21

COMMITTEE ON AGRICULTURE

(2010-2011)

FIFTEENTH LOK SABHA

MINISTRY OF FOOD PROCESSING INDUSTRIES

INFRASTRUCTURAL FACILITIES FOR DEVELOPMENT OF FOOD PROCESSING INDUSTRIES-AN EVALUATION

TWENTY FIRST REPORT

LOK SABHA SECRETARIAT
NEW DELHI

AUGUST, 2011/ BHADRAPADA, 1933 (Saka)

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Presented to Lok Sabha on 23.08.2011

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CONTENTS

COMPOSITION OF THE COMMITTEE ON AGRICULTURE

(2010-2011)

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18. **Shri Bhoopendra Singh**
19. **Shri Uday Singh**
20. **Shri Jagdish Thakor**
21. **Shri Hukmdeo Narayan Yadav**

RAJYA SABHA

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26. **Shri Vinay Katiyar**
27. **Shri Mohd. Ali Khan**
28. **Shri M. Rajasekara Murthy**
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*31. **Shri Khekiho Zhimomi**

***   Vice Shri Khekiho Zhimomi who ceased to be the Member of the Committee on his retirement from Rajya Sabha on 2 April, 2010 and Smt. B. Jayashree nominated on 2 July, 2010.***

^ ***Vice Shri Narendra Budania who ceased to be the Member of the Committee on his retirement from Rajya Sabha on 4 July, 2010.***

$ ***Vice Shri Sharad Anantrao Joshi who ceased to be the Member of the Committee on his retirement from Rajya Sabha on 4 July, 2010.***

INTRODUCTION

I, the Chairman, Committee on Agriculture, having been authorized by the Committee to submit the Report on their behalf, present this Twenty-first Report on 'Infrastructural Facilities for Development of Food Processing Industries – An Evaluation'.

2. The Committee (2009-10), taking into consideration the appalling state of food processing industry sector in the Country and the pressing need to ensure remunerative prices to the farmers for their produce, had selected this subject for detailed examination and Report to Parliament. The Committee (2009-10) were briefed on the subject by the representatives of the Ministry of Food Processing Industries on 16 September, 2009 and took their Oral Evidence at the Sitting held on 17 February, 2010. The Committee on Agriculture (2010-11) decided to continue the examination of the Subject and took further Oral Evidence of the representatives of the Ministry on 22 November, 2010. The Committee wish to express their thanks to the officers of the Ministry of Food Processing Industries for appearing before them and furnishing the information, the Committee desired in connection with the examination of the subject.

3. The Committee also wish to express their sincere thanks to their predecessor Committee for the significant contribution made by them in the examination of the subject. The Report was considered and adopted by the Committee at their Sitting held on 11 August, 2011.

4. For facility of reference the Observations/Recommendations of the Committee have been printed in bold letters at the end of each Chapter of the Report.

NEW DELHI;
17 August, 2011
26 Sravana,1933 (Saka)

BASUDEB ACHARIA
Chairman,
Committee on Agriculture

ABBREVIATIONS

AEZs	Agricultural Export Zones
AIDC	Assam Industrial Development Corporation Ltd.
APEDA	Agricultural & Processed Food Products Export Development Authority
APSIDC	Andhra Pradesh State Industrial Corporation Ltd.
ASIDC	Assam Small Scale Industrial Development Corporation Ltd.
BE	Budget Estimate
CA	Control Atmosphere
CIP	Chloro-Iso-Propenyle
CCEA	Cabinet Committee on Economic Affairs
DPR	Detailed Project Report
EEZ	Exclusive Economic Zone
EFC	Expenditure Finance Committee
EoI	Expression of Interest
ETP	Effluent Treatment Plant
GDP	Gross Domestic Product
HSIIDC	Haryana State Industrial and Infrastructural Development Corporation Ltd
IFW	Integrated Finance Wing
IICPT	Indian Institute of Crop Processing Technology
IQF	Individually Quick Frozen
MFP	Mega Food Parks
MFPCCC	Mega Food Park Co-Ordination Committee
MoFPI	Ministry of Food Processing Industries
MoU	Memorandum of Understanding

MTA	**Mid Term Appraisal**
NER	**North Eastern Region**
NHM	**National Horticulture Mission**
NIFTEM	**National Institute of Food Technology Entrepreneurship and Management**
PAC	**Project Approval Committee**
PAIC	**Punjab Agro Industries Corporation Ltd.**
PMA	**Project Management Agency**
PPC	**Primary Processing Centres**
PSU	**Public Sector Undertaking**
R & D	**Research and Development**
RE	**Revised Estimate**
SIDBI	**Small Industries Development Bank of India**
SIDCO	**Small Industries Development Corporation Ltd.**
SME's	**Small and Micro Enterprises**
SNAs	**State Nodal Agencies**
SPV	**Special Purpose Vehicle**
SSI	**Small Scale Industries**
UCs	**Utilization Certificates**
UPSIDC	**Uttar Pradesh Small Industries Development Corporation Ltd.**

CHAPTER – I

INTRODUCTORY

The Ministry of Food Processing Industries was set up in July, 1988 to give impetus to the development of food processing sector in the Country. Subsequently, on 15 October, 1999 it was made a Department and brought under the Ministry of Agriculture. It was again notified as Ministry of Food Processing Industries on 6 September, 2001.

1.2 The Ministry have informed the Committee that the major issue facing the Country is ensuring remunerative prices to the farmers for their produce. If the surplus production of cereals, fruits, vegetables, milk, fish, meat and poultry, etc. are processed and marketed both inside and outside the Country there will be greater opportunities for adding to the income of farmers and employment. Thus, a strong and dynamic food processing sector plays a vital role in diversification and commercialisation of agriculture, enhances shelf life, ensures value addition to agricultural produce, generates employment, enhances income of farmers and creates markets for export of agro foods.

1.3 The Ministry of Food Processing Industries have stated that they are concerned with formulation and implementation of the policies and plans for the food processing industry sector within the overall national priorities and objectives. They act as a catalyst for bringing in great investment into this sector, guiding and helping the industry, and creating a conducive environment for healthy growth of the food processing industry sector.

Within these overall objectives, the Ministry aims at:

- Better utilization and value-addition of agricultural produce.
- Minimising wastages at all stages in the food processing chain by development of infrastructure for storage, transportation and processing of agro-produce.
- Induction of modern technology into the food processing industries.
- Encouraging R&D in food processing for product and process development.
- Providing policy support, promotional initiatives and facilities to promote value added exports.
- Create the critical infrastructure to fill the gaps in the supply chain from farm to consumer.

1.4 The Committee have been informed by the Ministry that India produces 110 million tonnes of milk annually and occupies first position in the world in production of milk. India produces 150 million tonnes of fruits and vegetables which makes India second largest producer of vegetables and fruits. India produces annually 485 million livestock (largest), 230 million tonnes food-grain (third largest), 7.0 million tonnes of fish (3^{rd} largest), 489 million poultry and 45,200 million eggs. India's agricultural production base is strong but at the same time wastage of agricultural produce is massive. Processing level is very low i.e. around 2.2% for fruits & vegetables compared to countries like USA (65%), Philippines (78%) and China (23%); 26% for marine, 6% for poultry and 20% for buffalo meat, as against 60-70% in developed countries. The share of India's export of processed food in global trade is presently 1.5 % only. Even, within the Country, the share of fruits and vegetables processed is much less when compared to other agricultural products such as milk (35%) and marine products (26%). The enormity of losses due to lack of processing and storage facilities in the Country can be gauged from the fact that as per conservative estimates 35% of the fruits and vegetables valued at more than

Rs.50000 crore are lost every year in the absence of suitable processing and storage facilities.

1.5 A developed food processing industry sector would thus, not only reduce wastages, but also increasingly fetch remunerative income to farmers, which is another problem confronting the agriculture sector at present. The Ministry have informed that as a result of the initiatives taken by them during last 4-5 years, the sector is growing at an average rate of 13.5% as compared to 7-8% growth rate of industry sector as a whole. The processing level has gone up by 6% from 20% to 26%. The quantum of wastage of perishables has gone down considerably from 35% to 30%. When queried about the details of the studies based on which these figures have been arrived at and the particulars of data base indices used for these studies, the Ministry replied that the data relating to the growth rate of the food processing sector as well as the processing level and quantum of wastage of perishables, is only an estimation based on regular discussions with the stakeholders with the secondary data generated by such stakeholders as the basis.

1.6 It has further been stated that the food processing industry sector has been facing constraints like non-availability of adequate critical infrastructural facilities, like cold chain, packing and grading centres, lack of adequate quality control and testing infrastructure, inefficient supply chain, shortage of processable varieties of farm produce, seasonality of raw material, high inventory carrying cost, high taxation, high packaging cost, affordability and cultural preference for fresh food.

1.7 When queried about the very low levels of food processing in the Country, the Ministry in their written submission stated that the same was due to low access of credit for farmers, as well as small and medium food processors. Amongst the various measures taken by the Ministry of Food Processing Industries to ensure liberal access of credit to the above groups include requesting Reserve Bank of India (RBI) to create a vertical in the Bank's Reporting System for monitoring the credit flow to the micro, small and medium food processors. When asked about the details of the proposal of the Ministry to RBI and their response in the matter, the Ministry stated that no formal proposal was sent by the Ministry to RBI for creation of a separate vertical for the Sector. However, the matter was discussed in a meeting taken by Secretary of the Ministry on 12 August, 2009 with representatives of Ministry of Finance, RBI and financial institutions/bankers. The meeting was called to discuss means to increase the flow of credit to the Sector and it's monitoring. In the meeting, RBI informed that credit above Rs.2.00 lakhs is already maintained in the Basic Statistical Return 1A. Apart from this, half-yearly monitoring of data and advances to the food processing sector is already being done by the RBI.

1.8 The Ministry have further stated that they have requested the Indian Banks Association that District Food Processing Plan be prepared as a part of District Credit Plan by each Bank. Besides, the Ministry have also identified that a strategy of 'Adoption of Small and Micro enterprise food processing clusters by Banks' is most crucial for growth and development of SMEs in this sector. When queried about the present status of the District Food Processing Plan and the progress made with regard to strategizing 'Adoption of Small and Micro enterprise food processing clusters by Banks, the Ministry in their written reply have stated that the preparation of the District Food processing Plan, as part of the District Credit Plan by each Bank was discussed in the meeting taken by Secretary of the Ministry with the financial institutions, RBI and Ministry of Finance on 12 August, 2009. In the meeting, it was decided that the issue would be examined in greater detail by a smaller committee of the participants in the meeting. In the meeting, the need to identify special food processing clusters for credit disbursement was also discussed. The Ministry have written to a number of banks urging them to adopt such a policy for credit flow to the Sector. Based upon the response received, the Ministry have identified a list of potential clusters that can be adopted (Annexure-1).

1.9 The Ministry have informed that based on a study to suggest a road map for the growth of Food Processing Sector, a Vision Document suggesting a strategy and action plan for Food Processing Sector in India namely Vision 2015 was prepared and adopted by the Government. The adopted Vision 2015 provides for enhancing the level of processing of perishable from 6% to 20%, enhancing value addition from 20% to 35% and increasing India's share in global food trade from 1.5% to 3% by the year 2015. To achieve these targets, an investment of Rs. one lakh crores was estimated by year 2015, out of which Rs. 10,000 crores was to come from Government. Accordingly, the Ministry formulated its 11th Plan Schemes to attract the required investment in the sector.

1.10 When asked how the Government envisaged this investment of Rs. one lakh crore and from where and in what manner do they expect the investments to the tune of Rs. 45000/- crore each come from both the private sector and the financial sector and Rs. 10000/- crore from the Government sector, the Ministry in a detailed note stated that the investment target of Rs. one lakh crore was envisaged by the Ministry on the basis of the projections/assessments given in the Vision 2015 document. The food processing sector is highly fragmented sector apart from being dominated by the un-organised sector. As such, the data pertaining to the quantum of funds actually raised from the three sectors, is not available with the Ministry. The Ministry is in the process of hiring an agency for the creation of an extensive food processing information system that would capture such data on a real-time basis.

Schemes For Infrastructure Development

1.11 As stated previously in this Report a major factor coming in the way of agro/food processing in the Country is inadequate infrastructure. Infrastructure development has, therefore, been identified as a thrust area for intervention by the Ministry. In order to address the problems of infrastructural constraints in the food processing industry sector, the Ministry of Food Processing Industries had implemented a Scheme for Infrastructure Development during Tenth Plan comprising of the following components to address different aspects of food processing related infrastructure :-

- Food Parks
- Integrated Cold Chain Facility
- Packaging Centre
- Value Added Centre
- Irradiation Facilities
- Setting up/Modernisation of Abattoir

1.12 The Committee have been informed that in the Eleventh Plan, the Scheme of Infrastructure Development has three components namely, (a) Mega Food Parks, (b) Integrated Cold Chains and Preservation Infrastructure, (c) Modernization and Setting-up of Abattoirs as a new Scheme. The Scheme was approved by Cabinet Committee on Economic Affairs (CCEA) on 11 September, 2008. To begin with, in all three components of the Scheme only partial number of projects were allowed to be taken up in the first phase and subsequent expansion is taking a long time. The progress made in respect of each of the above three Schemes is further discussed in the succeeding Chapters of this Report.

1.13 The Committee note with concern the appalling state of food processing sector in the Country. In spite of an exclusive Ministry of Food Processing Industries, functioning at the Union Government level for more than two decades now, the levels of food processing are abysmally low when compared with other countries. And year after year, the benefits of a strong agriculture production base are being frittered away with monotonous regularity due to lack of storage and processing infrastructure. The gravity of the situation can be realized from the fact that the post harvest losses of fruits and vegetables are as high as 35 per cent, valuing more than Rs.50000 crore per annum. This is due to the sad fact that the processing levels of fruits and vegetables are a mere 2.2 per cent as compared to USA (65 per cent), Philippines (78 per cent) and China (23 per cent). In case of the marine products, poultry and buffalo meat where processing levels are as high as 60-70 per cent in developed countries, we are able to process hardly 26 per cent, 6 per cent and 20 per cent respectively. With such a pathetic situation obtaining in the food processing sector, our export share of processed food in the global trade is at an abysmal level of around 1.5 per cent.

