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# Integrated Agribusiness Development Policy 2011

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**Government of Karnataka**

Department of Agriculture, Bangalore

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## **Abbreviations**

|         |  |
|---------|--|
| APEDA   | Agricultural & Processed Food Products Export Development Authority            |
| APMC    | Agricultural Produce Marketing Committee                                       |
| BIS     | Bureau of Indian Standards   |
| BPL     | Below Poverty Line   |
| CLCSS   | Credit Linked Capital Subsidy Scheme   |
| CSR     | Corporate Social Responsibility  |
| DLSWCC  | District Level Single Window Clearance Committees                              |
| DPR     | Detailed Project Report  |
| EOU     | Export Oriented Unit   |
| EPF     | Employees Provident Fund   |
| ESI     | Employees' State Insurance   |
| ET      | Entry Tax  |
| ETP     | Effluent Treatment Plant   |
| EU      | European Union   |
| FAQ     | Frequently Asked Question  |
| FDA     | Food and Drug Administration   |
| FDI     | Foreign Direct Investment  |
| GABIM   | Global Agribusiness Investor Meet  |
| GDP     | Gross Domestic Product   |
| GIM     | Global Investor Meet   |
| GIS     | Geographic Information System  |
| GoI     | Government of India  |
| GoK     | Government of Karnataka  |
| HACCP   | Hazard Analysis Critical Control Point   |
| IQF     | Individually Quick Frozen  |
| ISO     | International Organization for Standardization                                 |
| IT      | Information Technology   |
| KABDC   | Karnataka Agribusiness Development Corporation                                 |
| KAPPEC  | Karnataka State Agricultural Produce Processing and Export Corporation Limited |
| KLR Act | Karnataka Land Reforms Act   |

|        |  |
|--------|--|
| KSFC   | Karnataka State Financial Corporation  |
| KSIIDC | Karnataka State Industrial Investment & Infrastructure Development Corporation Limited |
| KSSIDC | Karnataka State Small Scale Industries Development Corporation                         |
| KVIB   | Khadi and Village Industries Board   |
| KVIC   | Khadi & Village Industries Commission  |
| KVK    | Krishi Vignana Kendra  |
| MoU    | Memorandum of Understanding  |
| MPEDA  | The Marine Products Export Development Authority                                       |
| MSME   | Micro, Small and Medium Enterprises  |
| MSP    | Minimum Support Price  |
| NHM    | National Horticultural Mission   |
| PPP    | Public Private Partnership   |
| R&D    | Research and Development   |
| RRB    | Regional Rural Bank  |
| SEZ    | Special Economic Zone  |
| SHG    | Self Help Group  |
| SHLCC  | State High Level Clearance Committee   |
| SLSWCC | State Level Single Window Clearance Committee  |
| SME    | Small and Medium Enterprises   |
| SPV    | Special Purpose Vehicle  |
| TQM    | Total Quality Management   |
| TU     | Technology Upgradation   |
| ULB    | Urban Local Body   |
| VAT    | Value Added Tax  |

## Preamble

- ⊙ Karnataka has taken a lead initiative in developing sustainable agribusiness enabled through an 'Integrated Agribusiness Development Policy' covering agriculture and allied sectors (like horticulture, fisheries, animal husbandry, sericulture and food processing) both in infrastructure and industrial segments on an end to end concept.
- ⊙ Indian agriculture is in the cusp of revolutionary change. The phenomenal development in the service sector has lead to accelerated economic growth of India in the past decade and Karnataka has been in the forefront of the technology revolution.
- ⊙ Needless to mention, the future growth of agriculture and allied sectors will largely depend on new and globally competitive technologies. Exciting new technologies have brought great improvements in the lives of farmers in advanced economies. Developed nations and some developing economies have adopted these technologies and have reaped results in terms of sustained growth in the agriculture sector.
- ⊙ Karnataka with its ten different agro-climatic zones and other bounteous natural advantages offers immense opportunities for high growth in agriculture and allied sectors. It is imperative that Karnataka takes advantage of the modern practices, technologies and develop strategies to leverage the growing demand in both domestic and international markets. Thrust areas requiring priority attention would include improving production and productivity, reducing production cost, wastage reduction, increasing value addition, price stabilization, use of high-tech agriculture technologies, genetically modified varieties, micro propagation, micro irrigation/fertigation, integrated nutrient management, organic farming, integrated pest management, protected cultivation / greenhouse technology, post harvest management, conservation and development of native livestock, hygiene and modern fish handling facilities, modernization of slaughter houses, adoption of state of the art food processing technologies, focusing on high unit value realization in export markets, etc.
- ⊙ This agribusiness policy aims to create an enabling institutional structure for addressing the aforesaid thrust areas, facilitates flow of investment, technologies, skill sets and modern management practices. The policy addresses supply chain alignment with domestic and international requirements, improvement of market access through market Intelligence. Further, some of the regulatory hurdles that have been affecting growth in the sector have been refined. The policy hopes to provide an enabling framework leading to increase in yield, reduction in consumer prices in the domestic front, grading and food safety practices, increase in exports, reduction in post-harvest losses, sustainable farming practices and increased penetration of technology. The policy facilitates state of the art technology, knowhow and avenues for international marketing of the produce apart from investments by private sector in developing the much needed agri infrastructure & agro based industry units in a fair and transparent manner for ensuring sustainable agribusiness development in Karnataka.
- ⊙ The 'Integrated Agribusiness Development Policy - 2011' should be read in conjunction with other relevant policies of Government of Karnataka and Government of India. This policy is a much required and timely intervention on the part of Government of Karnataka to enhance the income of farmers, increase the state's GDP and more importantly enhance the food security.

## 1 Introduction

- 1.1 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. Karnataka has rich biodiversity and ten agro-climatic zones suited for majority of the agricultural & horticultural crops and a long coastline that encourages fisheries. The state contributes around 7% of the agricultural production and 15% of the horticultural production in the country. It contributes around 10% of the fruit & vegetable production in India. Its climate endowment suits cultivation of cash crops like coffee, coconut, mango, spices, commercial flowers, aromatic plants, cotton, sugarcane, oilseeds, grapes, pomegranate, sapota, etc.
- 1.2 Even though the state has inherent natural advantages, the performance of agriculture and allied sectors has been slow and volatile. Agriculture still supports nearly 65% of the population in the state and its share in the state GDP has been declining fast. Some of the issues facing the sector are:
- 1.2.1 Supply Chain Management Issues** – uneconomic scale of operation, lack of consistency in supply and quality, lack of cost competitiveness, inadequate & inappropriate storage and distribution infrastructure, lack of technical support for the sector, etc.
- 1.2.2 Technological Constraints** – Small and un-irrigated, unproductive plantations needing replacement / rejuvenation, low productivity of crops due to inferior genetic stocks, inadequate supply of quality planting materials of improved varieties, high incidence of pests and diseases, heavy post harvest losses, serious erosion and even extinction of some of the indigenous animal breeds, subsistent livestock farming, quality deterioration due to improper handling of milk and milk products, poor hygienic conditions and practices in slaughterhouses, lack of fish handling facilities, etc.
- 1.2.3 Constraints for Exports** – inadequacy of exportable varieties, lack of post-harvest infrastructure, high cost of obtaining certification for exports, etc
- 1.3 To address these issues, agriculture sector would require substantial changes in terms of technology, markets, institutions and policy. New and appropriate technology will directly help in improving productivity both at cultivation & post harvest stages and result in better value addition. Competitive and efficient marketing arrangements would lead to higher value

