

BUILDING AGRICULTURE ECOSYSTEMS

The Next Frontier



Shri Rajnath Singh

Defence Minister and former Agriculture Minister

With the passing of 2 landmark agriculture Bills in both Houses of Parliament, we have been able to take the next step as a nation towards our vision of transforming farmers into entrepreneurs with higher incomes and better quality of life, cementing India's position in the global market and ensuring "Atmanirbhar Agriculture".

This is the result of endless dedication



and determination of the government over the last 6 years, under the visionary and capable leadership of our Prime Minister.

The passage of both the Bills in Parliament is indeed a landmark day for Indian Agriculture.

I am thankful to the Prime Minister Shri Narendra Modi for his vision to unleash the true potential of India's agriculture.

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Over the last few years, our government has launched a number of bold initiatives for farmers and the



agriculture sector including, a Rs. 6,685 Crore scheme for the formation of 10,000 FPOs that will organize farmers into self-sufficient groups with the best access to markets, finance and production technologies, the one-of-its kind Rs. 1 lakh Crore Agriculture Infrastructure Fund to build community farming assets and at-scale infrastructure for post-harvest management, the national Agriculture Export Policy with a vision of doubling agriculture exports to \$60 billion by 2022, etc.

More than Rs. 90,000 Crore of direct benefit for farmers has been disbursed under PM-KISAN, which has been instrumental in providing livelihood security for farmers. Now, with thzzzese latest reforms, The Farmers' Produce Trade and Commerce (Promotion & Facilitation) Act 2020 and The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act 2020, we have created the foundation to build a modern and world-class agriculture ecosystem that will not only benefit farmers but also consumers, wholesalers, processors,



and start-ups.

There are a few who believe that these reforms will result in the end of procurement at MSP by central agencies like FCI, closure of existing APMCs, loss of farmer land to large MNCs and corporates, etc.

I would like to assure all of them that whether it is MSP or APMCs, all existing systems will continue, and we have laid down stringent safeguards enshrined in these Acts to secure farmers from any malpractices.

Rather than the end of existing systems, the reforms will introduce competition and efficiency and improve these systems, as well as create freedom and choice for farmers.

Let's start with farmers. A Farmer Producer Organisation (FPO), which is an aggregation of farmers, provides higher bargaining power to farmers and helps them realize benefits from economies of scale. The Agriculture Infrastructure Fund and the market reforms have now provided additional enablers and opened up new opportunities for FPOs.



They can invest in farm equipment and infrastructure viably and build deep forward market linkages by entering into agreements with agribusinesses. These agreements will help by improving access to advisory, technology, and investment, aligning variety mix and quality as per market demand, etc. ensuring higher incomes.

One of the best examples of a successful FPO is Sahyadri Farmers Producer Company Limited in Maharashtra. It started as a small FPO and has now emerged as one of the biggest exporters of grapes and many other crops from India.

More than 8,000 marginal farmers are registered under the FPO which today exports more than 16,000 tonnes of grapes every season. It helps farmers enter into MoUs with leading FMCG companies and access high-tech infrastructure, providing a significant boost to farmer income.

But people often ask “why aren't there 100s of Sahyadri Farms” – the reason in part is that the current restrictive frameworks and conditions did not



provide enough incentives for investment in agriculture.

With these initiatives and reforms we will have tens of thousands of such success stories, and what we've seen in the last 3-4 months since the Ordinances were promulgated across the country is only the beginning.

With improved market linkages, we will also see a shift in what our farmers produce. For a long time now, India has been self-sufficient in many crops including rice, wheat, etc. and we have a surplus year after year. An increase in understanding of market demand and trends, through direct engagement with agribusinesses, will enable farmers to diversify crop and variety mix with higher market value and reduce dependency on imports. For example, due to low domestic production, India currently imports more than \$10 billion of edible oils.

Similarly, we are seeing an increasing demand for healthy foods like Kiwi, Avocado, etc. in cities which is primarily served by imports. With the reforms, investments can come in and farmers will be able to gather the



necessary market intelligence and security to diversify crop mix, increase domestic productivity to substitute away from imported crops, and lead India to complete self-sufficiency.

The reforms will also provide an opportunity to agribusinesses to build a consistent supply of a consistent and standardized variety by direct procurement from farmers. This will help agribusinesses run their operations more efficiently and boost our export volumes and share of food processing. Agribusinesses will also be able to help eliminate other system inefficiencies like high intermediary and logistics costs.

For example, more than 1000 seed potato farmers in Punjab, Northern Haryana, and Western UP have benefited from an overall increase of 10% - 30% in productivity and 35% margin above cost under agreement with Technico Agri Sciences Limited (a subsidiary of ITC).

There are thousands of similar examples of agribusinesses working with farmers across the country leading to higher farmer income and



development of agribusinesses. Based on recent FSSAI food business license data, the number of applications has shown an increase of nearly 20% year-on-year. A similar trend is expected going forward which will drive huge investment in the agriculture sector.

Beyond the investment in traditional agribusinesses, market reforms will drive innovation in the sector and allow new business models to evolve. Different businesses such as farm management services, quality grading and assaying centres, Grade-A warehousing companies, digital marketplaces, etc. are currently nascent but growing.

For example, Traxcn, a global platform for tracking investments and trends in startups across 300+ sectors and 30+ countries, reports that in their latest funding rounds since 2018 Indian agristartups in farming inputs and services, agri marketplaces, logistics and storage, have raised ~\$150+ Mn, etc. NASSCOM estimates that ~\$250+ Mn was raised in 2019 by agri-tech startups.


With the liberation of the agriculture



sector, innovative business models will attract more investor money and can achieve scale, benefiting lakhs of farmers. Innovations in farm management will improve productivity, improvement in post-harvest management will reduce wastage, digital marketplaces will increase reach and market linkages, and so on.

Most promisingly, the market reforms will drive private capital formation in the agriculture sector and hence, give a significant boost to the rural economy. Capital formation in agriculture and allied industries has been stagnant with less than 2% CAGR over the last 5 years and private sector investments are further declining due to gaps in access. With the new market reforms, we will see significant growth in private sector investment across the value chain.

This will create new jobs in allied sectors such as logistics service providers, warehouse operators, processing unit staff, etc. We will also see multi-generational agriculture jobs – children of farmworkers can now aspire to become FPO CEOs or managers for procurement and



marketing, without having to go to cities for such opportunities. Overall, market reforms will provide multiple socio-economic benefits like higher incomes for farmers, new jobs, rural infrastructure development, etc.

India is at the cusp of a new frontier in agriculture growth and development – one that farmers, businesses, government and consumers will build together. Multiple different initiatives of the government have been leading us down this path, and with the passing of the two Acts, we are now well-poised to make our vision of doubling farmer income, building India as the food basket of the world, and providing meaningful livelihoods in the agriculture and allied sectors a reality.

