

# Study of State Sponsored Food Parks in Karnataka State

Submitted to



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Submitted by



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## Study of State Sponsored Food Parks in Karnataka

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### DISCLAIMER

*This document has been prepared by NABARD Consultancy Services (NABCONS) on behalf of M/s Food Karnataka Limited, Bengaluru based on the field study and the information collected from beneficiaries and other stakeholders.*

*The views expressed in the report are advisory in nature and do not represent or reflect the policy or views of National Bank for Agriculture and Rural Development (NABARD) on the subject. NABCONS / NABARD accepts no financial liability whatsoever to anyone in using this report.*

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### Executive Summary

The main objective of the impact assessment study of State Sponsored Food Parks in Karnataka State was a comprehensive evaluation of the food parks at various levels. The study was conceptualized to provide greater insights into the following objectives:

- i. Level of contribution and participation by food parks to the economic and agricultural progress of Karnataka State
- ii. Various reasons not favourable to the functioning of these Food Parks
- iii. Critical infrastructure requirements of the stakeholders
- iv. Additional infrastructural requirements in these Food Parks to make them stakeholder friendly
- v. Intervention for rejuvenating/ strengthening these food parks to increase their participation in the overall economic activity of the area
- vi. Identify and suggest the Policy modifications to enhance the establishment of the food processing industries in these units
- vii. State interventions like establishment of logistics and warehousing hubs near or in the food parks and incentivizing the activities needed for its revival/ strengthening

#### **Objective-1: Level of contribution and participation by food parks to the economic and agricultural progress of Karnataka State**

The 4 food parks have cumulatively:

- Generated an employment for 436 persons
- Annually processed 16,384 MT of raw material worth Rs. 3,304 crores
- Of the Rs. 3,304 crores, Rs. 70.63 crore has been generated from exports while the balance has been generated from domestic sales.

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The details of the contribution by each food park is provided in the table below:

Name of the Food Park in the state of Karnataka	Average annual		Exported		Employment Generated (Nos)
	Processed quantity (MT)	Products approximate value (Rs. crore)	Quantity (MT)	Rs (Crore)	
Akshaya Food Park Limited, Hiriya,	10162	88.56	4524.6	32.63	186
Jewargi Agro Food Park Ltd, Jewargi, Kalburgi	2522	8.26	-	-	40
Innova Agri Bio Park Limited, Malur	2200	3186	515	38	150
Green Food Park Limited, Bagalkote	1500	22	-	-	60
<b>TOTAL</b>	<b>16384</b>	<b>3304.82</b>	<b>5039.6</b>	<b>70.63</b>	<b>436</b>

The above details indicate the turnover and employment of the food parks while majority of the plots within the food parks are unoccupied. If all the plots within the food parks were developed then it is estimated that each food park would employ approximately 30,000 persons and would earn an annual turnover of Rs.450-500 crore.

As on date, only Innova Agri Bio Park has crossed revenue over Rs.500 crore, because majority of the revenue is from the non-food sector business. However, the other 3 food parks are to cross the Rs.100 crore mark in turnover.

### Objective-2: Various reasons not favourable to the functioning of each food park

- **Incomplete development of common and basic enabling infrastructure:** Completed common-basic infrastructure within any food park serves as a marketing tool to attract investors to purchase and develop plots available in it. In turn, increased occupancy and operationalization of plots ensure consumption of capacities of the common-basic infrastructure. This cross-dependency is crucial for the continuous functioning of food

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parks. However, in all the 4 food parks, all the common and basic infrastructure has not been developed in totality. Support must be provided to the existing food parks to develop the committed and suggested common and basic infrastructure as the first step before marketing efforts are initiated.

- **Non-availability of Basic Utilities such as approach road, drainage, water supply and power supply in the food park:** Issues around these basic utilities need to be resolved at the earliest and all institutions/ local bodies need to be sensitized on the need to expeditiously resolve the same.
- **No access to water and power connectivity at individual plot level:** Mega Food Parks developers are mandated under the scheme to bring the water and power lines upto the individual plot levels in order to expedite the process of development of units within the designated plot. Estimates for the same need to be obtained from the respective food parks, the estimates must be vetted and decision on means of financing may be initiated.
- **Absence of Hub and Spoke Model:** The food parks were developed as standalone infrastructure, without backward linkage support mechanism, like in the case of the mega food park model which functions as a hub and spoke concept where the common processing centre services as the hub while the collection centres and primary processing centres serve as spokes. The availability of the spokes would have resulted in assured raw material availability throughout the year with better capacity utilization and functioning of the common infrastructure which is existing in the food parks. A detailed study to determine the requirement, location, components, capacities and investment for the spokes will have to be conducted.
- **No special incentives for units being established within food parks:** Schemes that provide impetus to food processing units which are being established within food parks need to be developed at the state level. Differential approach may be adopted in providing subsidy to units located within the Food Park vis-à-vis units outside the food park. Such special incentives draw investors to develop food processing units within the existing food parks. This helps in mutual development of the food park ecosystem where the common infrastructure in the food park is optimally utilized due to maximum occupancy by the populated industrial units, while the food units are benefited as they do not have to invest in the common infrastructure (such as warehouse/ cold storage/ STP, ETP, sorting/grading etc.,) and only channelize their investment into the core processing lines alone (such as pulping unit/ milling/ concentration units/ oil extraction, etc.,)
- **Non Establishment of units by the allottees in the food parks**



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Name of the Food Park	Total Area (Acres)	Area for development of individual units(Acres)	No of plots allocated to individual units	No of units functioning/ under construction	No of units yet to start functioning
Jewargi Agro Food Park	105	65	117	8 (7%)	109
Green Food Park	100	55	19	6 (32%)	13
Akshaya Food Park	106	62	74	15 (20%)	59
Innova Agri Bio Park	87	51	20	7 (35%)	13
<b>Total</b>	<b>398</b>	<b>233</b>	<b>230</b>	<b>36 (15%)</b>	<b>194</b>

(Figures in parentheses indicate percentage to total plots allocated)

From the table, it may be observed that only 15% of the allotted units have started functioning in all the food parks, leading to under utilization of common infrastructure facilities created in the food parks. A deadline must be established to each allottee for putting up the units and plots may be re-distributed to the encouraged entrepreneurs in case current allottees are unable to establish the units.

- **Lack of intent and food sector experience among plot allottees:** No screening mechanism was adopted while selecting the plot allottees. The latest developed schemes in food sector, at centre and various state levels, impose a minimum eligibility for selection of applicants. The minimum eligibility involves ensuring applicants with food sector experience to be preferred over the inexperienced, this mechanism helps in expeditious development of plots within the food park which contribute to the efficient functioning of food park. A selection process must be developed and mandated henceforth upon the food park promoters, while replacing the existing allottees.
- **Non-correlation among crop-cluster, developed units and common infrastructure:** Proposals which have units relying on the crops produced abundantly within a 100-150 kms radius of the food park should be preferred over other applicants. Further, the units which are dependent on the common infrastructure, rather than those which are independent, must be preferred over others while allocating plots, henceforth. This criteria must be incorporated within the selection process.

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- **Obsolete or defunct plant and machinery:** The plant and machinery established within the common infrastructure have depreciated in value and are obsolete in terms of the technology. To attract investment in plots, these equipment within the common infrastructure needs upgradation and modernization. An estimate of the renovation and refurbishment must be made for each food park. Subsidy scheme implemented under the National Horticulture Board for modernization of cold storage can be converged for this purpose. The warehouses can be modernized under the Agriculture Marketing Infrastructure Scheme.
- **Absence of Project Monitoring Unit:** Project Monitoring unit serves a dual role i.e., handholding through execution hurdles and flagging the irrelevant delays for timely completion. With no handholding support, most units struggle to reach the commercial operation stage. In order to ensure the food parks become fully functional, a committed Project Monitoring Unit which directs and guides not just the food parks but also the units within the food parks is crucial.

**Reasons which have restricted the efficient functioning of the specific food parks are provided here below:**

### **Jewargi Food Parks:**

- Food Park is incomplete due to problems with water supply, delay in release of bank loan, MoFPI grants and State Government support.
- Cost Escalation due to extended execution period.
- Out of 117 allotted plots, only 04 units were established and 04 are under construction and it was observed that allottees of the plots are not very keen to establish units in the park as majority of them are farmers and local individuals and they applied without any clear ideas about the food park.
- No proper screening of applicants was done for allotment of plots and the allotment was done on first-come-first-serve basis.
- Food park authorities did not issue any show cause notice and is a major reason for poor performance of the food park.

### **Green Food Park, Bagalkote:**

- No proper water supply to the individual units.
- Food Park is incomplete due to incomplete critical infrastructure such as roads, drainage, etc.
- Out of 19 allotted plots, only 06 units were established and one was under construction.

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Others are undeveloped due to no knowledge of food processing to the allottees as plots were allotted without any proper screening mechanism.

- Units did not get sufficient support from the food park for credit linkage, marketing and exports.
- Two units in the food park stopped functioning due to financial problems.

### **Akshaya Food Park, Hiriya, Chitradurga**

- The approach road is very narrow
- FP is incomplete due to absence of critical infrastructure such as roads, drainage, etc.
- Out of 74 allotted plots, only 09 were established and 06 are under construction. Other are undeveloped due to uninterested allottees.
- Authority has issued show cause notice to the allottees for not establishing units and cancelling the allotment.
- Advertisement in newspapers, internet and other media did not yield good responses from real potential entrepreneurs.
- Approach road to the other side of the village and the land is not acquired.

### **Innova Agri Bio Park, Malur, Kolar District**

- Erratic power supply
- Out of 20 allotted plots, only 06 were established and one unit is under construction and others are not keen to setup.
- Raw material procurement is from more than 500 km.
- The units within the FP were not aware of the single window system for resolution of issues related to investors and other authorities.
- A vaccine manufacturing unit uses entire core infrastructure and not available for new entrepreneurs. This does not comply essence of food parks and leads to poor response from the entrepreneurs.
- Long turnaround time and tedious process for bank loan.

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### Objective-3 & 4: Critical infrastructure requirements of the stakeholders and additional infrastructure required to make the food park stakeholder friendly

Sl No.	Food Park	Critical Infrastructure Created	Additional requirement
1	Jewargi Food Park	<ul style="list-style-type: none"> <li>• Dry warehouse- 4000 MT</li> <li>• Cold Storage- 1500 MT</li> <li>• Testing laboratory</li> <li>• Sorting &amp; grading line</li> <li>• Weighbridge</li> <li>• ETP</li> <li>• Roads</li> <li>• Drainage</li> </ul>	<ul style="list-style-type: none"> <li>• Uninterrupted water supply</li> <li>• Utility connection at individual plot level</li> <li>• Logistic and Export centre*</li> <li>• All weather internal roads with minimum width of 12 feet</li> <li>• Storm water drainage</li> </ul>
2	Green Food Park	<ul style="list-style-type: none"> <li>• Cold Storage- 2500 MT</li> <li>• Warehouse</li> <li>• Washing &amp; grading machine</li> <li>• Weighbridge</li> </ul>	<ul style="list-style-type: none"> <li>• All weather internal roads with minimum width of 12 feet</li> <li>• Water supply</li> <li>• Storm water drainage</li> <li>• Rainwater Harvesting Structure</li> <li>• STP</li> <li>• ETP</li> <li>• Logistic and Export centre*</li> </ul>
3	Akshaya Food Park	<ul style="list-style-type: none"> <li>• Cold Storage- 4500 MT</li> <li>• Warehouse- 4500 MT</li> <li>• Grading and Packing line (Dry, Wet)</li> <li>• Business Centre</li> <li>• Quality assurance and product development lab</li> <li>• Office and Relatable facility</li> <li>• Pomegranate processing unit</li> <li>• Patchouli oil extraction unit</li> <li>• ETP</li> </ul>	<ul style="list-style-type: none"> <li>• The approach road needs to be expanded.</li> <li>• All weather internal roads with minimum width of 12 feet with drain</li> <li>• Storm water drainage</li> <li>• Rainwater Harvesting Structure</li> <li>• Logistic and Export centre*</li> </ul>
4	Innova Food Park	<ul style="list-style-type: none"> <li>• Cold Storage- 4000 MT</li> <li>• Pack-house</li> </ul>	<ul style="list-style-type: none"> <li>• Availability of 24/7 power supply</li> </ul>

