

**A Study on Policies and Incentives of Food Processing Industries in India.**

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**Abstract:**

The food processing industry in India is a Major sector that has gained prominence in recent years. This industry is among the few that serves as a vital link between the agriculture sector and industrial segments of the economy. Strengthening this link is of critical importance to improve the value of agricultural produce; ensure remunerative prices to farmers and at the same time create favourable demand for Indian agricultural products in the global market. Indian Food Processing Industry is estimated at \$135 billion industry which is growing at about 8% annually. This growth rate is significantly more than agricultural growth rate which remains around 4%. These signals indicate toward phenomenal shift toward food processing from traditional ways. GDP by processing constitute about 10% that of agriculture. The government of India has empowered the food handling area by giving various monetary reliefs and motivations, to energize commercialization and worth expansion to agrarian produce and for limiting wastages, both pre-gather and post-collect. De-permitting, foundation of food parks, laying out bundling places, and coordinated cold chain offices are a portion of the drives taken by the government. The present research paper has discussed to position, policies and incentives of food processing industries in India.

**Keywords:** Agribusiness, Processed Food, Food Industry, Food & Beverage Introduction:

The food industry is the complex, global collective of diverse businesses that together supply much of the food energy consumed by the world population. The food processing industry is one of the largest industries in India. It is ranked “fifth” in terms of production, consumption, export and expected growth. Food Processing Industry is broadly recognized as a 'sunrise industry' in India having huge potential for uplifting agricultural economy, creation of large scale processed food manufacturing and food chain facilities, and the resultant generation of employment and export earnings. India is the 2<sup>nd</sup> largest food producer in the global after

China. “According to government estimates for the fiscal year 2015-16, the country’s total food market valued at US\$39.71 billion and is projected to double in the next ten years. Having successfully attained self-sufficiency in food, India benefits from marginal surplus in production, and is among the leading universal producers of fruits and vegetables, milk, wheat, and cereals. Presently, food processing versions for almost one-third of the total food market in India”. The food processing industry is valued at US\$258 billion. It contributes to around 14 percent of manufacturing Gross Domestic Product (GDP) and 13 percent of India’s total food exports. According to a 2017 report by the “Associated Chambers of Commerce and Industry of India” (ASSOCHAM), the country’s food processing industry is expected to reach US\$482 billion by 2020.

The Indian government has focused on many policy initiatives in the segment which offers initiatives for capital grant, duty free export and tax incentives. Some of the major schemes which are being run by “Ministry of food processing industries”(MoFPI) are ‘Mega Food Parks Scheme’, Integrated Cold Chain and Transformation of Abattoirs scheme. It may be noted that fund allocation to “Ministry of food processing industries” (MoFPI) in 10th five year plan was US\$ 37.5 mn that has been revised to US\$ 1088.5 mn in the 12th plan. The initiatives of the “Ministry of food processing industries” (MoFPI) have augmented the growth of food processing infrastructure in the nation. Development has been recognized in this sector, with decline in losses for farm produce, high value addition, cumulative exports, employment creation and increase in farmer’s income.

However, the immense opportunity in the food processing sector still remains mostly untapped because of high packing costs, traditional preference of the individuals for fresh food, seasonality of raw materials, lack of adequate upgraded infrastructural facilities and quality control mechanism. As a result, there is a need to fully harness its prospective and increase processing levels by providing better incentives, rationalizing of taxes, encouraging scale as well as creating a conducive environment for more investments and exports.

Objectives:

- To discuss performance of food industries in India.
- To study polices and incentives of food processing industries in the country.
- To examine opportunities and challenges of food processing industries in India.
- To give Suggestions for the food processing industries

#### Methodology:

The research study was mainly based on secondary data. The relevant material and secondary data were collected from various government agencies like, 'Ministry of Food Processing Industries', 'Ministry of finance', 'Ministry of Agriculture and Cooperation', 'Department of Industrial Policy and Promotion', etc. Reports from various other institutions like 'ASSOCHAM', CII, CCI, etc.

#### Review of Literature:

The IRE (1989) the publication article 'Fruits & vegetable Industry in India', manages the present creation, the present status of the preparing business in India. Present utilization and future prospects are likewise investigated. Exchange of crisp vegetables and products of the soil handled vegetables and natural products during multi period is examined. The anticipated arrangement to set up preparing units in India is additionally featured in this diary.

