22

STANDING COMMITTEE ON AGRICULTURE (1998-99)

TWELFTH LOK SABHA

MINISTRY OF FOOD PROCESSING INDUSTRIES

DEMANDS FOR GRANTS
(1999-2000)

TWENTY SECOND REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 1999/Chaitra, 1921 (Saka)

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Presented to Lok Sabha on 20.4.1999
Laid in Rajya Sabha on 20.4.1999

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April, 1999/Chaitra, 1921 (Saka)

C.O.A. No. 72

Price : Rs. 26.00

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Ninth Edition) and Printed by the Jainco Art India, New Delhi.

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SECRETARIAT

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3. Shri S. Balshekar	—	*Deputy Secretary*
4. Shri K.L. Arora	—	*Assistant Director*
5. Mrs. Jyochanamayi Sinha	—	*Reporting Officer*

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*Nominated to the Committee *w.e.f.* 18th March, 1999 in place of Lt. Gen. (Rtd.) N. Foley, who ceased to be a member of the Committee consequent upon his nomination to DRSC on Defence *w.e.f.* 18th March, 1999.

PREFACE

I, the Chairman, Standing Committee on Agriculture having been authorised by the Committee to submit the report on their behalf, present this Twenty Second Report on Demands for Grants of the Ministry of Food Processing Industries for the year 1999-2000.

2. The Standing Committee on Agriculture was constituted on 5th June, 1998. One of the functions of the Standing Committee as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha is to consider the Demands for Grants of the concerned Ministries/Departments and make a report on the same to the Houses. The report shall not suggest anything of the nature of cut motions.

3. The Committee took evidence of the representatives of the Ministry of Food Processing Industries on 30th March, 1999. The Committee wish to express their thanks to the officers of the Ministry of Food Processing Industries for placing before them, the material and information which the Committee desired in connection with the examination of Demands for Grants of the Ministry for the year 1999-2000 and for giving evidence before the Committee.

4. The Committee considered and adopted the Report at their sitting held on 7th April, 1999.

NEW DELHI;
7 April, 1999
17 *Chaitra,* 1921 *(Saka)*

KINJARAPU YERRANNAIDU,
Chairman,
Standing Committee on Agriculture.

CHAPTER I

OVERVIEW OF DEMANDS

1.1 The Food Processing Industry encompasses industries on fruit, vegetable, milk, fish and meat processing. The industry has a tremendous potential for increasing agricultural productivity providing significant and widespread employment and contributing significantly to export. The latest survey of Industries 1993-94 reveals that the total share of the Food Processing Industries in the total gross value of output and net value added of the manufacturing sector was 15.19% and 10.02% respectively. Keeping in view the potential for export of processed food as also to generate substantial direct and indirect employment opportunities by this sector, Ministry of Food Processing Industries was set up in July, 1988 to act as a catalyst and facilitator for getting larger investments in food processing sector thereby increasing exports and creating a general atmosphere for healthy growth of the Food Processing Industries.

1.2 A strong and effective food processing sector plays a significant role in diversification and commercialisation of agriculture, improves value addition of the agricultural produce, generates employment, enhances income of farmers and creates surplus for export of agro foods.

1.3 During the Eighth Plan, the key element for development of food processing sector was the unfettering of the private initiative and providing requisite stimulus by way of incentives, investment and policy support. In the past, in liberalisation period when liberalisation of investment was emphasised in the Industrial Policy Resolution, priority was accorded to the Agro-Food Processing Sector and foreign equity participation in this area was permitted.

1.4 Since August 1991 till December 1998, 4676 Industrial Entrepreneur Memorandas (IEMs) envisaging an investment of Rs. 53490 crores and direct employment of approximately 7.40 lakh persons have been received for various sectors of food processing. Out of the IEMs filed during this period, 3999 IEMs envisaging an investment of Rs. 46924 crores and direct employment of approximately

6.73 lakh persons are for non-urban areas. About 39% of these investments are for backward areas. Of these, 646 IEMs envisaging an investment of approximately Rs. 7375 crores and direct employment of 81686 persons have already been implemented.

1.5 During the same period, Government has also approved 1089 proposals of industrial licences and 100% export oriented units, envisaging an investment of over Rs. 18685 crores and direct employment of approximately 2.70 lakh persons. Out of these, 206 proposals envisaging an investment of Rs. 3,836 crores and direct employment of approximately 0.86 lakh persons have already been implemented. Out of the total proposed investment of Rs. 72175 crores, foreign investment envisaged is Rs. 8809 crores. Out of the total proposed foreign investment of Rs. 8809 crores in the food processing sector, the actual inflow till December 1998 is over Rs. 1850 crores.

1.6 All those schemes which have proved successful in the Eighth Plan period are proposed to be continued during the Ninth Five Year Plan. The thrust of the Ninth Plan for Food Processing Industries is to boost export of agro products, dispersal of Industries in the rural areas and creation of infrastructure in rural areas, quality upgradation and quality control system, information and technology dissemination system to the intending small entrepreneurs and others. Special Incentive for the North Eastern States, Jammu & Kashmir, Hilly areas and Backward areas including Tribal areas are to be given in each of the successive annual plan during the Ninth Five Year Plan.

1.7 The processed food sector had been facing serious problems in financing the projects as the food processing industries are high risk prone with long gestation period and the return are small. As a result, the projects in this sector were not finding favourable consideration by the financial institutions. Considering the demand of the industry and in view of the vast potential of the growth of the agro processing sector, the Government has now decided to include agro-processing sector within the definition of 'Priority Sector for bank lending'.

1.8 Finance Minister Shri Yashwant Sinha has also highlighted this aspect during his budget speech (1999-2000) that:

> "To increase the outreach of banks to the tiny sector, lending by banks to non-banking finance companies or other financial intermediaries for purposes of on-lending to the tiny sector is being included within the definition of priority sector for bank lending."

1.9 On the basis of the decision of Ministry of Finance, RBI has already issued a circular to all the banks intimating inclusion of food processing under priority lending.

Inclusion of processed food sector in the priority lending would enable the sector to avail credit from the financial institutions easily as 40% of the bank credit is targetted towards priority sector. A regular monitoring system has been devised by the Reserve Bank of India for industries covered under priority lending. Expeditious clearance of the loan applications by the financial institutions is also likely.

1.10 Plan outlay during Ninth Plan for Ministry of Food Processing Industries is as under.

(Rs. in crores)

I.	Food, Storage and Warehousing	
	(a) Grain Processing Sector	2.80
	(b) Horticulture base Industries	90.70
	(c) Meat & Poultry Processing	37.40
	(d) Milk Based Industries	30.00
	Total	160.90
II.	Fisheries	50.50
III.	Consumer Industries	8.00
IV.	Secretariat Economic Service	15.60
	Total	74.10
	Grand Total	235.00

Progress outlay in Plan & Non Plan Allocations

1.11 The Budget Estimates, Revised Estimates and Actuals in each year is as follows :—

(Rs. in crores)

Year	Budget Estimate		Revised Estimate		Actuals	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
1992-93	40.00	04.39	41.84	03.58	33.15	03.16
1993-94	47.00	04.05	48.57	08.04	38.53	04.28
1994-95	46.00	05.63	45.00	05.94	30.33	04.43
1995-96	45.00	05.13	45.00	05.86	40.84	05.01
1996-97	45.00	06.06	40.00	05.67	25.90	03.42
1997-98	44.10	03.65	40.00	04.18	21.26	04.08
1998-99	44.10	04.72	30.80	04.46	—	—
1999-2000	47.00	04.66	—	—	—	—

1.12 The Committee observed that there was a gradual decline in the provisions equally on the Plan and the Non Plan side. The non-plan allocation is within a range of 9% to 11% of total allocation.

1.13 It has been observed from the detailed Demands for Grants Document that against the budget estimates of Rs. 44.12 crores on the plan side in 1998-99, the revised estimate is Rs. 30.80 crores, leaving a huge shortfall of Rs. 13.30 crores. The percentage of the utilisation of funds comes to Rs. 69.8%. Even for the previous year 1997-98 against the budget estimates of Rs. 44.12 crores on the plan side the actual expenditure incurred is only Rs. 21.25 crores which is not even 50% of the original budget estimates. The actual expenditure incurred in 1997-98 is less than the actual expenditure incurred for 1996-97 which was Rs. 25.90 crores. It appears that the Ministry is unable to spend allocations made under plan scheme year after year. In the light of this poor performance, when asked to justify the need to have a separate Ministry at all for the development of food processing industries, the Ministry has stated that:

> "The Budget Estimates (BE) of Plan funds for 1998-99 is Rs. 44.10 crores and the Revised Estimates (RE) is Rs. 30.00 crores. The R.E. has been reduced by the Ministry of Finance after review of the overall plan funds of the Government. Although, the Ministry took up the matter for retaining the RE of Rs. 44.10 crores at the same level as BE for 1998-99, it has not ben agreed to. However, the entire Plan funds of Rs. 30.00 crores is expected to be utilized during 1998-99. As such, compared to 1997-98, the percentage utilisation of Plan funds is expected to increase from 57.2% to 100% during 1998-99.
>
> As regards low utilisation of Plan fund 1997-98 it may be mentioned that 1997-98 was the first year of the 9th Five Year Plan period and the clearance of various schemes by the Expenditure Finance Committee (EFC) and the Standing Finance Committee (SFC) took some time. Further, as the norms for the Plan schemes have been drastically modified, many of the proposals initially received are not complete and as such utilisation of plan funds was not satisfactory.
>
> As a result of various measures taken by the Ministry including wide publicity of the schemes on newspapers, close interaction with the State Governments especially through the nodal agencies identified by the State Governments, participation in various exhibitions, seminars etc., the response for seeking assistance under our Plan schemes has been very encouraging. As a result, proposals worth more than Rs. 50 crores have been received and these are at various stages of scrutiny.
>
> It would thus be evident that the Ministry is making efforts to increase utilisation of Plan funds. However, it is clarified that the role of the Ministry is not limited to the utilisation of Plan funds. The Ministry acts as a nodal Ministry of the Government of India for the processed food sector and *inter-alia* is responsible for the following—
>
> (i) Formulation and implementation of policies for food processing industries.
>
> (ii) Facilitating creation of conducive policy environment for healthy growth of processed food sector.

(iii) Promotion of infrastructure and R&D relating to food processing sector.

(iv) Implementation of Fruit Products Order (FPO).

(v) Promoting awareness about processed food products.

Various initiatives taken by the Ministry since its inception resulted in more focussed efforts for the growth of the sector which has a vast potential in this country. Though the growth of the sector has not been very rapid, the efforts made by the Ministry has been instrumental in accelerating the growth of this sector."