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Sl No.	Food Park	Critical Infrastructure Created	Additional requirement
		Warehouse- 4000 MT <ul style="list-style-type: none"> <li>• Processing and Packaging</li> <li>• Sorting and grading</li> <li>• Food testing laboratory</li> <li>• GAMA Radiation facility- 20 MT/day</li> <li>• Ripening chamber</li> <li>• Hot water treatment facility</li> </ul>	<ul style="list-style-type: none"> <li>• Storm water drainage</li> <li>• Logistic and Export centre*</li> </ul>

\*Logistic and Export centre shall include the following facilities:

- Offices for Freight consolidators/forwarders or agent services
- Assaying and Certification facilities
- Quality Testing and Quality Assurance Facilities
- Integration with e-commerce/ digital marketing/ Market intelligence
- E-trading hub
- Porter service
- Futures trading facility
- Transport services (including climate controlled transport)
- Banking services including settlement of transactions

### **Objective-5: Intervention for rejuvenating/ strengthening these food parks to increase their participation in the overall economic activity of the area**

- i. Completion of committed and suggested common and basic enabling infrastructure. Estimation and allocation of funds for the same.
- ii. Upgradation and Modernisation of the obsolete/ defunct facilities.
- iii. Advising the food park promoters to provide designs and estimates for providing basic utilities such as power, water and drainage upto individual plot level. Vetting of the designs, estimates and finalizing means of finance.
- iv. Initiating the process of retrieving plots from allottees who have not yet established factories and reallocation of plots to competent and willing parties, through a selection process comprising eligibility criteria and marking system.
- v. Majority of the units have not yet begun to operate. Therefore, a deadline must be established to each allottee for putting up the units.

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- vi. Plots need to be re-distributed to entrepreneurs/FPOs/Cooperatives in case current allottees are unable to establish the unit. Potential and established promoters of PMFME scheme may be prioritized for allotment.
- vii. Central (MoFPI, NHB, NHM, AMI, APEDA) and state (New Industrial policy 2020-25) sponsored schemes knowledge shall be sensitized to the promoters to get the benefit of the assistance under schemes.
- viii. Units may be provided certain incentive for establishment of the unit before the allocated time period
- ix. Food parks should be treated equally with other industrial parks and should be eligible for funding under the GOK's Industries and Commerce Department's Critical Infrastructure Scheme, which is provided to KIAB/KSSIDC for upgrading existing industrial areas
- x. Special state food/agri processing fund need to be created to support new and existing food parks
- xi. For 100% capacity utilization of common infrastructure, farmers and FPOs shall be approached to provide services at an affordable rate

### **Objective-7: Policy modifications to enhance the establishment of the food processing industries in these units and convergence of various funds to support the development of food parks**

- i. Government of Karnataka may revise the existing food processing policy taking into cognizance policies of other progressive states like Andhra Pradesh, Telangana and Tamil Nadu. State support can be provided to the micro & small enterprises and Medium, large & Mega industries, to the units that are being established in the food parks.
- ii. Through modifications in the industrial policy, support can be provided as investment subsidy, interest subvention, power cost subsidy, stamp & transfer duty for purchase of land, lease of land/shed/building, mortgage and hypothecation duty, land conversion charges, land cost rebate, SGST reimbursement, quality certification, seed capital assistance and other common initiatives to the micro and small enterprises. Moreover, to attract medium, large & mega industries, SGST reimbursement support can be provided.  
Andhra Pradesh and Telangana are providing better rebates, subventions and subsidies as compared to the Karnataka industrial policy for development of food units. For example TS provides capital grant of 15% upto Rs 20 lakh, over and above 35% capital grant available from MoFPI. The power rebate provided is for a period of 5 years both

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- in AP and TS, while in Karnataka the power rebate is extended for a period of 3 years only.
- iii. Single window clearance cell needs to be established to assist developers and allottees for the statutory approvals like pollution control, consent to establish, consent to operate, FSSAI, APEDA, BIS, CLU and other necessary certifications.
  - iv. GoK shall appoint a State Project Management Unit (SPMU) and will have broad scope of work as follows:
    - Support to individual and group of micro enterprises in DPR preparation, statutory approval, fund/grant/subsidy diversion from state and central schemes, development of the project and physical & financial monitoring as per stipulated implementation schedule.
    - Branding and marketing support to the units and facilitate to create state of art infrastructure for processing and export national and international.
    - Support for strengthening of food parks and units by latest technology intervention and converting the units/food parks in to a hub and spoke model
    - Tender document preparation and bid process management to select best contractor to establish the unit and food park.
    - Setting up robust project management framework to monitor the progress of the project from land development to the completion of the project and commensurate of commercial operations.
  - v. In order to converge various funds to support the development of units and food parks, State government and GoI provide grant in aid through multiple schemes as below:
    - i. **Scheme of Ministry of Food Processing Industries (GoI):**
      - a. Integrated Cold Chain and Value Addition Infrastructure- Allottees willing to establish IQF units, Frozen dairy, meat and fish products can avail subsidy of 35% of eligible project cost and upto a maximum extent of Rs. 10 crore, under this scheme
      - b. Creation/ Expansion of Food Processing and Preservation Capacities (Unit Scheme) – Any unit being established within the food parks can avail subsidy of 35% of the eligible project cost upto a maximum of Rs. 5 crore.
      - c. Food Safety and Quality Assurance Infrastructure
      - d. Human Resources and Institutions –Research & Development
      - e. Long Term Operation Greens for value addition Infrastructure
      - f. PM Formalisation of Micro food processing Enterprises (PMFME) Scheme: Units approaching for the Nodal Agency handling application of PMFME in the state must direct applicants from the district where the food parks are established to avail the plots in the respective food park.





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processing units and Augmentation/modernization/creation of additional infrastructure in the designated food parks

- b. State Governments, entities promoted by State Governments (with or without Government Guarantee), Entities promoted by Government of India, Joint Ventures, SPVs, Cooperatives, Federations of Cooperatives, Farmers' Producer Organizations (FPOs), Corporates, Companies, Entrepreneurs, etc. can avail assistance under the fund.

Concessional rate of interest (Bank Rate minus 1.50 percentage points) applicable to borrowing by State Government and State promoted entities with State Government Guarantee.

### **Objective-7: State interventions for establishment of logistics and warehousing hubs near or in the food parks**

- National level logistics centres may be developed at Innova Food Park and Green Food Park considering that they are within an approximate radius of 100 kms from the Airport having operational air-cargo facilities and not more than 8 kms away from the closest railways station. As national level logistics centres these 2 locations shall facilitate movement of produce to other states
- Akshaya Food Park and Jewargi Food Park may be developed into Regional logistics hubs, which will help in movement of products within the state territory, considering the airports are beyond 180 kms for the food park location. However, they are well connected by railway and highway network to other regions within the state.
- All the four food parks have unallotted plot areas which can be developed into logistics hubs considering that they have all features required for a location to qualify as a logistics hub, viz.,:
  - Well connected to railway station, highways and airports.
  - Proximity to market
  - Proximity to production cluster
  - Land availability
  - Labor Supply
- As logistics hub are specialized service centres, the state government may advice the food parks to lease out area for the hubs to a specialized hub developer who shall design build operate and maintain the same.

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- State Government interventions that are provided by other state government have been studied. It is recommended that the Karnataka State Government may consider the following interventions presently implemented by other states:
  - An interest subsidy of 35% of the annual interest payable by the developer may be considered for a period of 3 years from the date of commencement of commercial operations. The subsidy may be capped at Rs. 50 lakh per year per unit
  - Capital subsidy of 10% of the fixed capital invested in building, plant and machinery and the subsidy may be paid after commencement of operations, while the subsidy may be capped at Rs. 50 lakh per unit.
  - In addition to the interest subsidy and capital subsidy, the state government may also provide complimentary infrastructure such as rail connectivity (from nearest railway station), road connectivity, power, water and internet services and the total cost of implementation of the complementary infrastructure may not exceed 10% of fixed capital invested in building, plant and machinery or Rs. 10 crore whichever is lower.
  - Logistics hubs, which shall buy atleast 20 commercial vehicles within one year in Karnataka and having registered office in the state of Karnataka, the incentive provided may be in the form of reimbursement of vehicle registration cost and cost of national permit (100% vehicle registration and 100% national permit cost)
  - Assistance for installation of tracking devices in transportation trucking vehicles: 50% of cost of installation of tracking devices or Rs.1,000/- per tracking devices per truck, whichever is lower of cost. This may be a onetime cost reimbursement provided by Government for commercial; registered vehicles in Karnataka for the companies having registered offices in Karnataka
  - Providing assistance for installation of logistics management software: Government of Karnataka may reimburse 50% of cost of installation of logistics management software or Rs. 20,000/- per installation per company; whichever is lower of cost.
- Private participation should be encouraged for the development of Inland Container Depots, Container Freight Stations, Logistics Parks, pre & post-harvest technology centers, warehousing and other infrastructure facilities.
- Trade bodies and industry associations should be encouraged to promote the development of infrastructure, R & D Centre, Training Centre and Testing Centre to augment the development and growth of exports.

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- Private participation, Export Promotion Councils, Trade bodies/Industry Associations would be encouraged to create warehousing facilities overseas for exporters near transit ports to help trans-shipment of goods on mainline vessel

## Chapter 1- Introduction

M/s Food Karnataka Limited (FKL) is a Special Purpose Vehicle (SPV) owned by Karnataka State Government under the administrative control of Karnataka State Agricultural Produce Processing and Export Corporation Limited (KAPPEC). The Food Karnataka Limited (FKL) has a share capital of Rs.10.00 lakh. The main Shareholders of FKL are M/s Mysore Sales International Ltd. (MSIL) with Rs.5.00 lakh (50% share), M/s Karnataka Industrial Area Development Board (KIADB) with Rs.4.00 lakh (40% share) and M/s Karnataka State Industrial & Infrastructure Development Corporation Limited (KSIIDC) with Rs.1.00 lakh (10% share).

The Hon'ble Minister for Agriculture, Government of Karnataka is the Chairman of FKL and the Vice Chairman is the Hon'ble Minister for Horticulture, Government of Karnataka. The Principal Secretary to Government (Horticulture Department), the Secretary to Government (Agriculture Department), The Secretary to Government (Food Processing & Harvesting Technology), The Principal Secretary Government (Finance Department- Expenditure), Commissioner for Industrial Development & Director (Industries & Commerce Department), Director (Horticulture Department), Chief Executive Officer & Executive Member, (Karnataka Industrial Areas Development Board- KIADB), Director of Agriculture (Agriculture

Department) and Managing Director (Food Karnataka Limited) are the members of the board of FKL.

Food Karnataka Limited since it started functioning, has been liaising with the line departments such as Agriculture, Horticulture, Animal Husbandry, Fisheries, Food Processing and Commerce & Industries Departments towards attracting investments into agribusiness and food processing sector. The Government of Karnataka and the Union Governments have been giving special focus and thrust on the agribusiness and food processing activities in order to provide an effective market linkage and value addition to the farm produce.

### 1.1 Vision of FKL

Position Karnataka in a Sustainable Growth Path, by Enhancing Growth in Agro/ Food Processing.

### 1.2 Mission

To reduce post-harvest losses, create employment opportunities in rural areas, and to enhance the level of processing and value addition.

### 1.3 Objectives of FKL

- Reduce post-harvest losses
- Strengthen Value Chain

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- Create Employment Opportunities food Processing Sector
- Development of markets domestically and internationally for the food product coming out from the Food Park

The roles and responsibilities of FKL in strengthening of food processing sector in the State are:

- Identification the potential investors/ entrepreneurs/ farmers groups/ federations/ FPOs for setting up of food processing units in the potential areas;
- Facilitating in getting statutory approvals required from various Departments and bodies;
- Facilitate interaction of entrepreneurs/farmers groups/ associations with banks;
- To provide orientation and awareness on the scheme by organizing awareness camps, workshops, exhibitions & publicity;
- Effective and timely transfer of funds for various activities;
- Monitoring of the scheme in the state;
- Organization of Business to Business (B2B) and Business to Government (B2G) meetings.

