



COMMITTEE ON AGRICULTURE
(2010-2011)

FIFTEENTH LOK SABHA

MINISTRY OF FOOD PROCESSING INDUSTRIES

DEMANDS FOR GRANTS

(2009-2010)

**{Action Taken by the Government on the
Recommendations/Observation contained in
the Fifth Report of the Committee on Agriculture (2009-2010)}**

SIXTEENTH REPORT



LOK SABHA SECRETARIAT

NEW DELHI

March, 2011/Phalguna, 1932 (Saka)

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Presented to Lok Sabha on 08.03.2011

Laid on the Table of Rajya Sabha on 08.03.2011



LOK SABHA SECRETARIAT

NEW DELHI

March, 2011/Phalgun, 1932 (Saka)

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(2009-2010).

COMPOSITION OF THE COMMITTEE ON AGRICULTURE (2010-2011)

Shri Basudeb Acharia - Chairman

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SECRETARIAT

- | | | | |
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| 2. | Shri Raj Shekhar Sharma | - | Joint Secretary |
| 3. | Shri P.V.L.N. Murthy | - | Director |
| 4. | Shri P. C. Koul | - | Additional Director |
| 5. | Shri C. Vanlalruata | - | Under Secretary |

INTRODUCTION

I, the Chairman, Committee on Agriculture (2010-11) having been authorized by the Committee to submit the Report on their behalf, present this Sixteenth Report on Action Taken by the Government on the Observations/ Recommendations contained in the Fifth Report of the Committee on Agriculture (2009-10) on Demands for Grants (2009-10) pertaining to Ministry of Food Processing Industries.

2. The Fifth Report of the Committee on Agriculture (2009-10) on Demands for Grants (2009-10) was first presented to the Speaker, Lok Sabha on 18 February, 2010 and later to Lok Sabha on 3 March, 2010 respectively. The Report was laid on the Table of Rajya Sabha on 3 March, 2010. The Action Taken Replies on the Report were received from the Ministry on 19 July, 2010.

3. The Report was considered and adopted by the Committee at their Sitting held on 3 March, 2011.

4. An analysis of the Action Taken by the Government on the Observations/ Recommendations contained in the Fifth Report (Fifteenth Lok Sabha) of the Committee is given in **Annexure**.

NEW DELHI;
7 March 2011
16 Phalguna, 1932(Saka)

BASUDEB ACHARIA
Chairman,
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 Fifth Report (Fifteenth Lok Sabha) of the Committee on Agriculture (2009-2010) on 'Demands for Grants' (2009-10) of the Ministry of Food Processing Industries which was presented first to the Hon'ble Speaker and later to Lok Sabha on 18 February and 03 March, 2010 respectively and laid on the Table of Rajya Sabha on 03 March, 2010.

1.2 The Ministry of Food Processing Industries have furnished Action Taken Replies in respect of all the 21 Observations/Recommendations contained in the Report. These have been categorised as under:

- Observations/Recommendations that have been accepted by the Government :
Recommendation Para Nos. 1.4, 2.11, 3.35, 3.37, 4.38, 4.39, 4.40, 4.41, 4.43, 5.19 and 5.23
- Observations/Recommendations which the Committee do not desire to pursue in view of the Government's reply:
Recommendation Para Nos. – Nil
- Observations/Recommendations in respect of which action taken replies of the Government have not been accepted by the Committee
Recommendation Para Nos. 2.12, 3.34, 3.36, 3.38, 3.39, 4.42 and 5.20
- Observations/Recommendations in respect of which final replies of the Government are still awaited.
Recommendation Para Nos. 3.33, 5.21 and 5.22

1.3 The Committee trust that utmost importance would be given to implementation of the Observations/Recommendations accepted by the Government. In cases, where it is not possible for the Ministry to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee desire that Further Action Taken Notes on the Observations/Recommendations contained in Chapter-I and final Action Taken Replies to the Recommendations contained in Chapter-V of this Report should be furnished to them at an early date.

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

ANALYSIS OF DEMANDS
(Recommendation Para no. 2.12)

1.5 Having noted that in spite of the grossly insufficient financial stimulus, the Food Processing Industry Sector was contributing hugely to the GDP as well as providing employment directly/indirectly to almost 50 million people, the Committee with a view to enable the hugely capital intensive food processing industry sector to prosper and add to the economic prosperity of the nation had desired the Government to take cogent and purposeful action for the development of this sector and allocate funds in consonance with the genuine requirements of this sector.

1.6 The Ministry of Food Processing Industries, in their Action Taken Note, have stated that the observations of Committee are being communicated to the Ministry of Finance and Planning Commission for suitable action and the Ministry while preparing the Annual Plan will be incorporating these observations while demanding higher allocation for the sector.

1.7 In spite of the Ministry of Food Processing Industries communicating the recommendation of the Committee for a quantum enhancement of funds for the Ministry during the 2010-11 fiscal to the Ministry of Finance

and the Planning Commission, the Committee are constrained to note that no heed has been given to the advice of the Committee as is evident from the allocation of Rs. 400.00 crore only to the Ministry for the Fiscal 2010-11. Though the total allocation for the Eleventh Five Year Plan as approved by the Planning Commission was Rs. 4031.00 crore, the actual allocation during the first four years is a measly Rs. 1280.00 crore. This leaves a whopping Rs. 2751.00 crore for the terminal year of the ongoing Five Year Plan, which going by the current scenario seems very unlikely to be allocated to the Ministry in the next fiscal. Though the Committee are aware that the overall availability of resource position and the inter-se prioritization amongst various Ministries/Departments may lead to some variations in actual allocations, yet the glaring gap between the approved allocation and the actual allocation for the Ministry of Food Processing Industries for the Eleventh Five Year Plan is indicative of a rather lackadaisical attitude towards proper planning and management of finances by the Government for the so called Sunshine Sector. The Committee express their serious displeasure at this sordid state of affairs and at the cost of sounding repetitive recommend the Government to allocate a sizeable amount, if not the entire balance of the approved amount for the 2011-12 fiscal without fail. In the considered opinion of the Committee such a measure would really provide the much needed fillip to this sector as the Ministry have now reached a stage where their schemes would start delivering with the proper and timely infusion of funds.

BUDGETARY PLANNING

(Recommendation Para no. 3.33)

1.8 The Committee noted that the planning process with regard to the Eleventh Plan for Ministry of Food Processing Industries commenced with the constitution of a Working Group on Food Processing Industries by the Planning Commission. Based on the recommendations of this Working Group, the Ministry of Food Processing Industries submitted their proposal for the Eleventh Plan to the Planning Commission. Four of the Tenth Plan Schemes were continued in the Eleventh Plan with some modifications in the pattern of

assistance or the procedures. One old Scheme on Infrastructure Development was revamped and co-opted. A new Scheme for upgradation of Quality of Street Food was also included. Thus, in the Eleventh Plan the Ministry are pursuing six schemes.

While on the Planning Process, the Committee also commented on the sloppy manner in which the Scheme for upgradation of Quality of Street Food has been handled. This new Scheme was given in-principle approval by the Planning Commission but was held up for want of approvals of EFC/CCEA. The Scheme was recommended by the EFC in its meeting held on 5 February, 2008. The CCEA considered the proposal in its meeting held on 23 February, 2009 more than one year after the Scheme was recommended by the EFC and even then the proposal was deferred. The result is that the Scheme is yet to see the light of the day. The Committee were pained at the sorry fate befalling this Scheme. The Committee therefore recommended that the Government should act upon this Scheme without losing any further time so that at least some of the places where this Scheme is to be implemented are ready before the Commonwealth Games, 2010.

1.9 The Ministry in their action taken note stated that the scheme for “Upgradation of Quality of Street Food”, was approved by Expenditure Finance Committee (EFC) in its meeting held on 5 February, 2008. Subsequently, the draft CCEA Note was circulated to the Ministry of Finance (Dept. of Expenditure), Tourism, Housing and Urban Poverty Alleviation for seeking their comments.

The Scheme was operationalized for undertaking initial preparatory work with the approval of the Hon’ble Minister, Ministry of Food Processing Industries, by issuing an annual sanction order for the year 2008-09. Thereafter, the draft CCEA Note was appropriately revised incorporating the observations of the Ministry of Finance (Dept. of Expenditure) and again circulated on 12 January 2009 to the Ministry of Finance (Dept. of Expenditure), Tourism, Housing and Urban Poverty Alleviation for seeking their comments in

this regard. The same was considered by CCEA in its meeting held on 23 February 2009 and it was 'Deferred'.

