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Government of India
Ministry of Food Processing Industries
Panchsheel Bhawan, August Kranti Marg,
New Delhi -110049

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PUBLIC NOTICE

Subject: Seeking comments/inputs/suggestions from stakeholders on Draft National Food Processing Policy, 2019 –reg.

Ministry of Food Processing Industries is striving for a strong and dynamic food processing sector, which plays a vital role in reduction of perishable agricultural produce wastage, enhances food products shelf life, ensures value addition to agricultural produce, diversification & commercialization of agriculture, generation of employment, enhances income of farmers and creating surplus for the export of agro & processed foods.

In order to achieve above objectives, Ministry is in process of finalizing National Food Processing Policy 2019 and in order to make the process participative and inclusive, Ministry seeks inputs/ comments/ suggestions from stakeholders on the Draft National Food Processing Policy within a week i.e. by 31.12.2019 on email ids behera.bk@nic.in & gbhujabal@nic.in

Encl: Draft National Food Processing Policy

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Draft National Food Processing Policy 2019

Government of India
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National Food Processing Policy, 2019

1. Introduction:

1.1 A number of initiatives have been taken in recent years to strengthen the ecosystem for promotion of food processing sector. Following these measures, the food processing sector has made rapid strides and emerged as an important segment of the Indian economy. During the last 5 years ending 2017-18, Gross Value Added (GVA) in food processing sector has been growing at a Compound Annual Growth Rate (CAGR) of around 8.1 per cent as compared to around 3.4 per cent in Agriculture and 7.9 percent in Manufacturing sector. The sector contributes a significant share of 8.8 per cent and 10.7 per cent of GVA in Manufacturing and Agriculture sector respectively in 2017-18 at 2011-12 prices.

1.2 Two major policy developments in the recent years namely Government’s commitment for doubling farmers’ income (by 2022) announced in 2017 and Agriculture Export Policy, 2018 for doubling agricultural exports (by 2024) hold enormous significance to the sector. Promotion of food processing sector has been one of the major strategies to achieve the objectives under these two policy initiatives. A medium term stable and clear policy outlook will enable convergent efforts of all stake holders to realize the stated objectives.

2. Background:

2.2 The Ministry of Food Processing Industries (MoFPI) was set up in July, 1988 to give an impetus to development of food processing sector in the country. The mandate given to the Ministry included processing and refrigeration of some of the food items viz. milk, poultry, egg, meat, fish, fruits & vegetables, grain milling. Furthermore, the Ministry was mandated for planning, development & control of industries relating to bread, oilseeds, breakfast food, biscuits, protein & allied items, beer, alcoholic drinks (non-molasses base), aerated water & soft drinks etc.

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1 National Accounts Division, Central Statistics Office
2.2 Several policy initiatives have been taken from time to time by the Government to create a conducive environment for the healthy growth of food processing industry. In the last five years, government has initiated several landmark measures to facilitate an enabling ecosystem for the development of the food processing sector. Major initiatives include, creation of a Special Food Processing Fund of Rs.2000 crore with NABARD for augmenting institutional credit to food processing sector, coverage of agro-processing and cold chain under Priority Sector Lending, permitting 100% FDI under government approval route for trading of food products manufactured or produced in India, introduction of Pradhan Mantri Kisan SAMPADA Yojana (PMKSY) with an allocation of Rs. 6,000 crore for the period 2016-20 and organizing World Food India in November 2017 to showcase investment opportunities in food processing sector in India.

2.3 India has made phenomenal progress in agriculture. During the last 10 years, food grain production has increased from 230 million tonnes in 2007-08 to 284.8 million tonnes in 2017-18. During the same period production in the horticulture sector has increased from 211.2 million tonnes in 2007-08 to 311.7 million tonnes in 2017-18. In volume terms, the production in horticulture sector has surpassed food grain production. Along with higher agriculture production, there are huge harvest and post-harvest losses in the supply chain. In fact, managing surplus production and minimizing wastage have emerged as a major challenge in the economy. Food Processing Sector ought to play an important role in managing surplus of agro produce and lowering wastages.

2.4 Progressing from food deficient country, India not only produces sufficient food to meet the demand of its population, it has become a net exporting country. However, it has been noticed that, in many cases, farmers’ income has

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2 A study conducted in 2015 by CIPHET, Ludhiana on the extent of harvest and post- harvest losses estimated loss at Rs 92,651 crore calculated using production data of 2012-13 at 2014 wholesale prices.
not grown as much with the increase in output. As per the analysis of NITI Aayog\textsuperscript{3},
the real farm income has just doubled during the past 22 years (1993-94 to 2015-16) but farmers’ income remained low in relation to income of those working in non-farm sector. Increasing farmer’s income would require two fold interventions viz. higher value addition of farm produce and shifting of farmers to off farm activities through expansion of food processing sector.

3. Structure of the Food Processing Sector:
3.1 Food processing sector in India is a composite sector comprising two broad segments viz. organized and unorganized segments. There are an estimated 25 lakh micro food processing enterprises in the country which are unorganized and unregistered. With 7% of investment in plant & machinery, the unorganized enterprises contribute of 74.3% of employment (a third of which are women),12% of output and 27% of value addition in the food processing sector. Nearly 66 per cent of these units are located in rural areas and about 80 per cent of them are family-based enterprises\textsuperscript{4}. The organized sector\textsuperscript{5} with nearly 40,000 units accounts for 93% of the plant & machinery in the sector, in value terms. This segment accounts for 26% of employment and contributes around 90% of output and 72% GVA.

