

Karnataka Grape Processing and Wine Policy – 2007

Translated Version of G.O. No.PÜñæãC:513:ñæãCË:2005 ,
Dated : 14-03-2007 in Kannada

Proceedings of the Government of Karnataka

Sub : Karnataka Grape Processing and Wine Policy – 2007

Preamble:

1. Karnataka is one of the important states growing different varieties of Grapes. In Karnataka, the important Grape growing districts are Bangalore (U), Bangalore (R), Kolar, Bijapur, Bagalkot, Belgaum, Koppal and Gulbarga. The progressive grape growers of the Northern part of the state are growing grapes of high quality and exporting to Europe, Russia and Middle East countries.
2. In Karnataka, grapes are being grown in an area of 9,700 hectares and the estimated production is about 1.67 lakh tons. Most of the grapes produced in the state are sold in the local market as fresh fruits and a small quantity is sold as raisins. The fresh grapes are spoilt very fast, and therefore, the farmer is liable for economic losses, if the produce is not marketed in the internal markets immediately. Keeping this point in view, the Department of Horticulture and the KAPPEC, in consultation with the IIHR, the Karnataka Grape Growers Association, Bijapur, and private exporters, are striving hard to export the grapes. The necessary information / guidance required for the production of export quality grapes and also the necessary training and inputs are being made available to the farmers.
3. Grape cultivation requires heavy investment of capital. In addition, to produce grapes of high quality, the farmers have to put in hard efforts and additional investment. Nevertheless, the grape growers are always found to suffer from the variations in the prices of grape in the market and often fall into severe economic crisis. To overcome this problem, there is need for value addition of the grapes and promoting grape products in both the local and the international markets. One such important product of grape is **Wine**. In Karnataka, there are plenty of opportunities for production of wine. The climatic conditions in the state are best suited for the production of grapes suited for wine making. There is a very good demand for wines both in local and international markets.
4. Compared to the other countries of the world, the rate of wine consumption is minimum in India. In our country, the rate of consumption of wine is growing at 25-30% per year. By providing congenial atmosphere to the wine industry, giving up the thinking that wine is an alcoholic beverage, and simplifying the taxation system, it is possible to boost the production and consumption of wines.
5. By providing proper impetus to the wine production and marketing, it is possible for the farmers to get good remuneration to their produce. Farmers are going to come out of the market uncertainties, by linking grape production with wine processing. Since the export prospects for wine are huge, always there is an opportunity to get additional profit. With this background, there is a need for an integrated policy as related to production and marketing of wines in the state. Understanding the need for supporting wine production and marketing, the Government, in the Budget Speech of 2006-07, has declared enforcing a **“Wine Policy”**.

After examining the subject in detail, the following order is issued.

Government Order No. PU&C:513:2005 Bangalore.
Dated : 14-03-2007

Keeping in mind the Welfare of the Farmers of Karnataka and with an intention to develop wine production and marketing and also to provide suitable incentives in the direction, the Government has enforced the **"Karnataka Grape Processing and Wine Policy – 2007"** with immediate effect.

1. Identification and declaration of suitable areas for the cultivation wine varieties in the state.

The State Government has identified the areas that are suitable for growing of grape varieties required for the production of good quality wines. The region suitable for cultivating wine grapes in Bangalore (U), Bangalore (R) and Kolar districts has been declared as **"Nandi Valley"**, and similarly, the region comprising Bijapur, Bagalkot and Belgaum districts has been declared as **"Krishna Valley"**.

2. Declaring Wineries as "Horticultural and Food Processing Industries".

The grape wine production units have been declared as the **"Horticultural and Food Processing Industries"**, and accordingly are liable to receive all the incentives and facilities that are meant for such industries.

3. Simplification of the rules related to getting lands for production of grape wine varieties and production of Wine.

- a) The Government intends to establish two **Wine Parks**. The land required for this purpose will be acquired through the Karnataka Industrial Area Development Board (KIADB) and all the incentives and facilities declared in the new **Industrial Policy 2006-11** will be provided to these wine parks. The facilities intended to be provided to the wine parks from the Commerce and Industries Department will be routed through the Department of Horticulture.
- b) The entrepreneurs intending to establish wineries are eligible for getting the facilities available under the *Section – 109* of the Karnataka Land Reforms Act.
- c) The Government will encourage and assist the companies, which are going to take-up *contract cultivation*.
- d) The nationalized banks will be requested to provide credit to the grape growers at reduced rate of interest and for easy sanctioning of loans. Priorities will be given to the growers of wine varieties while getting the back ended subsidy for cultivation.

4. Simplification of rules while issuing License and Permit to the Wineries.

The Licensing system to be followed for getting license for the wineries from the Revenue Department has been simplified. The licenses to wineries will be issued at the district level and the concerned district Deputy Commissioners will be empowered to clear the license applications within 30 days of applying.