### 1.4 Various Schemes implemented by FKL

The FKL associates with various promoters for implementing the Central Government Schemes like Food Park Scheme, Creation/ Expansion of Food Processing and Preservation Capacities (CEFPPC), etc. of Ministry of Food Processing Industries (MoFPI, GoI).

### 1.5 Food Parks Sponsored by FKL

The Food Karnataka Limited published the expression of interest (EoI) in August 2003 for selection of Joint Venture (JV) Partners for promoting 06 agro food parks in Kolar, Bagalkot, Gulbarga, Mandya, Belgaum and Chitradurga Districts as part of its mission and objective. It was envisaged that these food parks would facilitate the food processing units and industries to access the state infrastructure like cold storage, warehouses, dry & wet processing facilities, common effluent treatment plants etc. Out of the 06 parks proposed in the RFP, 04 parks were supported in Karnataka State. The details of the Food parks sponsored by FKL are as under:

## Study of State Sponsored Food Parks in Karnataka

**Table 1.1 Details of the food parks sponsored by FKL**

Sr. No.	Name of Food Park	Location	District	Area of Food Park (Acre)
1	Jewargi Agro Food Park	Jewargi	Kalaburagi	105
2	Green Food Park	Bagalkote	Bagalkote	100
3	Akshaya Food Park	Hiriyur	Chitradurga	106
4	Innova Agri Bio Park	Malur	Kolar	87

### 1.6 Study Objectives and Methodology

FKL supported the above 04 Food Parks for setting up infrastructure facilities for increasing the processing and value additions of agri produce.

The basic objectives of the study are enlisted below:

#### Objectives of study

1. Identify the level of contribution and participation by these food parks to the economic and agricultural progress of Karnataka State
2. Identify the various reasons not favourable to the functioning of these Food Parks
3. Identify the critical requirements of the stakeholders
4. Identify the additional infrastructural requirements in these Food Parks to make them stakeholder friendly

5. Intervention for rejuvenating/strengthening these food parks to increase their participation in the overall economic activity of the area
6. Identify and suggest the Policy modifications to enhance the establishment of the food processing industries in these units
7. State interventions like establishment of logistics and warehousing hubs near or in the food parks and incentivizing the activities needed for its revival/ strengthening.

#### Focus areas of the study:

The focus area of the study will be the Food Parks given in the above table (Table No. 1). The parameters defining the methodology of the study will be as under:

1. Utilisation of Potential of the Common Infrastructure
2. Number of Plots allotted

## Study of State Sponsored Food Parks in Karnataka

3. Extent of Investments in the Food Parks
4. Operation of the Units: Capacity Utilisation
5. Suggestions from the Promoters/ Entrepreneurs/ Operators of the Food Park and Units

### Approach and Methodology

Both qualitative and quantitative techniques used for the Impact Evaluation Study.

Secondary Research method used to collect and gather information on project concept, progress (physical and financial) and monitoring observations. The document for the purpose obtained from M/s FKL.

Primary research method used to elicit response from the Promoters of the Food Parks and Processing Units. All 04 Food Parks were studied under the assignment. Separate Structured open/ close ended questionnaires used for Food Parks and Processing Units within the Food Parks to gather information.

The team from NABCONS visited all the 04 Food Parks and interacted with the Managing Director and other Managerial Staff of the Food Parks and Processing Units in these Food Parks.

The Team from NABCONS also interacted with the Stakeholders who are yet to install their units in the food parks.

The following parameters/ documents were studied for the Impact Assessment:

- a. Invitation of Expression of Interest for promotion and Development of Agro Food Parks in Karnataka issued by Food Karnataka Limited on 06.08.2003.
- b. Joint Venture Agreement
- c. State Support Agreement
- d. Allotment Letter of the plot to the Lessee (Individual Plot Owner)
- e. Possession Certificate issued to the Lessee (Individual Plot Owner)
- f. Letters to FKL and Govt. of Karnataka and MoFPI (Govt. of India)
- g. The potential and utilisation of common infrastructure facilities of the Food Park
- h. The Utilisation of the funds from GoI & GoK and the promoters
- i. Problems faced by each of the food parks in achieving the objectives of the food park
- j. Interaction with allottees of the plots to comprehend the challenges faced by them during the establishment of food processing units in these food parks.
- k. Assessment of reasons for non-establishment of the units by the allottees
- l. The level of operation of the food processing units of the allottees by

## Study of State Sponsored Food Parks in Karnataka

interacting with the heads/ Proprietors/ partners.

- m. The MOUs/ Agreements made between the FKL & Promoters of Food Park and KIADB & Promoters of Food Parks.
- n. The scope for the Government for further investment in these Food Parks for the overall economic development of the area
- o. The scope for making changes in the state's industrial policy interventions to improve the operational viability of the Food Parks
- p. The possibility of establishing logistic hubs in the Food Parks or near to the Food Parks.
- q. Minutes of the Review Meetings
- r. Suggestions for improvement of functioning of the Food Parks.

Accordingly, the Number of Units visited in each food parks and Potential Stakeholders who are yet to establish units in the Food parks are as under:

### 1.7 Constraints of Impact Assessment Study

Impact analysis was done based on pre designed Questionnaires, one – to- one discussions, consultations and discussions with project stakeholders, etc.

The No. of units already established in all these units were very low, hence, the

responses from the promoters of the units are limited.

The Potential Stakeholders turned up for interview and interaction was very less, therefore, the expectations from them are limited.

The team did not get to examine the Detailed Project Reports (DPR), the loan sanction letters from banks to the Food Park, the Escrow account details, details of grant released by Ministry of Food Processing Industries (MoFPI, Govt. of India), project progress reports, documents relating to asset classification by the financing bank, etc. which are important documents to analyze the implementation of the project.

The full details of the prospective plan of establishing the logistics hub and e-marketing were not available for analysis.

### 1.8 Data Analysis

The data collected was compiled in a computerized database to draw relevant information. The recorded data has been analyzed using the suitable data analysis tools like Microsoft Excel. The data generated during the study has been used to calculate the frequencies and percentages. The analyzed data has been evaluated by taking into account the interviews and observations.



## Chapter 2- Details of the Food Park Projects

### 2.1 Jewargi Agro Food Park, Jewargi, Kalaburagi District

As per the Expression of Interest issued by M/s FKL, M/s Rayalaseema Concrete Sleepers Private Limited, a company incorporated under companies Act with its registered office at No. 205 & 206, IInd Floor, Amarchand Sharma Complex, S P Road, Secunderabad 500003 succeeded in the selection process and formed Joint Venture Company (agreement dated 30.08.2004) with name M/s Jewargi Agro Food Park with an authorized share capital of Rs.100.00 lakh (10,00,000 shares of Rs.10/-). The issued, subscribed and paid-up capital of the JV Company was Rs.50.00 lakh. As per the minutes of the meetings held on 18<sup>th</sup> march 2008, the board of FKL in its 21<sup>st</sup> meeting held on 12<sup>th</sup> January 2007 had taken a decision that it need not subscribe to the equity capital of the company. In this view, board has decided to have a State Support Agreement (SSA) in lieu of the JV agreement.

As per the State Support Agreement, FKL shall release state contribution Rs.4.00 crore as grant in aid and remaining amount shall be arranged by the developer through grant from MoFPI, Bank loan and own contribution. Subsequently, the land measuring 105 acre at Jewargi Village by the side of National Highway 50 (Nanded-Chitradurga Highway) in Jewargi Taluk, Kalaburagi (Gulberga) District for establishment of the food park was allotted

by Karnataka Industrial Area Development Board (KIADB). The components of the Food Park and the Means of Finance at the time of State Support Agreement are as under:

**Table 2.1 Components of food park**

Sr. No.	Component	Cost (Rs. lakh)
1	Land (105 Acre)	105.00
2	Land Development	525.00
3	Building and Civil Works	460.00
A	Main Factory Buildings	206.00
B	Administrative Block	29.00
C	Cold Storage	255.00
4	Plant & Machinery	469.00
A	Wet & Dry Pack Machine	206.00
B	Cold Storage Machine	163.00
C	Others	100.00
6	Preliminary & Pre-operative Expenses	156.00
7	Contingencies	78.00
	<b>Total</b>	<b>1793.00</b>

## Study of State Sponsored Food Parks in Karnataka

### Means of Finance

The Means of Finance as per the State Support Agreement is as under:

**Table 2.2 Means of finance**

Sr. No.	Component	Cost (Rs. lakh)
<b>1</b>	<b>Equity</b>	<b>332.00</b>
a	M/s Rayalaseema Concrete Sleepers Private Limited	332.00
<b>2</b>	<b>Grants</b>	<b>800.00</b>
a	Govt. of Karnataka	400.00
b	Govt. of India (MoFPI)	400.00
<b>3</b>	<b>Term Loan</b>	<b>661.00</b>
	<b>Total</b>	<b>1793.00</b>

The eligible Components of the Jewargi Agro Food Park at Jewargi, Kalaburagi as indicated in the grant sanction letter of Ministry of Food Processing Industries (MoFPI) dated 23.08.2007 are as under:

**Table 2.3 Eligible components**

Sr. No.	Component	Cost (Rs. lakh)
1	Water Supply System	87.65
2	Power Supply System	34.80
3	Testing Laboratory	49.50
4	Effluent Treatment Plant/ Water Treatment Plant	70.00
5	Warehouse	66.00
6	Cold Storage	80.00
7	Generator	8.50
	<b>Total</b>	<b>396.45</b>

MoFPI sanctioned Rs.396.45 lakh as grant under Food Park Scheme to M/s Jewargi Agro Food Park at Jewargi, Kalaburagi.

Status of Individual Units within the Food Park

**Table 2.4 Status of Individual Units within the Food Park**

Sr. No.	Particulars	Details
1	Area of Food Park	105 Acre
2	Development of Common Facilities (Food Processing)	44 Acre
3	Development of Plots Individual Units	65 Acre 117 Plots
4	Already allotted to Individuals/ MSME	65 Acre 117 Plots
5	Units under Operation	4 Units
6	Under Progress/ Under Construction	4 Units

## 2.2 Green Food Park, Bagalkote, Bagalkote District

As per the Expression of Interest issued by M/s FKL, M/s Mysore Fruit Products Limited, a company incorporated under companies Act with its registered office at Post Box No. 8615, Mahalakshmpuram, Bangalore- 560086 succeeded in the selection process and formed Joint Venture Company (agreement dated 30.08.2004) with name M/s Green Food Park Limited with an authorized share capital of Rs.100.00 lakh (10,00,000 shares of Rs.10/-). The issued, subscribed, and paid-up capital of the JV Company was Rs.50.00 lakh. As per the minutes of the meetings held on 18<sup>th</sup> March 2008, the board of FKL in its 21<sup>st</sup> meeting held on 12<sup>th</sup> January 2007 had taken a decision that it need not

## Study of State Sponsored Food Parks in Karnataka

subscribe to the equity capital of the company. In this view, board has decided to have a State Support Agreement (SSA) in lieu of the JV agreement.

