

STANDING COMMITTEE ON AGRICULTURE
(2004-2005)

FOURTEENTH LOK SABHA

MINISTRY OF FOOD PROCESSING INDUSTRIES

DEMANDS FOR GRANTS (2005-2006)

TWELFTH REPORT



LOK SABHA SECRETARIAT
NEW DELHI

April, 2005/Chaitra, 1927 (Saka)

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Presented to Lok Sabha on 20.4.2005

Laid in Rajya Sabha on 20.4.2005



LOK SABHA SECRETARIAT

NEW DELHI

APRIL, 2005/CHAITRA, 1927 (Saka)

COA No.173

Price: Rs.

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha
(Eleventh Edition) and Printed by

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Prof. Ram Gopal Yadav – Chairman

MEMBERS

LOK SABHA

2. Shri Hiten Barman
3. Shri Manoranjan Bhakta
4. Shri G.L. Bhargava
5. Shri Kuldeep Bishnoi
6. Shri Nihal Chand Chauhan
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27. Shri Bhagwati Singh
28. Shri Datta Meghe
29. Shri Bashistha Narain Singh
30. Shri Sharad Anantrao Joshi
31. *Dr. M.S.Gill

Ch
audhary Munawwar Hassan ceased to be the Member of this Committee owing to his nomination to the Standing Committee on Labour w.e.f.16.8.04 vide L.S. Bt.Pt.-II dt.16.8.04

Smt. Anuradha Choudhary has been nominated to this Committee w.e.f. 30.8.2004 vide L.S. Bt.Pt-II, dt. 30.8.2004

Shri Raashid Alvi ceased to be the Member of this Committee owing to his nomination to the Committee on Personnel, Public Grievances, Law & Justice w.e.f 31.8.2004 vide R.S. Bt Pt-II dt. 31.8.2004

*Dr. M.S. Gill has been nominated to this Committee w.e.f 31.8.2004 vide R. S. Bt Pt-II dt. 31.8.2004

SECRETARIAT

1.	Shri P.D.T.Achary	-	Secretary
2.	Shri N.K.Sapra	-	Joint Secretary
3.	Shri Devender Singh	-	Director
4.	Shri K.D. Muley	-	Under Secretary
5.	Smt. Ratna Bhagwani	-	Assistant Director
6.	Smt.P.Jyoti	-	Sr. Executive Assistant

INTRODUCTION

I, the Chairman, Standing Committee on Agriculture, having been authorized by the Committee to submit the Report on their behalf, present this Twelfth Report on Demands for Grants of the Ministry of Food Processing Industries for the year 2005-2006.

2. The Standing Committee on Agriculture (2004-2005) was constituted on 5th August, 2004. 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 2 April, 2005. The Committee wish to express their thanks to officers of the Ministry of Food Processing Industries for placing before them the material and information which they desired in connection with the examination of Demands for Grants of the Department for the year 2005-2006 and for giving evidence before the Committee.

4. The Committee considered and adopted the Report at their sitting held on 9 April, 2005.

NEW DELHI;
9 April, 2005
19 Chaitra, 1927 (Saka)

PROF. RAM GOPAL YADAV
Chairman,
Standing Committee on Agriculture

PART – I

CHAPTER - I

OVERVIEW OF DEMANDS FOR GRANTS

1.1 Agricultural development is crucial to India's overall progress which can be achieved by intensifying agricultural and allied activities as well as by diversification and commercialisation of Agriculture. A strong and effective food-processing sector can play a significant role in diversification of agricultural produce, ensuring employment generation and creation of surplus for export of agro food products.

1.2 In this era of surplus, the single most important problem our country is facing today is providing remunerative prices to the farmers for their produce without incurring additional burden of subsidy through minimum support prices. This problem could be solved largely, if the surplus production of cereals, fruits, vegetables, milk, fish, meat and poultry etc., is processed and marketed aggressively including through exports. Food processing adds value, enhances shelf life, encourages crop diversification and creates more employment per unit of investment. Food processing combined with marketing has thus the potential of solving the basic problems of agricultural surpluses and wastages besides creating rural jobs and offering better prices to the growers.

1.3 To achieve this task, the Ministry of Food Processing Industries was created in July 1988 to give an impetus to the development of food processing industries in the country. Subsequently, this Ministry was made a Department and brought under the Ministry of Agriculture. Vide Notification No. DOC. CD-442/99 dated 15.10.1999 in pursuance of the Committee's recommendation in its reports on Demands for Grants it has once again been notified as Ministry of Food Processing Industries vide Cabinet Secretariat's Note No.1/22/1/2001-Cab.(1) dated 6.9.2001.

1.4 The Ministry is responsible to frame policies and plans for improvement in food processing infrastructure including upgradation of technology. The Ministry is also concerned with the strict enforcement of quality standards, promoting investment in Food Processing, activating domestic market with focus on export keeping in view the overall national priorities and objectives.

1.5 The functions of the Ministry can be broadly classified as Policy Support, Developmental, Promotional and Regulatory. In the era of economic liberalization where the private, public and co-operative sectors are to play their rightful role in the development of food processing sector, the Ministry acts as a catalyst for bringing in greater investment into this Sector, guiding and helping the industry in the proper direction, encouraging exports and creating a conducive environment for healthy growth of the food processing industry. Within these objectives, the Ministry aims at:

- Better utilization and value addition of agricultural produce for enhancement of income of farmers.
- Minimizing wastage at all stages in the food processing chain by the development of infrastructure for storage, transportation and processing of agro-food produce.
- Induction of modern technology into the food processing industries from both domestic and external sources.
- Encouraging R&D in food processing for product & process development and improved packaging.
- Providing policy support, promotional initiatives and physical facilities to promote value added exports.

1.6 The State Governments have a significant role to play in providing the infrastructure and raw material for the food processing industry. Keeping this in view, the State Governments have

identified Nodal Agencies through whom coordination of the activities pertaining to this sector in the States is done.

Framgmented and Scattered Structure of Promotional Organizations.

1.7 One of the most important functions of the Ministry is to formulate and implement policies for Food Processing Sector within the overall national priorities and objectives. In order to fulfill this task, the continuously interacts with various ministers of the Government and State Government. The Ministry also keep a liaison with various promotional organizations like Agricultural and Processed Food Products Export Development Authority (APEAD), Marine Products Export Development Authority (MPEDA), National Cooperative Development Corporation (NCDC), National Horticulture Board (NHB), Cashewnut Development Board, National Agricultural Cooperative Marketing Federation of India Limited (NAFED), etc. The role of these promotion bodies/organizations are very crucial for the growth and smooth functioning of the various activities of the Ministry of Food Processing Industries.

These organizations are functioning vis-à-vis in different Ministries like Ministry of Commerce (APEDA, MPEDA) Ministry of Agriculture (National Horticulture Board) considering the fact that the entrepreneurs and farmers are subjected to unnecessary harassment and problems due to multiple authorities. The Committee now in their 43rd Report (DFG 2003), 4th Report (DFG 2004-2005) strongly recommend for bringing all these promotional organizations under the control of Ministry of Food Processing Industries.

The Ministry in their action taken reply submitted as under:-

“The matter regarding merger of APEDA, NHB, etc. with Ministry of Food Processing Industries has been considered by the committee of Secretary and found not acceptable. A proposal in this regard has been submitted afresh to the Cabinet Secretary.”

Contribution of Food Processing Industries to GDP

1.8 The Ministry has informed that a study was conducted by National Council for Applied Economic Research (NCAER) in October 2001 for evaluating the performance and prospects of food processing industry in India. On the basis of that study, it is estimated that a total investment of Rs. 38,531 crore has been made in food processing sector during Ninth Plan and an investment of Rs. 62,105 crore is projected during the Tenth Plan period assuming the GDP growth of 6%. If the GDP growth is 8% per annum, the investment projection is likely to go up to Rs. 92,208 crores. The growth of the food processing industries falling under the purview of Ministry of Food Processing Industries has been worked out at 8.5% per annum during 1996-97 to 2001-02 as compared to GDP growth of 6.1% during the same period. The likely growth during the Tenth Plan period is projected at 8.8% and 11.9% on the basis of GDP growth rate of 6% and 8% respectively. As per the NCAER Report, the number of persons employed in the food processing sector is estimated to be around 75.59 lakh as in 2001-02. It is expected that direct employment in the food-processing sector would grow at the rate of 1.25% per annum and the indirect employment would be 2.38 times the direct employment. However, the contribution of food processing industries to India's G.D.P. is 2.25% only. (National Accounts Statistics, CSO 2001).

Review of Plan Outlay 2003-04 and Proposal for 2004-05

1.9 Taking into consideration the review undertaken by the Planning Commission of the 9th Plan Schemes, the need for reducing the number of schemes by merging/dropping the existing schemes as also the advice of the Planning Commission to avoid a thin spread of resources and the need for a revamp of the schematic structure of the Plan Schemes, the Ministry is operating sixth Plan Schemes during the 10th Plan for the development of the processed food sector. The total outlay approved for these six s during the 10th Plan is Rs. 650.00 Crores.

