

NATIONAL FOOD PROCESSING POLICY

1. INTRODUCTORY

Food Processing Industry is of enormous significance for India's development because of the vital linkages and synergies that it promotes between the two pillars of the economy, namely Industry and Agriculture. India is world's second largest producer of food and has the potential to become number one in due course of time with sustained efforts. The growth potential of this sector is enormous and it is expected that the food production will double in the next 10 years and the consumption of value added food products will grow at a fast pace. This growth of the Food Processing Industry will bring immense benefits to the economy, raising agricultural yields, meeting productivity, creating employment and raising the standard of very large number of people through out the country, specially, in the rural areas. Economic liberalization and rising consumer prosperity is opening up new opportunities for diversification in Food Processing Sector. Liberalization of world trade will open up new vistas for growth. The Food Processing Industry has been identified as a thrust area for development. This industry is included in the priority lending sector. Most of the Food processing Industries have been exempted from the provisions of industrial licensing under Industries (Development and Regulation) Act, 1951 with the exception of beer and alcoholic drinks and items reserved for Small Scale Sector, like vinegar, bread, bakery, . As far as foreign investment is concerned automatic approval for even 100% equity is available for majority of the processed food items.

The Food Processing Sector

Food processing involves any type of value addition to the agricultural produce starting at the post harvest level. It includes even primary processing like grading, sorting, cutting, seeding, shelling packaging etc.

The sector comprises of the following major areas:

◆ **Fruit & Vegetable**

Major Products

Beverages, Juices, Concentrates, Pulps, Slices, Frozen & Dehydrated products, Wine Potato Wafers/Chips etc.

◆ **Fisheries-**

Major Products

Frozen & Canned products mainly in fresh form.

◆ Meat & Poultry-

Major Products

Frozen and packed mainly in fresh form, Egg Powder (only a couple of units).

◆ Milk & Dairy-

Major Products

Whole Milk Powder, Skimmed milk powder, Condensed milk, Ice cream, Butter and Ghee

◆ Grain and Cereals-

Major Products

Flour, Bakeries, Biscuits, Starch Glucose, Cornflakes, Malted Foods, Vermicelli, Pasta Foods, Beer and Malt extracts, Grain based Alcohol.

◆ Consumer Industry-

Major Products

Chocolates, Confectionery, Soft/Aerated Beverages/Drinks.

◆ Plantation

Major Products

Tea, coffee, cashew, cocoa, coconut etc.

2. CHALLENGES, CONSTRAINTS AND CONCERNS

- ◆ India is already a major producer of food (first in cereals, livestock population, milk and second in fruits and vegetables), producing over 600 million tons of food products, and in case the immense untapped potential of growth is achieved the country can emerge as the largest producer of major food items.
- ◆ Processing level presently being extremely low, the wastage levels are very high resulting in colossal wastage of national wealth running in thousands of crores.
- ◆ Value addition to the raw produce in the country is only seven per cent, compared to as much as 23% in china, 45% in the Philippines and 188 in the U.K.
- ◆ The small scale and unorganized sectors today account for 75% of the total industry having only local presence without much access to knowledge, technology and marketing network.
- ◆ The differential between the farmer's realization and the final consumer price is very high in our country even in the fresh produce. In processed food products the high price on account of cumulative effect of low productivity, high cost of raw material, spoilage due to poor infrastructure, inefficient and costly transportation, high cost of finance an high incidence of taxes and duties, leads to the vicious cycle of low demand low capacity utilization high per unit cost low demand.
- ◆ Despite the existence of a strong and wide network of R&D institutions (CSIR labs, ICAR institutions, ICMR Establishments, Universities and Private institutions), their linkage with the users like farmers and industry, is not well established resulting in lack of technology flow, pure & academic research rather than applied and commercial, lack of involvement of industry in research work, and resource crunch.
- ◆ The unattractive nature and the high risk profile of food processing industry has impeded required flow of credit from financial institutions who are yet to acquire the proper understanding of this sector to attain the requisite levels of appraising skills.
- ◆ Low margins, seasonality and high perishability being the distinct features of

this industry, the access to seed capital and working capital is not easy. Despite having been declared a priority-lending sector, there is hardly any growth in capital flow to this industry.

- ◆ Despite vast domestic market size, the present level of processed food marketability is very low but by doing massive awareness and educational campaigns this market could grow higher enough to consume substantial part of any quantum of our processed foods.
- ◆ Indian brands are yet to establish in the international markets calling for a concerted effort to capture world market share in tune with our standing in the production front.
- ◆ With the coming in of WTO regime the country has to prepare for meeting the requisite quality standards in order to compete with imported goods in the domestic market itself. This calls for adoption of high tech machine and technologies as also development of entire chain of the infrastructure.
- ◆ Weak database and lack of market intelligence are the prevailing features of this sector.
- ◆ Poor infrastructure of not only processing but even transportation, ports, airports, storage and handling etc.
- ◆ The backward linkage between the farmer and the processor is yet to take proper shape to tide over the impediments which exist on account of fragmented & small land holdings, erratic production due to natural factors, non uniformity & inconsistent supply of raw material and longer chain of intermediaries.
- ◆ Multiplicity of laws and regulatory authorities throttle the industry in its further growth calling for harmonization of laws, development and administration of standards in consonance with international standards like Codex through a single authority.
- ◆ Prevailing packaging system lacks requisite quality and presentability parameters creating handicap as compared to the imported products.
- ◆ Cooperative institutions and other parastatal organizations are weak and peoples participation, either through Panchayat Raj Institutions or NGOs or farmers organizations, industries association in food sector remains far from adequate.