Ourview of the Outlay to Ministry of Food Processing Industries

1.14 Following is the table indicating the details and the proportion of Budgetary Allocations made in favour of the Ministry out of the total Plan Budget of the Government of India during the Current Plan period along with a Comparative Statement indicating such proportion of allocations out of the total during 8th Plan and 9th Plan in respect of Ministry of Food Processing Industries:

(Rs. in Crores)

Year	Central Sector Outlay	Outlay for MEPI	Proportion of Outlay for MFPI Out of the Total Outlay (%)
1992-93	43693.8	40.00	0.091
1993-94	55215.9	47.00	0.085
1994-95	59053.8	45.00	0.076
1995-96	74594.1	45.00	0.060
1996-97	77517.8	40.00	0.051
1997-98	91838.7	40.00	0.043
1998-99	105187	44.10	0.04198
1999-2000	103521.0	47.00	0.0454

1.15 The Committee observed that the proportion of outlay to Ministry of Food Processing Industries out of the total Central outlay has decreased year after year. This year there is a marginal increase.

1.16 The Committee has been informed that the Ministry sought an enhanced annual plan outlay of Rs. 110.50 crores for the plan schemes for 1999-2000 against which the Planning Commission has approved an outlay of Rs. 47 crores only.

1.17 When asked about the major schemes which have been affected due to this cut in the plan expenditure imposed by the Planning Commission and the impact of this reduced allocation on the various developmental activities undertaken by the Ministry, the Government has stated that:

> "The Ministry has been operating 21 schemes during 1998-99. During 1999-2000 also all these schemes are proposed to be continued. A new scheme for the creation of processed food fund is proposed to be introduced during 1999-2000.
>
> In respect of all scheme enhanced allaocation was sought. However, the Planning Commission approved an outlay of Rs. 47 crores keeping in view the overall financial resources of the country. The approved outlay has accordingly been earmarked for the schemes. It is expected that more funds would be made available in future, on account of the full utilisation of the plan funds during 1998-99 onwards. As the new scheme for creation of Processed Food Fund is not finalised, only a token provision of Rs. 1 crore has been provided for in the year 1999-2000. It is expected that creation of the Fund would result in provision of more plan funds."

CHAPTER II

SECTOR-WISE ANALYSIS
MAJOR HEAD 2405

Fisheries

2.1 During 9th Plan (i) Assistance to Coast Guard and (ii) Fishery Survey of India have been transferred to Department of Animal Husbandry & Dairying. Hence, there lies only the processing part of fisheries with Ministry of Food Processing Industries. Under this sector the proposed outlay by the Ministry of Food Processing Industries for Ninth Plan was Rs. 75.30 crores. However, the Planning Commission has approved only Rs. 50.50 crores for entire plan period. The following three schemes under this sector are under implementation:—

(1) Strengthening of traditional fish processing technologies/ marketing.

(2) Utilization of low value fish.

(3) Infrastructural facilities for food processing industries.

2.2 During the year 1997-98 the approved outlay of Rs. 48.00 lakhs & Rs. 29.00 lakhs for the first two schemes *i.e.* (1) strengthening of traditional fish processing technologies/marketing. (2) utilization of low value fish remained totally unutilized. Only under the sector Infrastrucutral facilities for food processing industries, the Ministry could spend Rs. 6.68 crores against the approved outlay of Rs. 10.64 crores. During the year 1998-99 in the Revised Estimates the allocation has come down to Rs. 8.95 crores from the BE of Rs. 12.00 crores.

2.3 The Ministry in a note stated that during the Ninth Plan, the focus of the schemes in Fisheries Sector has been shifted from deep sea fisheries development to strengthening of traditional sector by providing assistance for traditional technologies, utilization of low value fish, skill upgradation of the people engaged in fisheries for fishing in deep water etc.

Scheme for strengthening of traditional fish processing technologies/ marketing

2.4 This scheme aims at preparation of low cost indigenous technology for drying fish which will result in value addition and provide hygienically dried fish for domestic and export market. Financial assistance in the form of grant is provided to NGOs/ Cooperatives/Joint/Assisted/Private Sector/PSUs upto 50% of the capital cost upto Rs. 10 lakhs in general areas and 75% of the capital cost upto Rs. 10 lakhs in difficult areas.

2.5 The Plan outlay under this scheme is as under:—

(Rs. in crores)

Name of the Scheme	Ninth plan Approved Outlay	App. Outlay	1997-98 Actual Expend.	Short-fall	1998-99 BE	1998-99 RE	1999-2000
Strengthening of Traditional fish processing Techno-logies marketing	2.63	0.48	—	0.48	0.50	0.15	0.50

2.6 When asked about the reasons for such low allocation as well as expenditure, the Ministry in the written reply has stated that:

> "due to non-receipt of any complete and viable proposals no funds were released during 1997-98. Further, the year 1997-98 was the first year of IXth Plan. The modalities for assistance under various schemes were finalised by EFC only in November, 1997. Moreover, there was a change in pattern of assistance for private sector companies in general areas. Earlier financial assistance was available as grant and it was changed to soft loan."

Infrastructural Facilities for Food Processing Industries

2.7 Financial assistance for establishment of post-harvest infrastructure and cold-chain facilities, encouraging projects for production and processing of mushrooms, hops, gherkins etc., setting up of food processing industrial estates and food parks and infrastructural facilities for preservation and processing of fish is provided under this scheme. The Committee is informed that during the year 1998-99, approval of assistance under the Scheme has been accorded to benefit 194 co-operative societies in the States of Kerala, Orissa, West Bengal and Nagaland. Besides, assistance is also being extended to set up cold storage units in the States of Maharashtra, Punjab, Gujarat, Madhya Pradesh and Karnataka.

2.8 The main objective of this scheme during the Ninth Plan is to create additional infrastructural facilities for preservation and processing of fish, so that the benefits of the same are available to traditional fishermen and other sectors engaged in fishing. Under the scheme, assistance will be in the form of grant-in-aid to the applicant organisation for meeting 50% of the project cost, excluding cost of land. The entire recurring and operating cost will be borne by the implementing agency. The various components for which assistance will be provided include modernisation of peeling sheds, ice plants, cold storages, deep freezers, cold chains, cycles/autorickshaws fitted with insulated boxes, vending outlets, modernisation of existing processing.

2.9 The Plan outlay under this scheme is as under:—

(Rs. in crores)

Name of the Scheme	Ninth Plan Approved Outlay	1997-98			1998-99		1999-2000
		App. Outlay	Actual Expend.	Short-fall	BE	RE	
Infrastructural facilities for Food Processing Industries	46.46	10.64	6.68	3.96	11.20	8.95	11.50

2.10 During 1998-99 under this scheme for setting up of infrastructural facilities for Food Processing Industries in the RE the allocation has come down to Rs. 8.95 crores from Rs. 11.20 crores in the BE. During the current year the BE for this sector is Rs. 11.50 crores.

2.11 When asked about the reasons for such low utilization under this sector the Ministry has stated that:

> "Due to poor response under the scheme for Strengthening of Traditional Fish Processing Technologies/Marketing, the provision in RE 1998-99 has been reduced. However, there is no overall reduction in the provision for BE 1999-2000.
>
> In order to popularise this scheme, a provision has been made for 100% assistance in the form of grant-in-aid to R&D organisations for setting up of a demonstration unit to popularise the traditional fish processing technologies and marketing among the entrepreneurs/fishery folks.
>
> Some institutes have been requested to send proposals in this regard.
>
> Besides, now grant-in-aid will be given to all sectors under this scheme."

2.12 During oral evidence of the Ministry of Food Processing Industry the Secretary has stated that:

> "Today the value of the food which is wasted is estimated at Rs. 50,000 crore per year. This is on the basis of a Report conducted by the Confederation of Indian Industries and Macandrian Company, one of the leading American moment, only process about 1.8% to 2% of the food produced in India whereas comparative figures for countries like Thailand are 30%, Brazil about 80% and in America & England it is 60-70% of the total food produced is processed. So, we are at a very low level as far as processing of food goes."

2.13 It has been observed by the Committee that undeveloped food processing industry and inadequacy of cold chain facilities to wastage of our agricultural produce which brings India's position much below in comparison to other countries. In the season certain commodities like tomato, potato and onion set at much cheaper price, while on the other hand in the lean season these commodities sell at very exorbitant price which is beyond the reach of the common man. This kind of disparity can only be removed, if there is a large-scale processing facility available. This processing facility starts with the "cold chain". A cold chain would be something like cold rooms at the farm itself where after harvesting, the produce could be kept in cold rooms. This can be transported in refrigerated vans or in cold vans to cold areas.

2.14 The Finance Minister in his budget speech 1999-2000 has stated:

> "Today, we have a very weak post-harvest storage and marketing infrastructure. This causes tremendous national loss. To overcome this problem, I propose to introduce a credit-linked capital subsidy scheme for construction of cold storages and godowns."

2.15 In this regard the Secretary, Ministry of Food Processing Industries has stated that:

> "So, the entire cold chain system which has to be built is an important part of the food processing industry. I think the Finance Minister has taken this into consideration and he has given a large number of benefits to the cold chain facilities. As far as the allocation of this work to either Agriculture Ministry or to the Food and Food Processing Ministry, I think the judgement is best left to you to make."

2.16 When asked about the actual amount allocated and spent on the infrastructural facilities for preservation & processing of fish in fisheries sector during the year 1997-98 & 1998-99 the Ministry in a written note has stated that:

"The actual allocation for the scheme on development of infrastructure is as under :

1997-98	1998-99
Rs. 11.2 crores	Rs. 11.2 crores

Out of the above, an amount of Rs. 230.27 lakhs & Rs. 397.56 lakhs has been spent in fisheries sector during 1997-98, 1998-99 respectively.

Sanctions have so far been issued for assisting three projects under this scheme in fisheries sector."

2.17 Under the scheme for establishment of Food Processing Industrial Estates/Food Parks which is one of the components of the scheme for development of infrastructure, two projects, one in West Bengal and the other in Kerala were assisted by an amount of Rs. 75 lakhs to West Bengal in 1995-96 & Rs. 125.00 lakhs to Kerala.

The Ministry informed that:

"It has approved 3 projects of Food Park so far, 2 in West Bengal and 1 in Kerala. These have not been completed so far. The first Food Park project in West Bengal was given Rs. 75 lakhs in the year 1995-96 and the Food Park Project in Kerala has been given Rs. 2 crores in all. Recently, a project of a 'Fish Park' in West Bengal was approved for providing Rs. 4 crores, out of which Rs. 2 crores have been given so far.

With the financial assistance of this Ministry, a feasibility report for setting up a Food Park in Bhubaneshwar (Orissa) has been completed. Agricultural Promotion and Investment Corporation of Orissa Ltd. (APICOL), a State Government enterprise, is in the process of preparing a detailed project report for setting up of a Food Park in Orissa. It is expected that during 1999-2000, such a project would be posed to this Ministry for financial assistance.

The Ministry has also received from Government of Goa, a Feasibility Report for setting up a Food Park in Goa. The Government of Goa has been requested to identify a promoter, tie up means of finance and also complete other formalities. It is expected that this proposal may also be ready for seeking financial assistance of the Ministry during 1999-2000.

