



DEPARTMENT OF HORTICULTURE AND FOOD PROCESSING  
GOVERNMENT OF UTTAR PRADESH

FOOD PROCESSING INDUSTRY POLICY

2022-2027

November, 2022

## **Background:**

Food processing industry is the linkage between agriculture and industry. Food processing industry accounts for 32% of India's food market, 14% of manufacturing GDP, 12% of exports and 6% of total industrial investment. In India the food processing is about 10% of the produce, with minimum 2% for fruits and vegetables and maximum for milk i.e. more than 35%. The tertiary level of food processing in Uttar Pradesh is 6%. The target is to take it to 20%.

### 2. Why Food Processing:

- i. To increase value addition for agricultural produce.
- ii. To increase farmer's income.
- iii. Reduction in food losses.
- iv. Increase employment.
- v. Ensure availability of food round the year.
- vi. Export potentials.
- vii. Meeting the demand arising out of change in food habits and lifestyle.

3. Food processing is defined as transforming agricultural products into food that are in consumable form or transforming one food item into another by adding value to it. Based on physical properties of the final product, the food processing is generally classified in two categories: (i) manufactured processes- whereby the original physical properties of the product undergoes a change through a process involving employees, power, machines or money and the transformed product is edible and has a commercial value and (ii) other value added process where the product does not undergo any manufacturing process, but gains significant value addition like increased shelf life, shelled and ready for consumption etc.

4. Based on the level of processing, it is classed into primary, secondary and tertiary processing.

- (a) Primary Processing: conversion of raw commodity to one that is fit for consumption - drying, threshing, cleaning, grading, sorting, packing etc.
- (b) Secondary Processing: involves creation of value-added products like bread, wine, sausages, etc.
- (c) Tertiary Processing: large scale commercial production of ready to eat food items.

5. When we talk about low level of processing in our State or country, it is the tertiary level of processing which is meant and it is only 6 percent in the State, and for country it is 10%. The main reasons for this low level of processing is large consumer base domestically, having preference for fresh produce over processed food, slow pace of urbanization, low labour force participation of women.

### 6. Extent of Food Processing in different parts of the world:

World over the sale of processed food in retail is three times higher than the sale of fresh food.

Country	% tage of processing
China	30
Western Countries	70
Thailand	30
Brazil	70
Philippines	78
Malaysia	80
India	10
Uttar Pradesh	6

7. One of the important purposes for processing is the reduction in losses. The level of wastage in key horticultural and cereal crops is as follows:

Crop	% tage of production CIPHET, 2015
Cereals	4 - 6
Pulses	6-8
Oilseeds	3-10
Fruits and vegetables	4-16
Milk	0.92
Meat	2.71
Fish	5.23
Poultry	6.7
Mango	9.2
Guava	16
Banana	7.8
Wheat	4.9
Paddy	5.5
Bajra	5.2
Maize	4.7

8. Scenario of Processing in Uttar Pradesh:

The Gross State Domestic Product (GSDP) of Uttar Pradesh is 250 billion USD or Rs. 20,50,000 crores. The contribution of agriculture and allied sectors in GSDP is 64 billion USD or Rs. 5,24,000 crores, which is 25.6%. The share of food processing sector is 5.12 billion USD or Rs.41,984 crores i.e. 8% of agriculture and allied sector's contribution.

9. Food and grocery is the largest segment in India's retail sector with 60% share. Unorganized sector and small-scale industries account for 70% of the food processing sector. It is also a key sector to promote migration of workers from agriculture sector and providing supplementary employment opportunities to households engaged in agriculture. The primary and secondary processing should be encouraged for the households in rural areas.

10. The relative contribution of Agriculture and allied sectors in GSDP is as follows:

Sectors	% taje contribution
Agriculture	32
Livestock/ AH	24
Horticulture	19
Sugarcane	17
Food Processing	8
Aquaculture	3

11. Within the above sub-sectors the share of different crops and components is as follows:

Agriculture:

Crops	% taje share
Food grains (wheat and rice)	77
Pulses	9
Maize/barley/hemp/bamboo	8
Oilseeds	4

Horticulture:

Sub-sector	% taje share
Vegetables	50
Fruits	30
Medicinal, aromatic, ornamental	14
Flowers	4
Spices	2

Livestock / Animal Husbandry:

Sub sectors	% taje share
Dairy	45
Meat	20
Poultry	20
Honey/silk/ wool	15

Food Processing:

