

**STANDING COMMITTEE ON AGRICULTURE  
(2007-08)**

**FOURTEENTH LOK SABHA**

**MINISTRY OF FOOD PROCESSING INDUSTRIES**

**DEMANDS FOR GRANTS (2007-2008)**

{Action Taken by the Government on the Recommendations/  
Observations contained in the Thirtieth Report of the  
Standing Committee on Agriculture (2006-2007)}

**THIRTY SIXTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**NOVEMBER, 2007/AGRAHAYANA, 1928 (Saka)**

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**STANDING COMMITTEE ON AGRICULTURE**  
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of the Standing Committee on Agriculture (2006-2007)]**

Presented to Lok Sabha on 30.11.2007  
Laid in Rajya Sabha on 30.11.2007



**LOK SABHA SECRETARIAT**

***NEW DELHI***

**NOVEMBER, 2007/ AGRAHAYANA, 1928 (Saka)**

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         Department of Agriculture and Cooperation

**COMPOSITION OF THE STANDING COMMITTEE ON AGRICULTURE (2007-2008)**

**Prof. Ram Gopal Yadav – Chairman**

**MEMBERS**  
**LOK SABHA**

2. Shri Ranen Barman
3. Shri Anil Basu
4. Shri Manoranjan Bhakta
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6. Shri Kuldeep Bishnoi
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30. Shri M.Rajasekara Murthy
31. Prof. M.S.Swaminathan

## SECRETARIAT

1.	Shri S.K.Sharma	-	Additional Secretary
2.	Shri A.K.Singh	-	Joint Secretary
3.	Shri Raj Kumar	-	Deputy Secretary
4.	Shri N.S.Hooda	-	Deputy Secretary
5.	Ms. Amita Walia	-	Under Secretary
6.	Shri M.D. Tuteja	-	Executive Officer

## INTRODUCTION

I, the Chairman, Standing Committee on Agriculture, [2007-2008] having been authorized by the Committee to submit the Report on their behalf, present this Thirty Sixth Report on Action Taken by the Government on the Recommendations/Observations contained in the Thirtieth Report of the Standing Committee on Agriculture (2006-2007) (Fourteenth Lok Sabha) on Demands for Grants of the Ministry of Food Processing Industries for the year 2007-2008.

2. The Thirtieth Report of the Standing Committee on Agriculture (2006-2007) on Demands for Grants (2007-2008) of the Ministry of Food Processing Industries was presented to Lok Sabha on 27.04.2007 and laid in Rajya Sabha on the same day. The Ministry of Food Processing Industries was requested to furnish action taken replies of the Government to the recommendations contained in the Thirtieth Report. The replies of the Government to all the recommendations contained in the Report were received.

3. The Committee considered the action taken replies furnished by the Government at their sitting held on 27.11.2007, approved the draft comments and adopted the Thirty Sixth Report. Minutes of the sitting are placed at Appendix I.

4. An analysis of the Action Taken by the Government on the recommendations/observations contained in the Thirtieth Report (14<sup>th</sup> Lok Sabha) of the Committee is given in Appendix-II.

**NEW DELHI;**  
**27 November, 2007**  
**6 Agrahayana, 1929(Saka)**

**PROF. RAM GOPAL YADAV**  
***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 Thirtieth Report (Fourteenth Lok Sabha) of the Standing Committee on Agriculture (2006-2007) on Demands for Grants (2007-2008) of the Ministry of Food Processing Industries which was presented to the Lok Sabha and laid in the Rajya Sabha on 27.4.2007.

1.2 The Action Taken replies have been received from the Ministry of Food Processing Industries in respect of all the 8 recommendations contained in the Report. These have been categorized as under:-

- (i) Recommendations/Observations that have been accepted by the Government (Chapter II of the Report)

Recommendation Sl. Nos. 1, 2, 4 and 5 (Total – 4)

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

Recommendation Sl. No. 8 (Total – 1)

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

Recommendation Sl. Nos. 3, 6 and 7 (Total – 3)

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

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



# **Scheme for Infrastructure Development for Mega Food Parks, Abattoirs etc.**

## **(Recommendation No. 3)**

1.4 The Committee have recommended as under:-

“The Committee have been informed that the component of the Scheme for Infrastructure Development has been modified. The Committee also note that the budgetary provisions of Rs. 100.00 crore at BE (2007-08) have been increased manifold in comparison to Rs. 12.30 crore RE during 2006-07.

### **Mega Food Parks**

The Committee are perturbed to note that under the existing Food Parks Scheme, out of 54 Food Parks approved by the Ministry so far for assistance, only 29 Food Parks are operational. The Committee recommend that immediate steps should be taken for making the remaining Food Parks operational within a reasonable timeframe.

The Committee have been informed that the working of the existing Food Parks scheme is proposed to be restructured on the basis of the review undertaken by the Ministry through reputed external agencies and also by the Working Group on Food Processing Sector of the XI Five year Plan. The review pointed out that the existing Scheme lacked focused approach for management / implementation and weak backward and forward linkages, due to which it was not very effective. Based on the findings of the review, the Ministry has launched a substantially restructured scheme of food parks, viz., ‘Mega Food Parks’ which would address the shortcomings of the existing scheme and is expected to give a boost to availability of integrated food processing industry in the country. The modified Scheme would be implemented on Public Private Participation (PPP) mode through Project Management Agency which will be responsible from conception to completion of projects.

The Committee feel that the concept of 'Mega Food Parks' is a good one provided it is implemented properly and effectively. The Committee recommend that the places where such Mega Food Parks are proposed to be established should be selected very carefully after a proper and comprehensive survey of the area where the Food Park is proposed to be established. Various factors like state of connectivity, availability of raw material in the vicinity, location of markets, etc. should be taken into consideration before taking a final decision regarding location of the Park. A number of cold storages of appropriate capacity should be established in the 'feed area' of the Mega Food Parks where the farmers can keep their fruits, vegetables and other perishable goods within 3 to 4 hours of harvesting to prevent the decay. The produce can later be brought to the Food parks for further processing. For the Scheme to be successful, the farmers, processors, retailers, etc. should come together to form a supply chain for the Mega Food Park.

The Committee would like to be apprised about the details of the agencies which agree to invest on the PPP mode and the time frame within which these Mega Food Parks will become operational.”

1.5 The Ministry in its Action Taken reply has stated as under:-

“The Ministry has approved 56 Food Parks for assistance so far (till 31<sup>st</sup> March, 2007) under the Food Park Scheme, out of which 29 Food Parks are considered as operational based on establishment of common facilities/ commissioning of units in the food parks. Once the park facilities start attracting investors, the park is considered operational, however the complete implementation may spread over several years as the linkages and networking of units, facilities and raw material takes place over time. The implementation of Food Parks is linked to a wide range of internal and external factors and linkages such as development of external infrastructure in tandem, getting a sufficient number of entrepreneurs to set up units in the park before certain facilities can come up, policy issues

etc. As such the various activities related to setting up of Food Parks need to go in tandem which requires involvement of various other state agencies apart from the primary implementing agency. Further, most of the Food Parks have been sanctioned in the State sector, which get affected by the resource constraints and other problems affecting the State Governments, resulting in delays.

