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भारत सरकार Government of India

खाद्य प्रसंस्करण उद्योग मंत्रालय Ministry of Food Processing Industries  
अगस्त क्रांति मार्ग, पंचशील भवन August Kranti Marg, Panchsheel Bhawan  
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दिनांक: the 9<sup>th</sup> March 2017

Subject: Draft National Food Processing Policy.

Food Processing Industry in India is increasingly seen as a potential source for driving the rural economy as it brings about synergy between the consumer, industry and agriculture.

The need at present is for a comprehensive National Food Processing Policy that would be an effective step to catalyze investments and optimize growth in the sector.

A draft of National Food Processing Policy is attached herewith.

All the stakeholders and general public are requested to send their comments/ observations, if any, within a period of two weeks from the date of this communication by e-mail to: gdsharma2502@nic.in.

Encl: As above.

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# Model Food Processing Policy: Outline Document

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## 1. INTRODUCTION

- 1.1 The Indian Economy is heavily dependent on agriculture, and this is projected to continue in the near future as well. The Agriculture and Allied Sector contributed approximately 13.9% of India's GDP (at constant 2004-05 prices) during 2013-14<sup>1</sup> and engages about 50% of the workforce.
- 1.2 The 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.
- 1.3 A well-developed Food Processing Industry with higher level of processing helps in the reduction of wastage, improves value addition, promotes crop diversification, ensures better return to farmers, promotes employment as well as increases export earnings. The sector is also capable of addressing critical issues of food security, food inflation and providing wholesome, nutritious food to the masses.
- 1.4 Processing of food products mainly as part of a cottage industry has been a long established traditional practice imbibed in many cultures of the country. However, with changing lifestyle patterns, increasing income, increasing preference toward, Ready to Eat and packaged foods, the significance of the Food Processing Industry has increased enormously.
- 1.5 The food processing industry has vast potential for growth considering that India has a large food production base. Over the years, agricultural production in India has consistently recorded higher output. India ranks number 1 in total food production globally. With respect to specific commodity it ranks number 1 in the production of production of milk, bananas, guavas, papayas, ginger, okra, pulses & buffalo meat. Further, India ranks number 2 in the world in the production of green peas, potatoes, tea, tomato, sesame, inland fish production. It is the fifth largest egg

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<sup>1</sup> MoA (Ministry of Agriculture) 2015. Annual Report 2014-15. Department Of Agriculture And Cooperation, Ministry Of Agriculture, Government Of India

producer in the world. Abundant supply of raw materials, increase in demand for food products and incentives offered by the Government has impacted food processing industry positively.

1.6 Despite the large production of food products in India, post harvest losses are of major concern.

A nation-wide study on quantitative assessment of harvest and post-harvest losses for 46 agricultural produce in 106 randomly selected districts carried out by CIPHET, Ludhiana has estimated harvest and postharvest losses of major agricultural produce at national level to be of the order of Rs. 44,143 crore per annum at 2009 wholesale prices.

1.7 In spite of a large production base, the level of processing is low (less than 10%). Approximately 2% of fruits and vegetables, 8% marine, 35% milk, 6% poultry are processed. Lack of adequate processable varieties continues to pose a significant challenge to this sector.

1.8 The key issue facing the food and agribusiness sector is the viability and scalability factor, which in turn is linked to absence of efficient food supply chain mechanics effectively integrating backward and forward linkages in a seamless manner. With the right policy in place investment is expected to flow into integrating the backward linkages in to the supply chain and thereby having an impact on farmer incomes.

1.9 An increasing number of players in fruit juices, edible oils, and dairy, etc. are formulating products that are healthy. This sector can play a pivotal role in ensuring the availability of foods that address the nutritional and quality requirements of consumers.

1.10 As Table 1 shows the Food Processing Industry has been on average growing at a faster rate than agriculture sector (from 2011-12 to 2014-15). During the last 3 years ending 2014-15, the Food Processing Industry has been growing at an Average Annual Growth Rate (AAGR) of around 2.26% as compared to around 1.69% in Agriculture at 2011-12 prices<sup>2</sup>.

1.11 The Food Processing Industry has also emerged as an important segment of the Indian economy in terms of its contribution to GDP, employment and investment. The sector constitutes as much as 9.0% and 11.0% of GDP in Manufacturing and Agriculture sector respectively<sup>3</sup>.

