

# FOOD PROCESSING

Towards Sustainable Growth Opportunities



# KARNATAKA

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# KARNATAKA







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## ACRONYMS

ABBREVIATION	DEFINITION
AHIDF	Animal Husbandry Infrastructure Development Fund
APC	Agro Processing Cluster
APEDA	Agricultural and Processed Food Products Export Development Authority
APMC	Agricultural Produce Market Committees
ASI	Annual Survey of Industries
ASPIRE	A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship
BIS	Bureau of Indian Standards
BMIC	Bengaluru-Mumbai Industrial Corridor
CAGR	Compound Annual Growth Rate
CBFL	Creation of Backward and Forward Linkages
CBIC	Chennai-Bengaluru Industrial Corridor
CEFPPC	Creation/Expansion of Food Processing & Preservation Capacities
CFS	Container Freight Station
CLCSS	Credit Linked Capital Subsidy Scheme
DIDF	Dairy Processing & Infrastructure Development Fund
DPIIT	Department for Promotion of Industry and Internal Trade
DPR	Detailed Project Report
DRPs	District Resource Persons
e-NAM	electronic National Agriculture Market
EoDB	Ease of Doing Business
EOI	Expression of Interest
ETP	Effluent Treatment Plant
F&V	Fruits & Vegetables
FAOSTAT	Food and Agriculture Organization Corporate Statistical Database
FDI	Foreign Direct Investment
FIDF	Fisheries and Aquaculture Infrastructure Development Fund
FMCG	Fast Moving Consumer Goods
FME	Formalization of Micro Food Processing Enterprise
FPC	Farmer Producer Company
FPOs	Farmer Producer Organisations
FSSAI	Food Safety and Standards Authority of India
FTL	Food Testing Laboratory
GIS	Geographic Information System
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
GVA	Gross Value Added
ha	Hectare
HACCP	Hazard Analysis and Critical Control Point
HBIC	Hyderabad Bengaluru Industrial Corridor
HT	High Tension
ICD	Inland Container Depot
INR	India Rupee
IPS	Investment Promotion Subsidy
IQF	Individual Quick Freezing
ISO	International Organization for Standardization
IT	Information Technology
Km	kilometre



## ACRONYMS

ABBREVIATION	DEFINITION
KSFC	Karnataka State Financial Corporation
LEADS	Logistics Ease Across Different States
LLP	Limited Liability Partnership
LT	Low Tension
MFP	Mega Food Parks
MIDH	Mission for Integrated Development of Horticulture
MNC	Multi National Company
MoFPI	Ministry of Food Processing Industries
MSDE	Ministry of Skill Development & Entrepreneurship
MSEs	Micro and Small Enterprises
MSME	Micro, Small and Medium Enterprises
MT	Metric Ton
MW	Mega Watt
NABARD	National Bank for Agriculture and Rural Development
NAIFF	National Agriculture Infra Financing Facility
NDDDB	National Dairy Development Board
NGO	Non-Governmental Organization
NOC	No Objection Certificate
ODOP	One District One Product
PDS	Public Distribution System
PFT	Private Freight Terminal
PLI	Production Linked Incentive
PLISFPI	Production Linked Incentive Scheme for Food Processing Industry
PLISMBP	Production Linked Incentive Scheme for Millet-Based Products
PMFME	Pradhan Mantri Formalisation of Micro Food Processing Enterprises
PMKSY	Pradhan Mantri Kisan Sampada Yojana
PMKVY	Pradhan Mantri Kaushal Vikas Yojana
PMMSY	Pradhan Mantri Matsya Sampada Yojana
PSL	Priority Sector Lending
R&D	Research & Development
RBI	Reserve Bank of India
RTC	Ready to Cook
RTE	Ready to Eat
SC	Scheduled Caste
SEZ	Special Economic Zone
SFAC	Small Farmers' Agri-Business Consortium
SGST	State Goods and Services Tax
SHG	Self-Help Groups
SMEs	Small and Medium Enterprises
SNA	State Nodal Agency
SPV	Special Purpose Vehicle
Sq. KM	Square kilometre
ST	Scheduled Tribe
SWC	Single Window Clearance
UHT	Ultra-Heat Treatment
USD	U.S. Dollar
VFA	Value of Fixed Assets







## ABSTRACT

### **Establishing Strong Linkages between Industry and Agriculture:**

The food processing sector plays a crucial role in establishing strong linkages between the industry and the agriculture sector. It facilitates collaboration throughout the entire agro-industry value chain, supporting employment generation, doubling farming incomes and reducing post-harvest losses.

### **Remarkable Growth in the Indian Food Processing Sector:**

The Indian food processing sector has demonstrated impressive growth, with an average annual growth rate exceeding 9% since 2014-15. The sector is poised for growth driven by increased disposable incomes, structural shift in consumption patterns and supportive government policies.

### **Significant Increase in Processed Food Exports:**

India's processed food exports have experienced a significant surge, increasing from US\$4.96 billion in 2014-15 to US\$13.07 billion in 2022-23. This growth showcases the sector's competitiveness and export strength.

### **Karnataka's Agricultural Strength and Development Focus:**

The State's Gross State Domestic Product (GSDP) is USD 271.99 Billion, driven strongly by agriculture sector among others. Over 60.12% of Karnataka's land is used for agriculture and farming facilities. Agriculture employs more than 70% of the state's work force. It ranks #1st in the India Innovation Index and is also the 4th largest technology cluster in the world.

### **Promising Opportunities in Karnataka**

Karnataka places high priority on the food processing sector in its development agenda. It ranks as the largest producer of coffee, accounting for over 70% of the country's coffee production. With a rich agricultural heritage highlighted by 25 food and allied Geographical Indicator (GI) tags, Karnataka offers ample opportunities in the food processing sector, covering a wide range of products, from fruits and vegetables to ready-to-eat/ready-to-cook items. The State provides streamlined business establishment processes through its dedicated Single Window Clearance portal, and it has received numerous project approvals from the Ministry of Food Processing Industries under flagship schemes such as Pradhan Mantri - Kisan Sampada Yojana and the Production Linked Incentive Scheme.



# 01. FOOD PROCESSING IN INDIA

The food processing sector is a uniquely placed amongst the manufacturing sector due to its backward linkages to the farming activities. A well-developed food processing sector with sufficiently higher level of processing helps in the improving value addition reducing post-harvest losses, promoting crop diversification, ensuring better returns to the farmers, promoting off-farm employment as well as increasing export earnings.

India ranks first in production of pulses & milk, second in vegetable & fruit, wheat & rice and third in cereals and eggs in the World, as per FAOSTAT estimates.<sup>1</sup>

An abundant supply of raw materials, increase in aggregate demand for processed food products and incentives offered by the Government of India has impacted food processing sector positively. The Gross Value Addition (GVA) has increased from INR 1.34 Lakh Crore in 2014-15 to INR 2.37 Lakh Crore in 2020-21 exhibiting an average annual growth rate of 9.3%. The sector constituted as much as 10.54% and 11.57% of GVA in Manufacturing and Agriculture sectors respectively in 2020-21 (at the 2011-12 prices).<sup>2</sup>



**India's food and beverages market grew at a CAGR of 6.92% between 2017 - 22.<sup>3</sup>**

**India's food and beverages market is forecasted to grow at a CAGR of 9.94% from 2022 - 27.<sup>4</sup>**

<sup>1</sup> Statistics | Food and Agriculture Organization of the United States

<sup>2</sup> MoFPI

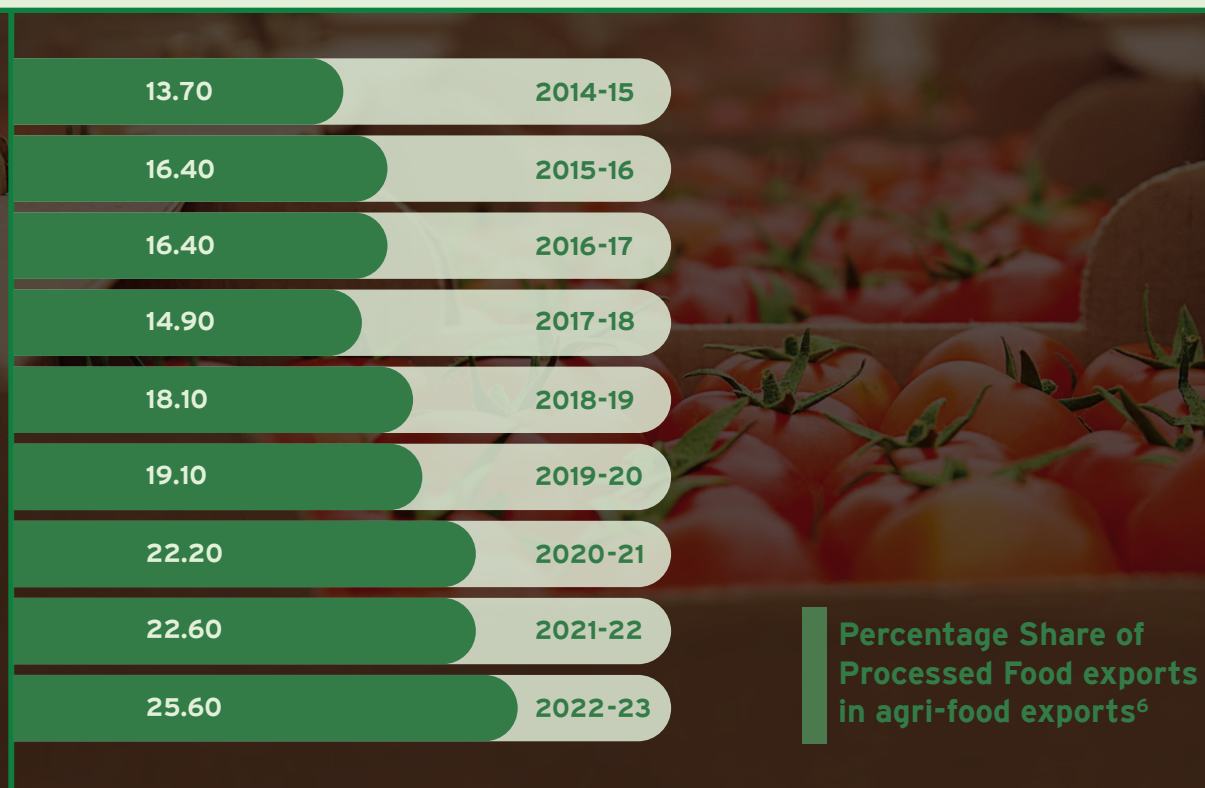
<sup>3</sup> Food and Beverages Global Market Briefing 2023 – The Business Research Company, December 2022

<sup>4</sup> Ibid



As per the Annual Survey of Industries (ASI) latest estimates (2019-20), the Food Processing Sector employs nearly 12.2 % of the workforce in the registered factory sector.

