



GOVERNMENT OF KARNATAKA



**KARNATAKA
AGRI
BUSINESS
& FOOD PROCESSING
POLICY 2015**



Foreword



Karnataka has 10 agro-climatic zones which enables the State to have a very diversified agricultural produce in agriculture, horticulture, animal husbandry, fisheries, etc. The State has witnessed a compounded annual export growth of 21% (CAGR) in the past five years. For the first time, an integrated policy covering all the sectors of agriculture has been prepared.

It is the objective of the State to promote research, processing export in the areas of agriculture, horticulture, animal husbandry, fisheries, etc. and to help farmers get a better value for their produce. The State has embarked on many reforms in this direction and the reforms undertaken by the State in agriculture marketing has won nationwide recognition. This policy will help generate direct and indirect employment opportunities and promote investment in these sectors. It would also help develop the much required infrastructure of warehousing and logistics to support the farmers.

I am confident that the encouragement provided in this policy along with incentives would bring in greater investments in the interest of the farmers and the State.

Siddaramaiah

Siddaramaiah
Hon'ble Chief Minister
Govt. of Karnataka



Contents

Introduction	05
Agribusiness & Food Processing Water Power	07
Supporting Infrastructure Overview of the Agribusiness and Food Processing	09
Agro Climatic Land Holdings and Utilisation Agriculture	11
Horticulture	13
Fisheries Animal Husbandry	15
Biotechnology Warehousing & Logistics	17
Agriculture Marketing Reforms Rashtriya eMarket Services Pvt. Ltd., (ReMS)	19
Production Strengths of Karnataka	20
Research & Development Strength of Karnataka	21
International Flower Auction Bangalore (IFAB) Limited Karnataka Agribusiness Development Corporation (KABDC)	23
Karnataka Wine Board	24
Human Resource and Skill Development	25
Need for New Agribusiness & Food Processing Policy Karnataka Agribusiness & Food Processing Policy 2015	27

Vision Mission Objectives	28
Strategies Scope and Coverage	29
Definitions Value of Eligible Fixed Assets (VFA)	30
Classification of Agribusiness & Food Processing Enterprises Farmer Producer Organisation (FPO)	31
Sea Food Park - A New Concept	33
Spice Park	35
Establishment of Facilitation Cell Group Crop Insurance Scheme Implementation of the Policy Commencement of the Policy	36
Incentives	37
Declaring the entire State as Single Zone Single Window Clearance System	39
Information & Knowledge Support Centres Encouragement to Non Resident Kannadigas Facilitation Mechanism	40
Annexure - I Annexure - II	41
Annexure - III Annexure - IV	45
Government Order	47
Contact Details	51



Introduction

Karnataka's economy is an agrarian economy and as such the overall development of the State is mainly depending on the growth and development of agriculture and allied sectors. There has been significant increase in productivity and quality in the food production in the State over the last decade. There has also been change in the cropping pattern from conventional food crops to that of high value crops such as fruits, vegetables, flowers and plantation crops. Though this has raised the income levels, employment opportunity and the scope for agro based industry; there is still a considerable gap in the form of infrastructure and technology leading to glut, scarcity, fluctuation in prices, wastage and poor remunerative prices.

The Government of Karnataka considers high growth of agriculture and allied sectors as a means to accelerate the State's GDP growth, enable farmers to earn higher income and ensure food security. The State has rich biodiversity and ten agro-climatic zones suited for the cultivation of variety of agriculture and horticulture crops and a long coastline that encourages fisheries sector. **"Agribusiness and Food Processing"** is the thrust area to achieve the goal of accelerating State's GDP.

In Karnataka, about 3% of the total agro and allied produce is processed currently. The Ministry of Food Processing Industries, Govt. of India aims to achieve the food processing target of 25% by 2025 at the national level. In line with the national benchmark, the

KARNATAKA AGRI BUSINESS & FOOD PROCESSING POLICY 2015

aims to achieve the target of 10% of agro processing by 2020 and 25% by 2025 in the State. This policy aims to develop agribusiness and agro processing as a vibrant sector for creating employment opportunities and increasing the farm returns to farmers by value addition.





Agribusiness & Food Processing

The agro based industries in the State are spread across all the 30 districts. Currently, there are about 54,905 agro processing units with an investment of Rs.4,42,879 Lakhs have employed 3,24,148 manpower as on 31.03.2015. These are mainly in MSME sector.

The State is home to big players such as ITC, Nestle, Gujarat Ambuja, Britannia, Parle, Cargill India etc., in the agribusiness and food processing sector.

Water

Karnataka accounts for about 6% of the country's surface water resources of 17 Lakh million cubic meters. About 40% of this is available in the East flowing rivers and the rest from the West flowing rivers. There are seven river basins with which their tributaries drain the state. Yield in the seven river basins is estimated at 3,418 TMC at 50% dependability and 2,934 TMC at 75% dependability. The state receives annual normal rainfall of about 1138 mm in over 55 rainy days and the availability of ground water is estimated at 485 TMC.

Power

Karnataka has an installed generation capacity of about 15640 MW (as on November 2015) of which about 6408 MW from Coal, 3600 MW from Hydro, 4922 MW from Renewable Energy Sources, 476 MW from Nuclear & 234 MW from Diesel. So far 2686 MW of Wind Energy and 811 MW of Small Hydel Power are put to use with an additional co-generation of 1191 MW.

The potential of the renewable energy sector in Karnataka is estimated to be about 86000 MW of which the potential of Wind Energy is about 56000 MW and that of Solar Energy is about 24700 MW which can be explored by the private sector investors.

With the ongoing and proposed power project taken up by KPCL, NTPC, IPPs and Renewable Energy Developers, about 14500 MW is expected to be added to the installed capacity of the State by 2022 in phases.



Supporting Infrastructure

Karnataka is blessed with 320 kms of coastal line and 27,000 square KM of continental shelf area. The State has two major ports at Mangaluru and Karwar and 10 minor ports. Tadadi port is being developed by State Government.

The State has a share of about 4490 kms of National Highways and about 20774 kms of State Highway network across the length and breadth of the State apart from other major district road network of 49905 kms which facilitates the easy movement of goods (both raw material and finished products) and passenger.

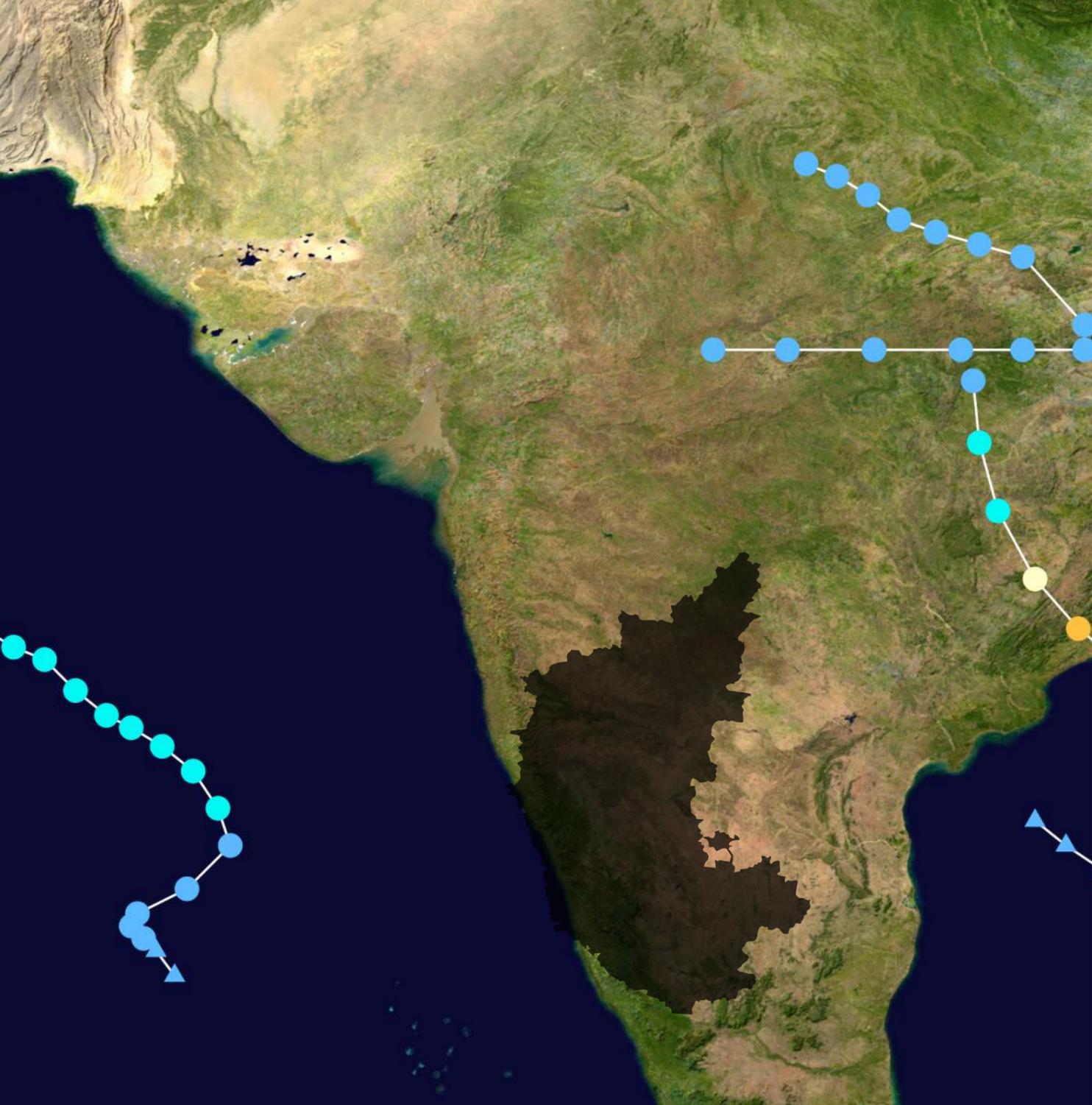
Karnataka has a total of 3250 kms of railway line spread along the length and breadth of the State and has proposed to Government of India to take up the establishment of more railway lines in Karnataka on cost sharing basis. PPP model is also being examined.

