



## Food Processing Sector: Present Scenario and New Initiatives

### *At a Glance*

- ❖ Food Processing Sector is the fifth-largest industry in terms of production, consumption, exports and potential growth.
- ❖ During the last five years ending 2019-20, Food Processing Industries (FPI) Sector has been growing at an average Annual Growth Rate of around 11.18 per cent.
- ❖ Food Processing Industry is one of the major employment intensive segments having a share of 12.38 per cent in the employment generated in all Registered Factory sector in 2017-18.
- ❖ The sector has witnessed FDI equity inflow of US\$ 4.99 billion during the period April 2014 to September 2021.
- ❖ Key initiatives taken:
  - Pradhan Mantri Kisan Sampada Yojana
  - Mega Food Parks Scheme
  - Integrated Cold Chain and Value Addition Infrastructure Scheme
  - Operation Greens
  - Creation of Backward and Forward Linkages Scheme
  - PM Formalisation of Micro Food Processing Enterprises
  - Production Linked Incentive Scheme for Food Processing Industry.

*Prepared by Smt. Vandana Chauhan, Deputy Director under the supervision of Shri Satya Vijay Ram, Shri Pulin Bhutia, Joint Secretary of Lok Sabha Secretariat and Shri Prasenjit Singh, Additional Secretary.*

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## **Introduction**

India has made vast progress overtime in providing food security for its people and has become largely self-reliant in agriculture. Accordingly, the policy focus has shifted from attaining self-sufficiency to generating higher and stable income for the farming population. Food processing industry (FPI) is one area which has the potential to add value to farm output, create alternate employment opportunities, improve exports and strengthen the domestic supply chain. India, with about 11.2 per cent of total arable land in the world, is ranked first in the production of milk, pulses and jute, second in fruits and vegetables and third in cereals (Government of India, 2019). It is also the sixth largest food and grocery market in the world. The Government of India has been pushing a range of reforms through its Central Sector and Centrally Sponsored Schemes to encourage sustainable production and enhance farmer's income. With a healthy growth rate of eight percent since 2014, food processing sector is seen as the sunrise sector of the Indian economy and is the fifth-largest industry in terms of production, consumption, exports and potential growth.

### **Share of Food Processing Sector in National Economy**

- ❖ During the last five years ending 2019-20, Food Processing Industries (FPI) Sector has been growing at an average Annual Growth Rate of around 11.18 per cent.
- ❖ The Sector constituted as much as 9.87 per cent of Gross Value Added (GVA) in manufacturing in 2019-20 at 2011-12 prices.
- ❖ Food Processing Industry is one of the major employment intensive segments having a share of 12.38 per cent in the employment generated in all Registered Factory sector in 2017-18.
- ❖ According to the latest Annual Survey of Industries (ASI) for 2017-18, the total number of persons engaged in registered food processing sector was 19.33 lakh. Unregistered food processing sector supports employment to 51.11 lakh worker as per the NSSO 73rd Round, 2015-16.

## **Present Status**

The food processing industry in India is at a nascent stage, accounting for less than 10 per cent of total food in India (Government of India, 2016). As per the

study conducted on Level of Food Processing in India (Deloitte study 2020-21), processing level in India is at 4.5 per cent for fruits, 2.70 percent for vegetables, 21.1 per cent for milk, 34.2 per cent for meat and 15.4 per cent for fishery. Food wastage remains a concern as nearly forty percent of perishables commodities is wasted in India. It is expected that improvement in food processing would reduce wastages in agricultural produce. Value addition, food processing and better post-harvest management practices can help in reducing these losses. Ministry of Food Processing Industries (MoFPI) intends to increase the food processing level in the country through different post-harvest intervention schemes. Increase in processing levels is desirable as it helps in the reduction of wastage, better price realisation for farmers and generation of employment.

