

THIRTY-THIRD REPORT

MINISTRY OF FOOD PROCESSING INDUSTRY

DEMANDS FOR GRANTS

(2002-2003)

PART I

OVERVIEW OF DEMANDS

1.1 The single most important problem facing the country perhaps is providing remunerative price to the farmers for their produce without incurring additional burden of subsidy through minimum support prices or some such measures. This problem could be solved largely if the surplus production of cereals, fruits, vegetables, milk, fish, meat and poultry etc., are processed and marketed aggressively including through exports. Food Processing adds value, enhances shelf life, encourages crop diversification and creates more employment per unit of investment. Food Processing combined with marketing has thus the potential of solving the basic problems of agricultural surpluses/wastages/rural jobs/better prices to the growers. This has also been emphasized by the Finance Minister in his budget speech (2002-2003) wherein he stated:

“Having achieved great success with the Green Revolution and then the White Revolution, the country is now ready for its Third Revolution of agricultural diversification and food processing.”

1.2 India has a strong competitive advantage in Food Processing being blessed with unsurpassed natural advantage. Report of World renowned consultancy organization Mckinsey & Co. on the potentials of the Food Processing Industry highlights the enormous potentials 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 & development has impact like no other industry, in terms of stimulating the economy and raising living standards of the people at large.

1.3 To give an impetus to the development of Food Processing Industries in the country, the Ministry of Food Processing Industries was set up in July, 1988. Subsequently vide Notification No.DOC. CD-442/99 dated 15.10.99 this Ministry was made a Department and brought under the Ministry of Agriculture. In pursuance of the Committee's recommendation in its reports on Demands for Grants it has once again been notified as Ministry of Food Processing Industries vide Cabinet Secretariat's Note No.1/22/1/2001-Cab.(1) dated 6.9.2001.

1.4 The Ministry of Food Processing Industries is concerned with the formulation and implementation of the policies & plans for the food processing industries within the overall national priorities and objectives.

1.5 The Ministry aims at:

- Better utilization 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 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.

Contribution of Food Processing Industries to GDP

1.6 A study was conducted by National Council for Applied Economic Research (NCAER) for evaluating the performance and prospects of food processing industry in India. On the basis of this study, it was revealed that the food processing industries has been growing at the rate of 5.8% during the 9th Plan in comparison to the GDP growth of 6.1%. It may be relevant to mention that all the segments of food processing industry do not come under the purview of the Ministry. The Report states that the growth of those industries coming under the domain of the Ministry has been 8.5%. It is projected that the growth of food processing industries during the 10th Plan would be at 7.3% assuming the growth of GDP at 6%. In case GDP grows at 8% per annum, the growth of food processing industry is also expected to grow by 10.1%. As far as investment is concerned, it is revealed that a total amount of Rs.38,531 crores has accrued in the food processing industry during the 9th Plan period. It is projected that the investment during the 10th Plan would be around Rs.62,105 crores at GDP growth of 6% and Rs.92,208 crores at GDP growth of 8%. It is expected that direct employment in the food processing sector would grow at the rate of 1.25% per annum. The indirect employment would be 2.38 times the direct employment.

1.7 However as per National Accounts Statistics, CSO 2001 the contribution of food processing industries to India's GDP accounts for 2.25%.

Percentage of Central Sector outlay to the Department of Food Processing Industries

1.8 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 and during the current year i.e. 2002-2003 :-

(Rs.in crores)

Year	Central Sector Outlay	Outlay for MFPI	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
2002-2003	144037.77	75.00	0.0521

Performance of the Department – IXth Plan (1997-2002)

1.9 The Budget Estimates, Revised Estimates & Actuals during each of the years of 9th Plan are as under:-

(Rs.in crores)

Year	Budget Estimate		Revised Estimate		Actuals	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
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	50.00	15.33
2001-2002	55.00	6.42	55.00	5.67	55.00 (Anticipated)	5.67 (Anticipated)

Sector-Wise 9th Plan Outlay, Allocation & Expenditure From 1997-98 to 2001-2002.

(Rs. in Crores)

S. No.	Name of the Sector	9 th Plan Outlay	1997-1998		1998-1999		1999-2000		2000-2001		2001-2002		
			R.E.	Actual Expend	R.E.	Actual Expend.	R.E.	Actual Expend.	R.E.	Expend.	B.E.	R.E.	Anticipated Expend.
1.	Grain Processing	2.80	1.43	1.43	0.70	0.62	0.75	0.62	0.50	0.35	0.40	0.40	0.40
2.	Fruit & Vegetable Processing (Horticulture based industries)	90.70	13.30	4.80	6.44	7.24	0.90	11.70	10.40	7.22	5.45	11.15	11.15
3.	Meat & Poultry Processing	37.40	5.97	1.92	4.63	4.32	5.69	4.17	0.75	0.64	2.70	1.60	1.60
4.	Milk based Industry	30.00	4.08	4.50	5.00	4.31	2.50	2.52	7.00	8.75	6.80	6.80	6.80
5.	Marine Products*	50.50	25.21*	6.68	9.20	9.29	13.35	1.71	22.34	19.89	24.00	20.50	20.50
6.	Consumer Industries	8.00	1.43	1.43	1.00	1.68	3.97	5.48@	0.00	0.00	0.20	0.00	0.00
7.	Secretariat Economic Service	15.60	2.38	2.11	3.03	2.54	2.83	2.59	4.00	3.69	4.60	3.70	3.70
8.	Processed Food Fund (New Scheme)	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.00	5.00	5.00	5.00

Lump sum provision for NE Region including Sikkim	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.00	9.46	5.85	5.80	5.80
	235.00	53.80*	22.87	30.00	30.00	40.00			50.00	50.00	55.00	55.00	55.00

* FSI and two relates Schemes transferred to Department of Animal Husbandry & Dairying since October, 1997, figure includes Rs.13.80 Crores earmarked for the scheme.

@ Expenditure includes Rs.1085 Crores paid towards professional services in connection with disinvestments of MFIL.

1.10 The Ninth Plan outlay for all the Plan schemes for this Ministry was Rs.235.00 crores. The actual allocation made during the entire Plan period was Rs.228.80 crores out of which the Government could spend only Rs.195.67 crores. In the first three years there was a reduction of allocation at RE stage. However, during last two years of 9th Plan i.e. during 2000-2001 and 2001-2002 there was no reduction of allocation from BE to RE. The Ministry has given the following reasons for underutilization during 9th Plan and concrete steps taken by the Department for better utilization in the preliminary years of the Xth Plan:-

“The outlay provided for the Plan Schemes of the Ministry during the year 1998-99, 2000-01, 2001-02 have been fully utilized. During the year 1999-2000, the expenditure was Rs. 37.79 crores as against the outlay of Rs. 40.00 crores. The shortfall has occurred during the first year of the 9th Plan i.e. 1997-98. The reason for the shortfall has mainly been that it took sometime for the beneficiaries to appreciate the scheme and submit applications for financial assistance, being the first year of the 9th Plan.

The Ministry is fully geared to implement the Plan schemes as during the last two years, the utilization has been 100%. All efforts are being made to ensure that the entire outlay of 2002-03 is also utilized fully.”

Review of IXth Plan Schemes(1997-2002)

1.11 Taking into consideration the review of 9th Plan schemes undertaken by the Planning Commission, the number of schemes have been merged/dropped during 10th Plan to avoid a thin spread of resources and to revamp the schematic structure of the

Plan schemes. It is proposed to take up the following schemes by the Ministry during the 10th Plan for the development of processed food sector.

1. Scheme for development of Infrastructure
2. Scheme for establishment/modernization/upgradation of Food Processing Industry
3. Scheme for promotional activities
4. Scheme for forward integration
5. Research & Development
6. Human Resources Development
7. Supply Chain Integration
8. Strengthening of the Nodal Agencies and others
9. Strengthening of the Directorate of fruits & vegetable processing
10. Strengthening of Paddy Processing Research Centre
11. Scheme for strengthening of North Eastern Regional Agricultural Marketing Corporation Ltd. (NERAMAC)

1.12 The details of schemes merged/dropped are given below:

- | | | | |
|-----|---|---|---|
| 1. | Regional Rice Milling Centre | - | dropped |
| 2. | Extension Service Centre at CFTRI | - | dropped |
| 3. | Development/improvement of marketing, Quality control of meat and meat products | - | merged with the scheme for Infrastructure |
| 4. | Development of Meat Processing | - | merged with the Scheme for Setting up of projects |
| 5. | Development of Poultry & Egg Processing | - | -do- |
| 6. | Setting up of Demonstration Units/Pilot projects | - | -do- |
| 7. | Strengthening of Traditional Fish Processing Technology | - | -do- |
| 8. | Utilization of low value fish | - | -do- |
| 9. | Budgetary support for MFIL | - | dropped. |
| 10. | Support for NERAMAC | - | merged with scheme for strengthening of institutions. |

- | | | |
|-----|--|------|
| 11. | Strengthening of Nodal Agencies | -do- |
| 12. | Promotion of FPI | -do- |
| 13. | Establishment of Project Monitoring Cell
& Codex Cell | -do- |

1.13 During the first year of the 10th Plan period, namely 2002-2003, the Ministry has proposed to operate the following seven schemes. The approved Plan outlay is Rs.75.00 crores. The name of the schemes with their Heads in Demands for Grants No.15 with the amount allocated are as under:-

(Rs. in Crores)

Sl.No	Name of the Scheme	General
1.	Scheme for Infrastructure Development 2405.06.10.31	29.00
2.	Scheme for Technology Upgradation, Establishment and Modernization of Food Processing Industries 2408.01.20.31	9.00
3.	Scheme for Backward & Forward Integration & other Promotional Activities 2408.01.21.31	5.00
4.	Scheme for Quality Assurance, Codex Standards and Research & Development 2408.04.01.31	10.50
5.	Scheme for Human Resource Development 2408.01.19.31	4.50
6.	Scheme for Strengthening of Institutions: 3451 – Secretariat Economic Services	9.50
7.	Lumpsum provision for North East including Sikkim 2552.14.00.42	7.50
	Total	75.00

Xth Plan (2002-2003) Proposals and allocation for 1st Year of the Xth Plan 2002-2003

1.14 The Xth Plan proposal as given by Ministry to the Planning Commission was as under:

S.No.	Name of the Schemes (with details)	Outlay Anticipated/ proposed			Budgetary Support
		Total	Amount raised by way of ARM (Changes in User Price etc.)	Gross Internal Resources (Retained Profit + Depreciation)	
1	2	3	4	5	6
10 th Plan proposal (2002-07)	1. Scheme for Infrastructure Development 2. Scheme for establishment, modernization & upgradation of food processing industries 3. Scheme for Promotional Activities 4. Scheme for Forward Integration 5. Scheme for R&D 6. Scheme for H.R.D. 7. Scheme for Supply Chain Integration 8. Scheme for strengthening of Nodal Agencies & others 9. Scheme for strengthening of Directorate of F&VP 10. Scheme for strengthening of PPRC 11. Scheme for strengthening of NERAMAC	1351.00 500.00 40.00 200.00 300.00 205.00 75.00 19.00 60.00 25.00 25.00			
Total for all schemes		2800.00			2800.00
2002-03 (proposal)	1. Scheme for Infrastructure Development 2. Scheme for establishment, modernization & upgradation of food processing industries 3. Scheme for Promotional Activities 4. Scheme for Forward Integration 5. Scheme for R&D	100.00 100.00 8.00 25.00 22.00			

	6. Scheme for H.R.D.	20.00			
	7. Scheme for Supply Chain Integration	10.00			
	8. Scheme for strengthening of Nodal Agencies & others	4.00			
	9. Scheme for strengthening of Directorate of F&VP	3.00			
	10. Scheme for strengthening of PPRC	3.00			
	11. Scheme for strengthening of NERAMAC	5.00			
Total for all Schemes		300.00			300.00

