

STANDING COMMITTEE ON AGRICULTURE

(2003)

THIRTEENTH LOK SABHA

MINISTRY OF FOOD PROCESSING INDUSTRIES

DEMANDS FOR GRANTS (2003-2004)

FORTY THIRD REPORT

LOK SABHA SECRETARIAT

NEW DELHI

April, 2003/Chaitra, 1925 (Saka)

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INTRODUCTION

I, the Chairman, Standing Committee on Agriculture, having been authorised by the Committee to submit the Report on their behalf, present this Forty Third Report on Demands for Grants of the Ministry of Food Processing Industries for the year 2003-2004.

2. The Standing Committee on Agriculture was constituted on 1st January, 2003. One of the functions of the Standing Committee as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, is to consider the Demands for Grants of the concerned Ministries/Departments and make a report on the same to the Houses. The report shall not suggest anything of the nature of cut motions.

3. The Committee took evidence of the representatives of the Ministry of Food Processing Industries on 21st March, 2003. The Committee wish to express their thanks to the officers of the Ministry of Food Processing Industries for placing before them the material and information which they desired in connection with the examination of Demands for Grants of the Ministry for the year 2003-2004 and for giving evidence before the Committee.

4. The Committee considered and adopted the Report at their sitting held on 9th April, 2003.

New Delhi;
April, 2003
Chaitra, 1925 (Saka)

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

PART – I

OVERVIEW OF DEMANDS

Introduction

1.1 The Ministry of Food Processing Industries was created in July, 1988 to give an impetus to the development of food processing industries in the country. The Ministry is responsible for formulation and implementation of the policies and plan for the food processing industries within the overall national priorities and objectives.

1.2 The functions of the Ministry can be broadly classified as :-

- (i) developmental;**
- (ii) regulatory;**
- (iii) technical;**
- (iv) advisory.**

1.3 The following are the main functions of the Ministry :-

- (a) Provision of a dynamic and synchronized mesh between the farmer and the industry so that there is better utilization of agricultural produce, greater addition of value to rural produce, generation of employment in rural areas, enhancement of the net level of incomes and induction of modern technology in Food Processing.**
- (b) Considering that huge wastage occurs in fruits and vegetables during pre and post harvest handling, to promote appropriate processing of these items so that the wastage is reduced.**
- (c) Taking initiatives in mobilizing cost effective technologies for storage, processing and marketing of agricultural produce.**

- (d) Stimulating overall demand in the domestic market by appropriate generic promotion to assist the growth of the food processing sector.**
- (e) Promotion of Food Processing Industries in the country including formulation and implementation of industrial policy in accordance with the national priorities and objectives in respect of specific industries allotted to the Ministry.**
- (f) Promoting Good Manufacturing Practices (GMP) and administering the Fruit Products Order, 1955 for appropriate and regulatory growth of the fruit and vegetables processing sector.**
- (g) Providing appropriate direction in framing technological upgradation by way of assistance to formulate feasibility and project reports as also for technical and financial consultancy.**

1.4 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.

1.5 A strong and dynamic food processing sector thus plays a vital role in diversification and commercialization of agriculture, ensures value addition to the agricultural produce, generates employment, enhances income of farmers and creates surplus for export of agro-foods. The Ministry of Food Processing Industries is concerned with the formulation and implementation of the policies and plans for the Food Processing Industries within the overall national priorities and objectives.

1.6 Within this overall objectives, 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.
- Encouraging R&D in food processing for product and process development and improved packaging.
- Providing policy support, promotional initiatives and physical facilities to promote value added exports.

1.7 State Governments have a significant role to play in providing the infrastructure and raw material for the food processing industry. Keeping this in view the State Governments have identified Nodal Agencies through whom coordination of the activities pertaining to this sector in the States is done.

1.8 Besides the Ministry of Food Processing Industries there are various other organizations like APEDA, MPEDA and National Horticulture Board which are under different Ministry deal with the food processing sector. APEDA and MPEDA are under the Ministry of Commerce and National Horticulture Board is with the Ministry of Agriculture, Department of Agriculture & Co-operation. which creates hurdles for the entrepreneurs and the farmers. In this connection, the Secretary, Ministry of Food Processing Industries during evidence pointed out as under :-

“The second one is about the restructuring of the Ministry, where various organizations which deal with processed food like APEDA, MPEDA, National Horticulture Board, and these need to be brought under one umbrella so that we can have an integrated approach, a single window system and other things.”

Contribution of Food Processing Industries to GDP

1.9 The Ministry has informed that a study was conducted by National Council for Applied Economic Research (NCAER) in October, 2001 for evaluating the performance and prospects of food processing industry in India. On the basis of this study, it is estimated that a total investment of Rs. 38,531 crores has been made in food processing sector during Ninth Plan and an investment of Rs. 62,105 crores is projected during the Tenth Plan period assuming the GDP growth of 6%. If the GDP growth is 8% per annum the investment projection is likely to go up to Rs. 92,208 crores. The growth of the food processing industries falling under purview of Ministry of Food Processing Industries has been worked out at 8.5% per annum during 1996-97 to 2001-02 as compared to GDP growth of 6.1% during the same period. The likely growth during the Tenth Plan period is projected at 8.8% and 11.9% on the basis of GDP growth rate of 6% and 8% respectively. As per the NCAER Report, the number of persons employed in the food processing sector is estimated to be around 75.59 lakh as in 2001-02. It is expected that direct employment in the food-processing sector would grow at the rate of 1.25% per annum and the indirect employment would be 2.38 times the direct employment. The contribution of food processing industries to India's G.D.P. is 2.25%. (As per National Accounts Statistics, CSO 2001).

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

1.10 Following is the table indicating the details and the proportion of Budgetary allocation made in favour of the Ministry out of the total Plan Budget of the Government of India during the Ninth Plan period and during the years 2002-2003 and 2003-04:-

(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 |
| 2003-2004 | 147893.00 | 75.00 | 0.0507 |

1.11 The percentage allocation to the Ministry of Food Processing Industries in proportion to Central Plan Outlay has been decreasing year after year since 1992-93. During the beginning of 8th Five-Year Plan, i.e. 1992-93 the proportion of outlay was 0.091. The trend has been declining since 1993-94, i.e. from 0.085% in 1993-94 to 0.0507% in the year 2003-2004. Despite the Committee's recommendation in their earlier Reports on Demands for Grants for gradual increase in the budgetary provision of the Ministry upto 0.2% of the central outlay, it has been declining.

1.12 Taking into consideration the review undertaken by the Planning Commission of the 9th Plan Schemes, the need for reducing the number of schemes by merging/dropping the existing schemes as also the advice of the Planning Commission to avoid a thin spread of resources and the need for a revamp of the schematic structure of the Plan Schemes, the Ministry proposes to operate six schemes during the Tenth Plan for the development of the processed food sector. The total outlay approved for these six schemes during the Tenth Plan is Rs. 650 crores.

1.13 During the year 2002-03, the first year of the Tenth Plan, an outlay of Rs. 75.00 crores was approved. During 2003-04, the same plan outlay of Rs. 75 crores has been approved. Since these schemes are being operated at macro level, all the segments of the processed food sector would be covered.

The activities covered in each of the scheme are given here under :-

- 1. Scheme for infrastructure development :-**
 - a. Food Park**
 - b. Packaging Centre**
 - c. Modernised Abattoirs**
 - d. Integrated Cold Chain facilities**
 - e. Irradiation Facilities**
 - f. Value added centers**
- 2. Schemes for technology up gradation Establishments and Modernisation of Food Processing Industries:-**
 - a. Processed food industries in general**
 - b. Pulse milling**
- 3. Scheme for backward and forward integration and other promotional activities:-**
 - a. Backward linkage**
 - b. Forward integration**

- c. **Generic Advertisement**
- d. **Promotional activities such as Participation in exhibition/fare/supporting seminars/workshops/studies and surveys.**
- e. **Preparation of short films and material for different meetings.**
- f. **Strengthening of Directorate of F&VP**
- g. **Strengthening of Industry Associations**
- h. **Food Fortification**
- 4. **Scheme for quality Assurance, Codex standards and R&D**
 - a. **Food safety and quality assurance mechanisms**
 - b. **Bar coding system**
 - c. **Strengthening the Codex cell**
 - d. **Continuous R&D**
 - e. **Setting up/up-gradation of quality control laboratories**
- 5. **Scheme for Human Resource Development**
 - a. **Setting up of Food Processing & Training Centres (FPTC)**
 - b. **Imparting training to update skills**
 - c. **Conducting Entrepreneurial Development Programmes (EDP)**
 - d. **Facilitating Universities/Institutions for running degree/diploma courses and extension services**
- 6. **Scheme for strengthening of institutions**
 - a. **Strengthening of PPRC**
 - b. **Strengthening of State nodal agencies**
 - c. **Meeting expenditure of pay and allowances for plan posts**
 - d. **Information technology.**

The details of schemes merged/dropped thereof 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 to MFIL | Dropped |
| 10. Support for NERAMAC | While initially it was propose to Merged with Scheme for Strengthening of Institutions, since NERAMAC stands transferred to the Department of Development of North East Region, the scheme has been dropped. |
| 11. Strengthening of Nodal Agencies | Merged with the Strengthening of Institutions, |
| 12. Promotion of FPI | Merged with the scheme for Bakward and Forward Integration and other promotional activates. |
| 13. Establishment of Project Monitoring Cell & Codex Cell | While monitoring cell has been merged with the Strengthening of Institutions, Codex Cell has been |

merged the scheme for Quality control and R&D etc.

1.14 The Budget Estimates, Revised Estimates & Actuals during each of the years of 9th Plan and during the year 2002-03 and 2003-04 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 | 52.10 | 4.89 |
| 2002-2003 | 75.00 | 6.01 | 75.00 | 5.79 | - | - |
| 2003-2004 | 75.00 | 5.84 | - | - | - | - |

1.15 The Ninth Plan approved outlay for the Ministry of Food Processing Industries was Rs. 235.00 crores, the actual allocation was Rs. 214.00 crores and the expenditure thereof was Rs. 195.66 crores, which comes 91% of the actual allocation.

1.16 The 10th Plan proposal made by Ministry of Food Processing Industries for various Schemes are as under:-

(Rs. in crores)

| Serial No. | Name of the Scheme | Proposed outlay 10th Plan |
|-----------------------|---|---|
| 1. | Scheme for Infrastructure Development | 1351.00 |
| 2. | Scheme for establishment, modernization & upgradation of Food Processing Industries | 500.00 |
| 3. | Scheme for Promotional Activities | 40.00 |
| 4. | Scheme for Forward Integration | 200.00 |
| 5. | Scheme for R&D | 300.00 |
| 6. | Scheme for HRD | 205.00 |
| 7. | Scheme for supply of Chain Integration | 75.00 |
| 8. | Scheme for Strengthening of Nodal Agencies and others | 19.00 |
| 9. | Scheme for Strengthening of Directorate of Fruit and Vegetable Processing | 60.00 |
| 10. | Scheme for Strengthening of Paddy Processing Research Centre | 25.00 |
| 11. | Scheme for Strengthening of NERAMAC | 25.00 |
| | Total | 2800.00 |

1.17 The 10th Plan Approved Outlay, proposed BE & RE, actual BE and RE during 2002-2003 and proposed BE and actual BE during 2003-2004 are as under:-

| 2002-2003 | | | | | 2003-2004 | |
|---|----------------|--------------|----------------|--------------|----------------|--------------|
| 10 th Plan Approved Outlay | Proposed BE | Actual BE | Proposed RE | Actual RE | Proposed BE | Actual BE |
| 650.00 | 300.00 | 75.00 | 105.00 | 75.00 | 125.00 | 75.00 |

1.18 The Ministry of Food Processing Industries had proposed Rs. 2800.00 crores during the whole of 10th Five Year Plan. However, the actual allocation is Rs. 650.00 crores. During the year 2002-03, the Ministry had proposed Rs. 300.00 crores and Rs. 105.00 at BE and RE stage, respectively but the Planning Commission and Ministry of Finance had reduced the allocations. During the year 2003-2004, the allocation is Rs. 75.00 crores against the proposal of Rs. 125.00 crores. The Ministry in their written reply have stated as follows:

“At the time of formulation of the Budget proposals an extensive exercise is carried out by the Government. Taking into account the available resources, the trend of expenditure etc., Revised Estimates (RE) is decided. MFPI was allowed to retain BE amount of Rs 75.00 crores for RE.”