Draft CCEA note was again circulated to Planning Commission, Ministry of Finance (Dept. of Expenditure), Tourism, Housing and Urban Poverty Alleviation for seeking their comments as required consequent upon the formation of the new Government.

All the concerned Ministries reiterated their earlier stand. However, the Planning Commission did not support the Scheme. Planning Commission was again requested by MoFPI to reconsider the proposal, they however, reiterated the earlier stand.

The scheme for "Upgradation of Quality of Street Food" was included in the working Group Report of the Eleventh Five Year Plan of the Ministry of Food Processing Industries. However no specific in –principle approval has been accorded by the Planning Commission, though Rs. 178.00 crore has been indicated in the proposed budget allocation of Rs. 4031.00 Crore of the Ministry of Food Processing Industries for the Eleventh Five year Plan.

The same does not construe as Planning Commission approval as these allocations are subject to the necessary approval after following due procedures.

After receiving the comments on the draft CCEA note from Food Safety and Standard Authority, CCEA note has been sent to Cabinet Secretariat on 08-06-2010 for placing before CCEA with due approval of the Hon'ble Minister FPI.

1.10 The Committee are disappointed to observe from the reply of the Government to this recommendation that the necessary approvals for the Scheme for 'Upgradation of Quality of Street Food' are yet to be accorded by the concerned authorities. It is highly disturbing and disconcerting to observe that on the one hand at the time of examination of Demands for Grants (2009-10), they were informed that the Planning Commission accorded 'in-principle' approval for this Scheme and on the other the

action taken note states that Planning Commission did not support the Scheme and that no 'in-principle' approval has been accorded by the Planning Commission though a sum of Rs. 178.00 crore has been indicated in the BE 2009-10 for the Scheme for the Eleventh Plan. They are further surprised with reply of the Ministry that this does not construe as approval of Planning Commission and the indicated allocations are subject to necessary approvals following due procedures.

The Committee note further that a draft CCEA note approved by the Minister of Food Processing Industries has been sent on 8 June, 2010 for approval of CCEA. The Committee cannot but conclude that the pace at which the approvals at different stages viz. EFC/CCEA etc. are taken leaves much to be desired and therefore, reiterate their recommendation made earlier. They further desire to be apprised of the final decision taken in the matter at the earliest.

BUDGETARY ALLOCATION
(Recommendation Para no. 3.34)

1.11 Concerned that the planning and approval system in vogue now was leading to inordinate delays in a scheme being finally implemented as a lot of time was spent in getting the necessary approvals due to which the Ministry had been able to spend a sum of Rs. 405.00 crore only in the first two fiscals out of the total allocation of Rs. 4031.00 crore, the Committee had recommended that the planning and approval system in vogue required a radical makeover so that the implementation part of the Scheme gets a fair amount of time which is hitherto being spent on planning and approval stages. They had further desired that this should ideally be completed before the new Plan comes into effect.

1.12 The Ministry of Food Processing Industries, in their Action Taken Note, have stated that the observations of Committee are being sent to the Planning Commission. As regards action at the level of Ministry is concerned, it will be ensured that planning and proposal formulation will be undertaken well before the new Plan comes into effect.

1.13 The Committee are highly perturbed by the casual manner in which the instant recommendation has been dealt with by the Ministry. The system of planning and approvals in the Ministry needs a radical change. Due to inordinate delays in planning and approvals, very little time is left for the proper implementation of the scheme concerned leading to both cost and time overruns. In the present case, in the first two years of the Eleventh Plan, the Ministry of Food Processing Industries was able to spend just Rs. 370.00 crore out of Rs. 4031.00 crore allocated to them for the Plan. If the figures of the third year are also factored in, the Ministry have been able to spend only Rs. 611.02 crore, which is about 15% of the allocated amount. The Committee have observed similar excruciating delays in planning and approval processes in the cases of other Ministries/Departments as well. On innumerable occasions the Ministries/Departments have submitted before the Committee, the deleterious affects of these delays on the implementation of the Schemes and Programmes.

Keeping, in view, the urgent need to have sweeping changes in the planning/approval processes and the inter- ministerial ramifications of the instant recommendation of the Committee, ideally, the Ministry ought to have taken this matter to the Cabinet instead of a routine 'passing the buck' reference to the Planning Commission. Though a lot of time has already been wasted, the Committee desire that the needful be done forthwith so as to ensure a well considered and lasting solution to this perennial problem.

GROWTH RATE – FPI SECTOR
(Recommendation Para no. 3.36)

1.14 The Committee having observed that the Ministry had no reliable and regular system of collection of data pertaining to various components and activities of the food processing industry sector in spite of being in existence for about two decades and the Ministry's own admission that the absence of such a data base is a major bottleneck in the planning exercise in the Ministry, had expressed their serious disbelief at the Ministry's lack of action for decades

together on this vital issue and had desired the Ministry to whole-heartedly pursue the setting up of an Information System and ensure its functioning within three months.

1.15 The Ministry of Food Processing Industries, in their Action Taken Note, have stated that the Ministry was created in 1988. Thereafter, they were merged with the Ministry of Agriculture as a Department in 1999. Finally the present Ministry came into existence in the year 2001. The manpower in Ministry is highly inadequate. No organization dealing with data collection is in existence in the Ministry. Therefore, this system has not been able to develop. Ministry have taken steps for developing reliable data. Actions have already been initiated. Once the system becomes operational, Ministry will be able to have reliable data.

1.16 The Committee strongly deprecate the tone and tenor of the reply of the Government on a matter which has all the potential of ushering the much needed information system in the Food Processing Industry Sector. Notwithstanding the fact, when the Ministry was merged with Ministry of Agriculture, when the present Ministry came into being or the inadequacy of manpower, the moot point still remains that the Ministry have done precious little in over two decades of its existence in taking conclusive action on the aspect of having a dedicated information system for relevant data on the Food Processing Industry Sector thus hindering proper planning and execution of an ideal roadmap for the sector. Even now, rather than taking conclusive action within three months as desired by the Committee a very vague reply has been given. The Committee, therefore, desire that the Ministry should without any further loss of time draw out a blueprint with rigid time lines for having an Information System in place at the earliest and not later than three months from presentation of this Report. They further desire that the blueprint for the purpose be furnished to the Committee urgently.

EXCESSIVE Q-4 AND MARCH SPENDINGS
(Recommendation Para no. 3.37)

1.17 Concerned that the Ministry had breached the Q-4 spending ceiling of 33% of Outlay stipulated by the Ministry of Finance in 2007-08 as well as the March spending ceiling of 15% of the Outlay in 2007-08 and 2008-09 and their silence inspite of repeated queries as to whether these violations were brought to the notice of the Ministry of Finance, the Committee had recommended the Ministry approach the Ministry of Finance for regularization of past violations and ensure that the Q-4 and March spending ceilings as prescribed by the Ministry of Finance for prudent financial planning and for reducing expenditure asymmetry are followed in letter and spirit in the future.

1.18 The Ministry of Food Processing Industries, in their Action Taken Note, have stated that the observations of the Committee are being noted for compliance. The spending ceiling is generally adhered to but because of the late receipt of the proposals, sometimes in the interest of the project, the ceilings are exceeded. Observations of the Committee are noted for taking it up with Ministry of Finance for further necessary action.

1.19 The Committee are pleased to note that the Ministry have noted the observation of the Committee for adhering to the spending ceiling as stipulated by the Ministry of Finance for compliance. They further desire the Ministry to approach the Ministry of Finance for regularization of past violations of the spending ceiling at the earliest as well as ensure that the Q-4 and March spending ceiling as prescribed by them are fully complied with. In their considered opinion these steps would ensure that the Ministry of Food Processing Industries is able to utilize funds evenly throughout the entire fiscal, thereby reducing the present expenditure asymmetry.

ANNUAL PLAN 2009-10
(Recommendation Para no. 3.38)

1.20 Noting that the present lesser allocation to the Ministry was going to affect all their schemes in the ongoing Fiscal as well as have an adverse effect on the GDP share of the food processing industry sector, the Committee had recommended the Government to enhance the fund allocation of the Ministry without any further delay.

1.21 The Ministry of Food Processing Industries, in their Action Taken Note, have stated that the Ministry concur with the observation of the Committee.

