CHAPTER I

STANDING COMMITTEE ON AGRICULTURE
(1999-2000)

THIRTEENTH LOK SABHA

MINISTRY OF AGRICULTURE

(Department of Food Processing Industries)

DEMANDS FOR GRANTS (2000-2001)

NINTH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

*April, 2000/Chaitra, 1922 (Saka)*Presented to Lok Sabha on 19.4.2000

Laid in Rajya Sabha on 19.4.2000

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COMPOSITION OF THE STANDING COMMITTEE ON AGRICULTURE

(1999-2000)

Shri S.S. Palanimanickam - *Chairman*

1.Shri Ram Tahal Chaudhari

2.Shri Shivraj Singh Chouhan

3.Shri Shamsher Singh Dullo

4.Shri Ramdas Rupala Gavit

5.Shri Thawar Chand Gehlot

6.Shri G. Putta Swamy Gowda

7.Shri Raghunath Jha

8.Shri Shivaji Vithalrao Kamble
9.Shri Abul Hasnat Khan
10.Shri Y.G. Mahajan
11.Shri Haribhau Shankar Mahale
12.Shri Savshibhai Makwana
13.Shri Jagannath Mallick
14.Shri M. Master Mathan
15.Shri Tarachand Shivaji Patel
16.Shri Prakash V. Patil
17.Shri Sharad Pawar
18.Shri G. Sukender Reddy
19.Shri N.R.K. Reddy
20.Shri Pyare Lal Sankhwar
21.Shri Adi Shankar
22.Shri Chhattrapal Singh
23.Shri Lakshman Singh
24.Shri Rampal Singh
25.Shri Tejveer Singh
26.Shri Zora Singh
27.Shri Bhal Chandra Yadav
28.Shri Mahaboob Zahedi
29.VACANT
1.Shri Oscar Fernandes
2.Shri Gufran Azam
3.Shri Ramji Lal
4.Shri Devi Prasad Singh
5.Dr. Ranbir Singh
6.Shri Khagen Das
7.Shri Yadlapati Venkata Rao
8.Shri H.K. Javare Gowda
9.Shri Naresh Yadav
10.Shri R. Margabandhu
11.Shri Korambayil Ahammed Haji
12.Shri Sharief-Ud-Din Shariq
13.Shri Devi Lal
14.Shri Kanshi Ram
15.VACANT

Secretariat

1. Shri Harnam Singh - Joint Secretary
2. Dr. (Smt.) Paramjeet Kaur Sandhu - Director
3. Shri Rajshekhar Sharma - Deputy Secretary
4. Shri K.L. Arora - Assistant Director

5. Mrs. Jyochanamayi Sinha - Reporting Officer

PREFACE

I, the Chairman, Standing Committee on Agriculture(1999-2000) having been authorised by the Committee to submit the report on their behalf, present this Ninth Report on Demands for Grants of the Ministry of Agriculture (Department of Food Processing Industries) for the year 2000-2001.

2. The Standing Committee on Agriculture was constituted on 31st December, 1999. One of the functions of the Standing Committee as laid down in Rule 331E of the Rules of procedure and Conduct of business in Lok Sabha is to consider the Demands for Grants of the concerned Ministries/Departments and make a report on the same to the Houses. The report shall not suggest anything of the nature of cut motions.

3. The Committee took evidence of the representatives of the Ministry of Agriculture, Department of Food Processing Industries on 27th March, 2000. The Committee wish to express their thanks to the officers of the Department of Food Processing Industries for placing before them, the material and information which they desired in connection with the examination of Demands for Grants of the Department for the year 2000-2001 and for giving evidence before the Committee.

4. The Committee considered and adopted the Report at there sitting held on 10th April, 2000.

New Delhi; **S.S. PALANIMANICKAM,**

10th April, 2000 *Chairman,*

21 Chaitra, 1922 (Saka) *Standing Committee on Agriculture*

PART I

CHAPATER - I

OVERVIEW OF DEMANDS

1.1 The Food Processing Industry encompasses industries on fruit, vegetable, milk, fish and meat processing. The industry has a tremendous potential for increasing agricultural productivity providing significant and widespread employment and contributing significantly to export. The latest survey of Industries 1993-94 reveals that the total share of the Food Processing Industries in the total gross value of output and net value added of the manufacturing sector was 15.19% and 10.02% respectively.

1.2 A separate Ministry of Food Processing Industry was created in July, 1988 to give a boost to strong and effective food processing sector because it plays a significant role in diversification and

commercialisation of agriculture, improves value addition of the agricultural produce, generates employment, enhances income of farmers and creates surplus for export of agro foods. In 1999 it has been placed under the Ministry of Agriculture as a separate Department namely the Department of Food Processing Industries. The Department is responsible for formulation and implementation of the policies and plans for the food processing industries within the overall national priorities & objectives. When asked about the reason for the merger of this Department with the Ministry of Agriculture, and how the processed food sector is going to be benefited out of it, the Department in its written reply has stated that:
"There was no separate Department of Food Processing Industries at any time prior to 1988. The new Ministry of Food Processing Industries was established in 1988 with subjects taken from Ministries of Agriculture, Food and Industries.In the year 1999, the Ministry of Food Processing Industry has been made a separate Department under Ministry of Agriculture by issue of notification to this effect by the Rashtrapati Bhawan vide No.DOC.CD-442/99 dated 15.10.99. This was a decision of high level, the reasons of which are not known to this Department. Honble Minister of State has taken up the matter with Prime Ministers Office to restore this Department as a Ministry. By making this Ministry a Department no change has been effected so far as operation of Plan Schemes are concerned. All the schemes are in operation as of now."1.3 During oral evidence, when asked how the food sector was going to be benefited as a result of this decision by the Central Government, the representatives of the Department of Food Processing Industries stated during oral evidence that: "As far as the structure of the Department is concerned, there has always been a debate on how the Department should be there. The opinion of the Expert Committees has been that there should be a single Food controlling authority in the country. This was a standard opinion expressed by various expert bodies which have gone into this matter. There have been several discussions at the level of Committee of Secretaries. They have also felt that it is a complex matter. They have recently asked the Bureau of Indian Standards to examine the food loss in the country to see how they can be organised and what steps can be taken in this regard."1.4 During the Eighth Plan, the key element for development of food processing sector was the unfettering of the private initiative and providing requisite stimulus by way of incentives, investment and policy support. In the past, in liberalisation period when liberalisation of investment was emphasised in the Industrial Policy Resolution, priority was accorded to the Agro-Food Processing Sector and foreign equity participation in this area was permitted.
1.5 All those schemes which have proved successful in the Eighth Plan period are proposed to be continued during the Ninth Five Year Plan. The thrust of the Ninth Plan for Food Processing Industries is to boost export of agro products, dispersal of Industries in the rural areas and creation of infrastructure in rural areas, quality upgradation and quality control system, information and technology dissemination system to the intending small entrepreneurs and others. Special Incentive for the North Eastern States, Jammu & Kashmir, Hilly areas and Backward areas including Tribal areas are to be given in each of the successive annual plan during the Ninth Five Year Plan.
1.6 The processed food sector had been facing serious problems in financing the projects as the food processing industries are high risk prone with long gestation period and the returns are small. As a result, the projects in this sector were not finding favourable consideration by the financial

institutions. Considering the demand of the industry and in view of the vast potential of the growth of the agro-processing sector, the Government has now decided to include agro-processing sector within the definition of `Priority Sector for bank lending.

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

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

(Rs. in Crores)

S.No.	Name of the Sector	9th Plan	1997-98		1998-99		1999-2000		2000-01
		Out lay	R.E.	Exp.	R.E.	Exp.	R.E.	Expected Actuals	B.E.
	DEPARTMENT OF FOOD PROCESSING INDUSTRIES								
1.	Grain Processing	2.80	1.43	1.43	0.70	0.62	0.75	0.75	0.50
2.	Fruit & Vegetable Processing (Horticulture based Industries)	90.70	13.30	4.80	6.44	7.24	10.90	10.90	18.40
3.	Meat & Poultry Processing	37.40	5.97	1.92	4.63	4.32	5.69	5.69	4.50
4.	Milk based Industries	30.00	4.08	4.50	5.00	4.31	2.50	2.50	5.00
5.	Marine Products*	50.50	25.21	6.68	9.20	9.29	13.35	13.35	13.10
6.	Consumer Industries	8.00	1.43	1.43	1.00	1.68	3.97	3.97	3.50
7.	Secretariat Economic Service	15.60	2.38	2.11	3.03	2.54	2.83	2.83	4.00
8.	Processed Food Fund	-	-	-	-	-	0.01	0.01	1.00

(New Scheme)

	Total	235.00	53.80	22.87	30.00	30.00	40.00	40.00	50.00

* FSI and two related SChemes transferred to Deptt. of Animal Husbandry and Dairying from Oct, 1997

1.9 Sector-wise Non-Plan Allocations and Actual Expenditure during first three years of 9th Plan period.

(Rs. in crores)

S.No.	Name of the Sector	Plan Out lay	1997-98 Outlay	1997-98 Exp.	1998-99 Qutlay	1998-99 Exp.	1999-2000 Outlay	1999-2000 Expected Actuals	2000-01 B.E.
1.	Secretariat	-	2.65	2.63	2.70	2.70	2.84	2.84	3.10
2.	Food Storage and Warehousing								
a]	Grain Processing	-	0.19	0.17	0.26	0.26	0.29	0.29	0.30
b]	Fruit & Vegetable Processing	-	0.74	0.69	0.90	0.90	0.93	0.93	1.00
3.	Consumer Industries	-	0.60	0.60	0.60	0.60	0.60	0.60	0.60
	Total Revenue	-	4.18	4.09	4.46	4.46	4.66	4.66	5.00

1.10 The Budget Estimates Revised Estimates & Actuals in each year is as follow:-

(Rs.in crores)

Year	Budget Estimate		Revised Estimate		Actuals	
Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	1992-92
40.00	04.39	41.84	03.58	33.15	03.16	1993-94
47.00	04.05	48.57	08.04	38.53	04.28	1994-95
46.00	05.63	45.00	05.94	30.33	04.43	1995-96
45.00	05.13	45.00	05.86	40.84	05.01	1996-97

45.00	06.06	40.00	05.67	25.90	03.42	1997-98
44.10	03.65	40.00	04.18	21.26	04.08	1998-99
44.10	04.72	30.80	04.46	30.00	4.19	1999-2000
47.10	04.66	40.00	4.66	-	-	2000-2001

1.11 The Committee observed that every year there is gradual decrease of allocation from BE to RE and from RE to actual utilization both in Plan & Non-Plan provisions. The Non-Plan allocation for the year 2000-2001 is 10% of total Plan allocation.

