

PRESENTATION

**BY
MINISTRY OF FOOD PROCESSING
INDUSTRIES**

**AT
FOODWORLD INDIA 2008**

STRATEGY SESSION-I : FOCUS INDIA

**ON
13.11.2008**

**“ PROMOTING INDIAN
FOOD PROCESSING :

INITIATIVES AND

INCENTIVES”**

Introduction

- **The growth and development of Indian Food Processing Industries will provide long-term economic sustainability to farmers, generate employment opportunities in rural areas.**
- **Government has appreciated the need for food processing sector and has identified it as one of the thrust areas.**
- **While there has been a substantial growth in the food processing sector over the last few years, there is a need to strengthen the infrastructure for food processing sector with integrated supply chain, storage, preservation and marketing facilities.**

Points for deliberation

- **This presentation will cover briefly the growth of food processing sector, its major constraints and initiatives taken by the Government for the development of the sector.**
- **It will also indicate the incentives and opportunities available for investment in food processing sector.**

FOOD PROCESSING SECTOR IN INDIA

- **Growth of Food Processing Sector increased from 7% (2002-03) to 13.14% (2006-07); GDP growth rate 8.7% and 2.6% for agriculture sector in 2007-08.**
- **Growth of investment in food processing industrial units (organized, SSI, medium and large scale) increased from 64 billion USD (2003-04) to 85 billion USD (2006-07).**
- **FDI in Food Processing Sector increased from 37 million USD (2004-05) to 94 million USD (2006-07).**
- **Number of SSI units in Food Processing Sector increased from 1.65 million (2003-04) to 2 million⁵ (2006-07)**

FOOD PROCESSING SECTOR IN INDIA- **.....contd.**

- **Turnover of organised Food Processing Units (SMEs) increased from 142 billion USD (2002-03) to 223 billion USD (2006-07).**
- **Employment in Food Processing Sector is 13 million direct and 35 million indirect.**
- **Processing level was 6-7% in 2003-04. It is estimated to be about 10% in 2006-07.**
- **India one of the biggest consumer market ranked 12th in world in 2005**
 - **Expected to reach 5th position by 2025**
- **Market size for food in India in 2005 estimated at \$155bn and expected to be \$344bn by 2025 (McKinsey report).**

MAJOR CONSTRAINTS :-

SUPPLY CHAIN IN FOOD PROCESSING – WEAK LINK

- **Bulk of production in small & marginal holdings**
- **Producers getting only 30% of produce value**
- **Trade intermediaries getting rest 70% without any value addition**
- **High level of wastages – around 35%**
- **Supply line unreliable**
- **Lack of infrastructure at the production sites**
- **Absence of credible institutions to streamline supply chain**
- **Producers not linked to the processors**

STRATEGIC INTERVENTIONS

- **Vision 2015**
 - Level of processing from 6% to 20%
 - Value addition from 20% to 35%
 - Share in global food trade from 1.5% to 3%
- **Integrated Strategy and Action Plan**
- **Food Safety and Standards Act 2006- Food Authority operational**
- **11th Plan allocation for the Food Processing Sector is 8.58 billion USD (as against 1.38 billion USD during the 10th Plan)**

STRATEGIC INTERVENTIONS

.....contd.

- **Establishment of Mega Food Parks**
- **Creation of Integrated Cold Chains**
- **Modernization of Abattoirs**
- **Quality Control Laboratories and R&D**
- **Human Resource Development & Capacity Building**
- **Upgradation of quality and hygiene of street food / food street.**
- **Decentralisation of setting up / up-gradation scheme**

Mega Food Parks

- Establishment of **30 Mega Food Parks** in identified clusters.
- **Demand driven** with focus on strong backward and forward integration.
- Stakeholder participation with private led initiative through SPV .
- Average project cost of a mega food park is about 37 million USD
- **Financial assistance** up to 50% of project cost (75% in difficult areas) limited to **10.64 million USD** for each food park for common facilities.
- About 30-35 processing units will leverage **53.19 million USD** investment

Mega Food Parks

.....Contd.

- Annual estimated turnover of these units will be about 1 billion USD.
- Potential employment opportunities will be about 40,000
- On an average household size of 4, this employment generation will provide livelihood to about one hundred thousand people in catchment area of mega food park.
- Under new scheme, 10 Mega Food Parks in the first phase out of 30 during 11th five year plan approved.
- Maharashtra has been identified as one of the locations for Mega Food Park in the first ten of first phase.

