

## 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.<br>Note:<br>(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.<br>(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.<br>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.<br>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.<br>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.<br>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.<br>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.