The Export of Agri-Food products has increased from US\$ 36.17 in 2014-15 to US\$ 51.05 billion in 2022-23. The Export of Processed-Food products has increased from US\$ 4.96 in 2014-15 to US\$ 13.07 billion in 2022-23. Thus, the share of the processed-food products in overall agri-food products export has increased from 13.70 % in 2014-15 to 25.60 % in 2022-23<sup>5</sup>.



As per an Industrial estimate, Asia Pacific emerged as the dominant region in the global food and beverages market with 41.5% share of the global food and beverages market in 2022. Within the Asia Pacific region, India's food and beverages market was the third largest, followed by China and Japan, in the said period.<sup>7</sup>

<sup>5</sup> MoFPI

<sup>6</sup> Ibid

<sup>7</sup> Food and Beverages Global Market Briefing 2023 – The Business Research Company, December 2022

<sup>8</sup> Ibid



## 02. OVERVIEW

Karnataka, one of the largest State in South India, is a standing testament to the nation's technological prowess and remarkable progress. The state's capital, Bengaluru, has emerged as the epicentre of India's IT revolution. Situated adjacent to the Arabian Sea, Karnataka also shares borders with six other states: Goa, Maharashtra, Telangana, Andhra Pradesh, Tamil Nadu, and Kerala.

The state of Karnataka is blessed with a diverse topography, encompassing lofty mountains, plateaus, residual hills, and coastal plains. The state is bordered by the magnificent western ghats on its western, eastern, and southern flanks. The majority of the state comprises a plateau with an elevation ranging from 600 to 900<sup>9</sup> metres above mean sea level.

State Capital

**Bengaluru**

Geographic Area<sup>10</sup>

**191,791 sq. km**

Population (Census 2011)<sup>11</sup>

**61.1 Million**

Total Road Length (2019)<sup>12</sup>

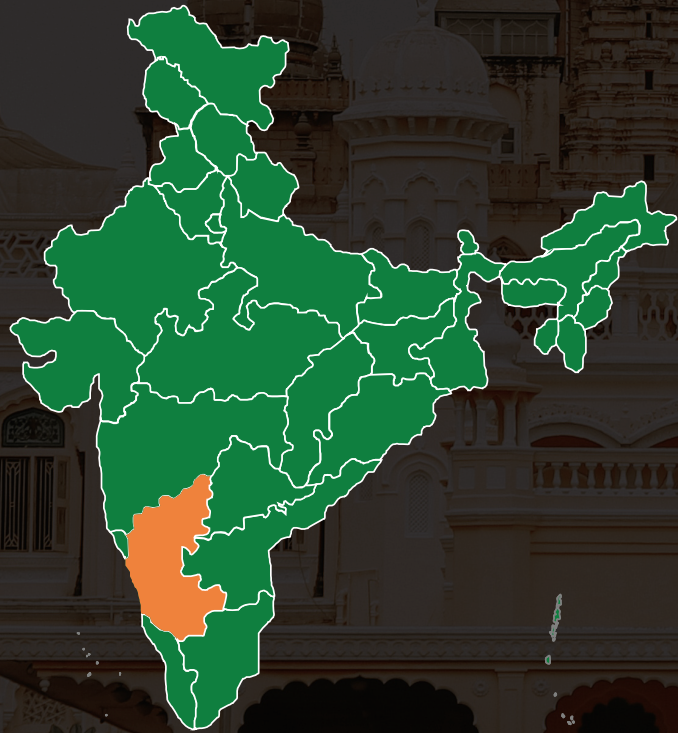
**288,814 (km)**

Rail length (2021)<sup>13</sup>

**3,711 (Route km)**

Agri Export Zone<sup>14</sup>

**3**  
(Gherkin, Rose Onion & Vanilla)



<sup>9</sup> ENVIS Centre: Karnataka | State of Environment and Related Issues

<sup>10</sup> ibid

<sup>11</sup> MoSPI | Population Census

<sup>12</sup> Karnataka Economic Survey 2022-23 | Government of Karnataka (Exchange rate as on 2nd June 2023)

<sup>13</sup> Ibid

<sup>14</sup> APEDA | Agri Exchange | Agri Export Zone



Gross State Domestic Product (GSDP)<sup>15</sup>

**USD 271.99 Billion**  
(2021-22)

Per Capita Net State Domestic Product<sup>16</sup>

**USD 3660.93**  
(2021-22)

Airports<sup>17</sup>

**Domestic Airports**  
**6**

**International Airports**  
**Kempegowda & Mangalore**

Infrastructure<sup>22&23</sup>

**6**  
Inland Container Depots (ICD)

**5**  
Container Freight Stations (CFS)

**53**  
Railway Goods Sheds

**4.25**  
Million MT Warehouse Capacity

**6.76**  
lakh MT Cold Storage Capacity

**2**  
Private freight terminals

**7**  
Air Cargo Terminals

Available Land<sup>21</sup>

**Mixed Category**  
**2460.61 ha**

Industrial Area

**34 operational SEZs<sup>18</sup>**

**207 Industrial Areas<sup>19</sup>**

**3 Industrial Corridors: CBIC (Chennai-Bengaluru), HBIC (Hyderabad-Bengaluru) & BMIC (Bengaluru- Mumbai)<sup>20</sup>**

Installed power<sup>24</sup>

Thermal  
**10444.66 MW**

Nuclear  
**698 MW**

Renewable  
**20350 MW**

<sup>15</sup> Karnataka Economic Survey 2022-23 | Government of Karnataka (Exchange rate as on 2nd June 2023)

<sup>16</sup> Ibid

<sup>17</sup> Invest Karnataka | Government of Karnataka

<sup>18</sup> States/Union Territories-wise distribution of approved SEZs | Ministry of Commerce & Industry

<sup>19</sup> Karnataka State Small Industries Development Corporation | Government of Karnataka

<sup>20</sup> Invest Karnataka | Government of Karnataka

<sup>21</sup> India Industrial Land Bank

<sup>22</sup> Invest Karnataka | Government of Karnataka

<sup>23</sup> DPIIT | LEADS 2022: Logistics Ease Across Different States

<sup>24</sup> Central Electricity Authority | Installed Capacity Report (31.03.2023)

## 03. ADVANTAGE KARNATAKA



**Extensive Connectivity-** 2 International & 6 Domestic Airports, 1 Major & 10 Minor Seaports



The **Silicon Valley** of India



Accounts for **44% of India's R&D Centres** making Karnataka a global leader in technological innovation<sup>26</sup>



**3 major Industrial Corridors**



Ranked **#3rd** in NITI Aayog's Export Preparedness Scores, Policy Pillar, & Business Ecosystem Pillar<sup>27</sup>



Ease of Doing Business- Well augmented Single portal for all approvals and clearances



**1st** state to announce the establishment of a dedicated Start-up Cell<sup>25</sup>



Home to **400+ MNCs** with global R&D centres



**2nd** highest road density among major states in India

<sup>25</sup> Invest Karnataka | Govt. of Karnataka (2-10)

<sup>26</sup> Invest Karnataka

<sup>27</sup> Niti Aayog | Export Preparedness Index 2022





**34 operational SEZs<sup>28</sup>**



**Best Performer in India's Start-up Ranking (2021)<sup>30</sup>**



**Millet Hub of India<sup>29</sup>**



**The State has 162 Agricultural Produce Market Committees (APMCs)<sup>31</sup>**

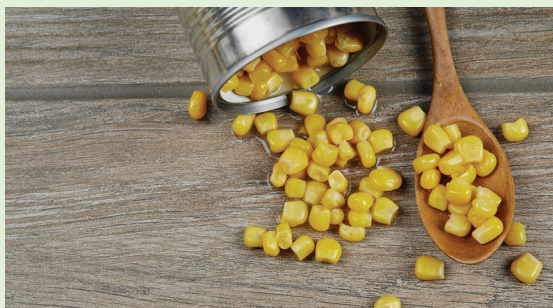
**Ranks 1st in coffee production<sup>32</sup>**



**Ranks 1st in areca nut and coconut<sup>33</sup>**



**Ranked 1st in coarse cereal production in India, with the largest production of Maizes<sup>34</sup>**



**Ranked 1st in green chillies, black pepper and vanilla production<sup>35</sup>**



<sup>28</sup> Ministry of Commerce & Industry

<sup>29</sup> APEDA | E-Catalogue for Export of Millets and Value-Added Products Karnataka

<sup>30</sup> Ministry of Commerce & Industry

<sup>31</sup> APEDA | E-Catalogue for Export of Millets and Value-Added Products Karnataka

<sup>32</sup> Coffee Board | Government of India | Statistics on Coffee

<sup>33</sup> Department of Agriculture & Farmers Welfare | Horticulture | State Level | Area and Production of Horticulture crops for 2021-22 (<sup>3</sup>rd Advance Estimates)

<sup>34</sup> Economic Survey 2022-23 Statistical Appendix | Promotion of Important Crops in Three Largest Producing States in 2021-22\*

<sup>35</sup> Department of Agriculture & Farmers Welfare | Horticulture | State Level | Area and Production of Horticulture crops for 2021-22 (<sup>3</sup>rd Advance Estimates)

**Ranks 2nd** in tamarind, cocoa, and ginger<sup>36</sup>



**Ranks 2nd** in the production of Onion<sup>37</sup>



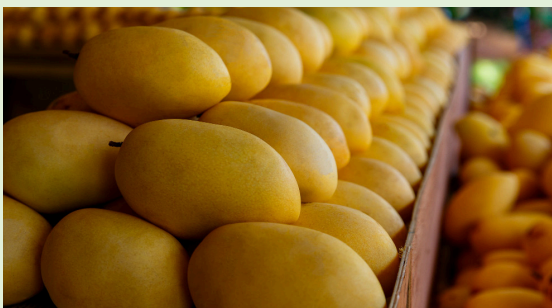
**Ranks 2nd** in grapes and pomegranate<sup>38</sup>



**Ranks 2nd** in production of Green Chillies<sup>39</sup>



**3rd largest** producer of Mangoes<sup>40</sup>



The state **ranks 5th** in marine fish production and **7th** in inland fish production in India<sup>41</sup>



<sup>36</sup> ibid

<sup>37</sup> ibid

<sup>38</sup> ibid

<sup>39</sup> ibid

<sup>40</sup> ibid

<sup>41</sup> Karnataka Economic Survey 2022-23



## 04. LOCAL FOOD SYSTEM

### 4.1 INDIGENOUS PRODUCE

Karnataka is characterized by **10 agro-climatic zones**<sup>42</sup> and 6 different soil types.