Karnataka has 5 functional air ports of which 2 are international airports (Bengaluru and Mangaluru). State proposes to upgrade the Hubballi airport to international status. Belagavi airport connects northern Karnataka with other States. It is proposed to develop minor airports at Kalaburagi, Shivamogga, Vijayapura, Bellary and Hassan.

Karnataka State has a total storage capacity of about 30.38 Lakh MT of warehouse & 3 Lakh MT of cold storages spread across the length and breadth of the State.

Overview of the Agribusiness and Food Processing

A well-developed Agribusiness and Food Processing sector with higher level of processing and value addition helps in the reduction of wastage, promotes crop diversification, ensures better return to the farmers, promotes employment as well as increases export earnings. This sector is also capable of addressing critical issues of food security, food inflation and providing wholesome and nutritious food to the masses.



Agro Climatic

Karnataka State falls in Zone X (Southern Plateau and Hilly region) and Zone XII (West Coast Plains and Ghat region) as per the Agro-Climatic Regional Planning of Planning Commission. The State is divided into 10 Agro Climatic zones and has six major soil types. On account of this varied agro-climatic features almost all cereals, pulses, oilseeds and commercial crops (fruits, vegetables, spices etc) are cultivated in different parts of the State. Farmers in Karnataka are very innovative and take lead in diversification as per the market trends.

Land Holdings and Utilisation

Total geographical area of Karnataka is 190.50 Lakh ha, out of which 122.67 Lakh ha is total cropped area out of which only 23.44 Lakh ha area is sown more than once. Cropping intensity of the state is 124% (2013-14).

2010-11 agriculture census shows 78.32 Lakh farm holdings operating 121.61 Lakh hectares. Small and marginal holdings account for 76.44% of total holdings and operate only 40.05% of the total operated area, while semi-medium, medium and large holdings account for 23.57% of the total holdings and their operational holding is 59.95% out of the total operational area. (Annexure – I)

Agriculture

Karnataka with its diversified agro climatic conditions is home for the production of variety of agriculture crops such as Sunflower, Maize, Tur, Jowar, Sugarcane, Bengalgram, Soyabean, Groundnut, Greengram, Blackgram, Safflower, Paddy, Cotton etc. The State also grows variety of small and minor millets such as Foxtail Millet (Navane), Little Millet (Sawe), Finger Millet (Ragi), Bajra (Sajje), Haraka etc.

During 2014-15 the State has produced 112.32 Lakh MT of Cereals, 13.90 Lakh MT of Pulses, 9.59 Lakh MT of Oil Seeds, 23.12 Lakh Bales of Cotton and 437.76 Lakh MT of Sugarcane. (Annexure – II)





Horticulture

The State is one of the major producers of variety of horticulture crops. **Fruits** such as Sapota, Grapes, Pomegranate, Watermelon, Mango, Jackfruit, Papaya, Lime/ Lemon, Orange, Banana, Guava etc **Vegetables** such as Onion (including Bengaluru Rose Onion), Potatoes, Gherkins, Capsicum, Green Chilly, Tomato, Cucumber, Carrot, Beans etc **Plantation & Spice Crops** such as Coffee, Arecanut, Tamarind, Coconut, Vanilla, Black Pepper, Cloves, Cardamom, Dry Chilly, Turmeric, Cashewnut, Ginger, Garlic etc **Flowers** such as Rose, Jasmine, Gerbera, Carnation, Anthurium, Orchids, Lillies, Chrysanthemum, Tuberose, Crossandra, Aster, Marigold etc., are grown in the State.

Horticulture production area in the State accounts for about 16% of the total cultivable area. It includes plantation crops (45%), vegetables (23%), fruits (20%), spices (10%) and other commercial crops like flowers, medicinal and aromatic plants (2%).

During the year 2013-14, the State has produced 66.26 Lakh MT of Fruits, 82.50 Lakh MT of Vegetables, 4.85 Lakh MT of Plantation Crops, 6.56 Lakh MT of Spices, 2.14 Lakh MT of Commercial Flowers, 11351 MT of Medicinal Plants, 14282 MT of Aromatic Plants. (Annexure – II).

In Karnataka, only about 1% of the total production of fruits and vegetables is currently being processed for value addition. About 25 – 30% of post harvest loss is estimated due to inadequate cold storage, required transport, poor handling, insufficient processing and other value addition facilities. At present there are only 98 cold storage units having 2.97 Lakh MT for handling fruits and vegetables. Of these units, 2 are in co-operative, 90 are in private and 6 are in public sector. Therefore, ample scope is available for investing to strengthen the cold storage and transportation facilities.



Fisheries

Karnataka state has 320 KM of coast line along with 27000 square KM of continental shelf area, 5.65 Lakh hectares of various inland water resources and has vast scope for fisheries development. The brackish water area of 8000 hectares also provides good scope for shrimp / fish culture. Karnataka is one of the first states to facilitate the introduction of mechanised fishing boats leading to organized fishing in the sea. There are about 3780 mechanised fishing boats, 6978 motorized boats and 8119 traditional fishing boats operating along the coast. In the recent years, bigger mechanized fishing boats having more than 20 M length with all communication and safety equipments are being operated in deeper waters, bringing in more fish catch. There are 8 fishing harbours and about 88 fish landing centres in the state. The state has witnessed an increase in the fish production from 5.26 Lakh MT in 2010-11 to 6.13 Lakh MT in 2014-15. The details of marine fish catch and quantity of fish exported are provided in (Annexure – II).

Animal Husbandry

Karnataka livestock sector plays an important role in improving the economic status of the rural farmers who are dependent on the livestock for their livelihood. Karnataka has 2.90 crores of livestock and 5.34 crores of poultry population as per the 19th livestock census. Govt. of India has declared the state as a rinder pest disease – free zone.

The share of animal husbandry in gross state domestic product of agriculture and allied activities was 20.27% during 2014-15. The share of Karnataka in all India poultry and livestock population was 5.41% and 7.33% respectively.

During the year 2014 -15, the state has produced 43,948 Lakh eggs (7th rank in the country), 1.81 Lakh MT meat (11th rank in the country), 61.23 Lakh MT milk (11th rank in the country). The details are provided in (Annexure – II)



Biotechnology

With a view to increase the quality of horticulture produces by adopting new innovations and technologies, the Government of Karnataka has established a State-of-the-Art Biotechnology Centre at Hulimavu, Bengaluru in an area of about 42.08 acres of land. The main objective of this centre is to guide farmers using new upcoming research and to provide better and high yielding and disease resistant planting materials. This centre is the first of its kind in the country under public sector aiming at integrating many spheres of biotechnology for the cause of horticultural development exclusively. The State is also encouraging the private sector participation in this area with necessary support and encouragement.

Warehousing & Logistics

The State has the potential to support a strong and vibrant supply chain management, transport logistics and effective warehousing and cold storage. It is proposed to operate warehousing and cold storage as sub-markets with online trading market platform, warehouse based sales facilities for agriculture and horticulture produces. The policy aims to provide modern integrated, cost effective warehousing and cold storage chain and other related logistics services to encourage more investment in the State thereby increasing the marketability of farm produce by providing value added services like Assaying, Grading, Cleaning, Labelling, Trading Platform and packing at warehouses / cold storages.

