

FOURTH REPORT  
STANDING COMMITTEE ON AGRICULTURE  
(1999-2000)

THIRTEENTH LOK SABHA

MINISTRY OF AGRICULTURE  
(DEPARTMENT OF FOOD PROCESSING INDUSTRIES)  
DEMANDS FOR GRANTS (1999-2000)

*[Action Taken by the Government on the Recommendations/  
Observations contained in the Twenty Second Report of the  
Standing Committee on Agriculture (1998-99)]*

*Presented to Lok Sabha on 14.3.2000  
Laid in Rajya Sabha on 14.3.2000*



LOK SABHA SECRETARIAT  
NEW DELHI

March, 2000/Phalguna, 1921 (Saka)

(vi)

**COMPOSITION OF THE STANDING COMMITTEE  
ON AGRICULTURE (1999-2000)**

Shri S.S. Palanimanickam — *Chairman*

**MEMBERS**

*Lok Sabha*

2. Shri Ram Tahal Chaudhari
3. Shri Shivraj Singh Chouhan
4. Shri Shamsher Singh Dullo
5. Shri Ramdas Rupala Gavit
6. Shri Thawar Chand Gehlot
7. Shri G. Putta Swamy Gowda
8. Shri Raghunath Jha
9. Shri Shivaji Vithalrao Kamble
10. Shri Abul Hasnat Khan
11. Shri Y.G. Mahajan
12. Shri Haribhau Shankar Mahale
13. Shri Savshibhai Makwana
14. Shri Jagannath Mallick
15. Shri M. Master Mathan
16. Shri Tarachand Shivaji Patel
17. Shri Prakash V. Patil
18. Shri Sharad Pawar
19. Shri G. Sukender Reddy
20. Shri N.R.K. Reddy
21. Shri Pyare Lal Sankhwar
22. Shri Adi Shankar
23. Shri Chhatrapal Singh

(iii)

# COMPOSITION OF THE STANDING COMMITTEE ON AGRICULTURE (1999-2000)

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24. Shri Lakshman Singh  
 25. Shri Rampal Singh  
 26. Shri Tejveer Singh  
 27. Shri Zora Singh  
 28. Shri Bhal Chandra Yadav  
 29. Shri Mahboob Zahedi  
 30. Vacant

*Rajya Sabha*

31. Shri Oscar Fernandes  
 32. Shri Gufran Azam  
 33. Shri Ramji Lal  
 34. Shri Devi Prasad Singh  
 35. Dr. Ranbir Singh  
 36. Shri Khagen Das  
 37. Shri Yadlapati Venkata Rao  
 38. Shri H.K. Javare Gowda  
 39. Shri Naresh Yadav  
 40. Shri R. Margabandhu  
 41. Shri Korambayil Ahammed Haji  
 42. Shri Sharief-Ud-Din Shariq  
 43. Shri Devi Lal  
 44. Shri Kanshi Ram  
 45. Vacant

## SECRETARIAT

- |                               |   |                           |
|-------------------------------|---|---------------------------|
| 1. Shri Harnam Singh          | — | <i>Joint Secretary</i>    |
| 2. Smt. Paramjeet Kaur Sandhu | — | <i>Director</i>           |
| 3. Shri Raj Shekhar Sharma    | — | <i>Deputy Secretary</i>   |
| 4. Shri K.L. Arora            | — | <i>Assistant Director</i> |
| 5. Smt. Jyochnamayi Sinha     | — | <i>Reporting Officer</i>  |

## INTRODUCTION

I, the Chairman of the Standing Committee on Agriculture (1999-2000) having been authorised by the Committee to submit the Report on their behalf, present this fourth report on Action Taken by Government on the recommendations/observations contained in the 22nd Report of the Standing Committee on Agriculture (1998-99) (Twelfth Lok Sabha) on Demands for Grants (1999-2000) of the Ministry of Agriculture, Department of Food Processing Industries (erstwhile Ministry of Food Processing Industries).