The State takes a prominent position in India's agricultural landscape, contributing 75% of the country's flower production, 70% of its coffee production, and 47% of its silk production.<sup>43</sup>

With over 60%<sup>44</sup> of its land dedicated to agriculture, Karnataka's agricultural sector employs more than 70% of the state's working population.<sup>45</sup> In the year 2019-20, the gross sown area in the State reached approximately 138.31 lakh hectares, with a net sown area of 108.04 lakh hectares available for agriculture production.<sup>46</sup>

The State is also known for its Byadgi chillies, Rose Onions, Tomatoes, and Gherkins. It is among the top producers of pomegranates, grapes, and citrus.

Karnataka's surplus milk production offers opportunities for value-added dairy products, while the State's wines have earned accolades. The fisheries sector is also a thriving industry in Karnataka, offering a diverse range of fish varieties.<sup>47</sup>

#### STATE HAS RECEIVED 25 GEOGRAPHICAL INDICATOR (GI) TAGS FOR<sup>48</sup> -

- |                                    |                             |
|------------------------------------|-----------------------------|
| ■ Coorg Orange                     | ■ Appemidi Mango            |
| ■ Mysore Betel Leaf                | ■ Kamalapur Red Banana      |
| ■ Nanjanagud Banana                | ■ Byadagi Chilli            |
| ■ Mysore Malligae                  | ■ Udupi Mattu Gulla Brinjal |
| ■ Udupi Malligae                   | ■ Bangalore Blue Grapes     |
| ■ Hadagali Malligae                | ■ Bangalore Rose Onion      |
| ■ Monsooned Malabar Arabica coffee | ■ Coorg Arabica Coffee      |
| ■ Monsooned Malabar Robusta Coffee | ■ Indi Limbe                |
| ■ Bababudangiris Arabica Coffee    | ■ Malabar Pepper            |
| ■ Chikmagalur Arabica Coffee       | ■ Sirsi Supari              |
| ■ Coorg Green Cardamom             | ■ Gulbarga Tur Dal          |
| ■ Dharwad Pedha                    | ■ Kari Ishad Mango          |
| ■ Devanahalli Pomello              |                             |

<sup>42</sup> Karnataka Agri Portal | Government of Karnataka

<sup>43</sup> Invest Karnataka | Food Processing

<sup>44</sup> Land utilization, Economic Survey 2022-23

<sup>45</sup> Agriculture and Food Management, Economic Survey 2022-23

<sup>46</sup> RBI | Handbook of Statistics on Indian States















<sup>47</sup> Government of Karnataka | Agri Business and Food Processing

<sup>48</sup> Intellectual Property | Registration Details of Geographical Indications



## 4.2 KEY PRODUCTION HIGHLIGHTS

Key Production Highlights of the state (in India) include:<sup>49</sup>

 <p><b>Rice and Maize are the main food crops of the state</b></p>	 <p>The cash crops are sugarcane, cardamon, chillies, paddy, jowar, cotton, Ragi, Tobacco and coffee</p>
 <p><b>Ranks 1st in coffee production<sup>50</sup></b></p>	 <p><b>Ranks 1st in areca nut and coconut<sup>51</sup></b></p>
 <p><b>Ranked 1st in coarse cereal production in India, with the largest production of Maize<sup>52</sup></b></p>	 <p><b>Ranked 1st in green chillies, black pepper and vanilla production<sup>53</sup></b></p>
 <p><b>Ranked 2nd in tamarind, cocoa, and ginger<sup>54</sup></b></p>	 <p><b>Ranked 2nd in the production of Onion<sup>55</sup></b></p>
 <p><b>Ranked 2nd in grapes and pomegranate<sup>56</sup></b></p>	 <p><b>Ranked 2nd in production of Green Chillies<sup>57</sup></b></p>
 <p><b>Ranks 3rd in cucumber, onion, and tomato production<sup>58</sup></b></p>	 <p><b>Ranked 4th in the production of Cucumber<sup>59</sup></b></p>
 <p><b>3rd largest producer of Mangoes<sup>60</sup></b></p>	

<sup>49</sup> Government of Karnataka | Agri Business and Food Processing

<sup>50</sup> Coffee Board | Government of India | Statistics on Coffee

<sup>51</sup> Department of Agriculture & Farmers Welfare | Horticulture | State Level | Area and Production of Horticulture crops for 2021-22 (3rd Advance Estimates)

<sup>52</sup> Economic Survey 2022-23 Statistical Appendix | Promotion of Important Crops in Three Largest Producing States in 2021-22\*

<sup>53</sup> Department of Agriculture & Farmers Welfare | Horticulture | State Level | Area and Production of Horticulture crops for 2021-22 (3rd Advance Estimates)

<sup>54</sup> ibid

<sup>55</sup> ibid

<sup>56</sup> ibid

<sup>57</sup> ibid

<sup>58</sup> ibid

<sup>59</sup> ibid

<sup>60</sup> ibid





**5th largest producer of Bananas<sup>61</sup>**



**Ranked 5th in the production of Sweet Potato<sup>62</sup>**



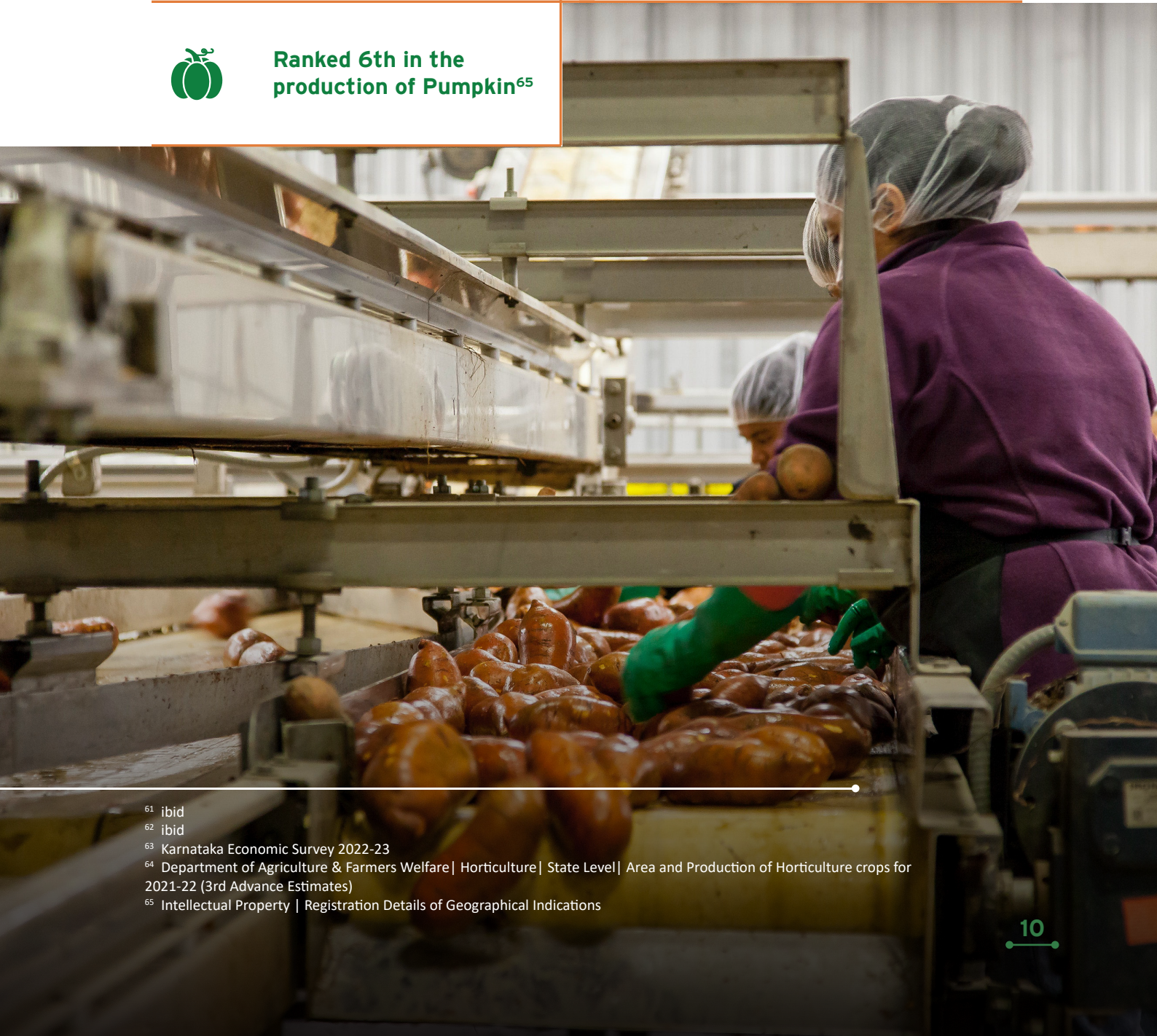
**Ranked 4th red chillies, turmeric production<sup>63</sup>**