1.12 During the year 1999-2000, the budget allocation of Rs.47.10 crores has come down to Rs.40.00 crores in the Revised Estimate stage in the Plan side. The Standing Committee on Agriculture in their 22nd Report had recommended that at the revised estimate stage during the year 1999-2000 the Central Plan outlay in favour of the Department of Food Processing Industries should be enhanced to Rs.110 crores. The Government in their Action Taken Report had stated that the recommendation of the Committee has been sent to Planning Commission & Ministry of Finance for appropriate action. However, at the Revised Estimate stage the plan outlay for the Department has come down to Rs.40.00 crores in comparison to Rs.47 crores at the BE stage. The Department was asked how it would be able to do justice with such an important sector with reduced allocation. In a written reply the Department has stated: "Taking into account the proposals under consideration seeking financial assistance it was requested that as against BE of Rs.47 crores, RE of Rs.58.37 crores may be provided. However, the Finance Ministry decided to reduce the Revised Estimate to Rs.40 crores apparently keeping in view the overall resource position.

Available funds have been earmarked to different schemes in such a manner that the optimum utilization of funds is made."

Percentage of outlay to the Department of Food Processing Industries

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

(Rs.in crores)

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

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

1.14 The Committee observed that the proportion of outlay to the Department of Food - Processing Industries has been decreasing year after year with a marginal increase only during the year 1999-2000 i.e. 0.0454. During the current financial year it has again come down to 0.0426.

1.15 The Committee has been informed that the Department had sought an outlay of Rs.103.60 crores for the Plan schemes for 1999-2000 against which the Planning Commission has approved an outlay of Rs.50.00 crores only. The major schemes proposed to be taken up during 2000-2001 are:

1. Infrastructural Facilities for Food Processing
2. Setting up/Expansion/Modernisation of Food Processing Industries
3. Generic Advertisement
4. Manpower Development
5. Creation of funds for the development and promotion Food Processing Industries.

Allocation of funds for the North-Eastern States

1.16 In the Demands for Grants 2000-2001 under Major Head 2552 the Department has made a lump sum of Rs.3.60 Crores under Revenue Section and Rs.1.40 crores under Capital section for North Eastern States including Sikkim.

The Details of Provision in the Scheme for North East during 2000-01 are as under:

S.No.	Name of the Scheme	Cap.	Rev.
1.	Development/Improvement of Marketing, Quality Control, Storage & Transport of MEat & Meat Products	0.20	0.10
2.	Development of Meat Processing (Port, Sheep, Goat, Rabbit & Buffalo)	0.10	0.40
3.	Development of Poultry & Egg. Processing	0.20	0.25
4.	Manpower Development in FPI	-	0.30
5.	Setting up/Expansion/Modernisation of Food Processing Industries	0.20	0.05

6.	Strengtheningof Backward Linkages	-	0.10
7.	Setting up Demonstration Units/Pilot Projects	-	0.50
8.	Generic Advertisement	-	0.40

1.17 In regard to pattern of funding for all the schemes pertaining to the North Eastern States, the Committee have been informed by the Department in a written note as under: "A higher quantum of assistance is extended in respect of projects which are in the difficult areas which include North-Eastern State and Sikkim.

Under the Scheme for Development of Infrastructural Facilities, the grant provided to Public Sector Undertakings, Joint Sector, Non-Government Organizations and Cooperatives in general areas is limited to Rs.25 lakhs but for difficult areas, it is Rs.50 lakhs. In the case of loan to Private Sector, the limit is Rs.50 lakhs in general areas but Rs.75 lakhs in difficult areas. Similarly, loan for Public Sector Undertakings/Joint Sector, the maximum limit is Rs.150 lakhs in general areas and Rs.200 lakhs in difficult areas.

Under the Scheme for Setting up/Expansion/Modernization of Food Processing Industries grant of upto Rs.50 lakhs is available in difficult areas for Public Sector Undertakings and upto Rs.25 lakhs for Joint Sector whereas no grant is available for general areas. In the case of Non-Government organizations and Cooperatives while grant of upto Rs.25 lakhs is available in general areas, upto Rs.50 lakhs is available in difficult areas.

Under the Scheme for Development of Meat Processing, grant upto Rs.75 lakhs in general areas is available and upto Rs.100 lakhs is available to Non-Governmental Organization, Cooperatives etc. For Public Sector Undertakings and Joint Sector, grant of Rs.100 lakhs for difficult areas is available whereas no grant is available for general areas.

Loan under the Scheme for Private Sector is limited upto Rs.75 lakhs in general areas and Rs.100 lakhs in difficult areas. For Public Sector Undertakings/Joint Sector, the loan limit is upto Rs.150 lakhs in general areas and Rs.200 lakhs in difficult areas.

The pattern of assistance under the Scheme for Development of Poultry & Egg Processing is similar to the Scheme for Development of Meat Processing."

Creation of Fund for Development of Food Processing Industries

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

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

1.20 It has been stated in the Annual Plan document 2000-2001 of the Department of Food Processing Industries that a `Food Development Fund has been created with a lumpsum provision of Rs.20.00 crore in association with SIDBI and IDBI in 2000-2001. In the last financial year (1999-2000) the Government had given a token provision of Rs.1 crore in the Budget Estimate. The Committee in their 22nd report on Demands for Grants 1999-2000 had recommended that the modalities for the creation of the fund should be got finalised within three months from the date of presentation of this Report, so that the fund comes into operation well within the first quarter of the new financial year.

1.21 The BE & RE for the year 1999-2000 & BE for 2000-2001 for this scheme is as under:- (Rs.in crores)

BE 1999-2000	RE 1999-2000	BE 2000-2001
00	0.01	0.50

1.22 The reasons for delayed finalization of the modalities for the creation of fund, as stated by the Department are: "As creation of Fund envisages financial issues of a complex nature, the Department alone cannot operate the Scheme, Discussions with financial institutions such as IDBI, ICICI, Risk Capital & Technology Finance Corporation Ltd.are going on and identification of an appropriate operating financial institution is pending finalisation."1.23 When asked about the reasons for token allocation for this scheme at the revised estimate stage during last financial year and again a token allocation of Rs.50.00 lakhs for BE in the current financial year, the Department in reply stated :

1.24 The Committee have been informed that the Government has now included food and agro-based processing sector within the definition of priority sector for bank lending. In this connection, when asked to state the number of proposals received and the number of beneficiaries benefited so far, the Department in a written reply stated as under:

Venture Capital Fund

1.25 The Finance Minister in his Budget speech while speaking on the future of Industry & Capital Market had stated that "A key ingredient for future success lies in Venture Capital Finance. After a thorough review, I am proposing a major liberalization of the tax treatment for venture capital funds." Accordingly, the Department has created a Venture Capital Fund of the size of Rs.40.00 crores out of which Rs.15 crores is to be mobilized from Department of Food Processing Industries, Rs.15 crores from other financial institutions and balance Rs.10 crores from private/foreign investors.

1.26 However, this proposal is with the EFC for approval and then the Planning Commission/Ministry of Finance will be approached for additional funds. An amount of Rs.1.00

crore has been provided as BE for 2000-01.

CHAPTER II

SECTORWISE ANALYSIS

Fisheries Sector

2.1 It has been informed that during 9th Plan (i) Assistance to Coast Guard and (ii) Fishery Survey of India have been transferred to Department of Animal Husbandry & Dairying. Only the processing part of fisheries has been left with Ministry of Food Processing Industries. Under this sector the proposed outlay by the Ministry of Food Processing Industries for Ninth Plan was Rs.75.30 crores. However, the Planning Commission has approved only Rs.50.50 crores for entire plan period. The following three schemes under this sector are under implementation:-

1.Strengthening of traditional fish processing technologies/marketing.

2.Utilization of low value fish.

3.Infrastructural facilities for food processing industries.

A. Strengthening of Traditional Fish Processing Technologies/Marketing

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

2.3 The main objective of this scheme during the Ninth Plan is to create additional facilities for preservation & processing of fish, so that the benefits of the scheme are available to traditional fisherman & other sector engaged in fishing.

2.4 The Ninth Plan approved outlay for this scheme is Rs.2.63 crores. During 1997-98 the approved outlay of Rs.48.00 lakhs for the above mentioned scheme remained totally unutilized. In the year 1998-99 the Government again could not spend any amount out of a meagre Rs.15 lakhs. In the year 1999-2000 the Government expect to spend Rs.40.00 lakhs out of Rs.50.00 lakhs. In the current financial year i.e. 2000-2001 the BE is only Rs.5.00 lakhs.