Karnataka State Warehousing Corporation has taken about 663 Acres of land on lease basis from Agriculture, Horticulture and Sericulture Departments at 72 places. At these centres, about 12.50 Lakh MT capacity scientific warehouses at a cost of Rs.650 crore will be constructed with RKVY grants and loan from NABARD. Operations & maintenance of KSWC warehouses will be taken up under PPP model for providing value added services and better prices to farmers facilitating on-line warehouse based sales of agricultural commodities.





Agriculture Marketing Reforms

Karnataka is one of the pioneering States in the country to have adopted the Model APMC Act mooted by the Government of India to bring in reforms in Agriculture Marketing. 100 major markets are brought under unified Rashtriya e-market service platform and farmers are provided with competitive prices. A total of 31 Lakh lots of agricultural produce worth Rs.13,593 Crore have been traded. 36,000 traders have been issued with single unified license, enabling them to trade in all APMCs in the state. This Karnataka model has got recognition in national economic survey.

Some of the innovative reforms brought by the Department of Agriculture Marketing are:

- Implementation of E-tender system through Unified Market Platform in the APMCs which will provide for a trading platform, material accounting module, trade fulfilment module, fund processing module, document management module, master data management module, reporting and data module.
- Deposits needed for direct purchase reduced from Rs.50 to 5 Lakhs.
- Free to establish market under private sector, removing zonal restrictions.
- Exemption of market fee for new agricultural produce processing industries for a period of 10 years.
- Private markets will also be considered as procurement centres for MSP operations on case to case basis by issuing an executive order.
- The Department of Agricultural Marketing has announced incentives such as the rebate in the payment of market fee (only 70% of the market fee) by the licensee operating the direct purchase centre for food grains, fibres, pulses, spices etc. This provision is also available for contract farming arrangements for the purchase of commodities. However, the levy of market fee on perishables is abolished.
- To promote the warehouse based sales, the service provider need not pay any charges, fee to the Government/ APMC. The warehouse based sales licensee may let out the space in the warehouse to any licensed market functionaries to carry the whole sale trade. He will get the rental charges and service charges.
- Any person who is allotted a site in the market yard for setting up of cold storages, a rebate of 50% in sital value is given.
- Any agriculture produce exported or caused to be exported by any person either on his own account or as an agent for another person from the market area to outside the country is exempted from the payment of market fee for a period of ten years.

Rashtriya eMarket Services Pvt. Ltd., (ReMS)

Rashtriya e Market Services Private Limited (ReMS) has been established as a joint venture company, with Government of Karnataka and the NCDEX Spot Exchange Limited having equal shareholding, for implementing the Agricultural Marketing Policy to bring in efficiency and transparency in the agricultural marketing system for efficient price discovery to benefit farmers and other market participants.

ReMS is engaged in making available unified market platform (UMP) to all markets in the State, progressively bring in best practices to the markets, arranging assaying facilities, facilitate commodity funding to benefit all stakeholders, develop secondary markets to benefit primary market participants and capacity building for stakeholders.



Production Strengths of Karnataka

Rank 1

Sunflower, Coffee, Bengaluru Rose Onion, Gherkins, Arecanut, Capsicum, Green Chilli, Tamarind, Vanilla and Silk.



Rank 2

Maize, Tomato, Sapota, Grapes, Pomegranate, Pepper, Tur, Jowar, Cut Flowers, Cucumber, Watermelon & Cloves.



Rank 3

Sugarcane, Mango, Jackfruit, Onion, Dry Chillies, Cardamom, Cocoa, Coconut, Cinnamon & Tobacco.



Rank 4

Bengal Gram, Papaya, Carrot, Beans, Turmeric & Cashewnut.



Rank 5

Banana, Lime / Lemon, Orange, Soyabean & Groundnut.



The State ranks 6th and 8th position in marine and inland fish production respectively in the country. The State is also one of the major producer of Sweet Potato, Ginger, Garlic, Tapioca, Eggs, Milk, Guava and Bitter Gourd.

Research & Development Strength of Karnataka

The State is known for the location of some of the renowned institutions like Central Food Technological Research Institute (CFTRI), Mysore & Defence Food Research Laboratory (DFRL), Mysore, who are engaged in the Research & Development of food science, transfer of food technology for value addition of agriculture and horticulture produce. National Dairy Research Institute (NDRI), Bengaluru is engaged in the Research & Development in the field of Dairy Science. Indian Institute of Horticulture Research (IIHR), Bengaluru is engaged in the Research & Development of new varieties, value addition, post harvest management in the field of fruits, vegetables and other horticulture crops.

In addition to the above national level institutes, the State Government has established four Universities of Agricultural Sciences at Bengaluru, Dharwad, Raichur and Shivamogga, One exclusive University for Horticulture Sciences at Bagalkot and an exclusive University for Animal Husbandry & Veterinary Sciences at Bidar to take care of the Research & Development activities.





International Flower Auction Bangalore (IFAB) Limited

International Flower Auction Bangalore (IFAB) Limited is a joint venture company of public and private shareholders, established during 2002 to explore the potential of both export and domestic flower market. The prime objective of the company is to auction high quality cut-flowers of various flower crops, every day. This is the first International Flower Auction Company in Asia situated in Bengaluru. Daily average volume of flowers auctioned in IFAB has gone up from 20,000 to one Lakh stems. IFAB has deployed "Dutch Auction" system during 2009 with an aim to eliminate middlemen's exploitation, fast price recovery, quick auction and to provide "equal opportunity" to all bidders.



Karnataka Agribusiness Development Corporation (KABDC)

Karnataka Agribusiness Development Corporation (KABDC) has been established as a Special Purpose Vehicle under the control of Karnataka State Agricultural Produce Processing & Export Corporation Limited (KAPPEC). KABDC will be responsible for handholding and facilitate all agribusiness and food processing investors willing to invest in the State. KABDC will be strengthened with requisite manpower drawn from different sectors such as Agriculture, Horticulture, Animal Husbandry, Fisheries, Food Processing etc., to facilitate sector specific investments.

Karnataka Wine Board

The Karnataka Wine Board, a registered body under the Karnataka Societies Registration Act 1960, was created during the year 2007 in pursuance of the "Karnataka Grape processing and Wine Policy – 2007" to ameliorate the problems of Grape growers of Karnataka. It also aimed at making the process for establishment of new wineries, simple and hassle free. Since then, the Board has been able to promote 17 new wineries in the State. These wineries have started making high quality wines and are able to establish their brands in the domestic market both within and outside the State.

Wine Board has also made successful efforts in creating consumer awareness by organizing Festivals/Seminars/Wine tasting sessions etc. These efforts have borne fruit and the consumer base for wine has increased by nearly 10-12 percent in the last five years.



Human Resource and Skill Development

Human Resource and Skill Development is crucial for providing support to Agribusiness and Food Processing Industry. The Agro and Food Industry needs highly skilled manpower at both the workmen and supervisory levels, familiar with special requirements of the industry such as good hygiene practices, quality standards etc. This is particularly important for MSME sector, which do not have the capacity to provide in-house training. Accordingly, the state encourages by providing subsidy for technology business incubation centres for MSME sector.

In order to support the training and skill requirement of agribusiness & food processing industry, the state has 4 Agricultural Universities, 1 Horticulture University and an exclusive University for Veterinary, Animal and Fisheries Sciences. In addition to this, the Department of Agriculture has 23 District Agriculture Training Centres (DATCs) and the Department of Horticulture has 10 Training Centres across the State to impart training and skill development to farmers and other stakeholders in the field of enhancing production, improving productivity and quality of agriculture, horticulture and allied produces.

The Agriculture Education & Research Institutes and private institutes including skill development agencies shall be encouraged to design specific training programmes for developing skills in the food processing sector with focus on plucking, grading and sorting, packaging, storing, processing etc.



Need for New Agribusiness & Food Processing Policy

There is a need to integrate and promote the activities involved in the field of Agriculture, Horticulture, Animal Husbandry, Fisheries, Food Processing, Agribusiness, Warehousing & Logistics sectors under a unified policy by giving focused attention for the overall development of Agribusiness & Food Processing sector to give value addition to farm produce for the benefit of farmers and other stakeholders.

Karnataka Agribusiness & Food Processing Policy 2015

Government had formulated Industrial Promotion Policy for Agro Food Processing Industries in June 2003 and the Integrated Agribusiness Development Policy during March 2011. The Agribusiness and Food Processing sector in the State requires a special focus and thrust. There is a need to have an exclusive Agribusiness and Food Processing Policy to give focused attention for the overall development of Agribusiness and Food Processing sector to give value addition to farm produce for the benefit of farmers.