2. The Twenty Second Report of the Standing Committee on Agriculture (1998-99) on Demands for Grants (1999-2000) of the Department of Food Processing Industries was presented to Lok Sabha on 22nd April, 1999 and laid in Rajya Sabha on 23rd April, 1999. The Department of Food Processing Industries was requested to furnish action taken replies of the Government to recommendations contained in the Twenty Second Report. The replies of the Government to all the recommendations contained in the Report were received.

3. The Committee considered these action taken replies furnished by the Government and approved the draft comments and adopted the Fourth Report.

4. An Analysis of the Action Taken by the Government on the recommendations/observations contained in the Twenty Second Report (12th Lok Sabha) of the Committee is given in Appendix-II.

NEW DELHI;  
28 February, 2000  
9 Phalguna, 1921 (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 Second Report (Twelfth Lok Sabha) of the Standing Committee on Agriculture (1998-99) on Demands for Grants (1999-2000) of the Ministry of Agriculture, Department of Food Processing Industries, (erstwhile Ministry of Food Processing Industries), which was presented to the Lok Sabha on 22nd April, 1999 and laid in Rajya Sabha on 23rd April, 1999.

1.2 Action taken notes have been received from the Government in respect of all the 19 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 Nos. 2, 3, 4, 7, 8, 10, 11, 12, 14, 16 and 17.

(Total 11)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies (Chapter III of the Report)

Recommendation No. 13

(Total 1)

- (iii) Recommendations/Observations in respect of which reply of the Government have not been accepted by the Committee (Chapter IV of the Report)

Recommendation Nos. 1, 5, 6 and 9.

(Total 4)



- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited (Chapter V of the Report)

Recommendation Nos. 15, 18 and 19

(Total 3)

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

**Recommendation (Sl. No. 1, Para No. 6.1)**

*Inadequate Allocations in favour of the Ministry of Food Processing Industries*

1.4 The Committee were 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 had approved an outlay of Rs. 47 crores only. The allocation was only 0.0454% out of the total Central sector outlay. The Committee had 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 were 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 had wished 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 State 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 had urged upon the Government to reconsider their stand of making very poor allocations year after year to this crucial sector. The Committee had desired 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.

### **Reply of the Government**

1.5 In their action taken reply, the Ministry of Food Processing Industries have stated that the recommendation of the Committee to enhance the Plan Outlay of this Ministry from Rs. 47 crores in 1999-2000 to Rs. 110 crores at the revised estimate stage has been sent to Planning Commission and Ministry of Finance for appropriate action.

### **Comments of the Committee**

1.6 The Committee are constrained over the casual treatment given to their recommendation by the Ministry who have simply sent it to the Planning Commission & Ministry of Finance for appropriate action. It was desired that the Ministry should make all out efforts for having the plan outlay enhanced by approaching the Planning Commission and Ministry of Finance from Rs. 47 crores to Rs. 110 crores.

The Committee also impress upon the Planning Commission and Finance Ministry to enhance the plan allocation in respect of Ministry of Food Processing Industries to Rs. 110 crores. The Committee would like to be apprised of the final decision taken in this regard.

### **Recommendation (Sl No. 5, Para No. 6.5)**

#### *Need to set up a Special Committee*

1.7 The Committee had 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 had 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 had reduced the budgetary allocation for the year 1998-99 after a review of the overall availability of funds, of the Government, it was observed that in the past three years, the capacity of the Ministry to utilize the funds had come down considerable. The Committee had observed that there is definitely some inherent defect either in the policy or the funding. These factors and the under utilization of funds pull India to the lowest rung 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 and England the extent of food processed is 60% to 70% and they exhaust a sizable amount of their Central outlays in this sector.

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

#### **Reply of the Government**

1.8 In their action taken reply, the Ministry of Food Processing Industries have stated that the recommendation of the Committee to set up a Special Committee to undertake a comparative study of the policy/framework etc. has been noted. It may be mentioned in this regard that the Ministry has already assigned a study to the National Council for Applied Economic Research to evaluate the projects which have been assisted by the Ministry during the 8th Five Year Plan period i.e. 1997-98. The study will also highlight the changes, if any, required to be made in the schemes for speedy and effective implementation of the schemes.

