

# **POLICY FOR FOOD PROCESSING INDUSTRY**

## **BACKGROUND AND VISION**

Uttar Pradesh is one of the largest producers of farm commodities in the country and the largest producer of vegetables, wheat, maize, sugarcane, potato and milk. Some of the most delicious varieties of fruits are grown in the state. Thus there is an immense inherent potential in this sector. The state also has diverse agro climate conditions which are conducive for a variety of crops round the year.

Despite the inherent potential, it has so far been untapped. Large quantities of vegetables and fruits are wasted as only around 2% of the production is commercially processed. Though considerable success has been achieved in evolving appropriate pre-harvest practices, the issue relating to post harvest management, which includes grading, sorting, packaging, processing, transportation and marketing, are still not adequately addressed. It is believed that agriculture in the state can turn into a lucrative venture, if there is a proper linkage from end to end among various components of agri business, i.e. from the stage of sowing to final sale and consumption, which can develop synergy and dynamic efficiency in the system.

## **POLICY OBJECTIVES**

This policy aims at achieving the following objectives :

- a) Better returns to the farmer for his produce
- b) Encourage investment in the sector and employment generation
- c) Promote value addition and quality consciousness
- d) Minimize wastage of agriculture and horticulture produce
- e) Provision of appropriate linkages between the agricultural and industrial sectors
- f) Provide a 'market' focus to the entire range of activities involved in food processing.

## **STRATEGY**

The strategy would center around identification of potential areas for value addition, keeping in view both the international and domestic market demand and addressing issues relating to the entire value chain, right farm to the palate, for achieving the objectives outlined in the policy. Apart from evolving new and more effective instruments for overcoming the constraints in this sector & for promoting food processing, emphasis will be on :

- a) "Convergence" of all fiscal and financial incentives provided by Central and State Government agencies;
- b) "Partnership" between the farmer, private sector processors, Central and State Government; and
- c) "Focus" on such issues which are critical to the growth of this sector

This policy would be effective for the next five years i.e. up to 31<sup>st</sup> March 2009.

## **FOOD PROCESSING SECTOR – ‘Definition’**

The food processing sector will include the following :

1. Fruits and vegetables processing
2. Food grain milling/processing
3. Dairy products
4. Processing of poultry, eggs, meat and meat products
5. Fish processing
6. Bread, oil-seed meals, breakfast foods, biscuits, jaggery and confectionery, oil expellers and refining, malt extracts, protein isolates, high protein foods, weaning foods, extruded / other ready to eat food products and all other processed foods.
7. Fruit based ready to eat beverages
8. Floriculture and honey
9. Spices, herbs and mushrooms
10. Fermented food products, including alcoholic and non-alcoholic beverages

## **FACILITATIVE INTERVENTIONS**

### **FINANCIAL**

- Recognizing the need for market promotion, funds will be earmarked out of ‘Krishi Vikas Nidhi’ for evolving and executing marketing strategies after due market analysis. This fund will supplement those that are available under various central and state government schemes.
- State Government will also consider setting up joint sector ventures in identified areas with a view to encouraging investment and for this purpose land available with Department of Agriculture, Horticulture, Animal Husbandry, Fisheries etc. will be leveraged for attracting such investment as Government will consider participating by way of equity to the extent of value of this land for setting up marketing centers and processing plants. Land will also be considered for giving on lease for backward integration. PICUP will undertake this task of asset management for the purpose of documenting and evaluating these assets and for evolving projects to attract private sector investment.
- To offset the disadvantage on account of being land-locked, State Government may consider assistance for transporting goods to the ports for the purpose of exports from time to time.

### **FISCAL**

- To encourage export of processed food, no tax/cess/duty will be levied on any input used in a product that is exported.

- To encourage value addition within the state, Sales Tax on certain identified processed food products will be rationalized to make these affordable and in turn boost consumption.
- Electricity duty will be exempted for 05 years.
- Certain identified sectors in the food processing industry will be treated as a seasonal industry and, hence, would be eligible for relief from payment of minimum charges of electricity during the closure period.
- State will consider provision for interest free loan for facilitating availability of working capital where cumulative capital investment during the policy period is Rs 5.00 crore or more.
- To promote direct farmer-processor linkages, the payment of Mandi Fee will be made optional – to be paid only by farmers who wish to use the Mandi facilities.

### **RATIONALIZATION OF PROCEDURES**

Food processing sector is beset with complications emerging out of various laws, rules and regulations. These provisions are in turn administered by different agencies of the government. A task force will be set up to examine these provisions and submit recommendations within six months to rationalize them. In addition, there are certain crops which are critical for the state and where a boost in processing activity will lead to a direct improvement in farmer incomes.