1.19 The outlay approved for the years 2002-03 and 2003-04 is as under :-

(Rs. in crores)

| | 2002-03 | 2003-04 |
|----------|---------|---------|
| Plan | 75.00 | 75.00 |
| Non-Plan | 5.79 | 5.84 |
| Total | 80.79 | 80.84 |

1.20 Out of the total allocation of Rs. 650 crore during the entire 10th Plan, the Ministry have been allocated only Rs. 161.63 crores for the first two years of 10th Plan (Rs. 80.79 crores in 2002-03 and Rs. 80.84 crore in 2003-04). At this rate, the Ministry is not likely to get Rs. 650.00 crores during the whole 10th Plan period. When asked about the reasons attributed to not distributing the total 10th Plan allocation evenly to enable its full allocation and utilization, the Ministry in their written reply have stated that best efforts will be made to prioritize the limited resources to the different Plan Schemes of the Ministry. Keeping in view the recommendations of the Standing Committee from time to time, the Ministry had been requesting for enhanced outlay every year. The recommendations of the Standing Committee for enhanced allocation had also been brought to the notice of both Planning Commission and Ministry of Finance. While the overall outlay for the plan period had been increased, the year wise outlay had remained the same for plan scheme.

In this connection, the Ministry added:-

“The allocation is to be enhanced from RE stage of 2003-04 onwards so as to proportionally redistribute the total allocation for the remaining plan period.”

1.21 In reply to a query, the Secretary of Ministry of Food Processing Industries during oral evidence stated:

“I would just like to start by saying that we are extremely grateful to this august Standing Committee in providing to us your valuable support in ensuring that we get higher plan outlay for the 10th Plan. There has, indeed, been a quantum jump from the Ninth Plan. As against 235 crore in the Ninth Plan, we have been given Rs. 650 crore this time. But what I think somewhat disconcerting is the fact that in the first year of the Tenth Plan, and also now, in the coming year 2003-2004, our allocations have been pegged at Rs. 75 crore. We had proposed much higher outlays even for the Tenth plan but having given these outlays of Rs. 650 crore, we would have expected that we should at least have been given proportionate outlays.”

1.22 It has been further stressed that the food processing sector has its own importance because it generates employment, increases the income of the farmers, entrepreneurs and minimizes the wastage of agricultural produces, etc. India is the world's largest producer

of fruits and vegetables, leading producer of dairy product, marine resources etc. However it processes only 2% of its products and 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. In such circumstances Government finance and intensive publicity can play a very important part to bring life into this sector.

1.23 The 10th Plan Approved Outlay, BE, RE of 2002-2003 & BE of 2003-2004 for all the Schemes of the Ministry are as under:-

10th Plan

| SL. NO. | SCHEMES | APPROVED OUTLAY (INCLUSIVE OF PROVISIONS FOR N.E.) | 2002-03 BE | 2002-03 RE | 2003-04 BE | % OF COL. 5+6 OUT OF COL. 3 |
|----------------|---|---|-------------------|-------------------|-------------------|------------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. | Scheme for Infrastructure Development 2405.06.10.31 | 250.00 | 29.00 | 29.00 | 29.00 | 23 |
| 2. | Scheme for Technology Upgradation, Establishment and Modernization of Food Processing Industries 2408.01.20.31 | 98.00 | 9.00 | 16.00 | 14.00 | 31 |
| 3. | Scheme for Backward & Forward Integration & other Promotional Activities 2408.01.21.31 | 85.00 | 5.00 | 5.00 | 7.00 | 14 |
| 4. | Scheme for Quality Assurance, Codex Standards and Research & Development | 90.00 | 10.50 | 10.50 | 7.50 | 20 |

| | | | | | | |
|----|---|--------|-------|-------|-------|----|
| | 2408.04.01.30 | | | | | |
| 5. | Scheme for Human Resource Development 2408.01.19.31 | 65.00 | 4.50 | 2.70 | 4.70 | 11 |
| 6. | Scheme for Strengthening of Institutions 3451 – Secretariat Economic Service | 62.00 | 9.50 | 4.30 | 5.30 | 15 |
| 7. | Lump sum provision for North East including Sikkim 2552.14.00.42 | - | 7.50 | 7.50 | 7.50 | - |
| | Total | 650.00 | 75.00 | 75.00 | 75.00 | 23 |

Provision for North Eastern Region

1.24 The North-Eastern Region comprising of the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim, by virtue of its diverse agro-climatic conditions, varied soil types and abundant rainfall, offers a wide range of Agro-Horticultural produce of premium quality. These include a variety of Fruits & Vegetables, Spices, Plantation Crops, Medicinal and aromatic Plants, Flowers/Orchids etc. The region holds the promise of becoming an excellent sourcing point for high value horticultural produce and value added products unique to the region, for onward marketing both within the country and abroad.

1.25 In spite of these favourable natural conditions, the horticultural activities in this region are practiced as backyard farm practices and are characterized by inefficiency, low level of productivity and wastage. There is, therefore, a felt need to exploit the horticulture development potential of this area in a scientific and systematic way to generate sustained levels of income and employment opportunities. The Ministry of Food Processing Industries coordinates Mini Mission IV of the Technology Mission for Integrated Development of Horticulture in the North-Eastern States. Mini Mission IV addresses all the issues of processing and marketing and is implemented through small Agri Business Consortium. Under Mini Mission IV, higher level of incentive than admissible under the normal Plan Schemes of the Ministry are available in the form of

credit linked and back ended financial assistance through designated financial institutions to the extent of 50% of the capital cost up to a maximum of Rs.4.00 crores for promotion of new units and up to Rs.1.00 crore for upgradation/modernization of units. Besides, assistance for various promotional activities is also available.

1.25 As per the directions of the Government, from the year 1998-99, all Ministries/Departments of the Government of India are required to spend at least 10% of the Plan Outlay in the North-East including Sikkim. The details of the expenditure incurred by the Ministry since 1998-99 to 2002-03 are given below:-

(Amount Rs. in crores)

| Year | Plan Outlay | 10% outlay to be spent on NE | Amount spent on NE | %age of total outlay. |
|-----------|-------------|------------------------------|--------------------|-----------------------|
| 1998-1999 | 30.00 | 3.00 | 5.32 | 18% |
| 1999-2000 | 40.00 | 4.00 | 8.05 | 20% |
| 2000-2001 | 50.00 | 5.00 | 9.46 | 19% |
| 2001-2002 | 55.00 | 5.50 | 5.85 | 10.63% |
| 2002-2003 | 75.00 | 7.50 | 7.50 | 10% |
| 2003-2004 | 75.00 | 7.50 | - | - |

1.26 Elaborating about the activities of the Ministry in the North Eastern States during oral evidence the Secretary of the Ministry stated as under:

“The other point which I would briefly touch upon is our emphasis for the development of the North-East sector. This is again a high priority area with us. We had, in November, last year organized a business meet in Kolkata. We got together. The Chief Minister of all the States, the entrepreneurs from North-East, Sikkim as well as other parts of the countries were there. The meet was held basically to set up the relationship with those in the North-East for procurement of raw materials, for setting up of joint ventures. A large number of products were identified like ginger, pineapple, fruits which could be taken up for further processing and setting up of joint venture.

We had also touched upon other aspects like training programme, entrepreneurship development. We have tried to fine tune our system of

considering and approving the cases from the North-East which come to us from the Small Farm Agri Consortium (SFAC).”

Priority Sector Lending Norms

1.27 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’.

1.28 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 |

1.29 No separate target within priority sector has been fixed for lending to food and agro-based processing industries. 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 is still a rare commodity for this sector.

1.30 In order to provide a fillip to the food and agro based industries, the Committee in their previous years’ reports on Demands for Grants have been recommending for fixing a percentage for the Food Processing Sector within the priority sector lending (i.e. 18% for whole agriculture sector) at the earliest. The Ministry in their latest reply have stated that the matter has been taken up with the Department of Banking, Ministry of Finance as per the directions of the Committee. The specific percentage with in the 18% has not so far been worked out. The Ministry will pursue the matter to work out a specific percentage in this regard.

Creation of Fund for Development of Food Processing Industries

1.31 The Commercial banks under their normal lending policy are not forthcoming to cover the risks faced by units in the processed food sector (PFS). They also do not have the technical competence to evaluate the food processing projects. 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. Although 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 are ill equipped because of their own internal constraints. It is, therefore, imperative that the food processing sector be given a special treatment so as to make easy and concessional finance available to this sector.

1.32 Against this backdrop, an idea was mooted by the Ministry to set up a 'Processed Food Development Fund' in collaboration with SIDBI. The objective was 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 would 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 would also be considered for assistance.

1.33 The Committee, in their 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 in food and agro processing would be in a position to solve different area specific problems.

1.34 A 'Food Development Fund' was proposed to be created with a lump sum provision of Rs.20.00 crore in association with SIDBI & IDBI in 1999-2000.

1.35 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 | - | - |

1.36 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 was no allocation in 2002-03. The entire token provision of Rs. 5 crores during 2001-2002 was utilized for meeting expenditure in connection with Plan Schemes relating to setting up/expansion/modernization of food processing industries. During examination of Demands for Grants (2002-03) the Ministry had communicated "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." In this connection, the Committee in their 33rd Report on Demands for Grants (2003-2004) had recommended to 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.

1.37 In response to the Committee's recommendation for forming of a Processed Food Development Fund, the Ministry had stated that MOUs were being entered into with Export-Import Bank of India, ICICI, NABARD and SIDBI. Initially, these MOUs would be operated within the norms of the approved schemes of the Ministry. Once success was established, the matter would be again taken up with the Planning Commission for setting up of the Fund. According to the Ministry, the Planning Commission had directed them to initiate the above proposal for inclusion in the 10th Five Year Plan.

1.38 Elaborating about the latest position in this regard, the Ministry in their written reply have stated:

MFPI has entered into MOUs with Export-Import Bank of India and ICICI on 15th November, 2002. The State Bank of India has also evinced its interest in entering into a similar MOU. Since hardly 5 months have elapsed after entering into such MOUs, it may take some more time to assess the successes of these.

SCHEME-WISE ANALYSIS

I Scheme for Infrastructure Development

1.39 Not only fruit & 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 crores annually. To address this problem, the Ministry of Food Processing Industries has been implementing a financial assistance scheme for development of infrastructural facilities for food processing industries during the 9th Plan. The main objectives of the Scheme were 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 horticultural 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.

1.40 The main focus of this Scheme was setting up of Food Parks. During the 9th Plan period, assistance was extended to set up 27 Food Parks. Out of the 27 Food Parks approved during the 9th Plan involving financial assistance of Rs. 103.52 crores, Plan funds to the extent of Rs. 53.52 crores have already been released as part instalments for these Food Parks during the 9th Plan. The balance of Rs. 50 crores would require to be disbursed during the 10th Plan. Besides, an expenditure of Rs. 100 crores is envisaged for similar assistance to another 25 Food Parks during the 10th Plan. Thus, the outlay for this purpose alone would be in the range of Rs. 150 crores.

1.41 As part of the strategy to develop Food Processing infrastructure, the Ministry has been pro-actively pursuing the task of setting up of Food Parks in different parts of the country. The idea behind setting up of Food Parks is that small & medium entrepreneurs find it difficult to invest in capital intensive facilities, such as cold storage, warehouse, quality control labs, effluent treatment plant etc. Assistance for development of these as common facilities, can make the cluster of food processing units in such Food Parks not only become more cost competitive, but also have a better market orientation.