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<sup>2</sup> MoFPI. Annual Report 2015-16. Ministry of Food Processing Industries, Government of India

<sup>3</sup> MoFPI. Annual Report 2015-16. Ministry of Food Processing Industries, Government of India

**Table 1** Contribution of Food Processing Industries to the Gross Domestic Product at 2011-12 Prices (Rs in Crore)

	<b>Economic Activity</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
1	GDP- All India	81,95,546	85,99,224	91,69,787	98,27,089
2	GDP- Manufacturing	14,82,158	15,74,471	16,58,176	17,76,469
3	GDP- Agriculture, Forestry and Fishing	15,05,580	15,23,470	15,79,290	15,82,851
4	GDP-FPI	1,50,370	1,43,364	1,49,555	1,60,224*
<b>% Growth</b>					
	<b>Economic Activity</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>AAGR</b>
5	GDP- All India	4.93	6.64	7.17	6.23
6	GDP- Manufacturing	6.23	5.32	7.13	6.23
7	GDP- Agriculture, Forestry and Fishing	1.19	3.66	0.23	1.69
8	GDP-FPI	-4.66	4.32	7.13	2.26
	<b>Economic Activity</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
	GDP- All India	1.83	1.67	1.63	1.63
	GDP- Manufacturing	10.15	9.11	9.02	9.02
	GDP- Agriculture, Forestry and Fishing	9.99	9.41	9.47	10.12

**Source:** National Accounts Statistics 2015, Central Statistical Organisation, Ministry of Statistics & Programme Implementation, Government of India

\*GDP-FPI sector for 2014 is calculated on the basis of share of GDP-FPI in GDP-Manufacturing sector for 2014-14

1.12 Food industry as compared to other industries has the largest number of factories and engages the largest number of employees. In 2012-13 it constituted 13.04% of employment generated in the Registered Factory sector. Unregistered Food Processing Industry supports employment to 47.9 lakh workers as per the NSSO 67<sup>th</sup> Round, 2010-11 and constitutes 13.72% of employment in unregistered manufacturing sector. The sector is highly labour intensive per unit of capital.

1.13 Despite low capital intensity, the output and gross value added of food products are not compromised as these are third and fifth largest among all industries. In this industry on an average the fixed capital per registered factory is 4.27 crore indicating that most of the factories in this sector are micro and small enterprises.

1.14 **Trade Scenario:** Strategic geographic location and proximity to food-importing nations makes India favourable for the export of processed foods. The value of processed food exports during 2014-15 was of the order US\$ 36 billion constituting 11.63% of India's total export (total export US\$311 billion). The value of exports in the sector has been showing an increasing trend with Average Annual Growth Rate (AAGR) of 20.53 per cent for five years ending 2013-14.

## 2. PREAMBLE

**Perceiving** the role of food and the importance of the food Processing Industry in providing value addition and better utilization of agriculture produce the policy aims for sustainable growth of the sector;

**Recognising** its unique position as sunrise sector, the Food Processing Industry has been identified as a thrust area for development; that provides value-addition and improved utilization of agriculture; from farm to fork;

**Realising** the sector's enormous potential in creating immense benefits to the economy, by improved use of agricultural produce, minimising post-harvest losses, creating employment, opportunities for trade and in turn raising the standard of life across India;

**Having studied** the constraints and challenges facing the sector and opportunities available;

**Deciding** to redefine the goals and objectives, focus on thrust areas and sharpen the strategy in line with current economic situation of India in a globalized world and to promote agri-business opportunities,

The Policy will be based on the principle of inclusive growth in partnership with the State and provides a framework and enabling policy environment that in turn enables State plans hereafter. The Ministry of Food Processing Industries would help facilitate bringing in greater investments into this sector in the state. It would work along with the state in creating a conducive environment for healthy growth of the food processing sector.

## 3. VISION

To position India as a World Food Factory by creating an enabling framework for the growth of the Food Processing Industry along with the Government of the State.

## 4. OBJECTIVES

The suggested policy aims for overall growth and development of the Food Processing Industry with an overarching goal of providing remunerative return to farmers. The model policy also suggests steps needed to be taken up by the states/Union Territories to achieve these goals.

The objectives of the suggested Model Food Processing Policy are as follows:

- To reduce wastages, increase value addition, ensure better prices for farmers while ensuring availability of affordable and quality produce to consumers
- To address the challenges of malnourishment and malnutrition by ensuring availability of nutritionally balanced foods
- To make food processing more competitive and future ready through creation of adequate infrastructure facilities along the supply chain, use of modern technology and innovation, promoting traceability, food safety, encouraging optimum capacity utilization of assets and resources.
- To position India as the most preferred investment destination for the agribusiness and food processing.
- To generate more opportunities for the development of the agribusiness and Food Processing Industry, and create employment.

## **5. IMPACT**

The potential impact the policy would be as follows

### **5.1 Socio economic impact**

The growth of the food processing industry is crucial for greater social and economic development of the country, considering it is the first organized linkage between the farm and shelf. This is particularly relevant in an emerging country like India, where equitable growth is a primary concern for the Government.

