



Driving Growth in Agriculture and Allied Sectors

The Union Budget 2026–27 places agriculture and allied sectors at the core of rural transformation, signalling a shift from short-term income support to long-term productivity and resilience. While continuing farmer assistance, the Budget prioritises irrigation, infrastructure, diversification into horticulture and plantation crops, and stronger allied activities such as fisheries and animal husbandry. Digital public infrastructure, improved credit access and expanded risk management aim to enhance transparency and income stability. Climate-resilient practices and region-specific interventions, particularly in the North Eastern Region, underscore an inclusive approach. Overall, the policy direction seeks to build durable assets and strengthen sustainable rural livelihoods.

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For a country where nearly 43–45 per cent of the workforce still depends on farming even agriculture contributes around 15-16 per cent to GDP—the sector is not merely an economic category; it is the foundation of food security, employment and social stability. The Budget acknowledges this centrality and signals a calibrated transition: from a predominantly subsidy-driven framework toward productivity enhancement, infrastructure creation, diversification and climate resilience. At the heart of the policy direction lies a structural shift. Income support

continues, but the emphasis increasingly rests on asset creation, technology integration and strengthening value chains. The vision is clear—move from short-term consumption cushioning to long-term income stabilisation and growth.

A Steady Fiscal Commitment, With a Qualitative Shift

Over the past three years, allocations to the Ministry of Agriculture and Farmers Welfare have increased steadily, rising from ₹1.25 lakh crore in 2024-25 to ₹1.41 lakh crore in 2026-27, reflecting annual growth of 6-7 per cent. The Rural Development allocation has grown

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Table1: Allocation for agriculture in the Budget in the last three years

Year	Agriculture & Farmers Welfare (₹ lakh crore)	% Change	Rural Development (₹lakh crore)	% Change
2024-25	1.25	-	2.05	-
2025-26	1.32	+5.6%	2.20	+7.3%
2026-27	1.41	+6.8%	2.66	+21%

more sharply, from ₹2.05 lakh crore to ₹2.66 lakh crore, indicating a strong push toward rural infrastructure. An overall allocation of ₹1.63 lakh crore for agriculture and allied activities reinforces continued commitment to farm modernisation and livelihood enhancement. However, once adjusted for inflation of around 5 per cent, real expansion appears moderate. The Budget is not expansionary in headline terms; instead, it focuses on improved targeting, digital verification of beneficiaries and enhanced efficiency in fund utilisation. Importantly, funding for the Department of Agricultural Research and Education has declined to ₹9,967 crore from ₹10,281 crore in the previous year. Given the centrality of research and innovation to long-term productivity and climate adaptation, this decline warrants careful monitoring.

Anchoring Schemes: From Support to Structural Enablement

Flagship schemes remain the backbone of public spending. PM-KISAN retains an allocation of ₹60,000 crore, accounting for roughly 42 per cent of the agriculture budget. The Pradhan Mantri Fasal Bima Yojana (PMFBY) receives ₹18,500 crore, reflecting rising climate risk exposure. Rashtriya Krishi Vikas Yojana (₹12,000 crore), Pradhan Mantri Krishi Sinchai Yojana (₹11,500 crore), the Agriculture Infrastructure Fund (₹10,000 crore) and fisheries and allied activities (₹9,200 crore) illustrate a gradual pivot toward capital formation. The allocation pattern indicates continuity

in income support while strengthening irrigation, infrastructure and risk mitigation. The transition is subtle yet significant: rather than merely protecting farmers from distress, policy now aims to empower them to generate higher and more stable incomes.

