

Union BUDGET 2026-27

Budget 2026: Key agricultural reforms to elevate farmers, increase productivity and foster rural growth



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The Economic Survey 2025-26 emphasizes that agriculture is vital for achieving Viksit Bharat, fostering inclusive growth and enhancing livelihoods. Over the last five years, the average annual growth rate in the agriculture and allied sector has been around 4.4% at constant prices.

The Survey highlighted that agriculture and allied activities account for around one-fifth of national income at current prices and employ nearly 46% of the workforce, reaffirming the sector's socio-economic centrality even as India's broader economy grows and diversifies. It also noted that allied segments like livestock, fisheries and horticulture are emerging as robust growth drivers, expanding beyond traditional crop production.

The Union Budget 2026 envisions Indian agriculture as a platform for technology-led resilience, diversification, and income enhancement. Initiatives such as the multilingual AI-enabled Bharat VISTAAR platform for farm advisory, dedicated programs for high-value crops like coconut, cashew, cocoa and sandalwood, and credit support for livestock and fisheries value chains align with the survey's emphasis on digital integration, value addition and diversification.

An allocation of INR1.63 lakh crore for agriculture emphasizes the government's continued commitment to upgrade farm practices and enhance livelihood prospects across rural India.

Collectively, the reforms reflect a strategically integrated approach, broadening farmers' income avenues, deepening rural economic participation, and embedding technology and market access as core drivers of sectoral advancement.

How does the Budget impact the Agriculture sector?

First Kartavya - Accelerate and sustain economic growth

Empowering farmers with technology:

- New technologies to support farmers with better productivity and smarter field decisions.
- Several steps to be undertaken to support new technologies through AI mission, National Quantum Mission, Anusandhan National Research Fund, and Research, Development and Innovation Fund.

Integrated program for development of textile sector considered as one of the seven strategic and frontier sectors:

- National Fibre Scheme to be launched for self-reliance in natural fibers such as silk, wool and jute, man-made fibers and new-age fibers.
- National Handloom and Handicraft Programme to be launched to integrate and strengthen existing schemes and ensure targeted support for weavers and artisans.

Strengthen khadi, handloom and handicrafts:

- Mahatma Gandhi Gram Swaraj initiative to be launched to strengthen khadi, handloom and handicrafts, benefiting weavers, village industries, One District One Product and rural youth and assist in global market linkage and branding

Creating “Champion SMEs” and supporting micro enterprises:

- INR10,000 crore Small and Medium Enterprises (SMEs) Growth Fund to be introduced for incentivizing enterprises based on select criteria.
- Capital allocation of INR2,000 crore for the Self-Reliant India Fund to support micro enterprises.
- Following additional measures to be introduced to develop a secondary market, enhance liquidity and settlement of transactions for Micro, Small and Medium Enterprises (‘MSMEs’) through the TReDS platform:
 - (i) mandate TReDS as the transaction settlement platform for all purchases by Central Public Sector Enterprises.
 - (ii) introduce a credit guarantee support mechanism through Credit Guarantee Fund Trust for SMEs for invoice discounting on TReDS platform.
 - (iii) link GeM with TReDS for sharing information with financiers about government purchases from MSMEs.
 - (iv) introduce TReDS receivables as asset-backed securities.

Promoting environmentally sustainable cargo movement:

- New dedicated freight corridors to enhance efficient, green cargo logistics.
- Operationalization of 20 new National Waterways over the next five years to boost inland water transport.
- Coastal Cargo Promotion Scheme to be launched for incentivizing a modal shift from rail and road, to increase the share of inland waterways and coastal shipping.

Highlights



INR162,671 crore

Total expenditure for agriculture

Government's Sankalp: Increasing farmer's income



Program for horticulture



Animal husbandry



Supporting high-value agriculture



Program for Indian cashew and cocoa



Fisheries



Sandalwood



Bharat VISTAAR

Coastal Cargo Promotion Scheme to increase share of inland waterways

20 new National Waterways to boost inland water transport

Second Kartavya: Fulfil aspirations of our people

Supporting farmers through ayurvedic exports:

- To meet the rising global demand for ayurvedic products and boost exports, several steps will be taken, including establishing three new All India Institutes of Ayurveda. Indian farmers producing Ayurveda herbs should benefit from the focus on Ayurveda.

Animal husbandry:

- To scale up availability of veterinary professionals, loan-linked capital subsidy support scheme to be introduced for establishment of veterinary and para-vet colleges, veterinary hospitals, diagnostic laboratories and breeding facilities in the private sector.
- Collaboration between Indian and foreign institutions will also be facilitated to support the above.

Third Kartavya: Sabka Sath, Sabka Vikas towards a Viksit Bharat

Supporting high value agriculture:

- To diversify farm output, boost productivity, raise farmers' incomes and generate new jobs, support will be extended for high-value crops such as coconut, sandalwood, cocoa and cashew in coastal regions, along with Agar trees in the North-East and nuts like almonds, walnuts and pine nuts in hilly areas.
- To enhance competitiveness in coconut production, Coconut Promotion Scheme to be launched to increase production and enhance productivity through various interventions including replacing old and non-productive trees with new saplings/ plants/ varieties.
- Dedicated program to be set-up to boost self-reliance and production for Indian cashew and cocoa with an aim to transform it into premium global brands by 2030.
- In partnership with state governments, measures to be launched to promote focused cultivation and post-harvest processing of sandalwood.

