



Bangalore Chamber of Industry and Commerce

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Dr. Vinod Nowal
President

July 26, 2011

Dr. Sandeep Dave, IAS
Principal Secretary
Agriculture Department
Government of Karnataka
411, MS Building, Vidhana Veedhi
Bangalore - 560 001

Dear Sir,

Greetings from BCIC!!!

As you might be aware, BCIC has been working very closely with the Government of Karnataka over the past several years and we have contributed immensely to the development of Agro and Food Processing sector through Policy prescriptions and recommendations from time to time. The Chamber had also played a stellar role in the Global Investors Meet which was held in June 2010 especially with the Department of Food Processing, GoK.

Sir, as the State Government is planning to organize “Agri Global Investors Meet” in November this year, we would like to be a partner at the above Summit by extending our cooperation and support in identifying industry Speakers (both domestic and international) for the Seminars and also in conducting various events coinciding with the Summit. We will also explore possibilities of bringing investments into the State of Karnataka during the Summit. **BCIC shall put all its efforts in showcasing Karnataka as the Investment Destination in the area of Agriculture and Food Processing.**

Sir, through this we would like to bring to your kind notice that BCIC had facilitated the participation of Netherlands as a Country Partner for the above event. Also our efforts are to rope in “Australia” as well.

We shall be grateful and obliged if you could kindly send us an official confirmation indicating the BCIC’s partnership in the proposed Global Agro Business Meet.

Thanking you and oblige

With kind regards,

Dr. Vinod Nowal

Encl: Note on Agro & Food Processing Industries

1. Financial and Fiscal incentives for Agro Food Processing Industries

The food processing sector is listed as a priority sector at the National level and several states including Karnataka have identified it as a priority sector too. The agri and food processing sector has been receiving substantial focus and importance and most states have come up with fiscal and financial incentives to attract the establishment of agro food processing industries as well as other supporting infrastructure across the food supply chain. It is observed that Bihar State has come up with the most attractive incentive schemes for agro food processing industries and is attracting substantial investment in the sector. Karnataka State was among the first states in the country and a pioneer in coming up with Agriculture Policy as well as Agro processing policy in the country. However it is necessary now to keep pace with the development in the other States in the country and come up with either similar or better schemes and incentives to attract agro food processing investments into the Karnataka State.

An abstract of the list of incentives offered by Bihar State under the Food Processing Policy is indicated hereunder for perusal and positive consideration.

Area of Assistance	Bihar State- Food Processing policy	Karnataka State- Integrated Agri Business Dev. Policy	Remarks
Infrastructure	Modern enabling infrastructure such as : <ul style="list-style-type: none">- Food Parks- Cold chain network etc., Grant of Rs. 15 Crores or up to 20% of the total project cost, whichever less.	No mention of any support in the policy	Infrastructure is crucial for healthy growth of the sector and the Karnataka Government should consider support on par with Bihar State.
Agro & Food Processing units	All projects in food/agro sector, promoted either by Special Purpose Vehicle (SPV) or by Individual Investors Grant up to 40% of the project cost, subject to maximum of Rs. 10 Crores for SPV in case of common cluster infrastructure and up to 35% of the project cost subject to maximum Rs. 5 Crores in case of an individual investor	a. Subsidy of Rs. 100 lakhs for 2 industries in each taluk with a minimum investment of Rs. 50 crores. b. Micro enterprises – interest subsidy of 5%.	The scheme of Karnataka is not attractive. Suggested to consider on par with Bihar State.

Other Incentives	<ol style="list-style-type: none"> 1. Stamp duty and registration fee waiver in lease/sale/transfer of land for setting up Units. 2. VAT reimbursements @ 80% of deposited amount for 10 years (max. 300% of capital investment). 3. Incentive provisions for Zero VAT items also available (max 70 % of installed capacity) 4. Reimbursement of 50% capital investment on plant & machinery for captive power 5. Generation/Diesel generating set with no upper limit. 6. 25% VAT reimbursement for existing industries for 5 years. 7. To facilitate easy procurement of agricultural produces by food processing industry in the State- 8. Abolishment of APMC Act 	<ol style="list-style-type: none"> 1. Stamp duty exemption – 50% for lease/sale deed etc., 2. Registration charges- concessional at Rs. 1 per Rs. 1000/- 3. Entry tax – 100% exemption for 3 years. 4. APMC Cess- 0.25% for a period of 5 years. 5. Effluent treatment plant – 50% up to a max. of Rs. 100 lakhs for individual units & Rs. 500 lakhs for common ETPS. 6. 25% to 50% of the assessed VAT for the period 5 to 15 years will be provided as interest free loan.
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The Agri Business Development Policy 2011 of the Government of Karnataka is a well written document, but lacks the kind of fiscal and financial support as well as implementation methodology and time frame for creation of a investment friendly environment for attracting agri food business enterprises.

2. Model Food Park

Karnataka State was a pioneer in promoting the food parks in the State on PPP model. Though the concept is good, in reality only four food parks supported by the GOI as well as the Karnataka State have either been implemented/ or under implementation. These food parks were initiated during 2005, but yet to make any impact. The Government has been proposing establishment of seven more food parks, but none of them have taken off. The food park at Hiriya has one of the better facilities among the food parks and it is necessary that the Government should ensure that a few of the existing food parks viz., Hiriya, Malur, Jewargi and Bagalkot be demonstrated as model food parks for the ensuing GIM. This will also help in attracting investments into the State as well as the food parks. As of now, none of the food parks have attracted any noticeable investments or establishments of food processing units or related infrastructure.
