GOVERNMENT OF MAHARASHTRA

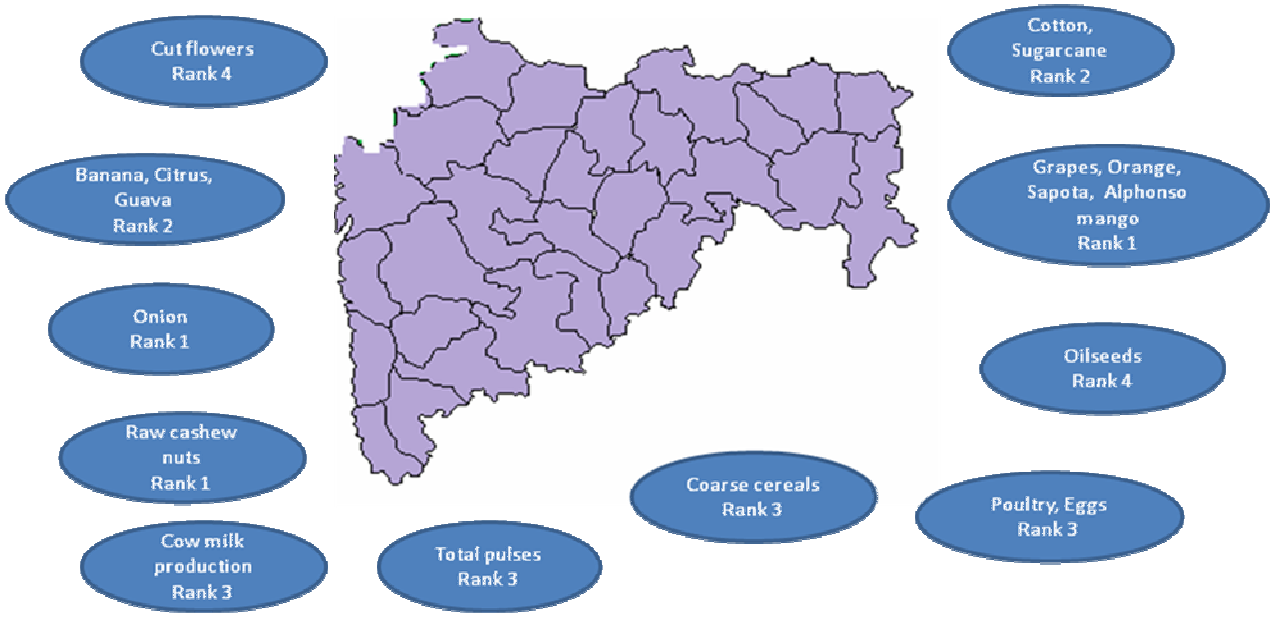
AGRO INDUSTRIAL POLICY 2010

DRAFT FOR COMMENTS & SUGGESTIONS

I. Introduction

1.1 Maharashtra has diverse agro climatic conditions suitable for the cultivation of a wide range of crops, and a progressive farming community. The State has a large urban population with high purchasing power. It is one of the major horticulture States in India, with more than 13 lakh ha under different fruit crops. Maharashtra is a pioneer and leader in the use of water saving technology like drip and sprinkler irrigation, and accounts for 60 percent of the total area under drip irrigation in the country. Almost all the area under grapes and more than 60 percent of the area under banana in the state has access to drip irrigation. The State is the largest exporter of Thompson seedless grapes, Alphonso mangoes, onions and long stem cut flowers.

Exhibit 1: Agriculture production strengths of Maharashtra (All India Rank)



Source: NHM, NHB, Agriculture Department, Govt. of Maharashtra

Maharashtra's Gross State Domestic Product (GSDP) at current prices for 2008-09 is estimated at Rs. 692479 crores and contributes more than 13% cent of national GDP. Agriculture and allied activities contribute nearly 12% per cent to the State's income, although 55% of the population is dependent on them.

1.2 In the food processing sector, Maharashtra has as many as 16,512 small and medium and 322 large scale food processing units. 13 mega projects *(not including textiles)* have also been approved *under the Package Scheme of Incentives* since 2005 with an investment of nearly Rs. 2600 crores. At the grassroots level, there are more than 45,000 agro processing cooperatives. In fact, food products and beverages is one of the major industries in Maharashtra, and contributed 9.7% in terms of total value of output in 2007-08. The food processing sector in the State has attracted Rs. 1039 crores worth of Foreign Direct Investment through 173 projects since 1991.

1.3 Thus, Maharashtra is one of the country's leaders in agro-industry in general, and in food processing in particular. However, the current level of processing in the State, as in the rest of India, is very low by international standards. There is tremendous potential for much higher value addition through processing.

1.4 The *Maharashtra* Industrial, Infrastructure and Investment Policy, 2006, which is also applicable to agri processing and other agro-industrial units, stated that the Government of Maharashtra would formulate a separate policy for agro-industry with a focus on food processing and preservation. This would create more off farm jobs and also bring greater value addition and incomes for the rural population. Given the peculiar problems associated with this sector such as high levels of fragmentation, perishability, complex supply chains, large wastages etc, there is a need for a separate Policy to address them, with a focus on food processing.

II. Objectives and Guiding Principles

2.1 The agricultural and related industrial and processing sectors operate today in a new and evolving business and social environment. It is a competitive, consumer-driven environment, global and rapidly changing, with enormous implications for the role of the agriculture sector in the overall food system. It is highly inter-dependent, blending the efforts of many industries to add value to agricultural products. Effective policies must recognize the wide diversity in the agriculture sector itself in Maharashtra, in terms of size, location, financial status, crop and other products produced, managerial abilities, income sources, and goals and aspirations. The problems faced by these groups are widely different and require solutions tailored to address particular needs.

