

Policy initiatives by Government for growth of the food processing sector

- **Exempting all the processed food items** from the purview of licensing under the Industries (Development and Regulation) Act, 1951.
- **100% Foreign Direct Investment (FDI) permitted** through automatic route for food processing sector.
- **100% Foreign Direct Investment, under Government approval route, for trading**, including through e-commerce, in respect of food products manufactured or produced in India.
- **Lower GST for raw and processed product**; more than 71.7% food products under various chapter heads/sub-heads are covered in lower tax slab of 0% & 5%.
- Provision of profit linked **tax holiday** under Section 80 IB and investment linked **deduction under Section 35 AD of Income Tax Act, 1961**.

Policy initiatives by Government for growth of the food processing sector

- Classifying loan to food & agrobased processing units and Cold Chain under agriculture activities for Priority Sector Lending. All activities pertaining to food processing sector has been included for consideration under **Priority Sector Lending**.
- Cold Chain and Food Parks covered under Harmonised Master List of Infrastructure Sub-sector. They will be able to **access to infrastructure lending** on easier terms.
- Setting up of a **Special Fund of ₹2000 crore in National Bank for Agriculture and Rural Development (NABARD)** to provide affordable credit for designated Food Parks and agroprocessing units.
- Introduction of Pradhan Mantri **Kisan SAMPADA Yojana** (PMKSY).
- Introduction of PM **Formalisation of Micro food processing Enterprises** (PMFME) Scheme
- Introduction of **Production Linked Incentives Scheme** for Food Processing Industry

Pradhan Mantri Kisan Sampada Yojana (PMKSY)

Ministry of Food Processing Industries (MoFPI) is implementing a **Central Sector umbrella scheme- Pradhan Mantri Kisan Sampada Yojana (PMKSY) since 2016-17 .**

PMKSY is a comprehensive package resulting in **creation of modern infrastructure** with efficient supply chain management from farm gate to retail outlet.

8 Schemes are being implemented under PM Kisan Sampada Yojana .

Under various schemes of PMKSY, MoFPI provides mostly credit linked financial assistance (**capital subsidy**) **in the form of grants-in-aid** for setting up of food processing/ preservation industries/ units.

8 Component Schemes implemented under PM Kisan Sampada Yojana

(i) Mega Food Parks

- Mega Food Parks with **common utility/facility** like roads, electricity, water supply, sewage facility and common processing facility like pulping, packaging, cold storage, dry storage and logistics are being promoted in areas with strong agricultural resource base.
- Mega food park typically **consists of** supply chain infrastructure including collection centers, primary processing centers, central processing centers, cold chains and around 25-30 fully developed plots for entrepreneurs to set up food processing units in “plug and play model”.
- The broader idea behind the scheme is to **bring together farmers, processors and retailers** and link agricultural production to the market so as to ensure maximization of value addition, minimization of wastages and improving farmers’ income.
- Under the scheme, Ministry has **approved 41 Mega Food Park projects**. Out of this, 22 parks are operational.

- (ii) Integrated Cold Chain and Value Addition Infrastructure** (For **minimizing post-harvest losses**)
- (iii) Creation/Expansion of Food Processing & Preservation Capacities** (For increasing the level of processing, thereby, **reduction of wastage** and value addition)
- (iv) Creation of Infrastructure for Agro-Processing Clusters** (Minimum 5 food processing units with minimum investment of Rs. 25 crore will be set up in the cluster.)
- (v) Creation of Backward and Forward Linkages** (For **perishable** agri-horti produce through setting up of primary processing centers/collection centers at farm gate, distribution hub and retail outlets at the front end)
- (vi) Food Safety and Quality Assurance Infrastructure** (like Setting Up/Up-gradation of Quality Control/Food Testing Laboratories)
- (vii) Human Resources and Institutions** (Skill Development, Scheme of Research & Development, Promotional Activities and Publicity)

(viii) Operation Greens (for integrated value chain development of **Tomato, Onion and Potato- TOP**)

Scheme was announced in the Union Budget 2018-19.

