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AIF Scheme: Agriculture Investment Funds

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AIF Scheme: Agriculture Investment Funds

Why in news?

The Union Cabinet has approved the **expansion of the Agricultural Infrastructure Fund (AIF)**.

The initiative aims to bolster agricultural infrastructure, support **viable community farming assets**, include **integrated processing projects**, align with **PM-KUSUM Component-A**, and **extend credit guarantee for FPOs** through **NABS Sanrakshan Trustee Company Pvt. Ltd.**

AIF Scheme

- The Agriculture Infrastructure Fund is a **central sector scheme**

Note: Central sector schemes are fully funded by the Union government and executed by central government agencies.

- Agriculture Infrastructure Fund **provides medium to long-term loans for projects related to post-harvest management and community farming**, with support through reduced interest rates and credit guarantees.
- The duration of the scheme is **from FY2020 to FY2029 (10 years)**.

Provisions under the scheme

- All loans **up to a limit of ? 2 crores** under this financing facility **will have interest subvention of 3% per annum**. This subvention will be available for a maximum period of 7 years

Note: interest subvention means **the government pays part of the loan interest**.

- In case of loans **beyond Rs. 2 crores**, the interest subvention will be limited up to Rs. 2 crores.
- There is **credit guarantee coverage**, which is up to Rs. 2 crores. The fee for this coverage will be reimbursed by the Govt. of India.

Following activities are eligible under National Agriculture Infra Financing Facility:

- All post-harvest management projects
- Primary processing activities
- Community farming assets like tissue culture

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- Organic inputs production – Vermicomposting etc.,
- Financing hydroponic farming
- Mushroom farming
- Vertical farming
- Aeroponic farming
- Poly house/ Greenhouse
- Logistics facilities
- Tractors for groups like FPOs, PACS, SHGs, JLGs, Cooperatives, National and State Level Federation of Co-operatives, FPOs federations, Federations of SHGs, National and State Level Agencies as they qualify as community farming assets.

Eligible Applicants

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

Benefits of the Scheme:

- **Better Marketing:** Farmers can **sell directly to more consumers**, increasing their income.
- **Reduced Losses:** **Improved logistics reduce post-harvest losses** and **fewer intermediaries**, making farmers more independent.
- **Modern Storage:** Access to **advanced packaging and cold storage** helps farmers decide the best time to sell.
- **Cost Savings:** **Community farming assets** improve productivity and save costs.
- **Increased Investment:** Government support through **interest discounts** and guarantees boosts innovation and private sector investment.
- **Reduced Food Waste:** Improved infrastructure **lowers food wastage** and **enhances global competitiveness**.
- **Attracting Investments:** Viable Public-Private Partnership projects attract more investment in agricultural infrastructure.
- **Lower Risk for Lenders:** Credit guarantees and incentives reduce risk and help lenders expand their customer base.
- **Support for Cooperative Banks:** Refinance facilities allow cooperative banks and Regional Rural Banks (RRBs) to play a larger role.

Significance of AIF

- *Since 2020, AIF has supported building 6623 warehouses, 688 cold stores, and 21 silos.* This has added 500 LMT of storage capacity: 465 LMT for dry storage and 35 LMT for cold storage.
- The new capacity **saves 18.6 LMT of food grains and 3.44 LMT of horticultural produce annually.**
- **74,508 projects under it have attracted crores of investment**, primarily from private sources. The projects have created over 8.19 Lakh rural jobs in agriculture.

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The recent expansion of AIF

Viable Farming Assets: To allow all eligible beneficiaries of scheme **for creation of infrastructure covered under 'viable projects'** for building community farming assets'.

Integrated Processing projects: To include integrated primary secondary processing projects in list of eligible activities under AIF. However standalone secondary projects would not be eligible and would be covered under MoFPI schemes.

PM KUSUM Component-A: To allow convergence of Component-A of PM-KUSUM with AIF for farmer/group of farmers/ Farmer Producer Organizations/ Cooperatives/ Panchayats. The alignment of these initiatives aims to promote sustainable clean energy solutions alongside the development of agricultural infrastructure.

NABSanrakshan: In addition to **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)**, it is proposed to extend AIF credit guarantee coverage of FPOs through the NABSanrakshan Trustee Company Pvt. Ltd. also. This expansion of credit guarantee options is ***intended to enhance the financial security and creditworthiness of FPOs***, thereby encouraging more investments in agricultural infrastructure projects.

Significance of expansion

The expansion of the AIF scheme will **boost growth, increase productivity, raise farm incomes, and make agriculture more sustainable.**