The model policy outlines various initiatives that the state can adopt like promotion of food processing clusters, development of food parks, entrepreneurship promotion, establishing skilling centres, supporting FPOs/FPCs for setting up of Primary Processing Units, etc. All these initiatives are expected to contribute significantly in tackling several developmental concerns such as prevention of wastage of food, improved nutrition, increasing employment opportunities, hence increase in socio economic condition of the people of the country. This would also contribute towards the goal of doubling farmers' income by 2025.

## **5.2 Environmental impact**

The growth of the food processing industry is enabled and facilitated by increasing use of raw materials which has environmental impact. Besides, requirement of large volume of raw material, the industry has high water and energy intake. The FPI is a major source of atmospheric emissions like green gas emissions (GHG) and carbon dioxide emissions mainly due to high energy requirement of the industry which is impacted by use of inefficient technologies and non renewable energy sources used to operate the industry. Also transportation needed in the whole supply chain is a major contributor to the environmental pollution. Another cause of concern for the FPI is the solid wastes and liquid effluents generated as a result of processing food.

The model policy advocates adoption of sustainable environmental practices including energy generation from bio waste, and proposes to incentivise industries that adopt such measures. To control pollution generated from the Food Processing Units it is important to ensure adherence to environmental regulations. It is suggested to undertake Research and Development for developing products that minimise negative environmental impact is suggested.

## **5.3 Quality, Health & Safety**

Food Processing Industry must meet International standards to ensure the highest quality, hygiene and safety of their food. They also need to follow standards to meet, where health and safety is concerned, for the workers involved throughout the food handling process.

The model food processing policy suggests compliance with the Food Safety Regulatory requirements as specified under the Food Safety and Standards Act, 2006. It also suggests a regime of self regulation. Adherence to quality parameters with regard processed food products is suggested.

# **6. DEFINITIONS**

## **6.1 Cluster**

A cluster as defined by The Ministry of Micro, Small and Medium Enterprises (MSME), Government of India, is a group of enterprises located within an identifiable and as far as practicable, contiguous area and producing same/similar products/services. The essential

characteristics of enterprises in a cluster are (a) similarity or complementarity in the methods of production, quality control and testing, energy consumption, pollution control, etc (b) similar level of technology and marketing strategies/practices (c) channels for communication among the members of the cluster (d) common challenges and opportunities.

## **6.2 Consumer**

Consumer means persons and families purchasing and receiving processed food products in order to meet their personal needs.

## **6.3 Food Processing**

Food processing shall include process under which any raw product of agriculture, dairy, animal husbandry, meat, poultry or fishing is transformed through a process (involving employees, power, machines or money) in such a way that its original physical properties undergo a change and if the transformed product has commercial value and is suitable for human and animal consumption. It also includes process of value addition to produce products through methods such as preservation, addition of food additives, drying with a view to preserve food substances in an effective manner, enhance their shelf life, quality and make them functionally.

## **6.4 Food Business Operator**

As defined in The Food Safety and Standards Act, 2006, Food business operator in relation to food business means a person by whom the business is carried on or owned and is responsible for ensuring the compliance of the Act.

## **6.5 Food Safety**

As defined in The Food Safety and Standards Act, 2006, Food Safety means assurance that food is acceptable for human consumption according to its intended use.

## **6.6 Food Parks**

Food Parks will be a place where food processing units are established predominantly for production of processable agriculture, horticulture, animal husbandry, meat, poultry, dairy, fisheries etc. products.

## **6.7 MSME**

MSME means Micro, Small and Medium Enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 as amended from time to time shall be applicable.

## **6.8 SME**

SME means Small and Medium Enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 as amended from time to time shall be applicable.

## **7. Create a Separate Department To Promote Food Processing**

- In order to ensure that proper focus is given to the Food Processing Industry and also encourage greater employment generation in the sector it is proposed that each state set up an independent Department to handle all matters related to food processing.
- The key role of the Department would be to create a conducive environment to facilitate ease of doing business thereby catalysing investments in the sector. The Department would guide investors on the procedural and legal formalities for setting up new units and or expansion plans, provide guidance for project appraisals, and facilitate backward linkages. The Department would also disseminate information on the various schemes and programs of the Ministry of Food Processing Industry and respective state and provide guidance to investors availing benefits from these schemes and programs.
- It is suggested every state has a single window system to promote food processing investments.

## **8. Facilitation support**

### *8.1 Single Window Clearance System*

- With the purpose to improve ease of doing business and boost investor's confidence the Ministry of Food Processing Industry suggests focus on initiatives like; timely clearances of pre and post

investment activities/ services, declaration of the entire State as Single Zone with Single Window Clearance System for project clearances, match making and handholding of investors .