- realization. Appropriate institutional arrangements would enable improving productivity, better value realization as well as better value addition possibilities.
- 1.4 There is a need for change both in the content and approach of research which can be taken up in partnership with private sector on aspects like development of improved crop varieties / hybrids suited to diverse agro-ecologies and micro conditions, production of hybrids, sustainable crop production and protection technologies, conservation and sustainable use of genetic resources of plants, insects and other invertebrates, agriculturally important microorganisms, gene prospection, greenhouse production of flowers and vegetables, research in veterinary science, animal science, dairy science, fisheries science, development and improvement of technologies for value addition, shelf life enhancement and quality assurance of livestock and poultry products, cutting edge technologies for various food processing, value addition and exports. However, all these would require creating enabling environment for private sector as well as collective participation of particularly farmers and local entrepreneurs.
  - 1.5 This necessitates substantial increase in the investments aimed at streamlining agricultural value chain, bringing state of the art technology, encouraging best practices in every aspect of agribusiness which will help in reducing total transaction costs and improve realization for farmers.
  - 1.6 Harnessing the opportunity presented by global trends and local advantages require an enabling framework to accelerate growth. The 'Integrated Agribusiness Development Policy 2011' has been formulated to address key concerns affecting the agricultural growth and allied sectors namely improving productivity, minimizing post harvest losses, enhancing post harvest processing and value addition, enhancing value realization through better marketing channels, sustainable practices in production, processing, branding, marketing, etc. The policy lays stress on animal husbandry and dairy in terms of generating income and rural employment, increasing the availability of animal protein in the food basket and for generating exportable surplus to target markets. The vast fishery resources of Karnataka state offers potential for development of the sector in a sustainable manner. One of the main objectives is to enhance fish production in the state by utilizing offshore resources and increase the fisherman's standard of living.
  - 1.7 Thus, the policy enables a holistic and sustainable growth of the sectors – Agriculture, Horticulture, Agroforestry, Dairying and Animal Husbandry, Fisheries, Sericulture, Apiculture & Food processing sectors including the related and allied industries. To harness the expertise of private sector, the policy facilitates a structured and pragmatic approach for development of agri-infrastructure through PPPs which will lead to greater industrial

opportunities in agribusiness. The policy envisages technology/know-how driven growth in agriculture and allied sector based on skill development, knowledge dissemination, bringing information technology into farming and enhanced quality of service through innovative models.

- 1.8 The state government has come up with the 'Integrated Agribusiness Development Policy, 2011' at the right time to increase capabilities and income of farmers and rural communities thus playing a significant role towards nutrition security for the country besides positioning its produce in the global arena. The policy aims to benefit marginal land owners, farmers, SHGs, fishermen, rural workforce, other producers and improve the competitiveness of SMEs leading to better unit value realization, besides facilitating large investments and opening avenues for export markets.

## 2 **Scope and Coverage**

- 2.1. The agricultural and allied sectors referred to in this policy document shall include inter alia both **infrastructure and industrial segments** pertaining to **Agriculture, Horticulture, Agro forestry, Animal Husbandry, Fisheries, Sericulture, Apiculture and Food processing sectors**.
- 2.2. **"Agri infrastructure"** shall include, but not limited to, both new establishment/modernization of existing facilities, post harvest infrastructure, collection centers, mobile processing units, cold chain, controlled atmospheric storage, modified atmospheric storage, modern product storage hubs and silos, grading & packing halls, mobile processing units, pack houses, refrigerated transport, warehouses, common service centres, primary processing centers, common processing hubs, common value addition centres, agri clinics, product certification centres, perishable air cargo complex, modern terminal markets, agri-education hub, centre of excellence for research and development, Agriculture-Horticulture-Animal Husbandry -Fisheries - Food Processing corridor, Agribusiness Investment Regions, Agribusiness Investment Areas, Food Parks, Agri SEZs, Agri Jetty/port, fish landing centres, fisheries harbor, abattoirs, Integrated agri-logistics hubs with allied infrastructure, common infrastructure facilities for industry cluster and environment control system, retail outlets for perishable & non-perishable products and other such infrastructure, both new establishment/modernization of existing facilities, pertaining to the agribusiness sector.
- 2.3. **"Agro based Industry"** shall include, but not limited to, 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 based industry also includes dry land farming, precision farming, growing under controlled conditions, extensive IT and GIS application in

agriculture & farming solutions, hi-tech cultivation, agri input sectors, agriculture engineering sector, agri service sector and other such industrial / processing / manufacturing / service units pertaining to the agribusiness sector.

- 2.4. **“Agricultural Product”** shall include but not limited to produce of Agriculture, Horticulture, Sericulture, Animal Husbandry, Dairy Husbandry, Floriculture, Fisheries, Apiculture and includes minor forest produce & live stock based products.
- 2.5. **“Hi-tech and Bio-technology based Agriculture including Research”** shall include, but not limited to, projects, which involve any one of the processes such as tissue culture, production of transgenic plant, fermentation plant for bio-fertilizers, gene mapping, cloning, genetic engineering, greenhouse, growing under controlled conditions, aquaculture or any other frontier technology research having agri industrial application.
- 2.6. Other categories of agri infrastructure, industrial units, research, services sectors, products and processes as may be notified by the Government of Karnataka from time to time, would also be covered under this policy.

### 3 **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 art infrastructure facilities, thereby generating higher returns to farming communities’*

### 4 **Objectives and Strategy**

- 4.1 **Sustainable agricultural activity, enhanced productivity and better realization to farming community**
  - a. Sustainable management of natural resources for achieving food, nutritional, environmental and livelihood security
  - b. Development of improved crop varieties / hybrids suited to diverse agro-ecologies and micro conditions
  - c. Genetic resources and development of improved cultivars with high quality characteristics, productivity, resistance to pest and disease and tolerant to abiotic stresses

- d. Efficient, economic, eco-friendly and sustainable crop production and protection technologies
- e. Refinement of seed-production technologies and production of breeder seed with added emphasis on hybrid cultivars
- f. Conservation and sustainable use of genetic resources of plant and agriculturally important microorganisms
- g. Knowledge dissemination and technology for increasing the yield. This shall also include strategic planning for production of commercial crops, crops having export potential and high unit value realization
- h. Promote high density plantations, shade net cultivation, poly house cultivation, green house cultivation, precision farming, etc.
- i. Diversification from traditional crops to plantations, orchards, vineyards, flowers and vegetable gardens
- j. Identification / collection, rapid multiplication & popularization of indigenous crops and other flora of importance with emphasis on domestic and export promotion
- k. A shift from subsistent livestock farming to sustainable & viable livestock & poultry farming
- l. Conservation and improvement of native animal genetic resources to maintain diversity of breeds
- m. Genetic upgradation of indigenous/native cattle and buffaloes
- n. Enhance fodder and feed production through well devised strategies
- o. Improving productivity of animal husbandry sector along with quality of products, productivity per animal, organized marketing, prevention of new diseases
- p. Development of technologies to support production enhancement, profitability, competitiveness and sustainability of livestock and poultry sector
- q. Collaborative interaction of small scale farmers with livestock processors and input suppliers
- r. Emphasis on milk production and milk processing capacity and production of dairy products
- s. Promoting indigenous poultry breeds including improved strains that can survive with low quality raw feed and better resistance to diseases for creating employment in the rural sector
- t. Strengthening and augmenting the database and information for standardization of methodologies for estimation of catch from diverse aquatic resources of the state
- u. Promoting deep sea fishing
- v. Addressing the growing domestic and overseas market for better price realization
- w. Meeting international sanitary and hygiene standards and norms on equipments and facilities on exporting products

- x. Sustainable, profitable and competitive enterprise through engineering interventions of farm mechanization, value addition & energy management in production & post harvest operations
- y. Adoption of precision machinery and strategies for carrying out timely and efficient agricultural operations in irrigated, rain-fed and hilly areas for agriculture, horticulture, livestock and fisheries production
- z. Popularization of new technologies/tools/techniques for commercialization/ adoption
- aa. Energy management and utilization of conventional and non-conventional energy sources in agricultural production and processing activities
- bb. Ensuring the timely availability of agri inputs of right quality and quantity
- cc. Enhance access to capital, technology, effective management and supporting services such as credit, marketing, research and extension
- dd. Establish linkages amongst stakeholders such as farmers, industry, research, and extension mechanisms
- ee. Minimize post harvest losses, reduce wastages resulting in higher value realization to farmers

