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**STANDING COMMITTEE ON AGRICULTURE
(2007-08)**

FOURTEENTH LOK SABHA

MINISTRY OF FOOD PROCESSING INDUSTRIES

DEMANDS FOR GRANTS (2008-2009)

FOURTIETH REPORT



LOK SABHA SECRETARIAT

NEW DELHI

APRIL, 2008/CHAITRA, 1930 (Saka)

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Presented to Lok Sabha on 16.04.2008
Laid in Rajya Sabha on 16.04.2008



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NEW DELHI

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COMPOSITION OF THE STANDING COMMITTEE ON AGRICULTURE (2007-2008)

Prof. Ram Gopal Yadav – Chairman

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30. Shri M.Rajasekara Murthy
31. Prof. M.S.Swaminathan

Ceased to be the member of this Committee due to his appointment as Minister of State (Independent charge) in the Council of Ministers on 6.04.2008

@ Ceased to be the members of this Committee due to retirement from Rajya Sabha on 2.04.2008

SECRETARIAT

1.	Shri S.K. Sharma	-	Addl. Secretary
2.	Shri A.K. Singh	-	Joint Secretary
3.	Shri Raj Kumar	-	Deputy Secretary
4.	Shri N.S. Hooda	-	Deputy Secretary
5.	Ms. Amita Walia	-	Under Secretary
6.	Shri M.D. Tuteja	-	Executive Officer

INTRODUCTION

I, the Chairman, Standing Committee on Agriculture, having been authorized by the Committee to submit the report on their behalf, present this Fortieth Report on the Demands for Grants (2008-2009) of the Ministry of Food Processing Industries.

The Demands for Grants of the Ministry of Food Processing Industries were laid on the table of the House on 19th March, 2008. Under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Committee has to consider the Demands for Grants of the concerned Ministries/Departments under its jurisdiction and make a report on the same to both the Houses of Parliament.

3. The Committee took evidence of the representatives of the Ministry of Food Processing Industries at their sitting held on 31st March 2008. The Committee wish to express their thanks to the officers of the Ministry of Food Processing Industries for giving evidence and for placing before the Committee the study material and information desired in connection with the examination of Demands for Grants of the Ministry of Food Processing Industries.

The Committee considered and adopted the report at their sitting held on 11th April, 2008.

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

NEW DELHI;
11 April, 2008
22 Chaitra, 1930 (Saka)

PROF. RAM GOPAL YADAV
Chairman,
Standing Committee on Agriculture

PART – I

Chapter I

INTRODUCTORY

1.1 Food processing involves any type of value addition to agricultural or horticultural produce and also includes processes such as grading, sorting, packaging etc. which enhances shelf life of the produce. The industry provides vital linkages and synergies between industry and agriculture. The Ministry of Food Processing Industries (MFPI) was set up in July 1988 to give an impetus to development of food processing industries in the country. Subsequently, this Ministry was made a Department and brought under the Ministry of Agriculture. It was again notified as the Ministry of Food Processing Industries in September, 2001.

1.2 A major issue facing the country is how to ensure remunerative prices to the farmers for their produce. The issue could be addressed to an extent, if the surplus production of cereals, fruits, vegetables, milk, fish, meat and poultry etc. are processed and marketed both inside and outside the country. A strong and dynamic food processing sector plays a vital role in diversification and commercialization of agriculture, enhances shelf life, ensures value addition to the agricultural produce, generates employment, enhances income of farmers and creates markets for export of agro foods. The Ministry of Food Processing Industries is concerned with formulation and implementation of the policies & plans for the food processing industries within the overall national priorities and objectives. The Ministry acts as a catalyst for bringing in greater investment into this

sector, guiding and helping the industry, and creating a conducive environment for healthy growth of the food processing industry. Within these overall objectives, the Ministry aims at:

- Better utilization and value addition of agricultural produce.
- Minimizing wastage at all stages in the food processing chain by development of infrastructure for storage, transportation and processing of agro-food produce.
- Induction of modern technology into the food processing industries.
- Encouraging R&D in food processing for product & process development.
- Providing policy support, promotional initiatives and facilities to promote value added exports.

1.3 The Ministry of Food Processing Industries has been operating several plan schemes for development of processed food industry. Taking into account the recommendations of the Working Group constituted by the Planning Commission, the constraints faced by the industry, the need to accelerate growth of the sector and the priority status accorded to food processing industry by Government, the Ministry of Food Processing Industries stepped up operation of several Plan schemes during the Current Plan.

Status and growth of FPI sector

1.4 India's agricultural production base is quite strong but at the same time wastage of agricultural produce is massive. Processing level is very low i.e. around 2% for fruits & vegetables, 26% for marine 6% for poultry and 20% for buffalo meat, as against 60-70% in developed countries. India's export of processed food in global trade is only 1.5%.

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

1.6 Government is committed to enhance industrial growth and put it on a robust footing. Government is actively encouraging investment in agro processing industries to reduce wastage and encourage value addition. Accordingly for giving a boost to FPI sector recently Government has initiated several measures besides tax concessions as per details given in the next chapter. Average Growth rate of FPI during the last five years (upto 2003-04) has been 7.15%.

Vision 2015

1.7 A Vision Document 2015 on Food Processing Industries has been finalized by this Ministry for giving boost to growth of food processing Sector which envisages trepling the size of the processed food sector by increasing the level of processing of perishables from 6% to 20%, value addition from 20% to 35% and share in global food trade from 1.5% to 3% by 2015. Under the Vision 2015, the thrust areas identified for strategic intervention are - establishing Mega Food Parks, Modernization of Abattoirs, Cold Chain/Value Addition and Preservation Infrastructure, Upgrading safety and quality of Street Food and Establishment/Upgradation of Quality Control Laboratories. Government has identified strategies along with a detailed action plan in this regard to realize the Vision 2015.

Policy Initiatives

1.8 The Ministry have informed that several policy initiatives have been taken from time to time to promote growth of the processed food sector in the country. Some of these are:

- a) Most of the processed food items have been exempted from the purview of licensing under the Industries (Development & Regulation) Act, 1951, except items reserved for small-scale sector and alcoholic beverages.
- b) Food processing industries were included in the list of priority sector for bank lending in 1999.
- c) Automatic approval for foreign equity upto 100% is available for most of the processed food items excepting alcohol and beer and those reserved for small scale sector subject to certain conditions.
- d) Licensing powers delegated to regional offices under Fruit Products Order, 1955.
- e) Excise duty on processed fruit and vegetables has been brought down from 16% to zero level in the Budget, 2001-02.
- f) In the budget of 2004-05 income tax holiday and other concessions announced for certain FPI sectors.
- g) In the Budget 2006-07 onwards excise duty has been waived on condensed milk, ice cream, preparations of meat, fish and poultry, pectins, pasta and yeast. Excise duty on ready to eat packaged foods and instant food mixes, like dosa and idli mixes have been reduced to 0%. Excise duty on aerated drinks has been reduced to 14%. Fruit and vegetable processing units are already exempted from payment of excise duty. To ensure easy availability of credit,

Government has included food processing industries in the list of priority sector for bank lending. NABARD has created a refinancing window with a corpus of Rupees one thousand crore for agro processing infrastructure and market development.

- h) In the budget of 2007-08, Fiscal Incentives like Exemption limit of excise duty for Small Scale Industry (SSI) raised from Rs. 1 crore to Rs. 15 crore, Excise duty on biscuits reduced from 8% to 0% whose retail price does not exceed Rs. 50 per Kg, Excise duty reduced from 8% to 0% on all kind of food mixes including instant mixes, Custom duty on food processing machinery reduced from 7.5% to 5%. Custom duty on sunflower oil(crude) reduced from 65% to 50% and of sunflower oil (refined) reduced from 75% to 60%,Special Additional duty of 4% waived in the case of refined edible oil, Central Sales Tax reduced from 4% to 3% from April 1, 2007.All service provided by Technology Business Incubators exempted from service tax. Similarly the incubators whose annual business turnover does not exceed Rs.50 lakhs exempted from service tax for the first three years. Licensing powers delegated to regional offices under Fruit Products Order,1955 were announced.

