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**STANDING COMMITTEE ON AGRICULTURE  
(2005-2006)**

FOURTEENTH LOK SABHA

MINISTRY OF FOOD PROCESSING INDUSTRIES

DEMANDS FOR GRANTS (2005-2006)

[Action Taken by the Government on the  
Recommendations/Observations contained in the Twelfth Report  
of the Standing Committee on Agriculture (2004-2005)]

SIXTEENTH REPORT



**LOK SABHA SECRETARIAT  
NEW DELHI**

February, 2006/Magha, 1927 (Saka)

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Presented to Lok Sabha on 21.02.2006

Laid in Rajya Sabha on 21.02.2006



**LOK SABHA SECRETARIAT  
NEW DELHI**

February, 2006/Magha, 1927 (Saka)

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**Composition of the Standing Committee on Agriculture (2005-2006)**

**Prof. Ram Gopal Yadav – Chairman**

**MEMBERS**

**LOK SABHA**

2. Shri Hiten Barman
3. Shri Manoranjan Bhakta
4. Shri Girdhari Lal Bhargava
5. Shri Kuldeep Bishnoi
6. Smt. Anuradha Choudhary
7. Shri Shivraj Singh Chouhan
8. Shri Khagen Das
9. Shri Dharmendra
10. Shri Sharanjit Singh Dhillon
11. Shri Raghunath Jha
12. Shri Nihal Chand Chauhan
13. Smt. Rupatai Diliprao Patil Nilangekar
14. Shri Sippiparai Ravichandran
15. Shri K.J.S.P. Reddy
16. Shri Y.S. Vivekananda Reddy
17. Shri Harihar Swain
18. Shri M.P. Veerendra Kumar
19. Shri Mahboob Zahedi
- 20 \* Shri Deepender Singh Hooda
- 21 # Vacant

**RAJYA SABHA**

22. Smt. Mohsina Kidwai
23. Shri Harish Rawat
24. Dr. M.S.Gill
25. Shri Pyarelal Khandelwal
26. Shri Raj Nath Singh
27. Shri Sk. Khabir Uddin Ahmed
28. Shri Bhagwati Singh
29. Shri Datta Meghe
30. Shri Bashistha Narain Singh
31. Shri Sharad Anantrao Joshi

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\* Shri Prakash V.Patil ceased to be the member of this Committee owing to his demise on 21 October, 2005 and the vacancy thus created was filled by nomination of Shri Deepender Singh Hooda, to this Committee vide L.S. Bulletin Part-II, Para No.1905, dated 9<sup>th</sup> December, 2005

# Shri Lal Chandra Kol ceased to be a member of this Committee due to his expulsion from Lok Sabha w.e.f. 23 December, 2005. vide L.S. Bulletin Part-II, Para No.1982 dated 23<sup>rd</sup> December, 2005

**SECRETARIAT**

1.	Shri John Joseph	-	Secretary
2.	Shri A.K.Singh	-	Joint Secretary
3.	Shri Hardev Singh	-	Deputy Secretary
4.	Shri D.S. Malha	-	Under Secretary
5.	Smt.P.Jyoti	-	Sr. Executive Assistant

## INTRODUCTION

I, the Chairman, Standing Committee on Agriculture, [2005-2006] having been authorized by the Committee to submit the Report on their behalf, present this Sixteenth Report on Action Taken by the Government on the Recommendations/Observations contained in the Twelfth Report of the Standing Committee on Agriculture (2004-2005) (Fourteenth Lok Sabha) on Demands for Grants of the Ministry of Food Processing Industries for the year 2005-2006.

2. The Twelfth Report of the Standing Committee on Agriculture (2004-2005) on Demands for Grants (2005-2006) of the Ministry of Food Processing Industries was presented to Lok Sabha on 20.4.2005 and laid in Rajya Sabha on the same day. The Ministry of Food Processing Industries was requested to furnish action taken replies of the Government to the recommendations contained in the Twelfth Report. The replies of the Government to all the recommendations contained in the Report were received.

3. The Committee considered the action taken replies furnished by the Government at their sitting held on 18.1.2006, approved the draft comments and adopted the Sixteenth Report. Minutes of the sitting are placed at Appendices I.

4. An analysis of the Action Taken by the Government on the recommendations/observations contained in the Twelfth Report (14<sup>th</sup> Lok Sabha) of the Committee is given in Appendix-II.

**NEW DELHI;**  
**18, January, 2006**  
**28 Pausa, 1927 (Saka)**

**PROF. RAM GOPAL YADAV**  
***Chairman,***  
***Standing Committee on Agriculture***

## CHAPTER I

### Report

This Report of the Committee on Agriculture deals with the action taken by the Government on the recommendations contained in the Twelfth Report (Fourteenth Lok Sabha) of the Standing Committee on Agriculture (2005-2006) on Demands for Grants (2005-2006) of the Ministry of Food Processing Industries which was presented to the Lok Sabha and laid in the Rajya Sabha on 20.4.2005.

