



EFFORT OF MAKE IN INDIA FOR FOOD PROCESSING SECTOR: AN OVERVIEW

Prof. Dr. Subhash Vadgule

Principal & Professor, Toshniwal Arts, Comm & Sci College, Sengaon,
(S.R.T.M.University,Nanded), Tq. Sengaon Dist. Hingoli (MS).

ABSTRACT

The 'Make in India' campaign will focus on the manufacturing sector to generate employment. Through this campaign the food processing sector will aim to raise their growth level from 10% to 25% as this is one of the focus industries of the 'Make in India' Campaign.

The food processing industry is one of the 25 sectors identified to advance the 'Make in India' campaign. This was announced in a recently concluded workshop on 'Sectoral Perspectives and Initiatives' which included participation by ministers and industries and state chief secretaries. In this research paper I have tried to explore Make in India concept, explore the current development in food processing sector and which initiative is taken in by Make in India concept in food industry

KEYWORDS: *Make in India, Sectoral Perspectives, Initiatives, employment, food processing industry.*

INTRODUCTION:

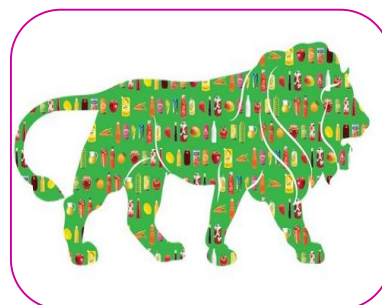
India is a country rich in natural resources. Labour is aplenty and skilled labour is easily available given the high rates of unemployment among the educated class of the country. With Asia developing as the outsourcing hub of the world, India is soon becoming the preferred manufacturing destination of most investors across the globe. Mae in India is the Indian government's effort to harness this demand and boost the Indian economy. India ranks low on the "ease of doing business index". Labour laws in the country are still not conducive to the Make in India campaign. This is one of the universally noted disadvantages of manufacturing and investing in India. The new government initiating a new ways for free flows of capital.

Make in India is an initiative of the Government of India, to encourage companies to manufacture their products in India. The government's flagship campaign intended to boost the domestic manufacturing industry and attract foreign investors to invest into the Indian economy with an intention of reviving manufacturing businesses and emphasizing key sectors in India amidst growing concerns that most entrepreneurs are moving out of the country due to its low rank in ease of doing business ratings.

Prime Minister Mr. Narendra Modi launched the Make in India campaign on September 25, 2014. The date of the launch was chosen to be of maximum advantage. Coming right after the successful insertion of Mangalyaan - a wholly indigenously built low-cost probe into the Martian orbit - the event highlighted India's success in manufacturing, science and technology, and all this at inexpensive costs. It also came just a day ahead of the Prime Minister's maiden US visit. Calculated to enhance India's attractiveness as an investment destination, the launch ceremony was held at the Vigyan Bhavan in New Delhi. The hall thronged with attendees, a number of who did not even find seats. Leading entrepreneurs and the CEOs of about 3000 companies from across 30 countries were invited to attend the launch.

THE VISION OF MAKE IN INDIA

The manufacturing industry currently contributes just over 15% to the national GDP. The aim of this campaign is to grow this to a 25%



contribution as seen with other developing nations of Asia. In the process, the government expects to generate jobs, attract much foreign direct investment, and transform India into a manufacturing hub preferred around the globe. The Prime Minister called for all those associated with the campaign, especially the entrepreneurs and the corporate, to step and discharge their duties as Indian nationals by First Developing India and for investors to endow the country with foreign direct investments. The Prime Minister also promised that his administration would aid the investors by making India a pleasant experience and that his government considered overall development of the nation an article of faith rather than a political agenda. He also laid a robust foundation for his vision of a technology-savvy Digital India as complementary to make in India. He stressed on the employment generation and poverty alleviation that would inevitably accompany the success of this campaign. The major objective behind the initiative is to focus on 25 sectors of the economy (table 1) for job creation and skill enhancement. The initiative hopes to increase GDP growth and tax revenue. The initiative also aims at high quality standards and minimizing the impact on the environment. The initiative hopes to attract capital and technological investment in India. The campaign was designed by the Wieden + Kennedy (W+K) group which had previously worked on the Incredible India campaign and a campaign for the Indian Air Force