#### 4.2 Development of Agri-infrastructure

- a. Ensure reduction in post harvest losses, create common infrastructure that are affordable to industrial units, reduce the cost of production through economies of scale
- b. Create world class supply-chain infrastructure for providing impetus to the development of agriculture and allied sectors through development of post-harvest infrastructure, agro-corridor, agri-SEZs, agri parks, common processing centers, auction houses and rural infrastructure development
- c. Cater to domestic and overseas market by creating a network of new fishing harbor and fish landing facilities of required hygiene standards with adequate backward and forward linkages including augmentation of existing infrastructure
- d. Developing infrastructure for handling, preserving, processing and marketing of agro produce
- e. Improvement and modernization of abattoirs and carcass utilization for fallen animals
- f. Upgrade, modernize and augment existing industrial infrastructure, environment infrastructure and specialized infrastructure

### 4.3 Development of Agro based Industry including Food Processing Units

- a. Develop manufacturing capability units for precision machinery for efficient agricultural operations in irrigated, rain-fed and hill agriculture, horticulture, livestock and fisheries production
- b. Better utilization and value addition of agricultural produce for enhancement of farmers income
- c. Value addition to agricultural produce, processing and utilization of by-products.
- d. Maximising utilization of agricultural residues and by-products of the primary agricultural produce as also of the processed industry
- e. Enhancing the shelf life of perishable fruits, vegetables, flowers, animal, dairy products ,product diversification and value addition for better profitability
- f. Minimizing wastage at all stages in the food processing chain by the development of infrastructure for storage, transportation and processing of agro-food produce.
- g. Adoption of state of the art modern technology for food processing industries in the field of fruits and vegetable processing, food grain milling, dairy products, poultry and eggs, meat and meat products, fish, bread, oilseeds, breakfast foods, biscuits, confectionery (including cocoa processing and chocolate), malt extract, protein isolate, high protein food, weaning food and extrude/other ready to eat food products, beer including non-alcoholic beer, alcoholic drinks from non-molasses base, aerated waters / soft drinks and other processed foods, specialized packaging for food processing industries etc

### 4.4 Research, skill development and employment generation

- a. Promoting excellence in basic, strategic and anticipatory research in crop science, horticulture, veterinary science, animal science, dairy science, fisheries, natural resource management, agriculture engineering, food processing, biochemistry and nutrition, fermentation technology and bioengineering, flour milling, baking and confectionery technology, food engineering, food microbiology, food packaging technology, food protectants and infestation control, food safety and analytical quality control
- b. Develop a mechanism to re-allocate agriculture workforce involved in primary production into agri-service sector through entrepreneurship mode
- c. Human Resource Development in emerging areas of agriculture, horticulture, agro forestry , animal husbandry and dairy technology, fisheries, harvest & post harvest, processing, agriculture engineering, natural resource management, food processing and agribusiness management
- d. Enhance the skill sets of youth, farmers and women in modern cultivation practices and hygiene product handling practices thereby increase per capita income

- e. Increasing work efficiency and reduction of occupational hazards in agricultural operations
- f. Generate large scale employment opportunities through collaborative modes
- g. Develop educational and research institutes and training centers, skill development centers, testing centers and other such institutions for capacity building and research capabilities for sustained agricultural growth
- h. Consolidating research efforts for specific problems
- i. Familiarization and exposure towards newer scientific concepts and research & development from hitherto unknown, unexplored and traditional status of farming and post harvest management to the modern lines
- j. Arrange regular technology exchange programs, know-how and training programs to target groups like farmer societies, SHGs, women development groups, state agriculture officers, collaborations with renowned universities
- k. Encourage skill building programs and specific training programs as a part of CSR activities

#### **4.5 Boosting agro-exports of the state**

- a. Create brand image for unique agro food products of Karnataka and develop 'key products' to gain market dominance
- b. Create new markets and new product lines and develop alternate marketing channels
- c. Encourage high realization and value added exports meeting EU, HACCP, FDA and other international standards
- d. Special emphasis shall be laid down to make small-scale agro based units in the state to remain competitive in global markets

#### **4.6 Investments in agriculture and allied sectors**

- a. Attract investments both in infrastructure and industries, technology, research, skill development in agriculture and allied sector through a structured and transparent process
- b. Develop well balanced agro-industrialization across the state and develop Small, Medium and Large scale industries
- c. Encourage private sector participation on a transparent basis in development and operation and maintenance of agri-infrastructure

#### 4.7 Investor friendly policies and regulatory framework

- a. Create Special Purpose Vehicle to facilitate agribusiness in coordination with other agencies
- b. Develop good institutional model to support agriculture production, research and development, agro processing and allied sectors to address entire value-chain through creation of enabling environment and faster decision cycles
- c. Providing policy support, promotional initiatives and facilities to promote value added agro and food product exports
- d. Single Window Clearance for investment
- e. Conduct regular investors meet and road shows, participate in national and international agri-meets, trade fairs and events

### 5 *Karnataka Agribusiness Development Corporation (KABDC)*

5.1 To realize the vision envisaged in the policy, a Special Purpose Vehicle, “Karnataka Agribusiness Development Corporation” shall be created. The Karnataka State Agricultural Produce Processing & Export Corporation Limited (KAPPEC) will be entrusted with the responsibility of managing and administering of Karnataka Agribusiness Development Corporation (KABDC) and maintained as a separate unit. The SPV’s activities shall encompass the following:

- a. Identifying project opportunities and facilitating investment in identified projects
- b. Conducting investors meets, road shows etc
- c. Appointment of agencies and experts for facilitating investment promotion
- d. Periodical follow up of investment queries, conclusion of MoUs, definitive agreements etc
- e. Acts as single window for all the clearances
- f. Record the progress of investments and reporting
- g. Conduct such other activities to realize the vision of the policy

### 6 *Development of Agri Input Sector*

6.1 For sustained agriculture growth it is imperative to develop a robust agri-input sector including the following, but not limited :

- a. Production and availability of high quality seeds and saplings including hybrid / improved varieties
- b. Tissue culture laboratories and demonstration farms
- c. Setting up major seed production, processing and storage centers
- d. Seed certification centers

- e. Artificial insemination for animal husbandry
- f. Pest management for animal husbandry
- g. Animal health care and breeding services and disease management for animal husbandry
- h. Agro, crop, fisheries and livestock insurance
- i. Development of integrated irrigation systems
- j. Plant protection chemicals and bio pesticides
- k. Cattle, poultry, animal fodder and feed development
- l. Veterinary and animal medicines
- m. Green house structures and sub-systems, growing media
- n. Food processing manufacturing equipments
- o. Rural technology and renewable energy systems
- p. Development of bio-compost plants, using city/town domestic waste
- q. Agro and rural financing
- r. MIS and data base creation for agriculture and allied business

## **7 Focus development of Key Products**

- 7.1 To position Karnataka State Agricultural Sector produce in a leading position in domestic and international markets, strategic plan shall be drawn for promoting selective products having competitive advantage and uniqueness. Measures shall be taken to address bottlenecks and issues in the entire cycle right from seed production, crop improvement, productivity and protection, pre-harvest, post-harvest, handling, storage, processing to packaging. Constraints and strategies for exports shall be addressed to position these products to get a premium price in international markets. This shall also include creating specific value addition parks at appropriate locations.

## **8 Brand Building**

- 8.1 Product specific brand building exercise shall be undertaken especially for products having Geographical Indicators such as Byadagi chilli, Coorg honey, rose onion, Nanjanagudu rasabale etc to expand the horizon for increased market share , better price realization. Some of the strategies contemplated are demarcation of areas for each of these commodities, establishing quality certification, encouraging producer companies, cooperatives and private sector to set up value addition units and branding, besides setting up of research centers or utilizing existing research on pertinent issues on the subject.