Agribusiness and Food Processing sector in the State has witnessed a steady growth. Exports have increased from Rs.5,158 crore in 2010-11 to Rs.11,231 crore in 2014-15 registering a Compounded Annual Growth of 21% (CAGR).



vision

'To position Karnataka in a sustained growth path in the field of agricultural and allied sectors through global technologies and innovative tools, by creating enabling frameworks and state of the art infrastructure facilities, thereby generating higher returns to farming communities'

mission

To make Karnataka as the most sought after investment destination for the agribusiness and food processing with focussed attention and handholding.

To provide more and more opportunities for the agribusiness and food processing sector, thereby generating large scale employment in rural and semi urban areas of the State.

To give special thrust for skill development.

To create conducive environment for optimal utilization of agriculture and allied sector resources for the sustainable industrial development.

objectives

The policy aims to achieve the following objectives for the overall growth and development of agro processing sector in the State with an ultimate goal of providing remunerative return to farmers' produce.

To increase the value addition and reduce wastage, thereby increasing the income of farmers.

To maximize direct and indirect employment generation opportunities.

To create necessary supply chain like transportation, warehouses, and cold storage in the agro processing sector.

To increase the flow of investments across the supply chain from farm to market.

To extend the supply chain and infrastructure opportunity in rural area.

Strategies

To reduce the post harvest wastage, increase value addition to farm produce, generate employment in rural and semi urban areas, development of agribusiness and food processing enterprises and adequate post-harvest infrastructure especially storage and transportation facilities is necessary. To achieve this, the strategy adopted includes:

- Encouraging investments in the supply chain infrastructure to reduce post harvest loss.
- Strengthening linkage between processing enterprises and Research & Development institutes.
- Fiscal incentives for setting up focused industrial clusters and food processing parks in potential food clusters.
- Encourage adoption of quality certifications, green and clean practices, energy efficient measures.
- Declaring the entire State as single zone for availing incentives and concessions.

Scope and Coverage

Policy shall cover the warehousing, silos, cold storage logistics related to agribusiness, export, processing, handling, storage of agricultural, horticultural, floriculture, spices, medicinal & aromatic plants, fish, meat, poultry, dairy, organic produce, research for varietal development, bio-technology, bio-informatics, food testing laboratories, quality certifications in entire value chain, tissue culture laboratories, seed processing units, irradiation units, food-grade packaging material units and preservatives, horticulture hub, food parks, sea food parks and spice park.

Definitions

Agro processing shall include, but not limited to washing, waxing, grading, grinding, cutting, cubing, dicing, sorting, packing (dehydrated packing, vacuum packing, nitrogen sachet packing, tetra packing, canning, bottling), drying (spray drying, dehydration), fermented, Individual Quick Freezing (IQF), irradiation and any value add activity to the agriculture, horticulture and forest produce. Agro Processing also cover projects in hi-tech and biotechnology based agriculture.

Food Processing shall include, but not limited to *“a process of value addition to the agriculture, edible animal products and horticulture produce by various methods such as grading, sorting and packaging with a view to preserve food substances in an effective manner, enhance their shelf life, quality and make them functionally more useful”*. It includes the processing of food at all levels primary, secondary and tertiary.

Horticulture Hub

Will be a place, which would provide a cluster of farmers with quality inputs for farming, post-harvest management and processing of the horticulture crops. It would be a single point of contact for farmers seeking support for horticulture crops and post-harvest management.

Perishable Goods

These are the goods which are prone to decay in short duration of time such as; dairy products, meat, fish, poultry products, flowers, vegetables, fruits, spices, medicinal and aromatic products.

Food Parks

Will be a place where agro food processing units are established in clusters in areas where there is predominant production of processable agriculture, horticulture, animal husbandry, fisheries etc., as defined above.

Sea Food Parks

Will be a place where there is an integration of facilities to augment processing of various sea products such as fish, shrimps, crabs and lobsters at a common facility centre. This will provide the market linkages which will increase income levels of fishermen.

Value of Eligible Fixed Assets (VFA)

Shall mean the total investment made on land, building, plant and machinery and such other equipments like reefer vans, material handling equipment, weighing machines, diesel generator sets, boilers, equipment required for research & development including testing laboratories and all other connected equipments.

Whatever is not defined / mentioned here will have the same meaning as given in the Karnataka Industrial Policy 2014-19 for all purposes and also for calculating the eligibility criteria, claiming incentives and benefits.

Classification of Agribusiness & Food Processing Enterprises

Unlike the manufacturing and service sector industry, the agribusiness and food processing sector is not capital intensive. As such, the classification of agribusiness and food processing enterprises has been done accordingly. The details are placed in (Annexure – III).

The list of industrial activities / enterprises not eligible for incentives and concessions under this policy is placed in (Annexure – IV).

Farmer Producer Organisation (FPO)

The concept of FPO offers a proven pathway to successfully deal with a range of challenges that confront farmers today, especially small producers. Overcoming the constraints imposed by the small size of the individual farmer, FPO members are able to leverage collective strength and bargaining power to access financial and non-financial inputs and services and appropriate technologies, reduce transaction costs, tap high value markets and enter into partnerships with private entities on more equitable terms. With fragmentation of holdings due to generational transfer unlikely to abate, FPOs offer a form of aggregation which leaves land titles with individual producers and uses the strength of collective planning for production, procurement and marketing to add value to members' produce.

The policy envisages the support and encouragement to the formation of product specific farmer producer organizations for the mutual benefit of farmers as well as food processing entrepreneurs. This will go a long way in the improvement of production, productivity and quality of raw material required by the food processing industry. By giving direct linkage from the FPOs to the food processing industry, both farmers (in the form of higher unit value realization) and processors (in the form of required raw material of the specific quality) tend to gain.

Currently there are 14 registered FPOs in the State and 68 FPOs are under the process of registration. The movement is picking up.



Sea Food Park a new concept

Karnataka is rich in the marine resources such as Fish, Shrimps, Crabs and Lobsters etc. In order to augment the processing and value addition of this marine wealth, it is proposed to introduce the concept of "Sea Food Park" under PPP mode to encourage "Fish-'O'-preneurs" with the backup of expertise from research institutes like CFTRI, Mysore, College of Fisheries, Mangaluru and CIFT, Kochi. Sea Food Park will have the following facilities:

- Well developed plots with electricity, water, drainage, telecommunication facility for establishing pre-processing units, processing units of international standards, ice plant & cold storages, frozen storage, value added fish product processing units, packaging units.
- Common facility centre inclusive of office space, conference facility, canteen, parking, guest house, telecommunication facility, quality monitoring laboratory, alternative power supply, water supply, common storage facility for raw material and processed products, effluent treatment plant.

Setting up a dedicated sea food park shall enable the fishermen to access modern technology for value addition to their produce leading to remunerative prices for their produce and consumers to obtain world class products processed and manufactured adhering to stringent international norms.



Spice Park

The Spices Park is a well-conceived approach to have an integrated operation for cultivation, post harvesting, processing for value addition, packaging, storage and exports of spices and spice products. In the State, Haveri has been selected for developing Spice Park for Byadagi Chilli by the Spices Board of India.

Spice Park will function as a common facility centre for development of spice industries. The basic objective of the concept is to provide common infrastructure facilities for both postharvest and processing operations of spice, which also aims to backward integration by providing rural employment.

Under the concept of the Spice Park, Board will lease out the lands available in the Spice Park to private entrepreneurs for developing their own processing plants for value addition. The Private entrepreneurs will develop their processing plants in the Spices Park. The grower community can make use of these facilities for selling their produce directly to the exporters so that they can avail the premium price for their products. On the other side, exporters can develop a link with reliable farming community for an uninterrupted supply of raw material for their business. Moreover the establishment of the processing plants by the exporters will create local employment opportunities.

Establishment of Facilitation Cell

It is proposed to establish an exclusive facilitation cell to assist and handhold the exporters of agribusiness & food processing sector in getting them the required sanitary & phytosanitary documentation from the concerned authorities, liaising with the related agencies as part of Government's effort in effectively introducing the concept of Ease of Doing Business.

Group Crop Insurance Scheme

It is proposed to introduce the concept of Group Crop Insurance Scheme for the farmers engaged in the contract farming in association with the industry partners in order to safeguard the interest of farming community and the industry.

Implementation of the Policy

It is proposed to implement the policy through the Agriculture, Horticulture, Fisheries, Animal Husbandry, Cooperation and Commerce & Industries Department.

Whatever is not defined / mentioned here will have the same meaning as given in the Karnataka Industrial Policy 2014 -19 for all purposes and also for calculating the eligibility criteria, claiming incentives and benefits.

