

THIRTY-EIGHTH REPORT
MINISTRY OF FOOD PROCESSING INDUSTRIES
DEMANDS FOR GRANTS
(2002-2003)

[Action taken by the Government on the Recommendations/
Observations contained in the Thirty-Third Report]

CHAPTER-II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Percentage Allocation of Funds

Recommendation No. 1

2.1 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.

Reply of the Government

2.2 The recommendations of the Standing Committee have been communicated to the Planning Commission for necessary action. It has been informed by the Planning Commission that enhancement of outlay will be considered at the appropriate stage depending upon the implementation of the Plan Schemes.

Performance Of The Department – IX TH Plan

Recommendation No. 2

2.3 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.

Reply of the Government

2.4 As recommended by the Standing Committee, all possible steps to publicise the schemes through Nodal Agencies, Generic Advertisement, Print Media etc., have been taken up by the Ministry so that the schemes become popular. Representative samples of such advertisement are appended at Page No.56.

Comments of the Committee

2.5 For comments of the Committee please refer to Paragraph No. 1.6 of Chapter I of the Report.

Priority Sector Lending Norms

Recommendation No. 3

2.6 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.

Reply of the Government

2.7 The matter has been taken up with the Department of Banking, Ministry of Finance for suitable instructions to the lending institutions.

Comments of the Committee

2.8 For comments of the Committee please refer to Paragraph No. 1.9 of Chapter I of the Report.

Higher Allocation For Infrastructural Facilities

Recommendation No. 5

2.9 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.

Reply of the Government

2.10 It may be relevant to mention that out of the total approved plan outlay of Rs.6.50 crores, an amount of Rs.2.50 crores has been earmarked for the scheme of Infrastructure Development. Out of the total outlay of Rs.75 crores for the year 2002-03, appropriate action for re-appropriation of funds would be resorted to depending upon the fund requirement of this Scheme.

Comments of the Committee

2.11 For comments of the Committee please refer to Paragraph No. 1.15 of Chapter I of the Report.

Cold Chain

Recommendation No. 6

2.12 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.

Reply of the Government

2.13 The Scheme of Infrastructure Development has a component of integrated cold chain facility which has been evolved taking into account the recommendations of the Murari Committee. The Ministry of Urban and Rural Development have also been appraised of the recommendations of the Committee for necessary action.

Comments of the Committee

2.14 For comments of the Committee please refer to Paragraph No.1.18 of Chapter I of the Report.

Human Resource Development

Recommendation No. 7

2.15 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.

Reply of the Government

2.16 The recommendations of the Committee have been noted. Any enhanced requirement of funds for this scheme will be made available by re-appropriation.

Assistance For Setting Up/Expansion/Upgradation Of Food Processing Industries

Recommendation No. 8

2.17 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.

Reply of the Government

2.18 The requisite funds for the scheme would be made available within the overall Plan Outlay of Rs.75 crores. The Ministry also proposes to seek a higher allocation at the R.E. stage.

Generic Advertising On Processed Foods

Recommendation No. 9

2.19 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 NDDB. 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.

Reply of the Government

2.20 The Ministry proposes to seek allocation of additional outlay at the R.E. stage. In so far as Generic Advertisement through appropriate video coverage in the cable network is concerned, the same is being worked out in consultation with the Ministry of Information and Broadcasting.

Research & Development In Food Processing Sector **Recommendation No.10**

2.21 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.

Reply of the Government

2.22 The recommendations of the Committee regarding technology upgradation, scouting for appropriate technology in abroad, any adaptation for indigenous requirement and to make available the same at lower cost have been noted. All the R&D institutions applying for grants as well as those who apply for modernization are being clearly told to keep in view these aspects before forwarding their applications. In so far as commercialisation of the technology/process and product, a tripartite agreement is being entered into between the assisted institutions, National Research Development Corporation and the Ministry on a sharing basis of the commercial outcome of this pattern.

Strengthening Backward Linkages

Recommendation No.12

2.23 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.

