

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

STARRED QUESTION NO:110  
ANSWERED ON:26.11.2009  
REFORMS IN FOOD PROCESSING SECTOR  
Joshi Shri Mahesh;Pradhan Shri Nityananda

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

- (a) whether the Government proposes to bring about reforms in the Food Processing sector in the country;
- (b) if so, the details thereof;
- (c) whether opportunities are sought to be provided for large scale investment in the sector;
- (d) if so, the details thereof;
- (e) the details of growth achieved in the sector during the last three years and the current year;and
- (f) the steps taken by the Government to develop farm-to-fork revolution to become a reality in the country?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FOOD PROCESSING INDUSTRIES (SHRI SUBODH KANT SAHAI)

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

Statement referred to in reply to part (a) to (f) of Lok Sabha Starred Question No.110 for answer on 26.11.2009 regarding Reforms in Food Processing Sector.

(a) & (b): Yes, Sir. As a part of this exercise, Ministry of Food Processing Industries organized a Conference of State Food Processing Ministers on 6.10.2009 at New Delhi. A number of issues relating to the development of the sector were discussed including development of food processing infrastructure, formulation of food processing policies, capacity building, financing for the sector, food safety & quality and institutional strengthening.

(c) to (e): The data on the level of investments in respect of Food Processing sector in the country, is not centrally maintained by the Ministry. However, Gross Domestic Product (GDP) of Agriculture based industry groups comprising meat, fish, fruits, vegetables and oils, dairy products, grain milling, other food products, beverage shows the increase in level of investments during last three years as below:-

Gross Domestic Product at Current Prices		(Rs. in crores)		
NIC Code & Description	2005-06	2006-07	2007-08 (Provisional)	(Quick)
Food products & Beverages	59281	70088	81148	
Percentage contribution in GDP#	1.81	1.85	1.88	

Gross Domestic Product  
at constant prices (Base year  
1999- 00)

(Rs. in crores)

NIC Code & Description	2005-06	2006-07	2007-08 (Provisional) (Quick)
Food products & Beverages	49165	53589	57990
Percentage contribution in GDP# #GDP at factor cost	1.88	1.87	1.85

It has been estimated that the average growth rate of the sector is 14.2 %.

(f): For the development of the food processing sector, the Government has taken various initiatives to strengthen the Food Processing Infrastructure, Government has approved a scheme for Mega Food Parks, Cold Chain, Value Added Centres and Modernization of Abattoirs. The Infrastructure scheme envisages a well-defined agri/horticultural-processing zone containing state of the art processing facilities with support infrastructure and well established supply chain. It aims to provide a mechanism to bring together farmers, processors and retailers and link agricultural production to the market so as to ensure maximization of value addition, minimization of wastages and improving farmers' income. The primary objective of the scheme is to facilitate establishment of an integrated value chain, with processing at the core and supported by requisite forward and backward linkages.

Other strategic initiatives during 11th Plan include scheme for Integrated Cold Chain and Preservation Infrastructure including Controlled Atmosphere/Modified Atmosphere Storage, Value Added Centres, Packaging Centres and Irradiation facilities. Benefits of the Scheme will also be available to integrated projects of value addition/processing/preservation of horticulture, dairy, marine, and meat sector. Another infrastructure development scheme is for setting up / up- gradation of food testing laboratories which would benefit all stakeholders including domestic industry, exporters, entrepreneurs, small and medium enterprises, existing academic & research institutions, food standards setting bodies.

Modernization of Abattoirs is a scheme targeting infrastructure for the meat processing industry. It aims to upgrade qualitative and quantitative capacities of the abattoirs, which will be linked with commercial processing of meat, both for domestic consumption and exports. The financial assistance (grant-in-aid) is being extended at 50% and 75% of the cost of plant & machineries and technical civil works in general and difficult areas respectively subject to a maximum of Rs.15 crores for each project. The Ministry has approved 'in principle' to set up ten abattoirs in the country with a total cost of Rs. 127.00 crores. An amount of Rs.7.94 crores has been released.

Further, the Ministry has several other schemes for promotion of the food processing industry. The Scheme for Technology Upgradation/ Establishment/ Modernisation of Food Processing Industries is aimed at creation of new processing capacity and up-gradation of existing processing capabilities, modernization of Food Processing Sector to include Milk, Fruit & Vegetables, Meat,Poultry, fishery ,cereal, consumer items ,oil seeds, rice milling, flour milling, pulse etc.

Similarly Scheme for Quality Assurance, Codex Standards, R&D and Promotional Activities, is aimed at motivating the food processing industries for adoption of food safety and quality assurance mechanisms such as TQM including ISO 14000, ISO 22000, HACCP, GMP, GHP, and preparing them to face global competition in post WTO Regime.The scheme is also aimed at ensuring that end product / outcome / findings of R&D work should benefit Food Processing Industries in terms of product and process development, improved packaging, value addition and leading to innovative products and processes, with commercial value.

The Scheme for Human Resource Development focuses on developing technologists, managers, Entrepreneurs and manpower for quality management in Food Processing. The scheme also aims at development of rural entrepreneurship and transfer of technology for processing of food products by utilizing locally grown raw material and providing "Hands-on" experience at such production cum training centres, while according priority to SC/ST/OBC and women minorities candidates.

The Scheme for Strengthening of Institutions is aimed at strengthening of existing institutes like Indian Institute of Crop Processing Technology & establishing National Institute of Food Technology and Entrepreneurship Management (NIFTEM). The objective of NIFTEM is to promote cooperation and networking amongst existing institutions both within the country & international bodies, create a complete data base on domestic resources and bring in international best practices for improving the food processing sector. Besides above mentioned institutions, two Boards have been set up under the Ministry i.e Indian Grape Processing Board and National Meat and Poultry Processing Board under the scheme.

In addition to the above mentioned schemes, certain fiscal incentives have been given to the food processing industry. Some of these are tax holiday under Income Tax Act 1961 and as per provisions of Sub-section 11(a) of section 80-1b of the Income Tax Act, a deduction from profits up to specified amount is allowed in the case of an undertakings deriving profits from the business of processing, preservation and packaging of fruits or vegetables; reduction of excise duty on ready to eat packaged foods and instant food mixes from 16% to 8%. The Finance (No.2) Bill 2009 proposes to also extend investment linked tax incentive by way of insertion of a new section – 35AD in the Income Tax Act 1961 to the business of setting up and operating cold chain facilities for specified products and to the business of setting up and operating warehousing facilities for storage of agricultural produce. Foreign Direct Investment is under 100% automatic route for most of the processed food products.