### **Challenges faced by the Food Processing Sector**

The growth of Food Processing sector is crucial for greater social and economic development of the country. Some of the important challenges in the Food Processing Sector are:

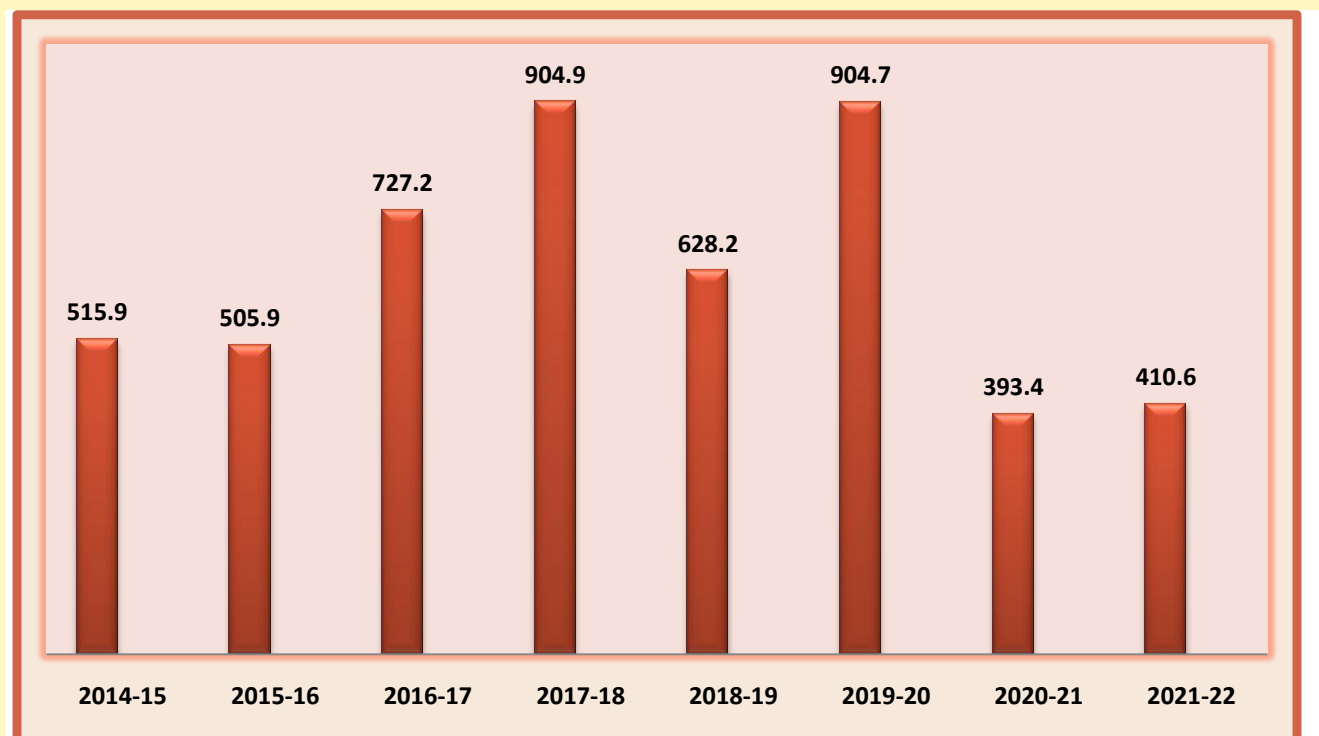
- The national-level study conducted by Central Institute of Post-Harvest Engineering and Technology (CIPHET) estimated that nearly 4.65-5.99% of cereals are wasted, and nearly 4.58-15.88% of fruits and vegetables are wasted. Among pulses, the losses increased from an earlier estimate of 4.3-6.1% in 2010 to 6.36-8.41% in 2015. Overall losses also increased in milk, meat, poultry and marine fisheries. The study also estimated that the value of the post-harvest losses is at Rs 92,651 crores.
- There exist gaps in supply chain infrastructure which means inadequate primary processing, storage and distribution facilities.
- Inadequate link between production and processing due to lack of processable varieties.
- Seasonality of operations and low-capacity utilization.
- Institutional gaps in the supply chain, for instance, there is dependence on APMC markets.
- Lack of focus on quality and safety standards, and not having enough of product development and innovation.

### **Foreign Direct Investment (FDI) in Food Processing Sector**

In Food Processing Sector, 100 per cent FDI is permitted under the automatic route. However, in case of trading in respect of food products manufactured and/or produced in India including through e-commerce, 100 per cent FDI is allowed under the Government approval route. The sector has witnessed FDI equity inflow of US\$ 4.99 billion during the period April 2014 to September 2021. The FDI equity

inflow in FPI sector during April to September 2021 was US\$ 410.62 million in comparison to US\$ 220.42 million in the corresponding period last year.

