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STANDING COMMITTEE ON AGRICULTURE
(2004-2005)

FOURTEENTH LOK SABHA

MINISTRY OF FOOD PROCESSING INDUSTRIES

DEMANDS FOR GRANTS (2004-2005)

FOURTH REPORT



LOK SABHA SECRETARIAT
NEW DELHI

Presented to Lok Sabha on 17.8.2004
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August, 2004/Sravana, 1926 (Saka)

<CONTENTS>

COMPOSITION OF THE COMMITTEE

INTRODUCTION

PART - I

CHAPTER I Introduction

CHAPTER II Sector-wise Analysis

PART - II

CHAPTER II Recommendations/Observations

APPENDIX – I Minutes of the 4th sitting of the Committee held on 10th August, 2004.

APPENDIX – II Minutes of the 5th sitting of the Committee held on 13th August, 2004.

Composition of the Standing Committee on Agriculture (2004-2005)

Prof. Ram Gopal Yadav – Chairman

MEMBERS

LOK SABHA

2. Shri Hiten Barman
3. Shri Manoranjan Bhakta
4. Shri G.L. Bhargava
5. Shri Kuldeep Bishnoi
6. Shri Nihal Chand Chauhan
7. Shri Shivraj Singh Chauhan
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11. Shri Sharanjit Singh Dhillon
12. Chaudhary Munawwar Hassan
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14. Smt. Rupatai D. Patil Nilangekar
15. Shri Prakash V. Patil
16. Shri A. Ravichandran
17. Shri K.J.S.P.Y. Reddy
18. Shri Y.S. Vivekananda Reddy
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24. Shri Raashid Alvi
25. Shri Pyarelal Khandelwal
26. Shri Raj Nath Singh
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28. Shri Bhagwati Singh
29. Shri Datta Meghe
30. Shri Bashistha Narain Singh
31. Shri Sharad Anantrao Joshi

SECRETARIAT

- | | | | |
|----|------------------------|---|----------------------------|
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| 2. | Shri Devendra Singh | - | Director |
| 2. | Shri N.K. Sapra | - | Joint Secretary |
| 4. | Shri A.S. Chera | - | Deputy Secretary |
| 5. | Shri K.D. Muley | - | Under Secretary |
| 6. | Smt. Jyochnamayi Sinha | - | Executive Officer |
| 7. | Smt. P. Jyoti | - | Senior Executive Assistant |

INTRODUCTION

I, the Chairman, Standing Committee on Agriculture, having been authorised by the Committee to submit the Report on their behalf, present this Fourth Report on Demands for Grants of the Ministry of Food Processing Industries for the year 2004-2005.

2. The Standing Committee on Agriculture (2004-2005) was constituted on 5th August, 2004. One of the functions of the Standing Committee, as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, is to consider the Demands for Grants of the concerned Ministries/Departments and make a report on the same to the Houses. The report shall not suggest anything of the nature of cut motions.

3. The Committee took evidence of the representatives of the Ministry of Food Processing Industries on 10th August, 2004. The Committee wish to express their thanks to officers of the Ministry of Food Processing Industries for placing before them the material and information which they desired in connection with the examination of Demands for Grants of the Department for the year 2004-2005 and for giving evidence before the Committee.

4. The Committee considered and adopted the Report at their sitting held on 13th August, 2004.

NEW DELHI;
13 August, 2004
22 Sravana, 1926 (Saka)

PROF. RAM GOPAL YADAV
Chairman,
Standing Committee on Agriculture

PART – I

OVERVIEW OF DEMANDS FOR GRANTS

1.1 Through the update of modern agricultural technologies, India has moved from an era of chronic food shortages and ‘begging bowl status up to 1960s to food self-sufficiency and even food exports. Having achieved great success with the Green Revolution and then the White Revolution, the country is now ready for its Third Revolution of agricultural diversification and Food Processing.

1.2 In this era of surplus, our country is facing the single most important problem that is providing remunerative price to the farmers for their produce without incurring additional burden of subsidy through minimum support prices. This problem could be solved largely, if the surplus production of cereals, fruits, vegetables, milk, fish, meat and poultry etc., are processed and marketed aggressively including through exports. Food processing adds value, enhances shelf life, encourages crop diversification and creates more employment per unit of investment. Food processing combined with marketing has thus the potential of solving the basic problems of agricultural surpluses/wastages/rural jobs/better prices to the growers.

1.3 The Ministry of Food Processing Industries is concerned with the formulation and implementation of the policies and plans for the Food Processing Industries within the overall national priorities and objectives. To give an impetus to the development of Food Processing Industries in the country, the Ministry of Food Processing Industries was set up in July, 1988. Subsequently vide Notification No. DOC. CD-442/99 dated 15.10.99 this Ministry was made a Department and brought under the Ministry of Agriculture. In

pursuance of the Committee's recommendation in its reports on Demands for Grants it has once again been notified as Ministry of Food Processing Industries vide Cabinet Secretariat's Note No.1/22/1/2001-Cab.(1) dated 6.9.2001.

1.4 The Ministry of Food Processing Industries is concerned with the formulation and implementation of the policies & plans for the food processing industries within the overall national priorities and objectives. The Ministry aims at:

- Better utilization and value addition of agricultural produce for enhancement of income of farmers.
- Minimizing wastage at all stages in the food processing chain by the development of infrastructure for storage, transportation and processing of agro-food produce.
- Induction of modern technology into the food processing industries from both domestic and external sources.
- Maximum utilization of agricultural residues and by-products of the primary agricultural produce as also of the processed food industry.
- To encourage R&D in food processing for product and process development and improved packaging.
- Providing policy support, promotional initiatives and physical facilities to promote value added exports.

1.5 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.

1.6 Besides the Ministry of Food Processing Industries there are various other organizations like APEDA, MPEDA and National Horticulture Board, under different Ministry are dealing with the food processing sector. APEDA and MPEDA are under the Ministry of Commerce and the National Horticulture Board is with the Ministry of Agriculture, Department of Agriculture & Co-operation. The entrepreneurs and farmers face hurdles due to multiple authorities. In their 43rd Report on Demands for Grants the Committee also stressed upon that these organizations need to be brought under one umbrella to have an integrated approach.

Contribution of Food Processing Industries to GDP

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

direct employment in the food-processing sector would grow at the rate of 1.25% per annum and the indirect employment would be 2.38 times the direct employment. However, the contribution of food processing industries to India's G.D.P. is 2.25% only. (As per National Accounts Statistics, CSO 2001).

Review of Plan Outlay 2003-04 and Proposal for 2004-05

1.8 Taking into consideration the advice of Planning Commission to avoid a thin spread of resources and the need for a revamp of the schematic structure of the Plan Schemes, the Ministry proposes to operate six schemes during the Tenth Plan by reducing the number of Schemes operated during 9th Plan for the development of the processed food sector. Since these Schemes are being operated at macro level all the segments of the Processed Food Sector would be covered. The total outlay approved for these six schemes during the Tenth Plan is Rs. 650 crores.

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

(1). **Scheme for infrastructure development:-**

- a. Food Park
- b. Packaging Centre
- c. Modernised Abattoirs
- d. Integrated Cold Chain facilities
- e. Irradiation Facilities
- f. Value added centers

(2). **Schemes for technology up gradation Establishments and Modernisation of Food Processing Industries:-**

- a. Processed food industries in general
 - b. Pulse milling
- (3). **Scheme for backward and forward integration and other promotional activities:-**
- a. Backward linkage
 - b. Forward integration
 - c. Generic Advertisement
 - d. Promotional activities such as Participation in exhibition/fare/supporting seminars/workshops/studies and surveys.
 - e. Preparation of short films and material for different meetings.
 - f. Strengthening of Directorate of F&VP
 - g. Strengthening of Industry Associations
 - h. Food Fortification
- (4). **Scheme for quality Assurance, Codex standards and R&D**
- a. Food safety and quality assurance mechanisms
 - b. Bar coding system
 - c. Strengthening the Codex cell
 - d. Continuous R&D
 - e. Setting up/up-gradation of quality control laboratories

(5). **Scheme for Human Resource Development**

- a. Setting up of Food Processing & Training Centres (FPTC)
- b. Imparting training to update skills
- c. Conducting Entrepreneurial Development Programmes (EDP)
- d. Facilitating Universities/Institutions for running degree/diploma courses and extension services

(6). **Scheme for strengthening of institutions**

- a. Strengthening of PPRC
- b. Strengthening of State nodal agencies
- c. Meeting expenditure of pays and allowances for plan posts.
- d. Information technology.

Plan Allocation and Utilisation (Ninth & Tenth Plan)

(Rs. in Crore)

Plan	Outlay		Actual Expenditure
Ninth Plan Approved Outlay 235.00			
1997-2002	240.00(BE)	215.00(RE)	195.66
Tenth Plan Approved Outlay 650.00			
2002-03	75.00 (BE)	75.00 (RE)	72.99
2003-04	75.00 (BE)	65.00 (RE)	64.97

1.10 The proposed and approved 10th Plan allocation made for various schemes for Ministry of Food Processing Industries are as under:-

(Rs. in crores)

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

1.11 The 10th Plan Approved Outlay for the Ministry for all the six Schemes are as under:-

1.12 The Budget Estimate Revised Estimate and Actuals during 2002-03 & 2003-04 and BE of 2004-05 are as under:-

Year	Budget Estimate		Revised Estimate		Actuals	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
2002-2003	75.00	6.01	75.00	5.79	72.98	4.65
2003-2004	75.00	5.84	65.00	5.57	64.07	-
2004-2005	110.00	5.68	-	-	-	-

1.13 It has been observed by the Committee that as a result of reduction at RE stage during the year 2003-04 the following Scheme have got reduced allocation:-

Sl. No.	Name of Scheme	2003-2004		Difference
		BE	RE	
1.	Scheme for Infrastructure Development	29.00	10.00	19.00
2.	Scheme for Backward & Forward Integration and other Promotional Activities	7.00	5.00	2.00
3.	Scheme for Quality Assurance Codex Standard and Research & Development	7.50	4.00	3.50
4.	Scheme for Human Resources Development	4.70	3.00	1.70
5.	Lump Sum Provision for North-East including Sikkim	7.50	6.50	1.00

1.14 The Schemes showing increase in the allocation at BE stage of 2004-2005 in comparison to BE of 2003-04 are as follows:-

<i>S. No.</i>	<i>Scheme</i>	<i>2003-2004 BE</i>	<i>2004-2005 BE</i>	<i>Difference</i>
1.	Scheme for Infrastructure Development	29.00	34.00	5.00
2.	Scheme for Technology Upgradation, Establishment and Modernisation of Food Processing Industries	14.00	35.00	11.00
3.	Scheme for Human Resources Development	4.70	7.00	2.30
4.	Scheme for strengthening of Institutions	3.42	10.00	6.58
5.	Lump sum provision for North-East including Sikkim	7.50	11.00	3.50

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

1.15 Following is the Table indicating the details and the proportion of budgetary allocation made in favour of the Ministry out of the total Plan Budget of the Government of India during the Ninth Plan Period and during the years 2002-03, 2003-04 and 2004-05:-

(Rs. in crores)

Year	Central Sector Outlay	Outlay for MFPI	Proportion of Outlay for MFPI out of the Total Outlay (%)
1997-98	91838.7	40.00	0.043
1998-99	1051.87	44.10	0.04198
1999-2000	103521.0	47.00	0.0454
2000-2001	117334.0	50.00	0.0426
2001-2002	130181.0	55.00	0.0422
2002-2003	144037.77	75.00	0.0521
2003-2004	147893.00	75.00	0.0507
2004-2005	156428.04	110.00	0.0703