**The state ranks 5th in marine fish production and 7th in inland fish production in India<sup>64</sup>**



**Ranked 6th in the production of Pumpkin<sup>65</sup>**



<sup>61</sup> ibid

<sup>62</sup> ibid

<sup>63</sup> Karnataka Economic Survey 2022-23

<sup>64</sup> Department of Agriculture & Farmers Welfare | Horticulture | State Level | Area and Production of Horticulture crops for 2021-22 (3rd Advance Estimates)

<sup>65</sup> Intellectual Property | Registration Details of Geographical Indications



KEY PRODUCTION STATISTICS ARE PRESENTED BELOW<sup>66&67</sup>

## CROPS

'000 MT

WHEAT

**262.1**

PULSES

**2065.0**

RICE

**4291.7**

COARSE CEREAL

**7931.2**

## FRUITS

'000 MT

MANGO

**1563.56**

GRAPES

**871.79**

PAPAYA

**514.99**

BANANA

**3445.57**

## SPICES

'000 tonnes

GINGER

**306.34**

BLACK PEPPER

**55.64**

TURMERIC

**130.97**

TAMARIND

**36.86**

## LIVESTOCK & FISHERIES

MILK

**10936** '000 tonnes

EGGS

**76199** lakh

MEAT

**364** '000 tonnes

FISH

**6.32** lakh tonnes

## VEGETABLES

'000 tonnes

CHILLIES (GREEN)

**744.23**

POTATO

**339.69**

TOMATO

**2104.68**

ONION

**2779.49**

<sup>66</sup> Department of Agriculture & Farmers Welfare | Horticulture | State Level | Area and Production of Horticulture crops for 2021-22 (3rd Advance Estimates)

<sup>67</sup> RBI | RBI Handbook of Statistics on Indian States



## 05. PRODUCTION CLUSTERS<sup>68</sup>

The list below showcases the Production Clusters within the State under the Pradhan Mantri Formalisation of Micro Food Processing Enterprises Scheme (PMFME) -

### JAGGERY

Bagalkote, Belagavi, Mandya



### FISH based products

Bellary



### POULTRY products

Bengaluru Rural



### BAKERY products

Bengaluru Urban



### GINGER based products

Bidar



### TURMERIC

Chamarajanagar



### TOMATO based products

Chikkaballapura, Kolar





**GROUNDNUT products**

Chitradurga, Yadagiri



**MARINE products**

Dakshina Kannada, Udupi



**MILLETS**

Davanagere



**MANGO based products**

Dharwad, Haveri



**BAYADAGI CHILLIES**

Gadag



**RED GRAM based products**

Kalaburg



**COFFEE**

Kodagu







**BANANA** based products

Mysore



**CHILLI** based products

Raichur



**COCONUT** products

Ramanagara, Tumakuru, Hassan



**PINEAPPLE** based products

Shivamoggar



**LIME / LEMON** based products

Vijayapura



**SPICES**

Chikkamagalur, Uttara Kannada



**GUAVA** based products

Koppal



## 06. MILLETS IN KARNATAKA



Millets are a diverse group of small-grained cereal crops that are highly nutritious and can be grown in diverse agro-climatic zones. These resilient crops require minimal inputs, such as fertilizers and pesticides. Millets play a vital role in strengthening the nation's food security and nutritional well-being. They are known to have a number of health benefits, such as reducing the risk of obesity due to their high dietary fibre content. According to the 4th Advanced Estimate by APEDA, the State's millet production is estimated to be around 22.29 lakh tonnes.<sup>69</sup>

To boost the production and marketing of millets, the Government of Karnataka established the Millet Mission in 2017.

As part of this initiative, millets have been introduced into the Public Distribution System (PDS). Additionally, regular trade fairs and exhibitions are being organized to raise awareness of millets and promote their cultivation. Farmers are also being offered incentives of Rs.10,000/ha for cultivating millets under the "Food of the Future" initiative.

Varieties of Millets grown in Karnataka<sup>70</sup> -

- Pearl Millet (Bajra)
- Sorghum (Jowar)
- Finger Millet (Ragi)
- Small Millets
  - Barnyard Millet
  - Proso Millet

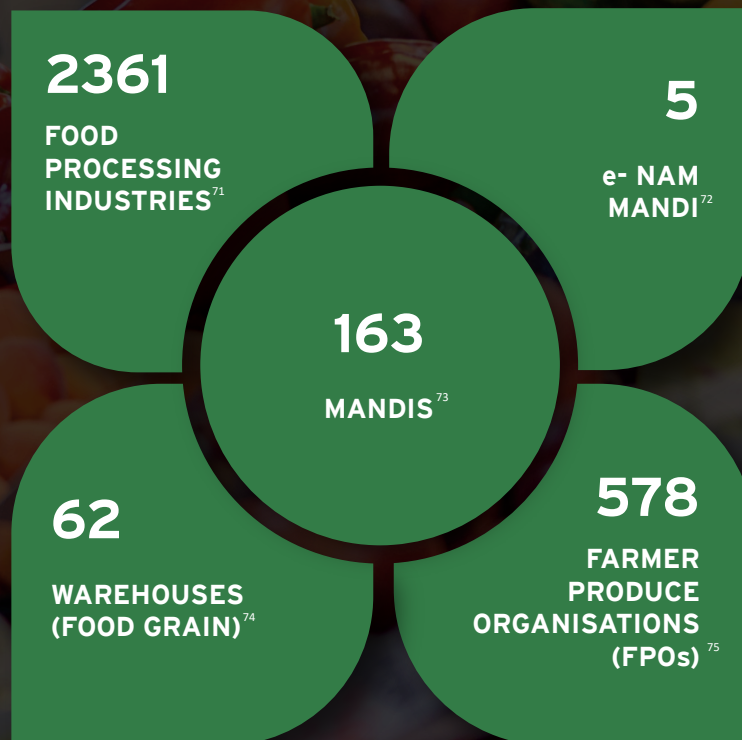
<sup>69</sup> APEDA | State-wise Millet Production

<sup>70</sup> APEDA | E-Catalogue for Export Of Millets And Value-Added Products Karnataka



## 07. AGRICULTURAL MARKETING

The Karnataka Agricultural Produce Marketing (Regulation) Act, 1966 was enacted to provide a uniform law for the better regulation of the buying and selling of agricultural produce and the establishment of markets for agricultural produce throughout the State. The State has 162 Agricultural Produce Market Committees (APMCs) to facilitate and regulate the marketing of agricultural commodities. An online trading system is also being implemented to sell farmers' agricultural produce in the markets, and about 160 markets have been brought under the Unified Market Platform so far.



### AGRICULTURAL MARKETS IN KARNATAKA

<sup>71</sup> Food Processing Industries | Ministry of Food Processing Industries

<sup>72</sup> No. of Unified Licenses | National Agriculture Market

<sup>73</sup> Directorate of Marketing & Inspection | Ministry of Agriculture and Farmers Welfare

<sup>74</sup> Ministry of Consumer Affairs, Food & Public Distribution | Storage of Food Grains

<sup>75</sup> DATA OF REGISTERED FPOs | Ministry of Agriculture & Farmers Welfare



## 08. POTENTIAL OPPORTUNITIES

Karnataka is blessed with diverse agro-climatic zones and fertile soil making it an ideal region for a wide variety of crops. The State is the largest producer of coffee, areca nut, cocoa, vanilla, and spices. Karnataka's rich tradition of farming, combined with the government's proactive measures to promote food processing, presents abundant opportunities in the sector. As the country's technology hub, the presence of numerous universities and technology companies fosters innovation and efficiency in food processing operations.

### ANIMAL HUSBANDRY AND DAIRY

Karnataka, a State with a surplus of milk, benefits from the support of South India's largest milk federation. It holds a significant position in the Tetra-fino UHT (Ultra Heat Treatment) Milk market. Additionally, Karnataka stands out as a notable producer of eggs due to its substantial chicken population. This presents a range of processing opportunities, including:

- **Dairy products processing:** Given Karnataka's surplus milk production, there are opportunities to transform milk into value-added products like milk powder, ghee (clarified butter), curd, ice cream, and other dairy goods.
- **Frozen meat products:** With a large number of chickens, Karnataka is well-suited for processing frozen meat products. Businesses can explore the production and packaging of frozen poultry items to meet market demand.
- **Egg processing:** As one of the world's leading egg producers, Karnataka offers prospects for egg processing, including the production of pasteurized egg albumin, egg powder, and other egg-based products.
- **Canned meat:** The State's poultry sector provides opportunities for processing and canning meat-based products, serving both domestic and international markets.







## FRUITS AND VEGETABLES

Karnataka's agro-climatic conditions support the production of horticulture products–

- Abundant fruit and vegetable production in Karnataka: 80.16 lakh tonnes of fruits and 75.44 lakh tonnes of vegetables in 2021-22.<sup>76</sup> Horticulture products are cultivated on 20.40%<sup>77</sup> of the State's cultivable area. Fruits account for 36% and vegetables for 34%<sup>78</sup> of the total horticulture production in Karnataka.
- The State is a major producer of Gherkins, a popular export item that can be exported in drums or ready-to-eat consumer packs, like Pickles, Gherkins Relish, Gherkins in Vinegar, Gherkins Chutney, snacks, and salads.
- Karnataka is a top producer of pomegranates, grapes, mangoes, and lemons, suitable for processing into juice, pulp, squash, concentrate, arils, and fruit-based sauces or dressings, jelly, raisins, grape wine, grape vinegar, or grape-based snacks, mango slices, puree, mango ice cream, dried mangoes, or mango-based desserts, jams, lemonade, lemon essential oil, lemon zest, and other value-added products like fruit preserves, jams, jellies, fruit bars, fruit snacks, and dried fruit can be considered.
- Green chillies, tamarind, and rose onions are grown in large quantities, offering opportunities for processing into pastes, powders, pickled chillies, chilli sauces, chutneys, or relishes, and packed pickles.
- Tamarind pulp can also be utilized for preparing juice, jam, syrup, and candy or incorporating it into sauces, marinades, or desserts

<sup>76</sup> Department of Agriculture & Farmers Welfare | Horticulture | State Level | Area and Production of Horticulture crops for 2021-22 (3rd Advance Estimates)

<sup>77</sup> Department of Horticulture | Government of Karnataka

<sup>78</sup> Department of Agriculture & Farmers Welfare | Horticulture | State Level | Area and Production of Horticulture crops for 2021-22 (3rd Advance Estimates)



## BEVERAGES

- Karnataka is the largest producer of coffee, cocoa, and vanilla in the country. With a plentiful supply of these raw materials, there is an opportunity for value addition through processing to create products such as coffee powder, cocoa powder, coffee extracts, cocoa butter, and vanilla extracts.
- These processed ingredients can be further utilized in the beverages industry to produce innovative items like coffee blends, hot chocolate mixes, ready-to-drink flavoured beverages, vanilla syrup, and drinks infused with vanilla.
- Coorg and Chikmagalur, renowned coffee-growing regions, have been granted Geographical Indication (GI) Tags for their Arabica Coffee. This recognition enhances the value and marketability of the coffee produced in these areas.







