



COMMITTEE ON AGRICULTURE
(2009-2010)

FIFTEENTH LOK SABHA

MINISTRY OF FOOD PROCESSING INDUSTRIES

DEMANDS FOR GRANTS (2009-2010)

FIFTH REPORT



LOK SABHA SECRETARIAT

NEW DELHI

FEBRUARY, 2010 / MAGHA, 1931 (Saka)

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DEMANDS FOR GRANTS (2009-2010)

Presented to Speaker, Lok Sabha on 18.02.2010

Presented to Lok Sabha on 03.03.2010

Laid on the Table of Rajya Sabha on 03.03.2010



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COMPOSITION OF THE COMMITTEE ON AGRICULTURE (2009-2010)

Shri Basudeb Acharia - Chairman

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LOK SABHA

2. Shri Narayan Singh Amlabe
3. Shri K.C. Singh 'Baba'
4. Shri Thangso Baite
5. Shri Jayant Chaudhary
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31. Shri Khekiho Zhimomi

SECRETARIAT

1. Shri S. Bal Shekar - Joint Secretary
2. Shri P.V.L.N. Murthy - Director
3. Shri P. C. Koul - Additional Director

INTRODUCTION

I, the Chairman, Committee on Agriculture, having been authorized by the Committee to submit the Report on their behalf, present this Fifth Report on the Demands for Grants (2009-2010) of the Ministry of Food Processing Industries.

2. The Committee considered the Demands for Grants (2009-10) of the Ministry of Food Processing Industries which were laid on the Table of the House on 23 July, 2009. The Committee took evidence of the representatives of the Ministry of Food Processing Industries at their Sittings held on 5 November, 2009. The Committee wish to express their thanks to the officers of the Ministry of Food Processing Industries for appearing before the Committee and for furnishing the information the Committee desired in connection with the examination of Demands for Grants of the Ministry.

3. The Report was considered and adopted by the Committee at their Sitting held on 2 February, 2010.

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

NEW DELHI;
2 February, 2010
13 Magha 1931 (Saka)

BASUDEB ACHARIA
Chairman,
Committee on Agriculture

CHAPTER – I

IMPLEMENTATION OF COMMITTEE'S RECOMMENDATIONS

The Fortieth Report (Fourteenth Lok Sabha) of Committee on Agriculture on Demands for Grants (2008-09) of the Ministry of Food Processing Industries was presented to Lok Sabha and Laid on the Table of Rajya Sabha on 16 April, 2008. The Report contained 10 Observations/Recommendations.

1.2 Based on the Action Taken Replies received from the Ministry in respect of the above-cited Report, the Committee presented their Forty-fifth Report (Fourteenth Lok Sabha) to the Parliament on 18 December, 2008. The Committee had not accepted the reply of the Government in respect of Recommendation at Sl. No. 4 in the Original Report and also commented on Action Taken Replies of the Ministry in respect of Recommendations at Sl. Nos. 5 and 9 in the Original Report. Replies in respect of Recommendations at Sl. Nos. 1, 2, 6, 9 and 10 in the Original Report were of interim nature.

1.3 In terms of Direction 73-A of Directions by Speaker, Lok Sabha, the Minister concerned is required to make a Statement in the Lok Sabha about the status of implementation of recommendations contained in the Original Report within six months of its presentation. In the instant case the Minister of Food Processing Industries made his Statement under Direction 73A on 6 August, 2009 i.e. more than 15 months after the presentation of the Original Report. Moreover, the Statement contained information on 6 (Sl. Nos. 1, 2, 4, 6, 9 and 10) out of 10 Observations/Recommendations only. An analysis of the Statement revealed that though the Government had accepted all these six Recommendations only 3 of them had been implemented, 1 was under process and 2 were yet to be implemented.

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

CHAPTER – II

OVERVIEW OF DEMANDS

(I) **Introductory**

India is one of the top three producers in the world of milk, fruits and vegetables, food grains, live-stock and fisheries. Besides, a sizeable quantity of poultry products are also produced in the Country. The gains of such a strong production surplus base are, however, frittered away due to massive post harvest losses owing to lack of requisite storage and processing infrastructure. As per conservative estimates, in fruit and vegetable sector alone, produce worth more than Rs. 55000.00 crore is lost annually due to lack of storage and processing facilities.

2.2 As per the information furnished by the Government, the food processing sector at present employs about 13 million people indirectly. In 2004-05, this Sector contributed about 14% of manufacturing GDP with a share of Rs. 280,000 crore. crore.

2.3 The Ministry of Food Processing Industries was set up in July, 1988 with a view to give impetus to the development of food processing industry in the Country. The Ministry have been allocated the following subjects :

- (i) Fruit and vegetable processing industry (including freezing and dehydration)
- (ii) Food-grain milling industry
- (iii) Processing & refrigeration of certain agricultural products like milk powder, infant milk food, malted milk food, condensed milk, ghee and other dairy products, poultry and eggs, meat & meat products.
- (iv) Processing of fish (including canning and freezing)
- (v) Planning, development and control of, and assistance to, industries relating to bread, oilseeds, meals (edible), breakfast foods, biscuits, confectionery (including cocoa processing and chocolate making), malt extract, protein

isolate, high protein food, weaning food and extruded food products (including other ready-to-eat foods).

- (vi) Beer, including non-alcoholic beer.
- (vii) Alcoholic drinks from non-molasses base.
- (viii) Aerated water and soft drinks.
- (ix) Specialized packaging for food processing industries
- (x) Establishment and servicing of the Development Councils for fish processing industries.
- (xi) Technical assistance and advice to fish processing industries.

2.4 The Ministry of Food Processing Industries are concerned with formulation and implementation of the policies and plans for the food processing industries within the overall national priorities and objectives. The Ministry acts as a catalyst for bringing in greater investment into this sector, guiding and helping the industry, and creating a conducive environment for healthy growth of the food processing industry. Within these overall objectives, the Ministry aim at :

- Better utilisation and value addition of agricultural produce.
- Minimizing wastage at all stages in the food processing chain by development of infrastructure for storage, transportation and processing of agro-food produce.
- Induction of modern technology into the food processing industries.
- Encouraging R&D in food processing for product & process development.
- Providing policy support, promotional initiatives and facilities to promote value added exports.

2.5 The functions of the Ministry can be broadly classified under policy support, developmental activities and regulatory functions as follows:

(i) Policy Support

- (a) Formulation and implementation of policies for food processing industries within overall national priorities and objectives.

- (b) Facilitating creation of a conducive environment for healthy growth of the food-processing sector.
- (c) Promoting rationalization of tariffs and duties relating to food processing sector.

(ii) Developmental Initiatives:

- (a) Assistance under various plan schemes.
- (b) Widening the R&D base in food processing by involvement of various R&D institutes and support to various R&D activities.
- (c) Human Resource Development to meet the growing requirement of managers, entrepreneurs and skilled workers in the food processing industry.
- (d) Assistance for setting up analytical and testing laboratories, active participation in the laying down of food standards and their harmonization with the international standards.
- (e) Ministry is setting up a national level institute called National Institute of Food Technology, Entrepreneurship and Management (NIFTEM) at Kundli in Haryana at an estimated cost of Rs. 244.6 crore.
- (f) Two new Boards, namely, National Meat & Poultry Processing Board (NMPPB) in New Delhi and Indian Grape Processing Board (IGPB) at Pune have been set up for promotion of meat & poultry and grape processing industry in the Country.

(iii) Promotional Initiatives:

In order to create awareness about the potential and prospects of food processing industries in the Country, the Ministry provides assistance for:

- (a) Organizing workshops, seminars, exhibitions and fairs.
- (b) Studies/surveys, etc.
- (c) Publications.

(II) Analysis of Demands

2.6 Demand No. 17 pertaining to the Ministry of Food Processing Industries for the year 2009-10 was presented to the Lok Sabha on 23 July, 2009. In view of the General Elections in May-June, 2009 the Government had already taken a Vote on Account for the first four months of the Fiscal viz April to July, 2009.

The Table below shows the Demands (2009-10) in brief :

(Rs. in crore)			
Section	Plan	Non-Plan	Total
Revenue			
(i) Voted	300.00	10.50	310.50
(ii) Charged	00.00	00.00	
Capital			
(i) Voted	40.00	00.00	40.00
(ii) Charged	00.00	00.00	00.00
Grand Total			350.50

2.7 It is noted from the above that a sum of Rs. 350.50 crore has been allocated to the Ministry for the year 2009-10. Out of this Rs. 310.50 crore is in the Revenue Section and the remaining Rs. 40.00 crore is in the Capital Section. The allocation in the Revenue Section consists of Rs. 300.00 crore on the Plan Side and Rs. 10.50 crore on the Non-Plan Side. In the Capital Section the entire allocation of Rs. 40.00 crore is on Plan Side.

2.8 A comparative statement of the Revised Estimates of the Fiscal gone by and the BE of the ongoing Fiscal is given in the Table below:

Section	RE 2008-09		BE 2009-10	
	Plan	Non-Plan	Plan	Non- Plan
Revenue				
(i) Voted	201.60	10.50	300.00	10.50
(ii) Charged	00.00	00.00	00.00	00.00
Capital				
(i) Voted	40.40	00.00	40.00	00.00
(ii) Charged	00.00	00.00	00.00	00.00

2.9 It is noted that the allocation on Plan Side in Revenue Section has been substantially hiked from Rs. 201.60 crore in 2008-09 (RE) to Rs. 300.00 crore in 2009-10 (BE). In percentage terms the increase works out to 49%. On the Non-Plan Side, BE 2009-10 of Rs. 10.50 crore matches RE of 2008-09. In the Capital Section, where the entire allocation in both the Fiscals has been on Plan Side BE 2009-10 of Rs. 40.00 crore shows a minor decline over RE 2008-09 which stood at Rs. 40.40 crore. Overall allocation for 2009-10 of Rs. 350.50 crore shows an increase of Rs. 98.00 crore over last year's RE of Rs. 252.50 crore. This translates to almost 39% increase in percentage terms.

2.10 A statement showing BE, RE and Actuals in respect of Tenth Plan and the first two years of the Eleventh Plan viz 2007-08 and 2008-09 is given at Annexure-I.

2.11 The Committee are highly perturbed to note that though India figures amongst the largest producers in agricultural, animal husbandry, dairying and fisheries sectors, a substantial part of these painstaking efforts are going waste in the absence of sufficient and proper food processing infrastructure. The Committee, as the subsequent narrative will clarify, find that a separate Ministry for food processing industries though being in existence for close to two decades now has not been able to make much dent in the all pervading morass. It is extremely shocking that in just one sector viz. fruits and vegetables, the post harvest losses, even as per conservative estimates stand at a mammoth Rs. 55000 crore per annum.