Developmental Initiatives

- 1.9 (a) Assistance under various plan schemes.
- (b) Widening the R&D base in food processing by involvement of various R&D institutes and support to various R&D activities.

- (c) Human Resource Development to meet the growing requirement of managers, entrepreneurs and skilled workers in the food processing industry.
- (d) Assistance for setting up analytical and testing laboratories, active participation in the laying down of food standards and their harmonization with the international standards.
- (e) Ministry is setting up a national level institute called National Institute of Food Technology, Entrepreneurship and Management (NIFTEM) at Kundli in Haryana at an estimated cost of Rs.244.6 crore. The Institute will be of international standard and it will be made partly operational this year.

Promotional Initiatives

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

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

Regulatory

- 1.11 (i) Implementation of Fruit Products Order (FPO), 1955.
- (ii) Implementation of Meat Food Product Order, 1973.

Chapter II

OVERALL EVALUATION OF THE DEMANDS FOR GRANTS 2007-08 OF THE MINISTRY OF FOOD PROCESSING INDUSTRIES

Status of Implementation of the recommendations made by the Committee in Thirtieth Report of the Committee on Demands For Grants (2007-08).

2.1 The Standing Committee on Agriculture presented Thirtieth Report on Demands for Grants (2007-08) relating to the Ministry of Food Processing Industries on 27 April, 2007. The Thirty-sixth Report on Action Taken by the Government on the recommendations contained in the Thirtieth Report on DFG (2007-08) was presented to Lok Sabha on 30 November, 2007. Out of 8 recommendations, 4 recommendations were accepted by the Government. The replies of the Government in respect of 3 recommendations were not accepted by the Committee. The Committee reiterated these recommendations in their Thirty-sixth Report. Besides, the Committee had their comments on three recommendations in all. The Committee did not desire to pursue of one recommendation in view of the reply given by the Government.

2.2 The Committee's Recommendation No. 4 in regard to Modernization of Abattoirs, the Ministry has proposed to modernize 50 Abattoirs during Eleventh Plan. One recommendation regarding Vision 2015, the Ministry has taken cognizance and initiated steps for giving boost to the growth of food processing sector.

Chapter III

OVERVIEW OF DEMANDS

3.1 The BE and RE for 2007-08 and BE for 2008-09 pertaining to the Ministry of Food Processing Industries are as under:-

(Rs. in Crore)

Budget Estimate (2007-08)			Revised Estimate (2007-08)			Budget Estimate (2008-09)		
Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
250	8.30	258.30	200	8.68	208.68	290	9	299

3.2 It may be seen that there has been 20% decrease in plan allocation in RE (2007-08) as compared to BE(2007-08) and there is an increase of 16% in BE(2008-09) as compared to BE(2007-08). When asked about the reasons for decreased allocation at RE stage 2007-08 as compared to BE (2007-08), the Ministry in their written reply has stated as under:

“The Annual Plan Allocation for 2007-08 made by the Planning Commission at BE stage was Rs.250 crores. Since this was the first year of the 11th Plan, the expenditure on various schemes was depended upon the approval of the 11th Plan schemes by the Planning Commission as well as by the EFC/CCEA. The ‘in principle’ approval of the Planning Commission for the six Plan Schemes was received on 9th February, 2007. Only one of the six schemes namely, Scheme for Technology Upgradation/Modernization/Establishment of Food Processing Industries which is a continuation of the 10th Plan Scheme without any changes was implemented during the year 2007-08 without the need for approval of EFC etc. In view of the above, expenditure could be incurred mainly in respect of applications received under the above scheme.”

3.3 As per information furnished by the Ministry, the following six schemes were approved ‘in principle’ by the Planning Commission for implementation during the 11th

Plan. Necessary funds were also allocated to these schemes, subject to approval of the respective schemes by the competent authority, namely EFC/CCEA:-

- (i) Scheme for Infrastructure Development
- (ii) Scheme for Quality Assurance, Codex Standards, R&D and Promotional Activities
- (iii) Scheme for Human Resource Development
- (iv) Scheme for Upgradation of Quality of Street Foods
- (v) Scheme for Strengthening of Institutions
- (vi) Scheme for Technology Upgradation and Establishment of Food Processing Industries.

3.4 Of the above schemes mentioned at Serial Nos. (i) to (iv) could not be implemented during the current year in the absence of approval of the competent authorities namely EFC/CCEA. Also, two of the components of the scheme for Strengthening of institutions, namely (a) Establishment of Wine Board and (b) Establishment of Meat and Poultry Processing Board have also not been implemented in the absence of necessary approvals. As already mentioned in Point 2(a) above, in the absence of approval from the Planning Commission, the Ministry could not initiate the preparation of the documents containing the individual scheme-wise proposals for the approval of Expenditure Finance Committee which also required prior consultation with the concerned Ministries in the Government of India before the document could be finalized and submitted to the EFC for its consideration. The NDC approved the XI Plan only in the month December, 2007. The EFC meetings in respect of five of the schemes could only be held in the month of February and March, 2008. Of these, three schemes

require further approval of the Cabinet Committee on Economic Affairs before the schemes could be implemented.

3.5 During evidence the Secretary, Ministry of Food Processing Industries stated:

“Since the Planning Commission’s approval for the Eleventh Plan itself came in December last year, we were practically prevented from starting any new programmes last year. Last year, we just could not move any new programmes; we could only continue the existing programmes which we were there, without any changes. Even for that, till November, we were not given clearance. We were told that even for those you have to go back to get the approval of the Cabinet and the EFC. So, perforce, we were confined to our main scheme of setting up Modernization of Food Processing Units for which Rs.50 lakh per unit is given. That is the only scheme which we could take up last year. All other schemes, because they involved changes, additional subsidy or the change in the parameters of the scheme, had to go through first the approval of the Planning Commission, then the Expenditure Finance Committee and now the Cabinet”

3.6 The scheme-wise details of demands projected by the Ministry during 2008-09 and the scheme wise demand actually allotted in Budget by the Planning Commission are as follows:-

(Rs. in crore)			
S.No.	Name of the Scheme/Programme	2008-09	
		Proposed by Ministry	Agreed by Planning Commission
1.	2.	3.	4.
1.	Infrastructure Development	464.00	100.00
2.	Technology upgradation, establishment & modernization of food processing industries	150.00	100.00
3.	Scheme for Upgradation of Quality of Street Food	60.00	5.00

4.	Quality assurance, Codex standards and R&D and Promotional Activities	54.70	20.00
5.	Human Resource Development	15.00	5.00
6.	Strengthening of Institutions	126.95	60.00
7.	North East including Sikkim (out of total outlay)	(87.00)	(29.00)
8.	Total	870.65	290.00

3.7 During the evidence when asked the reasons for lower allocations, the Secretary, FPI deposed as under:

“The Planning Commission reviewed the expenditure and said that we did not spend. Though we told them that last year, we could not spend. They raised the total Plan allocation for the 11th Plan from Rs.600 crore to Rs.4,000 crore. They recognized the importance of this sector. But when they looked at the last year’s expenditure, they said, it is only Rs.290-300 crore, we will give you only that much amount. But we said that we could not do a single thing last year because the entire scheme was not approved. The NDC meeting itself took place in December and so, the scheme could not be approved and we could not touch it. They said, it is all right, we will give you only this much now and if you start spending, we can raise it to whatever amount you need. We have got an assurance from the Deputy-Chairman, Planning Commission, that this Rs.4000 crore is available to the Ministry, if we can speed up spending.”