Table1. Key sectors allowed making in India

Automobiles	Construction	IT and BPM	Pharmaceuticals	Space
Automobile Components	Defence manufacturing	Leather	Ports	Textiles and garments
Aviation	Electrical Machinery	Media and Entertainment	Railways	Thermal Power
Biotechnology	Electronic Systems	Mining	Renewable Energy	Tourism and Hospitality
Chemicals	Food Processing	Oil and Gas	Roads and highways	Wellness

SOME KEY TAKEAWAYS FROM THE PRIME MINISTER'S SPEECH AT THE LAUNCH CEREMONY

- We do not want to see any company or enterprise leave India due to business constraints
- An environment of trust will convince industry leaders of the government's commitment to developing industry
- FDI is a responsibility for the people and an opportunity for the global investors; FDI for Indians should be "First Develop India" and Foreign Direct Investment for the investors
- Only when India moves away from poverty will purchasing power in the country increase and when this happens the country will start to bloom as a grand huge market for industries
- The movement away from poverty will come from increase in employment; employment will come only when we start developing the manufacturing sector in India.
- Investors are not attracted by incentives; investment will be attracted only by friendly policies and a secure environment
- Ease of business is important for development; India has slipped low in the list of countries in terms of ease of doing business
- Scrutiny and red tape should not create barriers for development; simplification of processes should be the focus and redundancy done away with
- The world is looking to invest in Asia, particularly in Asian democracies, and in places with high demand – India fits the bill perfectly
- Effective governance is a key factor in attracting investors; the government needs to reassure investors of its effectiveness in promoting business and industry

- Skilled manpower mapped to the natural potential and creation of sustainable growth will be the focus of 'Make in India'
- Private-public partnership must be the basis of skills development in the country
- It is the government's responsibility to facilitate the creation of an environment conducive to development
- 65% population of the country is less than 35 years of age – there is immense manpower. After the indigenous development of Mangalyaan, India's talent and skills too cannot be questioned
- Digital India is the crux of effective governance; if this is not achieved, the governance and society will stay divergent. Ease of governance will come only with use of technology
- For years we have been emphasizing on Look East; only when we link West to this will we develop
- There are numerous opportunities in manufacturing and to develop this sector we will require a whole new world of infrastructure – from highways to I(nformation) ways, gas, water pipelines, ports, and a lot many more
- This government does not have a political agenda; it is dedicated to development as an article of faith
- The life and destiny of India can and will be changed for the better
- May Indian companies become multinational organizations but only when they grow and develop with India
- Only when the Centre and the state governments work together in tandem can India's true development potential be tapped into; development of states is the development of the country
- 'Make in India' is our responsibility; may India garner strength with this mission
- The 'Make in India' campaign is dedicated to Pandit Deendayal Upadhyaya, the patriotic thinker and philosopher

FOOD PROCESSING SECTOR THROUGH 'MAKE IN INDIA'

The food processing industry is one of the 25 sectors identified to advance the 'Make in India' campaign. This was announced in a recently concluded workshop on 'Sectoral Perspectives and Initiatives' which included participation by ministers and industries and state chief secretaries.

The 'Make in India' campaign will focus on the manufacturing sector to generate employment. Through this campaign the food processing sector will aim to raise their growth level from 10% to 25% as this is one of the focus industries of the 'Make in India' Campaign.