1.14 Another serious drawback of the low food processing capabilities is that the farmers of the Country in spite of toiling

ceaselessly, are not able to derive the full benefits of the plethora of schemes of the Government meant for them, as most of what they produce, does not get a remunerative price and is lost tragically in the absence of adequate storage and processing facilities. The Committee are highly disappointed to find that while the Government has focused on strategies to increase the production of food grains, fruits, vegetables, marine, meat, poultry, dairy products and other consumables, they have singularly failed to ensure that the increase in production of these items should have had a matching creation of storage and processing facilities. The result of this myopic view of the Government is that while the farmer of the Country has kept his side of the promise by stellar contributions towards food grain production and food security of the Country, the lack of infrastructure for storage and processing of food grains and other items is resulting in a colossal damages in terms of post harvest loss thereby putting paid to the efforts of our farmers. As will be proven by the subsequent narrative in this Report, the Ministry of Food Processing Industries have been suffering from a serious lack of vision and an inertia in discharging their responsibilities. Resultantly not much attention has been paid to enhancement of the infrastructural facilities for development of food processing industry sector in the Country.

1.15 The Committee had been informed by the Ministry during the course of their examination of this Subject that their initiatives of the last 4-5 years have led to average growth rate of the Sector climbing to 13.5 per cent. The processing levels have gone up from 20 per cent to 26 per cent. The quantum of waste of perishables have gone down from 35 to 30 per cent. The Committee, however, cannot but, consider these achievements of the Ministry with a pinch of salt, as their estimation is based merely on 'regular discussions' with stakeholders. Arriving at conclusions on such important matters on the basis of mere discussions throws a lot of light on the sanctity of the data flaunted in support and speaks volumes on the manner of working of the Ministry in charge of the 'Sunshine' sector of the Indian economy. The glaring absence of an information system for compiling data and indices pertaining to the food processing industry sector in the Country, inspite of the Ministry being in existence for two decades now, also reflects poorly on the planning and management capabilities of the Ministry.

1.16 Be it their Vision 2015 Document or their intended proposal for creation of a vertical in the reporting system of Reserve Bank of India for monitoring credit flow to the marginal, small and medium food processors or their proposal to the Indian Banks

Association that a district food processing plan be worked out by each bank, all smack of a non-serious and *ad hoc* approach towards ensuring the much needed changes in the extant food processing industry sector. In case of the Vision 2015 a massive sum of Rs.1 lakh crore has been worked out as the requirement for food processing industry sector in the Country upto 2015 without any comprehensive studies or access to scientific data base pertaining to the sector.

1.17 In like manner, the Ministry has assumed their responsibility to have ended in regard to creation of a vertical in the reporting system of Reserve Bank of India for monitoring credit flow to the marginal, small and medium food processors once this matter was discussed by the Secretary of the Ministry with the representatives of Ministry of Finance, Reserve Bank of India and financial institutions/banks way back on 12 August, 2009. The Ministry also felt that they had fulfilled their responsibility in regard to the district food processing plan being prepared as a part of district credit plan by each bank once it was discussed with the representatives of Indian Banks Associations during the meeting of 12 August, 2009 mentioned above.

1.18 In the considered opinion of the Committee the extant low levels of food processing in the Country, among other things, are also due to the low access to credit for farmers as well as small and medium food processors. They, therefore, recommend that rather than continue to derive solace from the meeting of 12 August, 2009, the Ministry should immediately get down to the task of preparing cogent proposals both in regard to creation of vertical in the reporting system of the Reserve Bank of India as also for inclusion of district food processing plan in the district credit plan by banks. They should, thereafter, take up these proposals in right earnest with the Reserve Bank of India and Indian Banks Association with a view to fructify them in a highly time bound manner. The Committee would like to be apprised of the results of the efforts of the Ministry on these aspects.

1.19 The Committee are of a firm view that the Ministry cannot achieve much in their mandated role and responsibility with such an approach. The food processing industry sector in its present state cannot be expected by any stretch of imagination to be able to plug the colossal post harvest crops losses occurring year after year in the Country. The Ministry have to, instead, pull up their socks and get down to the task of creation of infrastructure facilities for the food processing industry sector in the Country on a war footing basis, to ensure that the hard

labour put in by the Country's farming community does not go down the drain due to their failure to create sufficient storage and processing infrastructure facilities in the Country expeditiously.

1.20 The Committee have taken note of the fact that in the Tenth Plan the Scheme of Infrastructure Development included components like Food Park, Integrated Cold Chain Facility, Value Added Centre, Packaging Centre, Irradiation Facilities and Setting-up/Modernization of Abattoirs. In the Eleventh Plan the Infrastructure Development Scheme has been remodeled as a new Scheme and consists of only three components viz. Mega Food Parks, Integrated Cold Chain and Preservation Infrastructure and Modernization and Setting-up of Abattoirs. The new Scheme has been examined and commented upon in the succeeding Chapters.

CHAPTER-II

MEGA FOOD PARKS

The Mega Food Parks component of the Scheme for Infrastructure Development slated for implementation during Eleventh Five Year Plan, aims to provide a mechanism to bring together farmers, processors and retailers and link agricultural production to the market so as to ensure maximising value addition, minimising wastages, increasing farmers' income and creating employment opportunities in rural sector. Mega Food Parks envisage a well-defined agri/horticultural-processing zone containing state-of-the-art processing facilities with support infrastructure and well-established supply chain. Primarily this Scheme is meant to facilitate establishment of integrated value chain, with processing at the core and supported by requisite forward and backward linkages.

2.2 The objectives of the Scheme are as follows:

(a) Provide state-of-the-art infrastructure for food processing in the Country in selected clusters to be identified in a demand driven manner.

(b) Ensure value addition of agricultural commodities including poultry, meat, dairy, fisheries, etc.

(c) Establish a sustainable raw material supply chain for each cluster

(d) Facilitate induction of latest technology.

(e) Address issues of small farm size and small and medium nature of processing industries through a cluster approach with stakeholders managing the supply chain.

(f) Provide an institutional mechanism for producers, processors, and retailers to work together to build the supply chain.

2.3 The salient features of this Scheme are as follows:

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

by MOFPI or on the basis of proposals submitted by potential investors.

- The ownership and management of the Mega Food Park would vest with a Special Purpose Vehicle in which organised retailers, processors, service providers etc. may be the equity holders or there may be an anchor investor along with its ancillaries. SPV will be structured to ensure control of the SPV by industry stakeholders. The farmers organisations will be encouraged to participate in the SPV. The Government agencies may also be shareholders in SPV upto a maximum of 26%.
- The project also envisages providing power, water, road, ETP etc. and it would be part of the responsibility of the management of the park.
- The Scheme proposes to engage a professionally managed organisation, which has intensive experience in project management and development as PMA (Project Management Agency). PMA appointed by MFPI would assist in carrying out feasibility studies, appraisal of project proposals submitted under the Scheme by SPVs and monitoring of the projects.

2.4 It is observed that the Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 11 September, 2008 had approved establishment of ten Mega Food Parks initially out of thirty Mega Food Parks proposed under the Infrastructure Development Scheme for Mega Food Parks during Eleventh Plan period. Subsequently, the proposal for up-scaling of the Scheme had been considered by the Expenditure Finance Committee which has recommended for taking up five more such projects during the remaining period of the Eleventh Plan. Note for CCEA is under circulation for seeking comments. In response to a query as to why the number of Mega Food Parks has been reduced from thirty to ten, the Secretary, Ministry of Food Processing Industries during the course of Oral Evidence on 22 November, 2010 submitted as under:

> "I would like to submit that allocation of overall Plan Allocation of Rs.1,575 crore for thirty Food Parks was the outlay in the Eleventh Five Year Plan. However, when the schemes were prepared and when they went up for final approval at the highest level of the Government, the EFC had proposed in-between that only ten of the Food Parks should be set up and that after seeing the progress up to a certain point, the number should be expanded".

2.5 When queried whether any review was undertaken later, he added:

> "Yes. We had gone to EFC again about two months back where the position of the each of the Mega Food Park with all the details was explained to EFC. After going through all these, a decision was taken that five new Food Parks should be immediately allowed, which was also part of the hon. Finance Minister's Budget speech. Based on that, those five Parks have been approved only on the 18th of this month. We are getting the minutes and the approvals after which in full readiness we will start the exercise once again".

2.6 The Ministry furnished the following statement highlighting budget allocation and expenditure incurred under this Scheme during the first four years of the Eleventh Five Year Plan:-

(Rs. in crore)

Year	**BE**	**RE**	**Actual**
2007 – 08	-	-	-
2008 – 09	50.00	28.00	27.63
2009 – 10	70.00	23.93	18.49
2010 – 11	77.50	-	51.69 (Exp. Upto 30.9.10)

2.7 When asked about the reasons for substantial mismatches between BE, RE and Actual during 2008-09 and 2009-10, the representatives of the Ministry clarified during Oral Evidence on 22 November, 2010:

> "For Mega Food Parks, the BE for the last three years have been Rs.50 crore in 2008-09 Rs.70 crore in 2009-10, Rs.79 crore in 2010-11. The Revised Estimate in 2008-09 was Rs.28 crore against which we could spend Rs.27.63 crore. As mentioned, this was effectively the last month's performance in the year 2008-09 after final approvals were given to the projects. Thereafter, in 2009-10, BE of Rs.70 crore was set aside for Mega Food parks, which was reduced drastically to Rs.23.93 crore at RE stage against which we spent Rs.18.49 crore. This money was actually spent in the initial advances given to the remaining parts. That means, we first start by giving an advance of ten per cent of the total eligible assistance, which is approximately Rs.5 crore. So, the first two years performance actually are those figures where initial amount was given. This year, we have budget of Rs.77.50 crore with another Rs.1.5 crore for miscellaneous expenditure. The net BE is Rs.79 crore. We have proposed an RE of Rs.113 crore this year because out of these Rs.79 crore, we have already spent Rs.51.69 crore. That means, more than 66 per cent of the current year's budget has already been spent and we are expecting that some more cases will come up so that the RE proposed is at Rs.113 crore. This is about the Mega Food Parks".

2.8 Regarding the pattern of assistance the Ministry submitted that the feasibility studies have indicated that on an average, the project cost of a Mega Food Park would be about Rs.150 crore. Based on it, the pattern of financial assistance from Government is as under:

(a) Financial assistance (grant-in-aid) @ 50% of the project cost in general areas and 75% for NE Region & difficult areas (North East including Sikkim and J&K, Himachal Pradesh and Uttarakhand) subject to maximum of Rs.50 crore for creation of common Infrastructure facilities and facilities for backward and forward linkages.

(b) Project Management Fee@ 5% of the grant to meet the cost of engaging Project Management Agency (PMA) at apex level to assist the Ministry and also domain consultancies for SPV.

2.9 On the status of implementation of Mega Food Parks, the Ministry stated that operational guidelines were issued on 21 October, 2008. In accordance with the procedure laid down under the above Scheme guidelines, 'in-principle' approval was accorded for setting up of 10 MFPs in the following States: Andhra Pradesh, Jharkhand, Karnataka, Maharashtra, Punjab, North-East (Assam), Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal.

2.10 The Ministry further stated that after scrutinizing the DPRs of the projects in respect of the States of Andhra Pradesh, Jharkhand, North-East (Assam), Uttarakhand, Tamil Nadu and West Bengal, final approval was given to approve Special Project Vehicles of these States and grants-in-aid of 40% of the total, consisting of first and second installment, were released in the case of Andhra Pradesh & Uttarakhand and 10% (first installment) to each of the other 4 States. As regards other 4 Mega Food Parks, namely Karnataka, Punjab, Maharashtra and Uttar Pradesh, the Special Purpose Vehicles (SPV) have asked for time to submit the DPRs. The details of grant-in-aid disbursed to Mega Food Parks are at **Annexure- II.** In a different context the Committee were informed by the Ministry that the MFPs in Karnataka, Punjab, Maharashtra and Uttar Pradesh could not progress further due to various shortcomings. The projects have, therefore, been cancelled and the process has begun afresh.

2.11 When enquired as to why the grant releases for some projects are far less as compared to respective total expenditure whereas grant releases for some projects are much above the total expenditure incurred, the Ministry informed that in case of the MFPs in Uttarakhand, Jharkhand and Andhra Pradesh expenditure is more than the amount of grant released. The expenditure figures also include share of SPV apart from grant amount. In case of West Bengal and Tamil Nadu figures are being obtained and construction at site is yet to gear up. The latest position in the matter is at Annexure- III.

2.12 On being queried about the efforts made by the Ministry to provide backward and forward linkages in Mega Food Parks, the Ministry replied that guidelines of the Scheme provide for a network of primary processing centres and collection centres in catchment area of Mega Food Park for ensuring linkage of farmers produce to the industries coming up in the Mega Food Park. The Ministry have taken the initiative of forming the Mega Food Park Coordination Committee (MFPCC) for each of the Mega Food Parks. The MFPCC has been formed for 6 Mega Food Parks. The Chairman of MFPCC shall be District Collector of the districts where the Mega Food Park projects are currently being implemented. This Committee shall have representation from other relevant departments like Department of Agriculture and Horticulture, State Agriculture Universities, Agriculture Technology Management Agency, Krishi Vigyan Kendras, Department of Industries and the farmer bodies. The MFPCC shall provide necessary support and assistance to concerned SPVs in developing strong backward linkages in the catchment area of the project. The Ministry have also worked out a detailed Media and Investment Promotion Plan for both promotion of Scheme as well as investment promotion in case of each of the approved projects. Under this initiative, the Ministry intend to organize workshops for development and strengthening of backward linkages and bankers' meet for each project at the project location. In addition, the Ministry have also planned to assist the SPVs in organizing Investors' Meet at the project location to encourage potential investors for setting up units in the Park. It is also proposed to attach focus on MSME sector to assist them setting up units in the Plug and Play facilities proposed to be developed in the Parks.