Keeping in view the performance of food park scheme during 10<sup>th</sup> Plan, Ministry of Food Processing Industries had engaged reputed external agencies to carry out evaluation of the Food Park Scheme. As most of these Food Parks have been promoted by State Industrial Development Agencies, they have been conceptualized in traditional industrial estate mode with no forward and backward linkages. This has resulted in valuable real estate being acquired but utilized at low levels of efficiency. Major reasons for the poor functioning of parks are mentioned below.

- Poor site selection
- Delay in providing basic infrastructure facilities like power, water, road etc.
- Absence of strong backward linkages
- Weak linkages with the market
- Delay in release of financial assistance
- Poor management and implementation capabilities
- Lack of funding for components such as internal roads, drainage, environmental control facilities and solid waste management facilities etc., which are also important infrastructure needed in the park.

The study concluded suggesting that the Food Park will be successful only if infrastructure for (1) on farm Storage (2) Primary Processing (3) Minimal Processing (4) linkages with Retail (5) Mobile Processing Unit (6) Mobile Pre-cooling Unit (7) Packaging Centre (8)

Palletisation is provided in the Park. Production area remained under developed and not integrated with the requirements of the market. There was no assurance of steady supply of raw materials. Value addition rarely benefitted the farming community.

These Studies thus recommended providing higher scale of assistance for building infrastructure items in the pattern of schemes like Industrial Infrastructure Upgradation Scheme (IIUS) under the Department of Industrial Promotion and Policy, Ministry of Commerce and Industry and Scheme for Integrated Textile Parks (SITP) under the Ministry of Textiles and Scheme for Pack Houses, Cold Storages and Mobile Processing Units under National Horticulture Development Board, Ministry of Agriculture. These schemes carry higher rates of subsidy as compared to MFPI's Infrastructure Schemes.

In view of the experience gained in the implementation of the Food Park Scheme and taking the recommendations of the evaluation studies into consideration, it has been proposed to revise and restructure the Food Park Scheme into Mega food Park to address the concerns raised above. Salient features of the Mega Food Park would be:

- It would provide state of the art infrastructure for food processing in the country on a pre identified cluster basis. A cluster-based approach would be adopted taking into consideration existing NHM Cluster and AEZ's promoted by APEDA. A detailed techno feasibility study and DPR would be undertaken to map the supply chain, identify potential investors, estimate project cost and its potential to exploit economies of scale
- The techno feasibility study and detailed project report would analyze raw material availability, seasonality, existing supply chain, infrastructure need and gap assessment etc. It would be aimed at ensuring value addition of agricultural commodities including poultry, meat, dairy, fisheries etc. Appropriate product mix would be chosen based on availability of raw

material in the identified clusters to ensure minimum of 200 days of working of Mega Food Park

- The scheme proposes to establish an efficient and sustainable supply chain. Based on techno feasibility study, potential locations for collection centers and primary processing centers would be mapped, which would be supported by cold chain infrastructure to reduce wastages and check quality deterioration. Strong backward linkages would be established by involving farmer groups/traders/commission agents and attempts would be made to federate them into an appropriate structure, including possibility of a producer company
- Scheme of Mega Food Park would be pre-marketed after a detailed techno feasibility study of clusters either identified by MOFPI or on the basis of proposal submitted by potential investors
- The ownership and management of the Mega Food Park would vest with an SPV in which organized retailers, processors, service providers etc. may be the equity holders or there may be an anchor investor along with its ancillaries. SPV will be structured to ensure control of the SPV by industry stakeholders. The farmer organizations will be encouraged to participate in the SPV. The government agencies may also be shareholders in SPV upto a maximum of 49%
- The project also envisages providing power, water, road, ETP etc. and it would be part of the responsibility of the management of the park
- The scheme proposes to engage a professionally managed organization, which has intensive experience in project management and development as PMA (Project Management Agency). PMA appointed by MFPI would assist in carrying out feasibility studies, appraisal of project proposals submitted under the Scheme by SPVs and monitoring of the projects

MFPI intends to prepare 5 feasibility reports from 5 geographical regions of the country. This requires appointment of agencies with the required technical and managerial expertise in implementing cluster based development initiatives, the required financial capability and previous experience to be appointed as a Project Management Agency (PMA). The

feasibility report would have tentatively identified the nature of investments required, products to be available from Mega Food Park, the surpluses likely and the potential for value addition based on criteria to be laid down by the Ministry.

The Mega Food Park scheme is under finalization in consultation with Planning Commission and upon approval & notification of the scheme, formal proposals would be invited and investors identified.”

### **Comments of the Committee**

**1.6 The Committee are unhappy to note that all the actions to be taken for setting up Mega Food Parks are inconclusive. The Mega Food Park Scheme is still at the consultation stage with the Planning Commission. The Committee, therefore, recommend that the scheme should be finalized expeditiously and Mega Food Parks be set up within a fixed time frame assuring proper forward and backward linkages.**

### **Dairy Processing**

#### **(Recommendation No. 6)**

**1.7 The Committee have recommended as under:-**

“The Committee are happy to note that India is the number one milk producing country in the world maintaining the top position since 1988. Despite a higher growth rate, the per capita availability of milk in India (229 grams per day) is lower than the world average (285 grams per day). The Committee observe that the per capita consumption of milk has not increased in accordance with the increase in production which gives the Dairy Processing Industry a fair chance to convert the extra available milk into processed items. The Committee also note that only about 35% of milk produced in India is processed. There are differences between the

organized and the unorganized sector with respect to investments in preserving the quality of milk and technology used for its processing.

The Ministry of Food Processing Industries is promoting organized dairy processing sector to accomplish upcoming demands of processed dairy products and helping to identify various areas of research for future product development and quality improvement to revamp the Indian dairy export by way of providing financial assistance to dairy processing units. Upto December 2006, the Ministry has sanctioned financial assistance of Rs. 5.91 crore under the Plan scheme, but the market size of the processed products in the organized and unorganized sector (at 2003-04 prices) is estimated at Rs. 255 billion and Rs. 906 billion, respectively. The Committee are of the firm opinion that with such a meager allotment of assistance to dairy units, the Government will not be able to reach the world level of dairy processing even in the next 20 years. They, therefore, recommend that since milk is produced all over India and is the backbone of rural household income of landless people and small and marginal farmers of the rural areas, the budget for dairy assistance should be increased in commensuration with the people engaged in dairy activities and/ or rearing cattle and buffalo for their livelihood.”

1.8 The Ministry in its Action Taken reply has stated as follows:-

“Financial assistance for setting up, modernization and technology upgradation of dairy sector projects is covered under the budget allocation for the scheme for Technology Upgradation/Establishment/Modernization of Food Processing Industries. Under this scheme projects in respect of all sub-sectors of the food processing sector including the dairy sector are covered. During the year 2006-07, there was a total budgetary expenditure of Rs.82.19 crores under the Scheme and grant released to dairy sector projects was to the extent of Rs.7.01 crores. There is no separate budgetary allocation for the dairy sector. The expenditure in respect of projects assisted in the sector depends on the number of

applications received from entrepreneurs claiming grant for viable projects in the sector.”

