

## ECONOMY

### State of the Economy–Budget 2021-22

- As mentioned in Budget 2022-23 documents, India's economic growth is estimated at **9.2%** to be the highest among all large economies.
- Entering Amrit Kaal, the 25 year-long lead up to India @100, the budget provides the impetus for growth along with four priorities:

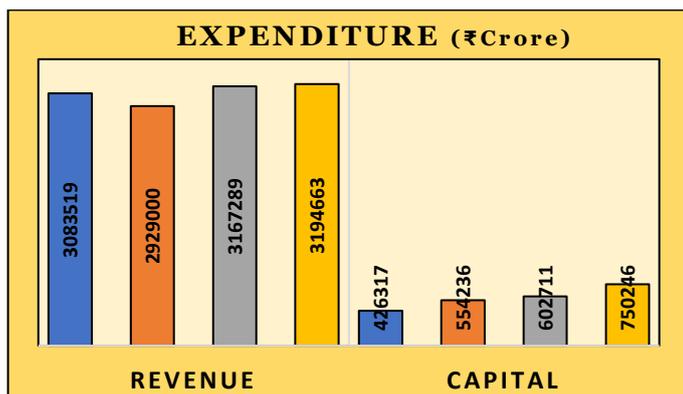
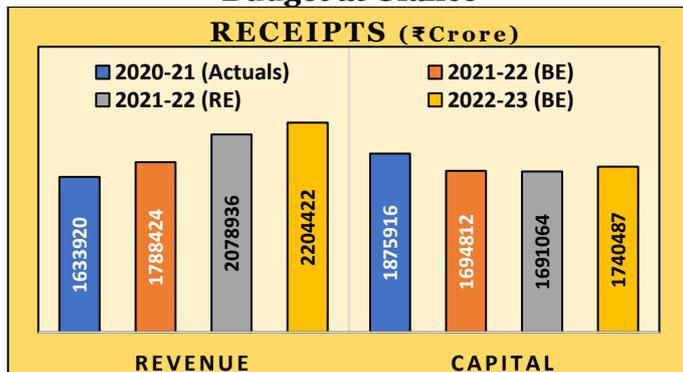
PM GatiShakti

Inclusive Development

Productivity Enhancement & Investment, Sunrise opportunities, Energy Transition, and Climate Action

Financing of investments

### Budget at Glance



### Announcements related to Agriculture and Allied Sectors

- The government has allocated an estimated budget of ₹6,75,000 crore for PM-KISAN, ₹15,500 crore for crop insurance scheme, ₹7,183 crore for the Krishonnati Yojana, ₹10,433 crore for the Rashtriya Krishi Vikas Yojana (RKVY) and about ₹1,500 crore for Market Intervention Scheme–Price Support Scheme.
- Chemical free farming:** Chemical-free natural farming will be promoted throughout the country, with a focus on farmers' lands in 5-km wide corridors along river Ganga, at the first stage.

**Food processing:** Govt. will provide a comprehensive package with participation of state governments for farmers to adopt suitable varieties of fruits and vegetables, and to use appropriate production and harvesting techniques.

**Millet marketing:** In the International year of millets 2023, support will be provided for post-harvest value addition, enhancing domestic consumption, and branding millet products nationally and internationally.

**Minimum Support Price:** The procurement of wheat in Rabi 2021-22 and the estimated procurement of paddy in Kharif 2021-22 will be covering 1208 lakh metric tonnes of wheat and paddy from 163 lakh farmers involving a direct payment of ₹2.37 lakh crore.

**Domestic production of oilseeds:** To reduce dependency on import of oilseeds, a rationalized and comprehensive scheme to increase domestic production of oilseeds will be implemented.

**Irrigation:** Ken-Betwa Link Project at an estimated cost of ₹44,605 crore, to irrigate 9.08 lakh hectare of farmers' lands and provide drinking water supply, hydro and solar power will be implemented.

**Funding under co-investment model:** A fund with blended capital, raised under the co-investment model, will be facilitated through NABARD. This is to finance startups for agriculture and rural enterprise, on farm produce value chain.

**Promoting the usage of drones:** 'Kisan drones' for crop assessment, digitization of land records, spraying of insecticides, and nutrients.

**Hi-tech services to farmers:** To provide digital and hi-tech services to farmers with involvement of public sector research and extension institutions along with private players–PPP mode will be launched.

