

**STANDING COMMITTEE ON AGRICULTURE**

**(2002)**

**TWENTY EIGHTH REPORT**

**MINISTRY OF FOOD PROCESSING INDUSTRIES**

**DEMANDS FOR GRANTS**

**(2001-2002)**

*[Action Taken by the Government on the recommendations/observations contained in the Twenty First Report of the Standing Committee on Agriculture]*

**LOK SABHA SECRETARIAT**

**NEW DELHI**

*March, 2002/Phalguna, 1923 (saka)*

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## INTRODUCTION

I, the Chairman of the Standing Committee on Agriculture (2002) having been authorised by the Committee to submit the Report on their behalf, present this Second report on Action Taken by Government on the recommendations/observations contained in the 21<sup>st</sup> Report of the Standing Committee on Agriculture (2001) (Thirteenth Lok Sabha), Demands for Grants (2001-2002) of the Ministry of Agriculture (Department of Food Processing Industries), now the Ministry of Food Processing Industries w.e.f.6<sup>th</sup> September, 2001.

2. The Twenty First Report of the Standing Committee on Agriculture (2001) on Demands for Grants (2001-2002) of the Ministry of Agriculture, Department of Food Processing Industries, now the Ministry of Food Processing Industries w.e.f.6<sup>th</sup> September, 2001 was presented to Lok Sabha and laid in Rajya Sabha on 19.4.2001. The Ministry of Food Processing Industries was requested to furnish action taken replies of the Government to recommendations contained in the Twenty First Report. The replies of the Government to all the recommendations contained in the Report were received.

3. The Committee considered the action taken replies furnished by the Government, approved the draft comments and adopted the Report at their sitting held on 27.12.2001. However, due to paucity of time, the report could not be presented to the House. The Standing Committee on Agriculture was reconstituted on 1<sup>st</sup> January, 2002 which again considered and adopted the report at their sitting held on 7.2.2002.

4. An analysis of the Action Taken by the Government on the recommendations/observations contained in the Twenty First Report (13<sup>th</sup> Lok Sabha) of the Committee is given in Appendix-III.

NEW DELHI  
....., 2002  
1923(Saka)

**S.S PALANIMANICKAM**  
Chairman  
Standing Committee on Agriculture.

## CHAPTER I

### REPORT

This Report of the Committee on Agriculture deals with the action taken by the Government on the recommendations contained in the Twenty-First Report (Thirteenth Lok Sabha) of the Standing Committee on Agriculture (2001) on Demands for Grants (2001-2002) of the then Department of Food Processing Industries under Ministry of Agriculture and now Ministry of Food Processing Industries *w.e.f.* 6<sup>th</sup> September, 2001 which was presented to the Lok Sabha and laid in the Rajya Sabha on 19<sup>th</sup> April, 2001.

1.2 Action taken replies have been received from the Government in respect of all the 20 recommendations contained in the Report.

These have been categorised as follows:

- (i) Recommendations/Observations that have been accepted by the Government (Chapter II of the Report)  
Recommendation Sl. No. 1,2,5,6,7,9,10,11,14,17 and 20
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies (Chapter III of the Report)  
Recommendation Sl. No. 15
- (iii) Recommendations/Observations in respect of which reply of the Government have not been accepted by the Committee (Chapter IV of the Report to be commented upon in Chapter I of the Report)  
Recommendation Sl. No.s 3,4, and 18
- (iv) Recommendations/Observations in respect of which final replies of the replies of the Government are still awaited (Chapter V of the report)  
Recommendation Sl. No. 8,12,13,16 and 19.

(Total 5)

1.3 The Committee will now deal with the action taken by the Government on some of their recommendations:

**Inclusion of Processed food Section in the priority sector for bank lending.**

1.4 The Processed Food sector has been facing serious problems in financing the projects as the food processing industries are high risk prone with long gestation period and the returns are small. As a result, the projects in this sector were not finding favourable consideration by the financial institutions. Inadequate rural credit and working capital is a major area of worry for small farmers. Considering the Demand of the industry and in view of the vast potential of the growth of the agro processing sector, the Government has decided to include agro-processing sector within the definition of 'priority sector of bank lending'. Priority sector lending norms were not applicable to financial institutions and the commercial banks provided only 18% of the net Bank Credit for the entire agriculture sector. No separate target within priority sector has been fixed for lending to food and agro based industries.