Horticulture:

- Dedicated program to be developed to enhance farmer incomes by rejuvenation of old, low-yielding orchards and expansion of high-density cultivation of walnuts, almonds and pine nuts.

Bharat-VISTAAR (Virtually Integrated System to Access Agricultural Resources):

- A multilingual AI platform to be launched which will connect AgriStack portals and Indian Council of Agricultural Research's package of practices with advanced AI systems, helping farmers improve productivity, make better decisions, and reduce risks through customised advisory support.

Highlights



3 All India Institutes of Ayurveda to be set-up

Dedicated program for Indian cashew and cocoa

Coconut Promotion Scheme to enhance creation of livestock

Dedicated program for cultivation of walnuts, almonds and pine nuts

**Bharat-VISTAAR
A multilingual AI platform to be launched**

Fisheries:

- Integrated development of 500 reservoirs and Amrit Sarovars to be undertaken which will strengthen value chain in coastal areas and enable market linkages for start-ups and women-led groups together with Fish Farmer Producer Organisations.

Animal husbandry:

- Various measures to be introduced to support entrepreneurship such as Credit-Linked Subsidy Programme, modernization of livestock enterprises, enhance creation of livestock, dairy and poultry-focused integrated-value chains and creation of Livestock Farmer Producers Organizations.

SHE-Marts for rural women-led enterprises:

- Community-owned Self-Help Entrepreneur (SHE) Marts to be established as community-owned retail outlets within cluster-level federations through enhanced and innovative financing instruments

Key direct tax proposals:

- No change in individual and corporate tax rates (except Minimum Alternate Tax).
- Business profits earned by primary cooperative society engaged in supply of cattle feed and cotton seed produced by members to be allowed as a deduction.
- Inter-cooperative society dividend income to be allowed as a deduction under the new tax regime to the extent distributed to members.
- Dividend income received by a notified national co-operative federation from investments made in companies up to 31 January 2026 to be exempt from tax for a period of three years. Exemption to be allowed only for dividends distributed to its member co-operatives.
- Taxes Collected at Source (TCS) on sale on tendu leaves reduced to 2%.

Key indirect tax proposals:

- Exemptions / Concessional BCD Rates Withdrawn - Moving back to applicable tariff rate

Chapter / CTH	Goods	Effective Date
Ch 27 - 2710	Naphtha for manufacture of fertilisers	1 April 2026
Ch 31	Ammonium phosphate / ammonium nitro phosphate for use as manure or for production of complex fertilisers	2 February 2026

- Concessional BCD rate on import of certain goods extended as below -

Chapter / CTH	Goods	Exemption Valid Till
1518	Algal Oil for manufacturing of aquatic feed	31 March 2028
Any Chapter	Specified goods used in the processing of sea-food	31 March 2028

Highlights



500

Reservoirs or Amrit Sarovars to be developed

Credit-Linked Subsidy Programme to support entrepreneurship in animal husbandry

Community owned retail outlets to be established: SHE-Marts

Business profits of primary cooperative society engaged in supply of cattle feed and cotton seed - Allowed as a deduction

5%



2%

TCS on sale of tendu leaves reduced

Impact analysis

The 2026 Budget establishes a positive framework for transforming Indian agriculture into a more resilient, diversified, and future-ready sector. The emphasis on AI-based decision support through Bharat-VISTAAR can help close information gaps and offer farmers tailored insights. Further, initiatives for high-value crops could boost local agricultural economies by linking production to value addition and market demand.

The Budget's strong support for the textile sector, including the National fiber Scheme, modernized clusters, and Mega Textile Parks, will directly benefit farmers cultivating natural fibers like cotton, jute, silk, and wool. This will expand processing capacity, improve quality standards.

Additionally, support for khadi, handloom, and rural textile clusters through the Mahatma Gandhi Gram Swaraj initiative will increase income opportunities for farmers growing cotton and other fibers by enhancing local value addition, branding, and access to global markets.

The Budget's continued emphasis on MSMEs and increased funding through the Self Reliance India Fund will give an impetus to manufacturing, including food processing, which will likely boost rural industries.

Moreover, the growth of Ayurveda and natural product's value chains will strengthen markets for medicinal plants, herbs, aromatic crops, and forest products sourced from farming and related activities. This creates more valuable opportunities for farmers growing botanicals and crops that align with the Ayurveda and wellness industries.

Importantly, Budget 2026 supports the growth of high-value agriculture by promoting crops like coconut, cashew, cocoa, walnuts, almonds, and pine nuts, along with improvements in the value chains of horticulture, fisheries, and animal husbandry. These initiatives will diversify farmers' incomes, boost export potential and create more job opportunities in rural areas.

Taken together, these interventions widen downstream markets for agricultural produce, promote rural industrialization, and generate non-farm employment – helping the agriculture sector move up the value chain while offering farmers more resilient and diversified income pathways.

In summary, the Budget's combination of technology adoption, value-chain diversification, and support for allied sectors outlines a viable path for agricultural modernization. While deeper structural issues such as fragmented landholdings, climate pressures, irrigation and rural-to-urban shifts will require continued attention, the measures announced represent meaningful forward progress. Through its support for digital tools, diversified market pathways, and thriving allied activities, the Budget sets the stage for a more modern, integrated, and growth-oriented agricultural economy.

Where above policies are effectively implemented, they will translate into real benefits at the farm level, fostering sustainable growth and enhancing livelihoods for India's farming communities.

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