- To facilitate this, it is suggested that the state create an e-platform, to facilitate all necessary clearances for starting and operating an industry within X working days. The e-platform would integrate requisite pre-establishment and pre-operation stage clearances provided by multiple agencies/departments all on one platform. It shall have provisions for online filing and tracking. It is suggested that links to the different schemes available for the FPI under the schemes of State Government and MoFPI is suggested to be provided in the e platform. This would help in consolidation of all information under one platform, generate awareness and also guide investors in availing benefits under the schemes.
- The single window clearance office would not only be an office to collect documents and pass it on to the other agencies/ departments but it shall be empowered to make decisions across the spectrum of requirements.

## **9. Infrastructure development**

### *9.1 Promote Food Processing Clusters*

It is suggested that state Governments focus on commodity based cluster development based on the production strengths of respective geographies to enable a focused and coordinated approach for developing the food processing industry. The cluster approach, would help in production of market oriented and higher value crops. It will also help address critical issues such as human capital, workforce development, logistics, infrastructure planning, capacity building and community mobilisation.

It is suggested that states develop and implement a Comprehensive Value Chain Development Strategy for each food Cluster. It is also suggested that states support clusters and mega food parks with common facilities for all the units. This would minimize the risk and improve the profitability of individual units.

All relevant government departments, including Agriculture, Horticulture, Animal Husbandry, Irrigation, Industries & Commerce and Marketing should coordinate with the State Food Processing Department, and make concerted efforts in developing these clusters across the value chain. The

State Food Processing Department could also work along with Ministry of Micro, Small & Medium Enterprises (MSME) for promotion of the food processing clusters.

### *9.2 Strengthen Agriculture Marketing Infrastructure*

Reforms in the Agriculture Produce Marketing Act will go a long way in promotion of value addition and encourage greater food processing in the state. It is also suggested that states that have not modified their AMPC Act may work towards making reforms.

With the purpose of aligning with unified national agriculture markets it is suggested that State ensures that markets are registered in the eNAM platform to promote direct procurement of all raw materials, especially horticulture produce.

It is suggested States focus on strengthening the Agriculture Marketing Infrastructure to facilitate engagement of more entrepreneurs in the sector.

### *9.3 Facilitation of allotment of land*

- 9.3.1. There should be a facility for leasing and acquiring of land to encourage food processing. Ceiling on land Lease act should be raised or abolished to encourage entrepreneurs procure lands for bigger units.
- 9.3.2. Industries need quality agriculture produce for which they need to undertake agriculture for captive consumption. It is suggested that Government of state encourage long term lease of land from farmers to industries for producing agriculture produce at commercial rate with the guarantee of allotting land back to farmers after the expiry of the lease.
- 9.3.3. Some states have given special encouragement to agro-processing and agri-businesses enterprises in terms of extended lease for acquiring land for agricultural operations and providing of Government land at a subsidized lease rental. It is suggested that states implement appropriate land reforms to catalyse investment in the food processing industry.
- 9.3.4. It is suggested that Food Processing Industry is granted status similar to agriculture for all benefits and taxes.
- 9.3.5. For Agri-business activities where the area under non-agricultural activities does not exceed Y% of the total area, the entire area is suggested to be treated under agricultural operations. In such cases no conversion of land for non-agricultural purposes, would be required.

#### *9.4 Mega Food Parks and Food Parks*

State to allot land on priority basis to Mega Food Parks (MFPs) and Food Parks to promote Agri & Food Processing Industry including demonstration farms. The Food Parks and Mega Food Parks shall have modern infrastructure facilities. It will include creation of processing infrastructure near the farm, transportation, logistics and centralized processing centres.

The incentives suggested for Food Parks and Mega Food Parks are as mentioned below:

- Food processing units employing more than X people with investment of more than Rs X crore to be considered for special incentive wherein Y% subsidy should be allowed extra given from VAT & CST for total capital investment.
- Units in Agro Industries and Food Processing coming up in Mega Food Parks will be allowed incentive up to Y% of Fixed Capital Investment.
- Stamp duty exemption for infrastructure for units coming under Mega Food Parks is suggested.

#### *9.5 Promote Mega Projects*

It is suggested to promote mega projects with similar structure as MFPs. Projects with costs beyond 500 crore could be assisted under this scheme. It is suggested that approximately 50 crore assistance be provided to FBO for setting up units in terms of providing basic infrastructure facilities like establishment of roads, adoption of clean technology and establishment of infrastructure for recycling of waste.

It is suggested that mega projects with established backward linkages are supported. Dovetailing with existing schemes would provide much needed support for strengthening the backward linkages.

## **10. Support development of Logistics infrastructure**

To support expansion of the food processing sector, it is suggested that States support development of logistics infrastructure such as on facilities for weighting, cleaning, grading, sorting, packing, pre cooling, food processing units, logistics parks, integrated cold chain solutions, last mile connectivity, customized transportation, technology adoption like barcoding, radio-frequency identification (RFIDs) tags, on farm and off farm front end retail infrastructure. It is suggested that States promote

food processing trade in the logistics sector. Special initiatives should be undertaken to set up dedicated cargo hubs at the port and the railways of each state for storage of perishables.