2.13 The Committee have been informed that the ownership and management of the Mega Food Park would vest with a Special Purpose Vehicle (SPV) in which organized retailers, processors, service providers etc. may be the equity holders or there may be an anchor investor along with its ancillaries. SPV will be structured to ensure control of the SPV by industry stakeholders. The farmer organizations will be encouraged to participate in the SPV. The Government agencies may also be shareholders in SPV upto a maximum of 26 per cent.

2.14 When asked whether the Government/or any of their agency(ies) are shareholder in any of these Parks, it was stated that the Mega Food Park is to be implemented by an SPV which shall be a body corporate to be registered under Indian Companies Act 1956. The PSU or any Government Body can join the SPV, but the share holding in such case will not be more than 26% to ensure the private sector character of SPV. Out of the 10 approved projects, 2 PSUs / Government Body have participated in the SPV of North East Mega Food Park in Nalbari, Assam; 1 in Jangipur, West Bengal and 2 in Ferozepur, Punjab. The name and percentage of shareholding pattern of them as under:

<u>Assam</u>

(i) AIDC : 22%

(ii) ASIDC : 1%

<u>West Bengal</u>

West Bengal State Food Processing & Horticulture Deptt.: 11%

<u>Punjab</u>

(i) SIDBI: 26%

(ii) PAIC : 11%

2.15 In the case of Punjab, there are two public sector companies – the SIDBI which has 26 per cent participation and PAIC which has 11 per cent stake. Together, it is 37 per cent. On being pointed out that this was above the cap of 26%, the Secretary of the Ministry clarified during the further Oral Evidence on 22 November, 2010 as under:

> "It is only in the principal stage that SIDBI was shown as having 26 per cent. When the final project comes for approval, we can ensure that the share of all the two of them remains 26 per cent. We will have to look at it since it has been pointed out to us".

2.16 For developmental aspects of food processing Industries in States, communication and power are also to be taken into consideration. But, there is lack of these basic amenities in small and hilly States. In developmental activities, a hilly State is always getting neglected in agricultural sector. In response to a query raised for extension of development works relating to Mega Food Park in small and hilly States specially North-Eastern States including Sikkim, the witness clarified during the Oral Evidence on 22 November, 2010 as noted below :

> "So far as the overall approach to North-East is concerned, my Ministry is constantly trying – since we feel and everyone from the North-East also says that food processing is one of the most important activity for many of the North-Eastern States – to ensure that the ten per cent grant of the total amount which is to be spent as per the Government policy, we should be able to spend. Our performance in the past has been less than satisfactory. But, I can assure you that our performance over a period of the last two-three years will show a definite increase in actual expenditure in the area. It is our constant endeavour to spend more and more money and to encourage".

2.17 He further added:

> "We are planning to start a regional centre in Guwahati of the Indian Institute of Crop Processing Technology (IICPT) – one of our national level research-cum-other centres. A lab also is proposed to be opened in that area. So, all the uncovered areas in the North-East will have a linkage to their food testing laboratory. For example, when we took up the scheme of abattoirs, although the so-called reservation was only 10 per cent money, we found that abattoir is a scheme which needs special attention in the North-East area.
>
> Out of the 10 which were approved, two of them are from the North Eastern area. So, at least about Rs.15 crore worth of subsidy for each of the project will flow to that area".

2.18 Regarding a query on the problems, like lack of communication, transportation facilities and economic blockades in North-Eastern hilly regions, he submitted:

> "I want to assure the Member that whatever regional centres are there, the actual basic activity will be State-wise. When we go to impart information or organize camps, it is by definition has to be in the field area where there are farmers located so that the north east will be getting what is due to them".

2.19 On the specific question of the laying down of inbuilt systems for efficient waste management in Mega Food Parks, the Ministry stated in a subsequent written reply that at the time of submission of Detailed Project Reports, the SPV is required to submit a plan of waste disposal comprising provision for effluent treatment plant and solid waste disposal system. Some of the Parks which are at developed stage of project implementation like Mega Food Park at Haridwar have already developed solid waste management by establishing Bio Gas plant. Most of the Parks are at developing stage. Once they develop they will also develop similar waste management system. Moreover, every project is required to meet a statutory requirement of obtaining clearance from the State Pollution Control Board. Such a mandatory requirement takes care of the waste management system in respect of every project.

Food Park Scheme

2.20 While examining the Mega Food Parks Scheme, the Committee also analysed its predecessor Scheme viz. Food Park Scheme. The Scheme of Food Parks which was under implementation during Eighth to Tenth Plan Period, envisaged to make available common infrastructure facilities for the Food Processing Industries, especially, SMEs. The Scheme provided for a grant of upto 25% of the project cost subject to a maximum of Rs.4.00 crore in general areas. The Ministry have so far approved 56 Food Parks for assistance. Out of 56 Food Parks approved during Eighth to Tenth Plan Period, 20 Food Parks have been funded fully, 34 have been funded partially which are at different stages of progress and 2 Food Parks have not been provided any assistance as they did not show any progress in project implementation.

2.21 During oral evidence on 17 February, 2010, the Secretary, Ministry of Food Processing Industries further informed the Committee:

> "About 56 odd parks were approved – two in the Eighth Plan; 39 in the Ninth Plan; and 15 in the Tenth Plan. The Scheme of Food Park has evolved from the Scheme of industrial parks since the industrial raw-material is available more through the organized means. Their basic concept was that we will have an area of 30 acres where we will provide roads, electricity, water, facilities of ETP and some common facilities of even cold chain and we will have a food park. So, the industrial park – that was in our mind – was converted into Food Park. it had a chequered performance. Only 18 out of the 56 parks could claim full reimbursement."

2.22 As substantial amount of public money was involved in the Scheme of Food Park, the Committee examined some of them in details.

The succeeding paragraphs provide an illustrative insight into the way this Scheme has been implemented by the Ministry over three successive Plans.

2.23 **Food Park at Saha, Ambala** :- In case of the Food Park at Saha, Ambala approved by the Ministry in 2001-02 it is found that out of Rs.293 lakh released by the Ministry Rs.146.50 lakh is still lying in the Bank. It was further found that the bank has been asked to return the money alongwith interest accrued. When queried about the date of release of the money and the date when the Ministry wrote to the bank to return the money alongwith accrued interest, it was stated that first installment of Rs.146.50 lakhs was released to the IDBI Bank, Surya Kiran Building, Kasturba Gandhi Road, New Delhi on 4 January, 2002 which was disbursed to the implementing agency on 21 March, 2003. The Second installment was released on 27 March, 2003. The Ministry wrote to the bank to return the unspent balance alongwith accrued interest vide its letter dated 28 August, 2008. The bank was requested to refund the money along with interest as per the rate prevailing at that time. A reply from the bank is still awaited. When further asked about status as on 30 November, 2010 the Ministry stated that entire amount of approved grant of Rs.293.00 lakhs have been released by them. In the latest Progress Report, it has been informed that Haryana State Industrial & Infrastructure Development Corporation Ltd. (HSIIDC) has developed Food Park at Saha over an area of 70 acres. The infrastructure development work in the Food Park has been completed and all 196 plots have been allotted. The Corporation has acquired approximately 251 acres in the second phase which is to be developed for extension of Food Park and the existing Industrial Growth Centre at Saha.

2.24 **Food Park at Kuppam, Andhra Pradesh** :- The Committee have been informed that in case of Food Park at Kuppam, Chittoor, Andhra Pradesh, approved in 2000-01, a sum of Rs. 200.00 lakh was released out of the approved grant of Rs. 400.00 lakh. The release of the Third installment is held up because the conditionality of 75% of the appraised cost being spent has not been met. The matter has been taken up with the Implementing Agency for latest progress report, CA certificate, etc. When asked how many times have the Ministry taken up the matter of latest progress report, CA certificates, etc. during the last five years, it was stated that the Ministry have taken up the matter of latest progress report 7 times during the last five years on the dates mentioned below:

(i) 18.7.2005
(ii) 21.12.2005
(iii) August 2006
(iv) 17.11.2006
(v) 28.01.2008
(vi) 10.11.2008
(vii) 5.02.2009

2.25 When further queried about status as on 30 November, 2010 the Ministry stated that against approved grant of Rs.400.00 lakhs, Rs.200.00 lakhs have been released so far. Utilization Certificate for the grant amount released to the Implementing Agency and Progress Report as on March 2010 have been received. However, the condition regarding expenditure of 75% of the Promoters contribution is yet to be achieved**.** Ministry have taken up the issue of slow progress with APSIDC.

2.26 **Food Park at Chaygaon, Kamrup, Assam** :- In case of the Food Park at Chaygaon, Kamrup, Assam, a sum of Rs.175.00 lakh has been released out of the approved grant of Rs.350.00 lakh. The case for further release of Rs.55.50 lakh is held up because the IFW wanted year-wise expenditure on the Project since 6 April, 2005. The Ministry have accordingly sought the relevant documents on 31 December, 2008. In response to a query about the delay in release of grants and its consequential effect on the operationalisation of the Park and asked as to when did the IFW point out the requirement of year-wise expenditure on the project since 6 April, 2005, the Ministry replied that although the project was approved in 2000-01, the Implementing Agency had approached the Ministry to approve change of project location from Sonapur to Chaygaon as the original site was not free from encumbrances and the soil was hard and rocky. The Ministry considered the request for change of location and approved it on 4 October, 2002. As the grant is disbursed back-ended and implementing agency has to arrange finances in lieu of grant from other sources, any delay in release of grant would naturally affect the progress and operationalisation of the project. The Ministry are making all out efforts to expedite disbursement of grant due. IFW asked for year-wise expenditure with effect from 6 April, 2005 onwards in December, 2008. The information was called for by IFW due to the reason that clear picture of expenditure on common facilities was not reflected in CA certificate submitted by the implementing agency. When further asked about status as on 30 November, 2010 the Ministry stated that against the approved grant of Rs.350.00 lakhs, First installment of Rs.175.00 lakhs has been released by the Ministry. Against approved project cost of Rs.496.00 lakhs, expenditure incurred on the project is Rs.265.49 lakhs and over 80% of civil work is completed.

2.27 **<u>Food Park at Rajnandgaon, Chhattisgarh</u> :-** It was noted that a sum of Rs.200.00 lakh has been released by the Ministry as first installment for the Food Park at Village Teadesara, Rajnandgaon, Chattisgarh. The entire amount is lying as unspent in the Bank. In order to expedite the process, the Ministry have taken up the matter with the Secretary, Industry and Chief Secretary, Government of Chattisgarh, etc. However, no progress has been achieved. The

Ministry have also issued a letter to the bank requesting to return the grant amount with interest on 25 June, 2003. About the sequence of events, the Ministry informed that first installment of grant of Rs.200.00 lakh was transferred on 18 February, 2002 to UCO Bank. The said amount was released as per the guidelines prevailing at that time as per which First installment used to be released to the bank as soon as the PAC approved the proposal. However, actual disbursement to implementing agency was subject to fulfillment of requisite conditions of physical and financial progress. The implementing Agency was requested vide letter dated 9 December, 2002 to furnish physical and financial progress report. Since the response was not forthcoming, a review meeting was fixed on March 2003 in which the Implementing Agency could not attend due to its pre-occupation on account of budget session. The meeting was rescheduled on 21 July, 2003, which was attended by the Implementing Agency. In the meeting it was decided that the Implementing Agency will furnish the requisite documents by 18 August, 2003. As the said report was not received by due date, a D.O. reminder from the then Joint Secretary was addressed to the Principal Secretary, Government of Chhattisgarh, followed by a reminder dated 2 May, 2005 by the Secretary to the Chief Secretary. Since it did not elicit any result, a DO letter was than sent by MOS, FPI to Chief Minister on 17 August, 2005. Subsequent reminders were sent by JS to Principal Secretary on 25 May, 2006 and on 22 January, 2007. Since no report was received, it was finally decided to recall the grant from the bank vide letter dated 12 June, 2007. The concerned bank is UCO Bank, Pension Bada Branch, Raipur, Chhattisgah. In spite of several reminders no reply has since been received from the bank. However, they have been reminded from time to time. Last correspondence has been addressed to Chairman and Managing Director, UCO Branch on 15 January, 2010 from the Secretary. When further asked about status as on 30 November, 2010 the Ministry stated that against approved amount of grant of Rs.400.00 lakhs, Rs.200.00 lakhs have been released so far. Chhattisgarh State Industrial Corporation Ltd. vide their communication dated 27 July, 2010 informed that the issue of returning the amount of first installment released to them has been submitted to their Board of Directors and requested to keep the matter pending till the decision of Board Directors. It was further stated that since, this park is not progressing hence Ministry are trying hard to get back the amount released.

2.28 **Food Park at Rai, Sonipat, Haryana** :- In regard to the Food Park at Rai, Sonepat, Haryana, the Committee were informed that the said Park costing Rs.5220.22 lakh was approved in 2001-02. Out of the approved grant of Rs.400.00 lakh, a sum of Rs.200.00 lakh has already been released. About the status of the Park, the Committee found that the Progress Report in the instant case is awaited and the Ministry have issued a letter on 5 September, 2008 asking for the same alongwith necessary documents for release of the next installment. When queried the Ministry informed that the proposal for grant of Rs.400.00 lakh was approved in the Project Approval Committee Meeting held on 22 February, 2002. First installment of grant was released in 2 tranches of Rs.44.00 lakhs on 28 March, 2002 and Rs.156.00 lakhs on 9 April, 2002. HSIIDC vide its letter dated 18 February, 2009 has informed about the progress in the Food Park and the expenditure incurred till 31 December, 2008. They have also furnished the utilization certificate of the first installment of grant. When further asked about status as on 30 November, 2010, the Ministry stated that against approved grant of Rs.400.00 lakhs, Rs.200.00 lakhs have been released so far. As per the latest Progress Report, HSIIDC has developed 223 plots of different sizes in this Food Park. The corporation has acquired approximately 382 acres in the second phase which is to be developed for extension of Food Park and Industrial area.