2.5 When asked about the reasons for under utilization of allocation every year and the steps taken by the Department to cope up with this situation the Department in its written reply stated:

"Due to non-receipt of any complete and viable proposal under this scheme, no assistance was released to any organisation by this Department. In order to popularize this scheme, pattern of assistance under the scheme has since been changed. Earlier, Joint/Assisted/Private sector/PSUs in general areas, were eligible for loan under this scheme. As per the modified pattern of assistance, organizations in all these sectors are now eligible for assistance in the form of grant. Besides, Research & Development Organisations have also been made eligible for assistance in the form of grant towards 100% of the cost for setting up of demonstration unit to popularize traditional fish processing technologies & marketing among the entrepreneurs/fishery folks. Steps have been taken to popularise the scheme through letters to/meetings with States/Union Territories/Nodal Agencies. Some Research Organisations were also addressed to send proposals under this scheme."2.6 In almost all the coastal areas a large number of fishery societies are there. When asked why the fishery societies are not being encouraged to avail the grants provided by the Department, the representatives of the Department stated during evidence: "There, we have written to the State Governments to do that. This Department is not articulated. We have not got anybody in any State. So, we want to operate through the State nodal agencies. We have written several times especially to the States fishermen who have got a large littoral and fishing community, to send their proposals. But the response is not there."2.7 During the year 1999-2000 the Government had allocated Rs.50.00 lakhs in the BE stage. However, the Government has drastically scaled down the allocation for this scheme to Rs.5.00 lakhs during the current financial year. When asked to explain the reasons far such a major cut, the Department stated : "Due to poor response, the allocation in BE 2000-2001 has been reduced to Rs.5 lakhs. However, if sufficient number of complete & viable proposals are received, the provision may be enhanced at RE stage."2.8 During the First four years of 9thPlan, the total allocation for this scheme is only Rs.1.53 crores out of the approved 9th Plan outlay i.e. Rs.2.63 crores. The actual expenditure during that period is only Rs.20.00 lakhs. When asked as to what concrete measure will be taken by the Department to fully utilize the 9th Plan allocation for the scheme, in reply the Department stated as follows: "No expenditure has been incurred so far under this scheme. However, efforts are consistently made to popularise the scheme so as to utilize the allocated funds."2.9 Pertaining to the achievements of this scheme the representatives of the Department of Food Processing Industries added during evidence: "We have not been able to get any particular interest in this particular area. We wanted to develop or encourage the adoption of better methods of drying. To that extent, we wanted the CFTRI or solar drying institution and so on. We have written several times to all these institutions to try and see that certain kinds of interventions are done on that basis."2.10 When asked as to whether the Department had approached the agricultural universities or the veterinary colleges in this regard as well as for encouraging fishermen to use solar energy for drying purposes, the witness added that they have not yet approached any of these institutes to get better results, but this should be possible.

B. Infrastructural Facilities for Food Processing Industries

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

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

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

2.14 The Plan outlay under this scheme is as under:

(Rs. in crores)

	1997-98			1998-99		1999-2000		2000-01
Ninth Plan Outlay	App. Outlay	Actual Expen.	Short Fall	Approv. Outlay	Actual Expend.	RE	Anticipated Expend	BE
46.46	10.64	6.68	3.96	8.95	9.29	12.90	12.90	13.00

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

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

1. Lack of adequate infrastructure for post-harvest handling of horticulture crops.
2. Lack of primary processing facilities in proximity to the growing areas.
3. Improper packaging
4. Lack of transport facilities, and
5. Inadequate cold chain facilities.

2.17 The Committee are further informed that the value of food wasted in India due to lack of storage and processing facilities is not available.

In reply to a question on the terms & conditions of financial assistance provided for cold storage processing plants & food parks, the Department stated:

2.18 For establishing Food Parks, financial assistance in the form of grant up to Rs.4 crores is available for creation of Common facilities such as analytical and quality control laboratories, cold storages/modified atmosphere cold storages, warehousing facilities, supplementary pollution control facilities etc., PSUs/Joint/Assisted/Private Sector/NGOs/ Cooperatives can get assistance for creating such facilities

2.19 The number of units assisted under different Schemes are as follows:

2.20 In regard to total number of cold storages and their capacity , the Department of Food Processing Industries informed the Committee as under:

2.21 When asked as to whether the Plan outlay for setting up of cold chain facilities is sufficient and if not, the steps have been taken in this regard. The Department in its written note informed :

1.For products other than Horticulture Produce

2.Where it is a part of processing units

3.Where it is part of Food Park

4.Cold Storage with Controlled Atmosphere/Modified Atmosphere facility"

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

2.22 India is the seventh largest fish producing country in the world. Unlike the fishery of cold and temperate waters where the catch comprises only of a limited species of fish, Indian fishery is multispecies one, comprising of a large number of species of fish of highly varying sizes. The catch consists of some very small sized fishes which often cannot be put to any economic use. Such fish by-catch is discarded over board or at landing centres. The low value fishes constitute a sizeable part of the countrys total marine catches. Discarding of these fishes, which are rich in protein, is therefore, a loss to the nation where such cheap protein rich food is needed. The producers and processors reject these fishes only because they dont have commercial value. In the recent past, considerable Research & Development work has been done by various institutes regarding value added products from low value fish. The processed products of these fishes have been prepared on an experimental basis and are found to be acceptable to the consumer. Hence, there is need to encourage setting up of units which would take up commercial production of value added products like protein concentrate, fish wafers, fish sausages, fish soup, fish cutlets, fish balls & fish feed etc. using low value fish.

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

2.23 Under this scheme the BE for 1999-2000 was Rs.50.00 lakhs. However, in the revised estimate stage it has come down drastically to Rs.5.00 lakhs. In the current financial year the Plan outlay is only Rs.5.00 lakhs. In this connection, when asked to state the reasons for such low allocation, the Department stated:

2.24 The Department has also informed that the terms & conditions of assistance to set up units for commercial production of value added products are:

Food Storgae & Warehousing

A. Grain Processing Industry

2.25 In the grain processing sector a total of 10 schemes were proposed to be implemented in the 9th Plan. Consequent upon the discussion in the Planning Commission a need was felt to reduce the number of schemes being operated. Accordingly, the schemes in this sector were clubbed as under:-

No.	Scheme in Grain Processing Sector	Clubbed scheme and sector

1.	Post Harvest Technology Centre, IIT Kharagpur	Research & Development in Food Processing Industries in milk based industries sector
2.	Paddy Processing Research Centre, Thanjavour.	3.
Research & Development	4.	Fortification of Cereals & Cereal Products
5.	Manpower development for cereal processing food industry	Manpower development in processing industries in horticulture based industries sector
6.	Scheme for strengthening of backward linkages for maize and coarse grains	Strengthening of backward linkages in horticulture based Industries sector
7.	Modernization of Pulse milling industry	Setting up/Expansion/Modernization of food processing industries in horticulture based industries sector.

2.26 The Committee in its 11th Report on Demands for Grants (1998-99) had recommended that all the schemes that have been clubbed/merged may be put back under their original sectors. In this connection, the Department had stated that action has already been initiated for opening separate Heads of Accounts. Once the Head of Accounts are opened action will be taken to separate them accordingly. During examination of Demands for Grants (1999-2000) when asked about the time frame stipulated to open separate Heads of Accounts, the Department had stated that the matter regarding opening of separate heads of accounts has been taken up with the Ministry of Finance in consultation with Planning Commission. The matter is pending at present with Comptroller & Auditor Generals Office. When asked to furnish the latest position in this regard, the Department has stated that the final reply from the Ministry of Finance is still awaited.

2.27 The three schemes that are in operation under Grain Processing Sector are:

1. Regional Extension Service Centre
2. Cereal Processing Testing Centre
3. Permanent Extension Service Centre

(i) Modernisation of Rice Milling Industry

2.28 The outlays under the different schemes of the Rice Milling Modernisation programmes in the Revised Estimates 1999-2000 and Budget Estimates 2000-01 are given below

Plan

(Rs.in crores)

Sl.No.	**Scheme**	**B.E. 1999-2000**	**R.E. 1999-2000**	**B.E. 2000-2001**
1.	Grants in aid to Regional Extension Service Centres	0.30	0.30	0.35
2.	Grants in aid to Cereal PRocessing Testing Centres	0.30	0.30	-
3.	Extension Service Centre at CETRI	0.15	0.15	0.15
	Total Plan	0.75	0.75	0.50

. **Non-Plan**

(Rs. in crores)

Sl.No.	**Scheme**	**B.E. 1999-2000**	**R.E. 1999-2000**	**B.E. 2000-2001**
1.	Establishment of Rice Milling	0.25	0.25	0.26
2.	Advertisement and Publicity	0.04	0.04	0.04
	Total Plan	0.29	0.29	0.30
	Total Plan/Non-Plan	1.24	1.04	0.80

(ii) Grant-in-Aid to Regional Extension Service Centres(Rice Milling)

2.29 13 centres have been set up so far in different states in collaboration with State Government/Agricultural Universities/Research Institutions. These Centres are funded for 5 to 8 years after which they are handed over to the host organisations.

