

Title of the Paper:

**IMPACT OF GOVERNMENT POLICIES IN PROMOTING FOOD PROCESSING
INDUSTRIES IN INDIA**

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***Abstract:** Food processing sector is emerged as significant part of the Indian economy in terms of its contribution to GDP. This sector is having lot of potential in expanding production and employment in recent years. During the last seven years ending 2021-22, food processing sector has been growing at an Average Annual Growth Rate (AAGR) of around 7.26%. Gross Value Added (GVA) in food processing sector has also increased from 1.30 lakh crore in 2013-14 to 2.08 lakh crore in 2021-22. Due to this reason, it is considered as the sunrise sector. At present food processing sector is fifth largest sector in terms of production, consumption,*

growth potential and international trade. Government of India has undertaken many initiatives in order to promote food processing industries. This paper tries to analyse the impact of various government policies in promoting food processing industries in India.

Keywords: *Food processing, Industries, Government Policy, Employment Generation, Gross value Added.*

1. Introduction:

Agricultural and allied industries may be considered as the backbone of the Indian economy. At this juncture it is necessary to create a strong linkage between agriculture and industrial sectors. This is possible by giving importance to agro-based food processing industries. There is a growing demand for agricultural and agro based food products in the market since there is a shortage of labour who is engaged in these kinds of occupations as their primary. Most of the labourers are migrating from rural to urban areas due to occupational transformation after their education looking for a job where security and good yield is obtained. Approximately 25 lakhs unregistered and informal food processing businesses make up the nation's unorganized food processing sector, according to the NSSO report 2015. In terms of their turnover and investment in plant and machinery, the majority of these units fall into the category of micro manufacturing units. These units confront difficulties with credit availability, contemporary equipment and technology, branding and marketing, and food safety and cleanliness. By encouraging these food processing industries, it facilitates value chain between industry and agriculture, creation of employment opportunities and doubling of agricultural income.

Food Processing (FP) sector emerged as an imperative section of the Indian economy in terms of its contribution to GDP. During the last five years ending 2019-20, Food Processing Industries (FPI) Sector has been growing at an average Annual Growth Rate of around 11.18 per cent and during last seven years ending 2021-22, food processing sector has been growing at an Average Annual Growth Rate (AAGR) of around 7.26%. Gross Value Added (GVA) in food processing sector has also increased from 1.30 lakh crore in 2013-14 to 2.08 lakh crore in 2021-22 (Source: MoFPI). These industries have a positive impact on the socio-economic conditions of rural areas especially in terms of employment and income generation. Thus, improving the gross value addition in the agricultural industry will be a key device in improving socio-economic conditions in the country. For this, it is necessary that we increase emphasis on not just increasing the agricultural produce, but also on encouraging the level of food

processing and its export – especially secondary and tertiary processing. In the beginning these industries were largely restricted to primary processing food crops and commodities mainly for the purpose of consumption. Today there is a need for greater stimulus required to boost this sector in terms of government intervention.

2. Review of Earlier Studies:

This helps the researcher to avoid the duplication of work. In this part, an attempt has been made to review the existing literature in the field of food processing industries.

El Baz, J., Laguir, I., Marais, M., & Stagliano, R. (2016) in their study “Influence of national institutions on the corporate social responsibility practices of small-and medium-sized enterprises in the food-processing industry: Differences between France and Morocco” analyzed the way national institutions affect corporate social responsibility (CSR) practices for small- and medium-scale enterprises (SMEs) in the food processing industries of France and Morocco. In this study, CSR practices are defined based on corporate performance and the CSR approach. Qualitative data were collected during semi-structured interviews with SME managers in charge of CSR issues and applied the method of content analysis. The study shows that there is a distinct difference between the CSR practices adopted by SMEs in France and Morocco. The findings suggest that under the rule-based governance system of France, most SMEs view CSR as an economic tool and some Moroccan SMEs have begun to see the economic opportunities of CSR, especially in accessing foreign markets.