1.15 After indepth discussions the final shape of Xth Plan Proposals were as under:

Sl. No.	Name of the Scheme	10 th Plan Outlay (Proposed)	Plan outlay for 2002-03 (Proposed)	Recommendation after In-depth discussion	
				10 th Plan	Outlay for 2002-03
1.	Scheme for Infrastructure Development	1351.00	100.00	700.00	70.00
2.	Scheme for Technology Upgradation, Establishment and Modernization of Food Processing Industries	500.00	100.00	100.00	20.00
3.	Scheme for Backward & Forward Integration & other Promotional Activities	315.00	43.00	100.00	20.00
4.	Scheme for Quality Assurance, Codex Standards and Research & Development	300.00	22.00	100.00	20.00
5.	Scheme for Human Resource Development	205.00	20.00	50.00	15.00
6.	Scheme for Strengthening of Institutions	129.00	15.00	75.00	18.00
	Total	2800.00	300.00	1125.00	163.00

1.16 Proposed Plan Allocation for 2002-2003 under each Sector/Scheme by the Ministry of Food Processing Industries and Plan allocation made during BE of 2002-2003 are as under:-

(Amt. Rupees in Crores)

S.No.	Name of the Scheme/sector	Plan Allocation 2002-2003	Plan Allocation
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			2002-2003 (BE)
1.	Scheme for Infrastructure Development	70.00	29.00
2.	Scheme for Technology Upgradation, Establishment and Modernization of food processing industries	20.00	9.00
3.	Scheme for backward & forward integration & other promotional activities	20.00	5.00
4.	Scheme for Quality Assurance, codex, Standards and Research & Development	20.00	10.50
5.	Scheme for Human Resource Development	15.00	4.50
6.	Scheme for Strengthening of Institutions	18.00	9.50
7.	Lumpsum provision for North East including Sikkim		7.50
	TOTAL	163.00	75.00

Actual Allocation for Xth Plan

1.17 During evidence of the Ministry of Food Processing Industries on 5th April, 2002 the representatives of the Ministry informed the Committee as under:

“First of all, at the outset, I would like to express my gratitude to the hon. Chairman and the hon. Members of this august Standing Committee that with your blessings, the Planning Commission has released the most of the allocations to us. The first step which the Government took to implement one of your recommendations was that the Department was converted into a Ministry. Last time when we appeared before this Committee, this was a Department. Now, it is a Ministry of Food Processing Industries. This is because of your recommendations and guidance.

When we were discussing our 10th Plan projections, probably this was one of the sectors where the hon. Deputy-Chairman, Planning Commission himself participated in the discussion and thereafter, the allocations have been increased. The allocation for 2002-03 was made as Rs.75 crore. But only yesterday, we have received a letter from the Planning Commission that for the

10th Plan allocation to us, the amount has been increased to Rs.650 crore, which is a very big jump. This is as against our total of Rs.235 crore which was allocated in the 9th Plan though we were given only Rs.192 crore. Now, it is Rs.650 crore, which is a very big jump for this Ministry. This is all because of you. Otherwise, this would not have come through. Particularly when the Planning Commission is cutting down the plan allocations for other Ministries, this is one of the Ministries where it has been increased.

Even when it was increased from Rs.235 to Rs.650, with the financial constraints that the Government is having, they kept in mind the recommendations of this Committee.”

Provision for North East & Sikkim

1.18 As per the directions of the Government, 10% of the Plan outlay is required to be earmarked for utilization on projects in the North East and Sikkim. The Ministry has been making provisions for the Plan schemes for utilization in the North East & Sikkim. During the first four years of the 9th Plan, the utilization has exceeded 14% on an average per year.

1.19 The details of outlay and expenditure in respect of projects in the North Eastern Region during the last 5 years are given as under:

Year	Assistance provided in r/o projects of North East including Sikkim (Rs. in crores)
1997-98	0.75
1998-99	5.32
1999-2000	8.05
2000-01	9.46
2001-02	5.85

1.20 During the current year, a provision of Rs.7.50 crores, being 10% of Rs.75.00 crores is set aside for this scheme. Project proposals received from the NE Regions for which assistance would be provided by the Ministry in respect of all the schemes would get booked under this scheme.

Priority Sector Lending Norms

1.21 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 had decided to include agro-processing sector within the definition of 'Priority Sector for bank lending'.

1.22 The targets for lending to priority sector and its sub sectors for Indian 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

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

1.24 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. However, finance still being a rare commodity for this sector. The Ministry was asked as to what steps have been taken to persuade the Government to provide liberal, assured and easier finances for this sector. The Ministry in its written reply has stated as under:

“The Ministry of Food Processing Industries have taken up the matter of extending institutional finance support to food processing industries with financial institutions like NABARD, SIDBI, ICICI, Exim Bank etc. The issue of setting up a Development Fund for the sector, extending facilities already provided under the Silo development programme to the FPI sector by ICICI, and the scheme for promotion of exports from Exim Bank are at a preliminary stage of discussion with concerned financial institutions and if agreed, will lead to additional source of funds for infrastructure development as well as industry support.

Financial assistance extended for infrastructure support by organizations like the National Horticulture Board, National Cooperative Development Corporation, APEDA also is dovetailed. Additionally, Ministry of Food Processing

Industries have converted the provision of soft loan under their Plan Schemes to grant-in-aid which helps improve financial viability of food processing industries.”

Creation of Fund for Development of Food Processing Industries

1.25 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.

1.26 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.

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

1.28 The BE, RE and Actual Expenditure for the scheme “ Processed Food Fund” from 1999-2000 onwards was 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	-	-

1.29 Although a token provision of Rs..5 crores was made for this scheme during the year, 2001-2002, the Planning Commission did not approve the scheme as a result there is no allocation during the current year. A task force has been constituted to advise the Department inter-alia to identify sources of finances which may take some more time.

1.30 The entire token provision of Rs. 5 crores during 2001-2002 has been utilized for meeting expenditure in connection with Plan Schemes relating to setting up/expansion/modernization of food processing industries. This has essentially served the purpose for which the fund was intended to be created. When asked to state reasons for disapproval of the scheme by the Planning Commission, the Ministry in their reply stated as under:-

“Planning Commission has not considered it desirable for a Government Department to get involved (either directly or indirectly) in funding such ventures which could be best left to the financial institutions.”

1.31 Already 4 years have passed but the Government has not been able to finalize the modalities for the creation of the Fund. When asked about the constraints in finalizing the modalities for the creation of the Fund and also to state the other sources which could be tapped for such a fund, the Ministry has opined:-

“Keeping in view the advice of the Planning Commission, while formulating the schemes for the 10th Plan enhanced outlay has been earmarked for the schemes of Infrastructure Development and Setting up/expansion/ modernization of food processing industries. (More than 50% of the outlay of Rs. 75 crores has been earmarked for these two schemes).”

SECTORWISE ANALYSIS

Fisheries Sector

1.32 The following three schemes were under implementation under this sector during Ninth Plan.

- (i) Strengthening of traditional fish processing technologies/marketing
- (ii) Utilization of low value fish
- (iii) Infrastructural facilities for food processing industries

1.33 Ninth Plan approved outlay for this sector was Rs.50.50 crores. The actual allocation was Rs.76.80 crores against which the Government could spend only Rs.69.52 crores.

Strengthening of Traditional Fish Processing/Marketing

1.34 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.

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

(Rs. in crores)

Ninth Plan App. Outlay	1997-98			1998-99			1999-2000			2000-2001			2001-2002			Total % Exp. IX Plan Outlay
	App. Outlay	Actual Expen.	Short -fall	App. Outlay	Actual Expen.	Short-fall	App. Outlay	Actual Expen.	Short - fall	App. Outlay	Actual Expen.	Short-fall	BE	RE	Short-fall	
2.63	0.48	-	0.48	0.15	-	0.15	0.40	-	0.40	0.5	Nil	0.5	0.5	0.5	Nil	1.9

1.36 The BE & RE for 2001-2002 was Rs.5.00 lakhs each. This amount was released to one organization in Andhra Pradesh. In the current year i.e. 2002-2003 this scheme has been merged under a scheme for Technology upgradation, modernization & Establishment of Food Processing Units. The outlay for this scheme is Rs.9.00 crores during 2002-2003 which will also cover Fisheries sector including this scheme.

1.37 The Committee in its 21st Report on Demands for Grants (2001-2002) had expressed its concern that till now the Government had not identified any specific low cost technology for drying of fish. They had recommended that the Government should come out with a specific technology by activating its own R&D activities and tie up with other veterinary institutions, Agricultural Universities & Fishery Cooperatives in order to give a boost to the Fishing activities as a commercial venture. In response to that the Ministry in its action taken report had stated that during the formulation of the scheme for 10th Five Year Plan, the recommendation of the Committee will be taken into account and appropriate scheme will be worked out. When asked as to whether the Ministry have since worked out the appropriate scheme, the Ministry in their reply stated:-

“The Central Institute of Fishery Technology, Cochin has developed low cost technology for drying of fish and the same was circulated among the coastal States, Apex Fishery Cooperative Bodies & Fishery Colleges & Institutions. This Ministry does not develop any technology on its own.

As per the recommendation of the Standing Committee, Apex Bodies of Fishery Cooperatives of various States, Agricultural Universities, and Veterinary Institutions etc. have been addressed regarding the scheme. In the schemes proposed to be operated during 10th Plan, this scheme of Strengthening of Traditional Fish Processing Technologies & marketing will be covered. Formulation of the 10th Plan Schemes is in progress.”

1.38 When asked whether in the year 2001-2002 the Ministry itself or in collaboration with any other institutions have developed any low cost technology for drying of fish, the Ministry stated as under:-

“The Ministry does not develop any technology on its own. However, the Ministry has an ongoing scheme for funding R&D activity for development of such technology and during the 9th Plan under R&D scheme, the following assistance has been provided:

Name of the organization	Project title	Amount Rs.in lakhs
West Bengal University of Animal	Value addition of low cost under utilized	13.30

Sciences	marine fishes of the West Bengal	
Indian Institute of Packaging, Mumbai	Packaging of dried fish	3.77
District Fishermen Youth Welfare Association, Vishakhapattanam	Dehydration of low value fishes using solar drying system	14.00

1.39 In its Action Taken Replies to 21st Report on Demands for Grants (2001-2002), the Ministry had further assured the Committee that they would work out attractive methodology for providing 100% grants to individual fishermen/women through cooperatives. When asked to furnish the details of methodology worked out by the Ministry, they stated as under:-

“Ministry’s schemes do not provide for 100% grant except to R&D Institutions (Laboratories/IITs/Universities/NGOs & other similar non profit organizations). Formulation of the scheme for implementation during 10th Plan is in progress and while working out the modalities, the recommendations of the committee would be given serious consideration. However, it is felt that for any project to be successful, a minimum stake of the promoters is considered necessary.”

1.40 So far as financial assistance is concerned, it has been stated that Research & Development Organisations are eligible for 100% grant for setting up of a demonstration unit to popularise traditional fish processing technologies & marketing among entrepreneurs/fishery folks.

1.41 On the receipt of applications from these institutions and cleared by the Ministry so far, the Ministry stated as under:-

“Proposal from two such institutions are under process at present for setting up of the demonstration unit, one from (Integrated Fisheries Project, Cochin & another from West Bengal University of Animal & Fishery Sciences, Kolkata).”

1.42 Replying to a query on the special steps taken by the Ministry in the initial period of 10th Plan to ensure full utilization of the allocation, the Ministry stated:-

“A reminder is also being sent to the Coastal States, Fishery Colleges & Institutions/Apex Bodies of Fishery Cooperatives to whom the CIFT technology was

circulated to give wide publicity of the scheme and sponsor viable proposals. As a result of the effort made by the Ministry, one proposal has been cleared during 9th Plan and 6 more proposals are under process (two from R&D Institutions, two from cooperatives, one from NGO, one from private sector).”