Sub sector	% taje share
Agriculture Milling / processing	48.6
Meat Processing	33.4
Milk Processing	5.6
Vegetable	7.2
Fruits	4.8

12. Uttar Pradesh's Rank in Production and Processing of different commodities in Country:

Produce	Rank in Production	% targe of production in Country	Rank in processing
Wheat	1	28.74	3
Paddy	2	12	6
Sugarcane	1	41.28	2
Mango	1	24.06	6
Potato	1	32.35	6
Milk	1	16.06	4
Peas	1	49	4
Fish	6	4.9	>10

The State is at number one position in country in production of wheat, milk, sugar cane, potato, mango, guava, peas, mushroom, water-melon, meat and honey, but needs to catch up in processing.

13. Important areas of concern:

- (i) Uttar Pradesh has 24% acreage under basmati rice i.e. 4.6 lac ha in 27 districts of Western U.P. Acreage wise it ranks third after Haryana and Punjab. The share in export last year was only 50,000 MT whereas it was 8.4 lac MT (17 times) in Haryana and 1.9 lac MT (4 times) in Punjab.
- (ii) In non basmati rice UP's production is twice that of Andhra Pradesh but the export of non basmati rice from Andhra Pradesh is 18 times more. The export of non basmati from U.P. was 3.78 lac MT, whereas it was 68.57 lac MT from A.P in year 2021.
- (iii) Similarly in spite of being top producer of wheat in the country 37 MMT (34% of country's production), the share in export was only 1.46 lac MT (0.4%), export from Gujarat was 37.93 lac MT (26 times more) in last year.
- (iv) Uttar Pradesh ranks first in sugarcane production in country (1795 lac MT, which is three times more than Maharashtra i.e. 693 lac MT), but sugar production is almost same i.e. 106 lac MT. The installed capacity of ethanol production in Uttar Pradesh is 150 crore liters a year with 55 distilleries, this is 128 crore litre per year in 96 distilleries of Maharashtra. The area under sugar cane in Uttar Pradesh is 27 lac Ha and productivity is highest in country at 81 MT per Ha.
- (v) U.P. is leader in meat production with 11.66 lac MT (14% of country's) (6.41 lac MT buffalos, 3.54 lac MT poultry and 1.71 lac MT others), whereas Maharashtra is close second with 11.4 lac MT meat production (2.25 lac MT buffalo, 7.24 lac MT poultry and 1.91 lac MT others). The U.P. tops as exporter with export of 6.04 lac MT (10% of country) with Maharashtra at second position with export of 3.07 lac MT. The value being fetched per kg of export is only Rs. 129 for U.P., whereas it is Rs. 401 per kg for Maharashtra and Rs. 255 for T.N. The production of meat in State

is declining at the rate of 6% CAGR from 13.46 lac MT in 2016 to 10.37 lac MT in 2020.

- (vi) Poultry and egg production: The State has a huge gap in production and consumption, which offers an immense potential for improvement.

States	Egg production in crores / year	% tage from commercial farms
A.P.	2190	10
Karnataka	665	88
Haryana	660	99
U.P.	362	78
M.P	240	73
Chhattisgarh	200	88

- (vii) Poultry meat production:

States	Lac MT/year	Meat per poultry animal in kg
Maharashtra	7.20	2.40
Haryana	5.20	1.32
A.P.	4.80	1.50
T.N.	4.75	1.58
U.P.	3.50	1.17
Punjab	1.20	1.24

- (viii) Egg Production in U.P. over the years:

Year	Egg production in crores	CAGR %
2016	228	13
2017	243	Ind: 7.9
2018	260	Goa:40
2019	340	Bihar: 23
2020	362	MP, Raj: 15.5

- (ix) Fisheries:

States	Area of Ponds (Lac Ha.)	Area under Reservoir (Lac Ha.)	Inland Fish Production (Lac Tons)	Fish seed production (crore fry)	Fisheries processing (%)
Telangana	3.9	2.1	3	55	14
A.P.	3.3	1.65	36.1	53.58	32
W.B.	2.6	0.28	16.91	1245	6
U.P.	1.7	1.4	6.99	302	0
T.N.	2.5	0.62	1.74	194	36

(x) Dairy:

States	Milk production (Mn MT)	Avg yield per animal (kg/day)	Livestock population (crores)	% share of milch animal	Milk processed in oraganised sector %
Uttar Pradesh	31.9	3.6	7.98	30	12
Rajasthan	25.6	4.6	7.08	21.7	
M.P.	17.1	3.1	5.72	26.1	
Gujarat	15.3	4.7	4.86	18.5	49
A.P.	15.3	6.8	1.40	4.4	
Punjab	13.3	9.3			

(xi) Uttar Pradesh milk production is growing at CAGR of 4%, whereas MP. And Rajasthan it grew at 9% and 8% respectively.