3.8 The details and proportion of Budgetary allocation made in favour of the Ministry of Food Processing Industries out of the total Plan Budget of the Government of India during the last five years and 2008-09 are as follows:-

YEARS	CENTRAL GOVT. OUTLAY	OUTLAY FOR MOFPI	PROPORTION OF OUTLAY FOR MOFPI OUT OF THE TOTAL OUTLAY
	(Rs. Crore)		
2003-04	147893.00	65.00	0.0440%
2004-05	150818.00	85.00	0.0564%
2005-06	211253.00	136.00	0.0644%
2006-07	254041.00	150.00	0.0590%
2007-08	292337.00	200.00	0.0684%
2008-09	375485.00	290.00	0.0772%

3.9 When asked about investment in the Food processing Sector, the Ministry in their written reply stated:

“The Ministry has carried out studies through independent evaluation agencies on the impact of project assistance provided by the Ministry through its various schemes. Further, Rabo Bank has undertaken a study on Vision 2015 for the Ministry. These studies have brought out, interalia, the following findings:

- 1) Food Processing Sector generates significant employment. The multiplier effect of investment in food processing industry on employment generation is 2.5 times than in other industrial sectors, higher than any other sector. Even within food processing industry, the employment intensity is significantly higher in the unorganized sector as compared to the organized sector for the same level of investment.
- 2) The impact of increased economic growth in agribusiness through food processing can play a significant role in reducing rural poverty

and increasing rural incomes. Food processing leads to significant employment generation not only directly but also indirectly across the supply chain in production and procurement of raw materials and distribution of food products to consumers.

- 3) The studies have identified that employment generated through the investment made in the food processing sector with the support of grant provided by the Government as between 2-3 direct and 2-8 indirect per lakh of grant provided.”

3.10 The Market size for processed foods is estimated at Rs. 460,000 crores (in 2003-04) which comprises of Rs. 280,000 crores of primary processed food (packed fruits and vegetables, packed milk, unbranded edible oil, milled rice, flour, tea, coffee, sugar, pulses, spices and salt) and Rs. 180,000 crores of value added processed food (including processed fruits and vegetables, juices, jams, pickles etc, dairy products, branded edible oil, bakery products, meat, marine and poultry products, beverages, confectionery items etc,). In addition, the global market for agri-horticultural products (in 2003-04) has been estimated at US\$32500 billion of which India’s share is 1.6 per cent (US\$ 520 billion).

Chapter IV

IMPLEMENTATION OF SCHEMES

A. SCHEME FOR INFRASTRUCTURE DEVELOPMENT

4.1 The objective of the Scheme for Infrastructure Development is to provide Infrastructure and common facilities for use by small and medium enterprises, which enhance value addition. Scheme for Infrastructure Development has been revamped in the 11th Plan which will have four major components, namely, Mega Food Parks, Integrated Cold Chain, Modernization of Abattoirs and Value Added Centres. It envisages for setting up of thirty mega Food Parks in the country during 11th Five Year Plan period. The scheme which is project oriented aims to provide a mechanism to bring together farmers, processors and retailers and link agricultural production to the market so as to ensure maximization of value addition, minimization of wastages and improving farmers' income. Mega Food Park envisages a well defined agri/horticultural processing zone containing state of the art processing facilities with support infrastructure and well established supply chain. The primary objective of the scheme is to facilitate establishment of an integrated value chain, with processing at the core and supported by requisite forward and backward linkages. Under the scheme, financial assistance in the form of grant-in-aid upto 50% of the project cost in general areas and upto 75% of the project cost in special category states subject to a maximum of Rs.50.00 core or the cost of approved facilities, whichever is lower, has been envisaged for all implementing agencies.

4.2 Budgetary allocations under the scheme are as under:

(Rs.in Crore)

Year	BE	RE	Actual
2005-06	49.00	10.00	15.65
2006-07	22.00	13.62	13.21
2007-08	100.00	16.50	12.37 (prov.)
2008-09	100.00	-	-

4.3 When asked the reasons for reduction of funds at RE stage 2007-08 from Rs.100.00 crore (BE) to Rs.16.50, the Ministry has intimated as under:

“RE was reduced to Rs. 16.50 crore from Rs. 100.00 crore and could not be spent during 2007-08 as the scheme of the infrastructure development like mega Food Park, Integrated Cold Chain for 11th Plan are yet to be approved. The expenditure made so far is based on the proposals approved during 10th Plan. 11th Plan Scheme has provision of 30 mega food parks and 30 Integrated Cold Chain Irradiation projects including Irradiation Facilities. The initial 5 projects of Mega food parks for which advance action has been initiated, are likely to be operational by March, 2009 and other projects would also be implemented simultaneously, the gestation period of the projects being 18-24 months from the date of commencement, which would benefit a large number of farmers/food processing entrepreneurs. To ensure faster implementation of projects and utilisation of funds, Ministry has engaged Project Management Agency (PMA) to assist in appraisal and implementation of projects.”

Food Parks

4.4 The Scheme of Food Parks under 10th Plan envisaged to make available common infrastructure facilities for the Food Processing Industry, especially, SMEs. The Scheme provided for a grant of up to 25% of the project cost subject to a maximum of Rs.4 crore. Higher scale of assistance @ 33.33% was admissible for difficult areas including North-Eastern States, J&K, Himachal Pradesh and Uttarakhand. Under the Scheme, 02 Food Parks were assisted under 8th Plan, 39 under 9th Plan Scheme and 15 under 10th Plan. An amount of Rs.125.34 crore has been released under the Scheme upto November 2007. A

total of 56 Food Parks had been approved and out of which 29 Food Parks have become operational so far.

4.5 Ministry of Food Processing Industries has informed that they had commissioned reputed external agencies such as EDI, Ahemdabad, Consulting Engineers Ltd. etc. to carry out evaluation of the Food Parks scheme. As most of these Food Parks have been promoted by State Industrial Development Agencies, they have been conceptualized in traditional industrial estate mode with no forward and backward linkages. Major reasons for the poor functioning of parks are mentioned below:

- Poor site selection
- Delay in providing basic infrastructure facilities like power, water, road etc.
- Absence of strong backward linkages
- Weak linkages with the market
- Delay in release of financial assistance
- Poor management and implementation capabilities
- Lack of funding for components such as internal roads, drainage, environmental control facilities and solid waste management facilities etc. which are also important infrastructure needed in the park.

Mega Food Park

4.6 The Ministry of Food Processing Industries proposes to implement a Scheme to establish 30 Mega Food Parks in the country during 11th Plan with the following objectives:

- Provide state-of-the-art infrastructure for food processing in the country on a pre-identified cluster basis.

- Ensure value addition of agricultural commodities including poultry, meat, dairy, fisheries etc.
- Establish a sustainable raw material supply chain for each cluster
- Facilitate induction of latest technology
- Foster interagency linkages for pooling of resources for activities complementary to food processing
- Quality assurance through better process control and capacity building.
- Address issues of small farm size and small and medium nature of processing industries through a cluster approach with stakeholders managing the supply chain.

4.7 Ministry of Food Processing Industries (MFPI) has submitted a proposal on Mega Food Parks to Planning Commission for implementation during 11th Five Year Plan which aims to provide a mechanism to bring together farmers, processors and retailers and link agricultural production to the market so as to ensure maximizing value addition, minimizing wastages, increasing farmers' income and creating employment opportunities in rural sector. Mega Food Park envisages a well-defined agri/horticultural-processing zone containing state-of-the-art processing facilities with support infrastructure and well-established supply chain. The primary objective of the proposed scheme is to facilitate establishment of integrated value chain, with processing at the core and supported by requisite forward and backward linkages. It is proposed to provide financial assistance upto 50% of the project cost (NE Region and difficult areas 75%) subject to a ceiling of Rs.50 Crore for setting up of Mega Food Park.