Through this campaign the food processing industry is set to develop 42 Mega Food Parks. Entrepreneurs will be able to rent out developed plots along with basic infrastructure in these Mega Food Parks, for establishing a food processing unit or an ancillary unit. An investment of Rs. 98 billion is being raised for this purpose through public and private partnerships. Essar Infra projects is all set to place Rs.50, 000crores in the food industry whereas Adani is looking to invest about Rs.20, 000crores and the future group has vowed to invest Rs.2, 000crores in this very important sector.

Other companies and multinationals like ITC, Keventer Agro Ltd, Reliance and Future Group have also shown a keen interest to make their investments in the food processing industry. In the North East a Mega Food Park is likely to come up in Tihu will work to fulfill the demand for organic food production as that has a huge market in India and abroad.

The meeting also highlighted the fact that first time investors in the food parks will be given full support from teams that have been set up for this purpose. NABARD will be lending capital at lower interest rates and the capital fund set up by NABARD for the food processing industry borrowing is Rs.2, 000crores. Incentives that will make the food processing industry a viable option have also been introduced to give the sector a boost. Some of the incentives include

- capital subsidies
- tax rebates

- depreciation benefits
- reduced custom and excise duties for processed food and machinery

Following are the different components which will help to explore and understand why food processing is included in Make in India and how it will help to develop the food industry

REASONS TO INVEST IN FOOD PROCESSING SECTOR

- A rich agriculture resource base - India was ranked No.1 in the world in 2013 in terms of production of bananas, mangoes, papayas, chick peas, ginger, lemons & limes, whole fresh buffalo milk, goat milk and buffalo meat.
- India ranks second in the world in the production of sugarcane, dry beans, lentils and safflower oil. Further, India is at third position in the production of cabbages, cashew nuts, cauliflower, coconuts, garlic, onions, green peas, potatoes, rice paddy, tea, wheat and tomatoes.
- The country's gross cropped area amounts to 195.25 Million Hectares, with cropping intensity of 139%. The net irrigated area is 65.26 Million Hectare
- A total of 127 agro-climatic zones have been identified in India.
- Strategic geographic location and proximity to food-importing nations makes India favourable for the export of processed foods.
- Extensive network of food processing training, academic and research institutes.
- 42 mega food parks are being set up in Public Private Partnership (PPP) at an investment of INR 98 Billion. The parks have around 1,200 developed plots with basic infrastructure enabled that entrepreneurs can lease for the setting up of food processing and ancillary units.
- The cost of skilled manpower is relatively low as compared to other countries.
- Attractive fiscal incentives have been instated by central and state governments and these include capital subsidies, tax rebates, depreciation benefits, as well as reduced custom and excise duties for processed food and machinery.
- Major global players in the food domain are already present in India.
- 138 cold chain projects are being set up to develop supply chain infrastructure.

STATISTICS RELATED TO FOOD PROCESSING SECTOR IN MAKE IN INDIA

- India ranked sixth in the World in exports of agricultural products in 2013.
- Major industries constituting the food processing sector are grain milling, sugar, edible oils, beverages, fruits & vegetables processing and dairy products.
- The contribution of the food processing sector to the Gross Domestic Product (GDP) in 2012-13 amounts to INR 845.22 Billion. India's food processing sector has grown at an average rate of 8.4% during last five years ending 2012-13.
- The share of food processing sector in GDP of manufacturing sector was 9.8% in 2012-13.
- Investment in fixed capital in registered food processing sector had grown annually at 18.8% during last five years ending 2012-13.
- The number of registered food processing units has increased from 36,881 in 2011-12 to 37,175 in 2012-13, marking a growth rate of 0.80%.
- Food Processing Industry is one of the major employment intensive segments contributing 13.04% of employment generated in all Registered Factory sector in 2012-13.
- Food is the biggest expense for an urban and rural Indian household constituting share of 38.5% and 48.6% of the total consumption expenditure of households in 2011-12 respectively.

