

CHAPTER V

CONCLUSION AND RECOMMENDATIONS

The Indian food processing industry sector is poised for phenomenal growth in the years to come. The detailed analysis of challenges of food value chain post-harvesting and infrastructural and institutional gaps in supply chain has revealed major factors that are hindering efficiency, productivity and competitiveness of the sector. In addition to the initiatives taken by individual food processing units, certain policy interventions are required to make Indian processed food globally competitive.

Farm level post harvest facilities such as cool chambers, grading and sorting facilities, pack houses for backend support, field depots as part of modern silo systems etc. can significantly reduce wastage and help farmers achieve better realizations. These can also help in retaining the quality for longer period and minimize damage. Creating and augmenting high quality infrastructure can improve the quality of the food product available to end consumers. This can also improve the income and standard of life of the populace directly or indirectly depending on agriculture for their livelihood.

The Indian food processing industry presents a very large opportunity to every stakeholder. However, the growth of food processing industries sectors has been sub-optimal because of various challenges the sector is facing. Hence, to fully leverage the growth potential of the sector, current challenges that are being faced by the industry need to be properly addressed and steps need to be taken to remove the bottlenecks hampering the growth of the sector.

Therefore, to tackle these hindrances and to enhance the productivity, efficiency and competitiveness of food processing sector certain recommendations have been suggested in this chapter.

5.1 HOLISTIC INFRASTRUCTURE DEVELOPMENT

Infrastructure development needs to be given top priority on a systems-approach that addresses all round needs rather than creating skewed resources which either remain under utilized or wasted. For addressing infrastructure bottlenecks to give further impetus to the sector, following recommendations are proposed.

5.1.1 Strengthening the Storage Infrastructure and Fragmented Supply Chain

(i) There is need to remove the distortions in the present supply chain and create more integration between the different links of the supply chain. An efficient supply chain in place will help in higher realizations for the produce at the farmers' end and lower price levels and lesser price volatility for the consumers. This also presents an attractive opportunity for the foreign players to invest in storage infrastructure such as cold chain and cold storages to fill the existing gaps, thereby providing an efficient supply chain connecting the different parts of the value chain and removing the intermediaries.

(ii) Government should promote projects providing temperature controlled warehouses of various capacities, refrigerated transport vehicles and other related infrastructure to create end to end capabilities across the entire supply chain. There is an urgent need to build integrated cold chain facilities

across the country to provide advanced environment controlled storage and transport solutions right from the farm gate to the end use consumers.

(iii) The study conducted by National Spot Exchange has estimated about 37 million tones of gap in cold storage infrastructure in addition to the shortage of dry warehouses and godowns. A national mapping of existing storage infrastructure and its gaps will help in better planning for development of a cold chain grid in the country. A separate detailed study needs to be done to understand the manner in which the extent and pattern and demand for cold chains is likely to arise, while covering the aspect of the wide variety of cold chain produce and their integration with processing.

5.1.2 Strengthening Transport and other Logistics in Supply Chain

(i) Government should initiate steps to improve the road conditions to increase the per day distance covered by trucks. Railways should come up with projects to create refrigerated transport and storage facilities. Support to private rail operators by providing access to infrastructure of Indian Railways at concessional rates especially that of rail terminals for cargo consolidation and aggregation. Dedicated freight corridors in rail supplemented by concretized dual carriageways for the State & National highways, will directly reduce the cost of goods transported and supplied. Higher incentives may be proposed for setting up warehousing/cold storage infrastructure and customized transportation network development.

(ii) State-of-the-art warehouse facilities need to be created at the major airports. Processed food consignments should be given priority at the ports of handling, clearance and exports as these are perishable commodities. There

should be necessary support for development of organized strategic logistics hubs by helping in land acquisition and by providing tax incentives/tax holidays.

(iii) Government should also take up the issue of power on priority basis and should try to provide un-interrupted and reliable power supply to the food processing industries. Necessary steps should also be taken to ensure adequate availability of potable water for the food processing units.