2.2 The Agro-Industrial Policy aims at value addition from agricultural produce by induction of modern technology into food processing, encouraging research and development, minimization of wastage across the food processing chain by development of infrastructure for storage, transportation and processing of agro-food produce to fill in the gaps of supply chain from farm to consumer, and promotion of investment in all these fields. The objective is also to increase participation of entrepreneurs and farmers in food processing and related sectors, creating new employment opportunities, and increasing incomes, particularly of the rural population.

2.3 Small farmers and small enterprises need qualitatively different support in terms of finance, infrastructure and skill development. The Agro Industrial Policy focuses on units which add value to agricultural products by processing produce into value added products which are marketable or consumable by improving storability, or by providing the link from the farm to the processor and the market.

2.4 This Policy excludes the sub-sectors of sugar, distilleries & alcohol production and textiles. These sub-sectors have different departments to address their specific issues, and either already have separate policies and schemes, or draft policies which are under discussion. *The* existing support and incentives schemes for industry in general are also applicable to them.

2.5 The guiding principles of this Policy are :-

i. Focus on core sectors based on production strengths, and specific interventions to make these sectors more commercially viable, taking advantage of the strengths and potential of different areas in the State.

ii. Focus on the development of agri clusters and end-to-end integrated value chains so asto make them domestically and globally competitive, including support to SME clusters for providing links between the farm and large industrial processing units.

iii. Attracting large investments in agro industry in Maharashtra, which would help catalyse the entire supply chain, create an enabling environment for the development of smaller units, and increase value addition at all levels for the benefit of farmers and the rural economy generally.

III. Policy Components

3.1 Agri clusters based on production strengths of different regions

3.1.1 Agricultural and food processing is characterized by a high degree of fragmentation and low capacity utilization. The single largest issue with the processing sector is the lack of scale in most units, which in turn is linked to absence of required backward and forward linkages. Currently, there are many inefficiencies present across the food value chain from production, processing to marketing. The Government would focus on strengthening agri clusters based on production strengths of the various regions and sub-regions of the State.

3.1.2 An indicative list of some potential agri processing clusters based on production strengths of different areas in Maharashtra is shown in the Exhibit 2.

Exhibit 2: Indicative list of some potential agri processing clusters

Clusters	Crops	Locations
Fruits	Pomegranate	Solapur, Nashik, Sangli, Pune, Satara
	Banana	Jalgaon, Nanded, Hingoli, Nandurbar, Pune
	Orange	Amaravati, Nagpur, Jalna, Yavatmal, Nanded
	Grapes	Nashik, Sangli, Ahmednagar, Solapur, Pune
	Mangoes	Sindhudurg, Ratnagiri, Raigad, Aurangabad, Thane
	Amla	Akola, Yavatmal. Jalna, Dhule, Buldana
Vegetables	Potato	Pune, Nashik, Ahmednagar, Satara, Sangli
	Onion	Nashik, Pune, Ahmednagar, Jalgaon, Dhule
	Tamarind	Ahmednagar, Osmanabad, Latur, Solapur, Beed
Cashew	Cashew nuts	Ratnagiri, Sindhudurg
Cereals and pulses	Rice	Gondia, Bhandara, Thane, Gadchiroli, Chandrapur
	Pulses	Nanded, Amaravati, Buldhana, Osmanabad, Parbhani
Oilseeds	Soybean	Akola, Washim, Nagpur, Latur, Wardha
Dairy	Milk	Ahmednagar, Kolhapur, Pune, Solapur, Satara

Source: NHM (top 5 production Districts), Commissionerate of Agriculture, Govt of Maharashtra, ADF, Govt of Maharashtra

3.1.3 Each cluster would include producers, processors, support institutions, etc operating in the same sector and facing common challenges which can be addressed together. These clusters would promote availability of raw materials and other inputs, access support from the Government, Universities and research institutions, and would enhance access to market information. This would help farmers and processors to engage in productive agriculture such as market oriented and higher value added products

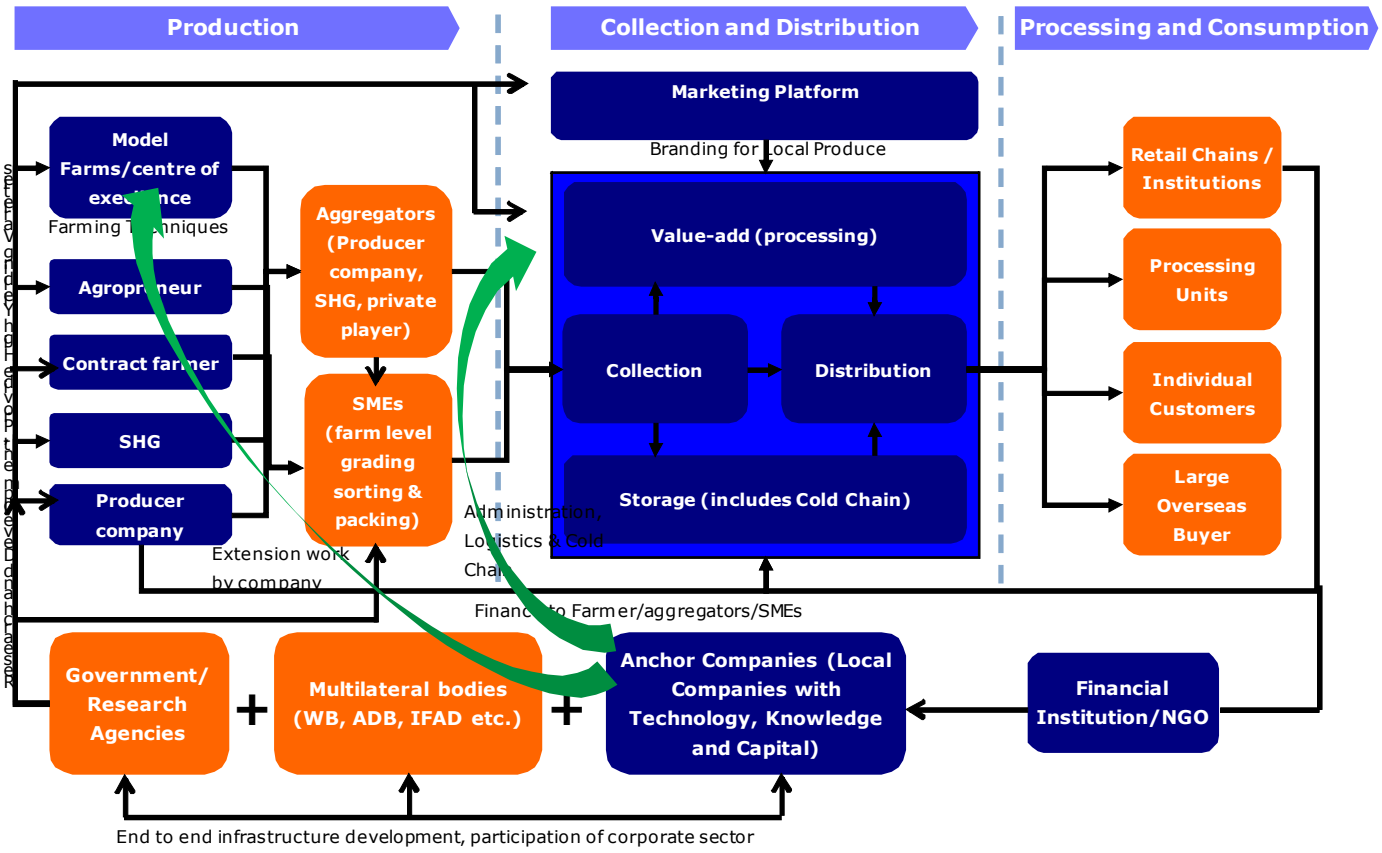
etc. However, developing agri clusters in countries like India presents challenges such as the large number of small farms, weak internal linkages, less critical mass, low risk taking ability of investors, etc.

