



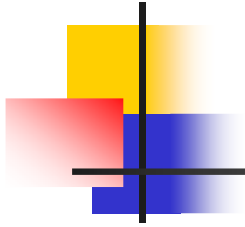
Agribusiness : A growth strategy

Department of Industries,
Government of Bihar



Structure of this Presentation

- Significance and potential of Agribusiness for development of Bihar – Production base, resource maps and potential for major sectors
 - Food processing
 - Sugarcane
 - Jute
- Policy Initiatives by State Govt. for various sectors
 - Industrial Incentive Policy- 2006, Land Bank, Schemes for food processing, Incentives for sugarcane sector, Jute business plan etc.
- Support required from Govt. of India



Agribusiness : Significance and Potential



Development of Agribusiness – Key to growth

- **Agribusiness is the key for sustaining the development of agriculture in the state**
 - Provides livelihood to around 80 % of workforce (52 % for country)
 - Accounts for around 30 % of GSDP (17.5 % for GDP)
 - Agricultural growth would have highest impact on poverty reduction
- Major challenges for agricultural growth
 - Inadequate Agricultural marketing infrastructure
 - Very low level of processing
 - Leads to poor price realisation for farmers and thus low investment in terms of adequate seed replacement and sufficient inputs
- Agribusiness – Enterprises based on agricultural produces – key to both agricultural growth and industrialisation



Development of Agriculture –Huge Potential

□ **Potential**

- Large water resources – lifeline for agriculture
- High bio-diversity – ensures variety of crops
- Fertile soil
 - Cropping intensity at 2.06 – average double cropping for entire state
- National Commission on Farmers termed Bihar as core of alternative **“fertile crescent” (Eastern India)** to replace existing “fertile crescent” (Punjab, Haryana and Western UP)
- Alternative “fertile crescent” required for ensuring long term food security of nation, as existing one faces a crisis



Potential for Agribusiness in Bihar

□ **Production Highlights :**

- Occupies **THIRD** position in vegetable production and **SEVENTH** position in fruit production.
- Bihar's contribution to national production
 - 12 % of vegetable production
 - 6% of fruit production
 - 10 % of maize production
 - 13 % of jute production
- Sugarcane, paddy, wheat, pulses, oilseeds – also being produced in the State

Resource Map



LEGEND

	RICE		BANANA
	MAIZE		AMLA
	PULSES		MAJHANA
	OILSEEDS		TOMATO
	MANGO		POTATO
	LITCHI		CHILLY
	GUAVA		PEAS

Resource Map for Jute, Sugarcane, Tea & Honey



LEGEND

	Jute
	Sugarcane
	Tea
	Honey

AGRICULTURE POTENTIAL IN BIHAR- ROAD MAP

	2007-08	2012-13
Rice	14.86 Qtl/ha	29.72 Qtl/ha
Maize	26.71 Qtl/ha	35.25 Qtl/ha
Pulses	7.22 Qtl/ha	10.13 Qtl/ha
Oil seeds	10.32 Qtl/ha	12 Qtl/ha
Fruits	109.32 Qtl/ha	146.05 Qtl/ha
Vegetables	165.92 Qtl/ha	200.60 Qtl/ha
Sugarcane	61.5 t/ha	72 t/ha



Opportunities for Rice based Industries

Paddy: 50 lacs MT produced in an area of 40 lakh Ha

1. Modern Rice Mills

- Some famous fine varieties: Katarni, Sona Chur
- Thriving milling industry in Rohtas, Buxar, Kaimur, Aurangabad, Bhojpur
- Bihar is one of the largest market for milled rice
- Current milling capacity in the state not enough to meet the demand

2. Husk Based Power Plants

- Large quantity of Paddy production
 - Productivity of Bhabhua one of the highest in India – 3.11 T/ha
-



