

STANDING COMMITTEE ON AGRICULTURE
(2005-06)

FOURTEENTH LOK SABHA

MINISTRY OF FOOD PROCESSING INDUSTRIES

DEMANDS FOR GRANTS (2006-2007)

TWENTY-FIRST REPORT



LOK SABHA SECRETARIAT

NEW DELHI

MAY, 2006/VAISAKHA, 1928 (Saka)

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Presented to Lok Sabha on 19.05.2006

Laid in Rajya Sabha on 19.05.2006



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

Prof. Ram Gopal Yadav – Chairman

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2.	Shri Hardev Singh	-	Deputy Secretary
3.	Shri N.S.Hooda	-	Under Secretary
4.	Shri M.D. Tuteja	-	Committee Officer

* Shri Deepender Singh Hooda nominated as a Member of the Committee on 9 December, 2005 vice Shri Prakash V.Patil expired on 21 October, 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.

^ Shri Mahboob Zahedi ceased to be the member of this Committee owing to his demise on 8 April, 2006.

@ Shri Shivraj Singh Chouhan has resigned his seat in Lok Sabha on dated 10th May, 2006.

INTRODUCTION

I, the Chairman, Standing Committee on Agriculture, having been authorized by the Committee to submit the report on their behalf, present this Twenty-First Report on the Demands for Grants (2006-2007) of the Ministry of Food Processing Industries.

2. The Demands for Grants of the Ministry of Food Processing Industries were laid on the table of the House on 13th March, 2006. Under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Committee has to consider the Demands for Grants of the concerned Ministries/Departments under its jurisdiction and make a report on the same to both the Houses of Parliament.

3. The Committee took evidence of the representatives of the Ministry of Food Processing Industries at their sitting held on 13th April 2006. The Committee wish to express their thanks to the officers of the Ministry of Food Processing Industries for giving evidence and for placing before the Committee the study material and information desired in connection with the examination of Demands for Grants of the Ministry of Food Processing Industries.

4. The Committee considered and adopted the report at their sitting held on 18th May 2006.

5. For facility of reference, the observations/recommendations of the Committee have been printed in bold letters and placed as Part II of the report.

NEW DELHI;
18 May, 2006
28 Vaisakha, 1928 (Saka)

PROF. RAM GOPAL YADAV
Chairman,
Standing Committee on Agriculture

PART I

CHAPTER - I

OVERVIEW OF DEMANDS

1.1 The Ministry of Food Processing Industries was created in July 1988 to give an impetus to the development of food processing industries in the country. Subsequently, this Ministry was made a Department and brought under the Ministry of Agriculture. In pursuance of this Committee's recommendation in their reports on Demands for Grants it has once again been notified as Ministry of Food Processing Industries in September 2001. The Ministry is concerned with formulation and implementation of the policies and plans for the food processing industries within overall national priorities and objectives. It acts as a catalyst for bringing in greater investment into this sector, guiding, helping, and creating a conducive environment for healthy growth of the food processing industries.

The Ministry's aims are:

- Better utilization and value addition of agricultural produce for enhancement of income of farmers.
- Minimizing wastage at all stages in the food processing chain by the development of infrastructure for storage, transportation and processing of agro-food produce.
- Induction of modern technology into the food processing industries from both domestic and external sources.
- Encouraging R&D in food processing for product & process development and improved packaging.

- Providing policy support, promotional initiatives and physical facilities to promote value added exports.

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

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

1.4 The functions of the Ministry can be broadly classified under policy support, developmental activities and regulatory functions as follows:

- a) Formulation and implementation of policies for food processing industries within overall national priorities and objectives.
- b) Facilitating creation of a conducive environment for healthy growth of the food processing sector.
- c) Promoting rationalization of tariffs and duties relating to food processing sector.
- d) Harmonization of Food Laws.

1.5 India's agricultural production base is quite strong but at the same time wastage of agricultural produce is massive. Processing level is very low i.e. around 2.20%

in fruits and vegetables, 35% in milk, 21% in meat and 6% in Poultry products etc. Value addition is 20%. India's share in world trade in respect of processed food is about 1.6%.

Food Processing Industry is facing constraints like non-availability of adequate infrastructural facilities, lack of adequate quality control and testing infrastructure, inefficient supply chain, lack of processing varieties of farm produce, seasonality of raw material, high inventory carrying cost, high taxation, high packaging cost, affordability and cultural preference of fresh food.

1.6 Several policy initiatives taken from time to time to promote growth of the processed food sector in the country are:

- a) Most of the processed food items have been exempted from the purview of licensing under the Industries (Development & Regulation) Act, 1951, except items reserved for small-scale sector and alcoholic beverages.
- b) Food processing industries were included in the list of priority sector for bank lending in 1999.
- c) Automatic approval for foreign equity upto 100% is available for most of the processed food items excepting alcohol and beer and those reserved for small scale sector subject to certain conditions.
- d) Excise duty on processed fruit and vegetables has been brought down from 16% to zero level in the Budget, 2001-02.
- e) In the budget of 2004-05 income tax holiday and other concessions announced for certain FPI sectors.
- f) Licensing powers delegated to regional offices under Fruit Products Order (FPO), 1955.
- g) Implementation of Meat Food Products Order, 1973, transferred to MFPI w.e.f. 19th March, 2004.

1.7 **Developmental Initiatives:**

- a) Assistance under various plan schemes.
- b) Widening the R&D base in food processing by involvement of various R&D institutes and support to various R&D activities.
- c) Human Resource Development to meet the growing requirement of managers, entrepreneurs and skilled workers in the food processing industry.
- d) Assistance for setting up analytical and testing laboratories, active participation in the laying down of food standards and their harmonization with the international standards.

1.8 **Promotional Initiatives:**

In order to create awareness about the potential and prospect of food processing industries in the country, this Ministry provides assistance for:

- a) Organizing workshops, seminars, exhibitions and fairs.
- b) Studies/surveys etc.
- c) Publications

The Ministry has looked upon its mandate as something of an energizer, something which will bring various agencies together so that the maximum value accrues to the farmers.

- 1.9 The Ministry continuously interacts with various Ministries of the Government of India and State Governments in order to achieve its objectives. The Ministry also interacts with various promotional organizations like Agricultural & Processed Food Export Development Authority (APEDA), Marine Products Export Development Authority (MPEDA), National Co-operative Development Corporation (NCDC), National Horticulture Board, R&D institutes, Quality Control Laboratories, Industries Associations etc., in pursuit of its objectives.

1.10 State Nodal Agencies

Ministry of Food Processing Industries has, on the recommendation of the State/UT Governments, nominated State Nodal Agencies (SNA) for Food Processing Industries at the State/UT level in order to coordinate and monitor various activities pertaining to food processing sector in each state. Keeping in view the critical role, they have to play in the development of food processing sector in the States, the Ministry interacts with the State Nodal Agencies periodically. A conference of SNAs was recently organized on 12.01.2006. The conference inter alia discussed ways and means to improve schematic implementation, engender growth of the FPI sector, synergies with programmes in this sector, etc

1.11 The BE & RE for 2005-2006 and BE for 2006-2007 for pertaining to the Ministry of Food Processing Industries are as under:

(Rs. in crore)

BE 2005-2006		RE 2005-2006			BE 2006-2007			
Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
180.00	6.55	186.55	136.00	6.55	142.55	166.90	6.80	173.70

The reasons for such reduction as stated by the Ministry in their written reply is as under:

“The recommendations of the Standing Committee of Parliament for enhanced allocations during scrutiny of Demands for Grants (2004-05) of the Ministry was forwarded to the Planning Commission & Deptt. of Expenditure on 29.10.2004 with a request that the Hon’ble Committee’s recommendation may be kept in view while approving BE 2005-06 of the Ministry. However, keeping in view the trend and pace of expenditure/ plan priorities/ financial constraints, M/o Finance reduced the allocation of the Ministry from Rs. 180.00 crore (BE) to Rs. 136.00 crore in RE 2005-06. In this regard, it is to mention that Planning Commission has earmarked an outlay of Rs. 650.00 crore for the Ministry during the 10th Plan as against Rs. 235.00 crore for the 9th Plan. This increment is 160%. As against the BE of Rs.110.00 crore in 2004-05, the Ministry has got BE of Rs. 180.00

crore during 2005-06 even after considering the overall budgetary constraints/priorities. The BE for 2006-07 has been pegged at Rs. 166.90 crore as against RE of Rs. 136.00 crore during 2005-06. The lack of utilization of funds in 2005-06 has been principally the scheme for infrastructure creation and for setting up of National Institute of Food Technology, Entrepreneurship & Management (NIFTEM). On the scheme of infrastructure the scheme as approved for the 10th plan had reduced levels of financial support. A proposal in this regard has been under discussion with Planning Commission for amending the scheme with regard to NIFTEM necessary approvals are being obtained for setting up the Institutes.”

