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Confederation of Indian Industry



Farm-to-Fork

An update on Agriculture & Food Issues



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In Focus

Thrust Areas for the Government to Promote the Indian Food Processing Industry



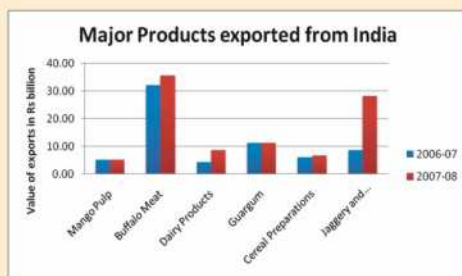
Mr. Ashok Sinha, Secretary, Ministry of Food Processing Industries: In focus

Food processing industry in India is increasingly seen as a potential source for driving rural economy as it brings synergy between industry and agriculture. A developed

food processing industry is expected to lead to increase in farm gate prices translating into increased rural incomes, reduced wastages, ensure value addition, promote crop diversification, generate employment opportunities as well as export earnings.

Market size of food processing sector has been estimated at **US\$ 80 billion** in 2006-07 and the sector grew at a rate of 13.1% in the same period. The importance of food processing sector can be gauged from the fact that the total

deployment of the gross bank credit in the year 2006-07 was around **Rs. 43,000 Crore**, which is almost 6% of the total gross credit deployment across all industry segments. Moreover, the exports of processed food products have been increasing over the years and buffalo meat, dairy products, jaggery and confectionary were the major products shipped out of country.



Source: APEDA

Growth drivers for industry

A number of socio-economic factors are driving the growth in the sector:

- **Higher disposable income:** High economic growth has led to increased disposable income for the Indian middle class, which is switching over to healthy and processed products. It is estimated that disposable income is set to rise at

an average rate of 8.5 % by 2015. Also, the middle class is estimated to reach a size of 582 million from its current size of 50 million by 2015.

- **Shift in demographic profile:** The median age of Indian population is 24 years and approximately 65% of Indian population is below 35 years of age. The large population of working age group forms a wider consumer base for processed products.

- **Increasing number of working women:** The number of working women, as a percentage of the total female population, has grown from 12% in 1961 to close to 25% in 2005 resulting in demand for convenience food.



continued on next page

In Focus

Thrust Areas for the Government to Promote the Indian Food Processing Industry

- **Increasing incidence of lifestyle diseases:** Diabetes, obesity, heart ailments and asthma are on an increase leading to demand for healthy products.
- **Increased consumer awareness:** International exposure, increased consumer awareness driven by media is promoting new product categories across urban and rural India.
- **Emergence of organized food retail:** It is estimated that the total food and grocery retail space will grow at a CAGR of 6% over 2006-2011, with the organized share likely to increase from less than 1% currently to 6-6.5%. This will translate into more business opportunity for processed products as well as provide forward linkage to the industry.

Opportunities

- **Large and diversified production base:** India ranks second in fruit as well as vegetable production in the world. With 12% share in the world's fruit production and around 13% in the world's vegetable production, ensures round the year availability of abundant raw material for the food processing industry.
- **Huge and growing consumer market:** With a huge population of more than 1 billion and an evolving consuming class with a gradual shift towards processed food, India is a growing market for processed products.
- **Enabling policy framework:** To attract investment in food processing sector, the government launched the scheme of Mega Food Parks and cold chain in the 11th five year plan. Various policy measures have also been initiated like Income Tax deduction of 100% of profit for 5 years and 25 % of profit in the next five years in case of new agro processing industries set up to package and preserve fruits and vegetables; excise duty on meat, poultry and fish products has been reduced from 16% to 8 %, excise duty on dairy machinery has been fully waived off etc.

Efforts from the Government

A - An Enabling Policy Structure

- A significant milestone was the preparation of the Vision Document in 2005. The Vision 2015 is a comprehensive document

which reflected a clear desire on the part of the Ministry to take a great leap forward for the fledgling food processing sector in India. Vision 2015 set the target of trebling the size of the processed food sector by 2015 and thereby increasing **(a) level of processing of perishables from 6 % to 20 %**, **(b) value addition from 20 % to 35 %** and **(c) share in global food trade from 1.5 % to 3 %**.

