Unlock India's food processing potential

What is the issue?

Growing populations and unrestricted use of natural resources must push nations to have an efficient food value chain.

Why India has launched PLISFPI?

- The challenge to feed the 10 billion people by mid-century demands efficient ways of production that are both economically viable and ecologically sustainable.
- Also the pandemic has accelerated the demand for ready-to-eat products.
- Fortunately, emerging technologies revamp the traditional approach of farm to fork with a lower environmental footprint.
- Being one of the largest producers of fruits and vegetables in the world India has formulated a unique Production-Linked Incentive Scheme (PLIS) **to boost processed food in large quantities.**
- The scheme aims to incentivise incremental sales.
- By welcoming the new brands in the category, PLIS aims to create an enabling ecosystem for innovation in both food products and processes.

What is the progress so far?

- A sum of Rs. 10,900 crore has been earmarked for the scheme.
- 60 applicants have already been selected under Category 1.
- These firms are incentivised for incremental sales and branding/marketing initiatives taken abroad.
- Beneficiaries have been obliged to commit a minimum investment while applying for the scheme.
- With this the sector is likely to witness at least Rs. 6,500 crore worth of investment over the next 2 years.

Why branding and marketing is important?

- For the exports market, sales promotion is positively related to increased sales volume, but inversely related to profitability.
- To bridge this gap, of the 13 key sectors announced under the PLIS, the 'Food Processing PLIS' earmarks a dedicated Category 3 for supporting branding and marketing activities in foreign markets.
- This ensures that India's share of value-added products in the exports basket is improved.
- It may leverage its unique geographical proximity to the untapped markets of Europe, the Middle East/West Asia, Africa, Oceania and Japan.

Why investment in public infrastructure is necessary?

- With higher public investments Andhra Pradesh, Gujarat, Maharashtra, Tamil Nadu and Uttar Pradesh have ranked among the highest in the 'Public Infrastructure and Utilities' parameter by the Good Governance Index 2020-21.
- With good connectivity to Rural Habitations these states show the highest improvement.
- A 1% increase in public infrastructure is expected to increase the food manufacturing output by 0.06% in the longer run.

How do we perform in case of credit availability?

- **Measures taken -** Access of MSMEs to finance is a perennial problem in the country, due to a lack of proper credit history mechanism for MSMEs.
- Smart financing alternatives such as peer-to-peer (P2P) lending hold potential for micro-food processors.
- MUDRA Bank has helped more than 1,18,000 small businesses get access to credit.
- **Improvements required -** Trade Receivables Discounting System (TReDS) is a platform for facilitating the financing/discounting of trade receivables of MSMEs through multiple financiers.
- The platform requires considerable scaling-up and simultaneous enforcement of stringent measures for corporate to comply with.
- Integrating it with the GST Network's e-invoicing portal will make TReDS more attractive and give relief to financiers.

What is the way forward?

- **Functional Foods -** The pandemic has bolstered the demand for functional foods.
- It is expected to provide a launchpad for health-orientated start-ups and micro-food processing units.
- **New alternatives** replacing the staples of rice and wheat in the form of Nutri-cereals, plant-based proteins, fermented foods, health bars and even fresh fortified foods for pets must be explored.
- With growing populations, changing food habits and unrestricted use of natural resources, nations must come together and lay out a road map for a common efficient food value chain.

Reference

1. https://www.thehindu.com/todays-paper/tp-opinion/unlock-indias-food-processing-potential/article38331370.ece

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