

Govt plans income support, free insurance for farmers

Move could cost Centre, states ₹600-700 bn a year

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With the 2019 Lok Sabha elections in mind, the government is looking at a sort of income support scheme for farmers, along with tweaking some existing programmes, to make them more beneficial and improve their acceptability among growers.

On account of this, the exchequer could take a hit of ₹600-700 billion a year and the finance ministry is looking at options to share the burden with states, officials said. Free crop insurance and tweaking the credit schemes are also being considered as part of the measures.

The Central government is under pressure to do something for farmers, following the ruling BJP's defeat in three big states of Madhya Pradesh, Rajasthan and Chhattisgarh. An option to incorporate income support schemes into the ongoing umbrella programme PM-ASHAA could be considered.

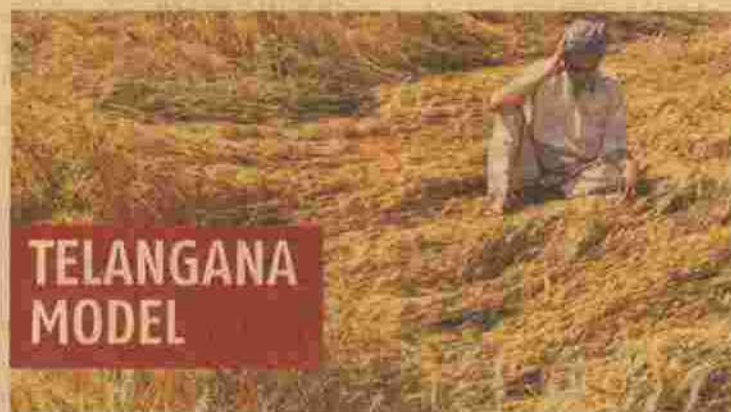
Officials in the know said hectic parleys had been held on the broad contours of the proposals in the past few

days among Prime Minister Narendra Modi, Finance Minister Arun Jaitley, Agriculture Minister Radha Mohan Singh and senior bureaucrats of the ministries concerned along with the new chief economic advisor, Krishnamurthy Subramanian. Some sort of consensus seems to be building towards following the Telangana model of "Rythu Bandhu" nationally but on a scaled-down version in the initial stages, targeting the most marginal farmers, initially those owning land.

Telangana Chief Minister K Chandrababtu Naidu, who pioneered the Rythu Bandhu scheme, met Prime Minister Modi recently and explained the finer points of the scheme to him. Of late, Odisha, along with BJP-ruled Jharkhand, had announced their own income support schemes on a per-acre and per-family basis, on the lines of Rythu Bandhu.

Officials said rough estimates showed 90-110 million extremely small and marginal farmers, largely those who owned land, could be targeted nationally. However, before the national roll-out, the first phase could be started in the form of pilot in select districts.

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- **To prevent farmers from falling into a debt trap,** Telangana govt started the agriculture investment support scheme 'Rythu Bandhu' on May 10
- **Under the scheme, a grant of ₹4,000 per acre** is given to eligible farmers in each season (kharif and rabi) for purchase of inputs like seeds, fertilisers, pesticides, and labour as investment support
- **Estimates show that 5.9 million farmers** are covered under the initiative, and the total burden on the exchequer is around ₹120 billion
- **Main criticism of the scheme is that around 1.5 million tenant farmers** aren't covered under it. Besides, experts say it remains to be seen whether direct income support compensates for fall in prices

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Tenant farmers who are not part of the parent scheme could get into it at a later stage.

Officials, however, have strongly discounted any proposal of a blanket nationwide loan waiver for farmers as being demanded by the Congress on the grounds that it isn't on the agenda of the government.

They say the Prime Minister's Office (PMO) is exploring two timelines: Either to announce a package in the upcoming 2019-20 budget, to be presented on February 1, or announce something before that after the Winter Session of Parliament ends.

A number of officials are learnt to have advised the PMO to announce a package in the next three weeks.

Currently, under the flagship Pradhan Mantri Fasal Bima Yojana (PMFBY), farmers are charged a premium at the uniform rate of 2 per cent for all Kharif crops, 1.5 per cent for all Rabi crops, and 5 per cent for commercial and horticulture crops.

"Even this could be waived to make insurance free for farmers," a senior official privy to the discussions said.

That apart, officials said another proposal being considered was expanding the ambit of short-term crop loans so that more farmers were encouraged to join the formal credit structure. Mandi receipts could be accepted as valid documents for small loans.

"The finance ministry is working on permutations and combinations as to whether the expenditure (₹600-700 billion) would be shared in the ratio of 70:30 between the Central government and states, or 60:40 or 50:50 as is the case with various existing programmes," the senior official commented.

Officials of other ministries said several drawbacks of the scheme had been pointed out and the highest authorities were considering them.

Meanwhile, critics say simply adopting the direct income support scheme nationally will not solve all the problems of the agriculture sector and there should be state- and crop-specific solutions.

"If the onion price crashes to ₹1 per kg, what can a direct income support scheme like Rythu Bandhu do?" asked former agriculture secretary Shiraz Hussain.