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Foreign Direct Investment (FDI) in Indian Agriculture: Trends and Opportunities

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Abstract
This study investigates the dynamics of Foreign Direct Investment (FDI) within the Indian agricultural sector between 2000 and 2024. By comparing domestic inflows with global agricultural FDI trends, the paper identifies emerging opportunities and assesses why policy liberalization has not yet yielded substantial capital absorption in primary farming. Adopting an analytical research design, the study utilizes longitudinal secondary data sourced from the Department for Promotion of Industry and Internal Trade (DPIIT), Reserve Bank of India (RBI), FAO, and UNCTAD. Statistical techniques, including trend analysis and percentage share evaluation, are employed to examine the structural distribution and growth trajectories of foreign equity. The analysis reveals that cumulative FDI inflows into Indian agricultural services totalled approximately USD 2.61 billion, constituting a marginal fraction of the nation's total FDI. While a dramatic, non-recurring spike occurred in 2009–10 totalling USD 1.22 billion, subsequent inflows have remained modest, generally fluctuating between USD 50 million and USD 120 million annually. Conversely, the food processing sector demonstrated robust performance with cumulative inflows exceeding USD 10 billion, signalling a clear investor preference for value-added agribusiness and export-oriented activities over primary production. The findings suggest that 100% FDI allowance under the automatic route is currently insufficient to offset deep-seated structural deterrents such as fragmented landholdings, low investment absorption capacity, and significant infrastructure deficits. To align foreign capital with national goals of inclusive growth and rural development, the study concludes that the government must transition from passive liberalization to active investments in cold-chain logistics, regulatory clarity in contract farming, and the development of state-specific agro-climatic strategies. Future research should move beyond descriptive analysis to employ econometric models that measure the specific impacts of these inflows on agricultural productivity and farmers' net income.

Keywords: Foreign Direct Investment (FDI), Agricultural Investment, Agri-Business Development, FDI Policy, Agriculture, Economic Growth

Introduction

Agriculture and allied sectors are the largest source of livelihood in India, particularly in rural areas, and play a vital role in ensuring inclusive growth, rural income, and food security. Around 42.3% of the population is engaged in agriculture, contributing 18.2% to India's GDP at current prices. Over the past five years, the sector recorded an average growth rate of 4.18%, though it slowed to 1.4% in 2023–24 due to weak monsoons (Economic Survey 2023–24). India is the world's largest producer of milk, jute, organic fibre, and pulses, and the second-largest producer of several major crops.

Foreign Direct Investment (FDI) has become an important factor in strengthening the agricultural sector.

Following economic liberalization in 1991, India gradually relaxed FDI policies, and currently 100% FDI under the automatic route is permitted in several agricultural activities such as horticulture, seed development, animal husbandry, aquaculture, and agricultural services as per the Department for Promotion of Industry and Internal Trade (DPIIT). FDI can contribute to agricultural development by bringing capital, technology, and managerial expertise, while also generating employment and improving productivity. In this context, the present study analyzes the trends and role of FDI in India's agricultural sector.

Problem Statement and Research Objectives

However, a significant gap remains between policy intent and actual investment. While the "doors are open," primary agriculture has struggled to attract the same level of global interest as the technology or service sectors, creating a disconnect that hinders rural modernization. This study explores this disconnect by analyzing FDI trends from 2000 to 2024. The primary objective is to evaluate why foreign capital has largely bypassed primary production in favour of value-added sub-sectors like food processing. By comparing India's performance with global trends, this research identifies the structural barriers—such as fragmented landholdings and infrastructure deficits—that hinder capital absorption. Ultimately, the study seeks to provide actionable insights to align foreign investment with the national goals of rural prosperity and sustainable food security.

To achieve this, the study focuses on the following specific objectives:

- To examine the longitudinal trends and patterns of FDI inflows into Indian agriculture (2000–2024).
- To compare domestic investment performance with global agricultural FDI trends.
- To analyze the distribution of foreign capital across specific sub-sectors to identify investor preferences.
- To provide strategic policy recommendations to enhance the effectiveness and inclusiveness of future investments.

