21

STANDING COMMITTEE ON AGRICULTURE

(2001)

THIRTEENTH LOK SABHA

MINISTRY OF AGRICULTURE

(Department of Food Processing Industries)

DEMANDS FOR GRANTS (2001-2002)

TWENTY FIRST REPORT

LOK SABHA SECRETARIAT

NEW DELHI

April, 2001/Chaitra, 1923 (Saka)

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44. Shri Devi Prasad Singh
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SECRETARIAT

1.	Dr.(Smt.) Paramjeet Kaur Sandhu	-	Joint Secretary
2.	Shri Raj Shekhar Sharma	-	Deputy Secretary
3.	Shri K.L.Arora	-	Under Secretary
4.	Smt. Jyochnamayi Sinha	-	Sr.Executive Assistant

* ceased to be a member of the Committee owing to his demise on 6.4.2001

PREFACE

I, the Chairman, Standing Committee on Agriculture having been authorised by the Committee to submit the report on their behalf, present this Twenty First Report on Demands for Grants of the Ministry of Agriculture (Department of Food Processing Industries) for the year 2001-2002.

2. *The Standing Committee on Agriculture was constituted on 1st January, 2001. One of the functions of the Standing Committee as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha is to consider the Demands for Grants of the concerned Ministries/Departments and make a report on the same to the Houses. The report shall not suggest anything of the nature of cut motions.*

3. *The Committee took evidence of the representatives of the Ministry of Agriculture, Department of Food Processing Industries on 27th March, 2001. The Committee wish to express their thanks to the officers of the Ministry of Agriculture, Department of Food Processing Industries for placing before them, the material and information which they desired in connection with the examination of Demands for Grants of the Ministry for the year 2001-2002 and for giving evidence before the Committee.*

4. *The Committee considered and adopted the Report at their sitting held on 11th April, 2001.*

New Delhi;
11th April, 2001
21 Chaitra, 1923 (Saka)

S.S. PALANIMANICKAM,
Chairman,
Standing Committee on Agriculture

PART I

OVERVIEW OF DEMANDS

Aims & Objectives

1.1 The Department of Food Processing Industries is the nodal agency of the Government of India for processed foods and is responsible for developing a strong and vibrant food processing sector with emphasis on the following:-

- Stimulating demand for appropriate processed foods.
- Achieving maximum value addition and by-product utilization.
- Creating increased job opportunities particularly in rural areas.
- Enabling farmers to reap the benefits of modern technology.
- Creating surpluses for exports.

1.2 In the era of economic liberalization where the private, public and co-operative sectors are to play their rightful role in development of food processing sector, the Department acts as a catalyst for bringing in greater investment into this sector, guiding and helping the industry in a proper direction, encouraging exports and creating a conducive environment for healthy growth of the food processing industry.

1.3 Within this overall objectives, the Department aims at:-

- Better utilization and value addition of agricultural produce for enhancement of income of farmers.
- Minimising wastage at all stages in the food processing chain by the development of infrastructure for storage, transportation and processing of agro-food produce.
- Induction of modern technology into the food processing industries from both domestic and external sources.
- Maximum utilization of agricultural residues and by-products of the primary agricultural produce as also of the processed food industry.
- To encourage R&D in food processing for product and process development and improved packaging.
- To provide policy support, promotional initiatives and physical facilities to promote value added exports.

1.4 All those schemes which have proved successful in the Eighth Plan period were proposed to be continued during the Ninth Five Year Plan. The thrust of the Ninth Plan for Food Processing Industries were to boost export of agro products, dispersal of Industries in the rural areas and creation of infrastructure in rural areas, quality upgradation and quality control system, information and technology dissemination system to the intending small entrepreneurs and others. Special Incentive for the North Eastern States, Jammu & Kashmir, Hilly areas and Backward areas including Tribal areas were to be given in each of the successive annual plan during the Ninth Five Year Plan.

1.5 One of the objectives of a Planned Strategy for alleviating Poverty, generating income and employment is to strengthen and modernize traditional industries. Food Processing is one of the prime traditional industries in India. When asked about the contribution of Food Processing Industries to the GDP of our country, the Department in their written note have stated that "It is estimated that contribution of Food Processing to GDP is 1/3rd of the agriculture contribution to GDP." The contribution of Agriculture is 26.6% at current price to GDP, 1/3rd of which works out to 9% but in the additional replies to the List of Points, the Committee have been again informed that the contribution of Food Processing Industries to GDP is 3.0%.

<u>Percentage of Central Sector outlay to the Department of Food Processing Industries</u>

1.6 Following is the table indicating the details & the proportion of Budgetary allocation made in favour of the Department out of the total Plan Budget of the Government of India during the Ninth Plan period alongwith a comparative statement indicating such proportion of allocation out of the total during the 8th Plan period.

(Rs.in crores)

Year	Central Sector Outlay	Outlay for MEPI	Proportion of Outlay for MFPI out of the Total Outlay (%)
1992-93	4369.8	40.00	0.091
1993-94	55215.9	47.00	0.085

1994-95	59053.8	45.00	0.076
1995-96	74594.1	45.00	0.060
1996-97	77517.8	40.00	0.051
1997-98	91838.7	40.00	0.043
1998-99	1051.87	44.10	0.04198
1999-2000	103521.0	47.00	0.0454
2000-2001	117334.0	50.00	0.0426
2001-2002	130181.0	55.00	0.0422

Need for Higher allocation to the Department

1.7 The Committee have been informed that as per FAO Year Book, 1997, the annual production of fruits and vegetables in India is estimated to be 37.13 million tonnes and 54.97 million tonnes respectively.

1.8 As per Indian Horticulture Database September, 1999 published by National Horticulture Board, it is estimated that about 8-37% of the horticulture output gets spoilt.

The Department in a written reply have stated that:-

"Department of Food Processing Industries has drawn up a Draft National Policy on Food Processing Industries which inter-alia envisages creation of conducive environment including consumer awareness. It is estimated that for raising the levels of food processing from the level 2% to 10% in the next 10 years an investment to the tune of Rs.1,40,000 crores would be required."

1.9 Justifying the low budgetary provisions to the Department in the previous years, the Secretary, Department of Food Processing Industries during oral evidence stated:

"……….our performance in the earlier years unfortunately did not justify higher allocation."

1.10 However, the witness further clarified that due to the efforts made by the Department in the year 2000-2001, the entire allocation of Rs.50.00 crore is being utilized. When asked to give details of the strategy adopted by the Department to proceed with such a small allocations at BE level and a further cut at RE level, the Department in a written note have stated that:-

> "Following the advice of the Committee, DFPI has been pleading for more outlays. For 2001-2002 an outlay of Rs.105 crores was sought, during the indepth discussions with the Planning Commission the need for an enhanced outlay was reiterated. However, keeping in view the overall financial resources position, an outlay of Rs.55 crores has been allotted."

Public Financing to the Food Processing Industries

1.11 The processed food sector had been facing serious problems in financing the projects, as the food processing industries are high risk prone with long gestation period and the returns are small. As a result, the projects in this sector were not finding favourable consideration by the financial institutions. Considering the demand of the industry and in view of the vast potential of the growth of the agro-processing sector, the Government has now decided to include agro-processing sector within the definition of `Priority Sector for bank lending'.

1.12 Inclusion of processed food sector in the priority lending would enable the sector to avail credit from the financial institutions easily as 40% of the bank credit is targetted towards priority sector. A regular monitoring system has been devised by the Reserve Bank of India for industries covered under priority lending. Expeditious clearance of the loan applications by the financial institutions is also likely.

1.13 To a query as to whether any target within the Priority Sector has been fixed for lending to Food & Agro-based Processing Sector, the Department in their reply have stated that:-

> "The food and agro based processing sector has been included within the definition of priority sector for bank lending. However, priority sector lending norms are not applicable to Financial Institutions.
>
> The targets for lending to priority sector and its sub sectors for India Commercial Bankers are:-
>
> Total Priority Sector- 40 percent of Net Bank Credit

Of which to Agriculture- 18 percent of Net Bank Credit

Weaker Sections- 10 percent of Net Bank Credit

No separate target within priority sector has been fixed for lending to food and agro-based processing industries."

Performance of the Department- an evaluation

1.14 The Budget Estimates, Revised Estimates & Actuals during each of the years from 1992-93 onwards are as follow:-

(Rs.in crores)

Year	Budget Estimate		Revised Estimate		Actuals	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
1992-93	40.00	04.39	41.84	03.58	33.15	03.16
1993-94	47.00	04.05	48.57	08.04	38.53	04.28
1994-95	46.00	05.63	45.00	05.94	30.33	04.43
1995-96	45.00	05.13	45.00	05.86	40.84	05.01
1996-97	45.00	06.06	40.00	05.67	25.90	03.42
1997-98	44.10	03.65	40.00	04.18	21.26	04.08
1998-99	44.10	04.72	30.80	04.46	30.00	4.19
1999-2000	47.10	04.66	40.00	4.66	34.88	5.50
2000-2001	50.00	5.00	50.00	15.70	-	-
2001-2002	55.00	6.42	-	-	-	-

1.15 Sector-wise 9th Plan outlay & Non-Plan outlay, Allocation & Expenditure for 1997-98, 1998-99, 1999-2000 and 2000-2001 & budget allocation for 2001-2002 are as under:-

(Rupees in crores)

S. No.	Name of the Sector	9th Plan Outlay	1997-98		1998-99		1999-2000		2000-2001		2001-2002
			R.E.	Actual Expnd.	R.E.	Actual Expnd.	R.E.	Actual Expnd.	R.E.	Expected Expnd.	B.E.
1.	Grain Processing	2.80	1.43	1.43	0.70	0.62	0.75	0.62	0.50	0.50	0.40
2.	Fruit & Vegetable processing (Horticulture based industries)	90.70	13.30	4.80	6.44	7.24	10.90	11.70	10.40	10.40	5.45
3.	Meat & Poultry Processing	37.40	5.97	1.92	4.63	4.32	5.69	4.17	0.75	0.75	2.70
4.	Milk based industries	30.00	4.08	4.50	5.00	4.31	2.50	2.52	7.00	7.00	6.80
5.	Marine Products*	50.50	25.21	6.68	9.20	9.29	13.35	10.71	22.34	22.34	24.00
6.	Consumer Industries	8.00	1.43	1.43	1.00	1.68	3.97	5.48@	-	-	0.20
7.	Secretariat Economic Service	15.60	2.38	2.11	3.03	2.54	2.83	2.59	4.00	4.00	4.60
8.	Processed Food Fund (New Scheme)	-	-	-	-	-	0.01	-	0.01	0.01	5.00
9.	Lump sum provision for NE Region including Sikkim	-	-	-	-	-	-	-	5.00	5.00	5.85
	Total	**235.00**	**53.80**	**22.87**	**30.00**	**30.00**	**40.00**	**37.79**	**50.00**	**50.00**	**55.00**

*FSI and two related Schemes transferred to Department of Animal Husbandry and Dairy since October 1997.

@Expenditure includes Rs.1.85 crores paid towards professional services in connection with disinvestments of MFIL.

1.16 The Ninth Plan outlay for all the Plan Schemes of the Department of Food Processing Industries is Rs.235.00 crores. The actual allocation made during the first four years is Rs.173.80 crores out of which the Department could spent only Rs.140.66 crores. An amount of Rs. 32.14 crores remains unspent. In the final year whereas

Rs.61.20 crores should have been allocated the Department has been given Rs.55.00 crores as BE(Plan).

1.17 Regarding the reasons for shortfall in utilization of funds by the Department and the low budget allocation in the last year of Ninth Five Year Plan, the Department in a note have stated that:-

> "The Committee may be happy to note that utilization of Plan funds during 2000-2001 has been 100%. It is also for first time that during the current year R.E. of Rs.50 crores is allowed to be retained at B.E. level.
>
> The Department has been pleading for more outlays keeping in view the recommendations of the Committee. During the in depth discussions with the Planning Commission the need for an enhanced outlay was reiterated. However, keeping in view the overall financial resources position, an outlay of Rs.55 crores has been allotted."