## **9 Contract farming**

- 9.1 Contract farming shall be permitted for enhancing growth of the state. The private sector or other agencies are entitled to contract farming provided the area allotted to them as defined by the State APMC Act.

## **10 Farming, Cultivation, Dairy Husbandry, Poultry Husbandry, Fisheries, Sericulture, Apiculture and Animal Husbandry**

- 10.1 To overcome the constraints like unproductive plantation, low productivity of crops due to inferior genetic stocks, poor management, high incidence of diseases, pests etc. it is imperative to adopt modern practices and technologies and scientific management techniques.

- 10.2 The policy accords thrust on following segments:

- a. Natural resource management
- b. High density and ultra high density plantation
- c. Shade net cultivation, mulching, plastic tunnel
- d. Organic farming
- e. Water shed management
- f. Wasteland development
- g. Water conservation and rain water harvesting
- h. Dry land farming
- i. Tissue culture and plant propagation
- j. Nursery production and management for quality seed/plant production of vegetables flowers, ornamental plants, fruits etc.
- k. Growing of cereals, millets, pulses, oil seeds, fiber crops, sugar crops and forage crops
- l. Growing of fruits perennial and non perennial, vegetables, spices, plantation crops, cut flowers, cut foliage, bulbous flowers, loose flowers, garden flowers, natural dyes, medicinal crops and aromatic crops
- m. Arboriculture
- n. Hi tech cultivation under controlled climatic conditions
- o. Rejuvenation/replacement of senile plantation
- p. Crop nutrition
- q. Mulberry cultivation
- r. Silkworm rearing
- s. Post cocoon technology
- t. Animal genetic resource management

- u. Marine capture fisheries, inland capture fisheries
- v. Fresh water fisheries
- w. Brackish water fisheries, marine fisheries
- x. Ornamental fish culture
- y. Integrated fish farming
- z. Herd improvement, health and fertility
- aa. Dairy husbandry
- bb. Artificial insemination
- cc. Rearing of cattle, goat, buffalo, sheep, pig and rabbit
- dd. Poultry rearing and brooding
- ee. Livestock, dairy farm and poultry management
- ff. Commercial layer and broiler units
- gg. Integrated development of small ruminants and rabbits
- hh. Salvaging and rearing of male buffalo calves
- ii. Pollination support through Bee-Keeping
- jj. Apiculture
- kk. Development of fodder through cultivation of fodder crops, fodder trees, regeneration of grazing lands
- ll. Animal feed
- mm. Remote sensing, data based management and precision farming
- nn. Capacity building, skill development, human resource development and training
- oo. Agricultural financing and insurance

## **11 Organic Farming Clusters**

- 11.1 In tune with growing demand for organic produce and health consciousness, and leveraging the inherent advantages of natural resources of the state of Karnataka, the policy envisages setting up organic farming clusters. The suggested commodities would include rice, jowar, maize, ragi, minor millets, jaggery, cotton, chillies, tur, areca nut, coffee, groundnut, sunflower, potatoes, tomatoes, banana, turmeric, horticultural crops, fisheries, animals feed from organic feed etc. These clusters shall address requirements of large scale organic farming, preservation, processing and packaging.

## **12 Agri - Horti - Animal Husbandry - Fisheries - Food Processing Corridor**

- 12.1 As an effort to develop sustainable agricultural development in Karnataka, ensure balanced agriculture and food industrialization across the state, , enhanced revenues to farmers and employment potential to local population, an Agri-Horti-Animal Husbandry-Fisheries- Food Processing Corridor of excellence is envisaged.

- 12.2 This corridor shall be aligned along major transport arteries i.e. road and rail trunk routes. This would primarily derive the advantage of existing logistics network in the region and integrate the planning process of the corridor assimilating Greenfield and Brownfield development. For sustainable operations of the proposed corridor, it is necessary to augment the feeder roads/rails connectivity to hinterland, growing areas, existing and proposed industrial areas and markets. The influence zone of 25 kms on both sides of the alignment for the development of high impact economic regions with quality infrastructure is contemplated. The components of the corridor would include several development nodes like agribusiness investment regions, agribusiness investment areas, knowledge hubs, special horti tourism zones, large scale controlled environment growing, food processing industries, food parks and food SEZs.
- 12.3 In order to ensure acceptable safety and hygiene standards, especially in the corridor and in the cluster formation, GoK through its designated agencies shall enforce stringent procedure and practices apart from the statutory and Act requirements.

### **13 Agri-infrastructure**

A structured and pragmatic approach for development of agri-infrastructure through PPPs will lead to greater industrial opportunities in agribusiness. In accordance with the vision laid in the policy, host of infrastructure facilities are planned.

#### **13.1 Post harvest Infrastructure**

- a. Network of collection centers, storage halls, pre cooling, cold storage, primary processing centers, mobile processing units, high humidity cold storage, deep freezers, controlled atmospheric storage, modified atmospheric storage, grading & packing halls, pack houses, refrigerated transport, warehouses etc
- b. Mechanization of harvest operation of the produce
- c. Sheds for intermediate storage and grading/storage/cleaning operation of produce
- d. Mechanized handling facilities including sorting, grading, washing, waxing, ripening, packaging & palletisation etc
- e. Modern silo storage system
- f. Facilities for pre-shipment treatment such as fumigation, X-ray screening, hot water dip treatment, water softening plant, Vapor heat treatment, electronic beam processing, irradiation facilities etc
- g. Harvest and post-harvest technologies for fisheries like new generation fishing vessels and gears, processing, value addition, packaging

- h. Specialized transport units for horticulture and floriculture sector, fisheries and animal products
- i. Perishable air cargo complex
- j. Terminal markets
- k. Integrated agri-logistics infrastructure and hubs
- l. Retail outlets for perishable & non-perishable products

### **13.2 Agri-Horti – Animal Husbandry – Fisheries – Food Processing Corridor of Excellence – Industrial Infrastructure**

- a. Agribusiness Investment Regions of large size of about 5000 hectares covering food parks, Agri SEZs, common processing hubs etc are planned. These would have state of art infrastructure including general infrastructure such as site grading, roads, power, water, communications, drainage, sewerage, sewage treatment plant, effluent treatment plant, storm water drains, rain water harvesting, fire fighting etc. specialized infrastructure such as auction halls, cold storages, quarantine facilities, quality control labs, quality certification centers, raw material storage, controlled and modified atmospheric storage, primary processing centers, central processing centers etc.
- b. Agribusiness Investment Areas for major commodities at strategic locations in the corridor and at other potential locations is planned. These areas would have state of art general and specialized infrastructure facilities
- c. Agri clinics
- d. Agri Jetty/port
- e. Railway sidings for handling agro commodities
- f. Transportation hub
- g. Infrastructure development for quality and clean milk production and processing for value addition
- h. Development of modern fishing harbors including modernization and equipping all existing fishing harbors and fish landing centers in accordance with the guidelines of Export Inspection Council, Government of India, to satisfy Hazard Analysis and Critical Control Point (HACCP) norms
- i. Development of additional fish landing center at potential locations with facilities like safe landing, outfitting and repair facilities for the traditional and small-size motorized fishing vessels and fishing gear etc., apart from facilities like auction hall, net mending area, ice plant and fish handling facilities with modern facilities and hygiene standards, etc
- j. Common infrastructure facilities for industry cluster and environment control system e.g. pollution control, effluent treatment, establishment and modernization of rural and urban slaughter houses etc.