2.12 The Ministry, though armed with an all encompassing mandate has unfortunately not made much headway due to the failure of the Government and the planners to realise the true potential of this sunshine sector. The result is that the food processing sector which contributed a significant 14%

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

CHAPTER - III

BUDGETARY PLANNING

(I) Planning Process

About the procedure being followed by the Ministry while working out the financial requirements for their various activities, both for the Five Year Plan and the Annual Plan, the Committee have been informed that the Planning Commission constituted a Working Group on Food Processing Industries for the Eleventh Plan Five Year Plan. Based on the recommendations of the Working Group, the Ministry submitted their proposal for the Eleventh Plan to the Planning Commission in which four of the Tenth Plan schemes have been continued with minor modifications in the pattern of assistance or the procedures. These are:

- (i) Scheme for Technology Upgradation/Modernization/Establishment of Food Processing Industries;
- (ii) Scheme for Quality Assurance, Codex Standards, R&D and Promotional Activities;
- (iii) Scheme for Human Resource Development; and
- (iv) Scheme for Strengthening of Institutions including NIFTEM.

3.2 The Working Group also proposed for discontinuation of the Backward and Forward Integration scheme in the Eleventh Plan and revamping of the Scheme on Infrastructure Development with components namely, Mega Food Parks, Modernization of Abattoirs, Integrated Cold Chain, Value Addition and Preservation Infrastructure and Strategic Distribution Centres. A new Scheme for Upgradation of Quality of Street Food has been included in the Eleventh Plan. Thus, there are total six schemes in the Eleventh Plan.

3.3 The Planning Commission had approved 'in principle' the schemes submitted by the Ministry for implementation in the Eleventh Plan. It also approved a tentative outlay of Rs. 4031.00 crore for the Eleventh Plan period against the Outlay of Rs. 650.00 crore approved for the Tenth Plan.

3.4 The Ministry did not respond when queried about the extent to which they were resorting to Zero Based Budgeting while working out their Plan projections. They, however, informed the Committee in response to a related query that the routine ZBB exercise was conducted in the context of their Eleventh Plan proposals by the Planning Commission. They also informed the Committee that before formulation of the Eleventh Plan proposals, the Planning Commission constituted a Working Group on Food Processing Industries for the Eleventh Five Year Plan. Based on the recommendations of the Working Group, the Ministry submitted their proposal for the Eleventh Plan to the Planning Commission in the middle of 2007.

3.5 When asked, if any of the schemes of the Ministry were not agreed to by the Planning Commission, it was stated that the following six Schemes were approved 'in principle' by the Planning Commission for implementation during the Eleventh Plan. Necessary funds were also allocated to these schemes, subject to approval of the respective schemes by the competent authority, namely EFC/ CCEA:-

- (i) Scheme for Infrastructure Development
- (ii) Scheme for Quality Assurance, Codex Standards, R&D and Promotional Activities
- (iii) Schemes for Human Resource Development
- (iv) Scheme for Upgradation of Quality of Street Foods
- (v) Scheme for Strengthening of Institutions
- (vi) Scheme for Technology Upgradation and Establishment of Food Processing Industries

3.6 It was also stated that the scheme mentioned at Sl. No. (iv) above could not be implemented in the absence of approval of the competent authorities, namely, EFC/ CCEA.

3.7 Asked why inspite of 'in principle' approval of the Scheme for Upgradation of quality of Street Foods, the approval of the competent authorities viz. EFC/CCEA, were taking so long and the present status of the Scheme, the Ministry stated that the scheme for "Upgradation of Quality of Street Food" was recommended by EFC in its meeting held on 5 February, 2008. Subsequently, the draft CCEA Note was circulated to the Ministries of Finance (Dept. of Expenditure), Tourism, Housing and Urban Poverty Alleviation for seeking their comments.

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

3.9 The comments on the draft CCEA note, of Food Safety and Standards Authority is being sought. After the comments of Food Safety and Standards Authority are received, the CCEA note would again be sent to Cabinet Committee on Economic Affairs for consideration and approval.

3.10 Pre project preparations including the preparatory works like DPR preparation under the Safe Food Town Component of the Scheme in 11 cities and Food Street Component of the Scheme in 6 towns has been initiated. Respective Urban Local Bodies and State Governments are in the process of finalization of DPRs, consultations etc. Training Manual like "TRAINERS KIT" for Trainers of the street food vendors, and "TRAINING MANUAL" for the street food vendors, Compendium on Ensuring Safety and Hygiene of Street Foods and other Capacity building tools have been developed.

3.11 The Committee were further informed that the Ministry have approved several initiatives during the Eleventh Plan which include setting up of 30 Mega Food Parks, 50 cold chains, 74 food testing quality control labs, modernization of 50 abattoirs, Upgradation of quality of street food, etc. under the relevant schemes.

3.12 The Ministry have taken advance action for preparation of DPRs of major schemes like Mega Food Parks, Modernisation of Abattoirs, Street Foods etc. The proposal in respect of setting up of National Institute of Food Technology, Entrepreneurship and Management (NIFTEM) and Upgradation of IICPT (PPRC), Thanjavur are ready for implementation during 2009-10. In respect of the scheme for Technology Upgradation and Establishment of Food Processing Industries, the Ministry have already sanctioned/ disposed off more than 800 cases against 1037 cases received during 2007-08 and forwarded to the banks in addition around 600 applications received through banks have been sanctioned/ disposed off during the first and second year of the Eleventh Plan. In the current year 2009-10 as on 27

October, 2009, 278 cases have been sanctioned for which Rs. 47.89 crore have been released against budgetary allocation of Rs. 66.00 crore. The Ministry, therefore, would be able to not only utilize the budget allocation of Rs. 340.00 crore during 2009-10, but also would require additional funds at the RE stage as all the schemes would be in full steam for implementation.

3.13 The Committee then desired to be informed about any review, etc. of the financial planning in vogue in the Ministry by the Ministry of Finance/Planning Commission/ as also the resultant action taken. In response, the Ministry stated that the Planning Commission from time to time undertakes the review of the financial planning of the Ministry. The Planning Commission has been taking several meetings and presentations from the Ministry in respect of status and progress of Plan Schemes from time to time.

(II) Budgetary Allocation

3.14 Noting that the Ministry had sought Rs. 2800.00 crore and Rs. 4816.00 crore as allocations for the Tenth Plan and the Eleventh Plan respectively, the Committee desired to know the detailed break-up of allocation sought, allocated and actually spent scheme-wise for each of the years of the Tenth and Eleventh Plans. The information as furnished by the Ministry is at Annexures II and III.

3.15 Noting that the fund allocations were far less than those sought by the Ministry, the Committee wanted to know about the efforts made by the Ministry to convince the Planning Commission to allocate funds, as projected and whether the matter was taken up at the other levels as well so as to ensure that the funds sought are actually allocated. In response, the Ministry stated that for the year 2009-10, the Planning Commission has made an allocation of Rs. 340.00 crore against the Ministry's grant of Rs. 1229.06 crore.

3.16 It was also stated that the Ministry have taken advance action to allocate sufficient funds for the existing schemes during the Eleventh Plan Period. The Planning Commission has earmarked for Rs. 50.00 crore in respect of National Institute of Food Technology, Entrepreneurship and Management (NIFTEM). The

matter was taken up at the level of Prime Minister and Finance Minister by Minister, FPI for higher allocation.

3.17 When asked as to when the proposals for the Eleventh Plan were formulated in the Ministry and forwarded to the Planning Commission, the Ministry informed that the Eleventh Plan proposal of Ministry of Food Processing Industries was forwarded to Planning Commission on 29 December, 2005.

3.18 From the spending pattern of the Ministry in the Eleventh Plan till date, the Committee note that out of the total allocation of Rs. 4031.00 crore for the Eleventh Plan they have been able to spend Rs. 370.00 crore in the first two Fiscals. This works out to about 9% of the total allocation. Presuming they are able to spend the entire amount of Rs. 340.00 crore allocated to them for the ongoing year, they would still be left with almost 85% of the Plan allocation for being spent in the remaining two years of the Plan.

When asked, why the funds allocated had not been spread more evenly to avoid huge accumulation of unallocated funds in the last two years of the Plan, the Ministry stated that the funds actually allocated were optimally within available time. The Annual Plan allocation for 2007-08 made by the Planning Commission at BE stage was Rs. 250.00 crore. Since this was the first year of the Eleventh Plan, the expenditure on various schemes depended upon the approval of the Eleventh Plan Schemes by the Planning Commission as well as by the EFC/ CCEA. The 'in principle' approval of the Planning Commission for the six Plan Schemes was received on 9 February, 2007. However, the tentative allocation of the Plan size of Rs. 4031.00 crore for the Eleventh Plan was received only on 11 November 2007 from the Planning Commission. In the absence of the above information, the Ministry could not initiate the preparation of the documents containing the individual scheme wise proposals for approval of Expenditure Finance Committee which also required prior consultation with the concerned Ministries in the Government of India before the document could be finalized and submitted to the EFC for its consideration. The EFC meetings in respect of five of the schemes have been held in the month of February and March 2008. Of these, three schemes required further approval of the Cabinet Committee on Economic Affairs before these schemes can be implemented.

3.19 It was further submitted that only one of the six schemes namely, Scheme for Technology Upgradation/ Modernization/ Establishment of Food Processing Industries which is a continuation of the Tenth Plan Scheme without any changes was implemented during the year 2007-08 without the need for approval of EFC, etc. In view of the above, expenditure could be incurred mainly in respect of applications received under the above scheme. In addition, expenditure has also been incurred in respect of some of the pending applications relating to the Tenth Plan schemes spilling over into the first year of the Eleventh Plan. Although under the Scheme for Technology Upgradation/ Modernization/ Establishment of Food Processing Industries the Ministry has pending applications of the Tenth Plan period, on which the Ministry was in a position to incur more expenditure and additional funds of Rs. 350.00 crore was sought from the Planning Commission at the RE stage, the Planning Commission agreed for an allocation of Rs. 200.00 crore only.

(III) Comparative Analysis of Allocations

3.20 When asked about the Plan Outlays and percentage allocation of the Ministry of Food Processing Industries vis-à-vis Central Plan Outlay during the last five years and for 2009-10 along with comparison with some other Ministries/ Departments the Ministry stated as under :

Years	2005-06	2006-07	2007-08	2008-09	2009-10
Central Plan Outlay	211253	254041	319992	375485	447921
M/o Food Processing Industries	180	167	250	290	340
% of allocation vis-à-vis Central Plan Outlay	0.09	0.07	0.08	0.08	0.08
M/o Health & FW	9682	11688	14363	16534	19534
M/o RD	24480	31444	41060	49400	80770
M/o UD	2877	2752	5166	5478	5284
M/o HRD	19119	25541	28674	34400	36400

3.21 It is seen that in all the five years mentioned above the percentage allocation to the Ministry vis-à-vis Central Plan Outlay has never exceeded 1%.