## BAKERY

Baked goods: Bengaluru, known for its thriving bakery industry, is one of India's largest bakery clusters. Advantage of a skilled workforce and availability of quality baking ingredients in the State.

- The city offers opportunities in a unique range of freshly baked bread, spongy cakes, chocolate tarts, sweet doughnuts, gooey desserts, and savoury puffs, making it an appealing destination for baked food
- Traditional and regional specialities like Iyengar bakery items, such as masala bread, honey cake, khara buns, and nippattu.
- Catering to the growing trend of healthy and artisanal baked goods, such as whole grain bread, gluten-free options, organic pastries, and vegan treats.
- Engaging in innovative product development, such as fusion bakery items that blend local flavours with international influences.
- Exploit the potential for exports by producing speciality bakery items that have international appeal.



# 09. GOVERNMENT OF INDIA SCHEMES FOR FOOD PROCESSING

## 9.1 SCHEMES UNDER MINISTRY OF FOOD PROCESSING INDUSTRIES<sup>79</sup>

Support rendered under the scheme of Ministry of Food Processing Industries, Government of India are mentioned below:

### 9.1.1 PRADHAN MANTRI KISAN SAMPADA YOJANA (PMKSY)

#### Brief of Scheme

Given the nature and size of processing units operating in the food processing sector, investment requirements in basic infrastructure and common facilities are enormous. In order to attract private investment to the food processing sector, the Ministry of Food Processing Industries has taken various initiatives through schemes to develop infrastructure, expand processing capacity, and provide other supportive measures for the healthy growth of the industry. To streamline these efforts, all these schemes have been integrated under a comprehensive program called the Pradhan Mantri Kisan Sampada Yojana (PMKSY), which was launched on May 3rd, 2017.

#### PMKSY has the following component schemes.

- Mega Food Parks
- Integrated Cold Chain and Value Addition Infrastructure
- Creation/Expansion of Food Processing & Preservation Capacities (Unit Scheme)
- Infrastructure for Agro-Processing Clusters
- Creation of Backward and Forward Linkages
- Food Safety and Quality Assurance Infrastructure
- Human Resources and Institutions
- Operation Greens

PMKSY is a comprehensive package that aims to establish modern infrastructure with efficient supply chain management, spanning from the farm gate to the retail outlet. This initiative not only provides a significant boost to the growth of the food processing sector in the country but also contributes to better returns for farmers. It is a crucial step towards doubling farmers' income, generating substantial employment opportunities, particularly in rural areas. Additionally, it helps reduce agricultural produce wastage, promotes higher levels of processing, and enhances the export of processed foods.

<sup>79</sup> MoFPI | Annual Report (2022- 2023)



Initially approved with a budget of INR 6,000 Crore for the period 2016-20, aligned with the 14th Finance Commission cycle, PMKSY's timeline was subsequently extended to FY 2020-21. The Government has now decided to restructure the component schemes for implementation during the 15th Finance Commission, with a total outlay of INR 4,600 crore. This revision includes the provisions for committed liabilities of its component schemes such as Mega Food Park, Creation of Backward & Forward Linkages, and Human Resources and Institution - Skill Development, Promotion Activities and HACCP, as these components have been discontinued in the 15th FC cycle. The component scheme continued during the 15th Finance Commission Cycle for new projects are:

- **Integrated Cold Chain and Value Addition Infrastructure (ICC)**
- **Creation/Expansion of Food Processing & Preservation Capacities (CEFPPC)**
- **Infrastructure for Agro-Processing Clusters (APC)**
- **Food Safety and Quality Assurance Infrastructure (FTL)**
- **Human Resource and Institutions - R&D**
- **Operation Greens**

## 9.1.2

### PRADHAN MANTRI FORMALISATION OF MICRO FOOD PROCESSING ENTERPRISES SCHEME (PMFME)

#### Introduction

In line with the Aatmanirbhar Bharat Abhiyan initiative, the Ministry of Food Processing Industries (MoFPI) has introduced a nationwide centrally sponsored scheme called the "PM Formalisation of Micro food processing Enterprises (PMFME) Scheme." This scheme aims to provide financial, technical, and business support to establish or upgrade micro food processing enterprises. It was approved by the Union Cabinet on 20th May 2020, and the scheme's guidelines were issued on 19th June 2020. The PMFME Scheme will be implemented over a period of five years, from 2020-21 to 2024-25, with a budget allocation of INR 10,000 Crore. The scheme aims to directly assist two lakh micro food processing units by providing credit-linked subsidies.

#### Objectives

Recognizing the significance of unorganized micro food processing enterprises and the obstacles they face; the Ministry of Food Processing Industries (MoFPI) is implementing the scheme by providing a comprehensive package of support and services. The objectives of the scheme are as under:



- **Increased access to credit by existing Micro Food Processing entrepreneurs, FPOs, Self Help Groups and Co-operatives.**
- **Integration with organized supply chain by strengthening branding & marketing**
- **Support for transition of existing 2,00,000 enterprises into formal framework.**
- **Increased access to common services like common processing facility, laboratories, storage, packaging, marketing, and incubation services.**
- **Strengthening of institutions, research, and training in the food processing sector.**
- **Increased access for the enterprises to professional and technical support.**

### **Provisions under the Scheme**

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#### **Support for setting up / upgradation of Micro Food Processing Enterprises**

- Support for setting up of new micro food processing enterprises and for upgradation of existing micro food processing enterprises are provided under the scheme.
- Organizations such as Individual entrepreneurs/ Proprietorship Firms/ Partnership Firms/ FPOs / NGOs / Cooperatives/ SHGs / Pvt. Ltd. Companies, who have established or propose to establish micro food processing unit, are eligible for financial assistance under the Scheme.
- Credit-linked capital subsidy @35% of the eligible project cost, maximum ceiling INR 10 lakhs per unit. Eligible project cost comprises cost of plant and machinery and technical civil work, but excludes cost of land/ rental or lease work shed. However, technical civil work should not be more than 30% of the eligible project cost.
- Beneficiary contribution - minimum of 10% of the project cost, balance loan from Bank.
- Applicant/Enterprise is eligible for bank loan under the Scheme, even if he has availed bank loan in other Subsidy Linked Schemes of Government. Applicant is also eligible for Interest Subvention and Top Up convergence with other relevant Government Sponsored Schemes. Lending Banks may consider sanctioning need based working capital limit to the beneficiaries, as admissible. However, no subsidy is provided on the working capital.



### Support for setting up of common infrastructure Facilities

- Organisations such as Farmer Producer Organisations (FPOs)/ Farmer Producer companies (FPCs)/ Cooperatives/Self Help groups (SHGs) and its Federation/Govt. agencies, who have established or propose to establish food processing line along with common infrastructure/value chain/incubation centres are eligible for financial assistance under this component of the Scheme.
- Credit-linked capital subsidy @35% of the eligible project cost, maximum ceiling INR 3 Crore per unit would be provided. Eligible project cost comprises cost of plant and machinery and technical civil work but excludes cost of land/rental or lease work shed. However, technical civil work should not be more than 30% of the eligible project cost.
- Total eligible project cost should not exceed INR 10 Crore. There will be no pre condition of minimum turnover and experience of the applicant organization.
- The applicant organization's contribution should be minimum of 10% of the project cost with balance required funds being loan from Bank. Before applying on the portal, the applicant organization is also required to submit in-principal approval from the lending bank for the loan envisaged in the means of finance of the project.
- Assistance of INR 50,000/- per case is provided to the applicant organisation for preparation of Detailed project report.

### Support to Self-Help Groups (SHGs)

- Seed capital @ INR 40,000/- per member of SHG for working capital and purchase of small tools
- Seed capital to be given as grant to the SHG Federations which should provide as a loan to the members of SHGs

### Branding and Marketing Support

- Grant upto 50% for Branding and Marketing support to groups of FPOs/ SHGs/ Cooperatives or an SPV of micro food processing enterprises. It is to be provided for ODOP product at the State or regional level.
- Developing a common brand and packaging including standardization and common packaging for branding.
- Marketing tie-up with national and regional retail chains and state level institutions; and Quality control to ensure product quality meets required standards.
- Support to the said activity under provisions of marketing and branding could also bring competitive price realisation according to the targeted market and customer base.

## Capacity Building

The capacity development aspect of the Scheme encompasses a wide range of initiatives aimed at empowering institutions, individuals, and groups. Training plays a pivotal role within this component. The Scheme aims to provide training to various stakeholders, including trainers such as Master Trainers and District Level Trainers, as well as District Resource Persons. Additionally, both existing and new food processing entrepreneurs, along with members of different groups such as Self-Help Groups (SHGs), Farmer Producer Organizations (FPOs), and Cooperatives, engaged in food processing activities, will receive training through the Food Processing Entrepreneurship Development Program. District Resource Persons (DRPs) are appointed by State Nodal Agencies (SNAs) to provide ongoing support to beneficiaries, including assistance with application filing, preparation of Detailed Project Reports (DPR), and guidance for formalization and operationalization processes.

### 9.1.3

#### PRODUCTION LINKED INCENTIVE SCHEME FOR FOOD PROCESSING INDUSTRY (PLISFPI)

The food processing industry in India includes manufacturing enterprises at all scales, ranging from micro to large industries. India possesses a competitive advantage due to its abundant resources, a sizable domestic market, and opportunities for promoting value-added products. To unlock the full potential of this sector, Indian companies need to enhance their competitive strength compared to global counterparts in terms of output scale, productivity, value addition, and their integration into the global value chain.

