

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:991

ANSWERED ON:01.08.2006

FDI IN AGRICULTURE PLANTATION SECTOR

Acharia Shri Basudeb;Gaikwad Shri Eknath Mahadeo;Singh Shri Kirti Vardhan

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) Whether a Group of Ministers have recommended for taking out agriculture and plantations from the list of prohibited activities and open them for hundred per cent FDI through automatic route as reported in Business Standard dated July 12, 2006;
- (b) If so, the details thereof and its impact on domestic Agriculture / Plantation sector;
- (c) Whether the Reserve Bank of India has also asked the Government to clarify whether it has decided to change the FDI policy permitting sensitive areas like agriculture etc.; and
- (d) If so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI ASHWANI KUMAR)

(a) & (b): Yes Sir, the Group of Ministers (GoM) on FDI, while considering the proposal for review of FDI policy in January 2006, recommended, inter-alia, the proposal to remove Agriculture and Plantation, with exclusions, from the list of prohibited activities, and recommended listing out the permitted activities in these sectors under the sectoral policy. No recommendation was made by the Group of Ministers to open up for hundred percent FDI through automatic route the Agriculture & Plantation sector as reported in Business Standard dated July 12, 2006. However, the Group of Ministers recommended amendment to the permitted activities as incorporated in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, amended on 18.6.2003, by inclusion of 'Aqua-culture' and deletion of 'etc.' appearing after the word 'mushroom'.

(c) & (d): Yes, Sir. Based on a reference received from the Reserve Bank of India, Government has clarified that the present policy with regard to FDI in Agriculture and Plantation is as follows:

i) FDI up to 100% is permitted under the automatic route in the under-mentioned activities viz. Floriculture, Horticulture, Development of Seeds, Animal Husbandry, Pisciculture, Aqua-culture and Cultivation of Vegetables & Mushrooms, under controlled conditions and services related to agro and allied sectors

ii) FDI up to 100% with prior Government approval is permitted in Tea plantation subject to the conditions of divestment of 26% equity of the company in favour of an Indian partner/ Indian public within a period of five years; and prior approval of the State Government concerned in case of any future land use change.

iii) Besides the above two, FDI is not allowed in any other agricultural sector/activity.