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Guidelines and Opportunities of Mega Food Parks for the Food Processing Industry

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The sole author designed, analyzed, interpreted and prepared the manuscript.

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ABSTRACT

Agriculture is the backbone of our Indian economy and more than 70 per cent of rural households depend on agriculture and allied activities for their livelihood. In the present scenario, the contribution of the agricultural sector to the GDP is steadily declining. To overcome this, it is necessary to develop the food processing sector, as increasing the life span of perishable agricultural products and promoting value addition will keep the agricultural sector alive in the future. With this in mind, the Government of India implemented the Scheme of Mega Food Park in the year of 2008 by the Ministry of Food Processing, which aims at providing a mechanism to link agricultural production to the market by bringing together farmers, processors and retailers to ensure minimizing wastage, increasing farmers income and creating employment opportunities, particularly in rural sector.

Mega Food Park is a cluster approach that supports the infrastructure for setting up food processing units. These food parks give a great impetus to the food processing industry by

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reducing food wastage at each stage of the supply chain with a particular focus on perishables. This article explains the various guidelines and opportunities available from the Central Government to set up a Mega Food Park.

Keywords: Mega food park; food processing units; value addition.

1. INTRODUCTION

The previous Food Parks Scheme under the 10th Five Year Plan has been revised and reformulated as the Mega Food Parks Scheme (MFPS) for the 11th Five Year Plan period based on extensive feedback and consultations with various stakeholders. It is anticipated that MFPS will help the Ministry of Food Processing Industries realise its Vision 2015, which calls for increasing the nation's perishable processing from the current 6% to 20%, value addition from 20% to 35%, and the country's share of the global food trade from 1.5% to 3% by the year 2015. Providing sufficient or first-rate infrastructure facilities for food processing along the value chain from the farm to the market is the main goal of the MFPS [1,2].

Infrastructure development close to the farm, logistics, transportation, and centralised processing facilities are all part of it [3]. The cluster-based approach is the scheme's primary feature. Demand-driven and pre-marketed, the programme will help food processing facilities comply with social, safety, and environmental regulations, Increased farmer realisation, the development of first-rate rural processing infrastructure, a decrease in waste, the enhancement of producers' and processors' capacities, the establishment of an effective supply chain, and the creation of a sizable number of direct and indirect jobs are all anticipated outcomes [4,5].

1.1 Aim and Objectives of Mega Food Park Scheme

The goal of the Mega Food Park Scheme (MFPS) is to encourage the growth of contemporary food processing facilities in India.

The scheme's other objectives are:

1. Bring farmers, processors, and retailers together to connect agricultural output to the market;
2. Boost value addition in the food processing industry;
3. Cut down on food waste; o Provide jobs in rural areas

1.2 Salient Features of the Scheme

The programme seeks to support the development of a robust food processing sector supported by an effective supply chain that includes cold chain infrastructure, collection centres, and primary processing centres. Under the plan, food processing units would be housed in Central Processing Centres (CPCs) that have common infrastructure for processing, packaging, environmental protection systems, quality control laboratories, trade facilitation centres, and other necessities based on need. The estimated amount of land needed to establish the CPC is between 50 and 100 acres, however, the precise amount of land needed will depend on the business plan, which may differ depending on the location.

Farm-proximate Primary Processing Centres (PPC) and Collection Centres (CCs), suitable to meet CPC requirements, would support CPC in locations determined by a techno-feasibility study. In addition to the land needed for CPC setup, additional land would be needed for PPC and CC set up at different locations [6].

With a total investment of approximately Rs 250 crores, it is anticipated that each project will have roughly 30-35 food processing units on average. This would eventually result in an annual turnover of roughly Rs 450–500 crores and the creation of roughly 30,000 direct and indirect jobs. However, each Mega Food Park's business plan may determine how the project is configured. Considering the economies of scale, the total investment in CPCs, PPCs, and CCs should be reasonable and proportionate to the size of the entire project. The eleventh Plan period and the Scheme run concurrently. Projects that have been given final approval under the scheme, however, will still be eligible for grant support and scheme benefits.