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

1.43 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.

1.44 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.

1.45 The Plan outlay and expenditure during the whole 9th Plan period was as under:-

S. No.	Name of the Scheme/ Project/ Programme	Ninth Plan App. Outlay	1997-98			1998-99			1999-2000			2000-2001			2001-2002			Total Expd. During the total period of 9 th plan (1997 to 2002)	Total % expn. IX plan outlay
			App. Out lay	Actual Expd.	Short-fall	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		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1.	Utilization of low value fish	141	29	-	29	10	-	10	5	7	+2	15	Nil	15	5	5	Nil	12	8.5

1.46 The percentage expenditure for 9th Plan was only 8.5%. The BE & RE for the year 2001-2002 was Rs.5.00 lakhs each. For the year 2002-2003 there is no separate allocation for this scheme. This scheme has been merged with the scheme for setting up/expansion/modernization of Food Processing Industries.

1.47 When asked as to whether Rs.5.00 lakhs allocated for 2001-2002 have been spent, the Ministry in their reply stated as under:-

“Rs. 5.00 lakhs allocated for general areas during 2001-02 has not been spent so far. However, one proposal for assistance worth Rs. 4.53 lakhs for general area has been approved. The fund will be released after completing the formalities.

MPEDA have provided the information regarding the fish landing details of some major low value fish items viz, Ribbon Fish, Horse Mackerel, Perches, Thread fins, Croakers, Silver Bellies, Goat Fishes etc. during 1997-1998 and 1999, which are given below:

**Fish Landing Statistics of Low Value Fish
Period- January-December
(Qty. in MTs)**

1997	1998	1999
679283	547944	645788

According to MPEDA, the landing details for 2000 are not available. The information regarding total quantum of processed products from these low value raw materials are also not available. There is no separate data available on quantum of processed fish products consumed in India and abroad.

Surimi and Fish Fillets are considered as value added products derived out of Finfish. The details of export of low value fish exported along with details of Surimi and Fish fillets are given below: -

**Exports Statistics of Low Value Fishes
(Q-MT, V-Value Rs. Crores)**

Items		1999-2000	2000-01	2001-02*
Frozen Fish,	Q	88502	165642	90087
Dried fish and Fish Meal	V	245.86	477.00	255.28

*(April to December)

**Exports Statistics of Low Value Fish converted to Fish Fillet & Surimi
(Q-MT, V-Value Rs. Crores)**

Items		1999-2000	2000-01	2001-02*
Fish Fillet & Surimi	Q	12636	23240	20154
	V	92.22	159.86	128.38

*(April to December)"

1.48 The Committee in their 21st Report on Demands for Grants (2001-2002) had recommended to make all out efforts to make this scheme successful in order to compete with private processing units. The Ministry in its action taken replies had assured to implement the recommendation of the Committee in consultation with MPEDA, CIFT,

Cochin and Integrated Fishery Project, so that the amount earmarked for the scheme is fully utilized.

1.49 When asked about the details of modalities of implementation of this scheme, the Ministry stated as under:-

“The Ministry has written to CIFT, MPEDA, NCDC, Integrated Fisheries Project, Cochin, various States, Apex Bodies of Fishery Cooperatives, Agricultural Universities, Veterinary Colleges etc. to send proposals under this scheme. 17 proposals are under process under the scheme.”

Infrastructural Facilities for Food Processing Industries

1.50 Not only fruit & vegetable sector, but the whole food processing sector has been characterized by poor marketing, transport and communication infrastructure.

1.51 The Ministry of Food Processing has been implementing a financial assistance scheme for infrastructural facilities for food processing industries.

1.52 The main objective of the scheme is to:

- (i) provide financial assistance for cold storage. Consequent upon National Horticulture Board's Capital Subsidy Scheme for cold storages, the Ministry's assistance is limited to the following types of cold storages:
 - (a) Cold storage for non horticulture produce;
 - (b) Where the cold storage 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 (CA/MA) facility.
- (ii) Establish food processing industrial estates/food parks;
- (iii) Create infrastructural facilities for preservation and processing of fish.

1.53 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.

1.54 Under the scheme, assistance is given 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.

Food Parks

1.55 The Ministry of Food Processing Industries is stated to be proactively pursuing the task of setting up of food parks in different parts of the country. The purpose behind setting up of the food parks is to enable small and medium scale units to attain viability by defraying cost of major facilities such as R&D lab, cold storage, uninterrupted power supply, water-supply, ware-housing facilities, packhouse and may be a large processing facility.

1.56 The Food Parks cater to generally the small and medium scale units. For, large scale units generally establish their own cold storage, laboratory and R&D facilities as well as facilities for warehousing, effluent treatment plant. The concept of food parks essentially was to provide for these common facilities which have a higher cost structure so that the small and medium units who cannot otherwise afford these facilities, can utilize them at reasonable cost. The size of the plots is also earmarked in such a manner that the small and medium scale units can set up processing facility within the food park.

1.57 The Ministry of Food Processing Industries provides assistance in the form of grant-in-aid upto Rs.4.00 crores to PSU/Joint Assisted/Private Sector/NGOs/Cooperatives for creation of common facilities like uninterrupted power supply, water supply, cold storage/ice plant/warehousing facility, effluent treatment plant, quality control and analytical laboratory and major processing facility like fruit concentrate/pulp making unit etc. The remaining funds are arranged by the implementing agencies themselves out of their own resources and through State Governments financial institutions/banks etc.

1.58 Financial assistance has been extended for setting up 27 food parks in the country so far. Financial assistance has been approved to be extended to two more proposals before the close of the financial year. With a view to ensure proper utilization of Ministry's assistance, funds are released in a phased manner, linked to the overall progress in implementation of the project. State Governments, concerned banks/financial institutions are also involved in monitoring of projects. In addition, projects are also reviewed regularly by the Ministry at the highest level. For proper monitoring of the utilization of funds in the North East, Small Farmers' Agribusiness Consortium under

the Ministry of Agriculture has also now been associated in addition. Henceforth, funds for the projects from NE States will be released through SFAC. The Ministry has provided assistance for food parks in Assam, Manipur, Mizoram and Tripura.

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

S. No.	Name of the Scheme/ Project/ Programme	Ninth Plan App. Outlay	1997-98			1998-99			1999-2000			2000-2001			2001-2002			Total Expd. During the total period of 9 th plan (1997 to 2002)	Total % expn. IX plan outlay
			App. Out lay	Actual Expd.	Short-fall	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		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1.	Infrastructural Facilities for Food Processing Industries	4646	1064	668	396	895	929	+34	1290	1064	276	2213	1989	224	2340	2040	300	6690	144

+ Expenditure exceeded outlay for the Scheme

Physical Targets and achievements during 9th Plan:-

S. No.	Name of the Scheme/ Project/ Programme	Units	Ninth Plan App. Targets	1997-98			1998-99			1999-2000			2000-2001			2001-2002			Total achievement during the 9 th plan (1997 to 2002)	% achievement to 9 th Plan target
				Target	Achievement	Short-fall	Target	Achievement	Short-fall	Target	Achievement	Short-fall	Target	Achievement	Short fall	Target	Achievement	Short fall		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1.	Setting up of Infrastructural facilities (Cold Storage, fusgerues etc.)	No	-	-	24	-	-	25	-	20	8	12	30	15	15@	20				-

@ With the introduction back-ended Subsidy Scheme of Cold Storage of NHB, Departments assistance is limited only to the integrated cold storage, Controlled/Modified Atmospheric Cold Storage.

1.60 The BE for this scheme during 2001-2002 was Rs.23.40 crores. At the revised estimate stage it was reduced to 20.40 crores. The outlay during the current year is Rs.29.00 crores. The Ministry has kept low target in this scheme for Food Parks (8), Food Processing Units (120) and cold storages (20) etc. for the year 2001-2002. When asked about the reasons for reduced budget allocation at RE, the Ministry in their reply stated:-

“At the time of preparation of Revised Estimates for 2001-2002, keeping in view the trend of expenditure under this scheme, the provision was scaled down marginally. It may, however, be noted that the utilization of funds under the scheme for infrastructure development during 2001-02 has been Rs. 24 crores which is more than the budget estimates.

During the year 2001-2002, financial assistance has been approved for 11 food parks, 80 Food Processing units and 5 cold storages. Besides, financial assistance has also been approved for 20 food processing units attached to Food Processing Training Centres. The 11 food parks for which financial assistance have been provided also have provision for cold storage as a common facility. The target for 2002-03 are being worked out.”

1.61 Regarding the adequacy of Plan outlay for this scheme the Ministry in their reply stated as follows:-

“The cold chain facilities are an integral part of the infrastructural facilities provided under the scheme for development of infrastructural facilities. The integrated cold chain facilities would include infrastructure for storage and collection of horticulture produce at the growing areas, transportation from the growing areas to the wholesale markets/ processing unit and provision for freezer cabinet at retail end. Cold storages are also provided as a common facility in the food parks. For the scheme for infrastructural facilities, an outlay of Rs. 29 crores has been earmarked for 2002-03 against our projection of Rs. 70 crores to the Planning Commission.”

1.62 The Ministry has modified the provision of financial assistance to Private sector for setting up of cold chain from soft loan to grant. When asked as to whether this change has accelerated the demand and the reasons for scaling down the target from 30 in 2000 to 20 in 2001, the Ministry stated as under:-

“It is too early to assess the impact of the change. The target had been scaled down keeping in view the trend of applications received for this purpose. With the introduction of Capital Investment Subsidy Scheme being operated by National Horticulture Board with effect from 1999, financial assistance for stand alone cold storages for horticulture produce is provided by NHB. This has also been a contributory factor in scaling down the number of cold storages assisted by this Ministry.”

1.63 In its 21st Report on Demands for Grants (2001-2002) the Committee had recommended to take immediate steps to integrate various agencies involved and bring out a proper policy to ensure that the cold chain system is actually put in place. In response to that, the Ministry in its Action Taken Report had stated that they were modifying their scheme to cover this component of cold chain right from the farmers to the processor and the retail outlets. When asked to furnish the details of the new scheme, the Ministry in a written reply stated:-

“The new component of integrated cold chain has been added to the scheme of infrastructure development and formulation of this scheme is in progress. The integrated cold chain facilities would include infrastructure for storage and collection of horticulture produce at the growing areas, transportation from the growing areas to the whole sale markets/ processing units and provision for freezer cabinets at retail end. The scheme would also have provision for value added centers for preliminary processing activities like grading, washing, drying, waxing, packaging etc.”

1.64 It has been observed that there is very little, almost negligible provision for storage of perishable produces like fruits, vegetable, milk and milk products and meat & poultry products at Central Warehousing Corporation godowns. When asked as to whether the Ministry has taken any initiative to explore the utilization of available space in these godowns, the Ministry stated:-

“The Central Warehousing Godowns are primarily meant for non-perishable items and are not suitable for storage of perishable produces like fruits, vegetables, milk & milk products and meat & poultry products.”

Horticulture Based Industries Sector

1.65 Following are the 9th Plan outlay and actuals for 1997-98, 1998-99 & 1999-2000, 2000-2001 & RE for 2001-2002 & BE for 2002-2003:

(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 9 th 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	4653	830	355	475	375	346	29	707	777	+70	740	650	90	2108	45.3	1.50

	Industries																
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 was Rs.90.70 crores. The actual allocation for the entire plan was Rs.52.40 crores against which the government could spend Rs.42.11 crores. The BE for 2001-2002 was Rs.5.45 crores and RE was Rs.11.15 crores. The percentage expenditure during 9th Plan was 35.9% only. During the first four years of 9th Plan there was huge shortfall in utilization of funds in this sector. The reasons for shortfall was due to non-receipt of viable proposals and in some cases inability of entrepreneurs to obtain the bank guarantee, even after assistance was approved. During 10th Plan period, as per advice of the Planning Commission, some reclassification has been made in the existing schemes.