Reasons for Shortfall in Outlays and Utilization

1.16 The Committee were informed that the Ministry of Food Processing Industries had proposed Rs. 2800.00 cores during the whole 10th Five Year Plan. But the approved allocation is only Rs. 650.00 crores. During the year 2002-2003, the Ministry had proposed Rs. 300.00 crore and Rs. 105.00 at BE and RE stage respectively. Against this the Ministry were allocated Rs. 75.00 crore only at BE stage and the same was allowed to

retain in RE stage. During the year 2003-04 the allocation was Rs. 75.00 crore against a proposal of Rs. 125.00 crore. The Ministry have fully utilised the allocation made available to it. In the current year i.e. 2004-05 the BE is Rs. 110.00 crore which includes the 10% provision for North Eastern States. In total during the first three years of 10th plan, the Ministry have been allotted only 247.06 crore which is only 38 percent of the 10th Plan approved allocation. (650.00 crores) At this rate, the Ministry is not likely to get Rs. 650.00 crores during the whole 10th Plan Period. Despite, Standing Committee on Agriculture's repeated recommendations in their earlier Reports on Demands for Grants to increase the allocation at RE stage and at the BE of next financial year the allocation during 2003-04 for this Ministry has come down from Rs. 75.00 crore at BE stage to Rs. 65.00 crore at RE stage. The reasons for such reduction as stated by the Ministry in their written reply is as under:-

The Ministry had asked for an amount of Rs.85 crore in RE 2003-04 as against BE of Rs.75 crore. However, keeping in view the overall budgetary constraints/priorities, the Ministry of Finance reduced the grant of the Ministry from Rs.75 crore to Rs.65 crore. The Ministry is making all possible efforts for development of food processing sector within the available resources and as a result of that BE for 2004-05 has since been enhanced to Rs.110.00 crore. As a result of such reduction the following important Schemes have got reduced allocation:-

- (i) Scheme for Infrastructure Development*
- (ii) Scheme for Technology Upgradation, Establishment and Modernisation of Food Processing Industries*
- (iii) Scheme for Human Resources Development*
- (iv) Scheme for strengthening of Institutions*
- (v) Lump sum provision for North-East including Sikkim*

1.17 When asked about the reasons attributed to not distributing the total 10th Plan allocation evenly to enable its full allocation and utilization, the Ministry in their written reply have stated that:

The Ministry had sought plan outlay of Rs.300 crore for 2002-03, Rs.125 crore for 2003-04 and Rs.118 crore for 2004-05. The Ministry will continue to endeavor at every stage from RE 2004-05 onwards for increasing the outlay. If enhanced outlay is given higher impetus will be achieved.

1.18 It has been further stressed that the food processing sector has its own importance because it generates employment, increases the income of the farmers, entrepreneurs and minimizes the wastage of agricultural produces, etc. India is the world's largest producer of fruits and vegetables, leading producer of dairy product, marine resources etc. But India processes only 2% of its products in comparison to 30% in Thailand, 80% in Brazil, 60-70% in UK, USA and other European countries large percentage goes waste with an approximate value of 50,000 crore annually because of improper handling, storage and lack of processing facilities. All the above stated activities need money and it is the lack of investment in this sector that has been the major hurdle in its development. In such circumstances Government finance and intensive publicity can play a very important part to bring life into this sector.

1.19 In view of the significance attached to the Food Processing Sector and the enormous responsibilities of the Ministry to address the numerous obstacles in its path, the Committee in their earlier reports have been recommending for providing higher allocations for this Ministry upto 0.2% of total Central Outlay. Despite this it has been observed by the Committee that during the current years the Ministry of Finance have

made the allocation of Rs.110.00 crore in plan side, which is only 0.07% of the total Central Plan Outlay.

Provision for North-Eastern Region

1.20 As per the directions of the Government, from the year 1998-99, all Ministries/Departments of the Government of India are required to spend at least 10% of the Plan Outlay in the North-East including Sikkim. The details of the expenditure incurred by the Ministry since 1998-99 to 2004-05 are given below:-

(Amount Rs. in crores)

Year	Plan Outlay	10% outlay to be spent on NE	Amount spent on NE	%age of total outlay.
1998-1999	30.00	3.00	5.32	18%
1999-2000	40.00	4.00	8.05	20%
2000-2001	50.00	5.00	9.46	19%
2001-2002	55.00	5.50	5.85	10.63%
2002-2003	75.00	7.50	7.50	10%
2003-2004	75.00	7.50	-	-
2004-2005	110.00	11.00	6.45	5.86

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

1.22 In spite of these favourable natural conditions, the horticultural activities in this region are practiced as backyard farm practices and are characterized by inefficiency, low level of productivity and wastage. There is, therefore, a felt need to exploit the horticulture development potential of this area in a scientific and systematic way to generate sustained levels of income and employment opportunities. The Ministry of Food Processing Industries coordinates Mini Mission IV of the Technology Mission for Integrated Development of Horticulture in the North-Eastern States. Mini Mission IV addresses all the issues of processing and marketing and is implemented through small Agri Business Consortium. Under Mini Mission IV, higher level of incentive than admissible under the normal Plan Schemes of the Ministry are available in the form of credit linked and back ended financial assistance through designated financial institutions to the extent of 50% of the capital cost up to a maximum of Rs.4.00 crores for promotion of new units and up to Rs. 1.00 crore for upgradation/modernization of units. Besides, assistance for various promotional activities is also available.

1.23 The Committee in their 43rd Report on Demands for Grants (2003-04) and ATR to it had recommended that in view of the difficult and peculiar condition in the North-Eastern Regions all the Schemes for Food Processing Industries in this region should be 100% centrally funded without any contribution from the State Governments. But in BE 2004-05 no such provision has been made as desired by the Committee. When asked to appraise the reasons for ignoring such an important recommendation by the Committee, the Ministry in their written reply have stated that:

North Eastern States are being treated as difficult areas. Accordingly, financial assistance @ 33.33% of the project cost subject to a maximum of Rs. 75 lakh is being granted for project in North East as against 25% of the project cost subject

to a maximum of Rs. 50 lakh in general areas. For setting up of units/facilities for processing horticulture produce, 50% of the capital cost subject to a maximum of Rs. 4 crore is provided under Mini Mission IV programme. As financial assistance is in nature of grant and a stake is required from the promoter, it is not possible to provide cent percent central fund for the projects in the North East. Ministry of Food Processing Industries schemes allow entrepreneurs, Governments, NGOs, PSUs etc. to avail grants as admissible.

1.24 It has been observed by the Committee that number of States like Assam, Nagaland, Tripura and Sikkim in the North-East are yet to take the advantage of assistance available under the Mini Mission – IV. Traditional agricultural practices coupled with isolation from major markets discourage farmers from taking of Food Processing on a commercial basis. Due to lack of infrastructural facilities like cold storage and refrigerated transportation. 30 to 40% of the fruits and vegetables produced there goes rotten. When asked about the special steps are being taken by the Ministry to overcome these serious problems, the Ministry have stated that:

In order to give boost to growth of agro processing industries, Government has decided to allow under Income Tax Act, a deduction of 100% of profit for five years and 25% of profits for next five years in case of new agro processing industries set up to process, preserve and package fruits and vegetables. Financial assistance up to Rs. 75 lakh is also being provided for establishment/ expansion of cold storage facilities.

Priority Sector Lending Norms

1.25 The processed food sector had been facing serious problems in financing the projects, as the food processing industries are high risk prone with long gestation period and the returns are small. As a result, the projects in this sector were not finding

favourable consideration by the financial institutions. Considering the demand of the industry and in view of the vast potential of the growth of the agro-processing sector, the Government had decided to include agro-processing sector within the definition of 'Priority Sector for bank lending' in the year 1999.

1.26 The targets for lending to priority sector and its sub sectors for Indian Commercial Bankers are:

Total Priority Sector	-	40 percent of Net Bank Credit
Of which to Agriculture	-	18 percent of Net Bank Credit
Weaker Sections	-	10 percent of Net Bank Credit

1.27 No separate target within priority sector has been fixed for lending to food and agro-based processing industries. A regular monitoring system has been devised by the Reserve Bank of India for industries covered under priority lending. Expeditious clearance of the loan applications by the financial institutions is also likely. However, finance is still a rare commodity for this sector.

1.28 In order to provide a fillip to the food and agro based industries, the Committee in their previous years' reports on Demands for Grants have been recommending for fixing a percentage for the Food Processing Sector within the priority sector lending (i.e. 18% for whole agriculture sector).

1.29 The Committee were informed that the matter was taken up with the Reserve Bank of India, NABARD etc. at the meeting of the Study Group-II of the Standing Committee on Agriculture at Mumbai on 24.5.2003. Reserve Bank have expressed themselves not in favour of further splitting percentages within priority sector. They

have, however, in the meeting of the Study Group indicated agreement to giving greater thrust to this Sector.”

1.30 A request for fixing specific percentage has also been made to the Finance Minister by MOS (I/C) vide his letter dated 23rd May, 2003.” When asked to state the practical difficulties being faced by RBI in splitting the existing percentage fixed for agriculture sector. The Ministry in their written replies have stated that:

The Ministry of Finance has intimated that fixing of sub-target for a particular segment will have a crowding out effect on the other segments of priority sector and hence it is not desirable to have a separate target for any particular sector.

Creation of Fund for Development of Food Processing Industries

1.31 The Commercial banks under their normal lending policy are not forthcoming to cover the risks faced by units in the processed food sector (PFS). They also do not have the technical competence to evaluate the food processing projects. The working capital requirements/problems are generally faced when the peak season comes and banks do not appreciate that industries have to buy raw materials during peak seasons. Although most of the food projects take at least three years to stabilize but the banks start charging interest from the day one. There is no uniform pattern followed by banks for the financing of food processing Industry and are ill equipped because of their own internal constraints. It is, therefore, imperative that the food processing sector be given a special treatment so as to make easy and concessional finance available to this sector.

1.32 The Prime Minister’s Task Force on Food Processing Industries under the chairmanship of Shri Nusli Wadia had also recommended for setting up of an autonomous Food Development Bank of India on the lines of the National Housing

Bank/HDFC for funding of post harvest activities of the agro and food processing industries and the supporting infrastructure sectors like transport and storage etc. This centralised institution having specialized techno-commercial skill in food and agro processing would be in a position to solve different area specific problems.

1.33 Against this backdrop, an idea was mooted by the Ministry to set up a 'Processed Food Development Fund' in collaboration with SIDBI with a lump sum provision of Rs. 20.00 crore in association with SIDBI & IDBI in 1999-2000. The objective was to facilitate provision of credit to projects in food processing sector in a focused manner. The fund would provide financial assistance to SSI units to encourage the setting up of units in the processed food sector. Preference would be given for modernization, technology upgradation, quality upgradation, upgradation of products, innovative projects, introduction of new product lines, export oriented units, eco-friendly production facilities and improvement in packaging. Specialised organization/corporate entities which provide/propose to provide modern support services and/or modern infrastructural facilities for this sector would also be considered for assistance.

1.34 The Committee, in their earlier reports on Demands for Grants have been recommending for an autonomous body for funding food processing sector for the last four years. During examination of Demands for Grants (2002-03) the Ministry had communicated that "Planning Commission has not considered it desirable for a Government Department to get involved (either directly or indirectly) in funding such ventures which could be best left to the financial institutions." In this connection, the Committee in their 33rd Report on Demands for Grants (2003-2004) had recommended to take up the matter of creation of a "Food Development Fund" with the Planning

Commission again in order to give a fillip to all round development of food processing sector.”