1.18 During oral evidence of the representatives of the Department of Food Processing Industries, while answering to a query, the Secretary, Department of Food Processing Industries stated that:-

> "In the first three years, there was a shortfall and that was pointed out by the hon. Members also. Due to the efforts that we have made in the current year, the entire allocation of Rs.50 crore is being utilized. Actually, we are waiting for the appropriation grants. We have another Rs.10 crore which we will spend. We have over-spent this year."

1.19 When asked whether the B.E. of Rs.55.00 crores during the year 2001-2002 can be enhanced at RE stage keeping in view the pace of utilization, the representatives of Food Processing Industries during oral evidence stated:-

> "It can be revised. We will try it at the RE stage. We have asked for Rs.100 crore because our performance in the earlier years unfortunately did not justify higher allocation……………….. We are hopeful that because of better performance of the current year, at the time of mid-year review, we will be able to justify our request for higher allocations."

Creation of Fund for Development of Food Processing Industries

1.20 The processed food sector has been facing serious problems in financing of the projects. As the food processing industries are high risk prone due to a variety of factors, the gestation period is long and the returns are small. It does not find favour with the Financial Institutions. The commercial banks under their normal lending policy are not forthcoming to cover the risks faced by units in Processed Food Sector (PFS). Commercial banks do not have technical competence to evaluate the food processing projects. Further the working capital requirements/problems are generally faced when the peak season comes and banks do not appreciate that industries have to buy raw materials during peak seasons. Most of the food projects take at least three years to stabilize but the banks start charging from the day one. There is no uniform pattern followed by banks for the financing of food processing Industry and is ill equipped because of their own internal constraints. It is, therefore, required that this sector is given a special treatment so as to make easy and concessional finance available to this sector.

1.21 Against this backdrop an idea was mooted by this department to set up a processed sector development fund in collaboration with SIDBI. The objective is to facilitate provision of credit to projects in food processing sector in a focused manner. The fund would provide financial assistance to SSI units to encourage the setting up of units in the processed food sector. Preference will be given for modernization, technology upgradation, quality upgradation, upgradation of products, innovative projects, introduction of new product lines, export oriented units, eco-friendly production facilities and improvement in packaging. Specialised organization/corporate entities which provide/propose to provide modern support services and/or modern infrastructural facilities for this sector will also be considered for assistance.

1.22 A `Food Development Fund' was created with a lumpsum provision of Rs.20.00 crore in association with SIDBI & IDBI in 1999-2000.

1.23 The BE, RE and Actual Expenditure for the scheme " Processed Food Fund" from 1999-2000 onwards is as under :-

(Rs.in crores)

Year	BE	RE	Actual
1999-2000	1.00	0.01	-
2000-2001	0.50	0.01	0.01
2001-2002	5.00	-	-

1.24 It has been noted that this fund in its very nascent stage ran into trouble because it envisaged complex financial issues which the Department alone could not operate. Therefore, the Department thought of involving financial institutions. The financial institutions have however, not given any alternate suggestions to the Department. At present, the Department is having a discussion with the Banking Division of Government of India to explore a new line of action for this fund. When asked as to whether the modalities of operating this fund have been finalized, the Department in a written reply have stated that:-.

> "In August, 1998 an idea was mooted by this Department to set up a processed Food Sector Development Fund in collaboration with the SIDBI. The size of Fund envisaged was Rs.500 crores, of which Government's contribution was to be Rs.100 crores. The fund was approved to have two components, one for small scale sector of the size of Rs.100 crores. The contribution of SIDBI and Government of India was to be in proportion of 80 crores: 20 crores respectively. The other component was for Non-SSI units consisting of Rs.400 crores, of which Rs.320 crores was to be contributed by IDBI and rest Rs.80 crores by Government of India.
>
> Our discussions with IDBI revealed that they normally finance projects of Rs.10 crores and above. Considering the project profiles of the Food Processing Sector, the ability of financial institutions to appraise the food processing projects and the scale of loan portfolio of IDBI it was suggested that we may limit the domain of processed food sector fund to the SSI units. In case the experiment is successful, the fund may be extended in second stage of Non-SSI units also.
>
> Based on our discussions with SIDBI a draft scheme for creation of fund for processed food sector has been devised, which is also approved by SIDBI. The

size of the fund would be Rs.100 crores, of which part `A' of Rs.20 crores would be contributed by the Government of India over the remaining period of the 9th plan in the form of soft loan @ 4% Part `B' of Rs.80 crores will be contributed by SIDBI. The loan of SSI units would be disbursed at the composite weighted rate determined by taking Government loan component at 4% and the SIDBI component at their applicable rates. The loan repayment would be adjusted pari-passu between SIDBI and Government of India in proportion of shares in the term loan. An Advisory Board consisting of representatives of SIDBI and Department of Food Processing Industries would frame and review the board guidelines and policy matters relating to the fund. The credit decision would however, be taken by SIDBI. SIDBI would submit a progress report every three months in the prescribed proforma. The Board of Directors, SIDBI has approved the proposal and has authorized the Managing Director to Finalize and operationalize the scheme."

1.25 The Government have allocated Rs.5.00 crores for this fund during the current financial year. When asked to furnish the action plan of the Department for utilizing this amount of Rs.5.00 crores, the Department in its reply have stated as follows:-

"Since the Government contribution in the fund will be Rs.20 crores the proposal has to be considered by EFC. In the Annual Plan for 2001-2002 a provision of Rs.5 crore has been made for creation of the fund. A detailed draft EFC Memo has already been prepared."

Venture Capital Fund

1.26 The Department had created a Venture Capital Fund of the size of Rs.40 crores in the year 2000-2001, out of which Rs.15 crores was to be mobilized from Department of Food Processing Industries, Rs.15 crores from other financial institutions and balance of Rs.10 crores from Private/foreign investors. An amount of Rs.1.00 crores had been provided as BE 2000-2001. There is no provision in the year 2001-2002.

1.27 The Committee in its 9th Report on Demands for Grants (2000-2001) had urged upon the Department to make efforts for expeditious clearance of the proposals, so that the fund is made operational within 2000-2001 itself. However, the scheme has been dropped in the current year. Pertaining to the reasons for discontinuation of the scheme, the Department in their note have stated that:-

> "The response from financial institutions and banks was not encouraging the scheme was not pursued further. No provision has been made in the Annual Plan for 2001-2002 for the venture capital fund."

SECTOR-WISE ANALYSIS

Fisheries Sector

1.28 The following three schemes under this sector are under implementation:-

(i) Strengthening of traditional Fish Processing Technologies/marketing.

(ii) Utilization of low value fish.

(iii) Instrastructural facilities for Food Processing Industries.

Ninth Plan approved outlay for this sector is Rs.50.50 crores. The actual allocation is Rs.70.10 crores out of which the Department could spend only Rs.49.02 crores during the first four years of 9^{th} Plan.

Strengthening of Traditional Fish Processing Technologies/Marketing

1.29 This scheme aims at preparation of low cost indigenous technology for drying fish which will result in value addition and provide hygienically dried fish for domestic and export market. As per the pattern of assistance, NGOs/Co-operatives/Joint/Assisted/ Private Sector/PSUs are eligible for assistance in the form of grant towards 50% of the capital cost upto Rs.10 lakhs in general areas and 75% of the capital cost upto Rs.10 lakhs in difficult areas. Besides, Research and Development Organizations are eligible to get grant towards 100% of the cost for setting up of a demonstration unit to popularize the traditional fish processing technologies and marketing among the entrepreneurs/fishery folks.

1.30 The main objectives of this scheme during the Ninth Plan is to create additional facilities for preservation and processing of fish, so that the benefits of the same are available to traditional fishermen and other sector engaged in fishing. Financial assistance in the form of grant is provided to NGOs/Cooperatives/Joint/Assisted/Private Sector/PSUs.

1.31 The Plan outlay under this scheme is as under:-

(Rs. in crores)

Ninth Plan App. Outlay	1997-98			1998-99			1999-2000			2000-2001			Total expen.	2001-2002
	App. Outlay	Actual Expen.	Short-fall	App. Outlay	Actual Expend.	Short-fall	App. Outlay	Actual Expen.	Short-fall	BE	RE	Short-fall		BE
2.63	0.48	-	0.48	0.15	-	0.15	0.40	-	0.40	0.5	0.5	-	0.5	0.5

1.32 It has been observed that during the first four years, the allocation for this important sector remained unutilized. The allocation for the year 2000-2001 had come down to only Rs.5.00 lakhs in comparison to Rs.40 lakh during the year 1999-2000.

1.33 During the first four years of 9th Plan period, the actual allocation was Rs.1.08 crores, out of which the Government could spent only Rs.0.5 crores. When asked whether the Department had set any targets for this Plan period and, if so, what were the actual achievements, the Department in their reply stated as under:-

> "The figure of Rs. 0.5 crores expenditure has been shown inadvertently. No expenditure under the schemes has been incured so far. Since this is a new scheme introduced during the 9th plan, no budget has been set for this scheme."

1.34 In almost all the coastal areas a large number of fishery societies are there. The Department was asked to specify the steps taken by it to popularize and encourage the fishery societies to avail the grants, in their written reply they stated that, "Letters have been sent to NCDC and a number of Apex Bodies of fisheries cooperatives for getting proposals under this Scheme."

1.35 When asked whether the Department have identified the low cost technologies which can be used for drying fish, the Department stated that, "so far they have not identified any specific low cost technology. However, Central Institute of Fisheries Technology have worked on production of dry fish."

1.36 During oral examination the representatives of the Department informed that in order to develop and encourage the adoption of better methods of drying they have approached CFTRI and other solar drying institutions. However, in their written reply the Department have stated:

> "CFTRI have informed that since they are not focussing too much on fish processing as well as utilization of low value fish they will not be in a position to set up Demonstration unit to popularize traditional fish processing technologies. However, Integrated Fisheries Project, Cochin have sent a proposal which is under process.
>
> A copy of Economic Viablity report on value added fish products- fish pickles, fish wefers, dry fish and fish cutlets sent by CIFT, Cochin has been forwarded to

NCDC for disseminating the information among the cooperatives so that the department may get adequate proposals."

Infrastructural facilities for Food Processing Industries

1.37 The Committee have been informed that as per FAO Year Book 1997 the annual production of fruits and vegetables in India is estimated to be 37.13 million tonnes and 54.97 million tonnes respectively.

1.38 As per Indian Horticulture Database September, 1999 published by National Horticulture Board, it is estimated that about 8-37% of the horticulture output gets spoilt. The main reasons identified for wastage of fruits and vegetables are as under:

(i) Lack of adequate infrastructure for post-harvest handling of horticulture crops;

(ii) Lack of primary processing facilities in proximity to the growing areas;

(iii) Improper packaging;

(iv) Lack of transport facilities; and

(v) Inadequate cold chain facilities.

1.39 Financial assistance for establishment of post-harvest infrastructure and cold-chain facilities, encouraging projects for production and processing of mushrooms, hops, gherkins etc., setting up of food processing industrial estates and food parks and infrastructural facilities for preservation and processing of fish is provided under this scheme. During the year 1999-2000, approval of assistance under the Scheme has been accorded to benefit the units in the States of Andhra Pradesh, Assam, Bihar, Delhi, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Orissa, Punjab, West Bengal.

1.40 The scheme also envisages financial assistance for providing common facilities while setting up food park. Assistance for setting up a food park in Malappuram District of Kerala has been extended to Kerala Industrial Infrastructure Development Corporation. The project is in an advanced stage of completion. Assistance has also been provided to two units in West Bengal under this scheme. Four such proposals from Tamil Nadu, Uttar Pradesh, Goa & Assam are under consideration.

1.41 Under the scheme, assistance will be in the form of grant-in-aid to the applicant organisation for meeting 50% of the project cost, excluding cost of land. The entire recurring and operating cost will be borne by the implementing agency. The various components for which assistance will be provided include modernization of peeling sheds, ice plants, cold storages, deep freezers, cold chains, cycles/autorickshaws fitted with insulated boxes, vending outlets, modernization of existing processing.