Assistance for Manpower Development in Food Processing Industries

1.67 The nomenclature of this scheme has been changed to scheme for Human Resource Development during 10th Plan period.

1.68 HRD is one of the thrust areas of development. It is proposed to extend assistance for setting up Food Processing & Training Centres as well as creation/upgradation of R&D training facilities to reputed universities and institutions. Entrepreneurship Development Programme will also be taken up under the scheme. Training is also proposed to be imparted to persons already engaged in the sectors such as meat & poultry, grain and fisheries etc. CFTRI is the premier institution in the field of food processing industries. IIT, Kharagpur has also been conducting courses and awarding degrees in the field of food processing. Since a lot of development is likely to take place during the 10th Plan in this sector, requirement of human resources will also be higher. It is proposed to assist both these institutions as well as others for increasing the intake of candidates for such courses.

1.69 The scheme envisages capacity building for human resource development and also training of personnel in latest technology in the food processing sector. The total outlay proposed for this scheme during the 10th Plan is Rs.205 crores. The Ministry proposed Rs.20.00 crores for this scheme during the year 2002-2003, out of which the Ministry actually got Rs.4.50 crores in the BE stage. When asked to state whether Rs.4.50 crores will be sufficient to meet the target envisaged for the 10th Plan, the Ministry in reply stated as follows:-

“During the 9th Five Year Plan, against allocation of Rs. 8.13 crores, expenditure of Rs. 7.56 crores has been utilized under the scheme. The Ministry has recently streamlined the schemes relating to FPTC and EDP. The Ministry has also written to all

Agricultural Universities, IITs./Regional Research Laboratories to avail assistance under the Scheme for Infrastructure Facilities. Wide publicity has also been given through media to these schemes. As a result of these promotional efforts, it is expected that the outlay of Rs. 4.50 crores earmarked for this scheme during 2002-03 would be fully utilized. The physical targets are being worked out and would be intimated in due course.”

1.70 The activities under the scheme for Human Resources Development are:—

- (i) Setting up of Food Processing & Training Centres(FPTCs);
- (ii) Conduct of Entrepreneurship Development Programme(EDP)
- (iii) Creation of infrastructural facilities like library, laboratories, pilot plants etc., for running degree/diploma courses for food processing.

1.71 The following institutions/organizations are entitled to avail benefit of the schemes:-

1. All Central Agricultural Universities/State Universities/deemed Universities
2. All R&D institutions/S&T organizations
3. State Consultancy Organizations
4. Cooperatives/NGOs.

1.72 Assistance has been provided to the following institutions during 2001-02 for infrastructure facilities:-

Sl.No	Name of the Organization	Amount (Rs. in lakhs)
1.	Ch. Charan Singh Haryana Agricultural University, Hissar, Haryana	24.90
2.	Defence Food Research Laboratory, Siddarthanagar, Mysore, Karnataka	20.00
3.	National Environmental Engineering Research Institute, Nagpur, Maharashtra	2.85
4.	Department of Food Science & Technology, Pant Nagar, Uttaranchal	10.00
5.	Mahatma Gandhi Chitrakoot Gramodaya Vishvavidyala, Chitrakoot, Madhya Pradesh	15.00
6.	College of Agricultural Engineering, Tamil Nadu Agricultural University, Coimbatore, Tamil Nadu	25.00
7.	Department of Food Technology, G.J. University, Hissar, Haryana	50.00
8.	Cochin University of Science & Technology, Cochin, Kerala	9.00
9.	Department of Food Science and Technology, University of Calicut, Malappuram, Kerala	20.00

1.73 Besides, training programmes are also sponsored by the Ministry at the following institutions:-

1. Central Institute of Fisheries Technology, Cochin – Fisheries
2. CFTRI, Mysore – Fruit & Vegetable
3. Indian Veterinary Research Institute, Izzat Nagar, U.P - Animal Products
4. University of Agriculture Research, Bangalore – Fruit & Vegetable
5. Other Govt. Training Institutions – various sectors of food processing

1.74 Financial assistance has also been provided to various institutions for conduct of training in HACCP, Quality Control and Total Quality Management.

1.75 One of the objectives of the scheme is to extend the spread of food processing units in the remote areas closer to the raw material sources. Hence, there is need for developing entrepreneurship and skilled personnel and technicians in such areas for production packaging and distribution of processed food products. In this connection, when asked to state the number of such institutions in such areas, no. of skilled persons employed and the No. of persons trained and the No. of jobs created in proportionate to investment, in their reply the Ministry stated as follows:-

“The Ministry has so far extended financial assistance for setting up 334 FPTCs which includes 103 in 9th Plan. These FPTCs impart ‘hands on’ training for the development of rural entrepreneurship and transfer of technology for processing of food products. Every FPTC will impart training for a minimum of 100 persons per year. In EDP, each batch of trainees will consist of 20 candidates. Approximately 10,000 persons have been trained by FPTCs. This would help them to be better equipped to set up food processing units or find employment in these units.”

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

1.76 The Department provides assistance for setting up/expansion and modernization of food processing units including modernization of pulse milling units. Financial assistance is given in the form of soft loan/grant-in-aid.

1.77 During 2001-2002, approval for assistance of Rs.1.56 crores has so far been accorded till January, 2002.

1.78 The main objective of the scheme is to promote:

- (i) Setting up/expansion/modernization of food processing units in all segments of food processing industries;
- (ii) Modernize pulse milling units through installation of dryers and dust control systems in particular.
- (iii) Encourage setting up units using low cost preservation technology.
- (iv) Motivate meat processing industries to achieve international quality, hygienic production of meat and products through modernization of abattoirs, adoption of HACCP & ISO standards and an effective quality assurance system.

1.79 The approved outlay for 9th Plan was Rs.46.53. The actual outlay was Rs.33.32 crores out of which the Government could spend only Rs.28.42 crores. The percentage expenditure during 9th Plan is 61.1%.

1.80 During 10th Plan, Assistance in the form of grant-in-aid is proposed to be extended under this scheme for all segments of the food processing sector including fruits land vegetables, milk, fish, meat, poultry etc. This scheme now comes under Technology Upgradation Establishments and Modernization of Food Processing Industries. Against a Demand of Rs.20.00 crores the Ministry has got Rs.9.00 crore for the year 2002-2003.

1.81 When asked whether the allocated amount was sufficient to meet the requirements of all segments of food processing, the Ministry in their reply stated:

“Although the Ministry had sought an outlay of Rs. 163.00 crores during the first year of the 10th Plan, the outlay approved was only Rs. 75 crores as this outlay is required to be earmarked schemewise, an outlay of Rs. 9 crores have been set aside for this scheme. In case of more proposals received for assistance under this scheme, possibilities of augmenting the outlay by re-appropriation or by requesting for more outlay during the RE stage would be resorted to.”

1.82 It has been observed that the installed capacity for fruit and vegetables processing has increased from 21.00 lakhs tonnes to 21.10 lakh tonnes between 1st January 2000 to 1st January 2001. The production has risen from 9.8 lakh tonnes to 9.9 lakh tonnes. The growth is very meagre. When asked as to how many proposals are pending with the Ministry for clearance and the estimated amount that would be required to clear all the proposals, the Ministry in a reply stated:-

“During the period April 2001 to 15th March 2002, 27 proposals which were found viable in all respects were approved for financial assistance in the Fruit &Vegetable sector including 7 proposals from the North Eastern Region. As on 1st March, 2002, twenty six proposals are pending for want of funds and for want of details.”

Generic Advertising on Processed Foods and for providing Marketing

1.83 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.

1.84 A generic advertisement campaign has been launched by the Ministry in electronic/print media through DAVP. The objective of the campaign is to remove the myths and misconceptions people have about processed foods. Advertisements highlighting various advantages of processed foods have been published in the print media.

1.85 Three video spots to promote processed foods have been commissioned. Two of them are on “good value for money” and on “hygienic practices in processing”. These were to be telecast from February 2002. Two other video spots have been prepared on fortification. These are also stated to be telecast shortly.

1.86 The Ninth Plan approved outlay for this scheme was Rs.6.58 crores. The actual allocation was Rs.6.40 crores out of which the Government could spend Rs.4.21 crores. The percentage expenditure during the whole 9th Plan was 64.00% of the allocation. During 2001-2002, budget provision of Rs.2.00 crores has been made for generic advertisement. An amount of Rs.1.06 crores has already

been spent under the scheme till Jan., 2002. During the year 2002-03, this scheme has been merged with the scheme for backward and forward integration and other promotional activities. The outlay for the year 2002-2003 is Rs.5.00 crores.

1.87 The Committee in their 21st Report on Demands for Grants 2001-2002 had expressed concern about the poor response to the various schemes as a result of the dull, unattractive, casual, unenthusiastic and unorganized publicity made by the Ministry. Therefore, the Committee had strongly recommended to take expert technical advice from the market to use the electronic media to its advantage and enable the Department to make a real impact on the entrepreneurs in order to popularize various scheme of the Department. In this connection, when asked to state the modified steps taken by the Ministry to ensure better result in the coming years of 10th Plan, in reply the Ministry stated as under:-

“The outlay proposed during the current year of Rs. 2.00 crores has been fully utilized and steps would be taken to ensure that the outlay is utilized in its entirety in future also. As part of generic advertisement campaign to promote processed foods, video spots on the advantages of processed foods have been launched in Hindi and Regional languages through Doordarshan. Print media advertisements have also been issued in national and regional newspapers.”

Assistance for strengthening of Backward Linkages

1.88 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. 20% of this should belong to SC/ST community.

1.89 The financial support under this scheme hitherto provided for incentives to the processing units in the form of reimbursement upto 5% of the total purchases of raw material made by a processor in a given year limited to Rs.10 lakhs per year for a maximum period of three years. The Ninth Plan approved outlay for this scheme was Rs.5.16 crores. The actual outlay was Rs.2.39 against which the Government could spend only Rs.2.17 crores. The percentage expenditure during the whole 9th Plan period was 42.1%. The Committee in its 21st report on Demands for Grants had expressed concern and had recommended to have serious consultations with State Governments and farmers to make the scheme attractive and responsive. In pursuance of the recommendations of the Committee and in view of the poor response to the above scheme, mainly due to the difficulties experienced by the processing units in entering into contract agreement for a period of three years, as the farmers were often reluctant to enter into contract for such a long period the provisions of the scheme has been amended to reduce the period of contract from three years to one year. It has also been decided to enhance the percentage of incentive available to the processor from 5% to 10% of the value of the purchases made in a given year. The period for which the incentive is available has also been increased from three to five years.

1.90 During the beginning year of 10th Plan the name of the scheme has been changed. It is under operation under the scheme for Backward and Forward integration and other Promotional Activities. Through forward integration, the Ministry proposes to develop a concept of Anchor Industries which is expected to provide market linkage, define quality standards, determine retailing practices and thereby ensure marketability of products manufactured by small and medium entrepreneurs in this sector which is estimated to be around 75%. As a specialized approach to forward integration, anchor industries which source their supply from small and medium enterprise are proposed to be assisted through plan scheme.

Meat and Poultry Processing Sector

1.91 India has vast resource of livestock and poultry, which play a vital role in improving the socio-economic conditions of the rural masses. India is having 16.5% of cattle, 56.5% of buffalo, 17.7% of goat, 5.5% of sheep and 2.7% of chicken population of the world during 2001 and ranks first in respect of buffalos, second in goats, third in sheep and sixth in poultry population.