3.1.4 The State Government will promote and support the development of end to end integrated projects by identifying the need gaps across the entire value chain, and provide specific schemes to address them. In addition to support for End-to-End projects and Food Parks, the Policy provides for the following specific interventions across the entire supply chain, starting from the farm.

i. End to end integrated projects

End-to-end integrated projects (illustrated in Exhibit 3 below) would be promoted in these clusters. This would ensure aggregation of agricultural produce, setting up of post harvest infrastructure for storage, grading and sorting facilities at farm level, pack houses and cold chain infrastructure, warehousing infrastructure and market linkages. The value chain would be developed with participation of farmers, corporates, Government and financial institutions, and be supported through contract farming and other arrangements where relevant.

Exhibit 3: End to End Integrated Projects



Several Central Ministries (including Food Processing Industries, Rural Development, Commerce & Industry, MSME, Agriculture, etc.), directly or through agencies such as APEDA, provide support separately to various elements of the value chain through a number of existing programmes and schemes. The State Govt. will support viable proposals from large corporates or other entities for developing end-to-end integrated projects across all or a major part of the agro industry/food processing value chain by providing a convergence of the relevant Central and State schemes and making them available to such projects. The State Govt. would also provide viability gap funding and other facilitation, if required, in addition to the support available under the various schemes taken together (including the new schemes under this Policy) depending on the techno-economic feasibility and likely impact of individual projects.

With the *general* objective of encouraging value addition by providing the necessary convergence of schemes, incentives and facilitation across the supply chain, an empowered Agro Industries Promotion Committee (AIPC) will be constituted under the Chairmanship of the Chief Secretary or a designated Additional Chief Secretary, *as set out at para 4.1*. This Committee will also be the sanctioning authority for end-to-end projects and the viability gap funding, if any, required, and will include representatives of all the concerned Departments.

End-to-end projects supported by multilateral bodies

The State Government has already taken the initiative of establishing end- to- end projects in the field of agriculture, agriculture marketing and food processing sectors with the help of World Bank, ADB and IFAD. The total investment for these projects would be Rs 2000 crores. The World Bank and ADB projects are at the appraisal stage. The IFAD project has been sanctioned in December 2009, and sub-projects being developed in six distressed districts in the Vidharbha region, namely Amravati, Akola, Washim, Buldhana, Wardha and Yavatmal. In all 1,200 villages will be identified and covered under the IFAD project with such interventions as in situ water conservation, sustainable agricultural development based on organic farming, pro-poor market linkages targeted in response to market signals and private sector preference.

These projects would also be supported through convergence of programmes and schemes of different agencies of the Central and State Governments.

Convergence of agri-interventions in Maharashtra (International Fund for Agricultural Development)
A project outlay of Rs 600 crores has been sanctioned by IFAD, under which 120 end-to-end projects would be established over a period of 5 years. The project components include capacity building, awareness creation, group formation, subsidized innovation (crop insurance, fair trade, applied research, organic farming) and project management.
Agri-Business Infrastructure Development Programme (Asian Development Bank)

This project, with an outlay of Rs 750 crores, involves development of on-farm collection centers serving Agri Business centers (consolidation, value addition and marketing), feeding perishable commodity centres (sale of produce outside state and in international market) and developing value chain under PPP model. The entire project envisages nearly 1000 farm collection centres, 50 Agriculture business centres and 5 perishable commodity centres.

Maharashtra Agricultural Competitiveness Project (World Bank)

This project aims at developing competitive marketing systems, increase farmer access to the market, private sector participation and capacity building through its various sub components. The project sub component includes upgradation and modernization of APMC, up gradation and modernization of rural haats, promote alternative marketing channels, setting up of farmer common services centers, promote warehouse receipt systems, market information and market intelligence services and market-led extension services.

Separately, clusters which would not be covered under the above initiatives supported by World Bank, ADB and IFAD would be also be identified and supported by the State Government on similar lines.

ii. Food Parks

A Food Park is an agri/horticultural processing estate developed for individual processing units with support infrastructure, including some common processing facilities and other services where needed, and linked with a well established supply chain both inside and outside the estate. Such food parks would enable particularly small and medium enterprises to attain viability by sharing the cost of major common facilities such as R&D, cold storages, warehousing, pack houses, laboratory for food testing and analysis, effluent treatment plant, common processing facilities, power, water supply, etc.