Commencement of the Policy

The Karnataka Agribusiness & Food Processing Policy 2015, shall come into force from the date of its notification in Karnataka Gazette and is valid till the next policy is announced. The date of notification shall be treated as effective date of this policy.

Incentives

	Particulars	Karnataka Agribusiness & Food Processing Policy 2015
1	Investment Promotion Subsidy	Investment promotion subsidy @ 35% of the value of fixed assets (VFA) irrespective of zonal and promoter classification up to a maximum of Rs.65 Lakhs for MSME.
2	Exemption from Stamp Duty for MSME, Category A, B & C enterprises	Stamp duty to be paid in respect of (i) loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing loans from State Government including VAT loan from C&I Department and / or State Financial Corporation, National Level Financial Institutions, Commercial Banks, RRBs, Co-operative Banks, KVIB/ KVIC, Karnataka State SC/ST Development Corporation, Karnataka State Minority Development Corporation and other institutions which may be notified by the Government from time to time for the initial period of five years only and (ii) for lease deeds, lease-cum-sale and absolute sale deeds executed by industrial enterprises in respect of industrial plots, sheds, industrial tenements by KIADB, KSSIDC, KEONICS, Industrial Co-operatives and approved private industrial estates shall be exempted @ 100% irrespective of promoter & zonal classification for MSME, Category 'A', 'B' & 'C' enterprises.
3	Concessional Registration Charges for MSME, Category A, B & C enterprises	For all loan documents, lease deeds and sale deeds, the registration charges shall be at a concessional rate @ Rs.0.50 per Rs.1000 irrespective of promoter classification for MSME, Category 'A', 'B' & 'C' enterprises. Note: (i) The exemption of stamp duty and concessional registration charges are also applicable to lands purchased under Section 109 of the KLR Act, 1961 and also for direct purchase of industrially converted lands for the projects approved by SLSWCC / DLSWCC. This incentive will also be applicable for the land transferred by KIADB to land owners as compensation for the acquired land. (ii) The exemption of stamp duty and concessional registration charges are also available for registration of final sale deed in respect of lands, sheds, plots, industrial tenements after the expiry of lease period at the rate as specified in the Industrial Policy which was in vogue at the time of execution of lease-cum-sale deed.
4	Reimbursement of land conversion fee for MSME, Category A, B & C enterprises	The payment of land conversion fee for converting the land from agriculture use to industrial use will be reimbursed @ 100% irrespective of promoter & zonal classification for MSME, Category 'A', 'B' & 'C' enterprises.
5	Exemption from Entry Tax	MSME: 100% exemption for 3 years on plant and machinery and capital goods and 6 years for raw materials, inputs and component parts and consumables excluding petroleum products from the date of commencement of project implementation and from the date of commencement of commercial production respectively irrespective of zonal classification. Category 'A', 'B' & 'C' Enterprises: 100% exemption for an initial period of 3 years for Category 'A' & 'B' and 5 years for Category 'C' on plant and machinery and capital goods from the date of commencement of project implementation irrespective of zonal classification. For raw materials, inputs and component parts and consumables excluding petroleum products (wherever applicable) for a period of 5 years from the date of commencement of commercial production. In respect of Category 'B' & 'C' an additional One and Two years will be allowed respectively for operational period.

Particulars		Karnataka Agribusiness & Food Processing Policy 2015
6	Subsidy for setting up Effluent Treatment Plant (ETP)	<p>One time capital subsidy to an extent of 75% of the cost subject to a maximum of Rs.50 Lakhs for MSMEs in respect of ETPs costing less than Rs.100 Lakhs.</p> <p>Further, one time capital subsidy to an extent of 50% of the cost of ETPs subject to a ceiling of Rs.100 Lakhs for Category 'A', 'B' & 'C' enterprises irrespective of zonal classification.</p> <p>One time capital subsidy to an extent of 50% of the cost of ETPs subject to a ceiling of Rs.200 Lakhs for setting up of Effluent Treatment Plants (ETPs) as a common facility in Food Parks, Spice Parks, Sea Food Parks or a place where the cluster of food processing & agribusiness enterprises are located irrespective of promoter and zonal classification.</p>
7	Interest Subsidy	Interest subsidy of 6% per annum on term loans will be provided to Micro enterprises irrespective of promoter classification. This interest subsidy is payable to financial institutions on behalf of the enterprise only if the enterprise has not defaulted in payment of either principle or interest instalments. The amount of interest subsidy will be effective rate of interest (after deducting interest subsidy receivable by any institution/s under any Government of India scheme) is 6% per annum whichever is less irrespective of promoter classification. The period of interest subsidy is for 7 years irrespective of zonal classification.
8	Exemption from tax on Electricity tariff	100% exemption of tax on electricity tariff for the initial period of 8 years irrespective of zonal classification.
9	Reimbursement of VAT to MSME & Category A, B & C Enterprises	<p>MSME: 75% of net VAT will be reimbursed for a period of 5 years subject to a maximum of 100% of the Value of Fixed Assets irrespective of promoter & zonal classification to be claimed on yearly basis.</p> <p>For Category 'A', 'B' & 'C' enterprises net VAT reimbursement will be to an extent of 60%, 70% & 80% respectively for a period of 5 years subject to a maximum of 100% of the Value of Fixed Assets irrespective of promoter & zonal classification to be claimed on yearly basis.</p>
10	Subsidy for technology adoption from Recognized National Labs	50% of the cost (max Rs.1 Lakh) for MSME irrespective of promoter classification.
11	Market Fee Exemption	New Agricultural Produce Processing Industries are exempted from payment of market fee for a period of ten years in respect of purchases of agricultural produce by such industries.

Declaring the entire State as Single Zone

Agribusiness and Food Processing Sector in the State is still in nascent stage and require support and encouragement. In order to give fillip to the sector in all parts of the State, the entire State has been classified as the single zone and the incentives and concessions proposed will be applicable equally in all parts of the State. This will facilitate the growth and development of agribusiness and food processing industries in all parts of the State.

Single Window Clearance System

The existing single window clearance system shall continue to clear the projects for agribusiness & food processing sector also.

The following land is available exclusively for the establishment of food processing industries in the State:

Entity	Extent of Land (in Acres)	Location	Status
Food Karnataka Limited (FKL)	97.36	Sogane Village, Shimoga Taluk & District	Vacant land acquired from farmers through DC, Shimoga. In the name of FKL
Food Karnataka Limited	75	Ittangihal Village, Vijayapura taluk & Dist.	Vacant land acquired from farmers through DC, Vijayapura. In the name of FKL

Food Park Lands

M/s. Innova Agri Bio Park, Malur	87	KIADB Industrial Area, Malur, Kolar Dist.	43.70 Acres Vacant Land
M/s. Akshaya Food Park, Hiriya	106	Huchavanahalli Village, Hiriya Taluk, Chitradurga Dist.	61.06 Acres Vacant Land
M/s. Green Food Park, Bagalkot	100	KIADB Navanagar Agrotech Park, Bagalkot Taluk & Dist.	52.25 Acres Vacant Land
M/s. Jewargi Food Park, Jewargi	105	Jewargi – Bijapur Road, Jewargi, Kalaburagi Dist.	59.39 Acres Vacant Land

Information & Knowledge Support Centres

This support shall include website management containing information relevant for agribusiness & food processing sector in Karnataka. The information centre shall maintain databases on agribusiness and food processing enterprises, infrastructure providers, key export destinations from Karnataka, and other such knowledge on agribusiness and food processing in the State. Respective line departments shall take a proactive approach of sending brochures/white papers/publications to the target enterprises / industrial houses in order to generate goodwill and educate the prospects on relevant information on the food & agriculture processing sector. Raitha Samparka Kendras (RSK) / District Industries Centres in Karnataka will be utilised as information centres.

Karnataka Agribusiness Development Corporation (KABDC) shall be empowered to empanel consultants who can prepare bankable project reports. The supporting institutions like University of Agriculture Sciences, Horticulture Sciences University, Veterinary Sciences University, National Bank for Agriculture and Rural Development, Central Food Technological Research Institute, Defence Food Research Laboratory and other accredited institutions, etc. shall be pooled to the fold of knowledge centre.

Encouragement to Non Resident Kannadigas

Many Non Resident Kannadigas (NRKs) settled in other countries are evincing interest to invest in the State in their areas of interest / expertise including Agribusiness and Food Processing Sector. The specific project proposals received from NRKs will be considered on priority and an exclusive handholding will be facilitated in this regard.

Facilitation Mechanism

The existing Single Window Clearance Mechanism will continue to be followed with focussed approach in improving ease of doing business in the State. Individual investor handholding is proposed to translate their investment intentions by providing them with the sector specialist services.