1.35 In response to the Committee’s repeated recommendation for forming of a Processed Food Development Fund, the Ministry had stated that MOUs were being entered into with Export-Import Bank of India, ICICI, NABARD and SIDBI in 2003-04. Initially, these MOUs were operated within the norms of the approved schemes of the Ministry. The thought that Once success was established, the matter would be again taken up with the Planning Commission for setting up of the Fund. According to the Ministry, the Planning Commission had directed them to initiate the above proposal for inclusion in the 10th Five Year Plan. The Ministry had also informed that the State Bank of India has also evinced interest in entering into a similar MOU. The Committee were happy to note that a beginning has been made in the right direction. In their 43rd Report on Demands for Grants they desired that the Ministry of Food Processing Industries should ensure that MOUs are implemented in true letter and spirit. They also desired that other schemes of the Ministry should also be covered by similar MOUs at the earliest so that the food processing sector does not remain starved of finance. When asked to state the present status of MOUs the Ministry have informed the Committee that:

1.36 “There has not been any significant inflow of proposals under the MOU. The term of MOU will expire on 15th November 2004 and as such it is not proposed to extend or enlarge the scope of MOU to include other plan schemes of the Ministry.”

SCHEME-WISE ANALYSIS

Scheme for Infrastructure Development

1.37 Not only fruit & vegetable sector, but also the whole food processing sector has been characterized by poor marketing and lack of transport and communication infrastructure. There are enormous inefficiencies in the food chain resulting in loss of about Rs. 50,000 crore annually. To address this problem, the Ministry of Food Processing Industries has been implementing a scheme for development of infrastructural facilities for food processing industries since 9th Plan. During 10th Plan 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) Modernized Abattoirs
- (iv) Integrated Cold Chain facilities
- (vi) Irradiation facilities

1.38 The 10th Plan approved outlay, proposed allocation, approved allocation BE, RE and Actual for the year 2002-03 and 2003-04 and BE for 2004-05 is as under:-

(Rs. in crore)

NAME OF THE SCHEME/ PROJECT/ PROGRAMME	10 TH PLAN APPROVED OUTLAY	2002-03						2003-04						2004-05 BE
		Proposed Allocation	Approved Allocation	BE	RE	Actual	Shortfall	Proposed Allocation	Approved Allocation	BE	RE	Actual	Shortfall	
Scheme for Infrastructure Development	250	100	29	29	29	28.28	0.72	45	29	29	10	13.70	+3.70	34.47

1.39 From the above mentioned statement it has been observed that as per 10th Plan approved allocation, on an average the Ministry should have allotted Rs. 50 crore for this Scheme. Against a proposal of 100 crore the Ministry have been allocated only 29 crore during the year 2002-03. During the year 2003-04 against a proposal for Rs. 45 crore the Ministry has got Rs. 19 crore at the BE stage which has further been reduced drastically to Rs. 10 crore at the RE stage. During the year 2004-05 the BE is only Rs. 34.00 crore. When asked about the reasons for such reduction. The Ministry in their written replies have stated that:-

During the years 2002-03 and 2003-04, the overall B.E. was fixed at Rs. 75 Crores each by the Planning Commission. The corresponding allocations for the scheme of infrastructure was fixed at Rs.29 Crores during 2002-03 and Rs. 29 Crores during the year 2003-04. Scheme of Infrastructure Development for the 10th Plan Period was approved by CCEA in its meeting held on 23rd August 2003. Therefore the scheme could be implemented only thereafter leaving short time for eliciting proposals under the revised 10th plan guidelines.

1.40 As the revised infrastructure scheme of Food Park restricts grant of financial assistance to 25% of the project cost in general areas and 33.33% in difficult areas, no viable proposals are forthcoming. Earlier there was no such restriction in terms of percentage of the project cost. Abattoirs scheme is meant for local bodies, which do not seem to have got adequate funds to avail benefits of the MFPI scheme. As a result, funds not used for infrastructure schemes were utilized for the other scheme of technology upgradation/ establishment/ modernization of food processing industries.

1.41 As part of the strategy to develop Food Processing infrastructure, the Ministry has been pro-actively pursuing the task of setting up of Food Parks in different parts of the country. The idea behind setting up of Food Parks is that small & medium entrepreneurs find it difficult to invest in capital intensive facilities, such as cold storage, warehouse, quality control labs, effluent treatment plant etc. Assistance for development of these as common facilities, can make the cluster of food processing units in such Food Parks not only become more cost competitive, but also have a better market orientation. All implementing Agencies are eligible to grant up to Rs. 4 Crores for common facilities such as uninterrupted power supply, water supply, cold storage/ice plant, warehousing facilities, effluent treatment plant, quality control & analytical laboratory, and major processing facilities like fruit concentrate/pulp making units etc. as part of a food park. So far 45 food parks have been' sanctioned in different states of Andhra Pradesh(1), Assam(1), Bihar(1), Chhattisgarh(1), Haryana(2) J&K(3), Karnataka(3), Kerala(3), M.P.(6), Maharashtra(5), Manipur(2), Mizoram(1), Orissa(1), Punjab(1), Rajasthan(3), Tamilnadu(1), Tripura(1), UP(4) and West Bengal(5). Out of these four new food parks have been approved during the year 2003-2004. However, only nine Food Parks are partly in operation.

1.42 The expenditure during the last five years for the said components were as under:-

(Rs. in crore)

Year	No. of Food Parks	Amount Sanctioned
1999-2000	1	4.27
2000-2001	13	18.43
2001-2002	12	27.31
2002-2003	12	28.93
2003-2004	4	11.24

** The amount released in respect of Food Parks include installments of the cases sanctioned earlier.*

1.43 It has been observed by the Committee that The components of packaging center, modernized abattoirs, irradiation facilities and value added centers and integrate cold chain were incorporated in the scheme for infrastructure development during the 10th Plan period and the same was approved by CCEA only in August, 2003. One proposal for modernized abattoir in Delhi was approved and an amount of Rs.1.00 crore sanctioned in 2003-04. One proposal for irradiation facilities was approved and an amount of Rs.1.45 crore was sanctioned in 2003-04. There were no complete proposals for packaging and value added centers.

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

1.44 During the Ninth Plan, the Ministry had been operating different Schemes to cover different segments like fruits and vegetables, meat and poultry, milk, grain processing, fisheries, etc. During the Tenth Plan, this Scheme would be operated at macro level covering all segments. Assistance in the form of grant-in-aid is proposed to be extended under this Scheme for all segments of the food processing sector including fruits and vegetables, milk, fish, grain, meat, poultry, etc.

1.45 Tenth Plan Outlay and Plan Outlay during the year 2002-03, 2003-04 and 2004-05 are as under:-

(Rs. in Crore)

NAME OF THE SCHEME/ PROJECT/ PROGRAMME	10 TH PLAN APPROVED OUTLAY	2002-03						2003-04						2004-05 BE
		Proposed Allocation	Approved Allocation	BE	RE	Actual	Shortfall	Proposed Allocation	Approved Allocation	BE	RE	Actual	Shortfall	
Scheme for Technology Upgradation Establishment of Food Processing Industries	98	100	9	9	16	15.96	0.04	30	14	14	33	29.29	3.71	35

1.46 Under the Scheme for Technology upgradation establishment the Ministry had proposed fund allocation of Rs. 100 crore during 2002-03 but only Rs. 9.00 crore were approved. Again during 2003-04, against the proposed allocation of Rs. 30 crore only Rs. 14 crore was allocated. The BE for 2004-05 is only 35.00 crore. Pertaining to the reasons for poor allocation for such an important and wide-ranging scheme the Ministry have appraised as under:-

Funds are being allocated to different Plan Schemes keeping in view the plan priorities reflected in the Approach Paper for the 10th Plan. However, the Ministry is making continuous efforts to get higher allocation for the Scheme of Technology upgradation/ establishment of food processing industries. Accordingly, amount of grant in this regard has been constantly increasing and the same is proposed to be Rs. 35 crore in BE 2004-05, as against provision of Rs. 33 crore in 2003-04.

Grain Processing

1.47 The Ministry of Food Processing Industries have commenced processing of application for financial assistance in grain processing sector with effect from 2nd November, 2001. The grain processing industries include milling of rice, wheat and pulses and oilseeds. Financial assistance is provided for setting up/Modernization/Expansion of the units before their commissioning. The thrust is on ensuring disbursal of modern units throughout the country for demonstration and replication, keeping in view the recovery loss, non-utilization of by-products, and energy inefficiency in most of the mill. It has been further stressed that the financial support of Ministry of Food Processing Industries can be made available to the rice/flour mill which use latest, modern and eco-friendly technology/ processes, which enhances recovery, improves quality, ensures by-product utilization and other benefits leading to substantial value addition. It has further been clarified to SNA that no financial support will be provided to traditional grain milling.

1.48 During the year (upto 31-03-2004) under review, the Ministry has provided financial assistance to 19 rice mills, 10 flour mills, 2 pulse mills and 11 oil mills. The question of providing financial assistance under the Plan Scheme for setting

up/modernization in 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. Considering that rice/pulses/flour are consumed in the processed form only and primary processing in these sectors adds little to shelf life, wastage control and value addition, it has been decided to discontinue assistance to this sector from the financial year 2004-05. Priority will be given to fruit and vegetables, dairy, meat and poultry, fish, bakery, confectionary and consumer goods.

1.49 Further more, the Ministry have stated that there were about 600 applications from rice/ flourmills. Assuming 50% rejection, the total amount required by Rice/ Flourmills at the average rate of Rs. 30 lakh per case worked out to Rs. 90 crore, whereas, total budget provision in this regard in BE 2003-04 was just Rs. 14 crore. Applicants in this sector tend to crowd out sectors, which are more deserving.

1.50 However, financial assistance for oil milling has not been stopped.

Roller Flour Milling

1.51 In the wheat milling sub-sector, the number of roller flour mills increased to 800 in 1995. Since then, the number has remained virtually static. The latest estimated number of roller flour mills, capacity and its utilization are 516 no., 19.5 Million Tons and 12.5 million tons respectively:

1.52 The roller flour milling industry suffers from low capacity utilization due to

- (i) Unstable policy for open sale of wheat by the Food Corporation of India;

- (ii) Low priority for movement of wheat from wheat growing States to non-wheat growing States (Coal and fertilizers are given higher priority in rail movement);
- (iii) Unstable policies of the State Governments about levy of taxes and fees for procurement of wheat by the millers; and
- (iv) High energy consumption of some of the mills due to obsolescence.

1.53 According to available information, number of roller flourmills exceeds 800. During the last five years, actual capacity of the roller flourmills ranged between 19.00 million tonnes to 20.00 million tonnes and their utilized capacity ranged between 12.00 million tonnes to 13.00 million tonnes. Low capacity utilization of the flour milling industry is due to unstable availability of wheat, technology constraints etc. There are about 10,000 pulse mills having capacity of 14 million tonnes of pulses and 15,000 oil mills with capacity of 36 million tonnes in the country. Capacity utilization of oil mills varies between 20% to 30%. Appropriate measures will be taken for redressal of problems of flour milling industry as and when the same is brought to the notice of Ministry of Food Processing Industries.

Meat and Poultry Processing Sector

1.54 India has vast resources of livestock and poultry, which play a vital role in improving the socio-economic conditions of the rural masses. India ranks first in respect of cattle and buffalo, second in goats, third in sheep and seventh in poultry population in the world. India has 57% of the world's buffalo population. However, percentage of meat processing in organized sector is about 10% and the remaining 90% comes from the unorganized sector. The scheme of modernization of abattoirs was approved in August 2003. So far the Ministry has sanctioned financial assistance for modernization of the abattoir handled by MCD, Delhi. The work relating to modernization of abattoir in Delhi is still in progress.