There is also a proposal before Government of Karnataka for setting up a Food Park in Mysore, to transfer the technologies developed by Central Food Technological Research Institute and Defence Food Research Laboratory. The State Government has been requested by the Ministry to identify a promoter agency and also complete other formalities for formulation and implementation of the project.

The earlier Food Park approved in West Bengal and the 'Fish Park' sanctioned in West Bengal during 1998-99 may also require to be given financial assistance during 1999-2000. The Fish Park in West Bengal was approved for providing a financial assistance of Rs. 4 crores in 1998-99. Rs. 2 crores have been released for this project so far.

Since no Food Park project has been completed so far, the question of its utilization does not arise. It is expected that the Food Park project of Kerala would be completed in 1999-2000."

Scheme for low value fish utilisation and conversion into value added products

2.18 India is the seventh largest fish producing country in the world. Unlike the fishery of cold and temperate waters where the catch comprises only of a limited species of fish, Indian fishery is multispecies one, comprising of a large number of species of fish of highly varying sizes. The catch consists of some very small sized fishes which often cannot be put to any economic use. Such fish by-catch is discarded over board or at landing centres. The low value fishes constitute a sizeable part of the country's total marine catches. Discarding of these fishes, which are rich in protein, is therefore, a loss to the nation where such cheap protein rich food is needed. The producers and processors reject these fishes only because they don't have commercial value. In the recent past, considerable R & D work has been done by various institutes regarding value added products from low value fish. The processed products of these fishes have been prepared on an experimental basis and are found to be acceptable to the consumer. Hence, there is need to encourage setting up of units which would take up commerical production of value added products like protein concentrate, fish wafers, fish sausages, fish soup, fish cutlets, fish balls & fish feed etc. using low value fish.

2.19 Under this scheme assistance will be given to Central Government Organisations, State Governments/Union Territory Undertakings, cooperative bodies, Association of Industries, private entrepreneurs, NGO's etc. All the assistance to the cooperatives will be given through NCDC. Assistance to private sector units will be given through MPEDA/State Government. The quantum of assistance will be limited to 50% of the total project cost including the cost of initial market development.

2.20 Under this scheme Rs. 30 lakhs have been allocated for 1998-99 as against Rs. 29 lakhs with no utilisation during 1997-98 Rs. 30.00 lakhs was allocated during the year 1998-99 (Rs. 20.00 lakhs on Revenue and Rs. 10.00 lakhs on capital side) against which the Revised Estimate is only Rs. 10.00 lakhs in the form of grant in aid on Revenue side. For the current year i.e. 1999-2000, the B.E. for this scheme is Rs. 50.00 lakhs on revenue side with no allocation on capital side.

2.21 When asked about the reason for low allocation at the RE stage the Ministry in a written note has stated that:

> "The year 1997-98 was the first year of IX Plan. The modalities for assistance under various schemes were finalised by EFC only in November, 1997. Moreover, there was a change in pattern of assistance for private sector companies in general areas. Earlier financial assistance was available as grant and it was changed to soft loan.
>
> Due to these factors, the funds provided for under the scheme could not be utilized fully. In order to popularise the scheme, steps were taken by sending letters to and organising meetings with States/UTs/Nodal agencies."

R&D in Food Processing Industries

2.22 A new scheme in the IXth Plan. Under the scheme, one of the objectives relates to `Development of value added projects, using low value fish, product development, standardization of processing technology, for non-conventional marine resources like snails, clams, mussles, oysters etc. and development of low cost packaging technology.

2.23 No separate allocation has been made. Financial assistance is in the form of grant, depending upon the nature of the project and the time schedule, funds are released either in lumpsum or in instalments.

2.24 The proposals for R&D are examined and approved by the Ministry keeping in view the requirements of the industry and the feedback received.

CHAPTER III

FOOD STORAGE AND WAREHOUSING

MAJOR HEAD—2408

A. Research and Evaluation Grain Processing Sector

3.1 In the grain processing sector against the earlier outlay of Rs. 8.3 crores for the entire Five Year Plan, it is found that in the Plan document only Rs. 2.8 crores have been earmarked. When asked about the impact of this reduction on the growth of the sector and its implications on the national economy, the Ministry in a written reply has stated that:—

> "In the grain processing sector a total of 10 schemes were proposed to be implemented in the 9th Plan. Consequent upon the discussion in the Planning Commission a need was felt to reduce the number of schemes being operated. Accordingly the schemes in this sector were clubbed as under:—

No.	Scheme in Grain Processing Sector	Clubbed scheme and sector
1	2	3
1.	Post Harvest Technology Centre, IIT Kharagpur	Research & Development in Food processing Industries in milk based industries sector
2.	Paddy Processing Research Centre, Thanjavour.	
3.	Research & Development	
4.	Fortification of Cereals & Cereal Products	
5.	Manpower development for cereal processing food industry	Manpower development in processing industries in horticuture based industries sector

1	2	3
6.	Scheme for strengthening of backward linkages for maize and coarse grains	Strengthening of backward linkages in horticulture based Industries sector
7.	Modernisation of Pulse milling industry	Setting up/Expansion/ Modernization of food processing industries in horticulture based industries sector.

In the Grain Processing Sector the allocation has not been reduced. Also in view of the fact that no scheme has been dropped. It is not going to have any adverse impact and implication on the growth of this sector and the national economy."

3.2 The three schemes that are in operation are:

1. Regional Extension Service Centre
2. Cereal Processing Testing Centre
3. Permanent Extension Service Centre

3.3 The Plan outlay, actual expenditure for the year 1997-98, BE & RE for 1998-99 & BE for 1999-2000 under the different schemes of the Rice Milling Modernisation Programmes under the Grain Processing Section is as under:—

(Rs. in crores)

Sl. No.	Schemes	1997-98 Actual	1998-99		1999-2000 BE
			BE	RE	
1	2	3	4	5	6
Plan					
(i)	Grant-in-Aid to Regional Extension Service Centres.	0.22	0.30	0.30	0.30

1	2	3	4	5	6
(ii)	Grants-in-Aid to Cereal Processing Testing Centres	0.16	0.25	0.25	0.30
(iii)	Extension Service Centre at CFTRI	0.12	0.15	0.15	0.15
	Total Plan	0.50	0.70	0.70	0.75

The IXth Plan outlay is Rs. 2.80 crores.

3.4 The Committee in its 11th Report on Demands for Grants (1998-99) had recommended that all schemes that have been clubbed/ merged may be put back under their original sectors. In the background material it has been stated that action has already been initiated for opening separate Heads of Accounts. Once the Heads of Accounts are opened, action will be taken to separate them accordingly. However, even in the existing clubbed schemes all segments are covered and have been earmarked allocations.

3.5 Regarding the Actual allocation earmarked for the following schemes:

(i) Research & Development

(ii) Fortification of Cereals & Cereals Products

(iii) Scheme for strengthening of backward linkages for Maize & Coarse grains sector

(iv) Modernization of Pulse Milling Industry.

and during 1998-99 (BE & RE) & 1999-2000, the time frame stipulated to open separate Heads of Accounts, the Ministry has stated that:

"The scheme relating to Research & Development along with scheme for fortification of Cereals & Cereal Products stands merged with scheme on Research & Development in the milk based sector. The scheme for strengthening of backward linkages for Maize and Coarse grains sector has been merged with scheme on strengthening of backward linkages in the Horticulture Based Industries Sector. Scheme on Modernization of pulse milling industry has been merged with scheme for setting up/expansion/modernisation of food processing industries in the Horticulture Based Industries Sector. Consequently, no separate allocation exists for these schemes in the Grain Processing Sector.

The matter regarding opening of separate head of accounts has been taken up with the Ministry of Finance in consultation with Planning Commission. The matter is pending at present with Comptroller & Auditor Generals Office."

B. Food Processing
Horticulture Based Industries (Fruit & Vegetable Processing)

3.6 Following are the Budget 9th Plan outlay, Actual for 1997-98, BE, RE during 1998-99 & BE for 1999-2000 is as under:—

(Rs. in crores)

Sl. No.	Name of the Scheme/Project/ Programme	9th Plan Outlay	1997-98 Approved Outlay	1997-98 Actual Expend.	1998-99 BE	1998-99 RE	1999-2000
1.	Man Power Development in Food Processing Industries	18.80	2.85	0.81	2.50	1.48	3.00
2.	Setting up/ expansion/modernization of Food Processing Industries	46.53	8.30	3.55	10.00	3.75	6.50
3.	Strengthening of Backward linkages	5.16	0.95	0.44	0.75	0.36	1.00
4.	Setting up Demonstration Units/Pilot Projects	13.63	0.30	—	1.00	0.35	2.00
5.	Generic Advertisement	6.58	0.90	—	1.50	0.50	3.00
	Total	90.70	13.30	4.80	15.75	6.44	15.50

3.7 When asked to explain the reasons for low level of expenditure in this sector the Ministry in the written reply has stated that:—

> "The Fruit and vegetable processing sector, despite having substantial potential, is facing several constraints. Establishment of fruit and vegetable industries, involves coordinated development of backward linkages for raw materials. Further, the units face problems in marketing their produce as domestic consumption of processed food products is still at a low level and the export market is also highly competitive. Further, Fruit and Vegetable Processing units face problems in obtaining finance from banks and financial institutions, as this industry is still considered a high risk industry. As such, this sector is facing the problem of low capacity utilization. As a result of the constraints being faced, entrepreneurs are not able to fully avail of the financial assistance available from this Ministry.
>
> Also, the pattern of assistance under the plan scheme has undergone significant revision during the ninth plan period. Grant-in-aid has largely been replaced by soft loan which is given against Bank Guarantee. To ensure bankability of the projects and timely recovery the Ministry provides assistance only to those projects which stand such scrutiny."

3.8 Giving details of each of the scheme under this Sector the Ministry has clarified as under:—

1. Assistance for Man Power development in Food Processing Industries

3.19 One of the components of the scheme relates to providing assistance for setting up of Food Processing & Training Centres (FPTCs) in rural areas. The scheme envisages financial assistance in the form of grant for purchase of plant and machinery as well as seed capital. Such centres can be both single product line and multi product line. While for single product line, the assistance is limited to Rs. 3 lakhs for plant & machinery and Rs. 2 lakhs for seed capital. Central and State Government Organisations, Educational & Technical Institutions, Non-Government Organisations and Cooperatives are eligible for assistance. During 1998-99, assistance for setting up 48 FPTCs (32 single product line and 16 multi product line) have been provided.

3.10 The scheme also envisages training of persons engaged in traditional meat processing activity, in-service workers and unemployed persons. During 1998-99 assistance has been extended to institutes for imparting training of 45 candidates on pork production, processing and marketing in the States of Karnataka and Maharashtra.

3.11 The scheme also envisages financial assistance for imparting training in flour milling technology. During 1998-99, financial assistance has been extended for providing training in the area of grain processing for value addition.

