PPP in Agrticulture

What is the issue?

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- There has been an increasing demand for high-quality value-addition in agro – products.
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- While business and investment opportunities in agriculture have spiked recently, private sector has shown little interest.
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What is needed?

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- A structured approach for increasing the number of bankable agri-business and agri-infrastructure projects is needed.
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- India has a good record of public-private partnerships (PPP) in the development of infrastructure such as highways, ports & power.
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- Unfortunately, the PPP model has not been adapted and applied in agri-infrastructure development with the same vigour.
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- Engaging the private sector will enhance investments, bring improved technologies and also generate rural employment.
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What is the scope for PPP models in Agriculture?

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- **Wholesale markets:** Agricultural markets in India are thinly distributed & existing markets are fragmented and unorganised.
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- As very few markets have been developed in past three decades, evolving PPP models to develop wholesale markets would be apt.
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- BOT (built, operate and transfer) approach for highway projects can tweaked a little and customised for market development.
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- **Agri-Storage:** High price volatility is one of the major reasons for agrarian distress which is primarily due to supply shocks caused by erratic outputs.
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- Hence there is a need for enhancing storage infrastructure to build buffers for address shortfalls and absorb surpluses.
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- Development of the warehouse & cold storage network offers an enormous opportunity for public-private partnerships.
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- Non-availability of land and the low scale of business are reported to be major obstacles for private sector participation.
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- Allocation of government land (Panchayat or railway land) on long-term leases can be considered.
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- **Agro-processing:** Agro-processing and value addition for commodities has huge opportunities due increasing demand.
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- This will also help in reducing unaccounted losses of perishable commodities which is another menace in the agro-supply chain.
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- World-class infrastructure in food processing sector through mega food parks and integrated cold chains are required.
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- PPP models are the easiest pick for achieveing these objectives.
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- **Canal Development:** India has a large network of major and minor canals covering roughly 40% of the total irrigated area.
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- While huge investments have been made to develop reservoirs & canals, the system is reported to be largely underperforming.
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- While the initial development of the canal network has to be by the government subsequent manintanance can be privatised.
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- Performance based incentives is a option which could potentially enhance efficiency and ensure better supply.
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- **Agriculture extension:** The public agricultural extension system has contributed significantly for the Green Revolution.
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- But its its efficiency and effectiveness are now being questioned, despite various reforms.
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- Currently, Krishi Vigyan Kendras (KVKs) & Agriculture Technology Management Agencies are the last-mile connectivity.
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- Most of the KVKs are rub by ‘Agricultural Universities - AU’ and the Indian Council of Agricultural Research - ICAR.
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- As these institutions have good infrastructure, private players can be roped in to run and demonstrate best practices in some of these.
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How does the future look?

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- The private sector will enter on its own where there is commercial viability.
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- As above-mentioned areas may be commercially less viable, but have high economic benefits, PPP models are of prominance.
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- PPP models are indeed promising and could usher in revolutionary changes in agriculture.
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- Innovative policy designs are indespensible to capitalise on this.
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Source: Business Standard

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