As per the State Support Agreement, FKL shall release state contribution Rs.4.00 crore as grant in aid and remaining amount shall be arranged by the developer through grant from MoFPI, Bank loan and own contribution. Subsequently, the land measuring 100 acre at Industrial Area, Bagalkote by the side of the National Highway bypass (National Highway 52) (Vijayapura Hubballi Highway) in Bagalkote Taluk, Bagalkote District for establishment of the food park was allotted by Karnataka Industrial Area Development Board (KIADB). The components of the Food Park and the Means of Finance at the time of State Support Agreement are as under:

**Table 2.5 Components of the food park**

Sr. No.	Component	Cost (Rs. lakh)
1	Land (100 Acre)	105.00
2	Land Development	500.00
3	Building and Civil Works	480.00
A	Main Factory Buildings	147.00
B	Administrative Block	50.00
C	Cold Storage	283.00
4	Plant & Machinery	470.00
A	Wet & Dry Pack Machine	173.00
B	Cold Storage Machine	140.00
C	Others	157.00
6	Preliminary & Pre-operative Expenses	232.00
7	Contingencies	77.00
	<b>Total</b>	<b>1859.00</b>

### Means of Finance

The Means of Finance as per the State Support Agreement is as under:

**Table 2.6 Means of finance.**

Sr. No.	Component	Cost (Rs. lakh)
1	<b>Equity</b>	<b>344.00</b>
A	M/s Mysore Fruit Products Limited	344.00
2	<b>Grants</b>	<b>800.00</b>
A	Govt. of Karnataka	400.00
B	Govt. of India (MoFPI)	400.00
3	<b>Term Loan</b>	<b>715.00</b>
	<b>Total</b>	<b>1859.00</b>

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MoFPI sanctioned Rs.400.00 lakh as grant under Food Park Scheme to M/s Green Food Park Limited at Bagalkote, Bagalkote District.

Status of Individual Units within the Food Park

**Table 2.7 Status of Individual Units within the Food Park**

Sr. No.	Particulars	Details
1	Area of Food Park	100 Acre
2	Development of Common Facilities (Food Processing)	45 Acre
3	Development of Plots Individual Units	55 Acre 20 Plots
4	Already allotted to Individuals/ MSME	54 Acre 19 Plots
5	Units under Operation	5 Units
6	Under Progress/ Under Construction	1 Units

### 2.3 Akshaya Food Park, Hiriyyur, Chitradurga District

As per the Expression of Interest issued by M/s FKL, M/s Harsha Seeds & Agro Products Private Limited a company incorporated under companies Act with its registered office at No. 120, Pattamma Road, III Block, Jayanagar, Bengaluru succeeded in the selection process and formed Joint Venture Company (agreement dated 30.08.2004) with an authorized share capital of Rs.100.00 lakh (10,00,000 shares of Rs.10/-). The issued, subscribed and paid up capital of the JV Company was Rs.50.00 lakh. As per the

minutes of the meetings held on 18<sup>th</sup> march 2008, the board of FKL in its 21<sup>st</sup> meeting held on 12<sup>th</sup> January 2007 had taken a decision that it need not subscribe to the equity capital of the company. In this view, board has decided to have a State Support Agreement (SSA) in lieu of the JV agreement.

As per the proposed State Support Agreement, FKL shall release state contribution Rs.4.00 crore as interest free unsecured loan and remaining amount shall be arranged by the developer through grant from MoFPI, Bank loan and own contribution, Subsequently, the land measuring 50 acre at Hiriyyur Village near to National Highway 48 (Mumbai- Bengaluru Highway) in Chitradurga Taluk, Chitradurga District for establishment of the food park was allotted by Karnataka Industrial Area Development Board (KIADB). Later, the area of the food park was increased to 106 acres after allotting additional land parcels to the food park. The components of the Food Park and the Means of Finance at the time of State Support Agreement are as under:

**Table 2.8 Components of the food park**

Sr. No.	Component	Cost (Rs. lakh)
1	Land (50 Acre)	50.00
2	Land Development	350.00
3	Building and Civil Works	495.00
A	Main Factory Buildings	200.00
B	Administrative Block	40.00

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Sr. No.	Component	Cost (Rs. lakh)
C	Cold Storage	255.00
4	Plant & Machinery	494.00
a	Wet & Dry Pack Machine	206.00
b	Cold Storage Machine	163.00
c	Others	125.00
6	Preliminary & Pre-operative Expenses	170.00
7	Contingencies	80.00
	<b>Total</b>	<b>1639.00</b>

### Means of Finance

The Means of Finance as per the State Support Agreement is as under:

**Table 2.9 Means of finance**

Sr. No.	Component	Cost (Rs. lakh)
1	<b>Equity</b>	<b>303.00</b>
a	M/s Harsha Seeds & Agro Products Private Limited	303.00
2	<b>Grants</b>	<b>400.00</b>
b	Govt. of India (MoFPI)	400.00
3	<b>Term Loan</b>	<b>536.00</b>
4	<b>Interest free Unsecured loan (Govt. of Karnataka)</b>	<b>400.00</b>
	<b>Total</b>	<b>1639.00</b>

Components of the Akshay Food Park at Hiriyur, Chitradurga as indicated in the grant sanction letter of Ministry of Food Processing Industries (MoFPI) dated 23.08.2007 are as under:

**Table 2.10 Components of the Akshay Food Park at Hiriyur, Chitradurga**

Sr. No.	Component	Cost (Rs. lakh)
1	Water Supply System	98.24
2	Power Supply System	132.00
3	Electrical Substation, Transformer, Yard	5.00
4	Generator Room/ DG Set	12.25
5	Weigh Bridge	16.50
6	Cold Storage	184.50
7	Warehouse	120.00
8	Quality Control Laboratory	32.00
9	Effluent Treatment Plant/ Water Treatment Plant	80.00
10	Pre-Cooling Chamber/ Equipment	17.00
11	Grading and Packing Hall/ Line	163.00
12	Ripening Sheds	10.60
13	Reject Produce Sheds	5.00
	<b>Total</b>	<b>876.09</b>

MoFPI sanctioned Rs.400.00 lakh as grant under Food Park Scheme to M/s Akshay Food Park at Hiriyur, Chitradurga.

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Status of Individual Units within the Food Park

**Table 2.11 Status of Individual Units within the Food Park**

Sr. No.	Particulars	Details
1	Area of Food Park	106 Acre
2	Development of Common Facilities (Food Processing)	44 Acre
3	Development of Plots Individual Units	62 Acre Plots
4	Already allotted to Individuals/ MSME	44 Acre 74 Plots
5	Units under Operation	9 Units
6	Under Progress/ Under Construction	6 Units

### 2.4 Innova Agri Bio Park, Malur, Kolar District

M/s Bharat Bio Tech Private Limited, a company incorporated under companies Act formed Joint Venture Company (agreement dated 30.08.2004) with an authorized share capital of Rs.100.00 lakh (10,00,000 shares of Rs.10/-). The issued, subscribed and paid-up capital of the JV Company was Rs.50.00 lakh. As per the minutes of the meetings held on 18<sup>th</sup> march 2008, the board of FKL in its 21<sup>st</sup> meeting held on 12<sup>th</sup> January 2007 had taken a decision that it need not subscribe to the equity capital of the company. In this view,

board has decided to have a State Support Agreement (SSA) in lieu of the JV agreement.

As per the proposed State Support Agreement, FKL shall release state contribution Rs.4.00 crore as grant in aid and remaining amount shall be arranged by the developer through grant from MoFPI, Bank loan and own contribution. Subsequently, the land measuring 50 acre in Malur Village in the Industrial Area near to the National Highway 75 (Mangaluru – Vellore Highway) in Malur Taluk, Kolar District for establishment of the food park was allotted by Karnataka Industrial Area Development Board (KIADB). Later, the area of the food park was increased to 87.74 acre after allotting additional land parcels to the food park.

#### Means of Finance

The Means of Finance as per the State Support Agreement is as under:

**Table 2.12 Means of finance**

Sr. No.	Component	Cost (Rs. lakh)
<b>1</b>	<b>Equity</b>	<b>344.00</b>
A	M/s Bharat Bio Tech	344.00
<b>2</b>	<b>Grants</b>	<b>800.00</b>
A	Govt. of Karnataka	400.00
B	Govt. of India (MoFPI)	400.00
<b>3</b>	<b>Term Loan</b>	<b>715.00</b>
	<b>Total</b>	<b>1859.00</b>

## Chapter 3- Observations during the Field Visit To The Various Food Parks

### 3.1 Jewargi Agro Food Park, Jewargi, Kalaburagi District

- The food park is situated by the side of the National Highway 50 at a distance of approximately 2 km from Jewargi town.
- The Main gate of the food park directly open to the National highway and therefore, no separate approach road is required.
- Gate and security cabin are constructed. The barbed wire fencing was available at major portions of the boundary of the food park.
- The internal roads are black topped and suitable for all weather and connecting to various common infrastructure facilities.
- Borewells were already dug in the food park at 02 points. The over-head tank for water supply was also completed. It is informed that the water supply within the food park and to the units set inside the FP is sufficient.
- A rain water harvesting pond is also constructed near to the main gate of the food park.
- Uninterrupted electrical power supply is available to the food park and the units. The dedicated transmission line and transformer are available. Street lighting and is also completed.
- Admin Building (Site Office) was completed. However, the corporate appearance with proper conference room, meeting room, office space for units/ entrepreneurs, guest rooms.
- The Infrastructure Facility including the processing line is constructed, however, lying un-utilized and the capacity utilization is 0%.
- The storage infrastructure like dry warehouse (4000 MT) and cold storage (1000 MT) are constructed, however, the capacity utilization is as low as 20%.
- The Food Park has allotted 117 plots to the individuals/ entrepreneurs since its inception. However, the proper boundary demarcation was not available for each plots. There are no issues related to encroachment of land and breaching the boundary are not reported.
- Out of these 117 plots, only 04 units were established and 04 are under construction.
- The visiting team visited all 04 individual processing Units which are functioning within the food park. It was informed that the units did not get sufficient support from the food park for credit linkage, marketing and exports.
- It was informed and learnt that the units established within the parks procure the raw materials for processing and value addition from nearby catchment area of 50- 80 km radius only.
- It is informed that the allottees of the

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plots are not very keen to establish units in the park. It may be seen from the list of allottees, the majority are farmers and local individuals belonged to Kalaburagi and neighboring districts.

- During interaction with the allottees yet to start the units inferred that they applied for the plots without any proper and clear ideas about the food park and what to do with the plots in the food park. As the developed plots were available to individuals at a reasonable price, they applied for the plots and lease agreements were executed.
- It appears that no proper screening of applicants was done for allotment of plots and the allotment was done on first come first serve basis.
- Majority of the plots were allotted before 2014 and these plots are vacant and no units was established, however, the Food Park authorities did not issue any show cause notice or conducted any hearing with the allottees though provisioned in the lease agreements. This is a major reason for poor performance of the food park.
- It was also informed that the management had inclination towards farmers in and around the area and desired that the plots should be allotted to local farmers only.
- The sewage treatment plant and effluent treatment plants are constructed within the food park.
- The lab for testing of agri produce has

been set up in the admin building during the year 2020.

- It was informed that the advertisement in newspapers, internet and other media did not yield good responses from real potential entrepreneurs. However, the plots are issued to the entrepreneurs locally and within the State of Karnataka.
- It was informed by the Food Park promoters and entrepreneurs that the local authorities are helpful to a great extent and supportive to the requests and requirements.
- The entrepreneurs have availed term loan and credit limits from the financing institutions and did not face any issues in mortgaging of the leased plots. However, it was informed that the financial institutions demanded additional security cover (collateral security) for the loans sanctioned.
- It was observed that one of the individual investors whose plot is near to the National Highway has opened up the boundary fencing and entering the plot directly from highway and avoiding the main entrance gate. This is a security issue and may create reputation risk to the food park
- It appears that the individual promoters of the units have also constructed house like buildings in the plots and are staying there with their family. This act of the entrepreneurs is not suitable to the system of food parks and reduces the standard of the food park.



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- It is also understood that the food park officials have no control over the units or its business activities.
- The Promoters of the food parks informed that a few plots in the food park is earmarked for developing as logistics hub and container transshipment terminal. The promoters are hopeful that the infrastructure as logistics hub will sufficiently return to the promoters as the food park alone could not add any wealth to the promoters and instead, eroded their net worth.
- The cold storage of 1500 MT was lying vacant.
- The warehouse was used for storage of food grains which are being distributed by Civil Supplies Corporation.
- food park.
- The all-weather internal roads are not constructed inside the food park.
- Surface water drains are not constructed.
- Borewells were already dug in the food park at 02 points.
- As per the land allotment letter from KIADB to the JV, permission for drilling the borewells in the land allotted was prohibited. Further, the required water supply should be obtained from KIADB only.
- However, KIADB could not supply required water to the food park. As there is no other water supply to the food park, the food park authority supply water in tankers to the entrepreneurs for construction works.

