Central* Sector *Scheme of financing facility under 'Agriculture Infrastructure Fund'

Background:-

India has limited infrastructure connecting farmers to market and hence, 15-20% of yield is wasted which is relatively higher in comparison to other countries. Investment in agriculture in India has further been stagnant and lack of investor confidence is leading to lower plowback ratio (~14% of gross value addition in FY18) vs. other sector (~33% of gross value addition in FY18).

In order to address the existing infrastructure gaps and mobilize investment in agriculture infrastructure, a medium-long term debt financing facility of Rs.1 lakh crore through Agri Infra Fund was officially launched by Hon'ble Prime Minister on 9th August 2020.

Existing Scheme:-

1. The aim of the Scheme is creation of infrastructure at the farm gate. It is providing a medium - long term debt financing facility for investment in viable projects for post-harvest management Infrastructure and community farming assets through interest subvention and financial support for credit guarantee. The duration of the Scheme is from FY2020 to FY2029 (10 years).

2. Under the Scheme, Rs. 1 Lakh Crore is to be provided by banks and financial institutions as loans to Primary Agricultural Credit Societies (PACS), Marketing Cooperative Societies, Farmer Producers Organizations (FPOs), Self Help Group (SHG), Farmers, Joint Liability Groups (JLG), Multipurpose Cooperative Societies, Agri-entrepreneurs, Startups and Central/State agency or Local Body sponsored Public Private Partnership Projects.

3. Credit guarantee coverage is being provided for eligible borrowers of this financing facility under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme for a loan up to Rs. 2 crore. The fee for this coverage is to be paid by the Government. In case of FPOs, the credit guarantee is availed from the facility created under FPO promotion scheme of DAC&FW.

4. All loans under this financing facility is having interest subvention of 3% per annum up to a limit of Rs. 2 crore. This subvention is available for a maximum period of 7 years. For loans beyond Rs.2 crore, interest subvention is limited up to Rs. 2 crore.

Progress made under the Scheme:-

1. MOUs with all twelve public sector banks, twelve private sector, 1 Small Finance Bank banks and 45+ cooperative banks/RRBs have been signed by DAC&FW.

2. A portal for the scheme has been created with URL https://agriinfra.dac.gov.in

3. As on date, Rs. 2884 Cr. has been sanctioned under the scheme to 4822 projects of PACS (which includes in principle sanctioned projects by NABARD).

4. As on date, 4209 applications have been received on Portal by entities other than PACS. Out of which 3049 applications seeking loan of Rs.3237 Cr. have been found eligible by PMU and forwarded to banks for further Processing. Out of these 3049 applications, banks have sanctioned 1397 projects with a total sanctioned loan amount of Rs.1402 crore.

Proposed modifications in the Scheme:-

In view of various stakeholder discussions held under the scheme, we have identified a few key proposals to improve the utilization of the scheme budget and further enhance farmer welfare. These are as under:-

(1) Extension of eligibility to State Agencies/APMCs, National & State Federations of Cooperatives, Federations of Farmers Producers Organizations (FPOs) and Federations of Self Help Groups (SHGs).

(2) At present Interest subvention for a loan upto 2 crore in one location is eligible under the scheme. In case, one eligible entity puts up projects in different locations then all such projects will be now be eligible for interest subvention for loan upto 2 crore. However for a private sector entity there will be a limit of a maximum of 25 such projects. This limitation of 25 projects will not be applicable to state agencies, national and state federations of cooperatives, federations of FPOs and federation of SHGs. Location will mean physical boundary of a village or town having a distinct LGD (Local Government Directory) code. Each of such projects should be in a location having a separate LGD Code.

(3) For APMCs, interest subvention for a loan upto Rs. 2 Crore will be provided for each project of different infrastructure types e.g. cold storage, sorting, grading and assaying units, silos, etc. within the same market yard.

(4) Delegation of power to Hon’ble Minister of Agriculture to make necessary changes with regard to addition or deletion of infra type in such a manner so that basic spirit of the scheme is not altered.

(5) Extension of the period of financial facility from 4 to 6 years i.e. upto 2025-26 and extension of overall period of the scheme from 10 to 13 years i.e upto 2032-33.

Justifications:-

(1) The extension of the list of beneficiaries to also include APMCs, State Agencies, National and State level federations of Cooperatives, Federations of FPOs and Federations of Self Help Groups (SHGs) will help achieve a multiplier effect in generating investments while ensuring that the benefits reach small and marginal farmers.