1.22 The Committee deprecate the continued neglect of the food processing industry sector by the Planners and consider the meagre allocations during the course of the Eleventh Five Year Plan for this ‘sunshine sector’, whose contribution to our GDP is Rs. 280,000 crore, a real travesty of justice. In spite of the Committee having recommended on umpteen occasions for enhanced allocation, the pittance being doled out by the Government is really shocking and compels the Committee to ponder whether the Government is really serious about this sector? The Committee further do not at all appreciate the stock reply of the Ministry that they concur with the observation of the Committee seeking enhanced allocation albeit they are of the strong opinion that the Ministry ought to come up with concrete financial proposals at the earliest and forcefully take them up with the Planning Commission and Ministry of Finance so as to ensure that the continued neglect of this important sector of our economy is a thing of past. The progress achieved in the matter may be communicated to the Committee at the earliest.

MID TERM APPRAISAL
(Recommendation Para no. 3.39)

1.23 Noting that the Ministry intended to conduct an evaluation of their schemes for the years 2005-06 to 2008-09 a period falling partly in Tenth Plan and partly in the Eleventh Plan and considering it to be not a sound way of

evaluating performance, the Committee had desired that the Ministry conduct an evaluation from 2007-08 upto 2009-10 in the period entirely within Eleventh Plan, separately, so as to enable them to analyse their performance in the Eleventh Plan in a more realistic and holistic manner and wherein they could also benefit from the inputs of the Mid-Term Appraisal being undertaken by the Planning Commission.

1.24 The Ministry of Food Processing Industries, in their Action Taken Note, have stated that the observations of the Committee are being communicated to Ministry of Finance and Planning Commission. It has been further stated that the Ministry of Food Processing Industries will be complying with the suggestion on which they have to take action.

1.25 The Committee are not satisfied with the rather casual reply of the Ministry with regard to conducting an evaluation of their Schemes from 2007-08 upto 2009-10. Rather than acting upon this specific recommendation of the Committee earnestly, the Ministry have merely stated that the observations of the Committee are being communicated to Ministry of Finance and Planning Commission. They have further stated that they will be complying with the suggestion on which they have to take action. The Committee are also perplexed with regard to the role of the Ministry of Finance and Planning Commission in the evaluation of the Schemes of the Ministry of Food Processing Industries. Instead of just passing the responsibility, the Committee desire that the Ministry on their own conduct an evaluation study of their Schemes from 2007-08 upto 2009-10 without any further loss of time. Equipped with the inputs of Mid-Term Appraisal undertaken by the Planning Commission would enable the Ministry to analyse their performance in a more realistic and holistic manner. They desire to be apprised of the action taken in the matter at the earliest.

SCHEME FOR TECHNOLOGY UPGRADATION, ESTABLISHMENT AND MODERNIZATION OF FPI

(Recommendation Para no. 4.42)

1.26 Concerned with the fact that all components of the Scheme for technology upgradation, establishment and modernization of Food Processing Industries will be adversely affected as a result of the reduced allocations, the Committee had desired the Government to immediately re-assess the financial requirements of this Scheme and release funds post haste. They had further desired the Government to ensure that this Scheme is not starved of legitimate requirement of funds from next Demands for Grants onwards.

1.27 The Ministry of Food Processing Industries, in their Action Taken Note, have stated that the realistic requirement has been worked out and projected. At RE stage, additional allocation of Rs. 18.00 crore was made. 100% RE allocation was utilized. Still, there are over 2200 cases pending for disbursement of grant which has been highlighted in the Annual Plan formulation of next year.

1.28 The Committee observe that under this Scheme the Revised Estimates have exceeded the Budget Estimates and the Actual Expenditure has always exceeded the Revised Estimates during the course of the Eleventh Five Year Plan. However, in spite of this fact, the Government have not allocated the requisite funds to the Ministry. The Committee deplore this sorry state of affairs wherein a particular scheme in spite of exhibiting good performance is being starved of legitimate funds. The Committee's fears are further compounded by the reply of the Ministry stating that there are still over 2200 cases pending for disbursement of grant. The Committee, therefore, reiterate their earlier recommendation and urge upon the Government to suitably enhance the allocation of funds for this Scheme in the remainder of the Eleventh Five Year Plan to at least ensure that allocation is commensurate with utilization and the various activities under the Scheme does not languish due to paucity of funds.

STRENGTHENING ORGANIZATIONAL SET-UP
(Recommendation Para no. 5.20)

1.29 Noting that the Ministry was facing shortage of manpower and total lack of field organizations due to separation of FSSAI and that they were considering a proposal for strengthening their organizational set-up, the Committee had asked the Ministry for specific proposals in the matter. However taken aback by the casual reply of the Ministry that strengthening of its Organizational set-up and improving efficiency is a continuous matter, the Committee while expressing their strong disapproval of this response desired the Ministry to be extra cautious and diligent in the future

1.30 The Ministry of Food Processing Industries, in their Action Taken Note, have stated that the FPO and MFPO staff/Officers were transferred to FSSAI w.e.f. 01.12.2008. Since then, the Ministry has been facing acute shortage of staff. For an alternative arrangement this Ministry is proposing functioning of Zonal Offices at Mumbai, Chennai, Kolkata, Delhi and Lucknow to implement the Policies/Programmes/Schemes of the Ministry in the cohesive manner and will also act as Nodal Interaction Point. To make these Zonal Offices functional, NIFTEM has been requested to provide personnel and logistic support for the offices located at Lucknow, Kolkata, and Delhi. Also IICPT, Thanjavur (Tamil Nadu) an autonomous institution under the aegis of Ministry of Food Processing Industries has been requested to provide one each of their Scientists from their existing strength to man the offices at Mumbai, Chennai and Guwahati. Out of these two Scientists to be provided by IICPT, one will look after the scientific work and the other will take care of the marketing and extension work.

1.31 The Committee voice their serious concern at the rather ingenuous human resource policy adopted by the Ministry to cope up with the manpower crunch it has been experiencing since 1 December, 2008 consequent upon the transfer of FPO and MFPO staff/officers to FSSAI. Though they empathize with the Ministry on this issue and are all for it

achieving sufficiency in human resources, yet they strongly disapprove of this stop-gap arrangement of transferring Officers from NIFTEM and IICPT and posting them to the various Zonal Offices without any substitute. In the case of NIFTEM, which till date is not fully functional the transfer of officers is totally bewildering. Similar is the case of transfer of scientists from IICPT, as it would seriously hamper its functioning. They are of the firm opinion that this act of strengthening the human resource of one institute whilst consequently depleting the other one smacks of arbitrariness, adhocism and a lack of proper perspective planning on the part of the Ministry. While deprecating this move of the Ministry, the Committee desire that the transferred officers be repatriated to their parent organizations at the earliest and the Ministry take cogent measures to overcome the current manpower crunch either by fresh recruitment or filling up posts through deputation in its various Zonal Offices in a time bound manner to ensure the smooth functioning of the vital institutions.

VISION 2015

(Recommendation Para no. 5.21)

1.32 The Committee noted that the Ministry have formulated a Vision 2015 in 2005 with the target of increasing India's level of food processing from 6% in 2005 to 20% by 2015, value addition from 20% to 35% and share in global trade from 1.5% to 3%. To flaunt the efficiency of Vision 2015, the Ministry have stated that already the level of processing has gone up to 10% with wastage of perishables coming down from Rs. 58,000 crore per year to less than Rs. 50,000 crore. Value addition has gone up from 20 to 26 per cent and the sector's growth rate has gone up from 7 per cent in the pre 2005 to over 13 per cent. In view of the Ministry's admission of the reliability of data regarding Food Processing Industry Sector posed a big question mark because of various factors including delays of years together in data generation, the Committee, therefore, viewed the figures furnished by the Ministry to be well off the mark. The Committee also strongly felt that the financial implications of an estimated investment of Rs. 1 lakhs crore for achieving goals of Vision 2015 have been worked out in a hasty, unprofessional and unscientific manner by the Ministry

without any concern for the ground realities. This was apparent on more than one occasion during the oral evidence of the representatives of the Ministry. That such huge amount has been worked out by the Ministry without any formal sectoral break up confirms the Committee's apprehensions expressed above. In the considered opinion of the Committee, Vision 2015 was more of a pipedream which needs to be reworked right now in a more comprehensible, scientific and professional manner after extensive discussions and deliberations with all stakeholders so that it comes within the realm of possibility.

1.33 The Ministry in the action taken reply stated that the exercise for formulating Vision 2015 was initiated in the beginning of the 10th Plan and the requirement of fund was based on the assessment and analysis of the firm that was hired to formulate the Vision. The Ministry has not finalized the system to create a comprehensive Food Processing Information System (FPIS) that would contain real time data. The level of investment required would be worked out again on the basis of such data.