2.30 The funding of the centre by the Department is 100% which includes one time grant for purchase of required machinery and recurring grant for meeting the expenditure on salaries, allowances of the staff including contingency etc. The building, other infrastructure facilities and administration of the Centre are provided by the host organizations. No control is exercised by the Department after the Service Centre has been handed over to the host organization, which is either an Agricultural University or Department in the State. The average amount financed to a Service centre during 5 to 8 years is Rs.38 lakhs. The decision to provide further aid to any Centre is decided by a Committee, which is constituted for the purpose by the Department with the approval of the Secretary. Almost all rice producing States in the country have been covered under the Scheme. Allocation provided under the scheme is considered adequate by the Department.

B. Horiculture Based Industries (Fruit & Vegetable Processing)

2.31 Following are the 9th Plan outlay, Actual for 1997-98, 1998-99 RE for 1999-2000 & BE for 2000-2001:-

S. No.	Name of the Scheme/Project	Ninth Plan approved	1997-98 App. Outlay	1997-98 Actual Exp.	1997-98 Short fall	1998-99 App. Outlay	1998-99 Actual Exp.	1998-99 Short fall	1999-2000 (R.E.)	1999-2000 Anticipated Exp	1999-2000 Short fall	%of short fall	2000-01 B.E.
	Horticulture Based Industries												
1.	Manpower Development in Food Processing Industries	1880	285	81	204	148	218	+70	200	200	-	-	300
2.	Setting up/Expansion/ Modernisation of Food Processing Indurstries	4653	630	355	475	375	346	29	707	707	-	-	740
3.	Strengtheningof Backward linkages	516	95	44	51	36	35	1	73	73	-	-	100
4.	Setting up Demonstration Units/Pilot Projects	1363	30	-	30	35	35	0	10	10	-	-	200
5.	Generic Advertisement	658	90	-	90	50	90	+40	100	100	-	-	500
	Total	9070	1330	480	850	644	724	+80	1090	1090	-	-	1840

\+ Expenditure exceeded outlay for hte scheme

(i) Assistance for man power development in Food Processing Industries

2.32 The IX Plan outlay for this scheme is Rs.18.80 crores.

The details of allocation and expenditure for this scheme since 1997-98 is as under :- (Rs. in crores)

7-98			1998-99			1999-2000			2000-2001
	Actual	Shortfall	Approv. Outlay	Actual Expend.	Shortfall	BE	RE	Antici-pated Expend.	BE
5	0.81	2.04	1.48	2.18	+0.70	3.00	2.00	2.00	2.70

2.33 There is huge shortfall under this scheme in 1997-98. The year 1998-99 was encouraging. During 1999-2000 it has again come down from Rs. 3.00 crores to Rs. 2.00 crores. During the current year the amount of allocation has come down from Rs. 3.00 crores to Rs. 2.70 crores in comparison to last financial year. The total outlay for the 4 years is Rs.10.03 crores and the anticipated expenditure is Rs.7.69 crores approx.

2.34 The reasons for low utilization as explained by the Department is as under: "The allocation of funds and its utilization since the year 1997-98 is given below:-

Rs.in crores

	Provision	**Utilization**
1997-98	2.85	0.81
1998-99	1.48	2.18
1999-2000	2.00	1.69 (upto 8.3.2000

There has been low utilization of funds during the year 1997-98 because being the first year of the Ninth Plan the modalities for assistance under various schemes were finalized in Nov. 1997 only. Due to non-receipt of viable and complete proposals shortage was there. In addition the RE of the plan scheme of the Ministry had been reduced. Accordingly reduction were made in respect of various plan schemes on basis of proposals in pipe-line at that stage of time."2.35 When asked as to how the Department propose to utilize the balance amount of Rs.8.73 crores in the terminal year of the 9th Plan, when the utilization of funds is so slow under this scheme, the Department explained : "Concerted efforts are being made to bring about the consumer awareness through seminars/workshops and the generic advertisements so that the consumer taboo against processed food is reduced/eliminated. The increased demand would facilitate coming up of larger number of processing units and also their operation at viable capacity level thereby ensuring availability of processed food item at reasonable price level. In this way more and more entrepreneurs would come forward to avail financial assistance under the Plan Schemes of the Department which would ensure utilization of the funds."2.36 One of the components of the scheme relate to providing assistance for setting up of Food Processing and Training Centres in rural areas. The scheme envisages financial assistance in the form of grant for purchase of plant and machinery as well as seed capital. During 1999-2000, assistance for setting up 20 FPTCs has been released.

2.37 The Project assisted during the 8th Plan as well as those assisted during the first year of the 9th plan are being evaluated through a study entrusted to National Council for Applied Economic Research.

2.38 The RE for the year 1999-2000 is Rs.2.00 crores. Out of this Rs.1.69 crores has been utilized under the scheme till March 8th, 2000.

(ii) Assistance for setting up/expansing upgradation of Food Processing Industries

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

2.40 During 1999-2000, approval for assistance has so far been accorded to 16 units. Under this scheme, against an allocation of Rs. 8.30 crores for 1997-98, the actual expenditure was Rs. 3.55 crores. The BE for 1998-99 was Rs. 6.00 crores and the RE was Rs. 3.75 crores. The actual expenditure was Rs.3.46 crores. The BE for 1999-2000 was Rs. 6.50 crores and the RE is Rs.7.07 crores. The BE for 2000-2001 is Rs.7.40 crores. Giving reasons for shortfall in utilizing the funds since 1997-98, the Department in its written note is follows : "The major reasons for lower actual expenditure as compared to BE for the years 1997-98 and 1998-99 are (a) inadequate response and (b) inability of the beneficiaries to furnish Bank Guarantees for availing soft loan which had already been sanctioned in principle."2.41 In regard to the efforts made by the Department to improve the utilization of funds under this scheme, the Department stated in their written reply: "Sustained efforts are being made in this direction and the matter is being pursed with the individual beneficiaries. The situation is fast improving and a number of beneficiaries are coming forward with Bank Guarantees for availing soft loan. This is evident from the increased RE as compared to BE during 1999-2000."**(iii) Generic Advertisement on Processed Foods and for Providing Marketing Assistance**

2.42 The scheme aims at building awareness among consumers about the advantages of processed foods and their quality assurance mechanism both through (a) generic advertisement and publicity and (b) market promotion campaign for new product mix and brand name support. During the year 1999-2000 advertisement through various media was undertaken. Plan fund utilisation for the scheme during 1998-99 was Rs. 0.90 crores. The BE and RE for 1999-2000 was Rs. 3.00 crores and Rs. 1.00 crores respectively. The BE for 2000-01 is Rs. 5.00 crores.

2.43 When asked to state the reasons for less allocation at the RE stage during 1999-2000 and how they were going to spend Rs.5.00 crores in the current financial year, when the Department could not spent even Rs.1.00 crore during 1999-2000. In reply the Department stated as under: "The Programme for generic advertisement on processed foods is proposed to be undertaken through DAVP. After a series of meetings with the representatives of DAVP, the outline of the campaign was worked out involving of total expenditure of Rs.3 crores. The provision for RE 1999-2000 was reduced to Rs.1 crore as it was indicated by DAVP that it would be possible for them to incur expenditure only up to that extent during the current financial year. The remaining amount of Rs.2 crores would be utilized by DAVP during the next financial year. The compaign is proposed to be continued throughout the next year.

Earlier we had launched generic compaign in 1998-99 to promote mushrooms. The after campaign survey has revealed the need for repeat of the compaign. This is proposed to be done. We have recently amended the provisions of the schemes to provide grant to NGO/Coop. & Private units and now grant of Rs.3 lakhs would be admissible to the SSI units for publicity & promotion. We expect to spend a major portion under the sub scheme.
Besides, we have received proposals from APDDC & MAFCO for grant-in-aid of Rs.20 lakhs & Rs.10 lakhs respectively. These are under consideration. We may receive more such proposals."
2.44 Explaining the nature of market promotion campaign the Department stated: "In the past, campaign was launched through Electronic & Print Media (including Newspaper and Magazines etc.)."2.45 In this connection, the representative of the Department of Food Processing Industries during oral evidence added: "In the processed food sector, there are a very few items that automatically attract the consumers. There is a blockade against processed food. It is because they are either having some preservatives or chemicals. Or, it may be because of lack of faith in the quality of that processed production. But there is some blockade. Some awareness campaign is required for this."2.46 In regard to the stand to be taken to popularise the agro based product, the representatives of Department of Food Processing Industries stated during oral evidence: "I believe the Committee is directing us to concentrate on not only developing products but also to see that proper market is also developed for that product. We should concentrate on generic advertisement in developing products and identifying risks for various projects."**(iv) Strengthening of Backward Linkages**
2.47 The scheme aims at encouraging the concept of backward linkages between the processors and the farmers. The objective of this scheme is to increase capacity utilization of fruits and vegetable processing as well as grain and coarse grain by ensuring regular supply of raw materials through contract farming. The farmers are ensured remunerative prices by creating direct linkages between farmers and processors. The processing companies are required to supply high quality seeds/fertilizers/pesticides and technology to contracted farmers alongwith necessary extension work. The group of contracted farmers shall not be less than 25 in number. The financial support under this scheme is as grant in the form of reimbursement upto 5% of the total purchases made by processors in a given year, limited to Rs.10 lakhs per year for a maximum period of three years. During 1999-2000 assistance has been provided to three such units and a few other cases are under process. Plan fund utilization for this scheme during 1997-1998 & 1998-1999 was Rs.0.44 crore and Rs.0.35 crore respectively.
2.48 The actual expenditure for this scheme during 1998-99 is Rs.35.30 lakhs. The BE & RE during 1999-2000 is Rs.1.00 and Rs.1.00 crore respectively. During the current financial year the BE is only Rs.90.00 lakhs. The outlays and the utilization of this scheme is meagre and it shows lack of interest of the Department in the scheme.
2.49 When asked about the reasons for lack of interest of the Department in this scheme as it is the backbone of the entire food processing industry, the Department stated as follows: "Inspite of wide publicity given to the Scheme, the response has not been encouraging in the past as expected. However, during the current financial year 1999-2000, an expenditure of Rs.58.04 lakhs has been incurred, against an expenditure of Rs.35.30 lakhs during the previous financial year 1998-99. This shows that there is an increasing awareness among the processing units and the

farmers, about this scheme. It is expected that during the next financial year 2000-2001, the expenditure under the scheme may reach to a level of Rs.1 crore."**C. Meat & Poultry Processing Sector**