During the years the first three years of the 10th Plan, an outlay of Rs. 75 crore, Rs. 75 crore and Rs. 110 crore for 2002-03, 2003-04 and 2004-05, respectively was approved. During the year 2005-06, an outlay of Rs. 180 crore has been approved. Since these schemes are being operated at macro level, all the segments of the processed food sector would be covered.

1.10 The activities covered in each of the Scheme are given here under: -

- (i) Scheme for infrastructure development
 - a) Food Parks
 - b) Packaging Centres
 - c) Modernized Abattoirs
 - d) Integrated Cold Chain facilities
 - e) Irradiation facilities
 - f) Value Added Centres
- (ii) Scheme for technology up-gradation, Establishment/Modernization of Food Processing Industries.
 - (a) Processed food industries in general.
- (iii) The Scheme for backward and forward integration and other promotional activities includes
 - a) Backward linkage
 - b) Forward integration
 - c) Generic advertisement
 - d) Promotional activities such as participation in exhibitions / fairs / supporting seminars / workshops/ studies and surveys.
 - e) Preparation of short films and material for different meetings.
 - f) Strengthening of Directorate of F&VP
 - g) Strengthening of Industry Associations

- h) Fortification of wheat flour
- i) Performance Awards
- (iv) The Scheme for Quality Assurance, Codex Standards and Research & Development includes:
 - a) Food safety and quality assurance mechanisms
 - b) Bar coding system
 - c) Strengthening the Codex cell
 - d) Continuous R&D
 - e) Setting up/up-gradation of quality control laboratories
- (v) The Scheme for Human Resource Development includes
 - a) Setting up of Food Processing & Training Centres (FPTC)
 - b) Imparting training to update skills
 - c) Entrepreneurial Development Programmes (EDPs)
 - d) Facilitating Universities/Institutions for running degree/diploma courses and extension services
- (vi) The Scheme for strengthening of institutions includes
 - a) Strengthening of PPRC
 - b) Strengthening of State nodal agencies
 - c) Meeting expenditure of pay and allowances etc. for Plan posts
 - d) Information technology.

The proposed and approved 10th Plan allocation made for various Schemes of Ministry of Food Processing Industries are as under:-

(Rs. in crore)		
Serial No.	Name of the Scheme	Proposed outlay 10th Plan
1.	Scheme for Infrastructure Development	1,351.00
2.	Scheme for establishment, modernization & upgradation of Food Processing Industries	500.00
3.	Scheme for Promotional Activities	40.00
4.	Scheme for Forward Integration	200.00
5.	Scheme for R&D	300.00
6.	Scheme for HRD	205.00
7.	Scheme for supply of Chain Integration	75.00
8.	Scheme for Strengthening of Nodal Agencies and others	19.00
9.	Scheme for Strengthening of Directorate of Fruit and Vegetable Processing	60.00
10.	Scheme for Strengthening of Paddy Processing Research Centre	25.00
11.	Scheme for Strengthening of NERAMAC	25.00
	Total	2,800.00

1.11 The Tenth Plan Outlay for the Ministry for all the six Schemes are as under:

S.N.	Name of The Scheme/ Project/ Programme	Tenth Plan Proposed outlay (whole Plan)	Tenth Plan Revised outlay (whole Plan)	2002- 03 Proposed allocation	2002- 03 BE	2002- 03 Actual	2002- 03 Short fall	2003-04 Proposed Allocation	2003- 04 BE	2003- 04 Actual Exp.	2003-04 Short fall	2004-05 Proposed Allocation	2004- 05 RE	2004- 05 Anticipation Exp. (upto Mar, 05)	2004- 05 Short fall	2005- 06 BE	% of 7+11+ 15 out of Column 4
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	Scheme for Infrastructure Development	1351.00	180.00	100.00	29.00	28.28	0.72	45.00	29.00	13.70	15.30	40.00	10.00	10.00	--	49.00	28.28
2	Scheme for Technology Upgradation Establishment and Modernization of Food Processing Industries	500.00	295.00	100.00	9.00	15.96	(+) 6.96	30.00	14.00	29.29	(+)15.29	37.00	48.50	48.50	--	49.00	31.78
3	Scheme for Backward & Forward Integration 6.00n & other Promotional Activities	240.00	30.00	33.00	5.00	2.57	2.43	15.00	7.00	2.47	4.53	13.00	4.50	4.50	--	7.00	31.80
4	Scheme for Quality Assurance Codex Standard and Research & Development	300.00	50.00	22.00	10.50	11.40	(+) 0.90	20.00	7.50	4.00	3.50	8.00	3.00	3.00	--	10.00	36.80
5	Scheme for Human Resources Development	205.00	65.00	20.00	4.50	3.97	0.53	5.00	4.70	3.97	0.73	10.00	6.00	6.00	--	37.00	21.44
6	Scheme for Strengthening of Institutions	204.00	30.00	25.00	9.50	3.31	6.29	10.00	5.30	4.19	1.11	10.00	4.50	4.50	--	10.00	40.00
7	Lump sum provision for North East	----	----	----	7.50	7.50	----	----	7.50	6.45	1.05	----	8.50	8.50	--	18.00	----
	Total	2800.00	650.00	300.00	75.00	72.99	2.01	125.00	75.00	64.07	10.93	118.00	85.00	85.00	--	180.00	34.16

1.12

APPROVED TENTH PLAN OUTLAY Rs.650 CRORE**(Rs.in crore)**

Year	BE	RE	Actual Exp.	Shortfall	Non-Plan (RE)	Total and Plan	Plan Non	% Expenditure
2002-03	75	75	72.99	2.01	5.79	80.79 (RE)		The Expenditure during
2003-04	75	65	64.07	.90	5.57	70.57 (RE)		The first three years of
2004-05	110	85	51.36 (upto Dec.04)	-	5.68 (RE & BE)	115.68 (BE) 90.68 (RE)		Tenth Plan Upto Dec.2004 is 188.42 crore which is 28.98 per cent
2005-06	180	-	-		6.55 (BE)	186.55 (BE)		of total Tenth Plan
Total			188.42					Outlay of Rs.650 crore. Thus balance amount is Rs.461.58 crore

The Anticipated Expenditure for the 2004-05, upto March, 2005 is 85 crore.

1.12.2 Plan Allocation and Utilisation (Tenth Plan)

(Rs. in Crore)

Plan	Outlay		Actual Expenditure
Tenth Plan Approved Outlay 650.00			
2002-03	75.00 (BE)	75.00 (RE)	72.99
2003-04	75.00 (BE)	65.00 (RE)	64.07
2004-05	110.00(BE)	85.00 (RE)	51.36 upto December, 2004
2005-06	180		

The Plan allocation of the Ministry for the year 2004-05 was 110 crore, which was reduced to Rs.85 crore at RE stage. During the examination of Demands for Grants (2004-2005), the Ministry had assured that the allocation will be enhanced from RE stage of 2004-2005. The reasons for such reduction as stated by the Ministry in its written reply is as under:-

“The Ministry had asked for an amount of Rs. 110.00 crore in RE 2004-2005. However, keeping in view the trend and pace of expenditure/Plan priorities/Financial constraints, the Ministry of Finance reduced the grant of the Ministry from Rs.110.00 crore to Rs.85.00 crore in RE 2004-2005. However, the Ministry is making all possible efforts for development of food processing sector including marine fisheries within the available resources and as a result of that BE for 2005-2006 has since been enhanced to Rs. 180.00 crore.”

1.12.3 The RE of 2004-2005 and BE of 2005-2006 of the Ministry of Food Processing Industries are as under:-

RE (2004-2005)	BE (2005-2006)	Difference
Rs.85 Crore	Rs.180 Crore	Rs.95 Crore

When asked about the reasons for the enhanced demand of Rs.180 crore for the year 2005-2006 as against the RE of Rs.85 crore during 2004-2005, the Ministry replied as under:-

“A proposal to set up a National Institute of Food Technology Entrepreneurship and Management is at an advanced state of consideration. The project cost of the proposed Institute would be around Rs.166 crore. Therefore, to begin with, an additional amount of Rs.30 crore has been provided for the Institute in the BE 2005-2006. Another proposal to remove financial/operational bottlenecks so as to liberalize pattern of assistance under the infrastructure Scheme has since been submitted to the Planning Commission for concurrence.

Hence, the increase proposed in BE 2005-2006 is normal in nature. As regards utilization of the money allocated in the budget, necessary efforts are being made by the Ministry to utilize the fund allocated in RE 2004-2005.”

Percentage of Central Sector Outlay to the Ministry of Food Processing Industries.

1.13 The following Table indicates the details and the proportion of budgetary allocation made in favour of the Ministry of Food Processing Industries out of the total Plan Budget of the Government of India during the years 2001-2002, 2002-2003, 2003-2004, 2004-2005 and 2005-2006:-

(Rs. in crore)			
Year	Central Sector Outlay	Outlay for MFPI	Proportion of Outlay for MFPI out of the Total Outlay (%)
2000-2001	1,17,334.0	50.00	0.0426
2001-2002	1,30,181.0	55.00	0.0422
2002-2003	1,44,037.77	75.00	0.0521
2003-2004	1,47,893.00	65.00	0.0440
2004-2005	1,50,818.00	85.00	0.0564
2005-2006	2,11,253.00	180.00	0.0852

Priority Sector Lending Norms

1.14 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 returns 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 had decided to include agro-processing sector within the definition of 'Priority Sector for bank lending' in the year 1999.

