

**GOVERNMENT OF INDIA  
FOOD PROCESSING INDUSTRIES  
LOK SABHA**

STARRED QUESTION NO:483  
ANSWERED ON:29.04.2010  
FDI IN FOOD PROCESSING INDUSTRIES  
Roy Shri Nripendra Nath;Siricilla Shri Rajaiah

**Will the Minister of FOOD PROCESSING INDUSTRIES be pleased to state:**

- (a) whether the Foreign Direct Investment (FDI) inflow in food processing industry has doubled during the year 2009- 10;
- (b) if so, the details thereof and the comparative figures of the last three years;
- (c) the likely impact of rise in FDI flow on the growth of food processing industry;
- (d) whether there is a need to improve indigenous production methods by induction of State-of-the-art technology and upgradation of managerial practices; and
- (e) if so, the action taken thereon?

**Answer**

THE MINISTER OF FOOD PROCESSING INDUSTRIES (SHRI SUBODH KANT SAHAJ)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 483 TO BE ANSWERED ON 29.04.2010 REGARDING FDI IN FOOD PROCESSING INDUSTRIES.

(a) & (b): Yes Sir. During 2008-09 the FDI was Rs. 45530.4 lakhs (US \$ 102.64 million) and during current year from April 2009-January 2010, Rs. 120809.4 lakhs (US \$ 255.68 million) was received as Foreign Direct Investment in Food Processing Industries. Comparative figures are at Annexure 'A'.

(c): Foreign Direct Investment (FDI) complements and supplements domestic investment. FDI brings in, apart from capital, state-of-art technology and best managerial practices, thereby providing better access to the domestic industry to foreign technology and integration into the global market. The extant policy permits FDI under the automatic route in most sectors/ activities, including Food Processing Industries. However, proposals requiring prior Government approval are considered by the Foreign Investment Promotion Board (FIPB), an inter-Ministerial recommendatory body, which takes into account the policy and sectoral guidelines for FDI. The FIPB also examines whether the proposal would jeopardize an existing joint venture or technology transfer/ trade mark agreement if any, in the same field in India. There is no definitive indication about the adverse impact of FDI on the food processing units, rather these industries have been benefited with innovative technologies, products and quality of the food products. Foreign Direct Investment will bring new products, improved quality and new technology in the Food Processing Sector resulting in higher employment, reduction in wastage of agri products, safe and hygienic foods as well as export potential of processed food. No data is available centrally regarding effect of FDI on the domestic industry.

(d) & (e): In order to attract the level of investments required, the Ministry has urged all the state governments to take measures that would seek to address procedural bottlenecks in attracting private sector investment, create a conducive policy environment by having a separate food processing policy, better brand building, promote R&D for having high processable varieties, skill development and strengthening rural farm gate infrastructure. The Government has taken necessary measures for providing relief and achieving simplification in tax rates to ensure its faster development.

Ministry is providing financial assistance to various research institutions for improvement of quality and development of new products in the Food Processing Sector with an objective of making the food processing industry less dependent on Foreign Technology as far as possible. The Scheme for Technology Up- Gradation/Establishment/Modernisation of Food Processing Industries is aimed at creation of new processing capacity and up- gradation of existing processing capabilities, modernization of Food Processing Sector to include Milk, Fruit & Vegetables, Meat, Poultry, fishery, cereal, consumer items, oil seeds, rice milling, flour milling, pulse milling etc.

Development of infrastructure has bearing on the investment climate in food processing sector. Thus, Ministry of Food Processing Industries (MFPI) has been implementing various schemes for promotion and development of food processing industries in the country. MFPI through its various schemes for financial assistance and other promotional measures facilitates creation of food related infrastructure including processing facilities aimed at reducing wastages, enhancing value addition and increasing shelf life. Under the Scheme for Technology Up gradation/ Modernization/ Establishment of Food Processing Industries, MFPI extends financial assistance to food processing industries in the form of grant-in-aid @ 25% of the cost of plant and machinery and technical civil works

subject to a maximum of Rs. 50.00 lakh in general area or 33.33% subject to maximum of Rs. 75.00 lakh in difficult areas such as Jammu & Kashmir, Himachal Pradesh, Uttarakhand, North Eastern States, A&N Islands, Lakshadweep and ITDP areas. In addition, under the Technology Mission for Integrated Development of Horticulture in North Eastern and Himalayan States, higher levels of assistance @ 50% up to maximum of Rs. 4.00 Crore for setting up and Rs. 1.00 Crore for Up gradation of fruit and vegetables processing is available. A National Horticulture Mission (NHM) has been launched with an objective to boost the horticulture sector.

In the 11th Plan, the Ministry has approved new scheme to establish 30 Mega Food Parks with a view to provide state-of-the-art infrastructure for food processing sector in the country on a pre-identified cluster basis with a strong backward and forward linkage and to provide value addition of agricultural commodities including poultry, meat, dairy, fisheries etc. in a demand driven manner. Financial assistance up to 50% of project cost excluding land component in general areas and 75% in difficult areas, subject to a maximum of Rs. 50.00 Crore is provided for setting up of Mega Food Parks.

To encourage setting up of cold chain facilities and backward linkages in the country, Ministry of Food Processing Industries (MFPI) has a Plan Scheme for Cold Chain, Value Addition and Preservation Infrastructure during the 11th Plan to provide financial assistance to project proposals received from public / private organizations for cold chain infrastructure development. The scheme envisages financial assistance in the form of grant-in-aid @ 50% of the total cost of plant and machinery and technical civil works in general areas and 75% for North Eastern Region and difficult areas subject to a maximum of Rs.10.00 Crore.

Annexure-A

## FINANCIAL YEAR WISE FDI INFLOWS FROM APRIL 2004 TO JANUARY 2010

### Sector: FOOD PROCESSING INDUSTRIES

(Amount in million)

Sl.No Year (Apr-Mar) FDI in Rs. FDI in US\$

|   |                   |           |        |
|---|-------------------|-----------|--------|
| 1 | 2004-05           | 1,761.42  | 38.51  |
| 2 | 2005-06           | 1,829.43  | 41.74  |
| 3 | 2006-07           | 4,408.60  | 98.24  |
| 4 | 2007-08           | 2,745.65  | 69.08  |
| 5 | 2008-09           | 4,553.04  | 102.64 |
| 6 | 2009-10 (Apr-Jan) | 12,080.94 | 255.68 |
|   | Grand Total       | 27,379.09 | 605.90 |