

Promoting food processing

Why in news?

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Government recently brought out the draft policy on food processing.

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What does the draft policy offer?

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- The national food processing policy draft though good in parts needs a review of some of its key tenets to ensure inclusive growth of this sector.

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- Many of the policy prescriptions, especially those concerning subsidies, tax rebates and concessions in customs and excise duties, are, in fact, already in place.

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- But what sets this policy apart is the attempt made to overcome some critical constraints that are holding this sector from growing to its full potential.

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- These include ways to ease land acquisition and get around the labour laws.

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- The need to encourage processing and value-addition of agro-products cannot, indeed, be overstated given that a sizeable part of farm produce is lost even before it reaches the mandi.

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- A nationwide study to assess post-harvest losses in 46 commodities, quoted in the policy document itself, reckons this loss is worth over Rs 44,000 crore (at 2009 wholesale prices) annually.

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- The wastage is particularly massive in perishable products such as vegetables and fruits, which the country can ill-afford, especially because these commodities witness wild fluctuations in supply and price.

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- These losses can be averted to a large extent by processing them into value-added and shelf life-extended products.

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What are the positives of the policy?

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- One of the plus points of the proposed policy is that it seeks to create a positive business environment for food processing entrepreneurs.
- It does so by mooted single-window clearance, responsive pre- and post-investment services, self-regulation, and delineation of whole states as single zones for raw material and processed food products.
- Besides, it also proposes strengthening of the supply chain, development of necessary cold chain infrastructure.
- Also calls for skilling facilities and linkages between food producers and processors through contract as well as corporate farming.
- To facilitate access to land, the policy calls for the abolition of the ceiling on land leased to food processing units.
- And treating processing as an agricultural activity to obviate the need for conversion of agricultural land into industrial land.
- Similarly, in the case of labour laws, the policy suggests the declaration of food processing industry as an essential service and regarding it as a seasonal industry to circumvent the normal laws.

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What are the limitations of the policy?

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- The policy is tilted in favour of mega projects and large food-based industrial clusters.
- It under-emphasises the relevance of micro- and medium-sized food processing units in the small farms-based rural economy.

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- The government has, in fact, been favouring the emergence of mega food parks for nearly a decade but with a limited outcome.

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- Of the over 40 food parks sanctioned since 2008-09, few have actually come up and many were annulled.

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- Though the situation is changing of late thanks to the improved overall business environment, annual growth of the food processing sector has failed to exceed 2.5 per cent.

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- What is needed is encouragement for setting up of a large number of small and medium food processing units scattered across the countryside.

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- These units, with backwards linkage with local growers, can spur farmers to produce process-worthy stuff through contract farming.

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- Such units can help promote crop diversification, generate additional employment and enhance farmers' income besides stabilising the supply and prices of perishables.

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Source: Business Standard

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