Joseph, Abin & Mammen, Jeffin. (2020) A study on “Food Processing Industry in India: Current Status and Future Prospects” analyzed the position and performance of the food processing industry in India in the era of globalization and liberalization. The study is mainly based on secondary data collected from the Ministry of Food Processing Industries, ASI and CMIE. According to the study India enjoys a comparative advantage in the food processing sector with its diverse and excellent raw material base for food production and ensuing processing, skilled human resources, cost competitiveness and use of modern technology. Nevertheless, despite having promising and favorable requisites, the food processing industry has not reached its full capacity.

Singh, S. P., Tegegne, F., & Ekanem, E. P. (2012) conducted a study “The food processing industry in India: challenges and opportunities”. This paper examines trends and status of the food processing industry, identifies and discusses constraints/problems slowing down its

growth. Though there are many hopeful changing aspects which support the potential for growth of this industry, there are still some significant constrictions which, if not addressed sooner, can hinder the growth prospects of the Food Processing Industry in India. One of the biggest constraints is that this industry is capital intensive. This constraint can be released by giving greater financial support and incentives by the government.

FICCI, S. (2010) conducted internal research on “Bottlenecks in Indian food processing industry” and identified 15 major factors hampering the growth of food processing sector and holding it back. They are: Comprehensive national level policy on food processing sector, availability of trained manpower, Processing plants with cost effective technologies, Cost effective food machinery & packaging technologies, Constraints in raw material production, Inadequate infrastructural facilities, Access to Credit, Market Intelligence, Inconsistency in central and state policies, Lack of Applied research, Adequate value addition, Lack of specific plan to attract private sector investment across the value chain, Food safety Laws, Weights & measures Act & Packaging commodity rules and Taxation. This paper also talks about comprehensive national level policy.

The earlier studies talk about the necessity of the government policy to promote food processing industries. In recent times government has undertaken many initiatives such as PMKSY, PPMY-MUDRA, Start-ups India, Stand-ups India and Skill India etc. encouraged the youth and women to take up entrepreneurial activities which has contributed to the creation of employment opportunities other than agricultural sector. This study also overviews the changes that took place in the district due to entrepreneurial engagements.

Research Methodology: This study is based on purely secondary data i.e. from published journals, MoFPI reports, e- journals, newspapers, bulletins, government websites etc.

Significance of the Study: It is necessary to understand the relevance of food processing industries in generating employment, enhancing farmers income and to know how the various government schemes such as Atmanirbhar Bharat, PMKSY, PLI Scheme, Make in India, start-up India etc. helping in promoting food processing industries.

3. Objectives:

- To explore the various government policies related to food processing industries.
- To assess the government policies with regard to food processing industries.

4. Policy Initiatives by the Government:

The Ministry of Food Processing Industries was established in 1988 to give a push for development of food processing sector in the country. According to annual report of MoFPI 2022-23 several policy initiatives have been undertaken by the Government to encourage growth of the food processing sector in the country. They are as follows:

- All the processed food items are exempted from taking license as per Industries (Development and Regulation) Act 1951.
- 100% Foreign Direct Investment (FDI) allowed through automatic route and also through Government approval route for food processing sector subject to sectorial regulations.
- GST rates are less for raw and processed product; more than 70 per cent of the food products are in the tax slab of 0 per cent & 5 per cent.
- Profit linked tax holiday is provided under Section 80 IB and investment linked deduction under Section 35 AD of Income Tax Act, 1961.
- Categorizing loans for Cold Chain and food and agro-based processing facilities under the category of agriculture activities for Priority Sector Lending.
- The Infrastructure Sub-Sector's Harmonized Master List includes Cold Chain and Food Parks.
- Offering incentives for building infrastructure, increasing processing capacity, and creating technologies that transform unprocessed produce into products with added value.
- Establishing a 2000 crore Special Fund at the National Bank for Agricultural and Rural Development (NABARD) to finance specified Food Parks and agro-processing units at reasonable interest rates.
- Reducing the amount of paperwork needed and streamlining all scheme application forms.
- Creation of skill infrastructure and skill development programs via the Sector Skill Council (i.e., the Food Industry Capacity and Skill Initiative (FICSI)) related to food processing.