(IV) Growth Rate – FPI Sector

3.22 Since the Ministry have already worked out a very ambitious Vision 2015 and are also planning several major Schemes and activities in near future, the Committee desired to know the growth rate figures in Food Processing Industries sector for the last three years and the expected growth rate for this year. In a written reply, the Committee were informed that as per the data available with the Ministry, a total of about 43.18 lakh workers were employed in the food processing industries sector in the year 2005-06. Of these, around Rs. 32.24 lakh were employed in the unregistered sector. The data for the growth rate of the food processing industries during the current year (2009-10) is not available. However, the average growth rate of the food processing industries during the Tenth Plan period (upto 2006-07) was @ 14.06% at current prices and @ 7.20% at 1999-2000 prices.

3.23 When asked further how the Ministry were able to plan and strategize in the absence of this vital data, the Ministry stated in a subsequent written response that the food processing industry comprises of several sectors – dairy, meat, edible oils, consumer items, beverages, etc. As such, data for the food processing sector as a whole needs collation and compilation from a number of sources/sectors. Also, many data sources do not come out with the required data at a regular periodicity. Therefore, the data on food processing industry as a whole comes with a time-lag, which may even extend upto 2-3 years. The lack of adequate, reliable and real-time data is one of the major bottle-necks in planning exercise in the Ministry. The Ministry are examining a proposal for setting up a comprehensive Food Processing Information System (FPIS) that is likely to address the issue and make the relevant data available on a real-time basis.

(V) Budget and Cash Management Scheme

3.24 The Committee have been given to understand that the Ministry of Finance have launched a modified Budget and Cash Management Scheme with a view to

reduce expenditure asymmetry and to plan market borrowings more realistically. The modified Scheme, amongst other things stipulates :

- Disclosure of monthly expenditure of major Department.
- Quarterly exchequer control with a maximum ceiling of 33% expenditure in Quarter-4 (Q-4).
- March spending control with a maximum ceiling of 15% of funds.

3.25 Any violation of these stipulation are required to be reported to Ministry of Finance for relaxation. The following data was furnished by the Ministry in response to a specific query about March and Q-4 spending ceilings and their reporting to Ministry of Finance :

EXPENDITURE FOR THE MONTH OF MARCH OF 2007-08 & 2008-09

2007-08 (PLAN)					2007-08 (Non-PLAN)				
B.E. 2007-08	R.E. 2007-08	Exp. In the month of 3/08	% age with reference to B.E. 2007-08	% age with reference to R.E. 2007-08	B.E. 2007-08	R.E. 2007-08	Exp. In the month of 3/08	% age with reference to B.E. 2007-08	% age with reference to R.E. 2007-08
250.00	200.00	49.46	19.78%	24.73%	8.30	8.68	0.13	1.57%	1.50%

2008-09 (PLAN)					2008-09 (Non-PLAN)				
B.E. 2008-09	R.E. 2008-09	Exp. In the month of 3/09	% age with reference to B.E. 2008-09	% age with reference to R.E. 2008-09	B.E. 2008-09	R.E. 2008-09	Exp. In the month of 3/09	% age with reference to B.E. 2008-09	% age with reference to R.E. 2008-09
290.00	242.00	47.17	16.27%	19.49%	9.00	10.50	0.30	3.33%	2.86%

QUARTER-WISE EXPENDITURE FOR THE YEAR 2007-08, 2008-09 & 2009-2010 (UPTO SEP. 09)

2006-07									
BE	Exp. In 1 st quarter	% age	Exp. In 2 nd quarter	% age	Exp. In 3 rd quarter	% age	Exp. In 4 th quarter	% age	
173.70	6.08	3.50	47.36	27.27	70.07	40.34	36.40	20.96	

2007-08								
BE	Exp. In 1 st quarter	% age	Exp. In 2 nd quarter	% age	Exp. In 3 rd quarter	% age	Exp. In 4 th quarter	% age
258.30	41.42	16.04	28.40	10.99	28.38	10.99	88.56	34.29

2008-09								
BE	Exp. In 1 st quarter	% age	Exp. In 2 nd quarter	% age	Exp. In 3 rd quarter	% age	Exp. In 4 th quarter	% age
299.00	18.02	6.03	95.74	32.02	32.50	10.87	85.49	28.59

3.26 It is seen that the Ministry exceeded Q-4 ceiling in 2007-08 with expenditure 34.29% of the Total Outlay. The March spending ceiling was breached in both the two Fiscals of Eleventh Plan i.e. 2007-08 and 2008-09 at 24.73% and 19.49%.

(VI) Annual Plan 2009-10

3.27 On being questioned as to how it was ensured that the proposed allocations are duly prioritized, rational and realistic so as to not invite drastic cuts at various subsequent stages of consideration, the Ministry stated that for the year 2009-10, the Planning Commission have made an allocation of Rs. 340.00 crore in BE against the Ministry's demand of Rs. 1229.06 crore. Since all the Plan Schemes would have been approved in 2009-10, the Ministry will be in position to incur expenditure on all the Eleventh Plan schemes.

3.28 Observing that the allocation for the current Fiscal was far less than the amount proposed, the Committee desired to know why the Ministry have not pursued with the Planning Commission for allocation of the proposed amount in response, the Ministry stated that they had already persuaded the Planning Commission to enhance the Budget Allocation several times.

3.29 About the reasons extended by the Planning Commission while reducing the proposed allocation, the Committee were informed by the Ministry in a written reply that the Planning Commission have considered the request made by Ministry of Food Processing Industries and assured that the sufficient budget will be provided at the stage of RE. The Planning Commission have also mentioned that due to resource limitation, the enhancement will not be taken into account at that stage. Noting the contradictions in the reply, the Committee desired to know how Planning Commission had assured sufficient budget will be provided at RE stage when in the same breath they had told the Ministry that due to resource limitation, the enhancement will not be taken into account at that stage. In response the Ministry stated in their post-evidence reply that they had been trying to get their allocations increased. The matter has been taken up at appropriate fora repeatedly. However, the Ministry are not aware of the criteria adopted by the Commission while deciding these allocations and they have no further comments to provide on the response of the Commission.

3.30 About the schemes which are likely to be affected in the ongoing Fiscal due to this lesser allocation, it was stated that the Scheme for Setting up of Technology Upgradation / Expansion / Modernisation of Food Processing Industries will be affected adversely as the committed liabilities of projects / schemes are higher. In respect of Mega Food Parks Rs. 230.00 crore are required and for Integrated Cold Chain Rs. 86.00 crore are required. For the Abattoirs Rs. 92.50 crore are required. In respect of Setting Up of Technology Upgradation Scheme Rs. 350.00 crore are required to meet the liabilities of 2021 cases during 2009-10.

3.31 On the question as to whether the lesser allocation will also adversely effect the GDP share of the food processing sector and the extent thereof, the Ministry replied in affirmative. They further stated that the present allocation is just 28% of the proposed allocation. Against Rs. 1229.06 crore, the Planning Commission allocated Rs. 340.00 crore for all schemes of MFPI which will adversely affect the GDP share of the Food Processing Sector, as with limited budgetary allocation, the scale of assistance would be limited.

(VII) Mid Term Appraisal

3.32 As both, the Eleventh Five Year Plan and Annual Plan 2009-10 are at half way stages, the Ministry were asked whether they, as also the other mandated agencies have conducted any mid-term appraisal of the Eleventh Plan and of the ongoing Fiscal to assess the performance of various plans and schemes, in response, it was stated that the Ministry have made evaluation of projects assisted by MFPI during Tenth Plan period within (2002-03 to 2004-05) Zone-wise by different agencies. The evaluation / mid-term appraisal of the Eleventh Plan schemes has not been conducted. However, there is a proposal to conduct the study / evaluation of MFPI schemes for the period Tenth and Eleventh Plan (2005-06 to 2008-09). The Planning Commission have undertaken mid-term review of the Eleventh Plan.

Planning Process

3.33 The Committee note that the planning process with regard to the Eleventh Plan for Ministry of Food Processing Industries commenced with the constitution of a Working Group on Food Processing Industries by the Planning Commission. Based on the recommendations of this Working Group, the Ministry of Food Processing Industry submitted their proposal for the Eleventh Plan to the Planning Commission. Four of the Tenth Plan Schemes were continued in the Eleventh Plan with some modifications in the pattern of assistance or the procedures. One old Scheme on Infrastructure Development was revamped and co-opted. A new Scheme for upgradation of Quality of Street Food was also included. Thus, in the Eleventh Plan the Ministry are pursuing six Schemes. The Committee, however, also note that in the present

scheme of things, the Ministry do not take recourse to Zero Based Budgeting (ZBB). Whatever is being done on that front is at the Planning Commission level. The Committee strongly feel that most of the delays in Budgetary Planning are at the planning and approval stages. The Committee, therefore, desire the Ministry to conduct a ZBB exercise while working out their Five Year Plan proposals which will not only enable them to make a professional and dispassionate analysis of their achievements thus far but also to arrive a the rational and realistic estimate for their future activities. Apart from this intrinsic advantage, such an exercise would also provide the Planning Commission and other agencies/bodies concerned with their approvals/sanctions with a standard and reliable benchmark to further work upon these plan proposals. Going a step further the Committee also desire the Ministry to also work on the principles of ZBB while working out their Annual Plans. This would again help them in assessing and evaluating their Annual Plans in a more purposeful and professional manner.

While on the Planning Process, the Committee would also like to comment on the sloppy manner in which the Scheme for upgradation of Quality of Street Food has been handled. This new Scheme was given in-principle approval by the Planning Commission but was held up for want of approvals of EFC/CCEA. The Scheme was recommended by the EFC in its meeting held on 5 February, 2008. After obtaining the

comments of the Ministries of Finance, Tourism, Housing and Urban Poverty Alleviation etc. on the draft CCEA note, a final note was sent by the Ministry for the consideration of CCEA. The CCEA considered the proposal in its meeting held on 23 February, 2009 - more than one year after the Scheme was recommended by the EFC and even then the proposal was deferred. The result is that the Scheme is yet to see the light of the day. The Committee are pained at the sorry fate befalling this Scheme. Had the Ministry acted upon in a more diligent manner, several food streets and food towns could have been showcased as an added attraction for the people visiting the Country for and in connection with the Commonwealth Games, 2010. Hoping against hope, the Committee therefore recommend that the Government should act upon this Scheme without losing any further time so that atleast some of the places where this Scheme is to be implemented are ready before the Commonwealth Games, 2010.