1.42 The Plan outlay under this scheme is as under:

(Rs. in crores)

	1997-98			**1998-99**		**1999-2000**		**2000-01**		**2001-02**
Ninth Plan Outlay	**App. Outlay**	**Actual Expen.**	**Short Fall**	**Approv. Outlay**	**Actual Expend.**	**Approved Out lay**	**Actual Expend.**	**BE**	**RE**	**BE**
46.46	10.64	6.68	3.96	8.95	9.29	12.90	10.64	13.00	22.13	29.90

1.43 When asked to state whether the investment in infrastructural facilities was adequate to meet the requirement and the amount of funds required for all round development and popularization of Food Processing Industries, in their written reply the Department have stated:-

> "Department of Food Processing Industries has drawn up a Draft National Policy on Food Processing Industries which inter alia envisages creation of conducive environment including consumer awareness. It is estimated that for raising the levels of food processing from the level 2% to 10% in the next 10 years an investment to the tune of Rs.1,40,000 crores would be required."

Cold Storage and Cold Chain facilities

1.44 In India 1.8%-2.0% of fruits & vegetables output is being processed in comparison to 30% in Thailand, 80% in Brazil, & 60-70% in countries like the UK & USA. On the one hand, while the grower is deprived of a good price for his produce during the peak marketing season, on the other hand the consumer needlessly pays a higher price during the lean season. When asked how the department of Food Processing Industries being the nodal agency for Food Processing Industries was planning to maintain the balance, the Department in their reply have stated:-

> "The proposed draft national policy on food processing industries prepared by Department of Food Processing Industries envisages increasing the level of

processing from the existing 2% to 10% in the next year. A number of measures would need to be pursued for achieving the objectives. These include (1) creating enabling environment (2) infrastructural development (3) backward linkage (4) forward linkage and (5) special provision."

1.45 Under the Plan Scheme for development of infrastructural facilities for cold storage, the Department provides financial assistance for establishment of:

a) Cold storage for non-horticulture produce;

b) Where the cold storages is an integral part of the processing unit or of the common facilities in food park;

c) Special type of cold storage with Controlled Atmosphere/ Modified Atmosphere facility.

1.46 The assistance is available to Public Sector Undertakings, Joint/Assisted/Private Sector Companies, Non Government Organization and Cooperatives.

1.47 The Committee have been informed that the total number of cold storages in the country as on 1997-98 is 3443 with a capacity of 10353090 tonnes. The number of cold storages in the North Eastern States & other difficult areas is 44 with a capacity of 44969 tonnes. The number of cold storages units assisted during the 9th Plan period is as under:-

Year	**No.**
1997-98	6
1998-99	21
1999-2000	15
2000-2001	3 (as on 21.3.2001)

1.48 The physical target for the scheme 'Setting up of infrastructural facilities (Cold storage etc.)' during the year 1999-2000 was 20 and the achievement made thereof is only 8. During the year 2000-2001, they could achieve only 6 out of the total target of 30. When asked to state the reasons for shortfall and efforts made to open/encourage opening of cold storages, the Department have stated that:-

> "The short fall was due to non receipt of viable proposals or failure of promoters to submit bank guarantees. Action has already been initiated by the Department to incorporate a few amendments in the scheme to make it more attractive."

1.49 On the steps to be taken by the Department to stop wastage of fruits & vegetables during the peak season, the Secretary, Department of Food Processing Industries during evidence informed as follows:

> "The problem here is the chain. As rightly mentioned in the last meeting of the Standing Committee, merely setting up of cold storage near consumption centres is not going to help very much. We will have to see that the whole chain is build up, starting from farmer right up to the consumer. This change is what we are now working on. The Department of Food Processing Industries has to take the lead. We will have to integrate it because post-harvesting management is part of the Agriculture Ministry. In the end, of course, we are there. In between State Governments are there. At the policy level, we would, of course work. We will have to interlink the efforts of the various agencies and see the various departments of the Government of India, State Governments and the Department of Food Processing. We work together to work out a chain system."

Scheme for low value fish utilization & conversion into value added products

1.50 The low value fishes constitute a sizeable part of the country's total marine catches. Discarding of these fishes, which are rich in protein, is therefore, a loss to the nation where such cheap protein rich food is needed. The producers and processors reject these fishes only because they don't have commercial value. In the recent past, considerable Research & Development work has been done by various institutes regarding value added products from low value fish. The processed products of these fishes have been prepared on an experimental basis and are found to be acceptable to the consumer. Hence, there is need to encourage setting up of units which would take up commercial production of value added products like protein concentrate, fish wafers, fish sausages, fish soup, fish cutlets, fish balls & fish feed etc. using low value fish.

1.51 Under this scheme assistance is given to Central Government Organizations, State Governments/Union Territories, Undertakings, cooperative bodies, Association of Industries, private entrepreneurs, NGO's etc. All the assistance to the cooperatives will be given through National Cooperatives Development Corporation. Assistance to private sector units will be given through MPEDA/State Government. The quantum of assistance will be limited to 50% of the total project cost including the cost of initial market development.

1.52 The year-wise position of cases received and sanctioned/approved are given below:

1997-98		1998-99		1999-2000		2000-2001	
Recd.	Sanctioned	Recd.	Sanctioned	Recd.	Sanctioned	Recd.	Sanction-ed
--	--	1	--	3	2	14	3 (Remaining under process, or recd. Recently)

1.53 When asked to state the quantum of low value fish produced in India and the quantum of low value fish converted to value added products and the quantum of such value added products exported and consumed and the revenue earned by India during the last five years, the Department in their written reply have stated that:-

> "According to MPEDA, the exact figure regarding the quantum of low value fish landed in the country are not available. According to them, the main value added product produced out of low value fish for export is Surimi."

1.54 Details as reported by MPEDA regarding export of dried fish are as under

Year	Qty. in MT	Rs. in Lakh
1995-96	3447	1802
1996-97	4897	2774

1997-98	5014	2917
1998-99	7295	4080
1999-00	11111	792

1.55 The 9th Plan outlay, expenditure during the last four years & BE for 2001-2002 is as under:-

(Amount Rupees in Lakhs)

S. No.	Name of the Scheme/ Project/ Programme	Ninth Plan App-Out-Lay	1997-98			1998-99			1999-2000			2000-2001			Total Expd. During the first 4 years (1997-2001)		2001-2002
			App. Out lay	Actual Expd.	Short-fall	App. Out lay	Actual Expd.	Short-fall	App. Out lay	Actual Expd.	Short-fall	B.E.	R.E.	Short-fall	Total Expd.	% to 9th Plan Out lay	BE
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**
	Fisheries Sector																
1.	Strengthening of Traditional Fish Processing Technologies/ Marketing	263	48	-	48	15	-	15	40	-	4	5	5	Nil	5	1.9	5.00
2.	Utilization of low value fish	141	29	-	29	10	-	10	5	7	+2	5	15	+10	12	8.5	5.00
3.	Infrastructural Facilities for Food Processing Industries	4646	1064	668	396	895	929	+34	1290	1064	276	1300	2213	+913	4874	104.9	2390
	Total	**5050**	**1141**	**668**	**473**	**920**	**929**	**+09**	**1335**	**1071**	**264**	**1310**	**2233**	**+923**	**4891**	**-**	**3390**

\+ Expenditure exceeded outlay for the Scheme.

1.56 When asked as to whether the budgetary allocation for this scheme was sufficient to meet the requirement, the Department stated in their reply:-

"Since most of the proposals received under the scheme are from North East, the budgetary allocation under the scheme as well as for North East will take care of the requirement under the scheme. However, in case additional funds are required, the provision would be enhanced at R.E. stage, if possible."

1.57 In this connection, the Committee enquired as to how many research organizations, universities, fishermen societies were involved in research activities for this work. The Department in their reply stated as under:-

"There is no detailed list of Organizations available with the Department who are involved in research activity for this work. However, some reputed institutions like Integrated Fisheries Project, Cochin and Central Institute of Fisheries Technology, Cochin have worked in this area."

<u>Food Storage & Warehousing</u>

Grain Processing Industry

1.58 The following two schemes are under implementation under Grain Processing Sector:-

(i) Regional Rice Milling Extension Service Centre; and

(ii) Permanent Extension Service Centre at CFTRI, Mysore

1.59 The outlays under the two schemes of the Rice Milling Modernization Programmes in the BE & Revised Estimates 2000-2001 and Budget Estimates 2001-2002 are given below:-

PLAN **(Rs. in crores)**

S.No.	Scheme	B.E. 2000-2001	R.E. 2000-2001	B.E. 2001-2002
1.	Grant-in-aid to Regional Extension Service Centres	0.35	0.35	0.25
2.	Extension Service Centre at CFTRI	0.15	0.15	0.15
	Total Plan	**0.50**	**0.50**	**0.40**

NON-PLAN **(Rs. in crores)**

S.No.	Scheme	B.E. 2000-2001	R.E. 2000-2001	B.E. 2001-2002
1.	Establishment of Rice	0.26	0.26	0.29

	Milling			
2.	Advertisement and Publicity	0.04	0.03	0.04
	Total Non-Plan	**0.30**	**0.29**	**0.33**
	Total Plan/Non-Plan	**0.80**	**0.79**	**0.73**

1.60 The 9th Plan allocation was Rs.2.80 crores in the Grain Processing Sector. The approved outlay for 1st four years was Rs.3.38 crores. The B.E. for 2001-2002 is Rs.0.50 crores i.e. expenditure in 9th Plan is likely to be Rs.3.38 + Rs.0.50=Rs.3.88 crores. When asked to state from where the excess amount of Rs.1.08 crores was proposed to be met, the Department in a note stated:-

> "Approved outlays are earmarked to the scheme keeping the requirement of trends. Each year the excess amount required has been met from savings under other heads."

<u>Cereal Processing Testing Centre</u>

1.61 The Department has informed that the scheme for Cereal Processing Testing Centre has been discontinued w.e.f. 1.4.2000. The reasons for discontinuation of this scheme are as under:-

> "The scheme was reviewed in the Department and it was found that there was no justification for continued funding of these centers by the Department and therefore these were excluded from the annual plan of the Ministry for the year 2000-2001."

1.62 When asked about the targets fixed for the 9th Plan and whether this has been achieved during the period prior to its discontinuance on 1.4.2000, the Committee were informed that:-

> "Four testing centers at Kharagpur, Kanpur, Pune, Coimbatore were funded by the Department during the 1st three years of the 9th Plan. An amount of Rs. 63.86 lakhs was released to these centers. No new centers were targeted to be setup during the 9th Plan period."

Extension Service Centre at CFTRI, Mysore

1.63 The Extension Service Centre at CFTRI was established in 1983-84 to carry out extension, training, demonstration, publication of material etc. in the area of rice milling. In 1992-93, keeping in view the expertise available with the institute in different areas of food processing like, coarse grains, fruit and vegetables, meat and poultry processing, milk and milk products, traditional foods, nutrition etc., it was considered necessary to support the Institute to carry out extension activity also during the IXth Five Year Plan and for taking the Research & Development results ripe for commercialization to the field and prospective entrepreneurs. Besides, the above specific schemes, fund are also utilized for Research & Development, strengthening of Backward Linkages for Maize and Coarse grain, Modernization of Pulse Milling Industry, Fortification of Cereal and Cereal Products for improving nutritional profile of the population and assistance for manpower development for the Cereal Processing Industry.

1.64 Plan fund utilization under this scheme during 1998-1999 and 1999-2000 was Rs.0.15 crore and Rs.0.14 crore respectively.

In this connection, the Committee were informed by the Department as under:-

"A total of Rs. 0.15 crore has been provided to the centre for 2001-2002 to cover activities mentioned above including the area of rice milling. Out of the total grants provided to the centre, 15 demonstration and awareness programmes were carried out in all areas of processing including rice milling during the year 2000-2001."