Opportunities for Maize based Industries

Maize: 15 lacs MT produced in an area of 7 lakh Ha

❖ **Starch, animal feed, human feed & bio fuel**

- In Bihar maize is grown throughout the year but Winter maize (*Rabi*) unique to the state
 - Khagaria, Madhepura, Katihar, Purnea, Saharasa, Begusarai are main maize producing districts
 - Insignificant processing in the state
 - Major Supplier to maize based industry located in Northern and Western India
-



Fruit Processing



Fruits: Seventh Largest producer, approx 30 lakh MT

1. Litchi Processing

- Bihar produces 75% of the litchi in the country
- Highly perishable fruit, processing center should be close to production
- Shahi litchi flavour is absent outside Muzaffarpur litchi cluster
- Only 5000 MT of processing capacity in Bihar, not even 5 % of estimated production
- Litchi producing areas well connected by road and rail

2. Other Fruit Processing

- Banana ripening and processing: About 10 lacs MT production in Vaishali and Bhagalpur region
 - Makhana: 20, 000 MT of production in districts like Darbhanga, Madhubani, Purnea and Katihar
-



Vegetable Processing



Vegetables: Third largest producer, approx 135 Lakh MT

1. Potato Processing

- Bihar produces 20% of the potato in the country, ranks 3rd
- No processing happening
- Lays (PePsico) has started contract farming near Katihar & Purnea

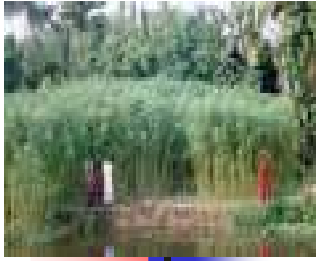
2. Other Vegetable Processing

- Tomato – 11 lakh MT is produced
 - Chilly produced for nine months
 - Raswanti plant Hajipur to be revived within a year to process tomato & chilly
 - Highest producer of Okra
-



Sugarcane Sector Potential

- Bihar traditionally a major sugarcane producing state
 - 32 sugar mills were operational around 1950
 - Accounted for over 20% of the total sugar production
- North Bihar found particularly suitable for production of good quality sugarcane
- Acreage and production came down significantly after many sugar mills closed down over last two decades
- Presently State contributes only 2% of National sugar production
- Out of 28 sugar mills, only 9 operational
- Presents a **Huge opportunity** for revival as farmers are experienced in sugarcane cultivation



Jute Sector opportunities

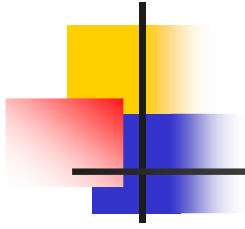


- Bihar – A major jute producing region
 - Accounts for 15 % of jute cultivation area
 - 13 % of jute production, second after WB
 - Purnea, Araria, Kishanganj, Katihar, Supaul and Madhepura major jute producing districts
 - A detailed diagnostic study done, challenges identified as
 - Low quality seeds, lack of retting facilities
 - Processing identified as a weakness, less than 5 % processed in State
 - Jute – emerging a preferred packaging medium for its eco friendly attributes
 - Large opportunity for Investors – in value added products
-



Other Sectors

- Milk : Estimated prod-50 lac tons
 - Chilling capacity – less than 1 lac tons
 - Processing capacity – only 3 lac tonnes
 - Both production and processing can be significantly increased
- Fisheries : Estimated prod-2.6 lac tons
 - Market Demand : 4.5 lac tons
 - Large unmet demand of fish and fish seeds
 - Provides a good opportunity for development of large number of small enterprises



Policy Initiatives and Impact



The Most Admired Food Processing sector

- A Vision Document for Food Processing Sector prepared
- Vision Document recommended “Special schemes for food processing sector” with provision of capital grant
- Special Schemes given approval by State Government and launched in Feb., 2009
- Bihar is the ONLY STATE to have a separate Vision Document for Agro/food processing sector and Special Schemes with such incentives for food processing sector
- **Cited as Model State** – by Ministry of Food Processing Industries, Government of India