Budgetary Allocation

3.34 The Committee are extremely unhappy with the way Budgetary Allocations are being made to the Ministry of Food Processing Industry. Out of the total allocation of Rs. 4031.00 crore for the Eleventh Plan, the Ministry because of late release of funds have been able to spend a sum of Rs. 370.00 crore only in the first two fiscals which is only 9% of the total allocation. This year also they have been allocated an amount of

Rs. 340.00 crore against Rs. 1229.06 crore sought by them. Presuming the entire amount is utilized by the Ministry in the ongoing Fiscal, still almost 85% of the Plan Allocation need to be required to be spent in the remaining two years of the Plan. This according to the Committee is not at all a healthy proposition, considering that almost all the investments are to be made in infrastructure development and other such long gestation projects. The main culprits again for such delays are planning and approval stages as the EFC meetings in respect of five of the schemes of the Ministry were held in the months of February and March, 2008 and three of these Schemes required further approval of CCEA thus, staggering further the timelines. Keeping the extant situation in view, the Committee are of the firm opinion that the planning and approval system in vogue now requires a radical makeover so that the implementation part of the Scheme gets a fair enough amount of time which hitherto is being spent on the planning and approval stages which could be ideally completed before a new plan comes into effect. The Committee would like to have the considered views of the Government on this crucial aspect.

Comparative Analysis of Allocations

3.35 The Committee find it extremely distressing that inspite of their recommendations in successive Reports for grant of sufficient funds for the food processing industry sector and the Government's own

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

Growth Rate – FPI Sector

3.36 The Committee note with disbelief that the Ministry do not have any reliable and regular system of collection of data pertaining to the various components and activities of the food processing industry sector inspite of being in existence for about two decades now. In such a situation, figures of growth rate shown for the FPI Sector and also other related statistics defy logic and appear to be conjectures. Moreso, the manner in which they chalk out strategies and visions, schemes and projects year after year in such a void is again a matter of guess work. The Ministry's lack of action for decades together on this vital issue, which as per their own admission is a major bottle-neck in the planning exercise in the Ministry, requires a serious explanation. The Committee

find that the Ministry have belatedly now woken up to the need for setting up a comprehensive Food Processing Information System to address the issue and make the relevant data available on real time basis. They, therefore, desire the Ministry to whole-heartedly pursue the setting up of this Information System and ensure that it is functional within three months of presentation of this Report.

Excessive Q-4 and March Spendings

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

Annual Plan 2009-10

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

Mid-Term Appraisal

3.39 The Committee have been given to understand that the Planning Commission have undertaken a Mid-Term review of the Eleventh Plan. However, in so far as the Ministry is concerned, they have conducted an evaluation of projects assisted by them during the Tenth Plan period for the years 2002-03 to 2004-05. The Ministry further propose to conduct

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

CHAPTER - IV

EVALUATION OF SCHEMES

(I) Scheme for Infrastructure Development

The objective of the Scheme for Infrastructure Development is to provide infrastructure and common facilities for use by small and medium enterprises, which enhance value addition. Budgetary allocations under the scheme are as under:

(Rs. in crore)			
Year	BE	RE	Actual
2005-06	49.00	10.00	15.65
2006-07	22.00	13.62	13.21
2007-08	100.00	16.50	12.37
2008-09	100.00	42.20	48.28
2009-10	150.00		28.54*

(*as on 30.09.2009)

4.2 It is seen that BE 2007-08 was drastically pruned down from Rs. 100.00 crore to Rs. 16.50 crore and Rs. 12.37 crore only was actually spent . On this issue, the Committee were informed that in Financial Year 2006-07 which pertains to Tenth Five Year Plan period, the Infrastructure Development Scheme had four components viz Food Parks, Cold Storage, Packaging Centre/ Value Added Centre and Radiation Centres. During 2007-08, the First year of Eleventh Plan Period, as the Eleventh Plan Scheme were not approved, the Ministry was incurring expenditure only for the projects approved during Tenth Plan Period. Hence, the expenditure was not much which fell slightly less to the RE provision for the year.

4.3 About the reasons for reduction of allocation at RE stage from Rs. 100.00 crore to Rs. 42.20 crore and the Actuals being Rs. 48.28 crore in 2008-09, the Ministry in a written reply stated that BE of Rs. 100.00 crore was projected keeping in view the proposals under consideration of the Government relating to the Infrastructure Development Schemes for setting up of Mega Food Parks, Modernization of Abattoirs and Integrated Cold Chains. The Scheme of Mega Food Park was approved by the Government in September 2008, and that for Cold Chain

in August 2008. Due to delay in the approval of these schemes expenditure till September 2008 was very less, hence RE was accordingly reduced.

4.4 The break-up of expenditure incurred during 2008-09 on these Schemes was as follows.

Food Parks	Rs. 3.37 crore
Mega Food Parks	Rs. 24.26 crore
Cold Chains	Rs. 9.68 crore
Abattoirs	Rs. 10.97 crore
Total	Rs. 48.28 crore

4.5 In view of the gross under utilisation of funds in the first two years of the Plan, the Committee desired to know how the Ministry intended to fully utilize the BE of Rs. 150.00 crore in the ongoing year and the Ministry stated that the projected expenditure during the current financial year is as under:

MFP	Rs. 70.00 crore (2 nd tranche of 1 st installments to 4 MFPs @ of Rs. 10.00 crore + 1 st tranche of 1 st installments to 6 MFPs @ R.5.00 crore each)
Food Parks	Rs. 10.00 crore (Rs. 1.00 crore each to 10 Food Parks)
Total	Rs. 80.00 crore
Cold Chains	Rs. 66.00 crore
Abattoirs	Rs. 27.09 crore
Total	Rs. 173.09 crore

4.6 The break-up of expenditure during the current financial year up to 30 September, 2009 on the Scheme is as under:

MFP	Rs. 3.586 crore
Cold Chains	Rs. 22.05 crore
Abattoirs	Rs. 2.91 crore
Total	Rs. 28.546 crore

(i) Food Parks

4.7 Coming to the implementation aspect of the various components of the Scheme for Infrastructure Development, the Committee noted from the information furnished by the Ministry that the Eleventh Plan Working Group in their review of the Food Parks component had observed as follows:

“The scheme for establishing Food Parks as is in operation since Eighth Five Year Plan with periodic revisions in successive Five Year Plans. Though the Ministry of Food Processing Industry (MFPI) has supported development of 54 Food Parks in the Country during this period, most of them are yet to be established. Against a physical target of 25 Parks during the Tenth Plan, 18 Parks have been sanctioned so far. Of these, only 8 Food Parks have been established. Even those established are facing problems of gross under utilisation, besides being unable to attract entrepreneurs. Only 28 units are currently in operation in these 8 Parks.”

4.8 About the major reasons for the poor functioning of the Food Parks, the following reasons have been extended:

- Location and site related problems including cost and unsuitability of locations.
- Delay in providing basic infrastructure facilities like power, water, road etc.
- Delay in release of financial assistance.
- Lack of entrepreneurial awareness, interest and aggressive promotional marketing efforts.
- Poor management and implementation capabilities.
- Absence of strong backward linkages.
- Weak linkages with the market.

- A comprehensive project report from the raw material supply chain to the market, assessing infrastructure needs at every stage.
- Lack of funding for components such as internal roads, drainage, environmental control facilities and solid waste management facilities etc, which are also important infrastructure needed in the park.
- A competent proposal appraisal.
- Failure to identify the various components of the supply chain.

4.9 Subsequently, the Ministry have got the Food Parks Component evaluated by independent agencies. The evaluations have suggested that the component will be successful only if infrastructure (1) On Farm Storage (2) Primary Processing (3) Minimal Processing (4) Retail outlet (5) Mobile Processing Unit (6) Mobile Pre-cooling Unit (7) Packaging Centre (8) Pelletisation etc. are provided on a cluster basis, without insisting on all common facilities to be provided within the acquired area of the Park.

4.10 When asked about the number of Food Parks fully established since Eighth Plan and in operation, the Ministry submitted the following information;

No. of food parks approved for assistance by the Ministry

Under 8 th Plan	02
Under 9 th Plan scheme (continued to operate till 23rd August, 2003)	39
Under 10th Plan scheme	15
Total	56

4.11 They further clarified that out of 56 Food Parks, 3 Food Parks have not yet been given any Central Assistance. They are:

- (i) Food Park at Hajipur, Bihar.
- (ii) Food Park at Jewargi, Karnataka.
- (iii) Food Park at Murshidabad, West Bangal.

4.12 However, Food Park at Jewargi, Karnataka has recently claimed first installment of Central Assistance after establishing some of the common facilities 35 Food Parks are operational.

4.13 About the measures taken by the Ministry in the Eleventh Plan to overcome the shortcomings/infirmities in the Food Park Scheme, the Ministry stated that in view of the experience gained in the implementation of the Food Park Scheme and taking the recommendations of the evaluation studies into consideration, it has been proposed to revise and restructure the Food Park Scheme into Mega Food Park to address the concerns raised above.

Salient features of the Mega Food Park would be:

- The cost of establishing an Integrated Food Zone/ Mega Food Park is estimated to be Rs. 120.00 crore. Considering the higher risk involved in food processing sector, the revised financial assistance in the form of grant for one park has been proposed at 50% of the project cost in General Areas and 75% in N.E. Region /Difficult Areas limited to max. Rs. 50.00 Crore for creation of core infrastructural facilities and for backward/forward linkages.
- It would provide state of the art infrastructure for food processing in the country on a **pre-identified cluster basis**. A cluster-based approach would be adopted taking into consideration existing NHM Cluster and AEZ's promoted by APEDA. A detailed techno feasibility study and DPR would be undertaken to map the supply chain, identify potential investors, estimate project cost and its potential to exploit economies of scale
- The techno feasibility study and detailed project report would analyze raw material availability, seasonality, existing supply chain, infrastructure need and gap assessment etc. It would be aimed at ensuring value addition of agricultural commodities including poultry, meat, dairy, fisheries etc. Appropriate product mix would be chosen based on availability of raw material in the identified clusters to ensure minimum of 200 days of working of Mega Food Park.
- The scheme proposes to establish an efficient and sustainable supply chain. Based on techno feasibility study, potential locations for collection centers and primary processing centers would be mapped, which would be supported by cold chain infrastructure to reduce wastages and check quality deterioration. Strong backward linkages would be established by involving farmer groups/traders/commission agents and attempts would be made to federate them into an appropriate structure, including possibility of a producer company.

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

(ii) Modernisation of Abattoirs

4.14 Modernization of Abattoirs is a specific scheme targeting infrastructure for the meat processing industry. The main objectives of the scheme are as follows:

- Scientific and hygienic slaughtering
- Stunning, causing least pain to the cattle/minimizing transportation of animals
- Better by product utilisation /value addition
- Providing chilling facility to prevent microbial activity in slaughtered animals

4.15 According to the Working Group on Eleventh Plan, the response to this scheme has not been encouraging due to following reasons :

- 25% or 33.33% of the cost of plant and machinery/TCW in general areas and difficult areas respectively with ceiling of Rs. 4.00 crore translates to very low level of assistance. The average cost of modernization of a medium sized abattoir is estimated to be Rs. 20.00 crore.
- The scheme can be availed only by local bodies, which are generally cash starved.

