Agriculture Infrastructure Fund (AIF)

What is the issue?

The Agriculture Infrastructure Fund scheme that aims to boost agri marketing facilities needs to be recast as the scheme remains ambiguous.

What is AIF scheme?

- It is a Central Sector Scheme approved by the Union Cabinet in 2020.
- It aims to provide a medium - long term debt financing facility for investment in viable projects for post-harvest management Infrastructure and community farming assets.
- The duration of the Scheme shall be from FY2020 to FY2032.
- Eligible beneficiaries include farmers, FPOs, PACS, Marketing Cooperative Societies, SHGs, Joint Liability Groups, Agri-entrepreneurs, Start-ups, and Central/State agency or Local Body sponsored Public-Private Partnership Projects.
- Under the scheme, Rs. 1 Lakh Crore will be provided by banks and financial institutions as loans.
- The loans are provided with interest subvention of 3% per annum and credit guarantee coverage under CGTMSE for loans up to Rs. 2 crores.

What is the significance of the scheme?

- It provides support facilities to farmers and value chain actors for risk-sharing and market access.
- Improved marketing infrastructure will help farmers sell their produce directly.
- With investments in logistics infrastructure, post-harvest losses can be reduced.
- It also provides targeting State-specific APMCs and maintenance of sanitary and phytosanitary standards for organic produce marketing and exports.
- District, state or national level monitoring committees will reduce the turnaround time for file processing to less than 60 days.
- The scheme tries to mitigate spatial and temporal risks in the agribusiness ecosystem through adequate post-harvest infrastructure facilities.

Why the scheme appears ambiguous?

- FPOs are the potential beneficiary of the scheme but their viability is a question.
- There is no reliable data about flow of funds from institutions such as NABARD, SFAC, and State agencies to FPOs in public domain.
- Lack of clarity on how the AIF will act as a market intervention scheme for market infrastructure institutions.
- There is no mechanism of convergence with existing schemes such as PEG scheme that has infused private or corporate capital into agribusiness.
- Expanding the scope of APMCs by integrating them into eNAM structure may not prevent farmers from distress sales or market failures until a monitoring and evaluation cell is put in place.
- There is a need for modification of AIF funds linked to agricultural commodity derivative markets for improved market integration and reliable price discovery as like China's '**futures plus'** scheme.

Source: The Hindu Businessline, PI

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