(xii) Horticulture: Uttar Pradesh leads in production of fruits & vegetables 13% of country but need to improve productivity and export.

States	Production of Fruits (Mn MT)	Yield (MT/Ha)	Production of vegetables (Mn MT)	Yield (MT/Ha)	Flowers (Mn. MT)	Yield (MT/Ha)	Spices (Mn MT)	Yield (MT/Ha)
Uttar Pradesh	11	22.1	28	19.4	0.1	2.18	0.2	0.6
A.P.	15	23.4	7	28.4	0.4	16.7	1	4.5
Maharashtra	12	15.6	12	16.9	1	5.3	0.3	10.8
Gujarat	9	21.2	12	20	0.1	7.5	1	1.7
M.P	7	20.9	18	19	0.2	12.4	1	2.2

(xiii) Food Processing Units: has less number of big and more productive processing units.

States	No. Of FPU	Central license (annual revenue >20cr) (%)	State License (annual revenue 12 lac to 20 cr) (%)	Basic Registration (>12 lacs) (%)
U.P.	24000	6	51	43
Maharashtra	32000	8	59	33
T.N.	30000	5	63	32
Gujarat	13000	24	64	12
A.P.	8000	6	67	28
Haryana	6000	21	66	14

- (xiv) Food Processing of Fruits and Vegetables: Needs to increase the processing and exports. U.P ranks first in vegetable production almost 15% of country's production but accounts for only 5% of processed vegetables exports. Similarly, U.P. Ranks third in fruit production with 11% country's production but accounts for only 0.4% exports of processed fruits.

States	No. of Units for processing fruits and veg	Processed veg export (MT)	Processed fruit export (MT)
U.P.	1244	34000	2000
Maharashtra	3489	87000	117000
T.N.	2352	89000	187000
Gujarat	1793	188000	54000

14. Objective of the Policy: To increase the processing of agricultural produce in the State and encourage export of processed food items to other States and Countries.

15. Nodal Department and Nodal Agency: The Department of Horticulture and Food Processing will be the Nodal Department and the Directorate of Horticulture and Food Processing will be the Nodal Agency.

16. Third Party Empanelment: The Department will empanel the institutes and colleges with courses and experience in food processing in the State and will use them for appraisal of the projects received under the policy and verification of the works executed for issue of sanction letters and payments.

17. Policy Incentives:

Issues pertaining to Revenue Department:

- (i) Permission to purchase land more than 12.5 acres:

The Uttar Pradesh Revenue Code, 2006 (as amended) in Section 89 (1) provides that no person can hold agricultural land more than 12.5 acres in the State. This restriction is on possessing agricultural land, whereas the industry wants to purchase land for setting up of the industry and not for agriculture. This encourages perversely purchase in parts with area less than 12.5 acres, get it declared non-agricultural and then make further purchases. This permission if applied for by the industry will be granted by the respective authority (District Magistrate up to 20 Ha., Divisional Commissioner up to 40 Ha. and State Government for more than 40 Ha.) in 45 days. Thereafter, the permission will be deemed granted by the Authorities processing the application for setting up of the industry for various purposes. The present process of revenue department also asks for mentioning the plot numbers intended to be purchased, this requirement should be waived as once the permission to purchase is obtained mentioning the plot numbers, the seller is likely to hike the price of the land unreasonably.

- (ii) Exemption from charges for non-agricultural use declaration:



Section 80 of Land Revenue Code, 2006 put onus on revenue authorities to declare the land for non-agricultural use, which is proposed for the industry. The process for this declaration is arduous and it charges 2 percent of the value at circle rate as fee. This declaration be done within 45 days or be deemed and parwana amal daramad should be issued accordingly. Besides, the charge of 2% of value for declaration be waived for the food processing industries.

(iii) Exchange of government land coming in project site:

In case if a reserved land like chak road etc. comes in between then the project proponent has to give equivalent amount of land in exchange and also pay 25% of the value of reserved land at circle rate for land use change. These charges be waived for the food processing industries. In case of Gram Sabha land (unreserved) and chak road etc (reserved), the power to transfer / exchange such land to the project proponent be delegated to the District Magistrate. Currently the power to exchange reserved land is with the State Government.