1.34 The Committee observe that a plain reading of the reply of the Government to this recommendation reveals that their conclusion of the Vision 2015 being a pipe dream have come true sooner than expected. It is absolutely shocking to note the Ministry's admission that formulation of Vision 2015 at the beginning of the Tenth Plan and the requirement of funds for execution thereof as worked out by a firm hired to formulate this vision is yet to be finalised owing to non-finalisation of the system to create a comprehensive Food Processing Information System which would provide real time data. It is a highly disturbing fact revealing the non-seriousness of the Government to implement the Vision 2015 earnestly even though the Eleventh Plan is in its last leg. The Committee, therefore, reiterate their earlier recommendation that the Vision 2015 requires to be sincerely reworked in a more comprehensive, scientific and professional manner to realise even half of the targeted goals therein. They desire to be apprised of the latest position obtaining in this regard.

MANPOWER INTENSIVE NATURE OF FPI SECTOR
(Recommendation Para no. 5.22)

1.35 The Committee noted that in the perception of the Ministry a major constraint faced by the food processing sector is the low share of sale of food products through organized retail in the Country. While globally, 72% or more of food sales is through organized retail, in India it is just 1%. According to the Ministry, this situation exists because of the old practice of deploying large number of workmen even in respect of activities, which are fully or partially mechanized or can be mechanized. The Committee, however, disagreed with the views of the Ministry in the instant case as in India traditionally food processing has been in the domain of cottage and small scale industry. In fact, an overwhelming majority of activities are undertaken at the household level. They, therefore, felt that the issue requires serious introspection on the part of the Ministry so that the plans and schemes and even the Policy, desired to be formulated by them, are worked out by the Ministry, keeping invariably in view the manpower intensive character of our economy in general and food processing sector in particular.

1.36 The Ministry in their action taken note stated that they propose to undertake a study to ascertain the manpower intensive nature of food processing sector.

1.37 The Committee note that Government intends to undertake a study to assess the manpower intensive nature of the Food Processing Sector in pursuance of their recommendation to factorise the manpower intensive character of our economy while formulating Plans, Schemes and the Policy of the Sector. The reply, however, is silent on the time frame and other aspects related to the study proposed to be undertaken. While reiterating their recommendation, the Committee desire the Government to get the study completed in a time bound manner and in any case get it completed and take further action thereon well before the commencement of the Twelfth Plan as already the attainment of the goals, a yet to be finalised Vision 2015 are getting jeopardised so that the much

touted 'Sunshine Sector' of the economy really begins to shine. They desire to be informed of the progress made in this regard.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

IMPLEMENTATION OF COMMITTEE'S RECOMMENDATION (Recommendation Para No.1.4)

The Committee note that under Direction 73A of Directions by the Speaker, Lok Sabha, a Statement on the status of implementation of recommendations contained in the Original Report of the Committee is to be made by the Minister concerned within six months of presentation of the said Report to the Parliament. The Committee are highly disappointed to find that in case of the Fortieth Report (Fourteenth Lok Sabha), the Minister of Food Processing Industries made the Statement under Direction 73A in the Lok Sabha on 6 August, 2009 i.e. after more than fifteen months of its presentation on 18 April, 2008. What is equally disconcerting is that the Statement contained information only on six of the ten Recommendations of the Committee contained in the Original Report. The Committee while expressing their strong disapproval in the matter, desire the Ministry to adhere to the stipulated timeframe of six months for making of the Statement by the Minister so as to ensure that such serious lapses do not recur.

Reply of the Government

Observations of the Committee are noted for compliance within the prescribed time frame.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

OVERVIEW OF DEMANDS (Recommendation Para No. 2.11)

The Committee are highly perturbed to note that though Indian figures amongst the largest producers in agricultural, animal husbandry, dairying and fisheries sectors, a substantial part of these painstaking efforts are going waste

in the absence of sufficient and proper food processing infrastructure. The Committee, as the subsequent narrative will clarify, find that a separate Ministry for Food Processing Industries though being in existence for close tow decades now has not been able to make much dent in the all pervading morass. It is extremely shocking that in just one sector viz. fruits and vegetables, the post harvest losses, even as per conservative estimates stand at a mammoth Rs. 55000 crore per annum.

Reply of the Government

Lack of infrastructural facilities, lack of continuous cold chain, lack of storage facilities are primarily responsible for huge post-harvest losses. Ministry has taken various measures to reduce these losses. Various other Ministries and State Governments are also implementing programmes to reduce post-harvest losses.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

BUDGETARY ALLOCATION **(Recommendation Para No. 3.35)**

The Committee find it extremely distressing that in spite of their recommendations in successive Reports for grant of sufficient funds for the food processing industry sector and the Government's own acknowledgement of the food processing industry being a 'sunshine' sector, the Outlay for the FPI sector during the last five years has never ever crossed 1% of the Central Plan Outlay. The Committee feel unless sizable investments are made in the FPI Sector, its true potential cannot be synergized with the nation building effort. The Committee, therefore, desire the Ministry to draw a comprehensive proposal on the requirements of public funds by the Food Processing Sector in the coming decade and take it up forcefully with the planners and the Government so that a holistic view is taken in the matter and the Food Processing Sector doesn't remain starved of funds anymore.

Reply of the Government

Ministry has prepared a comprehensive proposal based on which allocation of Rs. 4031.00 crore was made in the Eleventh Plan. Ministry prepares its Annual Plan keeping in view the annual allocation for different areas of the Five Year Plan but desired resources flow to the sector is not taking place. Ministry is making all out efforts to have requisite fund flow into the sector.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

EXCESSIVE Q-4 AND MARCH SPENDING **(Recommendation Para No.3.37)**

The Committee are concerned to note that the Ministry have breached the Q-4 spending ceiling of 33% of outlay stipulated by Ministry of Finance in 2007-08. Like-wise, they have also breached the March spending ceiling of 15% of the outlay in both 2007-08 and 2008-09. Since the Ministry during the course of the examination of the Demands for Grants failed to inform the Committee inspite of repeated queries if the violations were brought to the notice of the Ministry of Finance, the Committee presumes that they have filed on this mandatory aspect as well. This is a serious matter. The Committee expect that the Ministry to approach the Ministry of Finance for regularization of past violations without any further delay and also ensure that the Q-4 and March spending ceiling which have been prescribed by the Ministry of Finance for prudent financial planning and for reducing expenditure asymmetry are followed in letter and spirit in future.

Reply of the Government

Observations of the Committee are noted for compliance. The spending ceiling is generally adhered to but because of the late receipt of the proposals, sometimes in the interest of the project, the ceilings are exceeded. Observations of the Committee are noted for taking it up with Ministry of Finance for further necessary action.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.19 of Chapter-I of this Report.

SCHEME FOR INFRASTRUCTURE DEVELOPMENT **(Recommendation Para No. 4.38)**

The Committee observed that by its very objective of providing infrastructure and common facilities for use by small and medium entrepreneurs which enhance value addition, the Scheme for Infrastructure Development, if implemented properly and with promptitude can prove to be the much needed lifeline to the virtually stagnating food processing sector. The Committee are, however, constrained to observe that the performance of the Ministry under this Scheme is not at all satisfactory. In none the four years since 2005-06 have they been able to utilize the BE amounts, leading to drastic curtailing at RE stages. The Ministry have not been able to utilize even the substantially reduced RE allocations during 2006-07 and 2007-08. In the ongoing Fiscal also, they have not been able to spend even one fifth of the BE of Rs. 150.00 crore during the first six months. The Committee cannot but conclude that this year too there will be a repeat of the performance of the previous years. The Committee, however, feel that a major portion of the blame for this under performance can be attributed to the planning and approval process. The approvals for two out of three components of the Scheme came in August and September, 2008 respectively i.e. about one and half year into the Eleventh Plan. Such substantial delays in the execution of capital intensive infrastructure projects are very damaging. In case of projects in PPP mode such delays can virtually sound the death knell of a project. The Committee, therefore, exhort the Ministry of at least now put their house in order and start the implementation of this Scheme on a war footing basis. The Committee are sure that unless that is done, the much needed turnaround of the Food Processing Industries sector will remain a distant goal. A similar situation

obtains in all the three components of this Scheme which have been discussed in succeeding paragraphs

