



# drishti

## Power Subsidy in Agriculture and Related Issue

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The Article is based on “New era of pervasive agricultural subsidies” that published in The Hindu BusinessLine on 13th August. It talks about the trade-off between Power Subsidy in Agriculture and Groundwater and the way forward.

### Context

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- There has been a **sharp growth in electricity use in the agriculture sector**, especially since the 1980s with consumption rising from 8% of total consumption in 1969 to 17% in 2016. This is supplied either free or at subsidised rates, and a large part of it is not metered.
- There is a strong **linkage between electricity, water and agriculture**. All of the electricity supplied to agriculture is used for pumping water, mostly groundwater for irrigation. Close to 85% of pumping energy used in agriculture comes from electricity, the rest being mainly from diesel.
- In this scenario, managing India’s groundwater has become a big challenge for policymakers.
  - **Power subsidy for irrigation leads to excessive groundwater usage** that is already visible in states such as Punjab and Haryana.
  - Nearly 80% of groundwater reservoirs in Punjab and 60% in Haryana are over-exploited, a direct result of the irrigation and power subsidy.
- The question is **how the mode of electricity pricing supplied to agriculture could be changed to control groundwater abstraction** and to achieve the goals of efficiency, equity and sustainability.

### Major Impacts of Power Subsidy

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- **Depleted aquifers** due to overexploitation of groundwater
- **Massive waste of power** due to large unmetered connections
- Huge **financial burden** on state governments

- **Deteriorating financial health** of the electricity distribution companies (DISCOMs)
- **Increased cross-subsidy burden** on industrial and commercial consumers
- **Promotes unsustainable agriculture:** free availability of electricity to farmers promotes growth of crops not suitable to agro-climatic zones like rice in Maharashtra etc.

## Suggestions to Rationalise Farm Sector Subsidies

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- **Adopting Direct Benefit Transfer** (DBT) for power subsidy.
- **Metering:** Large number of unmetered connections for farm irrigation leads to unrestrained usage of electricity for irrigation leading to massive waste of power and groundwater. Thus, metered connections would bring accountability of electricity usage in irrigation through better estimation of power consumption.
- **Pro-rata pricing of electricity** as successfully implemented by West Bengal
- **Incentivising the farmers to use less electricity** as done in Punjab.
- **Promoting efficient irrigation technologies** and **water-efficient crops** and disincentivizing water-intensive crops such as rice in areas where groundwater is rapidly depleting.

## Challenges in Rationalising Farm sector Subsidies

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- **Populism:** Political decision makers face political difficulties in implementing a rational price regime for agricultural power supply because it is hugely unpopular.
- **Fear of diverting subsidised money for irrigation for other purposes** is a hurdle in blanketly adopting DBT mode.
- **Yield loss in case of shift to less water-intensive crops.** Also, our procurement and pricing regime (MSP) at present promotes water-intensive crops.
- **Conflicting interests of different farmers' group:**
  - Farmers are reluctant to relinquish access to subsidized power, even when utilities promise supply-quality improvements.
  - Rich farmers often benefited more from these subsidies and so they resist any change that cuts down their benefits. On the other hand, small and marginal farmers, who constitute the majority of farmers in India, are laggards in deriving proportional benefits of most of the schemes and so they want change in policies.

## Way Forward

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- There is a **need for holistic and comprehensive strategy** to tackle problems related to agriculture, electricity and groundwater.

- These include **promoting solar-driven water-pumps for irrigation**, community driven regulation of groundwater extraction, allocating a fixed quota of subsidised power and water to each farmer, and a procurement and price regime to encourage a shift towards an appropriate cropping pattern.
- This would require a **great degree of coordination among various departments** — water resources, electricity and agriculture.

***Drishti Input:***

"Critically comment on the issue of power subsidy in the backdrop of depleting groundwater resources in India."