2.29 **Food Park at Khunmoh, Srinagar, J&K :-** It was found that the Food Park at Khunmoh, Srinagar, J&K was approved in 2000-01 and a

Grant-in-aid of Rs.400.00 lakh was approved for this Project whose total cost is Rs.725.82 lakh. A sum of Rs.300.00 lakh has been released for the Park. Out of this amount Rs.100.00 lakh is lying in the bank as unspent balance. However, when the bank was asked by the Ministry to inform about the accrued interest they have been informed that the Food Park has closed the account with the Branch. The Ministry have taken up the matter with the Implementing Agency for clarification. In response to the subsequent queries of the Committee, the Ministry informed that the Grant was approved by PAC in its meeting held on 21 December, 2000. First installment of Rs.200.00 lakh was sanctioned on 26 February, 2001 and released on 12 April, 2001. Second installment of Rs.100.00 lakh was sanctioned on 24 March, 2003. In the sanction letter dated 24 March, 2003, the bank was instructed not to release the amount to implementing agency until they receive further instruction from the Ministry. The release is subject to fulfillment of prescribed condition regarding physical progress, UC of earlier installment of grant and requisite percentage of expenditure by the implementing agency. Since requisite documents were not received, it was decided to hold a review meeting on 26 September, 2003 with J&K SIDCO. Thereafter, the matter was taken up with J&K SIDCO from time to time to expedite the submission of documents/information. Ministry wrote to J&K Bank for refund of Rs.100.00 lakh with interest accrued since 24 March, 2003, vide letter dated 24 August, 2008. The Ministry vide letter dated 29 June, 2009 again requested the bank for refund of grant. J&K Bank vide letter dated 15 July, 2009 intimated about closure of the account. Ministry vide letter dated 7 September, 2009 sought clarification from the Implementing Agency. The Implementing Agency vide their letter dated 9 March, 2010 has intimated that before closure of the account, the grant amount of Rs.100.00 lakh was withdrawn by them which has been spent on the project. The project is under progress and since the amount have been utilized by the implementing agency for development of the project, it is proposed to regularize the release of this amount after obtaining the UC of earlier grant released. When further asked about status as on 30 November, 2010, the Ministry stated that against approved grant of Rs.400.00 lakhs, Rs.300.00 lakhs have been released so far. However, J&K Bank had released the last installment of Rs.100.00 lakhs to the Implementing Agency viz., J&K SIDCO without instruction from the Ministry. The regularization of the same is under consideration.

2.30 **Food Park at Sopore, Baramulla, J&K :-** In regard to the Food Park at Sopore, Baramulla, J&K which was approved in 2002-03 at a project cost of Rs.948.30 lakh, a sum of Rs.400.00 lakh has been approved as grant-in-aid. Out of this Rs.200.00 lakh has already been released for the Project. For the release of further grant the Implementing Agency has been requested on 14 January, 2009 to furnish the requisite documents such as Utilisation Certificate, Proof of expenditure of 75 per cent of the promoters contribution, etc. The Ministry informed in response to later queries of the Committee that the PAC in its meeting held on 16 September, 2000 approved grant-in-aid of Rs.400.00 lakhs for Sopore Food Park. First installment of Rs.200.00 lakh was sanctioned on 27 September, 2002 and released on 26 February, 2004. The release of Rs.200.00 lakh to J&K SIDCO was made subject to completion of formalities by the Implementing Agency. Implementing Agency has submitted the progress report and other requisite documents on 24 April, 2009 for release of next installment. When further asked about status as on 30 November, 2010, the Ministry stated that against approved grant of Rs.400.00 lakhs, Rs.200.00 lakhs have been released so far. For consideration of release of next installment of grant, a detailed physical inspection report has been called for from the State Nodal Agency.

2.31 **Food Park at Jammu :-** It is noted that the Ministry have released a sum of Rs.273.00 lakh, for the Food Park at Jammu, J&K which was approved in 2001-02. Out of this Rs.273.00 lakh, an amount of Rs.13.50 lakh are lying in the bank as unspent balance. It is further noted that the Ministry have issued a letter on 22 August, 2008 to the bank asking it to return the grant amount alongwith the interest. The Ministry informed that grant of Rs.346.00 lakh was approved by the PAC in its meeting dated 15 March, 2002. First installment of Rs.173.00 lakh was sanctioned on 28 March,2002 which was released to the implementing agency on 30 April, 2002. Second installment of Rs.100.00 lakh was sanctioned on 17 March, 2003, out of which Rs.86.50 lakh was released to the implementing agency on 26 May, 2003 commensurate with the physical and financial progress in the project. Rs.13.50 lakh is still lying with the Indian Oversees Bank. Since the release of Rs.86.50 lakh on 26 May, 2003 efforts are being made by the Ministry for obtaining requisite documents for release of balance grant but no response has since been received form the implementing agency. As no response was received form implementing agency and the grant of amount Rs.13.50 lakh was lying with the bank for a long time, Ministry finally decided to recall the unspent balance with interest accrued there from Indian Oversees Bank vide letter dated 22 August, 2008. The response of the bank is still awaited. When further asked about status as on 30 November, 2010 the Ministry stated that against approved grant of Rs.346.00 lakhs, Rs.273.00 lakhs have been released so far. An amount of Rs.13.50 lakhs has been lying with the Bank as unspent balance. The Bank has been requested to return the amount with interest. Response of the Bank is awaited.

2.32 **Food Park at Bagalkot, Karnataka :-** The Food Park at Bagalkot, Karnataka was approved in 2000-01 and had been provided with the first installment of Rs.200.00 lakh as grant-in-aid by the Ministry. The entire amount is lying in the bank as unspent balance. When the Implementing Agency was asked to return the amount alongwith the interest it has informed the Ministry about the funds being released. It has been stated that release was made without the

Ministry's approval and the bank has been asked to inform about Ministry's written permission for release of the funds. When asked to clarify further the Ministry submitted that first installment of `200.00 lakh was released to the bank on 30 July, 2001 with specific instructions to the bank that it will disburse the money to the Implementation Agency only after further instruction from the Ministry. Since Ministry have not issued any letter to the bank to disburse the grant, it is understood that the amount released to the bank was lying in the bank as unspent balance. Letter asking for return of grant and along with accrued interest was issued on 28 August, 2008 to the bank with a copy to the implementing agency. Food Karnataka Ltd., the implementing agency, in response to Ministry's letter dated 28 August, 2008 informed vide their letter dated 25 September, 2008 that it has spent the grant amount in the project on land leveling and procurement of plant and machinery along with some common facilities like cold storage. In response to the above letter of Food Karnataka Ltd., Ministry called for the clarification from the bank on 5 February, 2009. Response from the bank is awaited. When further asked about status as on 30 November, 2010, the Ministry stated that against approved grant of Rs.400.00 lakhs, First installment of Rs.200.00 lakhs has been released so far. Detailed Progress report and other requisite documents are awaited for consideration of release of next installment of grant.

2.33 **Food Park at Ghaziabad, Uttar Pradesh :-** The Food Park at Ghaziabad, U.P. which had been approved in 1999-2000 had been released an amount of Rs.271.00 lakh as grants-in-aid. They were further informed that the Food Park ran into problems due to non-payment of bank loan. UPSIDC also cancelled the land lease. The Bank has taken over the land as it was mortgaged. A legal battle is going on. The Ministry have issued letters to SNA, etc. to resolve the matter, however, with no results. The last letter was issued on 22 November, 2006. The Ministry stated that first installment of Rs.75.00 lakh was released on 8 March, 2000 and Second installment of Rs.75.00 lakh was released on 29 November, 2000. The Third installment of Rs.61.00 lakh was released on 13 February, 2001. The Fourth installment was released on 9 October, 2001. As per guidelines, for disbursement of grant, no collateral security is required unlike disbursement of term loan from banks, however, a surety bond is obtained from the beneficiary before releasing the grant. The surety bond is available with Ministry. Grant amount of Rs.271.00 lakh has been spent in the project by the implementing agency. A letter was issued by the Ministry to Managing Director, Wise Industrial Park, the Implementing Agency of the Food Park at Ghaziabad to send detailed report on the project indicating financial status on hearing that an inspection was carried out by the officials of Department of Horticulture and Food Processing, Government of Uttar Pradesh in the premises of Wise Industrial Park Ghaziabad. It was also indicated that premises of the Food Park were under the control of M/s. Global Trust Bank, because of the huge liability on account of the promoters. Further, Uttar Pradesh Industrial Development Corporation has also delineated their share of land from the project. On not receiving any response from the Implementing Agency and also not attending the review meeting held on 5 September, 2002 at Delhi, MOS, FPI had written on 17 October, 2002 to Chief Minister of Uttar Pradesh for reviewing the progress of Food Park in UP including one at Ghaziabad. It is from a letter of UPSIDC dated 21 March, 2003, the Ministry came to know that the Agro Park could not make any progress due to the dispute amongst the private promoters. Uttar Pradesh Industrial Development Corporation also cancelled the lease of the land to Wise Industrial Park, Ghaziabad and took over land as well as the assets on it. In another letter dated 28 February, 2003, Global Trust Bank Ltd., informed the Ministry that they have taken over possession of the mortgaged property on 2 December, 2002. UPSIDC, which is also a co-promoter of the company, has invoked provision under their lease agreement for their re-entry without intimating the bank. The bank have protested the act of the UPSIDC. Ministry took up the case separately with the Wise Industrial Park Ltd., UPSIDC and Global Trust Bank Ltd., seeking the status of the project in detail vide letter dated 24 February, 2003 and a meeting was convened in the Ministry on 9 July, 2003. The Managing Director, Wise Industrial Park Ltd., vide his letter dated 12 September, 2003 had informed that this company has no access to the Food Park as Global Trust Bank has taken over the land and assets of the Park. When further asked about status as on 30 November, 2010 the Ministry stated that against approved grant of Rs.395.00 lakhs, Rs.271.00 lakhs have been released so far. Entire approved amount of Rs.395.00 lakhs have been released in this case. The project has suffered a set back due to legal issues.

2.34 **Food Park at Dankuni, Hooghly, West Bengal :-** In case of Dankuni Food Park, Hooghly, West Bengal, approved in 1996-97, the first installment of Rs.75.00 lakh was released on 25 September, 1996. However, the Implementing Agency has not been able to procure the land from the State Government so far. A communication has been issued by the Ministry on 22 September, 2008 to treat the project as closed. Elaborating further, the Ministry informed that the Food Park at Dankuni was approved by PAC in the year 1996-97. The project remains unimplemented as the original promoters viz M/s Modular Food Parks Ltd. could not acquire the requisite land and mobilize funds for implementing the project. The Ministry had released an amount of Rs.75.00 lakhs, which has been reported to be utilized for water supply works. The Ministry have been calling for a revival plan for the project from the State Nodal Agency. Ministry has also taken up the issue with the State Government at the level of Chief Secretary for coming up with the revival plan for the project. In the review meeting held on 8 November, 2005, it was noted that a proposal has been submitted by M/s. Keventer Project Ltd. for implementing the project and it was decided that the State Government may propose a restructured proposal along with the recommendations for the implementation / revival of the project. Subsequently, M/s. Keventer Projects Ltd. made a presentation in the Ministry regarding revival and implementation of the Food Park. The Ministry is awaiting a formal proposal from the State Government in this regard for revival of the project. The scheme of Food Parks has since been discontinued after 10th Plan. In the 11th Plan the scheme has been revamped based on the recommendations after its evaluation. Now the DPR is accepted and project is approved only when the implementing agency is in the possession of land and has a clear title in its name along with its conversion of land use for industrial purposes and other approvals obtained for setting up of food processing industries. To safeguard the grant amount, implementing agency is required to enter into an agreement with the Ministry and the grant is transacted through a Trust & Retention Account so that it is utilized for the specific project and cannot be diverted. When further asked about the status of the project as on 30 November, 2010, the Ministry stated that against approved grant of Rs.400.00 lakhs, Rs.75.00 lakhs have been released so far. In the meantime, the Implementing Agency has also been changed. To salvage the project and expedite its implementation, a meeting was taken by the Chief Secretary, Govt. of West Bengal in the presence of Secretary of Ministry of Food Processing Industry on 20 September, 2010 at Kolkata for discussing various issues along with revival of Food Park at Dankuni. In a different context the Committee were informed that the Ministry were in consultation with the Ministry of Finance to find out a solution to the outstanding financial liabilities, etc.

Mega Food Park Scheme

2.35 The Mega Food Parks Scheme is a new Plan Scheme introduced by the Ministry of Food Processing Industries in the Eleventh Plan. The Scheme envisages the Mega Food Park as a mechanism to bring together farmers, processors and retailers. The Park would virtually act as a bridge between the agricultural production and the market to ensure maximum value addition, minimum wastage, increased income levels of the farming community, as well as creation of additional employment opportunities in the rural areas. The Mega Food Parks are to be established in selected clusters to be identified in a demand driven manner. These Parks would be, according to the Ministry, well-defined agri/horticultural-processing zones containing state-of-the-art processing facilities with support infrastructure and well established supply chains complete with backward and forward linkages. The Committee note that the pattern of financial assistance for a Mega Food Park that costs about Rs.150 crore is in the form of grant-in-aid @ 50% of the project in general areas and 75% for NE Region (NE including Sikkim) and difficult areas (J&K, Himachal Pradesh and Uttarakhand) subject to a maximum of Rs.50 crore for creation of common infrastructure facilities and facilities for backward and forward linkages. Apart from this there is a provision of Project

Management fee @ 5% of the grant to meet the cost of engaging Project Management Agency at apex level to assist the Ministry and also domain consultancy for Special Purpose Vehicle to be created for the purpose.