Reply of the Government

Observation of the Committee suggesting for appropriate action has been initiated by the Ministry. Implementation of the scheme is on the fast pace. In each of the components of the infrastructure development scheme, 10 projects were approved to be taken up in the first phase which have been selected and are at various stages of progress. Some of them are nearing completion and are ready for operationalisation.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

FOOD PARKS

(Recommendation Para No. 4.39)

The Committee note that the Food Parks Scheme of the Tenth Plan, which has been rechristened as Mega Food Parks with some modifications is yet to show any revolutionary results. Out of total 56 Parks approved till date for assistance by the Ministry, 41 were approved by August, 2003. Apparently, during last more than six years not much headway has been made with only 15 more Parks being added to the list. Added to this is the fact that even in the Parks which has been established the number of units operational is abysmally low. As pointed out by the Eleventh Plan Working Group, in 8 Parks only 28 Units are operational, which is a matter of grave concern. Though the Ministry have now rightly enhanced the financial assistance for the Mega Food Parks from Rs. 4.00 crore to Rs. 50.00 crore, adopted a cluster based approach, worked out backward and forward linkages with the National Horticulture Mission and AEZs of APEDA, gone for the pre-marketing strategy, evolved a Special Purpose Vehicle (SPV) model consisting of organized retailers, processors, service providers, farmers organizations, government agencies, etc. for ownership and management, still the outcome of the efforts is not on the expected lines. It appears to the Committee that notwithstanding the

measures taken by the Ministry, the Scheme of Mega Food Parks needs to be reconsidered at the fundamental level and remodelled thereafter. In the considered opinion of the Committee, since the food processing industry predominantly consists of units in SSI, Cottage and households sectors, the Ministry need to consider remodelling the Food Parks on the co-operative mode adopted so successfully in the dairy sector. The Committee would like to have the considered views of the Government in the matter at the earliest.

Reply of the Government

Out of 10 projects of Mega Food Parks taken on pilot basis in the first phase, SPVs for six has been selected and the projects are under progress. In case of rest four projects, 37 applications has been received out of which most eligible 4 projects will be selected for assistance. As this is an infrastructure development project with strong backward-forward linkages attempting to provide a total supply chain solution from farm gate to the consumer, the initial progress is though slow but in the desired direction. Each project is being concurrently monitored. Ministry feels that these projects will yield the desired results. As rightly pointed out by the Committee, it is a fact that majority of the players in this sector fall under Micro, Small and Medium enterprises. Accordingly in the mega food parks there would be provisions for plug & play facilities for the SMEs who can come up with the raw material in the mega food park, use the plug & play facility for processing and take away the final processed product. Due to such arrangement, tiny entrepreneurs are not even required to set up their own processing units. It also has the facility of business incubation where small entrepreneurs can develop their products and test its marketability before setting up their own units for commercial manufacturing of such products. The basic concept of mega food park is targeted towards the benefit of SMEs as it will provide all common, ancillary and basic enabling infrastructure for food processing. The entrepreneurs would only be focusing on their core business of processing. Big business houses can set up everything and do all backward-forward linkages of their own. For small entrepreneurs, solutions for these aspects are taken care of by the SPVs of mega food park. Therefore, it is submitted that to consider remodelling of scheme of mega food

park as suggested by the Committee would be pre-mature at this juncture until and unless the pilot projects taken up in first phase did not yield the desired results.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

MODERNISATION OF ABATTOIRS **(Recommendation Para No. 4.40)**

The Component – Modernization of Abattoirs unlike the Mega Food Parks Component suffers from a different malady. This Component has got a good response from the stakeholders with 26 DPRs being received by the Ministry. However, the Approval Committee in its own wisdom has approved only 10 Abattoirs during Financial Year 2008-09 for a cost of Rs. 127.00 crore. Since the approval was accorded in the same Fiscal only 8 abattoirs could be assisted with funds worth Rs. 10.85 crore. The Committee feel that with the almost four fold enhancement of financial assistance from a mere Rs. 4.00 crore to Rs. 15.00 crore now, 'Modernization of Abattoirs' has got the much needed fillip and the planning and approval agencies ought not nurse any apprehensions about the viability of this Component in its present form and they need to consider it liberally. The Committee, therefore, strongly recommend that the Ministry should take up the matter of clearances/approvals with fixed timelines from agencies concerned on top priority basis and get down to the job of implementing this component with utmost promptitude in the remaining period of Eleventh Plan. The Committee expect concrete achievements from the Ministry in this endeavour and desire to be apprised of the outcome of efforts made in this direction.

Reply of the Government

During the F.Y. 2008-09, 10 Abattoir cases were approved by the Approval Committee. During the year 2009-10, grant in aid amounting to Rs 8.87 crores was disbursed and during the year 2010-11 (till 30.6.2010), grant in aid amounting to Rs 0.07 crore was disbursed.

After having approval of EFC for upgradation of the present scheme, fresh cases of abattoirs will be taken up.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

**COLD CHAIN, VALUE ADDITION AND PRESERVATION
INFRASTRUCTURE**
(Recommendation Para No. 4.41)

The Committee note that this Component failed to achieve anything tangible in the Tenth Plan. Barely, 12 Cold Storages chains, 3 Value Added Centres, 1 Packaging Centre and 4 Irradiation Facilities were supported. The main reason for this poor show being a low financial assistance package of maximum Rs. 2.00 crore when the cost of these facilities was in the range of Rs. 10-30 crore. Apart from this, similar but well cushioned schemes of NABARD, NCDC, NAFED, NHB also led to there being less takers for this Component. It is, however, heartening to note that now when the financial assistance has been upscaled to Rs.10.00 crore, the number of responses have grown substantially. As many as 56 responses have been received by the Ministry. The only stumbling block being MoF and EFC who have recommended that only 10 integrated cold chain projects be taken up in the first instance in 2008-09 and 30 odd to be taken up during the entire Eleventh Plan. The Committee find it inexplicable as to why the MoF and EFC have throttled this project with such unwarranted restrictions. The integrated cold chains are an integral component of any successful strategy to augment the food processing potential of the country. They, therefore, strongly recommend that MoF and EFC ought to take a practical and pragmatic view on this issue and provide requisite funds and speedy approvals to as many integrated cold chains as are within the realms of possibility. The Committee also desire that rather than reconciling to their fate, the Ministry should also pursue this case vigorously with MoF and EFC so as to not miss this golden opportunity. In the larger context, however, the Committee would like the Ministry to further work out this Component of the Scheme for Infrastructure Development in a manner where it complements and supplements similar schemes of other Ministries/Departments/Agencies so that instead of working in different

directions all of them work as force multipliers for the food processing sector so that the huge loss of perishables is prevented and controlled to the maximum.

Reply of the Government

Observations of the Committee suggesting for appropriate action by the Ministry has been initiated. It is submitted that the scheme guidelines of the integrated cold chain, value addition and packaging infrastructure provide for dovetailing of assistance by implementing agencies from various Central and State Govt. schemes to improve the viability of projects and develop synergy so that a coordinated effort is effected to maximize the results. However, in the process of dovetailing and developing synergy, it is also ensured that there is no duplication of assistance for the same component/activity of the project.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

NATIONAL INSTITUTE OF FOOD TECHNOLOGY ENTREPRENEURSHIP & MANAGEMENT **(Recommendation Para No. 4.43)**

The Committee note that the proposal to set up National Institute of Food Technology Entrepreneurship and Management (NIFTEM) was considered and approved by the Cabinet Committee on Economic Affairs in its meeting held on 31 August, 2006 at an estimated cost of Rs. 244.60 crore. The institutional building, whose construction has commenced only in July, 2008, was to cost Rs. 75.10 crore as per the approved Outlay of the civil construction. The Committee, however, note that the cost of the institutional building has, on the advice of the partner, more than quadrupled to Rs. 314.16 crore owing to reasons like escalation in cost, increase in area of constructions, creation of additional facilities etc. The Committee while agreeing with the imperative of developing NIFTEM as a world class institute are concerned with such a massive cost escalation. They, therefore, desire that the revised cost estimates need to be considered carefully and in all their dimensions by the evaluating agencies/Ministries and a final decision arrived at accordingly. The Committee would also prefer such a decision be taken after taking into consideration the

role, aims and objectives of the already existing Central Food Technology Research Institute so that there is no creation of such facilities at NIFTEM which may overlap with the mandate of CFTRI causing avoidable duplication of R&D and other efforts.