B- Infrastructure

- The **Mega Food Parks** scheme aims to provide state of the art infrastructure for food processing in the country on a pre identified cluster basis, ensures value addition to agricultural commodities.
- The Integrated **Cold Chain scheme** is being implemented with the objective to provide integrated and complete cold chain and preservation infrastructure facilities without any break, from the farm gate to the consumer.

To develop infrastructure for processing of meat & meat food products financial assistance by way of grant-in-aid for **modernization of Abattoirs** under PPP mode.

Ministry has also taken up quality assurance, R&D, HACCP, Human Resource Development and Establishment of laboratories.

C-Fiscal incentives

- Status quo is maintained in the rate of excise duty on processed food on the recommendation of MOFPI.
- Fringe Benefit Tax on Food Processing is abolished.
- The scope of the current provision of weighted deduction of 150% is extended to the expenditure incurred on in-house R&D.
- Extension of investment- linked tax incentives to the businesses of setting up and operating 'cold chain', warehousing facilities for storing agricultural produce.

The policy structure of the Ministry is driven by the belief that a robust food processing sector would not only enrich farmers by providing them better prices but also lead to greater farm productivity by attracting more investments thus addressing the issue of food security and "**Food Processing for Food Security**" can be the new mantra for growth.

Chairman's Vision

Indian Pulses : Needs Revolution



Mr. R Gopalakrishana
Chairman CII National
Level Expert Group on
Pulses and Edible Oils &
ED Tata Sons Ltd

According to a report drafted for ministers of the G-8 nations, the world faces "A permanent food crisis and global instability unless countries act now to feed a surging population by doubling agricultural output". In the 1940s, mother earth supported a global population of about 2.5 billion people which has swelled to over 6 billion today and is expected to peak at 9 billion by 2050 but at the same time the population will treble.

Between 2004 and 2009, the price of basic consumption items such as cereals, pulses and edible oils has doubled, even trebled. Worse, the average price of food crops is set to climb even further — during 2008 to 2017, wheat, maize and skimmed milk powder prices could be higher by 40-60% when compared to 1998-2007. The demand-supply gap for food in India shows that in the short to medium term, supply will meet demand requirements; from 2021 demand will outstrip supply for cereals, pulses, edible oil and sugar. Food commodity prices are likely to be high and volatile for the next 10-15 years. India is in a precarious situation with pulses in particular. The problem has been worsening gradually and is becoming a silent emergency as we are highly dependent on the pod-bearing plants for our protein requirements. India is the largest producer of pulses in the world, yet it is also the largest importer of pulses.

Issue on pulses: India is more vegetarian than any other society in the world. Consequently, our dietary dependence on pulses is high as the main source of enormous protein. It also the most economic source of protein. The World Health Organization recommends 80 gm of pluses per person per day and India will consume about 38 MT a year by 2018. Compare this projected demand with the current Indian production of 15 mt a year and a worldwide production of 55 mt. The contours of the crisis

become clear. India would have to double yields or acreage or look at a mix of both.

Pulses vs wheat, rice and the green revolutions: Pulses in India are traditionally considered to be a residual crop, when one can't grow wheat or rice. The green revolution saw the country taking great strides in increasing the yields of rice and wheat. Along with this, the government's procurement policy and strategy helped in the promotion of these cereals. There have been no great technology breakthroughs with respect to pulses. Equally, no aggressive plan, commensurate with the crisis, is in place for pulses.

Constraints: At 638 kilos a hectare, India's pulses yield is way below that of best-in-class countries, which produce about 1,800 kilos a hectare. It's obvious that inadequate pest and nutrient management have led to lower yields, and then there are issues such as farmer perceptions of risk and cost, the absence of government procurement, lack of high-yielding varieties of seeds, and poor agricultural infrastructure.