Review of Literature

Bajpai, N. & Sachs, J. D. (2000) highlighted key challenges hindering India's ability to attract Foreign Direct Investment (FDI). Despite advantages such as a large market and low labour costs, India's restrictive FDI policies, high import tariffs, bureaucratic hurdles, stringent labour laws, and inadequate infrastructure limit investment. The authors also pointed to a lack of sufficient export-processing zones as barriers. They argue that these issues prevent India from fully utilizing its FDI potential and call for significant policy reforms to make the country more attractive to foreign investors

Ray (2014) argued that the introduction of FDI would benefit farmers in several ways, particularly by eliminating exploitative middlemen and providing better prices. It has also been claimed that the entry of retail giants would significantly improve agricultural marketing infrastructure and help solve issues related to waste.

Kumar, C. (2014, July 11). This article discusses the role of foreign direct investment (FDI) in India's agribusiness sector, focusing on its impact on farming-related businesses, such as production, marketing, and distribution of agricultural products. While FDI is restricted to agriculture, it is allowed in areas such as floriculture, horticulture, and contract farming. The entry of multinational companies (MNCs) into retail and contract farming presents opportunities and challenges for the agribusiness sector, particularly for small and medium-sized agri-retailers (SMEs). This study analyzes the trends of FDI in both organized and unorganized sectors and explores whether MNCs' presence harms or benefits local farmers and businesses. This study used statistical data from sources such as FIPB, DIPP, and UNCTAD.

Gunasekera, D., Cai, Y., & Newth, D. (2015). This article reviews the key issues surrounding foreign direct investment (FDI) in agriculture and its potential impact on African agriculture. Using the dynamic Global Trade Analysis Project (GDyn) model, this study analyzes how improvements in land productivity and increased FDI can affect Africa's agricultural output. The findings suggest that these efforts could boost Africa's share of global agricultural production and exports, particularly

oilseeds, sugar, and cotton. This study uses a global economy-wide model to simulate the effects of FDI growth in Africa.

Singh and Walia (2015) studied that there is a strong need to adopt many measures to promote FDI inflow in agriculture sector in Indian economy to improve agriculture productivity and streamline it with manufacturing and services sector.

Medhi (2017) finds that FDI can be one of the best ways to boost the agricultural sector in India by improving agricultural productivity and farm income. FDI inflows to the agricultural sector are a good driver for boosting the developmental process in this sector. There is a significant relationship between FDI inflows in the agricultural sector and agricultural GDP in India. The coefficient of correlation between FDI in the agricultural sector and agricultural GDP is 0.49, which implies a positive correlation between the two, which is significant at the 0.05 or 5% level of significance.

Santangelo, G. D. (2018). This study examines how foreign investment in agricultural land (land grabbing) affects food security in developing countries, depending on where investors come from. Investments from developed countries improve food security by increasing farmland as they follow ethical practices and bring positive benefits. On the other hand, investments from developing countries harm food security by reducing farmland as they prioritize their own national interests, causing negative effects.

Douansouvanh, V., Qijun, L., Kombate, B. (2019). This study examines how foreign direct investment (FDI) impacts agriculture, poverty alleviation, and economic growth in Laos. They find that FDI creates jobs and tax revenue, significantly reducing poverty in the short term. However, in the long-term, the transfer of knowledge and technology from FDI plays a crucial role in sustaining economic growth and development. This finding highlights the need for emerging economies to focus on leveraging FDI for long-term benefits.

Jana et al. (2019) analyzed the impact of sector-wise FDI inflows on India's economic growth. They find positive short- and long-term causality from agricultural output to FDI inflow, but agricultural output is strongly exogenous. The study also revealed that agricultural FDI negatively affected sector growth in the early years. This is due to weak infrastructure, technology, and low investment absorption capacity in India's agricultural sector, despite government efforts

Sikandar, F., Erokhin, V., Shu, W. H., Rehman, S., & Ivolga, A. (2021). This study examines how foreign capital inflows affect poverty reduction and agricultural development in 14 developing economies. They find that agricultural exports, FDI, development assistance, and remittances significantly reduce poverty, while integrating into global food supply chains enhances agricultural growth. Limited financial resources hinder policy effectiveness but foreign capital plays a crucial role in addressing these challenges.

