

NOTE

Schemes and policy initiatives for the development of coconut sector in Karnataka –

Request for budget support

A. Supporting schemes for coconut sector

1. Assistance for coconut processing industries :

CDB is promoting product diversification in coconut and have identified a product basket in coconut comprising of packed tender coconut water, coconut chips, virgin coconut oil, coconut milk, coconut milk powder, coconut ice cream etc. Diversification into these products by establishing a strong industry in coconut will help the sector emerge out of the unhealthy dependence on copra and coconut oil. The food processing sector in coconut is a novel one since coconut has always been related to coconut oil. To attract more entrepreneurs into this sector, it is vital to have promotional schemes for coconut processing units. CDB through its scheme, Technology Mission on Coconut(TMOC) is extending assistance for the establishment of coconut processing units @ of subsidy of 25% of the project cost subject to a maximum of Rs. 50 lakhs. **Government of Kerala has extended an additional support of 25% subsidy to the coconut processing units established in Kerala since 2012-13. It is requested that Government of Karnataka may extend an additional support of 25% for coconut processing units and necessary amount earmarked for the same in the first budget of the new Government.**

2. Establishment of coconut parks:

Coconut cultivation is undertaken in all the 29 districts of the state. The area under cultivation exceeds 10,000 ha in 11 districts (list enclosed). Establishing a centralized infrastructure for coconut processing in these 11 districts through establishment coconut parks will provide an impetus to entrepreneurs interested in the sector. Fully developed industrial plots which can house the coconut processing units and with basic infrastructure like roads, water supply, power, effluent treatment plant, technology development centre, quality control laboratory and inbuilt standards of safety and hygiene of global standards will be effective in encouraging coconut processing units. Promoting production of value added products from coconut will diversify the utilization of coconut thereby providing a sustainable remedy for low prices. Establishment of coconut parks will attract more entrepreneurs to the coconut processing sector. **It is requested that budgetary provision may be allocated for the same in the**

new budget so as to set up 11 industrial parks for coconut in major coconut growing districts in Karnataka

3. Equity support to Producer Companies:

CDB is in the process of formation of Producer Companies with farmer equity participation. It is planned to establish 10 Producer Companies in the state during this financial year. The proposed authorized capital in a Producer Company is around 16 crores. **It is requested that an equity participation of 25% be extended by the Government of Karnataka and an amount of Rs. 40 cr be earmarked for the same in the new budget.** The Producer Companies are in the process of being launched and an equity contribution from State Government will provide an impetus for the farmer owned companies.

4. Support for the training programme Friends of Coconut Tree (FOCT) :

CDB is conducting the FOCT training programme to develop a skilled work force for the cultivation and harvest operations in coconut. The programme has been beneficial in extending labour support to the coconut farmers. Over 400 FOCTs have been trained till date in Karnataka. It is planned to train **1500 FOCTs** in Karnataka during this financial year. **It is requested that an amount of Rs. 1 cr be earmarked for the same in the first budget of the new Government.**

5. Two wheeler support for FOCT :

Government of Kerala had extended an assistance of 25% subsidy in association with financial institutions to FOCTs for purchase of two wheelers for a maximum cost of Rs. 50,000/-. FOCTs have started availing this facility and it has increased their area of coverage in a man day. This ensures the reach of this skilled work force to the coconut farmers at their doorstep. It is requested that a similar subsidy scheme be extended to FOCTs in Karnataka and **budgetary provision amounting to Rs. 2.5 cr be made in the new budget being the support for providing 25% subsidy for two wheelers for the FOCTs.**

6. Establishment of centralized processing facilities for Neera:

The non alcoholic drink extracted from the immature inflorescence of coconut palms called Neera is the most nutritious, health drink available on earth. The prospects for the production and packaging of Neera as a health drink is huge and this alone can lead to the resurgence of the coconut sector in the country. Neera production provides daily income to the coconut farmers thereby providing them a

sustainable income. Centralised Neera parks under the auspices of the State Government/KINFRA/Ministry of Food Processing to enable hygienic production, preservation and packaging of Neera is essential in the major coconut growing belts. It is suggested that Government initiatives for establishment of processing plants or centralized common facilities centres be considered in 11 districts with more than 10000 ha of area under coconut so that collection, processing and packing of Neera can be undertaken in a strict and transparent manner. Compliance to all standards of food safety can be ensured in these centres. **It is requested that budgetary provision of Rs. 16.5 cr be earmarked for the establishment of 11 processing centres.**