India's Potential : An analysis by the Tata Strategic Management Group has shown that by adopting best practices and increasing yield to the highest levels, India can increase production by 13 mt a year. Additional areas that can be brought under pulses cultivation include existing rice fallows and the hilly reaches of north and northeast India, while intercropping will also increase the area under production. These steps could result in additional production of more than 9 mt a year. India certainly has the potential to produce 37 mt of pulses a year.

We also need to understand how countries such Canada achieve three times our yields per acre. We need to adapt their agronomy practices to suit our conditions: soil testing, good seed varieties, integrated pest and nutrition management, irrigation, small-farm mechanization, and deployment of information and communication technologies. Last but not the least we need some government support for prices, procurement and marketing just as was, and is still being, done for cereals.

Do You Know

In News

Sugar update

- Central Government has decided to reduce the stocking of sugar further from 15 days to 10 days and to extend the period of the principal notification (GSR 597 (E), dated 22nd, August 2009) for a period of six months w.e.f 20th February 2010.
- Duty-free import of white sugar till December 31, 2010
- Sugar output is likely to breach PMEAC target of 14 million tonnes.

- Shree Renuka buys 51% Brazilian Sugar Company for Rs 1,530 crore.
- Sugar export to 10,000 mt of white sugar to EU cancelled
- Maharashtra to be the highest Sugar producer in 2009-2010 with an estimation production of more than 6 MTs.
- Govt. to cut sugar & cane subsidies to save public funds
- Govt has announced the sugar sale quota at 18LT for March 2010.
- White sugar deficit justifies premium according to Al Khaleej Sugar.
- Pakistan buys 50,000 tonnes sugar.
- EU gives go ahead to export of 99,871 tonnes of out-of-quota sugar.
- Russian refineries processed 66,800 tonnes of imported raw sugar

Special Feature

Food Security: the Biggest Challenge



Dr. Gopi Ghosh
Assistant Country
Representative, FAO

World hunger is the greatest challenges in modern history, around 1.20 billion are globally hungry today, 640 million people are malnourished in Asia alone, a quarter of our people in India do not get enough food to meet their daily basic nutritional needs. As the world financial turbulence continues, global food crisis is getting exacerbated with more and more people are driven towards hunger. This is despite significant development, knowledge and information exchange, modern technology and growing international trade.

The present situation has come about because, instead of tackling the structural factors of hunger, the world has neglected agriculture and has failed to invest in it. The situation will be further aggravated by climate change issues. Agriculture offers great potential, however, to mitigate some effects of climate change through better methods, such as improved cropland and grazing-land management, judicious use of chemicals and prudent water management. Agroforestry and rehabilitation of degraded lands can actually help absorb some of the excess carbon that contributes to global warming.

As the world economy is getting more inter-connected and interdependent, we also witness continuing challenges in international trade which affect both the opportunities and terms of trade for developed and developing countries. There are also greater concerns about food safety and bio security issues, including trans boundary pests and diseases – such as avian flu, swine flue etc. Thus there are competing demands on agriculture to provide not only food and feed, but also commodities for energy and other purposes. Thus, we have to seriously recognize the inter linkages between energy and agriculture.

There is definite scope to enhance the state's role of providing policy and regulatory frameworks conducive to fair and sustainable development.

- The governments should seek opportunities offered by scientific and technological developments to address nutrition, health and environment problems, with the spread ICTs, global sharing of information and knowledge, and increasing smallholder market access and know-how.
- Due to monumental waste in the food sector, a dominant suggestion put forth is to go for aggressive industrialization of the food sector. Apart from making considerable food available to consumers, the initiative would create sizable employment potential for the rural masses.
- There is a need to give full recognition to the roles of the private sector, cooperatives, NGOs, regional economic organizations, banks and other agencies in the rural and agricultural development process.
- Global governance is required to address some of the issues common to all countries. It is also with respect to international trade, continued efforts to achieve significant improvements to market access, reduce trade-distorting domestic support, reduce or eliminate export subsidies, for the benefit of developed and developing countries.