Nyiwul, L., & Koirala, N.P. (2022). This study examines the impact of foreign capital inflows, particularly FDI, on the agricultural, forestry, and fishing sectors in developing countries considering the effects of COVID-19 and geopolitical uncertainty. Using a panel vector autoregression approach with data from 16 developing economies, the study finds a bidirectional relationship between FDI and sector value-added, meaning that FDI and sector growth reinforce each other. The positive effect of FDI on value added lasts for up to five years, suggesting a medium- to long-term benefit. The study implies that reducing FDI transaction costs and improving the investment environment can help boost these sectors by enhancing technology, expertise, and management practices

Nguyen, H. T. Y. (2024). This study examines low and declining FDI inflows into Vietnam's agricultural sector, focusing on the Southern Key Economic Zone (KEZ). This study uses PLS-SEM analysis to identify the key factors influencing FDI, based on a survey of 129 foreign investors in multinational agricultural enterprises. The findings reveal that FDI attraction policies have the strongest impact, followed by infrastructure, regional agricultural policies, public service quality, natural conditions, and human resources. This study provides policy recommendations to enhance FDI inflows into the region's agricultural sector.

Kundu, A., Sanyal, A., Manna, U.K. (2024, March 22). This study examines the impact of Foreign Direct Investment (FDI) on the growth of

agriculture and allied activities in India, especially after the liberalization of India's FDI policy. This highlights how FDI in agriculture helps improve technology, farming practices, and yield, contributing to food security. This study explores the role of FDI in promoting sustainability and achieving key Sustainable Development Goals (SDGs), such as zero hunger, climate action, and life on land by 2030. These findings emphasize the importance of FDI in facilitating sustainable transition in India's agricultural sector.

The review of existing literature indicates that while a considerable number of studies have examined the relationship between FDI and economic growth, relatively fewer have focused specifically on the agricultural sector in India. Most available studies either analyze agriculture as part of a broader sectoral framework or rely on cross-country evidence. Moreover, much of the existing work remains descriptive in nature or is limited to simple correlation analysis. There is a noticeable lack of studies that provide a comprehensive assessment of long-term trends, sector-wise distribution, and policy-driven changes in agricultural FDI in India, particularly in the post-reform period. This study attempts to address this gap by systematically examining FDI inflows into Indian agriculture over a long-time horizon and by identifying emerging opportunities and constraints within the current policy framework.

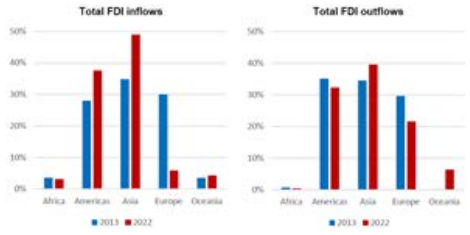
Methodology

The study adopts an analytical research design based on secondary data collected from a multi-level framework including the Department for Promotion of Industry and Internal Trade (DPIIT), RBI, The Food and Agriculture Organization (FAO), and UNCTAD. This approach allows for a longitudinal domestic assessment (2000–2024) and international benchmarking (2013–2022) to provide a comprehensive dual-perspective analysis of capital shifts in Indian agriculture. To extract meaningful insights, specific analytical techniques were selected based on the data's unique characteristics. Trend analysis was employed to distinguish long-term growth trajectories from highly volatile, non-recurring events, such as the anomalous surge in 2009–10. Percentage share analysis was utilized to quantify the "investment gap" between primary agriculture and high-growth sectors like food processing, justifying the focus on relative sectoral significance. Additionally, growth comparison and graphical methods were used to visualize the sector's absorption capacity over two decades, as visual representations are essential for highlighting structural breaks that tabular data may obscure. The study acknowledges limitations inherent in aggregated secondary data, which restricts firm-level or state-specific econometric modelling. Furthermore, the presence of outlier years necessitates a cautious interpretation of mean growth rates. These constraints are addressed by focusing on broader structural patterns, providing a foundational basis for future research to utilize panel data or granular econometric models for more robust analysis.