1.42 All implementing Agencies are eligible to a grant upto Rs. 4 crores for common facilities such as uninterrupted power supply, water supply, cold storage/ice plant, warehousing facilities, effluent treatment plant, quality control & analytical laboratory, and major processing facilities like fruit concentrate/pulp making units etc. as part of a Food Park. Financial assistance of Rs. 78.58 crores has been released so far to set up 38 Food Parks in different States of Andhra Pradesh(1), Assam(1), Chattisgarh(1), Haryana(2), J&K(3), Karnataka(2), Kerala(3), M.P.(6), Maharashtra(4), Manipur(2), Mizoram(1), Orissa(1), Punjab(1), Rajasthan(2), Tamilnadu(1), Tripura(1), UP(3) and West Bengal (3). Out of these, seven Food Parks have been assisted partially during the year 2002-03 as against the target of five Food Parks involving release of Rs. 20.50 crores till January, 2003.

1.43 The Ministry of Food Processing Industries has assisted the setting up of four cold storage plants for non-horticulture products in the 9th Plan Period. Total assistance provided by the Ministry to these 4 cold storage plants was Rs. 125 lakhs. In the year 2002-03, Rs. 75 lakhs have been released for another two such projects.

1.44 During 10th Plan, this Scheme would cover all the segments of food processing industries. The activities proposed to be covered under this Scheme during the 10th Plan are as under:

- (i) Food Park.
- (ii) Packaging Centre.
- (iii) Modernized Abattoirs.
- (iv) Integrated Cold Chain facilities.
- (v) Irradiation facilities.
- (vi) Value Added Centers.

1.45 As the total outlay proposed for this scheme during the 10th Plan is Rs. 250 crores, the scheme has to be got approved by the main EFC headed by the Secretary (Expenditure). In the meantime, with the approval of the Finance Ministry, the activity of extending assistance for Food Park is being continued as these are in accordance with the Scheme implemented during the 9th Plan. The other activities under this Scheme will be taken up by the Ministry after approval of the Scheme.

1.46 The 10th Plan Outlay, BE & RE for the year 2002-03 is as under:-

(Rs. in crores)

| | 2002-03 | | | 2003-2004 |
|------------------------------|---------|-------|---------------------------------------|-----------|
| 10 th Plan Outlay | BE | RE | Actual Expenditure upto January, 2003 | BE |
| 250.00 | 29.00 | 29.00 | 20.50 | 29.00 |

1.47 The Committee in their 33rd Report on Demands for Grants (2002-03) had urged upon the Ministry 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. However, the allocation at RE stage was the same as at the BE stage. When asked about the reasons for not increasing the provision under the Scheme at the RE (2002-03) and BE (2003-2004) the Ministry in their written reply have stated that the expenditure on the Scheme till January 2003 is of the order of Rs. 20.503 crores. The entire outlay of Rs. 29.00 crores is expected to be utilized during the current financial year. Out of the total outlay of Rs. 75 crores in both the years, a provision of Rs. 29 crores (around 39%) has been earmarked for this scheme because of the importance attached to this scheme. Further, because some of the newer components of the scheme like Value Added Center have not yet been approved, there was some initial time gap.

1.48 Explaining about the cold storage scheme as well cold chain facilities, the Secretary, Ministry of Food Processing Industries during evidence stated:

“Our first priority is infrastructure development, establishment of components, Food Parks, Value Added Centres, packaging etc. These are some of the very important things. Cold storage and strengthening of the cold chain is a very important scheme which we have introduced now. This is a new scheme for which the approval of the EFC is awaited. Infrastructure, we have realized, is of crucial importance, particularly for the food processing industry. It is important for the country.”

1.49 She further stated that without proper infrastructure and cold storage the wastage of agricultural produce would be more. They are trying their level best for its development. They were giving much importance to the Scheme of infrastructural development, R&D, Human Resource Development and strengthening of institutions in order to give full back up support to whole food processing sector. Regarding research work done in the field of preservation/processing of fruits, vegetables, etc. the representative of the Ministry informed as follows:

“We are providing assistance to various institutions, like Defence Food Research Institute Laboratory, Agricultural Universities, etc. We want to set up and encourage setting up of laboratories. What is important is that the results of that should be disseminated to the people. I think that is a very important endeavour. I think we need to do more so that benefits flow to the economy and to the entrepreneurs. You have touched upon a very important area. I am grateful that you have tried to focus attention on them.”

II Scheme for Technology Upgradation/Establishment/Modernization of Food Processing Industries

1.50 During the Ninth Plan, the Ministry had been operating different Schemes to cover different segments like fruits and vegetables, meat and poultry, milk, grain processing, fisheries, etc. During the Tenth Plan, this Scheme would be operated at macro level covering all segments. Consequent upon the decision taken in the meeting held in the Planning Commission on 25.07.2002, it was decided that this Scheme may be operationalized with the approval of AS & FA as this was a Scheme which was operated during the Ninth Plan. Accordingly, this Scheme is being implemented.

1.51 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, grain, meat, poultry, etc.

1.52 The outlay for this Scheme is as under:-

(Rs. in Crores)

| 10th Plan Outlay | BE 2002-2003 | RE 2002-2003 | Actual Expenditure till January, 2003 | BE 2003-2004 |
|--|---------------------|---------------------|--|---------------------|
| 98.00 | 9.00 | 16.00 | 9.496 | 14.00 |

1.53 Till January 2003, Plan funds of Rs. 9.496 crores have been released and proposals involving plan assistance of about Rs. 7 crores have also been approved. Thus, it is expected that the entire funds will be utilized during the current financial year. It is felt that activities under the Scheme for Backward and Forward Integration and Other Promotional Activities may require more funds during the next year for making the existing units function effectively. As the allocation for 2003-04 has been pegged by the Planning Commission at the level as obtained for the year 2002-03 at Rs. 75 crores, a marginal adjustment was made.

1.54 The number of applications received, number of proposals approved, number of proposals rejected and number of proposals pending is as under:

| Name of the segment | Number of proposals received | Number of proposals approved | Number of proposals rejected | Number of proposals pending |
|----------------------------|---|---|---|--|
| Flour Milling | 33 | 6 | 2 | 25 |
| Consumer Industries | 53 | 7 | 3 | 43 |
| Rice Milling | 156 | 30 | 15 | 111 |
| Oil (Refining) | 90 | 10 | 7 | 73 |

| | | | | |
|------------------------------|----|---|---|----|
| Pulse Milling | 10 | 2 | 2 | 6 |
| Fruit & Vegetable processing | 71 | 5 | 8 | 58 |

1.55 The number of Food Processing Units upgraded, number of New Units set up and number of units modernized under all the segments of this Scheme during 2002-03 is as under:-

(Rs in Lakh)

| SL. NO. | SECTOR | UPGRADATION/ MODERNISATION | | SETTING UP | | TOTAL |
|---------|------------------------------|-------------------------------|--------|------------|--------|--------|
| | | Unit | Amount | Unit | Amount | |
| 1 | Grain Milling | 02 | 50.00 | 25 | 431.06 | 481.06 |
| 2 | Fruit & Vegetable Processing | 03 | 72.79 | 16 | 307.90 | 380.69 |
| 3 | Meat & Poultry Processing | 03 | 65.34 | 02 | 48.24 | 113.58 |

Food Processing Industries Sectoral Overview

1.56 The Ministry of Food Processing Industries is concerned with a number of Food Processing Sectors such as grain processing, meat processing, poultry & egg processing, milk & milk products, fish processing, fruit and vegetable processing, consumer food industries.

(A) Grain Processing

1.57 The primary grain processing, particularly processing and milling of rice and wheat has substantial capacity in the country (for rice 185 MT, for wheat 17 MT approx.). According to available information, the number of roller flour mills exceeds 800. During the last five years, actual capacity of the roller flour mills ranged between 19.00 Million Tons to 20.00 Million Tons and their utilized capacity ranged between

12.00 Million Tons to 13.00 Million Tons. In the last five years, there has been marginal increase in the number of flour mills and capacity utilization continues to be around 55%. Low capacity utilization of the flour milling industry as stated by the Ministry was due to:

- i) Unstable policy for open sale of wheat by the Food Corporation of India;
- ii) Low priority for movement of wheat from wheat growing states to the non-wheat growing states (coal and fertilizers are given higher priority in rail movement);
- iii) Unstable policies of the State Governments about levy of taxes and fees for procurement of wheat by the millers; and
- iv) High energy consumption of some of the mills due to obsolescence;

1.58 The Ministry has recently decided to assist milling of pulses and oilseeds also to improve recovery, by product utilization and use of efficient technology/process.

(B) Rice Milling

1.59 For a fairly long time, rice milling in India has been a traditional industry. Modernization of the rice milling industry was initially taken up in 1970 with the objective of increasing the output of rice and producing better quality of by-products such as bran and husk suitable for edible oil extraction and as a source of fuel, respectively. In the first phase of modernization, sheller, sheller-cum-hullers and multiple hullers were covered. In 1977 single hullers were also brought under purview of modernization. With the various sustained efforts made by Government from time to time the number of modern modernized rice mills has gone up from practically nil in 1970 to 35,088 and the number of hullers-cum-shellers & shellers is around 8,385.

1.60 Financial assistance under plan scheme of MFPI has been made available also for establishment / modernization and expansion of rice mills. So far, cases of 15 rice mills have been approved for grant of financial assistance under the scheme.

1.61 There has not been any significant increase in the capacities in rice milling in the last five years. More than 90,000 rice hullers need modernization. The number of modernized rice mills as on 01.01.2001 was 35,088 and the number of hullers-cum-shellers & shellers was 8,385. These modern rice mills and huller-cum-shellers help in recovering good quality rice bran for oil extraction, which has now reached about 34 lakh tons. This has resulted in production of about 5.25 lakh tons of rice bran oil including

3.00 lakh tons of edible oil besides a large quantity of rice bran cakes for the animal/poultry feed industry and for exports. The slow rate of modernization of hullers is attributed to the compulsory levy on mills imposed in many States and inadequate efforts in implementation of modernization programme in many States.

(C) Roller Flour Milling

1.62 The number of roller flour mills in the country exceeds 800. During last five years, actual capacity of the roller flour mills ranged between 19.00 Million Tons to 20.00 Million Tons and their utilized capacity ranged between 12.00 Million Tons to 13.00 Million Tons. According to the Ministry, the low capacity utilization of the flour milling industry is due to:-

- i) Unstable policy for open sale of wheat by the Food Corporation of India;
- ii) Low priority for movement of wheat from wheat growing states to the non-wheat growing states (coal and fertilizers are given higher priority in rail movement);
- iii) Unstable policies of the State Governments about levy of taxes and fees for procurement of wheat by the millers; and
- iv) High energy consumption of some of the mills due to obsolescence;

1.63 Financial assistance under the plan scheme of MFPI has been made available for modernization, expansion and setting up of flourmills. Appropriate measures are taken for redressal of problems of flour milling industry as and when the same is brought to the notice of Ministry of Food Processing Industries.

(D) Meat and Poultry Processing Sector

1.64 The production of meat & meat products is increasing slowly but steadily from the year 1995 onwards. The estimated production for 2001 & 2002 of meat & meat products is also given below:-

(In thousand tons)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--------------------|------|------|------|------|------|------|------|------|
| Mutton & Goat Meat | 647 | 669 | 670 | 675 | 800 | 825 | 850 | 870 |
| Pork Meat | 420 | 420 | 420 | 420 | 464 | 480 | 495 | 505 |
| Buffalo Meat | 1204 | 1204 | 1205 | 1210 | 1250 | 1270 | 1300 | 1365 |
| Other Cattle Meat | 1292 | 1292 | 1292 | 1295 | 1295 | 1300 | 1305 | 1330 |

1.65 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. Buffalo meat is a thrust area for export.