Productivity: Investing in Seeds, Soil and Science

India's average annual crop yield growth has hovered between 2–2.5 per cent. With increased investment in climate-resilient seed varieties, soil health management, precision agriculture and micro-irrigation, yield growth is projected to rise to 3–3.5 per cent over the next three to five years. This could translate into an additional 12–15 million tonnes of foodgrain annually by 2028. Economic modelling suggests that if the current investment elasticity of 0.28 holds, a 7 per cent rise in capital investment may generate nearly 1.9

**Table 2: Allocation to different agricultural schemes in the Budget**

Scheme	Allocation (₹ crore)	% Share of Agri Budget	Growth Trend
PM-KISAN	60,000	42%	Stable
PMFBY	18,500	13%	Increased
RKVY	12,000	8%	Moderate rise
PMKSY	11,500	8%	Strengthened
Agri Infrastructure Fund	10,000	7%	Expanded
Fisheries & Allied	9,200	6-7%	Rising

per cent additional output growth. For farmers, these numbers represent more than aggregate output—they imply greater yield stability amid erratic rainfall and extreme weather. The renewed emphasis on efficient input use also aims to reduce cultivation costs, directly improving farm profitability.

Diversification: Horticulture and Plantation Potential

Horticulture now contributes approximately 33 per cent of agricultural Gross Value Added and 38 per cent of total output value. Yet post-harvest losses in fruits and vegetables remain between 15–20 per cent. Enhanced cold-chain investments and storage infrastructure could reduce these losses by 3–4 percentage points, generating economic gains of ₹8,000–10,000 crore annually and creating 5–7 lakh rural jobs in logistics and processing. The Budget earmarks ₹350 crore to promote high-value crops—coconut, sandalwood, cocoa and cashew in coastal regions; agarwood in the Northeast; and almonds, walnuts and pine nuts in hilly states. The Mission for Vegetables and Fruits has been merged into Krishonnati Yojana with ₹700 crore. Plantation crops such as tea, coffee and spices receive renewed export-oriented support. For smallholders, diversification into horticulture and plantation crops reduces dependence on traditional cereals and enhances income potential.

Fisheries and Animal Husbandry: Diversified Income Engines

Allied sectors are emerging as powerful growth drivers. Fisheries, which have grown at 8–9 per cent annually, may accelerate to 10–11 per cent with enhanced support under the Pradhan Mantri Matsya Sampada Yojana. Projections indicate the creation of nearly 8 lakh direct jobs over three years and an increase in export earnings from ₹60,000 crore to ₹75,000 crore by 2028. Animal husbandry, particularly



dairy—contributing around 5 per cent to GDP—continues to receive support for breed improvement and disease control. Milk productivity is projected to increase by 4–5 per cent. The integration of Kisan Credit Cards into fisheries and dairy broadens institutional finance access. For rural households, these sectors provide steady cash flow, buffering against seasonal crop volatility.

Irrigation and Infrastructure: Building Durable Assets

Irrigation coverage currently stands at about 52 per cent of net sown area. Expansion under PMKSY may add 2–3 million hectares, potentially raising cropping intensity from 142 per cent to 148 per cent. Micro-irrigation systems can improve water-use efficiency by 30–40 per cent and increase yields by 15–20 per cent in irrigated areas. These investments are particularly crucial for rainfed and drought-prone regions where yield volatility is high. Asset creation in irrigation and watershed development strengthens resilience while enabling diversification into high-value crops.

Credit and Insurance: Reducing Vulnerability

The agricultural credit target for 2026–27 is estimated at ₹22 lakh crore. Institutional lending expansion to small and marginal farmers—including fisheries and dairy through Kisan Credit Cards—widens financial inclusion. Insurance coverage under PMFBY is expected to expand from 30 per cent to 38–40 per cent of cropped area. Integration of remote sensing and satellite monitoring could reduce claim settlement delays by 25–30 per cent. In drought years, when output may decline by 3–5 per cent, faster and broader insurance coverage becomes a lifeline rather than a procedural safeguard.