Annexure - I

LAND HOLDINGS

Farmers	No. of operational holdings ('000)	Area of operational holding ('000 ha)	Average size of operational holding (ha)
Marginal (< 1ha)	3849	1851	0.48
Small (1-2 ha)	2138	3020	1.41
Semi medium (2-4 ha)	1267	3393	2.68
Medium (4-10 ha)	511	2904	5.69
Large (> 10ha)	68	994	14.71
Total	7832	12161	1.55

Source: Karnataka Agriculture Census 2010 -11

Annexure - II

AREA & PRODUCTION OF AGRICULTURAL CROPS IN KARNATAKA

Area in Lakh ha / Prod. in Lakh MT (*Cotton in Lakh Bales)

Crops	2010-11		2011-12		2012-13		2013-14		2014-15	
	Area	Prod. n								
Cereals	54.46	122.57	51.14	107.08	50.32	96.02	50.40	115.37	48.73	112.32
Pulses	27.91	15.33	23.00	10.30	22.68	13.62	25.06	17.73	23.20	13.90
Oil Seeds	16.23	10.93	14.13	8.84	14.22	9.00	14.10	11.62	13.73	9.59
Commercial Crops										
Cotton*	5.47	11.50	5.70	12.03	4.95	10.38	6.62	18.78	8.75	23.12
Sugarcane	4.23	396.57	4.31	394.70	4.25	357.32	4.20	379.05	4.80	437.76

Source : Dept. of Agriculture

AREA & PRODUCTION OF MAJOR AGRICULTURE CROPS IN KARNATAKA

Area in Lakh ha / Prod. in Lakh MT

Crops	Area	Prod. as on 2013-14	Major Districts	Processing Opportunities
Sunflower	4.17	2.53	Vijayapura, Raichur, Gadag, Koppal, Kalaburagi, Bagalkot	Oil, De-oiled Cake
Maize	13.77	43.56	Davangere, Haveri, Belagavi, Bellary, Shivamogga, Chitradurga	Corn Flour, Corn Grit, Protein Feed, Glucose, Rava, Starch, Corn Oil, Corn Flakes etc.
Tur	8.24	7.57	Kalaburagi, Vijayapura, Bidar, Raichur, Yadgir	Dal, Tur Milling

Source : Dept. of Agriculture

AREA & PRODUCTION OF MILLETS IN KARNATAKA

Area in ha / Prodn. in MT

Millets	Area	Prodn. as on 2013 -14	Major Districts	Processing Opportunities
Foxtail Millet (Navane)	7454	2703	Bellary, Koppal, Chitradurga, Belagavi, Davangere	De-husking of Millet into Rice, Rava, Flour
Little Millet (Sawe)	15829	9812	Chitradurga, Haveri, Tumkur, Belagavi, Chikkamagalur	Fortified Atta
Finger Millet (Ragi)	672031	1259067	Tumkur, Hassan, Ramanagar, Kolar, Mandya	Hurihittu, Malt, Vermicelli, Dosa / Idli Flour, Bakery products, Beverages
Bajra (Sajje)	279609	330074	Koppal, Vijayapura, Raichur, Kalaburagi, Bagalkot	Flour, Idli Mix

Source : Dept. of Agriculture

AREA & PRODUCTION OF HORTICULTURE CROPS IN KARNATAKA

Area in Lakh ha / Prodn. in Lakh MT

Crops	2009 -10		2010 -11		2011 -12		2012 -13		2013 -14	
	Area	Prodn								
Fruits	3.60	59.63	3.54	61.33	3.69	63.18	3.77	63.47	3.87	66.26
Vegetables	4.37	70.63	4.38	73.80	4.20	75.49	4.03	72.20	4.46	82.50
Plantation	8.05	4.42	8.21	4.82	8.35	5.04	8.51	5.34	8.56	4.85
Spice	2.66	10.97	2.57	9.99	2.29	8.95	1.71	6.17	2.00	6.56
Flowers	0.27	1.96	0.28	1.96	0.29	2.18	0.30	2.19	0.30	2.14
Medicinal Plants	0.02	0.03	0.02	0.05	0.02	0.04	0.02	0.04	0.02	0.11
Aromatic Plants	0.02	0.16	0.02	0.18	0.01	0.13	0.02	0.18	0.01	0.14

Source: Dept. of Horticulture

AREA & PRODUCTION OF MAJOR FRUITS IN KARNATAKA & PROCESSING OPPORTUNITIES

Area in thousand ha / Prodn in thousand MT

Fruit	Area	Prodn. as on 2013-14	Major Districts	Processing Opportunities
Pomegranate	18.48	198.68	Chitradurga, Bellary, Vijayapura, Tumkur, Koppal, Bagalkot	Juice, Jelly, Jam, Syrup, Aril, Wine, Juice Concentrate, Flavours
Grapes	20.35	391.16	Vijayapura, Chikkaballapura, Belagavi, Bengaluru Rural, Bagalkot	Grape Juice, Concentrate, Raisins, Wine
Mango	173.08	1641.16	Kolar, Ramanagar, Tumkur, Chikkaballapura, Mandya, Belagavi, Dharwad	Mango Pulp, Juice, Squash, Jam, Pickles, Dehydrated Fruits, Powder, Jelly, Flavours, IQF

Source : Dept. of Horticulture

AREA & PRODUCTION OF OTHER HORTICULTURE CROPS IN KARNATAKA

Area in ha / Prodn. in MT

Horticulture Crops	Area	Prodn. as on 2013-14	Major Districts	Processing Opportunities
Aromatic & Medicinal Plants	3493	25633	Bellary, Tumkur, Kolar, Vijayapura, Gadag, Chikkaballapura, Uttara Kannada, Koppal, Shivamogga, Kalaburagi	Aromatic plants - Extraction of Essential oil. Medicinal plant: Crude extraction, phytochemicals, dehydration of herbs
Commercial Flowers	30058	214396	Haveri, Bellary, Tumkur, Chikkaballapura, Kolar, Chitradurga, Mandya	Dried flower, extractions of dye, colours & essential oils, Cut flowers & Garlands
Plantation Crops	855525	484630	Tumkur, Hassan, Dakshina Kannada, Chitradurga, Chikkamagalur, Shivamogga, Davanagere, Uttara Kannada	Packed coconut water, Coconut milk, desiccated coconut powder, virgin coconut oil, Dehydrated copra flake, coconut milk powder. Chocolate manufacturing, processing of arecanut, cashew processing
Spices	200191	655706	Dharwad, Kodagu, Hassan, Bellary, Mysuru, Chikmagalur, Haveri, Shivamogga, Bagalkot	Spice powders, Masalas, Pastes, Pickles, Dehydrated flakes
Coffee	230333	211100	Kodagu, Chikmagalur, Hassan	Coffee roasting, Powders, Chocolates

Source: Dept. of Horticulture

AREA & PRODUCTION OF MAJOR VEGETABLES IN KARNATAKA

Area in thousand ha / Prodn in thousand MT

Vegetables	Area	Prodn. as on 2013-14	Major Districts	Processing Opportunities
Tomato	61.66	1949.19	Kolar, Mandya, Belagavi, Haveri, Davangere, Chikkaballapura, Bengaluru Rural	Tomato Squash, Puree, Ketchup, Sauce, Pickles, Dehydrated / Sun Dried etc.
Onion	160.02	2900.38	Gadag, Dharwad, Vijayapura, Chitradurga, Bagalkot, Haveri	Onion dehydrated flakes, Powder, Paste etc.

Source : Dept. of Horticulture

FISH PRODUCTION IN KARNATAKA & EXPORTS
Production & Exports in Lakh MT & Value in Rs Crores

Year	Marine Prodn.	Inland Prodn.	Value (Marine & Inland)	Export of Marine Products	Value	Prodn. in Major Districts	Processing Opportunities
2010-11	3.40	1.86	2109	1.05	688	Marine: Dakshina Kannada, Uttara Kannada, Udupi Inland: Bellary, Davangere, Hassan, Mandya, Shivamogga, Tumkur, Raichur	Fish oil, Frozen Fish, Fish Protein Concentrate, Pharmaceuticals etc
2011-12	3.47	1.99	2307	0.86	658		
2012-13	3.57	1.68	2863	0.96	855		
2013-14	3.57	1.98	3637	1.07	1210		
2014-15	3.89	2.24	4583	1.28	1427		

Source: Department of Fisheries

PRODUCTION OF MAJOR LIVESTOCK PRODUCTS IN KARNATAKA
Production in Lakh MT (*Eggs in Lakh Nos.)