The Central Sector Scheme known as the Production Linked Incentive Scheme for Food Processing Industry (PLISFPI) aims to support the establishment of global food manufacturing champions in line with India's abundant natural resources. It also aims to promote Indian food product brands in international markets. The scheme has a budget allocation of INR 10,900 crore. The PLISFPI has been developed based on the Production Linked Incentive scheme of NITI Aayog under the "Aatma Nirbhar Bharat Abhiyaan for Enhancing India's Manufacturing Capabilities and Enhancing Exports." The scheme will be implemented over a period of six years, from 2021-22 to 2026-27.

The objectives of the scheme are to provide support to food manufacturing entities that meet the specified minimum sales criteria and are willing to make the required minimum investment for expanding their processing capacity. The scheme also aims to offer branding support for promoting Indian brands in international markets, with the intention of incentivizing the development of strong Indian food product brands. The scheme seeks to not only facilitate the establishment of global food manufacturing champions but also to enhance the presence and acceptance of selected Indian food product brands in international markets. In addition, the scheme aims to generate more employment opportunities in non-farm sectors, ensure better prices for agricultural produce, and increase income for farmers.



The first component of the Scheme focuses on providing incentives for the manufacturing of four primary food product segments, namely *Ready to Cook/ Ready to Eat (RTC/ RTE) foods, including products based on millets, processed fruits & vegetables, marine products, and mozzarella cheese.* The second component is dedicated to the production of innovative and organic products by Small and Medium Enterprises (SMEs) in these four segments. This includes products such as free-range eggs, poultry meat, and egg products. The third component is centered around offering support for branding and marketing activities overseas. This aims to encourage the development of strong Indian brands through in-store branding, renting of shelf space, and marketing initiatives.

An additional element pertaining to Millet Based Products was incorporated into the scheme. This inclusion aimed to promote the utilization of millets in Ready to Cook/Ready to Eat (RTC/RTE) products and provide incentives for their value addition and sale in both domestic and export markets under the PLI Scheme. The millet-based products with over 15% millet content by weight/volume are covered under this component.

### Approved Applications under PLISFPI Scheme

SCHEME	SEGMENT	NO. OF APPROVALS	TOTAL
CATEGORY 1	RTE/RTC	12	56
	Fruits & Vegetables	29	
	Marine	11	
	Mozzarella Cheese	4	
CATEGORY 2	Innovative	2	16
	Organic	14	
CATEGORY 3	B&M	78	78
PLISMBP	Large Entities	8	30
	MSME	22	

### Achievements of MoFPI schemes in Karnataka (as on date: 31.05.2023)<sup>80</sup>

#### PRADHAN MANTRI KISAN Sampada YOJANA (PMKSY) SCHEME

SCHEME NAME	NO. OF PROJECTS APPROVED	TOTAL PROJECT COST (INR CR.)
MEGA FOOD PARK	2	258.16
COLD CHAIN	17	502.83
AGRO PROCESSING CLUSTERS	5	146.39
CEFPPC UNIT/FOOD PROCESSING UNIT	19	243.11
CREATION OF BACKWARD & FORWARD LINKAGES	3	53.20
FOOD TESTING LABORATORY	10	57.61

#### PRODUCTION LINKED INCENTIVE SCHEME FOR FOOD PROCESSING INDUSTRY (PLISFPI)

SCHEME NAME	NO. OF PROJECTS APPROVED	TOTAL PROJECT COST (INR CR.)
FOOD PROCESSING FACTORIES UNDER PLI (production linked incentive)	16	332.36

#### PRADHAN MANTRI FORMALIZATION OF MICRO FOOD PROCESSING ENTERPRISE SCHEME (PMFME)

SCHEME NAME	NO. OF PROJECTS APPROVED
MICRO ENTERPRISES APPROVED UNDER FME (Formalisation of Micro Food Processing Enterprises Scheme)	2324 (as on 07-06-2023)
INCUBATION CENTRES	14

<sup>80</sup> Ministry of Food Processing Industries



## 9.2 SCHEMES BY ALLIED MINISTRIES

Support rendered under various schemes of Allied Ministries of the Government of India is mentioned below:

### 1 **Mission for Integrated Development of Horticulture (MIDH) Scheme<sup>81</sup>**

A centrally sponsored scheme under the Ministry of Agriculture and Farmers Welfare for the holistic growth of the horticulture sector covering fruits, vegetables, root & tuber crops, mushrooms, spices, flowers, aromatic plants, coconut, cashew, cocoa, and bamboo. Under MIDH, financial assistance is provided for following major interventions/activities:

- Setting up of nurseries, tissue culture units for production of quality seed and planting material;
- Area expansion i.e. Establishment of new orchards and gardens for fruits, vegetables, and flowers;
- Rejuvenation of unproductive, old, and senile orchards;
- Protected cultivation, i.e. poly-house, green-house, etc, to improve the productivity & grow off season high value vegetables and flowers;
- Organic farming and certification;
- Creation of water resources structures and watershed management;
- Bee-keeping for pollination;
- Horticulture Mechanization;
- Creation of Post Harvest Management and Marketing infrastructure.

### 2 **National Agriculture Infra Financing Facility (NAIFF) Scheme<sup>82</sup>**

The National Agriculture Infra Financing Facility (NAIFF) is an online single window facility under the aegis of the Department of Agriculture & Farmers Welfare. The objective of the initiative is to provide impetus for development of farm gate & aggregation point, affordable and financially viable Post Harvest Management infrastructure, with a financing facility worth INR 1,00,000 Crores, by converging all schemes of central & State governments.

### 3 **Fisheries and Aquaculture Development Infrastructure Fund (FIDF)<sup>83</sup>**

Government of India has created a dedicated fund, FIDF, implemented by the National Fisheries Development Board with a total fund outlay of INR 7522.48 crore (US\$ 940.31 Million). Under FIDF, creation of fisheries infrastructure facilities both in marine and inland fisheries sectors are augmented, including fishing harbours, fish landing centres, construction of ice plants, cold storage, transport facilities etc.

<sup>81</sup> Mission for Integrated Development of Horticulture (MIDH)

<sup>82</sup> National Agriculture Infra Financing Facility

<sup>83</sup> Department Of Fisheries

## 4 Pradhan Mantri Matsya Sampada Yojana (PMMSY) Scheme<sup>84</sup>

Pradhan Mantri Matsya Sampada Yojana (PMMSY) is a flagship scheme under the Department of Fisheries, Ministry of Fisheries, Animal Husbandry and Dairying to facilitate the Blue Revolution, promoting sustainable and accountable growth in the fisheries industry in India, an approximate investment of INR 20050 crores (US\$ 2.51 Billion) has been allocated. This investment aims to ensure comprehensive development of the fisheries sector, while also prioritizing the well-being of fishers. Supporting activities under PMMSY:

- Enhancement of Production and Productivity
- Infrastructure and Post-harvest management
- Fisheries management & Regulatory framework

## 5 Animal Husbandry Infrastructure Development Fund (AHIDF)<sup>85</sup>

The Department of Animal Husbandry and Dairying is implementing the Animal Husbandry Infrastructure Development Fund (AHIDF) scheme with an outlay of INR 15000 crore (US\$ 1.88 Billion) under the Atma Nirbhar Bharat Abhiyan stimulus package. The objective of the scheme is to help increase milk and meat processing capacity and product diversification in the country.

## 6 Dairy Processing & Infrastructure Development Fund (DIDF)<sup>86</sup>

DIDF is implemented with a total outlay of INR. 11,184 crores with National Bank for Agriculture and Rural Development (NABARD), comprising a corpus fund of INR 8004 crores have been set up for the creation of dairy processing infrastructure. The objective is to provide subsidized loans @6.5% to capital-stressed milk cooperatives for replacing their decades-old chilling and processing plants and addition of value-added product plants. The National Dairy Development Board (NDDB) is the implementing agency of the fund.

## 7 Agriculture Export Promotion Plan Scheme of APEDA (Agricultural and Processed food Products Export Development Authority)<sup>87</sup>

The Agriculture Export Promotion Plan Scheme of APEDA supports the development and promotion of export of products like, Fruits, vegetables and their products, Meat and meat products, Poultry and poultry products, Dairy products, Confectionary, biscuits, and bakery products, etc. The scheme is designed to boost agricultural product exports, offers support to exporters by addressing challenges in the industry. It accomplishes this by understanding exporter difficulties, providing necessary assistance to overcome obstacles, and offering financial aid in areas such as export infrastructure development, quality enhancement, and market expansion. The scheme focuses on three broad components viz,

- Infrastructure Development
- Market Development
- Product Quality Development

## 8 Credit Linked Capital Subsidy Scheme (CLCSS) of Ministry of MSME (Ministry of Micro, Small and Medium Enterprises)<sup>88</sup>

The objective of the CLCSS Scheme is to facilitate technology up-gradation in MSEs by providing interest subsidy on upgrade of plant & machinery with state-of-the-art technology. The scheme provides an upfront capital subsidy of 15% (on institutional finance of upto INR 1 crore availed by them) for induction of well-established and improved technology.

<sup>84</sup> Pradhan Mantri Matsya Sampada Yojana

<sup>85</sup> Animal Husbandry Infrastructure Development Fund (AHIDF) | Department of Animal Husbandry and Dairy

<sup>86</sup> Dairy processing & Infrastructure Development Fund (DIDF) | Department of Animal Husbandry and Dairy

<sup>87</sup> Agriculture And Processed Foods Export Promotion Scheme of APEDA for the 15th Finance Commission Cycle (2021-22 To 2025-26)

<sup>88</sup> Credit Linked Capital Subsidy Scheme for Technology Upgradation | Ministry of Micro, Small & Medium Enterprises Credit Linked Capital Subsidy Scheme



9

### Venture Capital Assistance Scheme of SFAC (Small Farmers' Agri-Business Consortium)<sup>89</sup>

Venture Capital Assistance is financial support in the form of an interest-free loan provided by SFAC (Small Farmers' Agri-Business Consortium) to qualifying projects to meet the shortfall in the capital requirement for the implementation of the project.