5.2 INSTITUTIONAL AND POLICY CHANGES

5.2.1 Market Reforms and APMC Act

Significant market reforms and modifications in APMC Act are required to facilitate procurement of raw material by food processors. Significant progress has been made in undertaking reforms in APMC Act by various States as per the model APMC Act. However, market reforms carried out by the various states have not been able to address the problems being faced by the food processors. There is urgent need to remove perishable agricultural produce from the aegis of APMC Act. States should learn from one another at the time of policy development and as far as possible should involve private sector at the time of policy formulation.

5.2.2. Market Linkage and Direct Marketing

The fact is that most farmers do not have the time or resources to bring their produce on a regular basis to the market place. Therefore, if the farmers have to gain meaningful access on this parallel chain of supply, there has to be an opportunity for the farmer to directly market their produce to the

cold chain. One way certainly is the establishment of producer companies/ co-operatives. The other would be to allow private companies to undertake these transactions. Market Linkages to modern retail or food processing sector can be organized through anchor customers for cold chain for creating a fair and equitable market where farmers obtain a good price and the consumers do not have to pay an excessively high price.

5.2.3. Contract Farming

Indian agriculture is characterized by small and fragmented size of holding. Producers with small holdings face problems due to inefficiency in transporting their produces leading to increased dependence on middle man. The small holdings also have less access to infrastructure facilities such as sorting, grading, farm pack houses, etc. With a view to address these problems, there is a need for cooperative farming or collaborative farming (contract & contact farming) to achieve required scale.

Contract farming can emerge as a significant opportunity for companies whereby they can create direct farm linkages to source appropriate quality, quantity and varieties of inputs. Currently, contract farming is supported by the governments of few key producing states in India. There should be provision for single point registration of contract farming at local levels preferably with market committees.

5.2.4. Formulation of Comprehensive National Policy on Food Processing

The food processing sector is governed by statues rather than a single comprehensive policy on food processing. India urgently needs to have a

comprehensive National Policy for the sector and adopt a number of legislative, administrative and promotional measures. The policy should evolve through detailed discussions between all the stakeholders across the entire value chain on pan India basis and should promote the development of viable agri-business and food processing industry models based on different agro-climates and regions. The comprehensive policy will ensure private sector investment in infrastructure development, increased production of processable raw material and up gradation of quality and give further impetus to the food processing sector. The comprehensive national level food processing policy would also ensure institutional strengthening , capacity building across the value chain and would also seek to promote innovation in general and technological innovation in particular.

5.3. FINANCING AND INCENTIVES

Cold chains have received some amount of financial support in the form of subsidies. The details of fiscal incentives have already been discussed in detail. However, it is suggested that the cold chain supply system for horticulture and other fresh farm produce should be treated as infrastructure and that they should qualify for the corresponding financing and tax incentives. Viability Gap Funding (VGF) is an appropriate mode to catalyze large scale investments in cold chain. However since every cold chain project is in many ways unique it may be difficult to structure a competitive bid. This aspect needs further detailed study so that maximum numbers of cold chain project are taken up for viability gap funding.

5.4. INCREASING PLAN ALLOCATION

The plan outlay for food and agro processing sector has been very low during subsequent plan periods as compared to other manufacturing sub-sectors. The food and agro processing sector contributes about 10% of manufacturing GDP which is higher than the contribution of textiles and some other sub sectors of manufacturing. However, the plan outlay for food and agro processing remains very low as compared to the textiles and other such sub-sectors. In view of India's leading position in many agricultural items, the low level of processing leading to high wastage and the significant potential for the generation of income, exports and employment from the food and agro processing industry, increased funding support to this sector is essential.

5.5. TAXATION ISSUES

Issues related to double taxation on the agricultural produce purchased by food processors and exemption of perishables and processed food items needs to be looked into. There is need for uniform tax and duty structure on processed food items and food processing machinery.