### Comments of the Committee

1.9 The Committee are constrained to observe that the Government have not given any definite reply to the Committee's recommendation regarding setting up of a special committee to undertake a comparative study of the policy framework and related aspects of Food Processing in India *vis-a-vis* other countries. The special Committee should be set up immediately. The Committee should also be apprised of the recommendations of the National Council for Applied Economic Research which was assigned the task of comparative study of the policy framework and evaluation of the projects assisted by the Ministry during 8th Five Year Plan and the first year of Ninth Five Year Plan.

### Recommendation (SI No. 6, Para No. 6.6)

#### *Allocation of 10% of Funds for the North-East*

1.10 The Committee were disappointed to note that exclusive provision had 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 were happy to note that the Ministry had 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 wished 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, had 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 Government 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, had therefore, recommended that the Ministry of Food Processing Industries should come up with specific plan schemes with hundred per cent funding by the Centre of this purpose.

#### **Reply of the Government**

1.11 In their action taken reply, the Ministry of Food Processing Industries have stated that the observations/recommendations of the Committee have been noted. As per our existing schemes higher level of financial assistance is extended to projects in the difficult areas which include North-Eastern States. During the year 1998-99, 18% of the outlay of Rs. 30 crores has been provided in respect of projects in the North-Eastern Region. It is envisaged that during 1999-2000 also, the level of assistance will be more than 10% further, it is clarified that there is no stipulation regarding contribution from the respective State Government in the schemes of the Ministry.

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

1.12 The Committee are happy to note that the Ministry has dispensed with the stipulation regarding contribution from the respective State Government in the schemes implemented by them. However, the Committee are dismayed to find that inspite of their strong recommendation for making all central plans for North-Eastern States 100% centrally funded in view of their difficult geo-economic conditions, no effort has been made to come up with specific plan schemes to take care of the development of North-East with 100% central funding. The Committee, therefore, reiterate its earlier recommendation and stress that the Government should concentrate more on initiating specific schemes by giving them 100% assistance in order to explore the untapped potential in respect of fruit processing and meat/pork processing activities in the North-Eastern parts of the country.



### **Recommendation (Sl. No. 9, Para No. 6.9)**

#### ***Cold Chain***

1.13. The Committee had noted that 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 and 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. The Committee felt that this kind of disparity could 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 had 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 had therefore, recommended 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.

### **Reply of the Government**

1.14 In their action taken reply the Ministry of Food Processing Industries have stated that setting up of cold-chain facilities in the country is a de-regulated activity and the Ministry does not set up any such facility

directly. However, it provides financial assistance under its plan schemes to those agencies which plan to set up such facilities and which are eligible for being considered as per the guidelines of Ministry's plan schemes.

The Ministry is already implementing a plan scheme for development of infrastructural facilities including for setting up of cold-chain. The Plan outlay of the Ministry is insufficient to meet the requirement of this sector and consequently, the allocation for the scheme is also quite inadequate. Unless the outlay for the scheme is substantially stepped up, it would be difficult to support establishment of many such units.

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

1.15 The Committee do not agree with the reply of the Ministry that due to insufficient outlay for the plan scheme for development of infrastructural facilities including setting up of cold chain, the Ministry is unable to allocate adequate amount of money for implementing the scheme. It is observed that the approved outlay for IXth Plan under this scheme is Rs. 46.46 crores. For the 1st year of the IXth Plan Rs. 10.64 crores was approved and Rs. 6.68 crores only could be spent. In 1998-99 Rs. 11.20 crores was approved and Rs. 8.95 crores spent. Thus the entire outlay for the scheme could not be spent.

The Committee recommend that the Ministry should make all out efforts for utilising the entire approved outlay for the year within that year itself and simultaneously pursue this matter vigorously with the Ministry of Finance and Planning Commission to provide a substantial amount of allocation for establishment of cold room at each village so that the most valuable agricultural produces do not go waste.

The Committee further recommend that a separate head of account may be allocated to cold chain facilities and amounts may be spent from only that head so that the progress under this head could be monitored effectively.