Horticulture Based Industries (Fruit & Vegetable Processing)

1.65 Following are the 9th Plan outlay and actuals for 1997-98, 1998-99 & 1999-2000 RE for 2000-2001 & BE for 2001-2002:

(Amount Rupees in Lakhs)

S. No	Name of the Scheme/ Project/ Programme	Ninth Plan App-Out-Lay	1997-98			1998-99			1999-2000			2000-2001			Total Expd. During the first 4 years (1997-2001)		2001-2002
			App. Out lay	Actual Expd.	Short-fall	App. Out lay	Actual Expd.	Short-fall	App. Out lay	Actual Expd.	Short-fall	B.E.	R.E.	Short-fall	Total Expd.	% to 9th Plan Out lay	B.E.
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**
	Horticulture Based Industries Sector																
1.	Manpower Development in Food Processing Industries	1880	285	81	204	148	218	+70	200	197	3	300	100	200	596	31.7	0.80
2.	Setting up/ Expansion/ Modernization of Food Processing Industries	4653	830	355	475	375	346	29	707	777	+70	740	650	90	2108	45.3	1.50
3.	Strengthening of Backward Linkages	516	95	44	51	36	35	1	73	69	4	100	90	10	238	46.1	0.45
4.	Setting up Demonstration Units/Pilot Projects	1363	30	-	30	35	35	0	10	-	10	200	1	199	36	2.6	0.20
5.	Generic Advertisement	658	90	-	90	50	90	+40	100	127	+27	500	200	300	417	63.3	2.00
	Total	**9070**	**1330**	**480**	**850**	**644**	**724**	**+80**	**1090**	**1170**	**+80**	**1840**	**1041**	**799**	**3395**	**-**	**4.95**

+ Expenditure exceeded outlay for the Scheme.

1.66 The 9th Plan outlay for this sector is Rs. 90.70 crores. The actual allocation for the entire Plan is Rs. 46.49 crores. The actual expenditure incurred is Rs. 37.14 crores so far. There is a huge shortfall in utilization of funds in this sector:

Giving reasons for shortfall in utilization of funds, the Department stated:-

"The main reasons for short fall in expenditure are non receipt of viable proposals and in some cases inability of entrepreneurs to obtain the bank guarantees, even after assistance was approved."

1.67 It has been further noted that for the current year i.e. 2001-2002 the budget allocation has come down to Rs.5.45 crores in comparison to Rs.10.41 crores at the RE stage of the year 2000-2001. The reasons for lower allocation for 2001-2002 as given by the Department were as under:-

"Since Department is giving a lot of thrust to provide assistance for setting up food parks in different states, some reduction in other schemes became inescapable."

Assistance for Manpower Development in Food Processing Industries

1.68 One of the components of the scheme relates to providing assistance for setting up of Food Processing & Training Centres (FPTCs) in rural areas. The scheme envisages financial assistance in the form of grant for purchase of plant and machinery as well as seed capital. Such centers can be both single product line and multi product line. While for single product line, the assistance is limited to Rs.3 lakhs (Rs.2 lakhs for plant and machinery and Rs.1 lakh for seed capital), for multi product line, it is Rs.9.50 lakhs (Rs.7.50 lakhs for plant and machinery and Rs.2.00 lakhs for seed capital). Central and State Government Organizations, Educational & Technical Institutions, Non-Government Organisations and Co-operatives are eligible for assistance. During 2000-2001, a target to set up 40 FPTCs was set by the Department. The achievement was only 1. The Scheme is at present under review. The scheme also envisages training of persons engaged in traditional meat processing activity, in-service workers and unemployed persons. Another objective is to train persons engaged in fish processing units for upgrading the quality of the products and enforcing hygenic conditions.

1.69 As regard number of persons trained during the year 1997-98 to 2000-2001 no firm figures were available with this Department. The IX Plan outlay for this scheme is Rs.18.00 crores. The actual allocation for this scheme in the 9th Plan period is Rs. 10.33 crores out of which the Government could spend Rs.6.96 crores assuming that the entire BE is spent in 2001-2002. The Department has been able to utilize only 1/3rd of the Plan budget.

1.70 When asked as to why there had been such a slow pace of utilization in spite of the fact that a grant was given for purchase of plant & machinery, the Department in their reply stated as under:-

> "The year 1997-98 being the first year of the 9th Plan, modalities for assistance under various schemes were finalized in November, 1997. During the year 1998-99 the RE of the Plan Scheme of the Ministry had been reduced. Accordingly reduction were made in respect of various Plan Schemes. A revision of scheme on the basis of the report of the National Council of Applied Economic Research (NCAER) have been undertaken NCAER had made a survey and reported that training had become a secondary activity and emphasis is being placed on commercial production in the centre."

1.71 When asked that despite the scheme being under review why an allocation of Rs.1.00 crore was made for 2001-2002 especially because in 2000-2001the entire amount had gone unspent for this very reason and would it not be proper to re-appropriate this amount to a needy scheme, the Department in their reply stated:-

> "As regards allocation of Rs. 1.00 crore during the year 2001-2002, it may be submitted that the revised scheme is likely to be considered for Approval shortly. It is expected that approximately Rs. 60.00 lakhs would be released under the proposed revised scheme during the next financial year. In addition provision has also been made for releasing second instalments of seed capital to the existing units who have already been sanctioned amount for procurement of plant & machinery."

Assistance for setting up/expansion/upgradation of Food Processing Industries

1.72 The Department provides assistance for setting up/expansion and modernization of food processing units including modernization of pulse milling units. Financial assistance is given the form of soft loan/grant-in-aid. During 2000-2001 approval for assistance has so far been accorded to 7 units.

1.73 When asked to furnish the capacity of the units to produce value added products and the quantum of fruits & vegetables processed by them annually, the Department stated:-

"The installed capacity of F&VP units as on 1.1.2001 is estimated to be 21.10 lakh tonnes."

The 9th Plan outlay for this scheme is as under:

Rs.in crores

Ninth Plan Outlay	1997-98		1998-99		1999-2000		2000-2001		2001-2002
	App. Outlay	Actual Expn.	App. Outlay	Actual Expd.	App. Outlay	Actual Expd.	BE	RE	BE
46.53	8.30	3.55	3.75	3.46	7.07	7.77	7.40	6.50	2.00

1.74 The approved outlay was Rs.28.52 crores and the expenditure/loans/grants-in-aid was Rs.23.28 crores. The Department had been able to execute 50% of its 9th Plan projections. When asked to state the constraints being faced by the Department in implementing this scheme, the Department stated:-

"Non receipt of viable proposals and non furnishing of bank guarantees are the main reasons. Action has already been initiated by the Deptt. to incorporate a few amendments in the scheme to make it more attractive."

1.75 The BE for 2001-2002 has been reduced to Rs.2.00 crores. When asked the reasons for such reduction, the Department stated in their reply:-

"The Deptt. is giving a thrust to setting up of food parks where the assistance is up to Rs. 4 crores. As resources are limited proportionate reduction has been made in other schemes."

Generic Advertising on Processed Foods and for Providing Marketing

1.76 The Scheme aims at building awareness among consumers about the advantages of processed foods and their quality assurance mechanism both through (a) Generic Advertisement and Publicity; and (b) Market Promotion Campaign for New Product Mix and Brand name support.

1.77 During the year 2000-2001 advertisement through various media is being undertaken. So far, 37 firms in Hindi and 10 in regional Languages have been prepared in order to create awareness and transfer simple technologies in food processing to the entrepreneurs in rural and semi-urban areas. The films are being shown on Gyan Channel of Doordarshan through Indira Gandhi Open University. The films are also being shown in National/International fair, exhibitions, seminars etc. from time to time. For Generic Advertisement for print media and all India Radio DAVP has been released Rs.1.00 crore. For promoting the concept fortified Processed Foods the DAVP has been released about Rs.16 lakhs.

1.78 The total actual allocation for the entire plan period in Rs.9.40 crores and the actual expenditure incurred thereof during the last four years is Rs.4.17 crores leaving an amount of Rs.5.23 crores unutilized. During the year 2000-2001, the Government has reduced the allocation to Rs.2.00 crores from Rs.5.00 crores at the BE stage. During the current year the Government has allocated only Rs.2.00 crores.

1.79 In spite of the Committee's recommendation to resort to proper planning and evolve strategies to implement the scheme in more practical manner and for providing higher allocation and utilization to the scheme, the Government has reduced the allocation toRs.2.00 crores at the RE from Rs.5.00 crores allocated at the BE stage during the year 2000-2001. Again the BE for the current year has been kept only at Rs.2.00 crores.

1.80 In this connection, when asked to state how the Government would be able to compete with the private sector with such a meagre allocation and fund utilization, the Department in their reply have stated:-

> "The programme for generic advertisement on processed foods was proposed to be undertaken through DAVP. The media strategy for the programme to be adopted by DAVP included press advertisement, audio spots, video spots, print publicity etc. The total expenditure on the campaign was worked out to be Rs. 3 crores. During the 1999-2000, an amount of Rs. 1 crore was released to DAVP as it was indicated by them that it would be possible for them to incur expenditure only up to that extent during that financial year. Campaign through audio have already been launched through the FM channels of All India Radio. The press advertisements for the campaign is also under release by DAVP. As regards TV ads the story boards for the five video spots submitted by DAVP.were lacking in many essential aspects of an advertisement. It was decided that the work relating

to production of TV advertisement will be under taken departmentally with the help of the Institute of Mass Communication (IIMC), New Delhi. The TV advertisement has since been designed by IIMC. The matter was taken up with the Ministry of Information and Broadcasting for permission to undertake production of TV ads departmentally or with the help of Indian Institute of Mass Communication. Further action on preparation and telecast of video spots is held up as our attempts to obtain permission from Ministry of I&B has not so far been successful."

1.81 Out of Rs.6.58 crores 9th Plan outlay Rs.6.17 crores have been spent during the first four years of 9th Plan. The Committee wanted to know the impact it has made on the marketing in terms of volumes of sale and the names of Brands which have become popular with the general public and has found great level of acceptance. The Department in a note stated as follows:-

"The objective of the scheme for generic advertisement of processed food is to build awareness among consumers about the advantages of processed foods and their quality assurance mechanism. It may not be possible to measure the effectiveness of the scheme in terms of volume of sales or acceptance of a particular brand."

1.82 It has been observed that India has the largest middle class society. The Joint Family system is breaking to a nucleus family where husband, wife and their children constitute one family. In the nucleus family most of the ladies are working and they are depending more on readily available processed food in the market. When asked whether the Government has taken any initiative to advertise its plan scheme and the processed food in the electronic media like advertisement on literacy mission during the prime time so that it can compete with the private sector, the Department in their written reply stated:-

"The plan schemes of the Department are widely disseminated through seminars/workshops and such other events held at State/National Level and funded/ cosponsored by this Department. Information about Department's plan scheme is also available on Department's website http://www/nic.in/mofpi.. This has also been advertised in the press. The advertisement on processed food is proposed to be undertaken in the electronic media through DAVP.

The advertisement campaign being launched through electronic media focuses on various advantages of processed foods like hygiene, convenience, nutritious value, easy availability through out the year."

Assistance for Strengthening of Backward Linkages

1.83 The scheme aims at encouraging the concept of backward linkages between the processors and the farmers. The objective of this scheme is to increase capacity utilization of fruits and vegetable processing as well as grain and coarse grain by ensuring regular supply of raw materials through contract farming. The farmers are ensured remunerative prices by creating direct linkages between farmers and processors. The processing companies are required to supply high quality seeds/fertilizers/pesticides and technology to contracted farmers alongwith necessary extension work. The group of contracted farmers shall not be less than 25 in number. The financial support under this scheme is as grant in the form of reimbursement upto 5% of the total purchases made by processors in a given year, limited to Rs.10 lakhs per year for a maximum period of three years. During the year 1998-1999 and 1999-2000 financial assistance to extent of Rs.0.35 crore and Rs.0.69 crore respectively has been provided. During 2000-2001 assistance to the extent of Rs.0.14 crore has already been provided, some more cases are under process.

1.84 The actual allocation for the entire plan period is Rs.3.49 crores out of which the Government could spend Rs.2.38 crores leaving Rs.1.11 to be utilized during the current financial year. However, the Government has provided Rs.0.45 crore only during the current year which is 50% less than the allocation provided at RE stage of 2000-2001. In this connection, when asked as to how the Government would do justice to such an important scheme which was the backbone of the entire food processing industries with such a low allocation, the Department in a written reply stated:-

"In spite of the wide publicity given to the Backward linkages scheme, the response has not been very encouraging. One of the reasons for the poor response was found to be the difficulty of the processing units in entering into contract agreement for the period of three years, as the farmers were often reluctant to enter into contract for such a long period. It has, therefore, now been decided that the requirement of the period of contract may be reduced from three years to one year. It is expected that with the above change in the scheme, this would invite better response in the future. The department is also separately writing to the District Horticulture Officers of 33 major fruit and vegetables producing Districts to identify processing units and farmers in their area to establish link between them through the scheme of contract farming."