GROWTH DRIVERS FOR FOOD PROCESSING SECTOR

- Liberalisation and the growth of organised retail has made the Indian market more attractive for global players; with a large agricultural resource base, abundant livestock and cost competitiveness, India is fast emerging as a sourcing hub of processed foods

- With a population size of 1.22 billion of which 604 million were under the age of 24 in 2011, this rising youth population is likely to increase India's overall food consumption
- Rising income levels, affluence and a growing middle-class.
- One-third of the population will be living in urban areas by 2020.
- Increasing desire for branded food as well as increased spending power.
- Large distinct consumer segments to support customised offerings/ new categories and brands within each segment.
- Consumption in India is driven towards packaged and ready-to-eat foods.
- Favourable economic & cultural transformation, shift in attitudes & lifestyles, consumers are experimenting with different cuisines, tastes and new brands. There is an increase in awareness and concern for wellness and health, high protein, low fat, wholegrain and organic food.
- Exports of food items have been rising steadily, the main export destinations being Middle East and South East Asia.

FDI POLICY FOR FOOD PROCESSING SECTOR

- 100% FDI is permitted in the automatic route for most food products.

SECTORAL POLICY FOR FOOD PROCESSING SECTOR

- Food processing is recognised as a priority sector in the new manufacturing policy in 2011.
- Government had announced setting up of special fund of INR 2,000 Crore in the Financial year 2014-15 in NABARD for extending affordable credit to designated food parks and the individual processing units in the designated food parks at concessional rates. The fund is being continued in 2015-16.
- Reserve Bank of India has classified loan to food & agro-based processing units and Cold Chain under Agriculture activities for Priority Sector Lending (PSL) subject to aggregate sanctioned limit of INR 100 Crore per borrower. It will ensure greater flow of credit to entrepreneurs for setting up of food processing units and attract investment in the sector.

FINANCIAL SUPPORT FOR FOOD PROCESSING SECTOR

1. Key Provisions Of The 2015-2016 Union Budget

- Services of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of fruits and vegetables have been exempted from Service Tax.
- Exemption to transportation of 'food stuff' by rail, or vessels or road will be limited to transportation of food grains including rice and pulses, flours, milk and salt only. Transportation of agricultural produce is exempted.
- For generating more employment, an amendment regarding eligibility threshold of minimum 100 workmen has been reduced to 50, is made in the provisions of section 80JJAA of the Income-Tax Act (w.e.f. 01/04/2016).
- The entry "waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured" in the Seventh Schedule to the Finance Act, 2005 related to levy of additional duty of excise @ 5% has been omitted.

2. Income Tax

Deduction in expenditure:

- Deduction for expenditure incurred on investment is allowed if the investment is wholly and exclusively for the purpose of any specified business (Details given below). However, this deduction is allowed only for the investment made in the previous year and prior to commencement of its operations.
 1. Businesses allowed 150% deduction (provided the taxpayer has commenced its business on or after 01.04.2012)

- a) Setting up and operating a cold chain facility.
 - b) Setting up and operating warehousing facilities for storage of Agricultural produce.
2. Business allowed 100% deduction.
 - a) Bee-keeping and the production of honey and beeswax.
 - b) The setting up and operation of a warehousing facility for the storage of sugar.

3. Deduction of Tax From Profit

- This tax incentive is available as 100% tax exemption for the first five years' of operation, and after that, at the rate of 25% of the profits being exempted from tax; 30% in case of a company. This benefit is available only for 10 years for new units (i.e. not formed by splitting up or by way of reconstruction of an existing business) in the business of processing, preservation and packaging of fruits or vegetables, meat & meat products, poultry, marine or dairy products provided such business had commenced on or after 1.04.2001
- If any business relating to meat, meat products, poultry, marine products or dairy products has started after 1.4.2009, the above benefit would be available, but not to the unit operating in such business before 01.04.2009.

4. Service Tax Negative List

- Service Tax is not liveable on items contained in the Negative List. Services including processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market.