5. Government Schemes:

The Union Government through the Ministry of Food Processing Industries is implementing the following major schemes for overall growth of the Food Processing Sector:

5.1 Pradhan Mantri Kisan Sampada Yojana (PMKSY):

This scheme was launched in 3rd May 2017 as a centrally sponsored scheme implemented by Ministry of Food Processing Industries (MoFPI) for Agro Marine Processing and Development of Agro Processing in order to accelerated growth of agro based food processing industries. It is a comprehensive package introduced to enhance upgraded infrastructure with competent supply chain management from farm fields to retail shops. It provides a big lift to the expansion of food processing sector in the country which creates more employment opportunities there by helps the farmers to yield higher incomes particularly in rural areas. The main objectives of this scheme are Creation of modern infrastructure for food processing mega food parks/ clusters and individual units, to create effective backward and forward linkages - linking farmers, processors and markets and to create robust supply chain infrastructure for perishable agricultural crops.

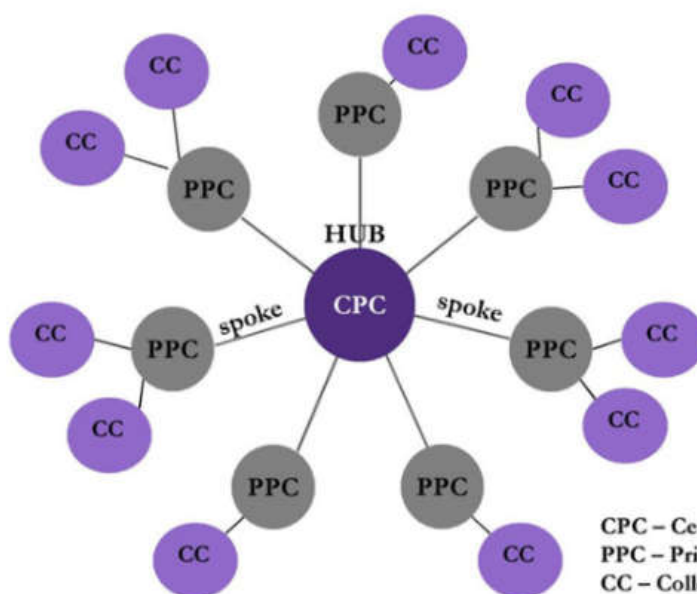
There are several sub schemes introduces under PM Kisan Sampada Yojana. They are:

5.1.1 Mega Food Parks:

The major objective of Mega Food Parks Scheme being implemented since 2008 is to create a modern food processing infrastructure for the processing units based on a cluster approach. The scheme aims to facilitate establishment of an integrated value chain, with food processing at the core supported by necessary forward and backward linkages. Further it tries to establish a sustainable raw material supply chain for each cluster and to address the need of small and micro food processing enterprises. Twenty-two Mega Food Park projects across the country have been made operational. About 65 units are functioning in these parks providing employment to more than twenty-two thousand people directly. In addition, more than 6 lakh people are getting employment through franchises, dealership/ distributorship etc.

Objective and Approach of Mega Food Park Scheme

Primary objective of the MFPS is to provide adequate / excellent infrastructure facilities for food processing along the value chain from the farm to market.



Main feature of the scheme is a cluster based approach with "Hub and Spoke Model"

Source: Insightsonindia.com

5.1.2 Integrated Cold Chain and Value Addition Infrastructure Scheme:

The objective of the scheme of Cold Chain, Value Addition and Preservation Infrastructure is to provide integrated cold chain and preservation infrastructure facilities without any break from the farm gate to the consumer. It covers pre-cooling facilities at production sites, reefer boats, mobile cooling units as well as value addition centres which includes infrastructural facilities like Processing/Multi-line Processing etc. for horticulture, marine, dairy, meat and poultry etc. Partnership/Proprietorship Firms, Companies, Corporations, Cooperatives, Self Help Groups (SHGs), Farmer Producer Organizations (FPOs), NGOs, Central/State PSUs, etc. with business interest in Cold Chain solutions are eligible to setup integrated cold chain and preservation infrastructure and avail grant under the Scheme.