3.2 In the organized segment, for which information on major characteristics are generated through Annual Survey of Industries at regular intervals, three food commodities viz. Grain & Starch, Oils & Fats and Sugar constitute 52.1 per cent of the value of food produce. Higher share of food commodities is indicative of lower level of value addition which currently stands at 11 per cent of output. Among the perishables, dairy segment, with fairly developed supply chain

\textsuperscript{3} Doubling Farmers’ Income: Rationale, Strategy, Prospect, and Action Plan March 2017 by Dr Ramesh Chand, Member NITI Aayog, GOI
\textsuperscript{4} NSS Report No.582: Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India; NSS 73\textsuperscript{rd} Round (July 2015-June 2016)
\textsuperscript{5} Annual Survey of Industries, 2015-16
infrastructure, has a significantly higher share of 14% in food output. On the other hand, three major perishables viz. Meat, Fish and Fruits & Vegetables have a negligible share 7.8% in food output\(^6\). These perishable items contribute to a major share of post-harvest losses.

3.3 Food output in organized segment has been growing at CAGR of 8.3%, at current prices, during the last five years ending 2016-17\(^7\). Perishable segments of Meat, Fish and Fruits & Vegetables with a combined share of less than 8% of food output have been growing over 16% CAGR. Prepared Meals and Animal feed, though have a small share in the food basket, are other high growth segments registering growth of 31.7 and 13.3 per cent CAGR respectively. Two major traditional food products in terms of their share in output, viz. dairy and grain mill products, have been growing at 12.0 and 10.9% respectively.

3.4 India is a leading producer of food grains in the world. It is the top producer of milk, pulses, ginger, bananas, guavas, papayas and mangoes. Further, India ranks second in the world in the production of rice, wheat and several other fruits & vegetable. However, India’s share in world export of food product is a meagre 2.31 per cent\(^8\). Low level processing and lower value addition in food processing have been major factors hindering export performance despite India’s huge production base and competitive advantages. Low level of processing is reflected in the composition of India’s food export basket which essentially consist of primary produce like rice, flour, sugar, meat, fish etc. The share of processed food in our export basket comprises around 16% with nearly 84% of our food exports consist of primary commodities. Thus, India despite being one of the major food producing country, ranks 12 in the export of food products due to our inability to move up in the value chain.

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\(^{6}\) Relates to Organized segments for which data is release annually through Annual Survey of Industries publications  
\(^{7}\) Annual Survey of Industries 2016-17  
\(^{8}\) Source: ITC Trade map, 2019
4. Constraints in the growth of the sector:

4.1 Many of the problems faced by the food processing units arise primarily on account of the perishable nature of raw material, seasonal nature of their operation and low scale of operation. With a sizable number of units in micro and small scale segment, these enterprises are embroiled in a vicious circle of low level of invested capital, inadequate access to credit, high cost of credit, lower return & profitability and lower investible surplus. Some of the specific problems faced by food processors are given below:

(i) Lack of efficient supply chain infrastructure and inadequate expansion of processing and storage capacity commensurate with agriculture production have been identified as the main reasons for higher wastages, higher cost of production, lower value addition in food processing sector.

(ii) Perishable commodities viz. Meat, Fish and Fruits & Vegetables, in particular, have recorded higher degree of wastage\(^9\) and  have a negligible share in food output\(^10\). Minimization of losses in perishable segment would require huge investment in farm gate infrastructure, storage & cold chain infrastructure and expansion of processing capacities.

(iii) India despite being one of the major producer of agri-commodities, the level of food processing and value addition continues to remain low impacting our competitiveness & export performance and income of farmers.

(iv) Significant gap\(^11\) in Cold Chain capacity is one of the important reasons for higher wastage of agri produce particularly perishable segments. Cold Chain infrastructure involves heavy investment with long payback period which is beyond the capacity of individual food processors.

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\(^10\) Relates to Organized segments for which data is release annually through Annual Survey of Industries publications

\(^11\) Dr Saumitra Chaudhuri Committee constituted by the erstwhile Planning Commission in 2012 had assessed the gap in capacity of cold storage in the country at about 29 million tonnes. The National Centre for Cold Chain Development (NCCD), 2015 has emphasized significant requirement of the different segments of Cold Chain viz. in Pack Houses, Reefer vehicles, Ripening Chambers, cold storage etc.
(v) Inadequate production and availability of processable variety of raw material is a major area of concern which arises due to inadequate emphasis on developing appropriate varieties and extension activities.

(vi) Inadequate linkage of processors, exporters and bulk purchasers with farmers resulting in mismatch between the requirements of industry and supply of agri-produce by the farmers. The problem is often compounded by legal provisions relating to restrictions on commodity storage and movement.

(vii) Processors face difficulty in availing benefits under schemes being implemented by different agencies of central and state governments in the absence of exclusive supportive forum at the state level. Lack of awareness and absence of appropriate knowledge sharing & guidance forum adds to their problem.

(viii) Food processing units, largely operating in MSME segment, face problem in their access to bank credit due to seasonal and perishable nature of the commodities handled by these units. High cost and inadequate credit do not attract prospective entrepreneurs choosing food processing sector for investment.

(ix) Multiple clearances are required for setting up of food processing units. The small processors are also required to go through the same processes as is applicable to larger units. Availing permission for Change in Land Use (CLU), environmental clearance, water and power connections are not only time consuming but also costly.

(x) Food processing units are required to comply with labour laws in relation to lay-off, retrenchment and closure even though these units run seasonally. Further, payment of minimum charges for electricity even though units run for few months in a year, adversely affects the commercial viability of the processing units.

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12 As per MoFPI study, the credit gap in Food Processing sector is in the range of Rs. 2.15 – Rs. 2.29 Lakh crore.
(xi) The Unorganized segment of food processing largely remains outside or in the periphery of formal credit\textsuperscript{13} and government support. The schemes currently under implementation by the Ministry of Food Processing Industries (MoFPI) largely benefits the organized segment of food processing sector. In the near absence of programmatic intervention and support for bringing micro food processing units to the formal fold, the scope for significant expansion of food processing capacity will continue to remain limited.