1.85 The Committee have been informed that the terms and conditions of the scheme provides that the processing companies would be required to supply high quality seeds/fertilizers/pesticides and technology to contracted farmers alongwith extension work at reasonable charge. It also provides that the group of contracted farmers shall not be less than 25 in number. A processing unit becomes eligible for assistance under the scheme only after these terms and conditions are complied with by them.

1.86 In regard to the monitoring mechanism available with the Department to ensure the proper implementation of the scheme in true latter & spirit, the Department has informed the Committee that:-

"The applications for financial assistance under the scheme are submitted to this Department by the processing unit through the State Nodal Agency. The application form prescribed for this purpose contains detailed information regarding the location of the processing unit, details of seeds, fertilizers, pesticides etc. Supplied to the contracted farmers, quantity and value of purchases made from each contracted farmers etc. These details and the supporting documents are verified by the State Horticulture Department/ State Nodal Agency before forwarding the same to this Department."

1.87 One of the aims of this scheme is to ensure remunerative price by creating direct linkages between farmers & processors. However, during the peak season, the farmers have to sell their commodities at a cheaper rate. As regards the reasons for such distress sales by the aggrieved farmers, the Department stated as under:-

"The response to this has not been very encouraging so far. The endeavour of this Department is to encourage more contract farming through this scheme so as to minimise situations, where the farmers have to resort to distress sale and that processing levels of horticulture produce increase."

Assistance for setting up of demonstration units/pilot project

1.88 The scheme envisages financial support for setting up demonstration units in respect of new products that are coming up. Financial assistance is proposed to be accorded for setting up 100 mini pulse processing units. Plan fund utilization during 1999-2000 was Rs.0.35 crore. During 2000-2001 Rs.0.355 crore have been given to CPRI Shimla for demonstration & training to Potato Processing Industries.

1.89 The 9th Plan outlay, actual expenditure from 1997-98 to 2000-2001 & BE of 2001-2002 is as under:-

(Amount Rupees in Lakhs)

S. No	Name of the Scheme/ Project/ Programme	Ninth Plan App-Out-Lay	1997-98			1998-99			1999-2000			2000-2001			Total Expd. During the first 4 years (1997-2001)		2001-2002
			App. Out lay	Actual Expd.	Short-fall	App. Out lay	Actual Expd.	Short-fall	App. Out lay	Actual Expd.	Short-fall	B.E.	R.E.	Short-fall	Total Expd.	% to 9th Plan Out lay	B.E.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1.	Setting up Demonstration Units/Pilot Projects	1363	30	-	30	35	35	0	10	-	10	200	1	199	36	2.6	20.00

1.90 It has been observed that except the year 1998-99 there have been major shortfall in the financial target for this scheme. During the year 1997-98 & 1999-2000 there was nil expenditure for this scheme. During the year 2000-2001, the RE is only Rs.1.00 lakh against Rs.2.00 crores at the BE stage. For 2001-2002 the BE for this scheme is only Rs.20.00 lakhs. In this connection, when asked to state the reasons for almost nil expenditure during the last four years of 9th Plan period except 1998-99, the Department has stated in a written note:-

"There were some teething problems in the implementation of the scheme like the beneficiaries not being able to arrange 50% of the cost of equipment. Already 100 units have been set up and another 100 units are likely to be setup during the year 2001-2002."

Meat & Poultry Processing Sector

1.91 The Livestock sector in the country is very large and contributing about 8% of the Gross Domestic Product. Poultry has developed as an organised sector and producing about more than 350 million broilers and 29 billion eggs per year. Processing, chilling, freezing of meat, poultry and eggs needs to be given important position in the Agro Industries Development Plans of our country.

1.92 The total meat production in the country is to the tune of 4.06 million tonnes per annum. The latest per annum meat production in India is available for the year 1998 which is as follows:-

(in million tonnes)

1.	Cattle Meat (beef)	1.30
2.	Buffalo meat	1.20
3.	Pig meat (pork)	0.42
4.	Sheep & Goat Meat	0.68
5.	Chicken	0.60

1.93 The slaughter rate in relation to population of animals is as follows:

1.	Cattle	6%
2.	Buffalo	10%
3.	Pigs	99%
4.	Sheep	31%
5.	Goat	39%
6.	Rabbit	Not Available
7.	Chicken	Not Available

1.94 The quantum of meat processed into high value added products is low as compared to the total meat produced in the country. It has been reported by Kondaiah, N.

in his article "Meat and Meat Products as Human Food" (Indian Farming-Special Issue of the Golden Jubilee of FAO 1955) that only an estimated 1% of total meat is processed into further products.

1.95 The Department in its written reply has stated that the quantum of meat processing in the country during the year 2000 in respect of buffalo, pigs, goat, sheep, rabbit, chicken and cattle is not available. However, the percentage of meat & meat products processes is about 1% of the total meat produced.

Quantum & value of meat exported is as follows:-

Year	Quantity (Tonnes)	Value(Rs. in crores)
1995-96	169500	650
1996-97	167500	788
1997-98	184300	850
1998-99	183300	859
1999-2000	181800	879

1.96 The 9th Plan outlay for this sector is as under:-

(Amount Rupees in Lakhs)

S. No.	Name of the Scheme/ Project/ Programme	Ninth Plan App-Out-Lay	1997-98			1998-99			1999-2000			2000-2001			Total Expd. During the first 4 years (1997-2001)		2001-2002
			App. Out lay	Actual Expd.	Short-fall	App. Out lay	Actual Expd.	Short-fall	App. Out lay	Actual Expd.	Short-fall	B.E.	R.E.	Short-fall	Total Expd.	% to 9th Plan Out lay	BE
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
	Meat & Poultry Processing Sector																
1.	Poultry & Egg Processing	1372	270	178	92	77	69	8	167	165	2	200	31	169	443	32.3	110.00
2.	Development of Meat Processing	2068	286	14	272	367	352.5	14.5	252	252	Nil	150	43	107	661.5	32.0	60.00

3.	Development of Marketing Facilities, Infrastructure & Transport	300	40	-	40	19	10	9	150	-	150	100	1	99	11	3.7	100.00
	Total	**3740**	**596**	**192**	**404**	**463**	**431.5**	**31.5**	**569**	**417**	**152**	**450**	**75**	**375**	**1115.5**	**-**	**270.00**

1.97 The 9th Plan outlay for this sector is Rs.37.40 crores. The actual allocation for the entire Plan period is Rs.23.48 crores and the expenditure incurred during the last four year is only Rs.12.32 crores leaving an amount of Rs.8.59 crores unspent.

1.98 The reasons for such shortfall in utilizing the funds as stated by the Department were as under:-

> "The actual budget allocation to the Department were reduced. Therefore, the head wise allocation was also reduced. The funds are not utilized because viable proposals were not received or the progress of work was not satisfactory to release subsequent installment."

(i) Development of Meat Processing

1.99 For the scheme `Development of Meat Processing', the 9th Plan outlay is Rs.20.68 crores. The actual allocation for the entire plan period is Rs.11.15 crores, out of which the Government could spend only Rs.6.61 crores during the last four years leaving an amount of Rs.4.54 crores unutilized. During the year 2000-2001, the BE was Rs.1.50 crores. In the Revised Estimates the Government has slashed it down to Rs.0.43 crores. During the current year it is Rs.0.60 crores in comparison to Rs.1.50 crores during the BE of last year. Regarding the reasons for under utilization, the Department stated in their reply:-

> "The actual budget allocation to the Department were reduced. Therefore, the head wise allocation was also reduced. The funds are not utilized because viable proposals were not received or the progress of work was not satisfactory to release subsequent installment."

1.100 When asked as to whether the Department assisted only those units which produce quality meat of ISO standards, in reply the Department stated:-

"The Department assist units to produce quality meat. Indian Buffalo & Sheep & Goat Meat are in demand in foreign countries. So far 3 such projects have been assisted."

1.101 Pertaining to the terms & conditions of loan the Committee were informed in a written reply by the Department of Food Processing Industries that:-

"The loan is at concessional rate of 4%. The repayment has to be made in 5 years, after a moratarium of one year. Implementing Agencies availing soft loan will be required to furnish irrevocable and unconditional bank Guarantee from any of the Scheduled Commercial Bank in favour of the Deptt. of Food Processing Industries (DFPI) for due repayment of the loans and interest."

(ii) Development of Poultry & Egg Processing

1.102 India has gained the position of fifth largest egg producer (34.14 billion Nos.) in the world. The 9th Plan outlay for the scheme poultry & egg processing is Rs.13.72 crores. The actual outlay for this scheme during the entire 9th Plan period is Rs.8.24 crores of which the Government could incur expenditure of Rs.4.43 crores during the last four years of 9th Plan period. During the BE of 2000-2001 the Government had allocated Rs.2.00 crores. At the BE stage the amount came down to Rs.0.31 crores only. The BE of 2001-2002 is Rs.1.10 crores which is Rs.0.90 crores less than the BE of last year. The reasons for such low allocation as stated by the Department is as under:-

"The actual budget allocation to the Department were reduced. Therefore, the head wise allocation was also reduced. The funds are not utilized because viable proposals were not received or the progress of work was not satisfactory to release subsequent instalment."

1.103 There are about 12 major units are functioning in poultry and egg processing sector in the country. The consumption of egg products (Egg powder, albumin powder and frozen yolk) in the country is negligible. The actual quantity of egg products exported is as follows:-

Year	Quantity (Tonnes)	Value (Rs. in crores)
1996-97	5602	60.67
1997-98	5271	54.39
1998-99	3146	22.91

1999-2000	2917	21.61

1.104 With the growth of poultry in the country, there has been a sharp rise in the availability of egg and broilers. The production of eggs and broiler meat from 1989-90 onwards is given below:-

(in millions)

Year	Egg Production	Broiler Production
1989-90	20204	190
1990-91	21101	215
1991-92	21983	210
1992-93	22929	235
1993-94	24203	275
1994-95	26049	330
1995-96	27275	350
1996-97	27530	400
1997-98*	28567	450
1998-99*	29000	475
1999-2000*	30000	500

* Estimated

1.105 With the increase in availability of eggs in the country and demand of egg products in Europe, Japan and other countries, six egg processing units were established in the years 1994 to 1996. These units have started exporting egg products like egg powder, albumin powder and frozen yolk. Though initially there was a boom in the export of egg products but in 1997, a sudden downfall occurred in the demand of egg products. The exports has got a setback and only three units in the country are running with 20 to 25% capacity.

Development of Marketing Facilities, Infrastructure and Transport

1.106 The Ninth Plan outlay for this scheme is Rs.3.00 crores. The actual allocation during the entire 9th Plan period is Rs.4.09 out of which the Government could spend Rs.0.11 crores only. The reasons for such huge shortfall as stated by the Department is:-

"The scheme was originally for meat and poultry processing sector. It was envisaged to cover other sectors also and hence an enhanced allocation was made. On account of inadequate feasible proposals, outlay could not be utilized in full in earlier years.

In the year2001-2002 the scheme will cover other segments."

1.107 During 2000-2001 the BE for this scheme was Rs.1.00 crores. At the RE stage it has come down to Rs.1.00 lakhs only. The Department stated that' "Budget Estimates have been reduced as there was no feasible proposals during 2000-2001."

1.108 Scheme for `Development of Marketing Facilities, Infrastructure & Transport' envisages financial assistance for provision of deep freezers/refrigerators to retail outlets/marketing complexes for development of Meat markets & shopping centers. It also seeks to provide assistance for insulators, refrigerated/chilled vans for transportation of meat & meat products. The modalities of giving grants/loans under this scheme, criterion is generally followed for providing loans/grants and number of proposals have been received by the Government are as under:-

- NGO's, Cooperatives and PSUs are provided 50% cost subject to a maximum of Rs. 10 lakhs in general as well as difficult areas.
- In case of joint/assisted/private sector, the assistance is given in the form of loan, which is 50% of the total cost subject to a maximum of Rs. 10 lakhs in both general and difficult areas. 10 Organizations have been given grants during 8th and 9th plan but no loan has been given so far.