### **Recommendation (Sl. No. 11, Para No. 6.11)**

#### *Establishment of Fruit and Vegetable Industries*

1.16 The Committee had found 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 the next year the expected utilisation is Rs. 6.44 crores out of the budget estimate of Rs. 15.75 crores. The Committee had been informed that the utilisation of funds was low as the fruit and vegetable processing sector was 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 was the problem of low capacity utilisation as the processing depends upon seasonal production. The Committee had therefore, recommended 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 felt 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, had recommended that a suitable scheme may be conceived for promoting research in this direction and posed for funding to the Planning Commission.

#### **Reply of the Government**

1.17 The Ministry in its reply has stated that the Ministry is very conscious of the need of food processing industries to have liberal access to institutional finance. To promote this, the Ministry has been inter-acting with banks and financial institutions to consider food processing industries

on a footing, different from that of other industries. The specific features of this sector such as seasonality, of raw material production, high requirement of working capital during the peak season, the need to develop backward and forward linkages etc. are being highlighted by the Ministry in various fora. The Ministry has also written to the Chief Executives of important banks and financial institutions to recruit experts of food processing for appraisal of food processing projects, to create data-base regarding this sector and to provide management and technical guidance to entrepreneurs in this sector.

The Ministry has a scheme for promotion of research and development in food processing industries. The Ministry has also supported establishment of a Food Engineering and Design Centre under Central Food and Technological Research Institute, Mysore (CFTRI), for designing appropriate plant and machinery for food processing industries.

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

**1.18** The Committee would like to be apprised of the action taken by Banks and financial Institutions in terms of recruitment of experts of Food Processing for appraisal of Food Processing projects and providing management and technical guidance to the entrepreneurs in this section.

#### **Recommendation (Sl. No. 17, Para No. 6.17)**

##### *Setting up of Food Development Fund*

**1.19** The Committee has 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. 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 found that only a token provision of rupees one crore had been earmarked

for this scheme in the budget estimates of 1999-2000. It had 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 felt 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 had recommended 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.

#### **Reply of the Government**

1.20 The Government in their action taken reply has stated that action for finalisation of the scheme for creation of Processed Food Development Fund has already been initiated.

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

1.21 The Committee are dismayed to observe that their recommendation for setting up of the fund well within the 1st quarter of 1999 has not been implemented. The Ministry had earlier explained that details and procedure are being worked out and have now stated that action has been initiated for finalisation of the scheme. The Committee feel that undue delay has occurred in finalising a fund for which a token provision of Rs. 1 crore had been earmarked for the year 1999-2000. Because of this delay in formulating a policy no money could be utilised/borrowed in 1999-2000. The Committee wish to be apprised of the draft policy, if any framed till date and except that the fund will be operative in the financial year 2000-2001.



## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS, WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### Recommendation (Sl. No. 2, Para No. 6.2)

##### *Poor Utilisation of Funds Allocated to the Ministry*

2.1 The Committee find that the Ministry of Food Processing Industries have a very poor track record of utilisation of plan funds over the year. 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.

### **Reply of the Government**

2.2 It is mentioned in this connection that the Ministry had requested the Ministry of Finance to retain the budget estimates of Rs. 44.10 crores at the revised estimates stage. However, Ministry of Finance did not agree and as such the availability of Plan funds for 1998-99 was Rs. 30.00 crores. The Ministry spent this entire amount during 1998-99.

It may however, be mentioned in this connection that the outlay for the Ministry during the year 1999-2000 has been increased to Rs. 47 crores. It is expected that the entire plan funds would be utilised during the current year as was done last year

### **Recommendation (Sl. No. 3, Para No. 6.3)**

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

2.3 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 Plan 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.



## Reply of the Government

2.4 9th Plan Schemes were finalised during the year 1997-98 itself and it is not correct to say that the finalisation of scheme was done in the year 1999. It may, however, be mentioned in this regard that review of the existing schemes is done on a regular basis with a view to speedy implementation of the projects. Consequent upon this review certain amendments in the pattern of assistance in respect of some schemes was approved during 1998-99 as a result the utilisation of funds during that year was to the extent of 100%. The recommendation of the Committee that higher allocation should be made in respect of the schemes of the Ministry has been taken up with the Planning Commission and the Ministry of Finance for appropriate action.

### Recommendation (Sl. No. 4, Para No. 6.4)

#### *Need for Wide Publicity to New Plan Schemes*

2.5 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 taken in 1998-99.

