

India must reorient agri policy to fast-track development trajectory: Grant Thornton report

The report calls for addressing systemic constraints such as small landholdings, lack of quality inputs, inadequate credit and insurance access

By BL Mangaluru Bureau | April 08, 2025

India needs to shift its agriculture policy focus from short-term consumption-led measures such as direct benefit transfer (DBT), subsidies and minimum support price (MSP) to investment-led growth, according to the agricultural knowledge report titled “Agriculture as a propellant towards a Viksit Bharat: Policy and budgetary trends” by Grant Thornton Bharat.



With India aiming for 'Viksit Bharat' status by 2047, the report highlighted the need for an 8 per cent annual growth rate.

Referring to the recent Union Budget, the report said the agriculture-related component of the budget focussed on increasing the disposable income with farmers through DBT, and subsidising fertiliser inputs as well as offering MSP.

“This is neither a sustainable means to enhance farmer livelihoods nor contribution to the growth of the Indian economy. Progressively, there is a need for policy and the related budget to focus on encouraging and complementing investment in agriculture and food processing-related infrastructure and facilities rather than on merely transferring resources to farmers, which only increases their consumption spending. Such policy orientation will enhance the pace towards a Viksit Bharat,” the report said.

Leaning towards alternative

While policymakers in the government understand the potential of investment-fueled growth, budgetary allocations reflect a leaning towards alternative consumption-fueled growth.

The ₹1 lakh-odd crore in the hands of the urban middle class as additional disposable income ensured by the increase in the personal income tax slab in the recent budget is also an important initiative along these lines.

The report said the concern is of forgoing the investment stimulus in infrastructure spending and allocating funds to increase field-level dissemination and adoption of productivity-enhancing options.

About ₹5.3 lakh crore is the effective outlay towards agriculture, value addition and supporting farming stakeholders. The allocation to the Ministry of Agriculture and Farmers' Welfare (MoAFW); Ministry of Food Processing Industries (MoFPI); Ministry of Chemicals and Fertilizers; Ministry of Fisheries, Animal Husbandry and Dairying; and the Ministry of Consumer Affairs, Food and Public Distribution amounts to over a whopping ₹5.3 lakh crore or about 11 per cent of the total budgetary outlay.

Focus on mechanisation

The outlays under schemes under the MoAFW and the MoFPI towards infrastructure-related schemes are barely ₹20,000 crore. The total short-term credit and insurance supporting schemes are to the tune of about ₹35,000 crore. The support for farmer producer organisation (FPO) promotion is less than ₹600 crore.

“Spending on these fronts may be ideally enhanced in future with judicious reduction in DBT, MSP, fertiliser subsidy-related fronts,” it said.

Urging the need to shift towards investment-led growth, the report emphasised on farm mechanisation, watershed and post-harvest infrastructure, land and produce aggregation (via FPOs), and food processing clusters through public private partnerships (PPPs).

Identifying systemic constraints such as small landholdings, lack of quality inputs and extension services, inadequate credit and insurance access and post-harvest losses, the report noted that addressing these through targeted investment could significantly increase crop yields, reduce costs and improve export readiness.

More investment in watershed management

On policy actions, the report suggested the implementation of envisaged farm laws, particularly with regard to removing the stronghold of APMCs and farmland consolidation initiatives, on the production front.

There is a need for enhanced investment in infrastructure for production such as watershed management, micro irrigation systems, farm mechanisation and electric fencing for horticulture produce.

On the post-harvest side and processing front, it said subsidies and PPPs to complement investment in related activities are important. Enhanced FPO-promoting policies and programmes are necessary to promote such field-level extension and implement platforms for the supply of quality inputs, advisory and technology services.

With India aiming for ‘Viksit Bharat’ status by 2047, the report highlighted the need for an 8 per cent annual growth rate supported by increased investment, and stressed the need to prioritise efficiency-seeking, export-oriented foreign direct investment over protectionist policies.

“Ultimately, a reoriented agri-policy that focuses on productivity, competitiveness and infrastructure, rather than consumption alone, is essential to unlock the sector’s potential and fast-track India’s development trajectory,” the report added.

Source: <https://www.thehindubusinessline.com/economy/agri-business/india-must-reorient-agri-policy-to-fast-track-development-trajectory-grant-thornton-report/article69425826.ece>