1.12 Plan outlays and percentage allocation to the Ministry of Food Processing Industries.

The Plan outlays and percentage allocation of the Ministry of Food Processing Industries vis-à-vis Central Plan outlay of Government of India during the last four years and for 2006-2007 along-with comparison with some other major Departments of the Government like Department of Telecommunications, Health, Rural, Urban Development, Food and Civil Supplies, Education, Ministry of Finance, Ministry of Agriculture etc. are as follows:-

(Rs. in crore)

Year	Total Central Plan Outlay	Total MFPI outlay (BE)	Percentage
2002-03	144037	75.00	0.0521
2003-04	147893	75.00	0.0507
2004-05	150818	110.00	0.0729
2005-06	211253	180.00	0.0852
2006-07	254041	166.90	0.0657

Details of plan outlay of Ministry of Food Processing Industries for the current year as compared to other major Departments of the Government like Department of Telecommunications, Health, Rural, Urban Development, Food and Civil Supplies, Education, Ministry of Finance, Ministry of Agriculture etc. is as under:

(Rs. in crore)

Other Ministries	Outlay	MFPI outlay
M/o Communications & IT	1138.65	166.90
M/o Health & Family Welfare	11593.54	166.90

M/o Rural Development	31443.62	166.90
M/o Urban Development	684.42	166.90
M/o Consumer Affairs, Food & Public Distribution	204.83	166.90
M/o Human Resource Dev.	25539.84	166.90
Ministry of Finance	26313.77	166.90
Ministry of Agriculture	6702.66	166.90

1.13 The scheme-wise details of demand projected by the Ministry of Food Processing Industries during 2006-07 and the outlay actually approved by the Government is as under:

(Rs. in crore)			
S.N.	Name of the scheme	Demand projected by the Ministry for 2006-07	Outlay approved by Govt. 2006-07 (B.E.)
1	2	3	4
1	Scheme for Infrastructure Development	63.00	22.00
2	Scheme for Technology Up gradation/Establishment/Modernization of Food Processing	123.10	97.00
3	Scheme for Backward and Forward Integration and other Promotional Activities	9.00	10.00
4	Scheme for Quality Assurance, Codex Standards and Research & Development.	19.00	12.00
5	Scheme for Human Resource Development	37.00	16.90
6	Scheme For Strengthening of Institution	9.00	9.00
7	(Outlay including provision for North Eastern Region including Sikkim.)	28.90	(16.70)*
8	Total	289.00	166.90

Outlay for North East is included in the schemes mentioned at Sl. No. 1 to 6

1.14 When asked about the total Plan funds had actually reached the North Eastern States and utilized by them in 2003-2004, 2004-2005 and 2005-2006 and the percentage earmarked for 2006-2007. The Ministry in their written reply have stated that:

Financial assistance provided to the projects in North Eastern States during 2003-04, 2004-05 & 2005-06 is as under:

(Rs. in crores)

Year	Total outlay(RE)	Amount spent on NE States	Percentage of funds utilized in NE States
2003-04	65.00	6.45	10.00
2004-05	85.00	4.94	5.81
2005-06	136.00	5.26	3.87

Against the BE of 2006-07 amounting Rs. 166.90 crore, 10% of the total outlay i.e. 16.70 crore has been earmarked for NE State.

The sector wise financial assistance provided in the NE states during the period 2003-04 to 2005-06 is as under:

(Rs. In Lakh)

S.N.	Name of the scheme	2003-04	2004-05	2005-06
1	2	3	4	5
1	Scheme for Infrastructure Development	43.99	182.00	100.00
2	Scheme for Technology Up gradation/Establishment/Modernization of Food Processing	506.53	270.19	145.05
3	Scheme for Backward and Forward Integration and other Promotional Activities	55.47	-	-
4	Scheme for Quality Assurance, Codex Standards and Research & Development.	-	-	250.51
5	Scheme for Human Resource Development	36.77	41.99	0.37
6	Scheme For Strengthening of Institution	2.00	-	30.61
7	Total	644.76	494.18	526.54

The Government while recognizing the enormous benefits that the Food Processing Industries can bring to agriculture and job creation and to customers, announced treating of the Food Processing as a Priority Sector for bank credit. For this NABARD have been asked to create a separate window with a corpus of Rs. 1000 crore for refinancing loans to this sector especially for Agro-processing infrastructure & market development.

The Ministry of Food Processing Industries is engaged in consultation with NABARD, for preparing modalities/mechanisms for operating the corpus fund of Rs.1000 crore for refinancing loans to agro- processing infrastructure and market development.

1.15 **Status of Growth of Food Processing Industries Sector**

India's agricultural production base is quite strong but at the same time wastage of agricultural produce is massive. Processing level is very low i.e. around 2.2% in fruits & vegetables, 35% in milk, 21% in meat and 6% in poultry products etc. Value addition is 20%. India's share in world trade in respect of processed food is about 1.6%. 40% of the fruits and vegetables produced is neither processed nor consumed but go waste.

Ministry has also prepared a Vision for growth of Food Processing Industries Sector. The Vision envisages increase in processing level of perishables goods from 6% to 20%, increase value addition from the present level of 20% to 34% and share in global trade up from 1% to 3%, thus tripling the size of processed food industry by 2015. Tripling of the size of industry is estimated to generate direct employment of 28 lakh and indirect employment of 74 lakh persons.

Due to non-processing, all the produce can't be utilised. Efforts are being made to increase the processing of Fruits & Vegetables to 20% by the end of 2015.

When asked about how much time will it take to reach that level so that farmers get the remunerative price of their produce and consumers get the processed food at reasonably low price, the Ministry in their written reply have stated that:

“In order to increase the processing of fruits and vegetables to 20% by the end of 2015 government is evolving a strategy and action plan. In the budget of 2004-05, the Government 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. Earlier processed food and vegetable products have been exempted from central excise duty.”

The Government of India has launched the National Horticulture Mission (NHM) with effect from 2005-2006 for holistic development of Horticulture in the country. The scheme is being implemented by Ministry of Agriculture. The thrust of the Mission will be on area based regionally differentiated cluster approach for development of horticulture crops. Under the Mission a number of activities are proposed to be taken up for improving production and productivity besides ensuring proper post harvest management of the produce. The objective of the Mission includes doubling of Horticulture production from 146 Million tonnes in 2001-2002 to 300 million tonnes by 2011-12. The schemes of MFPI including technology upgradation/expansion/modernization and establishment of processing units promote processing level of the agri-horticulture produce.

- 1.16 India produces 90 million tonnes of milk (highest in the world); 150 million tonnes of fruits and vegetables (second largest); 485 million livestock (largest); 204 million tonnes foodgrains (third largest); 6.3 million tonnes of fish (third largest); 489 million poultry and 45200 million eggs, but India's share in the World Trade in respect of processed food is about 1.6% only. When asked about

any policy in the offing to increase its share of world trade in processed food, the Ministry in their written reply have stated that:

The Ministry of Commerce is responsible for formulation of policies and programmes for export promotion. The product specific initiatives for exports are undertaken by various organizations like APEDA, MPEDA, Tea Board, Coffee Board etc. functioning under the administrative control of Department of Commerce. Taking into consideration of all these initiatives, the Ministry of Food Processing Industries has formulated a Document Vision-2015: Strategy and Action Plan for the Food Processing Industries in India in which the target is to increase share in global food trade from 1.6% to 3% by the year 2015. At present, India's export of agricultural and food products are about Rs.36,000 crore, which have grown at 15% annually, vis-à-vis total exports, which have grown at 19% in the last decade. In order to realize Vision-2015, the Ministry has prepared a strategy and action plan, which inter alia includes (a) strengthening food processing infrastructure in agri-export zones (b) encouraging food testing laboratories to get accreditation from international agencies, setting up world class food testing and inspection infrastructure (c) developing a strong market intelligence systems (d) building global brands on the back of India's strength etc.

1.17 On a suggestion made by committee to consider geographically oriented and product specific approach, the Secretary to the Department stated:-

“Unless we have a very clear chain worked out for a particular product, bringing the product to market after adding value, any general scheme, which we develop from Delhi and uniformly apply to all the products, may not be successful. We would like to apply this approach for each State, each geographical region in the form of food parks which will take into account the potential of that area, the requirements of the farmer and also the opportunity for adding value. We propose now to discuss with all the stakeholders including the farmers, the processors, the investors and the State Govt. agencies so that we can

finalize schemes which are actually tailor-made for each State instead of a uniform model which will be blindly applied to all States.”

1.18 **Food Processing Policy**

Food Processing is the sunrise sector which plays a vital role in diversification and commercialization of agriculture, enhancing incomes of farmers, generating employment, earning foreign exchange through export of agro foods, etc.

Ministry of Food Processing Industries has initiated action for formulating a National Food Processing Policy, which envisages, among other things, creation of enabling environment, infrastructure development, linkages with farming system etc. The Draft Policy further, stipulates possible measures for reduction in wastage, increase in level of processing, enhancement in value addition, generation of employment etc.

These initiatives have been incorporated in the detailed strategy and action plan formulated by this Ministry for promotion of food processing industries in terms of Vision 2015 as under:

- a) Rationalizing tax regime.
- b) Incentivising organized format of retailing including permitting FDI in food retailing in a selective and phased manner.
- c) Incentivising private sector and FDI participation in major infrastructure creation.
- d) Increasing availability of processable varieties of raw materials.
- e) Strengthening and modernizing institutional framework.
- f) Preparing comprehensive plan for capacity building of small and unorganized sector.
- g) Putting in place modern integrated food law.