Initiatives in Food Processing Sector

- Road Shows being done for encouraging investment
 - Road shows already held in Delhi, Mumbai, Kolkata, Bangalore, Bhubaneswar, Varanasi and Ranchi in addition to major cities of the State
 - Policy initiatives getting very encouraging response from investors around the country
- Total of 60 Projects proposing investment worth around **Rs.1500 crores received** in food processing sector
- Projects worth around **Rs. 450 crore approved**, are at various stages of development



Schemes for Food Processing Sector

- Special Schemes launched by Hon'ble Chief Minister in Mission Mode with a Vision to **“Take food products of Bihar to every kitchen and dining table of the country”**
- TWO Schemes providing for attractive Capital Incentives for investments in the sector
 1. Incentives ranging from 35 % (Individual investors) to 40 % (common facilities) of the project cost in case of Scheme for Integrated Development of Food Processing Sector subject to maximum of **Rs. 5 Cr and Rs. 10 Cr**, respectively
 2. In case of Scheme for Food Parks, capital grant of 20 % of the project cost available, subject to maximum of Rs. 15 Cr



Initiatives in Sugarcane Sector

- In 2007-08 produced 122.22lakh mt of sugarcane with a recovery of 9.3%.
- Nine sugar mills are working and 8 have doubled their capacity in the last 3years
- Recent steps taken:
 1. Payment to cane growers of Rs.8.84 crore to mitigate hardship of sugarcane farmers of Bihar State Sugar Corporation (BSSC)
 2. Allocation of 5.65 crores for Sugarcane Research Institute, Pusa, Samastipur
 3. Revival of the closed 15 Sugar Mills & 2 distilleries



Sugarcane Policy

Package for setting-up co-generation power units

- Exemption of electricity duty
- Exemption on stamp duty & registration fee on land purchase
- 10% subsidy on capital investment (P&M)
- Laying of transmission line from factory to grid by BSEB

Package for establishing distillery & ethanol units

- Exemption of Administrative charges on molasses
- Reimbursement of VAT on Molasses
- Exemption on stamp duty & registration fee on land purchase
- 10% subsidy on capital investment (P&M)

Package for Sugar Mills

- Reimbursement of Central Excise Duty on sugar
- Exemption of purchase tax on sugarcane
- Exemption on stamp duty & registration fee on land purchase
- 10% subsidy on capital investment (P&M), cap of Rs. 10crores
- Admissible min capacity for new sugar mills & for expansion - 2500TCD & 1000TCD respectively. Commercial production within 3yrs



Jute Business Plan

Sl. No	Proposed Intervention	Estimated Project Cost (In Rs. Lakh)	State Govt. support (In Rs. Lakh)
1	<p><u>Setting up of Jute Parks:</u></p> <p>2 jute parks with modern enabling infrastructure for manufacturers of jute goods and DJPs.</p>	<p>4000</p> <p>(@2000 per park)</p>	<p>400</p> <p>(Rs 200 lakh each for two jute parks)</p>
2	<p><u>Modernisation of Looms:</u></p> <p>For setting up / installation of modern looms</p>	<p>500</p> <p>(For 1000 looms @ Rs. 50,000 per loom)</p>	<p>100</p> <p>(20 % grant for each modern loom/ upgradation of loom subject to a maximum of Rs.10000 per</p>
3	<p><u>Setting up of Modern Jute Service Centres:</u></p> <p>2 Jute Service Centres (JSC). Activities of the Jute Service Centres shall be to:</p> <ul style="list-style-type: none"> •Organize farmers and develop capacity •Training of manpower •Trainings for manufacturing of jute products 	<p>500</p> <p>(@Rs 250 lakhs per JSC)</p>	<p>500</p> <p>(@Rs 250 lakhs per JSC)</p>