(E) **Poultry and Egg Processing**

1.66 Poultry production has also shown a steady increase during the last decade. Correspondingly, there has been a sharp rise in the availability of egg and broilers. The egg, broiler and poultry meat production from the year 1995 onwards has been as under:-

| Year | Egg (Million) | Broiler (Million) | Poultry, Meat (Thousand Tons) |
|-------------|--------------------------|------------------------------|--|
| 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 | 700 | 875 |
| 2002 | 35000 | 800 | 975 |

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

1.68 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 etc.

1.69 In meat and poultry processing sector during the year 2002-03 three units have been upgraded/modernized with an amount of Rs. 65.34 lakhs and 2 units have been set up with an amount of Rs. 113.58 crores. When asked about the steps taken to assist the

poultry and meat processing industry for ensuring better quality to meet international standard, the Ministry in their written reply have stated:

“MFPI extends financial assistance under its Plan Scheme for upgradation/ setting up/modernization of processed food sector including meat and poultry. In addition, assistance is also extended for achieving Total Quality Management (TQM) including ISO 9000, ISO 14000, HACCP, GMP and GHP.”

(F) **Fish Processing**

1.70 There has been a significant growth in fish production in the country in the recent years. India is now the fourth largest producer of fish in the world and second largest producer of fresh water fish in the world. During the year 2001-02 the total fish production was 59.56 lakh tonnes of marine fish and 28.45 lakh tonnes of inland fish. It is estimated that the fish production during 2002-03 will be around 60.50 lakh tonnes. However, we have not been able to develop inland fisheries to the extent that countries like Thailand and Bangladesh have done. We have not utilized our marine resources. On the same subject, the Secretary, Ministry of Food Processing Industries during evidence stated as under :

“There is a tremendous potential that needs to be exploited much more than it is exploited today. Fishery as such is a subject of the Ministry of Agriculture but fish processing is definitely our subject. Here we are trying to provide whatever maximum assistance is possible to be given.”

1.71 The Ministry of Food Processing Industries, under its Plan scheme for Technology Up-gradation/establishment and Modernization of Food Processing Industries provides assistance for creation of additional facilities for preservation and processing of fish. Under the scheme, financial assistance in the form of grant is provided to all implementing agencies at 25% of the cost of capital equipment and technical civil works up to Rs 50 lakhs in general areas and 33.33% up to Rs. 75 lakhs in difficult areas.

1.72 As per the report of the working group on fisheries for the 10th five years plan, the total fish production in the country was 5.66 million Tones during 1999-2000.

1.73 The Export of marine products during the five years from 1997-98 to 2001-02 has been as under:-

| Year | (Rs.in crores) |
|-----------|----------------|
| 1997-98 | 4697.00 |
| 1998-99 | 4626.80 |
| 1999-2000 | 5116.60 |
| 2000-01 | 6443.80 |
| 2001-02 | 5957.05 |

1.74 Processing of fish products into canned and frozen forms is carried almost entirely for the export market. At present, there are over 402 freezing unit with a daily processing capacity of 8500 tonnes and 485 frozen storage with a capacity of 109090 tonnes. Apart from the above there are 5 surimi units, 13 canneries, 559 pre processing unit and dry fish storages. Out of the freezing units, 72 number are having cooking facilities and 84 are having IQF machinery.

1.75 Since 2000-01, the Committee in their Reports on Demands for Grants and Action Taken Report have been recommending for reformulating the schemes for strengthening of Traditional Fish Processing Technologies/marketing in order to popularize them and for this purpose the Ministry should tie up through veterinary Institutions, Agricultural Universities and Fishery cooperatives to get better results. However, the scheme has not yet become popular. In their Action Taken Reply to the recommendations contained in their 21st Report on Demands for Grants (2001), the Ministry have stated that during the formulation of the schemes for the 10th Five Year Plan, the recommendation of the Committee would be taken into account and appropriate scheme would be worked out. When enquired as to whether the appropriate Scheme for strengthening of Traditional Fish Processing Technologies and marketing have since worked out by the Ministry, they informed as under:

“During the Tenth Plan, it has been felt that the planning should be at macro level for the entire sector so that each micro unit of the sector could benefit. Accordingly, one of the Plan Schemes, namely, Scheme for Technology Upgradation/Establishment/Modernization of Food Processing Industries will cover all segments of the processed food sector including fisheries. By this way higher assistance is also available for those setting up such units. Further for

adding value to traditional fish processing, many R &D projects have been taken up and it is expected that as a result of these efforts, it will be possible to strengthen Traditional Fish Processing Technologies.”

1.76 As regards applications received for financial assistance for upgradation/setting up new units and to modernize existing ones, the Ministry stated that they have received 34 applications for seeking assistance for fish processing during 2002-03 and they have approved 20 proposals for financial assistance.

(G) Fruits and Vegetable Processing

1.77 The installed capacity of fruits and vegetables processing industry has been steadily increasing. The capacity of the industry (excluding fried and non-dried fruits and vegetable products) has increased from 7.08 lakh tonnes as on 1.1.1990 to 21.98 lakh tonnes as on 1.1.2002. The utilization of fruits and vegetables for processing in the organized and unorganized sector is estimated to be around 2% of the total production .

1.78 According to a study of Working Group on Post Harvest Management, Marketing & Export, the post harvest losses in different crops range from 8% to 37% for optimum utilization of fruits and vegetables. The Ministry of Agriculture. Ministry of Food Processing Industries and agencies like NHB, APEDA and NCDC provide assistance under their respective schemes. Despite their efforts the position has not improved so far.

1.79 When asked to state the reasons for such low processing and steps taken to tap the vast potential in this field, the Ministry in their written reply have stated:

“One of the objectives of the Ministry is to raise the level of food processing over a period of time. In the proposed National Food Processing Policy, the salient features covered are (a) creation of enabling environment (b) infrastructure development (c) backward linkage (d) forward integration, etc. The Plan schemes implemented by MFPI envisages financial assistance for setting up/upgradation/modernization of food processing units including fruits and vegetables. In addition, a Technology Mission for integrated development of horticulture in the North East is under operation. One of the Mini Missions of the Technology Mission is focused on development of processing activities. Extension of this Technology Mission will cover the States of Himachal Pradesh and Uttaranchal. A similar Technology Mission has also been announced for the State of J&K. The scheme of the

Ministry covers, purchase of quality raw materials, assistance for technology, cold storage, market survey, brand building etc. This integrated approach including consistent generic campaign to dispel myths about processed foods will help in generating demand and ensure higher processing over the years.

1.80 Some of the concrete steps taken by the Ministry are: -

1. Commissioning studies in respect of identified important fruit crops, e.g., Mango, Banana, Apple.
2. Research & Development in specific areas like minimally processed vegetables which will contribute positively to more value addition.
3. Framing of strengthened Scheme for Infrastructure Development, including Value Added Centres, irradiation, etc in addition to food parks.

1.81 The domestic consumption of value added fruits and vegetable products is also low compared to the primary processed food in general and fresh fruits and vegetables in particular, which is attributed to higher incidence of tax and duties including that on packaging material, lower capacity utilization, non-adoption of cost effective technology, high cost of finance, infrastructural constraints, inadequate farmers-processors linkage leading to dependence upon intermediaries. The smallness of units and their inability for market promotion is also another main reason for inadequate expansion of the domestic market.

1.82 The Committee enquired about the measures taken by the Ministry to encourage the domestic consumption. The Ministry in their written reply informed:

“One of the constraints faced by the processed food sector is lack of consumer demand for processed foods for a variety of reasons. The Ministry, through its generic advertisement through electronic and print media, attempts to stimulate demands. Simultaneously, a number of initiatives have been taken by the Ministry for the development of the sector through promotional activities as aforesaid like generic advertisement, market survey, holding of fairs and exhibitions, brand promotion etc.”

(H) Dairy Processing

1.83 Organised dairy industry accounts for less than 15% of the milk produced in India. The rest of the milk is either consumed at farm level or is sold as fresh, non-pasteurized milk through unorganized channels. The share of organized industry is expected to rise rapidly – especially in the urban regions.

India, with its status as the largest milk producer in the world, is on the verge of assuming an important position in the global dairy industry. Milk production is estimated at 88 million tonnes during 2002-03 as against 84.60 million tonnes during 2001-2002. Many international dairy companies are viewing India with an eye to tapping its vast, growing market for dairy products. The rise in the market for dairy products is likely to witness the fastest growth of over 20-30% per annum. Four units have been provided financial assistance to the tune of Rs. 4.9 crores under the Plan Schemes of the Ministry.

1.84 As regards steps taken by the Ministry to tap the vast growing market for dairy products and the system of quality control over the milk produced in the organized and un-organised sector, the Ministry in their written reply stated as follows:

“Ministry of Food Processing Industries has been operating a plan scheme for setting up/expansion/ modernization of food processing units manufacturing milk products. The Ministry provides grant-in-aid to the industry conforming to norms laid down under MMPO 1992 presently being administered by DAH&D.

Un-organized sector can also avail of MFPI assistance in modernizing.”

(III) Scheme for Backward and Forward Integration and other Promotional Activities

1.85 During the 9th Plan, the Ministry operated, inter-alia, the Scheme for Backward Linkage, Generic Advertisement and Promotion of Food Processing Industries. In this Scheme, during the Tenth Plan, the following activities would be covered:-

1. Backward Linkage.
2. Forward Integration.
3. Generic Advertisement.

4. Promotional activities such as participation in exhibition/fairs, supporting seminars/workshops/conferences etc. and studies and surveys.
5. Preparation of short duration films and material for different meetings, dissemination of information and bringing of publications.
6. Strengthening of F&VP Directorate.
7. Strengthening of Industry Associations.
8. Food Fortification.

1.86 The objective of the Scheme is to increase capacity utilization of Food Processing Units, including fruit based wine industry, by ensuring regular supply of raw materials through contract farming. This will ensure that the processing units will get uninterrupted supply of raw material of the desired quality suitable for processing. This will also ensure remunerative prices to the growers by establishing direct linkage between the processor and the grower. The processing units will ensure that high quality seeds, fertilizers, pesticides alongwith the technical know-how is provided to the growers in time. There were around 24,271 farmers who got benefit under the Backward Linkages Scheme during the last three years.

1.87 The objective of the component of forward integration is to increase capacity utilization of Food Processing Units by ensuring regular market for their products by establishing linkages with the market. This will enable retailers to directly source supplies from producers. Assistance under the Scheme would also be available for market survey, test marketing, brand building etc.

1.88 The objective of Generic Advertisement is to build awareness among the consumers about the advantages of processed food and their quality assurance mechanism which would highlight how processed food is nutritious, convenient, offers variety, is available round the year, saves time on cooking, etc. This would also seek to encourage marketing promotion campaign for new products mix and brand name support. Dissemination of information about the processed food industry through publication of journals, press advertisement on the various plan Scheme of the Ministry, highlighting the facilities available to the entrepreneurs for setting up Food Processing Industries

would also be done through generic advertisement. Expenditure on generic advertisement during the last three years is as under:-

| <i>Year</i> | <i>(Rs. in crores)</i> |
|------------------|------------------------|
| <i>1999-2000</i> | 1.27 |
| <i>2000-2001</i> | 0.04 |
| <i>2001-2002</i> | 2.00 |

1.89 The promotional activities of the Ministry are aimed at the development of the processed food sector, creating awareness, attracting investments etc. For Food Fortification, it is proposed to start fortification of wheat flour to begin with.

1.90 The Directorate of F&VP has 4 regional and 2 sub-offices at present. Apart from implementing Fruit Products Order, the offices are actively associated in promotional and developmental activities relating to the processed food sector. Due to paucity of staff, the entrepreneurs have been expressing their hardship. The Ministry, therefore, felt necessary to open more sub-offices at different places in the country. However, due to difficulty in getting new posts for manning the new offices, the Ministry propose to open 'virtual offices' at different places in the country in collaboration with State Governments/Industry associations etc

1.91 Collection, compilation, anylysis and publication of statistics at regular +intervals regarding the number of processed food units functioning, their installed capacity, actual production and employment is an important activity which is proposed to be entrusted to all India level industry associations. For enabling them to complete this assigned task, part financial assistance is proposed to be extended.