Several Food Parks have been set up in Maharashtra in the private sector and through public agencies such as the Maharashtra Agro-Industries Development Corporation (MAIDC) and the Maharashtra Industrial Development Corporation (MIDC) with some assistance from the Central agencies, but have not achieved the required level of integration or attracted the number of working units expected. In the current 5-Year Plan period, MoFPI is supporting the development of a few larger Mega Food Parks through SPVs formed by industries in various parts of the country with financial assistance up to 50% of the project with a ceiling of Rs 50 crore. However, in the initial phase, MoFPI is taking up only 10 Mega Food Parks in the country. Thus, the number of Parks of such size and complexity sanctioned by the Central Govt. under the scheme is likely to be very limited, even in leading States like Maharashtra.

The State Govt. will urge the MoFPI to sanction a larger number of Mega Food Parks in Maharashtra. It will also directly assist those smaller and other projects which are viable but cannot obtain funding or are not

eligible under the Mega Food Park scheme. While Food Parks may also be established on lands acquired privately, in MIDC estates land will be provided by MIDC at a concessional rate to companies, cooperatives or other institutions for setting up Food Parks within MIDC areas.

The State Govt. will support the development of Food Parks based on the production strengths of the region, the backward and forward linkages, connectivity with airports, railways or highways, the facilities proposed to be provided by the developers, and an appraisal of the techno-economic feasibility of the projects. Apart from infrastructure and other common facilities and services, the developers would also be expected to provide information and escort services to facilitate units setting up in the Food Parks to avail of various schemes, and to provide incubation centres (para 3.9.2) wherever feasible.

In the case of MIDC estates in backward areas (D, D+ talukas, low-HDI and No-Industry Districts under PSI, 2007), the concession would be in the form of refund by MIDC of 20% of the land price after 2 or 3 years, depending on the nature of the project, provided the Park development is completed within that time. The State Government would also provide benefits to units within the Parks in all areas at one scale above their entitlement under PSI, and a further subsidy to the extent of 10% over and above their entitlement to units in Parks located in backward areas.

Inspite of production strengths in certain Agri produce, some Districts have so far attracted little private investment in agro-industry based on such produce for various reasons. While the other measures in this Policy are intended to leverage the potential in these areas, it may initially be necessary in some of these Districts for public agencies like MAIDC or MIDC to participate in joint ventures or other public-private partnerships for the development of integrated infrastructure such as Food Parks. In particular, efforts will be made to develop Food Parks on lands belonging to the State Agricultural Universities through partnerships between the Universities, MIDC and private developers and industry. Such Parks would also benefit from the academic and research strengths of the Universities, and encourage collaborations between them and industry.

As in the case of end-to-end projects, the Agro Industries Promotion Committee will evaluate individual proposals for setting up such Food Parks, particularly in the main crop production areas, bring about convergence of the available Central and State schemes, and sanction viability gap funding *(including in the form of interest subsidy on term loan)* for the development of common infrastructure and facilities if required.

iii. Micro level clusters

A “micro cluster” is a geographic concentration of food processing companies, their suppliers, service providers, and associated institutions located in an area between 50 to 200 acres depending upon the volume of Agri products, which would be processed. Such micro clusters would increase the productivity of players operating in the area, and help in integrating the back-end operations for processing units.

The micro clusters will have a common facilities centre providing infrastructure for collection and storage of produce, grading, processing and packing units, basic level of processing, cold storage, extension and information counter. The common facility centre at the micro cluster will help in reducing wastage at farm level and to protect farmers from price volatility and realize better value. The micro clusters would supply their output to large processing units, and hence will also work as an aggregation point for larger processing units.

The Ministry of Micro, Small and Medium Enterprises (MSME), Government of India has adopted the cluster development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of micro and small enterprises in the country. The objectives of the scheme, which requires MSE units to come together in a SPV and operate the cluster facilities, are to

- Support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital, etc.
- Build capacity of MSEs for common supportive action through formation of self-help groups, consortia, up gradation of association, etc.
- Create/upgrade infrastructural facilities in new/existing industrial areas/cluster of MSEs
- Set up common facility centers (for testing, training centre, raw material, depot, effluent treatment, complementing production process etc)

The Directorate of Industries is involved in promoting, facilitating and recommending such cluster projects to the Central Govt. Maharashtra is one of the leading States in this regard, with 26 projects approved fully or partly across the State. In the field of agro-industry and food processing, the *clusters approved so far* include processing of cashew (Sindhudurg), mango (Ratnagiri), raisin (Nashik and Sangli), etc. Several more are planned.

The State Govt. has recently decided to support the MSE-CDP clusters in backward areas of Maharashtra to the extent of 10% of the project cost, in addition to Central funding. However, the MSE-CDP is intended for comparatively larger projects (with cost limit of Rs. 25 crore), with a larger number of existing units, and is not restricted to agro-industry. Therefore, smaller micro level clusters in the agro and food-processing sector may not get the required attention or be eligible for Central assistance. The scale of micro agro clusters may be very small compared to clusters under the MSE-CDP, with likely project cost for common infrastructure between Rs. 50 lakhs to 1 crore.

Where it is not possible to cover such micro clusters under the MSE-CDP even though their viability can be established, the State Government will formulate a scheme along the lines of MSE-CDP to promote them. The micro clusters will be identified so as to achieve economies of scale in deployment of resources as well as focus on the specific needs of similar agro industries. New or expanding processing units in the micro clusters will be eligible for incentives to the same extent as units in Food Parks.

3.2 Market-led extension services

3.2.1 The extension work presently undertaken by Government agencies has limitations. The extension personnel are often not subject matter experts, and can usually provide only macro level information to farmers, with limited focus on region specific differences in produce profile. Thus it is difficult to address the specific needs of various regions and different classes of farmers solely through the public extension system. Non-government organizations and the private sector have started to play a greater role in providing extension services to farmers in some parts of the State.