- h) Setting up autonomous Agro Processing Development Bank of India.
- i) Launching major promotional campaign for processed food.
- j) Restructuring MFPI to enable it to discharge its functions effectively.

1.19 During evidence the Secretary, FPI admitted that:

“Our experience in the matter of administering subsidies has not been very happy. Partly, it is because the schemes themselves are very often much less attractive than similar schemes administered by other Ministries which have got much larger funds. So there is not much point in competing with much larger Ministries administering similar schemes. So we are now engaged in the process of reviewing and revising our schemes alongwith the Planning Commission and Ministry of Finance. It is to make it more decentralized so that we do not sit in Delhi and start administering subsidy schemes. We confine our limited resources and skills and capabilities on just developing the appropriate policy framework, make the necessary policy changes, ensure that there is a fair and competitive regulatory framework in possession. We have revised most of the schemes, which we have been administering till now. We have sent a draft to the Planning Commission and are in the process of discussing it with them. We would like to review our schemes to make them more investor friendly and ensure that it is done according to very transparent procedures and link it to bank finance.”

CHAPTER-II
Scheme-Wise Analysis

2.1 Scheme for Infrastructure Development

The Ministry of Food Processing Industries has been implementing a financial assistance scheme for development of infrastructural facilities for food processing industries. The whole food processing sector has been characterized by poor marketing, transport and communication infrastructure. The scheme was approved by CCEA in August, 2003. Under the scheme financial assistance in the form of grant-in-aid is proposed to be extended for setting up of :-

- (i) Food Park
- (ii) Packaging Centre
- (iii) Modernisation of Abattoirs
- (iv) Integrated Cold Chain facilities
- (v) Irradiation facilities
- (vi) Value added centers

The provision of funds for the above mentioned schemes is as under:

(Rs. in crore)

PLAN	BE 2005-2006	RE 2005-06	BE 2006-2007
	49.00	10.00	19.80

2.2 Food Park

The Ministry of Food Processing Industries is proactively pursuing the task of setting up of food parks in various parts of the country. The purpose behind setting up of the food parks is to enable small and medium scale units to avoid investment in capital-intensive activities. In the food parks cost of major facilities such as R&D Lab, Cold Storage, uninterrupted power supply, water-supply, ware-

housing, common processing facilities, packaging centers, seminar/conference/training facilities can be assisted. Financial assistance was extended for setting up of 2 Food Parks during 8th Plan and 39 Food Parks during 9th Plan period. During first four years of 10th Plan 10 Food Parks have been approved and in total 22 Food Parks have become operational.

The Ministry of Food Processing Industries provides assistance in the form of grant-in-aid upto Rs.4 crore (upto 25% of project cost) to set up common facilities such as cold storage, food testing and analysis laboratories, affluent treatment plant taking into account the balance assistance to be released to those already sanctioned and normal increase in creation of new Food Parks which are expected to be set up during 2006-07, it is anticipated that an amount of about Rs.10 crores would be needed for this activity during 2006-07. A proposal to liberalise Food Park scheme is under consideration.

- 2.3 The Ministry has so far approved 52 Food Parks of which 22 Food Parks are operational where some units have been commissioned.

Food Parks are major Infrastructural projects and have a long gestation period. The implementation of Food parks is linked to a wide range of internal and external factors and linkages such as development of external infrastructure in tandem, getting a sufficient number of entrepreneurs to set up units in the park before certain facilities can come up, etc.

From periodical reviews, feed back from implementing agencies, State Nodal Agencies and Industry, it emerges that the Scheme needs modification to revitalize this major component. EDII, Ahmedabad, was awarded diagnostic

study to evaluate the Food Park Scheme. Based on recommendation of the study, Ministry's experience of operating the Scheme and interaction with various stakeholders, the Ministry has formulated a proposal for restructuring of the Infrastructure Scheme to the Planning Commission for approval.

An implementation schedule is submitted by the implementing agency at the time of submission for application for assistance. However, overshooting of the tentative time schedule is observed in many of the cases to many factors involved in the creation of large infrastructure.

In most of the cases, the implementing agencies are State Government organizations, where the State Government Contribution is in the form of land / financial contribution. Further, the respective State Governments / Promoters have the primary responsibility in ensuring provision of support infrastructure like roads, electricity, water and other linkages. The Central Government contributes 25% of project cost subject to Rs. 4.00 crore on common facilities in general areas and @ 33.33% in difficult areas.

The operational food parks are in different stages of functioning. Some units in these parks have commenced operations. The food parks are envisaged to become hubs of processing activity and the full impact is expected to be felt over a period of time.

Packaging Centres

- 2.4 Under the scheme Packaging Centres, facilities are provided for packaging which help in enhancement of shelf life of food products and make them internationally

acceptable. Assistance @ 25% of the project cost in general areas and 33.33% in difficult areas, subject to a maximum of Rs. 2.00 crore is provided for establishment of packaging centre. Based on number of cases pending for setting up units for packaging, a provision of Rs.2.00 crores only proposed in the Plan Outlay for BE 2006-07. So far, assistance of Rs. 1.45 crore has been sanctioned to only one packing centre in J&K.

When asked about the reasons for such a poor response to the scheme and efforts made by the Ministry to popularise this scheme, the Ministry in their written reply have stated that:

“The Ministry has hardly been receiving any proposals for packaging centers despite popularizing the infrastructure schemes through media and other forums. This points to the need for integration of individual components so that integrated and viable projects are set up. The integration of the components of cold chain, value added center, packaging center and irradiation facility into a single scheme will allow greater flexibility in project planning. The Ministry has already proposed a restructured infrastructure scheme to the Planning Commission where the above components are proposed to be integrated under a common scheme.”

Modernisation of Abattoirs

2.5 The Scheme aims at scientific and hygienic slaughter, causing least pain to the cattle and ensuring better byproduct utilization.

Assistance @ 25% of the project cost in general areas and 33.3% in difficult areas subject to a maximum of Rs.4.00 crore is provided to local bodies for modernization of abattoirs. So far only one case i.e. of MCD Delhi has been approved for grant of Rs.4.00 crore. It is felt that there will be one or two cases ripe for disbursement of grants. Hence a provision of Rs.2 crores only proposed in the Plan outlay for 2006-07. Local bodies due to their own financial constraints are not in a position to undertake the work of modernization of

abattoir which is cost intensive. A proposal to make suitable amendment in the scheme is under consideration.

Integrated Cold Chain Facilities

2.6 The scheme is intended to improve viability of cold storages and enhance cold storage capacity. Assistance @ 25% of the project cost in general areas and 33.33% in difficult areas subject to a maximum of Rs.75.00 lakh is provided for establishment of cold chain facilities. During 10th Plan an amount of Rs.4.01 crore has been sanctioned towards assistance for three cold storages in Gujarat, three in Maharashtra, one each in U.P., Kerala, Manipur, Meghalaya, Andhra Pradesh, Haryana, Delhi and Goa. The scheme was approved on 23rd August, 2003. During 2004-05, no financial assistance could be extended to any cold storage plant due to the following reasons:-

- (a) Mandate of the Ministry to extend financial assistance to cold storage for horticultural produce was stopped
- (b) There is no provision for giving assistance to refrigerated vans and freezer cabinet.

Necessary modification in the scheme has already been proposed and submitted to Planning Commission. At present, some proposals for grant are pending in respect of cold storage facilities. Accordingly, it is proposed to make a provision of Rs.4.00 crore for this activity during 2006-07.

2.7 During 2004-05, no financial assistance could be extended to any cold storage. The reasons for assisting so less number of projects during the Tenth Plan especially in view of the dire necessity of more cold storages to preserve the agricultural and horticultural produce and the steps taken to improve the situation.

The number of proposals pending for grant of assistance, the Ministry in their written reply have stated that:

During the Ninth Plan, the Ministry assisted different kinds of Cold Storages including Horticulture Cold Storages. Consequent upon the approval of the Capital Subsidy Scheme of the National Horticulture Board of assistance for cold storages for horticulture, this Ministry is no longer supporting cold storages for horticulture produce except specialized cold storages (CA/MA) during the 10th Plan. This has severely restricted the kind and number of proposals which the Ministry can consider resulting in lesser number of approvals during the 10th Plan. In the interest of overall development of food processing industries and value addition, an integrated solution of cold chain facility from farm gate till consumer needs to be provided. Raw material, intermediate primary processed products and the final processed food products need to be viewed holistically and accordingly provision for assistance for providing cold chain facility for all kinds of products need to be made in the MFPI Scheme. Further, to fulfill the objective of providing complete cold chain facilities without any break, mobile refrigerated transport including reefer vans, mobile pre-cooling units, etc. are also required to be assisted under the Scheme. To address the situation, the Ministry has submitted a restructured scheme to the Planning Commission where under the integration of the components of cold chain, value added center, packaging center and irradiation facility into a single scheme has been proposed, which would allow greater flexibility in projects. The proposed restructured scheme can be expected to be gainfully utilized by the food processing industry as per their specific requirement. Planning Commission has not approved the proposal at present.