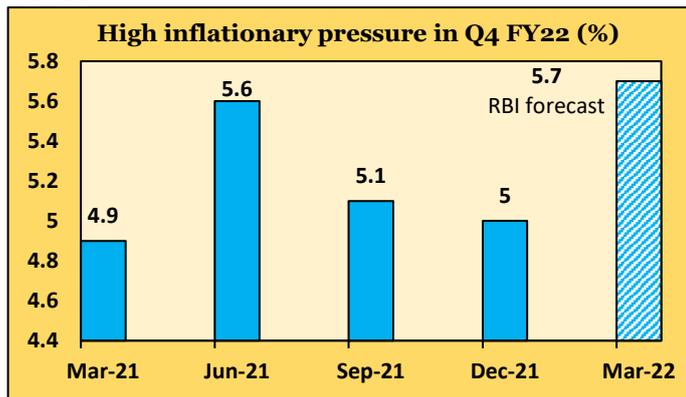
**Support digital interventions:** Budget is focusing on digital intervention in the country through supportive policies, light-touch regulations, facilitative actions to build domestic capacities, and promotion of research and development. Budget has specific provision for Government contribution in R&D which will strengthen India's capability in artificial intelligence, geospatial systems and drones.

**Interest slash for cooperative societies:** Reduction in cooperative societies' alternate minimum tax from 18.50% to 15% has been announced. Surcharge has also been reduced from 12% to 7% for those having income of over ₹1 crore and up to ₹10 crore.



## Inflation outlook

- **Inflation expected to toughen:** India's retail price inflation rate has been rising for the past three months. It touched 5.6% in December 2021. As per economists, it is expected to move closer to 6%, the upper limit of the RBI's tolerance in January 2022.
- The probable rise in inflation can be attributed to two major reasons - firstly, imported inflation primarily through high global crude oil prices and secondly, lower prices in the base period for food products.
- Further, the RBI has projected inflation to be at 5.7% during January-March 2022.
- Inflation has become a serious cause of concern with core inflation remaining sticky at around 6% together with rising non-core inflation. While the core component (excludes food and fuel group) has been hovering around 6% since the beginning of 2021, the non-core part of inflation has been rising since September 2021. It had reached 5% in December 2021.



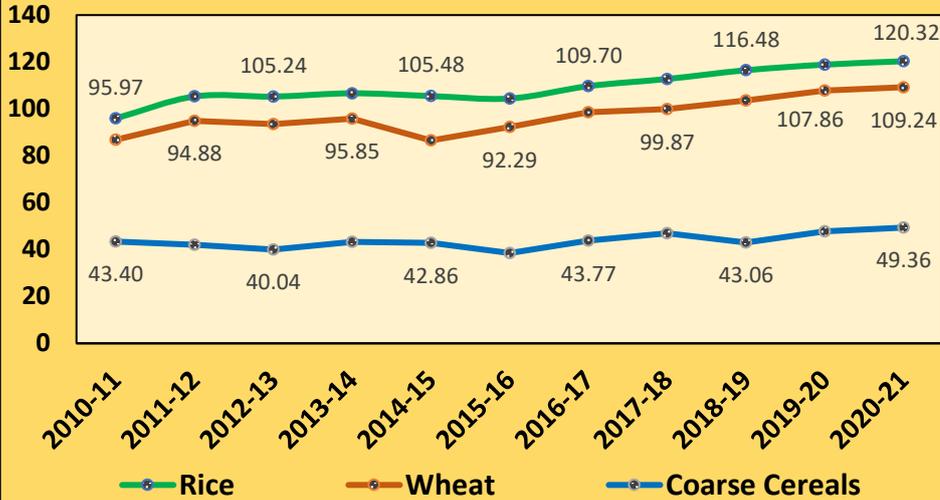
- Crude oil and petroleum products account for around 25% of India's total imports and around 85% of its annual oil requirement. Higher global oil prices during January 2022, together with a weakened rupee will result in a higher import bill for India. This will eventually lead to a rise in imported inflation, feeding into both core and non-core inflation.
- The general expectation is that the government and the central bank would balance their efforts to support economic growth considering rising inflationary pressures. At the current juncture, the conduct of domestic monetary policy is primarily attuned to the evolving inflation and growth dynamics even as we remain watchful of spill overs from the uncertain global developments and divergent monetary policy responses.
- The third wave of Covid in India might be shorter in duration as compared to the previous waves, but it would marginally increase inflationary pressures and cause a delay in a reverse repo rate hike from February to April.