1.2 The Action Taken Replies have been received from the Ministry of Food Processing Industries and have been categorized as under:-

- (i) Recommendations/Observations that have been accepted by the Government (Chapter II of the Report) Recommendation Sl.Nos.1,5,7,8,9 and 11(Total –6)
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's action taken reply (Chapter III of the Report) (Total –NIL)
- (iii) Recommendations/Observations in respect of which action taken replies of the Government have not been accepted by the Committee (Chapter IV of the Report) (Total-Nil)
- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited. (Chapter V) Recommendation Sl.Nos. 2,3,4,6,10,12 (Total –6)

1.3 The Committee will now deal with the action taken by the Government on some of their recommendations.

### RECOMMENDATION NO. 5

#### **Food Parks**

1.4 The Committee note that the Ministry have been pursuing proactively, the task of setting up of Food Parks in different parts of the country depending upon the local needs.

The representative of the Ministry conceded in his oral testimony that as against 49 Food



Parks sanctioned, only 14 Food Parks are in operation partly but assured that vigorous monitoring and periodic review would expedite their operation. The Committee further note that in some cases the State Governments or promoters have opened Food Parks in wrong places for example Food Parks which exist at a far away distance from the place where raw materials are available. The Committee further note that since the year 1999-2000 to 2004-2005, an expenditure of Rs.100 crore has been incurred on establishment of Food Parks. The Government has extended financial assistance of Rs. 53.85 crore. The Committee are distressed that despite an investment of Rs.100 crore in Food Parks, only 14 Food Parks are functioning, that too partially. The Ministry can not escape responsibility for tardy pace of the scheme as the grant of Rs.4 crore is no mean amount. The role of SNA also needs to be strengthened so as to facilitate constant monitoring of the Food Parks in their respective areas. The Committee recommend that the Ministry should, without delay, commission a study by some eminent expert body to go into the working/malfunctioning/nonfunctioning of all the Food Parks and suggest measures for fruitful operation of the Food Parks.

1.5 The Government in its Action Taken Reply stated that the Ministry had recently asked the EDI, Ahmedabad to make a study of problems of 10 food parks in the country. In their report, financial constraints of promoters is stated to be one of the reasons for slow progress of food parks. Other factors for slow progress of food parks is due to long gestation period involved, slowness in bringing in 75% of promoter, lack of interest among entrepreneurs to set up units in food parks, law and order problem, power shortages, water problems etc. Progress of food park is being regularly monitored through periodical meetings with implementing agencies. A conference of State

Ministers of Food Processing was held on 5<sup>th</sup> November 2004. The Conference discussed inter alia the problems faced by the food parks. State Governments were requested to coordinate and cooperate with implementing agencies of the food parks so as to overcome the constraints being faced by food parks. For attracting potential entrepreneurs, State Governments/SNAs were also requested to consider organizing EDP programmes focused on food parks. Conferences/seminars are also being organized for publicity of advantages to set up FPI units in food parks.

#### **Comments of the Committee**

**1.6 The Committee are happy to note that the Government had appointed Entrepreneurship Development Institute (EDI), Ahmedabad to look into the problems faced by the 10 Food Parks in the country, as recommended by the Committee. The Committee expect that the problems faced by the rest of the Food Parks may also be looked into and the constraints removed at the earliest to make all the Food Parks fully functional. There should be proper and effective coordination between the State Governments and other implementing agencies for removal of constraints like power and water shortages, law and order problems, etc. Dissemination of information regarding Food Parks by organizing Seminars, Workshops, etc. for attracting entrepreneurs and through the media may also be undertaken. The Ministry should submit periodical reports on the progress of the Food Parks.**

**RECOMMENDATION NO. 10****Submission of Utilization Certificates**

1.7 The Committee are astonished to note that the Ministry have not been successful in getting utilization certificates from all the grant receiving Food Processing Units. In order to ensure effective monitoring and to safeguard the use of public money, it is essential that the Ministry evolve a mechanism for receipt of Utilization Certificate within the stipulated time frame. Proper and comprehensive guidelines may be evolved in this regard so that scarce public money is not wasted/misutilised. The Government may also consider recovery of the misutilised grant from the defaulting units. The Committee may also be furnished a list of such defaulters within a period of one month from the day of presentation of this report to Parliament.

1.8 The Government in its Action Taken Reply stated that the grant of MFPI is released in two installments. Before release of the second installment, the Ministry obtains CA certificate of actual expenditure duly endorsed by State Nodal Agency. The SNA is also required to render a certificate that the unit has physically come up and is ready for commencement of commercial production. Accordingly, second installment is released only after receipt of a proper utilization certificate prescribed under the General Financial Rules. None of the units is made eligible for further assistance unless they submit the utilization certificate of the previous grants. State Nodal Agencies have also been asked to pursue vigorously with these units to get the utilization certificate. A list of units, which have not furnished UCs is being prepared and will be submitted to the Committee shortly.