1.92 In-principle approval of Planning Commission subject to certain conditions for this Scheme has been received on 30.10.2002. The preparation of the EFC Memo to obtain the appraisal report of the Planning Commission is on hand. Some of the components of this Scheme were implemented during the Ninth Plan. With the approval of Ministry of Finance those activities are being continued without any change during the Tenth Plan till the EFC is approved.

1.93 The 10th Plan approved outlay, BE and RE for the year 2002-03 and BE for 2003-2004 is as under:-

| | 2002-2003 | | 2003-2004 |
|---------------------------------------|-----------|------|-----------|
| 10 th Plan Approved Outlay | BE | RE | BE |
| 85.00 | 5.00 | 5.00 | 7.00 |

1.94 During the year 2002-03 up to January, 2003 an amount of Rs. 2.40 crores has been spent under the Scheme. The physical target and achievement under this Scheme is as under:-

| | | 2002-2003 | | | 2003-2004 |
|--|------------------------------|-----------|--|------------------------------|---------------|
| Name of the Scheme/Project/programme | 10 th Plan Target | Target | Actual Achievement upto February, 2003 | Shortfall if any with reason | Annual Target |
| Scheme for Backward and Forward Integration and other Promotional Activities:- | | | | | |
| a). Backward Linkages | 50 | 4 | 1 | | 10 |
| b). Fairs & Exhibitions (National/ International) | 50 | 10 | 10 | | 10 |
| c). Seminars & workshops | 100 | 20 | 12 | | 20 |
| d). Studies/Surveys | 30 | 5 | 7 | | 7 |

(IV) **Scheme for Quality Assurance, Codex Standard and R&D**

During the 9th Plan, the Ministry were operating different schemes for Research & Development for Food Processing Industries, establishment of Project Monitoring Cell and Codex Cell etc. During the 10th Plan number of schemes has been merged and the scheme for Quality Assurance, Codex Standards and R&D has been started. The scheme would cover the following activities:-

- (i) Total Quality Management (TQM)
- (ii) Promotion of Quality Assurance/Safety Concept.
- (iii) Bar coding
- (iv) Strengthening of Codex Cell
- (v) Setting up/upgradation of quality central/laboratories.
- (vi) R&D programmes for FPI.

1.95 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 this Scheme. During oral evidence of the representatives of the Ministry of Food Processing Industries, the Secretary had also stressed upon the R&D sector and packaging which need to be developed for proper development of Food Processing Sector. The witness further pointed out as under:

“We must have the latest technology so that, first, we can bring about quality products. Second, is packaging. Packaging is very important. Anything that may be produced well, if it is not packaged well, then it will give a wrong impression to a buyer. If packaging is attractive, then it could be sold straightway. So, the first thing is technology and the second is packaging. There is a lot of initiative. A lot of initiative is required. A lot of initiative has to come from the private sector. We can help.”

1.96 The 10th Plan allocation, BE, RE and actual expenditure (2002-03) and BE for 2003-2004 are as under:-

(Rs. in crores)

| | 2002-2003 | | | 2003-2004 |
|---|-----------|-------|---------------------------------------|-----------|
| 10 th Plan Approved Outlay | BE | RE | Actual Expenditure till January | BE |
| 90.00 | 10.50 | 10.50 | 6.74 | 7.50 |

1.97 The BE and RE for 2002-03 was Rs. 10.50 crores respectively. The actual expenditure till January was Rs. 6.74 crores. The Ministry would spend the total amount till March, 2003. During 2003-2004, the allocation at BE was only Rs. 7.50 crores. The reasons for less allocation as stated by the Ministry was as follows:

“During the year 2002-03, the expenditure in respect of Paddy Processing Research Centre has been booked under this scheme. However, from the year 2003-04, it is proposed to book the expenditure under the scheme of strengthening of institutions. Accordingly, a reduction has been shown in the BE 2003-04 under this scheme.”

1.98 It was observed that during the current year the Ministry had funded only Rs. 52.34 lakhs for various R&D projects which is very meager. Asked about the reasons, the Ministry in their reply stated:

“During the current year, the Ministry has so far assisted projects to the extent of Rs.2.69 crores till February, 2003. In addition, the following projects have been cleared for approval. (a) a pilot plant of Avinashilingam Home Sciences University, Coimbatore to be implemented in the Indian Food Park at Vrudhnagar; (b) a complete irradiation unit for Electron Beam technology at CFTRI; and (c) other research projects including two of CFTRI, one of a private industry and one of Food Research and Analysis Centre at Bangalore, etc. These approvals will ensure that entire budgeted amount will be spent. The Ministry has been concentrating on review of the projects already sanctioned and followed with detailed presentation of each of the assisted agencies to ensure that projects assisted by the Ministry have progress. In the current year (2002-2003) nearly 20 proposals have been approved including setting up of quality laboratory.”

1.99 As regards other activities of this Scheme, the Ministry in their written reply stated :

“The other components of the scheme, namely, Bar coding, strengthening of Codex Cell, promotion of quality assurance concept etc. were approved only recently for implementation. As such, these components will be taken up during the year 2003-04.”

(V) **Scheme for Human Resource Development**

1.100 HRD is one of the thrust areas of development. The Ministry 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.

1.101 During the 9th Plan, the Ministry had been operating certain Schemes for setting up of FPTCs, creation of infrastructure facilities, organizing training programmes etc. The Ministry propose to operate the Scheme for Human Resource Development during the 10th Plan covering the following activities:-

- (i) Setting up of Food Processing & Training Centres (FPTCs)
- (ii) Organizing training programmes and imparting training to persons already engaged in Food Processing to update their skills.
- (iii) Conducting Entrepreneurial Development Programmes (EDP).
- (iv) Facilitating universities/institutions/colleges for running degree/diploma courses in Food Processing as well as training programme including extension services by creation of infrastructural facilities like libraries, laboratories, pilot plants, extension services on the basis of new technology and new research etc.

1.102 The 10th Plan approved outlay, BE & RE of 2002-03 and actual expenditure till January, 2003 and BE of 2003-2004 are as under:-

(Rs. in crores)

| | 2002-2003 | | | 2003-2004 |
|---|------------------|-------------|---|------------------|
| 10th Plan Approved Outlay | BE | RE | Actual Expenditure till January, 2003-04 | BE |
| 65.00 | 4.50 | 2.70 | 0.78 | 4.70 |

BE for the Scheme during 2003-2004 is Rs. 4.70 crores and at the RE stage it has reduced to Rs. 2.70 crores.

1.103 The Committee in its 33rd Report on Demands for Grants (2002-03) had recommended 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 would be given by the Planning Commission at RE stage or in the remaining years of 10th Plan. In their action taken reply to 33rd Report the Ministry had stated that the recommendations of the Committee have been noted. Any enhanced requirement of funds for this Scheme would be made available by re-appropriation. In spite of that it has been observed that at the RE (2002-2003) stage it has come down to Rs. 2.70. The Ministry had proposed Rs. 5.00 crore for the Annual Plan for 2003-2004. However, only 4.70 crores has been allotted for this Scheme. As regards reduced allocation at the RE stage it has been stated by the Ministry in its written reply as follows:

“The estimated expenditure on this Scheme including against institutions already approved comes to Rs. 2.12 crores and it is expected that the outlay of Rs. 2.70 crores would be fully utilized. Lack of viable proposals is the main constraint for implementation of the Scheme. Reduction of provision in R.E. was made taking into account the trend of expenditure and potential proposals.”

1.104 Physical target and achievement in respect of the following components during the last three years are as under:-

| | 1999-2000 | | 2000-2001 | | 2001-2002 | |
|---|-----------|------|-----------|------|-----------|------|
| | Target | Ach. | Target | Ach. | Target | Ach. |
| FPTC (units) | 60 | 32 | 40 | 1* | -- | 9* |
| Persons trained under HRD (units) | 125 | 140 | 100 | 270 | 400 | 500 |
| Total amount sanctioned (Rs. in crores) | 2.00 | 1.97 | 1.00 | 1.00 | 0.80 | 1.60 |

*** Scheme was under review.**

(VI) Scheme for Strengthening of Institutions

1.105 The Ministry has been operating Plan Schemes for the development of processed food sector. After the zero based budgeting exercise, the Ministry would operate only six schemes during the 10th Plan. This is one of the six schemes and would include the following activities:-

- (i) Strengthening of Paddy Processing Research Centre (PPRC)
- (ii) Strengthening of State Nodal Agencies (SNA)
- (iii) Meeting the expenditure of pay and allowances for the Plan posts
- (iv) Information Technology.

Consequent upon the decision taken in the meeting held in the Planning Commission on 25.07.2002, it was decided that this scheme may be operationalized with the approval of AS&FA as this is a scheme which was operated during the 9th Plan. Accordingly, this scheme is being operated.

1.106 The provision of funds is as follows:-

Plan

(Rs. in crores)

| S. NO. | SCHEMES | B.E. 2002-03 | RE 2002-03 | BE 2003-2004 |
|-------------------|---|-------------------------|-----------------------|-------------------------|
| 1. | Establishment Expenditure (Sectt.) | 1.60 | 1.90 | 2.00 |
| 2. | Promotion of Food Processing Industries | 6.90 | 2.10 | - |
| 3. | Strengthening of Institutions | 1.00 | 0.30 | 3.30 |
| | Total | 9.50 | 4.30 | 5.30 |

Non Plan

(Rs. in crores)

| S. NO. | SCHEMES | B.E. 2002-03 | RE 2002-03 | BE 2003-2004 |
|-------------------|------------------------------------|-------------------------|-----------------------|-------------------------|
| 1. | Establishment Expenditure (Sectt.) | 4.10 | 3.90 | 4.00 |
| 2. | Establishment Expenditure of F&VP | 1.91 | 1.89 | 1.84 |
| | Total | 6.01 | 5.79 | 5.84 |

So far, plan funds to the extent of Rs. 2.066 crores has been utilized upto January, 2003 during the year 2002-03 under the Scheme.

1.108 The BE for this scheme for the year 2002-03 was Rs 9.50 crores under the Plan. At the RE stage it came down to Rs 4.30 crores, i.e. less than 50% of BE. The BE for 2003-04 also is Rs 5.30 crores. When asked about the lesser allocation for the year 2002-03 at RE stage and allocation for 2003-04, the Ministry in their written reply stated as under:

“During the year 2002-03, a provision of Rs.6.90 crores was made for promotion of FPI. MFPI had requested for a higher R.E. during 2002-03 but

Ministry of Finance decided to retain B.E. of Rs. 75 crores as R.E. Taking into account the trend of expenditure during the current year, a higher provision was required for the Scheme for Setting up/Expansion/ Modernization of FPI from BE of Rs. 9 crores, RE of Rs. 16 crores was provided. Accordingly, marginal adjustment was made.”

From 2003-04, promotion of FPI will form part of the Scheme for Backward and Forward Integration and Other Promotional Activities and an additional provision of Rs. 2 crores has thus been provided in that scheme for that year.

Utilisation Certificate

1.109 It has been observed that Utilisation Certificate in respect of 89 firms, which received grants from the Ministry, have not furnished utilization certificates. When the Committee enquired about the steps taken by the Ministry to ensure that the grants given to the firms are actually utilized for the purpose for which they were given and whether there was any mechanism in place for the purpose, the Ministry in their reply have stated:

“It has been decided by the Ministry of Food Processing Industries that before the release of the second or subsequent instalments, the concerned unit will be inspected by a team of officials from the Ministry and the State Nodal Agency to see whether the unit had utilised the funds released by the Ministry in accordance with the conditions of approval and only on receipt of the Utilisation Certificate in respect of the first and / or more instalments released upto that point of time. It is also the policy of the Ministry not to release second or subsequent instalments without the receipt of a proper utilization certificate prescribed under the General Financial Rules, 1963.”