## **Comments of the Committee**

**1.9 Dairy Processing Sector being part of Scheme for Technology Upgradation for Food Processing Industries, the Committee are dismayed to note the casual treatment given to this sector by granting only Rs.7.01 crore during 2006-07. India being number one milk producing nation in the world, no separate budgetary allocation for the dairy sector was made. They, therefore, recommend that in order to tap the full potential, separate budgetary allocations should be made for dairy processing sector rather than clubbing it with other schemes so that more and more entrepreneurs are encouraged to invest in this sector.**

## **Fruits and Vegetable Processing**

### **(Recommendation No. 7)**

1.10 The Committee have recommended as under:-

“The Committee have been informed that the installed capacity of fruits and vegetable processing industry has increased from 11.08 lakh tons on 1.1.1993 to 24.74 lakh tons as on 1.1.2007. However, for the utilization of fruits and vegetables, processing is estimated to be around 2.20% of the total production. There has been a positive growth towards processing of varied food products, yet the domestic consumption of value added fruits and vegetable products is low compared to the primary processed food in general and fresh fruits and vegetables in particular. The reasons attributed are higher tax and duties and also high cost of production. The financial assistance of 25% in general and 33.33% in difficult areas, of the cost of plant and machinery and technical civil work, is given. But the Committee are of the opinion that in rural and far flung areas, this assistance is too less and people can't afford to pay 75% of the



cost of these services. The Committee, therefore, recommend that the assistance should be raised to 50% for general areas and 75% for difficult areas, so that the fruits and vegetable that go waste can be processed and the farmers could get remunerative price for their produce and the consumer may get the processed products at the cheaper rate”.

1.11 The Ministry in its Action Taken reply has stated as follows:-

“The Committee has stated that in rural and far flung areas, the present level of assistance is too less and people can't afford to pay 75% of the cost of these services and hence have suggested for enhancement of grant to 50% in general areas and 75% in difficult areas for fruit and vegetables sector has been considered by this Ministry. In the existing pattern of assistance under the scheme for Technology Upgradation / Establishment / Modernization, financial assistance of 25% of the total cost of Plant & Machinery and Technical Civil Work in general areas and 33.33% in difficult areas such as Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Sikkim and North Eastern States, Andaman & Nicobar Islands, Lakshadweep and ITDP areas is provided. In addition, under the Technology Mission for Integrated Development of Horticulture in far flung areas, namely in North Eastern States, Jammu & Kashmir, Himachal Pradesh and Uttarakhand, higher level of assistance @ 50% upto Rs.4.00 crore for a setting up and Rs. 1.00 crore for upgradation of fruit and vegetables processing is allowed. The Government of India has also launched the National Horticulture Mission (NHM) for holistic development of Horticulture in the country.

It has felt that the demand for grant from the food processing sector has been quite overwhelming under this scheme and in the 10<sup>th</sup> Plan around 1000 units were provided grant. In the 11<sup>th</sup> Plan, the demand for grant under the scheme is likely to be much higher. Further, the grain milling sector which was not eligible for grant under the scheme for most part of the 10<sup>th</sup> Plan period, has been made eligible for grant under the scheme. This will also result in very substantial increase in demand from

this sector. The overall demand is therefore expected to be more than 2 to 3 times that of the 10<sup>th</sup> Plan. If the rate of subsidy is increased, the total available Plan fund under the scheme which is likely to be around Rs.600 crores will not be able to meet the growing demands of the sector. However, as indicated above, higher level of assistance @ 50% is being provided in respect of units in far flung areas such as North eastern region and under other Difficult Areas such as hilly region, etc.

Further, the Ministry of Food Processing Industries (MFPI) has proposed for implementation of Mega Food Park during 11<sup>th</sup> Five year Plan which aims to provide a mechanism to bring together farmers, processors and retailers and link agriculture production to the market so as to maximize value addition, minimize wastages, increase farmer's income and create employment opportunities in rural sector. Mega Food Park envisages a well-defined agri / horticultural-processing zone containing state of art processing facilities with support infrastructure and well established supply chain.

Besides, establishment of Mega Food Parks in identified clusters with appropriate backward and forward linkages, among the other thrust areas identified by the Ministry are creation of integrated cold chains / value addition and preservation infrastructure, upgradation of hygienic and quality street food and food streets, establishment and upgradation of quality control laboratories, rationalizing tax structure, incentivising FDI and private investment in infrastructure, undertaking capacity building of small and unorganized sector, launching a major promotional campaign for the food processing sector and need for larger public investment for creation of critical rural infrastructure in food processing sector. The cluster-based demand driven approach will provide linkages from farm to market with linkages from local to regional level through Primary Processing Centres, Collection Centres, Strategic Distribution Centre-cum-Cold Chain at critical locations- having Controlled Atmosphere storage and distribution centres where a large quantities can be stored

and supplied to distribution centres for fresh sale and to processing industries for processing”.

### **Comments of the Committee**

**1.12 The Committee are not convinced with the reply of the Government. The assistance for setting up food processing units in the North East Region and hilly areas has been increased from 33.33% to 50% whereas no increase in the assistance for setting up of these units in other parts of the country has been increased which remains at 25% of the cost of plant machinery and technical civil works. They, therefore, reiterate their earlier recommendation that the assistance for setting up of Fruits & Vegetable Processing units in general and difficult areas be increased to 50% and 75% respectively, so as to achieve the targeted processing of these items from 2.2% to 20% by the year 2015.**

## CHAPTER-II

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

#### **RECOMMENDATION NO. 1**

##### **Overview**

2.1 The Committee have been informed that the Ministry of Food Processing Industries have been operating several Plan schemes for development of processed food industry. The Ministry also provides vital linkages and synergies between Industry and Agriculture. Food Processing involves any type of value addition which includes processes such as grading, sorting, packing which enhances shelf life of food products.

For the growth of the Food Processing Sector, the Committee have been informed that the Ministry covers products of fruits and vegetables, dairy, meat, poultry, fisheries, consumer food grains, non-molasses based alcoholic drinks, aerated water and soft drink. The country produces annually 90 million tones of milk (highest in the world), 150 million tones of Fruits and Vegetables (second largest), 485 million livestock (largest), 204 million tones food grains (third largest), and 6.3 million tones fish (third largest), 489 million poultry and 45200 million eggs. The Committee are perturbed to note that the processing level of fruits and vegetables, marine products, poultry and buffalo meat are very low in comparison to developed countries. The share of the Government in the export of processed food in the World Trade is only 1.5%.

The Committee appreciate the positive thinking in the Government for increasing the Plan funds to Rs.250 crore in 2007-08 as compared to Rs.150 crore sanctioned for 2006-07.

The Committee have also been informed that the Ministry has reviewed the performance of the Tenth Plan Schemes and in the proposals submitted for Eleventh Plan to the Planning Commission, some of the schemes under Tenth Plan have been continued and some schemes have been restructured with appropriate management/ implementation arrangement in the Public Private Partnership (PPP) mode. The Committee are not convinced at the discontinuation of schemes from the Eleventh Five year Plan, particularly, the scheme for Backward and Forward Integration, which is very important from the point of view of the availability of raw material and value additions. Though Mega Food Park Scheme will have links of backward and forward integration however, the other schemes such as Modernized abattoirs, value added centres, cold chain facilities also need to be popularized among the affected persons and other beneficiaries.