### **Comments of the Committee**

**1.9 The Committee note that the second instalment of financial assistance to the Units is released only when the Ministry /SNA receives the Utilisation Certificate of the previous grants. The Committee are dismayed to note that till date no information about the list of defaulters has been submitted to the Committee although more than six months have elapsed. The Committee recommend that the Ministry should look into the matter immediately and initiate action for recovery of misutilised / unutilised grant from the defaulting units, so that public money is not wasted.**

## **RECOMMENDATION NO. 12**

### **Food Testing Laboratories**

1.10 The Committee, while taking note of the present status of Food Testing Laboratories in the country, feel that a strong network of food testing laboratories at least one in each State/Region, must be set up across the country under the direct control of the Ministry of Food Processing Industries to ensure food safety so as to maintain the quality control standards stringently. A list of existing food testing labs may also be furnished to the Committee in due course. Similarly, the imported processed food items, including the processed food articles entering our markets clandestinely, must be subjected to rigorous quality checks so as to provide level playing field to indigenous Food Processing Industry.

1.11 The Government in its Action Taken Reply stated that the recommendation relating to setting up of one food testing laboratory in each State/region under the MFPI has been noted. However, MFPI has written to all State/UT for submitting proposals for setting up/upgradation of food testing laboratory. So far, 17 food testing laboratory (in both public and private sector) have been assisted by MFPI. The information about existing food testing laboratories is being collected. As regards putting imported processed food items to quality checks, the matter has been referred to the Department of Commerce and Ministry of Health for taking necessary action.

### **Comments of the Committee**

**1.12 The Ministry may indicate the position regarding setting up/upgradation of food testing laboratories in each State/region. The information regarding the**

existing laboratories is also awaited and may be sent immediately. The Committee hardly need to emphasize that food is of great concern and utmost importance for the health of the people and hence strict norms and quality standards should be fixed for which a strong network of food testing labs needs to be established urgently. The Committee feel that there should be at least one Food Testing Laboratory in each State so that provisions of the Food Safety and Standards Bill, 2005 are properly implemented. The replies of the Ministries of Health and Commerce regarding checks on imported processed food items may also be obtained urgently.

**CHAPTER –II****RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN  
ACCEPTED BY THE GOVERNMENT****Recommendation 1****Inadequate allocation for Ministry of Food Processing Industries**

2.1 The Committee find that against a projected demand of Rs.2,800 crore outlay for the 10<sup>th</sup> Plan, the Ministry was allocated a meagre amount of Rs.650 crore. During the year 2004-2005, the BE was Rs.110 crore which has been further reduced to Rs.85 crore at RE stage. Food Processing Sector is a high priority sector and has a potential to transform the economy of any country like ours where agricultural produce is in abundance. Further, out of Rs.650 crore, Ministry could spend only Rs.225 crore during the first three years of the 10<sup>th</sup> Plan. Unfortunately, the Ministry has not been able to absorb the allocated funds over the years. Apparently many of the Schemes for infrastructure development could not take off mainly due to defective Schemes. The Committee were assured by the representatives of the Ministry that with renewed and vigorous monitoring, they will be able to fully utilize the allocated funds by the terminal year of the 10<sup>th</sup> Five Year Plan and overcome the constraints and difficulties of the Ministry due to multiplicity of agencies/organizations scattered under different Ministries.

The Committee desire the Ministry to make firm steps in the right direction as envisaged and report back periodically of the progress made.

### **Reply of the Government**

2.2 The Government in its Action Taken Reply stated that necessary amendment proposals have been formulated for removal of bottlenecks in implementation of the infrastructure schemes and submitted to the Planning Commission. Their approval is still awaited. Meanwhile, Planning Commission has made enhanced allocation of Rs.180 crore for 2005-06 which represents an increase of 153% over the allocation of Rs.85 crore provided in RE 2004-05. Besides, a detailed proposal asking additional fund under different schemes is also being submitted to the Planning Commission. As regards the problem of multiplicity of agencies/organizations scattered under different Ministries, the matter is under consideration in consultation with the Cabinet Secretariat.

### **RECOMMENDATION NO. 5**

#### **Food Parks**

2.3 The Committee note that the Ministry have been pursuing proactively, the task of setting up of Food Parks in different parts of the country depending upon the local needs. The representative of the Ministry conceded in his oral testimony that as against 49 Food Parks sanctioned, only 14 Food Parks are in operation partly but assured that vigorous monitoring and periodic review would expedite their operation. The Committee further note that in some cases the State Governments or promoters have opened Food Parks in wrong places for example Food Parks which exist at a far away distance from the place where raw materials are available. The Committee further note that since the year 1999-2000 to 2004-2005, an expenditure of Rs.100 crore has been incurred on establishment of Food Parks. The Government has extended financial assistance of Rs. 53.85 crore. The Committee are distressed that despite an investment of Rs.100 crore in Food Parks, only



14 Food Parks are functioning, that too partially. The Ministry can not escape responsibility for tardy pace of the scheme as the grant of Rs.4 crore is no mean amount. The role of SNA also needs to be strengthened so as to facilitate constant monitoring of the Food Parks in their respective areas. The Committee recommend that the Ministry should, without delay, commission a study by some eminent expert body to go into the working/malfunctioning/nonfunctioning of all the Food Parks and suggest measures for fruitful operation of the Food Parks.