### 13.3 Agri – Horti – Animal Husbandry – Fisheries – Food Processing Corridor of Excellence – Education & Knowledge hubs

**13.3.1** The corridor shall enjoy excellent research and development, education and knowledge support through creation of:

- a. Centre of Excellence
- b. Market information centers
- c. Know-how dissemination centers
- d. Agriculture education hubs
- e. R&D institutions
- f. Skill development institutions
- g. Common service centers

## 14 Agro Based Industry

14.1 As part of this policy various agro-industrial units are contemplated in the state of Karnataka to harness the varied agro-climatic conditions, raw material resources, skill sets of the region and domestic & export market opportunities. Industrial segments are categorised as agro input and irrigation sector, high tech cultivation under controlled climatic conditions, vegetables and fruit processing, agri engineering, high tech and biotechnology based agriculture and research ,food processing, grain processing, bakery and confectionery, spice products, aqua & marine products, dairy products, poultry products, animal products, etc . Further the indicative list of project opportunities in each of the aforesaid segments are detailed below. However investments not mentioned in the list pertaining to the sector will also be covered under the policy.

### 14.2 Agro based Industry – Agri Input and Irrigation

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|--|---|
| • Production and availability of high quality seeds and saplings including hybrid / improved varieties | • On farm irrigation structures   |
| • Tissue culture laboratories and demonstration farms  | • Veterinary and animal medicines manufacturing facility  |
| • Setting up major seed production, processing and storage centers                                     | • Cattle, poultry, animal fodder feed and other animal husbandry input industry   |
| • Plant protection chemicals and bio pesticides  | • Greenhouse structures and sub-systems, growing media, etc   |
| • Seed certification centers   | • Integrated irrigation systems including drip, sprinklers, fertigation, micro irrigation and water harvesting structures |
| • Artificial insemination facility   | • Food processing plants and equipments   |
| • Pest management units for animal   | • Bio compost plants using city/town domestic   |
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|--|---|
| <p>husbandry</p> <ul style="list-style-type: none"> <li>• Animal health care and breeding facility and disease management facility for animal husbandry</li> </ul> | <p>waste</p> <ul style="list-style-type: none"> <li>• Rural technology and renewable energy systems</li> <li>• Agriculture Engineering and farm mechanization industries</li> </ul> |
|--|---|

### 14.3 Agro based Industry - Hi-tech cultivation under controlled climatic conditions

- Floriculture, horticulture, development of seeds, animal husbandry, pisciculture, aquaculture, cultivation of vegetables, fruits, mushrooms under controlled conditions and services related to agriculture and allied sectors
- Precision farming and IT based horticulture
- Development and multiplication of nucleus Stock
- Aquaculture-freshwater, brackish water, mariculture and coldwater
- Bee colonies, hives & equipments
- Controlled environment growing including greenhouse / poly house growing for exotic vegetables, other vegetables, fruits, bulbs, tubers, cut flowers, pot plants and ornamental plants foliage / branch / buds, rooted cuttings, dried flowers' leaves
- Model nurseries and small nurseries
- Hydroponics for year-round quality production
- Production of hybrid / improved varieties of seeds and saplings, vegetable seed production, fish seed using hitech methods

### 14.4 Agro based Industry - Vegetables and Fruit processing

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|--|---|
| <ul style="list-style-type: none"> <li>• Fermentation</li> <li>• Fruit pulps &amp; juices</li> <li>• Canned fruits &amp; vegetables</li> <li>• Jams</li> <li>• Squashes</li> <li>• Pickles &amp; chutney</li> <li>• Dehydration</li> <li>• Aseptic pulping</li> <li>• Individually Quick Frozen</li> <li>• Cooking intermediaries</li> <li>• Ready-to-eat items</li> </ul> | <ul style="list-style-type: none"> <li>• Concentrates</li> <li>• Puree &amp; powders</li> <li>• Organic fruits</li> <li>• Mushrooms</li> <li>• Fried chips</li> <li>• Cocoa products</li> <li>• Alcoholic beverages – wine, whiskies, brandies, rum etc.</li> <li>• Soft drinks</li> <li>• Ready-to-serve beverages</li> <li>• Confectionary</li> </ul> |
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### 14.5 Agro based Industry – Grains processing, Bakery and Confectionery

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|---|---|
| <ul style="list-style-type: none"> <li>• Modern rice mills</li> </ul> | <ul style="list-style-type: none"> <li>• Corn oil with specific consumer desired</li> </ul> |
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|--|--|
| <ul style="list-style-type: none"> <li>• Breakfast cereals</li> <li>• Wheat flour mills</li> <li>• Whole bran wheat flour</li> <li>• Fortified wheat flour</li> <li>• Rice flours</li> <li>• Other cereal flour</li> <li>• Maize corn flour</li> <li>• Whole wheat muffins</li> <li>• Ready-to-eat snacks</li> <li>• Starch material</li> <li>• Baked products – yeast bread, ginger bread,</li> <li>• Shredded wheat biscuits, puffed wheat and puffed rice, flaked wheat, flaked rice</li> <li>• Chocolates</li> </ul> | <ul style="list-style-type: none"> <li>attributes</li> <li>• Corn processing</li> <li>• Coarse cereals</li> <li>• Pulses processing – driers, colour sorters, packaging units</li> <li>• Soybean products</li> <li>• Coffee and rubber processing and warehousing</li> <li>• Custard powder</li> <li>• Macaroni and cheese</li> <li>• Jaggery – cane, palmyra, raw cane</li> <li>• Chewing gum</li> <li>• Groundnuts processing</li> <li>• Pasta</li> <li>• Pappad</li> <li>• Stuffed paste - cooked and uncooked</li> </ul> |
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#### 14.6 Agro based Industry - Hi-tech and Biotechnology based agriculture and Research

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|---|---|
| <ul style="list-style-type: none"> <li>• Gene prospection and allele mining in fruits and vegetables grown under various environmental conditions.</li> <li>• Nutrient dynamics and interaction</li> <li>• Insect pollinators for improving productivity and quality of horticultural crops.</li> <li>• Development of varieties for cultivation in non-traditional areas.</li> <li>• Standardization of aeroponics and hydroponics techniques in fruits and vegetables production.</li> <li>• Studies on nutritive quality and nutraceutical traits in fruits and vegetables.</li> <li>• Post harvest and value addition in horticulture crops</li> <li>• Modified atmosphere packaging for long storability and transportation of fruits and vegetables</li> <li>• Green house cultivation</li> </ul> | <ul style="list-style-type: none"> <li>• Abiotic stress management (droughts, floods, salinity, alkalinity, acidity and nutritional disorders etc )</li> <li>• Climate resilient agriculture</li> <li>• Conservation agriculture including organic farming</li> <li>• Bioremediation of contaminated soils and water</li> <li>• Biofortification</li> <li>• Biofuels</li> <li>• Bio-industrial watersheds</li> <li>• Development of decision support systems for micro level land use planning etc.</li> <li>• Fish genetics and biotechnology</li> <li>• Marine biology research</li> <li>• Development of designs of new-generation, fuel efficient, multi-purpose fishing vessels</li> <li>• Development of innovative gears like large mesh size purse seine to exploit deeper</li> </ul> |
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- Tissue culture including rehabilitation of existing tissue culture units
  - Production of transgenic plant
  - Mass multiplication of parasites/ predators
  - Fermentation plant for bio-fertilizers
  - Incubation
  - Gene mapping
  - Cloning
  - Genetic Engineering
  - Genetically modified organisms
  - Biotechnology and molecular biology in animal science
  - Research in veterinary science
  - Animal science research
  - Dairy science research
  - Stem cell research for animal health and protection
  - Animal bio-genetic laboratories
  - Bio control labs
  - water fishes
  - Seed production, grow out technology for ornamental fishes
  - Open sea mariculture for fish and shellfish
  - Improved processing technologies for fishery products and by-products of international standards
  - Development of bioactive and pharmaceutically important products from aquatic resources
  - Fishery waste utilization
  - Biochemistry and nutrition
  - Fermentation technology and bioengineering
  - Food engineering
  - Food microbiology
  - Food packaging technology
  - Food protectants and infestation control
  - Food safety and analytical quality control
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#### 14.7 Agro based Industry - Spice products