### **REPLY OF THE GOVERNMENT**

2.2 A Vision Document 2015 on Food Processing Industries has been finalized by the Ministry of Food Processing Industries (MFPI), which envisages trebling the size of the processed food sector by increasing the level of processing of perishables from 6% to 20%, value addition from 20% to 35% and share in global food trade from 1.5% to 3% by 2015.

The Cabinet has approved the integrated strategy for promotion of agribusiness-Vision, Strategy and Action Plan for the Food Processing Sector, based on the recommendations made by the Group of Ministers (GOM) for growth of Food Processing Sector. The following strategies and thrust areas have been approved by the Cabinet:

- (i) Detailed mapping of the food clusters.
- (ii) Clusterization of farming in the shape of contract framing.
- (iii) Strengthening backward & forward linkages and developing supply chain with cold chain mechanism.
- (iv) Establishment of Mega Food Parks in identified SSI/Horticulture/Meat/Dairy/Marine sectors.
- (v) Modernisation of Abattoirs.
- (vi) Upgrading quality of street foods and food streets in association with local bodies and NGOs.
- (vii) Enhancing capacity building in HRD/R&D/Quality Control Laboratories.
- (viii) Developing infrastructure for organized food retail market.
- (ix) Adopting uniform and rationalized tax/duty structure for the entire Food processing Industry.
- (x) Liberal wine and beer policy.
- (xi) Strengthening and restructuring of MFPI.
- (xii) Need for larger public investment in rural infrastructure.
- (xiii) Role of State/UTs to synergise their efforts with those of Central Government.
- (xiv) Fiscal concessions.

The strategic interventions required for the growth of the food processing sector on the above basis of the Cabinet approval have been included in the 11<sup>th</sup> Plan proposals.

While the Scheme for Backward and Forward Integration was discontinued on the basis of evaluation report of the 10<sup>th</sup> Plan Schemes, the Ministry has nevertheless given emphasis on the need for providing backward

and forward linkages between the farm sector and the processing industries in its revised 11<sup>th</sup> Plan Scheme on Mega Food Park. The Mega Food Park Scheme will provide backward and forward linkages as well as reliable and sustainable supply chain. The Cluster based demand driven approach will provide linkages from farm to market with linkages from local to regional level through Primary Processing Centres, Collection Centres, Strategic Distribution Centre-cum-Cold Chain at critical locations – having Controlled Atmosphere storage and distribution centres where large quantities can be stored and supplied to distribution centres for fresh sale and to processing industries for processing. The emphasis will be on building strong linkages with agriculture and horticulture, enhancing project implementation capabilities, increased involvement of private sector investments and support for creation of rural infrastructure to ensure a steady supply of good quality agri horticulture produce.

The modernization of abattoirs, value added centers and cold chain facilities are components of the revamped Scheme for Infrastructure Development apart from Mega Food Parks. All these components are being given greater emphasis during the 11<sup>th</sup> Plan. The implementation of the Scheme will be on PPP model through Project Management Agencies. All these schemes will be intensively popularized by a series of meetings/seminars with the stake holders/experts and also through the audio-visual media.

Subsidy on procurement of agri-horticultural produce on a stand-alone basis has been found to be amenable to misuse and does not result in creation of sustainable supply chain. Hence they have now been integrated in the Scheme of Mega Food Parks and Cold Chains.

## **RECOMMENDATION NO. 2**

### **Vision 2015**

2.3 The Committee have been informed that the Ministry has finalized a Vision 2015 on Food Processing Industries for giving boost to the growth of the food processing sector. The achievements of the Vision 2015 will affect thrust areas like Mega Food Parks, Modernization of Abattoirs, Cold Chain/ Value Addition and preservation infrasture, upgrading safety and quality of Street Food and Establishment of Quality Control Laboratories. The Committee have also been informed that a Group of Ministers under the chairmanship of the Minister of Agriculture, etc. set up to consider an “Integrated strategy for Promotion of Agri-Business-Vision, Strategy and Action Plan for Food Processing Sector”, has since given its recommendations. The Committee recommend that the Vision Document should be cleared for implementation at the earliest and the Committee may be apprised of the progress made in this regard within two months of the presentation of this report.

### **REPLY OF THE GOVERNMENT**

2.4 A vision strategy and action plan has been finalized for giving boost to the growth of food processing sector. A Group of Ministers (GOM), constituted for this purpose on ‘ Integrated Strategy for Promotion of Business-Vision Strategy and Action Plan for Food Processing Sector’ under the Chairmanship of Hon’ble Agriculture Minster, Shri Sharad Pawar had been set up to consider an integrated strategy for Promotion of Agri-Business – Vision, Strategy and Action Plan for Food Processing Sector. The GOM considered the proposals and recommended that the matter may be placed before the Cabinet.



The Cabinet in its meeting held on 21.06.07 has approved the proposal of MFPI on 'Integrated Strategy for Promotion of Agri-Business – Vision, Strategy and Action Plan for Food Processing Sector'. The following strategies and thrust areas have been approved by the Cabinet:

- (i) Detailed mapping of the food clusters.
- (ii) Clusterization of farming in the shape of contract framing.
- (iii) Strengthening backward & forward linkages and developing supply chain with cold chain mechanism.
- (iv) Establishment of Mega Food Parks in identified SSI/Horticulture/Meat/Dairy/Marine sectors.
- (v) Modernisation of Abattoirs.
- (vi) Upgrading quality of street foods and food streets in association with local bodies and NGOs.
- (vii) Enhancing capacity building in HRD/R&D/Quality Control Laboratories.
- (viii) Developing infrastructure for organized food retail market.
- (ix) Adopting uniform and rationalized tax/duty structure for the entire Food processing Industry.
- (x) Liberal wine and beer policy.
- (xi) Strengthening and restructuring of MFPI.
- (xii) Need for larger public investment in rural infrastructure.
- (xiii) Role of State/UTs to synergise their efforts with those of Central Government.
- (xiv) Fiscal concessions.

Further action on the above is being taken by the Ministry of Food Processing Industries. A number of strategic initiatives have accordingly been prepared and included in the Ministry's 11<sup>th</sup> Plan proposals.

#### **RECOMMENDATION NO. 4**

##### **Modernised Abattoirs**

2.5 The proposed scheme aims at modernization of abattoirs by providing facilities for scientific and less painful slaughtering, chilling, rendering plant, effluent treatment plant, and drainage, by product utilisation, water and power with required sanitary/phytosanitary conditions. It will augment essential supply base of hygienic raw material to the meat processing industry.

The Committee note that there are weaknesses in the modernization of Abattoirs scheme 50 Abattoirs will be assisted under the Modernization of Abattoirs scheme during the Eleventh Plan period. Assistance to Abattoirs is available @ 25% / 33.33% of the cost of plant and machinery/TCW in general areas/difficult areas respectively with ceiling of Rs. 4 crore. The Ministry has been able to approve only one proposal of modernization of abattoirs during Tenth Plan.