1.55 Production of meat & meat products is increasing slowly but steadily from the year 1995 onwards. Meat & meat products are considered to be highly perishable commodities and can transmit diseases from animals to human beings. 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 which was hitherto being implemented by the Directorate of Marketing & Inspection (DMI) has since been transferred to MFPI.

1.56 Details in terms of quantity and value of meat food products manufactured under MFPO, 1973 are given as under:

Year	Quantity (in MTs)	Value (Rs. in Lakhs)
1999-2000	3041	3946
2000-2001	3221	4173
2001-2002	2865	3812
2002-2003	3016	4247

1.57 Details of exports in terms of quantity and value of meat food products are given as under:-

Year	Quantity (in MTs)	Value (Rs. in Lakhs)
1999-2000	195	215
2000-2001	168	179
2001-2002	32	36
2002-2003	79	68

1.58 The slaughter rate for cattle as a whole is 6% whereas it is 10% in the case of buffaloes, 99% for pigs, 30% for sheep and about 40% for goat. With a view to increasing the slaughtering rate as well as production of meat products, MFPI is implementing various Developmental Plan Schemes for providing financial assistance for the purpose of modernisation of abattoirs as well as production of meat products. During the year 2003-04 (as on 31.03.2004), 2 numbers of poultry meat processing, 2 numbers of meat processing units and one case of modernization of Delhi Abattoirs have been assisted.

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

Year	Egg (Million)	Broiler (Million)	Poultry, Meat (Thousand Tons)
1995	27275	350	578
1996	28162	400	480
1997	30000	450	600
1998	31000	500	675
1999	32000	550	725
2000	32500	600	775
2001	33000	700	875
2002	35000	800	975

1.60 The poultry meat processing is still primarily in the unorganized sector. However, with a large increase in broiler production, a number of poultry processing plants have been established in Maharashtra, Andhra Pradesh, Karnataka, Bangalore, Madhya Pradesh, West Bengal, etc. When asked to bring a major part of the poultry and Meat Processing Industry into the organized sector for ensuring better quality to meet international standard the Ministry in their written replies have stated as under:-

1.61 Financial assistance is provided for establishment, modernization and expansion of food processing units including poultry and meat @ 25% and 33.33% of costs of plant and machinery and technical civil works subject to a maximum of Rs. 50 Lakhs and Rs. 75 lakhs in general and difficult areas respectively. Financial assistance is also being provided for modernization of abattoir so as to promote scientific and hygienic slaughter and better by product utilization. With the reduction of excise duty on processed meat and poultry products from 16 to 8%, the meat processing industry shall get a fillip.

1.62 With the increase in availability of eggs in the country and demand of egg products in Europe, Japan and other countries, India have started exporting egg products like whole egg powder, albumin powder, yolk powder etc.

Fish Processing

1.63 India is now the fourth largest producer of fish in the world and second largest producer of fresh water fish in the world. With its long coastline of over 8000 kms. and 50600 sq. km. of continental shelf area and 2.2 million sq. km. of exclusive Economic Zone, India is endowed with rich fishery resources. However, India has not been able to develop inland fisheries to the extent that countries like Thailand and Bangladesh have done. India has not utilized our marine resources. The Ministry of Food Processing Industries, under its Plan scheme for Technology Up-gradation/establishment and Modernization of Food Processing Industries provides assistance for creation of additional facilities for preservation and processing of fish. Under the scheme, financial assistance in the form of grant is provided to all implementing agencies at 25% of the cost of capital equipment and technical civil works up to Rs 50 lakhs in general areas and 33.33% up to Rs. 75 lakhs in difficult areas.

1.64 Quantity of fish produced in India both marine and inland for the last five years is indicated below:

(in lakh tonnes)

Year	Marine	Inland	Total
1998-99	26.96	26.02	52.98
1999-00	28.52	28.23	56.75
2000-01	28.11	28.45	56.56
2001-02	28.3	31.26	59.56
2002-03 (Prov.)	29.9	32.1	62.00

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

Year	Quantity (MT)	Value (Rs. in crore)
1998-99	302934	4627
1999-00	343031	5117
2000-01	440473	6444
2001-02	424470	5957
2002-03	467297	6881

1.66 The Committee in their earlier Reports had been recommending for reformulating the scheme for strengthening of traditional fish processing technologies and for this purpose had desired that the Ministry should tie up with veterinary Institutions, Agricultural Universities and fishery cooperatives to get better results. The Committee were informed that many R&D projects have been taken up and it is expected that as a result of these efforts it will be possible to strengthen traditional fish processing technologies. The Committee were further informed that one of the low cost devices using solar energy for fish drying is Tent dryer, which can be easily fabricated by the

coastal community. Similarly, drying on raised platform built using log and old webbing or on racks is another method. Solar dryers are also used in some parts of the country, but its cost efficiency in fish drying in commercial scale is yet to be proved. Mechanical dryers are less capital intensive and can produce commercial quantities with low operational cost.

Fruits and Vegetables Processing

1.67 The installed capacity of Fruit and Vegetable processing industry has been increased from 11.08 lakh tons on 01.01.1993 to 23.28 lakh tons as on 01.01.2004. In order to give boost to growth of agro processing industries, Government has decided to allow 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. Financial assistance is already being provided for establishment, modernization and expansion of fruit and vegetable processing units @ 25% and 33.33% of costs of plant and machinery and technical civil works subject to a maximum of Rs. 50 lakhs and Rs. 75 lakhs in general and difficult areas respectively.

1.68 Further the Ministry periodically advertise about the advantages of processed food to generate awareness among consumers.

1.69 Financial assistance is also provided for organizing seminar, workshops, fairs, etc., for development of market and popularization of processed food products. However, the utilization of Fruit and Vegetables for processing in the organized and

unorganized sector is estimated to be around 2% of the total production in comparison to 30% in Thailand, 80% in Brazil and 60-70% in UK and USA.

1.70 According to a study of Working Group on Post Harvest Management, Marketing & Export, the post harvest losses in different crops range from 8% to 37% with a value of 50,000 crore annually. For optimum utilization of fruits and vegetables, the Ministry of Agriculture, Ministry of Food Processing Industries and agencies like NHB, APEDA and NCDC provide assistance under their respective schemes. Despite their efforts the position has not improved so far.

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

1.72 Present level of processing of fruits and vegetables is between 2 to 3%. Low processing is due to inadequate infrastructure, seasonality of raw material, high inventory cost etc.

Dairy Processing

1.73 Organised dairy industry accounts for less than 15% of the milk produced in India. The rest of the milk is either consumed at farm level or is sold as fresh, non-

pasteurized milk through unorganized channels. The share of organized industry is expected to rise rapidly – especially in the urban regions.

1.74 India, with its status as the largest milk producer in the world, is on the verge of assuming an important position in the global dairy industry. Milk production is estimated at 88 million tonnes during 2002-03 as against 84.60 million tonnes during 2001-2002. Many international dairy companies are viewing India with an eye to tapping its vast, growing market for dairy products. The rise in the market for dairy products is likely to witness the fastest growth of over 20-30% per annum.

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

Milk and Milk Products Order (MMPO) 1992 has been issued to regulate production, quality, purity and hygienic standards of milk and milk products and the same is being administered by the Department of Animal Husbandry & Dairying. Financial assistance is provided for establishment, modernization and expansion of milk product units @ 25% and 33.33% of costs of plant and machinery and technical civil works subject to a maximum of Rs. 50 lakhs and Rs. 75 lakhs in general and difficult areas respectively. Assistance is also provided to milk processing units including those in the unorganized sector to adopt TQM, ISO, HACCP, GMP etc. Before releasing second installment of grant, the units are got physically inspected by SNAs/departmental officers.” The Committee astonished to know that there were no applications seeking financial assistance from dairy sector during 2000-2001. During the years 2001-02 to 2003-04, 35 applications were received. Only one application was sanctioned each in year 2001-02 and 2002-03 and only 9 in 2003-04. One application was closed/rejected in 2001-02, three in 2002-03 and two in 2003-04.

Scheme for Human Resource Development

1.76 HRD is one of the thrust areas of development. The Ministry proposed to extend assistance for setting up Food Processing & Training Centres as well as creation/upgradation of R&D training facilities to reputed universities and institutions. Entrepreneurship Development Programme will also be taken up under the scheme. Training is also proposed to be imparted to persons already engaged in the sectors such as meat & poultry, grain and fisheries etc. CFTRI is the premier institution in the field of food processing industries. IIT, Kharagpur has also been conducting courses and awarding degrees in the field of food processing. Since a lot of development is likely to take place during the 10th Plan in this sector, requirement of human resources will also be higher. It is proposed to assist both these institutions as well as others for increasing the intake of candidates for such courses.

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

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

plants, extension services on the basis of new technology and new research etc.

1.78 The Plan Outlay is as under:-

NAME OF THE SCHEME/ PROJECT/ PROGRAMME	10 TH PLAN APPROVED OUTLAY	2002-03						2003-04						2004-05 BE
		Proposed Allocation	Approved Allocation	BE	RE	Actual	Shortfall	Proposed Allocation	Approved Allocation	BE	RE	Actual	Shortfall	
Scheme for Human Resources Development	65	20	4.5	4.5	2.70	3.97	+1.27	5	4.70	4.70	3.00	3.97	+0.97	7.00

1.79 The Committee note that the Human Resource Development is one of the thrust areas of development during the 10th Plan. Adequate and fully trained competent manpower is of considerable importance from the economic point of view. Lack of knowledge of Pre and Post Harvest Management activities on the agriculture field level and lack of knowledge on appropriate post harvest handling at the processing level have a telling effect on the quality of the produce. In order to facilitate this objective, the Ministry of Food Processing Industries is implementing a scheme for Human Resources Development.

1.80 The Committee in its 33rd Report on Demands for Grants (2002-03) had recommended that in order to realize the importance envisaged in Human Resources Development, the Government should fully utilize the allocated amount during the current year and hope that more funds would be given by the Planning Commission at RE stage or in the remaining years of 10th Plan. In their action taken reply to 33rd Report the Ministry had stated that the recommendations of the Committee have been noted. Any enhanced requirement of funds for this Scheme would be made available by re-appropriation. In spite of that it has been observed that at the RE (2002-2003) stage, the

budgetary allocation have been coming down during the first two years of 10th plan. During examination of Demands for Grants (2003-04) the Committee were informed that the Ministry could not spend the whole amount due to non-availability of viable proposals.

1.81 Only 20% of the expenditure has been incurred in the first three years of the 10th Plan Period. When asked the Ministry be able to spread the remaining 80% of the approved allocation in the remaining two years of 10th Plan. The Ministry in their written reply have stated as under:-

1.82 Annual plan allocation for the Ministry was kept at Rs.75 crore during 2002-03 and 2003-04 due to limited financial resources available for plan purposes. Accordingly, RE for HRD in respect of 2002-03 and 2003-04 were restricted to Rs.2.70 crore and Rs.3.00 crore respectively. Hon'ble Minister of FPI has requested the Deputy Chairman Planning Commission on 13th August, 2003 to enhance the outlay of the Ministry during the RE stage. The Ministry is making all possible efforts and will continue to endeavor at every stage to get higher allocation of fund and use the same for development of human resources for FPI sector.