3.12 The details of allocation and expenditure for the years 1997-98, 1998-99 & BE for 1999-2000 are as under:—

(Rs. in lakhs)

1997-98			1998-99		1999-2000
BE	Actual	Shortfall	BE	RE	BE
285.00	81.00	204.00	250.00	148.00	300.00

3.13 When asked about the reasons for the huge shortfall of Rs. 204 lakhs in 1997-98 and for lower allocation in the RE stage for 1998-99 the Ministry has stated that:—

> "The year 1997-98 was the first year of IX Plan. The modalities for assistance under various schemes were finalised by EFC only in November, 1997 and also due to non-receipt of viable and complete proposals under this scheme, there was a huge shortfall in the year 1997-98.
>
> The RE of the Plan scheme of the Ministry was reduced from Rs. 44.00 crores to Rs. 30.00 crores. Accordingly, reductions were made in respect of various Plan Schemes, on the basis of proposals in the pipeline, at that point of time.
>
> There are many proposals lying with the Ministry at various stages, to be matured shortly, to be considered for release of grants, during 1999-2000.

In the year 1998-99, the RE of Rs. 148.00 has been completely spent. In the same year, there are 24 more proposal lying, in whose cases the approval of the Sanction Committee has already been incurred. However, funds could not be released in these cases so far, due to non-availability of funds in the RE for the year 1998-99. Hence, more funds are required; in 1999-2000."

3.14 The Ministry further clarified that:—

"One of the components of the scheme relates to providing assistance for setting up of food processing & training centre in rural areas. Since its inception during the year 1992-93, the Ministry has assisted 277 Food Processing Training Centres throughout the country. The projects assisted during the 8th Five Year Plan as well as those assisted in the Ist year of the 9th Plan are being evaluated through a study entrusted to National Council for Applied economic Research."

3.15 When asked as to whether the Ministry has conducted any survey regarding the requirement for setting up of such centres, the Ministry has replied negatively stating:—

"During the last 3 years (1996-97, 1997-98, 1998-99) Rs. 299.50 lakhs has been released in the form of grants for purchase of plant & machinery and seed capital. An amount of Rs. 4.80 lakhs was released for training of persons in meat processing. An amount of Rs. 21.25 lakhs was released for training of persons in flour milling technology. Three institutions have received assistance for providing training in grain processing sector."

2. Assistance for setting up/Expansion/Upgradation of Food Processing Industries

3.16 The Ministry provides assistance for setting up/expansion and modernisation of food processing units including modernisation of pulse milling units. Financial assistance is in the form of loan/grant-in-aid. During 1998-99 approval for assistance has been accorded to 15 units.

3.17 The Plan outlay under this scheme is as under:—

(Rs. in crores)

Name of the Scheme	Ninth plan Approved Outlay	1997-98 App. Outlay	Actual Expend.	Short fall	1998-99 BE	RE	1999-2000
Assistance for setting up/Expansion/ Upgradation of Food Processing Industries	46.53	8.30	3.55	4.75	6.00	3.75	6.50

Rs. 1.50 crores	in the form of grants-in-aid.
Rs. 1.50 crores	in the form of Equity participation.
Rs. 3.50 crores	in the form of Loans to State Undertakings/ Cooperatives/Joint Sector/Assisted Sector/ Projects etc. for setting up Food Processing Industries.

3.18 Giving reasons for shortfall in utilising the funds in 1997-98 and also at the RE stage during 1998-99, the Ministry has stated that:—

> "The entrepreneurs in the field of food processing industries face several constraints like difficulty in procuring raw material, marketing bottlenecks, difficulty in obtaining finance from banks/financial institutions etc. As a result, the entrepreneurs are not able to utilise the financial assistance available from this Ministry to the fullest extend. During 1998-99 proposals for providing financial assistance over Rs. 5.00 crores under the scheme of setting up/modernization/upgradation of food processing Industries have been approved."

3.19 In the BE of 1999-2000 Rs. 1.50 crores has been allocated in the form of equity participation. When asked about the terms & conditions of such equity participation, the Ministry has stated that:—

> "With a view to encourage the processed food sector it is proposed to have equity participation. The modalities of such equity participation are being worked out."

3.20 Replying to a query on how the Ministry will categorise as to which unit is to given grant-in-aid or equity participation or loan, the Ministry has stated that:

> "As per our scheme Non-Governmental Organisation and Cooperatives, are normally eligible for grant. In the case of private sector units financial assistance is in the form of soft loan. In the case of PSUs and joint sector they have an option of availing either grant or loan of a higher quantum."

3. Assistance for strengthening of backward linkages

3.21 The scheme aims at encouraging the concept of backward linkages between the processors and the farmers. The objective of this scheme is to increase capacity utilisation of fruits and vegetable processing as well as grain and coarse grain by ensuring regular supply of raw materials through contract farming. The farmers are ensured remunerative prices by creating direct linkages between farmers and processors. The processing companies are required to supply high quality seeds/fertilizers/pesticides and technology to contracted farmers alongwith necessary extension work. The group of contracted farmers shall not be less than 25 in number. The financial support under this scheme is as grant in the form of reimbursement upto 5% of the total purchases made by processors in a given year limited to Rs.10 lakh per year for a maximum period of three years. During 1998-99 assistance has been provided to one such unit and a few other cases are under process.

3.22 Under this scheme the Actual allocation for 1997-98, BE & RE for 1998-99, & BE for 1999-2000 is as under:—

Rs. in lakhs

1997-98		1998-99		1999-2000
BE	Actual	BE	RE	BE
95.00	43.92	75.00	36.00	100.00

3.23 When asked to state the reasons for lower allocation & utilisation in the year 1998-99 in comparison to the actual allocation and expenditure of 1997-98 and justification for spending of the allocation of Rs. 1.00 crore for the year 1999-2000, the Ministry has stated that "the lower allocation & lower utilisation is because of overall reduction of the Budget of the Ministry. At the time of finalisation of budget estimate 1999-2000, 5 proposals for reimbursement under this scheme were being processed and it was expected that a few more would be received during the year 1999-2000. Hence an estimated amount of Rs.1.00 crore was earmarked."

3.24 Under this scheme 23 Units came to the Ministry for seeking assistance since 1992-93. Out of these 3 units have been given assistance so far. During the last two years *viz;* 1997-98 & 1998-99, 14 proposals were processed and 4 of these have been given assistance.

Setting up of Demonstration Units/Pilot Project

3.25 The scheme envisages financial support for setting up demonstration unit in respect of new products that are coming up. Financial assistance has been accorded for setting up 100 Mini Pulse Processing Units with the assistance of CFTRI, Mysore.

3.26 Under this scheme, no expenditure has been incurred in 1997-98, although an allocation of Rs. 30 lakhs was made. Regarding the reasons for not utilising the budgetary allocation, the Ministry has stated that :

> "Since no proposals could be finalised for setting up of demonstration Units/Pilot projects in 1997-98, the allocation of Rs. 30 lakhs could not be incurred. However, during 1998-99, the allocation of Rs. 35 lakhs which was made for the purpose has been released for setting up of 100 mini pulse units with the assistance of CFTRI, Mysore."

The allocation under BE 1999-2000 is Rs. 2.00 crores.

3.27 India produces a wide range of fruits and vegetables in substantial quantities but a large quantity of fruits & vegetables perish every year. Only 1.8% of the total production of fruits and vegetables is commercially processed which is far below the level compared to developed and developing countries inadequate post-harvest technology, poor infrastructure, as well as absence of linkages between processing industry and the growers. Considerable inter-state variation exists in distribution of processing units and levels of infrastructural development. Processing units are mainly concentrated in the states with better infrastructural facilities rather than based on the availability of raw materials.

3.28 The annual production of fruits & vegetables was 113.00 million tonnes in 1995-96. The production of processed fruits & vegetables during 1996, 1997 & 1998 was 9.6 lakh tonnes, 9.1 lakh tonnes & 9.4 lakh tonnes respectively. The Ministry has not conducted any survey to assess the loss of fruits & vegetables. However, it is estimated that quality deterioriation and loss in value that take place is about 25% to 30% of some fruits & vegetables due to inadequacy of post harvest infrastructure and perishability of the produce. Such losses do affect the availability of raw materials for processing.

3.29 When asked about the steps taken by the Government for the export of processed products, the Ministry has stated that:

> "To encourage export of processed foods, Government is providing financial assistance for setting up/modernisation/ expansion of food processed plants, for R&D, and for promotional activities like publicity, market promotion, foreign market studies, participation in important trade fair etc. Besides this, in accordance with the general policy of Government for promoting exports, 100% Export Oriented Food Processing Units and the units located in Free Trade Zones, get complete exemption of customs duty on imported capital goods, intermediates, components and raw materials in accordance with the EXIM Policy in force. Such units are also permitted to sell upto 50% of their production in the domestic market.

Meat & Poultry Processing Sector

3.30 The Livestock sector in the country is very large and contributing about 8% of the Gross Domestic Product. Poultry has developed as an organised sector and producing about more than 350 million broilers and 29 billion eggs per year. Processing, chilling, freezing of meat, poultry and eggs needs to be given important position in the Agro Industries Development Plans of our country.

3.31 The outlay for the scheme is as under:-

(Rs. in lakhs)

Sl. No.	Name of the scheme/project/ Programme	Outlay proposed by the Ministry for Ninth Plan	Ninth Plan appro-ved outlay	1997-98			1998-99				% of shortfall (6+9) out of total (5+8)	1999-2000 B.E.
				App. Outlay	Actual exp.	Short-fall	B.E.	App. outlay (R.E.)	Antici-pated exp.	Short-fall		
Meat and Poultry Processing Sector												
1.	Poultry & Egg Processing	2000.00	1372.00	270.00	178.00	92.00	200.00	77.00	77.00	-	26.5	120.00
2.	Development of Meat Processing	2000.00	2068.00	286.00	14.00	272.00	350.00	367.00	367.00	-	41.65	370.00
3.	Development of Marketing Facilities, Infrastructure and Transport	1500.00	300.00	40.00	-	40.00	75.00	19.00	19.00	-	67.79	160.00
	Total	5500.00	3740.00	596.00	192.00	404.00	625.00	463.00	463.00	-	38.14	650.00

3.32 Under the Meat & Poultry Processing sector, the budget allocation for 1997-98 was Rs. 5.96 crores whereas the actual expenditure incurred is Rs. 1.92 crores. For the year 1998-99 against the budget estimate of Rs. 6.25 crores, the actual expected expenditure is Rs. 4.63 crores. The reasons for continued under utilization of funds under this sector is as under:—

1. Implementing agencies are unable to arrange matching share of funds.

2. Contribution of banks (loan), promised to finance project, often not received in time by implementing agency, hence funds of the Ministry could not be released.