Irradiation facilities

2.8 The scheme aims at enhancing shelf life of the food product through irradiation techniques by preventing infestation like in flour, sprouting and change in chemical composition of the product (as in potato). Financial assistance @ 25% of the project cost in general areas and 33.33% in difficult areas subject to a maximum of Rs.5.00 crore is provided for establishment of irradiation facilities. So far four irradiation projects i.e. two in Maharashtra and one each in West Bengal and Haryana have been sanctioned with an assistance involving an amount of Rs.7.89 crore. It is proposed to make a provision of Rs.3 crore for this activity during 2006-07.

Value Added Centres

2.9 The Scheme is intended to enhance value addition leading to enhanced shelf life, higher total realization and value addition at each level of handling and also to facilitate traceability.

Assistance @ 25% of the project cost in general areas and 33.33% in difficult areas subject to a maximum Rs.75.00 lakh is provided for establishment and modernization of value added centre. So far, three VACs i.e. one each in Maharashtra, Himachal Pradesh and Punjab have been sanctioned assistance involving an amount of Rs.1.10 crore during 10th Plan. It is proposed to make a provision of Rs.1 crore for this activity during 2006-07.

CHAPTER – III

Scheme for Technology Upgradation/Establishment/Modernization of Food Processing of Food Processing Industries:-

- 3.1 The Ministry of Food Processing Industries is concerned with a number of food processing sectors such as grain processing, meat processing, poultry & egg processing, milk products, fish processing, fruit & vegetable processing, consumer food industries. Besides providing policy and promotional support, in order to create demonstrative and cascading effect on potential entrepreneurs, Government has implemented the scheme for technology upgradation/establishment/expansion/modernization of the food processing industries. Under the scheme, assistance is provided @ 25% of the project cost in general areas and 33.33% in difficult areas subject to a maximum of Rs.50.00 lakh and 75.00 lakh respectively. This scheme has performed satisfactorily. Against an amount of Rs.35.00 crore in B.E. 2004-05, expenditure was Rs.48.50 crore. Actual expenditure till December 2005 under the scheme is Rs.48.60 crore. Looking at the response of the scheme a revised allocation of Rs. 295 crore within the overall 10th Plan allocation has been agreed to by EFC subject to approval of the CCEA for which necessary action is in progress. Keeping in view the large number of pending proposals it is **proposed to make a provision of Rs.97.00 crore in BE 2006-07.**

Fruits And Vegetable Processing

- 3.2 The installed licensed capacity of fruits and vegetables processing industry has increased from 11.08 lakh tons on 01.01.1993 to 21.18 lakh tones as on

01.01.2006. The utilization of fruits and vegetables for processing is estimated to be around 2.20% of the total production.

The domestic consumption of value added fruits and vegetable products is low compared to the primary processed food in general and fresh fruits and vegetables in particular which is attributed to higher incidence of tax and duties including that on packaging material, lower capacity utilization, non-adoption of cost effective technology, high cost of finance, infrastructural constraints, inadequate farmers-processors linkage leading to dependence upon intermediaries. The smallness of units and their inability for market promotion is also another main reason for inadequate expansion of the domestic market. In order to give fresh impetus to processing of Fruit and Vegetables, Government in 2004-05 has allowed under I.T. Act 100% deduction of profit for first five year and 25% deduction for another five years for new upcoming Fruits & Vegetables Processing units.

During 2005-06 (upto December 2005) financial assistance has been sanctioned to 27 F&VP units by the MFPI.

Meat & Meat Processing:

3.3 At present processing level of buffalo meat is estimated at 21%, poultry 6% and marine products 8%. Production of meat & meat products is gradually increasing from the year 1995 onwards. Production of meat is governed under local by-laws as slaughtering is a state subject and Slaughterhouses are controlled by local health authorities. Processing of meat products is licensed under Meat Food Products Order, (MFPO), 1973. The main objectives for the MFPO, 1973 are to regulate production and sale of meat food products through licensing of

manufacturers, enforce sanitary and hygienic conditions prescribed for production of wholesome meat food product, exercise strict quality control at all stages of production of meat food products etc.

Recently Govt. of India has introduced compulsory Quality Control on fish products & frozen meat/meat products by amending the Order vide S.O. 1545(E) dated 27.10.05 and has also formulated the guidelines for issue of license, renewal/cancellation of license, Inspection & Sampling procedure, Detention & Seizures etc. under the **MFPO**, 1973 and the same have been circulated to all the States.

The total value of meat processed during 2003-04 in organized and unorganized sector and the target for meat processing during 2006-07, the Ministry in their written reply have stated that:-

“Total value of meat processing during 2003-04 was Rs.5891 lakhs and though no targets can be assigned for processing of Meat Food Products by MFPO Licensees however, the efforts shall be made to bring unauthorized units in the fold of MFPO by increasing the frequency of inspections in the retail markets located in far-flung areas of the country. It is expected that about 11000 MT of meat/meat products is likely to be regulated under MFPO during 2006-07.

Dairy Processing

3.4 India, with its status as the largest milk producer in the world, is on the verge of assuming an important position in the global dairy industry. Many international dairy companies are viewing India with an eye to tapping its vast growing market for dairy products. Total milk production in the country is over 90 million tonnes. The overall growth rate of the dairy industry in India is 4%, which is almost 3 times the average growth rate of the dairy industry in the world. Milk processing level is 35% i.e. 13% in the organized and 22% in the unorganised sector.

The Ministry of Food Processing Industries is promoting Dairy Industry to fulfil up coming demands by way of giving financial assistance to the organized Dairy Sectors for Milk Products processing.

Fish Processing

3.5 With its long coast line of over 8000 kms., 50600 sq. kms. of continental shelf area and 2.2 million sq. km. of Exclusive Economic Zone, India is endowed with rich fishery resources.

Considerable infrastructure facilities for processing of marine products have been developed over a period of 50 years. At present, there are over 372 freezing units with a daily processing capacity of 10320 tons and 504 frozen storage with a capacity of 138229.10 tons. Apart from the above, there are 11 surimi units, 473 pre processing centres and 236 other storages.

The Ministry of Food Processing Industries extends financial assistance for setting up/ technology upgradation/ modernization of fish processing units.

The quantum of marine products processed and exported and revenue thereof during the last 5 years is as follows:

Year	Quantity (MT)	Value (Rs. crore)
2000-01	440473	6444
2001-02	424470	5957
2002-03	467297	6881
2003-04	412017	6092
2004-05	461329	6647

Performance of Indian seafood exports in 2003-04 was not on the expected lines. There was a declining trend in exports due to the adverse market situation prevailing

in the major markets like USA, Japan and European Union. The anti dumping procedure initiated by the US Government has affected the Indian shrimp exports to USA.

Grain Processing

3.6 The grain processing industries include milling of rice, wheat and pulses. Financial assistance has been provided for setting up/modernization/expansion of the units before their commissioning. The question of providing financial assistance under the Plan Scheme for setting up/modernization in the grain/rice/pulses/flour milling sector has been reviewed. It was felt that priority should be given to processing and enhancing shelf life of perishable items so as to reduce wastage and encourage value addition in that sector. The Paddy Processing Research Centre supported by the Ministry continues to provide technical assistance to Industry.

Alcoholic Beverages

3.7 Alcohol is the subject matter, which falls under the jurisdiction of the State. As per the existing Government policy, there is a ban on creation of additional capacity or expansion of existing capacity for distillation or brewing alcoholic drinks except in 100% export oriented units.

As per allocation of Business, MFPI is dealing with alcoholic drinks from non-molasses based and beer including non-alcoholic beer only. MFPI is offering financial assistance for setting up of wine units under its Plan Scheme as in the case of other food processing units. This Ministry intends to make a difference between hard liquor and other alcoholic beverages like wine and beer, which contain lesser percentage of alcohol. The wine industry offers the possibilities for value addition

to grapes/fruits, which could be cultivated on a large scale as a measure of agri-diversification offering higher income to farmers and creating opportunities to employment generation. Mainly molasses is used for potable alcohol. Non-molasses based raw materials such as coarse grains, spoiled wheat/rice, which are not fit for human consumption are also used for producing potable alcohol. Since grains are more expensive than molasses, the chances of industries using grains in large quantity may not arise.

Exports

3.8 The Ministry of Food Processing Industries has been encouraging the new processing capacities for agro-food products through its various policy initiatives and Plan schemes providing financial incentives for setting up of new units and modernization of existing units. It is conscious of the fact that the tremendous potential for manufacturing of processed food products should be harnessed not only to meet the domestic demand but also to take advantage of the export potential that is available in the international market.

3.9 When enquired whether there is any plan to boost exports of processed food products during 2006-07; the Ministry in their Written reply have stated that:

“The Ministry of Food Processing Industries has been encouraging the new processing capacities for agro-food products through its various policy initiatives and Plan schemes providing financial incentives for setting up of new units and modernization of existing units. It is conscious of the fact that the tremendous potential for manufacturing of processed food products should be harnessed not only to meet the domestic demand but also to take advantage of the export potential that is available in the international market.”

