Planning Commission
(Industry Division)

**Subject: Proposal for Commissioning a Study on `Assessment of level of achievement of targets proclaimed in the Vision Document, 2015 of M/o Food Processing Industries**

**1.0 Overview of the Sector**

1.1. India is the world's second largest producer of food next to China. The total food production in India is likely to increase significantly in the next 10 years. Side by side, the country's domestic food market estimated to reach US$ 258 billion by 2015. With a huge agriculture sector, abundant livestock, and cost competitiveness, India is poised for fast emerging as a sourcing hub for processed food. The Indian food processing industry accounts for 32 per cent of the country's total food market.

1.2. With a share of around 9-10 per cent of gross domestic product (GDP) in agriculture and manufacturing sector, food processing sector is an important segment of the economy. Currently growing at more than 10% per annum, it is expected to touch US$ 194 billion by 2015 from a value of US$ 121 billion in 2012.of studies. Packaged food industry is the fifth largest sector in India. The industry is currently pegged at US$ 39.7 billion in India and is expected to reach US$ 65.41 billion by 2020.

1.3. The food processing industry in India is a sunrise sector that has gained prominence in recent years. Availability of raw materials, changing lifestyles and relaxation in policies has given a considerable push to the industry's growth. This sector serve as a vital link between the agriculture and industrial segments to improve the value of agricultural produce, ensure remunerative prices to farmers and at the same time create favourable demand for Indian agricultural products in the world market. A well-developed food processing industry is expected to increase farm-gate prices, reduce wastages, ensure value addition, promote crop diversification, generate employment opportunities and boost export earnings.

**2.0 Background**

2.1. Recognizing the potential of the sector, a Vision Document 2015 on Food Processing Industries was prepared for giving boost to growth of food processing Sector. It envisages trebling the size of the processed food sector by increasing the level of processing of perishables from 6 % to 20 %, value addition from 20 % to 35% and share in global food trade from 1.5 % to 3 %. Under the Vision 2015, the thrust areas identified for strategic intervention are – establishing Mega Food Parks, Modernization of Abattoirs, Cold Chain/Value Addition and Preservation Infrastructure, Upgrading safety and quality of Street Food and Establishment/Upgradation of Quality Control Laboratories.

2.2. Government has identified strategies along with a detailed action plan in this regard to realize the Vision and has taken several growth-stimulating measures. They inter alia include allowing various concessions and incentives like 100% FDI up under automatic route, income tax/ service tax exemptions, and excise duty remission in select cases as well as initiatives like enactment of Food Safety & Standards Act, 2006 and establishment of Food Safety & Standards Authority as a single reference point for regulation and control of food products, taking up various schemes technology up-gradation/ establishment/ modernization, industry-oriented infrastructure development (food park, cold chain, value addition & preservation infrastructure, new/ modernization of Abattoirs) and skill development for food processing sector and most importantly, launching of a `National Mission on Food Processing'.

2.3. The Twelfth Plan Document also recognizes that the growth of food processing sector would need to be a significant component of the strategy for stimulating growth in the domestic manufacturing. This is mainly because food processing industry in India has immense potential for boosting the rural economy as it brings about synergy between consumers, industry and agriculture.

2.4. Despite good showing by the sector, it seems that present growth would be largely inadequate to exploit the full potential of the sector. India's agricultural production base is quite strong, but at the same time wastage of agricultural produce is massive. As per available indications, the current processing levels in India are very low and range from 2.2% in fruits and vegetables to around 35% in milk production. Across all segments, the level value addition is only to the tune of is around 7% compared to 30% in a developing country like Thailand. On the export front, its performance is not at all satisfactory. India's share in world trade in respect of processed foods is only 1.6%. India was ranked 27th in 2006 in terms of trade performance of Processed Food.

2.5 Given the high losses or wastage in the and processing as well as feeble export performance, possibility of achievement of targets of Vision Document, 2015 seems highly unlikely in the medium term. There is widespread apprehension that persisting problems would not allow the sector to realize its export possibilities to its fullest extent. Both these factors may ultimately impair the present growth trend in the sector.

**3. Objective**

3.1. Under the above scenario, a quick study on the relevant issues pertaining to fulfilment of agenda of Vision, 2015 concerning the domestic food processing industry, understanding the growth pattern of the food processing sector, identifying key constraints and impediments blocking the growth of the sector would provide us with inputs on the initiatives planned and implemented, critical success factors and therefore some key learning. Side by side, it would also be important to study the trend of exports and investigate the reasons for its sub-optimal performance so far.

3.2 The proposed study should be carried out in two parts i.e. first part should deal with matters relating to achievement of targets of Vision, 2015 and general growth pattern of domestic food processing and the second part should focus on export performance. `Terms of References (TOR)' are given in the next section.

**4. Terms of References of the proposed study**

**Part 1 (Achievement of Targets of Vision, 2015)**

4.1. To assess the present status and level of achievement vis-avis targets set out in the Vision Document, 2015 of M/o Food Processing Industries in the following areas of domestic food processing sector.

(a) Present size and trend of growth of domestic food processing industry in terms of production, value addition, employment, investments (including FDI)during 11th Plan & first two years of 12th Plan.

(b) Increase in the level of processing of perishables, value addition and share in global food trade in respect of domestic food processing sector.

4.2. To identify the reasons/ factors responsible for shortfall in achievements in the areas mentioned above.

4.3. To examine relevance and effectiveness of the present initiatives/ schemes of the M/o Food Processing Industries in facilitating the achievement of the above targets and improvements/ modifications required.

4.4. To suggest the steps and measures to be taken to achieve the targets of Vision, 2015 at least by end of 12th Plan period.

**Part 2 (Export Performance of Food Processing Sector)**

4.5. To examine the export potential in the food processing industries in India in terms of volume/ value of exports and in terms of share of global trade in the area of processed foods.

4.6. To analyze the present status, level and trend of exports of processed food during 11th Plan and first 2 years of 12th Plan vis-a-vis targets set out in the Vision Document, 2015 of M/o Food Processing Industries in the following areas of domestic food processing sector.

- To recommend /suggest ways and means to improve the export performance and raising the India's share in global trade.