4.8 Advocating the concept of Mega Food Parks, the Ministry stated that scheme of Mega Food Park would be pre-marketed and locations will be demand driven. Detailed techno-feasibility will be required to assess viable projects/clusters and during the pre-feasibility, possibility of linkages of Upgradation of any existing Food Parks will also be considered. However, the curtail parameters will be the overall viability of sustainability of the project. The ownership and management of the Mega Food Park would vest with a SPV in which organized retailers, processors, service providers etc may be the equity holders or there may be an anchor investor along with its ancillaries. SPV will be structured to ensure control of the SPV by industry stakeholders. The farmer organizations will be encouraged to participate in the SPV. The government agencies may also be shareholders in SPV upto a maximum of 49 %. The scheme proposes to engage a professionally managed organization, which has intensive experience in project management and development as PMA (Project Management Agency). PMA appointed by MFPI would assist in carrying out feasibility studies, appraisal of project proposals submitted under the Scheme by SPVs and monitoring of the projects.

Modernization of Abattoirs

4.9 The Ministry of Food Processing Industries has informed that during the 11th five-year plan Ministry has proposed to assist setting up of 50 Modern Abattoirs and fund earmarked is Rs. 628 Crores for the scheme of “Modernization of existing abattoirs/ setting up of Modern Abattoirs”.

4.10 In order to identify abattoirs in the proposed scheme, detailed feasibility studies have been carried out to provide insights into various institutional, technical/ engineering, commercial, financial and operational details of proposed intervention.

- Project Management Agency (PMA) is being identified to assist the MFPI in appraisal and implementation of the project. Based on the feasibility studies, locations will be identified with the involvement of State Govt./ ULBs / stake holders / partners / linkages, the detailed supply chain and the broad business plan of the proposed projects would be prepared.
- Each of the identified projects will need to be owned, executed and managed by the concerned local bodies or taken up by private entrepreneur, Technically competent Project Implementing Agencies (PIA) will be identified for developing / structuring appropriate institutional mechanism / framework in the form of project specific arrangements.

4.11 About the scheme for Modernization of Abattoirs, the Secretary during the evidence stated as under:

“Abattoir modernization, is a new scheme which has come down to us from the Department of Animal Husbandry. Last, in fact, the Planning Commission asked us to take up modernization of abattoir also. One of the main reasons which this scheme did not take off in the Ministry of Agriculture was that it was designed in such a way that the municipality had to contribute 50 per cent of the cost.

So other than Delhi where the Abattoir is again getting built, in not a single place abattoirs could be modernized. So, we had a look at the existing Abattoirs, talk to the builders of abattoirs, talk to the people who are in-charge of animals and now we have redesigned the structure of abattoirs. We have now inducted private sector both in terms of capital and management into abattoir management, and the regulation of standards and quality will be done by the Municipalities. We have identified 15 abattoirs right across the country.”

B. SCHEME FOR UPGRADATION OF QUALITY OF STREET FOOD AND FOOD STREET

4.12 The Ministry of Food Processing Industries has taken initiative along with industry associations, NGO, municipal bodies, etc. to improve the safety of food in the streets.

Scheme is aimed at laying down standards, quality up-gradation and capacity building of street food vendors in 50 cities in the country. The Scheme envisages capacity building activities amongst the street food vendors and formation of viable micro finance linkages and regulatory mechanisms in association with local authorities. Standards will be developed for food safety and certification and accreditation mechanism put in place. 9 Pilot projects are proposed to be taken up in Delhi, Chennai, Kolkata, Agra, Mumbai, Guwahati, Agartala, Bangalore and Jaipur.

4.13 It was informed that the scheme contains two components:

Component 1: Safe Food Town

In this component, it is expected to provide for 5000 Food-Carts/Kiosks/Vending Equipment to the trained fleet of Street Food Vendors.

Component 2: Food-Street: 2 streets to be developed/upgraded into Food-Streets in the country.

4.14 Both of these components are expected to be completed within March 2009. Baseline Survey of 4500 identified Street Food Vendors has been completed across 9 cities. Process for the engagement of a Project Management Agency and development of Training Manuals are in progress and expected to be completed shortly.

This new scheme for upgradation of quality of street food and food street has been proposed in the XIth Plan. Rs.5 crore has been allocated for 2008-09 as against BE of Rs.1 core in 2007-08.

4.15 When asked the details of utilization of Rs. 1 crore during the year 2007-08, the Ministry has stated as follows:

“The proposal has been recommended by the Expenditure Finance Committee but the approval of Cabinet is awaited. As this is a new Scheme, formal approval is required before its operationalisation. A token amount of Rs. 1 crore was provided to carry out activities related to the Pilot Phase and Rs.0.67 crore have been spent so far.”

4.16 In regard to low allocation and identification of sites for “Food Street”, the Ministry in their written reply has stated as under:

“During the initial 2 years, though the allocation is low, this will take off once the activities at the Project Level start getting implemented. A budget allocation of Rs. 5.00 Crores for 2008-09 has been made to carry out various capacity-building measures for 15000 Street Food Vendors under the component of Safe Food Towns and for up-gradation of 10 streets as Food-Streets. Some proposals have been received in the Ministry under the component of ‘Food-Street’ from Udaipur, Jaipur, etc. however, these are more in the nature of preliminary enquiries about the details of the Scheme”.

4.17 In this regard, the Secretary during the evidence has informed:

“When the Food Safety and Standards Act was passed by parliament two years ago, one of the conditions which was put was that this law should not apply to unorganized sector because once you start applying it, the Inspector Raj will come up and you start harassing the smaller producers. But then, many experts are worried about the level of contamination, safety and hygiene in the unorganized sector – food served in streets, food served in smaller food establishment.

We have just completed a pilot project in eight cities covering about 5,000 vendors. Delhi has got three locations – one in INA market, one in Chandni Chowk and one in Karol Bagh. We have taken about 200 to 300 boys and girls who are actually supplying food.”

C. SCHEME FOR STRENGTHENING OF INSTITUTIONS

4.18 The objectives of the scheme for strengthening of Institutions are to strengthen Indian Institute of crop Processing Technology, State Nodal Agencies (SNA), setting up of National Meat and Poultry and Processing Board, setting up of National Wine Board and setting up of National Institute of Food Technology Entrepreneurship and Management (NIFTEM). Budgetary allocations under the scheme are as under:-

(Rs. in crore)

Year	BE	RE	Actual
2005-06	10.00	6.00	5.40
2006-07	9.00	23.80	35.20
2007-08	39.00	29.00	24.15
2008-09	60.00		

Indian Institute of Crop Processing Technology (IICPT), Tamilnadu

4.19 It has been noticed that the Paddy Processing Research Centre (PPRC) at Thanjavur, Tamil Nadu has been converted into Indian Institute of Crop Processing Technology (IICPT). The present mandate and special grant given to the Institute as mentioned by the Ministry in their written reply is as follows: -

- To serve as a National Institution for research, education and training in the area of post harvest processing of crops of wetlands, flood, cyclone and storm prone regions
- To undertake basic, applied and adoptive research in post-production sector including plantation, spices and other important crops
- To act as a National Organization for information on post-production systems of mandated crops
- To undertake transfer of technology, consultancy and analytical services for raw and processed agricultural commodities
- To establish linkages with related processing industries and other academic as well as R&D institutions for achieving its goals effectively.

The estimated cost of the project is of Rs. 48.12 Crores which includes the budgetary support of Rs.44.80 Crores from Government. Apart from paddy, the other crops to be dealt in by IICPT are millets, ragi, oilseeds, spices etc.

National Institute of Food Technology Entrepreneurship and Management (NIFTEM), Kundli, Haryana

4.20 A National Institute of Food Technology Entrepreneurship and Management (NIFTEM) is being set up at Kundli, Haryana as a knowledge institution for the food processing sector. The approved cost of setting up of NIFTEM is Rs. 244.6 crore. It is likely to be increased due to escalation in cost.