The Committee recommend that the Central Ministry should not leave it to the States to given 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 and proper utilization of allocated funds.

## **Reply of the Government**

2.6 The Government has given wide publicity to the schemes of the Ministry through advertisements in Newspapers, dissemination of information through booklets during exhibitions, fairs/seminars etc. Keeping in view the recommendation of the Committee, publicity to the schemes would be strengthened further.

### **Recommendation (Sl. No. 7, Para No. 6.7)**

#### *Setting up of a Separate Food Regulatory Authority*

2.7 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 through 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 Development Agency (APEDA), Marine Product Export Development Authority (MPEDA), The Cashew Promotion Development Council, 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.

### **Reply of the Government**

2.8 The observations/recommendations of the Committee have been noted. The matter regarding bringing the specialised agencies like APEDA/MPEDA etc. under this Ministry has been taken up with the Cabinet Secretariat for appropriate action. The Nusli Wadia Committee, has already recommended setting up of a Food Regulatory Authority. This has to be examined by the Ministry of Health.

### **Recommendation (Sl. No. 8, Para No. 6.8)**

#### ***Poor Utilisation of Funds for Fisheries Schemes***

2.9 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 implementation 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.

### **Reply of the Government**

2.10 Under the "Scheme for Strengthening of Traditional Fish Processing Technologies and Marketing" and the "Scheme for Utilisation of low value fish to make value added products", the pattern of assistance have since been changed. Earlier Joint/Assisted/Private Sector/PSUs in general areas were eligible for loan. As per the modified schemes, organisations in all



sectors are now eligible for assistance in the form of grant. Besides, Research and Development Organisations have also been made eligible for assistance in the form of grant towards 100% of the cost for setting up of demonstration unit to popularise traditional fish processing technologies and marketing/ utilisation of low value fish.

Under the Scheme for Development of infrastructural facilities although sanctions have been issued for three projects during 1998-99, actual number of proposals approved during the year was much more. Under the Scheme for Development of infrastructural facilities, there was provisions for all Sectors of the Ministry including Fishery. Under the Scheme, the entire provision for R.E. 1998-99 was utilised by fishery and other sectors of the Ministry. Action has since been initiated to make necessary modification in the Scheme as per requirement.

#### **Recommendation (Sl. No. 10, Para No. 6.10)**

##### *Separate Head of Accounts for Schemes merged into other Sectors*

2.11 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.

### **Reply of the Government**

2.12 The recommendations of the Committee have been noted. Close follow-up action is being taken to get the matter expedited.

#### **Recommendation (Sl. No. 11, Para No. 6.11)**

##### *Establishment of Fruit and Vegetable Industries*

2.13 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.



### **Reply of the Government**

2.14 The Ministry is very conscious of the need of food processing industries to have liberal access to institutional finance. To promote this, the Ministry has been inter-acting with banks and financial institutions to consider food processing industries on a footing, different from that of other industries. The specific features of this sector such as seasonality of raw material production, high requirement of working capital during the peak season, the need to develop backward and forward linkages etc. are being highlighted by the Ministry in various fora. The Ministry has also written to the Chief Executives of important banks and financial institutions to recruit experts of food processing for appraisal of food processing projects, to create data base regarding this sector and to provide management and technical guidance to entrepreneurs in this sector.

The Ministry has a scheme for promotion of research and development in food processing industries. The Ministry has also supported establishment of a Food Engineering and Design Centre under Central Food and Technological Research Institute, Mysore (CFTRI), for designing appropriate plant and machinery for food processing industries.

### **Comments of the Committee**

2.15 For comments of the Committee please refer to Paragraph 1.18 of Chapter I of the Report.

### **Recommendation (Sl. No. 12, Para No. 6.12)**

#### ***Strengthening of Backward Linkages***

2.16 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. 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.

#### **Reply of the Government**

2.17 It appears from the records that since 1992-93, 23 proposals have been received as of 31st March, 1999, for assistance under the scheme of strengthening of Backward Linkages. As against these proposals, 14 units have received assistance from the Ministry which together amounts of Rs. 229.57 lakhs.