1.3 Pattern of Assistance

Under this scheme, capital grants will be given at the rate of 50% of eligible project costs in general areas and 75% of eligible project costs in challenging and hilly areas, such as the North East Region, which includes Sikkim, J&K, Uttarakhand, Himachal Pradesh, and State areas that have been notified by the ITDP, up to a maximum of Rs. 50 crore per project [7].

Furthermore, the Ministry would work with a Programme Management Agency (PMA) to provide management, coordination, capacity building, and monitoring support to expedite the projects' implementation. To cover the costs of the aforementioned as well as additional promotional activities carried out by the Ministry, travel and office expenses related to the programme totalling up to 5% of the overall grant available, will be earmarked.

2. COMPONENTS OF PROJECT COST

2.1 Core Processing Facilities

The Central Processing Centre: This includes the cost of civil work and equipment for common areas like testing labs, cleaning, grading, sorting, and packing facilities; dry warehouses; specialised storage facilities; cold storage with variables in humidity, controlled atmosphere chambers, pressure ventilators, reefer vans; cold chain infrastructure with units for irradiation, steam sterilisation, steam generating, and food incubation/development, among other things [5].

The Processing Centres and Farm Proximate Collection Centres will include things like dry warehouses, specialised cold stores with pre-cooling and ripening chambers, reefer vans, mobile pre-coolers, mobile collection vans, and facilities for cleaning, grading, sorting, and packing.

The facilities listed above are merely examples; the precise type of facilities may differ from project to project depending on the particular needs as determined by the relevant bank. Nonetheless, the establishment of the aforementioned core processing facilities should receive at least 25% of the eligible project cost.

2.2 Enabling Basic Infrastructure

The development of industrial plots, boundary walls, roads, drainage, water and electricity supplies, including captive power plants and effluent treatment plants, telecommunication lines, parking bays with traffic management systems, weighbridges, and other features, are all included in site development at the PPC and CPC levels. Furthermore, a maximum of Rs. 10 crore will be deemed as project costs eligible for grant assessment out of the total projected cost of the captive power plant.

Therefore, SPV's contribution in the form of debt and equity would be the only source of funding needed to establish Captive Power Plant 4. The SPV must present a solid plan to guarantee future units in the Park with a reliable and high-quality power supply.

2.3 Factory Buildings

According to local demand, the Mega Food Park may offer Micro and Small Enterprises (MSEs) plug-and-play facilities in the form of standard factory sheds, which are to be constructed on no more than 10% of the CPC area.

2.4 Land

Here, the SPV will arrange for the purchase or lease of a minimum of 50 acres of land for the project, with a minimum lease term of 75 years [6]. The project cost and the SPV's contribution/share would include the entire registered value of the land. The acquisition or purchase of land is not permitted with the GoI grant. For PPCs and/or CCs, the land and/or infrastructure must be leased for a minimum of 25 years.

2.5 Non-core Infrastructure

This includes all forms of support infrastructure, including offices of service providers, labour rest and recreation centres, administrative buildings, training centres with equipment, trade and display centres, childcare facilities, canteens, worker's hostels, and marketing support systems. However, non-core infrastructure facility costs would be eligible for grants provided they did not exceed 10% of the eligible project cost.

2.6 Project Implementation Expenses

Consists of the price that the SPVs will pay to hire domain consultants to help with DPR preparation, supply chain management, engineering/design, and construction supervision.

3. IMPLEMENTATION PROCESS

3.1 Special Purpose Vehicle (SPV)

- Under the Companies Act of 2013, all ownership, management, and execution duties for the Mega Food Park would be vested in a Special Purpose Vehicle (SPV). It will not be necessary for State Governments, State Government entities, or cooperatives to establish a separate Special Purpose vehicle (SPV) in order to apply for projects under the scheme [8,9].

- The SPV's Anchor Investor, who owns the majority of the company, must establish at least one food processing facility in the park with a minimum investment of Rs. 10 crore, whether the SPV has other promoters or not. In such processing unit(s), this Anchor Investor will own at least 51% of the shares.
- A single entity would be in charge of the entire planning, development, and administration of the Mega Food Park.
- It is not permitted to establish an anchor unit that serves alcoholic beverages. It will also not be necessary for State Governments, State Government entities, or Cooperatives to establish an Anchor unit in the park.
- In a district, only one Mega Food Park project will be approved.
- The completion and commissioning of this food processing unit, which the anchor investor plans to establish in the Mega Food 5 Park, will coincide with the SPV's commissioning of the Mega Food Park project.
- SPVs that concentrate on processing a broad range of perishable products may be given preference when it comes to receiving assistance under the Scheme.

