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Growth-oriented Budget will counter inflationary pressures

THE FINANCE MINISTER was not tempted into short-term measures by today's inflation challenges, but instead presented a sound growth-oriented budget. His budget facilitates higher capacity creation through increased investments, and will ensure that inflationary pressures will be countered by strong supply side response.

Measures to bolster distribution and marketing systems are expected to address supply side concerns, which remained principal contributor to the current food inflation.

Several incentives are provided to the farming and warehousing sectors – an increased credit flow to farming, cutting of interest rates on farm loans, classifying cold storages as infrastructure sector and exempting cold chain equipments from excise duties. This will improve the agricultural value chain and unlock the contribution that farmers can make to India's economic growth in the years to come. These measures will also play a supportive role in helping more efficient price discovery for the commodity market which is expecting more policy reforms through the passage of the FCRA Amendment Bill, 2010.

Another significant announcement is granting of infrastructure status to cold chains and post harvest storage. This measure will be able to bring some semblance of commercial viability in the investments, thus spurring the investment. Agri warehousing is characterised by low margins and resultant low viability. The granting of infrastructure status along with the proposal of viability gap funding is expected to make significant dent.

While the decision to create 15 lakh metric tonnes of silo storage capacity under Public Entrepreneurs Guarantee (PEG) scheme is a positive step, it should also look at silo storage for all its long-term storage needs such as having buffer stock and strategic reserves. Augmentation of RIDF by ₹2000 crore towards development of post harvest infrastructure in rural sector will definitely ameliorate some of the storage problems that our farmers face.

The increase of over 25 per cent in the banks' credit to agriculture is a significant step. I am sure that with this, banks will provide special efforts to bring together the large number of farming households who do not have access to formal credit.