10

### A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship (ASPIRE)<sup>90</sup>

ASPIRE- A scheme for promotion of Innovation, Rural Industry and Entrepreneurship, is being implemented by the Ministry of Micro, Small & Medium enterprises (MSME). The objective of the scheme is to set up a network of technology centres and to set up incubation centers to accelerate entrepreneurship and to promote startups for innovation in the agro-industry. The scheme also envisages programmes to facilitate Forward and Backward linkages with multiple value chain of manufacturing and service delivery will also be put in place

11

### Pradhan Mantri Kaushal Vikas Yojana (PMKVY)<sup>91</sup>

PMKVY is the flagship scheme of the Ministry of Skill Development & Entrepreneurship (MSDE), implemented by National Skill Development Corporation. The objective of the PMKVY scheme is to encourage and promote skill development in the country by providing free short-duration skill training and incentivizing this by providing monetary rewards to youth for skill certification. The overall idea was to boost the employability of youth corresponding to the industrial demand. The scheme can be leveraged for skill development in the food processing sector



<sup>89</sup> Small Farmers' Agri-Business Consortium | Venture Capital Assistance Scheme

<sup>90</sup> A Scheme For Promotion Of Innovation, Rural Industries & Entrepreneurship (ASPIRE) | Ministry of Micro, Small & Medium Enterprises

<sup>91</sup> Pradhan Mantri Koshal Vikas Yojana | Ministry of Skill Development & Entrepreneurship

## 9.3

### GOVERNMENT OF INDIA INCENTIVES FOR THE FOOD PROCESSING SECTOR

#### Income tax incentive to the Food Processing sector<sup>92</sup>

- 100% deduction on profits and gains for new Food Processing Units for the initial 5 assessment years and 25% (30% for companies) for the next 5 years.
- 100% deduction on the expenditure on capital invested for setting up and operating Cold Chain and Warehouse Storage facilities for agricultural produce.



#### Agro-Processing included in Priority Sector Lending

- Loans for food and agro-processing up to an aggregate sanction limit of INR 100 crore per borrower classified under agricultural activity for Priority Sector Lending (PSL) - RBI Master Directions dated 4th September, 2020.
- Loans to MSMEs engaged in "food and agro-processing" are eligible for classification under Priority Sector Lending (PSL).



#### 100% FDI permitted

- 100% FDI permitted under automatic route in manufacturing of food products since 2016-17.
- 100% FDI allowed through government-approval route for retail trading, including through e-commerce, in respect of food products manufactured/ produced in India since 2016-17.



#### Automatic Route

Under the Automatic Route, the non-resident investor or the Indian company does not require any approval from the Government of India for the investment.

#### Government Route

Under the Government Route, prior to investment, approval from the Government of India is required. Proposals for foreign direct investment under Government route, are considered by respective Administrative Ministry/ Department.

<sup>92</sup> "Key Reforms in the Food Processing Sector Since 2014-15" | MoFPI




## 10. STATE GOVERNMENT INITIATIVES AND SCHEMES

The state government has undertaken several reforms to offer an enabling and investor-friendly business climate for investors keen on setting up business in the State. Some of the key EoDB initiatives by the State include:



### Single Window Portal:


eBiz Karnataka is a single window system that provides integrated services for filing applications, approvals, processing, and status verification.

 [ebiz.karnataka.gov.in](http://ebiz.karnataka.gov.in)



### A. State Industrial Land Bank

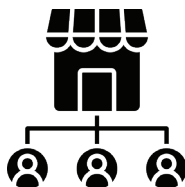
A GIS system for displaying the availability of land and infrastructure with details about all State-owned industrial estates along with the prevailing land rates, connectivity, and utility infrastructure.

 [kiadb.karnataka.gov.in](http://kiadb.karnataka.gov.in)

### B. Central Industrial Land Bank Portal

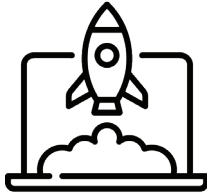
A GIS-based portal covering about 4,000 industrial parks serving as a one-stop repository of all infrastructure-related information such as connectivity, infra, natural resources and terrain, plot-level information on vacant plots and contact details.

 [iis.ncog.gov.in](http://iis.ncog.gov.in)



### Investment Promotion Subsidy (IPS):

Food processing entities can avail of IPS through a turnover-based subsidy that is calculated as a percentage of annual turnover for a specified time period, varying across investment sizes and the location of the unit.



### **Karnataka Start-up Policy 2022-27:**

Start-ups are integral to the industrial ecosystem of the State and this Policy seeks to further develop this space through the grant of incentives and concessions, such as reimbursement of net SGST paid for three years of being incubated. Agritech is a key focus of this Policy.

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### **Rashtriya Krishi Vikas Yojana:**

This scheme is to provide basic infrastructure facility for trade of agricultural commodities in the markets. Under the RKVY scheme of 2019-20, a budgetary provision of INR 292.84 lakh has been made and the same has been utilized for developing select 17 rural market.

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### **Special Incentives under FMCG cluster in Dharwad District:**

Government of Karnataka has an FMCG Cluster in Dharwad in the 2022-23 Budget. As per the scheme for special incentives under the FMCG cluster, Govt targeting Rs 7,500 Cr of investments and 5 lakh direct and indirect job opportunities in FMCG sector at Dharwad District.

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A list of incentives that can be availed by manufacturing units under the Karnataka Industrial Policy 2020-25, as well are mentioned below

## KEY INITIATIVES

KARNATAKA INDUSTRIAL POLICY 2020-25<sup>93</sup>

	Category of Enterprises: Micro/Small/Medium	Special Category (SC/ST, Women, Minorities, Physically Challenged, and Ex-Servicemen Entrepreneurs)
<b>Investment promotion subsidy (IPS)</b>	<ul style="list-style-type: none"> <li>■ <b>Micro Enterprises</b> Zone 1: 30% of VFA (max of INR. 25 lakh), Zone 2: 25% of VFA (max of INR. 20 lakh), Zone 3: NIL</li> <li>■ <b>Small Enterprises</b> Zone 1: 25% of VFA (max of INR. 100 lakh), Zone 2: 20% of VFA (max of INR. 90 lakh), Zone 3: NIL VFA - Value of Fixed Assets</li> <li>■ <b>Medium Enterprises</b> Zone 1: 40 % of VFA, Zone 2: 35 % of VFA (turnover percentage 2.50%), Zone 3: NIL</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Micro Enterprises</b> Zone 1: 35% of VFA (max of INR. 30 lakh), Zone 2: 30% of VFA (max of INR. 25 lakh), Zone 3: 10% of VFA (max of INR. 10 lakh)</li> <li>■ <b>Small Enterprises</b> Zone 1: 30% of VFA (max of INR. 105 lakh), Zone 2: 25% of VFA (max of INR. 95 lakh), Zone 3: 10% of VFA (max of INR. 25 lakh) VFA - Value of Fixed Assets The additional subsidy of 5% of VFA in Zone 1 and 2 is subject to a maximum of INR 5 lakh</li> </ul>
<b>Stamp duty exemption</b>	Zone 1: 100% Zone 2: 100% Zone 3: NIL	Zone 1: 100% Zone 2: 100% Zone 3: 75%
<b>Concessional registration charges</b>	INR 1 per INR 1,000 depending on the location of the unit	INR 1 per INR 1,000 depending on the location of the unit
<b>Reimbursement of Land Conversion Fee for MSMEs</b>	Zone 1: 100% Zone 2: 100% Zone 3: NIL	Zone 1: 100% Zone 2: 100% Zone 3: 75%
<b>Exemption from Tax on Electricity Tariff for MSMEs</b>	Zone 1: 100% for 7 years Zone 2: 100% for 6 years Zone 3: NIL	Zone 1: 100% for 8 years Zone 2: 100% for 7 years Zone 3: 100% for 4 years

<sup>93</sup> Commerce & Industries Department | NEW INDUSTRIAL POLICY 2020-25

## KEY INITIATIVES

## KARNATAKA INDUSTRIAL POLICY 2020-25

**Category of Enterprises:  
Micro/Small/Medium**
**Special Category (SC/ST, Women,  
Minorities, Physically Challenged,  
and Ex-Servicemen Entrepreneurs)**
**Interest Subsidy  
on Technology  
Up-gradation  
Loan**

Zone 1: 5% for 6 years \*  
Zone 2: 5% for 5 years \*  
Zone 3: 5% for 5 years \*

\* on loans availed from KSFC & Scheduled Commercial Banks which are not covered under CLCSS of the Government of India

**Technology  
Adoption**

For All Zones  
25% of cost (max. INR 50,000/-)  
for adopting technology from  
recognized national laboratories

For All Zones  
50% of cost (max. INR  
1,00,000/-) for adopting  
technology from recognized  
national laboratories

**Incentives for  
Quality  
Certification**

For All Zones  
ISO Series Certification: 75% of  
cost (max. INR 75,000/-)  
BIS Certification: 50% of fees payable to BIS  
for certification (max. INR 20,000/-) & 25%  
of cost (max. INR 50,000/-) for purchase of  
testing equipment as approved by BIS.

For All Zones  
ISO Series Certification: 75% of  
cost (max. INR 1,00,000/-)  
BIS Certification: 50% of fees payable to BIS  
for certification (max. INR 25,000/-) & 25%  
of cost (max. INR 1,00,000/-) for purchase  
of testing equipment as approved by BIS.

## KEY INITIATIVES

KARNATAKA INDUSTRIAL POLICY 2020-25<sup>94</sup>
**Large, Mega, Ultra Mega and Super Mega Enterpris**
**Exemption from  
Stamp Duty**

Zone 1: 100%  
Zone 2: 100%  
Zone 3: 75%

**Concessional  
registration charges**

INR 1 per INR 1,000 depending on the location of the unit

**Reimbursement of  
Land Conversion Fee**

Zone 1: 100%  
Zone 2: 100%  
Zone 3: NIL

<sup>94</sup> Commerce & Industries Department | NEW INDUSTRIAL POLICY 2020-25



## KEY INITIATIVES

## KARNATAKA INDUSTRIAL POLICY 2020-25

## Large, Mega, Ultra Mega and Super Mega Enterpris

## Subsidy for setting up Effluent Treatment Plant (ETP)

One-time capital subsidy up to 50% of the cost of Effluent Treatment Plants (ETPs), subject to a ceiling of INR 250 Lakh for all zones

## Investment Subsidy for Anchor Industries

To encourage investments in taluks where there are no industries with investments above INR 100 crore and direct employment of 75 persons. Investment Subsidy of INR 10.00 crore in Zone 1 and INR 7.00 crore in Zone 2.