3.2.2 Many Agri input companies who used to provide information to farmers only for their own product usages earlier have started providing integrated, paid services to farmers ranging from information, field visits, quality inputs, access to output markets and non-exploitative and timely credit. This trend also reveals an increasing willingness of farmers to pay for quality services in agriculture. The companies carry out these activities through Agri Service Centers, with arrangements between the processor, farmers, input companies, financiers, other service providers and buyers.

3.2.3 This model can be used for both retailing of products and services to farmers, and also for sourcing of produce. However, at present these companies are targeting medium and large farmers because of their greater ability to pay, costs and other factors. The Government would support those setting up such Agri Service Centers to cover small and marginal farmers also by incentivizing them over and above the existing schemes. Farm input (seed, fertilizer, agrochemicals and farm equipments) producers, agro-industrial processors and other companies who have been working with farmers for some time, have a proven track record and can establish a linkage with further processing of produce would be encouraged to set up these centers, or to expand the coverage of existing centers by providing an incentive linked to the number of small and marginal farmers serviced by them. For this purpose, the Government will provide Rs. 200/year per member farmer (for small and medium farmers) as membership fee players for an initial period of 3 years. Such Agri Service Centers could be set up within the micro clusters also.

3.3 Farm produce aggregation bodies

3.3.1 Fluctuations in quality and availability of raw material is a major problem faced by food processors and other agro-industrial units. For the required quantity of raw material, processors need to approach many small growers, resulting in higher transaction costs. While these costs place limits on large processors, they also make agro-industry unviable for many smaller units. To address these difficulties, aggregation bodies can play a key role by interfacing with farmers, making them sustainable and help them in getting access to good agricultural practices, inputs, finance, value addition and also provide marketing support. These aggregation bodies could be farmer associations, producer companies, cooperatives, self help groups (SHGs), private players, etc., some of whom can develop into processors themselves over time.

3.3.2 The concept of 'producer company' has been introduced in the Companies Act. It gives primary producers the flexibility to organize themselves as a normal company, but on the basis of a one man-one vote principle which is the essence of a cooperative institution. The producer company concept combines the economic advantage of a corporate entity with the social benefits of a cooperative. In a producer company, the owner members have necessarily to be primary producers, i.e. they must be engaged in an activity connected with or related to primary produce. Any ten or more individuals, each of them being a producer; any two or more producer institutions i.e. producer companies or any other institution having only producers or producer companies as its members; or a combination of ten or more individuals and producer institutions, can get a producer company incorporated.

3.3.3 While the State Government would like to encourage the formation of producer companies, there are many ground level issues. Farmers need a lot of hand holding and professional support to form such companies. In fact, most of the existing producer companies find it difficult to manage their administrative expenses. So far, most of the producer companies are still in a nascent stage, and are operating as providers of technical knowhow or facilitating marketing.

3.3.4 The State Government will support these aggregation bodies working with farmers, including producer companies, to the extent of 5 to 10% of the total sourced value of the produce subject to a minimum sourcing volume. Criteria for accrediting these bodies may also be drawn up. The agencies under the Agriculture, ADF and the Cooperation and Marketing Departments, such as Maharashtra State Agricultural Marketing Board (MSAMB), would work in coordination for the purpose depending on the produce concerned. They would nominate one or more nodal agencies at the field level for interfacing with such aggregation bodies seeking to work with farmer groups, and promote formation of bodies with a specified minimum number of members. For the first 3 years, the State Government will provide financial assistance to a target number (say 100) of such aggregation bodies to the extent of Rs. 50,000 for the setting up of each such body, and Rs. 50,000 per year for their capacity building (training, demonstrations, etc).

3.3.5 The State Government will also encourage smaller projects promoted by private players with focus on farm level extension, aggregation, primary processing and market linkage. These projects would be smaller versions of the end-to-end projects discussed earlier, and would be considered by the sub Committee under the AIPC.

3.4 Market infrastructure and linkages

3.4.1 Agricultural produce markets in most States are regulated under the respective State Agriculture Produce Marketing Acts. Different areas in the State are declared as market areas managed by the Market Committees constituted by the State Governments. Once an area is declared a market area and brought under a Market Committee, no person or agency can freely carry on wholesale marketing activities. However, the monopoly of these regulated wholesale markets has prevented development of a competitive marketing system, providing no help to farmers in direct marketing, organized retailing, smooth raw material supply to agro-processing industries and adoption of innovative marketing systems and technologies.

3.4.2 The Maharashtra APMC Act was amended 5 years ago considering the Model Act suggested by the Central Govt. The amendments include provisions for establishment of proper markets, some elements of direct marketing, special commodity markets, farmers-consumers markets and single licensing system for all APMCs. Rules have also been framed in 2007. Restrictions or regulations on storage are imposed as per the directives of the Central Government under the Essential Commodities Act. The State Govt. has issued 78 licenses for direct marketing, 8 licenses for private markets, 3 licenses for E-trading and 9 single licenses.

3.4.3 However, most of the produce continues to be procured through the traditional APMC markets. The APMCs provide basic infrastructure and common facilities at the market for the farmers and traders. However, farmers continue to face difficulties because of absence or inadequacy of product handling systems, storage facilities, large number of intermediaries, lack of transparent open auction systems in certain markets, etc. *Besides, even where licenses for direct marketing have been given, the APMCs retain wide powers over the licensees in their areas which can adversely affect their effectiveness.*

3.4.4 To address some of these issues, a few modern terminal markets are being developed in the State. However, their success also depends on setting up adequate farm level collection centres with required infrastructure for aggregation.