2.36 The Committee further note that the Ministry had proposed 30 Mega Food Parks for the Eleventh Plan and sought an allocation of Rs.1575 crore for the purpose. Though the Eleventh Plan commenced on 1 April, 2007, the CCEA approved the proposal of Mega Food Parks only on 11 September, 2008 i.e. almost one and a half year into the Eleventh Plan. Considering perhaps the track record of the previous such Scheme of the Ministry viz. Food Parks, the CCEA approved setting up of only 10 Mega Food Parks in the first phase. The erstwhile scheme of Food Parks has also been analysed in the later half of this Chapter. The Committee are constrained to observe that due to the inordinate delay in approval of the Scheme by the Government, the Ministry could obviously make no headway in the Scheme during the First Year of the Eleventh Plan (2007-08). During the Second Year also, since the approval came only halfway through, on 11 September, 2008, the Scheme could not be implemented with full vigour. As a result, the BE of Rs.50 crore, which in itself is a modest sum, was almost halved to Rs.28 crore and the Ministry spent as much during the remainder

of the Fiscal. During the next year, the BE of Rs.70 crore was again reduced to Rs.23.93 crore i.e. almost one third of BE and the Ministry could spend Rs.18.49 crore out of this reduced RE. From the deposition of the Secretary of the Ministry, the Committee cannot but conclude that the drastically reduced BE was presented as a *fait accompli* to the Ministry. Consequently, they could not go beyond disbursing the initial tranche of Rs.5 crore or so each to some of the SPVs. The Committee further note that in the Fourth Year of the Plan, the BE of Rs.77.50 crore has been hiked to Rs. 113 crore at the RE stage and the Ministry have assured the Committee about utilizing the entire amount.

2.37 On the front of physical achievements of the Scheme the Committee find that in principle approval was accorded for setting-up of 10 MFPs in Andhra Pradesh, Jharkhand, Karantaka, Maharashtra, Punjab, Assam, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal. The Committee have been informed that the ownership and management of the Mega Food Park will vest with a Special Purpose Vehicle (SPV) in which organized retailers, processors, service providers may be the equity holders or anchor investors along with its ancillaries. The Committee have been further informed that after scrutinizing the DPRs of the projects in respect of Andhra

Pradesh, Jharkhand, Assam, Uttarakhand, Tamil Nadu and West Bengal, the Ministry have given final approval for SPVs of these States. Grants-in-aid amounting to 40% of the total, consisting of first and second installments have been released to SPVs of Andhra Pradesh and Uttarakhand. For the remaining four States first installments of 10% each have been released. It is, however, a matter of great concern that the SPVs in Karnataka, Punjab, Maharashtra and Uttar Pradesh initially asked for time to submit DPRs and finally these projects had to be cancelled due to various shortcomings noticed in their proposals by the Ministry. Now that the process for bidding, etc. has begun *ab-initio,* the Committee exhort the Ministry to draw lessons from their failed experience and finalise the SPVs in these four States expeditiously and with due care so that no further time is lost in the planning and finalisation process. The Committee would prefer that these four MFPs are also processed alongwith the five additional ones, for which permission has recently been granted to the Ministry by the Government so that the 2-3 precious years lost by the SPVs in these four States are recouped to the extent possible.

2.38 The Committee note with satisfaction the initiative of the Ministry to form Coordination Committee for each of the Mega Food Park. They have been told that each Coordination

Committee headed by the administrative head of the district will also have representatives of other relevant department like Agriculture, Horticulture, State Agriculture Universities, ATMA, Krishi Vigyan Kendras, Industries, etc. and the farmers bodies. The MFPCC shall provide necessary support and assistance to concerned SPVs in developing strong backward linkages in the catchment area of the project. The Committee feel that the MFPCC can provide the much needed guidance, assistance and handholding to the SPVs, if they function in the right sprit. However, they exhort the Ministry to ensure that the tripartite structure viz. the Ministry, the SPV and the MFPCC, which consists of State Departments and Agencies, should not result in procedural delays and communication gaps leading to the MFPCC being rendered into another exercise in red-tapism. The Committee, therefore recommend the Ministry to ensure that the mandate of the MFPCC is clearly cut out and they act as a vibrant and proactive interface for the SPV with various agencies involved with the MFP projects.

2.39 Amongst the various conditionalities pertaining to SPVs the Committee note that the Government agencies may also be share holders in SPV upto a maximum of 26%. The Committee's analysis of the share holding patterns of the 6 SPVs in progress, however, indicated that at least in case of the SPV in Punjab

wherein SIDBI has a share holding of 26% and PAIC, another PSU has 11% share holding, the norm of maximum 26% has been breached as the Government share holding adds upto 37%. In this context the assertions of the Secretary of the Ministry during Oral Evidence before the Committee that it was only at principal stage that SIDBI was shown as having 26 per cent holding and the Ministry will ensure at the time of final approval that the combined holding of SIDBI and PAIC does not cross the 26 per cent limit is not convincing. His further admission during the Oral Evidence that the Ministry will have to look into it since it has been pointed out by the Committee, goes on to prove that the Ministry have not done their homework in a professional and proper manner while processing the MFP proposals. Otherwise, such situations would not have occurred. Nonetheless, the Committee desire that with a view to ensure that the share holdings and/or other relevant conditionalities are not breached or violated, the Ministry should go through each and every ongoing and proposed SPV and revert to the Committee with factual position and the details of action taken, wherever called for.

2.40 The Committee also find that the Mega Food Parks Scheme has not made much headway in the North East (including Sikkim) and difficult areas (Himachal Pradesh, J&K and

Uttarakhand). Only two MFPs are under implementation in the States of Assam and Uttarakhand in these areas. This is neither commensurate with the immense food processing potential of these areas nor is in consonance with the policy of preferred treatment to these areas in planning and developmental process. The Committee are of the unwavering opinion that for the faster mainstreaming of these regions their development has to be attended to on priority and through out of the box solutions. And for that purpose the Ministry ought to go even beyond the parameters on which similar activities are being encouraged in other areas of the Country. For instance, if finding SPVs in the private sector in these areas is a bit difficult due to the prevailing circumstances, they recommend that the Ministry should seriously reconsider allowing share holding beyond 26 per cent to the Government entities in the SPVs to ensure for MFPs in these regions so as to facilitate creation of credible and viable SPVs and to ensure the implementation of MFPs Scheme in these areas in a big way.

FOOD PARK SCHEME

2.41 The examination of the implementation of the MFP has revealed that the Food Park Scheme was the predecessor of the ongoing Mega Food Park Scheme. The Food Park Scheme was operational in Eighth, Ninth and Tenth Plans. Related as, the

Scheme is with the development of food processing sector in the Country, the Committee also analysed this Scheme in detail during their current examination. In all 56 parks were approved for being set-up. 2 of them were approved in the Eighth Plan, 39 in the Ninth Plan and the remaining 15 were approved in the Tenth Plan. The basic concept of these Food Parks was to provide roads, electricity, water, ETP facilities and some common facilities of even Cold Chain in an areas of 30 acres. The Committee note that the Food Park concept was essentially based on the Scheme of Industrial Parks. As per the own admission of the representative of the Ministry, the Food Park Scheme had a chequered performance. However, their examination further reveals that hardly 18 out of 56 Food Parks were able to claim the entire amount of financial assistance. The Committee analysed eleven out of these 56 Food Parks. In almost all cases, one thing came out very clearly that the Ministry displayed a total lack of commitment and professionalism in implementing this Scheme. In almost all cases monies were disbursed, but there was no follow-up. Consequently, an impression of <u>laissez-faire</u> was created with no accountability. In some cases the banks, where the grant-in-aid amounts were deposited by the Ministry, released the monies to the parties without the permission of the Ministry and without the necessary requirements being complied with by the parties

concerned and in certain cases against their express instructions. However, the Ministry remained blissfully unconcerned for years together. In fact they were spurred into action only when the examination of the Subject by the Committee commenced and updates were sought on the status of these Food Parks.

2.42 In the case of the Food Park at Saha, Ambala the Ministry approved a sum of Rs.2.93 lakh as assistance. Out of this, they stated a sum of Rs.146.50 lakh was released to the Implementing Agency and the second installment of same amount was lying in the bank, who had been asked to return the same with interest accrued thereon to the Ministry. However, when the Committee probed further, it transpired that while the first installment of the financial assistance was released to the Implementing Agency by the bank on 21 March, 2003, the second one was released a few days later on 27 March, 2003. The Ministry's letter to the bank to return the second installment alongwith interest accrued was sent almost five and a half years later to the bank on 28 August, 2008. The reply of the bank is still awaited. In their update on the status of the case the Ministry merely stated that the entire amount of assistance of Rs.293.00 lakh has been released by them and the infrastructure

work in the Park has been completed, which is far from convincing.

2.43 The Food Park at Chaygaon, Kamrup was approved in 2000-01 initially for being set-up in Sonapur. On the request of the Implementing Agency, the Ministry agreed to change of location to Chaygaon on 4 October, 2002. Out of the approved assistance of Rs.350 lakh, a sum of Rs.175 lakh has been released to the Implementing Agency. However, the next tranche of Rs.55 lakh is held up as the IFW noticing some inadequacies in the CA's certificate, in December, 2008 sought year-wise expenditure on the project since 6 April, 2005. Even as on 30 November, 2010, the matter stands as it is, showing clearly the non-seriousness of the Ministry to sort out this matter by taking some initiative. While another Food Park at Rajnandgaon, Chattisgarh fully reflects the way the Ministry have virtually abdicated their responsibility towards implementation of this important Scheme. The first installment of assistance amounting to Rs.200 lakh was transferred by the Ministry to UCO Bank on 18 February, 2002. The actual disbursement of this amount was subject to fulfillment of requisite conditions of physical and financial progress by the Implementing Agency. In the first instance the Ministry informed the Committee that the entire amount is lying unspent

in the bank. The Ministry had issued a letter to the bank requesting them to return the grant amount with interest on 25 June, 2003. From 2002 onwards the Ministry have been intermittently pursuing the feedback from Chattisgarh Government at different levels but to no avail. After 25 June, 2003, the Ministry again decided inexplicably, to recall the grant from the bank on 12 June, 2007. No reply had been received from the bank till the Committee took up the matter though even their CMD had been addressed in the matter. However, after the Committee began examining the matter, Chattisgarh State Industrial Development Corporation Ltd. wrote back to the Ministry on 27 July, 2010 that the issue of returning the amount of first installment had been submitted to their Board of Directors and that the matter be kept pending till a decision by the Board. As the updated position in this case the Ministry have stated that as the park is not progressing hence they are trying hard to get back the amount released. The Committee cannot justify the years and years of inaction by the Ministry on any pretext. Its very unfortunate that till they enquired about the matter the Ministry didn't even know that the money released was not in the bank but with the Implementing Agency. The Committee desire that the matter should at least now be pursued with the State Government at sufficiently senior level bringing out all the facts so that the refund is afforded alongwith

interest due. They further desire a thorough probe into this matter and responsibility be fixed for inaction on persons concerned.

2.44 Similarly, the case of the Food Park at Rai, Sonepat further confirms the poor performance of the Ministry in implementing this Scheme. A sum of Rs.200 lakh was released to Implementing Agency in two tranches of Rs.44 lakh (on 28 March, 2002) and Rs.156 lakh (on 9 April, 2002). It was only on 5 September, 2008 that the Ministry asked HSIDC, which is the Implementing Agency, for the Progress Report alongwith necessary documents for release of the next installment. HSIDC informed the Ministry about six months later on 18 February, 2009 about the progress in the Food Park and expenditure incurred upto 31 December, 2008. The status as on 30 November, 2010 as furnished to the Committee was that against the approved grant of Rs.400 lakh, a sum of Rs.200 lakh has been released till then. Furthermore, HSIDC has already developed 223 plots of different sizes in this Food Park and they have also acquired another 382 acres for the second phase which is to be developed for extension of Food Park and industrial area. The Committee fail to understand as to what the Ministry have been doing for nine years after having released the initial assistance of Rs.200 lakh by 9 April, 2002. It is really

incomprehensible as to why the second installment of Rs.200 lakh was not released to HSIDC inspite of the fact that they furnished the Progress Report and relevant documents to the Ministry way back on 18 February, 2009. More so, when the Ministry did not report anything amiss in regard to this Food Park to the Committee.

2.45 In the case of Food Park at Khunmoh, Srinagar, J&K, the Ministry approved a sum of Rs.400 lakh. Out of this, a sum of Rs.200 lakh was released to JKSIDC, the Implementing Agency on 12 April, 2001. The second installment of Rs.100 lakh was sanctioned of 24 March, 2003. In the sanction letter the Ministry had instructed the bank not to release the amount to the Implementing Agency until further instructions. This amount, according to the initial information furnished by the Ministry to the Committee was lying as unspent balance in the bank. However, when probed further, the Ministry informed the Committee that they wrote to the J&K Bank for refund of Rs.100 lakh with interest accrued since 24 March, 2003 on 24 August, 2008. On 29 June, 2009 they again made a similar request to the Bank. In response the Bank informed them on 15 July, 2009 that the Food Park had closed the account with the Branch in question. The Ministry then sought clarification from the Implementing Agency on 7 September, 2009. The Implementing

Agency has intimated, very surprisingly on 9 March, 2010 that they have withdrawn the balance amount of Rs.100 lakh from the bank before closing their account. This admission incidentally coincides with the examination of the Subject by the Committee. The last update by the Ministry states that against the approved grant of Rs.400 lakh, Rs.300 lakh has been released so far and the last tranche of Rs.100 lakh, which was released by J&K Bank without instructions from the Ministry is being considered for regularization. Nothing can be more reflective of the lackadaisical approach of the Ministry as a custodian of public money. This sort of careless functioning in their strong opinion needs to be properly inquired and remedial action taken expeditiously to avoid recurrence of such events in future.

2.46 In the case of Food Park at Sopore, Baramullah, J&K while the first installment of Rs.200 lakh has been released on 26 February, 2004, the reminder seeking progress report with a view to release the remaining Rs.200 lakh, as per information furnished by the Ministry, has been sent to the Implementing Agency more than five years later on 24 April, 2009. As on 30 November, 2010 when the status update was sought by the Committee, the position hadn't moved a bit. Their observation in

the preceding paragraph is equally applicable here. They desire to be apprised of the latest status at the earliest.

