

**Export Credit to Processors/Exporters
Agri-Export Zones**

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**The Chairman/Chief Executives of all
Commercial banks**

Dear Sir,

**Export Credit to Processors/Exporters
Agri-Export Zones**

As you may be aware, Government of India has laid special emphasis on exports of agricultural products in the Exim Policy announced in March 2001 and have decided to set up Agri-Export Zones in the country to promote agri-exports.

2. Government have proposed that Agri Export Oriented units (processing) would be set up in Agri Export Zones and to promote such units, production and processing have to be integrated. The producer has to enter into contract farming with the farmers around the unit and has to ensure supply of quality seeds, pesticides micro-nutrients and other material to the group of farmers from whom the exporter would be purchasing their products as raw-material for production of the final products for export. The Government have, therefore, suggested that such export processing units may be provided packing credit under the extant guidelines for the purpose of procuring and supplying inputs to the farmers so that quality inputs are available to them which in turn will ensure that only good quality crops are raised. The exporters will be able to purchase/import such inputs in bulk which will have the advantages of economies of scale.

3. In the circumstances, banks may treat the inputs supplied to farmers by exporters as raw material for export and consider sanctioning the lines of credit/export credit to processors/exporters to cover the cost of such inputs required by farmers to cultivate such crops to promote export of agri products.

The processor units would be able to effect bulk purchases of the inputs and supply the same to the farmers as per a pre-determined arrangement.

4. The banks will have to ensure that the exporters have made the required arrangements with the farmers and overseas buyers in respect of crops to be purchased and products to be exported respectively. The financing banks will also appraise the projects in agri export zones and ensure that the tie-up arrangements are feasible and projects would take off within a reasonable period of time.

5. The banks will have to monitor the end-use of funds, viz. distribution of the inputs by the exporters to the farmers for raising the crops as per arrangements made by the exporter/main processor units.

6. The banks will have to ensure that the final products are exported by the processors/exporters as per the terms and conditions of the sanction in order to liquidate the pre-shipment credit as per extant instructions

Please acknowledge receipt.

Yours faithfully,

(S.D.Sapkal)
Deputy General Manager