The names of units assisted during the period from 1992-93 to 1998-99 under this scheme are given below :

1. M/s Nijjer Agro Foods Limited, New Delhi.
2. M/s Shingote Processed Food Pvt. Ltd., Ahmednagar, Maharashtra.
3. M/s Pepsi Foods Limited, Hoshiarpur, Punjab.
4. M/s Tarai Foods Limited, New Delhi.
5. M/s Vamseekrishna Fruit Processing Industries, Reddigudem, District Krishna, Andhra Pradesh.
6. M/s Reitzel India Limited, Bangalore, Karnataka.

7. M/s Modern Food Cooperative Society Limited, Guwahati, Assam.

8. M/s Alankar Food Products, Bora Vancha Village, District Krishna, Andhra Pradesh.

9. M/s Indian Tropical Agro Products, Tuticorin, Tamil Nadu.

10. M/s Oceania Peninsula Pvt. Ltd., Bangalore, Karnataka.

11. M/s Sanjivini Agro Products Cooperative Marketing Society Limited, Koregaon, District Ahmednagar, Maharashtra.

12. M/s Unicorn Agro-Tech Limited, Bangalore, Karnataka.

13. M/s Parware Phale Bhajipala Utpadak and Prakriya Kharedi Vikrishetkari Sahakari Sanstha Limited, District Ahmednagar, Maharashtra.

14. M/s VST Natural Products Limited, Hyderabad, Andhra Pradesh.

The delay in processing of proposals have primarily occurred due to non-routing of the proposals through State Nodal Agencies which is a procedural requirement and also due to delayed submission of verification reports and other required documents in response to queries raised by the Ministry during scrutiny.

In order to obviate unreasonable delay in processing of proposals and operate the scheme through a given time frame, time limits have been delivered for various stages of scrutiny, and an attempt is being made to process the cases within a period of six to eight weeks of the receipt of the proposal.

The Ministry is also examining the possibility of expanding the scheme both in content as well as in provision of outlay.



### **Recommendation (Sl. No. 14, Para No. 6.14)**

#### ***Scheme for Marketing, Quality Control and Transportation of Meat***

2.18 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 fulfil 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.

### **Reply of the Government**

2.19 The Ministry would consider ways and means to make the scheme more attractive and implementable. So far as procedural modalities are concerned, the Ministry has laid down guidelines for expeditious disposals of the proposals received for financial assistance under the Plan Schemes.

**Recommendation (Sl. No. 16, Para No. 6.16)**

***Scheme for setting up of Innovative Dairies***

2.20 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.

**Reply of the Government**

2.21 The Ministry has been giving wide publicity to the Plan Schemes by advertisements, dissemination through booklets, participation in exhibitions etc. Publicity efforts would be continued during the current year as well.

**Recommendation (Sl. No. 17, Para No. 6.17)**

***Setting up of Food Development Fund***

2.22 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.

#### **Reply of the Government**

2.23 Action for finalisation of the scheme for creation of Processed Food Development Fund has already been initiated.

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

2.24 For comments of the Committee, please refer to Paragraph 1.21 of Chapter I of the Report.

### **CHAPTER III**

#### **RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PERSUE IN VIEW OF THE GOVERNMENT'S REPLIES**

##### **Recommendation (Sl. No. 13, Para No. 6.13)**

##### *Meat and Poultry Processing Sector*

3.1 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.

##### **Reply of the Government**

3.2 Food processing has already been included in the priority sector for lending by the banks and this would facilitates easier access of meat and poultry processing units also, to bank credit.

So far as further liberalisation of the terms of funding of the Ministry's plan schemes is concerned, it is felt that the Ministry's contribution of 50% of cost of capital equipment and Technical Civil Works in general areas and 75% of such cost in difficult areas is quite adequate particularly in view of the size of Ministry's Plan Funds. If Ministry's contribution is increased beyond these, it would be difficult to fund more projects in meat and poultry processing industry.

## CHAPTER IV

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

#### **Recommendation (Sl. No. 1, Para No. 6.1)**

#### *Inadequate allocations in favour of the Ministry of Food Processing Industries*

4.1 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.