4.21 The current status on setting up of NIFTEM is as under:-

- 100 acres of land at a cost of Rs. 31.37 crore has been purchased from HSIIDC.
- The Institute has been incorporated as a not for profit company under Section 25 of the Companies Act 1956 and Certificate of Incorporation was obtained on 7.8.07.
- The work for design, architecture and construction of NIFTEM Campus has been assigned to NBCC.
- M/s RITES Ltd. has been engaged as a Third Party Inspection Agency to ensure quality of construction.
- NIFTEM has signed an agreement with College of Agriculture and Life Sciences, Cornell University for knowledge sharing partnership in networking, development of course curricula, design of laboratories, theme centres and incubation centres.
- The foundation stone of NIFTEM Campus was laid by Smt. Sonia Gandhi, Hon'ble Chairperson UPA on 7.10.07.

4.22 The Institute is likely to be fully operational from the year 2010-11.

Giving the details about the Institute, during the evidence the Secretary, FPI stated:

“I am glad to inform that we have not only got the approval but we have taken 100 acres of land in Kundli. We had just concluded an agreement with one of the world’s best Universities in food sciences, Cornell, for a three-year programme for developing a curriculum, recruiting staff, for B.Tech, M.Tech and Ph.Ds in food science. Construction has just started. We have engaged NBCC. We have a budget of Rs.250 crore, which is going up to now about Rs.350 crore because as the time has passed the cost has gone up.”

D. SCHEME FOR TECHNOLOGY UPGRADATION/ ESTABLISHMENT/MODERNIZATION OF FOOD PROCESSING INDUSTRIES

Fruits and Vegetable Processing

4.23 The installed capacity of fruits and vegetables processing industry has increased from Rs.11.08 lakhs tons on 01.01.93 to Rs.21.18 lakhs tones as on 01.01.06 and Rs.24.74 lakhs tones as on 01.01.07. Productions of fruits & vegetables during the year

2004-05 are 492.94 lakhs M.T. and 1014.33 lakhs M.T., respectively. The utilization of fruits and vegetables processing is estimated to be around 2.20% of the total production.

4.24 Over the last few years, there has been a positive growth in ready-to-serve beverages, fruit juices and pulps, dehydrated and frozen fruits and vegetable products, tomato products, pickles, convenience veg-spice pastes, processed mushrooms and curried vegetables. The domestic consumption of value added fruit 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 other main reasons for inadequate expansion of the domestic market. In order to give fresh impetus to processing of fruit and vegetables, Government in 2004-05 has allowed under IT Act, 100% deduction of profit for first five years for new upcoming Fruits & Vegetables Processing Units.

4.25 The Assistance released to fruits & vegetables processing units from 2002-03 onwards are as follows:

<u>Year</u>	<u>Assistance released (Rs. In lakhs)</u>
2002-03	672.90
2003-04	610.98
2004-05	727.49
2005-06	1151.03
2006-07	2557.42
Total	5719.82

4.26 During 2007-08 (up to January 2008). The Ministry has released financial assistance of Rs.13.76 crores to 70 fruits & vegetables processing units (excluding North East States, Himachal Pradesh, Jammu & Kashmir and Uttarakhand) in the form of 1st /2nd instalment. Under the procedure of decentralize of the scheme to the banks, Ministry has forwarded 253 proposals amounting to Rs.70.69 crores relating to fruits & vegetables processing units to various banks upto Feb.2008.

4.27 India produce annually 90 million tonnes of milk (highest in the world), 150 million tones of fruits & vegetables (second largest), 485 million livestock(largest), 204 million tones foodgrain (third largest), 6.3 million tones of fish (3rd largest), 489 million Poultry and 45,200 million eggs.

4.28 India's agricultural production base is strong but at the same time wastage of agricultural produce is massive. Processing level is very low i.e. around 2.2% for fruits & vegetables compared to countries like USA (65%), Philippines(78%) and China(23%); 26% for marine, 6% for poultry and 20% for buffalo meat, as against 60-70% in developed countries. The share of India's export of processed food in global trade is only 1.5% at present. Even, within the country, share of fruits and vegetables processed is much less when compared to other agricultural products such as milk (35%) and Marine Products(26%).

4.29 The Ministry of Food Processing Industries in their written reply have stated that the number of fruits & vegetable processing industries assisted during each of the last three years and the reasons for low processing level in India as compared to developed countries are as follows:

4.30 The number of fruits and vegetables processing units assisted during last three years are as follows:

Year	Number of unit assisted
2005-06	50
2006-07	123
2007-08	34

4.31 The reason for less number of units assisted in 2007-08 as shown above is due to decentralization of disbursement of grant through Bank under the relevant scheme. However, in addition to above, 253 proposals amounting grant of Rs.70.63 crores have been referred to the Banks for disbursement of grant under decentralized pattern of assistance of the relevant scheme.

4.32 When enquired the reasons for low processing level in India as compared to developed countries, the Ministry in their written reply has stated:

“Inadequate availability of power, cold chain, water, storage facilities, transportation facilities, handling facilities etc. as well as cultural barriers of preference of fresh fruits are some of the reasons for low level processing in India.

For increasing the processing of fruits and vegetables, during 11th Plan, the Ministry proposes to implement a revamped Scheme for Infrastructure Development under which, it will give financial assistance for setting up of Mega Food Parks, cold chain infrastructure, value added centers and packaging centers. The Mega Food Park Scheme will provide backward and forward linkages as well as reliable and sustainable supply chain. The cluster based demand driven approach will provide linkages from Processing Centres, Collection Centres, Strategic distribution Centre-cum-Cold Chain at critical locations-having controlled Atmosphere storage and distribution centers where large quantities can be stored and supplied to retail centers for fresh sale and to processing industries for processing.

Further, to encourage setting up of processing units, Ministry of Food Processing Industries, under the Scheme for Technology Upgradation/Modernization/Establishment of Food Processing Industries, extends

financial assistance to food processing units in the form of grant-in-aid @25% of the cost of plant and machinery and technical civil works subject to maximum of Rs.50.00 lakhs in general areas and 33.33% subject to maximum of Rs.75.00 lakhs in difficult areas such as Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Sikkim and North Eastern States, Andaman & Nicobar Islands, Lakshadweep and ITDP areas. In addition under the Technology Mission of Integrated Development of Horticulture in North Eastern States, Jammu & Kashmir, Himachal Pradesh and Uttarakhand, higher levels of assistance @ 50% upto Rs.4.00 crore for a setting up and Rs.1.00 crore for upgradation of fruit and vegetables processing is allowed.”

Processing of Meat, Poultry and Fish

4.33 India is home to around 50% of the world’s buffalo population with an estimated production of 1.9 million tonnes. Since the growth of buffalo meat for domestic consumption is low (less than 2%), the potential for its processed product export is substantial. India is ranked 7th among the fish producing countries of the world. The share of marine fish is coming down in total fish production from 60% in 1990-91 to around 45% presently. In terms of shrimp production, India occupies the 5th position in the world and in aquaculture, it is the largest producer after China.

4.34 Following are the proposals received and approved during Tenth Plan:

Items	Proposals received	Proposals; approved	Amount (Rs. Lakhs)
Meat and Poultry Products	77	21	763.95
Deep sea fishing & fish processing	111	59	1763.10
Milk Processing	141	53	1214.58

4.35 It may be seen that during the Xth Five Year Plan, only 21 meat & poultry units were assisted under the various schemes of the Ministry of Food Processing Industries.