(2) APMC markets are setup to provide market linkages and create an ecosystem of post-harvest public infrastructure open to all farmers. However, APMCs continue to suffer from a lack of infrastructure as highlighted across various reports including a report by "Committee on Doubling of Farmers' Income", Economic Survey of India, and Union Budget. Report by NABARD on 'Status of Marketing Infrastructure under Electronic National Agriculture Markets' suggests that only 67% of the regulated markets have covered and open auction platforms, only 25% of the markets have common drying yards, cold storage units exist in less than 10% of markets while grading facilities are only in less than 33% of markets. Further, with increasing competition for APMCs in the context of recent farm reforms, inclusion of APMCs as a beneficiary of financing facility under Agriculture Infrastructure Fund will enable them to upgrade infrastructure. Hence, there is ample justification in including the APMCs as beneficiary under the Agriculture Infrastructure Fund and supporting them in improving their infrastructure. Allowing multiple projects of different infrastructure types for a single APMC, with cap of Rs.2 crore on each infrastructure type, will help in creation of more and more progressive APMCs in the country, benefiting the farmers.

(3) National and State level Federations of Cooperatives, FPO Federations and Federations of Self Help Groups (SHGs) bring together 100s of farmers collectives and help them achieve scale and build market linkages. Federations also facilitate development of sustainable farmer groups in the state. They provide support in capacity building, technical training, financial intermediation, improving access to post-harvest infrastructure, and market linkage development. Example – Maha FPC Ltd., a federation of 303 farmer producing organizations in Maharashtra, have recently partnered with NAFED to launch an online mandi for agriculture commodities and plans to set up the same with around 50 FPOs in Pune. They will be setting up collection, primary processing, and storage infrastructure under the hub and spoke model, where Maha FPC will be the hub and around 50 FPOs in Pune will be the spokes collecting orders and providing service. They have already managed to achieve a turnover of ₹500 crores only through procurement of pulses and have significantly improved price realization of farmers. Hence, there is huge potential in supporting the federations under the Agriculture Infrastructure Fund and therefore it is proposed to add Federations of Cooperatives, FPOs and SHGs beneficiaries of this scheme.

(4) State level agencies, similar to Federations of Cooperatives, FPOs and SHGs work towards farmer welfare and improve access to market and infrastructure for a large number of farmers. The Uttar Pradesh State Warehousing Corporation is an example of such a state agency. They have built a warehousing capacity of nearly 39 lakh MT with greater than 80% utilization and provide 10% discount to Cooperatives

and 30% discount to farmers. With 150+ warehouses across the state, they have significantly improved access to post-harvest infrastructure for farmers. There are multiple agencies building infrastructure across the state for farmers, therefore it is proposed to add State agencies as beneficiaries of the scheme.

(5) The current scheme guidelines provide for interest subvention and credit guarantee benefit to only 1 project with a loan amount upto Rs.2 Cr per beneficiary. As a part of our outreach campaign, department has been interacting with a large number of FPOs, Agri SMEs, and innovative startups. These eligible beneficiaries are involved in improving access to community farming assets and post-harvest infrastructure and are working directly with a large number of small and marginal farmers across crops & districts. They are interested in investing in infrastructure across different locations and provide access to a large number of farmers. For example -Sahyadri Farmers Producer Company Limited, a large FPO working for the welfare of ~8000 farmers, deals in multiple fruits and vegetables like grapes, bananas, pomegranate, papaya, sweet corn, watermelon, etc. across multiple districts. The cap of one project per beneficiary limits the scale of investments & economic incentives, hence making the scheme unattractive. Hence, it is proposed to allow more than 1 project per beneficiary if projects are at different locations without altering the conditions of interest subvention for loan upto₹ 2 crore in respect of each location. In order to avoid the instances of one entity taking all the benefit under the scheme by setting up hundreds of projects, limit of maximum 25 projects per private entity is also proposed. This limit will not be applicable to state agencies, national and state level federations of cooperatives and federations of FPOs and SHGs.

(6) Requirement of regional balance in sanctioning projects and targeted allocation can met by increasing the period of disbursement to further five years including the current financial year thereby allowing disbursement upto 2025-26 so that the requisite goals are met. Since the scheme provides for interest subvention and credit guarantee for a maximum period of 7 years from the date of disbursal, overall period of the scheme needs to be increased from 10 years (2020-21 to 2029-30) to 13 years (2020-21 to 2032-33). During the financial year 2020-21, the projects amounting to about Rs.4000 crore have been sanctioned, the financing facility of the balance amount of Rs.96,000 crore has been distributed year-wise accordingly to be provided in the next five years.