## Interest Rate Outlook

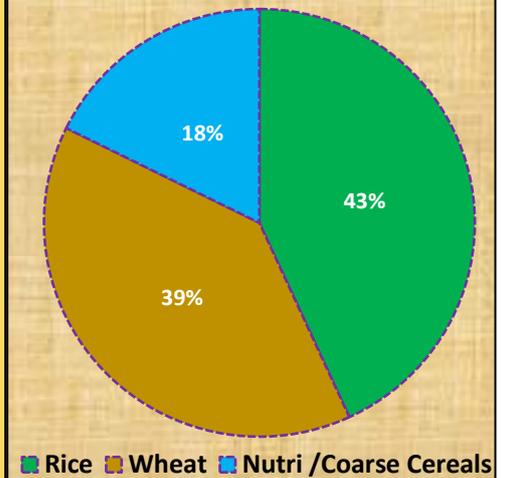
- **Crude oil on a boil:** Crude oil prices had breached the level of \$90 per barrel and are expected to touch \$100 per barrel in the coming days. This will have an impact on inflation and will lead to added pressure on RBI for policy normalization i.e., increasing the interest rates.
- **Bond yields shoot up as government resorts to record borrowings:** In the wake of Union Budget pegging the market borrowing at ₹14.95 trillion for the next fiscal bond yields are expected to rise.
- **Decisions during Meeting of the Monetary Policy Committee: 08-10 Feb:** Based on an assessment of the current and evolving macroeconomic situation, the MPC has decided as under:
  - To keep the policy repo rate under liquidity adjustment facility (LAF) unchanged at 4.0%. The reverse repo rate under LAF remains unchanged at 3.35% and marginal standing facility (MSF) rate and Bank Rate at 4.25%.
  - Continue with an accommodative stance to revive & sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy.
  - Real GDP growth is projected at 7.8% in 2022-23 compared to expected growth of 9.2% this year.
  - Measures announced in the Union Budget 2022-23 should boost aggregate demand. The global macroeconomic environment is, however, characterised by a deceleration in global demand in 2022, with increasing headwinds from financial market volatility induced by monetary policy normalisation in the systemic advanced economies (AEs) and inflationary pressures from persisting supply chain disruptions.
- **Bond yields decline as RBI stand looks more dovish than expected:** India's 10-year benchmark bond yield fell 11 basis points to 6.69%, in reaction to the policy, while the rupee weakened just slightly to 74.93 per dollar.
- The RBI surprised by not only doubling down on its familiar orthodoxy of keeping rates and stance unchanged, but also expressed a dovish outlook for inflation for FY23, forecasting it at 4.5%. This suggests that the RBI is likely to remain behind the curve, until macro circumstances warrant a shift of gears.
- Retail inflation accelerated to a five-month high of 5.59% in December from a year earlier, while wholesale price-based inflation, a proxy for producer prices, eased marginally to 13.56%, but remained in double-digits for nine straight months.

## Dashboard on production of major agricultural crops

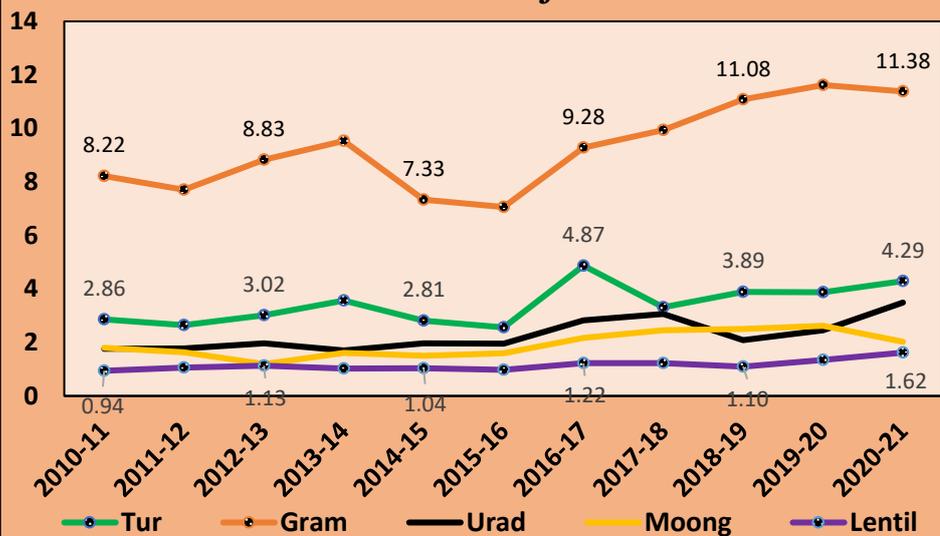
### Production of Cereals (million tonnes)