(xii) Marketing of processed food is a major problem faced by food processors particularly the micro and small processors. Given the scale of operation, individual units are unable to invest in marketing and branding impacting performance of the sector.

(xiii) Linking of manufacturers with the Retail front end marketing infrastructure continues to be at a rudimentary stage. Even though 100 per cent FDI is permitted for trading of food products manufactured and/ or produced in India, it is yet to have visible impact on the ground.

(xiv) As per the study conducted by ICRA Management Consulting Services Limited (commissioned by National Skill Development Corporation), the human resource requirement of food processing sector will be 17.8 million persons in 2022 as compared to 18.5 million persons in 2008. There is a need to augment the supply of skilled manpower to meet the requirement of the industry.

(xv) Sector specific Entrepreneurship Development training and Incubation Services are weak areas inhibiting growth of the sector.

(xvi) A number of research institutes are undertaking R&D for product, process, and technology improvement & development. There is a need for coordinated action on research and dissemination of research output to the industry.

\textsuperscript{13} As per the NSS Report No.582: Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India; NSS 73\textsuperscript{rd} Round (July 2015-June 2016) per unit outstanding credit for unregistered unit was Rs 17,762
Lack of adequate emphasis on food safety along the food value chain to promote Good Hygiene Practice (GHP), Good Manufacturing Practice (GMP) to maintain standards of food quality. Moreover, food testing, quality certification and safety issues are other weak areas which needs priority attention.

Traditional & ethnic food products have a huge potential both in domestic and overseas market. There is a need for R&D for product, process, and technology development to support this niche segment.

While awareness of food safety is rising, especially among the educated in cities, the population at large remains ignorant about basic food safety issues such as common adulterants in food, checking the freshness of food products etc. For this, large-scale behavioural change communication programmes are required to educate citizens about basic food safety issues so that they can take responsibility for their own health, create a ‘food safety culture’ and act as a check on the food processing industry for better adherence to standards.

5. Need for National Food Processing Policy

5.1 It is in the aforesaid context, the Ministry of Food Processing Industry, as the nodal agency, has formulated a national Policy for the first time for creating a conducive environment for attracting investment to the sector and promoting ease of doing business. The policy would, not only lay down a clear road map for unhindered growth of the food processing sector, but will also promote food safety and nutrition issues in alignment with the National Health Policy, 2017, strengthen Government initiative for doubling farmers’ income and initiative under Agriculture Export Policy, 2018.
6. **Vision**

6.1 To achieve a minimum of six fold\(^1\) increase in investment over the next fifteen years ending 2034-35 for enabling a significant increase in output and employment.

7. **Objectives:**

7.1 The policy aims for the comprehensive development of the food processing sector through appropriate interventions to address the critical gaps hindering growth of the sector with an overarching goal of minimizing wastage of agro produce, increasing income for farmers and better choices for consumers. The various objectives of the Policy are to:

(i) Increase level of processing and preservation, particularly at farmer level, of perishables, to reduce wastages and increase value addition leading to higher income of farmers;

(ii) Ensuring higher deployment of credit in food processing sector through appropriate measures;

(iii) Generate more opportunities in agribusiness and food processing industry with a special focus on women;

(iv) Support the predominantly unorganized food processing segment to create employment opportunities in rural areas;

(v) Make food processing more competitive and future ready;

(vi) Promote skill and human resource development to meet the increasing needs of the sector;

(vii) Enhance availability of safer, affordable, nutritionally balanced and higher quality food products to the consumers;

(viii) Support processors in facilitating procurement, storage, movement of raw materials and promoting voluntary compliance of regulatory requirements;

\(^1\) During the vibrant Gujarat summit held in January, 2017, Hon’ble PM had envisaged that the food processing sector would increase five-fold in the next ten years.
(ix) Position India as the most preferred investment destination for the agribusiness and food processing;

(x) Creation of state wise institutional structures for modernizing agro & food processing sector;

(xi) Change mindset/ public perception about processed food.

8. Strategy:

8.1 Given the wide range of problems faced by the food processors, the peculiar nature of produce that they deal in and the characteristics of industry, the strategy for holistic development and realizing full potential of the sector needs focused initiatives to put the industry on a self-sustaining growth path. This in turn calls for an integrated policy and supportive organizational structure to address the sectoral need in terms of creation of supply chain infrastructure, processing capacity, raw materials and provision of other support services including R&D, quality testing lab, marketing support etc. with a view to lower cost, improve productivity, quality of output and ensure viability of processing units. The policy advocates the following strategy to address the problem of food processing sector:

(i) Promotion of cluster approach as the key strategy for intervention in the food processing sector with emphasis on strengthening and creation of integrated supply chain infrastructure to minimize wastages;

(ii) Incentivize expansion of capacity and upgradation of technology for processing and preservation particularly for perishables;

(iii) Increase access to institutional credit at affordable cost for financing investment in fixed and working capital in food processing sector;

(iv) Promoting employment by incentivizing FPOs to engage in Agri-business and food processing and empowering farmers graduating to agri-entrepreneurs;

(v) Supporting unorganized food processing units to improve their competitiveness and upward movement to organized segment;
(vi) Support for R&D activities in products & processes, facilitate dissemination of latest innovation & technology for adoption, promoting best practices in food production, processing, packaging, storage and transportation, strengthening India’s USP in traditional food;

(vii) Strengthening of Institution operating in food processing segment for advancement of learning, dissemination of knowledge, entrepreneurship and skill training to meet the growing demand of the sector;

(viii) Creating awareness on food quality & safety, training manpower for ensuring regulatory compliance, promoting voluntary compliance to regulatory standards through regime of self-certification and self-regulation;

(ix) Undertaking institutional reforms for ensuring smooth supply of agro-raw material to the processing industry;

(x) Accelerate investment in food processing sector through collaboration between GOI, State Governments and other stakeholders;

(xi) Encourage separate single window clearance desk at Department of Food Processing at the state level to handle all matters related to food processing with Ministry of Food Processing in the Government of India as the nodal agency for extending support, guidance and filling critical gaps for attracting investments and rapid expansion of the sector.