### **FDI Inflows in Food Processing Sector (in US \$ million)**



### **Key initiatives for Food Processing Sector**

The Union Government through the Ministry of Food Processing Industries, is implementing the following major schemes for holistic and overall growth of the Food Processing Sector:

- ❖ **Pradhan Mantri Kisan Sampada Yojana (PMKSY):** This scheme was launched on 3rd May 2017 to give necessary thrust for accelerated growth of the Food Processing sector. PMKSY is a comprehensive package resulting in creation of modern infrastructure with efficient supply chain management from farm gate to retail outlet. It provides a big boost to the growth of food processing sector in the country and helps in providing better returns to farmers and is a big step towards doubling of farmers' income. It has the capacity to create huge employment opportunities especially in the rural areas, reducing wastage of agricultural produce, increasing the level of processing and enhancing the export of the processed foods.

## Main Schemes implemented under PM Kisan Sampada Yojana

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| <b>Mega Food Parks Scheme</b>   | <p>Mega Food Parks Scheme, aims to create a modern food processing infrastructure for the processing units based on a cluster approach. The scheme intends to facilitate establishment of an integrated value chain, with food processing at the core supported by requisite forward and backward linkages. The scheme provides for a capital grant at the rate of 50% of the eligible project cost in general areas and 75% of the eligible project cost in difficult and hilly areas i.e., North East Region including Sikkim, J&amp;K, Ladakh, Himachal Pradesh, Uttarakhand and Integrated Tribal Development Programme (ITDP) notified areas of the States subject to a maximum of Rs. 50 Crores per project. In the period, from 01.01.2021 to 31.12.2021, Ministry has released grant-in-aid of Rs. 60.74 crore to the ongoing Mega Food Park projects. Twenty two Mega Food Park projects across the country have been made operational. About 65 units are functioning in these parks providing employment to more than twenty-two thousand people directly. In addition, more than 6 lakh people are getting employment through franchises, dealership/distributorship etc.</p> |
| <b>Integrated Cold Chain and Value Addition Infrastructure Scheme</b> | <p>The scheme provides for promotion of cold chain facilities without any break from the farm gate to the consumer, end to end, to reduce losses by improving efficiency in collection of farmers produce, storage, transportation and minimal processing. Both horticultural and non-horticultural produce are eligible for</p>  |

**Scheme for Creation of Infrastructure for Agro Processing Clusters**

support under this scheme. As on 31.12.2021, 350 integrated cold chain projects have been taken up for implementation. Of these 350 projects, 256 projects have been completed and 94 are at various stages of implementation.

The Scheme is being implemented since 2017. The Scheme has two basic components i.e., Basic Enabling Infrastructure (roads, water supply, power supply, drainage, ETP etc.) and Core Infrastructure/Common facilities (ware houses, cold storages, IQF, tetra pack, sorting, grading etc). Creation of common facilities in a cluster may vary depending upon requirements of food processing units existing outside the cluster or to be set up in a cluster. Minimum 5 food processing units with minimum investment of Rs. 25 crores are to be set up in the cluster. Under the scheme, a total of 68 projects have been approved up to 19.01.2022.

**Creation of Backward and Forward Linkages Scheme**

The Scheme is under implementation since 2018. The objective of the Scheme is to provide effective and seamless backward and forward integration for processed food industry by plugging the gaps in supply chain in terms of availability of raw material and linkages with the market. The Scheme will enable linking of farmers to processors and the market thereby ensuring remunerative prices for their produce. Under this scheme, a total of 50 BFL projects were targeted to be sanctioned up to 2019- 20 with an allocation of Rs.150 crores as per Cabinet Committee on Economic Affairs (CCEA) approval. However, allocation for the scheme has been subsequently revised to Rs. 187.50 crore for about 61 units, keeping in view