Tentative Project Cost

Particulars	Amount (Rs. Crore)
Land (Acres)— Central Processing Center—100 acre @ 15 lakh/acre PPCs & CCs—50 acre @ 5 lakh/acre	17.50
Site development @ Rs 12 lakh/acre	18.00
Building: • Administration block—2,000 sq m @ Rs 7,000/sq m • Common facilities-CS/CA/VH/PV, processing lines, etc.—10,000 sq m @ Rs 6,000/sq m • PPCs (8Nos.)—32,000 sq m @ Rs 5,000/sq m • Factory sheds (20 Nos.)—15,000 sq m @ 4,000/sq m	29.40
Common facilities—(CA, high-tech cold store) plant & machinery, logistic	61.50
Utilities (power & water supply), ETP, etc.	4.50
Preoperative expenses	2.40
Contingencies @ 5% of project cost except land	5.40
Margin money for WC @ 25% of working capital requirement	0.80
Total	139.50

Potential Processing Facilities

S.No.	Description of Projects -Food Processing	Project Cost (Rs Lakh)	Turn Over (Rs Lakh)
1	IQF Frozen Foods plant Fruits & Vegetables,Foods	1000	2500
2	Mango/Tomato/Pomegranate etc Processing Pulp/Puree/Concentrates	1500	3600
3	Bottling Plants Automated Juices,Nacters,Drinks	600	2000
4	Tetrapack Aseptic Packaging Plant	2000	4500
5	Pickles,Spices,Marinades and sauces	250	500
6	Canning Line	120	300
7	Sauces & Ketchups,Marinades,Cooking Aids	100	175
8	Vacuum Drying	300	500
9	Freeze Drying Aloe Vera/Amla,Vegetables	600	1500
9	Papaya Candy and Papain Enzyme	500	1000
10	Olioresins distillation process	60	500
11	Instant Foods -Ready to cook Vada,dosa,Idly,Cutlets etc	90	180
12	Speciality Foods-Energy drink mix,Wellness foods,	106	265
13	Spices / Tastemakers Development unit-Seasonings	50	125
14	Blister Packing Unit-Pickles,Sauces,Instant mixes.	40	100
15	Citrus Fruits and Pectin Processing Plant	1000	2500

Potential Processing Facilities....

S.No.	Description of Projects -Food Processing	Project Cost (Rs Lakh)	Turnover (Rs Lakh)
16	Ready Meals Sterlized Fruits, Vegetables, Cereals	700	1750
17	Ready Meals < Frozen>Fruits, Vegetables, Cereals	900	2250
18	Supercritical Co2 extraction- Spices, Herbals, condiments	1000	2500
19	Microbial Cultures & Tissue Culture R & D multiplication	800	2000
20	Bakery Products-Biscuits-Bread-Frozen Dough	250	625
21	Contineous hot air drying plant Onion /Garlic/Vegetables	440	1100
22	Confactionery Plant-Chocolates -Coaca processing	150	375
23	Extruded Snack Foods Plant	550	1375
24	Milk and derivatives Plant	2106	5265
25	Citric Acid submersed Process	1180	2950
26	Bitarotene Fermentation Algae Process Plant	900	2250
27	Spirulina Algae Fermentation Protein Plant	1400	3500
28	Edible Oils and Protein Isolates	1500	3750
29	Natural Colour Extracts	600	1500
30	Mushroom Production & Processing Plant	1600	4000
	Total	22392	55435

Broad Features of Guidelines for Establishing MFP

- **Responsibility of development, ownership & management of Mega Food Park with a Special Purpose Vehicle (SPV)**
- **SPV can be constituted by all stakeholders like Financial Institutions/Banks, organized retailers, processors, service providers, producers, farmer organizations and other related stakeholders**
- **SPV to be a Body Corporate registered under the Companies Act.**
- **SPV should have wide dispersal of equity holding**
- **Each SPV to have at least five entrepreneurs / business units of which at least one should be from the food processing sector.**

Broad Features of Guidelines for Establishing MFP contd

- **The SPVs need to bring in at least 20% of the project cost, including the cost of land, as their contribution.**
- **The combined net worth of the shareholders of the SPV should not be less than 10.64 million USD.**
- **Government agencies may also become shareholders in SPV, with less than 26% of share capital, so as to ensure private sector character of the SPV.**
- **Government grant cannot be utilized for land procurement.**

Cold Chain Infrastructure

- **Lack of adequate storage facilities and refrigerated transport add to the problem of wastages of all perishable produce before reaching the end consumers.**
- **India has about 5,000 cold storage units with a capacity of about 21.6 million MT. Of this, potato occupies 80% space, F & V 0.1%, Meat & Fish 1%, Milk 0.1%.**
- **Cooling /post harvest handling facilities at farm gate level**

Cold Chain Infrastructure

Continued...

- The Scheme has three components

- ✓Minimal Processing Centres

- For dairy sector, this center can have bulk chilling units at village level

- ✓Refrigerated/ Cold Transport

- For dairy sector milk tankers may be eligible

- Distribution centers

- Investors to be eligible only if proposal covers any two of the above three categories.

- In addition stand alone Irradiation centers with packaging facilities also eligible.

- The Scale of Assistance is 50% in general areas and 75% in difficult areas, with ceiling of 2.13 million USD.