2.47 For the Food Park at Jammu, the Ministry sanctioned an amount of Rs.346 lakh on 15 March, 2002. First installment of Rs.173 lakh was released on 30 April, 2002. The second installment of Rs.100 lakh was sanctioned on 17 March, 2003 out of which Rs.86.50 lakh was released on 26 May, 2003 and the remaining Rs.13.50 lakh is lying unspent in Indian Overseas Bank. Since, the release of Rs.86.50 lakh on 26 May, 2003 the Ministry are making efforts to obtain requisite documents for release of balance grant but there has been no response from the Implementing Agency. Efforts of the Ministry to recall the balance from India Overseas Bank through a communication dated 22 August, 2008 have also elicited no response. As per the information furnished by the Ministry to them there seem to have been no development beyond 22 August, 2008. They desire to be informed of the current status in the matter.

2.48 About the Food Park at Bagalkot, Karnataka, initially the Ministry took the stand before the Committee that they had provided the first installment of Rs.200 lakh for the project on 30 July, 2001 and the entire amount is lying unspent in the bank. The bank had been told not to release the money to the

Implementing Agency viz. Food Karnataka Ltd. till the Ministry issued instructions in writing to the bank. For years the Ministry's understanding continued to remain on the same plane. On 28 August, 2008 the Ministry issued a letter to the bank to return the grant alongwith the interest accrued. A copy of this Communication was also endorsed to Food Karnataka Ltd. who informed the Ministry on 25 September, 2008 that they had spent the grant amount on land leveling and procurement of plant and machinery alongwith some common facilities like cold storage. Alarmed by this development the Ministry called for a clarification from the Bank on 5 February, 2009 whose response is still awaited.

2.49 Yet another Food Park at Ghaziabad, Uttar Pradesh was approved in 1999-2000, for which the Ministry has released a sum of Rs.271 lakh as grant-in-aid between 8 March, 2000 and 9 October, 2001. This was done on basis of a surety bond from Wise Industrial Park, the Implementing Agency. The Food Park ran into problem due to non payment of bank loan. UPSIDC also cancelled the land lease and the bank took over the land mortgaged to it, leading to litigation. In one of their Post Evidence Replies submitted in response to the questionnaire of the Committee dated 8 December, 2010, the Ministry informed the Committee as an update that 'out of the approved grant of

Rs.395 lakh, Rs.271 lakh have been released so far. Entire approved amount of Rs.395 lakh has been released in this case. The Project has suffered a set back due to legal issues'. The entire chain of events makes it abundantly clear that Ministry have at no point of time bothered to follow-up this case, in which substantial amount of public funds were invested, with any degree of seriousness and alacrity . The Committee would also like to be informed about the exact amount released for the Food Park as the update from the Ministry is as confusing as the way they have tackled the implementation of this Food Park.

2.50 The State of affairs as narrated above, though not exhaustive, is indicative of malaise underneath the fact that during three successive Five Year Plans, the Ministry didn't implement the Scheme of Food Parks with any degree of professionalism and purposefulness. In all these cases, a policy of drift and lack of direction is clearly visible. The Committee have no reservations in concluding that the Ministry even failed to ensure that vast sums of monies, of which they were custodian were spent properly and accounted for. While condemning, unequivocally, the performance of the Ministry in the implementation of the Food Park Scheme, the Committee would also like to add that implementation of all these 56 Food Parks should be enquired into in a time bound manner and a

comprehensive report on the utilization of grants-in-aid provided by the Ministry to each of them and their status as of now should be prepared and submitted to the Committee alongwith the Action Taken Replies of the Ministry to this Report. As they have been given to understand in a different context that the Ministry is now exploring ways and means in consultation with the Ministry of Finance to settle this long outstanding matter, the Committee desire that the outcome of such consultations may also be shared with them in entirety in the context of all the 56 Food Parks at the earliest. Parallelly, they also desire the Ministry to request the Ministry of Finance to enquire in a time bound manner into the non-chalant attitude of the Public Sector Banks in fulfilling their duties as custodians of public monies at their disposal in violation of the express and written instructions of the Ministry of Food Processing Industries in releasing funds to the implementing agencies in all these cases. They further desire to be apprised of the outcome thereof.

CHAPTER – III

INTEGRATED COLD CHAIN AND PRESERVATION INFRASTRUCTURE

The Ministry have informed the Committee that to encourage setting up of cold chain facilities and backward linkages in the Country and to provide integrated and complete cold chain and preservation infrastructure facilities without any break, from the farm gate to the consumer, they have launched a Plan Scheme during Eleventh Five Year Plan to provide financial assistance to project proposals received from public/private organizations for integrated cold chain infrastructure development.

3.2 The Scheme for Cold Chain and Preservation Infrastructure was approved by the Finance Minister on 21 August, 2008 in line with the recommendations of the Expenditure Finance Committee. The EFC of the Ministry of Finance had considered the proposal of Scheme in its meeting held on 19 March, 2008 and recommended for implementation of 10 integrated cold chain, value addition and preservation infrastructure projects in the first phase. The Ministry have informed the Committee that keeping in view the successful implementation of 10 cold chain projects, the Competent Authority has approved up-scaling of the Scheme to take up additional projects including smaller cold chain for assistance. Accordingly, revised guidelines of the Scheme have also been issued.

3.3 The salient features of the Scheme according to the Ministry are as follows:

(i) The scope of components of Integrated Cold Chain, Value Added Centre and Irradiation Facilities has been broadened to allow flexibility in project planning. The Scheme has the following components:

(a) Minimal Processing Centre at the farm level and this centre is to have facility for weighing, sorting, grading waxing, packing, pre-cooling, cold storage, normal storage and IQF.

(b) Mobile pre-cooling vans and reefer trucks.

(c) Distribution hubs with CA chambers/cold storage/Variable Humidity Chambers, Packing facility, CIP Fog treatment, IQF and blast freezing.

(d) Irradiation facility.

(ii) Horticulture produce also to be included for support under Integrated Cold Chain Facilities.

(iii) Value addition Centres may also include infrastructural facilities including multi-line processing/collection centres, etc. for horticulture including organic produce, marine, dairy, meat and poultry, etc.

(iv) Irradiation facilities may also cover warehousing, cold storage facilities etc. for storage of raw material and finished products for efficient utilization of the facility.

3.4 To avail financial assistance, any two of the components from (a), (b) and (c) above are required to be set-up by the units. Considering the functional nature of the facility, Irradiation facility can be treated as a stand alone one for the purpose of availing grant.

3.5 The objectives of the Scheme, as stated previously are to provide integrated and complete cold chain and preservation infrastructure facilities without any break, from the farm gate to the consumer. Pre-cooling facilities at production sites, reefer vans, and mobile cooling units also need to be assisted under the Integrated Cold Chain projects. Integrated cold chain and preservation infrastructure can be set up by individuals or groups of entrepreneurs with business interest in cold chain solutions and also by those who manage supply chain. They will enable linking groups of producers to the processors and market through well equipped supply chain and cold chain.

3.6 Under this Scheme the Ministry provides financial assistance (grant-in-aid) of 50% of the total cost of plant and machinery and technical civil works in General areas and 75% for NE region and difficult areas (North East including Sikkim and J& K, Himachal Pradesh and Uttarakhand) subject to a maximum of Rs.10 crore under this Scheme.

3.7 When asked about the specific efforts made to strengthen the already established cold storages in the Country during the years, this Scheme has been in vogue, the Ministry of Food Processing Industries informed that to strengthen the cold chain infrastructure in the Country, Government is operating several Plan Schemes under which financial assistance is provided for setting up of cold storages/ cold chain facilities, etc. The Ministry have Plan Scheme for Cold Chain, Value Addition and Preservation Infrastructure during the Eleventh Plan to provide financial assistance to project proposals received from public/private organizations for cold chain infrastructure development.

3.8. Dwelling upon the progress of the Scheme, Secretary, Ministry of Food Processing Industries stated during the Oral Evidence held on 17 February, 2010 as under:

> "The best performance has been in the scheme of cold chain. We have started, as I said, 10 in the year 2008-09. We had approved these. Sir, eight out of these 10 have reached a stage where more than 70-80 per cent of the construction work and order of the machine have been completed. I am very confident that by

December of the coming year eight of them will be fully completed and they will start increasing the processing amount further."

3.9 On being queried about the BE, RE and Actual during the last four years of the Eleventh Five Year Plan. The following information has been furnished to the Committee by the Ministry:

(Rs. in crore)

Year	**BE**	**RE**	**Actual**
2007 – 08	-	-	-
2008 – 09	17.50	10.00	9.68*
2009 – 10	39.81	43.50	43.50
2010 – 11	27.50	-	8.32

*** Rs. 8.23 cr. was for new cold chain projects.**

3.10 The Ministry stated that Eleventh Plan allocation for the Scheme is Rs.210 crore. MFPI had approved 10 integrated cold chain projects during financial year 2008-09 in line with recommendations of EFC. The total project cost of 10 projects is Rs.220.42 crore, out of which private investment is Rs.133.48 core and Government grant is Rs.86.94 crore. MFPI have released Rs.60.057 crore as grant-in-aid towards $1^{st}/2^{nd}/3^{rd}$ installment to these projects till 30 September, 2010.

3.11 When the Committee desired to know the reasons for lower allocation of funds by the Ministry it was stated that the Working Group for Eleventh Plan has recommended for setting up of 30 cold chain, value addition and preservation infrastructure projects with an outlay of Rs.210 crore. As per recommendations of EFC, in first phase, 10 projects were approved in the financial year 2008-09 in which the total amount of grants-in-aid involved is Rs.86.94 crore. So far Rs.60.057 crore has been released out of which Rs.8.31 crore have been released during current year and Rs.19.40 crore, are likely, to be released in the remaining period of current financial year (2010-11).

3.12 In response to a query as to whether the Ministry will be able to utilise fully the allocated/approved amount during the Eleventh Plan the Ministry informed that in furtherance of Expression of Interest (EOI) issued by the Ministry seeking project proposals for setting up Integrated Cold Chain infrastructure, an overwhelming response has been received in the form of 163 such proposals. The Ministry is of considered view that the component of cold chain, value addition and preservation infrastructure has been extremely successful. Overwhelming response of stakeholders and successful implementation of 1st phase clearly indicate the potential of growth of cold chain logistics. It is, therefore, proposed that Eleventh Plan allocation for this component may be enhanced from Rs.210 crore, separate proposal to that effect is being included in Annual Plan proposals for the year 2011-12.

3.13 When asked why the Ministry have further spent only Rs.8.32 crore upto October, 2010 the Secretary stated during further Oral Evidence on 22 November, 2010 stated as under:

> "This year the budget estimate is Rs 27 crore and we have spent Rs.9 crore till now and Rs.18 crore are still required to complete the proposals which are already in hand and where work is going on. Only the final report takes slightly longer because it has to complete all formalities. As we know physically since work is at 80 per cent and 90 per cent stage, this will all come and for the new cold chains, we have asked for Rs.35 crore. What we want to submit is that although the cold chain takes less time, in fact, we need only the initial two installments in the first year. So, in case any increase is given to us, it can help us initiate a larger number

of projects where it can be filled up then by the allocations for 12th Plan because we are hoping this will be one of the continued schemes in the 12th Plan. That is the situation.

Regarding expenditure, this year it is not an issue at all. We are confident of completing 100 per cent expenditure".

3.14 The Committee observed that although there are a large number of cold storages in the Country, but these are not being modernised and as a result the capacity of these cold storages is much less. In response to a query in this regard the Secretary, MoFPI informed the Committee during Oral Evidence on 22 November, 2010 as stated below:

"The cold chain part does not include any scheme for increasing the capacity of the existing cold storage. Now the Ministry of Agriculture has prepared a report on the cold chain management. So, basically that has become the main document based on which we should take further action. For the 12th Plan, we will have a closer look at this and in addition to our own cold chain concept, what can be done to identify some specific solutions to some areas and see which agency can implement can be considered. As of today, our scheme is basically to set up the large scale chains with connections right from the farm level up to the central point and further".

3.15 Queried further about the efforts made by the Ministry to develop infrastructure for cold chains in North Eastern and hilly regions, keeping in view the topography and climatic conditions prevalent in these regions, the Ministry in their written reply stated that to encourage setting up of cold chain facilities in the Country including North Eastern and hilly regions, they are operating a Plan Scheme for Cold Chain, Value Addition and Preservation Infrastructure during the Eleventh 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. This special provision for North Eastern and hilly States has been made in view of difficult topography, climatic conditions and higher cost of construction/transportation. These initiatives are aimed at filling the gaps in the supply chain, strengthening of cold chain infrastructure, establishing value addition with infrastructural facilities like sorting, grading, packaging and processing for horticulture including organic produce, marine, dairy, poultry, etc.. The Ministry have issued Expression of Interest (EOI) for inviting proposals from all states including North Eastern and hilly States. In furtherance of EOI issued by the Ministry seeking project proposals for setting up Integrated Cold Chain infrastructure, an overwhelming response has been received in the form of 163 such proposals. Out of that, 36 proposals have been received from North Eastern (13 nos.) and hilly States (23 nos.). The proposals are under scrutiny and will be considered as per guidelines of the Scheme.

3.16 The Committee have further been informed that cold storages are not available in small villages, remote and hilly areas. So it becomes crucial for small and marginal farmers to supply their agricultural produce to cold storages. The agricultural produce being perishable, get spoiled and wasted. The representative of the Ministry further stated during evidence on 22 November, 2010 that meanwhile they do not help standalone proposals for refrigerated trucks.

3.17 The Committee are of the view that one of the biggest bane of the agriculture and allied sectors in the Country is the colossal amount of post harvest crop losses. As mentioned previously in this Report, a conservative estimate pegs these losses in fruit and vegetables sector alone at Rs.50000 crore per annum. The Committee have time and again pointed out the need for attending to this serious problem on a war footing. Unfortunately, however, their recommendations, on this aspect, in the past have failed to spur the Government into taking action with the requisite alacrity. The Ministry of Food Processing Industries have, in the Eleventh Plan, come up with a holistic Integrated Cold Chain and Preservation Infrastructure Scheme to fill up this void to some extent and the Committee are appreciative of their initiative. The Scheme envisages financial assistance to public/private organizations for integrated cold chain infrastructure development with a view to provide integrated and complete cold chain and preservation infrastructure facilities without any break from the farmgate to the consumer. The Scheme consists of a minimal processing center at the farm level with facility for weighing, sorting, grading, waxing, packing, pre-cooling, cold storage, normal storage and IQF; mobile pre-cooling vans and reefer trucks; distribution hubs with C.A. Chambers/cold storage/variable

humidity chambers, packing facility, CIP fog treatment, IQF and blast freezing; and Irradiation facility.