Policy Interventions:

9. **Infrastructure Development:** Fragmented, inadequate and inefficient infrastructure along the supply chain has been identified as one of major factor inhibiting growth of food processing sector. As adequate investment for infrastructure has not been forthcoming from private sector, government will continue to assist, participate and incentivize creation of supply chain infrastructure for food processing sector.

9.1 **Strengthening Farm-Gate Infrastructure:**
Government has been encouraging entrepreneurs by extending incentives for creation and strengthening farm gate infrastructure for sorting, grading, pre-cooling and packaging facilities to link farmers with food processing units and the market. Farmers Producers Organizations (FPOs) and Agro/ Food Co-operatives will also be eligible for Capital investment subsidy for creation of such infrastructure. This would help in augmenting raw materials to the processors and realization of higher income by the farmers. Support from the existing schemes of Central and State Government department would continue to be available for such ventures.

9.2 Food Parks

Government of India has been extending financial assistance for setting up the Food Parks equipped with common facility centres and industrial plots for setting up of food processing units. The government will review the scheme parameters with a view to ensure flexibility in terms of the requirement of different clusters and continue to extend financial assistance on need basis. The policy envisages that the State Governments would allot land, on priority basis, to such parks to promote agri & food processing industry apart from support setting up of such parks in their respective states from their own resources. The state governments would extend incentives viz. capital investment subsidy, stamp duty exemption, conversion charges to food parks and the units set up in such parks, under their respective policy, for the development of food processing industry.

9.3 Cold Chain

Currently, the major players assisting creation of cold chain projects (including its components viz. Pack Houses, Reefer vehicles, Ripening Chambers etc) are Ministry of Food Processing Industries, National Horticulture Board (NHB), National Horticulture Mission (NHM) and National Cooperative Development Corporation (NCDC). Government will continue to assist creation of cold chain infrastructure by private sector through different agencies of the central as well as states governments. Cold Chain Grid will be operationalised by integrating
database of such infrastructure and linking it with production clusters for optimum utilization of cold chain infrastructure.

9.4 **Agriculture Production Clusters**

State governments have identified agro production clusters where a certain level of agricultural operation/production has already been attained and further increase in production could be undertaken therein through induction of modern technology, adoption of improved crop practices and introduction of processable varieties. States would also identify new agro-clusters and develop comprehensive value chain development strategy for such clusters and make concerted efforts in linking agriculture production clusters with processing units.

9.5 **Agro Processing Clusters**

Government will make conscious and concerted efforts to promote crop based agro processing clusters with provision for common facilities in such clusters to address common issues such as upgradation of infrastructure, technology, skills, improvement in quality of output, market access, access to capital and capacity building of the entrepreneurs. State government should identify crop production and processing clusters using space technology and other IT tools and provide end to end value chain solution and backward and forward linkages.

9.6 **Creation of food safety infrastructure**

In order to ensure that the food produced is safe and nutritious, it is important to create supporting infrastructure to ensure that food safety measures are implemented. This requires setting up of food testing laboratories across the country, modernization of existing laboratories with the latest technology, equipment, training of staff/officers engaged in testing of food products and ensuring regulatory compliances. Government will continue to assist creation of safety infrastructure for food testing.

9.7 **Development of Logistics infrastructure**
Given the perishable nature of raw material and finished goods in food processing industry, an efficient logistic infrastructure is one of the key pre-requisites for developing a vibrant food processing sector. It involves the entire chain of activities staring from farm gate to processing units and from processing units to the retail outlet. The policy envisages government to support development of logistics infrastructure such as facilities for weighing, cleaning, grading, sorting, packing, pre cooling, customized transportation, last mile connectivity, technology adoption like geo-tagging & barcoding, radio-frequency identification (RFIDs) tags, farm traceability etc. Special initiatives would be undertaken to set up dedicated cargo hubs at the port, railway depots and near major consumption centres for storage and smooth movement of perishables.

10. Incentives & Support Measures:

A number of incentives are being extended by central and state governments for attracting entrepreneurs to set up new food processing units and expansion & technological up gradation of existing units. The coverage and existing scale of incentives for food processing units would be reviewed, at periodic intervals, to prioritise incentives to critical areas. Subject to budgetary resources, the Centre and State Governments should attempt to provide following incentives and support for the growth of the sector:

10.1 Capital Investment Subsidy

Capital investment subsidy for setting up new food processing units and technology up gradation of existing units limited to a specified ceiling would continue to be available to the entrepreneurs to attract investment. Priority will be accorded to perishable segment, food products with higher value addition, adoption of latest technology/ processes for cost reduction through fuel efficiency, energy conservation and higher employment intensity etc.

10.2 Fiscal Incentives
In alignment with the national policy of increasing farmers’ income, government would consider extending incentives under Income Tax for supporting creation of infrastructure and setting up of food processing units. Lower GST rates would also be levied on food products, food processing machineries and erection/commissioning of supply chain infrastructure etc.

10.3 Electricity Duty concessions

Food processing industry, which is based on seasonal perishables crops like fruits and vegetables, would be considered as a seasonal industry and electricity charges/duty levied for specified period of operation only. Such units may be exempted from payment of fixed electricity charges during the closure period. Further, state governments may exempt electricity duty and extend benefit of power tariff subsidy to cold chain/storage units in food processing sector. Renewable energy based infrastructure like solar powered cold storage will be incentivized, under the schemes, offering financial assistance implemented by the Ministry.