Scheme for Quality Assurance, Codex Standard and R&D

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

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

1.84 Keeping in view the importance attached to quality assurance and also the need for undertaking research & development, assistance in the form of grant-in-aid is proposed to be extended under this Scheme. The Ministry time and again also stressed upon the R&D sector and packaging which need to be developed for proper development of Food Processing Sector.

1.85 It has been observed that Western Countries lay down very stringent quality standards for food products. In spite of implementing this Scheme many important sectors, such as Meat and Poultry Processing and Milk Processing do not meet the International Standards of processed food products. Only a small percentage are in the organized sector and large percent are in the unorganized sector.

1.86 It has been further noted that during 2001-02, there was a shortfall in the revenue earned from export. One of the reasons attributed to this was a problem of quality of marine products, and non-tariff service, imposed by some importing countries. The Committee in their 43rd Report had recommend that the Ministry should undertake appropriate steps to ensure that food processing industries imbibe necessary quality control measures to meet the International Standards and also to strive for bringing India as a leading country in the world food processing map.

1.87 Plan outlay for this Scheme is as under:-

(Rs. in Crore)

NAME OF THE SCHEME/ PROJECT/ PROGRAMME	10 TH PLAN APPROVED OUTLAY	2002-03						2003-04						2004-05 BE
		Proposed Allocation	Approved Allocation	BE	RE	Actual	Shortfall	Proposed Allocation	Approved Allocation	BE	RE	Actual	Shortfall	
Scheme of Quality Assurance, codex standards and Research Development	90	22	10.50	10.50	10.50	11.40	+0.90	20.00	7.50	7.50	4.00	4.00	--	6.00

1.88 It has been observed from the Table that during the first two years there were wide gap between the proposed allocation and approved allocation and approved allocation and further reduction from the BE stage to RE stage during the year 2002-03. Further during the current year i.e. 2004-05. The BE is only Rs. 6.00 crore which is less than the BE of 2002-03 and 2003-04. During the first three years the total expenditure is only 23.70% of the 10th plan approved outlay. When asked to state the reasons for such reduction the Ministry have stated as under:-

Few proposals were received during 10th Plan period for research and development in processed food sector from the institution and universities engaged in research. During 10th five-year plans R&D Schemes have become unattractive because the provision for cost of raw material, consumable, salaries of research personnel employed in the projects have been deleted and grants-in-aid are provided only for cost of capital equipments. However the budget provisions allocated for R&D have been utilized fully.

1.89 The Committee were informed that No specific proposal for fish, meat and poultry were received from R&D Institutions/ Universities for improvement in quality in these areas. However Ministry have provided grants in aid for quality control lab to IVRI Izzatnagar, UP for animal products and quality control lab Jadavpur, University, Kolkata for testing and analyzing for Food Products including Fish.

1.90 When asked to state the utilization of solar energy in fish processing vis-à-vis use of solar energy used by the leading fish producing countries of the world the Ministry in their written reply have informed the Committee that one of the low cost devices using solar energy for fish drying is Tent dryer, which can be easily fabricated by the coastal community. Similarly, drying on raised platform built using log and old webbing or on racks is another method. Solar dryers are also used in some parts of the country, but its cost efficiency in fish drying in commercial scale is yet to be proved. Mechanical dryers are less capital intensive and can produce commercial quantities with low operational cost.

National Institute of Food Technology and Management

1.91 The Ministry has a proposal to set up a National Institute of Food Technology and Management as a National Centre of Excellence which will work synergistically with the industry and similar institutions with the aims and objectives to help, develop and adopt world class food technologists and entrepreneurs; provide business incubator services; undertake research for development of food standards; provide training and advisory support to companies with established/potential interest in the food industry; and become an apex information resource centre. The Ministry has identified an agency who could prepare the feasibility report and detailed project report on the project. The work for preparation of FR and DPR is likely to be completed during the year under review.

1.92 The project cost as per the feasibility report is Rs. 133 crore. The budgetary allocation for this institute will be made from Rs. 10.00 crore provision for the Scheme of Human Resource Development.

Scheme for Backward and Forward Integration and other Promotional Activities

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

1. Backward Linkage.
2. Forward Integration.
3. Generic Advertisement.
4. Promotional Activities
5. Strengthening of F & N Directorate

6. Food fortification

1.94 Total allocation and expenditure for backward linkages and other promotional activities were Rs.10 crore and Rs.8.94 crore respectively for the last two years, during the 10th Plan.

- (i) The objective of backward linkage scheme is to ensure regular supply of processable variety of farm produce, minimize wastage, make value addition, avoid distress sale and provide remunerative income to the farmers. Under the scheme, the processor is eligible for reimbursement from MFPI @ 10% of total purchase made by him from the farmers in a year subject to a maximum of Rs.10 lakh.
- (ii) Forward integration scheme provides for grant of financial assistance for market survey, test marketing, brand promotion etc. Grant @ 50% of the cost of campaign subject to a maximum of Rs.50 lakh is given to industry associations having 25 representative enterprises participating in the campaign.
- (iii) Generic advertisement, organization of seminars/workshops, fairs/exhibition, preparation of films etc., are undertaken for development of market and popularization of processed food products.
- (iv) An assistance of Rs.5 lakh per annum is provided for all regional offices of Fruit & Vegetable Preservation Directorate to enable them to adopt computerization and ensure periodic inspection, sample testing etc.

- (v) A provision has been made to grant financial assistance upto Rs.2 lakh to industry associations to enable them to collect, compile, analyse and publish data about FPI units at regular intervals. However, so far no proposals has been received from any industry allocation in this regard.
- (vi) In order to control malnutrition and enrich food, food fortification scheme has been launched. To begin with, fortification of wheat flour has been undertaken and 50% of the cost of capital equipment of dosing machine subject to a maximum of Rs. 3 lakh is provided under the scheme.

1.95 Plan outlay for this scheme is as under:-

(Rs. in crores)

NAME OF THE SCHEME/ PROJECT/ PROGRAMME	10 TH PLAN APPROVED OUTLAY	2002-03						2003-04						2004-05 BE
		Proposed Allocation	Approved Allocation	BE	RE	Actual	Shortfall	Proposed Allocation	Approved Allocation	BE	RE	Actual	Shortfall	
Scheme of Backward & Forward Integration & other Promotional Activities.	85	33	5	5	5	2.57	2.43	15	7	7	5	2.47	2.53	7.00

1.96 The 10th Plan approved allocation for this scheme is Rs. 85.00 crores. On an average the Ministry should have been allocated Rs. 17 crore each year of the Plan period. Against this the Ministry have allocated only Rs. 17 crores during the 1st three years of 10th plan out of which the actual expenditure during 2002-03, 2003-04 and BE for the year 2004-05 is only 12.04 crores which is only 16.99% of the 10th Plan approved allocation. The budget provision of Rs. 7.00 crore in 2004-05 for backward and forward integration and other promotional activities include generic advertisement during the

current year. When asked to state the reasons for such shortfall in allocation and expenditure, the Ministry in their written reply have stated as under:-

Annual plan allocation for the Ministry was kept at Rs.75 crore during 2002-03 and 2003-04 due to limited financial resources available for plan purposes. Hon'ble Minister FPI forwarded the recommendations of the Standing Committee of Parliament to the Deputy Chairman, Planning Commission on 13th August, 2003 and requested him to enhance the outlay of the Ministry during the RE stage. Meanwhile, BE for 2004-05 has been increased to Rs.7.00 crore as against RE of Rs.5.00 crore for the previous year.

1.97 Despite this it has been observed by the Committee that India processes only 2% of fruit and vegetables. Further more, the domestic consumption of value added fruits and vegetable products is also low compared to the primary processed food in general and fresh fruits and vegetables in particular. Indian Processed Food are very much in demand in both domestic and international market due to the following factors:

1. Breeding of Joint Family to nucleus family
2. Increasing percentage of working women and large scale of dependence on readily available processed food market.
3. Due realization of dangers of eating red meat, which has hazardous effect on health. Large percentage of consumers in European country have changed the food habit from non-vegetarian to vegetarian food as a result they look forward India as a major market having variety of cuisine.

1.98 The Committee further observe that a number of very important schemes have been recently approved/launched, like, food fortification, modernization of abattoirs, many R&D projects, scheme for infrastructure development. In many Schemes such as

food parks, backward and forward linkages the entrepreneurs are yet to take the advantages. In view of all these, need for wider publicity and generic advertisement is of paramount importance.

Scheme for Strengthening of Institutions

1.99 Under this scheme financial assistance are being provided for the following purpose:

- (v) Strengthening of Paddy Processing Research Centre (PPRC)
- (vi) Strengthening of State Nodal Agencies (SNA)
- (vii) Meeting the expenditure of pay and allowances for the Plan posts
- (viii) Information Technology.

1.100 Plan Outlay under this Scheme is as under:

(Rs. in crore)

NAME OF THE SCHEME/ PROJECT/ PROGRAMME	10 TH PLAN APPROVED OUTLAY	2002-03						2003-04						2004-05 BE
		Proposed Allocation	Approved Allocation	BE	RE	Actual	Shortfall	Proposed Allocation	Approved Allocation	BE	RE	Actual	Shortfall	
Scheme for Strengthening of Institutions	62	25	9.50	9.50	4.30	3.31	0.99	10	3.42	3.42	3.50	4.19	0.69	10

1.101 For the year 2002-03 BE & RE was 9.50 crores & 4.30 crores and actual expenditure was 3.31 crores. In the year 2003-04 BE & RE was 3.42 crores & 3.50 crores whereas actual expenditure was 4.19 crores. BE for the year 2004-05 has been increased to Rs. 10.00 crore. In the last 3 years only 28.40% has been utilised out of the total 10th plan allocation i.e. 62 crore.

1.102 When asked to state the reasons for less allocation during these years. The Ministry have stated that *as a result of limited financial resources available for plan purposes the allocation during the last two years of 10th plan was in a lower side.*

State Nodal Agencies

1.103 State Nodal Agencies (SNAs) exist in all 35 States/UTs. SNAs were created immediately after formation of the MFPI. The SNAs are required to promote, coordinate and monitor various activities pertaining to growth of food processing sector and assume proactive role in setting up food processing projects in the respective State/ UT. The project proposals of NGOs/ individuals are initially examined by the SNA and then forwarded to the MFPI for further necessary action. A lump sum of Rs. 5 lakh is paid to the SNA after every five year for purchase of basic office equipments like computer, internet etc. An additional amount of Rs. 1 lakh in also paid to them on annual basis for meeting expenses relating to preparation of data base, publication of profiles, office consumables etc. In order to make SNAs role effective and interactive, regular meetings are held with SNAs at regional and national level.

Utilisation

Certificate

1.104 The Ministry gives grants-in-aid/financial assistance to NGOs, private and Public Sector Undertakings and Co-operatives for undertaking various activities relating to food Processing including setting up/modernization of the food processing units. The assistance is given in installments and the subsequent installment is released only if

utilization certificate for the earlier installment is received in the Ministry. In response to the directions of the Hon'ble Delhi High Court, in a Public Interest Litigation (Writ Petition No.: 6413 of 2000) in Dr. B.L. Wadehra Vs Union of India (UOI) and others on the subject of non-furnishing of Utilization Certificates (UCs) by grantees etc., in respect of grants received from different Ministries/Departments of the Government of India the Ministry carried out a thorough review of pending UCs. The Ministry pursued these cases with the concerned organization and was successful in getting UCs in respect of some of the cases. The Ministry is vigorously and continuously pursuing the matter to obtain all pending UCs. In case of non-receipt of UCs of earlier grants, MFPI is not considering requests, if any, received for further grant of financial assistance. MFPI has been following this Practice in respect of all such cases whether covered or not covered by the above-mentioned Public Interest Litigation filed before the Hon'ble Delhi High Court. The release of second and subsequent installments is also considered only after the receipt of UCs for the part assistance already extended.