7. Infrastructure support for Coconut Producer Federations:

CDB has facilitated the formation of Coconut Producers Societies(CPS) and integrated them to form Coconut Producers Federations (CPF). The CPFs have already started to undertake group activities related to cultivation, processing and marketing. A CPF will have, on an average, around 1 lakh coconut palms under its purview. Providing infrastructure support like godown space for bulking of produce, dehuskers, electronic balances, computers and peripherals for transparent and simplified accounting, electronic price display mechanisms as part of market intelligence etc will stabilize and support the functioning of the Federations. CDB has targeted formation of 100 Federations in Karnataka by the end of this financial year. **Infrastructure support for the Federations may be budgeted and an amount of 10 cr earmarked for the same.**

8. Establishment of tender coconut kiosks and Neera parlours :

Tender coconut water is the undiluted, unpolluted, unpoisoned, rehydrating drink bottled by nature. It is not only nourishing but is also a product with zero fat, zero cholesterol and zero added sugar, rich in essential electrolytes like sodium, potassium, magnesium, calcium and phosphorus. Neera is a nutrient rich health drink with low Glycemic index(GI) and rich in iron, phosphorus, zinc, sugars and ascorbic acid. Tender coconut water and Neera are products that need to be promoted owing to their specific nutritional attributes. Exclusive outlets for the marketing of tender coconut and Neera in tourist destinations will contribute to increased market prospects for the products. It is requested that under the auspices of the Government of Karnataka, **1000 exclusive outlets** for the above products be established in association with Coconut Producer Societies, Federations and Producer Companies so as to provide the tourists, tender coconuts and Neera at reasonable rates. **Budgetary allocation amounting to around Rs. 15 cr may kindly be earmarked in the new budget for the same.**

9. Establishment of temple coconut outlets :

Coconut is a product of traditional importance and holds prominence in religious offerings in temples and pilgrim centres. Exclusive outlets for temple coconut in major pilgrim centres will increase marketability of the products. It is suggested that 100 outlets for temple coconut in pilgrim centres be established and **an amount of 1.5 cr be earmarked in the new budget for the same.**

10. Training for “Neera technicians” :

In the event of the Government taking a favourable policy decision to produce Neera in the state, a skilled work force for Neera tapping called Neera technicians need to be developed. A new nomenclature of Green collar job is thus created which is related to agricultural production, contributes to food security, conserves soil, water and environment and generates employment which in turn increases their standard of living. Neera tapping is a process that warrants expertise and skills which can be attained through a rigorous training of minimum of 45 days. Such a residential training is needed for production of Neera in an economic and efficient manner. It is suggested that the **Government may kindly consider the proposal of training 5000 Neera technicians and budgetary provision of Rs. 12.5 crores may be earmarked for the same.**

11. Installation of community based infrastructure for copra production :

A major handicap towards the production of Fair Average Quality copra for supply to the procurement agencies during price fall below the Minimum Support Price is the lack of infrastructure for copra making. CDB has organised grass root level farmer collectives called Coconut Producer Societies(CPS) and integrated them to form Federations. 10 federations were further integrated to form Producer Companies. **CDB has developed a technology for production of FAQ grade ball copra within 120 days.** The infrastructure for ball copra production can be created by providing support to farmer producer organisations so that the benefit of the project reaches the targeted end user. A subsidy of 50% for the copra driers will prove beneficial. It is requested that a subsidy of 50% be extended to Farmer organizations for installing modern copra dryers subject to a maximum of Rs. 6 lakhs per unit. **An amount of Rs. 9 crores may be budgeted for the installation of 150 modern copra dryers.**

12. Support for research on production of tissue culture seedlings in coconut :

Research on seedling production in coconut through in vitro propagation is yet to yield results in coconut. It has been successful in other palms. Successful production of tissue culture seedlings in

coconut will lead to uniform bearing, high yielding and disease resistant plantations thereby resulting in better economies of scale in cultural operations, harvesting and marketing. Sustained remunerative returns can be ensured to the coconut farmer. It is requested that financial support be extended for research work for evolving methodology for production of tissue culture plantlets in coconut through the 3 State Agricultural Universities at Bangalore, Dharwad and Raichur and **an amount of Rs. 1.5 crores be allocated for the same in the new budget. It is requested that the support may be continued for a period of five years** to ensure successful release of tissue culture plantlets in coconut.