3.18 The Committee note that under this Scheme grant-in-aid of 50% of the total cost of plant and machinery and technical civil works in general areas and 75% for NE Region and difficult areas (NE including Sikkim and J&K, Himachal Pradesh and Uttarakhand) subject to a maximum of Rs.10 crore is provided by the Ministry. As in the case of the other two Schemes of the Ministry for infrastructure development, this Scheme also was approved quite late into the Eleventh Five Year Plan i.e. in August, 2008. Further, like in case of the other two Schemes, the Government approved only 10 projects in the first phase against the Eleventh Plan Working Group recommendation of 30 projects. The similarity doesn't end here. As in case of the other two Schemes, no funds were earmarked for the first year of the Eleventh Plan because of the delay in approval of the Scheme. Furthermore, while the Eleventh Plan allocation for the Scheme was worked out at Rs.210 crore the reduction in the number of project from 30 to 10 at the time of approval in August 2008 meant that the requirement of funds was also drastically pruned down to Rs.86.94 crore. The delays in approval, planning and implementation have also resulted in the 10 odd projects approved in the first phase to have continued

well into the Fourth year of the Eleventh Plan without being completed.

3.19 The Committee strongly feel that the Government needlessly curtailed the number of projects to be assisted under this Scheme to 10, given the fact that the Ministry had received an overwhelming 163 proposals under the Scheme. In their considered opinion this is one Scheme, which though introduced belatedly, has the potential of making a significant dent in the post harvest crop losses incurred by the country year after year. The Government should, therefore, have been appreciative of this fact and they ought to have gone out of way to entertain as many proposals as possible out of the 163 applications. At the least, they ought to have continued with the Eleventh Plan Working Group's modest recommendation for 30 projects. Unfortunately, however, this has not been done. Resultantly, four years of the Eleventh Plan have been exhausted on an even less than modest a target. The Committee, therefore, desire the Government to seriously apply themselves towards curbing the massive amount of post harvest crop losses by reworking on the financial requirements of the Integrated Cold Chain and Preservation Infrastructure Scheme with renewed vigour. Not only should sufficient funds be allocated for this Scheme at the RE stage of 2011-12 to give it the necessary fillip, allocations

should be substantially hiked for the Scheme in the Twelfth Plan to ensure coverage of maximum number of workable proposals. They would like to be apprised of the steps taken in this direction at the earliest.

3.20 Coming to the specific merits of the Scheme, the Committee find that it is yet to be synergised with the existing system of cold storages. As of now the Scheme is basically meant to set up large scale, standalone chains with connections right from farm level up to the consumer. The Committee further find that the Ministry of Agriculture have prepared a report on the cold chain management and the Ministry of Food Processing Industries intend to take further action with the said Report as the basis. The Committee feel that the standalone approach of the Ministry vis-à-vis this Scheme is not going to yield the desired results. They, therefore, desire that the Scheme should be fitted in the broader picture of the cold chain management in the Country, as brought out in the report of the Ministry of Agriculture, so that the problem of post harvest crop losses is tackled in a holistic and comprehensive manner. The Committee would also like the Ministry to explore the possibility of creating interface between their Scheme and the Rural Godowns Scheme of Ministry of Agriculture (Department of Agriculture and Cooperation) in this very context.

3.21 Before concluding on this matter, the Committee would also like to comment on a minor but significant aspect. The Ministry, as of now do not have any provisions for assisting standalone proposals for refrigerated trucks. During the further Oral Evidence of the Ministry on 22 November, 2010 their representative had, however, conceded about the utility of such refrigerated trucks in efficient management of the cold chain. The Committee, therefore, desire the Ministry to make suitable provisions in the Scheme for grant of financial assistance to standalone proposals of refrigerated trucks to give further impetus to their Scheme without much delay.

CHAPTER – IV

SETTING UP OF NEW ABATTOIRS/MODERNISATION OF EXISTING ABATTOIRS

The Ministry have stated that hygienic and scientific slaughtering and optimum utilization of by-products are the most important issues in the Indian meat industry today. Quality and hygiene levels in the wet market are low due to imperfect bleeding, primitive and crude slaughtering and de-feathering techniques, lack of infrastructure facilities like water, electricity and facilities for handing carcass/flaying, cross contamination in slaughter and improper handling during carriage. These result in tremendous waste of meat, contamination/deterioration of meat and also avoidable cruelty to the animals during the whole process. The qualitative and quantitative capacities of the abattoirs need to be upgraded and these are required to be linked with commercial processing of meat, both for domestic consumption and exports besides discouraging unauthorized slaughtering.

4.2 The Ministry have further stated that during the Eleventh Plan, the Ministry has launched a comprehensive Scheme for setting up of new Abattoirs and modernization of Existing Abattoirs across the Country. It aims to upgrade qualitative and quantitative capacities of abattoirs, which will be linked, with commercial processing of meat, both for domestic consumption and exports.

4.3 The objectives of the Scheme are :

- Scientific and hygienic slaughtering of the animals.
- Stunning, causing least pain to the cattle/minimizing transportation of animals.
- Better chilling facility to prevent microbial activity in slaughtered animals.

- Better hygiene, safety and retail cold chain management.
- Better forward linkage facilities for finished meat and meat products.

4.4 The Ministry have stated that the proposal for setting up of 50 Abattoirs was forwarded to the EFC after obtaining comments from related Ministry/Department. EFC in its meeting held on 19 March, 2008 had recommended that in the first phase, 10 projects will be taken up for implementation. CCEA approved the Scheme in its meeting held on 26, February, 2009 where it was approved to set up 10 Abattoirs.

4.5 About the contours of the Scheme, the Ministry have informed the Committee that financial assistance (grant-in-aid) would be provided at 50% and 75% of cost of plant & machineries and technical civil work in general and difficult areas respectively, subject to maximum of Rs.15 crore for each project. Technical Consultancy fee @5% of grant will be provided to meet cost of engaging Technical Consultancy firms at apex level to assist the Ministry.

4.6 The representative of the Ministry clarifying further on the Scheme stated during the Oral Evidence on 17 February, 2010 as under:

"the second scheme is the Abattoirs modernization. For the first time in this Country the issue of meat processing and clean meat was taken up during the Plan. Nine abattoirs were approved in 2008-09, and one was approved immediately thereafter. We have also released the minimum amount of first installment by way of an advance of 10 per cent. The second installment is a back-ended installment, which depends upon the performance and money will flow after they have spent the required money. So, this year has gone and we are very closely monitoring the progress of each of these. I am very confident that all of them are going to come for the second installment, that is, after completing 30 per cent of the work. They will be coming in the next 3-5 months. Further, the scheme has also become popular as many of the Municipal Corporations have realized its importance that the Government has come forward to share 75 per cent of the cost in the difficult areas and 50 per cent in other areas. We already have more than 26 applications pending with us for expansion of this programme also".

4.7 The following statement highlighting the BE, RE and Actual Expenditure during the first four years of the Eleventh Five Year Plan has been furnished by the Ministry:

(Rs. in crore)

Year	BE	RE	Actual
2007 – 08	-	-	-
2008 – 09	89.80*	42.00*	10.94
2009 – 10	134.80*	66.61	8.86
2010 – 11	26.39	32.96	8.38 upto 19.11.201

***Total fund of infrastructure (excluding NER and major head 3601 and 3602)**

4.8 The Committee on observing that the RE for the years 2008-09 and 2009-10 was just half of the BE of these two years and the Actual expenditure during the two years put together was still much lower at Rs.19.80 crore desired to know he reasons for the same. In response the Secretary of the Ministry submitted during the further Oral Evidence on 22 November, 2010 as under:

> "we must accept that on the financial front only when the project comes to a certain stage, we can show performance. Only in three cases out of ten, we have on-going projects where activities

are taking place on the field-money which is being asked for is being given and physical checking is being done. Rest of them, while two or three, with the constant efforts, come to the stage when activity will start. There are still three or four projects where land and locations problems have not been solved".

4.9 He further added:

"Abattoirs Scheme was sanctioned in the month of August, 2008 (in 2008-09) for the first time in the Eleventh Plan. That was the second year of the Eleventh Plan which was almost coming to an end when the scheme was sanctioned. That is why, we could not do anything in 2007-08 and 2008-09 also, we could approve only nine projects in which we released the first installment of ten per cent of the approved subsidy amount to enable them to start the work. Later on when they go ahead with the work and on the basis of work done, we release the installments and it becomes a back-ended grant-bank ended subsidy".

4.10 When queried about the reasons for decrease in expenditure year after year, the Ministry replied that the main reasons for this downward trend in expenditure incurred are non-clearance of project site, opposition/agitation from locals, elections, improper selection process of consultants/contractors, etc. They further stated that there were non-clearance of site at some places due to opposition/agitation from the locals because this was hurting their religious sentiments. In response to a query whether the Ministry had taken into consideration this prospect while finalizing a location for the project during Detailed Project Report (DPR), the Ministry informed that they have taken into consideration all the necessary factors while finalizing a location for the project on the basis of submission of Detailed Project Report (DPR) which is forwarded by the State Government. However, the issue of non-clearance of site due to opposition/agitation from the locals because of their religious sentiments getting hurt arose during the implementation of the project.

4.11 During the course of Oral Evidence on 17 February, 2010 a representative of the Ministry added:

> "You may also remember that all the abattoirs have been closed down after a verdict of the Hon'ble Supreme Court of India because all of them are polluting the atmosphere. The other aspect of them was first you modernize them and then run the same. As a result, this project has come before us. Our effort is to make the places a proper one at which the animals are to be slaughtered and being slaughtered and all this is being done keeping in view of the consumption of meat of a goat or so. You have rightly said that people are protesting these at some of the places. As I said earlier that they opposed these because people were not aware of the modern abattoirs. They thought if this is installed the situation will deteriorate. As I said, we deputed our experts to Shimla and Hyderabad. When they talked people there, they were convinced. Even people in Kolkata have tired to understand the situation and have assured that they will soon start work there.
>
> The local people are not aware of the modern abattoirs, so it was necessary to convince them. After that they came to know that this will neither pollute the water nor it will create foul small or even the kite will find any meant lying in open. We are making efforts to open up these abattoirs outside the city limits. There are some problems as how much land is available with the Municipal Corporation and as to where the same is available. But we want to open up these outside the city so that people do not face any of problem".

4.12 Existing abattoirs which are not modernized emit their waste without treatment which creates problems for the people living in the adjoining areas. When asked about the measures co-opted in the new Scheme of things for the treatment of residual left as waste after slaughtering of animals in the abattoirs, the representative of the Ministry submitted during the further Oral Evidence on 22 November, 2010:

> "In the modern projects, water or blood from abattoirs will not flow without treatment. There will be a Effluent Treatment Plant, for treatment of the unpurified water. This is an important part of the "Modern Slaughter House Project". The other waste residual like meat or bones, will also be processed through Rendering Plant Technique. We sanction the projects only when they have both Effluent Treatment Plant and Solid Treatment Plant".

4.13 The Ministry in their post-evidence submission further stated that the Effluent Treatment Plants and Rendering Plants are now compulsory part of the modernized slaughter-houses that are being set up under the Abattoir Scheme, a part of Scheme of Infrastructure Development of the Ministry.

4.14 The representative of the Ministry further clarified about the problems face by the meat industry sector during the further Oral Evidence held on 22 November, 2010 as follows:

> "Another biggest problem in this sector is that we have not done much in the meat sector in our Country. So, we have lack of good consultants. We have lack of good vendors who can provide good equipment. We have hardly one or two equipment manufacturers who are there. There are not good equipment manufacturers. So, vendor development is also a big issue which we have to tackle".

4.15 The Committee note that lack of hygienic and scientific slaughtering and optimum utilization of by products are the two most serious problems besetting the Indian meat industry. There is tremendous wastage of meat, contamination/ deterioration of meat due to primitive and crude slaughtering techniques, lack of infrastructure like electricity and water, lack of facilities for handling carcass /flaying, cross contamination during slaughter, as well as improper handling during carriage. The primitive slaughter techniques also lead to avoidable cruelty to the animals. The Committee further note that with a view to bring qualitative and quantitative changes in the capacities of the abattoirs, the Ministry have launched during the Eleventh Plan the Scheme for setting up of New Abattoirs and Modernisation of Existing Abattoirs. The new Scheme has some notable objectives including scientific and hygienic slaughtering of animals; minimizing transportation of animals and stunning to cause least pain to the animals to be slaughtered; better chilling facility to prevent microbial activity in slaughtered animals; better hygiene safety and retail cold chain management; and better forward linkage facilities for finished meat and meat products.

4.16 The Committee find that though the Ministry had proposed setting up of 50 abattoirs under the Scheme during the Eleventh

Plan to the Expenditure Finance Committee (EFC), the EFC, in its meeting on 19 March, 2008, recommended only 10 projects for being taken up for implementation in the first phase. The Cabinet Committee on Economic Affairs (CCEA) also endorsed the stand of the EFC and approved only 10 abattoirs in the first phase in its meeting held on 26 February, 2009. Under the Scheme, grant-in-aid is to be provided at 50 per cent and 75 per cent of cost of plant and machineries and technical and civil work in general and difficult areas respectively, subject to a maximum of Rs.15 crore for each project. The technical consultancy fee at the rate of 5 per cent of the grant will also be provided to meet the cost of engaging technical consultancy firms at apex level to assist the Ministry.

