



## GOVERNMENT POLICY TOWARDS FOOD PROCESSING INDUSTRY IN BIHAR

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### ABSTRACT

*The food processing industry is considered as a sunrise industry in India, having huge potential for uplifting agricultural economy through creation of large scale units for food processing, promotion of food chain facilities and the resultant employment generation and export earnings. Bihar is the seventh largest economy in the country in terms of food and vegetables production; therefore, there are immense opportunities for agro-based industries in the state. Among the Indian states, Bihar is the largest producer of vegetables and the second largest in terms of fruits production. There exists enormous opportunities for investment in the food processing sector in the state. In view of huge potential in the state, a Directorate of Food Processing Industries has been set up for promotion of basic infrastructure for post-harvest operations and processing. The food processing, beverages, tobacco, etc. cover a large number of products, with high potential of net value addition and employment. In recent years, the food processing industries, particularly dairy have started recording positive growth trend in Bihar.*

**KEY WORDS:** Food Processing Industries, Export Earnings, Fruit, Vegetable, Infrastructure.

### INTRODUCTION

A policy document lays out the plan or course of action and helps make procedures simple and transparent. A food processing policy document will help convey the Government of Bihar's intent and commitment to promote/energise the food processing industry and send a green signal to the entrepreneurs. Policy components provide government strategy, reforms and actions on behalf of the government and monitor regulatory mechanisms proposed, if any. The food processing policy should aim at accelerating growth in food processing sector focusing on areas that show potential for rapid growth which may result in reduction of poverty and regional disparities and promote economic development. A conducive policy environment is essential for triggering growth of any industry including food processing. Measures to catalyze investment need to be aggressively adopted and pursued. The food processing industry needs a special focus taking into consideration a host of infirmities the sector has to confront such as extreme perishable nature of raw materials, seasonality of production, long and complex value chain, small and fragmented production base and capital-intensive technology and infrastructure.

A liberal public support is critical and time tested mechanism to ensure development of food processing industry. The industrial sector in Bihar remains in a poor state with its growth rate much below the national average. The size of the industrial sector in Bihar in terms of income is hardly 3.2% of net domestic product of the State, whereas, the national average works out to 20.1%. According to available estimates, the net state domestic product of Bihar is Rs. 32,004 crores, in which the share of industrial sector

income is only Rs. 1,020 crores. The share of the industrial sector in the GSDP is 5.4 percent. Compared to the national average of industrial income at 20.1 percent, this figure is very low.

Besides its extremely small size, the food processing sector in present Bihar is also characterized by relatively larger share of unregistered industrial units. There are 1675 exporting units in the industrial sector which is dominated by unregistered units. Only 80 units are registered and the remaining 1596 are unregistered. While the unregistered units account for about one-third of the total industrial income in India as a whole, they do so for more than half of total industrial income in Bihar. There are 262 large and medium industrial units in the state which are concentrated only in few divisions of the state. Small industries, dominated by tiny enterprises and artisan based industries play a significant role in the industrial sector of the state. The share of tiny industrial units among all the SSI units (both registered and unregistered) is as high as 99.9 percent.

After the bifurcation of the erstwhile State, all the mineral resources are merged with Jharkhand State. Thus, the centre of industrialization process has now to be agro-based which too holds high promises. It is obvious that the existing industrial units in Bihar cover a range of products like food products, beverages, tobacco, leather products, wood products, plastic products, machinery and equipment, chemicals etc. But in terms of value of output or net value added, it is the food, beverage, tobacco, petroleum products (because of refinery at Barauni) that account for more than 85% of total industrial income. The total contribution of remaining industry groups is very marginal. However, as per the location quotients, food products have become prominent constituents of industrial base of present Bihar. It may further be noted that agro based industries occupy a prominent place in the industrial scenario of present Bihar as they account for nearly half of the net value added. However, there still remains substantial unutilized potential of agro-based industries in Bihar considering the size of the rural products.