THE POLICY

I. CREATING ENABLING ENVIRONMENT

The Policy will seek to create an appropriate environment for entrepreneurs to set up Food Processing Industries through:

- a. Fiscal initiatives/interventions like rationalization of tax structure on fresh foods as well as processed foods and machinery used for the production of processed foods.
- b. Harmonization & Simplification of food laws by an appropriate enactment to cover all provisions relating to food products so that the existing system of multiple laws is replaced and also covering issues concerning standards Nutrition, Merit goods, futures marketing, equalisation fund etc.
- c. A concerted promotion campaign to create market for processed foods by providing financial assistance to Industry Associations, NGOs/Cooperatives, Private Sector Units, State Government Organization for undertaking generic market promotion.
- d. Efforts to expand the availability of the right kind and quality of raw material round the year by increasing production, improving productivity.
- e. Strengthening of database and market intelligence system through studies and surveys to be conducted in various States to enable planned investment in the appropriate sector matching with the availability of raw material and marketability of processed products.
- f. Strengthening extension services and to the farmers and co-operatives in the areas of post harvest management of agro-produce to encourage creation of pre-processing facilities near the farms like washing, fumigation, packaging etc.
- g. Efforts to encourage setting up of agro-processing facilities as close to the area of production as possible to avoid wastage and reduce transportation cost.
- h. Promotion of investments, both foreign and domestic.
- i. Simplification of documentation and procedures under taxation laws to avoid unnecessary harassment arising out of mere technicalities.

I. INFRASTRUCTURAL DEVELOPMENT

The Policy will facilitate:

- a. Establishment of cold chain, low cost pre-cooling facilities near farms, cold stores and grading, sorting, packing facilities to reduce wastage, improve quality and shelf life of products.
- b. Application of biotechnology, remote sensing technology, energy saving technologies and technologies for environmental protection.
- c. Building up a strong infrastructural base for production of value added products with special emphasis on food safety and quality matching international standards.
- d. Development of Packaging Technologies for individual products, especially cut-fruits & vegetables, so as to increase their shelf life and improve consumer acceptance both in the domestic and international markets.
- e. Development of new technologies in Food Processing & Packaging and also to provide for the mechanism to facilitate quick transfer of technologies to field through a net work of R&D Institutions having a Central Institute at the national level with satellite institutions located strategically in various regions to cover up the whole Country and to make available the required testing facilities. This could be done by establishing a new institution or strengthening an existing one.
- f. Development of area-specific Agro Food Parks dedicated to processing of the predominant produce of the area e.g., apple in J&K, pineapple in North East, Lichi in Bihar, Mango in Maharashtra & Andhra Pradesh etc. etc.
- g. Development of Anchor Industrial Centre and/or linkage with Anchor Industrial Units having net work of small processing units.
- h. Development of Agro-industrial multi-products units capable of processing a cluster of trans-seasonal produces.

I. BACKWARD LINKAGE

The Policy will promote:

- a. Establishment of a sustained and lasting linkage between the farmers and the processors based on mutual trust and benefits by utilizing the existing infrastructure of cooperative, village panchayats and such other institutions.
- b. Development of Futures Market in the best interest of both the farmers and the processors ensuring a minimum price stability to the farmer and a sustained supply of raw material to the processor.
- c. Mechanism to reduce the gap between the farm gate price of agro-produce and the final price paid by the consumer.
- d. Setting up of an Equalisation Fund to ensure sustained supply of raw material at a particular price level and at the same time to plough back the savings occurring in the eventuality of lower price to make the Fund self-regenerative.

I. FORWARD LINKAGE

The policy will promote

- a. Establishment of a strong linkage between the processor and the market to effect cost economies by elimination of avoidable intermediaries.
- b. Establishment of marketing network with an apex body to ensure proper marketing of processed products.
- c. Development of marketing capabilities both with regard to infrastructure and quality in order to promote competitive capabilities to face not only the WTO challenge but to undertake exports in a big way.

V. SPECIAL PROVISION

The following shall receive higher priority and special consideration in policy and plans

- a. The North Eastern Region, the Hilly Areas, Islands and the ITDP areas in the country to be given not only special attention but also special consideration.
- b. The fiscal incentives like excise duty/sales tax concession and the tax holidays to be provided not only to those units which are set up in these areas but also to those units which though set up outside these areas near the market center, are engaged in processing the produce coming from these areas.
- c. Tax holiday for food processing units, with the exception of liquor, cigarettes and aerated drinks and similar luxury items, for a period of 10 years.