B. Policy support for coconut farmers :

1. Exemption of coconut products from Value Added Tax (VAT):

CDB would like to request for an initial tax holiday for a period of five years which will be a boost to the emergence of more processing units in the coconut sector. **An initial tax holiday for period of 5 years** will help the processors compete with cost efficiency in the market during the holiday period and make their brand established.

2. Conducive policy for Neera – Amendment in Abkari Act:

As per the Karnataka Excise Act 1965,

Section 11(A) defines “Excise tree includes the Gulmohwa, coconut, palm, palmyra, date, bagani or doddasal tree or any other tree, the fermented or unfermented juice from which toddy or any other liquor can be prepared”.

Section 27 defines “Toddy means fermented or unfermented juice drawn from an excise tree”.

Neera, a non alcoholic, unfermented, nutritious health drink is thus included under Toddy in the Abkari act. This prevents coconut farmers from producing Neera since license is needed for production of Neera. It is high time that the rules be reviewed because Neera and value added products from Neera like coconut palm syrup, palm jaggery and sugar have established markets globally. All major coconut producing countries like Indonesia, Phillipines, Thailand and Srilanka are producing Neera and its value added products. **Neera is imported at zero duty and is available in selected super markets of the country.** In this context, it is to be mentioned that **Government of Kerala have allocated 15 cr in the budget 2013-14 for the establishment of Neera processing centres in the 10 major coconut growing districts of Kerala and undertake production of Neera through the farmers collectives of Coconut Producers Federations organized by CDB.** Karnataka, standing next to Kerala in area

under coconut, production of Neera in the state is bound to result in increased revenue, economic growth, employment generation and rural development. If 10% of the coconut palms in Karnataka is utilized for Neera production, the additional income to the state is to the tune of Rs. 22568 cr. The State can achieve a growth in GSDP of 5.68 %. It is requested that **Government of Karnataka may kindly review the issue of Neera production and suitable amendments made in the Karnataka Excise Act 1965 to permit production of Neera through Coconut Producers Federations.**

3. Additional incentive to coconut farmers over MSP of ball copra :

Taking into consideration the drastic fall in prices of copra during the past year, an additional incentive of Rs. 700/- per quintal of ball copra was offered by the Government of Karnataka during season 2012. This measure offered a great solace to the coconut growers since they were realizing a net support price of Rs. 6050/- per quintal. It is solicited that an additional support be offered by the new Government of Karnataka (i.e. Rs. 1,000/- per quintal) as **extra State Government support price** , apart from the MSP of Rs. 5500/- per quintal of ball copra announced by Government of India for season 2013..

Policy decisions at Government level may kindly be considered in this regard

4. Distribution of coconut oil through PDS: Coconut is an important horticultural crop of the state and coconut oil is consumed as an edible oil in the districts adjacent to Kerala and as a topical applicant. Inclusion of coconut oil in the PDS and supply of fixed quantities of coconut oil (1 litre/family/month) at subsidized rates will increase the market potential of the product and enable the farmers to realize a reasonable income. It is requested that the Government may kindly take a policy decision and earmark **budgetary provision of Rs. 75 cr for the distribution of coconut oil through PDS with a subsidy of Rs. 15/- per litre.**

5. Coconut oil may be included in the mid day meal programme: Coconut oil, being a healthy vegetable oil, inclusion of coconut oil in the mid day meal programme and as cooking oil in Anganwadis will increase the consumption of the same. The health attributes of coconut oil and the manifold health benefits it offers has been the talk world over in scientific communities. It is suggested **that inclusion of coconut oil be considered in the mid day meal programme in schools** and as cooking oil in Anganwadis and policy decisions at the Government level be considered and adequate budgetary provision earmarked for the same.