4.17 The Committee are, however, constrained to observe that this very useful Scheme of the Ministry has not been able to acquit itself in the desirable manner because of the fault of the planners and the Government. The EFC recommended the Scheme much after the Eleventh Plan commenced (1 April, 2007) on 19 March, 2008. The CCEA finally approved the Scheme almost one year later on 26 February, 2009 and that too to set up only 10 abattoirs. Consequently, the implementation proper of this important Scheme has gone totally haywire. No funds were obviously allotted during the first fiscal of the Eleventh

Plan i.e. 2007-08. In the second year of the Plan viz. 2008-09 a sum of almost Rs 90 crores was approved as Budget Estimate for the Scheme. This was reduced by more than half to Rs.42 crore [total fund for infrastructure (excluding NER and major head 3601 and 3602)] at the Revised Estimate stage. The actual expenditure was hardly one fourth of even this drastically pruned revised estimate at Rs.11 crore approx. In 2009-10 the situation worsened further when the BE of almost Rs.135 crore [total fund for infrastructure (excluding NER and major head 3601 and 3602)] was again reduced by more than 50 per cent to almost Rs.67 crore and the actual expenditure did not touch even Rs.9 crore mark. In 2010-11 the BE of Rs.26.39 crore was revised to Rs.32.96 crore at RE stage however, till 19 November, 2010 a sum of Rs.8.38 crore only had been spent. In short, the delay in planning and approval stages of the Scheme has led to a severe stunting of the Scheme at the implementation stage.

4.18 Further, Out of a sum of Rs.251 crore plus allocated upto the Fourth Year of the Eleventh Five Year Plan, the Ministry have been able to actually spend barely 10 per cent of the sum i.e. Rs.28 crore (approx.). The Committee find this totally inexplicable and unacceptable, a way of planning and management. The modernization of the existing abattoirs and setting up of a state-of-the-art abattoirs is a pressing

requirement, if the much needed improvements in the meat industry sector in India are to be ushered in. They, therefore, strongly recommend that this Scheme should not be starved of funds any further. Not only should funds be provided in sufficient measure during the Twelfth Plan for the purpose but even in the last year of the Eleventh Plan i.e. the ongoing Fiscal, the Scheme should be provided funds on priority basis at the RE stage to somewhat make up for the abysmally slow pace of implementation of this Scheme in the first four years of the Eleventh Plan.

4.19 Another reason for this decline in expenditure, year after year is of the Ministry's own making. These projects have been beset with problems like non-clearance of project site, improper selection process of consultants/contractors, opposition/ agitation from/by locals, to name a few. The Committee firmly believe that none of these problems is insurmountable. The Ministry have stated that they have taken into consideration all factors while finalizing a location for the project on the basis of submission of Detailed Project Report (DPR) forwarded by the State Government. This, however, does not convince the Committee. In all likelihood some lacunae is there in the DPR received through the concerned State Government or the procedure adopted by the Ministry to evaluate the DPR, which is

ultimately leading to non-clearance of project sites. The entire issue, therefore, needs to be revisited by the Ministry, so that the future projects are not bogged down due to this non-justifiable reason. In so far as the non-clearance of project site due to opposition from/agitation by the locals is concerned, the Committee feel that this issue can be sorted out if handled properly at the DPR stage itself in consultation with the State Governments.

4.20 They have been apprised by the Ministry that in the modern projects water and blood is treated in an effluent treatment plant before flowing out. Likewise, other residual wastes like meat and bones are also processed through rendering plant technique in solid treatment plant. In fact only those projects which have both the effluent treatment plant and solid treatment plant are sanctioned by the Ministry. If that be the case, what is perhaps lacking and causing people in the adjoining areas to agitate is that sufficient efforts have not been put in by the Ministry or the implementing authorities to create awareness about these attributes of the abattoirs being modernized or new ones being set up. Peoples reaction, hitherto, has been based on what is their general perception about the various problems and difficulties created by the ill maintained slaughter houses in the vicinity. Once they are

educated about the inherently eco-friendly nature of the modern abattoirs, things can be sorted out to mutual satisfaction. The Committee, therefore, recommend that the Ministry should take a lead in this direction by devising suitable media/awareness campaign for the purpose with the active involvement of local bodies.

4.21 The Committee note with concern that meat industry sector, inspite of the importance being accorded to it of late, suffers from almost a total lack of equipment vendors. There are hardly one or two equipment manufacturers. There is also a lack of good consultants due to the equipment industry being virtually non-existent. In such circumstances, the Committee wonder as to how the Ministry intend to implement their much touted modernisation programme. The Committee are of the considered view that this is one area where the Ministry will have to do a lot of hand holding for now, and till the availability of equipment manufacturers, vendors and consultants comes upto certain respectable levels. Not only would the existing abattoir owners and the prospective ones require to be guided in their respective ventures, identification of sources of equipment, suitable incentives for their import, etc. would also have to be taken care of by the Ministry in consultation with the National Meat Board. The Committee desire that a blue print be worked

out by the Ministry in this regard without any delay, so that the course correction and new inputs are co-opted in the Scheme, well before the commencement of the Twelfth Plan. The Committee would like to be apprised of the action taken by the Ministry in this regard alongwith the views of the planners and the Government, thereupon, at the earliest.

NEW DELHI;	**BASUDEB ACHARIA**
... August, 2011	***Chairman,***
…Bhadrapada 1933 (Saka)	***Committee on Agriculture***

ANNEXURE- I

Details of potential clusters in Food Processing Sector

Sl. No.	Product	City/State
1.	Cashew processing	Udupi Karnataka, Goa, Kollam Kerala, Pudukottai, Palasa Andhra Pradesh
2.	Milk products	Meerut, Uttar Pradesh, Puducherry, Hanuman Garh Distt. Rajasthan, Deesa, Banaskantha, Dindigul, Ferozpur
3.	Rice mill	Burdwan West Bengal, Krishna, East Godavari, Vijaywada, West Godavari Andhra Pradesh, Sahajanpur, UP, Hanuman Garh Distt. Rajasthan, Kota Raj., Dhamtri, Hojai Nagoan Assam, Tarikere Taluk, Gwalior, Raipur, Ganjam Orissa
4.	Starch & Sago	Salem, Tamil Nadu
5.	Mango pulp	Chittoor Andhra Pradesh, Dharamapuri
6.	Bakery & Confectionary	Puducherry
7.	Marine foods	Vizag Kakinada, Kakinada Andhra Pradesh
8.	Dal mills	Gulburga Gadagh belt Karnataka and Nanded Maharashtra Hanuman Garh Distt. Rajasthan, Indore MP

9.	Papad, pickles, chips, processing of cereals grading, packing and attta making, processing of fruit & veg. grading, packing, dehydration, juice & jam making, processing of poultry bird and meat vig., egg power, consumer packing of eggs, retail dressing	Tumkur, Mysore and Chamarajanagar
10.	Oil processing	Shree Madhopur, Rajasthan, Hojai Nagoan Assam, Virudunagar
11.	Fruits &Veg.	Pratapgarh, UP
12.	Flour Mills	Sahajanpur, UP, Mahadevpapura, Bangalore Urban, Hanuman Garh Distt. Rajasthan, Kota Rajasthan
13.	Fruits processing	Bulsar, Gujrat, Chittoor, Andhra Pradesh
14.	Poha	Navasari, Gujarat
15.	Mfr, of Pickle, Jam, Jelly, Cherry	Hathras, Agra, UP
16.	Processing of grapes & wine mfg.	Chekaballapur, Karnataka
17.	Coconut processing	Hosadurga, Janakal, Holalkere, Hiriyur Chitradurga Karnataka
18.	Tamarind, Mango & veg. Processing	Shanarpatti, Natham, Nilakottai, Dindigul, Tamil Nadu
19.	Mfr. Of Jam, Squash,	Thrissur, Kerala

	Masala Powers, Pickles	
20.	Edible oil & oil cake, moth & mogar, rasagulla, bhujia & namkeen, papad, grain milling and all types of spices and dal mills	Bikaner Distt. Rajasthan
21.	Bakery products	Hanuman Garh Distt. Rajasthan
22.	Extraction of edible oil	Ajmer & Tonk, Rajasthan
23.	Dhaniya, edible oil	Kota Division, Rajasthan
24.	Edible oil	Alwar & Bharatpur Distt., Rajsthan
25.	Potato/Veg., products	Deesa, Banaskantha
26.	Isabgol/mukhwas/cumin	Sidhpur, Patan
27.	Ready-to-eat namkin & confectionary items	Odhav, Ahmedabad
28.	Pulse processing	Dhamtari
29.	Onion dehydration	Mahuva, Gujurat
30.	Mango processing	Dharmapura, Tamil Nadu
31.	Cotton seed oil	Dhule Maharashtra
32.	Grain milling and grain based products	South
33.	Alcoholic beverages	North
34.	Tomato paste& fast food	Central
35.	Meat and seafood processing	West
36.	Banana processing	Trichy
37.	Fish processing	Ramnad
38.	Turmeric	Erode
39.	Coffee curing and jiggery making units	Chikmagalur Taluk

40.	Indore namkeen & snaks	Indore
41.	Oil solvent plants	Katni & Morena
42.	Kesar Mango	Aurangabad
43.	Grape & Rasin	Nasik
44.	Pomegranate processing	Pune
45.	Grape and onion	Satara
46.	Alphonso mango	Thane
47.	Grapes packing	Nasik Maharashtra
48.	Agri milling	Jabalpur-Satna-Katni MP
49.	Fish/prawn processing	West Godavari Andhra Pradesh
50.	Rice Shelling	Sangrur, Barnala, Ferozpur, Mukatsar, Mansa

ANNEXURE- II

Details of grant-in-aid disbursed to Mega Food Parks

S No.	Name	Project cost (Rs Cr.)	Date of inprinciple approval	Date of Final Approval	Amount of grant approved (Rs Cr.)	Amount of grant released (Rs Cr.)	Actual expen-diture (Rs Cr.)
1.	Patanjali Food & Herbal Park Ltd	95.08	16.12.2008	27.03.2009	50.00	30.00	38.00
2.	Srini Food Park Pvt Ltd.	126.54	16.12.2008	27.03.2009	50.00	30.00	42.00
3.	North East Mega Food Park Ltd.	75.98	16.12.2008	27.03.2009	50.00	5.00	3.00
4.	Jharkhand Mega Food Park Pvt Ltd	113.95	16.12.2008	27.03.2009	50.00	5.00	4.58
5.	Tamil Nadu Mega Food Park Ltd	133.45	16.12.2008	16.03.2010	50.00	5.00	1.50
6.	Jangipur Bengal Mega Food Park Pvt Ltd.	111.04	16.12.2008	16.03.2010	50.00	5.00	2.60
7.	Punjab	153.40	03.08.2010	DPR to be submitted within six months of in-principle approval			
8.	Karnataka	130.00	03.08.2010				
9.	Mahara-shtra	120.00	03.08.2010				
10.	Uttar Pradesh	168.65	24.09.2010				

ANNEXURE- III

Position of Special Purpose Vehicles

S.N	State	Status of SPV formation	Status of Financial Closure	Construction Activity
1	Andhra Pradesh	SPV has been incorporated and registered in the name of M/s Srini Food Park Pvt. Ltd.	The project has achieved its financial closure. A consortium of State Bank of India, Chittoor and Bank of Maharashtra has sanctioned a term loan of `50.00 Cr.	The construction of various components of basic enabling infrastructure as well as core processing facilities has already commenced and is under various stages of development. The integrated aseptic pulping line in park has commenced operation.
2	Jharkhand	SPV has been incorporated and registered in the name of M/s Jharkhand Mega Food Park Private Limited.	The project has achieved its financial closure. Allahabad Bank, Ranchi has sanctioned terms loan of `33.00 Cr.	Land development at the site of CPC is completed and construction of boundary wall is progressing. International Construction Company (ICCO) has been awarded the work for basic infrastructures like land development, internal roads etc. The SPV is expected to float tenders for civil work and plant and equipments for other components of basic enabling infrastructure.
3	Uttrakhand	SPV has been incorporated and registered in the name of M/s Patanjali Food & Herbal Park Pvt. Ltd. (PFHPPL).	The project has achieved its financial closure. State Bank of India, Br. Haridwar has sanctioned term loan of Rs.22.00 Cr.	Work towards land development, road, water, power, ETP etc has been completed. The construction of certain other components of basic enabling and core processing facilities are nearing completion. PFHPL has already allotted plots to Patanjali Ayurved Ltd and Divya Plastochem for processing and packaging facility respectively. The processing unit of Patanjali Ayurved Ltd. has already commenced operations.

<table>
<tr><td>4</td><td>North East (Assam)</td><td>SPV has been incorporated and registered in the name of M/s North East Mega Food Park Pvt. Ltd. (NEMFPPL).</td><td>The project has achieved its financial closure. NEDFi has sanctioned term loan of Rs.9.00 Cr. for the project.</td><td>Construction work has started. Tenders of over Rs.30.00 Cr. awarded.</td></tr>
<tr><td>5</td><td>Tamil Nadu</td><td>The company is registered as M/s Tamil Nadu Mega Food Park Ltd</td><td>The project has been accorded Final Approval in March'2010 and SPV is now expected to proceed for financial closure. The proposed term loan component as per means of finance is Rs.56.00 Cr.</td><td>The SPV is now expected to proceed for construction activities at the park after completion of tendering process.</td></tr>
<tr><td>6</td><td>West Bengal</td><td>The SPV has been incorporated as M/s Jangipur Bengal Mega Food Park Pvt. Ltd</td><td>The project has been accorded final approval in March, 2010 and SPV is now expected to proceed for financial closure. The proposed term loan component as per means of finance is Rs.30.52 Cr.</td><td>The SPV has obtained the permission of conversion of land use. The SPV is now expected to proceed for construction activities at the park after completion of tendering process.</td></tr>
<tr><td>7</td><td>Karnataka</td><td>SPV has been incorporated as M/s Capital Foods Ltd.,</td><td rowspan="4" colspan="2">The SPVs have initiated the process of DPR preparation, conversion of land use and other pre-operating activities.</td></tr>
<tr><td>8</td><td>Maharashtra</td><td>SPV has been incorporated as M/s Temptation Foods Ltd.,</td></tr>
<tr><td>9</td><td>Punjab</td><td>SPV has been incorporated as M/s International Farm Fresh Product (India) Ltd.,</td></tr>
<tr><td>10</td><td>Uttar Pradesh</td><td>SPV has been incorporated as M/s Aditya Birla Nuva Ltd.</td></tr>
</table>