Jute Business Plan

Sl. No	Proposed Intervention	Estimated Project Cost (In Rs. Lakh)	State Govt. support (In Rs. Lakh)
4	<p><u>Setting up of Processing /Dyeing Centres:</u></p> <p>Setting up of 4 processing centers</p>	<p>500</p> <p><i>(for 4 processing centers @ Rs 125 lakhs)</i></p>	<p>100</p> <p><i>(for 4 processing centers @ Rs 25 lakhs)</i></p>
5	<p><u>Setting up of Centre for Marketing Assistance & Capacity Building (CMAC)</u></p> <p><u>Activities of the Centre</u></p> <p>-market linked capacity building</p> <p>-Innovative products and designs, R&D interventions, testing, quality control and certification, brand building</p> <p>-Raw material bank</p>	<p>300</p> <p>100</p> <p><i>(For 4 depots @ Rs. 25 lakh)</i></p>	<p>300</p> <p>20</p> <p><i>(20 % grant for setting up of JRMBs with a maximum of Rs. 5 lakh for each depot)</i></p>
6	<p><u>Project Development and Implementation cost</u></p>		200
	Total	5900	1620



Industrial Policy 2006, APMC repealed

1. **Industrial Incentive Policy 2006**

- Stamp duty and registration fee waiver in lease/sale/transfer of land for setting up Units
- VAT reimbursements @ 80% of deposited amount for 10 years (max. 300% of capital investment)
- Incentive provisions for Zero VAT items also available (max 70 % of installed capacity)
- Reimbursement of 50% capital investment on plant & machinery for captive power generation/Diesel generating set with no upper limit
- 25% VAT reimbursement for existing industries for 5 years

2. **Abolishment of APMC Act**

Bihar State Infrastructure Development Enabling Act, 2006

- enabling rapid development of physical and social infrastructure.
- to attract private sector participation in the designing, financing, construction, O&M of infrastructure projects.
- to provide a comprehensive legislation for reducing administrative and procedural delays, identifying generic project risk.

Land Bank

- - meet the requirement of land for industries & development schemes through **Industrial Development Authority (IDA):**

Bihar Single Window clearance Act 2006



PPP projects through IDA

- **Total projects – 24**
- Estimated project cost – Rs.1504 crores
- Number of on-going projects – 9
- Number of projects in pipeline – 15



Food Development Centre, PACs- Capacity building

A **Food Development Centre** being set up in State to support food processing entrepreneurs

- FDC would have components like
 - Product Development Center
 - R&D facilities, Product and process development
 - Analytical Laboratory
 - Testing facilities: Chemical, Microbiological, instrumentation analysis
 - Training Center (including post –harvest management)
 - Technical and advisory services being negotiated with **FDC, Manitoba (Canada)**

Revamping of **PACs** – fresh elections held to revamp them and help them develop as effective backward linkages to processors



Marketing Linkages –Food Parks & Terminal Market

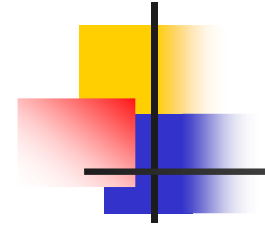
- Two **Food Parks** – in Muzaffarpur and Bhagalpur-planned
 - To provide modern infrastructure to processing units
 - Marketing linkages for farmers
- Plan to create synergy with Mega Food Parks of GoI
- A **Modern Terminal Market** for horticultural produces being planned near Patna
 - APMC Act already repealed to allow private sector participation in agricultural marketing
 - One of the 4 such projects under National Horticulture Mission in the country
 - Global tender to be invited soon



Marketing Linkages – Integrated Value Chains, RABCs

- Bihar along with Maharashtra selected for implementation of Agribusiness Infrastructure Development Investment Program (AIDP) of ADB
- Around 20 erstwhile major APMC mandis selected in the first phase for developing them as part of **Integrated value chains in PPP framework**
- Integrated value chains – to focus on creation of requisite infrastructure along the value chain with “farm to market” linkages for perishables
- Vision Document provides for 100 (Rural Agri Business Centres) RABCs – One stop point for farmers
 - Around 20 RABC projects under implementation