#### **Reply of the Government**

4.2 The recommendation of the Committee to enhance the Plan Outlay of this Ministry from Rs. 47 crores in 1999-2000 to Rs. 110 crores at the revised estimate stage has been sent to Planning Commission and Ministry of Finance for appropriate action.

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

4.3 For comments of the Committee please refer to Paragraph 1.6 of Chapter I of the Report.

#### **Recommendation (Sl. No. 5, Para No. 6.5)**

##### ***Need to set up a Special Committee***

4.4 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

considerable. 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 rung 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 and England the extent of food processed is 60% to 70% and 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 and 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 and spirit.

#### **Reply of the Government**

4.5 The recommendation of the Committee to set up a Special Committee to undertake a comparative study of the policy/framework etc. has been noted. It may be mentioned in this regard that the Ministry has already assigned a study to the National Council for Applied Economic Research to evaluate the projects which have been assisted by the Ministry during the 8th Five Year Plan period i.e. 1992-93 to 1996-97 and the first year of the 9th Plan i.e. 1997-98. The study will also highlight the changes, if any, required to be made in the schemes for speedy and effective implementation of the schemes.

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

4.6 For comments of the Committee please refer to Paragraph 1.19 of Chapter I of the Report.

### **Recommendation (Sl. No. 6, Para No. 6.6)**

#### ***Allocation of 10% of Funds for the North-East***

4.7 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.

### **Reply of the Government**

4.8 The observations/recommendations of the Committee have been noted. As per our existing schemes higher level of financial assistance is extended to projects in the difficult areas which include North-Eastern States. During the year 1998-99, 18% of the outlay of Rs. 30 crores has been provided in respect of projects in the North-Eastern Region. It is envisaged



that during 1999-2000 also, the level of assistance will be more than 10%. Further, it is clarified that there is no stipulation regarding contribution from the respective state government in the schemes of the Ministry.

### **Comments of the Committee**

4.9 For comments of the Committee please refer to Paragraph 1.12 of Chapter I of the Report.

### **Recommendation (Sl. No. 9, Para No. 6.9)**

#### *Cold Chain*

4.10 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 and 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.

#### **Reply of the Government**

4.11 Setting up of cold-chain facilities in the country is a de-regulated activity and the Ministry does not set up any such facility directly. However, it provides financial assistance under its plan schemes to those agencies which plan to set up such facilities and which are eligible for being considered as per the guidelines of Ministry's plan schemes.

The Ministry is already implementing a plan scheme for development of infrastructural facilities including for setting up of cold-chain. The plan outlay of the Ministry is insufficient to meet the requirement of this sector and consequently, the allocation for the scheme is also quite inadequate. Unless the outlay for the scheme is substantially stepped up, it would be difficult to support establishment of many such units.

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

4.12 For comments of the Committee please refer to Paragraph 1.15 of Chapter I of the Report.

## CHAPTER V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

#### Recommendation (Sl. No. 15, Para No. 6.15)

##### *Low utilisation of Funds in the Poultry and Egg Processing Scheme*

5.1 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 the 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.

#### Reply of the Government

5.2 In Poultry and Egg Processing, the revised allocation of 1998-99 was fully utilised with wider publicity of the Plan Schemes which is envisaged during 1999-2000, it is expected that more proposals would be received under this scheme also.

#### Recommendations (Sl. No. 18, Para No. 6.18)

##### *Modern Food Industries (India) Limited*

5.3 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 breads 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.

#### **Reply of the Government**

5.4 The processes in connection with disinvestment of Government equity in Modern Food Industries (India) Limited (MFI) are in full swing. The Global Advisor appointed for this purpose has already completed the work relating to operational, legal and regulatory and financial review of the company, preparation of Information Memoranda, valuation of assets etc. The initial 'Teaser' has been issued and formal advertisement in national and international newspapers inviting Expression of Interest (EoI), i.e., offers, has also been issued. The progress of the work is also being monitored by the Core Group of Secretaries on Disinvestment and the Cabinet Committee of Disinvestment.

MFIL has already initiated action for obtaining ISO-9000 certification for three of its bakery units, viz., Delhi-I, Mumbai and Cochin during 1999-2000.