1.15. The targets for lending to priority sector and its sub sectors for Indian Commercial Bankers are:

Total Priority Sector	-	40 percent of Net Bank Credit
Of which to Agriculture	-	18 percent of Net Bank Credit
Weaker Sections	-	10 percent of Net Bank Credit

1.16 No separate target within the priority sector has been fixed for lending to food and agro-based processing industries. 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 to take place. However, finance is still a rare commodity for this sector.

1.17 In order to provide a fillip to the food and agro based industries, the Committee in their previous years' reports on Demands for Grants had recommended for fixing a percentage for the Food Processing Sector within the priority sector lending (i.e. 18% for whole agriculture sector). When asked what follow up action has been taken by the Ministry to ensure availability of credit to small entrepreneurs in the Food Processing Industries the Ministry in its written reply stated as under:-

"As desired by the Committee, the proposal to earmark a certain percentage of credit to the food-processing sector under priority sector of lending has been taken up with the Banking Division, Ministry of Finance, again. Meanwhile RBI has been requested to extend working capital to Food Processing Industries, keeping in view their heavy seasonal requirement for

raw material storage. RBI has also been requested to make warehouse receipts of FPI units as negotiable instrument. A Conference of State Ministers of Food Processing was held on 5th November 2004 in which the representatives of banks / Financial Institutions were requested to ensure availability of easy credit to entrepreneurs in the FPI sector.”

Integrated Food Laws

1.18 During the course of evidence it was brought to the notice of the Committee that the Ministry is making efforts to bring about uniformity of standards, uniformity of quality, uniformity of regulations and removal of multiplicity of legislation. In this connection, a group of ministers was constituted by the government in July, 2004 headed by Hon. Minister of Agriculture and a draft has been prepared of the Integrated Food Law for the country. The Ministry has written to all the State Governments and all the stake holders who give their relevant comments on the proposed legislation. The Ministry further informed the final draft regulation of this new food law will be incorporated in the legislation. Law ministry will also be consulted in this regard. This will be on major step in bringing around the necessary growth for the food processing sector in the country.

When asked about the tax tariff on perishable and non-perishable food items the representative of the Ministry informed that

“The Hon. Committee was very kind and was quite right to recommend in tis previous deliberations that efforts should be made to bring about uniformity of standards, uniformity of quality, uniformity of regulations and removal of multiplicity of legislation, as far as possible. For your kind information, a Group of Ministers was constituted by the Government in July, 2004, headed by the hon. Minister of Agriculture, and a series of meetings have taken place. We have reached a very critical stage in this area and a draft has been prepared of the integrated food law for the country.”

Taxation

1.19 The global trade in the Food Sector is \$460 billion and our share is just about 1 per cent. Food Processing Sector has its own importance because it generates employment, increases the income of the farmers, entrepreneurs and minimizes the wastage of agricultural produces. We process only 2% of our agricultural produces in comparison to 30% in Thailand, 80% in Brazil, 60%-70% in UK and USA and other develop countries. Large percentage goes waste with an approximate value of Rs.51, 500 crore annually due to various reasons. This wastage can be avoided if we remove the lack of investment by providing the sector incentives in various forms and reasonable taxation in the major countries which can attract major investment in this sector.

Inviting the Committee attention towards the issue the Ministry representatives stated the evidence

“Taxation is an area which is becoming very critical of whatever little I have seen in the last six to eight months. We have a host of levies apart from customs, central excise etc. Of course, we are in a detailed discussion at the appropriate time, during the formation of the Budget. But this is an area when the States are equally critical, if not more critical. The customs and central excise are an area where the States are involved. If the plant and machinery is coming from outside, the customs duty is paid. There, we have tried quite hard for the last six to eight months. I think the dairy machinery has been partially exempted. I will give the exact details later. There has been some reduction in the customs on import of dairy plant and machinery. The excise duty on fruits and vegetables has been reduced to zero. I have been arguing with the Department of revenue that time has come when India should look at the food processing sector in terms of perishable and non-perishable. It is not only the fruits and

vegetables which are perishable but even dairy products are perishable and even milk products and meat products are perishable. There are sausages etc.”

The Income Tax:- While intimating the Committee about income tax in the sector the representatives of the Ministry stated as under:

“The Government was very kind, in the last Budget of July, 2004 they came out with income-tax benefit for the key food processing sector which was exempted altogether for five years and there is no income-tax for five years and for the next five years it is only 25 per cent. But this concession is confined to fruits and vegetables and not to the dairy sector.”

Intimating the committee about the initiative taken by the Government the representative of the Ministry stated as under:

“If you permit, I would like to say a few things. In the month of November, we have requisitioned an expert group on this issue of the entire taxation system in the country. I am expecting its report by the end of this month. I will apprise the hon. Chairman and whosoever would like to be apprised of it. I have requested the expert group in the country – consisting of economic experts to look at the scenario of taxation structure, both at the State level and at the Central level. First, they will look at the impact of the current rate of taxation on the growth of the sector. Second, they will create scenarios at zero per cent, four per cent and 16 per cent and see what will be the rate of growth in terms of changes in the taxation structure, both at the Central and the State level. In a month’s time, I will have all these necessary scenarios. I will submit before the hon. Chairman and the Committee the findings. On the basis, I am thinking of again taking up the matter.”

CHAPTER - II

SCHEME WISE ANALYSIS

Scheme for Infrastructure Development

2.1 Not only fruit and vegetable sector, but also the whole food processing sector has been characterized by poor marketing and lack of transport and communication infrastructure. There are enormous inefficiencies in the food chain resulting in loss of approximately Rs. 51,500 crore annually. To address this problem, the Ministry of Food Processing Industries has been implementing a Scheme for Development of Infrastructural Facilities for food processing industries since 9th Plan. During 10th Plan Financial Assistance in the form of grant-in-aid is proposed to be extended for setting up of:

- i) Food Parks
- ii) Packaging Centres
- iii) Modernized Abattoirs
- iv) Integrated Cold Chain facilities
- v) Irradiation facilities
- vi) Value added centres

The provision of funds for the above mentioned Schemes is as under: -

PLAN

(Rs. In Crore)

B.E.2004-2005	R.E. 2004-2005	B.E.2005-2006
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34.00	10.00	49.00
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2.2 The anticipated Expenditure on infrastructure development upto March 2005 has been Rs.10 crore, while it is Rs.49 crore as per BE 2005-2006. The difference between the year 2004-2005 and 2005-2006 comes to nearly 39 crore which is not a small figure. When asked from the Ministry why there is a big jump in the demand, the Ministry in its reply stated as under:-

“Performance of the Food Park Scheme during 10th Plan needs to be improved upon. So far the Ministry has sanctioned financial assistance to 49 food parks of which two were sanctioned under 8th Plan Scheme, 39 as per provisions of 9th Plan Scheme and only eight under provisions of 10th Plan Scheme. As per the existing Scheme of Food Park, sufficient viable proposals are not forthcoming due to the following reasons:-

- (a) The revised Scheme of Food Park in 10th Plan restricts grant of financial assistance to 25% of the project cost. Earlier in the 9th Plan, the Food Park Scheme was liberal and provided for grant up to Rs.4.00 crore on common facilities and there was no such restriction in terms of percentage of the project cost.*
- (b) The Scheme for modernization of abattoirs is facing similar problem besides being open to local bodies only. A proposal for liberalizing the pattern of assistance under the infrastructure Scheme has been submitted to the Planning Commission. After carrying out necessary amendments, there is likely to be increased demand for fund under the Infrastructure Scheme.”*

Food Parks

2.3 As part of the strategy to develop food processing infrastructure, the Ministry has been proactively pursuing the task of setting up of Food Parks in different parts of the country. The idea behind setting up of Food Parks is that small and medium entrepreneurs find it difficult to invest in

capital intensive facilities such as cold storage, warehouse, quality control labs, effluent treatment plants, etc. Assistance for development of these common facilities can make the cluster of food processing units in such Food Parks not only become more cost competitive but also have a better market orientation.

The Ministry further intimated that so far 49 food parks have been sanctioned in various states of the country viz. Andhra Pradesh(1), Assam(1), Bihar(1), Chattisgarh(1), Haryana(2), J&K(3), Karnataka(3), Kerala(3), M.P.(6), Maharashtra(5), Manipur(2), Mizoram(1), Orissa(1), Punjab(1), Rajasthan(3), Tamilnadu(2), Tripura(1), UP(5) and West Bengal(7). Out of these four new food parks have been approved during the year 2004-2005.