It is proposed that the state support cross regional multimodal logistics as this would make inter-state and international markets accessible to food business. This is expected to reduce transportation costs and enhance efficiency of the entire logistics network of the country thereby enhancing farmer incomes and also ensuring better price to consumers.

## **11. Compliance with Food Safety Regulatory Requirements**

State should ensure that Food Business Operators are aware of licensing requirements and have proper licenses to operate business. They should also ensure effective enforcement of the regulations as specified under the Food Safety and Standards Act, 2006 of the Food Safety and Standards Authority of India, an autonomous body established under the Ministry of Health & Family Welfare, Government of India, to boost consumer confidence and increase demand of food products manufactured in India both in domestic and international markets. There should be trained and certified personnel in Food Safety and Hygiene in all food business.

It is suggested that State Governments work towards strengthening the food safety regulatory systems with adequate number of trained and qualified personnel so as to effectively discharge its regulatory functions.

Food business operators should be encouraged to manufacture foods fortified with micro/macro nutrients and vitamins so as to address these deficiencies in the population.

## **12. Self-regulation**

As the government is gearing towards a regime of self-compliance it is suggested that states encourage FBOs to voluntarily adopt all requirements for setting up and the operation of processing units like licenses and regulations, building regulations, products & standards, packaging & labelling, environment and pollution control. Voluntary compliance would reduce the need for inspection based on the FBO's product classification.

### **13. Priority status to MSME processing units**

Government of India has accorded top priority for the development of the food processing industry in the country and has set up a Special Fund of Rs. 2000 crore in NABARD to make available affordable credit for establishing designated Food Parks and also for setting up of individual food/ agro processing units in the designated Food Parks.

To give a boost to the MSMEs in food processing it is suggested that MSME's get status similar to agriculture for facilitation of land allocation as well as access to low cost credit.

### **14. Support to Business Units having Established Backward Integration**

A major issue facing the country is to ensure remunerative prices to the farmers for their produce. If the surplus production of cereals, fruits, vegetables, milk, fish, meat and poultry, etc., are processed and marketed within and outside the country, it is estimated there that there would be greater opportunities for adding to the income of farmers and employment.

It is suggested that states support projects that have clear indication of impacting farmer livelihoods and increasing farmer incomes. It is suggested that states dovetail existing schemes of the relevant State and Central departments along with MoFPI schemes to facilitate backward linkages. This would help to strengthen the necessary infrastructure and availability of raw materials to the FBOs thereby facilitating flow of income into the clusters

### **15. Support FPOs/FPCs for setting up of Primary Processing Units**

It is suggested to incentivise FPOs/FPCs for setting up primary processing units like sorting, grading and packaging so as to link farmers with market, promote investments. Support from the existing Central and State Government department is suggested.

### **16. Labour Laws**

Labour & Employment Department, Government of State should make necessary amendments and declare food processing industry as essential service under State Essential Services Maintenance Act.

Under all relevant labour laws, food industry should be treated as seasonal industry and benefits available to a seasonal industry suggested to be extended to it.

## **17. Low Cost Housing**

Government of State should encourage in-house stay and recreational facilities for employees in industry premises and provide the required subsidy / benefits to industries for creating that necessary infrastructure.

## **18. Employment generation grant on EPF/ ESI**

To encourage Industry to give maximum PF/ESI to employees, PF/ESI contribution share of the employer is suggested to be reimbursed by the state Government.

## **19. Promote Entrepreneurship**

The policy aims to promote entrepreneurship especially the rural areas. It is suggested that states incubate selected entrepreneurs through a structured mentorship programme. Eligible entrepreneurs who want to engage in food processing should be supported under Start up and Stand Up India schemes of Government of India.

## **20. Technology & Business incubation centres**

Along with the Government of the State it is suggested to set up Technology and business incubation centres at the district level. Projects that demonstrate technological innovation and/or technological upgradation and/or business that have potential to generate large scale rural employment are suggested to be supported in these incubation centres. Shortlisting of projects is suggested to be done through review of Detailed Project Reports (DPR). The DPR would be reviewed by an expert Committee comprising of representatives from MoFPI, State Government and Industry.

## **21. Skilling Centres**

Skilling centres are proposed to be set up in the state. It is suggested to dovetail programmes of the Ministry of Skill Development and Entrepreneurship in the Skilling Centres. It is suggested that these centres are established under PPP model. Existing infrastructure facilities of the state government/ industry could be utilised for setting up the skilling centres. It is suggested that CSR linkages for

establishing and running the skilling centres to be explored. The mandate would be to give employment to maximum number of people. It is suggested that the State Food Processing Department facilitate training of selected entrepreneurs under the Skill India Campaign of Government of India.

