

Agriculture Infrastructure Fund (AIF)

The Agriculture Infrastructure Fund (AIF) was announced in May 2020 by the Government of India for farm-gate infrastructure for farmers. Government schemes, especially for the agriculture sector, are important for the [UPSC exam](#) prelims and mains. In this article, you can get all the relevant information on the Agriculture Infrastructure Fund.

What is the Agriculture Infrastructure Fund?

Agriculture Infrastructure Fund is a central sector scheme that will enable a financing facility of Rs.1 lakh crore for funding agriculture infrastructure projects at farm-gate and aggregation points such as [farmers producers organisations](#), primary agricultural cooperatives, startups and entrepreneurs in the agriculture sector.

- The scheme provides medium to long term debt financing facility for investment in viable projects for post-harvest management infrastructure and community farming assets through interest subvention and financial support/credit guarantee.
- It is meant for building processing and storage facilities, and for helping farmers, FPOs, etc. build post-harvest agriculture infrastructure and community farming assets.
- These facilities should help farmers get a higher price for their produce as they will be able to reduce wastage, store, process and give value addition to their products.
- The scheme was initially set to run for ten years from 2020 to 2029. But, it has been extended by three years till 2032-33 in July 2021.
- Under this, banks and financial institutions provide loans with an interest subvention of 3% per annum.
- The scheme also entails providing credit guarantee coverage under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) for loans up to Rs. 2 Crore.
- NABARD will steer this initiative in association with the Ministry of Agriculture and Farmers' Welfare. Read more on [NABARD](#).
- For APMCs, interest subvention for a loan up to Rs. 2 crore will be provided for each project of different infrastructure types e.g. cold storage, sorting, grading and assaying units, silos, etc. within the same market yard.

Scheme beneficiaries

Primary Agricultural Credit Society (PACS), FPOs, Marketing Cooperative Societies, Joint Liability Groups (JLG), Self-Help Groups, Multipurpose Cooperative Societies, Startups, agri entrepreneurs, Central/State agency or Local Body sponsored Public-Private Partnership Projects.

In July 2021, the **government approved extending the scheme** to APMCs/State Agencies, National & State Federations of Cooperatives, Federations of Farmers Producers Organizations (FPOs) and Federations of Self Help Groups ([SHGs](#)).

Need for Agriculture Infrastructure Fund

For approximately 58% of the people of the country, agriculture and allied activities are the chief sources of income. About 85% of farmers manage 45% of the agricultural land, being smallholder farmers (less than 2 hectares of land under cultivation). As such, the annual incomes of most of the farmers in the country are low.

Low connectivity and limited infrastructure connecting farmers and markets mean that 15 - 20% of the output is wasted, which is much higher than in other countries. Investment in agriculture has also been stagnant.

All the above factors mean that a scheme dedicated to improving post-harvest management infrastructure and farming infrastructure is the need of the hour.

Agriculture Infrastructure Fund Objectives

The primary objective of the scheme is to provide financial support for agriculture entrepreneurs to improve agriculture infrastructure in India.

Objectives for Farmers

- Increase value realization by allowing farmers to sell directly to a larger base of consumers because of improved marketing infrastructure.
- Reduced post-harvest losses and a smaller number of intermediaries because of investment in logistics infrastructure. This will make farmers more independent and give them better access to markets.
- Improved realisation because of modern packaging and cold storage system access, since farmers would be able to decide when to sell.
- Community farming assets for improved productivity and optimization of inputs will result in substantial savings.

Objectives for Government

- Direct priority sector lending in the currently unviable projects by supporting through interest subvention, incentive and credit guarantee. This will boost innovation and private sector investment in agriculture.

- Due to improvements in post-harvest infrastructure, the government will further be able to reduce national food wastage percentage thereby enabling the agriculture sector to become competitive with current global levels.
- Structure viable PPP projects for attracting investment in agriculture infrastructure.

Objectives for Agri Entrepreneurs and Startups:

- Push for innovation in the agriculture sector using new technologies such as AI, IoT, etc.
- Improve avenues for collaboration between entrepreneurs and farmers.

Objectives for the Banking Ecosystem

- With Credit Guarantee, incentive and interest subvention, lending institutions will be able to lend with a lower risk.
- A greater role for cooperative banks and regional rural banks (RRBs) through refinance facilities.

Objectives for Consumers

- A larger share of the produce will reach the market and therefore, consumers will be able to benefit from better quality and prices.

Agriculture Infrastructure Fund Scheme - Eligible Projects

The following image gives the list of projects that are eligible for availing of benefits under the AIF.

Agriculture Infrastructure Fund - Eligible Projects

Post Harvest Management Projects

Examples:-

- Supply chain services including e-marketing platforms
- Warehouses
- Silos
- Pack houses
- Assaying units
- Sorting & grading units
- Cold chains
- Logistics facilities
- Primary processing centers
- Ripening Chambers

Viable projects for building community farming assets

Examples:-

- Organic inputs production
- Bio-stimulant production units
- Infrastructure for smart and precision agriculture
- Projects identified for providing supply chain infrastructure for clusters of crops including export clusters
- Projects promoted by Central/State/Local Governments or their agencies under PPP for building community farming assets or post-harvest management projects



Agriculture Infrastructure Fund Benefits

The benefits under the AIF are mentioned below.

1. **Interest subvention:** All loans under this financing facility will have an interest subvention of 3% per annum up to a limit of Rs. 2 crore. This subvention will be available for a maximum period of seven years.
2. **Credit guarantee:** Credit guarantee coverage will be available for eligible borrowers under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme for a loan up to Rs. 2 crore. The fee for this coverage will be paid by the Government.
3. **Moratorium for repayment:** Moratorium for repayment under this financing facility may vary subject to a minimum of 6 months and a maximum of 2 years.

Frequently Asked Questions on Agriculture Infrastructure Fund (AIF)

Q 1. What is the objective of the AIF?

Ans. The scheme shall provide a medium - long term debt financing facility for investment in viable projects for post-harvest management Infrastructure and community farming assets through interest subvention and financial support. The duration of the Scheme shall be from FY2020 to FY2032-33.

Q 2. What is the Operation Green Scheme?

Ans. Operation Greens is a price fixation scheme that aims to ensure farmers are given the right price for their produce. It focuses on organized marketing of Tomatoes, Onions and Potatoes (TOP vegetables) by connecting farmers with consumers.