2.4 Out of 49 approved food parks, 14 are partly functional details of which are as under:-

Name and location of Food Park	Assistance approved (Rs. In lakh)	No. of units / entrepreneurs allotted
(i) Khunmoh Food Park, Srinagar, J & K	400	44
(ii) Mallapuram Food Park, Kerala	400	16
(iii) Arur Food Park, Nagpur, Maharashtra	265	10
(iv) Kamptee Food Park, Nagpur, Maharashtra	400	10
(v) M/s Agri Food Park (I) Ltd., Pune, Maharashtra	400	12
(vi) Vinchur Food Park, Nasik, Maharashtra	400	51
(vii) Jagga Kherifood Park, Mandsaur, MP	381.13	13
(viii) Ukhrul Food Park, Manipur	400	18
(ix) Khulda Food Park, Orissa	400	06
(x) Sirhind Food Park, Punjab	400	01
(xi) Virdhunagar Food Park, Tamil Nadu	400	14
(xii) 24-Parganas Food Park, South Bengal	400	10
(xiii) Sankhrail Food Park, West Bengal	400	22
(xiv) Agro Food Park, Barabanki, Uttar Pradesh	338	45

2.5 The expenditure during the last five years for the said components were as under:-

(Rs. in crore)

Year	Amount Sanctioned
1999-2000	4.27
2000-2001	18.43
2001-2002	27.31
2002-2003	28.93
2003-2004	11.24
2004-2005	8.88

Plan fund utilization under the Scheme during the years 2002-2003, 2003-2004 and 2004-2005 were to the extent of 30.64 crore, 13.70 crore and 6.99 crore (up to December 2004) respectively.

Scheme for Technology Upgradation/Establishment/ Modernization of Food Processing Industries

2.6 During the Ninth Plan, the Ministry had been operating different Schemes to cover different segments like fruits and vegetables, meat and poultry, milk, grain processing, fisheries, etc. During the Tenth Plan, this Scheme has been in operation at macro level covering all segments. Assistance in the form of grant-in-aid is proposed to be extended under this Scheme for all segments of the food processing sector.

During the Tenth Plan, this Scheme is being operated at macro level covering all segments, which were operated during 9th Plan.

The outlay for Technology upgradation/ Establishment/ Modernization of Food Processing Industries is as under: -

PLAN		(Rs. In Crore)
B.E.2004-2005	R.E. 2004-2005	B.E.2005-2006
35.00	48.50	49.00

MEAT & MEAT PROCESSING

2.7 Production of meat & meat products is gradually increasing from the year 1995 onwards. Meat & Meat products are considered to be highly perishable commodities and can transmit diseases from animals to human-beings. Production of meat is governed under local by-laws as slaughtering is a state subject and Slaughterhouses are controlled by local health authorities. Processing of meat food products is licensed under Meat Food Products Order (MFPO), 1973 which was hitherto being implemented by the Directorate of Marketing & Inspection (DMI) which has since been transferred to the Ministry of Food Processing Industries w.e.f 19 March 2004.

2.8 The percentage of meat processing in organized sector is about 10% and the remaining 90% comes from the unorganized sector. The Scheme of modernization of abattoirs was approved in August 2003. So far the Ministry has sanctioned financial assistance for modernization of the abattoir handled by MCD, Delhi. The work relating to modernization of abattoir in Delhi is still in progress.

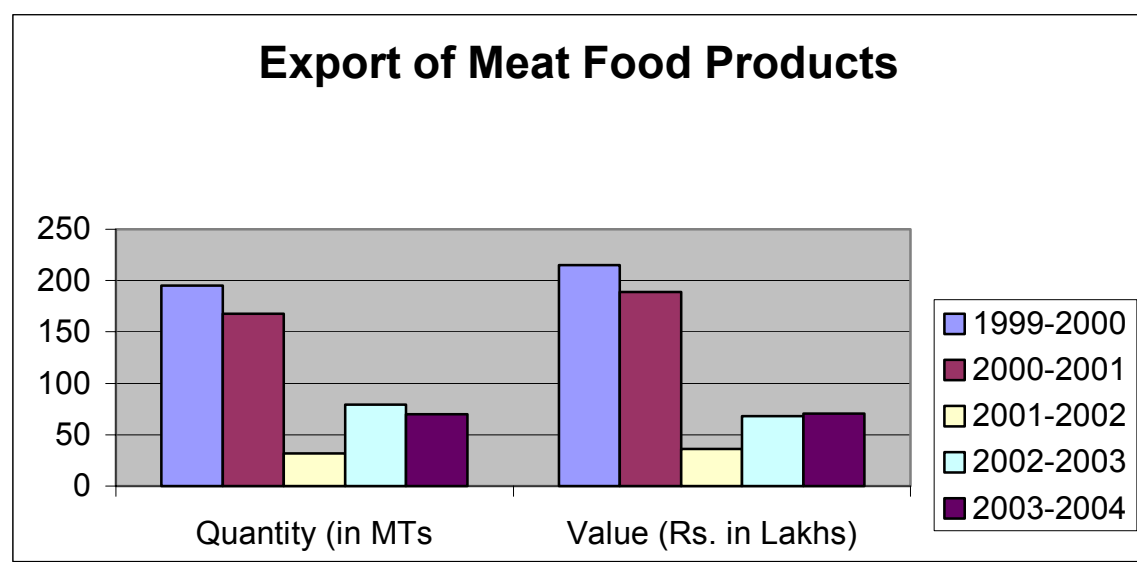
The Ministry of Food Processing Industries during the year 2004-05 assisted eight units including 100% E.O.U.s for the manufacturer of lamb/ chicken/meat products.

2.9 **The details in terms of quantity and value of meat food products manufactured by licensees under MFPO are as under:**

<u>Year</u>	<u>Quantity(in MTs)</u>	<u>Value(Rs.in Lakhs)</u>
<u>1999-2000</u>	<u>3,041</u>	<u>3946</u>
<u>2000-2001</u>	<u>3,221</u>	<u>4,173</u>
<u>2001-2002</u>	<u>2,865</u>	<u>3,812</u>
<u>2002-2003</u>	<u>3,016</u>	<u>4,247</u>
<u>2003-2004</u>	<u>4,045.78</u>	<u>5,891.08</u>

2.10 **The details of exports in terms of quantity and value of meat food products are given as under:**

<u>Year</u>	<u>Quantity (in MTs)</u>	<u>Value(Rs.in Lakhs)</u>
<u>1999-2000</u>	<u>195</u>	<u>215</u>
<u>2000-2001</u>	<u>168</u>	<u>189</u>
<u>2001-2002</u>	<u>32</u>	<u>36</u>
<u>2002-2003</u>	<u>79</u>	<u>68</u>
<u>2003-2004</u>	<u>69.78</u>	<u>70.46</u>



2.11 The export of Meat Food Products in terms of quantity and value has been drastically going down in the recent years from nearly 200 MTs in 1999-2000 to less than 36 per cent in the year 2003-2004. When asked the reasons for such a drastic shortfall in export, the Ministry replied as under:-

“Main reasons for decline in export of meat food products in terms of quantity and value are out break of scare about Bovine Spongi form Encephalopathy (BSE), Mad Cow Disease in Bovines (Buffalo) and Bird-Flu, Prevalence of Foot & Mouth disease in India, etc. In order to boost production of hygienic and clean Meat Products, financial assistance is extended to local bodies for modernization of their abattoirs. For meeting global standards, financial assistance is also extended to units to enable them to obtain certification of ISO, Total Quality Management (TQM), HACCP etc.”

2.12 The slaughter rate for cattle as a whole is 6% whereas it is 10% in the case of buffaloes, 99% for pigs, 30% for sheep and about 40% for goat. To increase the slaughtering rate as well as production of meat products, MFPI is implementing various Developmental Plan Schemes for providing financial assistance for the purpose of modernization of abattoirs as well as production of meat products. During the year 2003-04 (as on 31.03.2004), 2 poultry meat processing units and 2 meat processing units and modernization of Delhi Abattoirs have been assisted.