53 Dairy units and 59 Deep sea fishing and fish processing units could avail the assistance.

4.36 The Ministry informed that in case of Dairy processing out of 141 cases 89 cases have been approved during the Xth five year plan and remaining proposals have not been rejected. These proposals are being considered for financial assistance during XIth five year plan under the decentralization of plan schemes. In case of Meat & Poultry units 22 proposals have been approved during Xth plan and remaining proposals are being considered for financial assistance during XIth five-year plan under the decentralization of plan schemes. In case of Deep Sea fishing & fish processing 71 proposals have been approved during Xth plan and remaining proposals are being considered for financial assistance during XIth five year plan under the decentralization of plan schemes.

4.37 The reasons for rejection of 50% of the proposals, low-response for availing the assistance under the schemes and the steps taken to increase the processing facilities for meat, poultry and fish as stated by the Ministry in their written reply are as follows:

“MFPI is providing financial assistance to the processing sectors to promote the organized processing sector of meat, Poultry & Fisheries to accomplish upcoming demands of processed products and helping to identify various areas of research for future product development, scalable efficient technologies and quality improvement to revamp the Indian meat, poultry & fish processing sector for domestic as well as export market. The procedure of sanction of grant and scrutinisation of the proposals has now been given to the Banks under decentralization of the scheme which will be helpful for the promoters to submit their claim for financial assistance to the same bank who has sanctioned the Term loan. The disbursement of grant by MFPI through E-portal will encourage more promoters to avail the financial assistance under the plan schemes of MFPI.”

Dairy Processing

4.38 India ranks first in the world in terms of milk production. As per 2004-05 estimates, Indian milk production is estimated 90.7 million MTs. Out of this, milk production from cows and buffaloes is estimated to be 85.7 million MTs. The growth rate of milk production over the past three decades has been about 4% against the growth rate of 2% in India's population. About 35% milk produced in India is processed.

4.39 The number of milk processing units assisted during each of the last three years are:

Year	Number of units assisted
2004-05	17
2005-06	18
2006-07	26

4.40 When asked about the steps taken to the quantity of processed milk products so as to tap full resources states by the Ministry of Food Processing Industries are as follows:

“Milk and Milk products processing in Dairy sector plays a vital role in rural economy since Dairying is a major source of income for framers of India. The Ministry of Food Processing Industries (MFPI) is promoting organized Dairy processing sector to accomplish upcoming demands of processed dairy products and helping to identify various areas of research for future product development, scalable efficient technologies and quality improvement to revamp the Indian dairy processing sector for domestic as well as export market by way of providing financial assistance to the dairy processing units. MFPI provides financial assistance under its plan scheme of ‘Setting up/Modernization/Expansion of food processing industries’ which includes the Milk and Milk processing plants also. The financial assistance is to the tune of 25% of the cost of Plant and machineries and technical civil work subject to maximum Rs.50.00 lakhs. In case of difficult areas the financial assistance is 33.33% subject to Maximum of Rs.75.00 lakhs.

The institutes like, National Dairy Research Institute etc. are being provided financial assistance under R&D Scheme of MFPI in order to develop specialized milk products having appeal in the domestic and international market and for upgradation of their processing technologies. Strict processing standards in Dairy industry against adulterants, contaminants and microbiological counts require to be followed. Therefore, for promotion of HACCP, GMP processing

lines in Dairy industry with Modern Laboratory infrastructure, financial assistance is being provided under the scheme of Quality Assurance, Codex standards.”

Food Processing Units

4.41 The number of applications/cases received and approved for setting up of new/modernization of existing food processing units in each State during each of the last 3 years is as follows:

States	2005-06		2006-07		2007-08	
	Received	Approved	Received	Approved	Received	Approved
Jammu & Kashmir	8	1	7	6	2	7
Himachal Pradesh	10	4	10	11	3	7
Punjab	15	14	11	21	1	6
Uttarakhand	11	5	16	15	5	9
Haryana	14	3	8	16	0	4
Delhi	4	2	2	2	0	1
Rajasthan	18	10	34	26	8	7
Uttar Pradesh	17	21	29	36	10	19
Bihar	3	1	4	2	0	2
Nagaland	3	1	17	1	0	7
Mizoram	0	0	1	0	0	0
Tripura	0	0	0	1	0	0
Meghalaya	2	1	1	2	1	1
Assam	9	4	13	12	4	6
West Bengal	27	9	16	23	3	7
Jharkhand	3	3	0	1	0	0
Orissa	6	4	3	3	1	1
Chhattisgarh	3	3	5	6	0	2
Madhya Pradesh	12	10	13	8	5	6
Gujarat	26	10	20	16	13	7
Maharashtra	64	43	54	83	58	52
Andhra Pradesh	44	24	29	41	5	19
Karnataka	20	13	9	26	4	9
Goa	4	1	0	0	2	0
Tamil Nadu	22	23	32	35	15	16
Pondicherry	0	1	0	2	0	1

Kerala	26	11	31	30	5	10
Manipur	5	0	2	4	1	0
Chandigarh	1	0	0	0	0	0
Daman & Diu	0	0	1	0	0	0
Arunchal Pradesh	0	0	6	0	0	2
Sikkim	0	0	1	0	0	0
Total	377	222	375	429	146	208

Note: Number of cases received and approved may not necessarily tally as cases approved in a year may include those received in a previous year.

R&D

4.42 The main reason for low levels of R&D in perishable food processing sector and lack of suitable processable varieties as informed by the Government is the disconnect between R&D, market and extension machinery of the Government. As a result, R&D is carried out in isolation, without alignment to market requirements. Further, due to ineffective extension machinery, farming systems and technologies, they are not effectively disseminated and commercialized. Often, research has also failed to offer scaleable models.

4.43 When asked about the efforts made to carry out R&D in processing, marketing and extension services, the Ministry in their written reply has stated:

“Proactive action has been undertaken to identify specific areas of research, wherein focused demand driven R&D on commercial model will be undertaken so that it shall have commercial viability and meet the market requirements.

Ministry is setting up a Scientific Advisory Committee, to review the application of scientific practices and principles of the ongoing programmes of the Ministry and suggest modifications wherever necessary. The members of the Committee are Experts /Scientist who have made a mark in the field of food technology, food safety & standards and other related fields.”

4.44 Assistance provided by the Ministry on R&D during each of the last five years are as follows:

Financial Year	Amount (Rs. in Crores)
2002-03	06.80
2003-04	03.25
2004-05	01.56
2005-06	01.20
2006-07	03.20

Part II

Recommendation No. 1

Budgetary allocation

The Committee note that in 1988 when the Ministry of Food Processing Industries came into existence, the food processing sector was being hailed as the sun-rise sector. But for the Indian Food Processing sector with a miniscule contribution of just 1.5% to the global trade in the sector, the sun is yet to shine. The Committee are perturbed to find that against the demands of Rs.870.65 crore for 2008-09 by the Ministry of Food Processing Industries, the Planning Commission has allocated Rs.299 crore (Rs.290 crore Plan and Rs.9 crore Non-plan) only. The representatives of the Ministry informed that though the tentative Plan allocation for 11th plan was Rs.4031 crore but due to low expenditure during 2007-08, only Rs.290 crore have been allocated this year.

The Committee further note with dissatisfaction that budgetary support to the Ministry of Food Processing Industries is only 0.0772% of the total Central Government outlay which speaks volumes of non-attention being paid by the Government towards this industry. Whereas Vision Document 2015 on food processing targets to triple the size of processed food sector i.e. increase the processing of perishable from 6% to 20%, value-addition from 20% to 30% and doubling the share in global food trade from 1.5% to 3%.

Taking note of the fact that the M/o FPI has completed 20 years, the Committee recommend that a high level Committee/Group should be set up under the Chairmanship of an eminent food technologist to review the success and failures and suggest short term and long term strategies to increase the domestic consumption of processed food.