Laws Regulating Food Processing Industries

1.105 The Committee had noted that the existence of multifarious laws relating to food processing and multiple authorities controlling them act as a major hurdle in setting up/modernizing food processing units. Many of these laws were framed some 50 years ago like Prevention of Food Adulteration Act and were meant to serve the purpose of food safety and to prevent adulteration. Similarly, many of the statutory orders like Fruit Products Order, Meat and Meat Products Order, and Milk and Milk Products Order were brought into being under Essential Commodities Act, when there was acute scarcity of

food items. In the context of liberalization these laws throttle development and invariably work as dampeners for the growth of the industry.

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

1.107 In order to set up a food processing unit, the entrepreneur has to comply with around fourteen sets of laws in various forms. Some of them are the Prevention of Food Adulteration Act, 1954, Standards of Weights and Measures Act and Packaged Commodity Rules, Essential Commodity Act and Orders, Indian Seeds Act, the Produce Cess Act, MRTP Act, Consumer Protection Act, Central Excise & Customs, Environment Protection Act, so on and so forth. To comply with all these provisions he has to shuttle from one Ministry to another and by the time he gets all clearances he would have lost considerable time and money. Apart from all this he is not sure of the raw material. These are all deterrents in his venture.

1.108 The Committee in their earlier Reports on Demands for Grants (21st Report 2001-02 and 33rd Report 2002-03, 43rd Report, 2003-04) had recommended that the Ministry should come up with concrete proposals for single window clearance to all proposals for establishing food processing ventures.

1.109 The Finance Minister in his budget speech (2002-2003) had also endorsed this fact by stating “A multiplicity of regulations for food standards under the Prevention of Food Adulteration Act, the Food Products Order, the Meat Products Order, the Bureau of Industrial Standards and the MMPO, affect the food and food processing sectors.”

1.110 A Group of Ministers (GOM) had been constituted by the previous Government to propose legislative and other changes for preparing a Modern Integrated Food Law and related regulations. The Ministry of Food Processing Industries was given the responsibility to service the Group of Ministers (GOM). In the last meetings of GOM, it was decided that draft of food law will be prepared by Legislative Department in consultation with Ministries of Health, Commerce and FPI. After assumption of office by the new government, the GOM has been reconstituted. As the matter is still under consideration of GOM, it is difficult to indicate time by which it may be placed before parliament.

Restructuring of Ministry

1.111 One of the most important functions of the Ministry is formulation and implementation of policies for food processing industries within the overall national priorities and objectives. While fulfilling its task, the Ministry continuously interacts with various Ministries of the Government of India and State Governments. The Ministry also interacts with various promotional organisations like Agricultural and Processed Food Export Development Authority (APEDA), Marine Products Export Development Authority (MPEDA), National Cooperative Development Corporation (NCDC), National Horticulture Board, Cashewnut Development Board, National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) etc. This consumes a considerable time and energy of the Ministry as well as the entrepreneurs. The Ministry of Food Processing Industries provides grants-in-aid to set up units/firms to process and market all kind of horticultural as well as non-horticultural produce.

However, the Ministry of Food Processing Industries provides grants-in-aid for cold storage facilities for non-horticultural produce only; for horticultural produce the entrepreneurs have to approach the National Horticulture Board. Similarly, for other promotional and marketing activities, the entrepreneurs have to approach APEDA, MPEDA, NCDC, NAFED, Cashewnut Development Board, etc. Thus, the entrepreneurs have to shuttle from one Ministry to another, which act as a deterrent in their venture. Therefore, the Committee in their 43rd Report on Demands for Grants had strongly felt that to remove all these obstacles, the Ministry of Food Processing should be strengthened further by bringing various organisations which deal with processed food, like APEDA, MPEDA, NAFED, NHB, Cashewnut Development Board, etc. under one umbrella in order to have an integrated approach for the food processing sector. Various other agencies involved, like the Pollution Control Board, Electricity Boards, etc. may also be impressed upon to give clearances expeditiously for setting up food processing units on priority basis. Pertaining to the recent position in respect of restructuring of this Ministry, the Ministry have stated that the matter has been considered by the Committee of Secretaries and found not acceptable. It is proposed to take up the matter again.

World Trade Organisation

1.112 MFPI interacts with processed food industry in regard to problems faced by the Indian Processed food industry arising from WTO Agreements and other issues. Broadly, the issues cover Agreement on Agriculture (AOA), market access, mechanisms for implementation of Rules of Origin, Geographical Indications, issues regarding Import of Sensitive items, etc. in Agricultural, fisheries and marine products sector. Based on

such consultations, the Ministry provides inputs in formulating Government of India's position in that regard to the concerned Ministries in order to safeguard the interests of domestic industry both in regard to the problems faced by them in the international markets as well as in the domestic market on account of the liberalized import policy regime.

PART – II

OBSERVATIONS/RECOMMENDATIONS

RECOMMENDATION NO. 1

INADEQUATE ALLOCATIONS TO THE MINISTRY OF FOOD PROCESSING INDUSTRIES

The Committee observe that despite the vast potential of the Food Processing Sector and the declared importance attached to the Food Processing Sector by Government, the Ministry has been given a paltry allocation of Rs. 110.00 crore for 2004-05 which constitutes just 0.7 percent of the total Central Plan Outlay. As against the projected requirement of Rs. 2800 crore for the 10th Plan, the Ministry has been allocated a meager amount of Rs. 650 crore. Surprisingly, during the year 2003-04, BE of Rs. 75.00 crore has been reduced to Rs. 65.00 crore. The Committee strongly recommend that curtailment of funds for this Ministry may be avoided at RE stage of the current year and BE of the remaining two years of 10th Plan Period may be substantially increased so that Food Processing Sector is able to play the envisaged catalytic role in transforming the national economy in a big way.

RECOMMENDATION NO. 2

CENT PERCENT FINANCIAL ASSISTANCE FOR NORTH EASTERN STATES AND OTHER HILLY AREAS

The Committee appreciate the efforts being made by the Ministry with regard to the development of North Eastern region. The special incentives for North Eastern Region include:

- (i) 10% of the plan allocation for North Eastern States for treating North Eastern States as difficult areas;
- (ii) Financial assistance @ 33.33% of the project cost subject to a maximum of Rs. 75.00;
- (iii) 50% of the capital cost subject to a maximum of 4 crore provided under Mini Mission IV Programme; and
- (iv) Deduction of 100% of Profit for five years and 25% of profit for next five years in case of new agro-processing set up under Income Tax Act.

The Committee, however, note the inability expressed by the Ministry to provide cent per cent central fund for the projects in the North Eastern region which holds the promise of becoming an excellent source for high value horticultural produce and value added products unique to these region for onward marketing both within the country and abroad. The Committee, therefore, recommend that the Ministry should reconsider the matter and launch the 100 per cent centrally funded Scheme for tapping the tremendous and unique potential of Horticulture Produce of the North Eastern Region also hilly States for rejuvenation of the entire economy of the region.

RECOMMENDATION NO. 3

PRIORITY SECTOR BANK LENDING

While taking note of the fact that the Government consider the Food Processing Industries as priority sector, the Committee find that the leading lending institutions have not accorded any priority for providing loans to this sector, despite the widely acknowledged potential of the sector and its multiplier effect in the transformation of the economy. The Ministry of Finance have expressed their unwillingness to fix a percentage within the Priority Sector for lending to Food Processing Sector within the 18% minimum norms. The position is not acceptable to the Committee as this decision of the Ministry of Finance negates the decision of Government to give greater thrust to agricultural diversification through Food Processing. The Committee, strongly desire that the Ministry of Food Processing Industries take up the matter again with the Ministry of Finance and make out a stronger case for earmarking a certain percentage credit to the Food Processing Sector by the financial institutions.

RECOMMENDATION NO. 4

PROCESSED FOOD DEVELOPMENT FUND

The Committee note that Food Processing Sector, though termed as a sunrise sector, has been entirely left at the mercy of commercial Banks/Institutions. Obviously, these Institutions cannot provide easy and cheap finances to cover the risk faced by the units in this upcoming sector unless so stipulated by the Reserve Bank of India. In the opinion of the Committee, it is the Ministry, which alone can make out a stronger case for setting up a separate fund for Food Processing Sector as mooted in 1999-2000. The Committee reiterate that the Ministry should seriously take up the matter of creation of a “Food Development Fund” with the Planning Commission again in order to make institutional finance available to new entrepreneurs on soft terms so as to give a fillip and stimulus to the all round development of the Food Processing Sector.

RECOMMENDATION NO. 5

INTEGRATION OF FOOD LAWS

The Committee are constrained to note that considerable delay has already been made, for one reason or the other, in finalizing the draft Food Laws which envisage integration of the existing multifarious laws regulating Food Processing Industries. The Committee desire the Ministry of Food Processing Industries to expedite the matter without any further delay and present the integrated draft Food Laws to the Parliament at the earliest so that the Food Processing Sectors move from regulatory regime to the promotional and developmental regime. Needless to say, such a step will facilitate the growth of Food Processing Sector by providing a single window system to the entrepreneurs for setting up Food Processing Units in various fields and regions of the country.

RECOMMENDATION NO. 6

HIGHER ALLOCATION FOR INFRASTRUCTURE DEVELOPMENT/FOOD PARKS

The Committee are concerned to find that due to absence of basic infrastructural facilities, 8 to 37 per cent of total agricultural produce goes waste resulting in estimated loss of about Rs. 50,000 crore annually. The processing units are mainly concentrated in the states where better infrastructural facilities are available rather than at places where raw material is available and, as a result, most of the produce in the rural areas goes waste. In spite of India's leading position in dairy, meat and poultry sector, the percentage of processing units in organized sector is very negligible i.e. 15% in dairy and 10% in Meat. India processes 2% of the agricultural produce in comparison to 30% in Thailand, 80% in Brazil and 60-70% in countries like the UK & USA. To their utmost surprise, the Committee learnt that due to resource crunch, the corresponding allocations for the Scheme of infrastructure was fixed at Rs. 29 crores during 2002-03 and 2003-04, which has further drastically reduced to Rs. 10.00 crore at the RE of 2003-04. The main reasons for this as cited by the Ministry is that as a result of revised infrastructural Scheme, the financial assistance is restricted to 25% of the project cost in general areas and 33.33% in difficult areas but no viable proposals are forth coming. Earlier there was no such restriction in terms of percentage of the project cost. The components of packaging Centre, modernized abattoirs, irradiation facilities and value added centers were incorporated in the Scheme for infrastructure

development during the 10th Plan Period, but these were approved by the Cabinet Committee on Economic Affairs (CCEA) only in August, 2003.

The Committee further 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 45 Food Parks sanctioned, only 9 Food Parks are partly in operation but assured that vigorous monitoring and periodic review should expedite the operation of all the Parks.

The Committee, therefore, strongly recommend that the allocation for this Scheme should be enhanced positively at the RE Stage for 2004-05 and also in the coming years so that all the activities under the Schemes are fully operational in order to develop infrastructural facilities for Food Processing Sector. The Committee further desire the Ministry to liberalise the pattern of assistance and generate awareness about the Food Parks in order to attract more viable proposals and make concerted efforts to make all the sanctioned Food Parks fully operational as early as possible.

