

29 January, 2018



**Expectations of
Commodities Market
from
Union Budget 2018-19**

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Last year, lots of discontent was seeing amongst the farmers as market prices fell below support price levels across a range of commodities. For example, farmers sold maize for Rs.600 per quintal and soybean for Rs.2,200 per quintal, whereas the minimum support price is Rs.1,400 per quintal and Rs.3,050 per quintal, respectively. The Central Statistics Office has pegged farm and allied sector growth at 2.1% for 2017-18, much lower than 4.9% achieved in the 2016-17. Agriculture growth had accelerated to 4.9% in 2016-17 from 1.2% in drought-hit 2015-16. In the 2014-15, it was almost flat. Every year five million people are leaving agriculture, looking for opportunities elsewhere. Going forward, the government is determined to double the farmer's income by 2022 & because the country's economic growth will be justifiable and equitable only after the benefits were clear and evident in the farm sector. This budget the government will possibly introduce new policies and allocations in agriculture sector that will ensure good prices for farmers' crops, food and nutritional security for the population, minimum wastage and higher processing of produce. The Union Budget 2018-19 will be presented on February 1 & the Honourable Finance Minister Arun Jaitley has given ample hint that Budget 2018 is going to be a farmer's Budget. The Union Budget is expected to significantly focus on agriculture with a view to improving rural economy and livelihoods.

Expectation of Agriculture Sector

- In the Budget, the Finance Minister is expected to increase the total allocation to the farm sector significantly to address the farm distress.
- The Union Budget 2018-19 is likely to give freedom to states to intervene in agriculture markets so that prices don't crash sharply, but the Centre may have to bear up to 40% of the losses suffered by states due to the Minimum Support Price (MSP) of a crop. The proposal is being seen as a move to address the continuing rural distress.
- The government needs to ensure that farmers use modern technologies that minimise water use. Instead of giving fertiliser subsidies, of which only a third reach the intended beneficiaries, it needs to introduce, educate and incentivise farmers of the use of technologies that optimise fertiliser use and minimise cost.
- The government should include all farm produce, including forest produce, under MSP and ensure that farmers get it.
- Farmers' organisations have been demanding a loan waiver for agriculture workers, small and middle farmers.
- Budget must do something for rainfed farmers. Each farm family must get a monthly income of matching the minimum basic salary of the lowest government employee. The Economic Survey 2015-16 places the problem in a nutshell: "According to NSS data, the average annual income of the median farmer (of each State by net income) net of production costs from cultivation is less than Rs.20,000 in 17 States. This includes produce that farmers did not sell (presumably used for self-consumption) valued at local market prices.
- The government is likely to increase the budget allocation for the Pradhan Mantri Fasal Bima Yojana (PMFBY) to Rs.13,000 crore for 2018-19 from Rs.10,701 crore for the current financial year.
- Budget is likely to consider higher outlays for market intervention schemes, MGNREGA, higher crop insurance outlay (at present Rs.9,000 crore), price deficiency payments (already in force in Madhya Pradesh to compensate farmers for the difference between market price and MSP) and spread of e-NAM or National Agriculture Markets.
- The Centre's food subsidy bill is likely to go up by 10% to around Rs.1.60 lakh crore in the 2018-19 budget due to rise in minimum support prices but no change in subsidised rates of foodgrains.
- The total budget allocation for the food ministry is also expected to increase to Rs.2.20 lakh crore (inclusive of food subsidy) in the next fiscal from Rs.1.96 lakh crore in this year.
- The budget allocation for the PMFBY could go up to Rs.13,000 crore for the next fiscal taking into account about 10% likely increase in the sum insured.
- The Agriculture Ministry has demanded Rs.11,000 crore budget for the next fiscal for the flagship scheme, but the ministry is hopeful of getting more funds from the Finance Ministry considering the importance of the scheme.

- The government is likely to increase the budget allocation for farm education, research and extension by up to 15% to around Rs 8,000 crore in 2018-19 fiscal as focus will be on making rapid strides in doubling farmers' income.
- There are expectations that 15% higher budget allocation would be made available for the DARE (Department of Agricultural Research and Education). In the next fiscal, DARE is planning to focus on using technology and agri-innovations in particularly 150 backward districts and build capacity of farmers in tribal areas. It is also considering initiating programmes on use of sensors in agriculture, build and transfer post-harvest technology, use of animal cloning for commercial application, genome editing in select crops and bio-fortification.
- It is also expected that the government may increase the agriculture credit further from the record level of Rs.10 lakh crore set for 2017-18.
- The government is likely to allocate 5 billion rupees under Sugar Development Fund in the upcoming Budget for 2018-19 (Apr-Mar)

Expectation of Exchanges

- First expectation is abolition of CTT. The levy of Commodities Transaction Tax on non-agriculture commodities ever since 2013, has severely impacted trading volumes. Increase in transaction cost, post-tax, has affected all market players, especially retail traders.

Expectation of Bullion Sector

- The commerce ministry has pitched for reduction in import duty on gold in the forthcoming Budget with an aim to promote gold jewellery exports.
- In bullion, the domestic industry is hoping for tax relief.
- All India Gems and Jewellery Trade Federation has urged the government to reduce the import duty on gold to 4% and also address issues under the GST regime in the coming Budget.
- The industry body has also requested government to increase the invoice value to a minimum of 2,00,000 from the current Rs.50,000. Also, to increase the cash purchase limit to at least Rs 1,00,000, which is kept at Rs 10,000.
- There is demand for want support for technology upgradation and setting up of gems and jewellery parks in the country and streamlining of labour rules.
- Since the gems and jewellery sector contributes significantly to exports, it is expected that the Finance Minister may take measures to boost exports and create jobs in this labour-intensive sector.
- There may be measures to attract more investor participation in sovereign gold bonds.

Expectation of Base Metals Sector

- The stainless steel industry has asked the government to remove import duty on ferro-nickel and stainless steel scrap.
- There are expectations that the government increase basic custom duty on aluminium and its scrap to 10% each from 7.5% and 2.5% respectively.

Expectation of Energy Sector

- India's oil ministry is pushing for a cut in excise duty on petrol and diesel in the upcoming 2018/19 budget to cushion the impact of rising oil prices on its vast consumer base.

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