Fish Processing

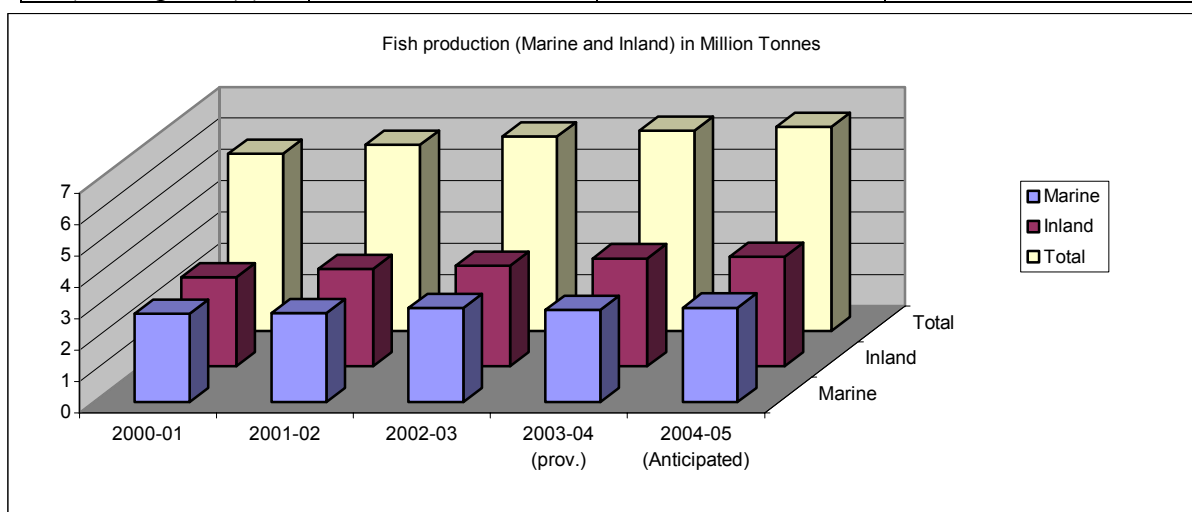
2.13 India is now the fourth largest producer of fish in the world and second largest producer of fresh water fish in the world. With its long coastline of over 8,000 km. and 50,600 sq. km. of continental shelf area and 2.2 million sq. km. of Exclusive Economic Zone, India is endowed with rich fishery resources. However, India has not been able to develop inland fisheries to the extent the countries like Thailand and Bangladesh have done. India has not utilized its vast marine resources. The Ministry of Food Processing Industries, under its Plan Scheme for Technology Upgradation/establishment and Modernization of Food Processing Industries provides assistance for creation of additional facilities for preservation and processing of fish. Under the Scheme, financial assistance in the form of grant is provided to all implementing agencies at 25% of the cost of capital

equipment and technical civil works up to Rs 50 lakh in general areas and 33.33% up to Rs. 75 lakh in difficult areas.

2.14 The figure of fish production (both marine and inland) since 2000-01 are given below:

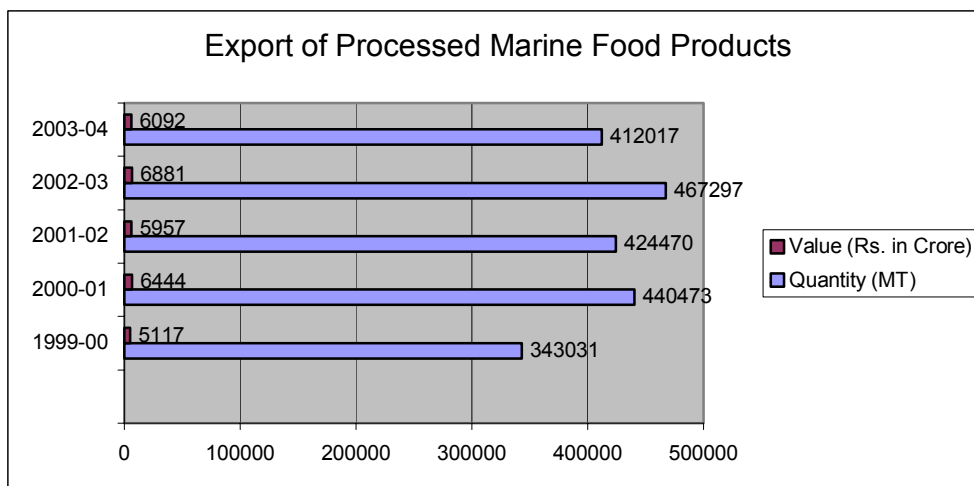
(Figure in Million tonnes)

Year	Marine	Inland	Total
2000-01	2.81	2.84	5.65
2001-02	2.83	3.12	5.95
2002-03	2.99	3.21	6.20
2003-04 (prov.)	2.94	3.45	6.39
2004-05 (Anticipated.)	3.01	3.50	6.51



2.15 The quantum of marine products processed, exported and revenue earned there from during the last 5 years is as follows:

Year	Quantity (MT)	Value (Rs.crore)
1999-00	3,43,031	5,117
2000-01	4,40,473	6,444
2001-02	4,24,470	5,957
2002-03	4,67,297	6,881
2003-04	4,12,017	6,092



The Committee in their earlier Reports had been recommending for re-formulating the Scheme for Strengthening of Traditional Fish Processing Technologies and for this purpose for tying up with veterinary Institutions, Agricultural Universities and fishery cooperatives to get better results. The Committee were informed that many R&D projects have been taken up and it is expected that as a result of these efforts it will be possible to strengthen traditional fish processing technologies.

2.16 When asked about the progress in this regard, the Department replied as under:-

“The recommendation of the Standing Committee was referred to Marine Products Export Development Authority (MPEDA) for necessary action. It has been reported that eco-friendly fishing methods available in other countries for fishing in tropical waters can be adopted in India also, depending on the resource availability. One such technology now being introduced in India is the monofilament long line technology for tuna fishing. Trap fishing for lobsters has already been introduced in the country and, MPEDA is operating a pilot project for lobster conservation, under which a limited number of traps have already been distributed in some of the centres in Tamil Nadu among traditional fishermen.”

Dairy Processing

2.17 Organised dairy industry accounts for less than 15% of the milk produced in India. The rest of the milk is either consumed at farm level or is sold as fresh, non-pasteurised milk through

unorganised channels. The share of organized industry is expected to rise rapidly – especially in the urban regions.

India, with its status as the largest milk producer in the world, is on the verge of assuming an important position in the global dairy industry. Milk production is estimated at 88 million tonne during 2002-2003 as against 84.60 million tonnes during 2001-2002. Many international dairy companies are viewing India with an eye to tapping its vast, growing market for dairy products. The rise in the market for dairy products is likely to witness the fastest growth of over 20-30% per annum.

As per the Economic survey of India 2004-2005, the milk production is as follows:-

Production and Per Capita availability of milk		
Year	Milk Production (Million Tonnes)	Per Capita availability (Gms./day)
1950-51	17.0	124
1960-61	20.0	124
1970-71	22.0	112
1980-81	31.6	128
1990-91	53.9	176
2000-01	80.6	220
2001-02	84.4	225
2002-03	86.7	230
2003-04	88.1	231
2004-05 (P)	91.0	232

2.18 When asked about the measures initiated by the Ministry to develop domestic milk processing industries and to involve international dairy companies for pro-active participation in Dairy Industry in India for its sustainable growth, the Ministry replied as under:-

“Financial assistance is provided for establishment and modernization of food processing units including milk processing units @ 25% of costs of plant and machinery and technical civil works subject to a maximum of Rs.50 lakhs in general areas and 33.33% subject to a maximum of Rs.75 lakhs in difficult areas. For improvement of food quality / safety up to global standards, financial assistance is provided to FPI units to enable them to adopt bar coding practices, implement HACCP / ISO standards, set up quality control lab, etc. FDI up to 100% is permitted for international dairy companies under automatic route.”

Scheme for Human Resource Development

2.19 HRD is one of the thrust areas of development. The Ministry proposed to extend assistance for setting up Food Processing & Training Centres as well as creation/upgradation of R&D training facilities to reputed universities and institutions. Entrepreneurship Development Programme will also be taken up under the Scheme. Training is also proposed to be imparted to persons already engaged in the sectors such as meat and poultry, grain, fisheries, etc. Central Food Technology Research Institute (CFTRI) is the premier institution in the field of food processing industries. IIT, Kharagpur has also been conducting courses and awarding degrees in the field of food processing. Since a lot of development is likely to take place during the 10th Plan in this sector, requirement of human resources will also be higher. It is proposed to assist both these institutions as well as others for increasing the intake of candidates for such courses.

2.20 During the 9th Plan, the Ministry had been operating certain Schemes for setting up of FPTCs, creation of infrastructure facilities, organizing training programmes, etc. The Ministry proposes to

operate the Scheme for Human Resource Development during the 10th Plan covering the following activities:-

- (i) Setting up of Food Processing & Training Centres (FPTCs)
- (ii) Organizing training programmes and imparting training to persons already engaged in Food Processing to update their skills.
- (iii) Conducting Entrepreneurial Development Programmes (EDP).

The programmes envisages facilitating universities/institutions/colleges to run degree/diploma courses in Food Processing as well as training programme including extension services by creation of infrastructural facilities like libraries, laboratories, pilot plants, extension services on the basis of new technology and new research, etc.

The Plan outlay is as under:-

PLAN		(Rs. In Crore)
B.E.2004-2005	R.E.2004-2005	B.E.2005-2006
7.00	6.00	37.00

Plan fund utilization under the Scheme during 2004-05 was Rs 3.66 crore (up to December).

The anticipated expenditure on various Schemes for HRD up to March 2005 is Rs.6 crore and BE for the year 2005-2006 is Rs.37 crore. When asked about the reasons for such a big allocation this year, the Ministry replied as under:-

“A proposal to set up a National Institute of Food Technology Entrepreneurship and Management is at an advanced stage of consideration. The project cost of the proposed institute would be around Rs.166 crore. Therefore, to begin with, an additional amount of Rs. 30 crore has been provided for the Institute in the BE 2005-2006. Hence, the increase in allocation of budget for the Scheme of HRD.”

