

Agro Industrial Policy 2000

Contents

1.0 Preamble

2.0 Objectives

3.0 Approach

4.0 Agro industry defined

5.0 Strategy

5.1 Financial Incentives

5.1.1 Interest subsidy to Agro Industries Units

5.1.2 Interest subsidy to Agri Infrastructure Projects

5.1.3 Assistance for preparation of project report

5.1.4 Assistance for setting up of centre of excellence/specific crop development institute

5.1.5. Assistance for quality certification

5.1.6. Assistance for patent registration

5.1.7. Air freight subsidy

5.1.8. Assistance for research & development

5.2 Equity participation in joint sector projects

5.3 Land

5.4 Venture capital fund

6.0 Eligibility criteria

7.0 Implementation

1.0 Preamble

The State of Gujarat is one of the most industrialized States in the country. Since 1997, the State has maintained constant lead in terms of new industrial investment. On all India basis, the State accounts for 11% of industrial production, 8.5% of industrial employment and 9.7% of industrial units. With 4.88% of the country's population, the State contributes 11% of India's GNP. Strong socio-economic indicators have contributed to the industrial growth in the State.

Agro Industrial Sector has been one of the identified thrust areas in the successive State Industrial Policies. However, sizeable investments have not flowed in this sector. Currently, less than 1% of the agricultural produce is processed in the State against nearly 2% in the country. This is despite the fact that agriculture in the State is highly diversified and the farming community is extremely responsive to the changes taking place in this sector.

The State has many other advantages too. It has the highest number of airports (10), the highest number of ports (41) in India and also the largest coastal line. Amongst a variety of agricultural and horticultural products, the State enjoys competitive advantage in several items such as castor, fennel, cotton, tobacco, groundnut, sesame, banana, chikoo (sapota), onion, guarseed, cumin etc. It has potential to develop similar advantage in mango, potato, guava, garlic, rapeseed and mustard. The potential in this sector has, however, remained untapped due to a variety of reasons. Agro Industries are perceptibly low-margin high-risk industries mainly because of unsuitable and inconsistent supply of raw materials; Infrastructure both in the form of supply chain and cold chain has been lacking. Consequently, the desired integration of farmers with the entrepreneurs has not taken place owing to which middlemen have continued to hold the sway. High level of state and central taxes which constituted 30 to 40% of MRP (Maximum Retail Price) till recently, has been a further disincentive for investment in this sector.

With the above in view, a comprehensive Agro Industrial Policy has been prepared by the State which seeks to address the concerns with a view to spur investments in agri processing, agri-infrastructure and hi-tech agriculture by offering a series of monetary and non monetary incentives. The endeavour of the State is to metamorphose agriculture into a vibrant and competitive agri business through this policy.

2.0 Objectives

The policy seeks to make Gujarat the destination of choice for investors and processors, both global and domestic. The objectives of the policy are creation of a world class supply-chain, promotion of infrastructure important for agro industrial development, close interface between research, extension and industry and farmers in agri sector, providing assistance to small-scale agro based units to improve their competitiveness in global markets and increasing exports of value added agri products.

3.0 Approach

The Government shall play a facilitatory role in galvanizing private sector investments in agro industries and agri infrastructure in the State through incentives as well as equity participation in joint sector.

4.0 Agro industries defined

'Agro Industry' means a unit which adds value to agricultural products/intermediates/residues; both food and non-food; by processing into products which are marketable or usable or edible, or by improving storability, or by providing the link from farm to the market or a part thereof. Agro industry also includes hitech agriculture and biotechnology based agriculture. 'Agricultural Product' means produce of Agriculture - Horticulture - Sericulture - Floriculture - Fisheries and includes minor forest produce and live stock based products, except dairy and dairy based products.

5.0 Strategy

5.1 Financial incentives

5.1.1 Interest subsidy to agro industrial units

Tiny, small, medium and large agro industrial units shall be given 6% back ended subsidy for 5 years on the interest on term loan, subject to a ceiling of Rs. 100 lacs.