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- Spice mixes
  - Spice blends Dehydrated spice
  - Freeze dried spice
  - Spice in brine
  - Other value added products
  - Spice oil and Oleoresins
  - Essential oils
  - Herbal extractions
  - Herbal cosmetics
  - Medicinal extractions from flowers, dyes, pigments, deodorants, scents, dried flowers etc
  - Herbal medicines
  - Aromatics
  - Tannin
  - Pectin
  - Vegetable oil
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#### 14.8 Agro based Industry - Aqua & Marine products

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- Processing of shrimp, mud crab, Indian mackerel, sear fish, sea crab, white prawn, flower prawn, brown shrimp, king prawn,
  - Squid tubes
  - Frozen fishes
  - Canned fish
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- marine shrimp, cuttle fish, black tip shark, deep sea shrimp, sand lobster, spiny lobster, deep sea lobster, squid, octopus, green mussel, clam, oyster, pearl oyster etc.
  - Minced fish products – fish sausage, cakes, cutlets, pastes, surimi, texturised products, dry fish
  - Medicinal products – spirullina, cholorella, algae, scenedesmus, natural calcium from shells, fish oils
  - Frozen marine products
  - IQF marine products
  - Canned shrimps and prawns
  - Lobster and cuttle fish
  - Dried fish
  - Aquarium fishes
  - Dried shark fins
  - Dried cuttle fish bones
  - Dried fish maws
  - Processed fish maws
  - Prawn flakes
  - Chitin
  - Sea cucumber
  - Dried squid
  - Jelly fish
  - Dried tuna masi
  - Semi refined and refined products
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#### 14.9 Agro based Industry - Animal, dairy and poultry products

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- Value added milk products – milk and cream in powder, packaged milk, butter, ghee, cheese, ready-to-drink milk products, butter milk, milk for babies, skimmed milk powder, other milk powder
  - Malted milk food
  - Low cholesterol ghee fortified with herbs
  - Edible poultry meats – fresh, frozen and others
  - Poultry products produced from birds fed on organically produced feed
  - Egg products – Dried / cooked / frozen / preserved
  - Animal casing – cattle, sheep, casings of other animals, guts for animal casing, bladders and stomach of animals
  - Preserved meat
  - Meat extracts and meat juices
  - Sheep/goat meat – fresh/frozen
  - Sausages and canned meat
  - Homogenized meat preparations
  - Carcass of lamb and sheep – fresh/frozen
  - Meat of sheep with bone – fresh/frozen
  - Boneless meat of sheep – fresh/frozen
  - Natural honey
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#### 14.10 Agro based Industry and Infrastructure - Service sectors

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- Research and Development, agri education and training
  - Knowledge based agri solutions
  - Dissemination of market information data base on products, infrastructure, markets and pre-feasibility surveys / study
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- Plant health clinics
  - Leaf/tissue analysis labs
  - Agriculture extension services
  - Upgradation and recognition of labs for export testing
  - Agribusiness consultancy
  - Testing of water, soil residues of pesticide, veterinary drugs, hormones, toxins contaminants in agricultural produce / products
  - Capacity building and training
  - Development of packaging standards and design, quality management, quality assurance and quality control system such as ISO series, HACCP, TQM etc.
  - Quality improvement and certification, standardization and quality control
  - Remote sensing and database management
  - Human resource development
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#### 14.11 Agro based Industry and Infrastructure - Other areas

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- Natural resource management like land resource management, water managements, soil health and nutrition management, management of problematic soils, soil and water conservation, crop diversification, rain fed and dry land farming, agro forestry management, weed management etc.
  - Agriculture and Rural financing
  - Agri-rural crop/animal/livestock insurance
  - Mineral water
  - Packaging industry & branding
  - Development of agriculture and allied sectors ancillary industry for improved packaging, equipments, plastics, corrugated boxes, machinery/ tools, etc
  - Agro based insecticides, pesticides and integrated pest management
  - Rural agriculture technologies and infrastructure
  - Energy management in agriculture and processing
  - Utilization of surplus agriculture residues for decentralized power generation
  - Food additives - chemicals, biochemical,
  - Agri engineering industries, farm implements & equipments including tillage implements, sowing implements, weeding & intercultural implements, plant protection equipments, harvesting equipments, processing equipments such as threshing, cleaning & grading, drying, milling and extraction, farm productivity improvement machinery, etc
  - Precision machinery for rain fed, irrigation and hill agriculture, horticulture, livestock, fisheries production
  - Value addition to agriculture produce, processing and utilization of by products
  - Manufacturing and servicing of agri-implements
  - Food processing technology and equipment manufacturing
  - Food packaging technology (packaging material, labeling)
  - Automation and data processing
  - Food safety, quality management
  - Refrigeration and air-conditioning for agro and food processing industries
  - Conveying, transport and storage facilities
  - On board and on shore equipments for fishing
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ingredients covering preservatives, food colours, food flavours and flavouring agents, emulsifying, stabilizing, anti caking and antifoaming agents, antioxidants, sequestering and buffering agents/ acidulants, high intensity / low calorie sweeteners, vitamins and minerals, processing aids, nutraceuticals, probiotics/prebiotics, functional additives and fish processing

- Bio-fuel
- CSR initiatives in agriculture and allied sectors

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## **15 Knowledge Support Cell**

- 15.1 In order to facilitate agribusiness in Karnataka and to keep abreast of latest technology and information in the sector, central product information, cultivation knowledge support cell shall be established. Several user friendly and innovative methods like agri portal, web based systems, individual interaction, on-farm services, field visits shall be adopted to ensure wider reach. The center shall work on hub and spokes model with collaboration agreements with other universities/ research centers of national and international repute.
- 15.2 The Knowledge support cell would cover creation of agri portal, university-farmer interaction, corporate knowledge and farmer FAQ, guidance solution support, knowledge dissemination, technologies, schemes and services of GoK and GoI, key events, e-extension, best practices and innovation, weather updates, advisory and diagnostic services, distribution of literature, soil and water testing services, structured training in identified areas, assessment, refinement and demonstration of technology/products, single window delivery system for technology products, diagnostic services and information through hub and spokes model, development of gender-specific technologies, creating awareness of improved agricultural technologies among the farmers, promotion of IT in agriculture, guidance to high-tech cultivation and precision farming, imparting agri techniques for higher productivity, farmer field schools, developing sustainable technologies for freshwater, brackish water, mariculture and coldwater aquaculture, protocols for hygiene and sanitation and quality control for fisheries, bio informatics and IT based solutions for fisheries, development of technologies for controlling seepage in ponds for aquaculture, developing techniques for fish farm construction in porous and loose soil, information on livestock and poultry sector to denote productivity increase, reduce gap between potential and actual yield, improvement in the reproductive efficiency and disease management, development and improvement of technology for value addition, shelf life enhancement and quality assurance for livestock and poultry products, food processing technologies, etc.

## **16 Market Intelligence Cell**

- 16.1 The policy envisages development of a comprehensive Market Intelligence Cell with databank of information on both domestic and global trends across product chains and sectors. The cell shall provide information on market arrivals, database of major traders, price behaviors, analysis of market trends, crop insurance, agricultural produce relating to global and domestic production, area, supply forecasting, price forecasting, storage and marketing aspects, commodity profiles, crop budgeting, global benchmarking, brand development, promotion, contract farming, organized retailing, supply chain providers etc. The market intelligence cell can derive critical inputs and research support from the agri education hubs and agri centre of excellence.