10.4 Promoting water efficient technology

State governments should facilitate supply of water to processing units. Water efficient technologies will also be promoted for adoption by the food processing industry. Government will extend incentives to processing units which adopt water positive techniques. 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.

10.5 Land related Concessions

State governments would consider providing exemption from payment of (i) Stamp duty, on purchase or lease of land meant for setting up of food processing and presentation projects; (ii) Conversion charges payable for “Change in Land Use”;
and (iii) Stamp duty on mortgages and hypothecations for food processing and preservation units.

10.6 Incentives for value addition to crop residues and wastes

During food processing, enormous numbers of bye-products viz. peel, pulp, and seed are generated which are commonly utilized as animal feed or disposed of to the environment. These bye-products also contain huge amounts of valuable organic components such as polysaccharides, proteins, lipids and aromatic compounds which can be harvested for commercially use. These by-products contain organic matters which could also be used for manufacturing packaging materials. Governments would support initiatives for value addition from crop residues and agro waste generated in the food & agro processing clusters/ units.

10.7 Support for marketing

Participation of stake holders in national and international events provides exposure to new professional and technical knowledge, forges partnership for business development and enhances competitiveness. Government will organize and support marketing initiatives in domestic and overseas markets. Government support for some of the activities to promote marketing would include:

(i) Organizing Buyer-Seller Meet, lead buyer linkages, branding;

(ii) Organizing food exhibitions, participation in Trade Fairs, Exhibitions etc;

(iii) Accord similar treatment to agriculture and food processing under Foreign Trade Policy;

(iv) Support Brand India promotion campaign for export of key products, innovative food products, traditional Indian food products etc.;

(v) Establish Consumer Experience Centres for traditional Indian/ ethnic food in target markets for popularizing Indian taste through events like “Taste of India”;
(vi) Strengthen and coordinate market intelligence gathering by national and international agencies for discovering new markets and remain competitive in existing markets.

(vii) Encourage setting up of Export Promotion Councils for value added products.

10.8 Special Provision for Mega Projects

Mega Projects, as defined by GOI and the states governments, would be supported in fast track mode and will receive priority in the allotment of land, sheds in industrial parks, electricity, water connection, environmental clearances etc. Special incentive package will be provided by the central and state governments to promote such projects which will support development of a cluster of smaller units around it.

10.9 Peoples’ Participation “Jan Bhagidari”:

Increasing farmer’s income would require large scale shifting of farmers to off farm activities through community participation of all the stake holders including farmers’ organizations viz. SHGs, FPOs, FPC and promoting food processing activities as a peoples’ movement. This would require institutionalising a mechanism for intensive consultations, at regular interval across regions, with all the stake holders. Such consultation will also act as a feedback forum for MoFPI for improving its on-going scheme.

11. Improving Access to Institutional Credit

11.1 Priority Sector Lending

Cold storage units/ cold storage chains designed to store agriculture produce/ products seeking loans for food & agro-processing up to an aggregate sanctioned limit of Rs 100 crore per borrower from the banking system are covered under Priority Sector Lending (PSL) under the broad head “Agriculture” putting an obligation on the part of Scheduled Commercial Banks for priority deployment of credit. Moreover, Cold chain and Food Parks have been declared as infrastructure
to ensure greater flow of funds to the sector on easier terms. The Reserve Bank of India/Department of Financial Services will conduct periodic review to ensure intended deployment of institutional credit to the food processing and allied sectors by the commercial banks.

11.2 Specialized Agro Processing Financial Institutions

Seasonal nature of industry, perishable nature of raw material & finished products, higher cost of credit, lack of appropriate credit products and acceptable collateral are the major reasons for inadequate offtake of credit by the food processing industry. Given the nature of the industry, the needs of food sector be treated on a different footing to improve access to and utilization of institutional credit. The Policy seeks to promote establishment of “Specialized Agro Processing Financial Institutions” (SAPFI) for the food processing sector through appropriate incentives.

11.3 Interest Subsidy

Access to Institutional credit at affordable rate has been one of the major constraint in the growth of food processing sector. Apart from overall credit deficit, there has been intra sectoral imbalance in credit flow with lower deployment of credit to perishable segment like fruits and vegetable processing. In order to increase the flow of institutional credit at affordable cost, MSME food processing units, particularly perishable segments, would be extended interest subsidy on the term loan availed for fixed capital investment and working capital to reduce cost of capital and make these units competitive.

12. Promotion of Employment

12.1 Support to Farmer Producer Organizations (FPOs):

Government has been assisting Farmer Producer Organizations (FPOs) to facilitate production and aggregation of agro produce to reap the benefit of
economies of scale. FPOs play an important role in establishing and strengthening linkages between farmers and processors. Various assistance extended to FPOs include equity contribution, credit guarantee, venture capital assistance, support for marketing infrastructure and promotion of agri-business activities. FPOs or group of farmers will be given priority for assistance under various schemes of food processing sector particularly relating to strengthening of farm-gate Infrastructure, backward and forward linkages, creation of common facility centres, storage, processing & preservation, logistics etc.

12.2 Incentivizing farmers to setup food processing units

Farmers are not able to take advantage of value addition in food processing due to the cumbersome process of setting up a processing unit which require multiple approvals. Therefore, the state governments should facilitate farmers to set up food processing units and consider granting benefits, similar to agriculture in the use of water, electricity, interest subvention etc. In case of farmers taking up Agri-business activities, state governments will be encouraged to exempt such lands used for agro-processing activity from Change-of-land-use requirements, subject to fixing of appropriate ceiling for such alternate land use of agricultural land.