CHAPTER – IV

Scheme for Backward and Forward Integration and other Promotional Activities

4.1 The Ministry of Food Processing Industries is operating inter-alia, the Schemes for Backward Linkage, Generic Advertisement and Promotion of Food Processing Industries. In this scheme, during the 10th Plan, the following activities have been covered:-

- (i) Backward Linkage
- (ii) Forward Integration
- (iii) Generic Advertisement
- (iv) Promotional activities such as participation in exhibition/fairs, supporting seminars/workshops/conferences etc. and studies and surveys
- (v) Preparation of Short duration films and material for different meetings, dissemination of information through booklets and publications
- (vi) Strengthening of F&VP Directorate
- (vii) Strengthening of Industry Associations
- (viii) Food Fortification

The Plan outlay under the scheme is as under:-

Plan	(Rs. in crores)		
	BE - 2005-06	RE - 2005-06	BE – 2006-07
	7.00	9.00	9.00

During the year 2005-06 fund utilization was to the extent of Rs.4.98 crores (up to December 2005) under the Scheme.

Backward Linkages

4.2 The Ministry of Food Processing Industries is operating a scheme for strengthening of backward linkages through promotion of contract farming. Its objectives are to (i) ensure regular supply of raw material for the processor (ii) avoid incidences of distress sale and ensure remunerative prices to the farmers (iii) promote cultivation of processable variety of farm produce (iv) prevent wastage of surplus farm produce and increase its shelf life through processing and (v) commercialize agriculture through contract farming.

Over the years, the scheme has been gradually liberalized and made more attractive. Financial assistance is given to the processor to the extent of 10% of the total purchase made by him from the contracted farmers in a given year subject to a maximum of Rs. 10.00 lakhs per year.

4.3

(a) On the efforts made to inform and guide the farmers through exhibitions, fairs, advertisements, publicity materials, KVKs and periodical meetings at village level between the govt. officials, representatives of Food Processing Units and the farmers to apprise about the benefits the farmers would have by producing a particular crop which can directly be purchased by the Food Processing Industry set up in that area, the Ministry in their written reply have stated that:-

“The contract farming scheme of this Ministry acts as demonstration of model partnership between farmers and processors which ensures desired quality raw material to processors and ensure quality inputs, services best practices and remunerative price to farmers so as to promote the culture of contract farming so that the farmer can sell their produce directly to the food processing units. Ministry of Food Processing Industries is participating in various Exhibitions / Fairs to disseminate information regarding various schemes operated by this Ministry. The Ministry also has designated State Nodal Agencies in all the States.

Through periodical meetings and communications, SNA's are requested to disseminate information regarding various plan scheme of the Ministry at different forums."

- 4.4 At the pace of Rs. 1.00 crore for processors under backward linkage scheme for 2006-07 and covering only 25 farmers for Rs. 10 lakh assistance, the expected time to be taken by the government cover the farmers community all over India and any mechanism to involve the farmers in disseminating information at panchayat/village level so that they can directly sell their produce to the processors and that they need not sell it through the middleman and the number of villages that have been covered and in which areas; the total number of farmers covered so far under this scheme all over India during the last three years, the Ministry in their written reply have stated that:

“The proposal for the Tenth Plan had been for Rs.200 crore for the Scheme of forward integration, which essentially was for freight subsidy, standardization of product lines, market intelligence, packaging; new technologies and marketing support were proposed. Under another component of promotional activities, the promotion of brands, assistance in generic advertisements, fairs, exhibitions and symposia etc. were proposed for an amount of Rs.40 crore. The Scheme of freight cost and assistance to packaging units etc. were not approved.

However, whereas the Planning commission recognized the need for providing adequate outlays in the Tenth Plan for developing the FPI sector, the allocation was kept at Rs.85 crore, which was subsequently revised to Rs.30 crore with the approval of Planning Commission keeping in view the pace of expenditure and availability of viable proposals under the Scheme.

The scheme is extended to Fruits & Vegetables where processor comes in contract with farmers for the purpose of supply of inputs and sale of produce. Farmers are free to sell their produce in open markets. It is not the contention to cover all farmers or a majority of the farmers. Through this scheme processors are encouraged to establish linkage with farmers.

The contract farming scheme of this Ministry acts as demonstration of model partnership between farmers and processors which ensures desired quality raw material to processors and ensure quality inputs, services best practices and remunerative price to farmers so as to promote the culture of contract farming so that the farmer can sell their produce directly to the food processing units.

The total no. of farmers covered so far under this scheme all over India during the last years are 14926 farmers.”

Forward Integration

4.5 The scheme for forward integration envisages assistance up to 50% of the cost of Campaign for market survey, brand promotion, and test marketing, subject to a maximum of Rs.50 lakhs to industry association and representative bodies subject to maximum of 25 small and medium enterprises participating in the campaign/survey. The scheme has been circulated among industry associations. So far no application has been received for grant of benefit under the Scheme. As the scheme insists for participation of minimum 25 small and medium enterprises, it may be difficult for the scheme to take off in the present form. Hence, it is proposed that Budget provision for Forward Linkages may be Rs. 0.10 crore for 2006-07.

4.6 As regards the reasons for non-receipt of any application for assistance under the scheme and the steps the Ministry propose to modify the scheme to make it more attractive and useful, the Ministry in their written reply have stated that:

“Under the component of forward integration although some applications have been received under the scheme, these are only preliminary inquiries and no concrete proposals have emerged. The reason for non receipt of viable proposals is that the assistance will be provided to industry associations and representative bodies subject to a minimum of 25 small and medium enterprises participating jointly in the campaign/survey. It has not been possible that the 25 of small and medium enterprises participate jointly in the campaign.”

Generic Advertisement

4.7 The objective of Generic Advertisement is to build awareness among the consumers about the advantages of processed food and their quality assurance mechanism which would highlight, how processed food is nutritious, convenient,

offers variety, available round the year, saves time on cooking etc. This would also seek to encourage marketing promotion campaign for new products mix and brand name support. Dissemination of information about the processed food industry through publication of journals, press advertisement of the various plan schemes of the Ministry, highlighting the facilities available to the entrepreneurs for setting up food processing industries would also be done through generic advertisement. A provision of Rs. 3.00 crore is proposed for 2006-07.

- 4.8 For the promotional activity such as participation in exhibition/fairs, supporting seminars/workshop/conference etc. and studies and surveys apart from preparation of short duration films etc. a provision of Rs.5.65 crore is proposed to be made for the year 2006-07.

Food Fortification:-

- 4.9 Micronutrient malnutrition is a major public health problem. The strategies for the control and prevention of this malnutrition include dietary diversification and food fortification. The National Nutrition Policy, 1993 advocates a comprehensive, integrated and inter-sectoral strategy for alleviating the multi-faceted problem of malnutrition. Further, the Steering Committee on Nutrition constituted to set up goals for the 10th Plan has proposed several strategies to combat iron, iodine, and vitamin-A deficiencies. These include, among others, food fortification, health and nutrition education etc. It is proposed to start fortification of wheat flour to begin with.

Setting up/Upgradation of Quality Control Laboratory

4.10

Objectives for setting up of Q.C.L. are as under:

- To ensure compliance with National food standards
- To assist industries in the food sector to develop and implement quality management systems such as ISO9000, HACCP etc.
- To analyse the samples received from food processing industries, and other stakeholders.
- To impart training in the areas relating to quality improvement through own expertise.
- To provide on information on quality standards and requirements of various markets on quality of products.
- To reduce the time of analysis of samples by reducing transportation time of samples.
- To generate scientific data on levels of contaminants, pesticide residue etc.

Eligibility and Pattern of Assistance

Central/State Government Organizations, IITs and Universities.	Assistance will be limited to the entire cost of capital equipment required for setting up of such laboratories. The facilities thus created will be common and may be availed of by other food processing units in and around area.	Grant-in-aid
All other Implementing Agencies	33% of the cost of capital equipment required for setting up of such laboratories for General Areas and 50% for Difficult Areas.	Grant-in-aid

Research and Development in Processed Food Sector

4.11

- Update processing, packaging and storage technologies for all major processed food products so that they meet International Standards.
- Standardization of various factors such as bacteriological standards, preservation standards, additives, pesticide residue etc. of meat and meat products, development of value added products of commercial importance
- Development of processing technology for the production of intermediate and finished food product/production including design and building of prototype equipment/pilot plants;
- Fortification of cereals/cereal products for enhancing the nutritional level of our population, especially women and children; and
- Traditional Foods of various regions of the country.
- Development of new cost effective technologies for preservation and packaging for food products based on traditional foods, common food grains, dairy products etc. for both domestic and export purposes. Development and design of equipment for manufacture of such products, development of new inexpensive packaging techniques and equipments, analysis of existing packaging methods, material processes, quality control norms studies about improvement in the currently used systems, studies about newer packaging possibilities.
- Ministry may engage reputed research institutions/universities for directed research & development of low cost indigenous technology for preservation/processing, which will result in value addition to various foods.