Product	2010-11	2011-12	2012-13	2013-14	2014-15	Major Districts	Processing Opportunities
Milk	51.13	54.48	57.18	59.97	61.23	Belagavi, Tumkur, Hassan, Mandya, Mysuru, Kolar, Chikkaballapur, Davangere	Milk Powder, Ghee, Butter, Sweets, Paneer, Beverages, Curd, Ice cream, Frozen Dessert, Chocolate etc.
Meat	1.23	1.39	1.66	1.69	1.81	Bengaluru Urban, Haveri, Bengaluru Rural, Mandya, Kolar, Mysuru, Chikkamagalur, Dharwad	Fresh, Frozen Boneless Halal Meat, Chilled Boneless Meat, Canned Corned Meat
Eggs*	30674	34699	36773	41223	43948	Koppal, Davangere, Mysuru, Bellary, Bagalkot, Belagavi, Mandya	Egg Powder, Instant Baby Foods, Pasteurised Frozen Egg & Egg Yolk, Pasteurised Egg Albumen

Source: Dept of Animal Husbandry & Veterinary Sciences

Annexure - III

MICRO, SMALL AND MEDIUM ENTERPRISES

As per the MSMED Act, 2006 manufacturing enterprises have been defined based on the investment in Plant and Machinery and classified into:

Micro Enterprises	Investment up to Rs.25 Lakhs
Small Enterprise	Investment above Rs.25 Lakhs and up to Rs.500 Lakhs
Medium Enterprises	Investment above Rs.500 Lakhs and up to Rs.1000 Lakhs

As per the MSMED Act, 2006 service enterprises have been defined based on the investment in equipment and classified into:

Micro Enterprises	Investment up to Rs.10 Lakhs
Small Enterprise	Investment above Rs.10 Lakhs and up to Rs.200 Lakhs
Medium Enterprises	Investment above Rs.200 Lakhs and up to Rs.500 Lakhs

'A' CATEGORY ENTERPRISES

Projects with an investment in fixed assets above Rs.10 Crores and up to Rs.75 Crores.

'B' CATEGORY ENTERPRISES

Projects with an investment in fixed assets above Rs.75 Crores and up to Rs.150 Crores.

'C' CATEGORY ENTERPRISES

Projects with an investment in fixed assets above Rs.150 Crores.

'D' CATEGORY ENTERPRISES

The first two agro food processing enterprises in a taluka providing a minimum direct employment of 100 persons with a minimum investment of Rs.150 Crores.

Annexure – IV

List of industrial activities / enterprises not eligible for incentives and concessions (Subject to amendment from time to time)

- Breweries and Distilleries of all types excluding Winery.
- Masala making without Cold Process Grinding, powder of Chilly, Turmeric, Masala, Spices, Curry, Sambar, Papad etc., except those having FSSAI certification.
- Preparation of Sweetmeat and Salted Snacks, Mixture, Bhujia.
- Khandasari making enterprises.
- Jaggery making enterprises except those having FSSAI Certification.
- Mineral Water and aerated Soft Drinks, Alcoholic Beverages.
- Tea Blending / Mixing Units, Coffee Roasting & Grinding units having installed capacity of less than 2 TPD.
- Production of Popcorn, Ice Block, Production of Ice Candy and Ice Fruits etc. Ice-cream manufacturing without FSSAI certification.
- Units connected with Raw-Tobacco and Tobacco Based Products.
- Fertilizer Mixing Units.
- Poultry excluding Hatcheries.

PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Sub : Karnataka Agribusiness & Food Processing Policy - 2015 – reg.

Read : 1. Government Order No. CI 29 SPI 2002, Bengaluru, dated 28-06-2003

2. Integrated Agri Business Development Policy-2011

PREAMBLE:

The Agriculture and allied sectors viz., Horticulture, Animal Husbandry, Fisheries, Food Processing in the State requires a special focus and thrust in view of their direct impact on the livelihood of the farming community of the State. The value addition to agriculture, horticulture and other sector produce leads to extra income in the hands of farmer and also helps in boosting the economy of the State. Hence, there is a need to have an exclusive Agribusiness & Food Processing Policy to give focused attention for the overall development of agribusiness and food processing sector.

In Karnataka, about 3% of the total agro and allied produce is processed currently. The Ministry of Food Processing Industries, Govt. of India aims to achieve the food processing target of 25% by 2025 at the national level. In line with the National benchmark, the **Karnataka Agribusiness & Food Processing Policy 2015** aims to achieve the target of 10% of agro processing by 2020 and 25% by 2025 in the State. This policy aims to develop agribusiness and agro processing as a vibrant sector for creating employment opportunities and increasing the farm returns to farmers by value addition.

The vision of Karnataka Agribusiness & Food Processing Policy 2015 is to position Karnataka in a sustained growth path in the field of agriculture & allied sectors through global technologies & innovative tools, by creating enabling frameworks and state of art infrastructure facilities, thereby generation of higher returns to farming community.

The objectives of the policy are as follows:

- (i) To increase the value addition and reduce wastage, thereby increasing the income of farmers.
- (ii) To maximize direct and indirect employment generation opportunities.
- (iii) To create necessary supply chain like transportation, warehouses, and cold storage in the agro processing sector.
- (iv) To increase the flow of investments across the supply chain from farm to market.
- (v) To extend the supply chain and infrastructure opportunity in rural area.

Government desires to achieve these objectives through the following strategies:

- (i) Encouraging investments in the supply chain infrastructure to reduce post harvest loss.
- (ii) Strengthening linkage between processing enterprises and Research & Development institutes.
- (iii) Fiscal incentives for setting up focused industrial clusters and food processing parks in potential food clusters.
- (iv) Encourage adoption of quality certifications, green and clean practices, energy efficient measures.
- (v) Declaring the entire State as single zone for availing incentives and concessions.

At the all India level Karnataka stands First in the production of coffee, Bengaluru Rose Onion, Sunflower, Gherkins, Arecanut, Capsicum, Green Chilli, Tamarind and Vanilla. Second in the production of Maize, Tur, Jowar, Tomato, Sapota, Grapes, Pomegranates, Pepper, Cut Flowers, Cucumber, Watermelon and Cloves. Third in the production of Sugarcane, Mango, Tobacco, Jackfruit, Onion, Dry Chillies, Cardamom, Cocoa, Coconut and Cinnamon. Fourth in the production of Bengalgram, Papaya, Carrot, Turmeric and Cashewnut. Fifth in the production of Groundnut, Soyabean, Banana, Lime/Lemon and Sweet Orange. The State is also one of the leading producer of Milk, Ginger, Marine Fish, Garlic, Eggs, Guava etc.

The agro based industries in the State are spread across all the 30 districts. Currently, there are about 54,905 agro processing units with an investment of Rs.4,42,879 Lakhs have employed 3,24,148 manpower. These are mainly in MSME sector.

Agribusiness & Food Processing Sector in the State has witnessed a steady growth. Exports have increased from Rs.5158 crore in 2010-11 to Rs.11231 crore in 2014-15 registering a Compounded Annual Growth Rate (CAGR) of 21%.

The State Government had formulated Industrial Promotion Policy for Agro Food Processing Industries vide G.O. No.CI 29 SPI 2002, Bengaluru, dated 28th June 2003 for promoting agro food processing industries in the State. State Government has also formulated Integrated Agribusiness Development Policy 2011 for the sustained development of agriculture and allied sectors.

This policy covers warehousing, silos, cold storage logistics related to Agri-business, Export, Processing, Handling, Storage of Agricultural, Horticultural, Floriculture, Spices, Medicinal and Aromatic Plants, Fish, Meat, Poultry, Dairy, Organic Produce, Research for varietal development, Bio Technology, Bio informatics, Food Testing Laboratories, Tissue culture Laboratories, Seed Processing Units, Irradiation Units, Food Grade Packaging material units and preservatives, Horticulture hub, Food Parks, Sea food parks and Spice park.

The policy has been drafted through the consultation process with the Agriculture, Horticulture, Co-operation, Animal Husbandry & Fisheries Departments. The views / opinions from the cross section of Industry Associations, Food Processors & other stakeholders were also obtained by interacting with them. The current Karnataka Industrial Policy 2014-19 was taken as a base to formulate the Karnataka Agribusiness & Food Processing Policy 2015. Whatever is not defined / mentioned here in this Policy will have the same meaning as given in the Karnataka Industrial Policy 2014-19 for all purposes and also for calculating the eligibility criteria, claiming incentives & benefits.