### **Reply of the Government**

2.4 The Government in its Action Taken Reply stated that the Ministry had recently asked the EDI, Ahmedabad to make a study of problems of 10 food parks in the country. In their report, financial constraints of promoters is stated to be one of the reasons for slow progress of food parks. Other factors for slow progress of food parks is due to long gestation period involved, slowness in bringing in 75% of promoter, lack of interest among entrepreneurs to set up units in food parks, law and order problem, power shortages, water problems etc. Progress of food park is being regularly monitored through periodical meetings with implementing agencies. A conference of State Ministers of Food Processing was held on 5<sup>th</sup> November 2004. The Conference discussed inter alia the problems faced by the food parks. State Governments were requested to coordinate and cooperate with implementing agencies of the food parks so as to overcome the constraints being faced by food parks. For attracting potential entrepreneurs, State Governments/SNAs were also requested to consider organizing EDP programmes focused on food parks. Conferences/seminars are also being organized for publicity of advantages to set up FPI units in food parks.

### **Comments of the Committee**

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

### **RECOMMENDATION NO. 7**

#### **Integrated Food Laws**

2.6 The Committee note that pursuant to their earlier recommendation, the Ministry has taken definitive steps to bring about uniformity of standards, quality and regulation in the food processing sector whose growth was hindered due to multiplicity of legislations. An integrated food law is under preparation under the guidance of group of Ministers constituted for the purpose. While appreciating the all out and concerted efforts being made by the Government to have opinions of various State Government/Agencies on the proposed legislation, the Committee desire the Ministry to expedite the formulation of this much-needed legislation for the accelerated growth of the food processing sector.

The need for such an integrated food law now assumes greater significance in view of the new WTO regime. The Committee, therefore, hardly need to emphasise that such a legislation must be progressive and comprehensive enough to replace the multiplicity of laws, address the problems being faced by our entrepreneurs in the food processing sector and ensure uniformity of standards and quality of processed goods whether imported ones or indigenously produced.

### **Reply of the Government**

2.7 The Government in its Action Taken Reply stated that Draft ('Food Safety & Standards Bill 2005') Integrated Food Law has been approved by the Cabinet in its meeting held on 4<sup>th</sup> August, 2005. The draft Bill seeks inter alia to rationalize multiplicity of food laws, provide a single reference point in relation to regulation of food products, fixation of standards on scientific basis etc. The efforts are being made to introduce the Bill in Parliament in its Current Session.

### **RECOMMENDATION NO.8**

#### **Human Resource Development**

2.8 The Ministry of Food Processing Industries have been implementing a Scheme for Human Resource Development with a BE of Rs.37 crore for 2005-2006. The Committee note that out of the BE of Rs.37 crore, Rs.30 crore have been earmarked for setting up of a National Institute of Food Technology and Entrepreneurship and Management. The estimated cost of the project is reported to be Rs.166 crore. Due to limited resources available for the plan purposes, RE for HRD in respect of 2002-2003, 2003-2004 and 2004-2005 were restricted to Rs.2.70 crore, Rs.3.00 crore and Rs.6.00 crore respectively. Considering the prevailing scenario in the Food Processing Sector, which is far from encouraging, and the dire need to help, develop and adopt world class food technology and entrepreneurs, the Committee strongly feel that the proposal for setting up such a national institute is quite significant and contextual and therefore the same needs to be set up early without time and cost over run.

### **Reply of the Government**

2.9 The Government in its Action Taken Reply stated that Ministry of Food Processing Industries to set up a “ National Institute of Food Technology, Entrepreneurship and Management (NEFTEM)”. The roles envisaged for NIFTEM are aimed at development of world-class food technologists, entrepreneurs and managers in the food industry, providing business incubator services; undertake research, provide training etc. The project cost as per the Detailed Project report is about Rs.245 crore. The Planning Commission agrees to the proposal for in principle approval. Draft Expenditure Finance Committee memorandum on the proposal has been circulated to Ministries/Department concerned for inviting their comments, for further action.

2.10 The Government in its Action Taken Reply stated that the subjects relating to food fortification, National Nutrition Policy/ Programmes, nutrition feeding, nutrition education of women etc., are handled by the Department of Women and Child Development. Accordingly, a copy of the recommendation has been forwarded to them for taking necessary action. However, in order to control malnutrition and enrich food, the Ministry of Food Processing Industries assists FPI units upto Rs.3 lakh for fortification equipment, to adopt suitable measures for fortification

### **RECOMMENDATION NO.9**

#### **Food Fortification**

2.11 The Committee note the efforts made by the Ministry for food fortification in order to control malnutrition and to enrich common man’s food. To start with, a Scheme for fortification of wheat flour has been launched under which 50 per cent of the cost of capital equipment of dosing machine subject to a maximum of Rs.3 lakh, is provided.

Surprisingly, despite the Scheme has been circulated to all the State Governments/Industries, none of the entrepreneur has come forward to avail of the benefit of the Scheme for fortification of wheat flour. The Committee further note that the Government have also discussed the Scheme in the conference of SNAs held on 13 October 2004.