### 3.2 Green Food Park, Bagalkote, Bagalkote District

- The food park is located near to the National Highway 52 at a distance of 3 km approximately and also near to the industrial area. The food park is situated by the side of the bypass road to the city from the National Highway.
- The Main gate of the food park directly opens to the National highway and therefore, no separate approach road is required.
- Gate and security cabin are constructed. The barbed wire fencing was available at major portions of the boundary of the
- It is observed that the units established within the Food park are such units which do not require water for its operations. However, the new milk processing unit being set up by Karnataka Milk Union requires lot of water and for which the unit has already drilled borewells.
- In is informed that the food park authorities approached the local government departments for uninterrupted water supply by laying new piped connections from nearby waterbody, which is still in initial stage of discussion.
- Rain water harvesting structure is not constructed within the food park.
- Uninterrupted electrical power supply is

## Study of State Sponsored Food Parks in Karnataka

available to the food park and the units. The dedicated transmission line and transformer are available. Street lighting is also available in main points of the food park.

- A Site Office with single room and toilet facility constructed. The corporate appearance with proper conference room, meeting room, office space for units/ entrepreneurs, guest rooms, water and sanitation facilities, etc. is not available.
- The Infrastructure Facility including the processing line is not constructed.
- The storage infrastructure like dry warehouse and cold storage are constructed, however, the capacity utilization is as low as 20%.
- The Food Park has allotted 19 plots to the individuals/ entrepreneurs since its inception. However, the proper boundary demarcation was not available for each plot. There are no issues related to encroachment of land and breaching the boundary are not reported.
- Out of these 19 plots, only 06 units were established and the milk processing unit by Karnataka Milk Union was under construction.
- The visiting team visited all 06 individual processing Units which are functioning within the food park. It was informed that the units did not get sufficient support from the food park for credit linkage, marketing and exports.
- It was informed that the two units in the

food park stopped functioning due to financial problems.

- It appears that no proper screening of applicants was done for allotment of plots and the allotment was done on first come first serve basis.
- It was informed and learnt that the units established within the parks procure the raw materials for processing and value addition from nearby catchment area of 50- 80 km radius only.
- The lease period for the food park to complete the infrastructure work was ended in 2015. As the food park construction work was not complete, the individual allottees could not start the establishment of units. Further, the plot allottees could not secure financial support from banks for setting up units as the lease agreement was not valid. Further, the lease agreement was renewed till 2020 (communicated in 2019) which was not sufficient for the individuals to secure the loans and establish the units.
- The plot owners who constructed the units are not able to avail institutional credit (Term loan or cash credit) yet. Therefore, these units had to approach money lenders for financial support at a higher rate of interest say 16 to 20% p.a.
- The issue of extension of lease is still not resolved.
- It was informed that a major chunk of land (21 acre) was allotted to a potential entrepreneur to establish a beverage

## Study of State Sponsored Food Parks in Karnataka

manufacturing unit which require huge quantity of water for processing. However, due to the non-availability of water, the unit is still not established.

- It seems that due to the issues with water supply and lease agreement, the allottees of the plots are not very keen to establish units in the park.
- The sewage treatment plant and effluent treatment plants are not constructed within the food park.
- The lab for testing of agri produce has not been set up in the food park.
- It was informed by the Food Park promoters and entrepreneurs that the local authorities are not helpful and not empathetic to the requests and requirements.
- The plot allottees who established the units were blaming the food park officials for not completing the works in food park and problems faced by them for obtaining bank loans, whereas, the food park officials blaming the KIADB for not extending the lease period and issues with water supply.
- The plot allottees indicated that the food park authority is not showing true interest in resolving the issues.
- It is also understood that the food park officials have no control over the units or its business activities.
- The cold storage of 2500 MT was lying vacant.
- The warehouse was used for storage of food grains which are being distributed

by Civil Supplies Corporation.

- It was informed that the land allocated was undulating; therefore, a huge amount was spent for the land development works. This led to the escalation of the cost.

### 3.3 Akshaya Food Park, Hiriyur, Chitradurga

- The food park is situated in Hiriyur village in Chitradurga district. The project site is approximately 2.5 km away from National Highway Hubbally-Bengaluru National Highway (part of Asian Highway).
- The approach road from the National Highway is very narrow and the carriage way is not sufficient for moving and maneuvering for a standard sized truck say 20 feet body length. The boundary walls and barbed fencing along the boundaries are constructed.
- Gate and security cabin are constructed.
- The blacktopping of the carriage way is not done. Due to this, during the vehicular movements, the dust and sand particles are floating in the air, which is the un-hygienic.
- Borewells were already dug in the food park at 04 points. It is informed that the water supply within the food park and to the units set inside the FP is sufficient. Additional 06 borewell points were also identified for drilling to supply water to the units to be established inside the FP.

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- Uninterrupted electrical power supply is available to the food park and the units. The dedicated transmission line and transformer are available. Street lighting is also installed.
- Admin Building (Site Office) was completed. However, the corporate appearance with proper conference room, meeting room, office space for units/ entrepreneurs, guest rooms
- The Infrastructure Facility including the processing line is constructed, however, lying un-utilized and the capacity utilization is 0%.
- The storage infrastructure like dry warehouse (4500 MT) and cold storage (1500 MT) are constructed, however, the capacity utilization is as low as 25%.
- The Food Park has allotted 74 plots to the units since its inception.
- Out of these 74 plots, only 09 units were established and 06 are under construction.
- The visiting team visited all 09 individual processing Units which are functioning within the food park. It was informed that the units are not facing any other problems other than the narrow approach road and muddy internal roads.
- Two trucks of standard size cannot be moved (side by side) on the approach road and if bigger trucks are coming, the staff of the food park or units manage and divert the traffic with the help of walkie talkies and mobile phones, which is time consuming, causing delay in delivery of raw materials or departure of processed food items.
- The promoters of the units indicated that due to the narrow approach roads, the transportation of the processed food items especially bulk stored items are initially transported to some place near to the National Highway in small trucks. Then, these barrels/ cans/ packages will be shifted to bigger trucks. This is causing inconvenience to the entrepreneurs in terms of time, energy and additional financial burden and risk of handling the processed food in the open un-hygienic area outside the food park.
- It was informed and learnt that the units established within the parks procure the raw materials for processing and value addition from nearby catchment area of 50- 80 km radius only.
- The Gherkin processing unit installed within the food park has entered into contract farming with the farmers for production of gherkins as per the quality and quality requirement of the unit. The Entrepreneur provide the inputs to the farmers on contract farming including advance amount for procuring the gherkin. The entrepreneur collect the gherkin from the farm gate and further processing and value addition is being done at the unit. The unit export the processed gherkins to United State of America and European Countries.

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- It was informed that the promoters of the food park initially attempted supply of inputs to nearby farmers for production of certain crops, conducted training and capacity building of the farmers. However, the response from the farmers was poor and not forthcoming.
- The sewage treatment plant and effluent treatment plants constructed within the food park is being utilized.
- The Food Park authority has issued show cause notice to the allottees seeking the reasons for not establishing units within the food park.
- The promoters of the Food Park are in the process of cancelling the allotment of plots for those entrepreneurs who are not planning to install their units within a reasonable time.
- The lab for testing of agri produce has been set up in the admin building, however, the equipment are old and obsolete.
- It was informed that the advertisement in newspapers, internet and other media did not yield good responses from real potential entrepreneurs. However, the plots are issued to the entrepreneurs locally and within the State of Karnataka.
- It was informed that based on the request of the Food Park promoters, the local authorities agreed to construct and develop the approach road to the other side of the village which also required land acquisition. However, as on the date, it was informed that the land is not acquired or any budget was not allocated for the construction of the new approach road.
- It was informed by the Food Park promoters and entrepreneurs that the local authorities are helpful to a great extent and supportive to the requests and requirements.
- The entrepreneurs have availed term loan and credit limits from the financing institutions and did not face any issues in mortgaging of the leased plots. However, it was informed that the financial institutions demanded additional security cover (collateral security) for the loans sanctioned.
- The Promoters of the food parks informed that a few plots in the food park is earmarked for developing in infrastructure. The promoters are hopeful that the infrastructure as logistics hub will sufficiently return to the promoters as the food park alone could not add any wealth to the promoters and instead, eroded their network.

### 3.4 Innova Agri Bio Park, Malur, Kolar District

- The food park is situated near to the National Highway 75 at a distance of approximately 15 km from Hoskote town. The Food Park is located within the Malur Industrial Area.
- The Main gate of the food park directly

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open to the road which is part of the Industrial Area and no separate approach road is required.

- Gate and security cabin are constructed. The boundary wall was available at major portions of the boundary of the food park.
- The internal roads are either black topped or concreted and suitable for all weather and connecting to various common infrastructure facilities. The black topping was done at the time of construction of the Food Park. Due to heavy vehicle movements for transportation of building materials and machineries for setting up of the units, the road needs relaying at some places. The Food Park officials indicated that the internal roads are being concreted for longer life.
- Borewells were already dug in the food park at 09 points. The underground sump for water supply was also completed. It is informed that as per the lease agreement from KIADB, the food park cannot construct borewells in the park. It was informed that 02 rain water harvesting ponds have already been constructed and another 02 ponds are in planning stage.
- The water supply within the food park for the units is supplied by the FP people.
- It was informed that due to the constraints in the water availability, the units established within the food park are such that the processing requires

very less water.

- It was informed that the power supply is not consistent and has intermittent cuts, therefore, the Food Park has obtained a dedicated and uninterrupted 66 KV supply from Malur Substation.
- This dedicated electric line is also available for the units; however, the units are drawing power from the normal lines only. The power supply from the substation is availed from a few units only. The transmission line and transformer are available. It was informed that the street lighting is not completed.
- Due to the frequent power cuts, the entrepreneurs have informed that the unit is working during the time when the power is available and kept shut down during the power cut time.
- Admin Building (Site Office) was almost completed with corporate appearance having proper conference room, meeting room, office space for units/ entrepreneurs, guest rooms, water and sanitation facilities, etc.
- The storage infrastructure like dry warehouse (4000 MT) and cold storage (4000 MT) are constructed and utilized to the extent of 100%.
- The Food Park has allotted 19 plots to the individuals/ entrepreneurs since its inception. There are no issues related to encroachment of land and breaching the boundary are not reported. The landscaping of the land within the food

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park is also done.

- Out of these 19 plots, only 05 units were established and one unit is under construction.
- The visiting team visited all 05 individual processing Units which are functioning within the food park. It was informed that the Food Park facilitate the units and support for marketing and exports.
- It was informed and learnt that the units established within the parks procure the raw materials for processing and value addition from distant places like Mangaluru, Bidar, Kalaburagi, Hyderabad, Guntur, etc. which are even 500 km away from the FP.
- The FP was created to focus on processing and value addition of fruits and vegetables. As the raw material procurement is not sufficient, the FP officials indicated that the raw material are sourced from distant locations.
- The FP has also set up an integrated packhouse accredited by APEDA and used for primary processing and packing of fruits and vegetables for domestic and export market.
- The Food Park has also set up a 'Gamma Irradiation Facility' of 20 MT/ day capacity. The facility was established under the Cold Chain Scheme of MoFPI and received Rs.316.00 lakh as grant. The Unit is accredited by British Retail

Consortium (BRC), United States Drug Administration (USDA), etc. and under the control of Bhabha Atomic Research Centre (BARC- Mumbai). The main fruits which are irradiated are mango and pomegranate and spices.