State Investment promotion board (SIPB) APPROVED PROJECTS



224

- Total proposals cleared during last 4 years

Rs. 129063 Crores

- Investment involved

132106 persons

- Direct employment possibilities in the proposals cleared

SIPB APPROVED PROJECTS – sector wise break-up



- Sugar – 39
- Power projects – 30
- **Food processing – 60**
- Steel processing & Cement – 19
- Technical colleges – 19
- Medical colleges & hospitals – 19
- Others - 38

SIPB APPROVED PROJECTS – year wise progress

FY	No of proposal	Amount in Rs. crores
2005-06	5	250
2006-07	76	39974
2007-08	45	32869
2008-09	47	37378
2009-10	51	18590
Total	224	129063

2009-10 updated till Oct09

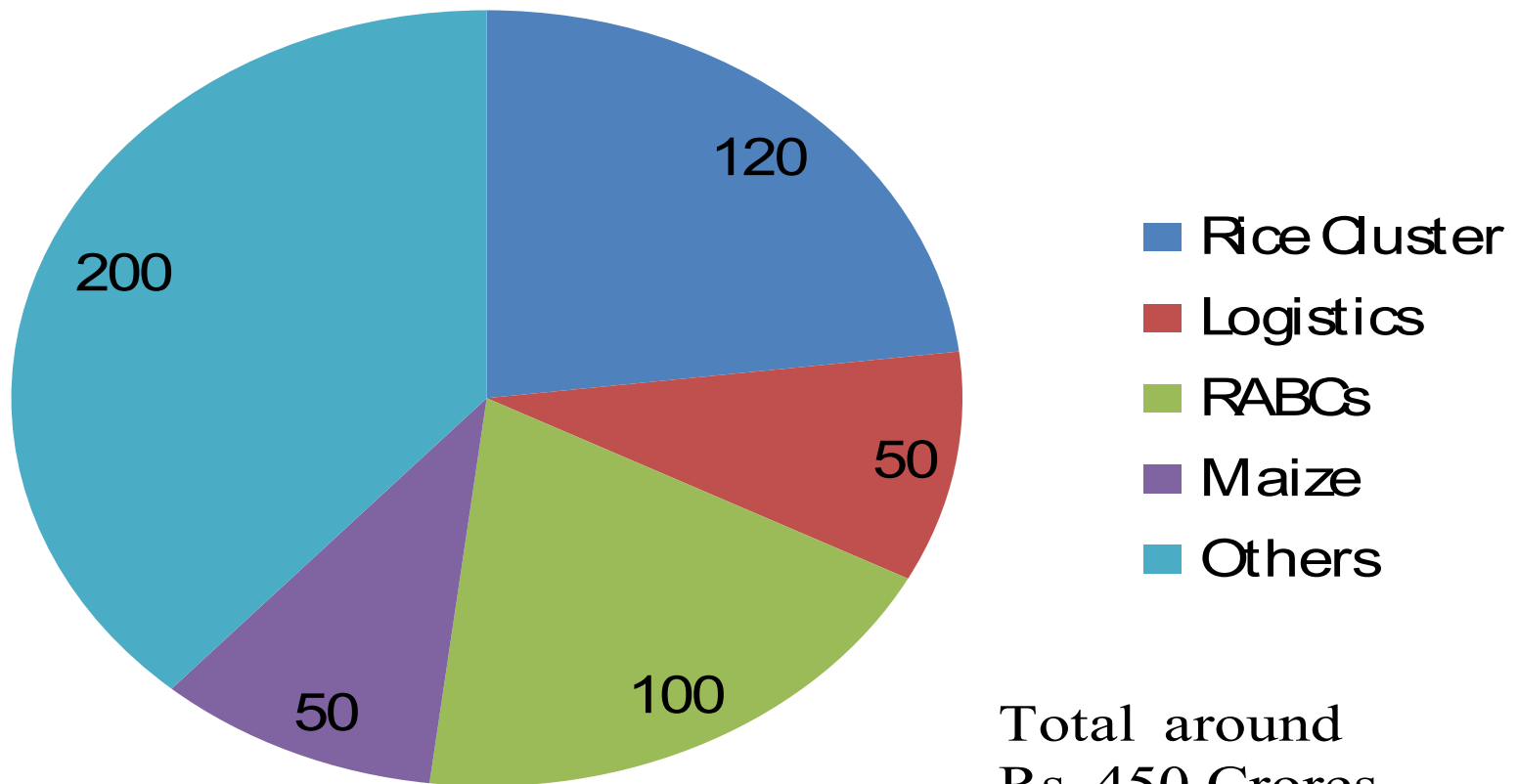


SIPB APPROVED PROJECTS – implementation status

- Projects commissioned/completed - **22**
- Projects under advance stage of
implementation - **74**
- Projects in pipeline, under different stages of
implementation - 128

Food Processing Proposals approved & being implemented

Total Investment Proposals (In Rs. Crores)





Sugarcane Sector progress

- Investment Proposals approved by SIPB
 - New sugar mills – **25**
 - Existing sugar mill expansion – **7**
 - Existing Sugar mill proposing to set-up ethanol plant
- **2**
 - Sugarcane juice to direct ethanol - **5**

Jute sector Initiatives under implementation

Punrasar Jute Park Ltd.

- ❑ Jute Park at Maranga, Purnea coming up in 45 acres of land with an estimated investment of **Rs.125 crores**
- ❑ shall generate direct employment to 4500 and indirect employment to an equal number.

Support required from GoI

- Coal Linkages for thermal power plant
- 2 MFPs to be sanctioned by MoFPI
- Petrochemical Complex at Barauni
- Collaboration of GAIL+IFFCO for setting up gas based power plant at Bettiah
- Use of Ganga Water for industries in Bhagalpur
- Revival of Hindustan Fertilizer, Barauni
- Revival of R.B.H.M Jute Mill, Katihar