3. Implementing agency often does not complete the requirements/documents, hence the approval of proposal is held up.

4. Sometime proposals are not received in sufficient numbers.

3.33 The Budget Estimates for the plan scheme for development of meat processing is as under:

(Rs. in lakhs)

Ninth Plan Outlay	1997-98			1998-99		1999-2000
	BE	Actual	Short-fall	BE	RE	BE
2068.00	286.00	14.00	272.00	300.00	367.00	370.00

3.34 The scheme envisages financial assistance in the form of grant/loan. The loan is given at concessional rate of 4% interest. The repayment is to be made in 5 years after a morotorium of one year. The implementing agencies availing soft loan are required to furnish a bank guarantee from any scheduled commercial bank in favour of the Ministry of Food Processing Industries for the due payment of the loans and payment of interest and other money thereon. The Ministry has informed that during 1997-98, three new proposals for financial assistance under this scheme were received. However, none of these were complete in all respect and all the necessary clarifications and documents were not received. Therefore, no financial assistance could be provided for any of these projects.

3.35 There were also 9 ongoing projects who were given financial assistance under this scheme in the earlier years and further releases were expected to be made by the Ministry during 1997-98. Three of these projects are in Assam, two in Karnataka and one each in Nagaland, Mizoram, Madhya Pradesh and Punjab. The project in Punjab could be provided Rs. 14 lakhs during 1997-98. The projects in Assam and Mizoram could not be provided funds as the Implementing Agency could not arrange matching contribution in 1997-98. The projects in Nagaland had undergone drastic revision in cost. In case of Madhya Pradesh, even the earlier instalments given were not utilised fully.

3.36 However, funds have been released for the projects in Assam and Nagaland now, whereas funds could not be released in case of Mizoram, Karnataka and Madhya Pradesh because they are yet to fulfil the conditions laid down by this Ministry.

3.37 When asked about the exact amount of allocation & expenditure for Research during the last three years to achieve good quality hygienic production of meat & meat products development, propagation of international quality standard, the Ministry has stated that:—

> "There is no provision for research under this Scheme to achieve good quality hygienic production of meat and meat products development, propagation of international quality standards. The Research and Development in Food Processing Industries is covered by another plan scheme.
>
> The objectives of good quality, hygienic production of meat and meat products and development and propagation of international quality standards is achieved through establishment/modernisation of meat processing plants/ abattoirs."

3.38 The total meat production in the country is to the tune of Rs. 4.06 million tonnes per annum. The latest per annum meat production in India is available for the year 1997 which is as follows:—

		(In thousand tonnes)
1.	Cattle Meat (beef)	1292
2.	Buffalo meat	1205
3.	Pig meat (port)	420
4.	Sheep & Goat Meat	670
5.	Chicken	670
6.	Rabbit	Not available

3.39 The slaughter rate in relation to population of animals is as follows:

1.	Cattle	6%
2.	Buffalo	10%
3.	Pigs	99%
4.	Sheep	31%
5.	Goat	39%
6.	Rabbit	Not available

3.40 The quantum of meat processed into products is low as compared to the total meat produced in the country. It has been reported by Kondaiah, N. in his article Meat and Meat Products as Human Food (Indian Farming—Special Issue of the Golden Jubilee of FAO 1955) that only an estimated 1% of total meat is further processed into products.

3.41 The quantum of meat exported in the last five years is as follows:—

	(in tonnes)
1993-94	112870
1994-95	127150
1995-96	168793
1996-97	166777
1997-98	183123

Development of Marketing Facilities Infrastructure & Transport

3.42 The details of outlay and expenditure for 1997-98, 1998-99 & BE for 1999-2000 for the scheme Development of Marketing Facilities, Infrastructure and Transport are as under:—

(Rs. in lakhs)

1997-98		1998-99		1999-2000
Approved Outlay	Actual Expenditure	BE	RE	BE
40.00	—	75.00	19.00	160.00

3.43 When asked to state why there was no expenditure during 1997-98 under the scheme and what are the reasons for such a reduction in allocation at the RE stage in 1998-99 and how the Ministry is going to spend Rs. 1.60 crores during 1999-2000 with such a past record, the Ministry has stated that:—

> "The funds provided for the scheme of Marketing and Quality Control and Transportation of Meat could not be utilised as the proposals received under the scheme did not fulfil the requirements of the scheme and hence, could not be supported."

3.44 The scheme aims at providing financial assistance for deep freezers/refrigerators to retail outlets, marketing complexes for development of meat markets for shopping centres. Assistance is also available for provision of insulators, refrigerated/chilled vans for transportation of meat & meat products and establishment/ improvement of quality control laboratories.

3.45 When enquired about the no. of insulators, refrigerated/chilled vans that are available for this purpose and out of these how many were set up with the assistance under the scheme and whether these are sufficient to meet the demand, the Ministry has stated that:—

> "The insulated, refrigerated or chilled vans are used for transportation of meat from the place of production to the place

of shipment in case of exports. The data regarding exact number of such vans is not available with the Ministry. However, the transportation of meat in refrigerated/chilled vans is a necessary requirement. Therefore, most of the exporters have their own such vehicles. Those who do not have the same, hire such vehicles from other sources. However, this Ministry has not provided assistance for such vans so far."

Poultry & Egg Processing

3.46 The approved outlay, actual expenditure during the year 1997-98, BE, RE for 1998-99 & BE for 1999-2000 for the scheme Poultry & Egg Processing are as under:—

(Rs. in lakhs)

1997-98			1998-99			1999-2000
Approved Outlay	Actual Expenditure	Short-fall	BE	RE	Short fall	BE
270.00	178.00	92.00	150.00	77.00	73.00	120.00

3.47 Informing about such low utilization during 1997-98 and 1998-99 & low allocation at the RE during 1998-99, the Ministry stated that:—

"The Ministry could not utilise its full outlay because in 1997-98, sufficient proposals were not received. However, in 1998-99, the budget estimates have been revised to Rs. 77 lakhs from Rs. 150 lakhs as the release of assistance is envisaged only in case of an earlier approved project of Assam and for one new project."

3.48 During 1997-98, 128 persons were trained in Meat and Poultry Processing under HRD programme, while in 1998-99, only 45 persons could be trained. The target for 1999-2000 is to train 125 persons. The physical achievement during 1998-99 has come down drastically to 45 persons. Informing the reasons for the shortfall in achievements, the Ministry in its written reply has stated that:—

> "There are no targets fixed for training the candidates in Meat and Poultry Processing Sector during the financial year. However, this Ministry has approved funds for the training of 85 candidates. For training the candidates, the proposals are received from Agricultural Universities, CFTRI, Mysore; Veterinary Colleges and Cooperatives and State Corporations etc. Since no other satisfactory proposals were received, funds could not be released for training of more candidates."

Milk Based Industries

3.49 The Indian dairy industry has achieved substantial growth during the Eighth Five Year Plan. India is now the second largest milk producing country in the world and the milk production which was stagnant up to 1970, at the end of Eighth Plan the milk production is estimated at 70 million tons. Similarly, there has been an increase in the production of milk powders including baby food, malted food and condensed milk and their production in the year 1995 was two lakh tonnes, 40,000 tonnes and 9100 tonnes respectively. About 60% of the installed capacity is in cooperative sector and with the liberalisation of Indian economy, more processing plants are coming up.

3.50 As per the Working Group Report it is expected that there will be growth of 50% in the milk-products industry during the Ninth Five Year Plan period, provided adequate measures are taken by the Government. Accordingly, the Ministry of Food Processing Industries introduced a separate sector named Milk Based Industries during first year of Ninth Plan *i.e.* 1997-98 with the revised estimate of Rs. 4.08 crore. The actual expenditure is Rs. 4.50 crore. During 1998-99 budget estimates under this sector is Rs. 5.40 crore and Revised Estimate is Rs. 5.00 crore. The BE for 1999-2000 is Rs. 5.50 crore.

3.51 The following is the allocation under this sector:-

(Rs. in lakhs)

Sl. No.	Name of the scheme/project/ Programme	Outlay proposed by the Ministry for Ninth Plan	Ninth Plan approved outlay	1997-98			1998-99				%of shortfall (6+9) out of total (5+8)	1999-2000 B.E.
				App. Outlay	Actual exp.	Short-fall	B.E.	App. outlay (R.E.)	Antici-pated exp.	Short-fall		
Milk Based Industries												
1.	Scheme for Research & Development for food Processing Industries	10550.00	1974.00	370.00	450.00	180.00	500.00	500.00	500.00	—	+9.19	500.00
2.	Scheme for setting up of Innovative Dairy Products.	3000.00	531.00	38.00	—	38.00	40.00	—	—	—	100.00	50.00
	Total	13550.00	2505.00	408.00	450.00	+42.00	540.00	500.00	500.00	—	44.62	550.00

Research & Development for Food Processing Industries

3.52 During the 9th Plan two schemes have been formulated in this sector. One scheme relates to Research and Development for Food Processing Industries. During the 8th Plan, Research and Development schemes for different sectors were being operated separately. However, during the 9th Plan all Research and Development programmes for different sector such as Grain Processing, Meat and Poultry Processing, Horticulture Based Industries, Milk Based Industries, Fisheries, Packaging etc. have been clubbed together and only one scheme is being implemented. This scheme, although put under Milk Based Industries, covers all segments of Food Processing Industries. During 1998-99, assistance had been extended for taking up 5 R&D programmes.

3.53 The Committee had earlier observed that R&D schemes for different sector should be operated separately under the respective sectors and not under the sector Milk Based Industries. When asked about the follow up action taken in this specific matter and the significant achievement made as a result of R&D efforts made in this sector in the last three years, the Ministry has stated that:

Action has already been initiated for opening separate heads of accounts. Following are the important projects undertaken during the last three years under R&D scheme:

1. Established a Food Engineering Centre at CFTRI Mysore for providing engineering and technological services to the food industry including manufacturers.
2. Nodal Codex Laboratory is being set up at CFTRI Mysore.
3. The system of Solar Drying of spices, tea etc. has been designed and commercialised by Planters Energy Network, Madurai.
4. Upgradation of Quality Control Laboratory at Food Research & Analysis Centre, which provides analytical testing services to the industry.
5. Development of aluminum can packaging for food processing.
6. Technology for modified atmospheric packaging for minimally processed vegetables has been developed by CFTRI, Mysore.

Setting up of Innovative Dairy Products

3.54 The second scheme under this sector relates to setting up of Innovative Dairy Products. The objective of this scheme is to encourage introduction of Innovative Dairy items such as whey protein, protein concentrate, extraction of minerals and casein etc., where new technology and higher value addition is involved. Financial assistance in the form of loan is provided under the scheme.

3.55 The Ministry of Food Processing Industries provides soft loan at a concessional rate of interest of 4%. The quantum of such assistance is limited to 50% of the cost of capital equipments. The repayment is within 5 years with a moratorium of one year.

3.56 While the other projects would get only upto a maximum of Rs.50 lakhs as soft loan, innovative projects would get Rs.75 lakhs in general areas and Rs.100 lakhs in difficult areas.

3.57 Under this scheme against an approved outlay of Rs.38.00 lakhs, during the year 1997-98, the Ministry could not spend a single pie. Again, an amount of Rs.40.00 lakhs was provided during 1998-99 at the Budget Estimate stage. However, at the Revised Estimate stage there is no allocation. During the current year, the Ministry has allocated Rs. 0.50 crores for this scheme.