Result and Discussion

Global Trends

Between 2013 and 2022, FDI inflows decreased slightly from USD 1.36 trillion to USD 1.35 trillion, whereas outflows rose by 7.2% from USD 1.40 trillion to USD 1.50 trillion. Both inflows and outflows peaked in 2015 due to a surge in cross-border M&A s, with inflows hitting USD 2.16 trillion, the highest during the period. Inflows dropped to USD 1.14 trillion in 2020 due to the COVID-19 pandemic, rebounded to USD 1.48 trillion in 2021, and declined to USD 1.35 trillion in 2022. Outflows followed a similar trend, falling below USD 1 trillion in 2018 and 2020 before surging to USD 1.71 trillion in 2021, and then decreasing to USD 1.50 trillion in 2022. Between 2013 and 2022, the Americas, Asia, and Europe accounted for 94% of FDI inflows and 99% of FDI outflows. Asia's share of inflows rose from 35% to 49%, the Americas rose from 28% to 38%, and Europe's share dropped from 30% to 6%. For outflows, Asia's share grew from 35% to 40%, Oceania from 0% to 6%, and the Americas and Europe declined to 32% and 22%, respectively.

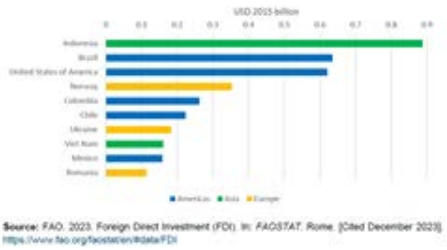


Source: FAO. 2023. Foreign Direct Investment (FDI). In: *FAOSTAT*. Rome. [Cited December 2023]. https://www.fao.org/faostat/en/#data/FDI

Figure 1 Share of total reported FDI inflows and outflows by region

Top Recipients and Providers of FDI Inflows and Outflows to Agriculture

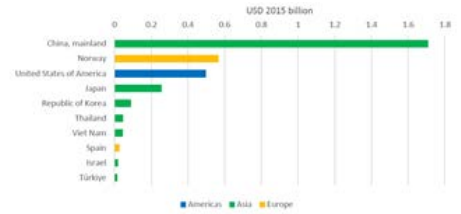
Indonesia is the leading recipient of agricultural FDI (2018–2022), averaging USD 888 million annually. High inflows in 2018–2019 (USD 1.7–3 billion) were followed by disinvestment. The government eased FDI rules, allowing up to 95% foreign ownership of palm oil production (Oxford Business Group, 2019; OECD, 2020; Pasaribu et al., 2021). Brazil ranks second in agricultural FDI, averaging USD 635 million annually, followed by the USA at USD 621 million. Agribusiness is a key driver of Brazil's economy and its growth (Corcioli et al. 2022).



Source: FAO. 2023. Foreign Direct Investment (FDI). In: *FAOSTAT*. Rome. [Cited December 2023]. https://www.fao.org/faostat/en/#data/FDI

Figure 2 Annual FDI inflows to agriculture, top countries (2018-2022 average)

China led agricultural FDI outflows (2013–2022), averaging USD 1.71 billion annually, over three times more than any other country, spanning 1,300 enterprises in 100+ countries by 2016 (Gooch and Gale, 2018). Norway ranked second, averaging USD 567 million despite a USD -1.13 billion disinvestment in 2021, followed by the USA at USD 496 million annually



Source: FAO. 2023. Foreign Direct Investment (FDI). In: *FAOSTAT*. Rome. [Cited December 2023]. https://www.fao.org/faostat/en/#data/FDI

Figure 3 Annual FDI outflow to agriculture, top countries (2018-2022 average)

Foreign Direct Investment in Agriculture in India Indian agriculture has opened doors to foreign direct investment (FDI) across various sectors. FDI of up to 100% is permitted under the automatic route in specified activities of the agriculture and allied sectors, aiming to boost production and services, enhance gross value added in agriculture, and support overall growth. However, FDI in agriculture has experienced fluctuations rather than consistent growth.