In respect of old cases where utilisation certification were pending, the units were being reminded to forward the utilisation certificates urgently and the matter was being pursued vigorously with them. None of the units was made eligible for further assistance unless they submitted the utilization certificate. State Nodal Agency had also been asked to pursue vigorously with these units to get the utilization certificates.

Laws regulating Food Processing Industries

1.110 The Committee had noted that the existence of multifarious laws relating to food processing and multiple authorities controlling them act as a major hurdle in setting up/modernizing food processing units. 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.

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

1.112 Therefore, the Committee in their earlier Reports on Demands for Grants had recommended that the Ministry should harmonize the existing food laws in order to facilitate faster growth of the industry.

1.113 In order to set up a food processing unit, the entrepreneur has to comply with 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.

1.114 The Committee in their earlier Reports on Demands for Grants (21st Report 2001-02 and 33rd Report 2002-03) had recommended that the Ministry should come up with concrete proposals for single window clearance to all proposals for establishing food processing ventures. The Ministry in their reply had stated that it was formulating a “Processed Food Development Act” with a view to create single window clearance of the proposals.

1.115 The Finance Minister in his budget speech (2002-2003) had also endorsed 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.”

1.116 In this context, the Secretary, Ministry of Food Processing Industries during evidence stated as under:-

“This is a high priority area with us. Even according to the McKenzie Report, while the Food Processing Sector can attract a large amount of FDI, one of the inhabiting factors is the absence of the transparent Modern Integrated Food Law which we can claim to be in harmony with international law of standards. In fact, we have already prepared a Draft Food Bill. It is under the consideration with the GOM. As I mentioned, two meetings of the GOM have already been held.

She further informed :-

“We have to create an environment where private sector will come up. Now, how do we go about it is by creating a policy environment. We have to have a kind of structure where taxation structure is simplified, it should be conducive for growth. It should not hinder growth. Our laws have to be simplified. Food laws are antiquated, so many orders are passed in the Essential Commodities Act in the days of scarce commodities. They are no longer important. We have to have laws which should not confuse the entrepreneurs. The laws should be transparent and the emphasis should be on self-compliance than penal regime. Take for example, the Prevention of Food Adulteration Act. I believe, some of the provisions are quite draconian. They have to be simplified. We are in the process of simplifying. We try to provide promotional support to the industry by executing various schemes. We are trying to do that. But you are right that our resources need to be augmented if we have to play our role.”

1.117 The Committee were also informed that the Ministry of Food Processing Industries was in the process of formulating a Processed Food Development Act. For this purpose a Group of Ministers (GOM) was initially constituted on 5th April, 2002. It was re-constituted thrice, the last being on 14.02.2003. The Ministry of Food Processing Industries have been made the Secretariat to the Group of Ministers. Two meetings were held on 27.01.2003 and 18.03.2003. The Ministry has already circulated a background

note and draft of the proposed Food Bill. Further action for finalizing the Bill would be undertaken by the Ministry on receipt of directions from GOM.

Export

1.118 One of the objectives of MFPI is creation of facilitating environment for increasing processed food exports. The schemes being implemented by MFPI aim at development of processed food sector including enhancement of export.

1.119 Given the huge potential for manufacturing of the processed food product and limitation of the domestic market in consuming these products, it is imperative that concerted efforts are made to export processed food. The export of processed food items for the last six years has been as under:-(Rs. in Crores)

| ITEM | 1996-97 | 1997-98 | 1998-99 | 1999-2000 | 2000-2001 | 2001-2002 | 2002-2003 (TARGETS) |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| Processed Fruits and Vegetables | 473.77 | 761.50 | 705.60 | 993.60 | 1345.50 | 1100.57 | 1400.00 |
| Animal Products | 803.59 | 908.30 | 851.70 | 905.00 | 1637.10 | 1500.93 | 1750.00 |
| Other Processed Food (Guar Gum, Ground Nut, Alcoholic Beverages, milled Products etc.) | 1835.92 | 1494.80 | 1134.50 | 1494.40 | 1798.00 | 1780.07 | 1600.00 |
| Rice | 3172.35 | 3370.00 | 6279.40 | 3125.80 | 2943.30 | 3172.97 | 3750.00 |
| Walnuts | 78.93 | 56.40 | 68.90 | 60.50 | 109.90 | 117.98 | 100.00 |
| Marine Products | 4121.36 | 4697.00 | 4626.80 | 5116.60 | 6443.80 | 5957.05 | 6000.00 |
| Total | 10485.92 | 11288.00 | 13666.90 | 11695.90 | 14277.60 | 13629.57 | 14600.00 |

1.120 A number of reasons have been attributed to the shortfall in export earnings during 2001-2002 as compared to previous years. The main ones being, problems of quality of

marine products, changes in Rupees-Dollar exchange rates and non-tariff services imposed by some importing countries.

1.121 During the period April-Oct. 2002, there has been growth in export of processed vegetables, meat and its products, non-basmati rice items as compared to their exports during the period April-Oct. 2001. Pulses, processed fruits and juices, animal products, spirits and beverages have shown negative growth in exports during the same period. Lower unit value realization was the reason for negative growth of processed fruit and juices. Dairy products have shown negative growth due to crash in international prices. Export of spirits and beverages has also shown negative growth due to decrease in export of IMFL to Gulf. The Ministry have also informed that as per the Medium Term Export Strategy 2002-07, brought out by Department of Commerce, the world trade of all commodities including processed foods during the year 2000 was US\$ 6364 billion, out of which India's share of these commodities has been US\$ 42.29 billion (approximately 0.67%).

Investments

1.122 The Private, Public and Cooperative Sectors all have to play their rightful role in development of food processing. The Ministry of Food Processing Industries acts as a catalyst for bringing in greater investment from every source including FDI into this sector.

1.123 As per the new Industrial Policy announced in July 1991 most of the food processing industries have been delicensed except for distillation and alcoholic beverages and items reserved for small scale sector. For delicensed items the entrepreneur is required to file an Industrial Entrepreneur Memoranda (IEM) with Secretariat for Industrial Approval (SIA), Ministry of Commerce and Industry.

1.124 Sector wise details of IEMs filed during the last three years is as under:-

(Investment in Rs. lakhs)

(Employment in Nos.)

| Sector | 2000-01 | | | 2001-02 | | | 2002-03 (upto Nov.02) | | | Total (2002-03) | | |
|--------------------------------------|------------|----------------|--------------|------------|----------------|--------------|--------------------------|---------------|-------------|-----------------|-----------------|---------------|
| | No. | Inv. | Emp. | No. | Inv. | Emp. | No. | Inv. | Emp. | No. | Inv. | Emp. |
| Grain Milling & Grain Based Products | 16 | 257.57 | 1445 | 44 | 168.69 | 2101 | 24 | 65.14 | 1843 | 84 | 491.4 | 5389 |
| Fruit & Vegetable Products | 234 | 4367.11 | 67818 | 7 | 21.29 | 209 | 7 | 50.40 | 602 | 248 | 4438.8 | 68629 |
| Meat & Poultry Products | 6 | 67.37 | 3002 | 13 | 117.12 | 1462 | 5 | 31.62 | 528 | 24 | 216.11 | 4992 |
| Fish Processing | 3 | 9.02 | 348 | 7 | 66.48 | 2319 | 3 | 9.59 | 130 | 13 | 85.09 | 2797 |
| Fermentation Industry | 92 | 3186.53 | 10419 | 38 | 947.66 | 7484 | - | - | - | 130 | 4134.19 | 17903 |
| Consumer Industry | 100 | 932.09 | 8063 | 33 | 225.48 | 2870 | 10 | 62.95 | 563 | 143 | 1220.52 | 11496 |
| Milk & Milk Products | 6 | 20.86 | 265 | 13 | 680.46 | 3488 | 10 | 33.74 | 541 | 29 | 735.06 | 4294 |
| Total | 457 | 8840.55 | 91360 | 155 | 2227.18 | 19933 | 59 | 253.44 | 4207 | 671 | 11321.17 | 115500 |

It was observed that the number of IEMs, and the total amount of investments in this sector is fluctuating instead of increasing every year. During the year 2001-02, there were 155 IEMs and the investment was Rs. 2227.18 lakhs and the employment generated was 19,933. During the year 2002-03, the number of IEMs and investment came down to 59 and Rs. 253.44 lakhs and during 2003-2004, the number of IEMs is 671 and investment is Rs. 11321.17 lakhs. In this connection, the Secretary, Ministry of Food Processing Industries during oral evidence stated as under :

“This private sector has the capability of serving the objectives of the Tenth Plan. In terms of employment generation, this sector is known to generate more employment per unit of investment than any other sector. 32,000 persons will be employed per investment of Rs. 1000 crore. This is direct employment. Also, you have indirect employment of 3.61 per cent in downstream activities and ancillary activities. We can help leverage this kind of private sector initiative and investment only if we are given enhanced allocation. We would request the

Hon'ble Chairman and the Members of this Committee to plead for this on behalf of our Ministry. In fact, I think it is in the national interest to do it. If this sector is recognized, given due importance and if adequate funds are made available to it, if it is helped in administrative restructuring, it would be possible to do things. We would like all the Departments, which deal with food processing, to come under the umbrella of one Ministry so that we have a single reference point for exports and entrepreneurs as such."

Foreign Direct Investment

1.125 Since 1/4/98 and till 30/11/2002 the Government has approved 196 proposals for foreign investment in the various sectors of food processing. Sector-wise details of foreign investment approved is as under:-

| Sector | No. of Approvals | Foreign Investment approved |
|--------------------------------|------------------|-----------------------------|
| Grain Processing | 48 | 48877.39 |
| Fruits & Vegetable Processing | 48 | 26780.91 |
| Meat and Poultry Processing | 8 | 6823.65 |
| Fish Processing | 9 | 3693.39 |
| Consumer Industries | 27 | 7847.15 |
| Beer and Alcoholic Beverages | 2 | 703.00 |
| Milk & Dairy Products | 10 | 43049.60 |
| Food Additives & Oleoresin etc | 44 | 21823.93 |
| Total | 196 | 159599.02 |

1.126 The details of inflow of foreign investment in the various sectors of food processing is as under: -

(Rs. in crores)

| YEAR | FDI INFLOW |
|---------------------------|----------------|
| 1998-1999 | 78.46 |
| 1999-2000 | 445.48 |
| 2000-2001 | 204.27 |
| 2001-2002 | 482.93 |
| 2002-2003 (upto Sept. 02) | 104.12 |
| Total | 1315.26 |

(Source : RBI)

1.103 As seen from the above since the year 1998 till 2002 the Government has approved 196 proposals for foreign investment with an amount of Rs. 159599.02, However, the actual FDI inflow is only Rs. 1315.26 crores. When asked as to whether the Ministry has any Cell to directly negotiate with foreign countries/companies to evince interest in them to invest in Indian Food Processing Market, the Ministry in their written reply stated:

“The Ministry has not established any Cell to directly negotiate with foreign countries/ companies to invest in Indian Food Processing Market. However, Govt. has taken various steps from time to time to step up investment in the food-processing sector which have impact on domestic as well as international trade. These include inter-alia according high priority to this sector, development and improvement of infrastructure, automatic approval upto 100% of foreign investment for most of processed food, participation in various domestic & international seminars / fairs /exhibitions etc. The foreign investment has helped the food processing industry to bring additional capital investment in the sector and latest technology in processing and packaging.”