5.1.2 Interest subsidy to agri infrastructure projects

Agri infrastructure projects shall be given 6% back ended subsidy for 5 years on the interest on term loan, subject to a ceiling of Rs. 400 lacs on term loan.

An illustrative list of agri infrastructure projects includes food/ agro industrial park, cold chain (value addition centre/agro service centre) for horticulture produce, supply chain (value addition centre/ agro service centre) for agricultural produce, chain of retail outlets for perishable products, agri jetty/port and transportation hub, technology incubation and demonstration centre, agriculture biotechnology incubation, auction centres, transit/ terminal markets, information kiosks, quality control laboratories, organic laboratories, etc.

5.1.3 Assistance for preparation of project report

Individuals/institutions shall be reimbursed 50% expenditure of the cost of preparation of a project report for setting up an agro industrial unit, subject to a ceiling of Rs. 5.00 lacs.

5.1.4 Assistance for setting up of centre of excellence/specific crop development institute.

The specific crop development institute / centre of excellence shall be given 50% of the initial capital investment as assistance, subject to a ceiling of Rs. 500 lacs. If such an institute is established under the Company Law, the assistance shall be provided in the form of equity.

Such institutes/centres shall take up demonstration of agronomic practices, R&D (varietal and derivatives), domestic and international market certification, quality assurance, standards, logistics, patenting, brand promotion, upgradation of technology for processing and packaging, improving and professionalising the terms of trade in the whole chain and such other promotional activities.

5.1.5. Assistance for quality certification

Small scale and tiny agro Industrial units shall be given assistance upto 50% of the cost incurred for obtaining quality certification mark from an institute recognised by State Government/ Central Government, subject to ceiling of Rs. 5.00 lacs.

5.1.6. Assistant for patent registration

Private, government or co-operative sector units shall be reimbursed upto 50% of the cost of patent registration, subject to a ceiling of Rs. 5.00 lacs.

5.1.7. Air freight subsidy

25% subsidy shall be provided on air freight for exports of edible products like mango, chikoo, banana, tomato, and such other products as specified by the State Government from time to time, from the Sardar Patel International Airport, Ahmedabad, subject to a ceiling of Rs. 10.00 lacs per beneficiary. 50% subsidy shall be provided on the actual cost of sending samples and the cost of getting samples passed for export of edible agro item, subject to ceiling of Rs. 50,000/-

5.1.8. Assistance for research & development

50% subsidy shall be provided on the cost of special research for improvement in quality of agriculture produce undertaken in research and development centre established by any institute or Industrial enterprise, subject to a ceiling of Rs. 20 lacs.

5.2 Equity participation in joint sector projects

The State Government through Gujarat Agro Industries Corporation shall undertake equity participation ranging from 11% to 26% of promoter's contribution in select projects to facilitate private sector investments.

5.3 Land

Land is crucial for backward integration for promoting Industry so as to set up nurseries, research and development facilities, demonstration farms and for captive consumption for consistent supply of material. The State Government shall provide government land, including agriculture farms, on long lease basis at concessional rates to agro industries and agri infrastructure projects including centres of excellence.

5.4 Venture capital fund

Having recognized the need for a venture fund to cater to the needs of prospective entrepreneurs who have developed or acquired unique

technologies in agro & food Processing, horticulture, aquaculture, sericulture, hi-tech agriculture and such other agro related projects, the State Government shall create a venture fund for agro Industries in association with financial institutions/ banks, etc.

6.0 Eligibility Criteria

Incentives shall be available to new units as well as existing units undertaking technology upgradation, modernization, expansion or diversification.

Incentives shall be available to the units in the entire State except areas covered under jurisdiction of Municipal Corporation of Ahmedabad, Vadodara, Surat, Rajkot, Jamnagar and Bhavnagar. However, Cold Chain projects and Retail outlets for perishables will be entitled for incentives, in areas under jurisdiction of Municipal Corporations also.

Interest subsidy shall be granted towards interest on term loan from nationalised banks and financial institutions recognized by the Reserve Bank of India.

7.0 Implementation

The implementation of the policy shall be done by Gujarat Agro Industries Corporation Ltd., which is the Nodal Agency to promote and develop agro and food processing industry in Gujarat.