Development of Meat Processing

1.92 The production of meat and meat products is increasing slowly but steadily from the year 1994 till the year 2000-01. The production (estimated) of meat & meat product is as under:-

(in thousand tonnes)

	1994	1995	1996	1997	1998	1999	2000	2001
Mutton & Goat Meat	637	647	669	670	675	800	825	850
Port Meat	366	420	420	420	420	464	480	495
Buffalo Meat	1200	1204	1204	1205	1210	1250	1270	1300
Other Cattle Meat	1290	1292	1292	1292	1295	1295	1300	1305

1.93 The slaughter rate for cattle as a whole is 6% whereas it is 10% for buffaloes, 99% for pigs, 30% for sheep and about 40% for goat. The production of value added items is growing steadily.

Poultry & Egg Processing

1.94 Poultry production has shown a steady increase in the last decades. Correspondingly, there has been a sharp rise in the availability of egg and broilers. The egg, broiler and poultry meat production from the year 1994 onwards is as follows:-

Year	Egg(Million)	Broiler(Million)	Poultry, Meat (Thousand Tons)

1994	26049	330	442
1995	27275	350	578
1996	28162	400	480
1997	30000	450	600
1998	31000	500	675
1999	32000	550	725
2000	32500	600	775
2001	33000(Expected)	700(Expected)	-

1.95 The poultry meat processing is still in unorganized sector. However, with the large increase in broiler production, a number of poultry processing plants have been established in Maharashtra, Andhra Pradesh, Karnataka, Madhya Pradesh, West Bengal etc.

1.96 With the increase in availability of eggs in the country and demand of egg products in Europe, Japan and other countries, India have started exporting egg products like whole egg powder, Albumin powder, Yolk powder.

1.97 The total 9th Plan outlay for this sector was Rs.37.40 crores. The actual approved outlay was Rs.19.73 crores out of which the Ministry could spend only Rs.12.64 crores. The percentage utilization of fund during 9th Plan for the Poultry & Egg Processing, Development of Meat Processing, Development of Marketing Facilities, Infrastructure & Transport was 38.1%, 33.9% and 13.3% respectively. In the beginning year of 10th Plan, i.e. 2002-2003, this sector has been merged with a single scheme under scheme for Technology upgradation, modernization and establishment of Food Processing Units. The outlay for this scheme is Rs.9.0 crores during 2002-2003.

1.98 During Examination of budget 2001-2002, it was stated by the Ministry that the reasons for under utilization were partly due to overall reduction made in the total budget allocation of the Ministry and partly due to non-viable proposals received by the Ministry or the progress of work was not being satisfactory to release subsequent instalments. When asked as to what major changes have been adopted in its strategy to popularize this scheme and utilize the whole amount during the coming years of 10th Plan, the Ministry stated as follows:

“(i) The major changes brought about at the end of the year 2001-2002 in Plan Schemes, are likely to be continued in 2002-2003. The changes made are as follows: -

a.) The soft loan, which was hitherto available for private/ joint sectors, has been substituted by grant-in-aid. The grant-in-aid is available to the extent of 25 percent of the cost of technical civil work and machinery and equipment in general areas and 33.33% in difficult areas up to a maximum of rupees 50 lakhs and rupees 75 lakhs respectively.

b.) Small farmers Agri-business consortium has been appointed as evaluation and monitoring agency of Plan Schemes for North-Eastern States, which will facilitate release of funds for the projects in this region.

c.) Wide publicity is being given for all the schemes for popularisation in all India and regional newspapers.”

1.99 It has been observed that the Poultry & Meat Processing is still in unorganized sector. With the increase in availability of eggs in the country and demand of egg products in Europe, Japan and other countries, India have started exporting egg products like whole egg powder, Albumin Powder and Yolk Powder.

1.100 The export of eggs and egg products is as follows: -

Year	Quantity in MTs	Value in Rs. Lakhs
1996-1997	16682.91	8143.72
1997-1998	11040.47	8884.13
1998-1999	7290.88	5172.01
1999-2000	8367.94	5425.43
2000-2001	15836.12	8617.96

1.101 APEDA, who is responsible for formulating the targets on exports of food products, did not formulate separate targets for egg and egg products.

1.102 Answering to a query of the Committee pertaining to the plan of the Ministry to bring the Poultry & Meat Processing Industry into the organized sector for ensuring better quality to meet International Standards, the Ministry stated:

“Ministry has schemes of modernisation of abattoirs and a communication has been sent to the State Governments to avail the grant under these schemes. Further, the frozen meat industry is in the organised sector. Indian people have preference for fresh meat. With improved power supply, more and more retail chains are expected to come up in the meat and poultry processing sector. This should encourage meat processing in the organised sector. Wide publicity is being now given to our Plan Schemes. Entrepreneurs will avail the grant under these schemes and more units would come under the organised sector. All these schemes also aim at improving the quality standards of meat and poultry products.”

1.103 The Committee in their 21st Report on Demands for Grants (2001-2002) had recommended that in order to increase food processing from a low of 2% to 10% by the year 2010 and minimize the wastage and increase the value addition, the Department should put 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. The BE for this scheme during 2001-2002 was Rs.1.00 crores. In the RE stage it has come down to Rs.30.00 lakhs. While stating the reasons for such reduction and ways and means to achieve its targets with such reduced amount, the Ministry stated as under:

“Since the retail chain has not yet developed there has not been much demand for assistance under the scheme. Hence, the provision was reduced. Keeping in view the recommendations of the Standing Committee, new components of forward integration and other promotional activities have been included in the scheme for backward and forward integration and other promotional activities to be implemented during the 10th Plan. An outlay of Rs. 5.00 crores has been earmarked during the first year of the 10th Plan and the outlay would be enhanced considerably during the remaining years of the 10th Plan depending upon the outcome.”

Milk Based Industries Sector

Research & Development for Food Processing Industries

1.104 The following was the 9th Plan outlay & expenditure under the scheme for Research & Development for Food Processing Industries: _

(Amount Rupees in Lakhs)

S. No.	Name of the Scheme/ Project/ Programme	Ninth Plan App. Outlay	1997-98			1998-99			1999-2000			2000-2001			2001-2002			Total Expd. During the total period of 9 th plan (1997 to 2002)	Total % expn. IX plan outlay
			App. Out lay	Actual Expd.	Short-fall	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		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1.	Scheme for Research & development for Food Processing Industries	2469	370	450	+80	500	431	69	250	252	+2	700	875	+175	680	680	Nil	2688	108.8

+ Expenditure exceeded outlay for the Scheme

1.105 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. had been clubbed together and only one scheme was being implemented. This scheme, although put under Milk Based Industries covered all segments of Food Processing Industries.

1.106 The 9th Plan approved outlay for this scheme was Rs.24.69 crores. The actual allocation during the entire plan period is Rs.25.11 crores and the expenditure thereof was Rs.26.88 crores.

1.107 Keeping in view the importance attached to quality assurance and also the need for undertaking research & development, assistance in the form of grant-in-aid is proposed to be extended under the revised scheme Quality Assurance, Codex Standards & R&D. The outlay for this scheme during 2002-2003 is Rs.10.50 crores.

1.108 When asked as to whether Rs.10.50 crores allocated during the current year for all the three segments in this scheme were sufficient and the methodology adopted for monitoring the assistance and the research work done in this field, in their reply the Ministry stated:-

“The requirement projected for the R & D for the year 2002 – 03 was Rs. 20 crores, against which allocation of Rs. 10.50 crores has been made in the BE 2002 – 03. In case there is need for additional funds, this will be projected at the RE stage. A Review Committee has been constituted in the Ministry to review the progress of all R & D / quality control projects assisted by MFPI periodically. It comprises representatives from CFTRI, DFRL, Department of Science & Technology, Food Research & Analysis Centre, New Delhi.”

1.109 For the 10th Plan, the focus areas for R&D programme may be (a) promoting network of quality control and food testing laboratories as a part of complete quality assurance; (b) packaging development for different foods particularly ready-to-eat foods and ethnic foods; (c) raw material appropriate for processing; (d) product and process innovation for various food processing industry; (e) application of biotechnology in planting material innovation and value added processed food products; and (f) promote setting up of irradiation facilities.

1.110 In the area of quality assurance, following activities are planned :

- a) Development of a network of food testing and analysis laboratories across the country with the codex laboratory at CFTRI, Mysore and FRAC labs in different parts of the country.
- b) Generation of quality awareness among consumers as well as industry through media campaign, running of training programmes and orientation of workshops regarding ISO - 9000 and HACCP etc.
- c) Programme to assist industry in achieving HACCP / ISO certification.
- d) Assistance for public and private traceability systems by means of automated data capture, electronic data processing and electronic communications. This will also include bar coding.

1.111 The product and process development research programmes will be tied up with such technology institutes like CFTRI, DFRL, IIT, PPRC and Agricultural Universities. The objective will be to help replicate technologies available at some institutions so that they become easily available to industry.

1.112 During the examination of Demands for Grants (2001-2002), the Ministry had stated that there was no specific low cost technology for drying up of fish. However, in their replies to List of Points for the subject 'Development and Popularization of Food Processing Industries', the Ministry stated as under:-

“The Ministry has provided Financial assistance to Planters Energy Network, Madurai, for carrying out projects of diffusion of Solar Air Heating Technology in Food Processing. They have installed Solar Drying System at M/s Terra Agro Technologies Limited and at District Fishermen's Youth Welfare Association, Vishakhapatnam for drying of vegetables & fish respectively.”

1.113 In this connection, when asked to state the amount of Financial assistance provided and when have these units developed this technology, the Ministry in their written reply stated:-

“The solar drying technology for fish and fruits and vegetables has been provided by Planters Energy Network, Madurai. The technology is reportedly commercially viable. The assistance provided by the Ministry to the two units is as under :

- I. M/s Terra Agro Technologies Limited – Rs. 23.70 lakhs.
- II. M/s District Fishermen Youth Welfare Association, Vishakhapatnam – Rs. 14.00 lakhs.

The Ministry has written a letter to the State Nodal Agencies and other organizations to propagate the solar drying technology. The Ministry is prepared to provide funds to food processing industries for use of this technology.”

1.114 The Committee in their 21st Report on Demands for Grants (2001-2002) had recommended to intensify R&D work to cover all segments of food processing including low cost hygienically packaging system and low cost technologies for processing of marine products including solar energy to meet not only Indian Standard but also international quality value added products. When asked about action taken by the Ministry in this regard, the Ministry in their reply stated as follows:-

“The Plan Scheme of the Ministry relating to R & D, quality assurance and codex standards in the 10th Plan, covers all segments of food processing including low-cost hygienically packaging systems, low cost technology for processing of marine products including solar energy.”

Quality Assurance

1.115 In this connection, the Committee enquired about the mechanism available with the Ministry of Food Processing Industries to monitor all phases of processing, packaging, storage and distribution of all type of food products to ensure good quality products manufactured under hygienic conditions. In reply, the Ministry stated:-

“The Ministry of Food Processing Industries administers the Fruit Products Order, 1955 through its regional offices located at Delhi, Mumbai, Chennai and Kolkata and sub-offices at Lucknow and Guwahati. Before a Licence is issued, the factory is inspected to ensure that the entrepreneur has the requisite machinery, potable water and specified area etc. The FPO has laid down specification for fruit products, hygienic conditions, packaging and labeling requirements etc. Periodic inspections are carried out to ensure that these requirements are fulfilled by the licensee, random samples are also drawn from the factories and get them analyzed in food laboratories to ensure that the product conform to the specifications laid

down under FPO. The Director in the Ministry organizes quarterly review to monitor the implementation of FPO. Senior Officers of the Ministry also conduct such reviews periodically.”

