

# A 1991 moment for Agriculture

On July 22nd, 1991 when the country decided to start the industrial liberalization process, contribution of agriculture to the GDP was c.32% which over a period of time has come down to 15% in 2019. Agriculture sector reforms announced as part of the stimulus package to combat COVID-19 could have a similar impact as the 1991 reforms had on industry. The sector has been grappling with multitude of hurdles such as inadequate infrastructure, lack of transparency in trade, illiquidity, and low formalization of the sector among others. While over the years, India has moved to a food surplus nation, the growth in agriculture has been much slower than the global standard.

The transformational reforms proposed by the Finance Minister will result in prodigious commercial impact for the sector in the long term.

**Agricultural infrastructure** is the backbone for growth of this sector. The evolving technology can transform the processing, storage, and cold chain infrastructure to reduce the loss of produce. Currently, in India cold storage capacity is less than 15% of the horticulture production and processing of perishable foods is as low as 7% compared to 65% in the USA.

Proposed **financial impetus to build modern storage infrastructure** of INR 1.63 trn will help in building better facilities, promoting Public Private Partnerships (PPPs) and attracting private capital in this area. Additionally, de-regulation of agri-commodities from the Essential Commodities Act was required to facilitate proper storage infrastructure. This reform will encourage corporates and food supply chain startups to invest in massive cold storages facilities and food processing units on a global scale. For the farmer, this would mean better price realization, higher demand, and scale of production.

Further, the **expansion of agri-marketing beyond existing APMC** (Agriculture Produce Marketing Committees) markets and the strengthening of e-trade framework will have dual implications. So far, the Indian farmer was at the mercy of powerful wholesalers controlling mandis due to high entry barriers such as license fee, rent/value for shops, commission, marketing fee and taxes. With the proposed amendment, farmers can now sell directly to traders, processors, and Farm Producer Organizations (FPOs) resulting in better price realization for their produce. Secondly, this reform will enable barrier free inter-state trade which in turn will incentivize larger corporates to strengthen their agri business with a pan-India presence and distribution by realizing cost efficiencies.

Facilitating the legal framework for quality and price assurance will revamp practices such as **contract farming, cooperative farming and pre-contracted selling** which will allow farmers to tie up with corporates for a contract production of desired crops at a reasonable scale. Additionally, these agencies will provide better technology, know-how and use of right type of fertilizer for the respective crop to maximize the production yield. Organized sector support and technical knowledge will help re-define appropriate farm practices and choice of produce instead of opting for subsidized products. Further, the amendment of land leasing regulation, will result in an increase in land tenancy.

**Digital quality assessment** is integral to promote online transactions wherein farmers can buy and sell pre standardized products with approved quality parameters. Such relevant digital tools will provide a fillip to the new age Agri-tech startups.

The slew of agricultural reforms proposed under the Atma-Nirbhar Bharat announcements are revolutionary, and a good implementation would make the sector a reliable growth engine for the nation's economy. It could well mark the return of agriculture's past glory.

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