Keeping in view the Tenth Plan experience wherein only one abattoir could be modernized, the Committee recommend that the modernization of abattoirs should be taken up on top priority basis so as to discourage unauthorized slaughtering and make essential supply of hygienic raw material to the meat processing industry, both for domestic consumption and exports.

As the experience has shown that local bodies are cash starved and are not in a position to avail assistance of the Government on proportional payment basis, the Committee recommend that the share of municipalities should be

taken care of by the State Government instead of these bodies so that the central funds earmarked for modernization of abattoirs is fully utilized and hygienic products are available in the market even in small cities also.

### **REPLY OF THE GOVERNMENT**

2.6 During 11<sup>th</sup> plan, this Ministry intends to launch a comprehensive scheme for modernization of abattoirs across the country in urban as well rural areas. Based on detailed discussion with stakeholders, industries and State Governments, the scheme has now been modified to induct private capital, better technology and backward and forward linkages.

The proposed scheme will preferably be implemented under PPP mode with the involvement of local bodies (Municipal Corporations and Panchayats) and will have flexibility for involvement of private investors/ Exporters/ FDI on a BOO/ BOT/JV basis. Regulatory functions will continue to be discharged through local bodies. This will enable the local bodies to participate in the venture and also be assured of a stream of income.

In order to ensure successful implementation of the proposed scheme a professional and technically competent agency who could assume the role of Project Implementing Agency (PIA) would be suggested by the Ministry to State Governments for developing and implementing the projects under the scheme.

In order to identify abattoirs, detailed feasibility studies are being conducted to provide insights into various institutional, technical/ engineering, commercial, financial and operational details of proposed intervention.

The volumes of assistance is proposed to be increased to 50% and 75% of the cost of plant and machinery/ TCW in general areas and difficult areas respectively with ceiling of Rs. 15.00 Crore per abattoir.

Export and commercial processing of meat could also be included to enhance the viability of the scheme. Wherever feasible, a separate and additional poultry line and value added processing could be included in the project. It is proposed to link the modernized abattoirs to cold chain and retails outlets so that the benefits of hygienic slaughter of animals are available to consumers.

The projects and investors will be selected through competitive bidding and transparent selection process.

## **RECOMMENDATION NO. 5**

### **Scheme for Technology Upgradation for Food Processing Industries**

2.7 The Committee note that the Government have allotted Rs. 87.30 crore at BE stage in 2006-07 for Upgradation of Technology Scheme. However, it was reduced to Rs. 71.50 crore at RE stage. Again for 2007-08, only Rs.72 crore have been earmarked. It is not understood as to how with this meager stagnated sum of Rs. Rs. 72 crore, the Government is going to help in upgrading technology for Food Processing Industries which the Government have decided to modernize during 2007-08. The technology is getting costlier day by day and more and more modernized plants for food processing and meat processing are projected to be set up. The promotional activities component of backward and forward linkage is also to be transferred to this scheme, which requires to reach every nook and corner of the country. In the Committee's view the reduced

budgetary provisions will restrict the implementation of the scheme and also the objectives of the scheme which include the increase in the level of processing reduction of wastages, value additions and enhancing the income of farmers and increase in export, which can't be fulfilled by this budgeted amount. They, therefore, recommend that keeping in view the objectives set for this scheme, the budgetary allocation should be increased to at least Rs. 200 crore as the upgradation of technology is the need of the hour for Food Processing Industry all over the country.

### **REPLY OF THE GOVERNMENT**

2.8 The budgetary allocation for the Scheme for Technology Upgradation, Establishment and Modernization of Food Processing Industries in BE 2006-07 was Rs.97 crores and RE 2006-07 was Rs.79.70 crores. However, the actual expenditure under the Scheme during 2006-07 was Rs.82.19 crores. In the Annual Plan 2007-08, the Planning Commission has provided an allocation of Rs.80 crores for the Scheme against the total Plan Allocation of Rs.250 crores for the Ministry. However, considering the requirement for meeting the higher demand on account of clearance of pending proposals and the current year's higher demand on account of decentralization through banks, the Ministry has requested the Planning Commission for an additional budgetary requirement of Rs.350 crores.

With the discontinuation of the Backward and Forward Linkage Scheme, the promotional activities component of the Scheme has been transferred to the Scheme for Quality Assurance, Codex Standards and R&D on the suggestion of the Planning Commission.

## CHAPTER-III

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY**

#### **RECOMMENDATION NO. 8**

##### **Upgrading Safety and Quality of Street Food**

3.1 It is known a fact that the quality of street food in India is far from satisfactory in terms of hygiene and safety and is highly contaminated although it is popular because of its affordability and convenience. The vending of this kind of food is completely unregulated. The Committee have been informed that a new scheme namely "Quality Upgradation of Street Food and Food Street" has been proposed to be implemented during the Eleventh Plan as a Central Sector Scheme. It is the first such effort to upgrade the quality of street food, but the implementation would need cooperation from other Ministries such as Health, Urban Development, Tourism, and also State Governments and Municipal bodies.

The Government propose to implement this scheme in 50 cities by introducing 1000 modern food carts in each identified city leading to upgrading of at least 50,000 food vending units in the country during the Eleventh Five Year Plan. The 'Food Street' component will implemented by setting up one street, designated as 'food street', in each of the 25 select cities.

The Committee note that to provide project expenses including installation/upgradation of modern food stalls, water-supply and drainage, waste disposal schemes, public utilities etc. the amount of Rs. 38 crore for 'Street Food' and Rs. 138 crore for 'Food Street' sanctioned for the whole of Eleventh Plan is

too less, rather a token amount, keeping in view the task involved and the facilities to be provided in 50 cities during this period.

The Committee recommend that the Scheme should be implemented at the earliest, so that besides benefiting thousands of vendors, the public at large is weaned away from the fast food culture of the West and once again revert to ethnic and healthy Indian food.

The Committee has also recommend that the States should also be involved in this huge task as they will be better able to help in finalisation of the new initiatives of this scheme as to which of the cities need these kind of facilities and also the quality of food and requirement of food carts. The local Municipalities of the selected cities, if involved, will help in a better way in implementation of this scheme and the State Government/Municipal bodies should be encouraged to provide the basic infrastructure to set up 'Food Streets' in the designated cities.

The Committee further recommend that the High Level Advisory Body to be set up to oversee the implementation of the Scheme, should draw up a clear cut blueprint for implementation of the Scheme and all the stakeholders should meet frequently, especially in the initial stages, to clear the obstacles, if any, in the smooth implementation of the Scheme. Special attention should be paid to the quality of street food and making the surroundings of the Food Street hygienic and clean by providing public utilities, waste disposal system, etc.

### **REPLY OF THE GOVERNMENT**

3.2 The Scheme is in the process of being implemented after due approval is received from the Planning Commission.

Currently, Baseline Studies have already been conducted in the nine cities of Delhi, Kolkata, Mumbai, Chennai, Bangalore, Guwahati, Agartala, Agra and Jaipur, covering a total of 4300 street food vendors. The Study comprised of a survey of these vendors for assessing their knowledge, attitude and practices of food preparation, handling, storage and presentation. The results are under compilation.