Table 1: FDI Equity Inflows in Agriculture Service Sector

Year	FDI Inflows in Agriculture Services (US $ m)
2001-02 (Apr-Mar)	14.06
2002-03	11.01
2003-04	0.59
2004-05	3.83
2005-06	9.08
2006-07	12.53
2007-08	58.13
2008-09	5.35
2009-10	1222.22
2010-11	43.9
2011-12	49.02
2012-13	161.47
2013-14	91.01
2014-15	59.95
2015-16	84.65
2016-17	76.43
2017-18	110.19
2018-19	88.76
2019-20	52.19

2020-21	117.1
2021-22	258.47
2022-23 (Apr-Sep)	82.7
	Total = 2612.63

Source: Agriculture-Statistics-at-a-Glance-2023

The FDI inflows in agricultural services from 2001 to 2023 show a mix of fluctuations and growth. The year 2009-10 saw an unusually high investment of USD 1,222.22 million, making up a large share of the total inflows of USD 2,612.63 million. Excluding this, the sector has seen steady growth, especially after 2014-15, with yearly investments mostly between USD 50 million and USD 120 million.

Another peak occurred in 2021-22, with inflows reaching USD 258.47 million, which was the second highest in the period. The data indicate a growing interest in the agriculture sector in recent years, driven by improved policies and infrastructure. While investments are smaller than in other sectors, consistent growth highlights its potential for future development.

Table 2 FDI equity inflow Sector-Wise / Year Wise

SECTOR-WISE / YEAR-WISE FDI EQUITY INFLOW
FROM JANUARY 2000 TO SEPTEMBER 2024

Sr. No.	Sector	2000 to 2020	2021	2022	2023	2024 (Till SEPT 2024)	Cumulative FDI	
		(In USD Million)	(In USD Million)	(In USD Million)	(In USD Million)	(In USD Million)	(In INR Crore)	(In USD Million)
1	SERVICES SECTOR (Fin., Banking, Insurance, Non Fin/Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other)	85,835.66	6,552.37	8,341.04	7,334.57	7,145.57	7,34,510.16	115,209.21
2	COMPUTER SOFTWARE & HARDWARE	69,320.80	12,011.53	12,277.59	4,743.26	8,748.44	7,53,998.51	107,101.61
3	TRADING	29,758.07	3,456.22	5,693.62	3,308.25	3,926.12	3,22,162.06	46,142.28
4	TELECOMMUNICATIONS	37,630.24	622.71	776.95	287.74	680.65	2,40,450.02	39,998.29
5	AUTOMOBILE INDUSTRY	25,552.46	6,414.41	2,307.07	1,540.13	1,554.61	2,43,850.91	37,368.68
6	CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	24,008.93	2,313.84	2,880.41	4,323.41	1,715.80	2,50,628.61	35,242.39
7	CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and construction-development projects	25,934.68	239.87	131.21	235.66	222.15	1,32,601.17	26,763.58
8	DRUGS & PHARMACEUTICALS	17,787.68	1,451.01	2,026.17	1,153.58	670.74	1,39,407.34	23,089.18
9	CHEMICALS (OTHER THAN FERTILIZERS)	18,389.23	713.51	1,875.26	1,105.19	800.92	1,39,821.66	22,884.11
10	NON-CONVENTIONAL ENERGY	9,834.27	1,374.61	2,076.81	2,981.69	3,716.27	1,43,692.14	19,983.67
11	POWER	15,402.05	483.38	735.74	1,589.62	1,391.78	1,19,847.45	19,602.57
12	HOTEL & TOURISM	15,614.63	685.88	359.68	440.33	1,023.44	1,14,320.86	18,123.95
13	METALLURGICAL INDUSTRIES	14,298.95	1,815.04	1,118.07	240.81	601.21	1,10,111.53	18,074.08
14	MISCELLANEOUS INDUSTRIES	12,527.77	530.59	366.48	503.34	514.14	81,473.52	14,442.32
15	FOOD PROCESSING INDUSTRIES	10,257.93	700.20	850.09	671.53	489.15	85,398.99	12,968.90
16	ELECTRICAL EQUIPMENTS	9,899.99	611.71	989.08	934.35	433.86	83,869.71	12,869.00
17	INFORMATION & BROADCASTING (INCLUDING PRINT MEDIA)	9,382.02	242.34	415.92	877.67	496.83	73,105.14	11,414.77
18	HOSPITAL & DIAGNOSTIC CENTRES	7,034.17	694.46	767.47	1,322.76	1,377.85	77,025.81	11,196.71
19	CONSULTANCY SERVICES	6,148.13	1,627.69	640.07	732.07	1,065.72	69,168.73	10,213.69