PART – II

RECOMMENDATIONS/OBSERVATIONS

(Recommendation Sl. No. 1)

Inadequate allocations in favour of the Ministry of Food Processing Industries

2.1 The Committee note that against a proposed outlay of Rs. 2800.00 crore, the Planning Commission have allocated Rs. 650.00 crore only to the Ministry for the Tenth Five Year Plan. During the year 2002-03 also the Ministry was allocated Rs. 75.00 crore at RE stage against a demand of Rs. 105.00 crore. In the year 2003-04 again, against a demand of Rs. 300.00 crore, the Ministry was allocated only Rs. 75.00 crore. The allocation to the Ministry works out to only 0.0507% out of the total Central Sector outlay. In this connection, the Committee had been recommending in their earlier reports on Demands for Grants that there should be a gradual increase in the budgetary provision for the Ministry upto 0.2% of the Central outlay, but actually the percentage outlay of the Ministry has declined from 0.091% during the year 1992-93 to 0.0507% in the year 2003-04.

The Committee wished to impress upon the Government that the Ministry of Food Processing Industries has been entrusted with the onerous task of diversifying and commercialising agriculture, giving a boost to the export of agro products, dispersal of industries in the rural areas, creation of infrastructure in the rural areas, quality control and upgradation, information and technology dissemination to small entrepreneurs and extending special incentives to the North-Eastern States hilly and backward areas of the country. In the opinion of the Committee, the food processing is a high priority sector and has tremendous potential to transform the economy. However, it faces many serious challenges like poor infrastructural facilities, lack of investments from public, private and cooperative sector, lack of proper R&D and inadequate technically sound human resources. As a result, India is able to process only 2% of its produce and a large percentage goes waste. In view of the significance attached to these activities of the Ministry and to address the

obstacles in its path, the Committee urge upon the Planning Commission and the Ministry of Finance to consider making higher allocations to this crucial sector because any neglect of this sector may seriously jeopardise the economy. The Committee, therefore, reiterate their earlier recommendations that the percentage allocation to the Ministry should be increased upto 0.2% of total Central outlay and also strongly desire that the budgetary outlay at the RE of 2003-04 and at the BE of the remaining years of the 10th Plan should be increased, so that the approved outlay of 10th Plan, i.e. Rs. 650.00 crore will be made available to this Ministry in order to achieve the 10th Plan target envisaged for this sector.

(Recommendation Sl. No. 2)

Late approval of new programmes during 10th Plan and need for higher allocation

2.2. Taking into consideration the review undertaken by the Planning Commission of the 9th Plan schemes, the number of schemes have been reduced from 19 during the 9th Plan to 6 only during the 10th Plan by merging and clubbing the existing schemes to enable more effective macro management and deployment of the available resources in a flexible manner according to their priorities. However, the Committee find that out of these six schemes, three are continuing schemes like, HRD, Strengthening of Institutions and scheme for Technology Upgradation/Establishment/Modernisation of food processing industries. The other two schemes, namely Infrastructural Development, Backward and Forward Linkage and Research and Development, were not cleared in the first year of the Tenth Plan. The scheme for Quality Assurance, Codex Standards and R&D has been cleared recently. The scheme for Backward and Forward Linkages has obtained the clearance of EFC and awaiting approval of the Finance Minister. The scheme for Infrastructure Development is yet to get EFC clearance.

The Committee are astonished to note that even during the second year of the Tenth Five Year Plan, many important schemes are yet to be cleared by the Planning Commission and not taken up for implementation so far. The delay in implementation of these schemes has a cascading effect on the food processing sector and ultimately on the economy as a whole. The Committee deplore this kind of

casual approach of the Ministry in this regard. In view of this loss of precious time, the Committee recommend that the Ministry should pursue the matter to get the clearance of the competent authority at the earliest and a higher allocation should be made for the implementation of these schemes in the Revised Estimates of this year and also in Budget Estimates of the coming years. It should also be ensured that the Plan schemes after their approval do not take much time to take off. The Committee expect the Ministry to bring this recommendation of the Committee to the pointed attention of the Planning Commission and the Ministry of Finance for appropriate and immediate action.

(Recommendation Sl. No. 3)

Restructuring of the Ministry

2.3 One of the most important functions of the Ministry is formulation and implementation of policies for food processing industries within the overall national priorities and objectives. While fulfilling its task, the Ministry continuously interacts with various Ministries of the Government of India and State Governments. The Ministry also interacts with various promotional organisations like Agricultural and Processed Food Export Development Authority (APEDA), Marine Products Export Development Authority (MPEDA), National Cooperative Development Corporation (NCDC), National Horticulture Board, Cashewnut Development Board, National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) etc. This consumes a considerable time and energy of the Ministry as well as the entrepreneurs. The Ministry of Food Processing Industries provides grants-in-aid to set up units/firms to process and market all kind of horticultural as well as non-horticultural produce. However, the Ministry of Food Processing Industries provides grants-in-aid for cold storage facilities for non-horticultural produce only; for horticultural produce the entrepreneurs have to approach the National Horticulture Board. Similarly, for other promotional and marketing activities, the entrepreneurs have to approach APEDA, MPEDA, NCDC, NAFED, Cashewnut Development Board, etc. Thus, the entrepreneurs have to shuttle from one Ministry to another which act as a deterrent in their venture. Therefore, the

Committee strongly feel that to remove all these obstacles, the Ministry of Food Processing should be strengthened further by bringing various organisations which deal with processed food, like APEDA, MPEDA, NAFED, NHB, Cashewnut Development Board, etc. under one umbrella in order to have an integrated approach for the food processing sector. Various other agencies involved, like the Pollution Control Board, Electricity Boards, etc. may also be impressed upon to give clearances expeditiously for setting up food processing units on priority basis.

(Recommendation Sl. No. 4)

Development of Food Processing Activities in the North Eastern States

2.4 The Committee observe that the North Eastern Region by virtue of its diverse agro-climatic conditions, offers a wide range of Agro-Horticultural produces. This region is the main source of high value horticultural produce for onward marketing both within the country and abroad. Besides, this region has got tremendous potential in respect of meat/pork processing. The State Governments of the region are not able to provide sufficient allocations from their budget for the development of these activities because of the insurgency problem and other special problems peculiar to the difficult hilly terrains of the area. The Committee are happy to note that the Ministry have been allocating more than 10% of its total plan allocations in favour of schemes for the development of food processing industries in the North Eastern States. The Committee also note that the Ministry provides grants-in-aid of 33% of the project cost with a maximum of Rs. 75.00 lakhs in the hilly and difficult areas.

According to the Committee, in view of the difficult and peculiar conditions in the region, all the schemes for food processing industries in the North Eastern States should be hundred percent Centrally funded, without any stipulation for contribution from the State Governments. The Committee, therefore, recommend that the Ministry of Food Processing Industries should come up with specific plan schemes with hundred percent funding by the Centre to ensure proper and quick development of the food processing sector in the region. It will also provide more opportunities for the people in the region.

(Recommendation Sl. No. 5)

Priority Sector Lending Norms

2.5 The Committee have noted that 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. Commercial banks provide only 18% of their net bank credit as priority sector lending for the entire agriculture sector. The financial institutions are not coming forward for lending because of the risk involved in the food processing sector. It was in this context that the Committee had been recommending to fix a percentage for the food processing sector within the 18% stipulated for the whole agricultural sector. According to the Ministry, the matter has been taken up with the Department of Banking, Ministry of Finance for issuing suitable instructions to the lending institutions but so far no specific percentage within the 18% has been worked out by them. The matter is still being pursued with the Ministry of Finance (Department of Banking).

The Committee feel that the matter has already been considerably delayed. They, therefore, desire that the matter should be pursued vigorously with the Ministry of Finance (Department of Banking) for fixing specific percentage for the food processing sector within the 18% fixed for Agriculture Sector urgently. In the opinion of the Committee this will enable the food processing sector to grow at a faster pace by obtaining easier finances at an appropriate time.

(Recommendation Sl. No. 6)

Creation of Fund for Development of Food Processing Industries

2.6 The Committee find that, the Commercial banks under their normal lending policy are not forthcoming to cover the risks faced by units in the processed food sector (PFS). They also do not have the technical competence to evaluate the food processing projects. Against this backdrop, the Ministry proposed to set up a 'Processed Food Development Fund' in collaboration with SIDBI. The Fund would provide financial assistance for setting up of units in the processed food sector. A token provision of Rs.5 crore was made for this scheme during 2001-02. However, the Planning Commission did not approve the scheme as a result there was no allocation in 2002-03.

The Committee in their earlier reports on Demands for Grants have been recommending for setting up of an autonomous body for funding food processing sector on the lines of the HDFC, for funding of post harvest activities of the agro and food processing industries and supporting infrastructure sector like transport and storage. The Committee have been informed that the Ministry have entered into MOUs with Export-Import Bank of India and, ICICI, on 15 November, 2002 for the purpose for optimal utilization of the plan scheme funds in respect of two schemes, namely, setting up/upgradation/modernization of food processing units and creation of infrastructural facilities. The MOUs would ensure that the projects are professionally appraised in financial and technical terms and that the progress of the projects is also properly monitored. The MOUs would be valid for a period of two years. Depending upon the success, the other financial institutions and banks with similar reach and competence would be approached. The Ministry have also informed that the State Bank of India has also evinced interest in entering into a similar MOU. The Committee are happy to note that a beginning has been made in the right direction and desire that the Ministry of Food Processing should ensure that MOUs are implemented in true letter and spirit. They also desire that other schemes of the Ministry should also be covered by similar MOUs at the earliest so that the food processing sector does not remain starved of finance. In the opinion of the Committee, availability of easy finance would attract more entrepreneurs to enter this field for all round development of this sunrise sector thereby generating additional employment.

(Recommendation Sl. No. 7)

Higher allocation for infrastructure facilities

2.7 The Committee note that the infrastructure facilities for food processing sector are of paramount important because India has enormous potential to do unchallenged profitable business in food processing as it is blessed with unsurpassed natural advantage. However, 8 to 37% of the total agricultural produce goes waste resulting in loss of about Rs. 50,000 crore annually because of inability of the sector to convert the produce into value added products. The processing units are mainly concentrated in the States with better infrastructural facilities rather than at places

where raw material is available and most of the produce in rural areas goes waste. One of the objectives of the Ministry of Food Processing Industries is to minimize wastage at all stages, transportation and processing of agro-food produce. To achieve this, the Ministry has been implementing a plan scheme namely 'Development of Infrastructural Facilities'. The Ministry has been proactively pursuing the task of setting up of Food Parks in different parts of the country to assist 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 have changed soft loan into grant-in-aid. During 10th Plan, the Ministry have broadened the activities under this scheme. The Committee have been informed that besides Food Parks, the other components of the scheme are yet to get clearance from Ministry of Finance to make those operational. The Committee hope that these activities will get clearance early and would become fully operational during the current year so that the entrepreneurs can avail the full benefits of the scheme.

The Committee also note that the Ministry have been allocated Rs.29 crore at RE stage against the demand for Rs. 32.00 crores for this scheme. During the year 2003-04 against a demand of Rs. 45.00 crores, the Ministry have been allocated only Rs. 29.00 crores, which includes provision for North Eastern States. The Committee are of the opinion that for the 'Scheme of Infrastructure Development' which is the very foundation of the activities of the Ministry, adequate funds have not been provided in accordance with its importance.

The Committee, therefore, strongly recommend that the allocation for this scheme should be enhanced at RE stage for 2003-04 and also in the coming years so that all its activities become fully operational in order to develop infrastructural facilities for food processing sector.

The Committee further desire that the Ministry should vigorously generate awareness about its schemes and activities so that the entrepreneurs get attracted to set up new units for food processing. The manpower generated by the new units will also have a positive impact on the employment situation in the country.

According to the Committee, the new food processing units/Food Parks should be set up as far as practicable, in the vicinity of area of produce to ensure availability of raw material (vegetables & fruits) at lesser cost and to minimize transportation costs. The produce may be kept under refrigerated environment and later on processed and sent to marketing centre. The Ministry should work out at the earliest an Action Plan to prevent post-harvest wastage of agricultural produce worth Rs. 50,000 crores.