Marketing division, CDB

SUGGESTIONS OF CDB AT A GLANCE

| No. | Activity | Anticipated resources | Budgetary support (Rs.) |
|----------|---|--|------------------------------|
| A | Supporting schemes for coconut sector | | |
| 1 | Support to coconut processing units | 25% subsidy | Need based |
| 2 | Establishment of coconut parks | Land and Infrastructure | Need based |
| 3 | Equity support to Producer Companies | Equity contribution | 40 cr |
| 4 | Support to FOCT trainings | Fund allocation | 1 cr |
| 5 | Two wheeler for FOCT | 25% subsidy | 2.5 cr |
| 6 | Establishment of Neera processing park in 11 districts | Land and Infrastructure | 16.5 cr |
| 7 | Infrastructure support for Coconut Producer Federations | Infrastructure for processing and marketing | 10 cr |
| 8 | Tender coconut retail outlets and Neera parlours | 1000 outlets | 15 cr |
| 9 | Temple coconut outlets | 100 outlets | 1.5 cr |
| 10 | Training – Neera technicians | 5000 trained Neera technicians | 12.5 cr |
| 11 | Infrastructure for copra production | 150 modern copra dryers | 9 cr |
| 12 | Tissue culture seedling production | Research support for the 3 Agricultural Universities | 1.5 cr per annum for 5 years |
| B | Policy support | | |
| 1 | Initial tax holiday | Exemption of coconut products from VAT for 5 years | |

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|---|--|-----------------------------------|-------|
| 2 | Neera policy | Amendment in Karnataka Excise Act | |
| 3 | Distribution of coconut oil through PDS | Subsidy of Rs. 15/- per litre | 75 cr |
| 4 | Inclusion of coconut oil in mid day meal programme | | |

Annexure 1 Districtwise Area and Production of Coconut in Karnataka - 2009-10

| Districts | Area in Ha | Percentage share in Area | Production in Lakh Nuts | Percentage share in Production | Productivity (Nuts/ha) |
|-------------------------|------------------|--------------------------|-------------------------|--------------------------------|------------------------|
| Tumkur | 138660.00 | 32.3 | 9858.98 | 32.3 | 7110 |
| Hassan | 62256.00 | 14.5 | 4426.51 | 14.5 | 7110 |
| Chitradurga | 42388.00 | 9.9 | 2950.08 | 9.7 | 6960 |
| Chikmagalur | 37996.00 | 8.8 | 2032.39 | 6.6 | 5349 |
| Mandya | 25410.00 | 5.9 | 2550.56 | 8.3 | 10038 |
| Mysore | 22070.00 | 5.1 | 1308.99 | 4.3 | 5931 |
| Udupi | 16224.00 | 3.8 | 1301.32 | 4.3 | 8021 |
| Dakshina Kannada | 16096.00 | 3.7 | 1144.45 | 3.7 | 7110 |
| Ramanagar | 14328.00 | 3.3 | 1018.75 | 3.3 | 7110 |
| Davangere | 12101.00 | 2.8 | 994.10 | 3.3 | 8215 |
| Chamarajanagar | 11365.00 | 2.6 | 808.07 | 2.6 | 7110 |
| Uttar Kannada | 7581.00 | 1.8 | 539.02 | 1.8 | 7110 |
| Shimoga | 6339.00 | 1.5 | 450.71 | 1.5 | 7110 |
| Bangalore Rural | 4504.00 | 1.0 | 320.24 | 1.0 | 7110 |
| Bangalore Urban | 2565.00 | 0.6 | 182.38 | 0.6 | 7110 |
| Kodagu | 1750.00 | 0.4 | 124.43 | 0.4 | 7110 |
| Kolar | 1471.00 | 0.3 | 104.59 | 0.3 | 7110 |
| Haveri | 1243.00 | 0.3 | 55.98 | 0.2 | 4504 |
| Bellari | 1039.00 | 0.2 | 73.87 | 0.2 | 7110 |
| Chikkabelpura | 821.00 | 0.2 | 58.37 | 0.2 | 7110 |
| Gadag | 664.00 | 0.2 | 47.21 | 0.2 | 7110 |
| Koppal | 618.00 | 0.1 | 43.94 | 0.1 | 7110 |
| Bangalkote | 614.00 | 0.1 | 43.66 | 0.1 | 7111 |
| Gulburga | 479.00 | 0.1 | 34.06 | 0.1 | 7111 |
| Dharwad | 472.00 | 0.1 | 33.56 | 0.1 | 7110 |
| Belgaum | 344.00 | 0.1 | 24.46 | 0.1 | 7110 |
| Bijapur | 268.00 | 0.1 | 19.06 | 0.1 | 7112 |
| Raichur | 175.00 | 0.0 | 12.44 | 0.0 | 7109 |
| Bidar | 19.00 | 0.0 | 1.35 | 0.0 | 7105 |
| State | 429860.00 | 100.0 | 30563.53 | 100.0 | 7110 |

Source : DES, Karnataka

