

## The Rs20trn Economic Package: Tranche 3 on Agriculture and Allied Sectors

In the third tranche of the fiscal relief package, FM Sitharaman focused on the agriculture sector, specifically on capacity building and long-term development of the sector. Measures announced with incremental spending included setting up an Agriculture Infrastructure Fund towards strengthening the so-called farm-gate infrastructure, formalization of Micro Food Enterprises, support for marine aquaculture, animal husbandry and herbal cultivation among others.

Apart from these, the third tranche also took the opportunity to outline some long-term guidelines to reform the sector, like amendments to the Essential Commodities Act, the APMC structure, and the creation of an enabling legal framework for farmers. The intent of these reforms needs to be seen in the light of the efforts required for any change, agriculture being a state subject. The policy strategy favoured empowerment of various segments in the sector over entitlement and near-term spending. The impact of such an approach may be relatively low in the short term, but significant in the long-term, on behavioural aspects of the farmer (beyond loan waivers), the viability of agriculture as a business and its resilience to future shocks.

For short-term benefit, an additional emergency working capital to farmers through NABARD, and Kisan Credit Cards should provide much-needed liquidity to the farmer in a stress environment. Agricultural credit has grown at a mere 1.7% in April 2020 (till April 24<sup>th</sup>), vs. +3.7% over the same period last year. Preliminary reports on the Rabi harvest are positive, and it's important to ensure the Kharif sowing is on schedule.

Three days have seen a total of Rs10.6trn (5.3% of GDP) of the overall support program, with fiscal impact of Rs615bn (0.3% of GDP), but some of it spread over 4-5 years. While overall borrowing for the fiscal has been raised to Rs12trn (vs. Rs7.8trn earlier), a large portion of the incremental borrowing would potentially only suffice to meet the shortfall in tax collections, limiting options for incremental spending in FY21.

- **Financing facility of Rs1trn for building agricultural infrastructure:** Wastage of farm produce owing to lack of cold chain infrastructure has been a major concern in India. Estimates suggest that nearly 16% of perishables (fruits/vegetables) and nearly 10% of cereals/pulses/oilseeds get wasted every year. To fill the gaps in the post-harvest supply chains, the Government would set up an Agriculture Infrastructure Fund worth Rs1trn for funding storage and post-harvest management infrastructure at farm-gate and aggregation points.
- **Support of Rs100bn for Micro Food Enterprises:** As an additional step towards promoting and marketing local brands, the Government would launch a scheme to provide support of Rs100bn to nearly 0.2mn Micro Food Enterprises to assist them in attaining FSSAI food standards, thereby helping them build and market their brands. This would be premised on a cluster-based approach to help local value added products to reach global markets, thereby helping improve India's agriculturereal exports.
- **Relief package of Rs200bn for fisheries:** For sustainable and inclusive development of marine and inland fisheries, the Government announced the launch of Pradhan Mantri Matsya Sampada Yojana (PMMSY), first proposed in the 2019-20 Union Budget, with an outlay of Rs200bn. This would comprise of Rs110bn for activities in marine and inland fisheries and aquaculture and the remaining Rs90bn for infrastructure development. This would help check gaps in the fisheries value chain, increase production and exports as well as generate employment.
- **Support of Rs155bn for animal husbandry and beekeeping:** The Government announced setting up of an Animal Husbandry Infrastructure Development Fund of

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*Tranche 3 with a total package of focuses on development of agriculture infrastructure, formalization of Micro Food Enterprises, support for allied agriculture activities (animal husbandry/ fisheries/beekeeping) among others.*

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Rs150bn to support private investment in dairy processing and cattle feed infrastructure, with added incentives for establishing plans for export of niche products. Additionally, a new scheme with an outlay of Rs5bn would be implemented to support beekeeping with respect to infrastructure development, capacity building, and development of quality stock.

- Outlay of Rs40bn for herbal cultivation:** With an aim to promote cultivation of medicinal plants, the Government plan to cover nearly 1mn hectare area under herbal cultivation over the next two years with an outlay of Rs40bn, thereby providing an income support of Rs50bn for farmers. The Government also plan to build regional mandis for medicinal plants.
- Logistics and storage support of Rs5bn for perishable farm produce:** The Operation Green scheme launched in the 2018-19 Union Budget for integrated development of Tomato, Onion and Potato (TOP) value chain has been extended to all fruits and vegetables (TOTAL) with an outlay of Rs5bn. The scheme, comprising of 50% subsidy on transportation of produce and 50% subsidy on storage, would be launched on a pilot basis for six months. This would help in reducing post-harvest losses at the farm-gate level and enhance value realisation for farmers.
- Long-term governance and administrative reforms:** Apart from these, the third tranche also provides some long-term guidelines to reform the sector in terms of governance and administration. These include a) Amendment of Essential Commodities Act to enhance price realisation for farmers by deregulating select agriculture food stuffs including cereals, pulses, edible oils, oilseeds, onions and potato, b) Formulation of a central law to bring about agriculture marketing reforms to provide marketing flexibility to farmers which is currently restricted to APMCs (Agriculture Produce Marketing Committees) and c) Facilitate a legal framework focused on risk mitigation and price and quality assurance for farmers.