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

2.51 The Plan outlav for this sector is as under:-

Sl. No.	Name of the Scheme	9th Plan outlay	1997-98			1998-99			1999-2000		2000-2001
			Approved outlay	Actual expenditure	Shortfall	Approved outlay	Actual expenditure	Shortfall	BE	RE	BE
1.	Development of Meat Processing (Pork, Sheep, Goat, Rabit & Buffallo	20.60	2.86	0.14	2.72	3.67	3.52	0.15	3.70	2.52	1.50
2.	Development of Poultry & Egg Processing	13.72	2.70	1.78	0.92	0.77	0.69	0.08	1.20	1.03	2.00
3.	Development/ Improvement of Marketing, Quality Control, storage & Transport of Meat & Meat products	3.00	0.40	-	0.40	0.19	0.10	0.09	1.60	-	1.00

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

1.	Cattle Meat (beef)	1295
2.	Buffalo meat	1210

3.	Pig meat (pork)	420
4.	Sheep & Goat Meat	675
5.	Chicken	670
6.	Rabbit	Not Available

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

1.	Cattle	6%
2.	Buffalo	10%
3.	Pigs	99%
4.	Sheep	31%
5.	Goat	39%
6.	Rabbit	Not Available
7.	Chicken	Not Available However, about 450 million boilers are produced every year and all are slaughtered for meat.

2.54 The quantum of meat processed into high value added products is low as compared to the total meat produced in the country. It has been reported by Kondaiah, N. in his article "Meat and Meat Products as Human Food" (Indian Farming-Special Issue of the Golden Jubilee of FAO 1985) that only an estimated 1% of total meat is processed into further products.

The quantum of meat exported through value addition in the last six years is as follows:- (in tonnes)

1993-94	112870
1994-95	127150
1995-96	168793

1996-97	166777
1997-98	183123
1998-99	180316

(i) Development of Meat Processing

2.55 For this scheme the 9th Plan outlay is Rs.20.68 crores. The actual allocation for this scheme during the years 1997-98 & 1998-99 was Rs.6.53 crores out of that the Government could spend only Rs.3.66 crores. Nearly 50% of the fund remained unutilized during the first two years of the 9thPlan. During the year 1999-2000 the allocation has come down from Rs.3.70 to Rs.2.52 crores in the revised estimate stage. The actual expenditure during the year 1999-2000 is Rs.2.52 crores. In the current financial year the allocation has come down drastically to Rs.1.50 crores in comparison to Rs.3.70 crores in the BE of 1999-2000.

2.56 The reasons for continuous under utilization as well as reduction in the allocation for this scheme, as stated by the Department are as under:-

1. Implementing agencies often do not complete the requirements/ documents. Hence the approval of the proposals are held up.
2. Implementing agencies are unable to arrange matching share of funds.
3. Sometimes complete and viable proposals are also not received in sufficient numbers.

2.57 The actual expenditure during the year 1999-2000 is Rs.252 lakhs. The number of proposals received for the financial assistance and the number of projects benefited during the last three years are as under:

Year	No.of projects received	No.of projects benefited
1997-98	6	1
1998-99	13	8
1999-2000	5	5

(II) Development of Poultry & Egg Processing

2.58 For the development of Poultry & Egg Processing the 9th Plan outlay is Rs.13.72 crores. The actual allocation for the year 1997-98 & 1998-99 is Rs.3.47 crores. The actual expenditure is Rs.2.47 crores leaving Rs.1.00 crores unutilized. In 1999-2000 the allocation has come down to Rs.1.03 crores in the RE from Rs.1.20 in the BE.

2.59 The reasons for under utilization & lower allocation in the RE stage during 1999-2000 as stated by the Department are as under:- "Complete and viable proposals are not received. The implementing agency did not complete the requirements/documents, hence the approval of the proposals has been held up and the total funds could not be utilized. It may, however, be stated that during 1999-2000, for the first time two proposals from Private Sector Units have been approved for providing soft loan."**(iii) Development/Improvement of Marketing, Quality control, storage**

2.60 The 9^{th} Plan outlay for this scheme is Rs.3.00 crores. The actual allocation for 1997-98 & 1998-99 is Rs.59.00 lakhs. Out of this the actual expenditure is only Rs.19 lakhs. During 1999-2000 the BE was Rs.1.60 crores. However there is no allocation in the Revised Estimate stage. The reasons for under utilization and no allocation in the RE stage during 1999-2000 for this scheme as explained by the Department are: "No viable proposals have been received during the current year. The Scheme covers only meat products now. It is proposed to enlarge its scope to cover other processed foods also from 2000-01."

D. Milk Based Industries

2.61 The Indian dairy industry has achieved substantial growth during the Eighth Five Year Plan. India is now the second largest milk producing country in the world. The milk production which was stagnant up to 1970, at the end of Eighth Plan it has gone up to 70 million tonnes. Similarly, there has been an increase in the production of milk powders including baby food, malted food and condensed milk and their production in the year 1995 was two lakh tonnes, 40,000 tonnes and 9100 tonnes respectively. About 60% of the installed capacity is in cooperative sector and with the liberalisation of Indian economy, more processing plants are coming up.

2.62 As per the Working Group Report it is expected that there will be growth of 50% in the milk-products industry during the Ninth Five Year Plan period, provided adequate measures are taken by the Government. Accordingly, the Ministry of Food Processing Industries introduced a separate sector named Milk Based Industries during first year of Ninth Plan i.e. 1997-98 with the revised estimate of Rs.4.08 crore. The actual expenditure is Rs.4.50 crore. During 1998-99 budget estimates under this sector is Rs.5.40 crore and Revised Estimate is Rs.5.00 crore. The BE for 1999-2000 is Rs.5.50 crore.

2.63 The following is the Plan outlay under this sector:

S. No.	Name of the Scheme/ Project/Programme	9th Plan Approved Outlay	1997-98 App. Outlay	Acrtual Exp.	Shrot fall	1998-99 App. Outlay	Actual Exp.	Shot fall	1999-2000 (R.E.)	Anticipated Exp.	Short fall	%of short-fall	2000-2001 (B.E.)
	Milk Based Industries												
1.	Scheme for Research & Development for Food Processing Industries	2469	370	450	+80	500	431	69	250	250	-	-	500
2.	Scheme for setting up of Innovative Dairy Products	531	38	-	38	-	-	-	-	-	-	-	*
	Total	3000	408	450	+42	500	431	69	250	250	-	-	500

\+ Expenditure exceeded outlay for the scheme.

* Scheme discontinued.

(i) Scheme for Research & Development for Food Processing Industries

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

2.65 For this scheme the Ninth Plan Outlay is Rs. 19.74 crores. The approved outlay during the year 1997-98 & 1998-99 was Rs. 8.70 crores. The actual expenditure during these two years was Rs. 8.81 crores. The BE for 1999-2000 was Rs. 5.00 crores. In the RE it has come down drastically to Rs. 2.50 crore i.e. 50% reduction. In the current year the BE is again Rs. 5.00 crores.

2.66 When asked about the reasons for reduction in the Revised Estimate stage during 1999-2000, the Department stated as follows : "During the year 1999-2000, a large number of Research projects proposals costing several crores of rupees were received from national level R&D Institutions, Universities, Colleges, NGOs and various other Government and private sector organisations. During this year, this department constituted a techno-Scrutiny Committee on R&D projects drawing experts from various disciplines and various organizations such as Department of Scientific & Industrial Research (DSIR), National Horticulture Board (NHB), Agricultural and Processed Food Products Export Development Authority (APEDA), Marine Products Export Development Authority (MPEDA), National Research & Development Corporation (NRDC), Food Research & Analysis Centre (FRAC), Confederation of Indian Food Trade & Industry (CIFTI) etc., to examine the research project proposals received in the department for financial assistance. The Committee examined a large number of research projects and declined a considerable number of projects which were not found feasible for support because of lack of commercial applicability and other drawbacks in the proposals. In some cases, the Committee advised the applicant organisation to modify the project proposals as per the suggestions of the Committee. These proposals are expected to be received in the year 2000-2001. Only those Research Projects and Quality Control Labs which were found to be most feasible and needy were supported during 1999-2000. Besides, in some cases, where it was found that the guarantee institutions could not fully utilize the funds released earlier by the department, further instalments were not released. This is why, the R.E. has come down to Rs.2.5 crores. Since the more viable and needy Research Projects and Quality Control Labs have been assisted during 1999-2000, the Department expects that the set objectives will be fulfilled. In order to ensure that the objectives are fulfilled the department has been interacting with the guarantee institutions from time to time."2.67 When asked whether the Department was going to fulfil its set objective with such a meagre allocation, the Department was of the view that: "Based on the past trend and experience, the Department feels that the B.E. of Rs.5 crores during 2000-2001 is sufficient to meet the target."