3.4.5 Farmers face many difficulties in transporting their produce from field to the market yards. Similarly, agro and food industries also face various difficulties in obtaining the required produce through the APMC market system. Therefore, systems of direct marketing need to be developed further as another channel for marketing farm produce. The APMC Act and related regulations will be *amended* accordingly so that there

would be no license required for any entity who intends to source produce directly from farmers and transporting it to any destination. This may result in reduction in total arrivals of produce at the APMC markets, and Government would financially support the existing operations of APMCs to the extent required so that they continue as an alternative option available to farmers for selling their produce. *Pending these amendments, the licensing requirements and renewal and other procedures will be reviewed and simplified.*

3.4.6 Market linkage is currently the responsibility of the Maharashtra State Agricultural Marketing Board (MSAMB). However, its focus is more on fresh and primary processed products. The food-processing sector needs special attention for establishing sustainable market linkages, and MSAMB will also give a specific focus to providing direct marketing linkages to the processing industry. The farm to processor to market linkages are well established in the dairy sector in some parts of the State but not in others. In these areas, and also in respect of the poultry, meat and fisheries industries where such linkages are largely missing, a similar focus will be given through nodal agencies under the Animal Husbandry, Dairy Development and Fisheries Department.

3.5 Post-harvest infrastructure

3.5.1 India is the second largest producer of fruits and vegetables in the world. However, this is not matched by post-harvest infrastructure, leading to enormous losses. Such infrastructure is critical to reduce post-harvest losses, extend the shelf-life and maintain the quality of agricultural products. The Agro Industrial Policy aims at promoting such infrastructure and also providing opportunities to farmers to increase their income. Investors would be encouraged to set up key post harvest infrastructure in the State, including the following:

3.5.2. Farm level grading, sorting, packing and storage units

Primary processing plays a very important role in increasing shelf life of perishables, reducing wastages and in storage and distribution. Primary processing units (washing, grading, sorting and packing) need to be developed close to the production areas to ensure lower wastage. The National Horticulture Mission (NHM) provides 50% of the capital cost with a cap of Rs. 3 lakh per unit for basic infrastructure such as on-farm collection, storage unit, etc. However, to encourage use of mechanized grading and sorting equipments, which are not covered by NHM but which are essential for catering to export as well as domestic retail segments, the Government will provide subsidy to the extent of 25% of those equipment costs which are not covered under the NHM scheme.

***3.5.3*. Integrated pack house and cold chain infrastructure storages**

Cold storage at the farm gate reduces wastage and increases the shelf life of the product, thus giving farmers more options to take the right marketing decisions. Around 460 cold storages have been set up in Maharashtra in the public, private and co-operative sectors with a capacity of 5.64 lakh MT, mostly around Thane, Nashik and Mumbai. There are about 35 pack houses owned by cooperatives, which include grading, sorting, waxing, packaging, pre-cooling and cold storages. These pack houses are being set up for export purposes, mainly grapes and pomegranate. Several pack houses have also been set up in the private sector, mainly by exporters.

However, much of the existing infrastructure either remains idle after the particular fruit season is over or vegetables, chillies, dairy products and food grains are stored in the cold storages during the idle period. Therefore, production clusters having multiple products across the year are the ideal locations for the setting up of cold storage infrastructure. It is also necessary to promote multi-product cold storages and attract corporate investment for setting them up. At present, NHM provides a credit-linked back-ended subsidy of 40% of capital cost for cold storage, refer vans and ripening chambers, with different cost ceilings. For cold storages, the maximum capital cost permissible is Rs. 6,000/MT for 5,000 MT, i.e. a subsidy of Rs. 2,400/MT. However, in case of multi-chambered cold storages, the capital cost could increase from Rs. 6,000/MT to Rs. 10,000/MT for 5,000 MT. The Government will provide a subsidy of 25% on the additional capital cost (over and above Rs. 6000/MT provided for by NHM) subject to a ceiling which would determined separately, in order to encourage multi-product cold storages in the State.

3.5.4. Accredited warehouse facilities

It is estimated that about 15 per cent of the total foodgrain production is lost on-farm because adequate warehouses are not located near production centres. Warehousing facilities are necessary to prevent losses arising out of improper storage, and also to provide the farmers a convenient credit instrument. Warehousing provides withholding power to farmers to tide over difficulties and helps them to secure better prices for their produce, cushioning price fluctuations and stabilizing prices by equating supply with demand. Modernization of existing warehousing space and investment in large, modern, scientifically-built and managed warehouses is required.

The physical and transaction costs of storing grain is high. This can be partly explained by low private investment in storage facilities, and also high storage costs in the non-privatized storage silos. Currently, the rural godowns scheme provides credit-linked subsidy of 25% of the capital cost, with a ceiling of Rs. 46.8 lakhs. Farmers could avail of pledge loan by storing their produce in private warehouses. Government will provide credit-linked interest subsidy to the extent of 5% on the pledged loan, which is currently 10-12% per year, for 5 years to encourage farmers to use accredited warehouses.

3.6 Promotion of processed food quality and safety

3.6.1 Apart from the domestic market, the international processed food markets offer tremendous export opportunities for the agro processing sector in the State. However, in order to ensure the quality and safety of food with fewer or no additives and preservatives, novel packaging technologies such as active and intelligent packaging systems which can monitor product quality and trace a product's history through critical points in the food supply chain have to be encouraged. NHM provides credit-linked back-ended subsidy of 50% of capital cost for setting up quality control laboratory with a ceiling of Rs. 2 crore. Under MoFPI schemes, Central/State government institutions/Universities (including deemed Universities) are eligible for grant-in-aid for the entire cost of laboratory equipments and 25% of the cost of technical civil works. Private agencies are eligible for grant in aid of 50% of cost of laboratory equipments and 25% of the cost of technical civil works.