In the light of the above, a decision has been taken by the Government to formulate and adopt a Karnataka Agribusiness & Food Processing Policy 2015. Hence the following order:

GOVERNMENT ORDER No: AGD 94 AMS 2015, Bengaluru. Dated: 11.12. 2015

In the circumstances explained in the preamble, Government is pleased to announce the Karnataka Agribusiness & Food Processing Policy 2015 with the incentives listed below:

	Particulars	Karnataka Agribusiness & Food Processing Policy 2015
1	Investment Promotion Subsidy	Investment promotion subsidy @ 35% of the value of fixed assets (VFA) irrespective of zonal and promoter classification up to a maximum of Rs.65 Lakhs for MSME
2	Exemption from Stamp Duty for MSME, Category A, B & C enterprises	Stamp duty to be paid in respect of (i) loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing loans from State Government including VAT loan from C&I Department and / or State Financial Corporation, National Level Financial Institutions, Commercial Banks, RRBs, Co-operative Banks, KVIB/ KVIC, Karnataka State SC/ ST Development Corporation, Karnataka State Minority Development Corporation and other institutions which may be notified by the Government from time to time for the initial period of five years only and (ii) for lease deeds, lease-cum-sale and absolute sale deeds executed by industrial enterprises in respect of industrial plots, sheds, industrial tenements by KIADB, KSSIDC, KEONICS, Industrial Co-operatives and approved private industrial estates shall be exempted @ 100% irrespective of promoter & zonal classification for MSME, Category 'A', 'B' & 'C' enterprises.
3	Concessional Registration Charges for MSME, Category A, B & C enterprises	For all loan documents, lease deeds and sale deeds, the registration charges shall be at a concessional rate @ Rs.0.50 per Rs.1000 irrespective of promoter classification for MSME, Category 'A', 'B' & 'C' enterprises. Note: (i) The exemption of stamp duty and concessional registration charges are also applicable to lands purchased under Section 109 of the KLR Act, 1961 and also for direct purchase of industrially converted lands for the projects approved by SLSWCC / DLSWCC. This incentive will also be applicable for the land transferred by KIADB to land owners as compensation for the acquired land. (ii) The exemption of stamp duty and concessional registration charges are also available for registration of final sale deed in respect of lands, sheds, plots, industrial tenements after the expiry of lease period at the rate as specified in the Industrial Policy which was in vogue at the time of execution of lease-cum-sale deed.

4	Reimbursement of land conversion fee for MSME, Category A, B & C enterprises	The payment of land conversion fee for converting the land from agriculture use to industrial use will be reimbursed @ 100% irrespective of promoter & zonal classification for MSME, Category 'A', 'B' & 'C' enterprises.
5	Exemption from Entry Tax	MSME: 100% exemption for 3 years on plant and machinery and capital goods and 6 years for raw materials, inputs and component parts and consumables excluding petroleum products from the date of commencement of project implementation and from the date of commencement of commercial production respectively irrespective of zonal classification. Category 'A', 'B' & 'C' Enterprises: 100% exemption for an initial period 3 years for Category 'A' and 'B' and 5 years for Category 'C' on plant and machinery and capital goods from the date of commencement of project implementation irrespective of zonal classification. For raw materials, inputs and component parts and consumables excluding petroleum products (wherever applicable) for a period of 5 years from the date of commencement of commercial production. In respect of Category 'B' & 'C' an additional One and Two years will be allowed respectively for operational period.
6	Subsidy for setting up Effluent Treatment Plant (ETP)	One time capital subsidy to an extent of 75% of the cost subject to a maximum of Rs.50 Lakhs for MSMEs in respect of ETPs costing less than Rs.100 Lakhs. Further, One time capital subsidy to an extent of 50% of the cost of ETPs subject to a ceiling of Rs.100 Lakhs for Category 'A', 'B' & 'C' enterprises irrespective of zonal classification. One time capital subsidy to an extent of 50% of the cost of ETPs subject to a ceiling of Rs.200 Lakhs for setting up of Effluent Treatment Plants (ETPs) as a common facility in food parks, spice parks, sea food parks or a place where the cluster of food processing & agribusiness enterprises are located irrespective of promoter and zonal classification.
7	Interest Subsidy	Interest subsidy of 6% per annum on term loans will be provided to Micro enterprises irrespective of promoter classification. This interest subsidy is payable to financial institutions on behalf of the enterprise only if the enterprise has not defaulted in payment of either principle or interest instalments. The amount of interest subsidy will be effective rate of interest (after deducting interest subsidy receivable by any institution/s under any Government of India scheme) is 6% per annum whichever is less irrespective of promoter classification. The period of interest subsidy is for 7 years irrespective of zonal classification.
8	Exemption from tax on Electricity tariff	100% exemption of tax on electricity tariff for the initial period of eight years irrespective of zonal classification
9	Reimbursement of VAT to MSME & Category A, B & C Enterprises	MSME: 75% of net VAT will be reimbursed for a period of 5 years subject to a maximum of 100% of the Value of Fixed Assets irrespective of promoter & zonal classification to be claimed on yearly basis. For Category 'A', 'B' & 'C' enterprises net VAT reimbursement will be to an extent of 60%, 70% & 80% respectively for a period of 5 years subject to a maximum of 100% of the Value of Fixed Assets irrespective of promoter & zonal classification to be claimed on yearly basis.
10	Subsidy for technology adoption from recognized national Labs	50% of the cost (max Rs.1 Lakh) for MSME irrespective of promoter classification.
11	Market Fee Exemption	New Agricultural Produce Processing Industries are exempted from payment of market fee for a period of ten years in respect of purchases of agricultural produce by such industries.

The policy is supported by the following annexures:

- Annexure I Land Holdings in Karnataka
Annexure II Area & Production of Agriculture, Horticulture, Fish, Livestock products in the State
Annexure III Definition of Micro, Small and Medium Enterprises & Category 'A', 'B', 'C' & 'D' Enterprises
Annexure IV List of industrial activities / enterprises not eligible for incentives and concessions (subject to amendment from time to time)

Approval is given to establish an exclusive facilitation cell to assist and handhold the exporters of agribusiness and food processing sector in getting them the required sanitary and phytosanitary documentation from the concerned authorities, liaising with the related agencies as part of Govt's effort in effectively introducing the concept of Ease Of Doing Business.

The Karnataka Agribusiness & Food Processing Policy 2015, shall come into force from the date of its notification in Karnataka Gazette and is valid till the next policy is announced. The date of notification shall be treated as effective date of this policy.

Approval is given for the implementation of this policy through the Agriculture, Horticulture, Fisheries, Animal Husbandry, Cooperation and Commerce & Industries Departments.

Whatever is not defined / mentioned here in this policy will have the same meaning as given in the Karnataka Industrial Policy 2014-19 for all purposes and also for calculating the eligibility criteria, claiming incentives and benefits.

This order issues with the concurrence of Finance Department vide its filing note dated 09.10.2015.

By Order and in the name of the
Governor of Karnataka,



N. Manjunatha Prasad, IAS
Secretary to Government,
Agriculture Department.

To,

1. Principal Accountant General, (General & Social Sector Audit, Economic & Revenue Sector Audit), Karnataka, New Building, Audit Bhavan, P.B. No.5398, Bengaluru-1
2. Principal Accountant General (Accounts & Entitlement), Karnataka, New Building, Audit Bhavan, P.B. No.5398, Bengaluru-1
3. Accountant General (WF & RA), Revenue Audit Wing, Bengaluru-01
4. Chief Secretary to Government of Karnataka, Vidhana Soudha, Bengaluru.
5. Additional Chief Secretary and Development Commissioner, Vidhana Soudha, Bengaluru.
6. ACS / Principal Secretary/ Secretary to Government, of all the departments.
7. Commissioner/ Director of all the departments
8. Personal Secretary to Agriculture Minister, Bengaluru.
9. Personal Secretary to Large and Medium industries and Tourism Minister, Bengaluru.
10. Personal Secretary to Animal Husbandry and Sericulture Minister, Bengaluru.
11. Personal Secretary to Horticulture and Agriculture Marketing Minister, Bengaluru.
12. Personal Secretary to Minister for Fisheries, Bengaluru.
13. Under Secretary to Government Finance department EXP-4, Vidhana Soudha.
14. Director of Treasuries, Bengaluru,
15. Joint Director, State Huzur treasure.
16. Internal Finance Advisor, Agriculture & Horticulture Department.
17. Joint Secretary, Deputy Secretary Agriculture Department, M.S. Building, Bengaluru.
18. Cabinet section (Case no C583/2015, Dated: 19-11-2015), Vidhana Soudha, Bengaluru.
19. Under Secretary (Services & Co-ordination), Planning Agri Department, M.S. Building, Bengaluru.
20. The Compiler Karnataka Gazette, Bengaluru. requesting to publish it in the next gazette.
21. SGF / Spare copies.



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Department of Agriculture
Department of Horticulture
Department of Animal Husbandry & Fisheries
Department of Co-operation