(iv) The permission of collector to sale the land belonging to Schedule Caste person:

This permission is required under Section 98 (1) of the U.P. Revenue Code-2006. There should be a timeline of 45 days in which the District Magistrate should give permission in case the farmer of S.C. category is willing to sale the land for food processing industries.

Issues pertaining to Housing Department

(v) Conversion of Land Use:

This is covered by the U.P. Urban Planning and Development Act, 1973 Section 38-a (1) and Section 55 along with U.P. Town Planning and Development (Assessment, Levy and Collection of Land Use Conversion Charge) Second Amendment Rules, 2020. In case of proposed industry coming up in agricultural zone, the CLU is granted by charging 20% of the value of land as per the circle rate. This CLU be granted with a notional fee of Rs. 10000 per case for food processing industries.

(vi) External Development Charges:

This is covered under The Uttar Pradesh Urban Planning and Development (Assessment, Levy and Collection of Development Fees) (First Amendment) Rules, 2021. This rate is Rs. 2040 per square meter for land in Lucknow. So, it comes to Rs. 81.60 lac per acre, which in most of the cases is higher than the value of the land. In case the proposed industry is coming UP on a land where no developmental work has been done by the Authority, this development fees should be notional say Rs. 50,000 per case in case of food processing industries.

(vii) All clearances under one roof:

There will be a place designated at Mandi Office or Horticulture Directorate where all the Departments from whom NoC is required like fire, pollution, ground water, labour etc. will depute their representative to sit there and issue the required NoCs. This office will be headed by a senior

officer of the food processing department. This set up will be in addition to the online arrangement of Nivesh Mitra.

(viii) Exemption from stamp duty:

The land purchased for the establishment of food processing industry be exempted from the stamp duty payment.

(ix) Exemption from Mandi Fees and cess for agricultural produce brought from outside the State for processing:

The agricultural produce brought from the outside of the State for processing in Uttar Pradesh will promote processing in the State, which will lead to value addition and generate additional employment and tax benefits. So, agricultural produce brought from the outside of the State for processing in Uttar Pradesh be exempted from the Mandi Fees and charges.

(x) Exemption from Mandi fees and cess for agricultural produce directly sold to processing units:

The farmers selling their produce directly to the processing industry will enable farmer to get a better price for his produce. So, such produce will be exempt from the payment of Mandi Fees and cess. The processing units in West Bengal, Punjab, Odisha, Bihar, Jharkhand, Goa and Maharashtra are exempt from mandi fees on such purchases, so their processing units are in competitive advantage. This will enable processing units in Uttar Pradesh to compete better.

(xi) Sponsoring studies for certifying / declaring an area disease free i.e.- potato Agra - Kannauj; Durum wheat-Bundelkhand.

There is immense potential of export for the agricultural produce from the State, but the receiving countries have stringent Sanitary and Phyto-sanitary (SPS) requirements. The certification of major potato producing areas like Agra- Kannauj free of blight and similarly Bundelkhand's durum wheat area as free of karnal bunt will improve their chances of export. This process of certification will also improve the cultural practice being followed in cultivation of these crops in these areas. The policy will allow the State Level Sanctioning Committee to take up such projects.

(xii) Subsidy on solar power projects for electricity supply to processing units:

The food processing industries especially the micro and small ones are located mostly in rural areas and they are not in industrial areas. They and are also not in a position to bear the cost of independent industrial feeders. The power supply in rural areas is erratic in timing and quality. In view of above it is proposed to provide for a subsidy for installing solar power plants up to 75 kva for food processing industries not located in industrial areas. The subsidy will be 50% of the cost of solar power project installation and it will be 90% for the food processing plants owned and operated by all women.

(xiii) Freight Subsidy on exports:

The State of Uttar Pradesh is land locked, so to make the manufacturing competitive, a transport subsidy of 25% of the actual cost of transportation will be reimbursed. This cost of transportation will be from the place of manufacturing / production in Uttar Pradesh to the actual destination port of the importing country. This subsidy will not be available for export to Nepal, Bangladesh and Bhutan.

(xiv) Capital Subsidy:

(a) A capital subsidy amounting to 35% of incurred expenditure on plant, machinery and technical civil work in respect of setting up of the food processing units in the State will be provided, subject to the maximum limit of Rs. 5 crore in all the districts of the State.