3.6.2 While quality improvements should be promoted and safety standards met, the focus should also be on ensuring that consumer prices do not increase. The Government would support quality development for small scale enterprises through institutions like NRC, CFTRI, etc. so that they adopt the latest quality measures such as Good Manufacturing Practices (GMP), Hazards Analysis Critical Control Point (HACCP), ISO 9000, Good Laboratory Practices (GLP), Total Quality Management (TQM), Food Labeling, Food Packaging and Irradiation Technology, etc. Under PSI 2007, the State Government provides *new small-scale units* assistance of 50% of the cost of such certification, with a maximum limit of Rs 1 lakh . This limit will be increased to Rs. 2 lakhs.

3.7 Other fiscal incentives for agro-industrial units

3.7.1 Food processing and other agro-industrial units add value to the produce, which increases the sales realization and reduces wastage. Apart from benefits to producers themselves, enterprises or farmers' groups undertaking processing benefit due to value addition. The Government would support them by providing assistance in finance, technology upgradation and market linkages over and above the fiscal incentives of MoFPI for technology upgradation, establishment and modernization of food processing units (Annexure I), and taking into account the existing incentives under PSI and other State schemes. The State Government already has a scheme for cooperatives undertaking processing activity wherein 36% equity is provided by state government, 60% is availed as loan from the bank and rest 4% is equity contribution from the cooperative. 87 such units have been assisted for processing of pulses, cashew, wheat, paddy, fruits, oilseeds, green chillies, maize, etc. *Apart from these and other Central and State schemes, this Policy introduces various new incentives for individual agro-industrial units both within and outside Food Parks. They include the following incentives, in addition to those set out elsewhere in this Policy.*

3.7.*2 In order to attract industrial investment to Maharashtra and to encourage the dispersal of industries to the less developed areas, the State Government has been providing a package of incentives to new/expansion units (including agro-industrial units) setting up in the developing regions of the State since 1964. The present Package Scheme of Incentives 2007 (PSI 2007) also provides for a customized package of incentives for new and expansion projects with large investment or employment generation. Apart from such mega projects,* the subsidy to new units and expansions under PSI, 2007 is based on reimbursement of 25% of the net VAT paid, subject to financial ceilings and for periods which differ depending on the location and investment levels. Considering their importance for employment generation and value addition, small-scale industrial agro-industrial and food processing units will be provided the following enhanced incentives under PSI 2007 in all backward areas of the State:

i. Reimbursement of 50% of the net VAT paid, instead of 25%;
ii. 5% interest subsidy on term loans for fixed capital investment for 5 years;
iii. in the case of products attracting zero VAT, incentives against the amount of VAT retained and not refunded on input purchases.

In addition, the eligibility criteria (additional investment of 25% subject to a minimum of Rs. 1 crore) for providing incentives in the case of expansions *under PSI 2007* has recently been reduced irrespective of the location of the unit, *so that smaller units are encouraged to grow*.

3.7.3 The State Govt. will levy Value-Added Tax (VAT) at the floor rate on all locally processed and packed food products, and on packaging materials. Alternatively, in order to ensure that only State processors benefit from this dispensation, the net VAT paid would be reimbursed to the extent of the difference between the applicable VAT rate and the floor rate. The same principle would also be applied when the proposed Goods and Services Tax (GST) is introduced.

3.7.4 In addition, in order to promote value addition by processing within the State in the case of produce grown locally but which may otherwise be processed outside Maharashtra, the Government will reimburse the net amount of VAT paid by local processors (as has been done in the case of processed cashew recently).

3.7.5 The Ministry of Commerce/APEDA assists agro-industrial units to participate in international exhibitions and trade fairs to promote their exports. In order to support other units from Maharashtra to market their products within the country, the State Government will reimburse 50% of the space rent, etc., with a ceiling of Rs. 1 lakh per year, to small-scale agro-industrial units participating in national/international exhibitions in India identified by the Directorate of Industries in consultation with organizations such as ITPO.

3.8 Commercially-oriented Research and Development (R&D)

The R&D efforts of the State's Agricultural Universities have focused largely on R&D in cereals and pulses, and to a limited extent on other fields like horticultural crops and dairy. However, there is a need to bring together at one place the results of research on product development and other aspects available to agro-industries from the various Central, State and other institutions, and also to identify the fields in which more research is needed on a region-specific basis.

Each of the Agricultural Universities in Maharashtra will be the nodal agency for this purpose. Supported by the Agriculture and other Departments, the Universities will set up Advisory Committees, which will include representatives of other relevant institutions as well as representatives of industrial associations and some major industries and professionals in the field.

The Agricultural Universities will also coordinate the provision of information to the MAIDC Cell referred to at para 3.9.2.

3.9 Capacity building

3.9.1 Skilled manpower

The agro and food industry needs highly skilled manpower at both the workmen and supervisory levels, familiar with special requirements of the industry such as Good Hygiene Practices. This is particularly important for smaller units, which do not have the capacity to provide in-house training.

At present, there is only one institute (in the process of being set up), which specializes in post harvest technologies. There are institutes, which provide education on farm practices and food processing. Specific training programmes need to be designed and disseminated through existing institutions in post harvest management, especially with focus in plucking, grading and sorting, packaging, storing and produce handling.

Some institutions such as CFTRI, IHRI, UAS, CIMAP, etc. have developed technical and diploma courses to meet the shop floor requirements of technical personnel, and also degree courses. Currently, APEDA provides subsidy of 50% of training cost subject to a maximum Rs. 50,000. There is also a subsidy for study tours for technical staff. However, these subsidies are limited to industries involved in exports.

The State Government will support the up gradation of skills of selected persons employed in processing units through the existing institutions, including the Agricultural Universities, other government as well as private skill development centers. The Agricultural Universities and other State institutions will be encouraged to provide and upgrade facilities for imparting latest technologies in post harvest management and food processing.

3.9.2 Entrepreneurship development

NHM provides 100% subsidy on the cost of first year of course for development of entrepreneurs with a maximum limit of Rs. 20 lakh per training. The Maharashtra Centre for Entrepreneurship Development (MCED), Aurangabad and other institutions like MITCON also conduct entrepreneurship development programmes with funding from the State Govt. and other agencies.

