

AGRI EXPORT ZONES (CONCEPT AND BENEFITS)

Under chapter 16 of Exim Policy 2001, a new concept of Agri Export Zone (AEZ) has been inserted by Govt. of India. APEDA has been nominated as the Nodal Agency to coordinate the efforts on the part of Central Govt. negotiations. This concept has been explained below :

1. The Concept of Agri Export Zone

Sporadic efforts have been made in the past for promoting export of agricultural produce/products from the country. Thus, on the one hand Research and Development has taken place with little bearing on the development of a particular agricultural produce for the purpose of export, on the other hand financial and fiscal incentives are being provided for exporting a particular produce without actually addressing pre-harvesting and post-harvesting practices. The concept of agri export zone thus attempts to take a comprehensive look at a particular produce/product located in a contiguous area for the purpose of developing and sourcing the raw materials, their processing/packaging, leading to final exports. Thus, the entire effort is centred around the cluster approach of identifying the potential products, the geographical region in which these products are grown and adopting an end-to-end approach of integrating the entire process right from the stage of production till it reaches the market. There would also be a need to identify/enlist difficulties/ problems encountered at each stage. These difficulties could be procedural in nature or may relate to a particular quality standard. A package needs to be developed to suggest solutions to these problems and agency/agencies identified to implement these in a given time frame.

2. Measures envisaged to promote exports from such Zone

i. Financial Assistance

Both Central as well as State Government and their agencies are providing a variety of financial assistance to various agri export related activities. These extend from providing financial assistance for Training and Extension, R&D, Quality Upgradation, Infrastructure and Marketing etc.

Thus, whereas Central government Agencies like APEDA, NHB, Deptt. of Food Processing Industries, Ministry of Agriculture provide assistance, a number of State Governments have also extended similar facilities. All these facilities would have to be dovetailed and extended to promote agri exports from the proposed Zones in a coordinated manner. Some additional features like providing grants from Market Access Initiative fund could also be considered.

ii. Fiscal Incentives

The benefits under Export Promotion Capital Goods Scheme, which were hitherto available only to direct exporters, have now been extended to service exporters in the Agri Export zones. Thus, even service provided to ultimate exporters will be eligible for import of capital goods at a concessional duty for setting up of common facilities. They shall fulfil their export obligation through receipt of foreign exchange from ultimate exporters who shall make the payments from their EEFC account.

Exporters of value added agri products will be eligible for sourcing duty free fuel for generation of power, provided the cost component of power in the ultimate product is 10% or more and the input-output norms are fixed by the advance licencing committee of the DGFT. In view of the power intensive nature of most of the value addition, almost all the exporters of value added agriculture produce will become eligible for such facility. Similarly, input-output norms can also be fixed for sourcing other inputs, like fertilizer, pesticides etc. duty free for cultivation purpose.

3. Anticipated benefits

- i) Strengthening of backward linkages with a market oriented approach.
- ii) Product acceptability and its competitiveness abroad as well as in the domestic market.
- iii) Value addition to basic agricultural produce.
- iv) Bring down cost of production through economy of scale.
- v) Better price for agricultural produce.
- vi) Improvement in product quality and packaging.
- vii) Promote trade related research and development.
- viii) Increase employment opportunities.

4. Operation of the Concept

The entire approach of promoting the Agri Export Zone would have to be taken on a project mode. This would mean that the State Governments would need to identify potential export products which could be selected for development with a cluster approach. State Governments will have to evolve Projects which are feasible and are possible to be implemented immediately. They have also to conform to the indicative guidelines given below. The States will forward such project proposals to APEDA which will conduct the initial scrutiny of the proposals .If found feasible ,APEDA may provide necessary guidance in preparing the detailed project report. This report, after preliminary scrutiny, will be placed before the Steering Committee which has been constituted under the chairmanship of Commerce Secretary with the following members:

- i) Director General of Foreign Trade, Member
- ii) Joint Secretary (EP Agri Division, DOC) Member
- iii) Joint Secretary (Deptt. of F.P.I.,MOA) Member
- iv) Joint Secretary [Infrastructure Division, DOC] Member
- v) Executive Director , NHB Member
- iv) Representative of DG, ICAR Member
- vii) Director (Finance, Deptt. of Commerce) Member
- viii) Chairman, APEDA Convenor

Once the project proposal of a State has been approved by the Committee, an MOU would be signed between APEDA (on behalf of the Central Government) and the State Government for providing possible assistance at each stage of the project.. The responsibilities of the State government would also be defined in the MOU, a draft of which is under preparation.

5. Guidelines for State Governments

The proposal of the State Government for developing an Agri Export Zone would need to take into account all activities necessary to set up projects in such a Zone. Some basic guidelines for developing such projects are detailed below:

- i) Identification of a agricultural produce (cash crop) which would be developed for export through a cluster approach.

This would, obviously, be based on concentration of production of a given product or a set of products in a particular area which could be promoted as an Agri Export Zone.

- ii) The Zone could be a block/group of blocks or a district/group of districts.
- iii) An Agricultural University would need to be identified which will assist in the R&D work relating to development of the project. Such University should preferably be in the vicinity of the Zone.
- iv) In case of horticulture based projects, an exporter should be identified who would source produce from 100-200 orchards in a contiguous area. In case there are more exporters/farmers interested in exports, then a single pack house operator or a processing unit to serve the exporters/farmers may be identified.
- v) Efforts should be made to ensure enough production crops to enable the unit to run round the year.
- vi) The proposal should indicate the entire range of activities involved in the process, list out interventions being provided by the State Governments at different levels and also suggest the facilitations that can be provided by the Central Government. Interventions from the Centre could be, inter-alia in areas of feasibility studies, setting up backward linkages, training and extension, pre and post harvest activity, packaging, transportation, market promotion, etc.

6. *Responsibilities of the State Government*

To enable the Agri Export Zone achieve the objectives of the concept and to make the projects viable, it is necessary that the Central and State Governments work closely with each other. This would imply certain pro-active steps to be taken by the States with regard to the following :

- i) Identification of a State Government institutions/agency which will be responsible for implementation and coordination of the entire activity.

- ii) Single window problem solving desks should be created in the offices promoting zonal approach to agriculture exports.
- iii) Adequate availability of infrastructure, inputs, electricity, etc.
- iv. Redeployment of extension officers in the Export Zones who would interact regularly with APEDA and organise training/activity on a regular basis with a definite action programme.