(Recommendation Sl. No. 8)

Need to popularize Traditional Methods of Food Processing and Preservation

2.8 The Committee are of the unanimous view that India has a valuable heritage of processing and preserving food items without using chemical and inorganic substances in a conventional way. The nutritional, environmental and health friendly values of food processed under natural conditions are well known. Value additions through these traditional technologies needs no machinery and no big capital investment and hence it reduces the cost of preservation. The Committee in their earlier reports on Demands for Grants have been recommending for giving more stress on traditional method of processing and preservations. The Committee are distressed to note that 8 to 37% of fruits and vegetable and a large quantity of other agricultural produces goes waste due to non-preservation causing great loss to the nation as a whole. The Committee, therefore, strongly recommend that the Ministry should pay adequate attention to popularize the traditional methods of processing and preserving of agricultural produce which would supplement the efforts of the Ministry in the food processing and privatization sector and prevent loss of agro produce.

For storage and preservation, non-conventional energy sources may be utilised for drying agro produce and procuring refrigeration system/cold storage reducing dependency on electricity. For example, in areas having plenty of sunshine, solar energy may be utilized for drying of fruits, fish etc as well as running refrigeration and small machines. The Committee desire that the Ministry should

prepare proposals for promotion of the traditional methods of food processing and preservation themselves and assist the interested persons in this regard.

(Recommendation Sl. No. 9)

Human Resources Development

2.9 The Committee note that the Human Resource Development is one of the thrust areas of development during the 10th Plan. Adequate and fully trained competent manpower is of considerable importance from the economic point of view. Lack of knowledge of Pre and Post Harvest Management activities on the agriculture field level and lack of knowledge on appropriate post harvest handling at the processing level have a telling effect on the quality of the produce. In order to facilitate this objective, the Ministry of Food Processing Industries is implementing a scheme for Human Resources Development. The Committee are distressed to note that BE for this scheme i.e. Rs.4.50 crores for 2002-03 has come down to Rs.2.70 crores at the RE stage because the Department could not spend the whole amount due to of non-availability of viable proposals. The Committee therefore, strongly recommend that the Ministry should evolve some simplified procedures to attract the entrepreneurs for expeditious release of funds so that the funds for this important sector does not remain unutilized.

(Recommendation Sl. No. 10)

Proper use of grants/financial assistance given to food processing units

2.10. The Ministry gives grants-in-aid/ financial assistance to, NGOs, Private and Public Sector Undertakings and cooperatives for undertaking various activities relating to food processing including setting up/ modernization of the food processing units. The assistance is given in instalments and the subsequent instalments are released only if utilization certificate for the earlier instalment is received in the Ministry. However, it is noted that receipt of Utilization Certificates in respect of 89 cases, covered by the Public Interest Litigation, for which grants were released (up to 31st March 1999) involving an amount of Rs.9,06,13,235 were still pending. The Committee find that, the Ministry after pursuing these cases vigorously with the concerned firms was successful in getting Utilization Certificate

in respect of 17 cases involving Rs.2,23,93,750. The Committee have been further informed that the Ministry is pursuing with other firms and have warned them for not releasing the further financial assistance. They were being reminded to forward the Utilisation Certificates urgently. State Nodal Agency had also been asked to pursue these cases vigorously.

The Committee are astonished to note that large amount of public money is being taken by the Food Processing Units without showing any accountability.

It appears that the representatives of the Ministry/State Government do not actually visit the site of the unit to satisfy themselves about the money actually spent for the purpose for which it was given; the further instalments being released merely on receipt of the Utilisation Certificates. The representatives of the Ministry themselves admitted to this during the oral examination held on 21 March, 2003.

The Committee, therefore, desire that an authorized officer of the Ministry/State Nodal Agency should visit the site of the unit for an on-the-spot study to ensure that the money released is being actually used for the purpose for which it was given. Only after a satisfactory report is received, should the second/subsequent instalment be released; and not merely on the basis of Utilisation Certificate sent by the entrepreneur. They also desire that proper and comprehensive guidelines may be evolved in this regard so that the scarce funds at the disposal of the Ministry are not wasted due to misutilization. Stringent instructions should be issued to the defaulters asking them to refund the money given to them if not utilized, together with penal interest thereon. In future, collateral security for the money given to the beneficiaries may also be considered.

(Recommendation Sl. No. 11)

Dairy Processing

2.11. The Committee observe that India with its status as the largest milk producer in the world, is on the verge of assuming an important position in the global dairy industry. Many international dairy companies are viewing India with an eye to tapping its vast growing market for dairy products. Milk production in India is estimated at 88 million tonnes during 2002-03 as against 84.60 million tonnes during 2001-02. However, organized dairing industry accounts for less than

15% of the milk produced in India. The rest of the milk is either consumed at Farm level, or is sold as fresh, non-pasteurized milk through unorganized channels. The Committee are informed that the Ministry have been operating Plan Scheme for setting up expansion/modernization of food processing units for manufacturing milk products and provides grants-in-aid to the industry conforming to norms laid down under MMPO 1992 presently being administered by Department of Animal Husbandry and Dairying.

The Committee are highly perturbed to note that the Ministry have assisted only one unit each in 1998-99, 1999-2000, 2001-02 and 2002-03. During the year 2000-01 the Ministry could not assist any unit for milk processing. With this slow progress the Committee apprehend that Ministry will not be able to help the processing units to the desired level to ensure availability of quality and hygienic milk and milk products for the domestic market as well as for exports. The Committee, therefore, strongly recommend that the Ministry should encourage popularization of more viable proposals so that more good quality and hygienic milk is produced in the country.

(Recommendation Sl. No. 12)

Need for Integrated Food Laws

2.12 The Committee have found that there are multifarious laws which regulate food processing industries and multiple authorities which control them. These are the major deterrents on the path of growth of the food processing sectors. The Committee had, therefore, in their earlier reports on Demands for Grants had recommended for harmonizing the existing food laws in order to facilitate faster growth of the industry. The Committee were also informed that this is one of the major initiatives of the Ministry during the year 2002-03. For this purpose, a Group of Ministers (GOM) has been constituted to propose legislative and other changes for preparing a modern integrated food law and related regulations. The Ministry of Food Processing Industries have been made Secretariat to the GOM. This Group has held two meetings so far and is in the process of finalizing the draft laws.

The Committee, therefore, reiterate their earlier recommendations and desire that the Government should finalise the draft Food Laws at the earliest and place the same in the Parliament in the current session itself in order to facilitate the growth of Food Processing sector.

(Recommendation Sl. No. 13)

Marketing Organisation

2.13 The Committee note that there is a strong link between marketing of agricultural products and their processing. Thus, the farmers would like to sell as much of their produce as possible, for which there is adequate demand, at remunerative prices and the remaining unsold produce should be converted into value added products through food processing industries to ensure that the farmers' produce is fully utilized. The Committee, therefore, feel that activities concerning marketing and food processing should be coordinated by the Ministry of Food Processing Industries with a strong and professional marketing set-up. The Committee further feel that to facilitate proper marketing of perishable produces, the Ministry should approach the Ministry of Surface Transport to connect rural roads to the nearby towns and cities.

(Recommendation Sl. No. 14)

Need to ensure quality of food products

2.14 The Committee find that Western Countries lay down very stringent quality standards for food products. The Ministry have been implementing the 'Scheme of Quality Management' in order to meet the International Standards. The Committee note that inspite of this total quality management, many important sectors, such as Meat and Poultry Processing and Milk Processing do not meet the International Standards of processed food products.

The Committee further note that during 2001-02, there was a shortfall in the revenue earned from export. One of the reasons attributed to this was problems of quality of marine products, and non-tariff service, imposed by some importing countries. The Committee strongly recommend that the Ministry should undertake appropriate steps to ensure that food processing industries imbibe necessary

quality control measures to meet the International Standards and also to strive for bringing India as a leading country in the world food processing map.

(Recommendation Sl. No. 15)

Need for Wider Publicity

2.15 The Committee note that generic advertisement is the only way by which the farmers, entrepreneurs, Self Help groups, NGOs, research organizations and ultimately the consumers are made aware of the activities of the Ministry, its objectives, functioning and advantages of processed food. The Committee are informed that in many important schemes implemented by the Ministry, the response has not been as encouraging as expected despite wide publicity given to the various schemes. For example in the milk processing sector on an average the Ministry provided grants-in-aid to only one unit each year since 1998-99. In the scheme for HRD the allocation at RE stage has been reduced because of less utilization due to non-availability of viable proposals.

The Committee are further informed that many new activities have been broadened. Some of the new activities are yet to get clearance from the competent authority. In view of all these, the Committee strongly feel that the Ministry should launch a publicity campaign on a war footing through print and electronic media such as Radio, Television and through the local news papers giving detailed information about the benefits of the schemes of the Ministry its contents how to apply, whom to apply, terms of investment, avenues for earning a handsome return etc so as to attract more entrepreneurship for establishing new units.

(Recommendation Sl. No. 16)

Compilation of Data

2.16 The Committee note that, the food processing has the largest employment generation potential per unit of investment. 32000 persons will be employed per investment of Rs. 1000 crores. As per the National Council of Applied Economic Research (NCAER) Report, the number of persons employed in the Food Processing sector is estimated to be around 75.59 lakh persons in 2001-02. It has been

estimated by NCAER with an over all growth of 8% in the GDP, direct employment in this sector will grow at the rate of 2.61% per annum and projected to reach 86 lakh persons by the end of the 10th Plan.

The Committee are informed that neither the Ministry itself nor any independent agencies is maintaining any data pertaining to the number of persons employed in the food processing sector. The Committee fail to understand as to how in the absence of data relating to the number of persons employed, capacity (installed and utilized), turnover, etc. of the units engaged in food processing activities, the Ministry is able to formulate proper schemes/programmes for such units.

The Committee, therefore, strongly recommend that the Ministry should compile a data at the earliest for better planning and development of the food processing sector and analysis of their problems suggesting solutions. This will also help in evaluating the real employment generated through this sector.

(Recommendation Sl. No. 17)

Fish Processing

2.17 The Committee note that, India is the fourth largest producer of fish in the world and second largest producer of fresh water fish in the world . However, there is still a tremendous scope in exploiting this sector further, especially inland fisheries. India with its vast coastline of more than 8,100 Kms. and huge territorial waters and Exclusive Economic Zones, offers great opportunities to tap this natural resource. Countries like Thailand and Bangladesh have done much more in the field. The Committee in their earlier Reports have been recommending for re-formulating the scheme for strengthening of traditional fish processing technologies and for this purpose had desired that the Ministry should tie up with veterinary Institutions, Agricultural Universities and Fishery Cooperatives to get better results. The Committee are informed that many R&D projects have been taken up and it is expected that as a result of these efforts it will be possible to strengthen traditional fish processing technologies. The Committee, therefore, desire that the Ministry should take necessary steps to ensure that the fish processing does not

remain neglected area and for that higher allocation should be made in order to exploit the vast untapped marine resources.

(Recommendation Sl. No. 18)

Setting up of Primary Cooperative Collection Centres in each village

2.18 The Committee observe that India's production of fruits and vegetables is more than 2,500 million tonnes but about 8% to 37% of the produce goes waste resulting in loss of about Rs.50,000 crores annually. The farmers are not getting their due return on their produce. The Committee feel that if there are proper storage, transportation and marketing facilities, the wastage can be minimized and even the substandard produce can be converted into value added products.

The Committee recommend that the Ministry of Food Processing Industries may formulate a scheme for establishing primary cooperative societies all over the country (on the model of NDDB) wherein the farmers may bring their produce to the Collection Centres of the cooperative society. There the vegetables/fruits may be packed in suitable packets and arranged to be transported to the distribution centers. To save on establishment of new distribution centre, the existing milk distribution centre could be utilized for the purpose. The members of the cooperative would thus be able to sell their produce at remunerative prices and could even purchase their own vehicle for transportation by pulling their resources. Establishment of such cooperatives would help the food processing sector to grow at a faster rate. The waste products obtained during Fish Processing should be converted into value added products.