Eligible and Pattern of Assistance

Central/State Government Organisations, IITs, and Universities.	100% of the capital cost	Grant-in-aid
All other Implementing Agencies	33% of the capital cost for General Areas and 50% of the capital cost for Difficult Areas	Grant-in-aid

CHAPTER – V

Human Resource Development

- 5.1 The objective of the HRD Scheme is to develop the rural entrepreneurship and transfer of technology for processing of food products by utilizing locally grown raw material and providing “Hands- on “experience at such production cum training centers, while according priority to SC/ST/OBC and women.

The Plan outlay is as under:-

PLAN

(Rs. in Crores)

B.E. 2005-2006	R.E.2005-2006	B.E.2006-2007
37.00	19.00	15.20

Plan fund utilization under the scheme during 2005-06 was Rs.3.66 Crores (up to December).

The Ministry has been operating certain schemes for setting up FPTCs, creation of infrastructure facilities and organizing training programmes etc.

Food Processing & Training Centres (FPTCS)

- 5.2 In order to develop skill and entrepreneurship particularly in fruit and vegetable processing in rural areas, the Ministry has provided assistance for setting up of 356 Food Processing Training Centre (FPTCs) from date of inception till 31/12/2004. An amount of Rs.1592 Lakhs has been released as grant-in-aid to these centers. More than 18,500 trainees are estimated to have received the training in these FPTCs. Many of these trainees have set up processing units in

tiny/small scale sector. Central or State Govt. organizations, educational and training institutions, NGOs and cooperatives are eligible to receive assistance provided they are willing to make available the qualified trainer, accommodation and other infrastructural facilities.

12 FPTCs have been assisted during 2005-06 (up to December 2005).

Training Programmes sponsored by Ministry of Food Processing Industries:

5.3 The objective of this component of the scheme is to sponsor training programmes in reputed institutes in various areas of food processing. Grant is provided to institutions organizing such training programmes. The quantum of assistance depends on the number of trainees and duration of the training programmes.

Under this component Ministry have given assistance to CFTRI, EDII, NISIET etc. to impart training to the Master trainers for conducting EDP training to the prospective entrepreneurs.

Entrepreneurship Development Programme:

5.4 The objective of the EDP scheme is to enable trainees to establish commercially viable enterprises in food and agri processing. The EDP programme should be at least for a period of 4 weeks with a follow up phase of 12 months. The number of trainees in each programme should not be less than 20. Due representation to SC/ST/OBC and women candidates is provided. The trainees should have a minimum qualification of 10 + 2 and their economic background should be such that they are able to set up their own food processing unit.

Under this component of the scheme, financial assistance upto Rs.1 lakh per EDP is admissible. Ministry has assisted 753 EDPs during 10th Plan.

The estimated expenditure for 2006-07 would be Rs.8.90 crores for FPTC, diploma courses, training programme, and EDP.

National Institute of Food Technology Entrepreneurship and Management:

5.5 Ministry has also initiated steps to set up a National Institute of Food Technology, Entrepreneurship and Management as a National Centre of excellence to develop world class technologists who could do R&D in frontier areas, set food standards & develop protocol for testing, and also world class entrepreneurs who undergo courses & training programmes having proper mix of inputs on food technology, management, entrepreneurship and business incubation. The project cost of the proposed Institute would be about Rs.233 crores. For the year 2006-07, a sum of Rs.8.00 crores may be required. This is premised on EFC and CCEA approvals.

Accordingly, the **Annual Plan outlay for 2006-07 proposed for HRD is Rs.16.90 crore.**

CHAPTER – VI

Scheme for Strengthening of Institutions

6.1 This scheme includes the following activities: -

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

6.2 The provision of funds is as follows:-

PLAN

(Rs. In Crores)

S. No.	Schemes	B.E.- 2005-06	R.E.- 2005-06	B.E.- 2006-07
1.	Establishment Expenditure (Sectt.)	5.05	2.80	4.05
2.	Promotion of Food Processing Industries	-	-	-
3.	Strengthening of Institutions	4.95	3.20	4.05
	Total	10.00	6.00	8.10

NON-PLAN

(Rs. In Crores)

S. No.	Schemes	B.E.- 2005-06	R.E.- 2005-06	B.E.- 2006-07
1.	Establishment Expenditure of Sectt.	4.05	3.90	4.05
2.	Establishment Expenditure of F&VP	2.50	2.65	2.75
	Total	6.55	6.55	6.80

Strengthening of Paddy Processing Research Centre (PPRC)

6.3 The Paddy Processing Research Centre at Thanjavur is an autonomous body under the administrative control of the Ministry. This Centre was set up in December, 1984 as a Society. The Centre carries out basic research work on different applied aspects of rice processing and by-product utilization like drying, storage, parboiling, milling, bran stabilization and oil extraction etc. The Centre is fully funded by this Ministry. The management of affairs of Institute are vested with the Board of Governors comprising 20 members and the Secretary, M/o Food Processing Industries is the Chairman of the Board. The direction of the Board are carried out through Executive Committee consisting of 8 members and the Joint Secretary, M/o Food Processing Industries is the Chairman of the Executive Committee. The mandate of PPRC has been extended to cover other grains like millets, oil and pulse seeds.

For constructing new R&D complex and for housing the new divisions action has been initiated for acquiring additional 15-20 acres of land in the vicinity of PPRC.

The Annual Plan outlay for 2006-07 proposed is Rs.3.65 crore.

Strengthening of State Nodal Agencies (SNAs)

6.4 Plan Schemes of the Ministry of Food Processing Industries are being implemented largely on recommendation and guidance of SNAs. The SNAs

require basic office equipments like computer system, internet, etc. They also need to prepare and maintain detailed field information for development of food processing industries. As such, they need continuous liberal support from Ministry of Food Processing Industries. A proposal to increase the amount of annual recurring grant from Rs. One lakh to five lakh has been approved from 2005-06. Accordingly, the Annual Plan outlay proposed for 2006-07(SNAs) is Rs.1.75 crore.

The Annual Plan outlay for 2006-07 proposed is Rs 9.00 crore for Scheme for strengthening of institutions.

CHAPTER - VII

Provision for North Eastern Region including Sikkim

7.1 The Ministry has been utilising 10% of the Annual Plan outlay for the projects in the North Eastern Region. During last year (2004-05) an amount of Rs.4.94 crore has been utilised. On the basis of the total outlay approved for the Plan schemes, 10% would be earmarked for the projects in the North East during 2006-07. From the year 1998-99, all Ministries/Departments of the Government of India are required to spend at least 10% of the Plan Outlay in the Northeast, including Sikkim.

Technology Mission for Integrated Development of Horticulture in North Eastern Region including Sikkim, J & K Himachal Pradesh and Uttranchal.

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

7.3 The mission proposes an end to end approach for all round development of the region. The mission would provide linkages from Research & Development till the produce finally reaches the consumption chain through production, post harvest management and processing. Thus, the mission would address all the areas relating to availability of planting material, productivity, Post Harvest Infrastructure, Processing Facilities and Market Promotion.

Part II

OBSERVATIONS/RECOMMENDATIONS

Recommendation No. 1

Overview

The Committee have been informed that the Ministry of Food Processing Industry at first came into existence in 1988 and the food processing was called as sun-rise sector but even after 18 years of its existence, it has still not grown up. Only 2.2% of the fruits and vegetables produced in India are processed and 60% of these produce go waste, processing level of milk is 35%, of meat is 21% and poultry product is 6% only and the reason being lack of basic facilities of food processing or food preservation such as food processing industries, cold storages, cold-chain facilities, warehouses, stringent and international food standards, test labs and export facilities.

The farmers who produce the fruits, vegetables, and even cereals do not get remunerative price of their produce because they are not able to sell whole of their produce for want of food processing facilities. They continue to suffer due to immense fluctuation in prices of their produce. The Ministry acts as a catalyst for guiding, helping and creating a conducive environment for healthy growth of the food processing industries. But it is facing difficulties for having inadequate infrastructure facilities, lack of quality control and testing facilities, seasonality of raw material and cultural preference for fresh food.

The Committee have also noted that the food processing industry is following the western path of processing food-items, such as biscuits, jams, sauces, breads, butter, milk, cold drinks, meat, Fish & Poultry processing etc., but we do not have the test laboratories for these items for quality control for food standards of international

level. This is one major reason that we are not able to export our processed food items to the outside world and our share in world trade in respect of processed food is about 1.6% only. Committee observe that there is a need to have right kind of food processing models, keeping in view Indian way of food processing in our households. The Ministry should have a 'guidance centre' to guide about the crops to be grown, which factory to be set up and where, availability of raw material throughout the year, seasonality of crops, where to sell, use or process the food items. The Government will have to look into these basic shortcomings in our quality control of food standards so that we may export the processed food items in the international market.

The budgetary support of Rs.166.90 crore for 2006-07 for Plan Fund, given to the Ministry of Food Processing Industry is very meagre when compared to other departments of the Government of India. During 2005-06, the BE for Plan funds was fixed only at Rs.180 crore and yet even this allocation was reduced to Rs.136 crore at revised estimates stage. The Committee observe that reduction of budgetary support at RE stage would create problems for the on-going schemes which will be affected for want of funds. Committee expect the Government to plan the fund allocation at BE stage in such a way that no need should arise to reduce the budgetary support at RE stage and the on-going schemes of the Ministry do not suffer due to reduction of funds in the middle of the year.