The MOFPI Report (1998) on natural product preparing submitted to the Ministry of Food Processing Industry underlined that the leafy foods handling industry in India is much decentralized. An enormous number of units are in home scale part, cabin scale area and little scale segment having introduced limit of 50 tons to 250 tons every year, though fewer huge scale Indian and global organizations have bigger introduced limits in the scope of 5 to 30 tons for every hour. Because of powerful progression strategies and withdrawal of extract obligation on foods grown from the ground items, there has been a huge ascent in the development pace of generation of this industry.

Katar Singh and Pundir (2002) in their examination on the job of Banks in supporting India's fare of vegetables and natural products, clarified that banks have assumed a significant job in broadening money for horticultural fares since Nationalization. In 1969 Commercial Banks gave just 14.6 percent of their complete credit to the need part and the

equivalent had gone up to 43.00 percent in 2001. Additionally, the level of credit dispensed to the farming part has gone up from 5.4 percent to 18.00 percent over a similar period. They further opined that, to accomplish a generous increment in fares of foods grown from the ground we require a nonstop progression of better eco-accommodating advancements, simple accessibility of institutional money for generation and after generation tasks and the more elevated amount of interest in making fundamental framework, for example, streets, markets, influence, air terminals, and so forth. The nourishment handling industry is viewed as dawn businesses and can possibly pull in immense neighborhood and remote venture, these speculations won't just quicken the pace of industrialization yet will likewise prompt improvement in both rustic and urban foundation, a well-run sustenance preparing industry guarantees that the makers profitable costs for his items, the buyer pays less for higher and guaranteed quality extra speculation inflows as additionally by long haul increases to the administration financial assets.

Table: 1

Major facts of food processing industries in India	
2nd largest arable land in the world	<input type="checkbox"/> India has the 10 <sup>th</sup> largest arable land resources in the world with 161 million tonnes. With 20 agri-climatic regions, all 15 major climates in the world exist in India. The country also possesses 46 of the 60 soil types in the world.
Largest producer of milk	<input type="checkbox"/> India is the largest producer of milk & 2nd largest producer of fruits & vegetables.
Largest livestock population	<input type="checkbox"/> India has the largest livestock population of around 512 million, globally. This comprises 119 million milch (in-milk & dry) animals, 80.06 million goats & 44.56 million sheep, as

	of FY15. The segment contributes about 25 per cent to the country's farm GDP.
Rising consumption expenditure	<input type="checkbox"/> Consumer spending in 2015 was USD1.46 trillion; it is likely to reach USD3.6 trillion by 2020.
Favourable location for exports	<input type="checkbox"/> Strategic geographic location & proximity to food importing nations favour India in terms of exporting processed foods.

Main initiatives and policy support of Government of India to food processing industries:

Food processing Indian regulatory Acts:

India has developed a vigorous administrative landscape governing the food processing sector, given its expanding significance and need.. The functions of "Ministry of food processing industries" (MoFPI) are largely classified under policy support and improvement activities. MoFPI acts as a catalyst for bringing in larger investment into this sector, regulatory and facilitating the industry and creating a conducive environment for its healthy growth. The major aims of 'Ministry of food processing industries' are:

- Facilitate better utilization and value addition of agricultural produce with a view to increase the income of farmers.
- Reduce wastage at all stages in the processing food value chain, by the improvement of infrastructure for storage, transportation and of food produce.
- Install advance technology into the food industry from both national and external sources.
- Promote R&D in food processing for product and process development and enhanced packaging.
- Encourage export of food products.

Food Safety & Standards Regulations in India (FSSAI):

By enacting the FSS Act in 2006, India took an important step toward building a safe food culture in the country. This brought the nine regulations and various orders on food safety administered by different ministries less than one umbrella. Ensuring the availability of safe and wholesome food for human consumption is a key objective of the FSS Act. Therefore, it has consolidated all laws related to food and sparked a movement, from multi-level and multi departmental controls in food safety and nutrition to an integrated line of command with an overarching policy framework for food safety and nutrition.

In 2008, FSSAI was established under the aegis of the Ministry of Health and Family Welfare (MoHFW) to enforce the provisions of the new law. MoHFW administers it through the Chairperson and Chief Executive Officer (appointed by the Central Government), along with a 22-member team.