Exempted category

- The following services are covered under exempted category from service tax:
 - 1) Construction, erection, commissioning or installation of original works pertaining to post-harvest storage infrastructure for agricultural produce including cold storages for such purposes.
 - 2) Mechanised Food grain handling system, machinery or equipment for units processing agricultural produce as food stuff excluding alcoholic beverages.
 - 3) Services of loading, unloading, packing, storage or warehousing of agricultural produce.

5. Customs Duty

Government has extended Project Imports' benefits to the following projects:

- Projects for the installation of mechanised food grain handling systems and pallet racking systems in 'mandis' and warehouses for food grains and sugar.
- Cold storage, cold room (including for farm level pre-cooling) or industrial projects for preservation, storage or processing of agricultural, apiary, horticultural, dairy, poultry, aquatic and marine produce and meat.
- Consequently, all goods related to Food Processing, imported as part of the project, irrespective of their tariff classification, would be entitled to uniform assessment at concessional basic customs duty.

6. Central Excise Duty

Food Products

- Nil excise duty in milk, milk products, vegetables, nuts & fruits – both fresh and dried.
- Against a standard excise duty of 12%, processed fruits and vegetables carries a merit rate of 2% without CENVAT or 6% with CENVAT.

- Soya milk drinks, flavoured milk of animal origin also carry a duty of 2% without CENVAT or 6% with CENVAT.

FOOD PROCESSING MACHINERY

- Excise duty on machinery for the preparation of meat, poultry, fruits, nuts or vegetables and on presses, crushers and similar machinery used in the manufacture of wine, cider, fruit juices or similar beverages and on packing machinery is reduced from 10% to 6%
- All refrigeration machinery and parts used for the installation of cold storage, cold room or refrigerated vehicles for the preservation, storage, transport or processing of agricultural, apiary, horticultural and marine produce as well as dairy and poultry, are exempt from excise duty.
- Pastering, drying, evaporating etc. machinery used in Dairy sector is exempted from excise duty.

7. INVESTMENT OPPORTUNITIES

- Fruits and vegetables: preserved, candied, glazed and crystallised fruits and vegetables, juices, jams, jellies, purees, soups, powders, dehydrated vegetables, flakes, shreds and ready-to-eat curries.
- Food preservation by fermentation: wine, beer, vinegar, yeast preparation, alcoholic beverages.
- Beverages: fruit-based, cereal-based.
- Dairy: liquid milk, curd, flavoured yoghurt, processed cheese, cottage cheese, Swiss cheese, blue cheese, ice cream, milk-based sweets.
- Food additives and nutraceuticals.
- Confectionery and bakery: cookies and crackers, biscuits, breads, cakes and frozen dough.
- Meat and poultry: eggs, egg powder, cut meats, sausages and other value added products.
- Fish, seafood and fish processing – processing and freezing units.
- Grain processing – oil milling sector, rice, pulse milling and flour milling sectors.
- Food preservation and packaging: metal cans aseptic packs.
- Food processing equipment: canning, dairy and food processing, specialty processing, packaging, frozen food/refrigeration and thermo-processing. Consumer food: packaged food aerated soft drinks and packaged drinking water.
- Supply chain infrastructure – this niche has investment potential in food processing infrastructure, the government's main focus is on supply chain related infrastructure like cold storage, abattoirs and food parks.
- The establishment of food parks – a unique opportunity for entrepreneurs, including foreign investors to enter in the Indian food processing sector.