The Committee are saddened to note that a Scheme like fortification of wheat flour, started with the laudable objective of enriching common man's food, continues to languish for want of zeal on the part of implementing agencies. Obviously, while the Scheme requires to be made more attractive to facilitate its implementation, stringent penal provisions also need to be made by the Government for food fortification on the lines of the provision made for compulsory manufacture of iodised salt.

#### **Reply of the Government**

2.12 The Government in its Action Taken Reply stated that the subjects relating to food fortification, National Nutrition Policy/ Programmes, nutrition feeding, nutrition education of women etc, are handled by the Department of Women and Child Development. Accordingly, a copy of the recommendation has been forwarded to them for taking necessary action. However, in order to control malnutrition and enrich food, the Ministry of Food Processing Industries assists, FPI Units upto Rs.3 lakh for fortification equipment, to adopt suitable measures for fortification of processed Food. The Ministry is also extending financial assistance to different organizations from time to time for organizing seminars/workshops on food fortification.

**RECOMMENDATION NO. 11****Taxation**

2.13 The Food Processing Sector, with a global trade of \$460 billion, is being hailed as the 'Sun-rise' sector. For the Indian Food Processing Sector with a miniscule contribution of just 1% to the global trade in food processing sector, the sun is yet to shine. The Committee note that one of the reasons for sluggish growth of Food Processing Sector is the presence of a host of levies except that excise duty on fruits and vegetables has been reduced to zero besides certain income tax concessions to entrepreneurs engaged in the processing of fruits and vegetables. According to a deposition of the witness, at present various taxes, ranging between 20% and 40% are being levied on the food processing sector by the Central as well as State Governments which make processed food items more costly. The Committee strongly recommend that the Government ought to reconsider the present tax structure on food processing sector so that the processed food items may become affordable for the common man in the country and our entrepreneurs are able to compete globally. If necessary, the Ministry should commission an exhaustive study of the entire gamut of taxation and its adverse impact on the growth of food processing sector and place the same before Parliament. The Committee may be kept apprised of the response of Ministry of Finance in the matter for sustained and conclusive follow up.

**Reply of the Government**

2.14 The Government in its Action Taken Reply stated that Excise duty on fruits & vegetable products, ice cream etc, is already nil. Recently, in order to give boost to development of food processing industries in the country, the Government has allowed

under Income Tax Act, a deduction of 100% of profit for five years and 25% of profits for the next five years in case of new agro processing industries set up to process, preserve and package fruits and vegetables. The excise duty of 16% on dairy machinery has been fully waived. Excise duty on meat, poultry and fish products has been reduced from 16% to 8%. Excise duty on food grade hexane used in edible oil has been reduced from 32% to 16%. The Ministry had recently commissioned a study by M/s. TCS so as to look into the impact of taxes on growth of FPI sector. A draft report on M/s. TCS has been received and the same is under examination.

**CHAPTER III**

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

NIL



**CHAPTER IV**

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

**NIL**

**CHAPTER V****RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL  
REPLIES OF THE GOVERNMENT ARE STILL AWAITED****Recommendation 2****Overlapping in demarcation of responsibilities.**

5.1 The Committee note the Ministry of Food Processing Industries was created in 1988 to give impetus to the development of Food Processing Industries in the country. The role of the Ministry assumes greater significance as Food Processing is being held as ‘Sun-rise’ sector globally. The changing food habits across the globe and the mounting global trade in the food processing sector holds immense potential for the rise and growth of food processing sector in India. According to the deposition of the Representative of the Ministry of Food Processing Industries, the Ministry is 16 years old with a paltry allocation of Rs.650 crore for the Tenth Five Year Plan. Unfortunately, the Ministry could barely spend Rs.225 crore during the first three years of the Tenth Five Year Plan. Apparently, Ministry has not come out of its teething troubles or the teen’s syndrome. The Ministry is bedeviled with many problems which are inherent in the very nature of food processing sector characterized by seasonability, high perishability, low margins and high risk profile for the entrepreneurs. Further, there is sheer overlapping in the demarcation of responsibilities between various promotional bodies/structures which are fragmented and scattered under various Ministries/Departments as borne out by the following analysis.

- (i) 75% of APEDA’s Plan Budget of Rs. 53.00 crore overlaps with MFPI’s schematic assistance;
- (ii) Product profile of exports is 70% of processed food;

- (iii) 79% Of MPEDA's Plan Budget of Rs.41 crore overlaps with MFPI schematic assistance having a budget of Rs.110.00 crore;
- (iv) 99% of marine exports are in processed form (frozen, dried or chilled);
- (v) Packaging is most crucial to food processing industry which contributes from 20% to 60% of the processed product cost and, thus holds the key to affordability solution with focused R&D;
- (vi) Packaging is enlisted in Allocation of Business Rules of MFPI; and
- (vii) 70% of National Horticulture Boards Plan Budget of Rs.105 crore overlaps with MFPI's schematic assistance.

The Committee are constrained to note that due to multiplicity of agencies and gross overlapping of roles between them, lead to thin spread of resources, dilutes accountability and as such, hinders the outreach and optimum growth of food processing sector. The Committee, therefore, strongly recommend that in order to stimulate the growth of the food processing sector all the aforesaid bodies must be brought under the unified command/umbrella of the Ministry of Food Processing.