The State Government will also encourage private players to set up such incubation centers to nurture entrepreneurial activities in the food-processing sector. The incubation centres would provide start-ups with the necessary services and support until they mature and are ready to enter the market. They would help to

- Develop particular products that none of the small firms could manufacture alone
- Nurture potential growth enterprises through equity investments
- Foster greater access to capital for start-up firms
- Develop ways by which technical engineering and management expertise from outside the enterprise can help start-ups to develop, diversify product lines and markets and expand

Such incubation centres can be set up in fields such as, fruit and vegetable processing, maize processing, cashew processing, rice processing, etc. based on production strengths of different regions. The incubation centres will provide assistance in product formulation, processing technology as well as test marketing. They would liaise with various research institutions to ensure that existing knowledge/R&D strengths are leveraged and duplication is avoided.

At present, MCED imparts training and help in knowledge up gradation through various entrepreneurship development programmes. The role of MCED will be expanded to support business incubation initiatives along with their training facilities, and handhold these entrepreneurs (as well as others whom it has trained) for the initial 2 years. At present, NHM provides 100% financial assistance up to Rs. 25 lakhs for setting up Centres of Excellence, but these are limited to training only. The State Government will support MCED and private players to set up incubation centers by providing financial assistance up to Rs. 50 lakhs.

3.9.3 Information and assistance cell for entrepreneurs

Financial and other support is available for food processing and other agro industries under several Central and State schemes from different Ministries, Departments and agencies. However, entrepreneurs are often not aware of these schemes or need more information. They have to deal with different agencies for various schemes across the value chain. There is, therefore, a need to bring them together at one place.

A large number of project profiles and model project reports have also been prepared by various agencies, and are available with District Industries Centres (DICs), banks, etc., particularly for MSEs. The Directorate of Industries will coordinate with these agencies to update or prepare new model project reports to make them more relevant to different regions, products and investment levels by having new reports prepared, with funding by the State Govt. or its agencies if necessary.

A cell will be created in MAIDC through outsourcing to professional agencies, including some personnel engaged on contract basis, and a digital portal developed to provide information and assistance online. The cell would provide details of the various schemes, the application forms and documentation required. It would also provide information on regulations, taxation and clearances required, subsidies across various departments along with model project reports for reference. While doing so, it would coordinate with MIDC, which has recently launched a portal intended for industry in general. MAIDC will also help small units apply for assistance under the various schemes, and would follow up and monitor their applications. This would be particularly useful for smaller units. The State Govt. will provide funds to MAIDC for this purpose to the extent required.

At the field level, the cell will use the services of the DICs, and MAIDC's digital portal will be linked to them. Schemes for training of DIC staff and for computerization are being separately considered by the Ministry of MSME and the Directorate of Industries.

3.10 Agri-Tourism

3.10.1 'Agri tourism' includes the concept of visiting a working farm or any agricultural, horticultural, or agribusiness operations for the purpose of enjoyment, education, or active involvement. A few private initiatives, including by farmers themselves, have recently been taken in some parts of the State. Systematic support to such Agri tourism ventures will enhance farm incomes and generate employment if a range of activities, services and amenities can be provided by farmers and local communities to attract urban tourists. The concept of Agri-Tourism based on wineries was recognized in the State's Grape Processing Industry Policy of 2001.

3.10.2 The State Government will encourage such ventures by identifying potential clusters for Agri tourism which are already well connected in terms of roads and basic infrastructure, in consultation with local farmers and communities. The Tourism Department will formulate a scheme in consultation with the Agriculture Department to encourage marketing and infrastructure development of such agri tourism clusters.

3.11 Sub-sectoral policies and schemes

3.11.1 While this Policy is applicable to all sub-sectors of agro-industry and food processing except for sugar, distilleries and textiles (para 2.4), some have special features and requirements. For instance, meat processing involves issues relating to abattoirs. The needs of fisheries and poultry-based agro-industry are also different from those of food processing based on agricultural or horticultural crops.

3.11.2 In order to address such special requirements, the concerned Departments will review their existing projects and programmes and formulate, where necessary, suitable sub-sectoral policies and schemes under the over-all umbrella of this Agro-Industrial Policy.

IV. Implementation and Review

4.1 The empowered Agro Industries Promotion Committee (AIPC) referred to in this Policy will be chaired by the Chief Secretary or a designated Additional Chief Secretary , and have the following members:

1) Secretary (Industries)
2) Secretary (Small & Medium Industries)& Development Commissioner (Industries)
3) Secretary (Agriculture)
4) Secretary (Animal Husbandry, Dairy Development and Fisheries)
5) Secretary (Cooperation and Marketing)
6) Secretary (Higher & Technical Education)
7) Secretary (Finance)
8) Secretary (Planning)
9) Managing Director, MAIDC (Member-Secretary)

4.2 The AIPC will

1. Review the implementation of the Policy, and ensure the issue of detailed orders and guidelines to operationalise various components according to the distribution of work responsibilities by different Departments determined by it

2. Consider proposals for sub-sectoral policies and schemes (para 3.11) where necessary before their submission to Government
3. Approve end-to-end-projects and food parks on a case-to-case basis, sanction viability gap funding (including in the form of interest subsidy on project term loans) or other support required for them, and bring about convergence of the different schemes available for them
4. Give directions for the effective implementation and operation of the Policy, including simplification of procedures.

4.3 A sub-Committee under the Chairmanship of Principal Secretary (Industries) will process and evaluate such large end-to-end project proposals on a case-to-case basis and submit them to the AIPC for approval. The sub-Committee will take the help of professional agencies, where necessary, for evaluating these projects, or require that applications be accompanied by techno-economic feasibility reports prepared by reputed consultants and/or appraised by the financial institutions. For smaller projects, the sub-Committee itself will be the final sanctioning authority.

4.4 This Policy will be valid until 31st March, 2015. However, it may be reviewed from time to time on the basis of periodic evaluation and to take into account changes that may take place in other existing schemes.