3.58 Informing about the low allocation and the reasons for no offtake during 1998-99, the Ministry has stated that:

> "The scheme for setting up of Innovative Dairy project was introduced for the first time in 1997-98. Originally, it was proposed to extend Financial Assistance in the form of grant. However, keeping in view the provisions of other schemes it was decided that Financial Assistance for this scheme should be in the form of loan and not grant. It was also decided that Innovative project would cover Innovation in area such as products, processing and packaging. Moreover, the claim of such innovation would also be got confirmed by reputable institutes. In these circumstances a low allocation was made for this scheme."

CHAPTER IV

CONSUMER INDUSTRIES
MAJOR HEAD - 2852 INDUSTRIES

Consumer Industries

4.1 The following two public sector enterprises are under the administrative control of the Ministry :

1. Modern Food Industries (India) Limited (MFIL)
2. North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC)

The following is the allocation under these two public sector enterprises:

Modern Food Industries (India) Limited (MFIL)

4.2 Modern Food Industries (India) Limited, formerly known as Modern Bakeries (India) Limited is the largest producer of bread in the country. The company has 14 bread units located at different parts of the country. Besides bread units, company has fruit juice bottling plant at Delhi, Roller Flour Mill at Faridabad, an extruder food unit at Jaipur and a fruit pulping unit at Bhagalpur. The Ujjain oil plant of the Company has been closed with the approval of the Government w.e.f. 1.4.1994.

4.3 The Performance Budget 1999-2000 state that Modern Food Industries Limited made a net profit (after interest and depriciation) of Rs.764.34 lakhs during 1997-98 as against Rs.1645.30 lakhs in 1996-97 the Company achieved a turnover of Rs.18151.70 lakhs during 1997-98 as compared to Rs.16682.25 lakhs in 1996-97.

4.4 The Government has decided to disinvest 74% of its equity in MFIL to a strategic partner M/s ANZ Gridlays Bank Limited have been appointed as Global Advisor to the Government to advise and assist in the selection of a strategic partner through a global process of competitive selection. After disinvestment of 74% of Government, equity in MFIL, the balance of its equity i.e. 26% will be held by the Government.

4.5 When asked about the Plans to undertake upgradation of the Unit in view of decentralisation of the process the Secretary, Ministry of Food Processing Industries has stated during oral evidence session that:

> "This company was set up in 1965 and most of the plant and the machinery which was installed is still subsiding. So, most of the plant is already 25 years old which means they have outlived its life. A very heavy capital investment, roughly estimated about Rs.100 crore is required in this company to upgrade it to a modern standard. So, that was one reason. The second reason was the technology that we are using. Our product range is very limited because of the outdated equipment that we are using. We only manufacture a few things apart from bread. Whereas a modern bakery can manufacture any number of items. Similarly, our market is very limited because the areas have already been covered and no great effort has been made to expand the market. Again for this purpose we have to necessarily improve the quality and incur necessary expenses for publicity. All these are very high level expenses. That is why, the Government of India have decided to disinvest it. The process is already on and it is expected that by August 1999 the entire process will be completed."

4.6 It has been observed that due to the disinvestment process, the Company is going slow in undertaking upgradation of all units in one go and is doing so in phases. The 1st phase will require Rs.4.00 crores. When asked whether it will not be wasteful expenditure of the Government to spend Rs.4.00 crores and simultaneously disinvest, the Ministry has stated that:

> "The Company has re-examined the issue of investment on upgradation of the units in view of disinvestment process of the Company. It has been decided to defer such investment and to undertake only minimum repairs etc. of critical nature."

4.7 Performance Budget for 1999-2000 stated that the company will strive to improve the market share and profitability of bread units by better capacity utilization and through development of ancillary units. Efforts will be made to make the operations of the company more efficient and cost effective and generate better returns on a sustained basis. The company will aim at improving quality assurance services for better consumer satisfaction and to achieve ISO 9000 or a like certification for bakery operations. R&D will be made one of the thrust areas of the company.

4.8 The modalities for such improvement as stated by the Ministry that:—

"The Company shall try to improve its market share by improving its product quality, packaging, distribution system and through spending more on marketing inputs of Advertisement and sales promotion. The company shall also put in efforts for cost reductions. All these actions are expected to improve company's physical as well as financial performance.

At present, the Company has planned for obtaining ISO 9000 or a like certification for three of its backery units namely Delhi-I, Mumbai & Cochin during 1999-2000."

North-Eastern Regional Agricultural Marketing Corporation Ltd. (NERAMAC)

4.9 The Corporation was set up on 31.3.1982 by the Government of India with an authorised capital of Rs. 5.00 crores. The main objective of the Corporation is to undertake marketing and processing of fruits and vegetables grown in the North-Eastern region and thereby fostering the development of horticulture in the region. The paid up capital of the corporation is Rs. 2.69 crores. The corporation's first major project *i.e.* pineapple juice concentrate plant at Nalkata in Tripura was commissioned in June 1988. The plant produced about 80 Mts. of pineapple juice concentrate during the year 1997-98 (up to Nov.1997).

4.10 The main reasons for continued losses incurred by NERAMAC as stated by the Ministry are:—

"(a) The fruit to concentrate ratio was highly over assessed at 9:1 whereas the pineapple grown in the area could not yield more than 15:1.

(b) Capacity utilization of the processing plant has been very low.

(c) Availability of pineapple for only 5-7 months in a year and the fact that the company was not producing any other processed foods/juices in the plant, resulted in the processing plant remaining idle for a major part of the year, resulting in low capacity utilization.

(d) The transport and sale subsidy envisaged in the original proposal could not be given to the Company by NEC.

(e) Lack of infrastructural facilities for storage & transportation turned out to be more serious than anticipated.

(f) Difficulty in the company being able to market even the Pineapple Juice Concentrate it was producing. The main reason was that due to non-functioning of the aseptic line in the Pineapple Juice Concentrate Plant, the Company had to resort to use of preservatives. The demand for such Pineapple Juice Concentrate is limited; it also cannot be exported in this form. Aseptic packaging is pre-requisite for exports.

(g) For undertaking marketing of agricultural produce effectively, proper infrastructure comprising of a network of procurement/material handling centres, warehouses, cold-storages, etc. is essential. Due to inadequacy of this infrastructure, the Company could not undertake marketing of agricultural commodities in a big way."

4.11 The details of the rehabilitation package in respect of NERAMAC as informed by the Ministry are as follows:—

(a) The total revival package is of Rs.10.36 crores as per details given in Annexure-I.

(b) The outstanding loan as on 31.3.98 amounting to Rs.4.78 crores will be written off.

(c) The accumulated interest amounting to Rs.7.27 crores as on 31.3.98 will be written off.

(d) The capital subsidy amounting to Rs.3.07 crores will be written off.

(e) To write down the equity by Rs.1.22 crores so that the Accumulated loss gets reduced to 'O'. The detailed break-up of writing down of equity is at Annexure-II.

(f) North Eastern Council to immediately provide the subsidy arrears amounting to Rs.4.41 crores.

(g) To prune the existing strength of Board of Directors to the extent possible.

CHAPTER V

SETTING UP OF FOOD DEVELOPMENT FUND

5.1 In the year 1999-2000 a new scheme i.e. `Processed Food Fund' has been started. A token provision of Rs.1.00 crore has been earmarked in the budget estimated of the current year. The Committee informed that the strategy proposed for the implementation of the new scheme is to create a fund in association with SIDBI & IDBI. In the proposed scheme the Ministry will contribute about 20%. While the remaining 80% would come from SIDBI & IDBI. On account of Ministry's contribution, the processed food sector may be able to get finances at a lower interest rate than the commercial interest rate. Details and procedure for creation of such a fund are being worked out in consultation with all concerned including the Planning Commission & Ministry of Finance etc.

5.2 When asked about the adequacy of Rs.1.00 crores for this new scheme, the Secretary, Ministry of Food Processing Industries has stated during oral evidence that:—

> "In our initial proposal, we proposed Rs.20.00 crore for this fund. Since this is a new scheme and yet to get the Cabinet's approval, the Planning Commission has provided only a token provision of Rs.1.00 crore."

CHAPTER VI

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

Recommendation No. 1

Inadequate Allocations in favour of the Ministry of Food Processing Industries

6.1 The Committee have been informed that the Ministry of Food Processing Industries sought an outlay of Rs.110.5 crores for the plan schemes for 1999-2000 against which the Planning Commission has approved an outlay of Rs.47 crores only. The allocation is only 0.0454% out of the total Central sector outlay. The Committee recommended last year that an allocation of Rs.200 crores could be the barest minimum required for the Ministry to keep itself alive and kicking and they are now disappointed to see that the Planning Commission and the Ministry of Finance have not pumped the life giving funds to this Ministry and have chosen not to assign the importance due to this sector. The Committee wish to impress upon the Government that the Ministry of Food Processing Industries has been entrusted with the onerous tasks of giving a boost to the export of agro-products, dispersal of industries in the rural areas, creation of infrastructure in the rural areas, quality control and upgradation, information and technology dissemination to small entrepreneurs, apart from extending special incentives to the North-Eastern States and the hilly and backward areas of the country. In view of the significance of these activities to the lives of the poor farmers of this country, the Committee urge upon the Government to reconsider their stand of making very poor allocations year after year to this crucial sector. The Committee desire that the Planning Commission and the Ministry of Finance should appreciate the fact that the role of Food Processing Sector is very critical in the diversification and commercialisation of agriculture and any neglect of this sector would seriously jeopardise the generation of rural employment and also the generation of income for the farmers. Therefore, it is imperative that the underlying strategy for any development plan for a predominantly agrarian economy should be to adequately provide for the development of the Food Processing Sector. The Committee, therefore, strongly recommend that at the revised estimates stage, the central plan outlay in favour of this Ministry should be enhanced to Rs. 110 crores as projected by the Ministry. This outlay should gradually increase to 0.2% of the total central plan budget as has been earlier recommended by the Committee last year.

Recommendation No. 2

Poor Utilisation of Funds Allocated to the Ministry

6.2 The Committee find that the Ministry of Food Processing Industries have a very poor track record of utilisation of plan funds over the years. In the year 1996-97, the Ministry could spend only Rs. 25.90 crores against an allocation of Rs. 45 crores. For the year 1997-98, the actual expenditure incurred on the plan side is only Rs. 21.25 crores out of the plan budgetary allocation of Rs. 44.10 crores. Again in the year 1998-99, at the revised estimates stage, the allocation is only Rs. 30.00 crores against the original budget estimate of Rs. 44.10 crores. Although the Ministry of Finance has reduced the budgetary allocation for 1998-99 after a review of the overall availability of funds of the Government, it is observed that in the past three years, the capacity of the Ministry to absorb the plan funds has come down considerably as may be seen from the fact that in the year 1995-96, the actual expenditure was of the order of Rs. 40.84 crores on the plan side. The Committee wish to point out that the continued under-utilisation of funds would definitely affect not only the food processing industries sector but also the agricultural sector which provides the basic input to the processing sector. If the Ministry of Food Processing Industries do not perform its assigned job, it will lead to wastage of the agricultural produce and also would in turn result in huge losses to the farmers who are already resource-poor. The consequences of the lethargy of this Ministry would prove fatal to the lives of the poor farmers of this country. The Committee, therefore, urge upon the Ministry to undertake the most responsible job assigned to them with all seriousness and responsibility should be fixed for the lapses in implementation of schemes. The Committee expect that they should fully utilise all the funds allocated to them at least in 1999-2000.