- The sewage treatment plant and effluent treatment plants are constructed within the food park.
- The lab for testing of agri produce has been set up in the admin building.
- It was informed by the Food Park promoters and entrepreneurs that the local authorities are helpful and supportive to the requests and requirements to limited extent only.
- The entrepreneurs have availed term loan and credit limits from the financing institutions and did not face any issues in mortgaging of the leased plots. However, it was informed that the financial institutions demanded additional security cover (collateral security) for the loans sanctioned.
- One of the entrepreneur is setting up spice processing unit without availing finance support from any banks. It was informed that the promoter wanted to set up a unit immediately to tap the business demand in the market. As the process of availing bank finance is very long and tedious, he did not proceed to avail the loan from banks.

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### 3.5 Conversion of Joint Venture Agreement (JVA) in to a State Support Agreement (SSA)

As per the minutes of the review meeting held under the chairmanship of the Principal Secretary to Govt. Commerce & Industries department on 18<sup>th</sup> March 2008, Chairperson, FKL informed the Principal Secretary that, upon signing the Joint Venture Agreement in August 2004, FKL planned to invest up to 26% of the State's planned contribution of Rs. 400 lacs per food park in the equity capital of the companies implementing the parks, with the remaining funds going toward development aid. The Board of FKL decided at its 21st meeting, held on January 12, 2007, that it was not required to subscribe to the equity capital of the company because doing so raises issues such as nominee directors taking responsibility for statutory and other defaults committed by JV Companies, and participation in management through proportionate representation on the Board. In light of this, the Board has decided to replace the JV Agreement with a State Support Agreement (SSA), which would contain the majority of the JV Agreement's crucial clauses as well as a shareholders' and subscribers' agreement. Further, Chairperson added that the State contribution to the Food Parks of Malur, Jewargi, and Bagalkot would be considered as a grant, and the State contribution to the Food Park of Hiriyyur would be considered as an interest-free unsecured loan.

In the above meeting, representative of each food park viz., Innova Agri Bio Park Ltd., Akshay Food Park, Green Food Park and Jewargi Agro Food park were present and decision on the SSA was made in the same meeting. Therefore, as per SSA, the role of Food Karnataka Limited (FKL) was to be a facilitator to the food parks for the effective implementation and smooth operations. **Brief of obligations of FKL** are as follows:

- i. Assist the promoter/developer obtain authorizations, clearances, and approvals related to the project's development.
- ii. Assist the developer/promoter in acquiring the utilities and infrastructure that they require, such as water, electricity, and telecommunications
- iii. FKL shall designate an impartial engineer to oversee the progress of infrastructure and other facilities development on the project site
- iv. FKL shall provide Rs.4,00,00,000.00 as project support to the promoters. It shall be disbursed in 4 installment of 25% each.



## Study of State Sponsored Food Parks in Karnataka

### Obligations of Promoters:

As per article, no. 3 of SSA, promoters shall invest, design, engineer, construct, commission, operate, market, maintain and manage the project during the agreement period. Brief of obligations of promoter are as follows:

- i. For due and punctual performance related to the project, the promoter has delivered a bank guarantee to FKL for a sum of Rs.92.95 lakh and it shall be valid during the agreement period.
- ii. Promoter shall make financing arrangements to develop and implement the project in timely manner.
- iii. Promoter shall prepare the project development plan in accordance with the business plan submitted along with its bid. Moreover, while implementing the project significant deviations from the project development plan shall not be made by the developer without prior written consent of FKL.
- iv. Project implementation-
  - a. The promoter shall develop the project infrastructure in accordance with submitted project development plan.
  - b. The developer shall adhere to the construction requirement and timeline of completion.
  - c. The promoter shall utilize the project support for financing of project and submit comprehensive report for the same quarterly basis.
  - d. The developer may undertake construction works or through contractor. Developer shall remain solely responsible to meet construction requirements.
  - e. The developer shall maintain proper record books to assess the construction work by FKL and appoint a statutory auditor to audit books of the accounts.
  - f. The developer shall follow applicable laws and obtain required approvals and permission for implementation of the project.
  - v. The promoter shall operate and maintain the project in accordance with Good Industry Practices and applicable laws and solely responsible to meet the requirement of the project for smooth run. Moreover, in case of failure, the developer shall be deemed to be in material breach of the agreement.
  - vi. During agreement, promoter shall bear cost and expense for all insurances in respect of the project site and facility in accordance with the Good Industry Practices.
  - vii. Promoter shall obtain environment, health and safety aspect compliances for the project implementation.

## CHAPTER 4- Challenges Encountered by the Food Parks

The impact assessment study framework has taken into account the issues faced by the promoters, Individual Units, Entrepreneurs, and other stakeholders of the scheme.

### 4.1 Jewargi Agro Food Park, Jewargi, Kalaburagi District

#### a. Delayed Implementation of the Food Park

The Food Park works was started in 2006, however, the promoter is still seeking time for completing the works in the food park. The reasons indicated are problems with water supply, delay in release of bank loan, MoFPI grants and State Government support.

#### b. Transformation of JV to State Support Agreement

Initially, the Food Park was to be implemented jointly by the JV Partners (M/s FKL and M/s Rayalaseema Concrete Sleepers Private Limited) with an equity share of 26% and 74% respectively. However, as per the minutes of the meetings held on 18<sup>th</sup> March 2008, the board of FKL in its 21<sup>st</sup> meeting held on 12<sup>th</sup> January 2007 had taken a decision that it need not subscribe to the equity capital of the company. In this view, board has decided to have a State Support Agreement (SSA) in lieu of the JV agreement.

As per the State Support Agreement, FKL shall release state contribution Rs.4.00 crore as grant in aid and remaining amount shall

be arranged by the developer through grant from MoFPI, Bank loan and own contribution. Further, a grant of Rs.400.00 was sanctioned by MoFPI, GoI under Food Park Scheme.

The land allocated to the Food Park was owned by M/s Karnataka Industrial Area Development Board (KIADB) and the land parcel of 105 acre was initially transferred to the food park for implementing the food park within a time period of 03 years.

The series of events indicated above resulted in delay of release of term loan from the financing bank, which also affected the release of the grant support from MoFPI. However, the Food Park was inaugurated in May 2010 started its operations though certain infrastructure like Internal Roads, Drainage, etc. were not complete. The release of bank loan, grant from GoKA and the grant from MoFPI was released over a period starting from June 2007 to April 2011.

This food park including Malur and Bagalkote Food Park as received the in-principal approval during the year 2000 during the 9<sup>th</sup> 5 year plan. Hence it is not coming under GFR norms of GOI. Hence, state matching grants was given as grants only in line with Malur and Bagalkote.

#### c. Cost Escalation

The food park promoter indicated that the

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land allocated to them was highly undulated and therefore, lot of land development works were to be carried out at the Food Park site. This led to cost overrun during the implementation.

### d. Non-establishment of Units

Non establishment of units is due to delay in project implementation leading to loss of confidence about the Food Park project by GOK. However, on completion of the project the opinion of the allottees has positively changed.

## 4.2 Green Food Park, Bagalkote, Bagalkote District

### a. Problems with Water Supply

As per the lease agreement and allotment letter from KIADB, the Food Park could not serve the water requirements of the individual units.

### b. Delay in Implementation

The Food Park is still not completed, and the FP sought time for completion the critical infrastructure such as roads, drainage, etc. which was not granted till date.

The Food Park works was started in 2006, project approval from MOFPI was obtained in the year 2011 and thereby release of grants from both MOFPI, FKL and 2<sup>nd</sup> installment of term loan from banks was delayed until 2020.

### c. Transformation of JV to State Support Agreement

As per the information and documents provided by the promoters of the food park, one of the major setbacks occurred to the implementation of the food park was the transformation of JV in a State Support Agreement.

This not only impacted the financial strength of the promoters and viability of the project, but also affected the proper monitoring and review of the project implementation, control over management decisions, etc. which made the project like a leaning tower.

Further, the promoters started blaming FKL for all financial setbacks happened to the promoters and the project.

## 4.3 Akshaya Food Park, Hiriyur, Chitradurga

### a. Implementation of the Food Park

The Food Park was to be implemented jointly by the JV Partners (M/s FKL and M/s Harsha Seeds) with an equity share of 26% and 74% respectively. However, as per the minutes of the meetings held on 18<sup>th</sup> March 2008, the board of FKL in its 21<sup>st</sup> meeting held on 12<sup>th</sup> January 2007 had taken a decision that it need not subscribe to the equity capital of the company. In this view, board has decided to have a State Support Agreement (SSA) in lieu of the JV agreement.

As per the State Support Agreement, FKL shall release state contribution Rs.4.00 crore as interest free unsecured loan and remaining amount shall be arranged by the developer through grant from MoFPI, Bank

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loan and own contribution. Further, a grant of Rs.400.00 was sanctioned by MoFPI, GoI under Food Park Scheme.

The land allocated to the Food Park was owned by M/s Karnataka Industrial Area Development Board (KIADB). However, the Food Park was inaugurated in May 2010 started its operations though certain infrastructure like Internal Roads, Drainage, etc. were not complete. The release of bank loan, unsecured loan from GoKA and the grant from MoFPI was released over a period starting from Aug 2007 to April 2011.

### **b. Transformation of JV to a State Support Agreement (SSA)**

As per the information and documents provided by the promoters of the food park, one of the major setbacks occurred to the implementation of the food park was the transformation of JV in a State Support Agreement.

### **c. Leasing and Sub-leasing of the Plots**

A land parcel of 50 acre was allocated initially for the food park in July 2005 for construction of the infrastructure facilities. The construction of the project works started in February 2006. The reasons indicated in para-a. above resulted in delay in completion of the works. Further, the sub-leasing of the plots to potential entrepreneurs started in June 2012. However, the response from the entrepreneurs was very poor citing the incomplete internal roads and other

facilities. It was also informed that the narrow road from the National Highway to the Food Park was also a major deterrent for the entrepreneurs to set up the units in the park.

### **d. Financial Closure and Recovery of Term Loan**

As the release of the grant instalments were delayed due to several reasons, the promoters had to invest all available resources from their hand to complete the project. However, the project could not be implemented within the scheduled time of three years and the bank restructured the term loan. Due to the issues with leasing of the plots, the promoters could not service the term loan obligations and the loan was classified as Non-Performing Asset (NPA) and the bank initiated the recovery measures by way of issuing recovery notice under SARFAESI Act 2003. It was informed that the term loan obligation to the bank was cleared from own sources.

The Promoters have issued show cause notice to the entrepreneurs/ individuals who were allotted the plots but yet to establish. The Food Park in turn will be cancelling the allotments to these entrepreneurs/ individuals and will be re-allotting to other potential entrepreneurs.

### **e. Interest free unsecured loan from FKL**

The GFR2005 rules stated through the letter no 4-120/2005/F&VP/NE dated 12.03.2007 from MOFPI did not permit Akshaya Food Park to avail financial assistance from

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multiple agencies (both state government and MoFPI). In such a case due to the want of project approvals which was mandatory for the receipt of grant from MOFPI, the promoters of Akshaya Food Park, had to forego the state grant and instead accept the interest free unsecured loan through FKL, for 10 years, on account of the GFR2005 rules, for the apprehension of losing out on the approval and grant from MoFPI. This situation of financial unviability was further aggravated due to the non-infusion of equity from FKL into AFPL due to conversion of JV into a State Support Agreement (SSA). This further deteriorated the bankability of the project. However, this led to the state support interest free unsecured loan instead of state government grant, which greatly affected the viability of Akshaya Food Park. The conversion of non-repayable state government assistance into repayable no-interest unsecured loan was detrimental to the viability of the project.

### 4.4 Innova Agri Bio Park, Malur, Kolar District

#### a. Issues related to the Local Self Government (LSG)

It was observed that as per the lease agreement from KIADB with the promoter, the Food Park and units within the food park has to obtain the approvals for buildings and others and then again approach the LSGs for approvals and permissions. This has created confusion among the entrepreneurs and units. A few units have approached the LSG

directly for statutory permissions by passing KIADB. The LSG authority granted the permissions without the knowledge of the KIADB. However, KIADB has issued sub lease agreements for the units.

#### b. Ignorance of Potential Entrepreneurs on Single Window System

The units within the FP were not aware of the single window system for resolution of issues related to investors and other authorities. The Food Park officials couldnot direct the investors to approach the single window system chaired by the District Collector.

