**ETW 13th to 19th Dec 2018**

* **Agri sector - FPOs (Farmer Producer Organisations) (BS 15/12/18)**
  + About FPOs
    - It is registered under section 25 of Companies Act
    - To join, the farmers are usually asked to pay a small amount/joining fee (sometimes as low as ₹ 100)
    - Currently there are about 4500 to 5000 FPOs all over India (there is a requirement of around 60000 FPOs), of which around 1500 are promoted by NABARD
    - Though the FPOs have been set up more than decades ago, the impetus was provided by the Agriculture Department when it published the National Policy and Guidelines in 2013
  + Financial assistance by the government
    - To promote the FPOs, a credit guarantee fund of ₹ 1 bn for FPOs in SFAC (Small Farmers’ Agribusiness Consortium) has been set up
    - A matching equity grant of ₹ 1 mn to all the registered FPOs was announced by the ten UPA government in FY14
    - In 2015, NABARD came out with the guidelines to promote FPOs
    - In budget for FY19, the finance minister gave a tax exemption for the FPOs having revenue up to ₹ 100 Cr (until then these were taxed at 30%)
  + The farmers get many benefits from the FPOs, as these FPOs purchase directly from the farmers and sell it to the companies/buyers
  + Despite this, the FPOs are unable to replace the co-operatives because
    - Lack of easy financing
    - Restrictions on operation in mandis
    - No proper guidelines for growth
    - Absence of overarching body to champion the cause of the FPOs
  + Way forward
    - SFAC has been proactive in promoting the cause of the FPOs, they must take the lead
    - The agriculture ministry should work with the FCI, state governments to allow the FPOs to conduct price support operations on behalf of the government
    - Should be allowed to run the mandis like the APMCs
* **Pushing more agri exports (BL 13/12/18)**
  + UAE is the largest buyer of India’s fresh fruits and vegetables accounting for 26% and 15% of exports
  + The boost the exports of fruits and vegetables the government agencies such as APEDA (Agricultural and Processed Food Export Development Authority) and DPPQS (Directorate of Plant Protection, Quarantine and Storage) need to be proactive
  + The exports of fruits and vegetables have been on decline in the last 4 to 5 years
  + The European Commission had prohibited imports of vegetables and plants from India since 2014, which was lifted in 2016, but the exports are yet to pick up. The DPPQS is not willing to issue the Phytosanitary certificates and APEDA hasn’t taken sufficient steps to promote exports (for example, West Bengal exported 3000 kgs of vegetables every day to Europe, Dubai, Abu Dhabi before the ban, which has come down to zero post the ban. Apart from this, the state also exported ₹ 50 to 60 Cr worth of betel leaves to EU which has been banned since 2017)
* **Food prices (TH 15/12/18)**
  + Retail inflation has come down to 17-month low of 2.33% in November compared to 3.31% in October
  + The drop has been contributed by the fall in food prices. The prices have dropped by 6.96% compared to a year ago and have entered into a deflationary rate of 2.61% (the prices for food have deflated for the second month in a row)
  + Though this is a good news for the consumers and RBI (which will have higher leg space to change the interest rates), it spells bad news for the cultivators of the crops
  + The lower prices will affect farm incomes, landless labour and rural demand
  + The core of the issue is high volatility of agricultural commodity prices, which are heavily dependent on the supply forces. Though the FPOs have come into picture, there are very few of them and are suffering from certain drawbacks and hence are unable to make any kind of perceptible difference
  + Keeping in mind the elections, the governments will keep announcing short term relief measures such as loan waivers, but what is needed is real agricultural reforms
* **Loss of employment in TMSME segment (TH 17/12/18)**
  + The TMSME Segment (Traders, Micro, small and Medium Enterprises) has seen job losses of 35 lakhs in the last 4.5 years, as per a report published by AIMO (All India Manufacturers’ Organisation)
  + Findings in the survey are
    - The job losses reported by various segments are
      * Trading segment - 43%
      * Micro segment - 32%
      * Small segment - 35%
      * Medium segment - 24%
    - Worst has been the loss of jobs for the self-employed such as cobblers, tailors, plumbers, barbers etc
    - Business saw growth in all businesses but took a hit after demonetisation followed by the implementation of GST
    - Number of companies which were making profits in FY15 are higher than the number today
    - This shows that the sectors mentioned are in stress and the government needs to take some reforms to address the issues
* **GST simplification (IE 19/12/18)**
  + The Govt wants to ensure that 99% of the goods will be taxed at 18% or lesser
  + Once done the 28% slab will be restricted to just a few items and around 1% of the total 1200 odd items under GST will continue to continue to taxed at 28% (sin goods/luxury goods)
  + As of now around 3% of the 1211 items are taxed at 28%
  + Though it will provide relief to the consumers, there is also a fear of reduced GST revenues. If the above proposal is implemented, it would lead to a revenue loss of ₹ 3500 Cr in the remaining three months of this fiscal. In this fiscal it has already been seen that the GST revenue collections have been lower than the targeted ₹ 1 lakh Cr per month. Apart from this, the pruning of tax rates on these items will boost the production of these items. Earlier in 2017, when these items were placed under 28% slab, it dented the production, as the market price of these goods increased
  + Since the rollout of GST last year, the GST council has rationalised the structure 4 times already