FOREIGN INVESTORS

- Kraft (USA)
- Mars (USA)
- Nestle (Switzerland)
- McCain (Canada)
- Danone (France)
- Ferrero (Italy)
- Del Monte (USA)
- Kagome (Japan)
- Kelloggs (USA)
- Pepsi (USA)
- Unilever (Anglo Dutch)
- Perfetti (Italy)
- Cargill (USA)

- Coca Cola (USA)
- Hershey (USA)

8. Central Government Initiatives

Action Completed

Unified online portal (Shram Suvidha) for:

- Registration of Labour Identification Number (LIN)
- Submission of returns
- Grievance redressal
- Combined returns under 8 labour laws

Online portals for Employees State Insurance Corporation (ESIC) and Employees Provident Fund Organization (EPFO) for:

- Real-time registration
- Payments through 56 accredited banks
- Online application process for environmental and forest clearances
- 14 government services delivered via eBiz, a single-window online portal
- Investor Facilitation Cell established
- Dedicated Japan+ Cell established
- Consent to Establish/NOC no longer required for new electricity connections
- Documents reduced from 7 to 3 for exports and imports
- Option to obtain company name and DIN at the time of incorporation

Simplified forms for:

- Industrial Licence
- Industrial Entrepreneurs Memorandum
- Many defence sector dual-use products no longer require licences
- Validity of security clearance from Ministry of Home Affairs extended to 3 years
- Extended validity for implementing industrial licences
- No distinction between partial and full commencement of production for all products
- Colour-coded maps for locations requiring NOC from the Airports Authority of India hosted online

Measures Underway

- Eliminate requirement of minimum paid-up capital and common seal
- Integrate processes for obtaining PAN, TAN, ESIC and EPFO registration with incorporation of company
- Single-window clearance for import and export

9. State Government Initiatives

Actions Completed

- GIS-based land identification system (Gujarat)
- Online consent system for environmental clearances (Chhattisgarh)
- Extended validity of consent under environmental provisions (Chhattisgarh)
- Unified process with single ID for VAT and Professional Tax registration (Maharashtra)
- Number of procedures and time for getting an electricity connection reduced (Maharashtra)
- Commercial benches established in Mumbai High Court (Maharashtra)
- Creation of Invest Punjab, as a one-stop clearance system for investment projects (Punjab)
- 131 industries exempted from consent requirement by Pollution Control Board (Punjab)
- Real-time allotment of TIN - Taxpayer Identification Number (Delhi)
- Online application portal for residential and industrial building permits (Delhi)
- Commercial benches established in High Court (Delhi)

- Online portal for construction permits for institutional and commercial buildings (Delhi)
- Static check posts replaced by mobile squads (Uttarakhand)
- Green industries exempted from inspection by Pollution Control Committee (Puducherry)
- Checklist for 86 government services and delivery timelines across 23 departments/organizations made available on Karnataka Udyog Mitra, an online portal (Karnataka)

Measures Underway

- Online portal for the grant of construction permits (Mumbai)
- Joint inspection by all departments to grant NOCs for construction permits (Mumbai and Delhi)
- Simplified procedure to install electricity connection in 15 days (Delhi)

CONCLUSION

The analysis shows two dimensions of arguments. One side is optimistic nature which expecting more investment by free flow of capital. On the other side, it has criticized as the economy; it is adopting what look like neo-Nehruvian ideas. Instead, Modi should focus on making business as easy and honest as possible, avoiding artificial props, curbing inflation and fiscal deficits, ensuring a realistic exchange rate, and letting the market decide which sectors should flourish.

Investors from everywhere will then rush in to make in India. The country is moving away from a mixed to a capitalist economy with corporate honchos appearing set to get a "bonanza of sorts" and the poor a "pittance. Whatever, we can allow constructive criticisms rather than political gimmicks. Because, there was evidence in the earlier that In 1983 Illustrated Weekly ran an article criticizing Operation Flood or what we in India commonly call as the 'White Revolution'. The piece went to say how National Dairy Development Board (NDDB) and the IDC had totally lost the plot and India would never become self sufficient in dairy products.

Thus is 'Make in India' economically viable? What are the challenges that the project and movement will face? What about the projects that are currently running under 'Make in India'? Can India compete in the global market? We will try to find the answers to all of these questions in the next couple of years.

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