The States are being involved in this Scheme in the sense that they would be responsible in identifying the cities/ areas of implementation and also the urban local bodies/ municipalities through whom this Scheme is to be implemented. They will also be responsible for sensitizing the concerned departments of health, police, urban affairs etc. and instruct these concerned departments to provide due assistance for the successful implementation of the Scheme. The urban local bodies selected for implementing these schemes would be advised to select a competent Project Implementation Agency (PIA) for implementing these schemes successfully.

One Model Food Cart is being developed by the Ministry in consultation with Indraprastha Institute of Technology with inputs from IIT (Delhi) and Delhi College of Engineering. However, the food carts shall have adequate scope of customization depending upon local needs viz. the raw material availability vis-à-vis the cost involved and the type of food that would be vended. The Local Municipalities (directly or through the Town Vending Committees) would be the final agency for the implementation of the Scheme. They would provide for the basic infrastructural needs of these street food vendors as also be responsible for the overall upkeep and maintenance of the projects. They are also entrusted with the tasks of installation/upgradation of modern food-stalls, benches, lighting



equipments, fountains, water-supply and drainage facilities, waste disposal systems, electrical appliances, public utilities etc. in the 'Food-Streets'.

A 3-Tier Core Committee at the National, State and the Implementation Level has been proposed for overseeing the implementation of the projects and for periodic monitoring. The National Level Core Committee has also been entrusted with the overall supervision and monitoring of the project alongwith the monitoring of the implementation of the certification and accreditation standards. They will also play a pivotal role in providing a redressal mechanism for non-conformance of standards. Apart from above, it will also work as the Advisory Body to suggest mid-term course correction of the projects, if necessary.

A Project Management Agency is being appointed by the Ministry whose main activity would be to coordinate the various activities to be undertaken by the Project Implementation Agencies and other stakeholders, appraise the project proposals, advise the Ministry regarding the suitability & feasibility of the projects; inspect and monitor the projects on a periodical basis, and do MIS reporting of progress of the projects.

A series of meetings with the various stakeholders and Ministries have been held in the initial stages of the formulation of the Scheme. The Ministries of Housing & Urban Poverty Alleviation, Health & Family Welfare, Tourism, Legal Affairs as well as the municipalities in Delhi viz. MCD and NDMC as well as many NGOs have been consulted for their inputs during the drafting of the Scheme. Special attention will be paid to the quality of street food and making the surroundings of the Food Streets hygienic and clean by providing public utilities, waste disposal system, etc.

The total Estimated Cost of the Project is Rs. 396.75 crores and the Budgetary Support sought for by the Ministry for the scheme to meet the grant element of the project cost is Rs. 178 crores. Out of this Rs.53 crores has been earmarked for Safe Food Towns and Rs.125 crores for Food Street.

As regards the budget, the Scheme is intended to be a pilot initiative of the Ministry. The Ministry intends to hand hold the beneficiaries and make it a mass movement and not make them solely dependent on the grant of the Ministry. On successful implementation of the Scheme during the XIth Five Year Plan, this would be escalated to cover all the urban as well as rural areas across the country.

## CHAPTER-IV

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

#### **Recommendation No. 3**

##### **Scheme for Infrastructure Development for Mega Food Parks, Abattoirs etc.**

4.1 The Committee have been informed that the component of the Scheme for Infrastructure Development has been modified. The Committee also note that the budgetary provisions of Rs. 100.00 crore at BE (2007-08) have been increased manifold in comparison to Rs. 12.30 crore RE during 2006-07.

##### **Mega Food Parks**

The Committee are perturbed to note that under the existing Food Parks Scheme, out of 54 Food Parks approved by the Ministry so far for assistance, only 29 Food Parks are operational. The Committee recommend that immediate steps should be taken for making the remaining Food Parks operational within a reasonable timeframe.

The Committee have been informed that the working of the existing Food Parks scheme is proposed to be restructured on the basis of the review undertaken by the Ministry through reputed external agencies and also by the Working Group on Food Processing Sector of the XI Five year Plan. The review pointed out that the existing Scheme lacked focused approach for management / implementation and weak backward and forward linkages, due to which it was not very effective. Based on the findings of the review, the Ministry has launched a substantially restructured scheme of food parks, viz., 'Mega Food Parks' which would address the shortcomings of the existing scheme and is expected to give a boost to availability of integrated food processing industry in the country. The modified Scheme would be implemented on Public Private Participation (PPP)

mode through Project Management Agency which will be responsible from conception to completion of projects.

The Committee feel that the concept of 'Mega Food Parks' is a good one provided it is implemented properly and effectively. The Committee recommend that the places where such Mega Food Parks are proposed to be established should be selected very carefully after a proper and comprehensive survey of the area where the Food Park is proposed to be established. Various factors like state of connectivity, availability of raw material in the vicinity, location of markets, etc. should be taken into consideration before taking a final decision regarding location of the Park. A number of cold storages of appropriate capacity should be established in the 'feed area' of the Mega Food Parks where the farmers can keep their fruits, vegetables and other perishable goods within 3 to 4 hours of harvesting to prevent the decay. The produce can later be brought to the Food parks for further processing. For the Scheme to be successful, the farmers, processors, retailers, etc. should come together to form a supply chain for the Mega Food Park.

The Committee would like to be apprised about the details of the agencies which agree to invest on the PPP mode and the time frame within which these Mega Food Parks will become operational.

### **REPLY OF THE GOVERNMENT**

4.2 The Ministry has approved 56 Food Parks for assistance so far (till 31<sup>st</sup> March, 2007) under the Food Park Scheme, out of which 29 Food Parks are considered as operational based on establishment of common facilities/ commissioning of units in the food parks. Once the park facilities start attracting investors, the park is considered operational, however the complete

implementation may spread over several years as the linkages and networking of units, facilities and raw material takes place over time. The implementation of Food Parks is linked to a wide range of internal and external factors and linkages such as development of external infrastructure in tandem, getting a sufficient number of entrepreneurs to set up units in the park before certain facilities can come up, policy issues etc. As such the various activities related to setting up of Food Parks need to go in tandem which requires involvement of various other state agencies apart from the primary implementing agency. Further, most of the Food Parks have been sanctioned in the State sector, which get affected by the resource constraints and other problems affecting the State Governments, resulting in delays.

Keeping in view the performance of food park scheme during 10<sup>th</sup> Plan, Ministry of Food Processing Industries had engaged reputed external agencies to carry out evaluation of the Food Park Scheme. As most of these Food Parks have been promoted by State Industrial Development Agencies, they have been conceptualized in traditional industrial estate mode with no forward and backward linkages. This has resulted in valuable real estate being acquired but utilized at low levels of efficiency. Major reasons for the poor functioning of parks are mentioned below.

- Poor site selection
- Delay in providing basic infrastructure facilities like power, water, road etc.
- Absence of strong backward linkages
- Weak linkages with the market
- Delay in release of financial assistance

- Poor management and implementation capabilities
- Lack of funding for components such as internal roads, drainage, environmental control facilities and solid waste management facilities etc., which are also important infrastructure needed in the park.