Irradiation Centers

Food Irradiation

- **Eliminates disease-causing microorganisms from foods.**
- **Reduces spoilage bacteria, insects and parasites, and in certain fruits and vegetables it inhibits sprouting and delays ripening.**
- **Enhances**
 - **the shelf-life of food products,**
 - **does not affect their colour, flavour, texture and nutritional values.**
- **Irradiated Food Safe for human consumption**
- **Typical Food Irradiation Plants Cost between 17-43 million USD.**
- **Ministry has supported 5 such facilities so far**
 - **2 in Maharashtra,**
 - **1 in Haryana**
 - **1 in Andhra Pradesh**
 - **1 in West Bengal**

Modernization of Abattoir

- **Develop modern infrastructure for meat industry**
 - **better technology** to ensure hygienic and scientific slaughtering
 - **backward linkages with farmers** in vicinity of 80-100 kms
 - **Forward linkages with market**
- **Modern Abattoirs to have**
 - **Lairage,**
 - **Scientific modern slaughtering,**
 - **Chilling,**
 - **Processing,**
 - **Packing,**
 - **By product utilization with rendering,**
 - **Effluent treatment plant, drainage,**
 - **Reefer vans**
 - **Water and power with required sanitary / phyto-sanitary conditions for modernization**
 - **Modern outlets**

Modernization of Abattoir

.....Contd.

- **Financial assistance up to 50% (75% in difficult areas) with a ceiling of 3.20 million USD.**
- **To be preferably implemented under PPP mode with involvement of local bodies with flexibility for involving private investors/exporters/FDI.**
- **In the first phase of 10 abattoirs, one is already approved for Maharashtra (Ahmednagar District Goat Rearing Federation) with a grant of 2.06 million USD.**

Research & Development

- **Design & development of cost effective technologies, processes & products.**
- **In 11th Plan Govt. Organizations for 100% assistance as grant for cost of equipments, consumables and JRF / SRF specific to the project of specified duration.**
- **Private Sector for 50% assistance in general areas and 70% assistance in difficult areas as grant.**

HRD AND CAPACITY BUILDING

- **National Institute of Food Technology Entrepreneurship and Management (NIFTEM).**
- **Indian Institute of Crop Processing Technology (IICPT) – (formerly PPRC)**
- **MFPI assistance :-**
 - **Infrastructure facilities for running Degree / Diploma Courses – upto 0.16 million USD.**
 - **EDP for Entrepreneurs – upto 4255 USD per EDP**
 - **FPTC (Single line upto 4255 USD / Multi line upto 8510 USD)**

Quality Control/Food Testing Laboratories

- Food products have to adhere to food safety and quality standards set for domestic and foreign markets.
- Food Testing Laboratories are required to maintain quality of food products at every level of production chain.
- Assistance level for Lab. Equipments: **100% for government organizations / Universities, 50% for other implementing agencies.** For Technical civil works 25% of cost in general areas and 33% in difficult areas.
- 74 labs at National, State and District levels to be set up / upgraded.

Upgrading Quality of Street Food

- **A new innovative scheme. It aims at :-**
 - **improving hygienic standards and quality of street food**
 - **providing identity to downtrodden street food vendors and bringing them to the national mainstream**
 - **providing them economic sustainability**
- **Ministry is promoting this Scheme to encourage hygiene standards and capacity building of street food vendors through NGOs / Industry Associations, etc. to ensure quality and hygienic street food.**
- **About 1,000 street food vendors in each city (total 50) to be covered during 11th Plan**
- **25% grant towards cost of scientifically designed safe, cheap and hygienic food cart (Average cost 745 USD)**

Upgrading Quality of Food Streets

Selecting one existing street as a Food Street in 25 selected cities in 11th Plan

Proposed Interventions

- **Up-gradation/installation & maintenance of common civic infrastructural facilities**
- **Train personnel in food establishments on hygienic practices**
- **Provision of identity cards**
- **Health checks for vendors**
- **Monitoring of hygiene standards**
- **Co-ordinate inspection, testing, certification and accreditation process**
- **Financial Assistance to local authorities for establishing food streets to the tune of 75% of project cost limited to 1.06 million USD per food street.**

Major fiscal incentives

- **100% Foreign Direct Investment allowed.**
- **Repatriation of profits is freely permitted.**
- **Most processed food items exempt from excise duty.**
- **Excise duty exemption on specified cold chain equipments.**
- **Customs duty rates have been substantially reduced on plant and equipments / raw materials / intermediates especially for export production.**
- **No licence / permission for import of most capital goods.**
- **Income tax rebate allowed (100% of profits for 5 years and 25% of profits for the next 5 years) for new industries in fruits and vegetables.**

Food Safety & Quality Year

- **MFPI is celebrating the year 2008-09 as Food Safety and Quality Year - Launched on 11th June 2008.**
- **MFPI observed World Food Day on 16th October 2008 as “Food Safety and Quality Day” when a commemorative stamp/first day cover was released.**
- **MFPI brought out two booklets for “Food safety tips for Housewives” and “Checklist on Quality Street Food”**
- **Involvement of all stakeholders solicited for celebrating Food Safety & Quality Year 2008-09.**
- **MFPI has requested all states to propagate Food Safety and Quality Issues in respective states during 2008-09**

THANK YOU