- Following organizations have been given grants-

The grant/loan is given to the NGOs Cooperatives societies, PSUs (Govt Organizations, Joint/Assisted/Private Sector for Storages, Transport and Quality Control of meat and meat products. The conditions of loan also apply here as prescribed in other cases also. However, loan has not been given so far under this Scheme. So far 25 proposals have been received and 16 have been sanctioned."

Milk Based Industries

1.109 The Indian dairy industry has achieved substantial growth. India has gained the position of single largest milk producer (74.7 million tones) in the world. As per Mid term appraisal of 9th Five Year Plan facilities for processing of 211 lakh litres of milk per day have been developed. Physical progress during first two years of 9th Plan is as under:-

(million tonnes)

Period	Target	Achievement
Eighth Plan	70.80	69.10
Ninth Plan	96.49	-
1997-98	71.00	70.80
1998-99	74.80	74.70

1.110 India's milk production is expected to touch 81 million tonnes during 2000-2001 from 78 million tonnes during last year. There has been increase in the estimated production of milk powder including infant milk food from 2.25 lakh tonnes in the year 1999 to 2.30 lakh tonnes in the year 2000 and the estimated production of malted food product has increased from 66,000 tonnes in the year 1999 to 67,000 tonnes in the year 2000. The production of cheese in the organized sector in the year 2000 has been estimated as 7,500 tonnes. The estimated production of condensed milk has increased from 11,000 tonnes in the year 1999 to 11,500 tonnes in the year 2000.

1.111 The following is the 9th Plan outlay & expenditure under this sector:-

(Amount Rupees in Lakhs)

S. No	Name of the Scheme/ Project/ Programme	Ninth Plan App-Out-Lay	1997-98			1998-99			1999-2000			2000-2001			Total Expd. During the first 4 years (1997-2001)		2001-2002
			App. Out lay	Actual Expd.	Short-fall	App. Out lay	Actual Expd.	Short-fall	App. Out lay	Actual Expd.	Short-fall	B.E.	R.E.	Short-fall	Total Expd.	% to 9th Plan Out lay	B.E.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18

	Milk Based Industries Sector															
1.	Scheme for Research & development for Food Processing Industries	2469	370	450	+80	500	431	69	250	252	+2	500	700	+200	1833	74.2	680
2.	Scheme for setting up of Innovative dairy Products*	531	38	-	38	-	-	-	-	-	-	-	-	-	-	-	-
	Total	3000	408	450	+42	500	431	69	250	252	+2	500	700	+200	1833	-	680

* This Scheme discontinued.

+ Expenditure exceeded outlay for the Scheme.

1.112 During 9th Plan, two schemes have been formulated in this sector. One Scheme relates to Research & Development for Food Processing Industries. During the 8th Plan, Research & Development schemes for different sector were being operated separately. However, during the 9th Plan all Research & Development Programmes for different sector such as Grain Processing, Meat & Poultry Processing, Horticulture Based Industries, Milk Based Industries, Fisheries, Packaging etc. have been clubbed together and only one scheme is being implemented. This scheme, although put under Milk Based Industries, covers all segments of Food Processing Industries. The other scheme relates to Innovative Dairy Products was discontinued since 2000-2001.

1.113 When asked to state the justification of the nomencalture "Milk Based Industries" as research & development is the only scheme under this sector, the Department stated as under:-

> "Nomenclalture milk based industries has been given to the scheme as a result of merger of schemes as suggested by Planning Commission."

Scheme for Research & Development for Food Processing Industries:

1.114 During the 9th Plan Research & Development Programmes for different sectors such as Grain Processing, Meat & Poultry Processing, Horticulture Based Industries, Milk Based Industries, Fisheries, Packaging etc. have been clubbed together and only one scheme is being implemented. This scheme, although put under Milk Based Industries covers all segments of Food Processing Industries.

1.115 The 9^{th} Plan approved outlay for this scheme is Rs.24.69 crores. The actual allocation during the entire plan period is Rs.23.00 crores and the expenditure thereof is Rs.18.33 crores.

1.116 R&D has been given special emphasis during the current year. However, an allocation of Rs.6.80 crores has been made in 2001-2002 against an allocation of Rs.7.00 crores in 2000-2001. When asked as to how does the Department justify the special emphasis, the Department in their written reply stated:-

> "Since data base is weak Research & Development is given higher emphasis. In the year 2001-2002 higher outlay had been requested which was curtailed by the Planning Commission."

1.117 When asked to furnish the type of Research & Development activities on the traditional methods of food processing and preservation being undertaken by the Department, the allocation made and expenditure incurred thereof during the last five years. The Department in reply stated as follows:-

> "The Department is funding R&D activity in all areas and methods of food processing including improvement of traditional foods, methods of processing and preservation."

1.118 Research findings of the various R&D projects are disseminated in various fora including exhibition, seminar & workshops etc.

Consumer Industries

1.119 The consumer food industry mainly consists of ready-to-eat or ready-to-cook products such as pasta products, cocoa based products, bakery products, biscuits, soft drinks, etc.

1.120 Bakery industry in India is probably the largest among the processed food industries, production of which has been increasing steadily in the country. The two major bakery industries, viz., bread and biscuit account for about 82% of the total bakery products. The annual production of bakery products which includes bread, biscuits, pasteries, cakes, buns, rusk, etc., most of which are in the unorganized sector, is estimated to be in excess of 30 lakh tonnes. The production of bread and biscuits in the country, both in the organized and unorganized sectors is estimated to be around 15 lakh tonnes and 11lakh tonnes respectively. Of the total production of bread and biscuits, about 35% is produced in the organized sector and the remaining is manufactured in the unorganized sector.

1.121 When asked about the number of units who received assistance from the Department during the last five years, the amount of allocation (in terms of grants/loans) sanctioned to them and the control of Department of Food Processing Industries over these units, the Department in a written reply stated as under:-

Year	No of units receiving assistance
1997-98	2
1998-99	1
1999-2000	1
2000-2001	1
2001-2002	3 (Grants/loans have been approved and are yet to be disbursed.)

1.122 Wheat based products comprising noodles, vermicelli, macaroni & spaghetti are gaining popularity. In this connection, when asked to state the number of units in organized sector for such products and the quantity of production during the last five years, the Department in a note stated as follows:-

> "The number of units providing wheat based products comprising noodles, vermicelli, macaroni and spaghetti is not maintained in this Department. However, one unit has been approved for giving assistance during the year 2001-2002.
>
> There are about 20 units engaged in manufacturing of Cocoa products like chocolates, drinking chocolates, Cocoa butter etc. Similarly, 36 units are engaged in manufacturing beer under license from the Govt. of India having an estimated output of 4 lakh KLs per annum. Units approved for manufacture of non-molasses based alcoholic drinks are 12 (JVCs) in numbers having licensed manufacturing capacity of 27,869 KLs of IMFL annually. There are 599 units producing soft drinks and their annual production is estimated at approximately 62,300 lakh bottles of 300 ml. each."

1.123 When asked about the assistance given by the Department to these units, the Department in reply stated that, "No assistance is being provided to units dealing in coco products, soft drinks and beer and alcoholic drinks."

1.124 Soft drinks, beer & alcoholic drinks and cocoa products are coming under consumer food industries. When asked whether these units are adhering to certain international standards and who is the competent authority to enforce these standards on the processing units, the Department in a written reply stated:-

> "Soft Drink manufacturers have to conform to the provisions of the Prevention of Food Adultration Act as well as the Fruit Products Order.(FPO)"

1.125 Fruit & vegetable Products Order, 1955 aims at regulating sanitary and hygienic conditions in manufacture of fruits, vegetable products. It is mandatory for all manufactures of fruit and vegetables products to obtain license under this order to ensure good quality products, manufactured under hygienic conditions. Beer & alcoholic drinks are also fruits products. When asked to state whether FPO 1955 was being applied to beer and alcoholic drinks also, in reply the Department of Food Processing Industries stated:-

> "FPO 1995 is not applicable to beer and alcoholic drinks industry. Necessary checks, if any, are done by States Govt as excise on alcoholic products is levied and controlled by them."

NERAMAC

1.126 The following two public sector enterprises were under the administrative control of the Department of Food Processing Industries:-

(1) Modern Food Industries (India) Limited (MFIL)

(2) North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC)

1.127 In January, 2000 the Government of India had taken a decision to disinvest the MFIL. In pursuant to the Government approval, the Share Purchase Agreement and the Shareholders Agreement between the Government, M/s. Hindustan Level Limited (HLL) and MFIL was signed on 31st January, 2000 which lead to the change in the management control of MFIL. At present only NERAMAC is under the administrative control of the Department. The Plan outlay for the consumer industry is as under:-

(Amount Rupees in Lakhs)

S. No	Name of the Scheme/ Project/ Programme	Ninth Plan App-Out-Lay	1997-98			1998-99			1999-2000			2000-2001			Total Expd. During the first 4 years (1997-2001)		2001-2002
			App. Out lay	Actual Expd.	Short-fall	App. Out lay	Actual Expd.	Short-fall	App. Out lay	Actual Expd.	Short-fall	B.E.	R.E.	Short-fall	Total Expd.	% to 9th Plan Out lay	B.E.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
	Consumer Industries Sector																
1.	Budgetary Support in the form of Equity to Modern Food Industries (India) Ltd. (MFIL)	526	95	143	+18	60	-	60	50	16	34	100	Nil	100	159	30.2	10.00
2.	North Eastern Regional Agriculture Marketing Corporation Ltd. (NERAMAC)	274	48	-	48	40	168	+128	347	347	Nil	50	Nil	50	515	208.5	10.00
	Total	**800**	**143**	**143**	**0**	**100**	**168**	**+68**	**397**	**363**	**34**	**150**	**Nil**	**150**	**674**	**-**	**20.00**

1.128 Due to sickness of NERAMAC, it was referred to BIFR in December, 1996, on the direction of BIFR and on the basis of a revival scheme prepared by IDBI, the operating agency, the Government had approved a package for revival of NERAMAC. The revival package as approved by the Government was also cleared by BIFR in 1999. In its 9th Report the Committee had hoped that the Department will implement the revival package in true letter and spirit without any delay. The Department has stated in its Action Taken replies that all the funds and reliefs/concession to be granted under the package have already been provided to the corporation. However, from the consolidated notes on Demands for grants, 2001-2002, it has been observed that there is nil allocation for NERAMAC at the RE stage of 2000-2001. During 2001-2002, NERAMAC requires an equity support of Rs.10.00 lakhs. When asked to state from which head the Department have given funds for NERAMAC, the Department stated as follows:-

> "In accordance with the revival scheme of NERAMAC, (equity) to the tune of Rs.10.36 crores have been given to NERAMAC by DFPI, North Eastern Council and Department of Public Enterprises."

PART II

RECOMMENDATIONS/OBSERVATIONS

RECOMMENDATION NO. 1

Independent Ministry's status to Department of Food Processing Industries

2.1 India has a strong competitive advantage in Food Processing being blessed with unsurpassed natural advantages. Report of world renowned consultancy organization McKinsey & Co. on the potentials of the Food Processing Industry highlights the enormous potential in India to build profitable business in Food Processing. According to this report not only India has a natural advantage in this industry, but its growth and development has impact like no other industry, in terms of stimulating the economy and raising living standards of the people at large. A strong, effective and efficient Food Processing Sector plays a very significant role in diversification and commercialization of agriculture, improvement in value addition of the agricultural produce, generation of employment in rural areas, enhancing income of farmers, creation of surplus for export of agro foods.

The Department of Food Processing Industries is concerned with the formulation and implementation of the policies and plans for the Food Processing Industries within the overall national priorities and objectives.