RECOMMENDATION NO. 7

STRENGTHENING OF THE MINISTRY OF FOOD PROCESSING INDUSTRIES

The Committee observe that the proposal for strengthening the Ministry of Food Processing Industries by merging various promotional organizations like APEDA, MPEDA, National Horticulture Board, National Cooperative Development Corporation etc. of the Ministry of Agriculture, Department of Agriculture & Cooperation has not been found acceptable by the Committee of Secretaries. In the considered opinion of the Committee, the Ministry should take up the matter again so that all promotional organisations working in the field of food processing, preservation and storage are brought under single administrative control. To begin with, at least the top experts of all relevant premier research organizations should form a joint pool of human resource, which can act as Standing Advisory Council to the Ministry of Food Processing Industries.

RECOMMENDATION NO. 8

SUPPLY OF FRUIT AND VEGETABLE PROCESSING FOR MID DAY MEAL

India losses 37% of its agricultural produce every year due to absence of infrastructure facilities. The Committee desire that the Ministry in coordination with State Nodal Agencies and Directorate of Fruit and Vegetable Processing should examine the feasibility of supply of fruits in consultation with the Ministry of Human Resources Development for distribution to schools as part of Mid Day Meal. This will certainly serve the multiple purpose like prevention of post harvest losses, supply of fruits and nutritious food to school children living below poverty line and provide remunerative prices to the farmers.

RECOMMENDATION NO. 9

COLD CHAINS

The Committee have observe that one of the greatest impediment in the overall development of Food Processing Industries is lack of integrated cold chains. The cold chain is a facility to keep the produce in a congenial atmosphere, right from farm to the market or from the farmers to the consumers. The Scheme was approved by the CCEA in August, 2003 only. The Committee feel that the integrated cold chain facilities are the lifeline of fresh food and require utmost attention to be paid. The Committee, therefore, strongly recommend that the Scheme of cold chain be implemented as early as possible. The Ministry should also take all the essential measure in cooperation with the concerned Ministries for improving the roads leading from farm where perishable goods are produced to the Urban Market Areas. The Government may also consider providing of refrigerated Rail Wagons, cargo and Vessels to transport the perishable food items from the remote locations to major markets and consumers centres so that growers get remunerative prices and the consumers get quality fresh food item.

The Committee desire that the Ministry may identify the district and regions having major fruit and vegetable clusters so that these could be made the nodal points for creation of Food Processing infrastructure facilities.

RECOMMENDATION NO. 10

HUMAN RESOURCE DEVELOPMENT

The Committee observe that Food Processing Industries are expected to grow rapidly in the years to come and consequently the demand for trained manpower at all the level (including entrepreneurs, managers, technologist, skilled workers etc.) to man the growing needs of the Food Processing Industries will also surge. This is more so because the existing Food Industry will also require continuous technology upgration and diversification and new ways to manage and market in the face of global competition. Management of quality control systems will again require specially trained manpower. Developing entrepreneurs with variety of skill will be the key to rapid growth of Food Processing Industries with a view to extending the spread of Food Processing Units in the remote areas closer to the raw material sources. There will be need for developing entrepreneurship in such areas for production packaging and marketing of processed food products. Furthermore, building international grade manpower to manage, innovate and build is one of the primary functions of the Government. To meet these objectives, the Ministry of Food Processing Industries have been implementing the Scheme for Human Resources Development. The Committee are distressed to note that due to limited resources available for plan purposes, RE for HRD in respect of 2002-03 and 2003-04 were restricted to Rs. 2.70 crore and Rs. 3.00 crore respectively. The Committee are apprehensive whether the Ministry would be anywhere near achieving the goal with such reduced allocations. The Committee, therefore, desire

that the Ministry of Finance and the Planning Commission be pursued to realize the importance of Human Resource Development in the Food Processing Sector and increase the allocation in future stages.

RECOMMENDATION NO. 11

DEVELOPMENT OF PROCESSABLE VARIETIES OF FRUITS & VEGETABLES

The Committee find that due to lack of awareness or for lack of accessibility the producers are not able to take advantage of the installed processing units and vice-versa. This is one of the reasons for low level of processing and losses incurred by the growers. The Committee, therefore, feel strongly that there is an urgent need for introducing processable varieties of fruits and vegetables and also of building awareness about the availabilities of the produce in consultation with Indian Council for Agricultural Research, Indian Horticultural Research Institute, National Horticulture Board and Horticulture Department of States. A coordinated approach needs to be adopted for promoting cultivation of processable varieties and popularize the same among processors and farmers. The Committee expect the Ministry to prepare, compile and disseminate information on all processable varieties of Fruits and Vegetables to attract entrepreneurs in the field of Food Processing.

RECOMMENDATION NO. 12

PROMOTING ETHNIC AND ORGANIC FOOD

The Committee take note of the growing consciousness among the consumers and the increasing demand for ethnic foods of organic origin in the context of reports of adulterated food items and use of harmful chemicals in processing and preservation of food produces. The market for ethnic foods and the products of organic origin, which are eco-friendly and health-friendly, are growing tremendously. The Committee, therefore, feel that the Ministry should direct their attention to this aspect as well and coordinate with Indian Council of Agricultural Research, (ICAR) Agricultural and Processed Export Development Authority (APEDA), National Horticultural Board (NHB) and the State Department to popularise the development of organic food processing and its marketing.

RECOMMENDATION NO. 13

FOOD FORTIFICATION

The Committee note that in order to control malnutrition and to enrich common man's food, a scheme for fortification of wheat flour has been launched under which fifty per cent of the cost of capital equipment of dosing machine subject to a maximum of Rs. 3 lakh is provided. As the Scheme has been launched recently, proposals are still awaited from the entrepreneurs. The Committee also note that fortified flour is being sold by a few branded names, which are not affordable by the general public suffering from malnutrition.

The Committee would like the Ministry to extend the Scheme to all the flourmills and examine earnestly the feasibility of making the existing Scheme for fortification popular and institute measures accordingly to control malnutrition.

RECOMMENDATION NO. 14

NEED FOR WIDER PUBLICITY

The Committee note that generic advertisement is the only way by which the Farmers Entrepreneurs, Self Help Groups, NGOs, Research Organisations and ultimately the consumers are made aware of the activities of the Ministry, its objectives and the advantages of processed food. The Committee are informed that many important schemes implemented by the Ministry, the response has been far from encouraging despite wider publicity given to various Schemes. Reportedly, there are no applicants for availing benefits under the forward linkages Scheme and not a single industry association has come forward to avail financial assistance, for collection, compilation and analysis of data. Many Schemes like, food fortification, modernization of abattoirs, all the component of infrastructure development scheme including cold chain have been approved by the Cabinet Committee on Economic Affairs (CCEA) on 23rd August 2003. The Ministry is yet to make the Scheme fully operational. The Committee further note that out of 45 Food Parks sanctioned only 9 are partly in operation. Many R&D Projects have been taken up recently and they are yet to demonstrate their utility. During 10th Plan Period, all the schemes have been broadened and in some cases new activities have been added. The rapidly increasing urbanization, rising level of literacy and rising per capita income have changed the food habit of the people which is giving a great boost to ready made processed food. India has the largest expanding middle class set to switch over to the processed food in a big way. Further, the demand of Indian Vegetarian Food

has been increasing in the global market. In this encouraging backdrop, the Committee strongly feel that the Ministry should mount an effective publicity campaign through print and electronic media including local news papers giving detailed information about benefits likely to accrue from its Schemes, procedure for availing the benefits, terms of investment, avenues for earning a handsome return etc. so as to attract more entrepreneurs. The Committee are optimistic more funds would be forthcoming in near future if viable projects are received and sanctioned by the Ministry.

RECOMMENDATION NO. 15

COMPILATION OF DATA AND FORMULATION OF NATIONAL FOOD PROCESSING POLICY

The Committee are informed that as the Food Processing Industries are both in the organized and unorganized sector, precise information relating to employment generated in the Food Processing Sector yearwise and state wise; amount of loan availed by the Food Processing Units under priority sector and reasons relating to decline in respect of export of Meat Products are not available with the Ministry. The Committee in their 43rd Report on Demands for Grants (2003-04) had recommended that the Ministry should compile data at the earliest for better planning and development of the Food Processing Sector and analyse their problems. The Committee are surprised to note that under the Scheme of Backward and Forward Integration and other Promotional Activities, a provision has been made to grant financial assistance upto Rs. 2 lakh to industry associations to enable them to collect, compile, analyse and publish data about Food Processing Industries' Units at regular interval. However, till now not a single industry association has come forward to avail the assistance. The Committee are afraid as to how the Government would prepare and finalise the draft National Food Processing Policy without such basic data. The Committee feel strongly that collection and compilation of relevant data is an essential sine-qua-non for the formulation of National Policy for Food Processing sector and therefore expect the Ministry to make concerted endeavours in this direction.

RECOMMENDATION NO. 16

HIGHER ALLOCATION FOR STRENGTHENING OF INSTITUTIONS

Under the umbrella of the Scheme for Strengthening of Institutions, financial assistance is being provided for the (i) Strengthening of Paddy Processing Research Centre (PPRC), (ii) Strengthening of State Nodal Agencies (SNAs), (iii) Meeting the expenditure of Pay and Allowances for the Plan Posts, and (iv) Information Technology. The PPRC is one of the autonomous institutions financed by the Ministry of Food Processing Industries. The institute adheres to its established responsibility of development and dissemination of technologies to reduce the post harvest losses in food grains with special emphasis on Paddy Processing. During the year 2004-05, the Ministry decided to discontinue assistance to Rice Milling on the plea that they are giving priority to commodities of perishable nature like Fruit and Vegetable, Poultry and Dairy Processing. The Ministry decided that appropriate measures like technology support for redressal of problems of rice milling industry will be taken care by the PPRC. So far as SNAs are concerned, the Committee note that as Food Processing Industries are in the unorganized sector, SNAs have to play a very vital role between state and Central Government. Information Technology can play a very crucial role in this sector. The Plan Funds utilization during first two years is Rs. 7.50 crore including BE 2004-05 i.e. 10.00 crore. Percentage expenditure for these scheme, is only 28.40% of the total approved 10th Plan outlay for the Scheme. The Committee, therefore, strongly recommend that in order to

strengthen the Food Processing Sector, the above-mentioned institutions should be strengthened further and enhanced allocations may made in the future years.

RECOMMENDATION NO. 17

HIGHER ALLOCATION FOR R&D AND QUALITY CONTROL MEASURES

Undoubtedly, India is blessed with large quantity and varieties of natural resources and can cater substantially to meet the demand of National and international markets. However, in the era of globalisation where competitiveness is the key to success, India must meet the exacting international standards in order to get a reasonable position as processed food exporter. The Committee note that though qualitative measures are being implemented by the Ministry through its plan schemes, many important sectors such as Meat and Poultry and Dairy Processing, do not meet the international standard. About 90% processed food products are in the unorganized sector. There is an urgent need to do a lot of research work in these fields including the need for tapping solar energy in the vast coastal line for the benefit of food processing units. The Committee are surprised to note that the financial allocation for 2004-2005 is only Rs. 6.00 crore which is less than the BE of 2002-03 and 2003-04. During the first three years of 10th Plan, the total expenditure is only 23.70% of the total 10th Plan approved outlay. During 10th Plan few proposals were received for research and development from the institutions and universities engaged in research because of unattractive Schemes. Surprisingly, for undertaking research projects, the cost of raw material, salaries of research personnel employed on the project have been deleted for getting financial assistance.

The Committee, therefore, recommend that the Scheme for Quality Control and Research Development should get higher allocation and the Ministry should take the responsibility to use these allocations fully by formulating attractive schemes to develop all the segments of Food Processing. The Committee further recommend that provision should be made within the Scheme to provide attractive incentives to the research personnel employed in the projects.