- The experience of Department of Animal Husbandry in this area has also been similar with very few local bodies being in a position to avail of this facility.
- The Scheme is mainly supply driven. No promotional activities are undertaken to educate and build capacity of stakeholders.
- There is no project development agency to handhold from concept to commissioning.
- Local bodies are not in a position to combine regulation with management.
- Difficulties in modernizing and relocating existing abattoirs.
- Modernisation of Abattoirs, which should be clearly the first priority in meat sector, has also lagged behind. Barring a few attempts in the private sector, most of the attempts at modernization of abattoirs have failed and it is being realized that present Scheme's stress on local bodies like municipalities may not be the right strategy to modernize and manage Abattoirs.

4.16 About corrective action taken to improve the performance of the Scheme in Eleventh Plan, it was stated that the financial assistance is being extended at 50% and 75% of the cost of plant and machinery and technical civil works in general and difficult areas respectively subject to a maximum ceiling of Rs. 15.00 crore for each project.

4.17 When asked about the details of Abattoirs assisted and amount of assistance provided to each of the Abattoirs during the first two years of the ongoing Plan, the Ministry in their written reply stated that the Abattoir Scheme was approved in the FY 2008-09. The Approval Committee approved 10 Abattoirs in FY 2008-09 with a total cost of Rs. 127.00 crore. The amount of financial assistance provided to 8 Abattoirs till date is Rs. 10.85 crore.

4.18 Elaborating further, Secretary of Ministry of Food Processing Industries stated during the Oral Evidence as under :

“Abattoirs on the other hand also has been a surprising success. Till last Plan we were giving assistance up to Rs. 4.00 crore and there was only one abattoir proposal which we were able to do. Also our percentage of assistance was much less, 25% to 33%. This year with the percentage of assistance increasing to 50 to 75 in case of the difficult areas and North-Eastern areas, the response has been overwhelming. With ten abattoirs – including in places like – We have tried to take maximum out of these ten to difficult areas like Jammu, Kashmir, Shillong and Dimapur. So, four of these areas and other six have been cleared by us. Half of them are in the process

of issuing of tenders and we are hoping that we will get good results. Already about 26 DPRs have been received by us. So, again I am hoping. The Planning Commission also had earlier expressed its doubts over the abattoirs scheme and wondered if there will be any takers for it because there was only one in the last plan. But with the current position, again we will take up. We have to have interdepartmental consultations before we can go to the CCEA. Actually we will go through the EFC route. The whole route will take us about three months at least and we will be claiming that now there should be no restriction on us.”

(iii) *Scheme for Cold Chain, Value Addition and Preservation Infrastructure (Including Packaging Centre and Irradiation Centres)*

4.19 The Tenth Plan schemes for Packaging Centre, Integrated Cold Chain Facilities, Value Added Centre and Irradiation Facilities have had a low response. Only 12 Cold Storage/Chains, 3 Value Added Centres, 1 Packaging Centre and 4 Irradiation Facilities have been supported under the four components during the Tenth Plan. The Eleventh Plan Working Group while evaluating the Scheme for Cold Chain, Value Addition and Preservation Infrastructure identified the following weaknesses due to which there was poor response to the Scheme :

- The levels of assistance provided under the current scheme at 25% of the cost of plant and machinery and TCW in General Areas and 33.33% in difficult areas, subject to a maximum of Rs. 2.00 crore are very low, since the total costs of these facilities are in the range of Rs. 10-30 crore.
- Keeping in view the National Horticulture Board's capital Subsidy Scheme for cold storages, the MFPI's assistance is limited to:
- Cold storages for non-horticulture produce.
- Where the cold storage is an integral part of the processing unit or of the common facilities in the food park.
- Special type of cold storages with Controlled Atmosphere/Modified Atmosphere facility.
- Integrated solution for cold chain facility from farm gate till consumer is missing. Since pre-cooling units, mobile refrigerated transport including reefer vans etc. have been excluded from the scheme, complete cold chain facilities without any break cannot be supported under the scheme.
- Exclusion of horticulture produce for assistance under the scheme has created a gap. Since 1999-2000, NHB along with NABARD, NCDC and NAFED have been able to provide assistance for cold chain facilities to the tune of Rs. 273.00 crore only, while the total need for investments for cold chain facilities for horticulture produce is envisaged at Rs. 2245.00 crore during the Tenth Plan.

- Another important reason why large-scale investments have not taken place in India's cold chain infrastructure is that to be viable, investments in cold chain are expected to require not less than 100 days in a year whereas the typical inflow for raw material from agriculture is within the range of 30-40 days for each product.

4.20 The Committee have been informed that the failure to build supply chain from the farm to the consumer has prevented investments in cold chain. Fruits and vegetables are largely distributed and consumed in the immediate vicinity of production centres, requiring little cooling. It is only when production is surplus to requirements that processing is resorted to.

4.21 Furthermore, to encourage setting up of cold chain facilities and backward linkages in the Country, Ministry of Food Processing Industries (MFPI) have during the Eleventh Plan enhanced 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. The 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. MFPI were mandated to take up 10 such project proposals in first phase during 2008-09, which can be up-scaled to total 30 projects during the Eleventh Plan period. 10 integrated cold chain projects have been approved by MFPI during 2008-09 which are at various stages of implementation. Remaining 20 integrated projects are being taken up during remaining period of Eleventh Plan i.e. 2009-2012 after approval of Competent Authority.

4.22 As regards the response to the reoriented Scheme, it was stated that the Ministry have received overwhelming response from various stakeholders and received 56 applications during 2008-09. Out of that, Ministry have approved 10 integrated cold chain projects in different States in tune with the recommendation of Expenditure Finance Committee (EFC) of Ministry of Finance. Since Ministry of Finance and EFC have given approval for taking up of 10 integrated cold chain facilities in the First phase, now the Ministry are in the process of finalisation of EFC

note for obtaining approval for upscaling the scheme to take up more integrated cold chain projects during remaining period of Eleventh Plan (2009-2012).

4.23 As regards the comparisons drawn by the Eleventh Plan Working Group with similar Schemes of other Ministries/Agencies, it was clarified by the Ministry that NHB alongwith NABARD, NCDC and NAFED under their schemes also provide financial assistance for standalone cold storages which are generally used for storage of potatoes and onions only. However, MFPI scheme envisages integrated approach, which includes multi product and multi chamber CA/MA cold chain facilities, refer vans, collection centres/ primary processing centres at farm gate. In addition, horticulture produces have also been included for support under Integrated Cold Chain Facilities. As a result of integrated approach and inclusion of Horticulture produces under the ambit of the scheme, the Ministry has received overwhelming response from the stakeholders.

4.24 Incidentally, the studies by the Working Group for Eleventh Plan also indicated the need for providing higher scale of assistance for building infrastructure items on the pattern of following Schemes by other Ministries/Departments:

Sl. No.	Scheme	Nodal Ministry/Department
1.	Industrial Infrastructure Upgradation Scheme	Department of Industrial Promotion and Policy.
2.	Textile Centre Infrastructure Development Scheme	Ministry of Textiles
3.	Scheme for Integrated Textile Parks	Ministry of Textiles
4.	Cold storages and Mobile Processing Units Scheme	National Horticulture Development Board, Ministry of Agriculture.

4.25 About the corrective measures taken by the Ministry of Food Processing Industries in pursuance of the observations of the Working Group and the improvement in performance of the Schemes of the Ministry during the Eleventh Plan after initiation of these corrective measures, the Committee were informed that based on the observations of Working Group, while formulating the scheme of cold chain, value addition and preservation infrastructure for Eleventh Plan, Ministry of Food Processing Industries has taken care of shortcomings / infirmities in the

scheme faced during Tenth Plan. An integrated approach has been adopted and standalone components of Tenth Plan scheme, such as cold storage, packaging centre and value added centre etc. have been integrated in one scheme so as to achieve following objectives:

- (a) to provide Integrated and complete cold chain and preservation infrastructure facilities without any break, from the farm gate to the consumer.
- (b) to provide pre-cooling facilities at production sites, refer vans, and mobile cooling units under the Integrated Cold Chain projects.
- (c) to enable linking groups of producers to the processor and market through well equipped supply chain and cold chain.
- (d) to enhance total cold storage capacity in the country to reduce wastage of perishables

4.26 Moreover, the scope of scheme has been broadened to allow flexibility in project planning. The Scheme envisages to have 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, CA / MA cold storage, normal storage and IQF.
- (b) Mobile pre-cooling vans and reefer trucks.
- (c) Distribution hubs with CA /MA chambers/cold storage /Variable Humidity Chambers, Packing facility, CIP Fog treatment, IQF and blast freezing.
- (d) Irradiation facility.

4.27 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 (J&K, Himachal Pradesh, Uttarakhand and North East including Sikkim) subject to a maximum of Rs 10 crore is provided for setting up of integrated cold chain facilities during the 11th Plan. However, during 10th plan period, financial assistance ranging from 25% to 33.33% to a maximum of Rs. 75.00 lakh to Rs. 2.00 crore was only available under various components of the scheme.

4.28 Considering the current high levels of wastage of perishables, the capital intensive nature of agro based food processing industries and the potential of the Sector for generating rural employment, the Working Group had recommended that

the level and quantum of assistance under the Schemes for supporting Fruit and Vegetable Sector may be increased so as to align them with similar schemes under National Horticulture Mission and Technology Mission for the Integrated Development of Horticulture in North Eastern States, Sikkim, Uttrakhand and J&K.

4.29 About the specific action taken by the Ministry in pursuance of the recommendation of the Working Group and results thereof, it was stated that under the Technology Mission for Integrated Development of Horticulture in North Eastern and Himalayan States, higher levels of assistance @ 50% upto Rs. 4.00 crore for setting up and Rs. 1.00 crore for Upgradation of fruit and vegetables processing is available. In order to increase level of processing and to promote food processing industries, MFPI extend financial assistance to food processing units including fruit and vegetable processing units in the form of grant-in-aid @ 25% of the cost of plant and machinery and technical civil works subject to a maximum of Rs. 50.00 lakh in general areas and 33.33% subject to maximum of Rs. 75.00 lakh in difficult areas such as Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Sikkim and North Eastern States, A&N Islands, Lakshadweep and ITDP areas. In order to ensure speedy disbursement of financial assistance, the Ministry has decentralized the disbursement procedure through banks under the Scheme of Setting up/Modernization/Expansion of Food Processing Industries w.e.f. 1 April. 2007. However, the pattern of financial assistance remained unchanged.