The Committee are highly perturbed to note that although India is the world's second largest producer of fruits and vegetables, but the overall scenario of Food Processing Sector is very bleak, as India is having a very weak post-harvest storage, marketing infrastructure and value addition capabilities which causes tremendous loss to the nation. Less than 2% of fruits & vegetables production is processed as compared to 30% in Thailand, 70% in Brazil and 80% in Malaysia. The Committee, therefore, desire that India should have the best state of the art post harvest storage technology and effective marketing infrastructure in order to put a stop to the heavy losses of fruits & vegetables which ranges from 8% to 37%.

The financial year 2001-2002 has a special significance because Quantitative Restrictions have been removed on a number of products and India will be flooded with a hoard of foreign products. Imported goods offer great attraction and eating habits of the people are also fast changing. Due to lack of branded supplements in processed food in India, imported canned foods are likely to reign supreme. In the present era of liberalization consequent upon the removal of quantitative restrictions, many challenging tasks are ahead of the Department of Food Processing Industries. Looking at the potential, volume and nature of work involved, which is entirely different from production of food grains and their storage and which can provide a thrust to the national economy, the Committee had accordingly recommended earlier to accord the Department the status of a full-fledged Ministry.

The Committee, therefore, once again urge upon the Government to consider converting the Department of Food Processing Industries as an independent Ministry. They simultaneously desire that the department should put in more energy and vigour into their efforts and turn the awaited decision of the Government in their favour so as to become an independent Ministry.

RECOMMENDATION NO. 2

Inadequate allocations for Department of Food Processing Industries

2.2 Food is strategically important to Indian economy and agriculture continues to be the most crucial sector with 26.8 per cent contribution to the Gross Domestic Product (GDP) at current prices. India with the population of 1 billion, of which significant portion constitutes the middle class, the food processing industry has a great potential to grow large and strong. The Department of Food Processing Industries focuses on diverse areas of activities, such as grain processing, fruits and vegetables, dairy products, livestock, consumer industries, beverages and the like. The Department by concentrating on these fields aims at better utilisation and value addition of agricultural produce for enhancement of income of farmers, minimizing wastage at all stages in the Food Processing chain by the development of infrastructure for storage, transportation & processing of agro-food produce, induction of modern technology into the Food Processing industries from both

domestic & external sources, maximum utilization of agricultural residues, to encourage R&D etc. In the opinion of the Committee, all these activities need adequate and timely allocation of funds. Processing Industry is of enormous significance for India's development because of the vital linkages and synergies that it promotes between two pillars of the economy, namely industry and agriculture. It will give India the potential to become number one in food production and related fields with sustained and continuous efforts. The growth potential of this sector is enormous.

The Committee in their reports on Demands for Grants have been recommending for a gradual increase of the allocation to 0.2% of the total Central Plan budget. But, to its utter dismay, the proportion of outlay to this Department has been decreasing year after year and it has come down to 0.0422% of the Central Sector outlay in comparison to 0.0426% during 2000-2001.

The Committee express their concern over this gradual percentage decrease in allocation to the Department and impress upon the Government to resort to direct financing to the Department to the tune of its projected demand of Rs.105.70 crores for the year 2001-2002. They also desire that the Department must also take up their case of additional funding in the right earnest by highlighting its achievements and the demand of the day.

RECOMMENDATION NO. 3

Inclusion of Processed Food sector in the priority sector for bank lending

2.3 The Processed Food sector had been facing serious problems in financing the projects as the food processing industries are high risk prone with long gestation period and the returns are small. As a result, the projects in this sector were not finding favourable consideration by the financial institutions. Inadequate rural credit and working capital is a major area of worry for small farmers. Considering the demand of the industry and in view of the vast potential of the growth of the agro-processing sector, the Government have now decided to include agro-processing sector within the defination of `priority sector for bank lending'. Priority sector lending norms are not applicable to financial institutions and the commercial banks provide only 18% of their net Bank Credit for the entire

Agriculture sector. No separate target within priority sector has been fixed for lending to food and agro based industries.

The Committee note that the Food Processing Industries world over are considered sunrise industries and have the potential of attracting huge local and foreign investments. These investments will not only accelerate the pace of industrialization, but also lead to improvement in both rural and urban infrastructure. The Committee feel that the strategy of the Government to attract high level public investment and foreign investment is not clear because the Government is unable to even provide adequate direct budgetary allocations or investment facilities through their protected public financing.

The Committee feel that by simply placing the processed food sector under priority sector lending will not serve the purpose of better financing of food processing sector. This provision just enables the public to apply for finance within the 18% made available to Agriculture Sector. The Agriculture Sector is already starved of finances and the finances, if any, available under this sector does not enjoy any incentives. In such a situation the budding entrepreneurs would not like to invest in a highly risk prone venture without any concessional rate of interest and incentives. The Committee are of the opinion that the Government is not serious about its efforts to encourage development of Food Processing Sector.

The Committee, therefore, desire that the Department should look for viable proposals of liberal, assured and easier finances for this sector so as to make headway which has a tremendous potential. They suggest that similar schemes like BOLT operated by the National Highways Authority and the Railways should be tried out on an experimental basis. The Financial Institutions should also be encouraged to provide liberal and easy finances without any hassels to this important sector. To chalk out an effective strategy in this regard, these financial institutions should also be consulted.

RECOMMENDATION NO. 4

Creation of Fund for Development of Food Processing Industries

2.4 The Committee are informed that the Board of Directors of SIDBI and the Department of Food Processing Industries have approved a proposal wherein a Food Development Fund of the size of Rs.100 crores of which part `A' of Rs.20 crores would be contributed by the Government over the remaining period of the 9th Plan and Part `B' of Rs.80 crores will be contributed by SIDBI.

The Government have allocated Rs.5.00 crore for this fund during this last year of the 9th Plan and has put up a proposal of Rs.20 crores to be considered by EFC.

In the opinion of the Committee the Food Development fund will not see the light of the day during the 9th Plan period and have every reason to believe that the scheme is going to be another great failure. 75% of the total industry is already in SSI sector producing low quality finished produce not meeting international standards. At present, the Food Processing Industry needs latest state of the art machinery which can produce safe and quality value added goods matching international standard. This requires heavy investment in Research & Development, quality packaging, evaluation and standards measuring equipment, cold chain facilities, marketing strategies etc. Thus, the Committee feel that the Department need to have a broader vision of these Food Processing Units beyond their SSI status in order to make any progress in this field.

The target of value addition and processing if it is to rise from 2% to 10% in the next 10 years requires an investment to this tune of Rs.1,40,000 crores at current prices. This, the Committee feel, cannot be achieved through a corpus of Rs.100 crores and annual allocation of Rs.50 crores to the Department. The Committee, therefore, recommend that the Department should chalk out a strategy based on long term solutions which will give impetus to the food processing industry in order to achieve set goals of export, quality branded products, high safety value added goods in the years to come.

RECOMMENDATION NO. 5

Venture Capital Fund

2.5 The Committee note that the Department had created a venture Capital Fund of the size of Rs.40 crores in the year 2000-2001, out of which Rs.15 crores was to be mobilized from Department of Food Processing Industries, Rs.15 crores from other financial institutions and balance Rs.10 crores from private/foreign investors. An amount of Rs.1.00 crores had been provided as BE 2000-2001. However, due to very poor response of financial institutions and banks the scheme was not pursued further as a result there is no budgetary provision for this scheme during the current year. The Committee's apprehension in this regard during 2000-2001 have come true and this important scheme has become a non-viable venture. The Committee, therefore, impress upon the Department to view their recommendations with all its seriousness and not to venture into unviable proposals.

RECOMMENDATION NO. 6

Processing of Perishable Produce

2.7 The Committee are informed that India is one of the largest producers of wide range of fruits and vegetables with an estimated production of 37.13 million tonnes of fruits and 54.97 million tonnes of vegetables in a year. The enormous production and its potential is marred by its colossal wastage, very low level of processing and non-availability of post-harvest infrastructure. Only 1.8% of the total production of fruits and vegetables is commercially processed which is far below, the level compared to other developed and developing countries. The Committee are concerned to note that India wastes more fruits and vegetables than are consumed in a country like U.K. The total wastage in the whole food sector is as high as Rs.50,000 crore. The Committee feel that even if half the wastage could be prevented, we will have enough calories to bring the nutritional status of our poor to above the subsistence level. Fruits like mango, pineapple, orange, papaya, guava & green coconut etc. can be processed into fresh juice and marketed in tetra packs or in any other hygienically preserved packaging. All these fruits and large quantities of potato, tomato and onion etc. go waste for want of adequate processing facilities. The Committee are of the opinion that very little has been done so far in

this field. They, therefore, recommend that the Ministry should take some special measures for initiating viable proposals to help the entrepreneurs to set up processing units in large numbers all over the Country with an efficient cold chain system in order to bring down the quantity of fruits and vegetables going waste every year.

RECOMMENDATION NO. 7

Infrastructural Facilities for Food Processing Industries

2.8 The Committee note that every year 8% to 37% of the horticulture output goes waste due to inadequate infrastructure for post harvest handling of horticulture crops, lack of primary processing facilities in proximity to the growing areas, improper packaging, lack of transport facilities and inadequate cold chain facilities. The Committee are informed that there has been shortfall in achieving the physical target in setting up of cold storages since 1999-2000. Out of the physical target of 20, the Department could achieve 8 during 1999-2000 and 6 out of 30 during 2000-2001. The reasons for such shortfalls, as stated by the Department was non-receipt of viable proposals or failure of promoters to submit bank gurantees. The Committee note that on the one hand the Government realises the inadequacy of the facilities and on the other they do not achieve the physical targets for setting up cold storages

The Committee, therefore, recommend that the Department of Food Processing Industries which has the jurisdiction for creation of non-horticulture cold storage facilities should give a serious thought to this important scheme by incorporating necessary amendments to make it more attractive and more funds should be provided to set up sufficient number of cold storages in the country.

RECOMMENDATION NO. 8

Cold chains

2.9 The Committee observe that one of the greatest impediment for the overall development of Food Processing Industries is lack of an integrated `cold chain'. They are of the opinion that although setting up of cold storage near consumption centres is of great help to the farmer, it is not the ultimate solution. The cold chain is a facility to keep the produce in an atmosphere congenial to it right from the

farmer to the consumer. This requires the involvement of a number of agencies and the National Horticulture Board as prime coordinator.

The Committee recommend that the Department of Food Processing should take immediate steps to integrate various agencies involved in this field and bring out a proper policy to ensure that the cold chain system is actually put in place.

RECOMMENDATION NO. 9

Strengthening of Traditional Fish Processing Technologies/Marketing

2.10 Strengthening of Traditional Fish Processing Technologies/Marketing is an important scheme which aims at preparation of low cost indigenous technology for drying fish which will result in value addition and provide hygienically dried fish for domestic & export market. The Committee are surprised to note that Department could not spend a single penny out of Rs.1.08 crores during the whole 9th Plan and this important scheme totally remained inoperational. During the end of 9th Plan the Department is writing to NCDC and other apex bodies of fisheries cooperatives for getting proposals under this scheme.

The Committee note that in the coastal areas the fishing activity is very active and continues throughout the year by the fishing community. They carry on the drying activities without any scientific low cost technology. In this connection, the Committee are perturbed to note that so far the Department have not identified any specific low cost technology for drying of fish. They, therefore, desire that the Department of Food Processing Industries should come out with a specific technology by activising its own R&D activities and tie up with other veterinary institutions, Agricultural Universities and fishery cooperatives in order to give a boost to the fishing activities as a commercial venture.

As regards to the pattern of assistance, the Committee would like to add that there is an urgent need to modify the pattern and 100% grants should be provided to individual fishermen/women through cooperatives and make the scheme more attractive and operational at the earliest.

RECOMMENDATION NO. 10

Scheme for low value fish utilization and conversion into value added products

2.11 The Committee note that considerable research work undertaken by various institutes regarding value added products by utilizing low value fish is becoming popular. Under this scheme assistance is given to Central Government Organizations, State Governments/Union Territory Undertakings, Cooperative bodies, Association of Industries, Private Entrepreneurs, NGO, etc. The quantum of assistance will be limited to 50% of the total cost including the cost of initial market development. From 1997-98 to 1998-99 the scheme remained totally inoperational. During the year 1999-2000 the Department received 3 proposals and sanctioned only two. During 2000-2001 the Government had received 14 proposals but could sanction only three.