Recommendation No. 3

Need for Higher Allocation for New Plan Schemes due to late Start of the Ninth Plan

6.3 The Committee observe that many of the new schemes proposed under the Ninth Five Year Plan could not be taken up for implementation even after a lapse of two years because of the late finalisation of the Ninth Five Year Plan in the beginning of the year 1999 only. In view of the fact that the precious initial two years of the Ninth Pan have already lapsed without anything being done in

respect of the new schemes, the Committee feel that the level of funding to the schemes should be of a very high order so that the new schemes could take off immediately at least in the third year of the Five Year Plan. But the Committee are very much disappointed to find that in respect of almost all the new schemes, the allocation for 1999-2000 is very insignificant to really make any palpable impact on the economy. The Committee are disappointed at this kind of allocation for the new schemes and they desire that at least at the revised estimate stage sufficiently higher allocations should be made in respect of the new schemes.

Recommendation No. 4

Need for Wide Publicity to New Plan Schemes

6.4 The Committee have observed that new plan schemes are introduced during Plan periods and huge amounts are allocated to the schemes. However, the plan funds remain unutilized because there is lack of response or no response to the Schemes. From the general public/NGO/private entrepreneurs/voluntary organisation etc., e.g. Scheme for setting up of innovative Dairies, had no takens in 1998-99.

The Committee recommend that the Central Ministry should not leave it to the States to give publicity to the schemes but should itself also give large publicity to new schemes through leading Newspapers, Television, leading local dailies giving information of the scheme, its contents, how to apply, whom to apply, terms of investment, avenues for earning a handsome amount etc. so as to attract larger investment & proper utilization of allocated funds.

Recommendation No. 5

Need to set up a Special Committee

6.5 The Committee have been informed that the Ministry of Food Processing Industries sought an outlay of Rs. 110.5 crores for the Plan schemes for 1999-2000 against which the Planning Commission has approved an outlay of Rs. 47.00 crores only. Against the BE of Rs. 44.10 crores for the Plan Schemes the Ministry could utilize only Rs. 30.80 crores for the year 1998-99. Although the Ministry of Finance has reduced the budgetary allocation for the year 1998-99 after a review of the overall availability of funds of the Government, it is observed that in the past three years, the capacity of the Ministry to utilize the funds has come down considerably. The Committee observed that there is definitely some inherent defect either in the policy or the funding. These factors and the under utilization of funds pulls India to the lowest hung in comparison to other countries of the world in terms of processed food. India processes about only 1.8% to 2% of the food produced whereas Thailand processes 30% of food, Brazil 80% while in America & England the extent of food processed is 60% to 70% & they exhaust a sizable amount of their Central outlays in this sector.

The Committee therefore, recommend that a special Committee should be set up to undertake a comparative study of the Policy framework, the legislation the funding & related aspects of Food Processing in India vis-a-vis the policy adopted in other countries of the World. The Committee further desire that the study should be finalised at the earliest and the Government should implement all the recommendations of this special Committee in letter & spirit.

Recommendation No. 6

Allocation of 10% of Funds for the North-East

6.6 The Committee are disappointed to note that exclusive provision has not been made for any plan scheme in the Demands for Grants for the year 1999-2000 for extending assistance to the development of Food Processing Industries in the North-Eastern part of the country, despite the repeated recommendations of this Committee to this effect. The Committee are happy to note that the Ministry has been allocating more than 10% of its total plan allocations in favour of schemes for the development of Food Processing Industries in the North-Eastern Region, in accordance with the commitment given by the then Prime Minister in November, 1996.

The Committee wish to point out that there is a lot of untapped potential in respect of fruit processing and meat/pork processing activities in the North-Eastern part of the country and the State Governments of the Region could not provide sufficient allocations from their budget for the development of these activities. The Committee, therefore, have been recommending that all the schemes for Food Processing Industries for the North-Eastern States should be hundred per cent centrally funded without any stipulation for contribution from the State Governments in view of the difficult financial position of these States which have to spend huge sums on the problem of tackling insurgency and other special problems peculiar to the difficult hilly terrains of the area. The Committee, therefore, recommend that the Ministry of Food Processing Industries should come up with specific plan schemes with hundred per cent funding by the Centre for this purpose.

Recommendation No. 7

Setting up of a Separate Food Regulatory Authority

6.7 The Food Processing Industry is regulated by a number of rules, laws and orders which are exercised by a number of different authorities like the prevention of Food Adulteration Act, the Foreign Investment Promotion Board, Food Production Order etc. It becomes very difficult for our industry to find its way thorugh all these authorities and their legal procedures to emerge a winner. So, the general tendency of a would be entrepreneur is avoid getting entangled in this venture which otherwise is in the high rise sector of entrepreneurship. The Committee lauded the efforts of the special Task Force set up by the Prime Minister under the Convenorship of Shri Nusli Wadia which had recommended for a Separate Food Regulatory Authority Processing. The Committee also recommended for reduction in Import duty on all capital equipment for food processing and the cold chain sector from the existing levels to 4%. The Committee also strongly feel that to make the Ministry a compact one agencies such as Agricultural Product Export Development Agency (APEDA), Marine Product Export Development Authority (MPEDA), The Cashew Promotion Development Council, the National Cooperatives Development Corporation and the National Horticulture Board (NHB) should be placed under this Ministry. The Committee recommend that the Ministry should put up this matter for views and consideration of concerned authorities and put up a piece of legislation for consideration by Parliament. The creation of a Food Regulatory Authority is, therefore, the need of the hour and will constitute a milestone in the history of development of Food Processing Industries and usher in a proper environment for investment in this sector with greater participation from the private and public sector.

The Committee strongly recommend the immediate setting up of the Food Regulatory Authority.

Recommendation No. 8

Poor Utilisation of Funds for Fisheries Schemes

6.8 The Committee note that the Ministry could not spend even a single pie during 1997-98 under the scheme for strengthening of traditional fish processing technologies and marketing and on the scheme for utilisation of low value fish due to non-receipt of any complete and viable proposals under the scheme. In the year 1998-99, sanctions have been issued for assisting three projects under the scheme for infrastructural facilities for preservation and processing of fish. The Committee are not satisfied with the pace of implementation of the projects in the fisheries sector and they desire that a complete review of the scheme contents should be immediately undertaken in order to tone up the impementation of this scheme. The Committee feel that the change in pattern of assistance in respect of fisheries scheme may be one of the reasons for the poor response to the scheme. The Committee recommend that the Government should particularly look into this aspect.

Recommendation No. 9

Cold Chain

6.9 Today the value of food wasted is estimated at Rs. 50,000 crores per year. India processes about only 1.8% to 2% of the food produced, whereas in countries like Thailand, 30% of food is processed, in Brazil 80% and in America & England the extent of food processed is 60% to 70%.

In the season tomatoes sell at 10 paise or 20 paise per kilo, onions sell at Rs. 2 per kg whereas on the other hand in the lean season tomatoes sell at Rs. 40 per kg and onions at Rs. 60 per kg. This kind of disparity can be removed only if there is a large scale storage and processing facility. This processing facility starts with the establishment of the "cold chain". A cold chain involves the setting up of cooling chambers at the farm itself where after harvesting, the produce could be kept in them. This can be then transferred in refrigerated vans or in cold vans to cold storages.

The Finance Minister in his budget speech 1999-2000 has stated: "Today, we have a very weak post-harvest storage and marketing infrastructure. This causes tremendous national loss. To overcome this problem, I propose to introduce a new credit-linked capital subsidy scheme for construction of cold storages and godowns."

The Committee, therefore, recommend that the Ministry should draw up an action plan for liberal assistance so that one village has at least one cold room where the produce can be kept immediately after it is taken from the field in order to prevent wastage of the produce and to help the farmer not to resort to distress sale of the perishable commodities.

Recommendation No. 10

Separate Head of Accounts for Schemes Merged into Other Sectors

6.10 The Committee have been informed that several schemes relating to research and development in respect of various grains have been merged with the research and development schemes in the milk based sector. As a consequence of this, no separate allocation exists for the specific schemes in the grain processing sector. The Committee feel that in the absence of separate allocation for the schemes, the expenditure on these schemes is likely to suffer. In order to have better accountability and to give pointed thrust to the development of these areas, it is necessary that separate heads of accounts should be opened in respect of these schemes. The Committee find that the Ministry have taken a lot of time in getting this matter resolved and the matter is at present pending with the office of the Comptroller and Auditor General. The Committee, therefore, urge upon the Government to get this matter expeditiously finalised within a short time frame, so that the implementation of the schemes takes place with a definite financial outlay in respect of them.

Recommendation No. 11

Establishment of Fruit and Vegetable Industries

6.11 The Committee find that in the fruit and vegetable processing sector, the Ministry could utilise only Rs. 4.8 crores out of an allocation of Rs. 16 crores in 1997-98 while in the next year the expected utilisation is Rs. 6.44 crores out of the budget estimate of Rs. 15.75 crores. The Committee have been informed that the utilisation of funds was low as the fruit and vegetable processing sector is facing several constraints, despite having substantial potential. One of the problems pointed out was that the units find it difficult to obtain finances from the banks and the financial institutions, as this industry is still considered a high risk industry. Besides this, there is the problem of low capacity utilisation as the processing depends upon seasonal production. The Committee, therefore, recommend that the Ministry of Food Processing Industries should immediately take up the matter of financing the fruit and vegetable processing industries with the Ministry of Finance so that finance is made available on easier terms even though this sector has been recently included in the Priority Sector. There is need to change the perception of the personnel of the banks that this is a high risk industry and general policy guidelines should be issued to the banks by the Ministry of Finance to treat this industry in the right perspective. The Committee feel that there is need to gear up research to increase capacity utilisation by introducing necessary modifications in the plant and machinery so that it is capable of processing different kinds of produce available during different seasons. The Committee, therefore, recommend that a suitable scheme may be conceived for promoting research in this direction and posed for funding to the Planning Commission.

Recommendation No. 12

Strengthening of Backward Linkages

6.12 The Committee note that under the scheme for assistance for strengthening backward linkages, the Ministry has so far received requests from 23 units since 1992-93. Out of this, only 3 units have been given assistance so far. In the last two years, only 14 proposals were processed and 4 were given assistance. The Committee feel that the delay in processing of requests for assistance has led to under-utilisation of the funds allocated under this scheme. In the year 1997-98, against the budget allocation of Rs. 95 lakhs, the actual expenditure incurred was Rs. 43.92 lakhs. For the year 1998-99, the revised estimate has been slashed down to Rs. 36 lakhs from the original budget estimate of Rs. 75 lakhs. The Committee are not satisfied with the performance of the Government under this scheme. Since this scheme ensures remunerative prices to the farmers by creating direct linkages between the farmers and the processors and also ensures regular supply of raw-materials through contract farming, the Committee feel that more attention should be paid in the implementation of the schemes for assistance for strengthening of backward linkages. The Committee feel that the Government should expedite the processing of cases under the scheme by fixing a time-limit within which the proposals should be finally disposed of.