The study concluded suggesting that the Food Park will be successful only if infrastructure for (1) on farm Storage (2) Primary Processing (3) Minimal Processing (4) linkages with Retail (5) Mobile Processing Unit (6) Mobile Pre-cooling Unit (7) Packaging Centre (8) Palletisation is provided in the Park. Production area remained under developed and not integrated with the requirements of the market. There was no assurance of steady supply of raw materials. Value addition rarely benefitted the farming community.

These Studies thus recommended providing higher scale of assistance for building infrastructure items in the pattern of schemes like Industrial Infrastructure Upgradation Scheme (IIUS) under the Department of Industrial Promotion and Policy, Ministry of Commerce and Industry and Scheme for Integrated Textile Parks (SITP) under the Ministry of Textiles and Scheme for Pack Houses, Cold Storages and Mobile Processing Units under National Horticulture Development Board, Ministry of Agriculture. These schemes carry higher rates of subsidy as compared to MFPI's Infrastructure Schemes.

In view of the experience gained in the implementation of the Food Park Scheme and taking the recommendations of the evaluation studies into consideration, it has been proposed to revise and restructure the Food Park Scheme into Mega food Park to address the concerns raised above. Salient features of the Mega Food Park would be:

- It would provide state of the art infrastructure for food processing in the country on a pre identified cluster basis. A cluster-based approach would be adopted taking into consideration existing NHM Cluster and AEZ's promoted by APEDA. A detailed techno feasibility study and DPR would be undertaken to map the supply chain, identify potential investors, estimate project cost and its potential to exploit economies of scale
- The techno feasibility study and detailed project report would analyze raw material availability, seasonality, existing supply chain, infrastructure need and gap assessment etc. It would be aimed at ensuring value addition of agricultural commodities including poultry, meat, dairy, fisheries etc. Appropriate product mix would be chosen based on availability of raw material in the identified clusters to ensure minimum of 200 days of working of Mega Food Park
- The scheme proposes to establish an efficient and sustainable supply chain. Based on techno feasibility study, potential locations for collection centers and primary processing centers would be mapped, which would be supported by cold chain infrastructure to reduce wastages and check quality deterioration. Strong backward linkages would be established by involving farmer groups/traders/commission agents and attempts would be made to federate them into an appropriate structure, including possibility of a producer company
- Scheme of Mega Food Park would be pre-marketed after a detailed techno feasibility study of clusters either identified by MOFPI or on the basis of proposal submitted by potential investors

- The ownership and management of the Mega Food Park would vest with an SPV in which organized retailers, processors, service providers etc. may be the equity holders or there may be an anchor investor along with its ancillaries. SPV will be structured to ensure control of the SPV by industry stakeholders. The farmer organizations will be encouraged to participate in the SPV. The government agencies may also be shareholders in SPV upto a maximum of 49%
- The project also envisages providing power, water, road, ETP etc. and it would be part of the responsibility of the management of the park
- The scheme proposes to engage a professionally managed organization, which has intensive experience in project management and development as PMA (Project Management Agency). PMA appointed by MFPI would assist in carrying out feasibility studies, appraisal of project proposals submitted under the Scheme by SPVs and monitoring of the projects

MFPI intends to prepare 5 feasibility reports from 5 geographical regions of the country. This requires appointment of agencies with the required technical and managerial expertise in implementing cluster based development initiatives, the required financial capability and previous experience to be appointed as a Project Management Agency (PMA). The feasibility report would have tentatively identified the nature of investments required, products to be available from Mega Food Park, the surpluses likely and the potential for value addition based on criteria to be laid down by the Ministry.



The Mega Food Park scheme is under finalization in consultation with Planning Commission and upon approval & notification of the scheme, formal proposals would be invited and investors identified.

### **COMMENTS OF THE COMMITTEE**

4.3 For comments of the Committee please refer to Para No. 1.6 of Chapter I of this Report.

### **Recommendation No. 6**

#### **Dairy Processing**

4.4 The Committee are happy to note that India is the number one milk producing country in the world maintaining the top position since 1988. Despite a higher growth rate, the per capita availability of milk in India (229 grams per day) is lower than the world average (285 grams per day). The Committee observe that the per capita consumption of milk has not increased in accordance with the increase in production which gives the Dairy Processing Industry a fair chance to convert the extra available milk into processed items. The Committee also note that only about 35% of milk produced in India is processed. There are differences between the organized and the unorganized sector with respect to investments in preserving the quality of milk and technology used for its processing.

The Ministry of Food Processing Industries is promoting organized dairy processing sector to accomplish upcoming demands of processed dairy products and helping to identify various areas of research for future product development and quality improvement to revamp the Indian dairy export by way of providing financial assistance to dairy processing units. Upto December 2006, the Ministry

has sanctioned financial assistance of Rs. 5.91 crore under the Plan scheme, but the market size of the processed products in the organized and unorganized sector (at 2003-04 prices) is estimated at Rs. 255 billion and Rs. 906 billion, respectively. The Committee are of the firm opinion that with such a meager allotment of assistance to dairy units, the Government will not be able to reach the world level of dairy processing even in the next 20 years. They, therefore, recommend that since milk is produced all over India and is the backbone of rural household income of landless people and small and marginal farmers of the rural areas, the budget for dairy assistance should be increased in commensuration with the people engaged in dairy activities and/ or rearing cattle and buffalo for their livelihood.

#### **REPLY OF THE GOVERNMENT**

4.5 Financial assistance for setting up, modernization and technology upgradation of dairy sector projects is covered under the budget allocation for the scheme for Technology Upgradation/Establishment/Modernization of Food Processing Industries. Under this scheme projects in respect of all sub-sectors of the food processing sector including the dairy sector are covered. During the year 2006-07, there was a total budgetary expenditure of Rs.82.19 crores under the Scheme and grant released to dairy sector projects was to the extent of Rs.7.01 crores. There is no separate budgetary allocation for the dairy sector. The expenditure in respect of projects assisted in the sector depends on the number of applications received from entrepreneurs claiming grant for viable projects in the sector.

## COMMENTS OF THE COMMITTEE

4.6 For comments of the Committee please refer to Para No. 1.9 of Chapter I of this Report.

### Recommendation No. 7

#### **Fruits and Vegetable Processing**

4.7 The Committee have been informed that the installed capacity of fruits and vegetable processing industry has increased from 11.08 lakh tons on 1.1.1993 to 24.74 lakh tons as on 1.1.2007. However, for the utilization of fruits and vegetables, processing is estimated to be around 2.20% of the total production. There has been a positive growth towards processing of varied food products, yet the domestic consumption of value added fruits and vegetable products is low compared to the primary processed food in general and fresh fruits and vegetables in particular. The reasons attributed are higher tax and duties and also high cost of production. The financial assistance of 25% in general and 33.33% in difficult areas, of the cost of plant and machinery and technical civil work, is given. But the Committee are of the opinion that in rural and far flung areas, this assistance is too less and people can't afford to pay 75% of the cost of these services. The Committee, therefore, recommend that the assistance should be raised to 50% for general areas and 75% for difficult areas, so that the fruits and vegetable that go waste can be processed and the farmers could get remunerative price for their produce and the consumer may get the processed products at the cheaper rate.