Under the FSS Act, FSSAI is a single reference point for all matters related to food safety and standards in the country. FSSAI is assisted by scientific committees and panels in setting standards and the central advisory committee in coordinating with enforcement agencies. Further, FSSAI guides and regulates all persons engaged in the manufacturing, processing, importing, transporting, storing, distributing and retailing of food on issues of food safety and nutrition. Some of the key functions of FSSAI under the FSS Act include:

- Framing regulations to lay down food standards and guidelines
- Laying down procedure and guidelines for accreditation of laboratories for food testing.
- Providing scientific advice and technical support to the Government in areas that have a direct or indirect bearing of food safety and nutrition.
- Collating data regarding food consumption, contamination, identification of emerging risks, introduction of a rapid alert system etc.
- Disseminating information and promoting awareness about food safety and nutrition in India.
- Conducting training programs for food businesses.

- Contributing to the development of international technical standards for food, sanitary and phytosanitary standards

To further enable it to meet its objectives, in 2011 FSSAI enacted the Food Safety & Standards Rules, along with several other regulations.

Table: 2

Food Safety & Standards Regulations in India
Procedural regulations
Food Safety and Standards (Licensing and Regulation of Food Business) Regulation, 2011
Food Safety and Standards (Prohibition and Restriction on Sales) Regulation, 2011
Food Safety and Standards (Laboratory and Sampling Analysis) Regulation, 2011
Food Safety and Standards (Food Recall Procedure) Regulation, 2017
Food Safety and Standards (Import) Regulation, 2017
Food Standards
Food Safety and Standards (Food Products Standards and Food Additives) Regulation, 2011
Food Safety and Standards (Packaging and Labelling) Regulation, 2011
Food Safety and Standards (Contaminants, Toxins and Regulation, 2011
Food Safety and Standards (Food or Health Supplements, Nutraceuticals, Foods for Special Dietary Uses, Foods for Special Medical Purpose, Functional Foods and Novel Food) Regulation, 2016
Food Safety and Standards (Fortification of Food) Regulation, 2016
Food Safety and Standards (Organic Foods) Regulation, 2017

Source: Doing Business in India Investor Guide for the Food Processing Sector, World Food India, MoFPI, 2017.



Table: 3

Strong Policy Support Gives Food Processing Sector A Boost	
Encouragement to private sector	<ul style="list-style-type: none"> <li>□ 100 per cent export-oriented units allowed sell up to 50 per cent of their produce in the domestic market. Export earnings exempt from corporate taxes.</li> </ul>
Tax incentives and other sops	<ul style="list-style-type: none"> <li>• Services like pre conditioning, ripening, waxing, retail packing, precooling, labelling of fruits &amp; vegetables have been exempted from service tax.</li> <li>• Excise duty of 2 per cent without CENVAT credit or 6 per cent excise duty with CENVAT credit is imposed on peanut butter condensed milk.</li> <li>• Import duty scrapped on capital goods &amp; raw materials for 100 per cent export-oriented units.</li> <li>• Full excise duty exemption for goods that are used in installation of cold storage facilities.</li> </ul>
Relaxed FDI norms	<ul style="list-style-type: none"> <li>• 100 per cent FDI permitted under automatic route (except for alcohol, beer &amp; Sectors reserved for small scale industries) and repatriation of capital &amp; profits permitted.</li> <li>• With the recent clearance of Foreign Direct Investment (FDI) in multi-brand food retail, the government is looking to double food processing levels to 20 per cent.</li> </ul>



