

## PM's address at the Conference of State Food Processing Ministers

October 6, 2009  
New Delhi

"I am very happy to be present here to inaugurate this very important Conference of State Food Processing Ministers and other stakeholders in the food processing sector. I compliment my colleague Shri Subodh Kant Sahay for taking this very important initiative.

India ranks first in the production of milk, pulses and tea & second in the production of fruits and vegetables in the world. Despite being a major food producer, India's share in world food trade is less than 2%. The level of processing in India is extremely low at around 6% compared to 60-80% in developed countries and over 30% even in most other Asian and Latin American developing countries. There is clearly very high wastage and very low value addition in our country, with corresponding loss of business opportunities as well as losses in farm income.

The food processing sector has undoubtedly the potential to be an industry driver that can transform India's rural economy. I recognize that there are a number of constraints both in the forward and backward linkages in the sector. But if we can get our act together, as we must, India can emerge as a leader in the global food processing industry. That should be our ambition. Most of India's large industrial houses have a growing presence in the food processing sector. I would like the Indian industry to think big and to think globally about the future of this very important sector of our economy. There is no reason why they should not emerge as global brand names just as in our IT industry has done to our great satisfaction.

The government is working sincerely to realize this vision for the food processing sector. Our Government adopted in 2005 a 'Vision 2015 – Strategy and Action Plan' to enhance the level of processing of perishables from 6% to 20%, to increase value addition from 20% to 35% and to increase India's share in global food trade from 2% to 3%.

Under this broad framework of Vision 2015, the UPA Government, in its first term, introduced a number of supportive policies to meet these goals such as increased focus on agro-based industries in our trade policy, automatic approval for foreign equity upto 100% in food processing units and significant customs duty exemptions. During the 11th Five Year Plan, the government has initiated major infrastructure development programmes like the Mega Food Park, Cold Chain, Value Addition and preservation Infrastructure and modernization of abattoirs.

These initiatives have started yielding some results and the sector has witnessed increases in the processing level and value addition. Despite the economic slowdown, the food processing industry in India grew at an impressive rate of 14.7% in 2008-09.

I recognize that inadequate infrastructure is a major problem facing this important sector. But the effects of the flagship Bharat Nirman programme are beginning to be felt on the ground and will I hope transform rural infrastructure in the years to come. Expanding public investment is also necessary in building rural on-farm infrastructure like primary processing centres, collection centres, cold chains etc. We should reflect on how best we can increase private sector investment in these areas.

I am happy to learn that the Ministry of Food Processing Industries is in the process of formulating a National Food Processing Policy, which will spell out the vision of the government for the rapid growth of the food processing sector.

The policy to be effective will have to be comprehensive and adopt a number of legislative, administrative and promotional measures. The policy should evolve through discussions with the States and industry both in the public and private sector. It should promote the development of viable agri-business and agro industry models based on different agro-climates and regions of this vast country. It should look at institutional strengthening and capacity building across the value chain.

The policy should seek to promote innovation and technological development. Improved technologies to prolong the shelf life of vegetables and fruits, better packaging machinery and cold storage systems are just some of the areas where more work is needed. The Central Food Technology Research Institute should play a more central and pro-active role in promoting the knowledge base of the industry through greater public private partnerships in technology development.

The R&D base of the industry also needs considerable strengthening. While basic agricultural research has a very strong and large institutional network in the country, there is inadequate focus on the food processing sector. I would urge agricultural universities, premier technological institutes and the private sector to actively undertake collaborative strategic research in this important sector. We should promote international collaborations in this field.

Another critical objective should be for the industry to reach international standards of food safety and quality. This requires a multi pronged effort. The authorities should initiate a sustained campaign to educate consumers and promote quality assurance in industry. World-class food testing laboratories should be established in the country in both the public and private sector. All efforts should be made to harmonize Indian food standards with Codex. There is no reason why Indian consumers should not demand and get products meeting the highest quality and safety standards in the world. That is a legitimate ambition for all of us to work to.

I recognize that we need to look at the taxation structure in the industry. Though primary agricultural commodities are mostly exempted from taxes, processed foods are subjected to multiple levies. There is therefore an urgent need to rationalize and simplify the tax structure.

The food processing industry is fragmented and most of the players are small and unorganized. This poses a special challenge to the development of the industry as a whole. The small scale sector will require hand holding to make them profitable and even competitive in the world market.

The State governments can play and should play an important catalytic role in this effort in partnership with bankers, financial institutions and technical and management institutions. SME clusters could be identified for all round upgradation by infusing new technology, new packaging methods and by providing adequate marketing support.

It is a matter of great satisfaction that a few States have already formulated their own state specific policies. I would urge other states to do the same to supplement and support the efforts of the central government by removing some teething problems faced by this industry. Amendments to the APMC Act should be implemented in both letter and spirit. The States should work towards early implementation of the Goods and Services Tax while removing subjectivity in treatment and classification of food products. The States should enforce food laws strictly by increasing the number of trained inspectors and lab facilities.

The agenda of your discussions is large. But it is important for both the center and the States to work in cohesion if we are to seize upon the immense opportunities offered by the food processing industry. This is a 'sunrise' industry and if we give it the importance it deserves, it has the potential to dramatically improve rural livelihood opportunities and employment, to bridge the rural urban divide and to improve farming methods and practices. There is much therefore that is at stake and I urge you to work in a constructive partnership that will, in fact, must transform the food processing sector in the country and thereby also transform the fortunes of rural India.

With these words, I once again express my happiness at being at this Conference. I wish you all success."