It is proposed that a special task force will be constituted to provide end to end solutions for such crops/products to provide a fillip to processing and improvement in farmer incomes.

### **DEVELOPMENT OF DATABASE & DISSEMINATION OF INFORMATION**

IT tools will be used to collect, collate, analyze and disseminate data with regard to production and markets. Mandi Parishad will be adequately equipped to undertake this task for ensuring online availability of such information.

### **SETTING UP DEVELOPMENT ZONES**

To facilitate end to end development of horticulture and agricultural produce which has 'market potential'. a policy has already been announced for Agriculture / Horticulture Development Zones for identified produce grown in geographically contiguous areas. The objective is to identify the bottlenecks at each stage of the value chain and suggest interventions, in a project mode, to remove these bottlenecks. This would be achieved through 'convergence' of various schemes administered by central and state government agencies and in 'partnership' with all the parties. viz. farmer, processor, exporter, government-agencies, involved in the process.

The existing and proposed food parks will be integrated as a part of these zones so as to address issues relating to the entire value chain.

## **ENCOURAGING SERVICES BY PRIVATE SECTOR**

Private sector agencies are getting increasingly involved in providing a complete package of services in the field of agriculture. This will be encouraged further through removal of bottlenecks in increasing their network for the purpose of providing inputs including credit, extension facilities and in post harvest management. This will facilitate improvement in the quality of produce which could be used for processing.

## **CONTRACTUAL ARRANGEMENT**

With a view to ensuring remunerative return on the produce for the farmers and in order to ensure consistent supply of quality produce to the processors, the Government will soon come out with a policy to encourage an arrangement between the farmers and the processing unit. This would facilitate recognition of mutual interest and would lead to a long term understanding between them. This would also enable direct supply of agriculture produce for processing without going through the Mandi route.

Necessary facilitating mechanism would be put in place to enable the users of agri/horti produce for processing to supply inputs, like fertilizers and pesticides, to the farmers directly.

## **INSTITUTIONAL STRENGTHENING AND EFFECTIVE USE OF EXISTING INSTITUTIONS**

The role of Horticulture Federation has been redefined and the focus will now be on value addition. The Federation has also been designated as the secretariat for Agri Export Zones as well as Horticulture / Agri Development Zones. Increasing attention will be paid towards understanding of the markets and market promotion. Horticulture Federation will also be equipped to assist the entrepreneurs in securing benefits under various Central Government schemes and Central Government Agencies like APEDA, NHB, MFPI.

The resources available with Agriculture Universities and Central Government Institutions like NBRI, ITRC, CIMAP etc. will be utilized for promoting research to find solutions to the problems arising at various stages of the value chain.

Priority will be given to issues relating to food processing by “Udyog Bandhu”. In all the tripartite discussions, the problems relating to food processing will be taken up first.

Efforts will be made to co-ordinate with the Central Government for setting up of National Center for Food Technology and Management.

## **SETTING UP ALTERNATIVE MARKETING STRUCTURES**

To maximize realizations to farmers, it is critical to provide an alternative marketing mechanism which will bring the farmer face to face with the consumer. This will enable the farmer to realize the value which is currently lost out of intermediaries. To facilitate this, government would encourage setting up of integrated auction/marketing facilities in consumption hubs, such as NOIDA. Allocation of land as equity will also be considered and the private sector would be encouraged to set up such markets.

## **WARE HOUSING RECEIPT SYSTEM**

To prevent distress selling and to provide liquidity to the farmers, warehousing receipt system would be evolved, which will involve development of the requisite legal and policy framework. A suitable agency will also be identified for implementation of the same.

## **OPTIMUM UTILISATION OF HUMAN RESOURCES**

Apart from upgrading the skills of the personnel in the government, they would be permitted to work on deputation with the private sector.

## **FOCUS ON QUALITY AND BRAND BUILDING**

Recognizing the need for evolving quality consciousness in the food processing sector, quality parameters will be worked out for as many products as possible. Wherever these parameters already exist, they will be used for establishing and promoting brands. The Horticulture Federation will play a pivotal role in undertaking such an exercise. Quality testing laboratories will be encouraged in the private sector and efforts will be made to get them accredited by recognized agencies like APEDA, so that certification from these laboratories can add value to the product.

## **GENERAL**

All concessions and incentives outlined in the Industrial Policy for setting up an industrial unit will also be available to food processing industry. The provisions of this policy would be over and above those indicated in the Industrial Policy.