(II) Scheme for Technology Upgradation, Establishment and Modernization of FPI

4.30 The Committee were informed that with a view to provide for improvement of processing capabilities, the Scheme for Technology Upgradation, Establishment and Modernization of Food Processing Industries has been decentralized for implementation through banks and financial institutions to provide a thrust and coverage to food Processing Industries in the Country. The Budgetary allocations under the scheme during the Eleventh Plan are as follows :-

(Rs. in crore)			
Year	BE	RE	Actual
2007-08	80.00	126.50	86.44
2008-09	100.00	91.50	96.87
2009-10	66.00		

4.31 To a query that when actual expenditure during 2008-09 under the scheme was Rs. 96.87 crore, why BE 2009-10 had been reduced to Rs. 66.00 crore, it was stated that the Ministry had initially sought Rs. 250.00 crore against the Annual Plan Outlay of Rs, 130 crore for the year 2009-10 . However only Rs. 66.00 crore have been allocated under the scheme out of which Rs. 52.92 crore have been utilized so far.

4.32 About the components of the scheme likely to be adversely affected as a result of reduced allocation, it was stated that all the components of the scheme are adversely affected as a result of reduced allocation.

(III) Strengthening of Institutions

(i) *National Institute of Food Technology Entrepreneurship and Management (Niftem) Kundli, Haryana*

4.33 A major Component of the Scheme of Strengthening of Institutions is NIFTEM at Kundli, Sonapat, Haryana. About the details of the Scheme and its present status the Committee were informed that this proposal was considered and approved by the Cabinet Committee of Economic Affairs (CCEA) in its meeting held on 31 August, 2006 at an estimated cost of Rs. 244.60 crore including foreign exchange component of US \$ 8.1 million. In pursuance of the decision taken by the CCEA, the Ministry acquired 100 acres of land from Haryana State Industrial and Infrastructure Development Corporation (HSIIDC) at Kundli, Sonapat, Haryana at a cost of Rs. 31.37 crore on 10 August, 2007. The foundation stone of NIFTEM campus was laid by Smt. Sonia Gandhi, Hon'ble Chairperson, UPA on 7 October, 2007. The work for design, architecture and construction of NIFTEM campus at Kundli, Haryana was awarded to NBCC on turnkey basis with the signing of MOU on 31 October, 2007. Subsequently, M/s. RITES Ltd. was engaged as a third party inspection agency for the project.

4.34 Ministry of Food Processing Industries entered into partnership with the College of Agriculture and Life Sciences at Cornell University, USA through its

partner Cornell Sathguru Foundation for Development, Hyderabad for knowledge sharing to prepare design of facilities, course curricula, faculty training, developing a strategic framework for nurturing R&D, technology transfer and design of food enterprise incubator. Agreement in this regard was signed on 8 January, 2008.

4.35 The Committee were further informed that the construction of institutional building commenced from July, 2008 at a cost of Rs. 75.10 crore as per the approved outlay of the civil construction. However, in due course, based on the inputs provided by Cornell Sathguru Foundation and to accomplish the mandate of the NIFTEM as an institute of international excellence, it was considered appropriate to review the concept and design. Accordingly, it is proposed to revise the estimated cost from Rs. 244.60 crore to Rs. 604.75 crore. In this regard, the civil construction cost will be enhanced from Rs. 75.10 crore to Rs. 314.16 crore owing to escalation in the cost, increase in area of construction and creation of additional facilities not provided in the original DPR but considered as essential facilities to be created for NIFTEM to excel in research and knowledge generation in the area of food science and food technology commensurate to the approved mandate.

4.36 The Revised Cost Estimates are under consideration of the Ministry of Finance and Planning Commission for taking up in the EFC meeting to be chaired by Secretary (Expenditure).

4.37 It may be mentioned that this project was provided in the Tenth Plan during which Rs. 31.00 crore was released in 2006-07. It is continuing in the Eleventh Plan and Rs. 17.69 crore was released in the year 2007-08, Rs. 14.00 crore was released in the year 2008-09 out of the Annual Plan allocation of MFPI. In 2009-10, Rs. 40.00 crore has been allocated for this project, of which Rs. 23.00 crore have been released to the institute.

Scheme for Infrastructure Development

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

the Food Processing Industries sector will remain a distant goal. A similar situation obtains in all the three components of this Scheme which have been discussed succeeding paragraphs.

Food Parks

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

predominantly consists of units in SSI, Cottage and households sectors, the Ministry need to consider remodelling the Food Parks on the co-operative mode adopted so successfully in the dairy sector. The Committee would like to have the considered views of the Government in the matter at the earliest.

Modernisation of Abattoirs

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

Cold Chain, Value Addition and Preservation Infrastructure

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

Ministry to further work out this Component of the Scheme for Infrastructure Development in a manner where it complements and supplements similar schemes of other Ministries/Departments/Agencies so that instead of working in different directions, all of them work as force multipliers for the food processing sector so that the huge loss of perishables is prevented and controlled to the maximum.

Scheme for Technology Upgradation, Establishment and Modernisation of FPI

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

National Institute of Food Technology Entrepreneurship and Management

4.43 The Committee note that the proposal to set-up National Institute of Food Technology Entrepreneurship and Management (NIFTEM) was considered and approved by the Cabinet Committee on Economic Affairs in its meeting held on 31 August, 2006 at an estimated cost of Rs. 244.60 crore. The institutional building, whose construction has commenced only in July, 2008, was to cost Rs. 75.10 crore as per the approved Outlay of the civil construction. The Committee, however, note that the cost of the institutional building has , on the advice of the partner, more than quadrupled to Rs. 314.16 crore owing to reasons like escalation in cost, increase in area of construction, creation of additional facilities, etc.. The Committee while agreeing with the imperative of developing NIFTEM as a world class institute are concerned with such a massive cost escalation. They, therefore, desire that the revised cost estimates need to be considered carefully and in all their dimensions by the evaluating agencies/Ministries and a final decision arrived at accordingly. The Committee would also prefer such a decision be taken after taking into consideration the role, aims and objectives of the already existing Central Food Technology Research Institute so that there is no creation of such facilities at NIFTEM which may overlap with the mandate of CFTRI causing avoidable duplication of R&D and other efforts.

CHAPTER - V

MISCELLANEOUS

(I) Food Processing Policy

There is a growing perception that food processing is a sunrise sector which will play a vital role in diversification and commercialization of agriculture, enhancing incomes of framers, generating employment, earning foreign exchange through exports of agro foods, etc. According to the Ministry, the sector employs close to 50 million people directly/indirectly. Keeping this in view, the Committee wanted to know whether the Government have considered at any point of time formulation of a National Long Term Food Processing Policy integrating all aspects and roles of stake-holders of the food processing sector in order to give the much needed fillip to the food processing sector. In response the Ministry replied in affirmative and added that they are in the process of formulating a National Food Processing Policy.

5.2 Probed further about the contours of the Policy being contemplated and the timelines for finalizing the said Policy, the Ministry stated that the formulation of a national long term food processing policy is still in a very conceptual stage. The matter is being examined internally within the Ministry. The formulation of the policy was also a part of the Agenda of the 1st Conference of the Food Processing Ministers held on 6 October, 2009. The purpose of including it in the agenda was to sensitise the States to the need for having such a policy. No formal contours or time-lines have been set so far for the Policy.

(II) Strengthening Organisational Set-up

5.3 In the Background Material submitted to the Committee, It had been stated that as a part of Eleventh Plan strategy, the Ministry have to be strengthened appropriately, to meet the challenges in implementing various new initiatives proposed for energizing the food processing sector in the Country. When asked to specify as to what has been done by the Ministry in the direction of strengthening

themselves as the Five Year Plan was half over, it was stated that the Ministry have shortage of manpower and total lack of field organizations particularly due to separation of FSSAI. The proposal for strengthening of organization set-up of the Ministry is under consideration.

5.4 Since the reply of the Ministry was vague, they were again asked to give a specific reply in the matter. In response, it was stated in a written reply that strengthening of the Ministry's organizational set-up and improving service efficiency is a continuous process. It has been the constant endeavour that officials equipped with best skills are posted with the Ministry. There are a number of training programmes of Department of Personnel Training in which the officials of the Ministry are encouraged to apply for upgradation of their skills.

(III) Vision 2015

5.5 The Vision 2015 of the Government of India for the food processing sector amongst other things aims at:

- Enhancing and stabilizing the income levels of the farmers.
- Making the sector attractive for both domestic and foreign investors.
- Achieving integration of food processing infrastructure from farm to market.
- Having a transparent and industry friendly regulatory regime.

5.6 Asked when Vision 2015 was formulated by the Government and the specific efforts made towards fulfilment of each of the above-mentioned aims of Vision 2015 and the achievements their against in each of the last two years, the Ministry stated that the Vision 2015 targets were formulated in 2005, included increasing India's level of food processing from an abysmal 6% in 2004 to 20% by 2015, value addition from 20% in 2004 to 35% and share in global trade from 1.5% to 3%. The level of processing has already gone up to 10% with consequent wastage of perishables coming down from Rs. 58000.00 crore a year to less than Rs. 50000.00 crore, value addition has gone up to 26% from 20% earlier and the entire sector's growth rate has gone up to over 13% from about 7% before 2005.

5.7 With hardly six years to go for 2015, the Committee desired to know how does the Ministry proposed to achieve the targets set for Vision 2015 if some blue print of a plan of action, year-wise upto 2015 through which the Ministry intended to achieve the above targets alongwith its financial implications was drawn up. The Ministry informed that it will help set up as many as 350 food processing units within the next 100 days as part of their target of creating 1 crore jobs by 2015 with a total investment of Rs. 1 lakh crore. The Ministry, as part of their Vision 2015 action plan, have already helped create 47 lakh incremental jobs in the last four years through several measures initiated.

5.8 It was also stated that the Ministry's first priority is to ensure supply of trained manpower at all levels- technicians, managers and entrepreneurs since the massive investment targeted for the food processing sector cannot be achieved without the necessary human resources. They will also prepare a blueprint for training 10 lakh skilled workers and 5 lakh women entrepreneurs within the next 5 years.

5.9 To achieve the Vision 2015 targets, the Ministry have identified as many as 13 key areas where action needs to be taken. They have also identified nearly 100 measures to facilitate and enable rapid development of the food processing sector. The Ministry believe such growth will transform India by making agriculture viable, ensuring inclusive growth and reducing mass poverty.

5.10 The MoFPI will seek more fiscal incentives including tax holiday for all food processing units and further lowering of custom, excise and VAT on food products, raw materials, machinery and packaging used by the industry.

5.11 As regard the financial implications, the Committee have been given to understand that an estimated investment to the tune of Rs. 100000.00 crore is required to achieve goals of Vision 2015, the break-up being as follows:

(i)	Private Sector	-	Rs. 45000.00 crore
(ii)	Financial Sector	-	Rs. 45000.00 crore
(iii)	Government	-	Rs. 10000.00 crore

5.12 Given the fact that, hitherto, all efforts of the Government for attracting investment for the food processing sector have not produced the desired results, the Committee asked as to how the Government proposed to garner such huge amounts of funds for the sector in the next six years and the Sectoral break-up of these funds alongwith the specific purposes for which they were to be utilized and the extent to which the Ministry have ensured through meticulous planning that the element of uncertainty is eliminated and deliverables projected are within the realm of achievement, the Ministry are impressing upon at all levels to enhance level of investment in the sector. The National Conference of Ministers of Food Processing Industries of various States held recently had given important recommendations in the matter. The Ministry have also taken measures to enhance investment of the private sector in food processing sector.