Sr. No.	Sector	2000 to 2020	2021	2022	2023	2024 (Till SEPT 2024)	Cumulative FDI	
		(In USD Million)	(In USD Million)	(In USD Million)	(In USD Million)	(In USD Million)	(In INR Crore)	(In USD Million)
20	EDUCATION	4,217.67	3,253.90	1,515.46	505.54	134.42	69,196.62	9,625.00
21	PETROLEUM & NATURAL GAS	7,975.34	72.73	42.69	98.67	11.74	43,769.59	8,201.18
22	CEMENT AND GYPSUM PRODUCTS	5,292.47	204.77	2.53	610.11	1,810.09	51,102.61	7,919.96
23	INDUSTRIAL MACHINERY	5,762.00	390.36	257.37	391.86	421.08	45,331.03	7,222.68
24	SEA TRANSPORT	4,488.19	433.51	397.12	1,183.86	105.12	44,373.18	6,607.80
25	ELECTRONICS	3,014.89	198.31	539.37	824.15	1,096.53	39,416.37	5,673.25
26	RETAIL TRADING	3,445.71	306.97	686.18	129.49	169.22	34,194.34	4,737.57
27	TEXTILES (INCLUDING DYED,PRINTED)	3,697.09	247.62	123.07	359.18	138.39	29,077.25	4,565.35
28	MISCELLANEOUS MECHANICAL & ENGINEERING INDUSTRIES	3,672.37	211.88	306.58	258.23	78.93	25,968.37	4,527.98
29	FERMENTATION INDUSTRIES	3,058.02	809.28	283.46	204.55	131.38	28,643.78	4,486.68
30	AIR TRANSPORT (INCLUDING AIR FREIGHT)	2,894.06	286.36	559.38	96.32	96.33	26,787.28	3,932.46
31	MEDICAL AND SURGICAL APPLIANCES	2,177.60	180.10	406.92	501.99	469.85	25,961.50	3,736.45
32	RUBBER GOODS	3,267.04	76.55	152.76	132.92	17.52	22,873.04	3,646.80
33	MINING	2,916.10	107.25	402.10	77.37	6.55	21,525.60	3,509.38
34	PRIME MOVER (OTHER THAN ELECTRICAL GENERATORS)	2,479.84	52.34	115.61	249.23	227.63	20,280.77	3,124.65
35	AGRICULTURE SERVICES	2,270.41	223.27	215.04	351.26	47.30	18,842.42	3,107.28
36	PRINTING OF BOOKS (INCLUDING LITHO PRINTING INDUSTRY)	1,865.94	268.49	78.96	252.76	88.54	17,646.54	2,554.68
37	SOAPS, COSMETICS & TOILET PREPARATIONS	1,688.18	542.69	105.78	81.83	68.26	16,202.47	2,486.74
38	AGRICULTURAL MACHINERY	715.97	17.40	993.87	1.70	17.77	12,293.84	1,746.71
39	PAPER AND PULP (INCLUDING PAPER PRODUCTS)	1,471.18	156.47	28.38	50.28	34.64	10,128.39	1,740.95
40	PORTS	1,637.30	-	-	-	-	6,730.91	1,637.30
41	RAILWAY RELATED COMPONENTS	1,217.56	10.13	3.55	175.99	20.98	9,155.34	1,428.20
42	GLASS	689.79	592.33	49.56	32.34	15.39	9,035.83	1,379.40
43	DIAMOND, GOLD ORNAMENTS	1,190.49	11.09	23.11	45.97	51.61	8,020.45	1,322.25
44	MACHINE TOOLS	1,000.93	32.47	40.39	98.61	85.19	7,547.24	1,257.59