Paddy Processing Research Centre

2.68 One of the projects under this scheme is the Paddy Processing Research Centre at Thanjavur. The year-wise allocation and utilization of funds by this institute is as under:-

Year	Amount allocated (Rs.)	Amount Utilized (Rs.)
1997-98	78.38,000	68,83,926
1998-99	1,00,00,000	92,74,713
1999-2000	45,00,000	81,51,000 (app.)*
2000-2001	1,00,00,000	----

* During 1999-2000, a lower allocation was made taking into account the carry forward balance of about Rs. 37 lakhs of previous years.

2.69 When asked as to why the savings from the previous year were not utilized properly, the representatives of the Department of Food Processing Industries stated during evidence :

"Actually this Centre is the only Centre which is directly under the control of the Department. This is our own Centre. Basically, they are concentrating on paddy research and during the past two years, we have taken steps to rejuvenate it or to strengthen it further. Therefore, at that time, we have got a grant also for the institution. But then the expenditure could not keep pace with the allotment because a lot of work is to be done by the Institute; a lot of civil work had to be done; certain issues were to be sorted out with the FCI. That took some time. That was the spill over. The money which has been provided in the Budget is for the Centre and would be utilized for the Centre."2.70 When asked whether there is any proposal to upgrade this institution in future the witness stated during evidence stated: "The activities of the Centre have been expanded. The scope has been expanded. I think, the objective that you have in mind would be achieved."**(II) Milk & Milk Products**

2.71 India is set to retain its position as the worlds largest milk producing country in 1999-2000 with the output expected to touch 78 million tonnes mark up from 74.5 million tonnes during 1998-99. There has been increase in the estimated production of milk powders including infant milk food from 2.22 lakh tonnes in the year 1998 to 2.25 lakh tonnes in the year 1999 and the estimated production of malted food products has increased from 65,000 tonnes in the year 1998 to 66,000 tonnes in the year 1999. The production of cheese in the organised sector in the year 1999 has been estimated as 5,000 tonnes. The estimated production of condensed milk has increased from 9,000 tonnes in the year 1998 to 11,000 tonnes in the year 1999.

2.72 Inspite of India being largest milk producing country, India is importing milk powder from other countries and importing of milk powder will come in the new list of products under WTO agreement.

(iii) Innovative Dairy Products

2.73 The second scheme under this sector was to setting up of Innovative Dairy Products. The objective of this scheme was to encourage introduction of Innovative Dairy items such as whey-protein, protein concentrate, extraction of minerals and casein etc., where new technology and higher value addition is involved. Financial assistance in the form of loan was provided under the scheme.

2.74 The Ministry of Food Processing Industries provide soft loan at a concessional rate of interest of 4%. The quantum of such assistance was limited to 50% of the cost of capital equipments. The repayment was within 5 years with a moratorium of one year.

2.75 Under this scheme against an approved outlay of Rs.38.00 lakhs, during the year 1997-98, the Ministry could not spend any money. Again, an amount of Rs.40.00 lakhs was provided during 1998-99 at the Budget Estimate stage. However, at the Revised Estimate stage there was no allocation. During the year 1999-2000, the Ministry had allocated Rs.0.50 crores for this scheme. However, the Government has discontinued the scheme on Innovative Dairy Products during 2000-2001.

2.76 When asked to furnish details about the reasons for discontinuation of this scheme the Department stated as under: "Since a Scheme already exists for Setting up/Expansion/Modernization of Food Processing Industries, another separate Scheme for Innovative Dairy Projects is proposed to be dropped and any proposal for setting up of Dairy projects can be covered under the Scheme of Setting up/Expansion/Modernization of Food Processing Industries."

Consumer Industries

2.77 The following two Public sector enterprises were under the administrative control of the Department of Food Processing Industries.

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

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

2.78 In August 1996, the MFIL, alongwith some other PSUs, was referred to Disinvestment Commission. The Commission recommended 100 per cent sale of Government equity in MFIL. However, the Government decided to disinvest 74 per cent of its equity of MFIL to a Strategic Partner. M/s. ANZ Grindlays Bank Limited acting through ANZ Investment Bank was appointed as the Global Advisor to the Government to advise and assist in the selection of a Strategic Partner through a global process of competitive selection. The Global Advisor completed its assigned duties, within the time frame and technical/financial bids received from the prospective bidders were evaluated by an Evaluation Committee constituted for the purpose.

2.79 Consequent upon the creation of the Department of Disinvestment and change in the Allocation of Business Rules in December 1999, the Department of Disinvestment initiated further action for obtaining the approval of the Government for the disinvestment of Government equity in MFIL.

2.80 The proposal submitted by the Department of Disinvestment was approved by the Government on 25th January, 2000. Pursuant to the Government approval, the Share Purchase Agreement and the Shareholders Agreement between the Government, M/s. Hindustan Lever Limited (HLL) and MFIL was signed on 31st January, 2000 leading to the change in the management control of MFIL. HLL also made the upfront payment of Rs.105.45 Crores and Rs.20 Crores to the Government and MFIL respectively.

2.81 In terms of the Share Purchase Agreement, there are provisions for post-closing adjustments on account of receivables/payables; purchasers loss; tax liability and litigation in respect of cases for the pre-closing period from 1.4.1999 to 31.1.2000.

In terms of the Shareholders Agreement, the Government shall have the right to nominate two Directors on the Board of MFIL and one such Director shall be the Chairman of the Board who will preside at all the meetings of the Board and the Shareholders of the Company. HLL shall have the right to nominate not more than five Directors and one of such Director shall be the Managing Director of MFIL. HLL have nominated two Directors one of whom has taken over as the Managing Director of MFIL.

2.82 At present only NERAMAC is under the administrative control of the Department.

The Plan outlay for the consumer industry is as under:-

S. No.	Name of the Scheme/ Project/Programme	9th Plan Approved Outlay	1997-98 App. Outlay	1997-98 Acrtual Exp.	1997-98 Shrot fall	1998-99 App. Outlay	1998-99 Actual Exp.	1998-99 Shot fall	1999-2000 (R.E.)	1999-2000 Anticipated Exp.	1999-2000 Short fall	%of short-fall	2000-2001 (B.E.)
	Consumer Industries												
1.	Budgetary Support in the form of equity/loan to Modern Food Industries India Ltd. (MFIL)	526	95	143	+48	60	-	60	50	50	-	-	300
2.	North Eastern Regaional Innovative Dairy Products	274	48	-	48	40	168	+128	347	347	-	-	50
	Total	800	143	143	0	100	168	68	397	397	-	-	350

\+ Expenditure exceeded outlay for the scheme.

North Eastern Regional Agricultural Marketing Corporation Ltd.(NEREMAC)

2.83 The Corporation was set up on 31.3.82 by Government with an authorised capital of Rs.5.00 crores. The main objective of the Corporation is to undertake marketing & processing of fruit & vegetables grown in the North Eastern region thereby foster growth and development in the region. The paid up capital is Rs.3.69 crores.

The Corporation is incurring losses since inception. A revival package has been approved to revitalise it. The scheme envisages an investment of Rs.10.36 crores. Rs.6.89 crores has already been released. Rs. 3.47 crores will be released from the plan budgetary support of the Department of Food Processing Industries in 2000-2001.

2.84 Outstanding loans of Rs.4.78 crores, accumulated interest of Rs.7.27 crores and equity of Rs.1.22 crores have been written off to make accumulated losses to "Zero".

When asked whether the Government has analysed the reasons for the Corporation running sick from inception, the Department in its written reply has given the following reasons:

1. The fruit-concentrate ration was highly over assessed at 9:1 while setting up the pineapple juice concentrate plant at Nalkata (Tripura) whereas the pineapple grown in the area could not yield fruit-concentrate ration of more than 15:1.
2. The capacity utilization of the processing plant has been very low and the maximum capacity utilization was at 20% in 1996-97.
3. Availability of pineapple for only 5-7 months in a year and the fact that the corporation was not producing any other processed foods/juices in the plant resulted in the processing plant remaining idle for a major part of the year.
4. The transport and sale subsidy envisaged in the original proposal could not be given to the corporation by the North Eastern Council (NEC).
5. Lack of infrastructural facilities for storage & transportation turned out to be more serious than anticipated.
6. Difficulty in marketing the Pineapple Juice Concentrate it was producing. Due to non-functioning of the aseptic line in the Pineapple Juice concentrate Plant, the corporation had to resort to use of preservatives. The demand for such Pineapple Juice Concentrate with preservatives is limited.
7. The corporation could not undertake marketing of agricultural commoditieis effectively due to the lack of proper infrastructure comprising of a network of procurement/material handling centres, warehouses, cold storages etc.

2.85 In spite of Governments best effort by providing 10% Budgetary allocations from each Ministrys allocation for the year to North Eastern States; by creating a non-labsable Pool for funds, the utilization of fund is very poor. When asked whether the Department feel that by infusing funds in the sick corporation it will be revived to give profits, the Department in their reply stated as follows: "The Rehabilitation Scheme sanctioned by the Government/BIFR is for a period of 10 years and its effective date of implementation is from 1.4.1999. With the fresh infusion of funds and the writing off of the post losses etc. as per the Scheme, it is expected that NERAMAC will be revived and will also be able to generate profits. According to the Scheme, NERAMAC is expected to start making profit from the financial year ending 2004. However, cash accruals should commence from the financial year ending 2001.2.86 The following steps have been taken for overcoming the problems of NERAMAC:

1. Concrete action for rectifying and recommissioning of the Aseptic Filling Line of the PJC plant at Nalkata (Tripura), which had been lying idle for the last 10 years, has been taken and it is expected that by the end of April, 2000 actual repair work would commence at site. The PJC plant is situated in the insurgency prone district of Dhalai and the employees are under constant threat of extortion and kidnapping. As such, the work/expenditure on this account has to be slowly organized.
2. The Government of Meghalaya has been approached for expediting the allotment of a plot of land for setting up of a Post Harvest Handling Centre for ginger with an installed capacity 40 MT/day. The State Government has already accorded in principle approval for providing a suitable plot of land.