5.13 In view of the vague nature of their reply, the Ministry were asked to specifically respond to these issues. In a subsequent written reply the Committee were informed that the Ministry are engaged in extensive discussions with all the stake-holders to work out the ways in which the massive fund requirements can be met. Some of the steps that the Ministry have taken include procedural, taxation, financial and other related reforms that would make this sector an active destination for private investment. Some of the recent steps include- taking up the matter with the Ministry of Finance and the State Governments to rationalize the tax structure within the sub-sectors of the industry, taking up with the States the need to remove the operational bottlenecks like amending the APMC Acts, emphasizing the need for setting up dedicated food processing departments and coming out with a stand-alone food processing policies, etc. The Ministry are also trying to promote PPP model for attracting more private sector investment.

The Committee were also informed that there is no formal sectoral break-up of these funds.

5.14 On the planning aspect the Committee were informed that the Ministry have always projected their requirements on a realistic basis, based on their very extensive discussions with all the stake-holders and a rigorous internal analysis of

the demand of funds by the industry. Apart from this, comprehensive internal monitoring mechanisms have been put in place to ensure that these projections remain realistic and any adjustments, if required, carried out expeditiously. As such, it is ensured that the element of uncertainty is eliminated and the deliverables projected are within the realms of possibility.

(IV) Manpower Intensive Nature of FPI Sector

5.15 According to the Ministry, a major constraint being faced by the food processing sector is the low share of sale of food products through organized retail, which are the usual drivers of quality, scale and integration. Globally 72% or more of food sales, is through organized retail while in India the share is just 1%. The high proportion of unorganized sale leads to low product quality, low hygiene levels and safety. Since such low organised retail could be a manifestation of the fact that India is a manpower intensive economy, the Ministry were asked as to how they planned to synergise the situation so that the goals of food processing sector are met without upsetting the existing equilibrium drastically. In response the Ministry stated that the extant situation exists because of the old practice of deploying large number of workmen even in respect of activities, which are fully or partially mechanized or can be mechanized for more efficient functioning. The goals of the food processing are as follows:

- (i) Minimize the wastage;
- (ii) Improve shelf life;
- (iii) Improve quality & Safety aspect of processing & distribution.
- (iv) Value addition so as to augment farmer's income.

5.16 Thus in view of the goals enumerated above, a fine equilibrium is maintained between manpower deployment where such deployment achieves the above objectives and encourage mechanization to the extent it is essential and unavoidable.

(IV) Utilisation Certificates

5.17 The Committee noted from the Outcome Budget of Ministry a substantial amount of pendency in regard to Utilisation Certificates. When queried in the matter, the Ministry stated that as on 30 September, 2009 total 1997 Utilisation Certificates amounting to Rs. 305.20 crore are pending with the State Governments/Organization/Entrepreneurs. The amount of pending UCs as on 1 April, 2009 was Rs. 321.88 crore. The position as on 1 October, 2009 is Rs. 305.20 crore. The progress of liquidation UCs is slow. The Ministry have been insisting upon the enforcement of the guidelines for release of Second and final instalment only after receipt of UCs for the utilisation of First instalment of grant. However, the UC for release of Second and final instalment is generally not sent by implementing agencies. Although it may be noted that Second and final instalment is released by MFPI only after obtaining documentary proof/CA certificates that 100% of equity and term loan have been invested and commercial production has started. These guidelines were framed keeping in view the provisions of GFR and the economy instructions issued by the Ministry of Finance from time to time. In the Ministry, there has been consistent review to decrease the pendency of the UCs through a system of joint monitoring by associating the State Nodal Agencies. We have also separately taken up such issues with the Chief Secretaries of the States, State Nodal Agencies as well as officials of the banks to issue legal notices to the units, which have still not complied with the system of submitting UCs in time.

(V) Submission of Information to the Committee

5.18 During the course of the present examination, the Committee noted that while submitting their replies to the questionnaires of the Committee, the Ministry did not reflect the crux or the narrative part of the questions and some replies were either vague or out of context. When asked why the stipulated format was not adhered to by them, it was stated that the Ministry have always followed the procedures laid down while examining matters relating to the Committee on Agriculture. The past records available with the Ministry show that there is no specified format of replies to questions. As such, the Ministry were not aware that the response to the questions

had to be in any specified format. In the absence of any reference to the contrary, it was presumed by the Ministry that the questionnaire was a communication from the Committee Secretariat seeking preliminary clarifications from the Ministry as a prelude to the formal examination of Demand for Grants 2009-10 by the Committee of Agriculture.

Food Processing Policy

5.19 During the course of the examination of the Demands for Grants (2009-10) of the Ministry, the Committee found that apart from delay in the planning process and paucity of funds, the biggest contributor towards the non-performance of the Ministry of Food Processing Industry is the lack of a clear-cut National Long-Term Food Processing Policy. The Committee find it incomprehensible as to why inspite of being in existence for almost two decades now, the Ministry have never thought of having such a Policy. It is only now when questions were raised of the absence of such a Policy, that the Ministry have woken from its stupor and included the formulation of a Policy in the agenda of the First Conference of the Food Processing Minister's held on 6 October, 2009. The Committee are aghast to note that even now when the Committee have raised this matter with the Ministry there are still no formal contours or timelines set for the same. The Committee are of the firm opinion that a well laid out and cogent National Long Term Food Processing Policy will serve as the most important path-finder and directional support to all the stakeholders in the Food Processing Industry. They, therefore, recommend the Ministry, without wasting even a moment, to get down to the task of drafting such a Policy and fructify it within the shortest possible time so that

the Food Processing Sector gets the much needed benchmarks and guidance and flourishes as the sunshine sector of the Country's economy.

Strengthening Organisational Set up

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

Vision 2015

5.21 The Committee note that the Ministry have formulated a Vision 2015 in 2005 with the target of increasing India's level of food processing from 6% in 2004 to 20% by 2015, value addition from 20% to 35% and share in global trade from 1.5% to 3%. To flaunt the efficiency of Vision 2015, the Ministry have stated that already the level of processing has gone up to 10% with wastage of perishables coming down from Rs. 58000 crore per year to less than Rs. 50000 crore. Value addition has gone up from 20 to 26 per cent and the sector's growth rate has gone up from 7 per cent in pre 2005 to over 13 per cent. Confronted by the Ministry's own admission that the reliability of data regarding food processing industries sector is a big question mark because of various factors including delays of years together in data generation, the Committee cannot but take the figures furnished by the Ministry with a pinch of salt. In the like manner, the Committee also strongly feel that the financial implications of an estimated investment of Rs. 1 lakh crore for achieving goals of Vision 2015 have been worked out in a hasty, unprofessional and unscientific manner by the Ministry without any concern for the ground realities. This was apparent on more than one occasion during the oral evidence of the representatives of the Ministry. That such huge amount has been worked out by the Ministry without any formal sectoral break up confirms the Committee's apprehensions expressed above. In the considered opinion of the Committee, Vision 2015 is more of a pipedream which needs to be reworked right now in a more comprehensible, scientific and professional

manner after extensive discussions and deliberations with all stakeholders so that it comes within the realm of possibility.

Manpower Intensive Nature of FPI Sector

5.22 The Committee note that in the perception of the Ministry a major constraint faced by the food processing sector is the low share of sale of food products through organized retail in the Country. While globally, 72% or more of food sales is through organized retail, in India it is just 1%. According to the Ministry, this situation exists because of the old practice of deploying large number of workmen even in respect of activities, which are fully or partially mechanised or can be mechanised. The Committee, however, disagree with the views of the Ministry in the instant case as in India traditionally food processing has been in the domain of cottage and small scale industry. In fact, an overwhelming majority of activities are undertaken at the household level. Thus, the Ministry's hypothesis about old practice of deployment of large number of workmen is not even remotely true in case of Country's food processing sector and seems to be a cliché borrowed from some of the other industrial sectors. The Committee, therefore, feel that the issue requires serious introspection on the part of the Ministry so that whatever plans and schemes and even the Policy, they have been asked to formulate by the Committee, are worked out by them, keeping invariably in view the manpower intensive character of our economy in general and food processing sector in particular.

Utilisation Certificates

5.23 The Committee note with deep concern that there is huge pendency of Utilisation Certificates with the State Governments/Organisations/Entrepreneurs. As on 30 September, 2009, 1997 Utilisation Certificates worth Rs. 305.20 crore are yet to be liquidated. In the opinion of the Committee, the Ministry's decision to release second and final installment on the basis of documentary proof/CA certificates that 100% of equity and term loan have been invested and commercial production has started, rather than insisting on a proper Utilisation Certificate can be a major cause for pendency. It is but obvious that when half measures serve the purpose, nobody would bother for adhering to the more rigorous stipulations of Utilisation Certificates. In such a scenario the Ministry's efforts to decrease pendency of Utilisation Certificates through various measures like joint monitoring by associating the State Nodal Agencies or asking the Chief Secretaries of States, State Nodal Agencies, banks, etc. to issue legal notices to units which have still not complied with the system of submitting Utilisation Certificates in time will also not bear the desired results. The Committee, therefore, recommend that the Ministry need to immediately consider suitable alternatives in the matter.

NEW DELHI;
2 February, 2010
13 Magha, 1931 (Saka)

BASUDEB ACHARIA
Chairman,
Committee on Agriculture

**COMMITTEE ON AGRICULTURE
(2009-10)**

MINUTES OF THE ELEVENTH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 5th November, 2009 from 1505 hours to 1735 hours in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Basudeb Acharia – Chairman

MEMBERS

LOK SABHA

2. Shri Narayan Singh Amlabe
3. Shri Thangso Baite
4. Smt. Ashwamedh Devi
5. Smt. Paramjit Kaur Gulshan
6. Shri Anant Kumar Hegde
7. Shri Sk. Nural Islam
8. Shri Naranbhai Kachhadia
9. Shri Prabodh Panda
10. Shri Hukmdeo Narayan Yadav

RAJYA SABHA

11. Shri Sharad Anantrao Joshi
12. Shri Mohd. Ali Khan
13. Shri Bharatsinh Prabhatsinh Parmar
14. Prof. M.S. Swminathan

SECRETARIAT

1. Shri S. Bal Shekar - Joint Secretary
2. Shri P.V.L.N. Murthy - Director
3. Shri P.C. Koul - Additional Director

MINISTRY OF FOOD PROCESSING INDUSTRIES

1. Shri Ashok Sinha - Secretary
2. Shri Chaman Kumar - AS & FA
3. Shri Ajit Kumar - Joint Secretary
4. Shri K. Rajeswara Rao - Joint Secretary
5. Shri A.L. Meena - Joint Secretary

2. At the outset, the Chairman welcomed the members of the Committee and representatives of the Ministry of Food Processing Industries to the Sitting. The Chairman then asked the witnesses to introduce themselves.