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| <p><b>Operation Greens</b></p> | <p>average size of the project.</p> <p>In pursuance to budget announcement for the year 2018-19, MoFPI has been implementing central sector scheme “Operation Greens – A scheme for integrated development of Tomato, Onion and Potato (TOP)” with a budgetary allocation of Rs.500 crore since November, 2018 to promote Farmer Producers Organizations (FPOs) and their Capacity building, Primary/ Secondary Processing Facilities, Storage Infrastructure, Agri-logistics etc. The Scheme has two-pronged strategies of Price Stabilization Measures (for short term) and Value Chain Development Projects (for long term). Since 2021 Operation Greens Scheme has been expanded from TOP to Twenty-Two Perishable products in order to boost value addition in agriculture and allied products and their exports.</p> |
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- ❖ **PM Formalisation of Micro Food Processing Enterprises (PMFME):**As part of Aatmanirbhar Bharat Abhiyan, an all India centrally sponsored “PM Formalization of Micro food processing Enterprises (PMFME) Scheme” was launched for providing financial, technical and business support for up-gradation of existing micro food processing enterprises. It is to be implemented for a period of five years from 2020-21 to 2024-25 with an outlay of Rs. 10,000 crore. Two lakh micro food processing units will be directly assisted with credit linked subsidy. The Scheme aims to enhance the competitiveness of existing individual micro-enterprises in the unorganized segment of the food processing industry and promote formalization of the sector. It supports Farmer Producer Organizations (FPOs), Self Help Groups (SHGs) and Producers Cooperatives along their entire value chain.
- ❖ **One District One Product:** The PMFME Scheme adopts One District One Product (ODOP) approach to reap the benefit of scale in terms of procurement of inputs, availing common services and marketing of products. ODOP for the Scheme will provide the framework for value chain development and alignment of support infrastructure. The ODOP product selected are either a

perishable agro-produce, cereal-based product or a food product widely produced, Minor Forest Produce or traditional food products in a district and their allied sectors. PMFME Scheme provides support to existing individual micro units for capital investment. New units, for both individual and groups would be supported for ODOP products. Ministry of Agriculture & Farmers' welfare will support One District One Focus Product (ODOFP) aligned with 710 approved ODOP from its ongoing centrally sponsored schemes. Under PMFME scheme intervention, 75 Incubation Centers have been approved with an outlay of 200.06 crore across 25 States/UTs in 40 ODOP. A grant of 2.75 crore is provisioned for establishment of processing lines in ODOP and allied product lines.

- ❖ **Production Linked Incentive Scheme for Food Processing Industry (PLISFPI):** As a part of Prime Minister's announcement of Aatmanirbhar Bharat Abhiyan, Government of India has approved "Production Linked Incentive Scheme for Food Processing Industry (PLISFPI)". The objective of the scheme is to support the creation of global food manufacturing champions; promote Indian brands of food products; increase employment opportunities for off-farm jobs, ensure remunerative prices of farm produce and higher income to farmers. The scheme was approved for implementation during 2021-22 to 2026-27 with an outlay of Rs. 10,900 crores. The scheme objectives are to extend financial support to Indian food manufacturing entities, with stipulated minimum sales, willing to make committed investment for expansion of food processing capacity. It aspires to not only support creation of global food manufacturing champions, but also to strengthen select Indian brand of food products for global visibility and wider acceptance in the international markets.

## **Way Forward**

Food processing in India has trodden a long path of transformation, from merely a household activity to a prominent industrial sector impacting national economy, especially the rural one. This sector links unorganized farming community with formal industrial sector to advance rural economy. It is also capable of addressing critical issues of food security, food inflation, food wastage and nutritional security to the masses. Food processing sector has been identified as one of the key and priority sector of the Government's ambitious "Make in India" campaign. Special efforts are being undertaken to improve the competitiveness of the private and public sector units, so that they can integrate well with global value chain and global markets. Food processing sector is on the pathway of building new India where rural economy is as bright as its urban counterpart.



Ministry of Food Processing Industries has prepared a blueprint for National Food Processing Policy. The draft policy aims for the development of the food processing sector by addressing the critical gaps hampering its growth. It provides for a stable policy framework over the next fifteen years to give impetus to the development of the sector. Some of the key objectives and strategies of the policy are reducing wastages and increasing value addition leading to higher income of farmers, increasing access to credit at affordable cost, enhancing availability of safer, affordable and nutritionally balanced food products to the consumers, promoting cluster approach for intervention in the sector, developing value chain for perishables, strengthening unorganized food processing sector and supporting Research activities in food products & processes etc.

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