We have observed increased vulnerability on a global scale to various forms of shocks. Currently, however, there is a new momentum for agriculture and rural development led by the World Bank calling for greater investment in agriculture.

Therefore it's an opportune time to address the complex, protracted and recurrent crises affecting agricultural livelihoods, food security and resource degradation. Let us energise the research and development (R&D) environment, strengthen the resilience and coping capacity of rural populations and most importantly, let us strive to work together for a world without hunger.

Do You Know

between Jan 16 Jan , down 63% compared with 179, 200 a year earlier. Mexico produced 157840 tonnes of sugar in the week ended Feb 20, down 38% from 256,007 tonnes produced in last feb and Thailand's sugar production was 5.245 MT compared to 5.237 MT last year

FAO's State of Food and Agriculture (SOFA 2009) : Livestock in the balance: This book focuses on the livestock sector, providing analyses on critical issues in livestock development and recommended integrated efforts for policy support, structural changes and investment to

sustainable harness the potential of the livestock sector.

IFPRI launches new project to improve agriculture: To improve agricultural productivity and environmental sustainability in developing countries, the International Food Policy Research Institute (IFPRI) has launched a new project "Global Futures for Agriculture."

Govt. of Mexico has now allowed import of Indian Basmati Rice into Mexico w.e.f 21st January 2010



Global Highlights

Unleashing the Opportunities in the Agriculture & Food Cooperation : French Perspectives



Considering that France is the first exporter of processed food products in the world, its food processing industry is one of the most important industrial sectors. In terms of employment, it holds the third position behind industry and steel manufacturing and plays a vital role in the development of rural areas and in the regional economy. In France, 70% of the agricultural production is processed, percentage that is pushing the companies involved in transport, packaging and advertising.

Not surprisingly, many French companies are listed amongst the number 100 worldwide agro-food groups such as Danone, Lactalis, Bongrain, Pernod Ricard and Terrena. Some of them are settled in India since many years. Bongrain is successfully producing in Noida a paneer under the brand « Lebon », in joint venture with Dabur. Danone, in JV with the Japanese Yakult, invested in India for the production of probiotic dairy beverage. The alcoholic beverages group based in Gurgaon Pernod Ricard has also bet on the Indian market with (by quoting only those ones) his domestically blended whiskies Royal Stag, Imperial Blue or Master Blend, and through the production of « Nine Hills » wines in the sunny Nashik region.



Recently, the cereals cooperative Episcentre has opened an office in Delhi and is about to start a local production of malt for the Indian beer manufacturers.

The milk coolers company Serap is also settled in India since a long time with offices in Baroda, the company actively participating in improving the quality of Indian milk.

Future developments

The French Trade Commission in New Delhi, in cooperation with Sopexa (the French organization for the promotion of French food and beverages) and Adepta (the Association for development of International exchanges in agricultural and agrifood products and techniques) will accompany during the year 2010 several delegations of French companies on the Indian market, on different sectors such as gourmet products, wine and liquors, agriculture machinery, food processing...

For instance, ten French companies attended the VIV'India fair in Bangalore beginning of February, and exhibited on a French pavilion, the only foreign pavilion of the show.

France will be as well present during the next major shows of 2010 in India: Foodtech in October, Anapoorna, Agrotech and IFDE in December.

Thanks to a strong political support, especially regarding agrifood equipment and technologies, on both French and Indian sides, France has a big focus on India, in a long term and win-win perspective involving the Indian companies