Reply of the Government:

The structure of NIFTEM as provided originally was reviewed with a view to ensure that they are in line with the best international practices. The revised cost estimates have been worked out with utmost diligence and it has been ensured that there is no duplication with the facilities in existing institutions in the country offering courses in food processing. The project has also been consulted with other Ministries/Departments of Government of India as per the procedure laid down in this regard.

Unlike various other food science institutes in India, NIFTEM will function as a centre for integrated education, research, enterprise incubation and outreach in the area of food sciences, technology, sociology, economics, nutritional sciences, genetics and more. For achieving these objectives NIFTEM has taken a different approach for students, faculty, researchers and industrialists. It has designed a new course structure, which is unique in itself. The course curriculum is a mix of Core Course, Background Courses, General Courses, Electives, Village Adoption, Industry Internship, Seminar, Research, Thesis etc. All these courses will be delivered by best of the faculties.

FOOD PROCESSING POLICY
(Recommendation Para No. 5.19)

During the course of the examination of the Demands for Grants (2009-10) of the Ministry, the Committee found that apart from delay in the planning process and paucity of funds, the biggest contributor towards the non-performance of the Ministry of Food Processing Industries is the lack of a clear-cut National Long-Term Food Processing Policy. The Committee find it incomprehensible as to why in spite of being in existence for almost two decades now, the Ministry have never thought of having such a Policy. It is only now when questions were raised of the absence of such a Policy, that the

Ministry have woken from its stupor and included the formulation of a Policy in the agenda of the First Conference of the Food Processing Minister's held on 6 October, 2009. The Committee are aghast to note that even now when the Committee have raised this matter with the Ministry there are still no formal contours of timelines set for the same. The Committee are of the firm opinion that a well laid out and cogent National Long Term Food Processing Policy will serve as the most important path-finder and directional support to all the stakeholders in the Food Processing Industry. They, therefore, recommend the Ministry, without wasting even a moment, to get down to the task of drafting such a Policy and fructify it within the shortest possible time so that the Food Processing Sector gets the much needed benchmarks and guidance and flourishes as the sunshine sector of the Country's economy.

Reply of the Government

As the growth of food processing sector depends largely on the involvement of State Governments, Ministry is, therefore, pursuing with State Governments to formulate State-specific food processing policy. Many States have formulated their food processing policies. Other States have been advised by the Ministry to formulate their food processing policies. As regards formulation of National Food Processing Policy is concerned, action has been initiated.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

UTILISATION CERTIFICATE **(Recommendation Para No. 5.23)**

The Committee note with deep concern that there is huge pendency of Utilisation Certificates with the State Governments/ Organisations Entrepreneurs. As on 30 September, 2009, 1997 Utilisation Certificates worth Rs. 305.20 crore are yet to be liquidated. In the opinion of the Committee, the Ministry's decision to release second and final installment on the basis of documentary proof/ CA certificates that 100% of equity and term loan have been invested and commercial production has started, rather than insisting on a

proper Utilisation Certificate can be a major cause for pendency. It is but obvious that when half measures serve the purpose, nobody would bother for adhering to the more rigorous stipulations of Utilisation Certificates. In such a scenario the Ministry's efforts to decrease pendency of Utilisation Certificates through various measures like joint monitoring by associating the State Nodal Agencies or asking the Chief Secretaries of States, State Nodal Agencies, banks, etc. to issue legal notices to units which have still not complied with the system of submitting Utilisation Certificates in time will also not bear the desired results. The Committee, therefore, recommend that the Ministry need to immediately consider suitable alternatives in the matter.

Reply of the Government

Ministry has initiated a drive of issuing notices to the respective organizations / entrepreneurs against whom the UCs are pending. In all cases now subsequent instalment is released only after the UCs of the earlier instalment is received. Therefore, there is a general improvement. As regards pending UCs is concerned, Ministry is taking special drive to ensure receipt of pending UCs.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

CHAPTER III

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

-Nil-

CHAPTER IV

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

ANALYSIS OF DEMANDS

(Recommendation Para no. 2.12)

The Ministry, though armed with an all encompassing mandate has unfortunately not made much headway due to the failure of the Government and the planners to realize the true potential of this sunshine sector. The result is that the food processing sector which contributed a significant 14% of our GDP (in 2004-2005) and employs almost 50 million people directly/indirectly has remained starved of funds year after year. The food processing industries sector is a hugely capital intensive sector which can be kick-started only with infusion of substantial funds. Therefore, expecting a turn around with amounts of Rs. 300-400 crore per annum is simply wishful thinking. The committee note that in real terms the Ministry have been allocated 39% (BE Rs. 350.50 crore) more funds this year as compared to RE 2008-09 (252.50 crore). However, if the Government is really keen to enable the food processing industries sector to prosper and add to the economic prosperity of the country in right measure, they would do well to move beyond their fixation of doling out funds in few hundred crore. Despite this grossly insufficient financial stimulus, the sector is contributing a huge Rs.280000 crore (2004-05) to the GDP is note worthy. The Committee hope that this Report would spur the Government into taking cogent and purposeful action for the development of food processing industries sector. To begin with, they hope that next Demand for Grants of the Ministry would break form this tradition and funds in consonance with the genuine requirements of the sector will be allocated to them.

Reply of the Government

The observations of Committee are being communicated to the Ministry of Finance and Planning Commission of suitable action. Ministry, while preparing the Annual Plan will incorporate these observations while demanding higher allocation for the sector.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.7 of Chapter-I of this Report.

BUDGETARY ALLOCATION **(Recommendation Para no. 3.34)**

The Committee are extremely unhappy with the way Budgetary Allocation are being made to the Ministry of Food Processing Industries. Out of the total allocation of Rs. 4031.00 crore for the Eleventh Plan, the Ministry because of late release of funds have been able to spend a sum of Rs. 370.00 crore only in the first two fiscals which is only 9% of the total allocation. This year also they have been allocated an amount of Rs. 340.00 crore against Rs. 1229.06 crore sought by them. Presuming the entire amount is utilized by the Ministry in the ongoing Fiscal, still almost 85% of the Plan Allocation need to be required to be spent in the remaining two years of the Plan. This according to the Committee is not at all a healthy proposition, considering that almost all the investments are to be made in infrastructure development and other such long gestation projects. The main culprits again for such delays are planning and approval stages as the EFC meeting in respect of five of the schemes of the Ministry were held in the months of February and March, 2008 and three of these Schemes required further approval of CCEA thus, staggering further the timelines. Keeping the extant situation in view, the Committee are of the firm opinion that the planning and approval system in vogue now required a radical makeover so that the implementation part of the Scheme gets a fair enough amount of time which hitherto is being spent on the planning and approval stages which could be ideally completed before a new plan comes into effect. The Committee would like to have the considered views of the Government on this crucial aspect.

Reply of the Government

The observations of Committee are being sent to the Planning Commission. As regards action at the level of Ministry is concerned, it will be ensured that planning and proposal formulation will be undertaken well before the new Plan comes into effect.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.13 of Chapter-I of this Report.

GROWTH RATE – FPI SECTOR **(Recommendation Para no. 3.36)**

The Committee note with disbelief that the Ministry do not have nay reliable and regular system of collection of data pertaining to the various components and activities of the food processing industry sector in spite of being in existence for about two decades now. In such a situation, figures of growth rate shown for the FPI Sector and also other related statistics defy logic and appear to be conjectures. More so, the manner in which they chalk out strategies and visions, schemes and projects year after year in such a void is again a matter of guess work. The Ministry's lack of action for decades together on this vital issue, which as per their own admission is a major bottle-neck in the planning exercise in the Ministry, required a serious explanation. The Committee feel that the Ministry have belatedly now woken up to the need for setting up a comprehensive Food Processing Information System to address the issue and make the relevant data available on real time basis. They, therefore, desire the Ministry to whole-heartedly pursue the setting up of this Information System and ensure that it is functional within three months of presentation of this Report.

Reply of the Government

Ministry of Food Processing Industries was created in 1988. Thereafter, it was merged with the Ministry of Agriculture as a Department. Finally the present Ministry came into existence in the year 1999. The manpower in Ministry is highly inadequate. No organization dealing with data collection is in existence in the Ministry. Therefore, this system has not been able to develop. Ministry has taken steps for developing reliable data. Actions have already been initiated. Once the system becomes operational, Ministry will be able to have reliable data.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.16 of Chapter-I of this Report.