Digital Agriculture: A Transformational Layer

Digital Public Infrastructure initiatives—including integrated farmer databases, digitised land records and strengthened e-NAM platforms—are designed to reduce transaction costs by 10–12 per cent and improve price realisation by 5–8 per cent. Greater transparency can compress intermediary margins and enhance farmer bargaining power. India's agri-startup ecosystem, currently numbering over 2,500 enterprises, may expand to 4,000 by 2028, with investment inflows rising 20–25 per cent. Multilingual advisory platforms, including AI-driven services such as Bharat-VISTAAR, promise location-specific, real-time guidance. For farmers, digital integration translates into timely

Table 3: Focus Area of budget in the last three years

Focus Area	2023-24	2024-25	2026-27
Income Support	High	High	Stable
Infrastructure	Moderate	Rising	Strong
Digital Agri	Limited	Emerging	Expanded
Climate Resilience	Moderate	Strengthened	Core Focus
Allied Sectors	Growing	Significant	Strategic Priority

advisories, smoother scheme access and improved market connectivity.

Sustainability and Climate Resilience

Climate adaptation is now embedded in policy design. Expanded irrigation, resilient seed varieties and strengthened insurance could reduce crop loss variability by 1.5–2 percentage points. Natural farming initiatives aim to reduce chemical fertiliser dependence by 8–10 per cent, contributing to soil carbon restoration and potentially enhancing export competitiveness.

Sustainability is not treated as an adjunct objective but as integral to long-term productivity.

Regional Focus: The North-Eastern Region

The Budget recognises regional disparities, particularly in the North Eastern Region (NER). In eastern and northeastern states, targeted irrigation and infrastructure investments may accelerate yield growth by 4–5 per cent and raise regional GSDP by up to 1 per cent. Rainfed and tribal areas are expected to see income stabilisation gains of 12–15 per cent under watershed and millet initiatives. Assam accounts for 60–65 per cent of foodgrain output in the NER and produces over 2.3 million tonnes of fruits, including pineapple (0.35 million MT) and orange (0.21 million MT). However, limited processing and cold storage constrain value realisation. Other states—Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura—display greater diversification into spices and allied activities. Pineapple production across the NER approaches 1 million tonnes, with Tripura’s GI-tagged Queen Pineapple offering export potential.

Livestock and fisheries contribute 30–35 per cent of farm income in hilly states, underscoring the relevance of a 27 per cent increase in animal husbandry allocation and integrated reservoir development. Promotion of agarwood in Assam and nuts in hilly regions supports high-value diversification. Yet concerns remain. A 4.6

per cent reduction in DARE funding may constrain long-term research support in a fragile agro-ecological region. Real-term consolidation in PMFBY may leave smallholders vulnerable in flood-prone districts. Implementation effectiveness—especially first-mile infrastructure, FPO aggregation and market access—will determine outcomes.

Comparative Perspective and Growth Outlook

Compared to Budgets of 2023–24 and 2024–25, the 2026–27 Budget reflects a maturing reform trajectory. Income support remains stable, but infrastructure and diversification receive stronger emphasis. Climate resilience and digital agriculture have moved from peripheral themes to central pillars. With agricultural investment multipliers estimated between 1.6 and 1.8, an additional ₹15,000 crore in structural investment could generate ₹24,000–27,000 crore in GDP gains. Agricultural GVA growth is projected at 3.5 per cent under a base scenario and 4.5–5 per cent under optimistic conditions.

Toward Resilient Prosperity

The Union Budget 2026–27 offers a balanced and forward-looking roadmap. While nominal allocation growth is moderate, the qualitative shift toward irrigation, digital infrastructure, diversification and sustainability marks a deeper structural transformation. If implementation remains robust—supported by state coordination, timely fund flows and institutional reform—agricultural growth may stabilise around 4–5 per cent annually. For the farmer in the field, these reforms are meaningful only if they translate into reduced uncertainty, fairer prices and dignified livelihoods. By combining income support with asset creation, innovation and sustainability, the Budget recognises that rural prosperity is not built in a single season. It is cultivated steadily—through resilient farms, diversified incomes and technology-enabled transparency—ensuring that growth is not merely statistical, but human. ■