#### c. Inadequate support from the Facilitating Agencies

The Food Park officials indicated that the support from the agencies like APEDA, Spices Board, Horticulture Department, etc. is not adequate or encouraging to the potential investors. The documentation process for various facilities from these agencies is very cumbersome, however, the importers insist accreditation and registration from these agencies.

#### d. Inadequate Awareness of the Producers and Farmers

The Food Park focus on processing of fruits and vegetables which have high export demands in foreign countries. The farmers and producers are not aware about the standards and requirements of foreign exporters. Hence, the probability of rejection

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of the processed food being exported is high and the food park people are incurring losses due to rejection by the importing countries. Moreover, the disposal of the rejected food incur additional expenses.

### **e. Inadequate response from the Potential Investors**

The Food Park received poor responses from the investors due to various reasons. One of the group companies of the promoters of the promoter set up a vaccine manufacturing unit for Human and Animals in a land parcel of 12.5 acre. Another Group Company use the entire integrated packhouse and cold store in the Food Park. The party has also constructed processing unit for spice. This has resulted in using of the major facilities in the food park exclusively by the promoters and the facilities are not available for new entrepreneurs. The essence of Food Park concept is not complied here. This has further resulted in poor response from the entrepreneurs.

### **f. Time taken for processing of loan applications by Banks.**

One of the Entrepreneurs indicated that he did not avail bank loan for setting up the processing unit. The reasons being the long turnaround time and tedious process involved. This has resulted in his ineligibility

to avail grants and subsidies from credit linked schemes of Central & State Governments. This is a point for discussion by the policy makers as the potential borrower invested his hard-earned money in setting up units and the bank has lost a potential & credit worthy borrower.

The Food Park officials may pro-actively support the entrepreneurs for obtaining financial support in terms of term loan or working capital. The FP may think of arranging or tie ups with the commercial banks for avoiding such issues.

### **g. Additional support for Unique Infrastructure Facilities**

The Food Park has set up additional set Gamma Irradiation Unit that is first in the country in private sector, under MoFPI scheme. As the source of the Gamma Irradiation is radioactive material, which is being eroded day by day irrespective of the use and therefore, the source material (Cobalt 60) has to be replenished on yearly basis. The cost of replenishing the radioactive source is very huge say Rs.250.00 lakh which is to be done on a regular basis. However, the irradiation unit brings a lot of foreign money to the country by export of the irradiated fruits, there is no incentives available for the replenishment of the source material from State Govt. or Central Govt.

## Chapter 5. Stakeholders, their Interventions and the Interconnectivity among Stakeholders for the Success of Food Parks and Food Sector in Karnataka

For any scheme, policy or intervention to be *grounded and for its intended impact to be experienced* by the beneficiaries, in this case the Food Parks and the industrial units with the Food Parks, it *requires numerous stakeholders to come together and contribute through their competences.*

Further, the *roles and responsibilities of each stakeholder must be clear and the precise point* where the responsibility of taking the scheme/ policy/ *intervention is handed over*

from one stakeholder to the other needs to be indicated.

*The various Government Orders dated back to 2002 and 2003 were precisely structured to include the stakeholders and their objective were also sequenced accurately. However, the only drawback was that these directives were not complied lock-stock-and barrel and even if implemented certain elements were skipped or alternatively sequenced in the order different from that proposed.*

### 5.1 Department of Industrial Development and Industries and Commerce (until 2004) Department of Harvest Management and Post Harvest Technology (from 2004)

#### 5.1.1. Background

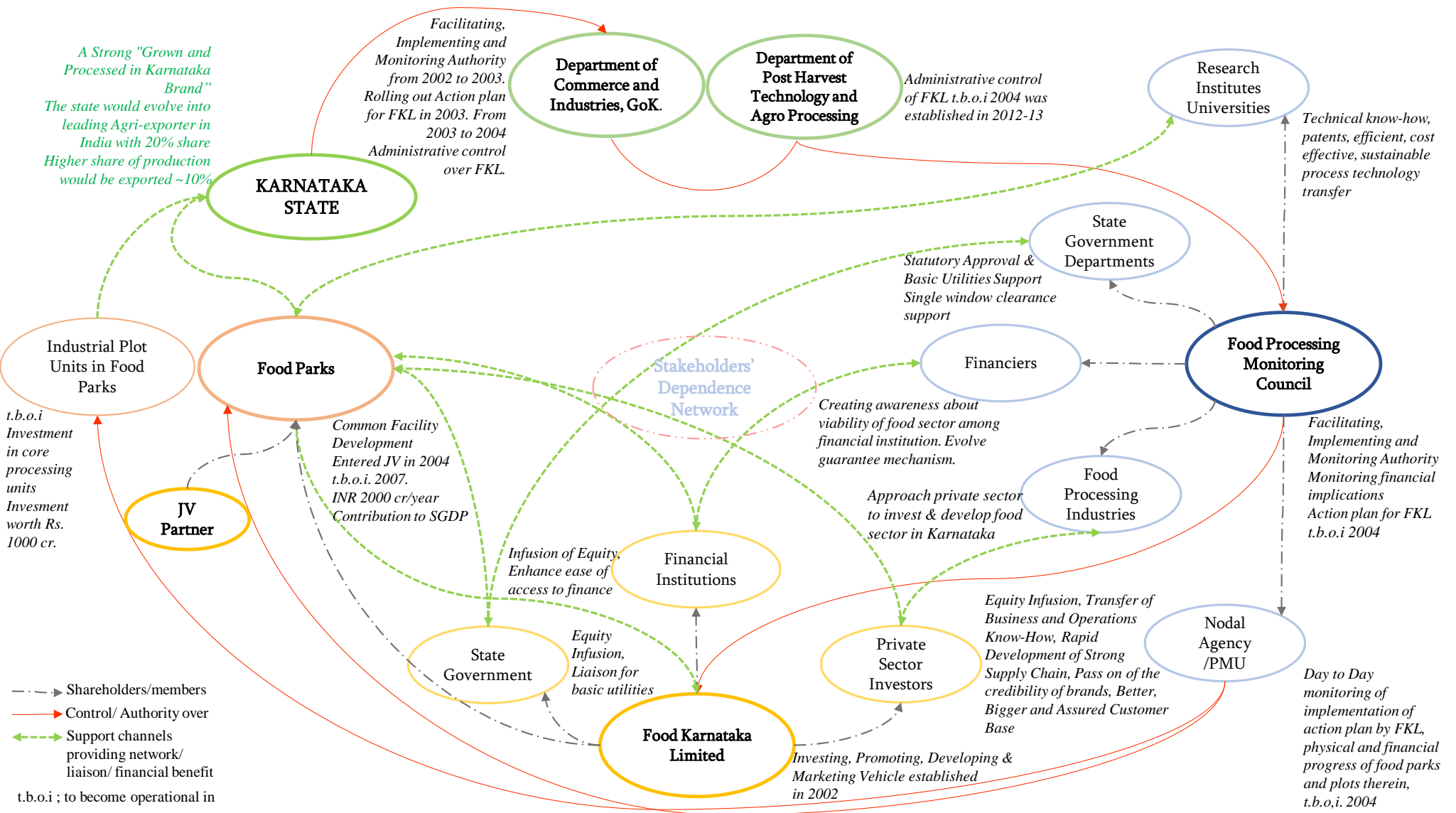
Commissioner for Industrial Development and Director of Industries and Commerce was authorized to take the following steps in connection with Food Karnataka Limited. Reference Document: Order No CI 20 SPI 1999(P), Bangalore Dated 13.12.2002.

Eventually, the administrative control over FKL was passed on to the Department of Post Harvest Technology and Agro Processing through GO NO CI 29 SPI 2002 dated 02.01.2004

#### 5.1.2. Role and Objectives of Department of Industrial Development and Industries and Commerce

- a. Mobilize equity contribution from National Level Financial Institutions such as ICICI, IDBI, IFCI and Banks as also Private Sector Firms/Association (85% of the equity of FKL was to be mobilized and 15% equity, i.e., Rs. 10 lakh was invested by the State Government through KIADB/KSIIDC/MSIL
- b. To draw up the memorandum and articles of association in consultation with the participating shareholders.

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c. To incorporate the Joint venture Company, Food Karnataka Limited

d. To prepare an action plan for expeditious implementation of Food Agro Technology Parks through Food Karnataka Limited

## 5.2 Food Processing Monitoring Council

### 5.2.1. Background

Commerce and Industries Department, Government of Karnataka, through the GO No. CI. 29 SPI 2002 dated 28.06.2003, on the Industrial Promotion Policy for Agro Food Processing Industries Policy (IPPAFPIP) Implementation & Monitoring, renamed a prior constituted empowered committee as Food Processing Monitoring Council. The Task Force/ empowered committee on Agro Food Processing Industries which was constituted under the Chairmanship of the Hon'ble Minister for Agriculture and Principal Secretary/ Secretary (Agro Processing and Post Harvest Technology) as Member Secretary, was renamed as Food Processing Monitoring Council (FPMC) through the GO dated 28.06.2003.

The FPMC was to comprise of the following members:

- Research institutes
- Food processing industries
- Universities and academia
- Government of Karnataka (various monitoring Depts.)
- Financiers.

### 5.2.2. Role and Objectives of the Food Processing Monitoring Council

This council had the following terms of reference.

- To set up norms
- To advise and for setting up of food processing industries
- To hold seminars and interact with Government Departments and industries for monitoring with a focused approach.
- To advise Government bodies on various aspects of research, development, formulation and implementation, regulations and monitoring sector wise food processing system
- To advise on quality related aspects such as food laws and food safety
- To advise and encourage the food processing industry to adopt eco-friendly technologies and create pollution free environment.
- Closely monitor the Implementation of all policy Initiatives and action plans (included the function of FKL) under this Policy.
- Periodically review the financial and other implications of the policy in practice so that the benefits under the policy are measurable and could be suitably modified in the light of the experience gained.
- At the field level, a Nodal Agency comprising representatives of the

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Agriculture & Horticulture Dept. and the Industries dept. will be set up to take care of day-to-day monitoring of the implementation.

- With respect to incentives and concessions: efforts were to be made by FPMC to fully utilize the benefits under the schemes of Government of India.

### 5.2.3. Expected Outcome from the Intervention from the Food Processing Monitoring Council

FPMC as the council for IPPAFPIP and as per the GO dated 28.06.2003 was responsible for both the implementation and monitoring of the activities of Food Karnataka Limited (FKL). The following elements would be expected outcomes of formation of the FPMC.

- a. Contribution of Council Member Institutions and Departments would direct and ensure that the FKL establishes the necessary infrastructure and thereby a strong brand for food products emerging from Karnataka.
- b. Development of an Action Plan for FKL, Monitoring the implementation of the plan and Providing Corrective modifications where required to align with progress with action plan
- c. Approaching the MoFPI for upgrading the Food Park Scheme in line with newly evolved Mega Food Park Scheme:
- d. Setting up a Nodal Agency for day-to-day monitoring of the implementation of the policy (including FKLs activities)

### 5.2.4. Witnessed Outcome from the Intervention from the Food Processing Monitoring Council

The FPMC though formed through the GO dated 28.06.2003, never came into function and therefore the objectives of forming the FPMC lie uncomplished until date, which has resulted in the following outcomes:

- i. Food Karnataka Limited does not have an action plan nor does it have 85% of the shareholding from private sector companies and financial institutions.
- j. Absence of nodal agency for day-to-day monitoring of implementation
- k. Food Parks and Plots within the Food Parks witnessed delays in obtaining statutory approvals from state government and finance from Banking Institutions
- l. Isolated Food Parks without the backward and forward integration across supply chain
  - i. Operationalization of FPMC and onboarding of the council members as per the GO dated 28.06.2003:
  - j. FPMC to take special interest in infusing the 85% shareholders equity from private sector and financial institutes in FKL and also devising the action plan for FKL.
  - k. FPMC constituted may approach the Ministry of Food Processing Industries to upgrade the Food Parks Scheme to the Mega food park scheme.
  - l. Constituting a Nodal Agency for the day to monitoring of implementation of the action plan decided for FKL and the IPPAFPIP.