5.1.3 Scheme for Creation of Infrastructure for Agro Processing Clusters:

The Scheme is introduced in 2017. It has two basic components i.e., Basic Enabling Infrastructure (roads, water supply, power supply, drainage, ETP etc.) and Core

Infrastructure/Common facilities (ware houses, cold storages, IQF, tetra pack, sorting, grading etc). Creation of common facilities in a cluster may vary depending upon requirements of food processing units existing outside the cluster or to be set up in a cluster. Minimum 5 food processing units with minimum investment of Rs. 25 crores are to be set up in the cluster. Under the scheme, a total of 68 projects has been approved up to 19.01.2022.

5.1.4 Creation of Backward and Forward Linkages Scheme:

This scheme was implemented during 2018. The aim of this Scheme is to afford effective and seamless backward and forward integration for processed food industry by bridging the gaps in supply chain in terms of availability of raw material and linkages with the market. The Scheme will empower linking of farmers to processors and the market thereby ensuring remunerative prices for their produce. Under this scheme, a total of 50 BFL projects were targeted to be sanctioned up to 2019- 20 with an allocation of Rs.150 crores as per Cabinet Committee on Economic Affairs (CCEA) approval. However, allocation for the scheme has been subsequently revised to Rs. 187.50 crore for about 61 units, keeping in view average size of the project.

5.1.5 Operation Greens:

Ministry of Food Processing Industries has been implementing central sector scheme “Operation Greens – A scheme for integrated development of Tomato, Onion and Potato (TOP)” with a budgetary allocation of Rs.500 crore since November, 2018 to promote Farmer Producers Organizations (FPOs) and their Capacity building, Primary/ Secondary Processing Facilities, Storage Infrastructure, Agri-logistics etc. The Scheme has two-pronged strategies of Price Stabilization Measures (for short term) and Value Chain Development Projects (for long term). Since 2021 Operation Greens Scheme has been expanded from TOP to Twenty-Two Perishable products in order to boost value addition in agriculture and allied products and their exports.

5.2 Production Linked Incentive (PLI) Scheme:

As the part of Atmanirbhar Bharat, Production linked Incentive (PLI) scheme in food products was introduced for enhancing India’s manufacturing capabilities and enhancing exports. Under the PLI Scheme for Food Processing Industry, a total of 158 applications have been approved under different categories including 22 applicants (out of 30 selected applicants) selected to

participate under PLI Scheme for Millet-based products are MSMEs. The implementation of PLI scheme is likely to facilitate expansion of food processing capacity by nearly INR 30,000 crore and create additional direct and indirect employment opportunities for about 2.5 Lakh persons by the year 2026-27. As per the data being reported by the PLIS beneficiaries, investment of about INR 7,099 Cr has been made under the Scheme.

5.3 PM Formalisation of Micro Food Processing Enterprises (PMFME):

As part of Atmanirbhar Bharat Abhiyan, an all India centrally sponsored “PM Formalization of Micro food processing Enterprises (PMFME) Scheme” was introduced on 29th June 2020, for providing financial, technical and business support for upgradation of existing micro food processing enterprises. It is to be implemented for a period of five years from 2020-21 to 2024-25 with an outlay of Rs. 10,000 crores. Two lakh micro food processing units will be directly assisted with credit linked subsidy. The Scheme aims to increase the competitiveness of existing individual micro-enterprises in the unorganized segment of the food processing industry and promote formalization of the sector. It supports Farmer Producer Organizations (FPOs), Self Help Groups (SHGs) and Producers Cooperatives along their entire value chain. So far 2,43,940 applications were submitted in which 2,41,295 applications are at individual level, 2339 applications were at group level and 306 applications are for common infrastructure. Out of these applicants’ loan was sanctioned to 84461 individuals, 656 groups and 54 common infrastructures.