(b) A capital subsidy amounting to 25% of incurred expenditure on plant, machinery and technical civil work in respect expansion and modernization / up-gradation of the food processing units in the State will be provided, subject to the maximum limit of Rs. 1 crore in all the districts of the State.

(xv) Scheme for value addition and cold chain infrastructure: This will help in arresting post harvest losses from farm gate to consumer.

(a) Cold Chain and Value Addition Infrastructure (Storage, pack houses, pre-cooling units, ripening chambers, transport infrastructure) @ 35%; and for value addition and processing infrastructure including frozen storage / deep freezer associated and integral to the processing, and irradiation facilities at the rate of 50% of the project cost subject to maximum grant of Rs. 10 crores will be provided.

(b) Infrastructure for Agro processing clusters – to create infrastructure for food processing closer to production areas, to create effective backward and forward linkage by linking group of producers/ farmers to the processors and market. In this head for minimum 5 food processing units with minimum investment of Rs. 25 crores, a grant of 35% of the eligible project cost subject to maximum of Rs. 10 crores will be provided as grant.

(xvi) Scheme for Creation of backward and forward linkages:

The creation of backward and forward linkage is important for perishable commodities. This can be done through setting up of primary processing centres / collection centres at farm gate, distribution hub and retail outlet at the front end. This will also include preservation facilities. The primary processing facility at farm level may include facilities for weighing, cleaning, sorting, grading, packaging, cooling, Controlled Atmosphere/ Modified Atmosphere, cold storage, Dry warehouses, mobile pre-cooling trucks and refer trucks and IQF. Storage and cold chain is integral part of food processing industry. The admissible grant will be 35% of the eligible project cost subject to maximum of Rs. 5 crores.

(xvii) Interest Subsidy for purchase of Reefer Vehicles and Mobile Pre-Cooling vans:

An assistance in the form of interest subsidy for all the interest accrued on the loan taken for purchase of Reefer Vehicle and Mobile Pre-Cooling van will be reimbursed for a period of five years, subject to maximum limit of Rs. 50 lacs.

(xviii) Interest Subsidy:

Cent percent interest subsidy on loan taken for the project for micro and small food industries will be reimbursed for a period of five years. For other units the interest subvention of 7% for a period of five years will be provided. Both are subject to maximum limit of Rs. 50 lacs.

(xix) The entire State of Uttar Pradesh will be considered one market area for food processing industries with respect to payment of mandi fees and cess.

(xx) Leveraging Modern Technology:

The use of modern technology will be leveraged with start-ups for agri value chain development, assessment of acreage / production / productivity and for evidence based decision making. The above work can be taken up with selected start ups / reputed organizations. Each project can be of maximum limit of Rs. 5 crores.

(xxi) Promotion of decentralized processing and storage:

The decentralized procurement, processing and storage including promotion of micro storages will be taken up. The Self Help Groups / FPOs / Framers will be eligible for assistance in form of grant based on their projects, subject to maximum limit of 50% of the project cost or Rs. 50 lacs.

The assistance / grant will be made available in two equal installments one in mid way of implementation / investment and the other on commissioning. The interest subsidy will be paid annually.

#### 18. Compliance Regime:

Majority of the food processing units are micro and small units, which finds it difficult to face the frequent and unannounced inspections by various departments round the year. So, to streamline the process of ensuring compliances, a process of risk-based inspection will be evolved. The concerned departments like labour, ground water, pollution control board, FSSAI, weights and measurements etc. will present their annual plan of inspection of various units with date or week of the month before the State Level Empowered Committee constituted under this policy for concurrence. The Principal Secretary of the concerned department will be the part of the meeting in which annual plan of inspection of that department is presented. This will improve the objectivity and compliance status, besides confidence of the investors.

#### 19. Implementation Mechanism:

- (a) The State Level Empowered Committee will be constituted under the Agriculture Production Commissioner, with Secretaries of different departments as members. Principal Secretary, Food Processing will be the member secretary of the Committee. The representation will be given to the industry organizations and the other experts / leading farmers to be nominated by the Chairperson of the Committee.
- (b) The State Level Appraisal Committee will be constituted under the Principal Secretary, Food Processing with members from the Finance and Law department. This committee will have members from the department of horticulture and food processing, Animal Husbandry, Dairy, Fishery. The Committee can invite domain experts as per the need. The Director, Food Processing will be the member secretary of the Committee.