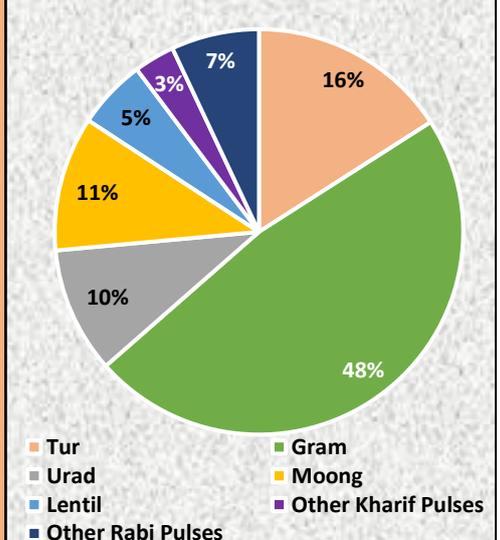
### Cereals Production 2020-21



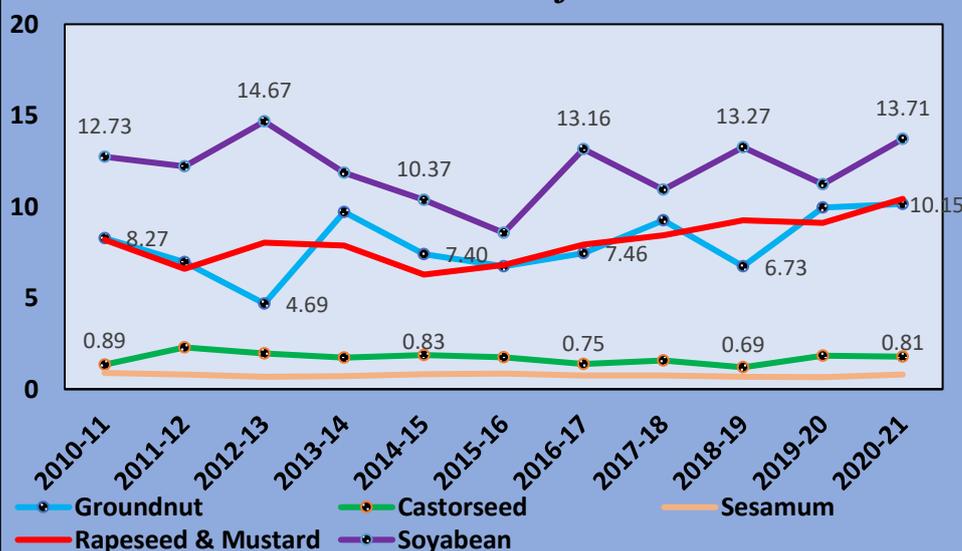
### Production of Major Pulses



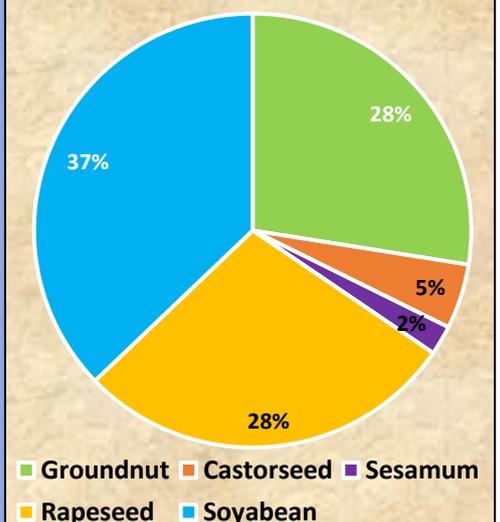
### Pulses Production 2020-21



### Production of Major Oilseeds



### Oilseeds Production 2020-21





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ECO  THINK

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## Report THINK

### Assessment of Agricultural Plastics and their Sustainability: A call for action

- This edition of Report Think covers the captioned report released by Food and Agriculture Organization (FAO). The report presents the results of a study investigating agricultural plastic products used globally in a range of different value chains.
- This report provides information on the following:
  - i. Use and benefits of plastics in agriculture.
  - ii. The types and estimated amounts of agricultural plastic products in use.
  - iii. The harm caused by plastics.
  - iv. Priority agricultural plastic products.
  - v. Frameworks to facilitate good management practices.
  - vi. Recommendations to move towards a circular economy for agricultural plastics.
  - vii. Uses of agriculture plastics
- The use of plastic products in today's agriculture is becoming increasingly commonplace all around the world.
- The versatility and variety of plastic polymers, their ease of manufacture, physical properties and affordability make them the material of choice for many applications in agriculture.
- Most fishing gear is made of plastic. Plastic greenhouse and mulching films together with drip irrigation help fruit and vegetable growers to increase yields, reduce water and herbicide use, and control crop quality.
- Polymer coated controlled release fertilizer provide plants with the nutrients at the rate they need, avoiding emissions to water and air. Silage films help livestock farmers produce healthy, long-lasting and nutritious fodder, and avoid the need to construct barns and silage clamps. Plastic tree guards are used extensively in tree plantations.

### Damaging effects of Agri-plastics

- Despite the many benefits listed above, agricultural plastics also pose a serious risk of pollution and harm to human and ecosystem health when they are damaged, degraded or discarded in the environment.
- In 2019, agricultural value chains used 12.5 million tonnes of plastic products in plant and animal production and 37.3 million tonnes in food packaging. Furthermore, the agricultural plastic industry forecasts the global demand for greenhouse, mulching and silage films to increase by 50% from 6.1 million tonnes in 2018 to 9.5 million tonnes in 2030.
