

**AGRICULTURE****Sector Impact - Positive****Budget Proposals:**

- Four-pronged strategy on agriculture focussing on production, wastage reduction, credit support and food processing sector.
- Guaranteed hiring period for godowns by Food Corporation of India (FCI) from private players extended from 5 years to 7 years.
- Launch of integrated missions in spreading green revolution and oilseeds and pulses
- Agricultural credit flow target at Rs.3,75,000 crore in FY11 as against Rs.3,25,000 crore in FY10. Credit flow was at Rs.287000 crore in FY09.
- Continuation of interest subvention for short-term farm loans upto Rs.300,000. Additional subvention of 1% in cases of timely debt servicing. Effective interest on farm loans thus 5% under new scheme.
- Extension by six months the period for repayment of the loan amount by farmers under the Debt waiver and Debt Relief scheme from December 31, 2009 to June 30, 2010.
- Five additional mega food parks to be set up.
- External Commercial Borrowings will henceforth be available for cold storage or cold room facility, including for farm level pre-cooling, for preservation or storage of agricultural and allied produce, marine products and meat.
- Rs.66,100 crore allocated for rural development in FY11.
- Project import status with a concessional import duty of 5% for the setting up of mechanised handling systems and pallet racking systems in 'mandis' or warehouses for food grains and sugar, initial setting up and expansion of cold storage as well as full exemption from service tax for the installation and commissioning of such equipment.

- Full exemption from customs duty to refrigeration units required for the manufacture of refrigerated vans or trucks.
- Concessional customs duty of 5% to specified agricultural machinery not manufactured in India.
- Central excise exemption to specified equipment for preservation, storage and processing of agriculture and related sectors and exemption from service tax to the storage and warehousing of their produce.
- Full exemption from excise duty to trailers and semi-trailers used in agriculture.
- Concessional import duty to specified machinery for plantations by one year.
- Exemption of testing and certification of agricultural seeds and road transportation from service tax.

### **Budget Impact:**

- Increased credit flow should result in stabilization of a significant portion of rural demand. This should benefit consumer goods sectors, especially Fast Moving Consumer Goods (FMCGs). Fertilizer companies would also benefit.
- Strong focus on food processing, storage and warehousing. This will lead to better linkage between agriculture and industries. Incentives as a step towards lesser amount of wastage due to better storage will also reduce costs to food processing companies.
- Integrated missions and tax breaks should benefit seed companies, agricultural machinery dealers, among others.
- Greater purchasing power due to continuation of loan concessions to farmers to sustain rural demand after a challenging FY10.