5.3.1 One District One Product:

The PMFME Scheme introduced One District One Product (ODOP) approach to gain the benefit of scale in terms of obtaining of inputs, availing common services and selling of products. ODOP for the Scheme will provide the framework for value chain development and configuration of support infrastructure. The ODOP product selected are either a perishable agro-produce, cereal-based product or a food product widely produced, Minor Forest Produce or traditional food products in a district and their allied sectors. PMFME Scheme provides support to existing individual micro units for capital investment. New units, for both individual and groups would be supported for ODOP products. Ministry of Agriculture & Farmers’ welfare will support One District One Focus Product (ODOFP) aligned with 710 approved ODOP from its ongoing centrally sponsored schemes. Under PMFME scheme intervention, 75 Incubation

Centers have been approved with an outlay of 200.06 crore across 25 States/UTs in 40 ODOP. A grant of 2.75 crore is provisioned for establishment of processing lines in ODOP and allied product lines. So far, 45788 applications were submitted under ODOP out of which 45183 are at individual level, 506 group level and 99 common infrastructure applicants.

6. Findings:

The Government of India has put in place a set of policies and programs to grow and improve the food processing sector. Notable initiatives under the Pradhan Mantri Kisan Sampada Yojana (PMKSY) include Mega Food Parks, Agro-Processing Clusters, Integrated Cold Chains, and strong Food Safety Infrastructure. These are all aimed at creating modern facilities, adding value, and reducing post-harvest losses. These efforts have drawn significant investments and provided modern processing, storage, and logistics to millions of farmers and many businesses.

Similarly, the Production Linked Incentive (PLI) Scheme has boosted domestic manufacturing and exports in fast-growing segments like ready-to-eat foods and organic products. It rewards companies for increasing sales and investments, leading to more jobs, innovation, and technology upgrades. Changes to Foreign Direct Investment (FDI) policies now allow 100% FDI in food manufacturing and processing, attracting foreign investment, improving technology, and increasing focus on exports.

Programs like Operation Greens aim to stabilize prices and supply of perishable crops, helping both farmers and consumers by managing supply better and reducing waste. Support for micro enterprises comes through the PM Formalisation of Micro Food Processing Enterprises (PMFME) scheme, which provides subsidies and technical help, especially under the 'One District One Product' initiative. This allows small businesses to access modern infrastructure and join larger value chains.

Infrastructure development through the Agri-Infrastructure Fund and Mega Food Parks has encouraged funding for essential logistics like cold chains and warehouses. This improvement makes lending and moving produce easier. At the same time, skill development programs create a skilled workforce for the sector. Entrepreneurship initiatives and startup support boost innovation through mentoring, incubation, and grants.

Finally, the promotion of organic and natural products is backed by programs like the Paramparagat Krishi Vikas Yojana (PKVY) and the Mission Organic Value Chain Development for the North Eastern Region. These initiatives encourage sustainable farming practices and improve market access for organic farmers. Taken together, these measures have transformed India's food processing sector, promoting modernization, inclusiveness, and competitiveness on a global scale.

7. Conclusion:

Government policies have greatly improved the food processing industry, making it a key player in India's GDP, trade, and job market. Export figures for processed foods have seen impressive growth, placing the sector among the country's major employers. With coordinated support from policies, India is quickly on its way to becoming a global leader in food processing and value addition, catering to both local and international consumers. The sector supports about 12.4% of India's workforce, creating jobs for millions, including many women, through both direct and indirect means. Initiatives like PMKSY and the PLI Scheme are designed to create jobs by supporting new businesses and improving existing ones. Upgrades in storage, transport, and processing have reduced post-harvest waste and increased farmers' earnings by allowing for better returns and more value addition. Supportive policy frameworks, including investment incentives and relaxed FDI rules, have attracted significant capital and technology, driving innovations such as plant-based products and eco-friendly packaging. Targeted government schemes for micro and small enterprises, especially in rural areas, have encouraged inclusive growth and entrepreneurship, making food processing a vital driver of economic development in India's countryside.

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