The Committee recommend that the Planning Commission should allocate Rs.1000 crore at Revised Estimates stage if the Government is really concerned about growth of food processing sector and serious to achieve the Vision 2015. The Committee hope that this year the Ministry should be able to utilize the whole amount, since the schemes which could not be approved last year are to be implemented this year with full force and vigour. Adequate allocations from Planning Commission and concerted efforts from the Ministry can take the food processing industry to a greater height and make the sun actually shine.

Recommendation No. 2

New Schemes

The Committee are constrained to note that there are inordinate delays in conceptualisation and final implementation of the various schemes. The Committee are dismayed to note that the Ministry had proposed to implement six main schemes during the XIth Plan and during last year i.e. 2007-08 practically they did nothing except implementing one old scheme of providing assistance for modernisation of Food Processing Units. During the evidence Secretary admitted that they could not move any new programme, since the Planning Commission's approval for Eleventh Plan itself came in December 2007 and all the schemes are still pending at various stages of approval. The Department further clarified that all the schemes but one involved changes in the parameters of the schemes or required additional subsidy. The schemes would then be required to seek first the approval of the Planning Commission, then Expenditure Finance Committee and then the Cabinet Committee on Economic Affairs (CCEA). The Committee feel that this present system of obtaining approval, clearance from EFC and CCEA leads to inordinate delays in implementation of schemes and needs to be reviewed.

The Committee, therefore, while conveying their displeasure towards Planning Commission for delays in sanctioning approvals, desire that Planning Commission, Finance Ministry and Ministry of Food Processing Industries should have joint meetings in future and clear all the schemes in a time bound manner so that the Ministry could start working for the development of this sector.

The Committee further desire that the Ministry should also concentrate more on the proper formulation of the schemes at conceptualising stage before sending the scheme to the Planning Commission. The Committee urge upon the Planning Commission to have a detailed scrutiny and send any suggestion/clarification for modification or otherwise can be incorporated while granting ‘in principle’ approval so as to avoid wastage of time in redrafting the schemes again and again which result in inordinate delays in implementing the schemes.

Recommendation No. 3

National Institute of Food Technology

The Committee are happy to note that a National Institute of Food Technology, Entrepreneurship and Management (NIFTEM) is being set up at Kundli, Haryana as a knowledge institution for the food processing sector with the approved cost of Rs.244.6 crore. The Institute is likely to be fully operational from the year 2010-11. The Committee are of the opinion that apart from offering B.tech, M.tech & Ph.D courses in Food Technology and in Management, there is a need to have more courses involving research on social marketing for the processed food. The Committee recommend that the research courses in social marketing should also be added in the mandate of NIFTEM so as to increase the processing rate and consumption thereof. The Committee further desire that the availability of funds required for setting up of this institute should not be a hindrance at any stage so that it should start functioning fully from 2010-11.

Recommendation No. 4

Mega Food Parks

The Committee find that the Ministry had started a scheme of 'Food Parks' during 10th Plan. A total of 56 food parks had been approved, out of which, 29 are stated to be operational. Now, the Ministry has come up with a new scheme of 'Mega Food Parks'. The Committee feel that announcement of the new 'Mega Food Parks' scheme is just an eyewash to conceal the total failure of Food Park Scheme. Even out of so called 29 operational Food Parks, none appears to be actually functioning and achieving the objectives for which these were set up. The Committee have been informed that with some modifications/improvements with the help of Project Management Agency, 30 Mega Food Parks are to be set up and sites for 5 such parks have also been identified.

The Committee desire that Government should find out the ways to make those 29 food parks viable, for which assistance has already been given, by removing the drawbacks/ bottlenecks. The Committee now expect the Ministry to set up Mega Food Parks only after full and detailed examination weighing all the pros and cons of the situation and overcoming all the deficiencies of Food Parks scheme. All the infrastructural facilities should be provided in time and forward and backward linkages should be established before hand so that the commercial viability of the project is not hampered.

The Committee also suggest that every Mega Food Park should have section on organic health foods. With the help of medical people, various varieties of

healthy food like navara rice from Kerala , Kilian or Kalinga Kala Zeera from Koraput can be introduced in this section which will attract the local and foreign consumers by giving them health benefits. Moreover, some other food items like millets, oilseeds, pulses which are slowly vanishing, can be brought and grown in the mega food parks, as special items. Further, steps should be taken to process coarse cereals like bajra, whole series of minor millets and traditional grains like paspalam, panickam and kodo etc. so as to ensure their consumption and enlarge the food basket.

Recommendation No. 5

Upgradation of Quality of Street Food

The Committee note that a new scheme for ‘Upgradation of Quality of Street Food’ with the allocation of Rs.5 crore for 2008-09 is to be implemented during 11th Plan period. The Committee are of the view that food safety standards are very important to be followed under the scheme. The Committee desire that strict quality control, safety and environmental hygiene measures should be ensured so that in future the Government can link it up with the Ministry of Tourism and have the food streets like in Singapore and other countries which attract tourists also.

The Committee further feel that raw material is the beginning product and food is only the end product. Therefore, the Committee recommend that concrete steps should be taken to ensure that raw material is free of pesticides, residues and other contamination. This scheme needs to be implemented by working in the area of food safety from quality literacy movement at village level, from where raw material comes. Even the codex standards, which are only known to experts today, should be known to common farmers, farm women and vendors so that they could provide the quality raw material which would make the quality end product to be sold in Food Streets.

Recommendation No. 6

Infrastructure for Food Processing

The Committee note that the country produce annually 90 million tonnes of milk (highest in the world), 150 million tonnes of fruits and vegetables (second largest), 485 million livestock (largest), 204 million tonnes food-grain (third largest), 6.3 million tonnes of fish (third largest), 489 million Poultry and 45,200 million eggs.

The Committee find that India's agricultural base is strong but at the same time wastage of agricultural produce is massive. The infrastructural facilities for food processing sector in India are extremely poor as we are able to process only around 2.2% for fruits and vegetables compared to countries like USA (65%) Philippines (78%) and China (23%); 26% for marine, 6% for poultry and 20% for buffalo meat, as against 60-70% in developed countries.

According to an estimate, for want of post-harvest technologies/non-availability of food processing facilities, the country incurs a whopping annual wastage of food worth over Rs. 58000 crore. The Committee are of the view that only cold storages and chilling plants are not efficient techniques to preserve the perishable produce. The Ministry should encourage and invest in research to find out the new technologies for preservation of various produce. Further, the efforts should be made to provide logistic support and facilities for easy transportation so as to have better raw material for processing.

The Committee also note that the Ministry has been providing financial assistance in the form of grant-in-aid up to 25 per cent of the cost of plant and machinery and technical civil works in general areas and 33.33 per cent in difficult areas with a common ceiling of Rs. 75.00 lakhs for the cold chain scheme. The Committee recommend that in difficult areas cost of cement, steel, land development and transport etc., every thing is much more expensive, therefore, the grant component should be 40 per cent of the cost without any ceiling of Rs. 75.00 lakh in these areas.

The Committee further recommend that under the scheme for infrastructure development the Ministry should be provided Rs. 450.00 crore as demanded by them against BE of Rs. 100.00 crore for 2008-09 at RE stage, and in turn Ministry should come up with schemes/projects to avoid the losses in perishable commodities.

The Committee also desire that research for making wine or any other beverage from apple, sugarcane, potato, grapes, coconut etc. should be made. For popularization and encouragement of these beverages some relaxation in excise duty may also be given to increase the domestic consumption, thus giving boost to production and processing of these fruits and vegetables.

Recommendation No. 7

Processing of Meat, Poultry and Fish

The Committee note that during 10th Five Year Plan, only 21 meat and poultry units, 53 dairy units and 59 Deep sea fishing and fish processing units could avail the assistance. The Committee are of the view that consumption of meat, poultry and fish in the country is low which leaves a great scope for processed products in the field. The Committee recommend that attention should be given for value addition and quality rather than capacity building. The funds should be utilised on R&D in this field to have value added/quality products which could be exported as the domestic consumption of processed non-vegetarian food is low.