## **REPLY OF THE GOVERNMENT**

4.8 The Committee has stated that in rural and far flung areas, the present level of assistance is too less and people can't afford to pay 75% of the cost of these services and hence have suggested for enhancement of grant to 50% in general areas and 75% in difficult areas for fruit and vegetables sector has been considered by this Ministry. In the existing pattern of assistance under the scheme for Technology Upgradation / Establishment / Modernization, financial assistance of 25% of the total cost of Plant & Machinery and Technical Civil Work in general areas and 33.33% in difficult areas such as Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Sikkim and North Eastern States, Andaman & Nicobar Islands, Lakshadweep and ITDP areas is provided. In addition, under the Technology Mission for Integrated Development of Horticulture in far flung areas, namely in North Eastern States, Jammu & Kashmir, Himachal Pradesh and Uttarakhand, higher level of assistance @ 50% upto Rs.4.00 crore for a setting up and Rs. 1.00 crore for upgradation of fruit and vegetables processing is allowed. The Government of India has also launched the National Horticulture Mission (NHM) for holistic development of Horticulture in the country.

It has felt that the demand for grant from the food processing sector has been quite overwhelming under this scheme and in the 10<sup>th</sup> Plan around 1000 units were provided grant. In the 11<sup>th</sup> Plan, the demand for grant under the scheme is likely to be much higher. Further, the grain milling sector which was not eligible for grant under the scheme for most part of the 10<sup>th</sup> Plan period, has been made eligible for grant under the scheme. This will also result in very substantial increase in demand from this sector. The overall demand is therefore expected to be more than 2 to 3 times that of the 10<sup>th</sup> Plan. If the rate of subsidy

is increased, the total available Plan fund under the scheme which is likely to be around Rs.600 crores will not be able to meet the growing demands of the sector. However, as indicated above, higher level of assistance @ 50% is being provided in respect of units in far flung areas such as North eastern region and under other Difficult Areas such as hilly region, etc.

Further, the Ministry of Food Processing Industries (MFPI) has proposed for implementation of Mega Food Park during 11<sup>th</sup> Five year Plan which aims to provide a mechanism to bring together farmers, processors and retailers and link agriculture production to the market so as to maximize value addition, minimize wastages, increase farmer's income and create employment opportunities in rural sector. Mega Food Park envisages a well-defined agri / horticultural-processing zone containing state of art processing facilities with support infrastructure and well established supply chain.

Besides, establishment of Mega Food Parks in identified clusters with appropriate backward and forward linkages, among the other thrust areas identified by the Ministry are creation of integrated cold chains / value addition and preservation infrastructure, upgradation of hygienic and quality street food and food streets, establishment and upgradation of quality control laboratories, rationalizing tax structure, incentivising FDI and private investment in infrastructure, undertaking capacity building of small and unorganized sector, launching a major promotional campaign for the food processing sector and need for larger public investment for creation of critical rural infrastructure in food processing sector. The cluster-based demand driven approach will provide linkages from farm to market with linkages from local to regional level through Primary Processing Centres, Collection Centres, Strategic Distribution Centre-

cum-Cold Chain at critical locations- having Controlled Atmosphere storage and distribution centres where a large quantities can be stored and supplied to distribution centres for fresh sale and to processing industries for processing.

### **COMMENTS OF THE COMMITTEE**

4.9 For comments of the Committee please refer to Para No. 1.12 of Chapter I of this Report.

**CHAPTER-V**

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

**-- Nil --**

**NEW DELHI;  
27 November, 2007  
6 Agrahayana, 1929(Saka)**

**PROF. RAM GOPAL YADAV  
*Chairman,*  
Standing Committee on Agriculture.**

## **APPENDIX- I**

### **MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON AGRICULTURE HELD ON TUESDAY, THE 27<sup>TH</sup> NOVEMBER, 2007 AT 1500 HRS. IN COMMITTEE ROOM, 'B', GROUND FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee sat from 1500 hrs. to 1620 hrs.

#### **PRESENT**

Prof. Ram Gopal Yadav – Chairman

#### **MEMBERS**

##### **LOK SABHA**

2. Shri Anil Basu
3. Shri Manoranjan Bhakta
4. Shri Girdhari Lal Bhargava
5. Shri Deepender Singh Hooda
6. Shri Hari Rama Jogaiah
7. Shri Prabodh Panda
8. Shri K.J.S.P. Reddy
9. Shri M.P.Veerendra Kumar

##### **RAJYA SABHA**

10. Shri Harish Rawat
11. Shri Sharad Anantrao Joshi
12. Prof. M.S.Swaminathan

#### **SECRETARIAT**

- |    |                  |   |                   |
|----|------------------|---|-------------------|
| 1. | Shri A.K.Singh   | - | Joint Secretary   |
| 2. | Shri Raj Kumar   | - | Deputy Secretary  |
| 3. | Shri N.S.Hooda   | - | Deputy Secretary  |
| 4. | Ms. Amita Walia  | - | Under Secretary   |
| 5. | Shri M.D. Tuteja | - | Executive Officer |



At the outset, the Hon'ble Chairman, welcomed the Members to the sitting of the Committee and requested them to take up the following Memoranda on draft Action Taken Reports on Demands for Grants(2006-07) of the Ministry of Agriculture and Ministry of Food Processing Industries for consideration and adoption:-

- (1) Memorandum No. 2 regarding draft Action Taken Report on the recommendations contained in the 27<sup>th</sup> Report on Demands for Grants (2007-08) in respect of Ministry of Agriculture (Deptt. of Agriculture and Co-operation)
  - (2) Memorandum No. 3 regarding draft Action Taken Report on the recommendations contained in the 28<sup>th</sup> Report on Demands for Grants (2007-08) in respect of Ministry of Agriculture (Deptt. of Agricultural Research and Education)
  - (3) Memorandum No. 4 regarding draft Action Taken Report on the recommendations contained in the 29<sup>th</sup> Report on Demands for Grants (2007-08) in respect of Ministry of Agriculture (Deptt. of Animal Husbandry, Dairying and Fisheries); and
  - (4) Memorandum No. 5 regarding draft Action Taken Report on the recommendations contained in the 30<sup>th</sup> Report on Demands for Grants (2007-08) in respect of Ministry of Food Processing Industries.
2. The Committee considered and adopted the draft action Taken Reports with minor modifications.
  3. The Committee then authorized the Chairman to finalize and present the above-mentioned Reports to both Houses of Parliament.

*The Committee then adjourned.*

## APPENDIX II

(Vide Para 4 of Introduction of the Report)

### ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE TWENTY SEVENTH REPORT OF STANDING COMMITTEE ON AGRICULTURE (14<sup>TH</sup> LOK SABHA)

(i)	Total number of Recommendations	8
(ii)	Recommendations/Observations which have been Accepted by the Government	
	Serial Nos. 1, 2, 4 and 5	
	Total	4
	Percentage	50%
(iii)	Recommendations/Observations which the Committee Do not desire to pursue in view of the Government's replies	
	Serial No. 8	
	Total	1
	Percentage	12.5%
(iv)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee	
	Serial Nos. 3, 6 and 7	
	Total	3
	Percentage	37.5%
(v)	Recommendations/Observations in respect of which Final replies of the Government are still awaited	
	Serial Nos. Nil	
	Total	0
	Percentage	0%