## **22. Encourage Collaborative farming**

Government should have a proactive policy to encourage collaborative farming and integration with cultivators, especially FPOs/Cooperatives for the benefit of industry and farmers, so that the interests of both the stakeholders are equally taken into consideration.

Government of State is also suggested to encourage contract farming in lines with the model law of contract farming which is going to be circulated soon as was announced in the Union Budget 2017-18.

## **23. INCENTIVES & SUPPORT MEASURES**

Some of the suggested incentives and support measures that the state can adopt are suggested as below:

### **23.1 Incentives for Capital and Credit**

To catalyse investment in the food processing industry it is suggested that incentives are provided for establishment of new food processing unit, equipment cost for technology upgradation of existing units and for setting up cold chain is suggested to catalyse investment in the sector. The suggested Fixed Capital subsidies (FCI) are as below:

- Capital Subsidy to an extent of Y% of project cost for setting up new food processing units limited to X crore. Capital Subsidy to an extent of Y% of equipment cost for technology upgradation of existing food processing units limited to X crore.

It is suggested that MSME Food processing units be given interest subsidy. Interest subsidy of Y% on the term loan taken for fixed capital investment for food processing units and cold chain infrastructure

for a period of Y years from commencement of commercial operations limited to X crore could be provided.

### **23.2 Electricity Duty Incentive**

- Food processing industry based on seasonal perishables like fruits and vegetables should be considered as seasonal industry and electricity charges/duty is suggested to be levied for the seasonal period only and not for the whole year.
- It is suggested that electricity duty be totally exempted for X years to promote new units.

### **23.3 Water charges**

It is suggested that water is made available on priority basis to FPI. The Agro-Food Processing industry is suggested to be treated as agriculture with regard to water charges and quota. It is also suggested to simplify permissions needed for water connection by the FPI.

Special incentives could be provided to food business operators undertaking efforts towards improving the ground water levels through development/use of new technologies for water conservation , especially in the Dark Blocks.

### **23.4 VAT /SGST Incentives**

Considering that huge investments would be brought in by the growth of the food processing industry and the accompanied employment that the sector is projected to generate, VAT/SGST refunds is suggested to be provided.

It is suggested Y% of net VAT/CST/GST is reimbursed for a period of X years from the date of commencement of commercial production or up to realization of Y% fixed capital investment, whichever is earlier. This benefit should be given to new and existing units.

### **23.5 Registration and Stamp Duty Incentive**

Registration and stamp duty incentives could be provide as mentioned below:

- 100% Exemption from payment of Stamp duty and transfer charge paid by the industry on purchase of land meant for industrial use.
- 100% Exemption from payment of Stamp duty for Lease of land/ shed/ buildings and also mortgages and hypothecations.

### **23.6 Value addition of crop residues and wastes generated from the Agro Processing Units**

- It is suggested that state governments support initiatives for value addition from crop residues and agro waste generated in the Food & Agro Processing Units that will improve the earning of the industry units and farmers and help in resolving environment concerns. It is suggested to support use of bio energy for generation of electricity
- Further, one time capital subsidy to an extent of Y% of the cost of Effluent Treatment Plants (ETPs) subject to a ceiling of Rs.X Lakhs could be provided to incentivize investments for proper waste disposal.

### **23.7 Support in marketing & promotion**

To support in marketing and promotion of agro based products both in domestic and international markets the following incentives are suggested for SME units:

- Y% reimbursement of total expense including air ticket, hall charges, and incidental charges in international food processing related trade fairs, with a ceiling of X lakh per unit per annum is suggested.
- All efforts on building brand including advertising in print media, radio, etc. should eligible for Y% reimbursement upto a ceiling of X lakh/annum.
- To encourage small units to export, Y% of reimbursement of inland haulage charges, upto a ceiling of Y/lakh/annum is suggested.

To promote the Made in India brand for the processed foods to drive exports it is suggested to establish a Special Purpose Vehicle (SPV) fund in PPP mode to help facilitate branding of value added Indian food products overseas, through activities such as Roadshows, marketing campaigns, exhibitions etc.

## **23.8 Incentives for Operational Excellence**

### **23.8.1.1 Freight Subsidy**

To prevent post harvest transportation losses, assure supply of quality products to consumer and ensure farmers get remunerative price for their produce, support is suggested to be provided to farmers to support freight costs.

Assistance of Y% of actual air freight paid or Y% of the actual road transportation costs paid by any legal entity subject to maximum Rs. X Lakhs per year per unit could be granted for export of any fresh or processed horticulture, milk products, poultry or fish produce.