Contributed by : Mr. Philippe Beyries, Counsellor, Embassy of France In India

In Perspective

Transition from PFA, 1954 to FSSAI, 2006

Food Safety and Standards Authority of India brings in new draft Food Safety and Standards Rules, 2009 that covers the significant subjects viz. qualification, functions and duties of the enforcement staff namely Food Safety Commissioner, Designated Officer, Food Safety Officer and Food Analyst. It also provides the procedure of drawing a sample from a food business operator by a Food Safety Officer or by a purchaser. The draft regulations provide the definition of various terms used in the manual, the procedure, the terms of reference of the various panels, committees etc. Originally PFA was like a Penal Code for the regulators, where a line of procedure adhering to the Act was followed eg. samples were drawn, tested in the laboratories for adulteration and manufacturers were prosecuted if found guilty. However, the FSSAI brings in the angle of consultation. Now, an improvement letter can be issued by the Authority to those manufacturers who are found non-conforming to the standards. Here, they get a chance to improve upon their product and comply with the rules laid. If still they do not conform, then an action is instituted. Second, there is a scope for compounding and adjudication of cases - to reduce court's workload and expedite the disposal of cases.

Also, now the focus from adulteration has shifted to safety, though adulteration is an integral part of the food safety concept. However, the PFA too had its merits. The need is to provide inputs to the old set up for prompting its evolution into a new one. With the FSS Act, the role of Food Inspector will be replaced by Food Safety Officer. The Draft Food Safety Rules and Regulations (FSRR) is proposed to be a shift from regulatory system to science based enforcement (PFA, 1954 to FSSA, 2006) in respect to various provisions of the Act and taking into consideration the views of the members, experts and advisors of various societies, committees, etc.

Agriculture and Food in Retrospect

GUWAHATI



CII - NIFTEM : Food Technology Seminars

With the mandate of promoting technology all across the country, CII in association with the National Institute of Food Technology Entrepreneurship and Management (NIFTEM) and Ministry of Food Processing Industries is organizing six seminars cum training programme in the states of Assam, Arunachal Pradesh, Himachal Pradesh, Jharkhand, Maharashtra, and Rajasthan.

The training programmes focused on the opportunities of food processing the state and how the entrepreneurs can be benefited.



PUNE



ITANAGAR

Notifications

GSR 63 (E) issued by Ministry of Health and Family Welfare (Department of Health) on 08th Feb, 2010. It is observed that the final notification GSR63 (E) did not address some anomalies / discrepancies for which the notification has continuously been deferred since first issued in Mar'2005 as there are serious issues and implications for the Indian Fruit and Vegetable processing industry.

CII has sent representation to the concerned ministry in consultation with the industry to address their concerns.

<http://www.fssai.gov.in/Notifications/ViewNotifications.aspx>

GSR 60 (E) dated 20th February 2010 issued by Ministry of Consumer Affairs, Food and Public Distribution. According to this notification the Central Government has decided to reduce the stocking of sugar further from 15 days to 10 days and to extend the period of the principal notification (GSR 597 (E), dated 22nd, August 2009) for a period of six months w.e.f 20th February, 2010.

Agriculture and Food in Retrospect



Shri Subodh Kant Sahai, Union Minister of Food Processing Industries and Mr H.E. Mr Bruno LE MAIRE, Minister for Food, Agriculture, and Fisheries addressing the CII's industry delegation in Paris

Agriculture & Food Processing Paris Visit

CII and the Ministry of Food Processing Industries had organized a high level delegation visit of Indian agriculture and food processing companies to Paris from 3rd to 5th of February 2010.

The delegation was led by Shri Subodh Kant Sahai, Union Minister for Food Processing Industries and the business delegation was led by Mr Rakesh Bharti Mittal Chairman, CII National Council on Agriculture & Food Processing and Vice Chairman and Managing Director Bharti Enterprises Limited.

The delegation had strategic meetings with H. E Mr. Bruno LE MARIE, Minister for Food, Agriculture and Fisheries and H. E. Mrs. Anne-Marie IDRAC, Minister for External Trade. The delegation visited French Food Safety Agency, ADRIA, several food-processing companies apart from one to one business meetings and official meetings. The visit resulted in better cooperation in agriculture and food processing sector and initiation of regular dialogue with French government on policy and business development of both the countries.