#### **Reply of the Government**

5.2 The government in its action taken reply have stated that a proposal to bring APEDA, MPEDA, NHB etc., under the unified umbrella of MFPI was considered by the

Committee of Secretaries and found not acceptable. However, the matter has been referred to the Cabinet Secretariat for reconsideration.

### **RECOMMENDATION NO. 3**

#### **Funds for Infrastructural Development Facilities**

5.3 The Committee note that the infrastructural facilities for food processing sector in India are extremely poor as we are able to process only about 2% of the food produced in the country vis-à-vis 30% in Thailand, 80% in Brazil and 60%-70% in countries like UK and USA. According to an estimate, for want of post-harvest technologies/non-availability of food processing facilities, the country incurs a whopping annual wastage of food worth over Rs.51,000 crore. Some of the objectives of Ministry of Food Processing Industries are to minimize wastage at all stages, transportation and processing of agro food produce.

For the development of infrastructure, the Ministry proposed a provision of Rs.1,351 crore for the 10<sup>th</sup> Plan period but it was allotted only Rs.180 crore for the Plan period. The utilization of funds has also been poor at Rs.28.28 crore in 2002-2003, Rs.13.70 crore in 2003-2004 and Rs.10.00 crore in 2004-2005 (up to March 2005). The Committee observe that the actual expenditure for infrastructure development is just Rs.51.98 crore which comes to 28.88 per cent of the allotted outlay. In the first three years the actual expenditure was only Rs.51.98 crore which is about 30% of the funds allocated for the Infrastructure development. In their considered view, the inability to absorb the funds allocated is a sad reflection on the performance of the Department at every state, i.e. of conception, formulation, implementation and monitoring of the Scheme.

### **Reply of the Government**

5.4 The Government in its action taken reply have stated that the infrastructure scheme like food park is cost intensive and involves long gestation period. Under 10<sup>th</sup> Plan the revised scheme provides for grant of assistance limited to 25% of the project cost. The same is low and therefore not attractive for investors. As such, there is shortage of proposals under the food park scheme. Earlier in the 9<sup>th</sup> Plan the food park scheme was liberal and provided for grant up to Rs.4.00 crore and there was no such restrictions in terms of percentage of the project cost. As a result, 41 food parks were sanctioned under the 9<sup>th</sup> Plan scheme and so far only 10 under 10<sup>th</sup> Plan. Besides being limited to local bodies, the scheme for modernization of abattoirs is facing similar constraints. Assistance for cold storage, packaging center etc., is also not attractive. Hence, necessary amendment proposals have been formulated for removal of these bottlenecks in implementation of the infrastructure scheme and submitted to the Planning Commission. Pace of expenditure under the scheme will improve only after the proposed amendments are agreed to by the Planning Commission and the Ministry of Finance.

**RECOMMENDATION NO. 4****Review of Infrastructure Development Scheme**

5.5 A close scrutiny of the pattern of assistance provided under the Infrastructure Development Scheme for development of Food Parks setting up of Food Chains, Value Added Centres/ Packaging Centres, Modernization of Abattoirs, Strengthening of Nodal Agencies and Financial Assistance for North-Eastern States under the Plan Scheme show many gaping loopholes and insufficiencies. The Committee observe that the present assistance level is far from adequate to create quality infrastructure with the result that no significant headway has been made in the development of desired infrastructure. The Committee, therefore, strongly feel that the Ministry should revise the following infrastructure development schemes.

- (i) Assistance level for setting up of Food Parks must be enhanced from the current level of 25% of the project's cost in general areas and 33.33% in special category States to 75% and 90% respectively subject to a maximum of Rs.10 crore.
- (ii) The Scheme providing for setting-up of Food Chain, Value Added Centers and Packaging Centers should be integrated by enhancing the level of financial assistance from 25% to 50% and 33.33% to 75% in the general and special category areas respectively subject to a maximum ceiling of Rs.5 crore.
- (iii) The Scheme for Modernization of Abattoirs also needs to be drastically revised so that the local bodies come forward with proposals for financial assistance for modernization of abattoirs. The

level of assistance, therefore, needs to be enhanced from 25% and 33.33% to 50% and 75% in general and special category States respectively subject to a maximum ceiling of Rs.10 crore.

- (iv) The Scheme for strengthening of State Nodal Agencies provides for lump sum grant of 5 lakhs for purchase of basic equipments including computer, internet facilities, etc. after every five years. Since the States Nodal Agencies are not well staffed/equipped to process the cases for obtaining grants from the Ministry of Food Processing Industries, Government of India, the Scheme needs to be amended making the SNAs eligible to receive recurring annual grant from Rs.1 lakh to Rs.5 lakh.
- (v) The financial assistance under the planned Schemes for North Eastern States also needs to be retailored so that the North-Eastern States receive enhanced assistance at the rate of 50% of the project cost subject to a maximum ceiling of Rs.1 crore.