The Committee are perturbed to note that budgetary support to the Ministry of Food Processing Industry when compared to the Central Plan outlay which for the last four years is hovering around 0.5 to 0.6% at Rs.167 crore which speaks volumes of non-attention being paid by the Government towards this Ministry for sun-rise industry. Even budgetary outlay of the Ministry of Consumer Affairs,

Food and Public Distribution is Rs.205 crore and of Ministry of Communication & IT is Rs.1138.65 crore. The Committee strongly recommend that the Budgetary outlay of the Ministry of FPI should be at least doubled for smooth running of its schemes.

Committee also note with concern that the projected demands of the Ministry for Infrastructure Development Scheme for 2006-07 was Rs.63 crore but the outlay approved by Government is only Rs.22 crore and against the proposal of Rs.37 crore for Human Resources Development Scheme, the Government approved only Rs.16.90 crore, this shows that either the proposals were exaggerated or the Ministry could not convince the Planning Commission & Ministry of Finance about the veracity of their demands for these schemes.

Committee have been informed that the Ministry has prepared a vision for growth of Food Processing Industries sector, which envisages increase in processing level of perishable goods from 6% to 20%; increase in value addition from the present level of 20% to 34%; share in global trade up from 1% to 3% by 2015. This increase in processing will generate direct employment of 28 lakh and indirect employment of 74 lakh persons.

The achievement of this vision will in turn commercialize the agriculture, enhance the income of farmers, generate employment and earn the foreign exchange through export of agro-food etc. and the vision 2015 can be achieved only if the requisite budgetary support of the Ministry of Food Processing Industries for its various schemes and targets, is given by the Government.

The Committee strongly recommend that budgetary proposals should be made judiciously with details of the funds required under various heads and the

Ministry should make coordinated efforts for clearance of funds for various schemes (new/old) at the Planning Commission and Ministry of Finance level.

Committee also recommend that the Government should approve the draft ‘National Food Processing Policy’ at their earliest so that the objectives of the policy such as infrastructure development, linkages with farming system, increase in level of processing, enhancement in value addition and generation of employment can be achieved on time.

The domestic consumption of value added fruits and vegetable products is low compared to the primary processed food in general and fresh fruits & vegetables in particular. Lower capacity utilization, infrastructural constraints, inadequate farmers processors linking, dependence upon intermediaries, smallness of units and their inability for market promotion are some of the reasons for inadequate expansion of the domestic market. The Government should look into these practical difficulties faced by the food-processing sector and resolve them in a time bound manner.

Recommendation No. 2

Budgetary Allocations

The Committee have noted that the Ministry of Food Processing Industry was allocated Rs.650 crore against the projected demand of Rs.2800 crore for the whole of 10th Plan period. During last year i.e. 2005-06, even though the BE was at a lower side at Rs.180 crore but even that amount was reduced to Rs.136 crore at RE stage, thus affecting the ongoing schemes of the Ministry badly. India being an agricultural state, the food processing industry has the potential to transform the economic conditions of our farmers as well as our country where 60% of the fruits and vegetable production go waste for not being consumed in any form. The abundant production of fruits and vegetable, if harnessed by processing it, can raise our share in international trade considerably, which is at present only negligible at 1.6% level. But to raise our share in the international trade, we should be able to utilize the allotted budget optimally, which is not the case at present and the Ministry is not able to utilize its allotted budget every year. The Ministry has been able to utilize only Rs.361 crore during the first four years of 10th Plan period, and Rs.289 crore still remain to be utilized during the last year of this plan and the budget allotment for the last year 2006-07 of the 10th Plan is only Rs.173.70 crore and more than Rs.100 crore has been surrendered for the simple reason that the Ministry is not having enough schemes to absorb their quota of budgetary support of Rs.650 crore allotted for 10th Plan. It speaks volumes of disinterest and callous attitude on the part of the Ministry which could not make enough viable schemes which could have utilized the allotted budget. Committee are not able to comprehend the situation that if the Government had sanctioned the full demanded

amount of Rs.2800 crore to the Ministry, how and where, they would have utilized it. It seems that the Ministry even after 18 years of its existence, have not been able to play its role as a facilitator by providing proper basic infrastructure, international standards test labs and technological upgradations and training to the people who are in the field or are ready to set up food processing industries. Had the Ministry taken interest in this direction, the industry could have reached the level of Rs.50,000/- crore in the food processing sector and that would have transformed the economic conditions of our farmers and labour force in the rural India. It seems to be nobody's baby in the Government of India's eyes and there are several agencies/departments working in this field but under different Ministries and thus have no coordination among themselves to raise the level of Food processing in our country. Committee strongly recommend that various Ministries and other agencies autonomous or in public sector or in private sector should make coordinated efforts to raise the food processing industry to a greater height.

Recommendation No. 3

Scheme for Infrastructure Development

The Committee have been informed that the scheme for financial assistance for development of infrastructure facilities for food processing industry was approved by CCEA only in August 2003. The grants-in-aid up to Rs.4 crore (up to 25% of the Project Cost) to set up common infrastructural facilities is provided by the Government. This basic requirement of food processing sector has not been taken care of even after 18 years of the existence of the Ministry of Food Processing Industries. Committee have also noted that the budgetary provisions of Rs.49 crore at BE stage were reduced to Rs.10 crore during 2005-06 and for this current year of 2006-07, the budgetary support given is Rs.19.80 crore only. Though the budgetary support for assistance to set up food parks, packaging centers, modernization of Abattoirs, Integrated Cold Chain Facilities, irradiation facilities and value added centres is not fully granted and there is lot of scope for the Ministry to develop these facilities, yet even Budgeted grant of Rs.49 crore could not be properly schematized and was reduced to Rs.10 crore at RE stage and the Committee are unable to comprehend the Government's way of doing things as without providing basic infrastructure facilities, without a strong base, how the Government is thinking of making a strong presence in the food processing sector. The small and medium players in food processing business cannot create these basic facilities mentioned above and thus would be discouraged to enter this sector which has immense potential as they are getting the food items, fruits & vegetable at a very cheap rate. Committee strongly recommend that the proposal to liberalize Food Park Scheme

be cleared at their earliest and the grants-in-aid assistance for setting up common infrastructural facilities of cold storage, food testing and analysis laboratories, effluent treatment plants, packaging centers etc. should be raised to 50% instead of 25% at present, so as to attract more and more people to join the food processing sector. The Ministry should also coordinate and expedite the functioning of 52 food Parks already sanctioned in various States, out of which only 22 are at present being functional. The remaining 30 food parks should be made functional during the current financial year itself and private-public partnership should be encouraged in addition to the assistance provided by the Government, by way of grants-in-aid, to expedite the setting up of basic infrastructure facilities for these food parks.

The State Governments should be persuaded to provide basic facilities of land, road, electricity, water and other linkages necessary for setting up of food parks, as the farmers of their States would be getting more financial benefits by supplying their perishable goods to the units of food processing near their places. Then only the vision-2015 of the food processing sector which envisages to raise world trade share from 1.6% at present to 3%, processing of perishable goods from 6% to 20% present and direct and indirect employment to one crore people, could be achieved.

The Committee have noted with concern that only Rs.2.00 crore have been earmarked for setting up of packaging centres for food processing industries and only one such centre has been sanctioned and that too in one corner of the country in Jammu & Kashmir. The Committee feel that there should be a packaging centre near each of the food parks and the integrated approach is needed to link cold chain, value added centres, package centres and bright-light shining upon facilities at one place and the infrastructure providing schemes should be restructured accordingly.

The Planning Commission should be approached for setting up of cold chain facilities from farm gate till consumers as a part of integrated approach for assistance in the form of grants-in-aid to food processing sector.

The Committee also recommend that grants-in-aid @ 25% of the project cost in general area and 33.33% in difficult areas should be raised to 50% in general areas and 75% in hilly and difficult areas for irradiational facilities to preserve flour and sprouting from infestation and prevent change in chemical composition of the products like potato etc. as the food processing facilities are generally at far off places from their production centres.

Recommendation No. 4

Technology Upgradation, Establishment and Modernization of Food Processing Industries

Committee note that in addition to provide policy and promotional support to potential entrepreneurs in the field of grain processing, meat poultry, egg, and fish processing; fruits and vegetable processing and consumer food industry, the Government is implementing the scheme for technology upgradation and establishment, expansion and modernization of food processing industries by providing 25% of the cost in general areas and 33.33% in difficult areas, subject to a maximum of Rs.50 lakh and Rs.75 lakh respectively. The Committee are of the opinion that the technology upgradation can't be done in a cheaper way and the assistance of 25% is too less for the budding entrepreneurs and even the old hands to make necessary technological changes in their processing system. The assistance needs to be raised to 50% keeping in view the cost of upgradation of technology which is changing at such a fast rate that it is very difficult to catch up with the latest changes in processing technology. The Committee also desire that the farmers should also be provided the basic technology so that they can make base pulp of their fruits and vegetables grown in their fields and nearby areas so that their perishable goods do not go waste and they are also able to sell it in the nearby food processing industries and get remunerative prices of their produce.

