

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

STARRED QUESTION NO:406

ANSWERED ON:17.12.2009

PROMOTION OF FPI

Bavalia Shri Kuvarjibhai Mohanbhai;Thakor Shri Jagdish

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

- (a) whether only a small percentage of fruits and vegetables are processed and the rest are perished for want of processing capacities in the country;
- (b) if so, the details thereof;
- (c) the steps taken by the Government to augment capacity of the food processing units;
- (d) whether any fiscal incentives have been envisaged for the promotion of the food processing units; and
- (e) if so, the details thereof?

Answer

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

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

STATEMENT REFERRED IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 406 FOR 17TH DECEMBER, 2009 REGARDING PROMOTION OF FPI

The level of processing of fruits & vegetables in the country is estimated at 2.20%. The low level of fruit and vegetable processing is due to non-availability of processable varieties of raw materials at right quantity and quality, seasonable nature of industry, lack of adequate post-harvest infrastructure such as lack of cold chain facilities, transportation, proper storage facilities etc. However, over the last few years, there has been a positive growth in fruit and vegetable processed products such as ready-to-serve beverages, fruit juices and pulps, dehydrated and frozen fruits and vegetable products, tomato products, pickle, convenience veg-spice pastes, processed mushrooms and curried vegetables. As per the data maintained by Food Safety and Standards Authority of India under Ministry of Health and Family Welfare, the installed capacity of fruits and vegetables processing units (FPO licensed units) has increased from 26.38 lakh tones as on 01.01.08 to 30.89 lakhs tones as on 01.01.09.

In order to increase level of processing and to promote food processing industries to exploit both the domestic and international market potential for processed food products, Vision 2015 Document has been finalized by the Ministry of Food Processing Industries (MFPI), which envisages tripling the size of the processed food sector by increasing the level of processing of perishables from 6% to 20% value addition from 20% to 35% and share in global food trade from 1.5% to 3% by 2015. An integrated strategy for promotion of agribusiness-Vision, Strategy and Action Plan for the Food Processing Sector has also been approved by the Government.

Ministry of Food Processing Industries (MFPI) has been implementing various schemes for promotion and development of food processing industries in the country. MFPI through its various schemes for financial assistance and other promotional measures, facilitates creation of food related infrastructure including processing facilities aimed at reducing wastages, enhancing value addition and increasing shelf life. The Scheme for Technology Upgradation/Establishment/Modernisation of Food Processing Industries is aimed at creation of new processing capacity and up-gradation of existing processing capabilities, modernization of Food Processing Sector to include Milk, Fruit & Vegetables, Meat, Poultry, fishery, cereal, consumer items, oil seeds, rice milling, flour milling, pulse milling etc.

Under the Scheme for Technology Upgradation/ Modernization/ Establishment of Food Processing Industries, MFPI extends financial assistance to food processing industries including fruit and vegetable processing units in the form of grant-in-aid @ 25% of the cost of plant and machinery and technical civil works subject to a maximum of Rs. 50.00 lakh in general area or 33.33% subject to maximum of Rs. 75.00 lakh in difficult areas such as Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Sikkim and North Eastern States, A&N Islands, Lakshadweep and ITDP areas. In addition, under the Technology Mission for Integrated Development of Horticulture in North Eastern and Himalayan States, higher levels of assistance @ 50% upto maximum of Rs. 4.00 crore for setting up and Rs. 1.00 crore for Upgradation of fruit and vegetables processing is available. A National Horticulture Mission (NHM) has been launched with an objective to boost the horticulture sector.

In the 11th Plan, the Ministry has approved new scheme to establish 30 Mega Food Parks with a view to provide state-of-the-art

infrastructure for food processing sector in the country on a pre-identified cluster basis with a strong backward and forward linkage and to provide value addition of agricultural commodities including poultry, meat, dairy, fisheries etc. in a demand driven manner. Financial assistance up to 50% of project cost excluding land component in general areas and 75% in difficult areas, subject to a maximum of Rs. 50.00 crore is provided for setting up of Mega Food Parks.

To encourage setting up of cold chain facilities and backward linkages in the country, Ministry of Food Processing Industries (MFPI) has a Plan Scheme for Cold Chain, Value Addition and Preservation Infrastructure during the 11th Plan to provide financial assistance to project proposals received from public / private organizations for cold chain infrastructure development. The scheme envisages financial assistance in the form of grant-in-aid @ 50% of the total cost of plant and machinery and technical civil works in general areas and 75% for North Eastern Region and difficult areas subject to a maximum of Rs.10.00 crore.

The Government has already taken necessary measures for providing relief and achieving simplification in tax rates to ensure its faster development. 100 percent tax exemption for first five assessment years beginning with the initial assessment year is available under section 80-1B (11A) of Income Tax Act, 1961 to undertakings deriving profit from the business of processing, preserving and packaging of fruits or vegetables and new units in the business of processing, preservation and packaging of meat or meat products or poultry or marine or dairy products. Under sub-section (11A) of section 80-1B of the Income Tax Act, 1961 a deduction from profits upto specified amounts is allowed in the case of an undertaking deriving profit from the business of handling, storage and transportation of food grains subject to specified conditions, if such undertaking begins to operate such business on or after the 1st day of April, 2001. With a view to preserve perishable food items like milk, poultry and meat, the Finance (No.2) Act 2009 has amended sub - section (11A) of section 80-1B with effect from 01.04.2010 to also provide tax holiday in respect of the business of processing, preserving and packaging of meat and meat products and poultry, marine and dairy products for units which begin to operate such business on or after 1st April, 2009. The amount of deduction in case of an undertaking deriving profit from the business of processing, preservation and packaging of fruits or vegetables or meat and meat products or poultry or marine or dairy products or from the integrated business of handling, storage and transportation of food grains, is hundred per cent of the profits and gains derived from such undertaking for five assessment years beginning with the initial assessment year and thereafter, twenty- five per cent (or thirty per cent where the assessee is a company) of the profits and gains derived from the total period of deduction does not exceed ten consecutive assessment years and subject to fulfillment of the condition that it begins to operate such business on or after the 1st day of April, 2001. The Finance (No-2) Bill 2009 proposes to also extend investment linked tax incentive by way of insertion of a new section - 35AD in the Income Tax Act 1961 to the business of setting up and operating cold chain facilities for specified products and to the business of setting up and operating warehousing facilities for storage of agricultural produce.