

Subsidy in Agriculture to Gain Food Self Sufficiency is a Must

1. Agriculture is the life line of Bangladesh Economy

Agriculture is the life line of Bangladesh economy, analyzing the existing scenario it can be surely said that, importance of agriculture will continue in future also. Most of the people live in rural area, a large part of whose income comes from agriculture sector. Though the contribution of agriculture to the GDP is reducing, government still relies hugely on agriculture for state productivity and employment. From that point of view, it is a very common to hope that, agriculture sector will get special attention. But the proposed budget for the year of 2011-12 is not reflecting that desired expectation, rather it seems that the present government has turned back from its election manifesto. We are observing with deep concern that, subsidy for the agriculture sector has been proposed to reduce. There is concern that, this will hamper the GDP growth, food production and employment in future.

2. Government's Election manifesto and the vision 2021

In the election manifesto of the present government for the election of 2008, emphasis was given to the development of agriculture sector. There were promises to achieve food self sufficiency within 2013, and to make this happened there were also pledges to increase subsidy, making availability of agriculture materials, ensure desired price, emphasis to gain self reliance in other agriculture sub sectors like fisheries, livestock and salt. This government has declared the vision 2021 in 2009, which states the target of gaining self reliance in food within 2013

Increase of subsidy and investment has been stated as a strategy to increase growth in the 6th five year plan.

3. The Role of the current Government

A. Govt took good initiatives in the previous years

During the last two years government took some excellent initiatives towards agriculture, which created new hope among the farmers. Government increased subsidy for agriculture sector, price of fertilizer were reduced, farmers were able to get the subsidy directly by their bank account which were opened with just taka 10. Hopes have been created that; those trends in favor of farmers will be continued.

B. Government has turned back from it's Election Manifesto

It is our observation that, government has turned back from its pledge for the agriculture sector. In the proposed budget for the financial year 2011-12 subsidy for the agriculture sector has been reduced instead of any increment. During the last year subsidy for the agriculture sector was taka 5700 crores and this year the amount is lessened to taka 4500 crores, taka 1300 crores lower than the previous year. In the last year total budget for agriculture was taka 13079 crores, and the proposed budget for this year is taka 12500 crores, again lower than the previous year. We think that, this kind of allocation is contradictory to the governments commitment of food self reliance and the vision 2021.

In the budget of 2011-12, allocation for some other social safety nets has also been decreased. Though apparently it seems that, budget

allocation for these sectors has been increased, these allocations are pretty much lower and small in terms of the proportion of total GDP. Since during the previous year our GDP growth increased, so it should have been reflected in allocation for the safety nets. Allocation for the health and social security sector is taka 22556 crores, which is only 2.5% of the total GDP and 13.79% of the total budget. The allocation for the last year was 2.64% of GDP and 16% of the total budget. Economists' concern is that, due to increasing inflation this allocation will be less effective and thus a huge number of poor people will be thrown away out of this net.

C. How Much Positive this budget is?

The Finance Minister states that, this budget is a journey to future development and its aim is to build a happy, prosperous and welfare state. But, in fact, we think that, this budget will bring various crises for the poor. The potential impacts of the proposed budget are as stated in the table.

4. Finance Minister bows to IMF to get 1 billion dollar loan?

From the beginning of 2009, the government has been trying to get a loan of 1 billion dollar from IMF. Main aim of this loan is to ensure financial support for budget implementation. IMF has given some conditions against the loan support. There were conditions to reform the VAT law, expansion of VAT and withdrawal of subsidy for development sector. To go with those conditions, government has already increased the price of fuel and CNG, in the proposed budget subsidy has been decreased.

proposed Budget for the FY 2011-12	The Potential negative effect
So much dependency on VAT for Revenue collection	Living cost and poverty will be increased
Decrease the subsidy for the agriculture sector	Price of agriculture materials will be increased, productivity will be decreased, farmers will be deprived of just price, above all, target of food self sufficiency will be hampered and Bangladesh will be turned into a dumping station subsidized food grains of developed countries.
Inappropriate allocation for the health and social security	Human development initiatives will be hampered, employment spree will be lessen, unemployment will be increased and thus social instability will take place.
Dependency on Bank Loan	Taking excess bank loan can create shortage of capital for investment. Inflation will be increased and it will create burden for poor.
Increase allocation for repayment of loan.	Burden of taxes on revenue collection will be increased. Government will have to face challenges in financing for the annual development plan.

Analyzing these circumstances we can state that, government has bowed to the IMF and turned back from its election manifesto.

5. Developed countries are providing subsidy to their agriculture sector

According to WTO condition, 10% of total monetary price of agriculture

can be given as subsidy. Agriculture contribution is 22% of our total GDP and it is worth of taka 197900 crores and thus government can provide subsidy of taka 19500 crores. But currently the subsidy rate is just 2.2%. We are reducing our subsidy and the developed countries are increasing it by 7-8%.

Countries from America and Europe are providing subsidy in various ways. In Europe cleanliness of the agriculture land are done by the governments own cost in the name of making it pesticide free and govt. makes the irrigation system. In Europe one cow gets 6 dollar in an average daily as subsidy. As a result Bangladeshi dairy firms find it hard to compete with those subsidized international firms.

6. Our Demands to the Finance Minister

Bangladesh government was failed to face the food scarcity in 2007 by importing from other countries. India did not export rice even though there was commitment to do that. So, we have to prepare development plan keeping the food self reliance issue in mind. Other wise government will have to face tough day, IMF will not let it support when it will really

needed. We have example that, during any crises IMF keep itself silent. And that's why our demands are:

A. Withdraw the proposal of decreasing subsidy in agriculture sector. Other productive sub agriculture sector like poultry, livestock, and fisheries should also get subsidy to comply the vision 2021 and it was also stated in the election manifesto of this government.

B. Take initiatives to strengthen Bangladesh Agriculture Development Corporation. Farmers club, Agricultural processing zone are not long term and sustainable solution. BADC should get allocation for strengthening it's capacity to produce agricultural materials, seed preservation and distribution.

C. Sufficient allocation is needed for research. In the proposed budget there is no allocation for this purpose. Proper utilization of research fund should also be ensured.

D. Government has to give more emphasize on direct taxes and dependency on indirect taxes should be reduced. Govt. should be poor friendly in VAT policy; it should refrain from imposing VAT essential goods.

Organizations

Arpon, Online Knowledge Center, EquityBD, CSRL (www.csrl.org), SIRAC Bangladesh, Kishani Shova, Shurrakkha and Agragoti Foundation, Lead Trust, Prodip, Voice, Bangladesh Bhumihin Somiti, Bangladesh Krihsok Federation, Manush Manusher Jonno, Pothikrith.

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