12.3 Food Processing Training cum Incubation Centres

In order to popularize food processing activities, generate awareness among masses on the need to minimize wastage and give a fillip to rural entrepreneurship, Food Processing Training cum Incubation Centres will be promoted at the district and sub- district levels. These Centres will impart ‘hands on’ training in processing, preservation and storage of locally grown agro-produce, particularly perishables, facilitate transfer of technology and also offer incubation services on food processing and food business to budding entrepreneurs. Women will be given priority for training and incubation services in these centres.

12.4 Incentives for Promotion of Employment
For promotion of employment and workers’ welfare, Government of India has been paying the full employer's contribution towards Employees' Provident Fund and Employees' Pension Scheme, for a period of 3 years in respect of new employees with salary up to Rs. 15,000 per month who have been registered with the EPFO on or after 1st April 2016. State governments should consider reimbursement of such contribution for extended period beyond three years, for new employees in food processing industry.

13. **Support to unorganized food processing segment**

There are an estimated 25 lakh unregistered food processing units in the county sector which are largely spread across the rural landscape with 66 per cent located rural areas with 80 per cent of these units being family based enterprises run without hired workers. This segment provides employment to nearly 51 lakh persons (a third of which are women). This sector faces a number of challenges including inability of the entrepreneurs to access credit, lack of access to modern technology and inability to integrate with the food supply chain. Currently there are no programmatic interventions to address the specific needs of this segment and improve their competitiveness. Modernization of this segment will be given focused attention with view to their formalization and reducing overall wastage, creation of off-farm job opportunities to benefit farmers with enhanced incomes.

14. **Measures to Improve Competitiveness**

14.1 **Research & Development (R & D):**

Research and Development work will be encouraged for development of new products, processes and technologies for quality improvement, cost reduction and standardization, improvement in technology for packaging, storage, developing processing protocols for health food products, traditional Indian products, products based on traditional knowledge of health as captured in Ayurveda. National

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15 NSSO Report No 582 on Economic Characteristics of Unincorporated Non-agricultural Enterprises (Excluding Construction) in India; NSS 73 Round (July 2015- June 2016)
Institute of Food Technology Entrepreneurship and Management (NIFTEM), Indian Institute of Food Processing Technology (IIFPT), Central Food Technological Research Institute (CFTRI) and other institutions will be supported for R&D activities in the areas of their specialization. Research efforts will be aligned with global trends in 3D printing technology, Nano technology and block chain traceability application. Technology developed by R&D institutions will be disseminated through a web based knowledge sharing platform. Institutional mechanisms will be developed to converge with the Ministry of Agriculture, Department of Science and Technology, Department of Biotechnology and the Central and State Agricultural Universities to take up research and disseminate findings across the country, particularly through the Krishi Vigyan Kendra (KVK) network.

14.2 Processable Varieties

One of the main reasons for low level of fruits and vegetables processing in the country is the non-availability of processable varieties of fruits and vegetables in adequate quantities. Department of Agriculture Research & Education (DARE) will expedite research for development of processable varieties and disseminate information on their availability for wider acceptance and adoption.

14.3 Quality Certification

For food processing industries, international quality certification such as ISO, HACCP, GMP, GHP etc. are important requirement for assuring quality. MoFPI has been assisting the food processing industry for adoption/ implementation of food safety and quality assurance such as Total Quality Management (TQM) including, ISO 9000, ISO 22000, Hazard Analysis and Critical Control Points (HACCP), Good Manufacturing Practices (GMP), Good Hygienic Practices (GHP), to prepare them to face the global competition. Centre and state governments would expand such programmes for adoption of quality certification and to create awareness about food standards and quality.
14.4 Branding

To promote the “Made in India” brand for the processed foods, branding of value added Indian food products would be facilitated through activities such as Road shows, marketing campaigns etc. to improve acceptability and market access. One District one food product initiative will be promoted alongside their branding with a view to harnessing the food processing potential across the country.

14.5 Protection of intellectual property rights

Food businesses are constantly innovating and this creates intellectual property. Intellectual property protection would be encouraged under the policy covering all aspects of food production starting from manufacture of ingredients, creation of recipes to labelling, marketing, and branding of products. Policy would encourage protection of intellectual property in different facets including patents, trademarks, copyright, trade secrets and design rights etc. Apart from this, registration of Geographical Indications in relation to rich variety of food products produced in specific regions of the country will be encouraged under the policy.

14.6 Promotion of Traditional Indian foods & emerging food products

Policy envisages institutionalization of a system for promoting traditional Indian foods covering activities such as identifying products, standardization of their ingredient & process, innovation of technology for commercial production, branding, identification of market and market development. Bringing more products under National Programme for Organic Production (NPOP) would help in growth of these products in domestic & export markets. Production of organic food products, both for primary and processed, which have immense potential for growth would be supported.

14.7 Promotion of Health food products

Ensuring nutritious food products is an integral aspect of the food processing industry. A lot of nutrients are lost during the food processing if appropriate technology or process is not adopted. Through improvement in the processes and
use of the latest technology, the nutritive value of the food could be preserved and can also be improved in several ways such as fortification of food products through the addition of vitamins and minerals, reformulation of food products to ensure reduction in the content of salt, fat and sugar, or create new products in the market that provide better nutrition. The industry will be encouraged to produce such food options.

14.8 Commodity Boards

Government will support promotion and development of commodity Boards in collaboration with the stake holders across value chain for comprehensive development of value added food products in specific segments.