Sr. No.	Sector	2000 to 2020	2021	2022	2023	2024 (Till SEPT 2024)	Cumulative FDI	
		(In USD Million)	(In USD Million)	(In USD Million)	(In USD Million)	(In USD Million)	(In INR Crore)	(In USD Million)
45	VEGETABLE OILS AND VANASPATI	1,021.31	8.33	12.07	15.65	47.66	6,809.53	1,105.02
46	CERAMICS	889.06	3.45	83.70	32.10	8.47	5,653.43	1,016.79
47	FERTILIZERS	702.61	9.38	1.19	14.84	9.24	4,296.83	737.26
48	EARTH-MOVING MACHINERY	441.74	32.22	75.38	24.40	22.43	3,749.77	596.58
49	COMMERCIAL, OFFICE & HOUSEHOLD EQUIPMENTS	436.77	17.67	15.88	13.81	9.61	2,838.20	491.74
50	SCIENTIFIC INSTRUMENTS	288.02	8.02	74.42	24.66	71.92	3,194.08	467.94
51	BOILERS AND STEAM GENERATING PLANTS	374.91	0.90	-	-	1.25	2,339.53	377.07
52	LEATHER, LEATHER GOODS AND PICKERS	215.41	4.37	12.10	19.96	23.94	2,052.45	315.79
53	TEA AND COFFEE (PROCESSING & WAREHOUSING COFFEE & RUBBER)	158.69	4.66	70.88	9.77	18.72	1,692.65	262.72
54	TIMBER PRODUCTS	190.35	11.55	27.62	12.45	18.15	1,687.10	260.12
55	GLUE AND GELATIN	148.53	4.88	8.92	71.76	17.69	1,798.83	251.78
56	SUGAR	238.84	0.55	0.21	7.49	1.03	1,540.97	248.12
57	DYE-STUFFS	98.63	1.93	1.90	1.15	1.11	631.59	104.71
58	INDUSTRIAL INSTRUMENTS	88.63	0.50	0.03	-	0.42	462.64	89.58
59	PHOTOGRAPHIC RAW FILM AND PAPER	67.29	-	-	-	-	273.76	67.29
60	COAL PRODUCTION	27.73	-	-	-	-	119.19	27.73
61	DEFENCE INDUSTRIES	10.15	2.36	3.27	0.60	5.37	154.70	21.74
62	MATHEMATICAL, SURVEYING AND DRAWING INSTRUMENTS	7.98	-	-	-	-	39.80	7.98
63	COIR	4.07	-	-	-	-	22.05	4.07
	Sub Total:	522,134.54	51,339.27	52,345.55	41,324.78	42,176.73	45,98,900.15	709,320.88
64	RBI's NRI SCHEMES ***	134.37	0.00	0.00	0.00	0.00	589.15	134.37
	GRAND TOTAL	522,268.91	51,339.27	52,345.55	41,324.78	42,176.73	45,99,489.30	709,454.25

*Total FDI inflow includes equity inflow, equity capital of unincorporated bodies, re-invested earnings, and other capital. Sector/State/Country-wise details are maintained only for equity component of FDI inflow.