Y% of actual air freight paid with a max Rs. X Lakhs per year per unit for X years for Organic produce from cargo complex at major airport terminal of the state subject to following conditions:

- Such subsidy shall not be granted for more than X years per unit. The enterprise which has obtained subsidy in earlier scheme will not be eligible to avail benefits under this scheme.
- If samples are required to be sent in foreign country for exporting edible agro products and expenditure is incurred for getting sample passed for export of edible agro article, assistance of Y% of actual expenditure (except expenditure incurred for purpose of travelling etc.) incurred on it is suggested to be granted limited to X lakhs per annum and maximum limit per beneficiary will be Rs X lakhs.

### **23.8.1.2 Sea Freight**

In view of the globalization trend, it is essential to encourage exports of agro and processed food products from the state. For states having coastal advantage, sea freight subsidy is suggested. Considering this aspect in mind, assistance of Y% of actual sea freight paid by any legal entity subject to maximum Rs. X Lakhs per year per unit will be granted for export of all processed food products subject to maximum Rs. X Lakhs per year per unit for regular food products, an Y% extra would be applicable for export of Organic Fresh Horticulture produce from cargo complex of major sea ports of the state. This subsidy shall not be granted for more than X years per unit.

### **23.8.1.3 Warehousing**

Warehousing is important in the food processing business as it not only provides space for storage for future use by it also helps in protection against risks from theft, fire, deterioration, etc. It also helps in price stabilisation and ensures steady supply of goods based on demand.

To promote the food processing industry it is suggested that subsidy on warehousing with upper cap is suggested to be provided. Government of State is suggested to provide Y% subsidy on storage, warehouses & pack houses.

### **23.8.1.4 Anchor Unit**

To promote setting up of anchor food units in districts where no such units exists an anchor unit subsidy is suggested to be offered by states.

Anchor unit subsidy of X lakhs is suggested to be offered for the first X agro based industry with minimum employment of X members and minimum investment of X crores.

This subsidy will be applicable only in talukas where there are no industrial enterprises with investment of X crores and above exists.

### **23.8.1.5 Venture Capital Funds**

A revolving venture capital fund can be a major contributor to jumpstart investments in the food & Agri business sector and catalyze agro industrial development.

Government of the State suggested to set up a revolving venture capital fund. This venture capital fund will cater the needs of prospective entrepreneurs who have developed or acquired unique technologies in Agro & Food Processing, Horticulture, Aquaculture, Sericulture, Hi-tech Agriculture and such other Agro related projects.

## **23.9 Incentives for building Competiveness**

### **23.9.1.1 Support in Quality Certification**

For food processing industries, quality certification such as ISO, HACCP, etc. are crucial and important for compliance and also for assuring quality. To facilitate internationally accepted quality or environmental certification, viz. ISO 14001, ISO 22000, HACCP, Sanitary-Phytosanitary certification, one time special assistance at a rate of Y% of the cost with a ceiling of Rs. X lacs per year is suggested. This subsidy will include fee of Certification Agency as well as Consultant's fee and training.

To promote Women lead enterprises Y% subsidy on the expenses incurred for quality certification/ patent registration limited to Rs. X Lakhs is suggested.

### **23.9.1.2 Packaging material**

Packaging plays a vital role in preserving food throughout the food distribution chain, which would otherwise be contaminated by direct physical contact, chemical and biological contaminants. Packaging not only helps increase in shelf life of foods, but also ensures their safety and quality - therefore bringing convenience to consumers.

The costs in packaging includes the material costs, cost of designing the packaging, capital cost for carrying the process, labour costs and other indirect costs. The packaging costs comprise a significant portion of the total product costs (X %). To encourage use of good quality packaging material, support in buying of packaging material is suggested.

It is suggested that States support initiatives to develop packaging technologies for individual products to increase their shelf life and improve consumer acceptance, both in the domestic and international markets.

## **23.10 Pollution control**

Suspended solids in effluent water of Food Industry are food particles and not same as chemical solids. Similarly most of the food processing units use Chlorine in water for washing of fruits and vegetables. It is suggested to relook at the current pollution control requirements and align it with norms that are in conformity with what the food processing units can follow with a strong monitoring mechanism for quality check and compliance.

In these lines, it is suggested that states revise Biochemical oxygen demand (BOD) and Chemical oxygen demand (COD) requirements for processing unit and to consider food processing in the green category.

### **23.11 Technology Acquisition fund**

For technology up-gradation/modernization of existing food processing units, state government is suggested to provide capital subsidy to an extent of X% of new/upgraded equipment cost, limited to X crore.

### **23.12 Support in Research & Development**

The primary aim for Research in the Development (R&D) in the food industry is to develop new products and launch them successfully in the market. The other purposes for investment in R&D are to develop process that reduce product prices, minimise environmental impacts, develop products that have more pleasing sensory properties, improve nutritional value, improve food safety, development of value added products from waste, technology transfer add convenience and ultimately offer greater choices of food items to consumers.