15. Entrepreneurship Development & Skilling

15.1 Institute of National Importance

NIFTEM and IIFPT are autonomous bodies responsible for human resource development in food processing sector with an objective of addressing the diverse needs and providing solutions to the challenges faced by stakeholders of the sector including farmers. These two Institutions would be conferred the status of the Institutes of national importance to enable functional autonomy to the Institutes for starting new innovative courses, conduct research and disseminate knowledge in food technology, entrepreneurship and management.

15.2 Entrepreneurship Development Programme

The policy aims to promote entrepreneurship especially in the rural areas. Women have traditionally been engaged in food processing in the unorganized sector like papad making, pickle making etc. There is a need to encourage and impart training to women engaged in food processing on entrepreneurship and promote engagement of women in the organized food processing segment. Central & State Governments in partnership with domain knowledge institutes including those in private sector will support entrepreneurship development in youths,
women and farmers. Priority will be given to women/ women self-help groups (SHGs) in training for entrepreneurship development.

15.3 Technical & Skill Support

Availability of skilled manpower has been identified as one of the major challenges of Indian food processing industry. The Ministry of Food Processing Industries is working in close collaboration with Food Industry Capacity and Skill Initiative (FICSI) and NIFTEM on identification of job roles, development of course curriculum etc. NIFTEM and IIFPT are conducting regular courses on skill and entrepreneurship development for youth, farmers and SHGs. Given the enormity of skill gap in food processing industry, policy envisages greater thrust on skill development of workers in skilling centres by enlisting support of training institutions, academia and industry. State Food Processing Departments would facilitate setting up technical institutions and augment skill development infrastructure in the existing skill training institutes. Efforts will be dovetailed with skill India campaign.

16. Regulatory Issues:

16.1 Promoting Food Safety Awareness & Compliance

16.1.1 The Food Safety and Standards Authority of India (FSSAI) has been established under the Food Safety and Standards Act, 2006 for laying down science based standards for articles of food and to regulate their manufacture, storage, distribution, sale and import to ensure availability of safe and wholesome food for human consumption. The State governments will ensure that Food Business Operators are aware of food standards, licensing requirements and have proper licenses to operate business as prescribed under the Act. States would also strengthen the food safety enforcement machinery with adequate number of trained and qualified personnel so as to effectively discharge their regulatory functions.
16.1.2 Food safety standards will be reviewed periodically to align them with international best practices and latest development in the sector. With a view to improve recognition of India’s food safety standards and avoid duplication in food safety compliance by exporters, India will proactively negotiate with other countries, particularly trading partners, for according equivalence to our food safety management system.

16.2 Transition to self-regulation:
As the government is gearing up towards a regime of self-compliance, Food Business Operators would be encouraged to voluntarily adopt all required standards and wherever possible also adopt standards higher than those specified in the Regulations. Such voluntary efforts would promote consumer confidence both at home and in the export markets. Once this achieves a certain momentum, Government of India and Food Safety and Standards Authority of India (FSSAI) can look at a different more relaxed oversight mechanism of self-certification and self-regulation.

16.3 Enforcement of Essential Commodities Act
State Governments would ensure that provisions under the Essential Commodities Act be invoked judiciously to ensure that the supply chains of agri-businesses and food processors are not disrupted due to restrictions imposed on stock limit and movement etc.

16.4 Treatment of Food Processing Industry as seasonal industry under Labour Law
Food processing industries should be treated as seasonal industry by the “Appropriate Government” under Industrial Dispute Act, 1947 and benefits available to a seasonal industry extended to food processing units.

16.5 Environment clearance
Based on Pollution Index, various industries related to food processing have been categorized under red, orange and green category. Fruit and vegetable processing units are non-polluting industries. Their categorization will be reviewed for appropriate grouping for the purpose of environment clearance, in line with the overall objective of reducing wastage in the perishable food produce.

17. **Institutional Reforms**

17.1 **Agriculture Marketing**

Food processing units face difficulty in procuring raw material for processing directly from the farmers. Government of India has come out with Model Agricultural Produce and Livestock Marketing (Promotion & Facilitation) Act, 2017 (APLM Act)” as a model Act for adoption by the state/ UT governments. The model Act seeks to promote direct interface between farmers and processors/ exporters, promote e-trading to enhance transparency in trade operations, ensures freedom to the farmers to sell their produce to the buyers wherever they get better prices. National Agricultural Market (eNAM) has already been operationalized for online trading of agricultural commodities in India. Buyers such as retailers, processors or exporters are facilitated to source commodities from any markets in India without their physical presence in the market and dependence on intermediaries. The state governments would be encouraged to adopt Model APLM Act for facilitating direct procurement of raw material by the processors from the farmers.

17.2 **Contract Farming**

The Government has formulated and released a Model Act “The ----State/ UT Agricultural Produce & Livestock Contract Farming and Services (Promotion & Facilitation) Act, 2018" in May, 2018 for its adoption by the states/ Union Territories (UTs). The aforesaid Model Contract Farming Act covers the entire value and supply chain from pre-production to post harvest marketing including services contract for the agricultural produce and livestock. Processing Industries need
processable agriculture produce, in adequate quantities, which requires capital intensive and mechanized agriculture on a large scale. Adoption of Model Act by the State governments will be facilitated for benefit of farmers and processors.

17.3 Collaborative farming

States will encourage collaborative farming by processors and farmers on mutually beneficial terms. The state government should develop a framework to facilitate formal and informal arrangement for production of processable variety of crops by the farmers and procurement of agricultural produce from the farmers, at an agreed price, by the food processor. With no further intermediation, the farmer is assured of a reasonable return and the processer is assured of adequate, timely supply of raw materials of required quality.

18. Facilitation

18.1 Single Window Clearance System

To improve ease of doing business and boost investor’s confidence, the Policy seeks to establish “Single Window Clearance System” for single point clearance of all approvals relating to food processing infrastructure and enterprises. The states should create an e-platform, to facilitate issue, within a specified time limit, all necessary clearances for starting and operating an enterprise. The e-platform should integrate requisite pre-establishment and pre-operation stage clearances and shall be empowered to make decisions across the spectrum of requirements in a time bound manner.