The Committee noted that the Food processing industries world over was considered sunrise industries and had the potential of attracting huge local and foreign investments. These investments would not only accelerate the pace of industrialization, but also lead to improvement in both rural and urban infrastructure. The Committee felt that the strategy of the Government to attract high level public investment and foreign investment was not clear because the Government was unable to even provide adequate direct budgetary allocation or investment facilities through their protected public financing.

The Committee felt that by simply placing the processed food sector under priority sector lending would not serve the purpose of better financing of food processing

sector. This provision just enables the public to apply for finance within the 18% made available to Agriculture Sector. The Committee were of the opinion that the Government was not serious about its effort to encourage development of food processing Sector.

The committee, therefore, desired that the Department should look for viable proposal of liberal, assured and easier finances for this sector so as to make headway which has a tremendous potential. They suggested that similar schemes like BOLT operated by the National highways Authority and the Railways should be tried out on an experimental basis. The financial Institutions should also be encouraged to provide liberal and easy finances without any hassels to this important sector. To chalk out an effective strategy in this regard, these financial institutions should also be consulted.

### **Reply of the Government**

1.5 The Government in their reply have stated that the Food Processing Industry is inherently risky and funding agencies are financing only a few ventures. Credit from term lending institutions has rarely been 6% of the total credit extended to the industry. The Prime Minister's Council on Trade and Industry had therefore recommended that an autonomous bank called Food Development Bank of India be set up along the lines of National Housing Bank/Housing Development Finance Corporation (HDFC). Setting up of such a Bank may take a long time. The Department, in the meantime, had discussion with SIDBI and proposed creation of a Development Fund the contribution of SIDBI would be Rs. 80 crores and from

Government Rs. 20 crores. The objective of such a Fund is to provide financial assistance to SSI Units to encourage the setting up of Units in the Processed Food Sector. Preference will be given for modernization, technology upgradation, quality upgradation, of products innovative projects etc. A token provision of Rs. 5 crores has been included in the Budget of 2001-02.

Concept of Built Operate Lease Transfer (BOLT) is applicable to large industrial projects. This concept, it appears is not operation even in Railways. Its applicability to Food Processing Industries appears to be remote as Government themselves do not set up industries or projects. However, National Highway Authority and the Railway have been contacted to ascertain the modalities of BOLT so as to minutely examine its applicability further.

#### **Comments of the Committee**

**1.6 The main thrust of the Committee's recommendations was to make available finance by financial institutions at concessional rate of interest alongwith incentives. The Committee had desired that this finance be made available by setting aside a certain fixed percentage out of 18% of Bank Credit earmarked for the agriculture sector at concessional rates of interest. However, it appears that the Ministry has concentrated more efforts on other sources thereby making no progress rather than pursuing the line of action as suggested by the Committee**

**The Committee, therefore, reiterate that the Ministry take up the matter with the Ministry of Finance and intimate the outcome to the Committee**





### APPENDIX III

#### ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE 21<sup>ST</sup> REPORT OF STANDING COMMITTEE ON AGRICULTURE (13<sup>TH</sup> LOK SABHA)

(i)	Total number of Recommendations	20
(ii)	Recommendations/Observations which have been Accepted by the Government	
	Serial Nos. 1,2,5,6,7,9,10,11,14,17&20	
	Total	11
	Percentage	55%
(iii)	Recommendations/Observations which the Committee Do not desire to pursue in view of the Government's replies	
	Serial No. 15	
	Total	1
	Percentage	5%
(iv)	Recommendations/Observations in respect of which replies Of the Government have not been accepted by the Committee	
	Serial Nos. 3,4 & 18	
	Total	3
	Percentage	15%
(v)	Recommendations/Observations in respect of which Final replies of the Government are still awaited	
	Serial No. 8,12,13,16&19	
	Total	5
	Percentage	25%