**Recommendation (Sl. No. 19, Para No. 6.19)**

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

5.5 The Committee note that the North Eastern Regional Agricultural Marketing Corporation Ltd. (NERAMAC) has 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. Ever since 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 has 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.

**Reply of the Government**

5.6 Based on the revival package approved by the Government and submitted by the Operating Agency, the Bureau of Industrial Finance and Reconstruction, in its order dated 26th March, 1999, has circulated a Draft Rehabilitation Scheme for the revival of North Eastern Regional Agricultural Marketing Corporation to all concerned for consent as required under Section 19(2) read with Section 19(1) of the Sick Industrial Companies (Special Provision) Act, 1985 and has fixed the next date of hearing on 8.6.99. The consent of the Government for providing financial assistance as per terms and conditions prepared by Bureau of Industrial Finance and Reconstruction has already been conveyed.

NEW DELHI;  
28 February, 2000  
9 Phalgun, 1921 (Saka)

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



## APPENDIX I

MINUTES OF THE FOURTH SITTING OF THE  
STANDING COMMITTEE ON AGRICULTURE HELD ON  
MONDAY THE 28TH FEBRUARY 2000 IN COMMITTEE  
ROOM 'C', PARLIAMENT HOUSE ANNEXE, NEW DELHI

*The Committee sat from 1500 hrs. to 1730 hrs.*

### PRESENT

Shri S.S. Palanimanickam — *Chairman*

### MEMBERS

#### *Lok Sabha*

2. Shri Ramdas Rupala Gavit
3. Shri Shivaji Vithalrao Kamble
4. Shri Y.G. Mahajan
5. Shri Jagannath Mallick
6. Shri M. Master Mathan
7. Shri Prakash V. Patil
8. Shri Adi Shankar
9. Shri Rampal Singh
10. Shri Zora Singh
11. Shri Bhal Chandra Yadav

#### *Rajya Sabha*

12. Shri Devi Prasad Singh
13. Shri Khagen Das
14. Shri Sharief-Ud-Din Shariq
15. Shri Devi Lal

SECRETARIAT

1. Dr. (Smt.) Paramjit Kaur Sandhu — *Director*
2. Shri Raj Shekhar Sharma — *Deputy Secretary*
3. Smt. Anita Jain — *Under Secretary*
4. Shri K.L. Arora — *Assistant Director*

At the outset, Chairman (AC) welcomed the Members to the sitting of the Committee and requested them to take up for consideration the Draft Action Taken Reports on Demands for Grants (1999-2000) of the following Ministries/Departments coming under the purview of the Standing Committee on Agriculture :

1. **M/o Agriculture :**

- (i) Department of Agriculture & Co-operation
- (ii) Department of Agricultural Research & Education
- (iii) Department of Animal Husbandry & Dairying
- (iv) Department of Food Processing Industries

2. **M/o Water Resources.**

3. The Committee considered the Draft Action Taken Reports one-by-one and adopted the Reports with minor additions/modifications.
4. The Members of the Committee thereafter authorised the Chairman to present the modified and adopted Action Taken Reports on Demands for Grants (1999-2000) of all the above mentioned five Ministries/Departments to the House on a date and time convenient to him.
5. The Members also authorised the Chairman to include some more subjects of national importance for detailed examination and report by the Committee 1999-2000 in addition to those already selected by the Committee in its sitting held on 10th February, 2000.

*The Committee then adjourned.*

## **APPENDIX II**

*(Vide Para 4 of the Introduction of the Report)*

### **ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE 22ND REPORT OF THE STANDING COMMITTEE ON AGRICULTURE (12TH LOK SABHA)**

(i) Total Number of Recommendations	19
(ii) Recommendations/Observations which have been accepted by the Government Serial Nos. 2, 3, 4, 7, 8, 10, 11, 12, 14, 16 & 17	
Total	11
Percentage	57.86
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of the Govt's replies Serial No. 13	
Total	1
Percentage	5.26
(iv) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee : Serial Nos. 1, 5, 6 and 9	
Total	4
Percentage	21.04
(v) Recommendations/Observations in respect of which final replies of the Government are still awaited : Serial Nos. 15, 18 and 19	
Total	3
Percentage	15.78