

Agriculture Infrastructure Fund (AIF) - Opportunities for Farmer Producer Organizations

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SUMMARY

Govt. of India launched AIF scheme, a Central Sector Scheme, in 2020 with a provision of Rs. 1 Lakh Cr in order to transform the infrastructure landscape of agricultural sector. The Scheme has many provisions and enablers for farmers and farming community. In this article, an effort has been made to understand those provisions, how these can be leveraged by community based organizations particularly FPOs, where we have reached in terms of progress and what needs to be done in future for better results and impact, particularly in the context of FPOs.

INTRODUCTION

The progress of a nation and a sector is very much dependent on the type of infrastructure it has. This could be a combination of multiple forms involving physical, social, economic and digital infrastructure to name a few. India is a rural population dominated country and more than 65 % population still is dependent on agriculture and allied sector for livelihood. Almost 85% of the farmers are small holding farmers and have low income level. Also, 15-20% of yield is wasted due to poor post harvest management practices. Therefore, to have higher value addition and income generation from the sector, the progress of this sector may only be expedited if we have the supportive infrastructure including agriculture infrastructure. Realizing this need the Govt. of India launched a central sector scheme 'Agriculture Infrastructure Fund' with a corpus of ₹ 1 Lakh Cr in year 2020. Under this scheme, the financing facility is to be primarily to be provided for funding Agriculture Infrastructure Projects including at farm-gate & aggregation points involving farmer driven organizations such as Primary Agricultural Cooperative Societies (PACS) Farmers Producer Organizations (FPOs), Agriculture entrepreneurs, Start-ups, etc. The purpose here is to mainly improve efficiency of the agriculture system by working on farm and post harvest management infrastructure using low cost fund

Who all are the Key Stakeholders of this scheme?

There are multiple stakeholders in this scheme. Some of the prominent stakeholders include farmers and farming community (including Farmer Producer Organizations, PACS, Marketing Cooperative Societies, Multipurpose cooperative societies, State Agencies, Agricultural Produce Market Committees (Mandis), National & State Federations of Cooperatives, Federations of FPOs and Federations of Self Help Groups (SHGs) etc.), Agri-entrepreneurs and startups, Government, Central/State Government Agencies, local bodies, Banking ecosystem etc. In fact consumers will be a great beneficiary of these improvements as they will get better quality product at lower price.

Implementation of the Scheme and Current Status

The Scheme is already operational from 2020-21 and will end in 2032-33. Loan disbursement under the scheme will complete in six years i.e. by 2025-26. Repayment period covered under the financing facility will be for a maximum period of 7 years including the 6 moratorium period of up to 2 years. The Credit Guarantee for loans up to ₹ 2 Crore with interest subvention of 3% p.a., limited to ₹ 2 crore per project in one location, though loan amount can be higher. In fact multiple projects each of Rs 2 Cr can be financed through this scheme if these are multi-locational (different districts).

APMCs will be eligible for multiple projects (of different infrastructure types) within their designated market area. In case of a private sector entity, such as farmer, agri entrepreneur, start-up there will be a limit of maximum of 25 such projects. There is a provision of handholding support by Project Management Unit for projects including project preparation.

Current Status

As we can see in the below mentioned table, as on February 2024 (as reported on the portal of National Agriculture Infra Financing Facility), there has been more than 1.02 lakh applications under the scheme. Out of the earmarked target of 1 lakh Cr, more than 36% fund has already been sanctioned. However, the final disbursement has been in the tune of around 22% consisting of 21.7% by Scheduled Commercial Bank and 0.76% by Cooperative Banks.

124378 Regd. Beneficiary	102375 No. of Applications	₹ 52,488 Cr Loan Amt. of Received Appls.	210196 User	34 State/UTs	- Less
24 SCBI	365 DCCB	33 Comm. Bank	55 Other IIs	477 Total Lending Inst.	92048 Commercial Bank Branch Branch
43957 Appl. Sanctioned by SCBI	6062 Appl. Sanctioned by Coop.	50019 Total Appl. Sanctioned	₹ 25,269 Cr Amt. Sanctioned by SCBI under AIF	₹ 3,202 Cr Amt. Sanctioned by Coop. under AIF	₹ 28,471 Cr Total Amt. Sanctioned under AIF
₹ 36,349 Cr Total Amount Sanctioned	₹ 61,426 Cr Project Cost of Sanctioned Projects	38,343 Appl. Disbursed by SCBI	5457 Appl. Disbursed by Coop.	43800 Total Appl. Disbursed	₹ 21,737 Cr Amt. Disbursed by SCBI
₹ 764 Cr Amt. Disbursed by Coop.	₹ 22,501 Cr Total Amt. Disbursed				

Source: <https://agriinfra.dac.gov.in/>

How FPOs can take benefit of this scheme

FPOs are community based organizations. Under the AIF scheme, such organizations have been given a lot of opportunity to create and revamp their existing physical infrastructure. As per the provision of AIF scheme, these infrastructure could be for organic inputs production, Bio stimulant production units, Nursery, Tissue culture, Seed Processing, Custom Hiring Center, Infrastructure for smart and precision agriculture (e.g. Farm/Harvest Automation, Purchase of drones, putting up specialized sensors on field, Blockchain and AI in agriculture etc., Remote sensing and Internet of Things (IOT) such as automatic weather station, Farm advisory services through GIS applications), Logistics facilities - Reefer Van& Insulated vehicles, Assaying Units, Supply chain services including e-marketing platforms, Warehouse & Silos, Cold Stores and Cold Chain, Packaging Units, Primary Processing activities etc. additionally FPOs can create facility for activities such as Hydroponic Farming, Mushroom farming , Vertical farming , Aeroponic farming, Poly house/ Greenhouse , and Logistics facilities(including non-refrigerated/insulated vehicles).

It is important to highlight here that there is a growing demand for many of the products and services listed above. For example, there is an increase attraction towards hydroponic and vertical farming. Farmers are also demanding good quality seedlings/ saplings which are possible through tissue culture. Similarly there is a growing trend of organic and natural farming. These all opportunities can be encashed by FPOs through under scheme.

FPOs need handholding support. As there is a provision of PMU in this scheme which provides such support to the FPOs both for project preparation and further implementation, this scheme has more enablers that other available schemes. Most of the times FPOs struggle for scaling up of their business. Expansion of the business requires more funding. This can be done by the FPOs by having multiple units or joining with other FPOs and forming multiple units at different locations. This way they can get funding support for each of such units. The FPOs can also register as Startup under DPIIT and avail the benefit of this scheme.

CONCLUSION

The AIF is very aspirational scheme and has potential to change the agricultural landscape. However, there is a need to mobilize many of the community based organizations including FPOs to take good benefit of this scheme. The recent trend in encouraging in terms of funding and disbursement support. However, it has to be further expedited as disbursement / funding period is up to financial year 2025-26 only. The infrastructure being created in the scheme will have a long lasting and sustainable impact on the rural economy. There could be a possibility of some customization in the scheme in future to have far, wider and long lasting impact.

REFERENCES

- Current Status of AIF accessed from <https://agriinfra.dac.gov.in/>
- National Agriculture Infra Scheme accessed from <https://agriinfra.dac.gov.in/>