Source: DPIIT, Ministry of Commerce and Industry, GOI

The analysis of FDI data reveals that the agricultural sector, including subcategories such as agricultural machinery, fertilizers, tea and coffee processing, sugar, and timber products, has received relatively modest inflows compared to dominant sectors such as services, computer software, and hardware. The cumulative FDI inflows in these subcategories from 2000 to September 2024 are limited, with agricultural machinery receiving USD 1,746.71 million, fertilizers USD 737.26 million, tea and coffee USD 262.72 million, sugar USD 248.12 million, and timber products USD 260.12 million. Recent inflows in 2024 (until September) indicate a marginal contribution, with sectors such as agricultural machinery receiving only USD 1.70 million and fertilizers USD 9.24 million.

In contrast, the food processing sector, listed as "Food Processing Industries," has demonstrated a more robust performance, with cumulative FDI inflows of USD 10,257.93 million (INR 85,398.99 crore) over the same period. Annual trends indicate steady inflows, with USD 700.20 million in 2021, USD 850.09 million in 2022, and USD 671.53 million in 2023. However, 2024 (till September) shows a decline to USD 503.34 million, suggesting a slight dip in recent years. The sector's cumulative inflows are significantly higher than those of agriculture, reflecting greater investment attractiveness due to its value addition potential and stronger linkages with global supply chains.

Policy Implications and Suggestions

The findings of this study carry significant implications for India's agricultural policy framework. While the government has successfully established an "open-door" policy by allowing 100% FDI under the automatic route, the modest capital inflows recorded over the last two decades suggest that liberalization is only the first step. The data reveals a clear investor preference for the food processing and value-added sectors, indicating that foreign capital is currently bypassing primary production. To bridge this gap, policy focus must shift from mere entry-level deregulation to the creation of an "investment-ready" ecosystem. This involves a strategic transition toward strengthening agri-value chains, where initiatives like the Agriculture Infrastructure Fund and the Pradhan Mantri Kisan Sampada Yojana are integrated more deeply with foreign technology and expertise. A critical priority for policymakers is the modernization of rural infrastructure. The persistent "infrastructure gap" in cold chains, specialized warehousing, and last-mile transport remains the primary deterrent for global investors who require

seamless supply chains. Public-private partnerships (PPPs) should be incentivized to de-risk these large-scale projects, particularly in regions that currently lack connectivity to global markets. Furthermore, the regulatory environment requires greater consistency and transparency. Addressing the complexities surrounding land leasing and contract farming through unified, investor-friendly frameworks would significantly reduce the perceived risk for foreign firms and encourage long-term capital commitments. Finally, the effectiveness of FDI can be enhanced by moving away from a "one-size-fits-all" approach toward state-specific investment strategies. By aligning foreign investments with the unique agro-climatic advantages of different states, India can ensure that FDI is not only a source of capital but also a driver of inclusive, localized growth. Encouraging technology-driven FDI—focused on precision farming, biotechnology, and water management—can help modernize the sector while ensuring food security. Ultimately, the goal of policy should be to transform agriculture from a traditional livelihood into a robust, technology-led agribusiness sector that provides higher returns for farmers and sustainable growth for the national economy.

Conclusiozn

The analysis of FDI trends from 2000 to 2024 demonstrates a significant disparity between India's agricultural potential and actual capital inflows, directly addressing the study's primary objective of evaluating sectoral investment patterns. While the introduction highlighted agriculture as the backbone of the Indian economy, the results reveal that cumulative FDI in agricultural services (USD 2.61 billion) remains a marginal fraction of total national inflows. This findings-to-objective correlation highlights a critical "implementation gap": despite the 100% FDI policy allowance intended to modernize the sector, foreign capital has bypassed primary production in favor of the food processing industry, which attracted nearly four times the investment (over USD 10 billion). The evidence of a dramatic but isolated spike in 2009-10, followed by a period of stagnation, confirms that current policy frameworks have struggled to create the sustained investor confidence envisioned in the study's goals. Consequently, the objective of identifying growth opportunities is met by pointing toward value-added agribusiness and logistics rather than traditional farming. The study concludes that the objective of achieving rural prosperity through foreign capital can only be realized if the government shifts from passive liberalization to active structural reform. By addressing the identified barriers of fragmented landholdings and infrastructure deficits, India can bridge the gap between policy intent and economic reality, transforming agriculture into a high-growth destination for global capital.

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