Recommendation No. 13

Meat and Poultry Processing Sector

6.13 The Committee find that out of Rs. 6.3 crores earmarked for the meat and poultry processing sector in 1997-98, a sum of Rs. 1.92 crores only could be utilised. Even during the year 1998-99, there was shortfall in the utilisation of funds in this sector. One of the reasons for the continued under-utilisation of funds is that the contributions by way of loans promised by the banks could not be received in time by the implementing agencies due to which the Ministry could not utilise the required funds from their side for the projects. The Committee, therefore, recommend that the Ministry of Food Processing Industries should take up this matter with the Ministry of Finance so that banks are instructed to extend the financial assistance in the form of loans in time to help the setting up of the projects. The Committee have been informed that most of the implementing agencies are unable to arrange matching share of funds and as a result the Ministry found it difficult to release the assistance to them. The Committee feel that there is need to reconsider the extent of share of funds that has to be contributed by the implementing agencies. The Committee, therefore, recommend that further liberalisation of the terms of funding may be considered with a view to encourage more number of entrepreneurs to set up units for meat and poultry processing.

Recommendation No. 14

Scheme for Marketing, Quality Control and Transportation of Meat

6.14 The Committee find that no expenditure was incurred under the scheme for Marketing, Quality Control and Transportation of meat in 1997-98 and only Rs. 19 lakhs were spent on the scheme although Rs. 75 lakhs was earmarked in the budget for 1998-99. The Committee have been informed that the funds provided for the scheme could not be utilised due to the fact that the proposals received under the scheme did not fulfill the requirements of the scheme. The Committee find that the scheme aims at providing financial assistance for deep freezers/refrigerators to retail outlets and marketing complexes for the development of meat markets. Assistance is also available for provision of refrigerated/chilled vans for transportation of meat and meat products. The Committee are surprised to note that there are not many takers for many of the components of the scheme. The Committee feel that the scheme as it has been originally conceived, appears to be quite unattractive. Therefore, they recommend that the terms under which assistance is offered should be modified so as to make the scheme more attractive and implementable. Besides this, the sanction of assistance appears to involve a lot of difficult procedural formalities. The Committee, therefore, recommend that the Ministry should re-examine the procedural modalities required for availing the assistance.

Recommendation No. 15

Low Utilisation of funds in the Poultry and Egg Processing Scheme

6.15 The Committee observe that during 1997-98, against the budgetary allocation of Rs. 270 lakhs, only Rs. 178 lakhs was utilised for the scheme of poultry and egg processing. For the year 1998-99, the budgetary provision was reduced to Rs. 150 lakhs, out of which th provision at the revised estimates stage has come down to Rs. 77 lakhs. For the year 1999-2000, the budgetary allocation is Rs. 120 lakhs. While 128 persons were trained in meat and poultry processing under the HRD Programme in 1997-98, only 45 persons were trained in 1998-99. The Committee have been informed that the Ministry could not utilise its full outlay, as sufficient proposals were not received by them. The Committee, therefore, recommend that the Ministry should analyse the reasons as to why sufficient proposals are no forthcoming and take remedial action to make the scheme successful.

Recommendation No. 16

Scheme for setting up of Innovative Dairies

6.16 The Committee note that the scheme for setting up of innovative dairy products was introduced in 1997-98 and so far Rs. 78 lakhs have been earmarked in the last two years as budgetary support. However, due to non-receipt of proposals seeking assistance under this scheme, no expenditure could be incurred. The Committee feel that the scheme has not been well publicised and, therefore, there have been no takers for this scheme in the last two years. Although the scheme contemplates a soft loan upto Rs. 75 lakhs at a concessional rate of interest of 4%, no proposal seeking assistance under the scheme has been received. The Committee, therefore, recommend that the Ministry should initiate steps to popularise the scheme through appropriate means. Particularly through the national and local newspapers.

Recommendation No. 17

Setting up of Food Development Fund

6.17 The Committee have been informed that the Ministry of Food Processing Industries has evolved a strategy to create a fund known as "Food Development Fund" in association with SIDBI and IDBI. In the proposed scheme, the Ministry would contribute about 20% while the remaining 80% would come from the SIDBI and IDBI. From the Fund so created, the processed food sector may be able to get finances at an interest rate which is lower than the commercial interest rate. The Committee find that only a token provision of rupees one crore has been earmarked for this scheme in the budget estimates of 1999-2000. It has been explained to the Committee that the details and procedure for the creation of the Fund are being worked out in consultation with the authorities concerned. The Committee feel that the modalities for the creation of the Fund should be got finalised within three months from the date of presentation of this Report, so that the Fund comes into being well within the first quarter of the new financial year itself. The Committee also recommend that the Fund so created should be well publicised to generate more demand for funds and accordingly a very high allocation should be made under this head at the revised estimates stage.

Recommendation No. 18

Modern Food Industries (India) Limited

6.18 The Committee have been informed that the Government of India has decided to disinvest up to a maximum of 74% equity in Modern Food Industries (India) Limited. This is because of the fact that most of the plants are already 25 years old which means they have outlived their lives. A very heavy capital investment, roughly estimated about to Rs.100 crore is required in this company to upgrade it to modern standards. The second reason is that the product range of the company is very limited because of the outdated equipment. The Committee were further informed that the market of the company is very limited, because the areas have already been covered by the private entrepreneurs and no great effort has been made to expand the market. The Committee are distressed to note that the company manufactures only a limited range of products apart from bread whereas a modern bakery can manufacture any number of items. The Committee recommend that the process of disinvestment should be completed by August, 1999 as assured by the Ministry during evidence so that the company will be in a position to compete with other private sector companies. The Committee further would like the company to improve their quality and obtain the ISO 9000 certificate in the time available between today and the day of disinvestment so as to get a good partner.

Recommendation No. 19

Rehabilitation package for North Eastern Regional Agricultural Marketing Corporation Ltd. (NERAMAC)

6.19 The Committee note that the North Eastern Regional Agricultural Marketing Corporation Ltd. (NERAMAC) had incurred a net loss of Rs. 185.72 lakhs during the year 1997-98 while the losses were Rs. 168.03 lakhs during 1996-97. Eversince the Corporation was set up on 31.3.1982, the accumulated losses of the Corporation, as on 31.3.1998, are Rs. 1636 lakhs. The Committee have been informed that the Corporation is registered with BIFR and a rehabilitation package had been prepared by IDBI which has been approved by the Government also. The package involves infusion of funds to the tune of Rs. 10.36 crores. The rehabilitation package is now under submission to the BIFR for its consideration. The Committee are very much concerned at the continued losses being incurred by the NERAMAC and they recommend that the Government should approach the BIFR for clearance of the revival package within a period of three months as a special case.

NEW DELHI;
7 *April,* 1999
17 *Chaitra,* 1921 *(Saka)*

KINJARAPU YERRANNAIDU
Chairman,
Standing Committee on Agriculture.

APPENDIX

MINUTES OF THE TWENTY-NINTH SITTING OF THE STANDING COMMITTEE ON AGRICULTURE HELD ON WEDNESDAY THE 7TH APRIL 1999 FROM 1100 HRS TO 1350 HRS IN COMMITTEE ROOM 'D' PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 1100 hrs. to 1350 hrs.

PRESENT

Shri Kinjarapu Yerrannaidu — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ramchandra Bainda
3. Dr. Ramkrishna Kusmaria
4. Shri Baliram Kashyap
5. Shri M. Master Mathan
6. Shri Virendra Verma
7. Shri Ramkrishna Baba Patil
8. Shri Maganti Venkateswara Rao
9. Shri Uttamrao Deorao Patil
10. Kum. Vimla Verma
11. Shri Chitubhai Devjibhai Gamit
12. Smt. Usha Meena
13. Shri Mahaboob Zahedi
14. Shri Mitrasen Yadav
15. Shri Anup Lal Yadav
16. Shri Chada Suresh Reddy

Rajya Sabha

17. Maulana Habibur Rahman Nomani
18. Shri Ramji Lal

19. Shri Devi Prasad Singh
20. Shri Ramnarayan Goswami
21. Shri Aimaddudin Ahmad Khan
22. Dr. Ramnendra Kumar Yadav (Ravi)
23. Shri Sangh Priya Gautam

SECRETARIAT

1. Shri Joginder Singh	—	*Joint Secretary*
2. Shri S. Bal Shekar	—	*Deputy Secretary*
3. Smt. Anita Jain	—	*Under Secretary*
4. Shri K.L. Arora	—	*Assistant Director*

At the Outset, Chairman (AC) welcomed the Members. Thereafter, the Committee took up for consideration the draft reports on Demands for Grants (1999-2000) of the following Ministries/Departments one by one for consideration :

(i) Ministry of Food Processing Industries 22nd Report.

(ii) Ministry of Agriculture,
(Department of Agricultural Research and Education) 19th Report.

(iii) Ministry of Agriculture
(Department of Agriculture and Cooperation) 18th Report.

2. The Committee considerd the draft reports and adopted the 22nd, 19th and 18th Reports with minor additions and modifications.

3. The Committee, then authorised the Chairman to Present the above mentioned three reports on Demands for Grants (1999-2000) to the House on a date and time convenient to him.

The Committee then adjourned to meet again on 8th April, 1999 at 1100 hrs.

DETAILED BREAK-UP OF REVIVAL PACKAGE

	Item	Fund reqd. (Rs. crores)		Source of Funding	(Rs. crores)
(i)	Plant & Machinery	3.75	1.	From Plan budget	5.15
(ii)	Preoperative Expenses	1.00		(from Ministry's	
(iii)	Pressing Creditors	1.01		own resources)	
(iv)	Training	0.22	2.	Arrears of Subsidy	4.41
(v)	Contingencies	0.38		from NEC	
(vi)	Working Capital	3.20	3.	National Renewal	0.80
(vii)	VRS	0.80		Fund	
	Total	10.36			10.36

ANNEXURE II

DETAILED BREAK-UP OF WRITING DOWN OF EQUITY

		(Rs. Crores)
(a)	Accumulated Loss as on 31.3.98	16.27
(b)	Write off of loan amount as proposed at (ii) above	4.78
(c)	Write off of interest as on 31.3.98 as proposed at (iii) above.	7.27
(d)	Write off of subsidy as proposed at (iv) above	3.07
(e)	Total (b+c+d)	15.12
(f)	Accumulated loss still remaining [a–(b+c+d)]	1.15
(g)	Add : Misc. exp. Not written-off	0.07
(h)	Amount written-off by writing down capital (f+g)	1.22