5. Allowing the sale of wines in the premises of Wineries

In order to promote “*wine – tourism*”, the licensed wineries will be allowed to sell the wines to those visitors who are interested to buy wines for self consumption.

6. Capital Investment Subsidy

The Government of India, through the Department of Food Processing Industries, is implementing a scheme for providing 25% subsidy, to the Agriculture and Food Processing Units, with a ceiling of Rs.50 lakhs per unit. The Government of Karnataka is going to recommend the wineries for the subsidy under the above mentioned provision.

7. Subsidy for Grape Processing

Under the provisions of the new *Industrial Policy – 2006*, a subsidy of 50% for the installation of machineries required for Agri-based Industries, is extended for grape processing units also.

8. Providing Training

Training will be rendered to the wine grape growers through seminars, workshops, study tours, expert – consultations, demonstrations, etc.

9. Incentives for marketing and distribution of wines

- a) **License Fee for Wine Sales:-** An amount of Rs.5,000 per annum will be charged as license fee for the sales of wine, and this fee will not be reviewed for the next 10 years.
- b) **State Government Excise Registration Fee:-** The State Government excise registration fee levied for the wineries is fixed at Rs.5,000/- per annum.
- c) **Sales of Wine in Bars and Restaurants:-** In order to encourage the wine producers and also to facilitate the sales, it is permitted to hold sales of wines through wine-taverns, apart from sales at the point of production. For this, a fee of Rs.2000 will be levied per annum. Further, permission is provided to undertake sale of wines in bottles in the bars, which have obtained license for the wholesale trade of wines.
- d) **Concession in Excise Duty:-** The presently levied Additional Excise Duty is reduced to Rs. 2 per litre of the wine produced in the State. For the wine which is brought to Karnataka from other states this duty will be four fold.
- e) **Label Registration Fee:-** The Label Registration Fee is waived off for all the brands of wines, and this will not be reviewed for the next 5 years.

10. Setting up of Grape Processing Industries Board

- a) A Grape Processing Industries Board will be setup. This Board will have the representatives from the Grape Processing Industries, Grape Growers, State Government, Government Laboratories and Wine Companies. This Board will be functioning under the purview of the Department of Horticulture. The Objectives of the Board are as follows:

1. Inspection and control of Quality of grape crop.
2. Formulation of standards for quality of grape varieties suited for wine making, approval of the same and putting them into practice.
3. Rendering approval to labels to grape wines.
4. Devising and putting into action / implementation of various programmes and practices for the promotion of cultivation of wine grapes, wine industry, research, exhibitions, trade fairs, tour programmes and visits both within India and Abroad, sales of wines and market promotion.

b) The constitution of the board will be as follows:

1	Principal Secretary (Horticulture), Agriculture and Horticulture Department	Chairman
2	Principal Secretary, Finance Department or his representative of the rank of Deputy Secretary or above	Member
3	Principal Secretary, Commerce and Industries Department or his representative of the rank of Deputy Secretary or above	Member
4	Excise Commissioner	Member
5	Managing Director, KAPPEC	Member
6&7	Two representatives from Wine Manufactures	Member
8&9	Two Wine Grape Grower Representatives	Member
10	Another representative from Wine Production, Processing, Market, Trade, etc.	Member
11	Managing Director, Karnataka State Beverages Corporation Ltd.,	Member
12	Director of Horticulture	Member Secretary

c) Rs.25 crore share capital to the wine board will be sourced as follows:

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|------------------------------------|---|--------------|
| a. Horticulture Department | - | Rs.10 Crores |
| b. KAPPEC | - | Rs.8 Crores |
| c. Karnataka Breweries Corporation | - | Rs.7 Crores |

11) During the current year 2006-07, Rs.5.00 crores required for the Wine Board, are ordered to be provided from the Horticulture Department's Scheme "**Processing in Horticulture**" 2401-00-800-2-28), where Rs.20.00 crores are available.

12) During the next year, i.e., 2007-08, the Finance Department will make a budget provision of Rs.5 crores to Horticulture Department, Rs.8 crores to KAPPEC, and Rs.7 crores to Karnataka Breweries Corporation.

13) **Establishment of Wine Parks**

To facilitate wine production and the related activities, Wine Parks having the common infrastructural facilities will be established, one in Nandi Valley and another in Krishna Valley. These will be established with Public – Private partnership. The Commerce and Industries Department will provide the required land acquisition support to such parks, through the Karnataka

Industries Area Development Board (KIADB). The Horticulture Department will workout the other necessary organizational / implementation details.

14) The implementation of the Wine Policy and the other related activities will be undertaken by the Department of Horticulture.

Sd/-

(S. RAJU)

Under Secretary to Government

(Horticulture)

Agriculture and Horticulture Department

NOTE: The above proposed "Wine Policy" is formed by Agriculture and Horticulture Department, but the implementation of this wine policy is done by "Excise Department of the Karnataka State. Please check with Karnataka Excise Department" for further notifications.