It is suggested to allocate funds to promote creation and upgradation of new product development including packaging. Analytical testing facility centres (Government and Non-Government) duly equipped to produce marketable batches that are tested for food safety, shelf life, quality and regular norms is suggested to be created.

Assistance to food processing industries is suggested to be provided for research work approved by government undertaken by reputed research institutions, up to Y% of the cost with a ceiling of X lakh. This would be a one-time grant for a food processing unit. Given the importance of adherence to standards of protocols for testing, incentives maybe provided to FBO's undertaking upgradation /introduction of new technologies to ensure conformance.

Existing food processing units that are setting up / upgrading testing labs for use of the particular unit only, will be eligible to receive grant of Y% of eligible project cost required for setting up/up-gradation, limited to a maximum of X lakh.

One of the largest bottlenecks faced by the food processing industry is the availability of processable varieties. It is suggested to allocate X lakh per year for development of varieties that are processable.

### **23.13 Assistance in Patent**

Food businesses are constantly innovating and this creates intellectual property. These assets if patented offer opportunities to incentive the institution filing for patent. Intellectual property protection in the food sector covers all aspects of food production starting production of ingredients, creation of recipes, to labelling, marketing, and branding of product. Types of intellectual property relevant to food industry include patents, trade marks, copyright, trade secrets and design rights.

Y% subsidy with a ceiling of maximum Rs. X lakhs expenses for meeting the expenditure of obtaining patent and other IPR subsidy including the cost consultant fee, government fee etc. is suggested to be provided to the food processing units.

### **23.14 Technical & Skill Support**

Assistance will be provided to Agro and Food Processing units/infrastructure projects at the rate of Y% of fee paid, subject to a maximum Rs. X per employee on obtaining industry recognized skill certifications from recognized institutions. The assistance under this incentive will be subject to an overall ceiling of Rs. X lakh/ year/ unit maximum for a period of X years.

### **23.15 Incentive for Industries Working On Traditional Indian Food & Therapeutic Food**

It is suggested that industries working on traditional Indian foods and therapeutic foods are incentivised to help them standardise ingredients and preparation procedure and technologies for manufacture of traditional and therapeutic foods.

### **23.16 Promote women entrepreneurs in food processing**

Women have traditionally been engaged in food processing in the unorganised sector like papad making, pickle making etc. There is a need to encourage engagement of women in the organised food processing industry. It is suggested that the state may additional incentives to promote women led enterprises.

## **24. GUIDANCE ON METRICS TO MEASURE IMPACT**

Given below are some suggested indicators to monitor whether the suggested policy instruments actually enable development of the food processing industry. Indicators suggested would also measure the impact of on-ground action, including specific project interventions and localized initiatives of the FBOs. The suggested indicators are as follows.

- Contribution of FPI to the GDP
- Increase in number of FPI
- Percentage increase in the processed food products
- Decrease in post harvest wastage losses due to better technologies and improved logistics
- Increase in value addition
- Better farm gate price to farmers thereby enabling increase in farm incomes
- Increase in employment generated by the FPI
- Increase in export of processed food products due to adherence to compliance issue, hygiene and best practices

## **25. ADMINISTRATIVE STRUCTURE**

25.1 The Ministry of Food Processing Industries along with the State is committed to implement the provisions of the policy.

25.2 The Ministry of Food Processing Industries would help facilitate bringing in greater investments into this sector in the state. It would guide and help the state in creating a conducive environment for healthy growth of the Food Processing Industry.

25.3 The responsibility for implementation of the provisions of the Policy lies with State Government with the Ministry of Food Processing Industries acting as a facilitator.

25.4 The policy will be governed by the FPD Council headed by the Hon'ble Minister of Food Processing Industries as its Chairperson and having the following suggested composition:

Hon'ble Minister of Food Processing Industries	Chairperson
Hon'ble Minister of State for Food Processing Industries	Vice Chairperson
Hon'ble Minister In Charge of Food Processing Industries Department from respective States	Member
Secretary, Ministry of Food Processing Industries, Government of India	Member
Secretary, Department Of Agriculture Cooperation & Farmers Welfare	Member
Secretary, Department of Agricultural Research and Education, Ministry of Agriculture and Farmers Welfare, Government of India	Member
Representatives from the Industry	Member
Joint Secretary, Ministry of Food Processing Industries	Convenor

An Executive Committee (EC) headed by \_\_\_\_\_ having the following composition is suggested to be created to supervise, monitor and implement the provisions of the policy in the state.

**Composition of the EC**

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The Ministry will provide the necessary support to the EC for administering the \_\_\_\_\_ Council. The EC will ensure smooth functional linkages amongst the different agencies in the state. The EC would meet in every quarter.