#### **Reply of the Government**

5.6 The Government in its action taken reply have stated that under the food park scheme, it is proposed to enhance the rate of assistance from 25% to 75% of the project cost in general areas and from 33.33% to 90% in special category States and the maximum from Rs.4.00 crore to Rs.10.00 crore.

Rate of assistance for modernization of abattoirs is proposed to be increase from 25% to 50% of the project cost in general areas and from 33.33% to 75% in special



category states and the maximum from Rs.4.00 crore to Rs.10.00 crore. Proposal also envisages expansion of implementation agencies from local bodies to all legal entities.

At present, the schemes of cold storage, packaging center, value added center and irradiation facilities are operating independently on stand-alone basis. Functionally, in food processing sector these activities are interlinked and inter dependent. Present rate of assistance i.e. @ 25% for infrastructure like cold storage, etc, is insufficient. Hence, for flexibility in project planning and for attracting integrated proposals, it is proposed to restructure these schemes and provide for common rate of assistance for the full gamut of activities. Accordingly, it is proposed to increase the rate of assistance for all components from 25% to 50% of the project cost in general areas and from 33.33% to 75% in special category States subject to maximum of Rs.5.00 crore. It is also proposed to extend assistance for cold chain for horticultural produce as well. These proposals are under consideration of the Planning Commission.

Rate of assistance for establishment/modernization and expansion of FPI units in difficult areas like North East is proposed to be increased from 33.33% of the project cost to 50% of the project cost subject to a maximum of Rs.75.00 lakh. Planning Commission has not agreed to the proposal. As proposal is for promotion of FPI units in North East and is based on recommendation of the Standing Committee of Parliament, Planning Commission is being requested to reconsider it.

As regards increase in grant for SNAs from 1.00 lakh to Rs.5.00 lakh per annum, the proposal has been approved by the SFC and necessary action to amend the scheme is in final stage.

## **RECOMMENDATION NO. 6**

### **Dairy Processing**

5.7 The Committee note that organized dairy industry accounts for less than 15% of the milk produced in India. The rest of the milk is either consumed at the farm level or is sold as fresh, non-pasteurised milk through unorganised channels. The share of organized dairy industry is expected to rise rapidly – especially in the urban regions. The per capita availability of milk, which was just 124 gms per day per person in 1950-51, has not still crossed the limit of 232 gms per day in 2004-2005. The Committee observe that the per capita consumption of milk has not increased in accordance with the increase in milk production over the years which gives the Dairy Processing Industry a fair chance to convert the extra available milk in to processed items. The Committee are anguished to note that for want of processing facilities, the milk producers/unions/cooperatives are facing extreme hardships in many parts of the country where milk producers have to resort to distress sale so much so that milk is being sold at rates cheaper than the mineral water.

The Committee, therefore, strongly recommend that the Ministry should formulate suitable schemes for the organised growth of Cooperatives engaged in the Dairy Sector.

### **Reply of the Government**

5.8 The Government in its action taken reply have stated that Government has implemented a scheme for technology upgradation/establishment/modernization of food processing industries including dairy industry. The rate of assistance for establishment/modernization of food processing units is 25% of the cost of plant & machinery and

technical civil works subject to maximum of Rs.50 lakh in general areas and 33.33% of the project cost subject to a maximum of Rs.75 lakh in difficult areas. Assistance upto Rs.10.00 in general areas and Rs.15.00 lakh in difficult areas is provided to food processing industries including dairy industry for adoption and implementing ISO/HACCP/GMP and other quality standards. In addition, assistance is also provided for organizing workshops/ seminars/ conferences to create awareness among processors and consumers about safety and quality of food products. As regards organized growth of cooperatives in dairy sector, the matter has been referred to Department of Animal Husbandry and Dairying for taking necessary action.

#### **RECOMMENDATION NO. 10**

##### **Submission of Utilization Certificates**

5.9 The Committee are astonished to note that the Ministry have not been successful in getting utilization certificates from all the grant receiving Food Processing Units. In order to ensure effective monitoring and to safeguard the use of public money, it is essential that the Ministry evolve a mechanism for receipt of Utilization Certificate within the stipulated time frame. Proper and comprehensive guidelines may be evolved in this regard so that scarce public money is not wasted/misutilised. The Government may also consider recovery of the misutilised grant from the defaulting units. The Committee may also be furnished a list of such defaulters within a period of one month from the day of presentation of this report to Parliament.

**Reply of the Government**

5.10 The Government in its Action Taken Reply stated that the grant of MFPI is released in two installments. Before release of the second installment, the Ministry obtains CA certificate of actual expenditure duly endorsed by State Nodal Agency. The SNA is also required to render a certificate that the unit has physically come up and is ready for commencement of commercial production. Accordingly, second installment is released only after receipt of a proper utilization certificate prescribed under the General Financial Rules. None of the units is made eligible for further assistance unless they submit the utilization certificate of the previous grants. State Nodal Agencies have also been asked to pursue vigorously with these units to get the utilization certificate. A list of units, which have not furnished UCs is being prepared and will be submitted to the Committee shortly.