<p>Mega Food Parks</p>	<ul style="list-style-type: none"> <li>• The scheme based on “Cluster” approach, which creates a well-defined agri/horticultural processing zone with better support of infrastructure &amp; well-established supply chain.</li> <li>• Aims at providing mechanisms to link agricultural production to the market by bringing farmers, processors &amp; retailers together.</li> <li>• Under Union Budget 2017-18, USD1.19 billion has been allotted for The dairy processing infra fund.</li> <li>• Final approval has been received for 21 mega food parks, out of which, only 4 food parks are operational.</li> </ul>
<p>Focus on infrastructure</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> The sector has been assigned priority status for bank credit.</li> <li><input type="checkbox"/> 60 Agri Export Zones (AEZ) have been set up across the country.</li> <li><input type="checkbox"/> Kwality Ltd., a dairy firm, signed an agreement with Bank of Baroda for providing USD 594.97 million loans to 1 lakh farmers from whom the company procures milk.</li> </ul>
<p>Incentives for development of storage facilities</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Investment-linked tax incentive of 100 per cent deduction of capital expenditure for setting up &amp; operating cold chain facilities (for specified products) &amp; for setting up &amp; operating warehousing facilities (for storage of agricultural produce).</li> </ul>
<p>Focus on R&amp;D and modernization</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> In November 2016, Food Safety &amp; Standards Authority of India (FSSAI) launched a major scheme worth USD 72 million, to address the urgent needs to upgrade food testing laboratories in India.</li> <li><input type="checkbox"/> Moreover, the government plans to launch a program named as 'SAMPADA' for food processing sector, with investments worth US\$892.46 million to integrate current with new schemes, with an aim to reduce waste and double farmer's income.</li> </ul>

National Mission on Food Processing	<ul style="list-style-type: none"><li>□ MOFPI launched a new Centrally Sponsored Scheme (CSS) National Mission on Food Processing to promote facilities for post-harvest operations, including setting up of food processing industries in India. In Union Budget 2016-17, government has announced to spend USD1.1 million in Union territories only.</li></ul>
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Source: Ministry of Food Processing Industries (MOFPI), APEDA, TechSci Research

\*\* Source: IBEF Annual report 2017

#### Opportunities of Food Processing:

- 1) The Indian life style changing today so that Indian people interested in rudiments food product for eating so that there is more scope to food processing industries in India.
- 2) Today India has accepted Global economy so that export markets are available to food processing industries in India.
- 3) Indian peoples has rising income level and changing consumption pattern so that receiving high demand to the food processing product in the market in India.
- 4) The Indian children's attitude has changed and they are attracted to the rudiment food product and fast product.

#### Threatsof Food Processing:

- 1) Indian cultural has traditional so that they have preferred a fresh food and they has less interested in packed food so that the limitation to the food processing industries in India.
- 2) Government taxation rate is high so that price of the food processing industries continuously increases. It is a not acceptable to poor people in India.
- 3) The inventory carrying cost such as transport, insurance, storage and packaging cost are high level so that lack of capital invested.

#### Suggestions & Recommendations

- Effective Implementation of the Measures suggested in the Policy
- Fast & Effective Implementation of GST
- Emphasis of 2<sup>nd</sup> Green Revolution to suit the Food Processing Industry
- Incentives for Import of Food-Processing Technologies
- Establishment of National Bank (like NABARD) for Food Processing Sector

**Conclusion:**

The food processing sector can play a important role in helping the economy transition from agricultural work to highly skilled jobs and stimulate employment generation through creation of small and medium sized enterprises. The food processing sector in India is a key sector for India's development given the country's vast consumer base, that continues to grow, and its strong food production base. There are huge growth opportunities across the food value chain viz., cold chain solutions or processed foods (both primary and value added foods). As per an estimate, India's food consumption is currently valued at USD 370 Billion and is expected to reach USD 1 trillion by 2025. The development of food processing industry is necessary due to the rise in the disposable income in the hands of middle class, changing food habits and rapid urbanization, the changing dietary preferences towards the processed and packaged food. The food processing sector also fits in well with the "Make in India" programme. Given its significant production strengths across agricultural commodities, India is well placed to be the Food Factory to the world with a strong thrust on food processing and value added exports. Products need to be made keeping consumer needs in mind i.e. a fork to farm approach should be followed. There is a need to work with all partners across the supply chain and make them aware of the end quality requirements in order to succeed at the marketplace. Separately, human resources are a serious challenge with manpower training and retention extremely critical. Several schemes are launched by government of India with varied objectives but the same beneficiary food processing sector like Ministry of Commerce and allied trade promotion bodies (for trade promotion), Ministry of Agriculture (for market development of raw agricultural commodities), Ministry of Small scale industries (for upliftment of small scale industries- 74% of food processing industries in India fall under SME), Ministry of Health and Family welfare (for food safety) etc. Some of these schemes

are centre driven while others are state driven, these work in complete silos with no coordination.

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