- 1.116 The budget allocation and expenditure (Non-plan) during the last five years so far as FPO 1955 is concerned, is as follows:-

(Rs. in lakhs)

Years	1997-98	1998-99	1999-2000	2000-01	2001-02
Outlay	0.93	1.16	1.22	1.27	1.49
Expenditure	0.86	1.00	1.00	1.24	0.76 upto Sept,01

1.117 It has been observed that Fruit Products Order (FPO) 1955, Meat Food Product Order & Milk & Milk Product order aim to ensure good quality product manufactured under hygienic conditions. But it does not spell anything about packaging, transportation & distribution of food products. When asked to state the major initiatives taken by the Ministry to give clear cut guidelines regarding the above mentioned activities, the Ministry in their written reply, furnished the following:-

“The Ministry of Food Processing Industries administers only Fruit Products Order (FPO), 1955. Meat Food Products Order (MFPO) and Milk and Milk Products Order (MMPO) are administered by the Department of Agriculture & Cooperation and Department of Animal Husbandry & Dairy, Ministry of Agriculture respectively. The FPO specifies that the processed fruits and vegetables be packed in OTS cans, glass containers or flexible packaging conforming to the BIS specifications for food grade plastic materials. The transport and distribution of such products is not governed under FPO.”

SCHEME FOR STRENGTHENING OF INSTITUTIONS

1.118 The scheme has three components with the following allocations during 2002-2003:

(i)	Secretariat	1.60 crore
(ii)	Assistance for Promotion of FPI	6.90 crore
(iii)	Assistance for Strengthening of Dte. of F&VP	<u>1.00 crore</u>
	Total	<u>9.50 crore</u>

Paddy Processing Research Centre

1.119 The Paddy Processing Research Centre at Thanjavur is an autonomous body under the administrative control of the Ministry. This centre was set up in December, 1984 as Society registered under the Tamil Nadu Societies Act. The centre carries out basic research work on different applied aspects of rice processing and by product utilization like drying, storage, parboiling milling, bran stabilisation and oil extraction etc. The center is fully funded by this Ministry. Currently the following projects are being handled at the centre:-

- Preparation of ready to eat food products based on rice and fruits.
- Process development for producing parboiled rice from paddy having characteristics similar to that from old paddy.
- Development of different management system to control psocids population in godown.

- (d) Processing of brown rice for retention of nutrients.
- (e) Pilot study on the production of protein enriched rice vermicelli.
- (f) Influence of handling and processing conditions of paddy on production of Aflatoxin and detoxification.

1.120 Besides R&D projects, the PPRC had also conducted three training programmes for the benefit of rice millers, students from TNAU & State Government. The scientists have also participated in exhibition, seminars and delivered radio talks.

1.121 It is proposed to upgrade the centre as a National Centre of Excellence to undertake R&D work in other areas of grain processing like cereals, pulses and oil seed besides paddy. It shall also be having ultra modern food analysis laboratories and fabrication Engineering facilities. Certificate/diploma courses will be started for development of entrepreneurship. It will impart training to the millers, operators and managers from grain milling and processing industries.

1.122 When asked about the progress made by Paddy Processing Research Centre since 1984 till date in terms of manpower, machinery, building, laboratory, financial resources etc. and the allocation made to PPRC along with the and utilization made by them during the last five years, the Ministry stated:-

"Paddy Processing Research Centre (PPRC), Thanjavur has made significant contribution in development of technologies and propagation of benefits of modernization of rice milling. The allocation made to PPRC and utilization made by them during the last five years is as follows:-

(Amount Rs. In lakhs)					
Year	Bal. C/F previous year	Other Receipt due to Interest earned	Grants released	Expenditure	Balance
1996-97	62.77	9.64	Nil	41.04	31.37
1997-98	31.37	3.40	78.38	68.83	44.32
1998-99	44.32	7.01	100.00	92.74	58.58
1999-2000	58.58	12.81	45.00	92.00	24.39
2000-01	24.39	3.64	80.00	83.25	24.78

1.123 The upgradation plan would be completed in 5 years at a cost of Rs. 25 crores. A provision of Rs.3.4 crores is earmarked for 2002-2003 for upgradation of the Centre.

Secretariat Economic Services Sector

Strengthening of Nodal Agencies

1.124 State Governments have a significant role to play in providing infrastructure and raw material. With a view to coordinating the activities pertaining to this sector, the State Governments have nominated Nodal Agencies for Food Processing Industries at the State level. All the States/UTs (36 in number) have notified SNAs. In the 9th Plan out of Rs.2.35 crores the Ministry could spend only Rs.1.35 crores i.e. 57.41 for strengthening of Nodal Agencies in States.

1.125 Giving reasons for not being able to strengthen Nodal Agencies 100% the Ministry in their reply stated as follows:-

“As per the Plan Schemes operated by the Ministry, the State Nodal Agencies (SNAs) are eligible for a one-time grant of Rs. 5 lakhs (earlier it was Rs. 3 lakhs) once in a block period of five years and recurring grant of Rs. 1.00 lakhs (earlier it was Rs. 50 thousand) per annum. For availing the assistance, the SNAs have to make an application to the Ministry. Some of the SNAs have either not come forward for availing the one time assistance or the recurring grant, resulting in under utilization of allocation of funds.”

Milk & Milk Products

1.126 India is now the largest producer of milk in the world. The production of milk and milk products since the year 1991-1992 is as follows:-

(Estimated figures in thousand tons)

Year	Milk Production (Million tonnes)	MP	MMF	CM	Cheese	Total Milk Products
1991	55.7	150	41	8.1	2.5	201.6
1992	58.0	165	41	8.4	2.9	219.3
1993	60.6	185	32	7.8	3.1	227.9
1994	63.8	195	44	8.1	4.0	251.1
1995	66.2	200	48	9.2	4.0	261.2
1996	69.1	210	53	9.3	4.0	276.3
1997	71.9	215	55	7.8	7.0	284.8
1998	75.2	222	65	9.0	5.0	301.0
1999	78.1	225	66	11.0	5.0	307.0
2000	80.1	230	67	11.5	7.5	316.0
2001 (Expected)	84.9	235	68	12.0	8.0	323.0

* Milk Production figures relates to the financial years (2001-02 as the last year)

MP Milk Powder

MMF Malted Milk Food

CM Condensed Milk

1.127 More than 50% of the total milk production is estimated to be consumed as Liquid Milk. About 66% of milk is procured in organized sector. Milk Producing plants registered with Milk and Milk Products Order are 675 in number. Milk processing plants in cooperative sector are procuring about 28 million Ltrs. of milk per day, whereas, plants in private sector are processing 30 million Ltrs. per day. It has been estimated that approx. 12% Milk per day is processed into value added products like casein, whey powder & whey protein concentrates. Most of the innovative milk products like casein and whey powder are exported. Though the production of milk powder including infant milk food, malted food products, cheese, condensed milk etc. is steadily increasing, the potential for such products is quite large.

1.128 The reasons as furnished by the Ministry for such low percentage of processing of Milk are as under:-

“Presently, only 15% of the total milk produced in India is handled in the organized sector whereas a whopping 55% is handled by traditional dudhias / halwais and the rest is retained by milk producing households for in-house consumption and local sales. Besides 12% of the milk produced being utilized for innovative products such as casein, whey protein, lactose, cheese etc., more than half of the milk produced is converted into traditional products such as dahi, mawa, khoa etc., in the unorganized / organized sector.”

1.129 The Committee have been informed that some of the constraints faced by the industry are high cost of packaging technologies for longer shelf life, lack of adequate interest by the industry, availability of poor quality of milk, low milch cattle productivity, low demand for high value added products etc. When asked as to what special care have been taken by the Ministry to encash the benefits, in reply the Ministry stated:-

“The Ministry of Food Processing Industries is operating a plan scheme under which financial assistance is provided to different organizations including private sector for setting up / expansion / modernization of food processing units. This also includes projects for value added products for milk such as casein, skimmed milk powder, whey protein, cheese, ice cream, malted foods, infant milk foods etc.” The budgetary provision for 2002-2003 is Rs.9.00 crore.

Laws regulating Food Processing Industries

1.130 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.

1.131 Therefore, the Committee in its 21st Report on Demands for Grants (2001-2002) had recommended that the Ministry should harmonize the existing food laws in order to facilitate faster growth of the industry.

1.132 It has further been pointed out that different laws are being maintained by different organizations and Ministry. Milk & Milk Products and Meat Food Products orders are being maintained by the Ministry of Agriculture. The Ministry of Commerce is dealing with export and import of milk.

1.133 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.

1.134 The Committee in their 21st Report on Demands for Grants (2001-2002) had further recommended that the Department should come up with a concrete proposal wherein there was a single window clearance to all proposals for beginning a food

processing venture. The Committee had desired to be apprised of the blue print of the proposal within three months of the presentation of this Report to Parliament. The Department in their reply have stated that it is formulating a "Processed Food Development Act" with a view to create single window clearance of the proposal.

1.135 The Finance Minister in his budget speech (2002-2003) has also endorsed to this fact by stating that "A multiplicity of regulations for food standards under the Prevention of Food Adulteration Act, the Food Products Order, the Meat Products Order, the Bureau of Industrial Standards and the MMPO, affect the food and food processing sectors."

1.136 While answering to a query whether the Government has fixed any time frame for this holistic work, the Ministry in their written reply stated as under:-

"The Ministry has already submitted a Cabinet Note for a National Food Processing Policy and the outline draft of the Processed Food Development Bill with a view to rationalize and simplify the existing rules and harmonize extant standards. The Finance Minister in his Budget Speech (2002-03) has announced constitution of a Group of Ministers (GOM) to propose legislative and other changes for preparing a modern integrated food law and related regulations."

NERAMAC

1.137 The Ministry has informed that NERAMAC has since been transferred to the Department of Development of North Eastern Region and the Ministry of Finance has also transferred the budget provision of BE & RE 2001-2002 and made a provision in the Budget for the year 2002-2003 under Demand No.23 of the Department of Development of NE Region.

Investments

1.138 For a period of approx. 10 years from August, 1991 to December, 2001, a total of 6597 IEMS were received by the Ministry which envisaged an investment of Rs.53,865 crore. Based on RBI data the actual foreign investment from 1991-92 to October, 2001 had been Rs.2818 crore in the processed food sector.

DUTY CUT ON ASEPTIC PACKAGING

1.139 The Committee during evidence on 5th April, 2002 pointed out that the required equipment for fruit canning industry, like equipment for automatic sealing, and sterilization of can, is not available in the country. They are imported. Aseptic packaging for milk products and fruit juices to increase the shelf life is very costly. These factors lead to the high cost of the value added product. The Committee felt that it is necessary to change the duty structure on these items to become competitive in this field.

1.140 The representative of the Ministry clarified stating as under:

"I am grateful to the honourable Member because he had said what I wanted to say and I would just like to supplement to the hon. Member as he know this industry like the back of his palm. Sir, as regards cost percentage, I would take tin cans for mango juice where the percentage of packaging to the total cost is 64 per cent which is very high. A glass bottle of mix fruit jam, the percentage of packaging cost to total cost is 43 per cent; in case of a glass bottle of orange is 39 per cent; for tomato catch up, it is 47 per cent etc. So, the packaging cost varies from 39 to 64 per cent of the total cost of the final product. So, it is very essential that duty has to be reduced for the growth of this industry."

PART-II**RECOMMENDATION NO. 1****PERCENTAGE ALLOCATION OF FUNDS**

Agriculture contributes 26.08% to the Gross Domestic Product (GDP) and the food processing industries contribute 2.25% of the GDP. Although India is the world's largest producer of fruits and vegetables, a large percentage goes waste because of improper handling, storage and lack of processing facilities. All the above stated activities need money and it is the lack of investment in this sector that has been the major hurdle in its development.