## **17 Special Agro Tourism Investment Zones**

- 17.1 Specialized tourism zones aim to promote agriculture tourism to provide, employment and economic stability in rural communities in the state. Agricultural tourism is the holiday concept of visiting a working farm or any agricultural, horticultural, or agribusiness operations for the purpose of infotainment, education, or active involvement in the activities of the farm or operation. Agricultural products like farm gate, fresh market, processed foods, organic food could lure the urban tourists. Villages provide recreational opportunities to all age groups i.e. children young, middle and old age, male, female, in short to the whole family at affordable cost. Rural games, festivals, food, dress and the nature provides variety of entertainment to the entire family. These identified zones shall provide a range of activities, services and amenities provided by farmers and rural people to attract urban tourists, thus providing opportunity for urban people to get back to the roots. These zones shall offer full scope to develop agro tourism products like farm vacation – farm stays, feeding animals, picking fruits / vegetables, camping sites, rural sports, themed special events and festivals, village fairs, farmers markets, road side farm produce stands, agro shopping, culinary tourism, bed and breakfast, pick and pay, bullock cart riding, boating, fishing, herbal trail, rural games and health (ayurvedic and naturopathy/traditional Indian medicine) tourism. The themes in agro tourism are vast and a farm operator may offer his or her own creativity to tourists.

## **18 Investment Promotion**

- 18.1 The state of Karnataka conducts regular investment promotion events like Global Investors Meet (GIM), Bio-technology Summit etc to promote investment into the state. On similar lines it is envisaged to conduct multiple Global Agribusiness Investor Meet (GABIM), road shows, B2B meetings etc. Also the policy envisages partnering with countries having

technology and knowhow, advanced methods of processing technologies, potential export markets etc. for such global meets. To facilitate availability of technology and know-how, best practices, marketing support, and other measures for flow of investment to Karnataka in the field of agribusiness, the policy contemplates GoK entering MoUs with leading international and national organizations/universities/financial institutions and other agencies. These host of enabler MoUs are contemplated to trigger investments in collaborative modes with various Indian and international organizations. To realize the vision of the policy and anchor investments various incentives and amendments in Acts are proposed.

## **19 Fiscal Incentives and facilitation**

### **19.1 Special Incentives for farmers**

- a. Farmers who lose land for agro based industry will be waived of registration fee to purchase land at other locations for agriculture related activities
- b. Farmers are entitled to convert their land free of charge to agribusiness purpose through self declaration. However, the purpose stated has to be implemented within a year or the conversion will be reversed
- c. Facilitation for consolidation of holding especially for small farmers, to enable them to adopts farm mechanization for better productivity and high price realization

### **19.2 Amendment to APMC Act**

**19.2.1** To facilitate sustained operation of terminal markets for the benefit of farmers and other stakeholders certain amendments in the APMC Act has to be enacted. The summary of the same are given below:

- a. No APMC fee to be paid for the goods transacted. However information regarding transaction should be supplied to department of agricultural marketing
- b. Deposits needed for direct purchase shall be reduced from ₹50 lakhs to ₹5 lakhs
- c. Free to establish market under private sector, removing zonal restrictions, with an exception of Bangalore city within a radius of 25 km
- d. Exemption of market fee for processing and exports up to 10 years
- e. Classification of agricultural produce market land as land for agricultural services sector
- f. Private markets will also be considered as procurement centers for MSP
- g. Provision of e-trading in all markets

## **20 Land for agro based industries and agri infrastructure projects**

- 20.1 GoK has taken progressive steps in identifying land banks for sustained industrialization and infrastructure development of the state. The investors are welcome to locate their units and infrastructure facilities either in earmarked industrial parks, SEZs or industrial estates so as to leverage on cluster advantages.
- 20.2 Alternatively, investors can also procure on a transparent basis non-agriculture land for locating their industrial units subject to fulfilling the statutory and environmental guidelines and fulfilling the relief and rehabilitation schemes. Further, possibility of involving land owners in the project in terms of equity structure/revenue sharing/business partnerships or other such innovative business models, as agriculture sector offers adequate scope for such partnerships need to be examined.
- 20.3 Further, agro based industries will be permitted to utilize up to a maximum of 25% of their land for captive cultivation (open farming) of the required raw material. However, 100% of the land area (after leaving provisions for setbacks and circulations) can be utilized for floriculture, horticulture, development of seeds, animal husbandry, pisciculture, aqua culture, cultivation of vegetables, fruits, mushrooms under controlled conditions and services related to agriculture and allied sectors.
- 20.4 In the extreme event of agriculture land being contemplated for establishing agri-infrastructure and agro based industrial projects, on a case to case basis the proposal shall be examined on merits like tangible benefits towards agricultural growth of the region, local employment opportunities especially to BPL families, improved agricultural techniques and processing skills imparting to local community, extent of purchase of raw material from nearby farming communities and willingness of the local community for establishing the contemplated project. If approval is sanctioned based on the merits and willingness of the local community, the investors can procure on a transparent basis agriculture land for locating their industrial units subject to fulfilling the statutory and environmental guidelines and fulfilling the relief and rehabilitation schemes. Investors shall involve land owners in the project in terms of equity structure/revenue sharing/business partnerships or other such innovative business models, as agriculture sector offers adequate scope of such partnerships.
- 20.5 Agro based industries and agri infrastructure entities are entitled to hold private agriculture land on long term lease for agribusiness activities.
- 20.6 Government land including agriculture farms shall also be made available on long lease basis at concessional rates to agro based industries and agri infrastructure entities.

## **21 Investment in agro based industries and agri infrastructure**

21.1 The Karnataka Industrial Policy 2009-14 classifies taluks of the State into four zones depending on backwardness of the taluks and also based on broad guidelines of Dr. D M Nanjundappa Committee Report. However to give impetus to agriculture and allied sector, the policy provides the following incentives across the state until further notice.

### **21.1.1 Exemption from Stamp Duty for MSME, Large and Mega agro based industries and agri infrastructure:**

Stamp duty to be paid in respect of

- a. loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing term loans from State Govt. and / or State Financial Corporation, Industrial Investment Development 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
- b. 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, KSIIDC, industrial estates shall be exempted to an extent of 50%.

### **21.1.2 Concessional Registration Charges for MSME, Large and Mega agro based industries and agri infrastructure:**

- a. For all loan documents and sale deeds as specified in (ii) above, the registration charges shall be at a concessional rate of Re.1 per ₹1000.
- b. The exemption of stamp duty and concessional registration charges are also applicable to lands purchased under Section 109 of the KLR Act and also for direct purchase of industrially converted lands for the projects approved by SHLCC / SLSWCC / DLSWCC. This incentive will also be applicable for the land transferred by KIADB to land owners as compensation for the acquired land.
- c. 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.

### **21.1.3 Exemption from Entry Tax for MSME, Large and Mega agro based industries and agri infrastructure:**

- a. 100% exemption from payment of ET on 'Plant and Machinery and Capital Goods' for an initial period of 3 years from the date of commencement of project implementation shall be provided. For this purpose, the term 'Plant & Machinery and Capital Goods' also includes Plant and Machinery, equipment etc. including machineries for captive generation of Electricity, Processing and 100 % exemption from payment of ET on raw materials, inputs, component parts & consumables (excluding petroleum products) for a period of 3 years from the date of commencement of commercial production.

### **21.1.4 Incentives for Export Oriented MSME, Large and Mega agro based industries:**

- a. For 100 % EoU, 100 % exemption from payment of ET on 'Plant & Machinery and Capital Goods' for an initial period of 5 years from the date of commencement of project implementation shall be provided. For this purpose, the term 'Plant & Machinery and Capital Goods' also includes Plant and Machinery, equipment etc. including machineries for captive generation of Electricity, Processing and 100% exemption from payment of ET on raw materials, inputs, component parts & consumables (excluding petroleum products) for an initial period of 5 years from the date of commencement of commercial production.

### **21.1.5 Exemption of APMC cess / fees for MSME, Large and Mega agro based industries and agri infrastructure:**

- a. APMC cess/ fees in respect of procurement of agriculture produce as specified in the Schedule (inserted by Act No.17 of 1980 and effective from 30.06.1979) Sl.No. II, III, IV, VI, VII, IX and X to the Karnataka APM (Regulation & Development) Act, 1966, directly from farmers for processing by new and existing industries shall be reduced to 0.25% for a period of five years.