Food Testing Laboratories

2.21 As regard the availability of the food testing Laboratory in the country the representatives of the Ministry have intimated during the evidence that the Government can only provide certain assistance in certain cases of infrastructure Scheme and that this will go a long way in terms of food safety, food quality control standards and also networks of food testing Laboratories across the country. Elaborating the point further the representatives of the Ministry states as under:

“Now we have a Food Processing Ministry which does not have its own food testing infrastructure. It is good enough. We bank on private sector and we bank upon here and there. A though may come to the mind of the hon. Members here that why the Ministry may only end by promoting major players in the sector. What about the smaller players? The problem is that it is a very capital-intensive industry and the seasonal in nature. They produce and then the weather changes and some other produce comes which also highlights the criticality of this industry. At the same time, it highlights in terms of requirement of capital both as a working capital apart from other types that you need to procure your raw materials so that your plant can run on a longer duration. Otherwise, the capital will not generate the amount of return which is there. AT the moment, the Ministry of Health is managing most of the food-testing infrastructure in the country.

During the evidence it was pointed out by the Hon. Chairman that there is no proper testing or checking system of the processed Food /Juices imported in the country and one of such Lichi Juices processed by a foreign processing company was shown to the committee member during the study visit to Mumbai.

National Institute of Food Technology Entrepreneurship and Management

2.22 The Ministry has a proposal to set up a National Institute of Food Technology and Management as a National Centre of Excellence which will work synergistically with the industry and similar institutions with the aims and objectives to help, develop and adopt world class food technologists and entrepreneurs; provide business incubator services; undertake research for development of food standards; provide training and advisory support to companies with established/potential interest in the food industry; and become an apex information resource centre. The Ministry has identified an agency who could prepare the feasibility report and detailed project report on the project. The work for preparation of FR and DPR is likely to be complete during the year under review.

During the examination of Demands for Grants (2004-2005) the Committee was intimated that as per the feasibility report the project cost of the construction of the said institution is Rs.133 crore.

While elaborating the point further during the evidence the representatives of the Ministry has informed that in order to create trained manpower and technologists in the country the Government is setting up the National Institute of Food Technology Entrepreneurship and Management. The estimated cost of the project is 170 crore. The Institute would be a national level institute which will create top most brains to run the private and public sector Food Processing Industries in the country.

Scheme for Backward and Forward Integration and other Promotional Activities

2.23 During the 9th Plan, the Ministry operated, inter-alia, the Scheme for Backward Linkage, Generic Advertisement and Promotion of Food Processing Industries. In this Scheme, during the Tenth Plan, the following activities would be covered:-

- (i) Backward Linkage.
- (ii) Forward Integration.

- (iii) Generic Advertisement.
- (iv) Promotional Activities
- (v) Strengthening of F & N Directorate
- (vi) Food fortification

2.24 The Plan outlay under this Scheme is as under: -

(Rs. in Crore)

Name of The Scheme/ Project/ Programme	Tenth Plan Proposed outlay (whole Plan)	Tenth Plan Revised outlay (whole Plan)	2002- 03 Proposed allocation	2002- 03 BE	2002- 03 Actual	2002- 03 Short fall	2003-04 Proposed Allocation	2003- 04 BE	2003- 04 Actual Exp.	2003- 04 Short fall	2004-05 Proposed Allocation	2004- 05 RE	2004- 05 Anticipation Exp. (upto Mar, 05)	2004- 05 Short fall	2005- 06 BE
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Scheme for Backward & Forward Integration 6.00n & other Promotional Activities	240.00	30.00	33.00	5.00	2.57	2.43	15.00	7.00	2.47	4.53	13.00	4.50	4.50	--	7.00

During the year 2004-05, fund utilisation was to the extent of Rs. 1.79 crore (up to December) under the Scheme.

(a) The objective of backward linkage scheme is to ensure regular supply of processable variety of farm produce, minimize wastage, make value addition, avoid distress sale and provide remunerative income to the farmers. Under the Scheme, the processor is eligible for reimbursement from MFPI @ 10% of total purchase made by him from the farmers in a year subject to a maximum of Rs.10 lakh. So far around 37,985 farmers have participated under contract farming.

(b) Forward integration Scheme provides for grant of financial assistance for market survey, test marketing, brand promotion, etc. Grant @ 50% of the cost of campaign subject to a maximum of Rs.50 lakh is given to industry associations having 25 representative enterprises participating in the campaign.

- (c) Generic advertisement, organization of seminars/workshops, fairs/exhibition, preparation of films etc., are undertaken for development of market and popularization of processed food products.
- (d) An assistance of Rs.5 lakh per annum is provided all regional offices of Fruit & Vegetable Preservation Directorate to enable them to adopt computerization and ensure periodic inspection, sample testing etc.
- (e) A provision has been made to grant financial assistance upto Rs.2 lakh to industry associations to enable them to collect, compile, analyse and publish data about FPI units at regular intervals. However, so far no proposals has been received from any industry allocation in this regard.

FOOD FORTIFICATION

2.25 Micronutrient malnutrition is a major public health problem. The strategies for control and prevention of this malnutrition include dietary diversification and food fortification. Food fortification using simple technologies can serve as an ideal approach to alleviate this problem. Supplementation of micronutrients for the normal healthy population in India through food-based approach has been advocated as one of the options for removing this mal-nutrition.

During the 10th Plan Period, the Ministry has framed a separate scheme on wheat flour fortification. The objective of the Scheme is enrichment of wheat flour with iron to prevent and control iron deficiency (anaemia). Under the Scheme 50% of the cost of capital equipment (dosing machine etc.) as Grant and its installation charges upto Rs. 3.00 lakhs is provided to the entrepreneurs.

2.26 When asked about the progress made by the Ministry to popularise the scheme for food fortification of certain grains which are used by the common people, the Ministry replied as under:-

“The subjects relating to Food Fortification, National Nutrition Policy / Programmes, nutrition feeding, nutrition education of women, etc. are handled by the Department. of

Women and Child Development. However, in order to control malnutrition and enrich food, food fortification scheme has also been launched by this Ministry to sensitise FPI units, to adopt suitable measures for fortification of processed food. Ministry is extending financial assistance to different organizations from time to time for organizing seminars / workshops on food fortification.”

When asked to the Ministry about the details of the food fortification launched by the Ministry and progress made in the last five years the Ministry intimated in their written reply as under:

“In order to control malnutrition and enrich food, Food Fortification Scheme has been launched. To begin, with fortification of wheat flour has been undertaken and 50% of the cost of the capital equipment of dosing machined subject to a maximum of 3 lakh is provided under the Scheme. Details of the Scheme have been circulated to all State Governments/Industry Associations. However, so far no complete application has been received for availing benefit under the Scheme”.

Scheme for Quality Assurance, Codex Standard and R&D

2.27 During the 9th Plan, the Ministry were operating different schemes for Research & Development for Food Processing Industries, establishment of Project Monitoring Cell and Codex Cell etc. During the 10th Plan, a number of schemes have been merged and the scheme for Quality Assurance, Codex Standards and R&D has been started. The Scheme would cover the following activities:-

- (i) Total Quality Management (TQM)
- (ii) Promotion of Quality Assurance/Safety Concept.
- (iii) Bar coding

- (iv) Strengthening of Codex Cell
- (v) Setting up/upgradation of quality central/laboratories.
- (vi) R&D programmes for FPI.

2.28 Keeping in view the importance attached to quality assurance and also the need for undertaking research & development, assistance in the form of grant-in-aid is proposed to be extended under this Scheme. Time and again the Ministry stressed upon the R&D sector and packaging which need to be developed for proper development of Food Processing Sector.

It has been observed that Western countries lay down very stringent quality standards for food products of their countries. In spite of implementing this Scheme many important sectors, such as Meat and Poultry Processing and Milk Processing do not meet the International Standards of processed food products. Only a small percentage of food products match the required standards in the organized sector and a large percentage are lagging behind in the unorganised sector.

It has been further noted that during 2001-02, there was a shortfall in the revenue earned from export. One of the reasons attributed to this was a problem of quality of marine products, and non-tariff service, imposed by some importing countries. The Committee in their 43rd Report had recommend that the Ministry should undertake appropriate steps to ensure that food processing industries imbibe necessary quality control measures to meet the International Standards and also to strive for bringing India as a leading country in the world food processing map.

2.29 Plan outlay for this Scheme is as under:-

(Rs.in crore)

Name of The Scheme/ Project/ Programme	Tenth Plan Proposed outlay (whole Plan)	Tenth Plan Revised outlay (whole Plan)	2002-03 Proposed allocation	2002-03 BE	2002-03 Actual	2002-03 Short fall	2003-04 Proposed Allocation	2003-04 BE	2003-04 Actual Exp.	2003-04 Short fall	2004-05 Proposed Allocation	2004-05 RE	2004-05 Anticipation Exp. (upto Mar, 05)	2004-05 Short fall	2005-06 BE
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Scheme for Quality Assurance Codex Standard and Research & Development	300.00	50.00	22.00	10.50	11.40	(+) 0.90	20.00	7.50	4.00	3.50	8.00	3.00	3.00	--	10.00

Scheme for Strengthening of Institutions

2.30 Under this Scheme, financial assistance are being provided for the following purpose:

- (i) Strengthening of Paddy Processing Research Centre (PPRC)
- (ii) Strengthening of State Nodal Agencies (SNA)
- (iii) Meeting the expenditure of pay and allowances for the Plan posts
- (iv) Information Technology.

