



Budget 2022 Should Focus upon Agri Infrastructure and Marketing through FPO and OFPO

Neha Gupta and Abhishek Tiwari*

Agriculture is the backbone of India's rural economy. During the pandemic, agriculture remained the only silver lining amid the crisis period. As the economy is bouncing back with V shape recovery, it is important to boost growth in the agriculture sector for inclusive and faster development of the country. Over the years, the Government of India has introduced major reforms in the agriculture sector, which are vital for the prosperity of nations and improving standard of living of farmers. Moving forward, continuous efforts need to be made to unleash the true potential of Indian agriculture, which includes the modernisation of agri-infrastructure and technology-driven growth. Long-term growth of the agriculture sector is possible in agriculture only when the Indian agri-market will be competitive and remunerative for farmers. In this context, the Farmers' Producer Organisation (FPO) and Off-Farm Producer Organisation may play a bigger role in the coming days.

In the last 7 years, NDA government led by PM Narendra Modi has implemented numerous schemes to improve the agriculture sector. With a '*Beej Se Bazar Tak*' approach, government has brought remarkable changes in the agriculture sector. The budgetary allocation to the agriculture sector has gone up by more than 4 times in the last 7 years. In 2021-22, the department of agriculture was allocated ₹1,23,018 crore for three major schemes: PM Kisan (49%), interest subvention on short-term credit to farmers (15%) and Pradhan Mantri Fasal Bima Yojana (12%). Around 76% of the total allocated budget goes to these 3 major schemes. These three schemes have benefitted the farmers by reducing the input cost, risk and providing cheap credit for agriculture. Additionally, the government has also implemented the schemes like PM Krishi Shinchayi Yojana, ₹1 lakh crore agriculture infrastructure fund and umbrella scheme PM SAMPADA to promote food processing and agri-exports.

In India, around 51 percent of the country's net sown area comes under the rainfed area. The livelihood of farmers in dryland areas remains vulnerable even in normal times. These farmers largely depend upon non-farm activities (40 percent of the total agricultural income). The government under Atma Nirbhar Bharat Abhiyan has taken various measures for making the dryland agricultural climate-resilient and allied activities profitable. Some of the important initiatives are promotion of zero-budget natural farming, beekeeping, subsidy over solar pump, multi-tier cropping and providing short-term credit subvention to non-farm activities. However, budgetary

* With Department of Economic Analysis and Research (DEAR), NABARD, Mumbai.

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provisions in some of these programmes are either inadequate or non-existence to address the challenges in dryland/rainfed areas.

The upcoming budget should focus upon promoting FPOs as the umbrella organisation, which should not just focus on collectivisation and input provider to members, but it should also aim at creating warehouses in the country, focusing on food processing and enhancing agri-exports. The Budget 2022 should also articulate agricultural stratagems that promote the non-farm sector through creating OFPOs. Promotion of new-age technologies in agriculture, encouraging data-driven solutions for smart farming and market connect, strengthening of FPOs and OFPOs and enabling investment in research and development (R&D) will provide necessary propulsion to agricultural growth.

Union Budget 2022-23 may focus upon the following points to strengthen FPOs and OFPOs in the coming years:

1. Agro-Processing for farmers' prosperity

FPOs have been doing a commendable job at reducing the input costs and facilitating the increase in the price farmers receive for their produce. However, the existing over 10,000 FPOs along with the target of forming new 10,000 FPOs by 2023-24 under the new Government of India's scheme needs to look beyond just aggregation of inputs and produce. The next step forward should be to handhold these FPOs through their transition to the small-scale processing unit. Indian secondary food processing is at 13-14% of agricultural output much less than China (23%) and USA (65%), this couples with huge wastage of fruits and vegetables (16%) in the country. It is expected that this Union Budget will provide separate outlay for FPOs to undertake processing along with separate funding for their training and promoting the marketing of their processed product.

2. Harnessing FPOs potential to export

Giant strides have been made in agri export since independence. India broke into the top 10 list of agricultural produce exporters in 2019 with a sizeable share in the export of rice, cotton, soybeans and meat, according to a World Trade Organization (WTO) report. However, this share is still not commensurate with our share in world production and we hold immense potential to compete with leading exporting countries of the world, having been endowed with multiple agro-climatic zones. FPOs as a novel idea hold immense potential in connecting our farmers directly to the world markets. Recently, the Fresh Vegetables and Fruits Exporters Association (VAFA), Mumbai has signed an MOU with FPOs from Varanasi for sourcing fresh vegetables and fruits for export to the international market. Though this is a welcome step, the time has come to connect our FPOs directly to clients overseas and not through a third party. It is expected that this Union Budget will have provision to provide technical support to FPOs to root out the problems faced by FPOs in procuring necessary



certification and complying with Sanitary and Phyto Sanitary (SPS) requirements. Interest rate subvention, credit guarantee and incentive to undertake exports will do well to augment exports by FPOs.

3. The Impetus to Warehousing Infrastructure

The government has taken a welcome step by integrating the e-National Agriculture Market (e-NAM) with FPOs and warehouses to provide end-to-end connectivity for farmers. Geotagging of Warehouses will also go long way in facilitating farmers in locating nearby warehouses and utilising its services. However, the question that arises is what next? The time is opportune for government to enhance the FPOs access to warehouse infrastructure by providing additional incentives to them through higher interest subvention. At least one warehouse should be developed in each taluka/block to enable farmers' access to post-harvest pledge financing and increase cash flow with the farmers.

4. Realising the potential of the Off-Farm sector

Indian landholding is highly fragmented with small and marginal farmers constituting around 86% of the total landholding with a share of around 46% of the area. There is 2.4 percent of the total agricultural households are landless labourers. In such a scenario, we cannot envision inclusive and sustainable agriculture growth without focussing on the allied sector. Collectivisation of handloom weavers, artisans into the Off-Farm Producer Organisation (OFPO) can prove a game-changer in alleviating many from poverty and supporting India's diverse handloom heritage. Grant support for the formation of OFPO and providing handholding to empower our weavers to market their products to the final consumer. In a long journey of eventually empowering our weavers to market their creations overseas themselves, this shall prove to be a game-changer step.

Besides the efforts to boost growth in agriculture sector, the Government of India should increase spending on agricultural infrastructure. In previous budgets, greater importance was given to cash-based schemes as compared to spending on infrastructure. The creation of Agriculture infrastructure Fund (AIF) is a welcome move in that direction but target-based infrastructure needs to be created for sustainable and long-term growth of the agriculture sector. A better storage capacity itself will resolve most of the farmer's despairs.

The COVID-19 pandemic has hit agricultural operations hard. Several reports have highlighted that farm operation mainly suffered due to infrastructure bottlenecks, for instance, supply chain disruptions, lack of storage and marketing infrastructure. In all those reports, one of the important reasons pointed out was the lack of public infrastructure. Hence, it is the time when government should focus on developing the infrastructure for agriculture and allied sector.

A four-pronged approach i.e. promoting climate-resilient agriculture, converting FPOs and OFPOs in umbrella organisation, building agri-infrastructure and promoting



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allied sector should be the priority area for the upcoming budget 2022. This approach will help in achieving the dual goal of raising incomes for smallholder farmers and strengthening the sector's competitiveness.

Happy Reading!!!