ANNUAL PLAN 2009-10 **(Recommendation Para no. 3.38)**

In the opinion of the Committee the allocation of Rs. 340.00 crores by the Planning Commission to the Ministry of Food Processing Industry against Rs. 1229.06 crore sought by them for 2009-10 is a big travesty of justice. For a sector which is being flaunted as a 'sunshine' sector of our economy which is contributing Rs. 280,000 crore to the GDP, even the sum sought by the Ministry is a pittance. It is inexplicable how the Planning Commission expects the Ministry of Food Processing Industry to deliver on such shoe-string budgets. While as per the admission of the Ministry this lesser allocation is going to affect all their schemes in the ongoing Fiscal, what is more worrying them is the Ministry's admission that there would be an adverse effect on the GDP share of the Food Processing Industry also. The Committee, therefore, recommend the Government to revisit the whole issue and enhance the fund allocation to the Ministry of Food Processing Industry without any further delay.

Reply of the Government

The Ministry concur with the observation of the Committee.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.22 of Chapter-I of this Report.

MID TERM APPRAISAL **(Recommendation no. 3.39)**

The Committee have been given to understand that the Planning Commission have undertaken a Mid-Term review of the Eleventh Plan. However, in so far as the Ministry is concerned, they have conducted an evaluation of projects assisted by them during the Tenth Plan period for the years 2002-03 to 2004-05. The Ministry further propose to conduct an evaluation of their Schemes for the years 2005-06 to 2008-09, a period which falls partly in the Tenth Plan and partly in the Eleventh Plan. The Committee strongly feel this to be a not very sound way of evaluating performance. It is common knowledge that Schemes vary from Plan to Plan, some of them may have be even recast or revamped. Thus, there cannot be exact comparison of common performance indices. The Committee, therefore, desires the Ministry to conduct an evaluation of their Schemes form 2007-08 upto 2009-10 i.e. the first three years of the Eleventh Plan separately, in the first instance wherein they would also get the benefit of inputs of mid-term appraisal undertaken by the Planning Commission which will enable them to analyse their performance in a more realistic and holistic manner. They would like to be apprised of the Ministry's view on the subject at the earliest.

Reply of the Government

Observations of the Committee are being communicated to Ministry of Finance and Planning Commission. Ministry of Food Processing Industries will be complying the suggestion on which they have to take action.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.25 of Chapter-I of this Report.

SCHEME FOR TECHNOLOGY UPGRADATION, ESTABLISHMENT AND MODERNIZATION OF FPI **(Recommendation Para no. 4.42)**

The Committee are perturbed to note that for this Scheme the Ministry have been allocated Rs. 130.00 crore which is virtually half of the Rs. 250.00 crore sought by them. To further compound the problems of the Ministry, a sum of Rs. 66.00 crore only has been actually allocated to them for this Scheme. With Rs. 53.00 crore or so already spent, the Committee can very well imagine the fate of the various projects under this Scheme. The Ministry's candid admission that all components of the Scheme will be adversely affected as a result of the reduced allocation confirms the worst fears of the Committee. At the cost of repeating themselves for the umpteenth time, the Committee desire the Government to immediately re-assess the financial requirements of this Scheme even at this belated stage and release the requisite funds post haste. The Committee also desire that at least from the next Demands for Grants onwards, the Government should ensure that this Scheme is not starved of legitimate funds.

Reply of the Government

The realistic requirement has been worked out and projected. At RE stage, additional allocation of Rs. 18.00 crore was made. 100% RE allocation

was utilized. Still, there are over 2200 cases pending for disbursement of grant which has been highlighted in the Annual Plan formulation of next year.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.28 of Chapter-I of this Report.

STRENGTHENING ORGANIZATIONAL SET-UP **(Recommendation Para no. 5.20)**

While putting forth the problems and constraints being faced by them, the Ministry had informed them that as part of the Eleventh Plan strategy the Ministry needs to be strengthened appropriately in order to meet the challenges in implementing various schemes proposed to energise the Food Processing Sector in the country. Further in a clarification, the Ministry informed the Committee about the shortage of manpower and total lack of field organisations with them particularly due to separation of FSSAO. They also stated that the proposal for strengthening the organizational set up of the Ministry was under consideration. However, when asked by the Committee to come up with a specific proposal in the matter, the Ministry's response was hugely perplexing as it stated that the Strengthening of Ministry's Organisational set up and improving efficiency is a continuous process. Such a sloppy response to a query of a Parliamentary Committee is indicative of the non-application of mind and unprofessional attitude of the Ministry. The Ministry should have appreciated that such a wayward response is not going to help the Committee in reaching right conclusions. The Committee, therefore while expressing their strong disapproval of the Ministry's response in the instant case expect them to be extra cautious and diligent in future.

Reply of the Government

The FPO and MFPO staff/Officers were transferred to FSSAI w.e.f. 01.12.2008. Since then, the Ministry is facing acute shortage of staff. For an

alternative arrangement this Ministry is proposing functioning of Zonal Offices at Mumbai, Chennai, Kolkata, Delhi and Lucknow to implement the Policies/Programmes/Schemes of the Ministry in the cohesive manner and will also act as Nodal Interaction Point.

To make these Zonal Offices functional, NIFTEM has been requested to provide personnel and logistic support for the officers located at Lucknow, Kolkata, and Delhi. Also IICPT, Thanjavur (Tamil Nadu) an autonomous institution under the aegis of Ministry of Food Processing Industries has been requested to provide each of their Scientist from their existing strength to man the offices at Mumbai, Chennai and Guwahati. Out of these two Scientists to be provided by IICPT. One will look after the scientific work and the other will take care of the marketing and extension work.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.31 of Chapter-I of this Report.

CHAPTER V

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

BUDGETARY PLANNING

(Recommendation Para No. 3.33)

The Committee note that the planning process with regard to the Eleventh Plan for Ministry of Food Processing Industries commenced with the constitution of a Working Group on Food Processing Industries by the Planning Commission. Based on the recommendations of this Working Group, the Ministry of Food Processing Industries submitted their proposal for the Eleventh Plan to the Planning Commission. Four of the Tenth Plan Schemes were continued in the Eleventh Plan with some modifications in the pattern of assistance or the procedures. One old Scheme on Infrastructure Development was revamped and co-opted. A new Scheme for upgradation of Quality of Street Food was also included. Thus, in the Eleventh Plan the Ministry are pursuing six schemes. The Committee, however, also note that in the present scheme of things, the Ministry do not take recourse to Zero Based Budgeting (ZBB). Whatever is being done on that front is at the Planning Commission level. The Committee strongly feel that most of the delays in Budgetary Planning are at the planning and approval stages. The Committee, therefore, desire the Ministry to conduct a ZBB exercise while working out their five Year Plan proposals which will not only enable them to make a professional and dispassionate analysis of their achievements thus far but also to arrive a the rational and realistic estimate for their future activities. Apart from this intrinsic advantage, such an exercise would also provide the Planning Commission and other agencies/bodies concerned with their approvals/sanctions with a standards and reliable benchmark to further work upon these plan proposals. Going a step further the Committee also desire the Ministry to also work on the principles of ZBB while working out their Annual Plans in a more purposeful and professional manner.

While on the Planning Process, the Committee would also like to comment on the sloppy manner in which the Scheme for upgradation of Quality of Street Food has been handled. This new Scheme was given in-principle approval by the Planning Commission but was held up for want of approvals of EFC/CCEA. The Scheme was recommended by the EFC in its meeting held on 5 February, 2008. After obtaining the comments of the Ministries of Finance, Tourism, Housing and Urban Poverty Alleviation etc. on the draft CCEA note, a final note was sent by the Ministry for the consideration of CCEA. The CCEA considered the proposal in its meeting held on 23 February, 2009 more than one year after the Scheme was recommended by the EFC and even then the proposal was deferred. The result is that the Scheme is yet to see the light of the day. The Committee are pained at the sorry fate befalling this Scheme. Had the Ministry acted upon in a more diligent manner, several food streets and food towns could have been showcased as an added attraction for the people visiting the Country for and in connection with the Commonwealth Games, 2010. Hoping against hope, the Committee therefore recommend that the Government should act upon this Scheme without losing any further time so that at least some of the places where this Scheme is to be implemented are ready before the Commonwealth Games, 2010.

Reply of the Government

Noted for compliance while formulating the Annual Plan for next year. As regards, the scheme for "Upgradation of Quality of Street Food", it was approved by Expenditure Finance Committee (EFC) in its meeting held on 5 February, 2008. Subsequently, the draft CCEA Note was circulated to the Ministry of Finance (Dept. of Expenditure), Tourism, Housing and Urban Poverty Alleviation for seeking their comments.