Recommendation No. 5

Quality Control Labs

Committee have been informed that to ensure compliance with National Food Standards and to analyze the samples received from food processing industries and other stakeholders, the Government organizations, IITs and Agricultural Universities are helped through grants-in-aids to set up quality control laboratories for the food processing sector. But the number of food processing laboratories is limited and they are at such a far off distances from the processing centres/units that it is not possible that every product which is locally processed, could be checked for its quality at Quality Control labs. In Uttar Pradesh, for example, there are only four test labs and it is not possible to get every kind of processed food checked at these labs. Moreover, all the labs do not comply fully with the International Food Standards which is must if we want to sell our processed products in the international market. Quality maintenance for meat and other exports must meet the international food standards. So, our test labs should be of international standards and be recognized so in the international market. There is also need to open small test labs for a specific food product which may be an area-specific produce and for this purpose, our agricultural Universities and agricultural colleges and Krishi Vigyan Kendras and local science colleges can be equipped and their technical staff can be trained in specified techniques for a specific food quality product. Standards for these tests by these colleges/Universities should be fixed by the Government. The science or agriculture colleges at taluka level can be allowed to charge specific fee for any test which will be an extra income for that educational institute and they can do the testing without any extra financial burden.

Committee also recommend that the R&D base in food processing should be increased by involving Agriculture Universities and private research organizations working in the field of food processing. The Ministry of Food Processing Industries should organize workshops, seminars, exhibitions and agriculture-fairs to disseminate the latest research and technology developed in the food processing sector in India and the world over to the farmers.

Recommendation No. 6

Backward and Forward Integration and other Promotional Activities

Committee have been apprised that the Ministry of F.P.I. is operating the Backward Linkages, Generic Advertisement & Promotional activities such as fairs/exhibitions, seminars/workshops/conferences/surveys etc. However, the budgetary support for the current year 2006-07 is fixed at Rs.9 crores only which seems to be too meagre an amount keeping in view the purpose behind it. The backward linkages, through contract farming to ensure regular supply of desired raw material to processors and to avoid the incidence of distress sale by the farmers, would rather ensure remunerative prices of their agriculture produce. The Committee are not convinced that with a budgetary support of Rs.1.00 crore for 2006-07 for backward linkages, the Government will be able to cover a large number of farmers under this scheme, as the total number of farmers covered so far under this scheme, is 14926. Presently, the scheme is meant to cover only 25 farmers for Rs.10 lakh assistance and even if the whole amount of rupees one crore is utilized, the total farmers that could be covered under this scheme cannot exceed 250 farmers this year. In a country where 70% of the people are farmers or dependent on agriculture activities, covering only 250 farmers in a year does not augur well and there is need to provide wide publicity and guidance to farmers through exhibitions, fairs, advertisements, publicity material, Krishi Vigyan Kendras, and periodical meetings at village levels between district level officials, and with representative of food processing units. The farmers should be apprised about the benefits of contract farming through such exhibitions/publicity/village fairs and village level meetings.

Recommendation No. 7

Forward Linkages

The scheme for forward integration envisages assistance up to 50% of the cost of campaign for market survey, brand promotion and test marketing subject to maximum of Rs.50 lakh to industry association and representative bodies subject to maximum of 25 small and medium enterprises participating in the campaign or survey. Committee are surprised to note that the Ministry has not got any application so far under this scheme. They have been informed that it does not seem possible that 25 of small and medium enterprises participate jointly in the campaign. The Committee, therefore, recommend that this condition of number of 25 should be scrapped, rather it could be made in a way that the entrepreneurs processing same kind of food and of a particular area may be clubbed together and the assistance for forward linkages may be given to them and amount of assistance may differ from group to group depending upon the number of participants coming together for this purpose.

Recommendation No. 8

Generic Advertisement

As there is not much knowledge among the consumers about the advantages of processed food and their quality assurance mechanism and preference of people for fresh food and drinks, the Committee are of strong opinion that there is dire need of generic advertisement to highlight that processed food is nutritious, convenient, offer varieties, available throughout the year and saves time on cooking etc. and this publicity can be made through publicity material, journals, fairs, exhibitions, seminars, workshops, conferences or through studies and surveys and directly interacting with people through documentary films of short duration in the local languages of the area which may have direct impact on the consumers.

**NEW DELHI;
18 MAY, 2006
28 Vaisakha, 1928 (Saka)**

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

Appendix-I

**MINUTES OF THE THIRTEENTH SITTING OF THE STANDING
COMMITTEE ON AGRICULTURE HELD ON THURSDAY, THE 13TH APRIL,
2006 AT 1430 HRS. IN ROOM '139', FIRST FLOOR, PARLIAMENT HOUSE
ANNEXE, NEW DELHI**

The Committee sat from 1430 hrs. to 1624 hrs.

PRESENT

Prof. Ram Gopal Yadav – Chairman

MEMBERS

LOK SABHA

2. Shri Manoranjan Bhakta
3. Shri Girdhari Lal Bhargava
4. Shri Khagen Das
5. Shri Sharanjit Singh Dhillon
6. Shri Raghunath Jha
7. Smt. Rupatai D. Patil Nilangekar

RAJYA SABHA

8. Shri Harish Rawat
9. Shri Bhagwati Singh
10. Shri Datta Meghe
11. Shri Bashistha Narain Singh
12. Shri Sharad Anantrao Joshi

SECRETARIAT

- | | | | |
|----|-------------------|---|------------------|
| 1. | Shri A.K.Singh | - | Joint Secretary |
| 2. | Shri Hardev Singh | - | Deputy Secretary |
| 3. | Shri N.S.Hooda | - | Under Secretary |

WITNESSES

- | | |
|------------------------|---------------------------|
| 1. Shri P.I. Suvrathan | Secretary |
| 2. Dr. Rita Sharma | Additional Secretary & FA |
| 3. Shri Arun Kumar | Joint Secretary |

At the outset, the Chairman, Standing Committee on Agriculture welcomed the Members of the Committee and the representatives of the Ministry of Food Processing Industries and explained the contents of Direction 55(1) of the Directions by the Speaker and thereafter requested the Secretary to introduce his colleagues.

2. After introduction of the officials, the Secretary gave a brief overview of the budgetary allocation for the year 2006-2007 and also of the functioning of the Ministry. He explained the various issues like taxation, Integrated Food Law, food parks, their functioning and emphasized the importance of the role of the Ministry keeping in view the potential of Food Processing Sector in catalyzing the national economy.

3. The Chairman and the Members raised various queries on Food Parks, prevention of wastage of fruits and vegetables, reduction in Revised Estimate for 2006-2007, food laboratories, inadequate infrastructure, etc. The representatives of the Ministry replied to the queries one by one and assured to send replies to some questions which could not be answered during the sitting.

4. A copy of the verbatim proceedings has been kept.

The witnesses then withdrew

The Committee then adjourned.

MINUTES OF THE SEVENTEENTH SITTING OF THE STANDING COMMITTEE ON AGRICULTURE HELD ON THURSDAY, THE 18 MAY, 2006 AT 1100 HRS. IN COMMITTEE ROOM '139', FIRST FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 1500 hrs..

PRESENT

Prof. Ram Gopal Yadav – Chairman

MEMBERS

LOK SABHA

2. Shri Girdhari Lal Bhargava
3. Shri Hiten Barman
4. Shri Khagen Das
5. Shri Raghunath Jha
6. Shri Sippiparai Ravichandran
7. Shri K.J.S.P. Reddy
8. Shri Y.S.Vivekananda Reddy

RAJYA SABHA

9. Shri Harish Rawat
10. Shri Sk. Khabir Uddin Ahmed
11. Shri Sharad Anantrao Joshi

SECRETARIAT

- | | | | |
|----|-------------------|---|------------------|
| 1. | Shri A.K.Singh | - | Joint Secretary |
| 2. | Shri Hardev Singh | - | Deputy Secretary |
| 3. | Shri N.S.Hooda | - | Under Secretary |

At the outset, the Chairman welcomed the Members. Thereafter, the Committee took up for consideration the Draft Reports on Demands for Grants (2006-07) of the following Ministries/Departments :-

- (1) Ministry of Agriculture
 - (i) Department of Agriculture & Cooperation
 - (ii) Department of Agricultural Research & Education
 - (iii) Department of Animal Husbandry & Dairying
 - (iv) Ministry of Food Processing Industries
2. The Committee adopted the Draft Reports with minor additions/modifications, as suggested by the members of the Committee.
3. The Committee then authorised the Chairman to finalise the above-mentioned Reports on Demands for Grants (2006-07) and present them to the House on a date and time convenient to him.
4. The Chairman thanked the Members for their cooperation and valuable suggestions made by them during consideration of the Demands for Grants of the concerned Ministries/Departments. The Committee also placed on record their appreciation of the strenuous efforts put in by the officers and staff of the Agriculture Committee Branch for reflecting Committee's concerns and observations in the draft reports.

The Committee then adjourned with a vote of thanks to the Chair.