### **21.1.6 Subsidy for setting up ETPs by MSME, Large and Mega agro based industries and agri infrastructure:**

- a. One time capital subsidy up to 50% of the cost of effluent treatment plants (ETPs), subject to a ceiling of ₹100 lakhs by MSME, large and mega agro based industrial unit and ₹500 lakhs for common effluent treatment plant established as part of agri infrastructure facility

### 21.1.7 Interest Free Loan on VAT for Large and Mega agro based industries:

- a. All new large and mega agro based industries established shall be offered interest free loan on VAT as specified below:

| Investment range on fixed assets- Value of plant & machinery (₹. cr.) | Minimum Direct Employment (Nos.)   | Quantum of interest free loan   |
|---|--|---|
| <b>10 – 50</b>  | Minimum 100 employment and additional 20 employment for every ₹ 10 cr. Investment.               | 50% of assessed gross VAT for initial 5 yrs. subject to the max. of 100% of total value of fixed assets. Repayment of the loan shall be in 3 annual instalments after 5 yrs.  |
| <b>51 – 250</b>   | Minimum 200 employment and additional 20 employment for every ₹ 50 cr. investment.               | 50% of assessed gross VAT for initial 6 yrs. subject to the max. of 75% of total value of fixed assets. Repayment of the loan shall be in 3 annual instalments after 6 yrs.   |
| <b>251 – 1000</b>   | Minimum 400 up to ₹300 Crs and 50 additional employment for every ₹100 Crs additional investment | 25% of assessed gross VAT for initial 7 yrs. subject to the max. of 50% of total value of fixed assets. Repayment of the loan shall be in 4 annual instalments after 7 yrs.   |
| <b>1001-3000</b>  | Minimum 750 for ₹1,000 Crs and additional 25 for every ₹100 Crs additional investment            | 25% of assessed gross VAT for initial 10 yrs. subject to the max. of 50% of total value of fixed assets. Repayment of the loan shall be in 4 annual instalments after 10 yrs. |
| <b>More than 3000</b>   | 1,250  | 25% of assessed gross VAT for initial 15 yrs. subject to the max. of 50% of total value of fixed assets. Repayment of the loan shall be in 5 annual instalments after         |

| Investment range on fixed assets- Value of plant & machinery (₹. cr.) | Minimum Direct Employment (Nos.) | Quantum of interest free loan |
|---|----------------------------------|-------------------------------|
|   |                                  | 12 yrs.                       |

- b. Should there be a conflict between investment range and corresponding direct employment; the applicable slab shall be the lower of the benefit computed either based on investment range or the minimum direct employment.

### 21.1.8 Exemption from electricity duty for agro based industries and agri-infrastructure

- a. 100% exemption of electricity duty/tax for the initial period of 5 years, 4 years and 3 years in zone-1, zone-2 and zone-3 respectively.

### 21.1.9 Special incentives in selected zones

#### 21.1.9.1 Agro based industry - Anchor Unit Subsidy

- a. Agro based industry - Anchor unit subsidy of ₹100 lakhs shall be offered for the first two agro based industry with minimum employment of 100 members and minimum investment of ₹50 crores in each of the taluks coming in Zone-1, 2 & 3 will be offered. This subsidy will be applicable only in taluks where no industrial Enterprises with investment of ₹50 crores and above exist at present.

#### 21.1.9.2 Special incentives for agro based industries proposed in low HDI districts, applicable only for Large & Mega Projects

- a. New Large & Mega Projects agro based industries proposed in any of the six districts having bottom most Human Development Index (Bagalkot, Bijapur, Koppal, Chamarajanagar, Gulbarga and Raichur) and employing at least 75% local persons as defined in the Sarojini Mahishi recommendations will be offered 75% reimbursement of expenditure on account of contribution towards Employees' State Insurance (ESI) and Employees Provident Fund (EPF) scheme for a period of initial five years.
- b. However, these benefits over a period of five years will be limited to 25% of value of fixed capital investment. The amount of reimbursement will be paid annually based on minimum statutory limit subject to the condition that the unit has paid its contribution towards ESI & EPF on the due dates.

### 21.1.9.3 Interest subsidy for agro based industries under micro enterprises category:

- a. Interest subsidy at 5% on term loans shall be available for agro based industries under micro enterprises category. The interest subsidy is payable only on the interest actually paid to financial institutions and default in payment of either principal or interest shall not be eligible for the subsidy. The amount of interest subsidy will be effective rate of interest (after deducting interest subsidy) receivable by any institutions / under any Govt. of India scheme or 5% per annum whichever is less. The period of interest subsidy is 5 years.

### 21.1.9.4 Technology Upgradation, Quality Certification and Patent Registration for Micro & Small manufacturing agro based industries

- a. Interest Subsidy on TU Loan: 5 % on loans availed from KSFC, KSIIDC & Scheduled commercial banks, which are not covered under CLCSS of GOI.
- b. BIS Certification: 50% of fees payable to BIS. (max. ₹20,000) and 25% of cost (max. ₹ 50,000) for purchase of testing equipments as approved by BIS.
- c. Financial assistance up to 50% of the cost, subject to ceiling of ₹5 lakhs to encourage Micro agri units, Tiny Units and Small Scale Units to produce products complying to internationally acceptable quality certification standards like HACCP or similar quality certification recognized by importing countries to encourage exports
- d. Patent registration: 75% of cost of fees payable to Patent Office (max. ₹1.25 lakhs) and 50% of cost (max. ₹75,000) towards attorney fees, patent search etc.
- e. Technology Adoption: 25% of cost (max. ₹50,000) for adopting technology from recognized national laboratories.
- f. Technology Business Incubation Centre: 25% of the project cost (Max: ₹50 lakhs).
- g. For backward and special areas, the aforesaid incentives shall be over and above the prescribed existing incentives for such areas. Should there be a conflict, with regard to backward and special areas, between incentives of this policy and other policies, the higher incentives shall be applicable.

### 21.1.10 Other incentives and subsidies

- a. Reimburse 50% cost of preparation of the project report to set up new agro based industrial units subject to project cost with a ceiling of ₹5 lakhs
- b. Encourage research and development activities by providing assistance to agro based industries for sponsored research work undertaken by reputed research institutions, up to 50% of the cost, with a ceiling of ₹20 lakhs

- c. Support center of excellence/ crop development institutes by providing land at concessional rate and 50% initial seed capital matching the industry contribution with a ceiling of ₹5 Crore. In case the Centre for Excellence is incorporated as a Company under the Companies Act, Government support will be treated as Equity.
- d. Other sector specific subsidies/grants/concessions/soft loans and other benefits as applicable in other schemes shall be valid for agro based industries and agri infrastructure established in Karnataka. Should there be a conflict to the provisions of this policy and to schemes of other policies, higher incentives and benefits shall be available to the investors

## **22 Effective Date and Validity**

- 22.1 This policy shall be effective from 22-02-2011 and shall remain in force until further notice.

## **23 Sub-sectoral Policies**

- 23.1 GoK has come up with various sub-sectoral policies on this subject. Hence to have a comprehensive view and available incentives /subsidies, it is imperative to read this policy in conjunction with the following policies

- a. Karnataka Agricultural Policy, 2006
- b. Karnataka Industrial Policy, 2009-14
- c. Karnataka State Infrastructure Policy, 2007
- d. Karnataka State Policy on Organic Farming, 2004
- e. Karnataka Grape Processing and Wine Policy, 2007
- f. Karnataka Agriculture Produce Marketing Committee Act

## **24 Other Related Policies**

- 24.1 GoI has formulated various policies for facilitating FDI in agriculture and allied sectors. Apart there are several schemes/subsidies/grants available from organizations/agencies like Ministry of Agriculture, APEDA, MPEDA, National Horticulture Board, NHM, etc. It is recommended to refer related documents in this regard.