Plan Outlay under this Scheme is as under:

(Rs.in crore)

Name of The Scheme/ Project/ Programme	Tenth Plan Proposed outlay (whole Plan)	Tenth Plan Revised outlay (whole Plan)	2002- 03 Proposed allocation	2002- 03 BE	2002- 03 Actual	2002- 03 Short fall	2003-04 Proposed Allocation	2003- 04 BE	2003- 04 Actual Exp.	2003- 04 Short fall	2004-05 Proposed Allocation	2004- 05 RE	2004- 05 Anticipation Exp. (upto Mar, 05)	2004- 05 Short fall	2005- 06 BE
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Scheme for Strengthening of Institutions	204.00	30.00	25.00	9.50	3.31	6.29	10.00	5.30	4.19	1.11	10.00	4.50	4.50	--	10.00

State Nodal Agencies

2.31 The State Nodal Agencies (SNAs) exist in all the 35 States/UTs. SNAs were created immediately after formation of the MFPI. The SNAs are required to promote, coordinate and monitor various activities pertaining to growth of food processing sector and assume proactive role in setting up food processing projects in the respective State/ UT. The project proposals of NGOs/ individuals are initially examined by the SNA and then forwarded to the MFPI for further necessary action. A lump sum of Rs. 5 lakh is paid to the SNA after every five years for purchase of basic office equipments like computer, internet, etc. An additional amount of Rs. 1 lakh is also paid to them on annual basis for meeting expenses relating to preparation of data base, publication of

profiles, office consumables, etc. In order to make SNAs role effective and interactive, regular meetings are held with SNAs at regional and national levels.

Utilization Certificate

2.32 The Ministry gives grants-in-aid/financial assistance to NGOs, private and Public Sector Undertakings and Co-operatives for undertaking various activities relating to food Processing including setting up/modernization of the food processing units. The assistance is given in instalments and the subsequent instalment is released only if utilization certificate for the earlier instalment is received in the Ministry. In response to the directions of the Delhi High Court in a Public Interest Litigation (Writ Petition No.: 6413 of 2000) in Dr. B.L. Wadehra Vs Union of India (UOI) and Others on the subject of non-furnishing of Utilization Certificates (UCs) by grantees, etc. in respect of grants received from different Ministries/Departments of the Government of India, the Ministry carried out a thorough review of pending UCs. The Ministry pursued these cases with the concerned organizations and was successful in getting UCs in respect of some of the cases. On being enquired, the Ministry stated that they are vigorously and continuously pursuing the matter to obtain all pending UCs.

The Ministry further stated that in case of non-receipt of UCs of earlier grants, MFPI is not considering requests, if any, received for further grant of financial assistance. MFPI has been following this practice in respect of all such cases whether covered or not covered by the above-mentioned Public Interest Litigation filed before the Hon'ble Delhi High Court. The release of second and subsequent instalments is also considered only after the receipt of UCs for the part assistance already extended.

WORLD TRADE ORGANISATION

2.33 The Ministry of Food Processing Industries interacts with processed food industry with regard to problems faced by the Indian processed food industry arising from WTO Agreements and other issues. Broadly, the issues cover market access, mechanisms for implementation of Rules of Origin, Geographical Indications, issues regarding import of sensitive items, etc in agricultural, fisheries and marine products sector. Based on such consultations, the Ministry provides inputs in formulating Government of India's position in that regard to the concerned Ministries in order to safeguard the interests of domestic industry both in regard to the problems faced by them in the international markets as well as in the domestic market on account of the liberalized import policy regime.

PART – I

OBSERVATIONS/RECOMMENDATIONS

Recommendation 1

Inadequate allocation for Ministry of Food Processing Industries

The Committee find that against a projected demand of Rs.2,800 crore outlay for the 10th Plan, the Ministry was allocated a meagre amount of Rs.650 crore. During the year 2004-2005, the BE was Rs.110 crore which has been further reduced to Rs.85 crore at RE stage. Food Processing Sector is a high priority sector and has a potential to transform the economy of any country like ours where agricultural produce is in abundance. Further, out of Rs.650 crore, Ministry could spend only Rs.225 crore during the first three years of the 10th Plan. Unfortunately, the Ministry has not been able to absorb the allocated funds over the years. Apparently many of the Schemes for infrastructure development could not take off mainly due to defective Schemes. The Committee were assured by the representatives of the Ministry that with renewed and vigorous monitoring, they will be able to fully utilize the allocated funds by the terminal year of the 10th Five Year Plan and overcome the constraints and difficulties of the Ministry due to multiplicity of agencies/organizations scattered under different Ministries.

The Committee desire the Ministry to make firm steps in the right direction as envisaged and report back periodically of the progress made.

Recommendation 2

Overlapping in demarcation of responsibilities.

The Committee note the Ministry of Food Processing Industries was created in 1988 to give impetus to the development of Food Processing Industries in the country. The role of the Ministry assumes greater significance as Food Processing is being held as 'Sun-rise' sector globally. The changing food habits across the globe and the mounting global trade in the food processing sector holds immense potential for the rise and growth of food processing sector in India. According to the deposition of the Representative of the Ministry of Food Processing Industries, the Ministry is 16 years old with a paltry allocation of Rs.650 crore for the Tenth Five Year Plan. Unfortunately, the Ministry could barely spend Rs.225 crore during the first three years of the Tenth Five Year Plan. Apparently, Ministry has not come out of its teething troubles or the teen's syndrome. The Ministry is bedeviled with many problems which are inherent in the very nature of food processing sector characterized by seasonability, high perishability, low margins and high risk profile for the entrepreneurs. Further, there is sheer overlapping in the demarcation of responsibilities between various promotional bodies/structures which are fragmented and scattered under various Ministries/Departments as borne out by the following analysis.

- (i) 75% of APEDA's Plan Budget of Rs. 53.00 crore overlaps with MFPI's schematic assistance;
- (ii) Product profile of exports is 70% of processed food;
- (iii) 79% Of MPEDA's Plan Budget of Rs.41 crore overlaps with MFPI schematic assistance having a budget of Rs.110.00 crore;

- (iv) 99% of marine exports are in processed form (frozen, dried or chilled);**
- (v) Packaging is most crucial to food processing industry which contributes from 20% to 60% of the processed product cost and, thus holds the key to affordability solution with focused R&D;**
- (vi) Packaging is enlisted in Allocation of Business Rules of MFPI; and**
- (vii) 70% of National Horticulture Boards Plan Budget of Rs.105 crore overlaps with MFPI's schematic assistance.**

The Committee are constrained to note that due to multiplicity of agencies and gross overlapping of roles between them, lead to thin spread of resources, dilutes accountability and as such, hinders the outreach and optimum growth of food processing sector. The Committee, therefore, strongly recommend that in order to stimulate the growth of the food processing sector all the aforesaid bodies must be brought under the unified command/umbrella of the Ministry of Food Processing.

RECOMMENDATION NO. 3**Funds for Infrastructural Development Facilities**

The Committee note that the infrastructural facilities for food processing sector in India are extremely poor as we are able to process only about 2% of the food produced in the country vis-à-vis 30% in Thailand, 80% in Brazil and 60%-70% in countries like UK and USA. According to an estimate, for want of post-harvest technologies/non-availability of food processing facilities, the country incurs a whopping annual wastage of food worth over Rs.51,000 crore. Some of the objectives of Ministry of Food Processing Industries are to minimize wastage at all stages, transportation and processing of agro food produce.

For the development of infrastructure, the Ministry proposed a provision of Rs.1,351 crore for the 10th Plan period but it was allotted only Rs.180 crore for the Plan period. The utilization of funds has also been poor at Rs.28.28 crore in 2002-2003, Rs.13.70 crore in 2003-2004 and Rs.10.00 crore in 2004-2005 (up to March 2005). The Committee observe that the actual expenditure for infrastructure development is just Rs.51.98 crore which comes to 28.88 per cent of the allotted outlay. In the first three years the actual expenditure was only Rs.51.98 crore which is about 30% of the funds allocated for the Infrastructure development. In their considered view, the inability to absorb the funds allocated is a sad reflection on the performance of the Department at every state, i.e. of conception, formulation, implementation and monitoring of the Scheme.

RECOMMENDATION NO. 4**Review of Infrastructure Development Scheme**

A close scrutiny of the pattern of assistance provided under the Infrastructure Development Scheme for development of Food Parks setting up of Food Chains, Value Added Centres/ Packaging Centres, Modernization of Abattoirs, Strengthening of Nodal Agencies and Financial Assistance for North-Eastern States under the Plan Scheme show many gaping loopholes and insufficiencies. The Committee observe that the present assistance level is far from adequate to create quality infrastructure with the result that no significant headway has been made in the development of desired infrastructure. The Committee, therefore, strongly feel that the Ministry should revise the following infrastructure development schemes.