Further, the Committee have been given to understand that the Ministry is not able to do much in this direction because MPEDA, which is the agency for marine processing, is not under their jurisdiction. The Committee, therefore, recommend that the Ministry of FPI should approach Ministry of Commerce to launch the schemes in this field jointly so that schemes are neither overlapped nor underperformed for want of adequate controls.

Recommendation No. 8

Research in Biomass

The Committee note with satisfaction that the one time small Paddy Processing Centre at Thanjavur, Tamil Nadu is being upgraded and developed as Indian Institute of Crop Processing Technology (IICPT). The Committee feel that in paddy processing many things can be made from the straw, bran and husk. From rice alone there are 29 different kinds for commercially viable products for which even banks are willing to provide money. Moreover, if our country is producing about 220 million tonnes of foodgrains, the plants are producing another 400 million tonnes of biomass. The Committee, therefore, recommend that the Ministry should include the entire process of biomass of Plant in the mandate of the Indian Institute of Crop Processing Technology.

The Committee further observe that with the proper research on biomass, the Ministry will be in a position to set up biomass parks by the end of this plan. It is hoped that this will prove out to be a commercially viable project from which energy can also be generated.

Recommendation No. 9

Modernization of Abattoirs

The Committee note the scheme for modernization of abattoirs has been taken up by the Ministry with the target of 50 abattoirs to be modernized/set up during 11th Plan period with an outlay of Rs.628 crore.

The Committee desire that Project Management Agency (PMA), which is proposed to be assisting M/o FPI in appraisal and implementation of the project, should be given a time bound programme so that the implementation is not unnecessary delayed on the pretext of evaluation of reports. The agency should ensure that wherever abattoirs are being developed in rural areas, Gram Sabha or Panchayati Raj institutions are involved.

The Committee have noticed that in some places the residuals lying near the slaughter houses are badly affecting the area and ground water. Therefore, they desire that proper and adequate infrastructure should be made available to hygienically dispose off the waste and residuals.

The Committee further recommend that in view of increasing demand for quality leather special care for animal skin should be taken in the abattoirs. Farmers and workers should be educated to save the skin so as to have better quality of leather. The Committee recommend that a small group consisting representatives from Central Leather Research Institute, State Level Research institutes, ICAR, Department of AHD&F and Ministry of Food Processing Industries should be formed to lay down guidelines to take care of livestock and its

by-products, as modern slaughter houses are important for safe hygienic slaughtering of animals and proper use of animal by-products.

Recommendation No. 10

Food/Nutrition Clinics

The Committee have noted that every year a large number of students are coming out who are trained in home science, food nutrition and food processing etc. The Committee are of the opinion that such home science graduates should be given the self-employment opportunities. The Committee recommend that the Ministry should chalk out a scheme/programme for establishment of food/nutrition clinics with the help of NABARD, CII and FICCI, on the lines of agri-clinics on the agriculture side, for these nutrition/home science graduates.

The Committee are confident that these food/nutrition clinics would overcome the problem of micro-nutrient deficiency in the country and at the same time provide employment to the home science/nutrition graduates.

NEW DELHI;
11 April, 2008
22 Chaitra, 1930 (Saka)

PROF. RAM GOPAL YADAV
Chairman,
Standing Committee on Agriculture

APPENDIX - I

MINUTES OF THE TENTH SITTING OF THE STANDING COMMITTEE ON AGRICULTURE HELD ON MONDAY, THE 31st MARCH, 2008 AT 1500 HRS. IN COMMITTEE ROOM NO. 'B', GROUND FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 1500 hrs. to 1715 hrs.

PRESENT

Prof. Ram Gopal Yadav – Chairman

MEMBERS

LOK SABHA

2. Shri Manoranjan Bhakta
3. Shri Girdhari Lal Bhargava
4. Shri Deepender Singh Hooda
5. Smt. Kalpana Ramesh Narhire
6. Shri Mahendra Prasad Nishad
7. Shri Prabodh Panda
8. Shri Danve Raosaheb Patil
9. Shri Baleshwar Yadav

RAJYA SABHA

10. Shri Harish Rawat
11. Shri Vikram Verma
12. Shri Sk. Khabir Uddin Ahmed
13. Shri Sharad Anantrao Joshi
14. Shri M.Rajasekara Murthy
15. Prof. M.S.Swaminathan

SECRETARIAT

- | | | | |
|----|-------------------|---|----------------------|
| 1. | Shri S.K.Sharma | - | Additional Secretary |
| 2. | Shri A.K.Singh | - | Joint Secretary |
| 3. | Smt. Veena Sharma | - | Director |
| 4. | Shri Raj Kumar | - | Deputy Secretary |
| 5. | Shri N.S.Hooda | - | Deputy Secretary |
| 6. | Ms. Amita Walia | - | Under Secretary |

WITNESSES

S.No.	Name	Designation
1.	Shri P.I. Suvrathan	Secretary
2.	Shri Goutam Sanyal	Joint Secretary, MFPI
3.	Sh. S.K. Lohani	Director

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 drew their attention to the provisions of Direction 55(1) of the Directions by the Speaker. Thereafter, he requested the Secretary to introduce his colleagues.

2. After introduction of the officials, the Secretary gave a brief overview of the budgetary allocation for the year 2008-2009 and also explained various issues related to the Ministry.

3. The Chairman and the Members raised various queries viz. setting up of Food Processing Industries, implementation of schemes, cold storage for horticulture produce, utilization of fruits and vegetables processing, Food street, Biomass Parks, National Food Security Mission. FDI in Food Projects, Taxation benefits to food processing, Establishment of Food Parks, Mega Food Parks, Setting of National Institute of Food Technology Entrepreneurship & Management, inadequate infrastructure, etc. The representatives of the Ministry replied to some of the queries and assured to send replies to the remaining queries which could not be answered during the sitting.

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

The Committee then adjourned.

APPENDIX – II

MINUTES OF THE ELEVENTH SITTING OF THE STANDING COMMITTEE ON AGRICULTURE HELD ON FRIDAY, THE 11TH APRIL, 2008 AT 1100 HRS. IN COMMITTEE ROOM NO. 'C', GROUND FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 1100 hrs. to 1325 hrs.

PRESENT

Prof. Ram Gopal Yadav – Chairman

MEMBERS

LOK SABHA

2. Shri Ranen Barman
3. Shri Anil Basu
4. Shri Girdhari Lal Bhargava
5. Shri Khagen Das
6. Shri Deepender Singh Hooda
7. Shri Prabodh Panda
8. Shri Danve Raosaheb Patil
9. Smt. Rupatai D. Patil Nilangekar

RAJYA SABHA

10. Shri Harish Rawat
11. Smt. Mohsina Kidwai
12. Shri Vikram Verma
13. Shri Vinay Katiyar
14. Shri Sharad Anantrao Joshi
15. Shri M. Rajasekara Murthy
16. Prof. M.S. Swaminathan

SECRETARIAT

- | | | | |
|----|-----------------|---|------------------|
| 1. | Shri A.K.Singh | - | Joint Secretary |
| 2. | Shri Raj Kumar | - | Deputy Secretary |
| 3. | Shri N.S.Hooda | - | Deputy Secretary |
| 4. | Ms. Amita Walia | - | Under Secretary |

At the outset, the Chairman welcomed the Members. Thereafter, the Committee took up for consideration the Draft Reports on Demands for Grants (2008-09) 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 some additions/modifications, as suggested by the members of the Committee.

3. The Committee then authorised the Chairman to finalise the above-mentioned Reports on Demands for Grants (2008-09) and present them to the House on a date and time convenient to him.

4. The Chairman thanked the Members for their cooperation and valuable suggestions made by them during consideration of the Demands for Grants of the concerned Ministries/Departments.

The Committee then adjourned