RECOMMENDATION NO. 18

HIGHER ALLOCATION FOR TECHNOLOGY UPGRADATION/ ESTABLISHMENT/MODERNISATION OF FOOD PROCESSING INDUSTRIES

The Committee note that during 10th Plan, assistance in the form of grant-in-aid is proposed to be extended to all segments of the Food Processing Sector including fruits, vegetables, milk, fish, grain, meat poultry and other consumer products. However, the Committee find that on allocation of Rs. 35.00 crore has been made in the BE for 2004-05 due to resource-crunch. Apparently, the scheme, despite its wide ranging scope to accelerate the growth of food processing sector, has not been given its due importance. The Committee therefore strongly recommend that this sector should be accorded due importance and accordingly made higher allocations.

RECOMMENDATION NO. 19

NATIONAL INSTITUTE OF FOOD TECHNOLOGY AND MANAGEMENT

The Ministry has a proposal to set up a National Institute of Food Technology and Management as a National Centre of Excellence which will work synergistically with the industry and similar institutions with the objective to help, develop and adopt world class food technologists and entrepreneurs; provide business incubator services; undertake research for development of food standards; provide training and advisory support to companies with established/potential interest in the food industry; and become an apex information resource Centre. The Ministry has identified an agency preparing for the feasibility and detailed project report. The work for preparation of Feasibility Report and Detailed Project Report is likely to be completed during the year under review.

The Committee note that the project cost, as per the feasibility report, is Rs. 133 crore. The budgetary allocation for this institute will be made from Rs. 10.00 crore provision for the Scheme of Human Resource Development. The Committee appreciate the efforts being undertaken by the Ministry in this direction and expect early finalisation of the feasibility report so that the apex body for food developing, food technology and management is set up at the earliest.

RECOMMENDATION NO. 20

FISH PROCESSING

The Committee note that India is the fourth largest producer of fish in the world and second largest producer of fresh water fish in the world. India with its vast coastline of more than 8,100 kms. and huge territorial waters and Exclusive Economic Zones, rivers, lakes and ponds offers great scope for fish production of all kinds. Reportedly, countries like Thailand and Bangladesh have done much more in this field. The Committee in their earlier Reports have been recommending for reformulating the Scheme for strengthening of traditional Fish Processing Technologies including technologies to use solar energy. The Committee have been informed that solar dryers are being used in some parts of the country but its cost efficiency in fish drying in commercial scale is yet to be proved. The Committee feel that with proper coordinated efforts with the State Governments, State Nodal Agencies and Fishery Cooperatives, the Ministry should be able to popularize the existing mechanical dryers in drying fish by lowering operational cost and yet at the same time by utilizing the available applied research in tapping the solar energy, big perennial source of energy.

The Committee further desire the Ministry of Food Processing Industries to borrow the technologies adopted by countries like Japan, Thailand and Bangladesh to exploit the existing vast marine as well as inland fishery resources in India. Special attention also needs to be directed to promote cold water fisheries and the fisheries in perennially water logged areas.

RECOMMENDATION NO. 21

SUBMISSION OF UTILISATION CERTIFICATE

The Committee are surprised to note that the Ministry have not been successful in getting utilization certificate from the grant receiving agencies. The Committee are unable to see as to how the Ministry is exercising vigil over the agencies receiving grant/financial assistance if unable even to obtain utilization certificates. In order to ensure effective monitoring and to safeguard the use of public money, it is essential that the Ministry institute a mechanism for receipt of Utilization Certificates within the stipulated time frame. In case of apparent failure, the Ministry can consider to stop the second installment and also take stringent action against the defaulters making them to refund the money, together with penal interest thereon. The Committee would also like to furnish a statement of the grants sanctioned, state-wise and the utilization certificated received and awaited.

RECOMMENDATION NO. 22

DAIRY PROCESSING

The Committee observe that India being the largest milk producer in the world, is poised to assume an important position in the global dairy industry as well. Many international dairy companies are reportedly viewing India with an eye on its vast growing market for dairy products. Milk production in India was estimated at 88 million tonnes during 2002-03 as against 84.60 million tonnes during 2001-02. However, organized dairying industry accounts for less than 15% of the milk produced in India. The rest of the milk is either consumed at Farm level, or is sold as fresh, non-pasteurized milk through unorganized channels. Despite implementing the Plan Scheme for setting up expansion/modernization of food processing units for manufacturing milk products, the position has hardly improved so far and our milk processing is still barely 14 per cent.

The Committee are perturbed to note that no applications were received seeking financial assistance from dairy sector during 2000-2001. During the years 2001-02 to 2003-04, 35 applications were received. Only one application was sanctioned each in year 2001-02 and 2002-03 and 9 in 2003-04. One application was closed/rejected in 2001-02, three in 2002-03 and two in 2003-04. Undoubtedly, there is something basically wrong with the way the scheme for financial scheme has been launched given the little response that the scheme has elicited. With such a tardy progress, the Committee are afraid whether Ministry will be able to do justice to

dairy processing sector by ensuring availability of quality and hygienic milk and milk products for the domestic market as well as for the exports.

The Committee, therefore strongly recommend that the Ministry should reexamine the scheme to make it encouraging and popular so that more viable proposals come forward to the Ministry for availing of assistance with a view to attaining the objective of standard quality and hygienic milk and milk products in the country.

RECOMMENDATION NO. 23

PATENTING OF INDIAN PROCESSED FOOD

The Committee observe that the global health establishment, particularly the European countries, have become aware of the benefits of vegetarianism because of rising fears about mad cow disease and reservation on red meat consumption. They look forward to India as their destination because no civilization uses vegetables and cereals in such a varied splendour as in India. India is now uniquely well placed to help the West to reduce their consumption of risky and not so healthy red meat by offering varied and sumptuous vegetarian food. Taking due note of the changing trend towards vegetarianism, the Committee strongly recommend that the Ministry explore and tap this unique emerging market, so that processed vegetarian food earns valuable foreign exchange. Besides, it is the quality food through which India's friendly relation with the external world will be further strengthened and become enduring. The Committee further desire that the Ministry should take all the necessary steps in coordination with the concerned Ministries to patent the Indian Vegetarian Food items in right earnest to avoid patenting of our food items by unscrupulous multinational corporations.

RECOMMENDATION NO. 24

SEPARATE DEPARTMENT OF FOOD PROCESSING INDUSTRIES IN EACH STATE/UTs

Food Processing is a state subject and it is spread over in organized and unorganized sector all over the country. The subject is handed by separate departments in most of the States where there is no specific Food Processing Department. Pursuant to the recommendations of the Standing Committee on Agriculture, a separate Ministry of Food Processing Industries was created in the year 2002 at the union level. When asked about the need for having s separate Department in all the States/UTs, the Secretary replied in the affirmative and felt that such a course would be immensely beneficial and accelerate the growth of food processing sector.

The Committee, therefore, recommend that the Ministry of Food Processing Industries being the nodal Ministry to develop Food Processing Industries in the country, should persuade the State Governments for creation of a separate Ministry/Department exclusively to deal with Food Processing Industries, where they do not exist for the speedy Development of Food Processing Industries.

NEW DELHI;
13 August, 2004
22 Sravana, 1926 (Saka)

PROF. RAM GOPAL YADAV
Chairman,
Standing Committee on Agriculture

**MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON
AGRICULTURE HELD ON TUESDAY, 10 AUGUST, 2004 IN COMMITTEE ROOM 'D',
PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee sat from 1500 hours to 1725 hours

PRESENT

Prof. Ram Gopal Yadav – Chairman

MEMBERS

LOK SABHA

2. Shri Hiten Barman
3. Shri G.L. Bhargava
4. Shri Shivraj Singh Chauhan
5. Shri Khagen Das
6. Shri Raghunath Jha
7. Shri M.P. Veerendra Kumar
8. Shri Mehboob Zahedi

RAJYA SABHA

9. Shri Harish Rawat
10. Shri Raashid Alvi
11. Shri Pyarelal Khandelwal
12. Shri Sk. Khabir Uddin Ahmed
13. Shri Bhagwati Singh
14. Shri Bashistha Narain Singh

SECRETARIAT

- | | | | |
|----|---------------------|---|--------------------|
| 1. | Shri N.K. Sapra | - | Joint Secretary |
| 2. | Shri Devender Singh | - | Director |
| 3. | Shri A.S. Chera | - | Deputy Secretary |
| 4. | Shri K.D. Muley | - | Under Secretary |
| 5. | Smt. Ratna Bhagwani | - | Assistant Director |

WITNESSES

1.	Shri D.P. Singh	-	Secretary
2.	Shri Gautam Basu	-	AS&FA
3.	Shri Arun Kumar	-	Joint Secretary
4.	Shri A.N.P. Sinha	-	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 thereafter, requested the Secretary to introduce his colleagues.

2. After introduction of officials, the Secretary gave a brief overview of the functioning of the Ministry. He expressed his gratitude to the Committee for their valuable support to the Ministry in getting higher allocations. He explained the importance of Food Parks, their functioning and emphasized the importance of the role of the Ministry keeping in view the potential of Food Processing Sector in catalysing the national economy.

3. The Chairman and the Members asked questions on Cold Storages, Food Parks, Prevention of wastage of Fruits and Vegetables, inadequate Allocation of Funds, Development of North Eastern States, Creation of separate Department/Ministry of Food Processing Industries in all the States/Union Territories, etc. The representatives of the Ministry replied to the queries one by one. The Chairman desired the Secretary to furnish replies to the points raised by Members where the Secretary did not give reply due to lack of time.

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

The witnesses then withdrew.

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

**MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON
AGRICULTURE HELD ON FRIDAY, 13 AUGUST, 2004 IN COMMITTEE ROOM 'D',
PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee sat from 1100 hours to 1300 hours

PRESENT

Prof. Ram Gopal Yadav – Chairman

MEMBERS

LOK SABHA

2. Shri G.L. Bhargava
3. Shri Kuldeep Bishnoi
4. Shri Khagen Das
5. Shri Raghunath Jha
6. Smt. Rupatai D. Patil Nilangekar
7. Shri A. Ravichandran
8. Shri Mahboob Zahedi

RAJYA SABHA

9. Smt. Mohsina Kidwai
10. Shri Harish Rawat
11. Shri Raashid Alvi
12. Shri Pyarelal Khandelwal
13. Shri Sk. Khabir Uddin Ahmed
14. Shri Bhagwati Singh
15. Shri Bashistha Narain Singh

SECRETARIAT

- | | | | |
|----|---------------------|---|--------------------|
| 1. | Shri N.K. Sapra | - | Joint Secretary |
| 2. | Shri Devender Singh | - | Director |
| 3. | Shri A.S.Chera | - | Deputy Secretary |
| 4. | Shri K.D.Muley | - | Under Secretary |
| 5. | Smt. Ratna Bhagwani | - | Assistant Director |

At the outset, the Chairman welcomed the members. Thereafter, the Committee took up for consideration the Draft Reports on Demands for Grants (2004-05) 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

(2) Ministry of Food Processing Industries

2. The Committee adopted the Draft Reports with minor additions and modifications, as suggested by members of the Committee.

3. The Committee then authorised the Chairman to finalise the above-mentioned Reports on Demands for Grants (2004-05) and present them to the House on a date and time convenient to him.

4. The Chairman thanked the Members for their cooperation and giving valuable suggestions during the consideration of Demands for Grants of the concerned Ministries/Departments. Then, the Committee unanimously appreciated the sincere and dedicated efforts put in by the officers and staff of the Agriculture Committee Branch for drafting the excellent reports within a very short span of time.

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