- Liberal Sugar sector policy
- **Special status to Bihar**

Coal Linkage



- 30 projects of about 20000megawatt (MW) with Total Investment of about 120000cr
- **24 projects of 18110MW on coal**
- **Coal linkage with GoI needs utmost priority**



Support required from MoFPI

- Mega Food Parks provide Rs. 50 Cr capital grant
 - State not allotted any in the first phase of 10 mega food parks
 - Considering potential of State – Bihar may be allotted 2 Mega food parks out of total of 30 proposed during 11th FYP



Infrastructure support- Gas, Fertilizers Power & Water

- Support for Gas, Fertilizers
 - Petrochemical complex at Barauni needs better co-ordination between GAIL and IOC
 - Revival of Hindustan Fertilizer, Barauni
 - GAIL and IFFCO project at Bettiah for gas based power plant (200MW) needs to be expedited
- Use of Ganga water for Bhagalpur industrial units from the barrage. If storage has to be built then GoI should fund it.



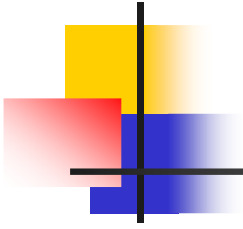
Liberal Sugar sector policy

- Reliance and some other investors interested in production of ethanol directly from sugarcane juice. Present policy does not allow existing sugar mills to produce ethanol directly
- Request for acknowledging IEM filed through HPCL for expansion & modernization of Lauria & Sugauli Sugar Mills of BSSC.
- Policy amendments required – GoI's SMP of Rs129.74 per qt is not fair remunerative as compared to Bihar's 150/160/170 per qt



Special Status for Bihar

- Bihar needs large industrialization efforts to catch up with rest of the country
- State Govt. policy incentives in place specially for agribusiness sector but they are
 - Not sufficient
 - Require large budgetary support beyond state govt.
- Special status for Bihar – providing for tax exemptions at par with north eastern states, Uttarakhand, HP – critical for success of development efforts of State



THANKS