3. There is a proposal to increase the roasting capacity of Cashewnut from 0.50 MT/day to 2.5 MT/day and upgrade the existing facilities by replacing the conventional dryer with an electrical dryer and installing electric frying machine. NERAMAC has leased an existing plant from the Government of Meghalaya and has started processing of raw Cashewnut at the leased plant.
4. In order to reduce surplus labour and contain personnel expenses Voluntary Retirement Scheme was introduced. As against the targeted reduction of 16 employees, 18 employees have already been given retirement under the VRS.
5. A proposal for Transport Subsidy for horticultural produce in NE States has been mooted under the Technology Mission of the Ministry of Agriculture, which, to a large extent, will remove the difficulties being faced by NERAMAC.
6. A proposal is afoot for establishing a Joint Venture with the Government of Assam for the setting up of a Pineapple Fruit Juice Concentrate Plant at Silchar, Assam where infrastructure in the shape of land and building is already available.
7. A study has been commissioned for identification of the produces of the N.E. Region and the agencies in various parts of N.E. Region which can be networked with NERAMAC for strengthening the role of NERAMAC. NERAMAC has already achieved a turnover of Rs.527 lakhs (approx.) till February, 2000 and is confident of achieving the turnover of Rs.595 lakhs fixed by BIFR for the first year of implementation of the Scheme."

PART II

RECOMMENDATIONS/OBSERVATIONS

1. States quo should be maintained for having a separate Ministry for Food Processing Industries

The Committee feel that Agricultural Development is crucial to Indias overall progress and this can be achieved by intensifying agricultural and allied activities as well as by diversification and commercialisation of Agriculture. A strong and effective food processing sector plays a significant role in diversification and commercialisation of agriculture, improvement in value addition of the agricultural produce, generation of employment in rural areas, enhancing income of farmers, creation of surplus for export of agro foods.

At present, our country has a very weak post-harvest storage, marketing infrastructure and value addition capabilities which causes tremendous loss to the nation. These activities are separate to the primary functions of the Ministry of Agriculture, whose main objective is to provide sufficient food and food surpluses to the nation. The Ministry of Food Processing Industries which was striving to come out with better results in the last two years of the Ninth Plan has now been made a Department under the Ministry of Agriculture in October, 1999 through a high level decision the reasons of which are not known to the Department.

The Committee are of a unanimous view and desire that the value addition of raw-agri products and the development of post harvest storages and marketing infrastructure should come up to the best standards in the world so that the loss of fruits & vegetables which is presently ranging from

8% to 37%, can be turned into a source of revenue for the nation.

In pursuance of these objectives, the Committee feel that a lot of good work can be done, if the Ministrys status is restored to the Department of Food Processing Industries. The Expert Committees have also opined that there should be a single Food controlling authority. The Committee, therefore, recommend that the Government should reconsider their decision and accord Ministry status to the Department and also advise the Department to present their case strongly so that it regains it lost status in the larger interest of the Food Processing Industry.

2. Inadequate allocations for Department of Food Processing Industries

The Committee note that one of the objectives of a planned strategy for alleviating poverty, generating income and employment is to strengthen and modernise traditional industries such as textiles, leather, agro processing and the small scale industries sector. With this perspective in view the Committee have time and again been recommending for a higher allocation to encourage Food Processing Industries Sector. Against a projected demand of of Rs. 110 crores for 1999-2000, the Ministry was allocated only Rs. 47 crores at BE stage. The Committee had strongly recommended in their Twenty Second Report on Demands for Grants (1999-2000), that at the revised estimates stage the budgetary support should be enhanced to Rs. 110 crores and this should be gradually increased to 0.2% of the total central plan budget. In this connection, the Committee are constrained to note that although the Ministry had demanded Rs. 58.37 crores at the RE stage but they were given Rs. 40.00 crores only which was Rs. 7.00 crores less than the BE for 1999-2000. The Committee are afraid that there is purposelessness in the efforts made by the Department because due to paucity of funds, the Food Processing Sector will not get the necessary boost it deserves.

The Committee are concerned about the complacency shown by the Department when they stated that "Available funds have been earmarked to different schemes in such a manner that the optimum utilization of funds is made." They feel that optimum utilisation of funds may leave most of the Departmental schemes fund starved. It may result in stalling full operations of the schemes to the next financial year until more funds are released. The Committee are constrained to note that the Department had projected Rs. 58.37 crores for RE 1999-2000 but could not pursue with the Finance Ministry and convince them the need of providing funds even to the BE level of Rs. 47.00 crores. According to the Committee, this shows lack of seriousness on the part of the Department which is evident from the Budgetary Plan allocation for 2000-2001 that has been fixed at Rs. 50.00 crores and Non-Plan outlay at Rs. 5.00 crores. Out of this allocation 10% goes to the North Eastern States, which will leave Rs. 45 crores towards Plan outlay with the Department. The Committee feel that the allocation for the Department is insufficient even to sustain its ongoing schemes, with the value of the rupee dipping low year after year.

The Committee, therefore, impress upon the Department to analyse, make actual assessment of the schemes and go to the Planning Commission and Finance Ministry with concrete proposals so as to get higher allocations for the Department, if they really wish to see Food Processing Industry prosper in the country. The Committee at the same time urge upon the Planning Commission to allocate sufficient funds to the Department, so that this unorganised sector can be properly organised and attract more entrepreneurs to come forward to set up Food Processing Units.

3. Non utilization of funds due to non-availability of viable proposals

The Committee are perturbed to note that in case of a number of schemes run by the Department e.g. strengthening of Traditional Fish Processing Technologies, setting up of cold storages, utilization of low value fish, fruit & vegetable processing, assistance for setting up/expansion/upgradation of food processing industries, strengthening of Backward Linkages, development of Meat Processing etc., there has been low utilization of funds because complete and viable proposals were not received for assistance under the scheme as a result the funds were surrendered year after year. In the opinion of the Committee, this is the main cause of the overall under utilization of funds by the Department.

The Committee also observe that a very insignificant amount of the Central Capital Outlay is given to the Department as Budgetary provision, whereas this is the most important link between the new farm produce and the finished products. Against this insignificant allocation the Department is able to utilize only 50% to 60% of funds. The Committee are deeply concerned over the state of food processing industry in the country. The Committee suggest that schemes which do not take off due to non-receipt of viable and complete proposals should be made 100% centrally funded schemes and all assistance should be rendered to such organization interested in the scheme to help them formulate viable proposals. The Committee, however, feel that some schemes may not be attractive at all due to inherent lacunae in the scheme. These schemes should be modified in such a manner as to make them attractive to the entrepreneurs.

The Committee are of the strong opinion that in no case should there be underutilization of funds or surrender of funds. Whenever the Department feels that some funds are likely to be left unutilized, they should be re-appropriated to other schemes within the sectors, where response is good.

The Committee, therefore, recommend that the Department should endeavour to modify schemes and financial assistance patterns, re-appropriate, attract proposals through attractive publicity, involve better participation from States and State Agricultural Universities etc. and leave no stone unturned to completely exhaust Plan funds for the year.

4. Scheme for creation of a fund for Development of Food Processing Industries

The Committee note that the Processed sector has been facing serious problems in financing of the projects. As the food processing industries are high risk prone with higher gestation period and small returns, it does not find favour with the Financial Institutions. The Commercial Banks under their normal lending policy are not forthcoming to cover the risks faced by units in Processed Food Sectors. Further the working capital requirements/problems are generally faced when the peak seasons come and the banks do not appreciate that industries have to buy raw materials during that period. There is no uniform pattern followed by banks for the financing of food processing industries. It is, therefore, required that this sector is given a special treatment so as to make easy and concessional finance available.

The Committee had been informed during consideration of Demands for Grants 1999-2000 that the Department of Food Processing Industries (earlier Ministry of Food Processing Industries) has evolved a strategy to create a fund known a "Food Development Fund" in association with SIDBI & IDBI. From the fund so created, the Processed Food sector may be able to get finances at an interest rate lower than the commercial interest rate. During 1999-2000 a token provision of rupees one crore had been earmarked for this scheme. The Committee had in its 22nd report recommended that the modalities for the creation of fund should be got finalised within three months from the date of presentation of their report. The Committee have now been informed that the fund envisages complex financial issues which the Department alone cannot operate. Discussions with financial institutions such as IDBI, ICICI, Risk Capital and Technology Finance Corporation Ltd. are going on and identification of an appropriate operating financial institution is pending finalisation. A provision of Rs.50 lakhs has been made for the financial year 2000-2001.

The Committee feel that with the token allocation, the proposal being forwarded to a number of departments for their consideration and comments, the subsequent approval of EFC, are all indications of the time that will be taken before the fund actually comes into operation. The Committee are unhappy over the delay in establishing the fund which will ultimately become the backbone of the food processing industry.

The Committee feel that for healthy and effective growth of the food processing sector, the Government should make concerted efforts to finalise the modalities of the `Food Development Fund expeditiously but with due care so that more entrepreneurs come forward to utilize such funds and objective of setting up of this fund is fulfilled. Further, the Committee recommend that adequate publicity should be given to this Fund through seminars, workshops, meetings with States/nodal agencies, local dailies and electronic media to generate more demand for funds and accordingly sufficient allocation should be made under this head at the revised estimates stage.