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*Long-term governance and administrative reforms announced including amendments to the Essential Commodities Act, the APMC structure, and the creation of an enabling legal framework for farmers.*

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**Figure 1: Details of measures announced in the third tranche of the Rs20trn economic package**

S. no.	Measures	Total stimulus (Rs bn)	Fiscal cost (Rs bn)
1	Agriculture Infrastructure Fund for farm-gate infrastructure	1,000.0	0.0
2	Formalisation of Micro Food Enterprises (MFEs)	100.0	100.0
3	Pradhan Mantri Matsya Sampada Yojana (PMSSY) for fisheries	200.0	200.0
4	National Animal Disease Control Programme	0.0	0.0
5	Animal Husbandry Infrastructure Development Fund	150.0	0.0
6	Promotion of Herbal Cultivation	40.0	40.0
7	Beekeeping initiatives	5.0	5.0
8	Extension of Operation Greens to all fruits and vegetables	5.0	5.0
9	Amendments to Essential Commodities Act	0.0	0.0
10	Agriculture marketing reforms	0.0	0.0
11	Agriculture produce price and quality assurance	0.0	0.0
	<b>Total</b>	<b>1,500.0</b>	<b>350.0</b>
	<b>% of GDP</b>	<b>0.8%</b>	<b>0.2%</b>

Source: Government, NSE.

**Figure 2: Details of measures announced in the second tranche of the Rs20trn economic package**

S. no.	Measures	Total stimulus (Rs bn)	Fiscal cost (Rs bn)
1	Free food-grain distribution to migrants for two months	35.0	35.0
2	100% national portability of Public Distribution System by March 2021	0.0	0.0
3	Interest subvention of 2% for MUDRA-Shishu loans for 12 months	15.0	15.0
4	Special credit facility for street vendors	50.0	50.0
5	Affordable rental housing complexes for migrant workers/urban poor	0.0	0.0
6	Employment push using CAMPA funds	60.0	0.0
7	Additional emergency working capital funding for farmers through NABARD	300.0	0.0
8	Concessional credit through Kisan Credit Cards	2,000.0	0.0
9	Extension of Credit Linked Subsidy Scheme	700.0	0.0
	<b>Total</b>	<b>3,160.0</b>	<b>100.0</b>
	<b>% of GDP</b>	<b>1.6%</b>	<b>0.05%</b>

Source: Government, NSE.

**Figure 3: Details of measures announced in the first tranche of the Rs20trn economic package**

S. no.	Measures	Total stimulus (Rs bn)	Fiscal cost (Rs bn)
1	Emergency Credit Line to standard MSMEs	3,000.0	0.0
2	Subordinate debt for stressed MSMEs	200.0	40.0
3	Fund of Funds for equity infusion into MSMEs	500.0	100.0
4	Disallowing global tenders in Government procurement	2.0	0.0
5	Extended PF contribution	25.0	25.0
6	Reduction in statutory PF contribution	67.5	0.0
7	Special Liquidity Scheme for NBFCs/HFCs/MFIs	300.0	0.0
8	Partial Credit Guarantee Scheme 2.0 for NBFCs	450.0	0.0
9	Liquidity infusion by PFC/REC into DISCOMs	900.0	0.0
10	Relief to contractors	0.0	0.0
11	Extension of RERA timelines for real estate projects	0.0	0.0
12	TDS/TCS reduction	500.0	0.0
13	Immediate release of pending refunds to charitable trusts/non-corporate businesses & professions	0.0	0.0
14	Extension of due date of income-tax return and tax audit	0.0	0.0
15	Extension of date of assessments getting barred	0.0	0.0
16	Extension in payment date for Vivad se Vishwas Scheme	0.0	0.0
	<b>Total</b>	<b>5,944.5</b>	<b>165.0</b>
	<b>% of GDP</b>	<b>3.0%</b>	<b>0.08%</b>

Source: Government, NSE.

**Figure 4: Details of earlier fiscal and monetary measures announced since February 2020**

Measures	Announcement date	Amount (Rs trn)
<b>Monetary measures</b>		
Long-term repo operations (LTROs)	06-Feb-20	1.00
Targeted long-term repo operations (TLTROs)	27-Mar-20	1.00
100bps cut in Cash Reserve Ratio	27-Mar-20	1.37
Enhanced borrowing under Marginal Standing Facility (MSF)	27-Mar-20	1.37
Targeted long-term repo operations 2.0 (TLTRO 2.0)	17-Apr-20	0.50
Special Liquidity Facility for mutual funds (SLF-MF)	27-Apr-20	0.50
<b>Total monetary measures</b>		<b>5.74</b>
<i>% of GDP</i>		<i>2.9%</i>
<b>Fiscal measures</b>		
PM Kisan Yojana	26-Mar-20	0.16
PM Jan Dhan Yojana	26-Mar-20	0.31
Free gas cylinders	26-Mar-20	0.13
PF contribution	26-Mar-20	0.05
Cash transfers to other sections	26-Mar-20	0.03
MGNREGA wage hike	26-Mar-20	0.06
Food-grain distribution	26-Mar-20	0.40
Pulses distribution	26-Mar-20	0.05
District Mineral Fund	26-Mar-20	0.25
Construction Workers Fund	26-Mar-20	0.31
<b>Total fiscal measures</b>		<b>1.75</b>
<i>% of GDP</i>		<i>0.9%</i>
<b>Total measures announced thus far</b>		<b>7.49</b>
<i>% of GDP</i>		<i>3.7%</i>
<b>Stimulus announced by the PM</b>	<b>12-May-20</b>	<b>20</b>
<i>% of GDP</i>		<i>10%</i>
<b>Balance stimulus</b>		<b>12.51</b>
<i>% of GDP</i>		<i>6.1%</i>

Source: RBI, Government, Media, NSE.

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