- (i) Assistance level for setting up of Food Parks must be enhanced from the current level of 25% of the project's cost in general areas and 33.33% in special category States to 75% and 90% respectively subject to a maximum of Rs.10 crore.
- (ii) The Scheme providing for setting-up of Food Chain, Value Added Centers and Packaging Centers should be integrated by enhancing the level of financial assistance from 25% to 50% and 33.33% to 75% in the general and special category areas respectively subject to a maximum ceiling of Rs.5 crore.
- (iii) The Scheme for Modernization of Abattoirs also needs to be drastically revised so that the local bodies come forward with proposals for financial assistance for modernization of abattoirs. The level of assistance, therefore, needs to be enhanced from 25% and 33.33% to 50% and 75% in general and special category States respectively subject to a maximum ceiling of Rs.10 crore.

- (iv) The Scheme for strengthening of State Nodal Agencies provides for lump sum grant of 5 lakhs for purchase of basic equipments including computer, internet facilities, etc. after every five years. Since the States Nodal Agencies are not well staffed/equipped to process the cases for obtaining grants from the Ministry of Food Processing Industries, Government of India, the Scheme needs to be amended making the SNAs eligible to receive recurring annual grant from Rs.1 lakh to Rs.5 lakh.**
- (v) The financial assistance under the planned Schemes for North Eastern States also needs to be retailored so that the North-Eastern States receive enhanced assistance at the rate of 50% of the project cost subject to a maximum ceiling of Rs.1 crore.**

RECOMMENDATION NO. 5**Food Parks**

The Committee note that the Ministry have been pursuing proactively, the task of setting up of Food Parks in different parts of the country depending upon the local needs. The representative of the Ministry conceded in his oral testimony that as against 49 Food Parks sanctioned, only 14 Food Parks are partly in operation but assured that vigorous monitoring and periodic review would expedite their operation. The Committee further note that in some cases, the State Governments or promoters have opened Food Parks in wrong places for example Food Parks which exist at a far away distance from the place where raw materials are available. The Committee further note that since the year 1999-2000 to 2004-2005, an expenditure of Rs.100 crore has been incurred on establishment of Food Parks. The Government has extended financial assistance of Rs. 53.85 crore. The Committee are distressed that despite an investment of Rs.100 crore in Food Parks, only 14 Food Parks are functioning, that too partially. The Ministry can not escape responsibility for tardy pace of the scheme as the grant of Rs.4 crore is no mean amount. The role of SNA also needs to be strengthened so as to facilitate constant monitoring of the Food Parks in their respective areas. The Committee recommend that the Ministry should, without delay, commission a study by some eminent expert body to go into the working/malfunctioning/nonfunctioning of all the Food Parks and suggest measures for fruitful operation of the Food Parks.

RECOMMENDATION NO. 6**Dairy Processing**

The Committee note that organized dairy industry accounts for less than 15% of the milk produced in India. The rest of the milk is either consumed at the farm level or is sold as fresh, non-pasteurised milk through unorganised channels. The share of organized dairy industry is expected to rise rapidly – especially in the urban regions. The per capita availability of milk, which was just 124 gms per day per person in 1950-51, has not still crossed the limit of 232 gms per day in 2004-2005. The Committee observe that the per capita consumption of milk has not increased in accordance with the increase in milk production over the years which gives the Dairy Processing Industry a fair chance to convert the extra available milk in to processed items. The Committee are anguished to note that for want of processing facilities, the milk producers/unions/cooperatives are facing extreme hardships in many parts of the country where milk producers have to resort to distress sale so much so that milk is being sold at rates cheaper than the mineral water.

The Committee, therefore, strongly recommend that the Ministry should formulate suitable schemes for the organised growth of Cooperatives engaged in the Dairy Sector.

RECOMMENDATION NO. 7**Integrated Food Laws**

The Committee note that pursuant to their earlier recommendation, the Ministry has taken definitive steps to bring about uniformity of standards, quality and regulation in the food processing sector whose growth was hindered due to multiplicity of legislations. An integrated food law is under preparation under the guidance of group of Ministers constituted for the purpose. While appreciating the all out and concerted efforts being made by the Government to have opinions of various State Government/Agencies on the proposed legislation, the Committee desire the Ministry to expedite the formulation of this much-needed legislation for the accelerated growth of the food processing sector.

The need for such an integrated food law now assumes greater significance in view of the new WTO regime. The Committee, therefore, hardly need to emphasise that such a legislation must be progressive and comprehensive enough to replace the multiplicity of laws, address the problems being faced by our entrepreneurs in the food processing sector and ensure uniformity of standards and quality of processed goods whether imported ones or indigenously produced.

RECOMMENDATION NO.8**Human Resource Development**

The Ministry of Food Processing Industries have been implementing a Scheme for Human Resource Development with a BE of Rs.37 crore for 2005-2006. The Committee note that out of the BE of Rs.37 crore, Rs.30 crore have been earmarked for setting up of a National Institute of Food Technology and Entrepreneurship and Management. The estimated cost of the project is reported to be Rs.166 crore. Due to limited resources available for the plan purposes, RE for HRD in respect of 2002-2003, 2003-2004 and 2004-2005 were restricted to Rs.2.70 crore, Rs.3.00 crore and Rs.6.00 crore respectively. Considering the prevailing scenario in the Food Processing Sector, which is far from encouraging, and the dire need to help, develop and adopt world class food technology and entrepreneurs, the Committee strongly feel that the proposal for setting up such a national institute is quite significant and contextual and therefore the same needs to be set up early without time and cost over run.

RECOMMENDATION NO.9**Food Fortification**

The Committee note the efforts made by the Ministry for food fortification in order to control malnutrition and to enrich common man's food. To start with, a Scheme for fortification of wheat flour has been launched under which 50 per cent of the cost of capital equipment of dosing machine subject to a maximum of Rs.3 lakh, is provided. Surprisingly, despite the Scheme has been circulated to all the State Governments/Industries, none of the entrepreneur has come forward to avail of the benefit of the Scheme for fortification of wheat flour. The Committee further note that the Government have also discussed the Scheme in the conference of SNAs held on 13 October 2004.

The Committee are saddened to note that a Scheme like fortification of wheat flour, started with the laudable objective of enriching common man's food, continues to languish for want of zeal on the part of implementing agencies. Obviously, while the Scheme requires to be made more attractive to facilitate its implementation, stringent penal provisions also need to be made by the Government for food fortification on the lines of the provision made for compulsory manufacture of iodised salt.

RECOMMENDATION NO. 10**Submission of Utilization Certificates**

The Committee are astonished to note that the Ministry have not been successful in getting utilization certificates from all the grant receiving Food Processing Units. In order to ensure effective monitoring and to safeguard the use of public money, it is essential that the Ministry evolve a mechanism for receipt of Utilization Certificate within the stipulated time frame. Proper and comprehensive guidelines may be evolved in this regard so that scarce public money is not wasted/misutilised. The Government may also consider recovery of the misutilised grant from the defaulting units. The Committee may also be furnished a list of such defaulters within a period of one month from the day of presentation of this report to Parliament.

RECOMMENDATION NO. 11**Taxation**

The Food Processing Sector, with a global trade of \$460 billion, is being hailed as the 'Sun-rise' sector. For the Indian Food Processing Sector with a miniscule contribution of just 1% to the global trade in food processing sector, the sun is yet to shine. The Committee note that one of the reasons for sluggish growth of Food Processing Sector is the presence of a host of levies except that excise duty on fruits and vegetables has been reduced to zero besides certain income tax concessions to entrepreneurs engaged in the processing of fruits and vegetables. According to a deposition of the witness, at present various taxes, ranging between 20% and 40% are being levied on the food processing sector by the Central as well as State Governments which make processed food items more costly. The Committee strongly recommend that the Government ought to reconsider the present tax structure on food processing sector so that the processed food items may become affordable for the common man in the country and our entrepreneurs are able to compete globally. If necessary, the Ministry should commission an exhaustive study of the entire gamut of taxation and its adverse impact on the growth of food processing sector and place the same before Parliament. The Committee may be kept apprised of the response of Ministry of Finance in the matter for sustained and conclusive follow up.

RECOMMENDATION NO. 12**Food Testing Laboratories**

The Committee, while taking note of the present status of Food Testing Laboratories in the country, feel that a strong network of food testing laboratories at least one in each State/Region, must be set up across the country under the direct control of the Ministry of Food Processing Industries to ensure food safety so as to maintain the quality control standards stringently. A list of existing food testing labs may also be furnished to the Committee in due course. Similarly, the imported processed food items, including the processed food articles entering our markets clandestinely, must be subjected to rigorous quality checks so as to provide level playing field to indigenous Food Processing Industry.

NEW DELHI;
9 April, 2005
19 Chaitra, 1927 (Saka)

PROF. RAM GOPAL YADAV
Chairman,
Standing Committee on Agriculture