5. Venture Capital Fund

The Finance Minister in his Budget Speech while speaking on the future of Industry & Capital Market had said that "A key ingredient for future success lies in Venture Capital Finance. After a thorough review, I am proposing a major liberalisation of the tax treatment for venture capital funds."

Accordingly, the Department has created a Venture Capital Fund of the size of Rs.40 crores out of which Rs.15 crores is to be mobilized from Department of Food Processing Industries, Rs.15 crores from other financial institutions and balance Rs.10 crores from private/foreign investors. The Committee note that this proposal is lying with the EFC for approval and subsequently the Planning Commission/Ministry of Finance will be approached for additional funds. An amount of Rs. 1 crore has been provided as BE 2000-2001.

The Committee expresses their doubts about early clearance of this fund by EFC. They are afraid that in the event of the delay the entire exercise may end up in futility or get belatedly started thereby leaving the whole funds earmarked for the purpose unutilized. The Committee, therefore, urge upon the Department to make efforts for expeditious clearance of the proposals so that the fund is made operational within this year itself.

6. Scheme for strengthening of Traditional Fish Processing technologies/ Marketing

The Committee note that during 1997-98 and 1998-99 the Department could not utilize even the meagre allocations made for the scheme. In the year 1999-2000 the Government expect to spend Rs.40.00 lakhs out of Budget Estimates of Rs.50.00 lakhs. In the current financial year the Government has drastically reduced the allocation to Rs.5.00 lakhs due to non-receipt of any complete and viable proposal under the scheme.

The Committee are of the opinion that in the coastal areas the fishing activity is very active and continues throughout the year. The activity of drying fish is mainly carried out by fisherwomen on the sands along the coast under the open sun. In order to give a boost to this activity as a commercial venture the Department should popularise and tie up through the Veterinary Institutions, Agricultural Universities and fishery cooperatives to get better results on the production of value added products from low value fish. As a backyard drying activity the fishermen/women should be encouraged and taught to use solar energy in a healthy and hygienical method.

As regards the pattern of assistance, the Committee would like to add that there is an urgent need to modify the pattern. 100% grants should be provided to individual fishermen/women through cooperatives. Entrepreneurs should be encouraged through export benefits so that they earn a substantial profit and can be lured into this business.

7. Infrastructural Facilities for Food Processing Industries-Policy to help Survival of Cold Storages

The Committee are informed that the total number of cold storages as on 1997-98 is 3443 with a capacity of 1,03,53,090 tonnes. The additional requirement as assessed by the Ministry of Agriculture is 12 lakh tonnes of cold storage. The loss of fruits & vegetables due to lack of post harvest facilities like lack of storage and processing facilities is 8 to 37% out of the total horticulture output which is approximately 37.13 million tonnes of fruits and 54.97 tonnes of vegetables.

The Committee are further informed that a sizeable number of the existing cold storages/chilling stations are inoperative due to the overheads on manpower, electricity, non-utilization of capacity once the season is over. In this connection, the Committee desire that the Department should take up this issue with the respective State Governments and frame some common strategy by providing some alternate use of these cold storages/chilling stations during off-seasons so as to help these units to survive and induce other farmers to set up new units to enhance cold storages/chilling stations capacity. The Committee also recommend that the Central Government should evolve liberal strategies to provide funds to the State Governments for the revival of the sick cold storages.

8. Imbalances in availability of cold storage space

The Committee are informed that some states provide land at agricultural land rates for the construction of cold storages whereas in some other states land is made available at commercial rates and is considered to be an industrial investment. This enables some of the states to have a greater number of cold storages and larger cold storage space in comparison to other states, where land is available at commercial rates.

The Committee recommend that in order to remove such imbalances the Department should take the initiative and persuade the State Governments to evolve a consensus on the uniformity of making land available at agricultural land cost for cold storage purposes.

The Committee further recommend that under the scheme for infrastructural facilities for Food Processing the Government should encourage setting up of primary processing facilities in the proximity of the growing areas so that most of the produce could be processed on the spot, avoiding huge expenditure incurred on transportation.

9. Need to Popularise Traditional methods of Food Processing & Preservation

The Committee are of the view that India has a valuable heritage of processing and preserving food items without using chemical and inorganic substances. Their nutritional, environmental and health friendly value are well known. Value addition through these traditional technologies needs no machinery and no big capital investments. The Committee are very much distressed to note that the Government has failed to imbibe such rich traditions and neither has it been able to provide infrastructural support as a result of which more than 30% of fruits and vegetables goes waste causing great loss to the nation as a whole. Therefore, the Committee strongly recommend that the Government should put more stress on the conventional method of processing and preserving food and by reminding people the practices adopted by their forefathers. India can emerge as a pioneer in this field and reap good dividends by exporting these in the world market, where there is a new wave and craze for organic and naturally processed food.

The Committee also advise the Department to compile an inventory of these practices and processes.

10. Need to boost processed food exports

The Committee have been informed that the Department support innovative dairy products which use milk as raw material to develop even more high value-added items like casein, whey and other products from where we get various types of proteins. These products have a good potential for export. But, surprisingly even though India is the highest producer of milk not even five such units are existing in the nation.

The Committee, therefore, recommend that the time has come when the Department should show greater concern and provide a number of schemes which will support export oriented units on liberal terms.

11. Upgrading the Paddy Processing Centre- Thanjavur

The paddy processing centre at Thanjavur is the only centre which is directly under the control of the Department. This Centre is mandated to concentrate on paddy processing and research. The Committee are informed that seed technology, research and processing form a part of mandate of the Indian Council of Agricultural Research rather than food processing. The Committee feel that this centre can perform the dual function of being a research centre for the region and also disseminate the research to the farmers by attaching the functions of a Krishi Vigyan Kendra.

The Committee, therefore, recommend that the Department should take up the matter with the Department of Agricultural Research & Education for upgrading the Institute into a Research cum Educational Institute for the region.

12. Generic Advertising on Processed Foods & for Providing Marketing Assistance

The Committee feel that generic advertisement is the only way by which the farmers, entrepreneurs, self helf group, NGOs & research organizations can be made aware of the processing units which they can set up by taking soft loans/grants from the Government and venture into profitable businesses. Awareness through electronic media advertisement not only helps the entrepreneur but also reaches the customers i.e. the masses. The private sector is a clear example. It spends crores of rupees for advertisement to create a market. The Committee are informed that in many schemes being implemented by the Department, the response has not been encouraging in the past as expected in spite of wide publicity given to the various schemes. During the year 1999-2000 the Department could spend a reduced allocation of Rs.1.00 crores for this scheme because DAVP, through which generic advertisement on processed food is being undertaken has indicated to incur expenditure only up to that extent.

India has the largest middle class society and there is no option before the nation than to use processed food. The Committee are of the opinion that the Department is losing a golden opportunity to capture the Processed Food Market to the private sector in absence of aggressive generic advertisement campaign. The Committee, therefore, strongly recommend that the Government should resort to proper planning & evolve strategies to implement the scheme in a more practical manner. The need of the hour is to advertise the schemes of the Government on the processed food sector as well as the products of the farmers through various medias including electronic media which is far reaching and has greater coverage. This initiative has to be taken by both States as well as the Central Government and needs high allocation & utilization.

13. Milk & Milk Product

The Committee observe that India is set to retain its position as the worlds largest milk producing country in 1999-2000 with the output expected to touch 78 million tonnes in comparison to 74.5 million tonnes during 1998-99. The Committee express displeasure that inspite of such record, India is still importing milk powder from other countries of the world which causes great damage to the milk powder processing plants in the country as a whole. Further, import of milk powder if included in the new list of products under WTO agreement will further aggravate the pathetic state of the milk processing units. Therefore, the Committee strongly recommend that the Department should take up this matter with the Ministry of Commerce to suitably revise the policy on the import of milk powder so that the interest of local milk powder processing units as well as the milk producing societies may be properly safeguarded.

14. NERAMAC

The Committee note that the North Eastern Regional Agricultural Marketing Corporation Ltd. (NERAMAC) was set up on 31.3.82 by Government to undertake marketing & processing of fruits & vegetables grown in the North Eastern Region. The Corporation is incurring losses since inception. The Committee have been informed that due to its sickness it was referred to BIFR in December, 1996. On the direction of BIFR and on the basis of a revival scheme prepared by IDBI, the operating agency, the Government had approved a package for revival of NERAMAC. The revival package as approved by the Government was also cleared by BIFR in 1999. The Committee feel that strengthening of NERAMAC into a more effective and efficient organization is a must for the processing & marketing of agro-horti produces in the North East. The Committee hope that the Department will implement the revival package in true letter and spirit without any loss of time.

The Committee were further informed that the Corporation set up a major project i.e. pineapple juice concentrate plant at Nal Kata in Tripura and cashew processing unit at Agartala. The Committee recommend that the Corporation should diversify its job and should undertake processing & marketing of other fruit products as well as other agro based products/inputs in order to incur profit in future. The Committee also wish to point out that since pineapple cultivation has increased substantially in Tripura over the last few years in view of setting up of NERAMAC plant, the potential for export of processed & fresh horticultural produce from Tripura to Bangladesh & through Bangladesh to Third world countries needs to be fully exploited by the Department. Further the Committee would like to recommend that funds for NERAMAC should be made available outside the BIFR package, under normal schemes of Department of Food Processing.

NEW DELHI;
S.S.PALANIMANICKAM,
10 April, 2000
Chairman,
21 Chaitra, 1922 (Saka) ***Standing***
Committee on Agriculture