The Government in the past have adopted various indirect measures like, lowering of excise duty, trying to develop a Processed Food Fund, a Venture Capital Fund, placing food processing in the priority sector for lending, giving grant-in-aid etc., in order to make available cheap finances to prospective entrepreneurs but none of these measures could infuse much life to this sector on account of risk involved in handling perishable items. The other factor responsible for lack lustre response from the new and budding entrepreneurs is their lack of awareness and knowledge. In such circumstances Government finance and intensive publicity can play a very important part to bring life into this sector.

The gradual decline of Plan funds from 0.091% of Central Sector outlay to 0.042% from 1992-93 to 2001-02 had been of concern to the Committee.

The Committee were not at all happy with an allocation of Rs.75.00 crore when it took up the demands of this Ministry for consideration. However, the Committee have been informed that the Xth Plan allocation for the Ministry has been fixed at Rs.650.00 crore.

The Committee are happy that their recommendations for higher allocations to the Ministry have made an impact and a beginning has been made. The Committee are also happy that their continuous recommendation to the Ministry year after year has borne fruit and the capacity of the Ministry to utilize their entire budgetary provisions during 2001-02 has shown definite improvement. The changing pattern of assistance in various schemes which being more processing friendly is a welcome measure. In view of all these developments in the food processing industries sector, the Committee urge upon the Ministry of Finance and the Planning Commission to gradually increase the budgetary provision to the Ministry upto 0.2% of Central Outlay as recommended last year.

RECOMMENDATION NO. 2**PERFORMANCE OF THE DEPARTMENT – IXTH PLAN**

The Committee find that during the first three years of the IXth Plan the performance of the Ministry has not been satisfactory. During subsequent two years only the pace of utilization has picked up. According to the Ministry, one of

the main reasons was that it took sometime for the beneficiaries to appreciate the scheme and submit their applications for financial assistance.

Surprisingly, 60% of the time of a five year plan was taken by the beneficiaries to know, understand and then submit applications. The Committee are constrained to note that when the beneficiaries have acquainted themselves with the schemes and were spreading and sharing their experiences so that other entrepreneurs may like to replicate them, the Plan came to an end and a new Plan period has begun. In the new Plan period the Planning Commission has asked the Ministries to adopt macro-management mode, as a result many schemes have been merged and some others were scrapped. Funding patterns have also been changed, allocation of funds has increased in some sectors whereas it has been reduced in others. Consequentially, some beneficiaries who had started late in the 9th Plan may not get funds any further on account of the scheme being scrapped whereas others may not know how to get about the new scheme. Thus, in the opinion of the Committee the intended beneficiaries will take sometime to acquaint themselves to appreciate the schemes and submit applications.

The Committee are afraid that whereas it has been lauding the progress made by the Ministry in the last two years of the IXth Plan, it may face such a situation wherein funds may remain unutilized during the first year of the Xth Plan. The Committee, therefore, recommend that as this is the beginning of the year 2002-03 the Ministry should take all possible steps to publicize their schemes through Nodal Agencies, State Food Processing Departments, generic advertisements, print media, visuals, audios, websites, etc. so that schemes become popular and in demand.

RECOMMENDATION NO. 3

PRIORITY SECTOR LENDING NORMS

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.

To give a real boost to food and agro based industries the government had included this sector within the definition of priority sector for bank lending. However, priority sector lending norms are not applicable to financial institutions. Commercial banks provide only 18% of their Net Bank Credit as priority sector lending for the entire Agriculture sector. The Government have not yet fixed any separate target within that 18% for lending to food processing and agro based industries. The financial institutions are not coming forward for lending because of the risk involved in food processing sector. It is in this context the Committee have been recommending for liberal finance to this sector within the priority sector for the last two years.

The Ministry have now taken up the matter of extending institutional finance support with financial institutions like NABARD, SIDBI and ICICI, Exim Bank etc., but a final decision is yet to be taken. The Committee are informed that financial assistance for infrastructural support by NHB, NCDC and APEDA is also dovetailed. The Ministry of Food Processing Industries have converted the provision of soft loan under their plan schemes to grant-in-aid, which will help in improving financial viability of food processing industries.

The Committee appreciate the efforts made by the Ministry to make available finance through financial institutions on liberal terms to this sector. The Ministry has also done its bit by converting soft loans into grant-in-aid. The Committee only hope that their deal with NABARD, SIDBI, ICICI matures soon and the people have a good experience of transacting with these institutions for food processing funding. Apart from this, the Committee strongly feel that the Government should take up the issue of fixing a percentage within the priority sector lending for the Food Processing Sector with the Ministry of Finance in order to provide cheap and easy finance to this sector.

RECOMMENDATION NO. 4

PROCESSED FOOD DEVELOPMENT FUND

The Committee are informed that although a token provision of Rs. 5.00 crores was made for this scheme during the year 2001-02, the Planning Commission has not considered it desirable for a Government Department to get involved either directly or indirectly in funding such ventures and asked the Ministry to leave it to the financial institutions. It is in this context the Planning Commission did not approve the scheme on Processed Food Development Fund and hence there is no allocation during the current year. The Committee are further informed that Rs. 5.00 crore allocated during the year 2001-02 has been spent for meeting expenditure in connection with plan schemes relating to setting up/expansion/modernization of Food Processing Industries.

The Committee are surprised at the regressive attitude of the Planning Commission in this regard. The Financial Institutions/Banks are commercial enterprises and run their activities with profit motive. In the opinion of the Committee these Institutions cannot provide easy and cheap finances to an upcoming sector knowing fully well about the problems which vary from State to State, district to district and at times are unique to a particular area, the seasonal nature of the produce, requirement for large one time working capital due to long gestation, long repayment period, relatively low market demand and huge storage costs due to high perishability. In this situation, it is the Ministry which can come to the rescue of the industry.

The Committee, in its reports on Demands for Grants have been recommending for an autonomous body for funding food processing sector for the last three years. The Prime Minister's Task Force on Food Processing Industries under the Chairmanship of Shri Nulsi Wadia had also recommended for setting up of an autonomous food development Bank of India on the lines of the National

Housing Bank/HDFC for funding of post harvest activities of the agro and Food Processing Industries and the supporting infrastructure sectors like transport and storage etc. This Centralised institution having specialized techno-commercial skill for food and agro processing will be in a position to solve different area specific problems.

The Committee are shocked to learn about the decision of the Planning Commission and also to see that no funding for this scheme during 2002-03 has been provided. The Committee have come to a conclusion that the scheme is finally shelved as far as the Ministry and the Planning Commission are concerned. However, the Committee are still of the opinion that the scheme was a well thought out idea and would have been a turning point for the food processing sector. The Committee, therefore, desire that the Ministry should seriously take up the matter of creation of a 'Food Development Fund' with the Planning Commission again in order to give a fillip to all round development of Food Processing Sector. The Committee also desires to be kept apprised of the developments every three months.

RECOMMENDATION NO. 5 **HIGHER ALLOCATION FOR INFRASTRUCTURAL FACILITIES**

The Committee note that not only fruit and vegetable sector, but the whole food processing sector has been characterized by poor marketing transport and communication infrastructure. There are enormous inefficiencies in the food chain resulting in loss of about Rs. 50,000 crore annually. This Ministry has been implementing a financial assistance scheme for infrastructural facilities for food processing industries. Finance and assistance for establishment of post-harvest infrastructure, cold chain facilities, encouraging projects for production and processing of mushrooms, hops, gherkins etc., setting up of food processing industrial estates and infrastructural facilities for preservation and processing of fish is provided under this scheme. The Ministry of Food Processing Industries has been proactively pursuing the task of setting up of food parks in different parts of the country to assist the small and medium scale units by providing common facilities of R&D lab, cold storage, uninterrupted power supply, water supply, warehousing facilities, and other large processing facilities. To attract more and more entrepreneurs the Ministry has changed the soft loans into grants-in-aid. The Ministry has thus broadened the activities under this scheme. For these broad activities the outlay during the current year is Rs. 29.00 crore against the projected demand of Rs. 70.00 crores to the Planning Commission.

The allocation for this important segment of food processing industries has been kept very low, although it has a major share of the entire budgetary provision. The Committee feel that this is one of the most important sectors in food processing. Investments in this sector will be required at every point in the chain for transportation, storage to sorting and grading systems since all these stages are currently under- developed. Even at the retail end, wastage is much higher than international, standards. Thus, in the opinion of the Committee infrastructural development of this important sector is a national imperative.

The Committee, therefore, desire that after reviewing the progress of the scheme for a period of six months the Ministry should make a case based representation to the Planning Commission for enhancement of funds at the RE stage. The Committee further desire that cold chain being an integral part of infrastructural facilities, the Ministry should achieve 100% physical target for setting up of cold storage by utilizing the entire allocated amount.

RECOMMENDATION NO. 6

COLD CHAIN

The Committee in their earlier reports have been observing that one of the greatest impediment for the overall development of Food Processing Industries is lack of an integrated cold chain. The cold chain is a facility to keep the produce in an atmosphere congenial to it right from farm to the market or from the farmers to the consumers. In 21st Report on Demands for Grants (2001-02), the Committee had recommended that the Ministry should take immediate steps to integrate various agencies involved in the formation of cold chain system and bring out a proper policy to ensure that the cold chain system is actually put in place. The Committee are happy to note that the new component of integrated cold chain has been added to the scheme of infrastructural development. Formulation of this scheme is stated to be in progress. The integrated cold chain facilities would include infrastructure for storage and collection of horticulture produce at the growing areas, transportation from the growing areas to the whole sale markets/processing units and provision for freezer cabinet at retail end. The scheme would also have provision for value added centres for preliminary processing activities like grading, washing, drying, waxing, packaging etc. The Committee wish that the Government should extend these facilities to other perishable agricultural produces such as meat, poultry, fish, milk and other perishable produce in addition to fruits and vegetables.

The Committee feel that the integrated cold chain facilities are the lifeline of fresh food before being processed, therefore, it requires utmost attention and importance. The Committee, therefore, strongly recommend that the scheme be implemented as early as possible and while implementing the scheme on integrated cold chain facilities the Government should also take into consideration the recommendations of Murari Committee. The Committee also recommend that the Ministry of Transport should take necessary steps in improving the roads leading from the farm where the perishable goods are produced to the urban/market areas.

RECOMMENDATION NO. 7

HUMAN RESOURCE DEVELOPMENT

The Committee note that the projected growth of food processing industries during the 10th Plan would be 7.3% assuming the growth of GDP at 6%. In case GDP grows at 8% per annum, the growth of food processing industry is also expected to grow by 10.1%. It is expected that direct employment in the food

processing sector would grow at the rate of 1.25% per annum. The indirect employment would be 2.38 times the direct employment. Thus, it is also necessary that the manpower requirement for this industry be developed. The Committee note that the scheme for human resource development is being implemented by the Ministry mainly through agricultural universities and specialized institutions like CFTRI. Although, one of the objectives of the scheme is to extend the spread of food processing units/practices in the remote areas closer to the raw material sources, the need for low level technical work force has not been addressed seriously, when agri-business is becoming an important commercial activity. The role played by even an ordinary agriculture worker gains considerable importance from the economic point of view. Lack of knowledge of pre and post harvest management activities on the agriculture field level and also lack of knowledge on appropriate post harvest handling at the processing level have a telling effect on the quality of the produce and in the process on the economic value of the ultimate products.

The Committee, therefore, strongly recommend that the government should set up industrial training institutes at taluka levels to train the agricultural labourers and people engaged in food processing on all aspects relating to pre and post harvest management activities. The Government should take up a massive developmental programme for setting up such activities and develop the skill of persons in processing activities in a phased manner within a definite time frame to fulfill the aim and objectives of the 10th plan which has given its main thrust to development of human resources.

The Committee note that against the projected demand of Rs. 20.00 crore for this scheme during the year 2002-03 by the Ministry, it has received only Rs. 4.50 crores at the BE stage. In their opinion the amount allocated for the scheme is grossly insufficient. The Committee recommend that in order to realize the importance envisaged in Human Resources Development, the Government should fully utilize the allocated amount during the current year and hope that more funds will be given by the Planning Commission at RE stage or in the remaining years of 10th Plan.

