

Food sector incentive gets Cabinet nod

The Union Cabinet has approved a production-linked incentive scheme for the food processing industry with an outlay of ₹10,900 crores.

- The scheme would cover ready-to-cook and ready-to-eat foods, processed fruits and vegetables, marine products and mozzarella cheese.
- Organic products, free-range eggs, poultry meat and egg products are also covered.
- The applicants selected for the scheme would be required to invest in plant and machinery in the first two years.
- The implementation of the scheme would facilitate the expansion of processing capacity to generate processed food output of ₹33,494 crores and create employment for nearly 2.5 lakh persons by the year 2026-27.

Objectives:

- To support the creation of global food manufacturing champions.
- To strengthen select Indian brand of food products for global visibility and wider acceptance in the international markets.

- To increase employment opportunities of off-farm jobs.

- Ensuring remunerative prices of farm produce and higher income to farmers.

Changing the agri exports basket

India's agri export basket is changing from traditional commodities to non-traditional processed foods.

Traditionally, Basmati rice is one of the top export commodities. Now there is an unusual spike in the export of non-basmati rice.

Indian buffalo meat is seeing strong demand in international markets due to its lean character and near organic nature.

- The export potential of buffalo meat is tremendous, especially in countries like Vietnam, Hong Kong and Indonesia.

The export of processed food products has not been growing fast enough.

- As the domestic prices of processed food products are much higher compared to the world prices.

Agriculture Export Policy

- Diversify and expand the export basket.
- Increase the export of higher value items, including perishables and processed food.

The exporters of processed food confront difficulties and non-tariff measures imposed by other countries on Indian exports like-

- Mandatory pre-shipment examination by the Export Inspection Agency being lengthy and costly.
- Compulsory Spice Board certification being needed even for ready-to-eat products which contain spices in small quantities.
- Lack of strategic planning of exports by most state governments.
- Lack of a predictable and consistent agricultural policy discouraging investments by the private sector.

- Prohibition of import of meat- and dairy based-products in most of the developed countries.

- Withdrawal of the Generalised System of Preference by the U.S. for import of processed food from India.

- Export shipments to the U.S. requiring an additional health certificate.

- Absence of an equivalency agreement with developed countries for organic produce.

Steps taken by the Government:

- The Indian government has been encouraging agricultural exports to meet an ambitious target of \$60bn by 2022.

- As per the Ministry of Food Processing Industries data, the contribution of agricultural and processed food products in India's total exports is 11%.

- The major share is of primary processed agricultural commodities.

Potential of food processing industry:

- From 2015-16 to 2019-20, the value of agricultural and processed food increased significantly from \$17.8bn to \$20.65bn.

- The Indian agricultural economy is changing and the focus is more on developing various processed foods.

- The Indian food processing industry promises high economic growth and makes good profits.

- India's export earnings will increase by focusing more on value-added processed food products rather than primary processed agricultural commodities.

Way Forward:

- The Centre's policy should be in the direction of nurturing FPIs
- Developed countries have fixed higher standards for the import of food items.
- Low cost of production and global food quality standards must be ensured.
- A supportive environment is needed to promote the export of processed food.
- Reputed Indian brands should be encouraged to export processed foods globally as they can comply with the global standard of codex.
- Indian companies should focus on cost competitiveness, global food quality standards, technology.
- India has competitive advantages in various agricultural commodities which can be passed onto processed foods.

Improving livestock breeding

Challenges in livestock breeding:

- Largely unorganised.
- Lack of linkages in the value chain.
- Low quality of livestock that is produced
- So low return on investment for livestock farmers.
- ~80% bovines in the country are low on productivity and are reared by small and marginal farmers.

Revised version of the Rashtriya Gokul Mission and National Livestock Mission (NLM) proposes

- Focus on entrepreneurship development.
- Breed improvement infrastructure:

1. Provide incentives for breed improvement infrastructure.

- Capital subsidy up to ₹2cr for setting up breeding farm with min 200 cows/ buffalo

- Incentivising breed multiplication farm will result in the employment of 1 lakh farmers.
- Web apps like e-Gopala will provide real-time information to livestock farmers.

2. Poultry:

- Provide capital subsidy up to ₹25 lakh for the setting up of a parent farm with a capacity to rear 1,000 chicks.
- Employment to at least 14 lakh people.