In this respect, it may be mentioned that some positive trends in Bihar during the last decade is dairy products. It is reported that through co-operative societies, the performance of dairy based sector has been very encouraging. Milk and milk based products of COMFED and its well known brand 'Sudha' has received a high reputation even outside Bihar. But absolute size of these industries is yet very small, and much of the milk is sold directly to consumers. These could provide a sound base for rural industrialization of the State.

The state has inadequate infrastructure for food processing. A research by RAU reveals that post-harvest losses in fruits and vegetables vary from 15-50<sup>2</sup> percent in Bihar. The Government has taken various steps for the coordination with the State Government for the development and modernization of food processing industries such as organization of State Food Processing Ministers Conference held on 06.10.2009, interaction with State Nodal Agencies to discuss the problems to strengthen the industries from time to time, suggest the measures to boost the industry in order to inspections made by the State Nodal Agencies towards the financial assistance provided by the Ministry. Besides, Ministry of Food Processing Industries (MFPI) has been implementing various schemes for promotion and development of food processing industries in the country. MFPI through its various schemes for financial assistance and other promotional measures, facilitates creation for food related infrastructure including processing facilities aimed at reducing wastages, enhancing value addition and increasing self life. The Scheme for Technology Upgradation/Establishment/Modernisation of Food Processing Industries is aimed at creation of new processing capacity and upgradation of existing processing capabilities, modernization of Food Processing Sector including fruit & vegetables processing units.

### **CREDIT AND FINANCE**

The Bihar's food processing industry is highly fragmented. The sector largely comprises of small and medium scale companies, who have limited ability to invest in developing backward and forward linkages and lack advantages of scale. Majority of these units are involved in primary and secondary processing. The newer units involved in tertiary processing mainly produce unbranded products that occupy the lower segment of the food market and are unable to compete with branded products. Given the small scales of

units, their limited volumes and higher risks associated with them because of their stand alone nature, and seasonality of produces, credit availability for the sector is a matter of concern.

### SOURCES OF FINANCE

- Banks: The food processing sector has access to credit from commercial banks, co-operative banks and the regional rural banks for long term loans for capital investments and short-term loans for working capital. Commercial banks dominate credit scene in the state but remain wary of providing long term credit to the sector.
- National Bank of Agricultural and Rural Development (NABARD): NABARD is the apex financial institution which offers refinance facilities for food processing, agri infrastructure, developmental assistance to banks and financial institutions. However, in recent years, credit off take under refinance has come down as refinance rates are no longer attractive for banks.
- Small Industries Development Bank of India (SIDBI): SIDBI is the dedicated financial institution engaged in providing term loan to Micro Small and Medium Enterprises (MSMEs) in the country. Food processing sector is a very small fraction of its loan portfolio.
- Export Import Bank (EXIM Bank): EXIM Bank assists in financing and facilitating foreign trade. The bank also refinances commercial working capital for exports.
- National Co-operative Development Corporation (NCDC): NCDC assists in promoting, planning and financing the agricultural supply chain from production, processing, storage and trade of agricultural produce and food products. NCDC also provides assistance for marketing of certain notified commodities, like fertilisers, pesticides and agricultural machinery etc.
- Ministries/Government bodies

Ministry of Food Processing Industries (MFPI): MFPI is the Nodal agency for development of the processed food sector in the country. MFPI's financial assistance schemes include schemes for technology upgradation, HRD, Quality testing, R & D, TQM, backward and forward integration, development of infrastructure including food parks, abattoirs, cold chains etc.

### Agricultural and Processed Foods Products Export Development Authority (APEDA):

APEDA facilitates market linkages between Indian Producers, manufacturers and the international market. APEDA provides financial assistance for market development, infrastructure development and development of quality enhancing facilities.