The Committee are surprised at the abysmally low off take of funds in this scheme. Only 8.5% of funds have been utilized during the first four years of the 9th Plan.

The Committee have been informed that the Integrated Fisheries Project at Cochin was to develop the processes for utilization of low quality fish. A number of processes were developed. Private Parties have now started utilizing the low value fish using the processes developed by the IFP. With the result that the low value fish is no longer low value but has become a high value and is difficult to get. In these circumstances the Committee are pained to see that the availability of these fish have become scarce for the Food Processing Industry. This only reflects on the performance of the Department and how unpopular their schemes could be. The Committee, therefore, recommend that all out efforts should be made by the Department to make this scheme successful and to ensure that the funds earmarked for it are utilized to the maximum.

RECOMMENDATION NO. 11

Generic Advertising on Processed Foods

2.12 The Committee are of the opinion that our fast changing social structure has a direct impact on food processing. The upper middle and middle classes are fast increasing, the joint family system is fast disintegrating. The number of working women is rising and the per capita income is increasing leading to diversification of food consumption pattern. All these will provide a major market for processed foods.

The Committee feel that generic advertisement is the only way by which the farmers, entrepreneurs, self help groups, NGOs & research organizations can be made aware of the processing units which they can set up by taking soft loans/ grants from the Government and venture into profitable business. Awareness through electronic media advertisement not only helps the entrepreneur but also reaches the customers.

The Committee are informed that in many schemes being implemented by the Department, the response has not been as encouraging in the past, as expected in spite of wide publicity given to the various schemes.

In the opinion of the Committee the response to the various schemes of the Department had not been encouraging because the publicity campaigns adopted by the Department are dull, unattractive, casual, unenthusiastic, unorganized. The Committee feel that if the Department goes through DAVP for publicity campaigns, the results will not be encouraging.

The Committee had earlier recommended to the Department to evolve strategies to implement the scheme in a more practical manner and to provide higher allocation and utilization to the scheme but the Department have not paid any heed to this recommendation. The Department has reduced the allocation to Rs.2.00 crores at the RE from Rs.5.00 crores at the BE stage during 2000-2001. The BE for current year had been kept at only Rs.2.00 crores. The Department approached the DAVP for video spots, TV ads. etc.

The Committee are of the strong opinion that the Department should take expert technical advice from the market to use the electronic media to its advantage. This will enable the Department to make a real impact on the entrepreneurs in order to popularize various schemes of the Department.

RECOMMENDATION NO. 12

Need for harmonizing the existing food laws

2.13 The Committee observe that the existence of multifarious laws relating to food processing and multiple authorities controlling them act as a major hurdle. Many of these laws were framed some 50 years ago like prevention of Food Adulteration Act and were meant to serve the purpose of food safety and to prevent adulteration. Similarly, many of the statutory orders like fruit products order, meat and meat products order and milk and milk products order were brought into being under Essential Commodities Act, when there was acute scarcity of food items. In the context of liberalization these laws throttle development and invariably work as dampeners for the growth of the industry. Therefore, the Committee strongly wish that in order to facilitate faster growth of the industry, the Department should harmonize the existing food laws.

RECOMMENDATION NO. 13

Single window clearance of proposals

2.14 In order to set up a food processing unit the entrepreneur has to comply to roughly around fourteen set of laws in various forms. Some of them are the Prevention of Food Adulteration Act, 1954, Standards of Weights and Measures Act and Packaged Commodity Rules, Essential Commodity Act and Orders, Indian Seeds Act, the Produce Cess Act, MRTP Act, Consumer Protection Act, Central Excise & Customs, Environment Protection Act, so on and so forth. To comply with all these provisions he has to shuttle from one Ministry to another and by the time he gets all clearances he would have lost considerable time and money. Apart from all this he is not sure of the raw material. These are all deterrents in his venture. In the opinion of the Committee an entrepreneur should get all his formalities cleared at one place instead of going from one place to another for the same. One such recent example is the Aquaculture Authority.

The Committee, therefore, recommend that the Department should come up with a concrete proposal wherein there is a single window clearance to all proposals for beginning a food processing venture. The Committee would like to be apprised of the blue print of the proposal within three months of the presentation of this Report to Parliament.

RECOMMENDATION NO. 14

Assistance for strengthening of Backward linkages

2.15 Strengthening of backward linkages is the backbone of food processing industries. This scheme ensures remunerative prices to the farmers by creating direct linkages between the farmers & processors and also ensures regular supply of raw materials through contract farming. The Committee observe that there is a shortfall in spending the actual allocation during the entire 9th Plan period. During current year the Government has provided Rs.0.45 crore, which is 50% less than the allocation provided at RE stage of 2000-2001. The Committee are informed that inspite of wide publicity given to the Backward linkages scheme, the response has not been encouraging because the processing units as well as farmers found difficulties in entering into contract for a period of three years. The scheme being weak and the farmers have to sell their commodities at a cheaper rate because the processing units are not able to process their excess production of fruits & vegetables. The Committee, therefore, desire that serious consultations should be held with State Governments and farmers to make the scheme attractive and responsive to the needs of the distressed farmers. They also suggest that the Insurance Companies should also be involved in the contract between the farmers and the processors in order to safeguard the farmers from exploitation by the processors.

RECOMMENDATION NO. 15

Development of Meat Processing

2.16 The Committee note that only 1% of the total meat produced is processed. 1,81,800 tonnes of meat worth Rs.879.00 crores was exported during 1999-2000. 3 units have been assisted during 2000-2001 for meat processing and the utilization was 32% of Plan Funds. This under utilization was partly a result of overall reduction made in the total budget allocation of the Department and partly due to the non-viable proposals received by the Department or the progress of work being not satisfactory to release subsequent instalment. The Committee have been informed that the funding under the scheme is done in two ways (i) Grant-in-aid; and (ii) loan at concessional rate of 4%. The repayment has to be made in 5 years, after a moratorium of one year. Implementing agencies availing soft loan will be

required to furnish irrevocable and unconditional bank guarantee from any of the scheduled commercial banks in favour of the Department of Food Processing Industries for due repayment of the loans and interest.

The Committee are of the opinion that if internationally certified quality meat can be processed in India it has a very large market in the Western & Arab countries. With the grant potential of 6% slaughter rate of cattle we can do much better by having more quality conscious processing houses. The Committee feel that asking for more allocation and not utilizing the allocation for the particular scheme and re-appropriating the amount to another scheme is not going to help in achieving the objectives. This scheme will require assured marketability and cold chains facilities make it a success. The Committee, therefore, recommend that the Department should analyse the reasons for the scheme not being popular inspite of good financial support and come up with some concrete and qualitatively superior proposals.

RECOMMENDATION NO. 16

Need to Develop Marketing Facilities, Infrastructure and Transport

2.17 Earlier the scheme for Development of Marketing Facilities, Infrastructure & Transport envisaged financial assistance for provision of deep freezers/refrigerators to retail outlets/marketing complexes for development of meat markets & shopping centres. It also sought to provide assistance for insulators, refrigerated, chilled vans for transportation of meat and meat products. From the year 2001-2002, the scheme will cover other segments also. The budget allocation for the current year is only Rs.1.00 crore. The Committee are of the view that in order to increase food processing from a low of 2% to 10% by the year 2010, and minimize the wastages and increase the value addition, the Department should put in more emphasis on development of marketing facilities, infrastructure and transport. In order to achieve these more allocation should be provided to these schemes at the RE stage.

RECOMMENDATION NO.17

Milk Based Industries

2.18 The Committee note that under milk based industries two schemes were under implementation; I) Research and Development for food processing industries

and ii) innovative dairy products. The scheme on innovative dairy products has been discontinued since last year. The Committee are constrained to note that not a single scheme is under implementation by the Department relating to Milk Based Industries despite Indian Dairy Industry having achieved a substantial growth by gaining the position of single largest milk producer in the world. India's milk production is expected to touch 81 million tonnes during 2000-2001 from 78 million tonnes during last year. In this context, the Committee strongly urge upon the Department to formulate specific schemes which encompass milk products and its export at the earliest.

RECOMMENDATION NO. 18

Research & Development for Food Processing Industries

2.19 The Committee note that by making a 50% allocation from its budgetary resources to Research & Development, the Department of Food Processing Industries gives special status to Research & Development activities in the food processing sector. There is only one institute the CFTRI which does all research for food processing and hence 100% utilization is not there of these meagre funds. The Committee are informed that efforts have been made to widen the R&D base in food processing by involvement of various R&D institutions and by funding of laboratory/industry projects as well as purely industry projects. The Department provides grants for R&D projects specially for development of traditional foods as well as for products of the primary food production system of the food processing industry. The Committee note that the allocation for this scheme has been scaled down in the year 2001-2002.

On the research front, the Committee find that under the scheme "strengthening of Traditional Fish Processing Technology/marketing", so far, neither any specific low cost technologies for drying and processing of marine fish has been identified nor any research institute for its development has been approached. In regard to packaging of processed food, the Committee further observe that despite the apparent advantage of hygiene and quality, the price sensitive Indian consumer has stayed away from the high priced packaged food.

The Committee are of the opinion that R&D is almost negligible inspite of the fact that the Department is trying to do its utmost within the available resources.

The Committee recommend that the R&D work should be intensified to cover all the segment of food processing with a special emphasis on low cost packaging of Processed Food and low cost technologies for processing of marine products including solar energy in coordination with other research institutions including Agricultural Universities. Thrust should be given not only to developing low cost technology to meet Indian Standards but also to process international quality value added products. The Committee also recommend that more funds should be allocated for Research & Development activities in order to popularise value added products in Indian Markets.

RECOMMENDATION NO. 19

Transfer of Paddy Processing Centre – Thanjavur to ICAR

2.20 The Paddy Processing Centre at Thanjavur is the only centre which is directly under the control of the Department. This centre is mandated to concentrate on Paddy Processing & Research. The Committee during examination of Demands for Grants 2000-2001 were informed that seed technology, research & processing form a part of mandate of the Indian Council of Agricultural Research rather than food processing. Therefore, the Committee had recommended to take up the matter with the Department of Agricultural Research & Education for upgradation of the Institute into a Research cum Educational Institute for the region. The Committee are informed that the Department had taken up this matter with ICAR and the Council had agreed in principle to take over this institute as a Training Centre for Rice Processing in Southern India. Further ICAR had constituted an Expert Team which visited the centre to take first hand stock of the activities including mandate, assets, liabilities, etc. for the centre. On the basis of the report of the Expert Committee, the ICAR has taken a final decision to take over the institution. This decision has been intimated to Department of Food Processing Industries.

The Committee, therefore, recommend that the Department of Food Processing Industries should complete all the formalities at the earliest and transfer the institution without any further delay.

RECOMMENDATION NO. 20

Performance of the Department – an evaluation

2.6 The Committee note that the Department was given a budgetary provision of Rs.50.00 crores for the year 2000-2001 and the Department expressed satisfaction to have spent 100% of the allocation. For the first time the RE was not reduced for the Department. In reply to a question, the Secretary of the Department stated that, "We have asked for Rs.100 crores because our performance in the earlier years did not justify higher allocation". The Committee after a detailed analysis of the demands for the year 2001-2002 and the performance for the year 2000-2001 observe that out of a total of 22 schemes of the Department, for nine schemes, no viable proposals were received by the Department, therefore, the funds went unutilized to a great extent. Four such schemes could not be started during the Plan period and, therefore, funds went unused here also. There were spheres of concern of the Department wherein they did not have any information to provide to the Committee. In view of the above, the Committee felt that the Department lacked vision and there was no application of mind.

The Committee's recommendations made in their earlier Demand for Grants Reports were taken very lightly and no action was taken by the Department even after repeated reiterations of these recommendations.

All these factors have given very wrong signals and the Committee have come to a conclusion that the Department urgently needs restructuring, overhauling and reorientation by inducting more technically sound persons who are aware of the subject headed by a senior technical person in order to give the required thrust to the food processing industry.

New Delhi; **S.S. PALANIMANICKAM,**
11th April, 2001 *Chairman,*
21 Chaitra, 1923 (Saka) *Standing Committee on Agriculture*