CII Delegation Visit to ADRIA-Agro Industry Technical Cluster, providing innovation, training and consulting services for food, diagnostic industries, retailers, research and regulation authorities in Quimper



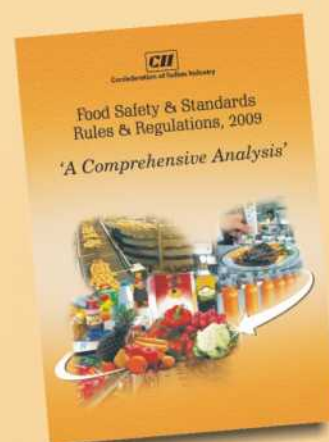
Mr Rakesh Bharti Mittal, Chairman, CII National Council on Agriculture & Food Processing, H.E. Mrs Anne-Marie IDRAC, Minister for External Trade France, Mr Ranjan Mathai, Ambassador of India in France

Food Safety Rules and Regulations, 2009: A Comprehensive Analysis

The Draft Food Safety and Standards Rules and Regulations, 2009 published by the Food Safety and Standards Authority of India covers the significant subjects: qualification, functions and duties of the enforcement staff namely Food Safety Commissioner, Designated Officer, Food Safety Officer and Food Analyst. The Draft Food Safety Rules and Regulations are seen as a shift from regulatory system to science based standards.

CII organized interactive sessions on 27th January to discuss the Food Safety and Standard Rules and on 2-3rd February with industry members to discuss and finalize the comments on Food Safety and Standard Regulations, 2009.

CII has presented Food Safety and Standard Rules and Regulations 2009, '**A Comprehensive Analysis**' to the Chairman of the Food Authority.



Forthcoming Events

International Conference on Dairy Industry, 14 May 2010

2nd Processed Food Advantage India 2010, August 2010

Budget Highlights :

Budget Highlights : Agriculture & Food sector

- **Nutrient Based Fertilizer Subsidy** policy to become effective from **April 1, 2010**.
- **Rs. 400 crore** to extend the green revolution to the eastern region of the country.
- **Rs. 300 crore** to organize 60,000 "pulses and oil seed villages" in rain-fed areas during 2010-11.
- **Rs. 200 crore** for sustaining the gains made in the green revolution areas.
- Government to address the issue of **opening up of retail trade**.
- Bankstarget for agriculture credit set at **Rs.3, 75,000 crore**.
- Period for repayment of the loan by farmers extended by six months **from December 31, 2009 to June 30, 2010** under the **Debt Waiver and Debt Relief Scheme**.
- Incentive of additional 1% interest subvention to farmers who repay short-term crop loans as per schedule, increased to 2% for 2010-11.
- External Commercial Borrowings to be available for cold storage or cold room facility.
- Rs. 66,100 crore provided for Rural Development.
- **25%** of plan outlay earmarked for rural infrastructure development.
- Allocation for National Rural Employment Guarantee Authority stepped up to **Rs 40,100 crore** in 2010-11.
- **Smart Card** extended to NREGA
- **Five more** mega food parks in addition to the existing ten projects.



Business Opportunities

Union of Myanmar Economic Holdings Limited: is looking for business opportunities in India for exports of Pulses & Beans and Spices along with imports of Fertilizers, Agricultural Pesticides, Construction material etc.

Cambodia: The next alternative food basket for India is keenly looking for investment & trade opportunities in the field of agriculture both for agro industry and agro processing in the form of acquiring economic land concessions for growing agricultural crops of interest to India like pulses and setting up food processing industries.

**This is a Publication of Confederation of Indian Industry
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India Habitat Centre, Core 4A, 4th Floor, New Delhi - 110 003.
Phone : 91-11-24682230-35, **Fax :** 91-11-24682229-2226
email: amitasarkar@cii.in **Website :** www.cii.in
Helpline: 00-91-11-435 46244 / 00-91-99104 46244.

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Choudhary Charan Singh

National Institute of Agricultural Marketing

(A Ministry of Agriculture, Govt. Of India Organization),
 Kota Road, Bambala, Near Sanganer, Jaipur, Rajasthan-302033
www.ccsniam.gov.in

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