## Investment range on fixed assets

- **Large Enterprises:** (i.e., enterprises which are not classified as Medium Enterprises but have investments on fixed assets of up to INR 250 crore)

Zone	Turnover percentage	Maximum Period (Year)	VFA Limit
1	2.25%	7	45 % of VFA
2		6	40 % of VFA
3	NIL		

- **Mega Enterprises:**  
(i.e., investment on fixed assets above INR 250 crore to INR 500 crore)

Zone	Turnover percentage	Maximum Period (Year)	VFA Limit
1	2.0%	8	50 % of VFA
2		7	45 % of VFA
3	NIL		

- **Ultra-Mega Enterprises:**  
(i.e., investment on fixed assets above INR 500 crore to INR 1,000 crore)

Zone	Turnover percentage	Maximum Period (Year)	VFA Limit
1	1.85%	9	55 % of VFA
2		8	50 % of VFA
3	NIL		

- **Super Mega Enterprises:**  
(i.e., investment on fixed assets above INR 1,000 crore)

Zone	Turnover percentage	Maximum Period (Year)	VFA Limit
1	1.75%	10	60 % of VFA
2		9	55 % of VFA
3	NIL		

## 11. REGULATORY FRAMEWORK: REGISTRATION/NOCS/ LICENSES

The table below represents the indicative information regarding Regulatory Mechanism available in the State.

### FOR STARTING OPERATIONS

S.No	Name of Service	Authority/ Agency/ Office/ Department officer granting approval
1.	License for Cold Storage	Directorate of Food Processing
2.	Registration under FSSAI Act,2006, regulation 2011	FSSAI, Health & Family Welfare Department, & Food Safety
3.	License under FSSAI Act,2006, regulation 2011	FSSAI, Health & Family Welfare Department, & Food Safety
4.	License under Contract Labour Act, (Regulation and Abolition), 1970	Labour Commissionerate
5.	Registration under GST (Goods and Services Tax Rules, 2017)	Department of Commercial Tax
6.	Consolidated Consent & Authorization under Water Act, 1974, Air Act, 1981 & Authorization under The Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016	Karnataka State Pollution Control Board
7.	Application for Pre-Operational Fire NOC (National Building Code, 2005)	Karnataka State Fire and Emergency Services Department (through Seva Sindhu)



## FOR SETTING UP OF BUSINESS

S.No	Name of Service	Authority/ Agency/ Office/ Department officer granting approval
8.	Land allotment in departmental industrial estates	Karnataka Industrial Areas Development Board
9.	Application for Land / Plot Allotment	Karnataka Industrial Areas Development Board
10.	Application for new connection LT / HT line non-domestic / industrial	Karnataka Electricity Regulatory Commission
11.	Application for Water Connection	Karnataka Urban Water Supply and Drainage Board
12.	Application for building plan approval	Directorate of Municipal Administration
13.	Application for Completion cum Occupancy Certificate	NIRMANA (Powered by Karnataka Municipal Data Society)
14.	Consent to Establish under Water (Prevention and Control of Pollution) Act, 1974	Karnataka State Pollution Control Board
15.	Consent to Establish under Air (Prevention and Control of Pollution) Act, 1981	Karnataka State Pollution Control Board
16.	Consent to Operate under Air (Prevention and Control of Pollution) Act, 1981	Karnataka State Pollution Control Board
17.	Application for Pre-Establishment Fire NOC (National Building Code, 2005)	Karnataka State Fire and Emergency Services Department (through Seva Sindhu)
18.	Site Plan Approval under the Factories Act, 1948	Karnataka Department of Factories, Boilers, Industrial Safety and Health (FBIS)

## 12. MAJOR PLAYERS IN FOOD PROCESSING AND ALLIED SECTORS

### BENEFICIARIES UNDER PLI SCHEME OF MOFPI, GOVERNMENT OF INDIA

NAME OF THE FIRM	LOCATION
ITC Limited	Bengaluru & Malur
Gadre Marine Export Private Limited	Manglore
Parle Agro Private Limited	Mysuru
Synthite Industries Private Limited	Harihar
Vidya Herbs Private Limited	Bangalore & Ramanagara
Bikaji Foods International Limited	Tumakuru
MTR Foods Private Limited	Bengaluru
Tata Consumer Products Limited	Nanjangud
Plants Lipids Pvt Ltd	Hubli
Parle Biscuits Pvt Ltd	Belgaum, Gulbarga
Kancor Ingredients Ltd	Haveri
Nestle India Ltd	Nanjangud
Prataap Snacks Ltd	Bengaluru



**BENEFICIARIES UNDER INTEGRATED COLD CHAIN AND VALUE ADDITION  
 INFRASTRUCTURE SCHEME, UNDER PMKSY SCHEME OF MOFPI,  
 GOVERNMENT OF INDIA (OPERATIONAL UNITS)**

<b>NAME OF THE FIRM</b>	<b>LOCATION</b>
Atharvass Traders Pvt Ltd.	Hassan, Belgam, Bangalore
Innova Agri Bio Park Ltd	Kolar
Vijaykant Dairy & Food Products Ltd	Belgaum
Basweshwar Industry	Belgaum
Namdhari Animal Genetics Private Limited	Tumkur
Dairy Classic Ice Creams Pvt Ltd	Ramnagara
Srikrishna Milks Private Limited	Uttar Kannada
Malpefresh Marine Exports Private Limited.	Udipi
Hitech Food Process	Bijapur
Ideal Ice cream	Dakshin Kannada
Yashaswi Fish Meal & Oil Company	Dakshin Kannada
BAMUL	Ramnagara

**BENEFICIARIES UNDER CREATION / EXPANSION OF FOOD PROCESSING &  
 PRESERVATION CAPACITIES (CEFPPC) SCHEME, UNDER PMKSY SCHEME  
 OF MOFPI, GOVERNMENT OF INDIA (OPERATIONAL UNITS)**

<b>NAME OF THE FIRM</b>	<b>LOCATION</b>
M/s. Hain Future Natural Products Pvt Ltd	Tumkur
M/s Petunt Food Processors Pvt Ltd	Tumkur
M/s Ella Foods	Kolar
M/s Ramkrishna Industries	Bagalkot
M/s Sproutlife Foods Pvt. Limited	Tumkur
M/s Sankraman Organic Foods Pvt Ltd	Mandya
M/s R G Kasat Industries Pvt. Ltd	Bagalkot
M/s Sri Venkateshwara Industries	Mysuru
Sri Balaji Industries	Mysuru
M/s Avantnature Foods Private Limited	Tumkur
M/s Maxvita Foods (India) Private Limited	Mandya
M/s. Hain Future Natural Products Pvt Ltd	Tumkur

**BENEFICIARIES UNDER MEGA FOOD PARK SCHEME (MFP), UNDER PMKSY SCHEME OF MOFPI, GOVERNMENT OF INDIA (OPERATIONAL UNITS)**

**NAME OF THE FIRM**

**LOCATION**

Integrated Food Park Ltd

Tumkur

**BENEFICIARIES UNDER INFRASTRUCTURE FOR AGRO-PROCESSING CLUSTERS SCHEME (APC), UNDER PMKSY SCHEME OF MOFPI, GOVERNMENT OF INDIA (OPERATIONAL UNITS)**

**NAME OF THE FIRM**

**LOCATION**

M/s GEM Food Park LLP

Devanagere

**BENEFICIARIES UNDER SCHEME FOR CREATION OF BACKWARD AND FORWARD LINKAGES, UNDER PMKSY SCHEME OF MOFPI, GOVERNMENT OF INDIA (OPERATIONAL UNITS)**

**NAME OF THE FIRM**

**LOCATION**

M/s Basweshwar Industry

Belgaum

Gem Sales

Bijapur

M/s F3 Marine Foods Worldwide

Udupi



## 13. LIST OF FARMER PRODUCER ORGANISATIONS

A total of 578 Farmer Producer Organisations (FPO) are present in the State and out of which the following indicative list in Table below represents FPOs with major crop/produce production of the State. The overall details of FPOs in the State are available at APEDA Farmer Connect FPO Directory.<sup>95</sup>

NAME OF THE FIRM	ADDRESS / CONTACT	COMMODITY
<b>Attibylu Farmers Producer Company Ltd.</b>	Attibylu Village, Harogoppa Post, Shikaripura Tq, Shimoga District 577214	Vegetables, Green gram, Sapota, Mango, Maize, Sunflower, Banana
<b>Amruta Farmer Producer Company Limited, Amaravati 587118</b>	351, First Floor Opposite to Pkps Main Road Amaravati 587118	Green gram, Red gram, Bengal gram, Maize, Jowar, Chilly, Bajra.
<b>Rajaghatta Horticulture Farmer Producer Company Limited , Doddaballapura</b>	Rajaghatta Horticulture Farmer Producer Company Limited, Rajaghatta Village, Kasaba Hobli, Doddaballapura Taluku, Bengaluru Rural District	Guard Vegetable, Capsicum, Tomato, Cucumber, Beans,
<b>Nippani Horticulture Farmer Producer Company Limited HFPC, Sodalaga</b>	Belagavi District	Onion, Soybean, Vegetables, Sugarcane,
<b>Jawari Buffalo Breeding and Milk Producers Society</b>	Floor No1, M-91, Sector 61, Navanagar, Bagalkot	Buttermilk, Traditional dairy products like homemade desi ghee, butter, curd, paneer
<b>Tirtharameswara Farmers Producer Company Limited</b>	Nyamathi	Watermelon, Tomato, Chilli, Brinjal, Banana, Papaya

<sup>95</sup> APEDA Farmer Connect | FPO/FPC/Cooperative Societies Directory

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