there is a good hope that we can double our vegetable production in the next 5 years.

Similarly, agricultural interventions related to irrigation has also received a boost in the budget. One of the issues that many people raise in the debate on K-Rail is that once a project is begun in Kerala, it is never completed on time. But let's look at some of the things we have accomplished in the last 5 years.

Four major irrigation projects were under construction for decades: Karapuzha, Banasurasagar, Moovattupuzha and Idamalayar. The Moovattupuzha project was commissioned in 2020-21 through a very detailed planning program that spanned three years. There are three more left. Karapuzha and Banasurasagar irrigation projects could be commissioned by 2024. Then there is only Idamalayar left. There is one more to re-commission: the Pazhassi project in Kannur. There are still some canals in Pazhassi project where not even a drop of water flows. The budget has doubled the allocation for the Pazhassi project from Rs 5 crore to Rs 10 crore. It is hoped that by 2023 or early-2024, water will start flowing through Pazhassi's canals. There is a general lack of confidence that big projects cannot be implemented. We must and can fix it.

What is the most important challenge before us in the field of animal husbandry? Kerala is the State with the second highest productivity of milk in India. Average productivity in Punjab is 14 litres/day while in Kerala it is 10.2 litres/day. But how Kerala can reach the productivity of Punjab needs to be studied. It needs to do four important things.

First, we need to explore the various possibilities of hybrid insemination to improve the genetic makeup of our cattle population. Here the Kerala Livestock Development Board (KLDB) has potential for effective intervention, and more money has been allocated to them

in the budget. Two, we need a fodder plan. The biggest problem in Kerala today is lack of fodder. The area under fodder cultivation should be increased from the present 2000 hectares to 12000 hectares. More allocation for this purpose has been given to Kerala Feeds Ltd. Three, milk cooperatives procure about 30 percent of the total milk production in Kerala. This must be increased to 50 percent. Only then can farmers get a better price for milk.

Similarly, value-addition potential should be actively explored, as Kerala may soon achieve self-sufficiency in milk production. For that purpose, the construction of a milk powder factory has been started at Murkkanad in Malappuram. The budget has allocated money for that too. Hopefully it will be completed soon.

In sum, agriculture in Kerala can no longer be approached in a traditional planning style. It will fail. We can move forward in the agricultural sector only by adopting a planning scheme that accurately understands the severe crisis that exists today in the sector, its scientific and technical aspects, as well as its social, economic and structural aspects. We see that recognition in this budget.

Reference

- Government of Kerala (2021). *Economic Review Volume 1*, Kerala State Planning Board, Thiruvananthapuram.
- Government of Kerala (2022-23). *Budget Speech 2022-23*, Finance Department, Thiruvananthapuram.
- Government of Kerala (2021), *Kerala Development Report*, Kerala State Planning Board, Thiruvananthapuram.