Reply of the Government

2.24 Action will be taken to carry out the recommendations of the Committee in strict compliance.

Need For Harmonization Of Existing Food Laws

Recommendation No.13

2.25 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.

Reply of the Government

2.26 Government of India has constituted a Group of Ministers (GOM) to look into the legislative and other changes for preparing a modern Integrated Food Law and related regulations. Ministry of Food Processing Industries has been made the Secretariat to the Group of Ministers.

Paddy Processing Research Centre

Recommendation No.15

2.27 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.

Reply of the Government

2.28 The plan for expansion of the activities of the PPRC is being implemented vigorously and strengthening of its laboratory and workshops is being undertaken in the first phase. Over a period of 5 years, it is expected that this Centre will not only become the centre of excellence but will also become an international referral point for research in paddy processing, pulses, millets and oilseeds.

Duty Cut On Aseptic Packaging

Recommendation No.16

2.29 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.

Reply of the Government

2.30 The Ministry has been taking up the matter of concessions on import duty with the Ministry of Finance at the time of Budget formulation. Keeping in view the recommendations of the Standing Committee, the aspect of reduction of import duty on laboratory equipment and other related materials used in aseptic packaging would be taken up with the Ministry of Finance.

XTH Plan Allocation to the Ministry

Recommendation No.17

2.31 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.

Reply of the Government

2.32 The Ministry will take all possible action to ensure full utilisation of the Plan outlay allocated for the Ministry.

CHAPTER III
RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE
DO NOT DESIRE TO PURSUE IN VIEW OF THE
GOVERNMENT'S REPLIES

NIL

CHAPTER IV

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH
REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED
BY THE COMMITTEE**

NIL

CHAPTER V
RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH
FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Processed Food Development Fund

Recommendation No. 4

5.1 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.

Reply of the Government

5.2 In order to strengthen the case of the Ministry for setting up of a Processed Food Development Fund, MOUs are being entered into with Export Import Bank of India, ICICI, NABARD and SIDBI. Initially, these MOUs will be operated within the norms of the approved Schemes of the Ministry. Once success is established, the matter will be again taken up with the Planning Commission for setting up of the Fund.

Comments of the Committee

5.3 For comments of the Committee please refer to Paragraph No.1.12 of Chapter I of the Report.

Food Safety & Quality

Recommendation No.11

5.4 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.

Reply of the Government

5.5 The Ministry is providing financial assistance for promotion and implementation of Total Quality Management (TQM) including ISO 9000, Good Manufacturing Practices (GMP), Good Hygiene Practices (GHP), Hazard Analysis and Critical Control Point (HACCP) under its Plan Scheme. In addition, the Ministry has taken steps for harmonisation of quality standards of processed fruit and vegetable products covered under FPO, 1955 to that of International standards such as Codex to the extent possible. Safety standards are framed and implemented by the Directorate General of Health Services (DGHS), Ministry of Health & Family Welfare under PFA Act and Rules made thereunder. For the food products being exported to other countries, the Export Inspection Council of India (EIC) under Ministry of Commerce & Industry is the Nodal Agency in the country. It is the EIC which notify the products for compulsory pre-shipment inspection and certification, lay down quality and safety standards, certification and inspection guidelines and also implements them. However, the entire gamut of stringent food standards, independent regulators and enforcement agencies is being referred to the Group of Ministers (GOM) constituted for the purpose of bringing out an Integrated Food Law.

Comments of the Committee

5.6 For comments of the Committee please refer to Paragraph No.1.21 of Chapter I of the Report.

Single Window Clearance of Proposals

Recommendation No.14

5.7 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.

Reply of the Government

5.8 The Ministry has already completed the preliminary task of preparing the background paper as well as outline of the proposed integrated law and have sought the time of the Chairman of the Group of Ministers for holding the meeting.

Comments of the Committee

5.9 For comments of the Committee please refer to Paragraph No.1.24 of Chapter I of the Report.

**NEW DELHI;
5 December, 2002
14 Agrahayana, 1924(Saka)**

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