Agri-infrastructure needs a push
Facilities that help reduce post-harvest wastage of produce will also boost farmers’ incomes

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The Union government’s recent initiative to create much-needed agriculture infrastructure through a ~1-trillion policy announcement should not be seen as an end in itself, but as a means to an end. It needs to be seen as a part of the broader strategy of enhancing farmers’ incomes and achieve nutritional security. The path ushered in by the government through this initiative, coupled with transformational reforms in agriculture, is laudable. Quick implementation will pave the way for achieving the goal of doubling farmers’ incomes.

Horticulture production has surpassed food grain production and this demands that we need to revisit the way agriculture markets operate in this country. Wastage of produce for fruits and vegetables ranges between 4.58 per cent and 16 per cent. This announcement addresses this fundamental issue faced by farmers — market expansion and access, reducing produce wastage, and holding inventory for extended durations.

In the past, the creation of agri-infrastructure was undertaken largely through budgetary sources, the Rural Infrastructure Development Fund (instituted in Nabard), or the National Bank for Agriculture and Rural Development, and a few other schemes (both loan- and grant-based). The infrastructure created has been largely through public investment.

The Ashok Dalwai committee, in which the first author was a member (as chairman, Nabard), had estimated the additional investment required between 2016-17 and 2022-23 at ~5.08 trillion (~2015-16 prices). Almost 60 per cent of this was to be funded through public investment. Additionally, the committee also estimated the physical shortfall with regard to integrated pack houses, reefer transport and ripening units at 99 per cent, 85 per cent and 91 per cent, respectively. The combined investment needed to bridge this shortfall in critical value-enhancing infrastructure has been estimated at ~8.55,515 crore. This cannot be met through public investment alone, and there is a definite role for the private corporate sector.

Plugging the gap in infrastructure is a relatively easy job involving the efficient use of financial resources and engineering skills. The difficult part is to make sure that it comes good for farmers. From the farmers’ perspective, the utility of the infrastructure and the agricultural reforms announced would add value if they are able to enhance their incomes; and this enhancement is not a one-off event, but comes through “new architecture” and the farmer is able to engage with the infrastructure created in an intense and sustainable manner. The new architecture is a combination of the various interventions announced, along with the reforms envisaged to rejuvenate agriculture.

The building blocks
The existing agriculture marketing infrastructure and market (the Agricultural Produce Marketing Committees, or APMC, and price discovery signals) have developed their own diseconomies and are in need of effective competition rather than supplanting. This fund intends to facilitate this alternative ecosystem. As farm gate facilities for marketing are unavailable, the farmer is forced to travel to the APMC mandis to sell produce. Farmers’ produce can be made productive when demand and supply distances are reduced.

This can be achieved by building post-harvest storage structures such as warehouses, cold storages and pack houses. The gap in warehouse storage is

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around 11 million metric tonnes in the country. An effective way of bridging this gap is to embark on creating decentralised warehousing (both wet and dry), as it helps rural communities to cope with the challenges thrown up by distress events like Covid-19. The way ahead is to involve primary agriculture credit societies (PACS) and other grassroots institutions.

Creation of agriculture infrastructure — including post-harvest management facilities, cold storage facilities and cold chain logistics — with the involvement of grassroots institutions like PACS and farmers’ producer organisations (FPOs) is the way to develop a viable remunerative supply chain that can directly feed demand not only at the local level, but also at the global level.

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How to do it
During Covid-19, the ability of FPOs to deliver was demonstrated successfully in some states. So, we have a proof of concept to work on quickly. It would be a fallacy to just provide these grassroots farmer-level institutions only standalone infrastructure like storage capacity. What should be envisaged is linking up through various interventions — from logistics and digital mode to the value chain. The government had, under the Mission for Integrated Development of Horticulture (Midhi), identified 78 Bagwani clusters. In these clusters, FPOs can be linked with the value chain and export markets. Many FPOs are already conducting activity/commodity-specific trades.

Essentially, while building this alternative structure, one should also envision the role it can play in building up an alternative price discovery mechanism. These institutions can be linked to commodity stock exchanges (spot markets), and alternative price discovery can happen, as opposed to the APMC route. As the size of this route increases, it would lead to an effective price discovery mechanism. This route is organically nearer to a National Markets Platform, as opposed to APMCs and even the eNAM, which is housed in (or a part of) APMCs.

Another viable option is to explore how one can move beyond minimum support price (MSP) as a mechanism to offer remunerative prices. Commodity options could be one such realistic measure for the government. Essentially, there are basically two types of options — call and put options. Buyers of “put” options have the right but not the obligation to sell, or make a delivery, at a predetermined price and date. Therefore, a put option could be used to advantage by farmers. If a farmer buys a put option of a commodity he produces, he locks in his profit by paying a premium. This premium could be partially or fully subsidised by the government.

APMC modernisation
Modernisation of APMCs in select markets situated near the hinterland also needs to be undertaken, since price discovery for major commodities currently happens through them. So, strengthening them would also facilitate healthy competition. Digital marketing modes that entail linking these local markets through eNAM will also obviate the need to physically travel long distances to sell produce.

Conclusion
There is perhaps no more opportune time than the challenge presented by Covid-19 to usher in reforms in the shape of a new architecture that will enable agriculture to progress and enhance farmers’ incomes.

The writers are former chairman, Nabard, and general manager, Nabard, respectively. Views are personal.