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### 5.3 Food Karnataka Limited

#### 5.3.1. Background

"Through the Order No CI 20 SPI 1999 (P) Bangalore, dated 13.12.2002 the Government approved the incorporation of the Joint Venture Company with minority shareholding of state government (to be invested by KIADB/KSIIDC/MSIL, etc.,) to be called Food Karnataka Limited (FKL) subject to the following conditions:

- Total investment in the equity of FKL by KIADB/KSIIDC/MSIL shall not exceed Rs.10 lakhs and
- State support will be restricted to 15% of equity contribution for the actual grant-in-aid released by State Government/ Government of India, whichever is less for the Agro Food Processing Parks as margin money support.

Through the same GO the Commerce and Industries Department was to take further steps in the functioning of the FKL after the investment of equity from the State Government entities:

- Mobilize equity from the financial institution and private sector firms/associations.
- MoA and AoA was to be drawn.
- Incorporate the Joint Venture Company
- Prepare an action plan to be followed by FKL.

Eventually through GO dated 28.06.2003 the role of the Commerce and Industries

department with respect to the implementation of the objective and monitoring of the activities of FKL was passed on to the Food Processing Monitoring Council and eventually the administrative control over FKL was passed on to the Department of Post Harvest Technology and Agro Processing through GO NO CI 29 SPI 2002 dated 02.01.2004.

#### 5.3.2. Role and Objectives of Food Karnataka Limited

The main objectives of FKL as per the GO dated 13.12.2002 were:

- To position Karnataka as the ideal location for investors in India's food industry
- To provide world class infrastructure for Karnataka Agribusiness
- To build "Grown and Processed in Karnataka" as an internationally recognized symbol of quality

Besides this it was stated that the objective of FKL would also be to *reinforce and complement initiatives which the Government of Karnataka has already taken in Agri Food Sector and to promote a higher order of private sector investment in food processing in Karnataka.* The state government initiatives that existed in 2002 included:

- Establishment of Food-Agri Technology Parks in potential locations
- Setting up Agro-Export zones

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- Formulation of an exclusive policy for the Agro-Food Processing Industries

FKL as mentioned in the JV Agreements (now, State Support Agreement) with the Food Parks was to provide and implement at its discretion infrastructural facilities like roads, ports, water supply, airport, telecommunications, network, etc., that may be required for the various food processing units/ industries.

### **5.3.3. Expected Outcome from the Intervention from the Food Karnataka Limited**

The objectives of the FKL when acted upon had the potential to bring about the following outcomes.

#### **i. Strong, Extensive and Reliable Market Linkage**

FKL was to create market linkages for enhancing financial viability of food parks and the industrial plots and strong brand created for food product "Grown and Processed in Karnataka". *Enhancing the brand recognition and the brand recall value would have served as a magnet for Food Sector Investors to invest in Karnataka.* Thereby enhancing the percentage agriculture and allied sector products to be processed and exported as well.

#### **ii. New Entrants in Food Sector in Karnataka would have leveraged on the expertise, credentials and network of renowned and seasoned market players.**

With the infusion of equity in FKL, the private investors would have a *stake in the*

*success of the Food Parks and the plots therein, this would impose the private sectors contemporaries to share their business know how and network among the new entrants in the Karnataka Food Sector.*

#### **iv. Facilitating Developers for Providing and implementing basic infrastructure facilities**

As per SSA, role of FKL was to facilitate developers in developing the basic utilities such as roads, ports, water supply, airport, telecommunication, network etc., to enable promoters to focus on the development of the core infrastructure within the food park

#### **v. Investment by Food Parks in only relevant infrastructure required to bridge the gap in existing supply chain infrastructure of Karnataka.**

The role of the private sector involvement in FKL was not just limited to the enhancing the financial viability. The other advantage it provided was the possibility to leverage on the existing infrastructure that the investing private players have established in the past either within the state or across India. Existing infrastructure from the private investors in the FKL would have been integrated with the new infrastructure being developed by the Food Parks and unit in the food parks, so that repetitive investment in similar infrastructure would be avoided and relevant investment in new infrastructure would be directed.

#### **vi. Fully Operational and Performing Food Parks in the state of Karnataka contributing to the state economy**

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With the contribution and support from all the sector investors i.e., public private and financial institutions into FKL, liaisoning with government for approvals, banks for finance and channel partners for aggregation as well as markets would have been expedited.

The FKL could have further showcased the success of the 4 Food Parks to develop, a food park in each district of Karnataka.

Considering only the 4 Food Parks, under this study were to be operating at fully capacity in 18 years, it would have resulted in :

- a contribution of Rs. 500 crore per annum from each food park, i.e., Rs.2,000 crore per annum from all 4 food parks.
- Investment to the tune of Rs. 1,000 crores in all the food parks only considering the core processing facilities. If the non-core and enabling facilities were to be considered the investment would sum up to Rs. 1,250 crores.

### **vii. Enhanced percentage of agriculture production exported and top-ranking state in terms of agri-exports**

The state would evolve into leading Agri-exporter in India with 20% share in the agriculture exports from India.

With high level of investment in food sector Karnataka would have in 2023 had a minimum of 10% of its agriculture produce exported from India.

### **5.3.4. Witnessed Outcome from the Intervention from the Food Karnataka Limited**

#### **i. Karnataka despite its abundant agriculture and allied sector production is yet to emerge as a state which is investor friendly for investors in the food sector:**

As per latest Annual Survey Industries 2018-19, the total number of factories in the registered food processing sector in the country was 40,579. As per Annual Survey of Industries (2018-19) among the industry, highest numbers of registered factories are located in Andhra Pradesh (13.93% of the total registered factories in FPI sector industries) followed by Tamil Nadu (12.28%), Telangana (9.61%), Punjab (7.67%) and Maharashtra (6.88%).

The 5 states mentioned above have been attracting more investors in the food sector while Karnataka has almost same level of production compared to the states of AP, TN, TS, and MH.

The share of contribution to all-India production from these states is equivalent to the share of contribution by Karnataka, yet Karnataka lacks to attract investors despite the abundant production.

Percentage Share of the State in the All-India Production of Various Sectors						
States	Agri	Horti	Milk	Egg	Meat	Fish
KA	4.24	6.25	4.55	5.81	3.54	4.78
MH	4.72	8.13	6.06	5.51	13.25	0.23
AP	4.21	8.75	7.57	19.16	9.88	28.87

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TN	3.72	5.94	4.39	17.49	7.71	2.11
TS	3.71	1.53	2.82	12.94	9.86	0.54

### ii. The Agreement between FKL and Food Parks was signed in 2004 and the Food Parks remain incompletely developed even after 18 years.

None of the 4 food parks have completely completely occupied industrial plots nor have any of the common infrastructure indicated 100 % capacity utilization in the last 18 years. Marketability and Utilization of the components have mainly been affected due to the following reasons:

- Weak market linkage development
- Support required by the Food Park to access the basic enabling utilities such as access roads, water connections, etc., was not provided in a timely manner.
- Delayed receipt of grants and finances from MoFPI and Banks respectively

Plots remain un-developed, and Capacity Utilization is suboptimal in the various common infrastructure as well as in majority of the units established within the food park.

## 5.4 Food Parks

### 5.4.1. Background

As part of its goal and objectives, Food Karnataka Limited announced an expression of interest (EoI) in August 2003 for the selection of Joint Venture (JV) Partners to promote 06 agro food parks in Kolar, Bagalkot, Gulbarga, Mandya, Belgaum, and Chitradurga Districts. These food parks were supposed to make it easier for food processing units and companies to access

state infrastructure such as cold storage, warehouses, dry and wet processing facilities, common effluent treatment plants, and so on. Four parks were developed out of the six, viz.,

1. Jewargi Agro Food Park at Jewargi
2. Green Food Park at Bagalkote
3. Akshaya Food Park at Hiriyur
4. Innova Agri Bio Park at Malur

### 5.4.2. Expected Role and Objectives of Food Parks

- i. Development of Common Infrastructure facilities and services for the benefit of Food value chain and Food supply chain stakeholders
- ii. Requires periodic upgradation of food parks based on upgraded technologies, growth, and market demands.
- iii. To facilitate reducing the cost of handling and manufacturing and cost of development and operations of MSMEs of FPI, for having better edge over competition.
- iv. To establish Warehousing, Logistics & e-trading facilities to support backward & forward linkages, and to support exports and domestic market sales.
- v. To enhance handling capacity of Food Parks periodically, with the help of strategic business partners and Government partners/support
- vi. The food parks are required to expand their programs by promoting such Infrastructure hubs in the State

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vii. Support Start-ups /FPOs/ SHGs with ecosystem to support their businesses.

### 5.4.3. Witnessed Outcomes from the Food Parks

i. Food Parks were able to implement the projects as stipulated in the year 2004 by GoK, but still some of the infrastructure facilities are incomplete for inadequacy of project funds and timely support by various players.

ii. Food Parks have failed to upgrade on par with Mega food parks, either with GoK funds or GoI funds, leading to inadequacy of infra to attract users/ beneficiaries.

iii. Food parks failed to obtain execution of sale deed from KIADB, in order to enhance the quality of bankability, for investors/ MSMEs

iv. Food Parks have failed to facilitate public infra facilities viz., approach road, water connectivity & rail connectivity, to benefit and attract the MSME

v. Food Parks have failed to demonstrate as viable food business hubs, in order to attract private sector investments and FDI

vi. Food Parks have failed to exert pressure on both FKL and GOK to strengthen the Joint venture nature of the Food Parks despite of MOFPI's conditional approval of the projects, and despite of provision created by MOFPI for Joint sector mode for the Food Parks across the country.

### 5.4.4. Recommendation for Remedial Measures to be undertaken by the Food Parks

It is recommended that following measures may be followed by the Food Parks:

i. Development of the complete common infrastructure in the stipulated period i.e., by the 3<sup>rd</sup> quarter of FY 2026-27

ii. Food Park Developers must also simultaneously develop the other relevant infrastructure within the Food Parks or at strategic locations beneficials to form a supply chain network, such as:

- Processing and Preservation Infrastructure
- Enabling infrastructure
- Marketing infrastructure
- Commodity Specific Warehousing, logistics and e-trading hubs
- Integration with e-commerce/ digital marketing/ Market intelligence
- Assaying and Certification facilities
- Quality Testing and Quality Assurance Facilities
- Commodity Specific Hubs
- Capacity building and Skill Development Centre
- Research development Centers

iii. The Food Parks must also ensure that 75 per cent of the industrial plots are and 25 per cent of the total plots have initialized operations by FY 2026-27.

## Chapter 6 Recommendations and Suggestions for Future Course of Action

Two high level committee meeting regarding "Upgradation of state sponsored four Food parks" dated 3.7.2020 under the chairmanship of Hon Agriculture Minister and Chairman FKL , and 29.01.2022 under the Chairmanship of Hon Chief Minister of GoK. These decisions were taken to make these food parks economically viable.

NABARD Consultancy Services Pvt Ltd (NABCONS) was engaged by Food Karnataka Limited to conduct this study and submit its recommendations to the effect that it brings about the restoration of the food parks. The remedial measures that should be undertaken by each of the stakeholders involved in the success of the food parks and the rationale for these suggestive measures are detailed in Chapter 5.

To ensure that the state of Karnataka develops into top destination for investment in Food Sector. Further, to enable the state to

evolve into a leading Agri-exporter in India with 20% share and to have a higher share of production would be exported ~10%. To develop an investment environment such that there is a minimum investment of Rs.1,000 crore every 3 years in food sector and which eventually leads to an additional Turnover of Rs.2,000 crore per annum from the food sector in Karnataka, the following aspects have been recommended:

- i. Arenas: What is the focus of the Development?
- ii. Vehicles: Who will bring about the development?
- iii. Differentiators: How will we win the trust of the food sector investors?
- iv. Staging: What will be the speed and sequence of moves for the development?



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## THE HAMBRICKS MODEL