18.2 Knowledge sharing Platform

Food Processing Investors Support & Guidance Cell would be operationalized both at central & state level. Web based Knowledge sharing platform will also be commissioned which will be managed by professionals having adequate experience. Information on state governments’ policy, profile of state and districts, resource potential, availability of agricultural raw material, sourcing of raw-material, agro-processing infrastructure, availability of industrial plots, power, machinery,
incentives, marketing etc will be disseminated and queries of investors will be responded online. Information captured through the use of advanced technology including remote sensing and GPS tools will be disseminated for assisting processors. The platform will also enable MoFPI and the state governments to assess the infrastructure gap across agri-clusters and processing zones for possible intervention.

19. Administrative Architecture

19.1 Ministry of Food Processing

The Ministry of Food Processing Industries was set up in the year 1988 with mandate to promote certain type of food processing industries. The overall development of the sector would require concerted efforts covering all related aspects viz. development of supply chain infrastructure, creation of processing capacity, improving access to & provision of cheaper credit, promoting investment, both domestic & FDI, Research & Development in product innovation, product development including development of traditional Indian food products, quality improvement, food safety, testing, standardization, marketing support including export, skill training & up-gradation and focussed attention for the promotion of unorganized segment of the sector. Currently, policy issues concerning the aforesaid aspects are handled by different agencies. Comprehensive development of the sector would require cohesion at the level of policy formulation and implementation across all segments having important bearing on the growth of the sector. Therefore, the existing Ministry of Food Processing Industries having limited mandate of promoting few products would be replaced by the “Ministry of Food Processing” for holistic development of the entire sector with a broader mandate in terms of policy formulation, implementation of programmes across products, processes and value chain in all segments of the sector.

19.2 Department of Food Processing at the State level
19.2.1 In order to ensure that proper focus is given for the promotion of food processing sector, each state will set up a separate Department of Food Processing to handle all matters related to food processing. The key role of the Department would be to create a conducive environment to facilitate investments and rapid expansion of the sector. The Department would be the nodal agency for implementing all the schemes of the state government relating to promotion of food processing industry, operate single window clearance system and commission knowledge sharing platform at the state level. It shall ensure co-ordination with different Departments and Agencies of the State Government as well as Central government.

19.2.2 The Department would guide & support investors on all matters relating to setting up new units and/or expansion plans, map production and processing clusters, facilitate backward & forward linkages, organize skill training and ensure that the various elements of Food Processing Policy are implemented at the ground level in letter and spirit.

19.3 Convergence of services

Development of food processing industry would require support and active participation of a number of Ministries/Departments at the level of Government of India as well as the states. There is a need for convergence of services offered and schemes implemented by different agencies like Ministries of Agriculture & Farmers Welfare, Fisheries, Animal Husbandry and Dairying, Commerce & Industry, Consumer Affairs, Food & Public Distribution, Health & Family Welfare, Micro, Small & Medium Enterprises, Rural Development and Agricultural & Processed Food Products Export Development Authority [APEDA], Marine Products Exports Development Authority [MPEDA], National Horticulture Board [NHB], Small Farmers' Agri-Business Consortium [SFAC], etc. with the programs implemented by the Ministry of Food Processing at the Centre and Food Processing Departments at the state level. The Food Processing Departments at the state level will similarly need the active support and participation of other
departments/ agencies at the state level as well as from Ministry of Food Processing Industries at the Centre. Collaboration with international organizations such as FAO, UNIDO, World Bank etc. will be undertaken for promoting food processing industries. Apart from government agencies, active support and participation of trade & industry association, NGOs, SHG, Autonomous/ statutory organizations, relevant to food processing, would be needed. Therefore, government will ensure full participation and support of all the stakeholders for the holistic development of the sector.

19.4 Food Processing Development Council

The responsibility for implementation of the provisions of the Policy largely vests with the State Governments. The Ministry of Food Processing Industries, Government of India will perform its role as a coordinator and facilitator. In order to provide overall guidance for the implementation of the National Food Processing Policy, a Food Processing Development Council headed by the Minister of Food Processing will be setup with representation from all stakeholders viz. concerned Ministries, state governments, Food Safety and Standards Authority of India (FSSAI), Industry and trade bodies, Research and Development, Technical and academic institutions etc.

20. Policy Outcome:

With the Interventions and incentives envisaged under the policy, the following outcome are expected by the year 2034-35:

- Fixed capital investment in food processing sector will increase by 6 fold over next 15 years ending 2034-35.

21. Measurement of Impact:

21.1 A robust and detailed database of the food processing sector will be created and regularly updated for effective monitoring of the targets stipulated under the policy.
21.2 The implementation and impact assessment of the policy will be reviewed periodically through a third party mainly on the following parameters:

   i. Extent of interventions in terms of incentives and support measures envisaged in the policy;
   ii. Increase in investment in processing units, supply chain infrastructure including flow of foreign investment, farm level infrastructure;
   iii. Increase in number of food processing units and cold chain capacity;
   iv. Employment generated, direct & indirect, in different segments of the sector;
   v. Increase in output and contribution of FPI in manufacturing GVA;
   vi. Extent of reduction in post-harvest losses;
   vii. Better farm gate price to farmers enabling increase in farm incomes;
   viii. Increase in export of processed food products.

22. Government is committed to providing a conducive environment to enable the food processing industries to realize its full potential, achieve global excellence, and to fulfil its obligations to farmers and consumers. The Government will enlist the co-operation and involvement of all stakeholders in achieving the objectives set out in the policy.