The scheme has two components i.e. **Long Term Strategy** i.e. Integrated Value Chain Development Projects and **Short Term Strategy** i.e. Price Stabilization Measures by providing 50% subsidy for transportation and storage from surplus production area to consumption centres.

Operation Greens TOP to TOTAL as a part of Aatmanirbhar Bharat Abhiyan: -

- The scope of short term measures originally applicable to TOP crops were expanded to **41 notified fruits & vegetables** w.e.f. June, 2020 as a part of Aatmanirbhar Bharat Abhiyan Package to address distress of farmers of perishable fruits and vegetables.
- Ministry provides 50% subsidy for their transportation and storage from surplus production areas to major consumption centres. It also provides 50% freight subsidy for movement of notified fruits and vegetables through **Kisan Rail** and 50% Air freight subsidy for movement of notified fruits & vegetables from NER and Himalayan States through **KrishiUdan**.
- The objective of intervention is to **protect the growers** of fruits and vegetables **from making distress sale** and reduce the post-harvest losses.
- Further, in pursuance to Budget Announcement 2021-22, the scope of long term strategy i.e. Value Chain Development Projects was expanded from TOP crops to 22 perishables which include 10 fruits, 11 vegetables (including TOP crops) and 1 marine product i.e. Shrimp.

PM Formalisation of Micro Food Processing Enterprises Scheme (PMFME)

The **unorganized food processing sector** comprising nearly 25 lakh units contributes to 74% of employment in food processing sector. Nearly 66% of these units are located in rural areas and about 80% of them are family based enterprises supporting livelihood in rural household and minimizing their migration to urban areas. These units largely fall with in the category of micro enterprises.

Unorganized food processing units face a number of **challenges** which limit their performance and growth. These challenges include lack of access to modern technology & equipment, training, access to institutional credit, lack of basic awareness on quality control of products, and lack of branding & marketing skills, etc.

PM Formalisation of Micro Food Processing Enterprises Scheme (PMFME)

Launched under the Aatmanirbhar Bharat Abhiyan, the Pradhan Mantri Formalisation of Micro food processing Enterprises (PMFME) Scheme is a **centrally sponsored scheme** that aims to enhance the competitiveness of existing individual micro-enterprises in the unorganized segment of the food processing industry and to promote formalization of the sector.

With an outlay of Rs. 10,000 crore over a period of five years from 2020-21 to 2024-25, the scheme envisions to directly **assist the 2,00,000 micro food processing units** for providing **financial, technical, and business support** for up-gradation of existing micro food processing enterprises.

The Scheme will **adopt a One District One Product (ODOP)** approach to reap benefit of scale in terms of procurement of inputs, availing common services and marketing of products. The States would identify food product for a district, keeping in perspective the focus of the scheme on perishables.

Production Linked Incentives Scheme for Food Processing Industry

As a part of Prime Minister's announcement of Aatmanirbhar Bharat Abhiyan, Government of India has approved a new **Central Sector Scheme** namely 'Production Linked Incentive Scheme for Food Processing Industry' for implementation during 2021-22 to 2026-27 with an outlay of Rs. 10,900 crore.

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.

Incentive is the financial benefit to be provided to each selected Applicant based on the **increase in Sales** of the eligible products in the selected segment.

GS Paper 3 (Previous year questions-Economy)

- 2015- What are the impediments in marketing and supply chain management in developing the food processing industry in India? Can e-commerce help in overcoming this bottleneck?
- 2017- What are the reasons for poor acceptance of cost-effective small processing unit ? How the food processing unit will be helpful to uplift the socio-economic status of poor farmers ?
- 2018- Examine the role of supermarkets in supply chain management of fruits, vegetables and food items. How do they eliminate number of intermediaries?
- 2019- Elaborate the policy taken by the Government of India to meet the challenges of the food processing sector.
- 2020- What are the challenges and opportunities of food processing sector in the country? How can income of the farmers be substantially increased by encouraging food processing?