5.6. SINGLE WINDOW CLEARANCE

Government may consider bringing all incentive policies for food processing under single window clearance. A nodal body under Ministry of Food Processing Industry with single window clearance of all issues, mayt be created so that no separate rules and regulations comes from different ministries to impact the sector without due deliberations.

5.7 PUBLIC PRIVATE PARTNERSHIPS

The quality of processing infrastructure available from the farm gate to the food plate is the key determinant for both the quality and price of the delivered product to the end consumer. Public Private Partnership (PPPs) could be a useful tool to accelerate development in various areas of food processing sector. Currently there are PPPs in the areas of contract farming, drip irrigation projects and terminal markets among others. However, the scope of these projects is still limited and they serve as examples or models rather than be the norms. The Industry bodies could be involved to facilitate interactions with both domestic and international companies and agencies to ensure widespread use of best practices and expand the scale of private participation to result in performance improvement of the food processing sector.

Government needs to have a supporting framework for PPP that clearly defines the role of private players across the value chain, risk sharing mechanisms, concession framework and the partnership models. A successful PPP initiative will help improve infrastructure and hence low level of wastage in the food value chain.

5.8. IMPLEMENTATION OF GOODS AND SERVICES TAX

Government should ensure timely implementation of Goods and Services Tax (GST) to provide incentive to the food processing sector, while removing subjectivity in treatment and classification of various food products. Some packaged foods which are of daily necessities, be classified at lower rate of taxation. GST is expected to remove disparities in taxes across states, hence

making India as one market helping free movement of goods with the use of minimum logistic resources.

5.9. QUALITY AND SAFETY MEASURES

Government should ensure the enforcement of the Food Safety and Standards Act, 2006 in spirit including increasing the number of trained inspectors and state of the art lab facilities. Government should initiate steps for setting up quality certification labs across the country and should decide a flat rate for testing per sample. Government should set up more CFTRI like institutes to ensure quality standards.

5.10. CREDIT ACCESS TO FOOD PROCESSING INDUSTRIES

The Government may consider establishing a National Bank, on the lines of NABARD, to lend credit to food processing industries. The rate of interests for food processing sector may be considered at par with agriculture sector. This will ensure speedy disbursals of the funds to food processing sector, always grappling, with the issue of lack of access to credit from banks. Also, the state governments should play a catalytic role in partnership with banks, financial institutions and technical and management institutions so that small and unorganized players become globally competitive.

5.11. CAPACITY BUILDING

There should be separate provision of budget for human resource development for food processing sector for enhancing and up gradation of the skills and implementation of the various skill development schemes. All the skills development cells and other organizations and ministries should work in

tandem for effective implementation of the objectives. Market intelligence mechanism to farmers, training on global standards and safety requirements and other skills need to be imparted to the players in the sector.

Government should come up with a detailed website wherein the international trends and market scenario is readily available to the producers and processors. Food Processing Industry should partner with few food technology / processing institutes on a pilot basis for up gradation of higher end skills, and the same could be replicated for more and more institutions.

5.12. EDUCATION, RESEARCH AND TRAINING

Government should set up more facilities for R&D in the country and private sector should be incentivised for investment in R&D by providing tax exemptions. This will promote innovation in food processing sector and bridge the skill gaps.

CONCLUSION

The Indian food processing sector is on the verge of a great transformation from the one characterised by high wastage, low processing and low global contribution to the one that is more streamlined, more integrated and enhanced processing levels with higher contribution in the global trade. Sustained economic growth and steady urbanisation is likely to enable this transformation. The prime strength with the country would continue to be its vast and diverse raw material supply base and also the demand to absorb the supply.

Continuous financial and regulatory support from government, increasing participation of private and public corporate and increasing exposure of foreign players is likely to spur investments in developing the infrastructure across the value chain right from farm gate to the consumers. Investments made by the industry players for infrastructure development should be supported by incentives. Considering the huge potential opportunity, players should consider the constraints as opportunities waiting to be exploited and make investments for the overall growth of the industry.