3.2 Program Management Agency (PMA)

A Programme Management Agency (PMA) will be appointed by the Ministry to help with the Scheme's implementation. The PMA needs to be a reputable organisation with a wealth of knowledge in the planning, organising, funding, and carrying out of infrastructure projects.

3.3 In-Principle Approval

- The Programme Management Agency will assess each and every proposal that is submitted in response to the EoI (PMA). The Technical Committee (TC) will extend an invitation to the applicants to present their proposals.
- Next, the TC will conduct an independent evaluation on a 50-point scale based on the applicants' presentation, while the PMA will conduct an evaluation on a 100-point scale based on the EoI proposals. The Inter-Ministerial Approval Committee (IMAC) will review the final evaluation report and the TC's recommendations before deciding whether to grant "In-Principle Approval" for the projects.
- The "In-Principle Approval" will automatically be revoked if the SPVs / IAs do not submit all required documents, along with other documents required for the Final Approval, within 4 months of the date of issuance, unless the Ministry grants an extension of time [10].

4. FINAL APPROVAL

4.1 Final Approval for the Project will be Granted Once the Following Requirements are Met

1. The delivery of the Detailed Project Report (DPR), which includes the technical, commercial, financial, and management aspects of the project as well as the PMA and Technical Committee's evaluation and recommendations. For a realistic cost estimate of land development and construction, this DPR must include a detailed master plan with sectional drawings and a building plan that gives a clear picture/title of drawings and other relevant details, construction cost certified by a chartered engineer, cost of plant and equipment backed by quotations from machinery and equipment, and cluster analysis that shows the availability of raw materials. It also must include a legible contour survey report and contour plan/maps. The submission of the proof for possession of at least 50 acres of contiguous land by the SPV for the CPC. The land should have permission for change of land use for industrial /infrastructure purposes [11].
2. The Ministry will provide a draft Share Subscription Agreement (SSA) for the members of the SPV to execute, along with the proof needed to incorporate the SPV. The agencies that the Ministry has accredited should provide the PMC for the project [12].
3. The revised financing strategy for the project, is adequately backed by suggested equity or contributions from each shareholder and explicitly calls for the approval of a term loan from the bank

together with an appraisal report from the bank.

4. All necessary documentation attesting to the Project Management Consultant's (PMC) appointment. The project's PMC ought to be chosen from the organisations the Ministry has authorised.

4.2 Assistance and Changes to Project Cost

Given the complexity and difficulties associated with supply chain-linked agricultural infrastructure projects, the SPV and IA may combine support provided by different Central and State Government schemes to enhance the projects' feasibility [13]. When 11 integrates such support, it will be made sure that no support is provided twice for the same project activity or component. The IMAC may consider this project cost revision after the project has received final approval.

4.3 Release of Funds

The Ministry will release the grant in the manner listed below after the Inter-Ministerial Approval Committee (IMAC) grants the project its Final Approval [14].

1. The first instalment under the Scheme, which is equal to 30% of the total grant, will be released.
2. The SPV will then receive the second installment, which is equivalent to 30% of the authorised grant assistance.
3. Additionally, SPV will receive the third instalment, which amounts to 20% of the grant assistance that has been approved.
4. The successful completion of the project and the start of operations are prerequisites for the release of the fourth and final installment, which represents 20% of the approved grant assistance, to the SPV.

5. CONCLUSION

The plan intends to carry out the Ministry of Food and Processing Industries' Vision 2015. By adding the Mega Food Parks Scheme to the 11th Fifth Year Plan amendment, the processing of perishable goods will rise to 20%, an increase of roughly 14% over the current rate. Additionally, the government wants to see more of India's food trade go worldwide. The plan is moving forward with great momentum and will undoubtedly benefit India's economy and agricultural sector.

DISCLAIMER (ARTIFICIAL INTELLIGENCE)

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc) and text-to-image generators have been used during writing or editing of manuscripts.

COMPETING INTERESTS

Author has declared that no competing interests exist.

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