- Ministry of Agriculture (MoA), Government of India: The Ministry of Agriculture under various schemes provides financial assistance for development of specific crops for investment in seeds, irrigation, farm implements, inputs, infrastructure and training.
- National Horticultural Board (NHB): NHB promotes integrated development in horticulture, assists in development of post-harvest management infrastructure, promotes production and processing of fruits and vegetables, strengthening of market information systems and assists in R & D programmes in cultivation and processing. NHB's financial schemes are directed towards commercial horticulture and infrastructure related to post-harvest techniques financial assistance from these organisations are in the form of grants, back-ended subsidies, soft loans, refinance, etc., with most of the schemes directed to specific sub-sectors of the agri/food processing industry.

A model scheme was formulated for financing JLGs of tenant farmers, oral lessees etc. The scheme is being implemented by commercial banks and RRBs. The mechanism of JLG will enable banks to extend credit on the basis of mutual guarantee provided by the members of JLG.

A separate, specific and focused skill building programme, Micro-Enterprise Development Programme (MEDP) has been launched for the matured SHGs. The programme aims at enhancing technical, entrepreneurial and managerial skills of members of matured SHGs and to enable to help develop micro-enterprises in various forms and sizes.

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### **Scheme for Technology Up-gradation/Establishment/Modernization of Food Processing Industries**

Setting up/expansion/modernization of food processing industries covering all segments fruits & vegetables, milk products, meat, poultry, fishery, oil seeds and such other agri-horticultural sectors leading to value addition and self life enhancement including food flavors and colors, oleoresins, spices, coconut, mushroom etc. Increase the level of processing, reduction of wastage, value addition, enhance the income of farmers as well as increase exports thereby resulting in overall economic development.

### **Setting up of food & Training Centre (FPTC)**

Development of rural entrepreneurship and transfer of technology for processing of food products by utilizing locally grown raw material and providing “Hands-on” experience at such production cum training centre, while according priority to SC/ST/OBC and women.

### **Research and Development in Processed Food Sector**

- Update processing packaging and storage technologies for all major processed food products so that they meet international standards.
- Standardization of various factors such as bacteriological standards, preservation standards, additives, pesticide residue etc. of meat and meat products, development of value added products of commercial importance.
- Development of processing technology for the production of intermediate and finished food products/production including design and building of prototype equipment/pilot plants.
- Fortification of cereals/cereal products for enhancing the nutritional level of out population, especially women and children; and
- Traditional foods of various regions of the country.

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In food processing sector, a total of 229 projects have been approved with the total project cost being Rs. 2856.57 crore. The subsidy amounting to Rs. 59 crore has been released during the current financial year against 72 projects only. Under mega food park scheme, one food park has been sanctioned at Buxar.

The sugar industry has asked for a revision of Sugar Incentive Policy, 2016 to bring it at par with the provisions and incentives offered by the New Industrial Policy, 2016. The major concerns include immediate revision of existing sugar incentive policy, revision of prices of rectified spirit, and imposition of entry tax. The state government has agreed to come up with an integrated policy this year to provide a level playing field for local entrepreneurs. It is granting incentive packages for new sugar mills, distillery and ethanol units, and for setting up of co-generation power units.

In order to strengthen the sugar industry in the state, a Sugarcane Survey Policy, 2016 has been announced. Under this, a survey of 5.60<sup>8</sup> lakh acres of sugarcane cultivation has been completed by all the working 12 sugar factories through GPS technique. The Chief Minister Sugarcane Development Programme is being implemented at a cost of Rs. 44.30 crore with a view to increase the acreage, production,

productivity and recovery rate of sugar. The Bihar Sugarcane Information Management System (BSIMS) has been introduced for informing the farmers about the existing stage of sugarcane supply and status of payment of sugarcane supplied to the mills.

### CONCLUSION

The state government may create a directorate of food processing as a separate unit under the Department of Industries headed by an officer in the rank of director and assisted by at least two technical experts and the support staff to lead the development of the industry within the state. The directorate will be assisted by an independent professional PMA to develop and roll out appropriate policies and guidelines and monitor their implementation. The primary role of PMA will be to assist the Bihar Government in effective implementation of the food processing policy and action plan under this vision document. Engagement of such an agency will enable the convergence of the interests of the industry, government and other stakeholders.

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