3. The Committee, thereafter, took the Oral Evidence of the representatives of the Ministry for and in connection with examination of Demands for Grants (2009-10) of the Ministry. The members sought several clarifications on the various aspects of the Subject. The representatives of the Ministry responded to them.

4. The Chairman, thereafter, thanked the witnesses for appearing before the Committee as well as for furnishing valuable information desired by the Committee on the Subject. He also directed them to send, within a week, information on points which could not be clarified by them during the Sitting to the Committee Secretariat.

A verbatim record of the proceedings has been kept separately.

The Committee then adjourned.

**COMMITTEE ON AGRICULTURE
(2009-10)**

MINUTES OF THE SEVENTEENTH SITTING OF THE COMMITTEE

The Committee sat on Tuesday, the 2 February, 2010 from 1505 hours to 1720 hours in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Basudeb Acharia - Chairman

MEMBERS

Lok Sabha

2. Shri Narayan Singh Amlabe
3. Shri Thangso Baite
4. Shri Jayant Chaudhary
5. Smt. Shruti Choudhry
6. Smt. Ashwamedh Devi
7. Smt. Paramjit Kaur Gulshan
8. Shri Anant Kumar Hegde
9. Sk. Nurul Islam
10. Shri Naranbhai Kachhadiya
11. Shri Prabodh Panda
12. Shri Premdas
13. Shri Nripendra Nath Roy
14. Shri Bhoopendra Singh
15. Shri Uday Singh
16. Shri Hukmdeo Narayan Yadav

Rajya Sabha

17. Shri Satyavrat Chaturvedi
18. Shri A. Elavarasan
19. Shri Sharad Anantrao Joshi
20. Shri Vinay Katiyar
21. Shri Mohd. Ali Khan
22. Shri M. Rajasekara Murthy
23. Shri Bharatsinh Prabhatsinh Parmar
24. Prof. M.S. Swaminathan
25. Shri Khekiho Zhimomi

SECRETARIAT

1. Shri S. Bal Shekar - Joint Secretary
2. Shri P.V.L.N. Murthy - Director
3. Shri P.C. Koul - Additional Director

2. At the outset the Hon'ble Chairman welcomed the members to the Sitting of the Committee. The Committee then took up for consideration the draft Report on Demands for Grants (2009-10) of the Ministry of Food Processing Industries. After some discussion on views expressed by some members on certain aspects included in the Report, the Committee adopted the Report and authorized the Chairman to finalise the same after getting it factually verified by the Ministry and being inter-Session to present it to the Honourable Speaker, Lok Sabha.

3. xx xx xx xx xx

4. xx xx xx xx xx

A verbatim record of the proceedings has been kept separately.

The Committee then adjourned.

*Matter not related to this Report.

Annexure-1

Scheme-wise outlay and expenditure during Tenth Plan and Budget Estimates for 2007-2008 of the Ministry of Food Processing Industries

Sl. No.	Name of the Scheme/Project/Programme	Tenth Plan (Rs. Crore)		2002-03 (Rs. Crore)			2003-04 (Rs. Crore)			2004-05 (Rs. Crore)			2005-06 (Rs. Crore)			2006-07 (Rs. Crore)				% of Col.7+10+13+18+20 Out of col.4
		Outlay proposed (whole plan)	Approved Outlay (whole plan)	BE	RE	Actual	BE	RE	Actual	BE	RE	Actual	BE	RE	Actual	Proposed Allocation	BE	Re	Actual	
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1	Scheme for Infrastructure Development	1,351.00	180.00	29.00	29.00	30.64	29.00	10.00	13.70	34.00	10.00	11.82	49.00	10.00	15.65	63.00	22.00	13.60	13.21	46.35
2	Scheme for Technology upgradation/ Establishment and modernisation of Food Processing Industries	500.00	295.00	9.00	15.95	20.11	14.00	33.00	34.88	35.00	48.50	51.14	49.00	68.40	69.81	123.10	97.00	79.70	82.19	86.64
3	Scheme for Backward and Forward integration and other Promotional Activities	240.00	30.00	5.00	5.00	2.57	7.00	5.00	2.81	7.00	4.50	3.95	7.00	9.00	9.00	9.00	10.00	10.30	2.41	89.65
4	Scheme for Quality Assurances, Codes Standards and Research & Development	300.00	50.00	10.50	10.50	11.88	7.50	4.00	4.00	6.00	3.00	3.00	10.00	10.00	12.37	19.00	12.00	18.00	13.99	86.00
5	Scheme for Human Resource Development	205.00	65.00	4.50	2.70	4.49	4.70	3.00	4.66	7.00	6.00	6.47	37.00	19.00	7.42	37.00	16.90	6.60	5.96	43.20
6	Scheme for Strengthening of Institutions	204.00	30.00	9.50	4.30	3.30	5.30	3.50	3.95	10.00	4.50	4.04	10.00	8.00	5.40	9.00	9.00	23.80	35.20	115.06
7	Lump Sum provision for North-east including Sikkim			7.50	7.50	(7.50)*	7.50	6.50	(8.45)*	11.00	8.50	(4.94)*	18.00	13.60	(5.27)*	28.90	(16.70)	15.00	11.88	
8	Total	2,800.00	850.00	75.00	74.95	72.99	75.00	65.00	63.80	110.00	85.00	80.42	80.00	136.00	119.65	289.00	106.90	150.00	152.96	72.55

*Scheme No.3 for 2007-08 is Upgradation of Quality of street food

Scheme-wise Outlay & Expenditure during 11th Plan & Budget Estimates for 2009-10 for the Ministry of Food Processing Industries

Sl.No	Name of the Scheme/Project/Programme	Eleventh Plan (Rs. Crore)		2007-08 (Rs. Crore)			2008-09 (Rs.Crore)			2009-10 (Rs.Crore)	
		Outlay Proposed (Whole Plan)	Approved Outlay (Whole Plan)	BE	RE	Actual Exp.(Feb.08)	Proposed allocation	RE	BE (allocated)	Proposed Allocation	BE (allocated)
	2	3	4	5	6	7	8	9	10	11	12
1	Scheme for Infrastructure Development	3160.00	2613.00	100.00	16.50	12.37	464.00	42.20	100.00	538.70	150.00
2	Scheme for Technology Upgradation/Establishment and Modernisation of Food Processing Industries	600.00	600.00	80.00	126.00	86.44	150.00	91.50	100.00	165.00	66.00
3	Scheme for Upgradation of Quality of Street Food	178.00	178.00	01.00*	1.00	0.13	60.00	5.40	5.00	34.00	9.00
4	Scheme for Quality Assurance, Codex Standards and Research & Development and other Promotional Activities	354.00	250.00	20.00	22.00	19.53	54.70	19.00	20.00	51.00	34.00
5	Scheme for Human Resource Development	100.00	65.00	10.00	5.00	3.41	15.00	5.70	5.00	9.00	10.00
6	Scheme for Strengthening of Institutions including NIFTEM	424.00	325.00	39.00	20.00	24.15	126.95	9.95 40.00	60.00	308.36	71.00
7	Lump Sum provision for North-East including Sikkim	(481.60)	(403.10)	(25.00)	(29.00)	(5.54)		(23.80)	(29.00)	(123.00)	(34.00)
	Total	4816.00	4031.00	250.00	200.00	146.53	870.65	242.00	290.00	1229.06	340.00

*Including Rs.1.05 Crores for Secretariat Economic Services

Annexure - II

Detailed break-up of allocation sought, allocated and actually spent scheme -wise for each of the years of the Tenth Plan.

(Rs. in crore)

Name of the Scheme	Actual Allocation						Total	Actuals
	Tenth Plan Revised Outlay	2002-03	2003-04	2004-05	2005-06	2006-07		
Infrastructure Development	180.00	29.00	10.00	10.00	10.00	22.00	140	85.02
Technology upgradation, establishment & modernization of food processing industries	295.00*	16.00	33.00	48.50	68.40	97.00	262.9	218.13
Backward, Forward integration & other promotional activities	30.00	5.00	5.00	4.50	9.00	10.00	33.5	23.22
Quality assurance, codex standards and Research & Development	50.00	10.50	4.00	3.00	10.00	12.00	39.5	45.24
Human Resource Development	65.00	2.70	3.00	6.00	19.00	16.90	47.6	29.00
Strengthening of Institutions	30.00	4.30	3.50	4.50	6.00	9.00	27.3	27.21
North East including Sikkim	--	7.50	6.50	8.50	13.60	--	36.10	--
Total	650.00	75.00	65.00	85.00	136.00	166.90		457.77

Annexure – III

Detailed break-up of allocation sought, allocated and actually spent scheme -wise for each of the years of the Eleventh Plan.

APPROVED SCHEMES OF ELEVENTH PLAN

(Rs. in crore)

Sl. No.	Name of Scheme	Total Eleventh Plan Outlay (2007-12)	2007-08 (Plan Outlay, BE, RE & actual expenditure)				2008-09 (Plan Outlay, BE, RE & actual expenditure)				2009-10 (Plan Outlay, BE, RE & actual expenditure)				Plan outlay 2010-11	Plan outlay 2011-12
			Plan Outlay	B.E.	R.E.	Act. Exp.	Plan Outlay	B.E.	R.E.	Act. Exp.	Plan Outlay	B.E.	R.E.	Act. Exp (as on 30.10.09)		
1	Scheme for Infrastructure Development	2613.00	31.00	90.0	15.00	14.79	464.00	90.00	42.20	48.28	788.00	135.00	N.A.	29.00	860.00	470.00
2	Technology Upgradation/ /Establishment/Moderniza tion of Food Processing industries	600.00	144.00	72.0	113.50	119.36	150.00	90.00	91.50	96.87	130.00	60.00		52.92	120.00	56.00
3	Quality Assurance, Codex Standards and Research & Development and Promotional Activities	250.00	26.00	18.0	19.30	15.12	54.70	18.00	19.00	17.37	67.70	30.00		3.82	53.70	47.90
4	Human Resource Development	65.00	05.00	09.00	4.50	4.21	15.00	4.50	5.70	5.96	15.00	9.00		4.26	15.00	15.00
5	Upgradation of Quality of Street Food	178.00	05.00	0.90	0.90	0.72	60.00	4.50	5.40	1.93	50.00	8.00		--	35.00	28.00
6	Strengthening of Institution	325.00	39.00	35.10	26.10	26.51	126.95	54.00	53.50	52.71	87.05	64.00		41.55	43.25	28.75
7	Lump Sum Provision for NER	--	--	25.00	20.0	4.11	--	29.00	24.20	---	---	34.00		7.19	---	---
8	Total	4031.00	250.00	250.00	200.00	200.00	870.65	290.00	242.00	223.12	1137.75	340.00		138.74	1126.95	645.65