The Scheme was operationalized for undertaking initial preparatory work with the approval of the Hon'ble Minister, Ministry of Food Processing Industries, by issuing an annual sanction order for the year 2008-09. Thereafter, the draft CCEA Note was appropriately revised incorporating the observations of the Ministry of Finance (Dept. of Expenditure) and again

circulated on 12 January 2009 to the Ministry of Finance (Dept. of Expenditure), Tourism, Housing and Urban Poverty Alleviation for seeking their comments in this regard.

Taking into account the comments of all the above Ministries, the final note was revised accordingly and was sent to the Cabinet Secretariat for the consideration of the Cabinet Committee on Economic Affairs. The same was considered by CCEA in its meeting held on 23 February 2009 and it was 'Deferred'.

Draft CCEA note was again circulated to Planning Commission, Ministry of Finance (Dept. of Expenditure), Tourism, Housing and Urban Poverty Alleviation for seeking their comments as required consequent upon "Deferred" vide letter dated 23 June, 2009, after the formation of the new Government.

Ministry of Tourism, Ministry of Housing & Urban Poverty Alleviation and Food Safety & Standards Authority of India supported the draft CCEA note. Ministry of Finance (Dept. of Expenditure) reiterated its earlier stand.

Planning Commission informed that, as a policy attempt should be made to wind down Centrally Sponsored Schemes in areas of joint responsibility, rather than floating more such schemes. The resource position also does not justify a new scheme, which is not already included in the Eleventh plan. Thus they did not support the Scheme. Planning Commission was again requested by MoFPI to reconsider the proposal. Planning Commission, however, reiterated the earlier stand.

The scheme for "Upgradation of Quality of Street Food" was included in the working Group Report of the Eleventh Five Year Plan of the Ministry of Food Processing Industries. However no specific in –principal approval has been accorded by the Planning Commission, though Rs. 178 crore has been

indicated in the proposed budget allocation of Rs. 4031 Crore of the Ministry of Food Processing Industries for the Eleventh Five year Plan.

The same does not construe as Planning Commission approval as these allocations are subject to the necessary approval after following due procedures.

After receiving the comments on the draft CCEA note from Food Safety and Standard Authority, CCEA note has been sent to Cabinet Secretariat on 8 June, 2010 for placing before CCEA with due approval of the Hon'ble Minister FPI.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.10 of Chapter-I of this Report.

VISION - 2015 **(Recommendation Para No. 5.21)**

The Committee note that the Ministry have formulated a Vision 2015 in 2005 with the target of increasing India's level of food processing from 6% in 2004 to 20% by 2015, value addition from 20% to 35% and share in global trade from 1.5% to 3%. To flaunt the efficiency of Vision 2015, the Ministry have stated that already the level of processing has gone up to 10% with wastage of perishables coming down from Rs. 58000 crore per year to less than Rs. 50000 crore. Value addition has gone up from 20 to 26 per cent and the sector's growth rate has gone up from 7 per cent in the pre 2005 to over 13 per cent. Confronted by the Ministry's own admission that the reliability of data regarding food processing industries sector is a big question mark because of various factors including delays of years together in data generation, the Committee cannot but take the figures furnished by the Ministry with a pinch of salt. In the like manner, the Committee also strongly feel that the financial

implications of an estimated investment of Rs. 1 lakhs crore for achieving goals of Vision 2015 have been worked out in a hasty, unprofessional and unscientific manner by the Ministry without any concern for the ground realities. This was apparent on more than one occasion during the oral evidence of the representatives of the Ministry. That such huge amount has been worked out by the Ministry without any formal sectoral break up confirms the Committee's apprehensions expressed above. In the considered opinion of the Committee, Vision 2015 is more of a pipedream which needs to be reworked right now in a more comprehensible, scientific and professional manner after extensive discussions and deliberations with all stakeholders so that it comes within the realm of possibility.

Reply of the Government

The exercise for formulating Vision 2015 was initiated in the beginning of the Tenth Plan and the requirement of fund was based on the assessment and analysis of the firm that was hired to formulate the Vision. The Ministry has not finalized the system to create a comprehensive Food Processing Information System (FPIS) that would contain real time data. The level of investment required in the year 2005 would be worked out again on the basis of such data.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.34 of Chapter-I of this Report.

MANPOWER INTENSIVE NATURE OF FPI SECTOR **(Recommendation Para No. 5.22)**

The Committee note that in the perception of the Ministry a major constraint faced by the food processing sector is the low share of sale of food products through organized retail in the Country. While globally, 72% or more

of food sales is through organized retail, in India it is just 1%. According to the Ministry, this situation exists because of the old practice of deploying large number of workmen even in respect of activities, which are fully or partially mechanized or can be mechanized. The Committee, however, disagree with the views of the Ministry in the instant case as in India traditionally food processing has been in the domain of cottage and small scale industry. In fact, an overwhelming majority of activities are undertaken at the household level. Thus, the Ministry's hypothesis about old practice of deployment of large number of workmen is not even remotely true in case of Country's food processing sector and seems to be a cliché borrowed from some of the other industrial sectors. The Committee, therefore, feel that the issue requires serious introspection on the part of the Ministry so that whatever plans and schemes and even the Policy, they have been asked to formulate by the Committee, are worked out by them, keeping invariably in view the manpower intensive character of our economy in general and food processing sector in particular.

Reply of the Government

Ministry proposes to undertake a study to ascertain the manpower intensive nature of food processing sector.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 19 July, 2010]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.37 of Chapter-I of this Report.

NEW DELHI;
3 March, 2011
12 Phalgun, 1932 (Saka)

BASUDEB ACHARIA
Chairman
Committee on Agriculture

APPENDIX
COMMITTEE ON AGRICULTURE
(2010-11)

MINUTES OF THE EIGHTEENTH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 3rd March, 2011 from 1500 hours to 1515 hours in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Basudeb Acharia - Chairman

LOK SABHA

2. Shri Narayansingh Amlabe
3. Shri Thangso Baite
4. Shri Jayant Chaudhary
5. Smt. Shruti Choudhary
6. Smt. Ashwamedh Devi
7. Smt. Paramjit Kaur Gulshan
8. Shri Naranbhai Kachhadia
9. Shri Prabodh Panda
10. Shri Premdas
11. Shri Uday Singh
12. Shri Hukmadeo Narayan Yadav

RAJYA SABHA

13. Shri Mohd. Ali Khan
14. Shri Rajpal Singh Saini
15. Shri S. Thangavelu

SECRETARIAT

1. Shri P.V.L.N. Murthy - Director
2. Shri P.C. Koul - Additional Director

2. At the outset, the Chairman welcomed the members to the Sitting of the Committee. They Committee, thereafter, took up the following Draft Reports for consideration:

* (i) *** *** *** *** *** *** *** *** *** ***

* (ii) *** *** *** *** *** *** *** *** *** ***

* (iii) *** *** *** *** *** *** *** *** *** ***

(iv) Action Taken Report on Observations/Recommendations contained in the Fifth Report of the Committee (2009-10) on Demands for Grants (2009-2010) relating to the Ministry of Food Processing Industries.

3. After some deliberations, the Committee adopted the draft Reports. They also authorized the Chairman to finalise the above Draft Reports in the light of the factual verifications made by the concerned Ministry/Department and present the same to the Houses.

*4. *** *** *** *** *** *** *** *** *** ***

The Committee then adjourned.

**Matter not related to this Report.*

ANNEXURE

(Vide Para 4 of Introduction of the Report)

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE FIFTH REPORT OF COMMITTEE ON AGRICULTURE (15TH LOK SABHA)

(i)	Total number of Recommendations	21
(ii)	Recommendations/Observations which have been Accepted by the Government	
	Para Nos. 1.4, 2.11, 3.35, 3.37, 4.38, 4.39, 4.40, 4.41, 4.43, 5.19 and 5.23	
	Total	11
	Percentage	52.38%
(iii)	Recommendations/Observations which the Committee Do not desire to pursue in view of the Government's replies	
	Total	NIL
	Percentage	0%
(iv)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee	
	Para Nos. 2.12, 3.34, 3.36, 3.38, 3.39, 4.42 and 5.20	
	Total	7
	Percentage	33.34%
(v)	Recommendations/Observations in respect of which Final replies of the Government are still awaited	
	Para Nos. 3.33, 5.21 and 5.22	
	Total	3
	Percentage	14.28%