- The crop production and livestock sectors are the largest users, accounting for 10 million tonnes per year collectively, followed by fisheries and

aquaculture with 2.1 million tonnes, and forestry with 0.2 million tonnes.

- Data suggest that only small fractions of agricultural plastics are collected and recycled, predominately in developed economies. There is evidence that elsewhere most plastics are burned, buried, or landfilled, although record keeping is generally non-existent.
- The accumulation in surface soils of residues of mulching film – a major category of agricultural plastic by mass – has been shown to reduce agricultural yields. Of increasing concern is the formation and fate of microplastics derived from agricultural plastic products, which have potential to transfer along trophic levels, with the possibility of adversely affecting human health. Larger plastic residues in both aquatic and terrestrial environments have the potential to harm wildlife through entanglement and ingestion.

### Call for Action: Suggestions and Policy Recommendations

- The report identifies alternatives and interventions to improve the circularity and sound management of agricultural plastics based on the 6R model (Refuse, Redesign, Reduce, Reuse, Recycle, and Recover).
- Depending on the application, these could include:
  - i. Adopting agricultural practices that avoid use of plastic;
  - ii. Eliminating the most polluting plastic products; substituting plastic products with natural or biodegradable alternatives;
  - iii. Promoting reusable plastic products;
  - iv. Improving waste management practices; adopting new business models;
  - v. Establishing and enforcing mandatory extended producer responsibility schemes for collection and environmental management of agricultural plastic;
  - vi. Establishing fiscal measures and incentives to drive behavioral change within the supply chain, and among users and consumers.
- At the international level, the report recommends a two-pronged approach:
  - i. Developing a comprehensive voluntary code of conduct to cover all aspects of plastics throughout agri-food value chains. The code of conduct should pay attention to the full life cycle of a plastic product from its design, regulatory approval, manufacture, distribution, sale, use, and management at end-of-life.
  - ii. Where ever appropriate, existing international conventions could consider mainstreaming specific aspects of the life cycle of agricultural plastics, such as: the Basel Convention, beyond just wastes; and the MARPOL Convention for the management of plastics used in fisheries and aquaculture.

Source: <https://www.fao.org/documents/card/en/c/cb7856en>