**Comments of the Committee**

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

## **RECOMMENDATION NO. 12**

### **Food Testing Laboratories**

5.12 The Committee, while taking note of the present status of Food Testing Laboratories in the country, feel that a strong network of food testing laboratories at least one in each State/Region, must be set up across the country under the direct control of the Ministry of Food Processing Industries to ensure food safety so as to maintain the quality control standards stringently. A list of existing food testing labs may also be furnished to the Committee in due course. Similarly, the imported processed food items, including the processed food articles entering our markets clandestinely, must be subjected to rigorous quality checks so as to provide level playing field to indigenous Food Processing Industry.

### **Reply of the Government**

5.13 The Government in its Action Taken Reply stated that the recommendation relating to setting up of one food testing laboratory in each State/region under the MFPI has been noted. However, MFPI has written to all State/UT for submitting proposals for setting up/upgradation of food testing laboratory. So far, 17 food testing laboratory (in both public and private sector) have been assisted by MFPI. The information about existing food testing laboratories is being collected. As regards putting imported processed food items to quality checks, the matter has been referred to the Department of Commerce and Ministry of Health for taking necessary action.

**Comments of the Committee**

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

**NEW DELHI;**  
**18 January, 2006**  
**28 Pausa, 1927 (Saka)**

**PROF. RAM GOPAL YADAV**  
***Chairman,***  
***Standing Committee on Agriculture***

**APPENDIX- I****MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON AGRICULTURE HELD ON WEDNESDAY, THE 18<sup>TH</sup> JANUARY, 2006 AT 1100 HRS. IN ROOM, '139', FIRST FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee sat from 1100 hrs. to 1330 hrs.

**PRESENT**

Prof. Ram Gopal Yadav – Chairman

**MEMBERS*****LOK SABHA***

2. Shri Hiten Barman
3. Shri Manoranjan Bhakta
4. Shri Girdhari Lal Bhargava
5. Shri Khagen Das
6. Shri Raghunath Jha
7. Smt. Rupatai D.Patil Nilangekar
8. Shri Y.S.Vivekananda Reddy
9. Shri M.P. Veerendra Kumar

**RAJYA SABHA**

10. Smt. Mohsina Kidwai
11. Shri Harish Rawat
12. Dr.M.S.Gill
13. Shri Pyarelal Khandelwal
14. Shri Sk. Khabir Uddin Ahmed
15. Shri Bashistha Narain Singh
16. Shri Sharad Anantrao Joshi

**SECRETARIAT**

- |    |                   |   |                  |
|----|-------------------|---|------------------|
| 1. | Shri A.K.Singh    | - | Joint Secretary  |
| 2. | Shri Hardev Singh | - | Deputy Secretary |
| 3. | Shri K.D. Muley   | - | Under Secretary  |
| 4. | Shri D.S. Malha   | - | Under Secretary  |

At the outset, the Hon'ble Chairman, welcomed the Members to the sitting of the Committee and requested them to deliberate on the first item of the agenda of that day, i.e., the consideration of the statement prepared by the Committee Secretariat comprising the comments/suggestions received from various organisations on 'The Food Safety and Standards Bill, 2005' and after some deliberation decided that the draft report on the said Bill may be prepared by the Secretariat and be circulated to the Committee for their consideration by the first week of February, 2006.

2. Thereafter, the Committee took up Memoranda No. 2 containing draft 13<sup>th</sup> Action Taken Report on the 9<sup>th</sup> Report on Demands for Grants (2005-06) of the Ministry of Agriculture (Department of Agriculture and Cooperation) for consideration and adoption.

[Smt. Mohsina Kidwai, MP in the chair.]

The Committee also took up Memorandum Nos. 3, 4 and 5 containing draft 14<sup>th</sup>, 15<sup>th</sup> and 16<sup>th</sup> Action Taken Reports on the 10<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> Reports on Demands for Grants relating to the Ministry of Agriculture (Department of Agricultural Research and Education); Ministry of Agriculture (Department of Animal Husbandry Dairying and Fisheries); and Ministry of Food Processing Industries for consideration and adoption.

3. The Committee then adopted the draft Action Taken Reports with certain additions/modifications as suggested by members of the Committee.

4. The Committee thereafter authorized the Chairman to present the above-mentioned Reports to the House on a date and time convenient to him.

*The Committee then adjourned.*



**APPENDIX II**

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON  
THE TWELVETH REPORT OF STANDING COMMITTEE  
ON AGRICULTURE (14<sup>TH</sup> LOK SABHA)

(i)	Total number of Recommendations	12
(ii)	Recommendations/Observations which have been Accepted by the Government	
	Serial Nos. 1,5,7,8,9 and 11	
	Total	6
	Percentage	50%
(iii)	Recommendations/Observations which the Committee Do not desire to pursue in view of the Government's replies	
	Serial No. Nil	
	Total	Nil
	Percentage	Nil
(iv)	Recommendations/Observations in respect of which replies Of the Government have not been accepted by the Committee	
	Serial Nos. Nil	
	Total	Nil
	Percentage	Nil
(v)	Recommendations/Observations in respect of which Final replies of the Government are still awaited	
	Serial No. 2,3,4,6,10 and 12	
	Total	6
	Percentage	50%