3. Sheep and goat entrepreneurship:

- capital subsidy of 50% up to 50 lakh.
- This model is projected to generate a net profit of more than ₹33 lakh for the entrepreneur per year.

4. Piggery:

- 50% capital subsidy of up to ₹30 lakh.
- Expected to generate a profit of ₹1.37 crore after 16 months and 1.5 lakh jobs.

Rashtriya Gokul Mission (RGM)

Since 2014, Under Ministry of Agri, Deptt of Animal Husbandry.

Main objectives-

- Development and conservation of indigenous breeds.
- Undertake breed improvement programme for indigenous cattle breeds to improve the genetic makeup and increase the stock.
- Enhance milk production and productivity.
- Upgrade nondescript cattle using elite indigenous breeds like Gir, Sahiwal, Rathi, Deoni, Tharparkar, Red Sindhi.
- Distribute disease free high genetic merit bulls for natural service.

Gokul Grams—Funds under the scheme will be allocated for the establishment of Integrated Indigenous Cattle Centres viz "Gokul Gram".

National Livestock Mission (NLM)

Since 2014, Under Ministry of Agri, Deptt of Animal Husbandry.

It is a centrally-sponsored scheme.

Purpose:

- Focus on entrepreneurship development
- Breed improvement in rural poultry, sheep, goat and piggery including feed and fodder development

The scheme is being implemented as a sub scheme of White Revolution -Rashtriya Pashudhan Vikas Yojana since April 2019.

There are four sub-missions under NLM

1. Sub-Mission on Fodder and Feed Development
2. Sub-Mission on Livestock Development
3. Sub-Mission on Pig Development in NE
4. Sub-Mission on Skill Development, Technology Transfer and Extension

Unlock India's food processing potential

India has formulated a Production-Linked Incentive Scheme (PLI Scheme) for the Food Processing Industry that aims to incentivise incremental sales with an outlay of Rs. 10900 crores.

The Potential of Food Processing Industry in India

- India is one of the largest producers of fruits and vegetables in the world.
- India has a competitive advantage in terms of resource endowment, large domestic market and scope for promoting value-added products.
- Due to the pandemic, there has been a significant number of people working from home, resulting in a 170% rise in demand for products from the ready-to-eat market between March-June 2020.

Objectives of the PLI Scheme

- To support food manufacturing entities with minimum sales and willing to make a minimum investment for expansion of processing capacity and branding abroad to incentivise emergence of strong Indian brands.

- To provide global visibility and wider acceptance in the international markets for Indian brands of products.
- To increase employment opportunities.
- To ensure remunerative prices for farm produce and increase the income of farmers.

Key Features

- The first component relates to incentivising manufacturing of 4 major food product segments—
 - Ready to Cook/Ready to Eat (RTC/ RTE) foods including Millets
 - Processed Fruits & Vegetables
 - Marine Products
 - Mozzarella Cheese
- Organic products of SMEs including - Eggs, Poultry Meat, Egg Products are also covered under the first component.
- The second component relates to support for branding and marketing abroad to incentivise the emergence of strong Indian brands.

- For the promotion of the Indian Brand abroad, the scheme envisages grants for in-store branding, shelf space renting and marketing.
- The Scheme will be implemented for over six years from 2021-22 to 2026-27.

Significance of the Scheme

- A total of ₹10,900 crores has been spent on the scheme and 60 applicants have been selected under the first component.
- The sector will witness ₹6,500 crores worth of investment over the next two years if executed properly.
- A study in the US concluded that a 1% increase in public infra increased the food manufacturing output by 0.06% in the long run.
 - The correlation holds good for India too.
- The scheme will help explore the untapped markets of Europe, the Middle East/West Asia, Africa, Oceania and Japan.

The Challenge of access to credit for the MSME Industries

- Access to finance for the micro, small, and medium enterprises (MSMEs) is a problem in the country.
- The problem is mainly due to a lack of proper credit mechanisms for MSMEs.

Way Forward

- Smart financing alternatives such as peer-to-peer (P2P) lending hold potential for micro-food processors.
 - Example: The UK Govt-owned British Business Bank, has helped more than 1,18,000 small businesses get access to more than \$17.88 billion.
- Trade Receivables Discounting System (TReDS), a platform for facilitating the financing of trade receivables of MSMEs through multiple financiers, requires considerable scaling-up and enforcement of strict measures for the corporates to comply with.