RECOMMENDATION NO. 8

ASSISTANCE FOR SETTING UP/EXPANSION/UPGRADATION OF FOOD PROCESSING INDUSTRIES

The Committee note that the actual outlay for the whole 9th Plan period was Rs.33.32 crores out of which the Government could spend only Rs.28.42 crore. The percentage of expenditure to allocation was 61.1%. During 10th Plan, assistance in the form of grant-in-aid is proposed to be extended under this scheme for all segments of the food processing sector including fruits and vegetables, milk, fish, meat and poultry etc. Against a demand of Rs.20.00 crores the Ministry was allocated Rs.9.00 crores for the year 2002-2003.

The Committee observed that during the period April 2001 to 15th March 2002, 27 proposals, which were found viable in all respects, were approved for

financial assistance in the fruit and vegetable sector including 7 proposals from the North Eastern Region. As on 1st March, 2002, twenty six proposals are pending for want of funds and for want of details.

The Committee also note that the Ministry have broadened the activities of this scheme to encompass all the segments of food processing sectors side by side giving special emphasis to food parks through which the Government hopes that more and more food processing units will be set up. In such a scenario, the Committee feel that the amount allocated for this scheme will fall short of the requirements. The Committee express their sympathy over the fact that 26 proposals are pending clearance in the Ministry for want of funds. The Committee, therefore, strongly recommend to the Ministry of Finance/Planning Commission that allocation for this scheme should be judiciously enhanced at the RE stage.

RECOMMENDATION NO. 9

GENERIC ADVERTISING ON PROCESSED FOODS

The Committee note that three video spots have been commissioned to promote processed foods. Two of them are “Good value for money” and “hygienic practices in processing”. They were to be telecast in Feb., 2002. Two other video spots have been prepared and are to be telecast shortly.

The Committee feel that these advertisements are broadcast at a time which is not prime time of viewing because most of the members have not seen these spots because they appear only on National Channels, despite cable network being available throughout the cities and in major urban towns. Advertising through DAVP on Doordarshan may not be a very attractive proposal for general viewership. A clear example is that of the Mother Dairy Campaigns. Everybody sees the two/three buffaloes munching grass and advertising milk from NDDDB. The other are the Amul butter campaigns. These slots have got into every household because they are on those channels which have the maximum viewership in cities & also in towns.

The Committee have observed that the budget for 2001-2002 was Rs.2.00 crore and now in 2002-2003 it is Rs.5.00 crore. But Rs.5.00 crore is for all promotional activities which necessarily includes other schemes apart from Generic Advertising. This allocation is pittance for such a big and important scheme which can give a huge turnover to the entire food processing.

The Committee are not at all happy with the progress of the scheme. The Committee would like the Ministry to approach the Planning Commission and Ministry of Finance for additional funds at RE stage. They would appreciate, if the spots are placed on cable network, preferably during prime time.

RECOMMENDATION NO.10

RESEARCH & DEVELOPMENT IN FOOD PROCESSING SECTOR

The Committee note that the Focus area for R&D Programme during 10th Plan will be on promoting network of quality control and food testing laboratories as a part of complete quality assurance, packaging development for different foods particularly ready to eat foods and ethnic foods, raw material appropriate for

processing, product and process innovation for various food processing industry and application of biotechnology in planting material innovation and value added processed food product.

The Committee also find that many R&D institutions in the field of food, research and development require better infrastructure for servicing small and medium scale industry. The financial resources allocated for such infrastructure development are quite inadequate considering the enormity of the task involved. There is hardly any interaction between R&D institution and the user industry/agency and hence meaningful R&D project needs of the industry are not taken up. Majority of the R&D institutes concerned with food industry do not have a sound technology dissemination and transfer groups endowed with a capability to scout for industrial projects and identify right users for newly developed technologies. Unfortunately, many of the technologies developed remain largely on the shelf for years without any takers for them. Indigenous technology developed often is centred around recipe and pay very little attention to design of equipment and machinery. Large part of existing food processing industry in the country in the organized sector depends heavily on modern gazettes and machinery. Most of entrepreneurs going in for indigenous technology face constraints and difficulties in processing and operating suitable machinery to operate the process. In the process of the laboratory research being translated in terms of industrial activities, a number of practical steps are involved viz., pilot plant, investigation to collect design and economic data for commercial size plant, working out engineering details, building of prototype details of plant lay out, procurement, installation and commissioning of plant and back up service for equipments and trouble free performance. However, many processes and technologies developed indigenously do not go through this chain mainly because of constraints of infrastructure, funds, shortage of personnel and difficulties in identifying potential users. Therefore, the Committee recommend that:

- (a) There should be stronger and long term interaction between such institutes and the industry;
- (b) The process and product know-how transfer by research institute needs to be more practically oriented;
- (c) Massive upgradation of manufacturing equipment as well as analytical equipment is needed to match world standards to maintain and further strengthen our export competitiveness;
- (d) There are many technologically proven and commercially successful technologies that are available world-wide. These technologies need to be adopted for Indian conditions and then made available at lower cost; and
- (e) The laboratory facilities available with the research institute should be made widely acceptable to the industry on a charge basis.

RECOMMENDATION NO.11
FOOD SAFETY & QUALITY

The Committee note that Indian Food Processing Industry has failed to integrate quality into every aspect of food processing. Indian Food Products are yet to make a place in the international market. The main reason behind this is

inconsistent quality on account of lack of proper management system and inadequate attention by the processors to the quality related factors such as standardization of process, hygiene, packing, transportation etc. The WTO agreement and the signing of sanitary and Phyto Sanitary Agreement and TBT agreement has brought a rapid change to the international scenario with quality and safety standards gaining tremendous significance.

In order to gain entrance in the World International Trade in food and food products, it is necessary for the Indian Food Processing sector to become quality conscious and edge towards attaining international quality standards.

The Committee, therefore, recommend that the Ministry should adopt stringent quality control measures and take necessary steps to penalise those who violate these measures in terms of regulations on the subject. It should also ensure that the quality control measures of International standards are adopted through a regulating body in the country.

RECOMMENDATION NO.12 **STRENGTHENING BACKWARD LINKAGES**

According to the Committee, the strengthening of backward linkages is the backbone of food processing industries. The 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 are happy to note that the recommendation of the Committee and the difficulties experienced by the processing units and the farmers in entering into contract agreement for a period of three years has been considered seriously by the Ministry. The Ministry has relaxed the provisions of the scheme and reduced the period of contract from three years to one year. The Committee are also happy that the Ministry has decided to enhance the percentage of incentive available to the processor from 5% to 10% of the value of the purchases made in a given year. The period for which the incentive is available has also been increased from three to five years.

The Committee wish that the Ministry should implement this scheme in letter and spirit. The Ministry should also give wide publicity to this scheme in order to achieve best results.

RECOMMENDATION NO.13 **NEED FOR HARMONIZATION OF EXISTING FOOD LAWS**

The Committee find 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 fifty years ago (like Prevention of Food Adulteration Act) meant to serve the dual purpose of food safety and prevention from adulteration. Similarly, many of the statutory orders 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 dampners for the growth of the industry. The Committee in their 21st Report on Demands for Grants (2001-2002) had recommended that the Ministry should harmonize the existing food laws in order to facilitate faster growth of the industry.

The Finance Minister in his budget speech (2002-2003) has also endorsed the harmonization of laws. He has also announced the constitution of a Group of Ministers (GDM) to propose legislative and other changes for preparing a modern integrated food law and related regulations.

The Committee are also informed that the Ministry of Food Processing Industries is in the process of formulating a processed Food Development Act in which these things will be taken care of.

The Committee are of the opinion that these subjects will be best addressed and expedited if the operating Ministry i.e. the Food Processing Ministry be made the Secretariat to the Group of Ministers.

RECOMMENDATION NO.14
SINGLE WINDOW CLEARANCE OF PROPOSALS

The Committee note that 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.

The Committee in their 21st Report on Demands for Grants had recommended that the Ministry should come up with a concrete proposal to streamline the procedure to create single window clearance of the proposals.

The Committee are informed that the Ministry is in the process of formulating a processed Food Development Act with a view to create single window clearance of all the proposals relating to Food Processing. As formulation of such an Act requires consultation with many Departments of the Government of India, State Governments etc., a time frame cannot be laid down at this stage. In this backdrop, the Committee recommend that the Ministry should expedite the matter and come out with a concrete proposal at the earliest.

RECOMMENDATION NO.15
PADDY PROCESSING RESEARCH CENTRE

The Committee are informed that the Paddy Processing Research Centre at Thanjavur is an autonomous body under the administrative control of Ministry of Food Processing Industries. The Centre carries out basic research work on different applied aspects of rice processing and by product utilization like drying, storage, Parboiling milling, bran stabilization and oil extraction etc. The Centre is fully funded by the Ministry of Food Processing Industries. It is proposed to upgrade the centre as a National Centre of Excellence to undertake R&D work in other areas of grain processing like cereals, pulses and oil seeds besides paddy. The upgradation Plan would be completed in five years at a cost of Rs.25 crores. A provision of Rs.3-4 crores is earmarked for 2002-2003 for upgradation of the centre.

The Committee note that there is shortfall in expenditure in this centre since 1995-96. Every year a sizeable balance is carried forward to the next year. (Rs.31.37 lakhs in 1996-97 Rs.44.32 lakhs in 1997-98, Rs.58.58 lakhs in 1998-99 Rs.24.39 lakhs in 1999-2000).

The Committee feel that this is the only prestigious institution under the Ministry and the Ministry has left no stone unturned to keep the centre under its control. The Centre in turn should be more active and come up as a National Centre of excellence.

The Committee, therefore, strongly recommend that in the coming years the Centre should vigorously pursue its objectives and utilize the allocated amount fully and give results.

RECOMMENDATION NO.16 **DUTY CUT ON ASEPTIC PACKAGING**

The Committee note that aseptic packaging is packaging of processed products in such a manner that the shelf life of the processed product increases from days to months and the storage requirements are also not very demanding. The Committee are also informed that ordinarily packaged milk can be kept for 24 hours only but in aseptic packaging the milk can be kept for months together.

The Committee are further informed that although China produces 1/10th of India's milk and Pakistan 1/4th, the duty structure on aseptic filling machines is 1/4th of the duty structure in India thereby making the value added product very much cheaper in those countries. In India the packaging cost varies between 39 to 64 percent of the total cost of the final product.

The Committee feel that this packaging factor would definitely encourage imports of packed foods in this liberalized era. To counter this factor and to save the Indian processing industry, India may have to increase the import duty on them. Although in the view of the Committee this would be a negative way of tackling the problem but the correct way would be to decrease the import duty on machinery and other material used in aseptic packaging.

The Committee, therefore, recommend that the Government should take necessary measures to reduce the import duty on machinery, equipments and other related materials used in aseptic packaging and give encouragement to the food processing industry to grow.

RECOMMENDATION NO.17 **XTH PLAN ALLOCATION TO THE MINISTRY**

The Committee have been informed during evidence that the Ministry has been allocated Rs.650 crore for the Xth Plan. This was a quantum jump for the Ministry, as the allocation for the IXth Plan was a very meagre Rs.192 crore

The Committee appreciate the Ministry over their success and demand an assurance from them that the Ministry will utilize every penny and fulfil its targets in infrastructure development, research & development, forward & backward linkages, Technology Upgradation, Human Resource Development etc., to save the estimated post-harvest wastage of perishable raw materials of fruits and vegetables

amounting to Rs.50,000 crores annually and put the food processing of the nation amongst the leading food processing nations of the world.

New Delhi;
April, 2002
Chaitra, 1924 (Saka)

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