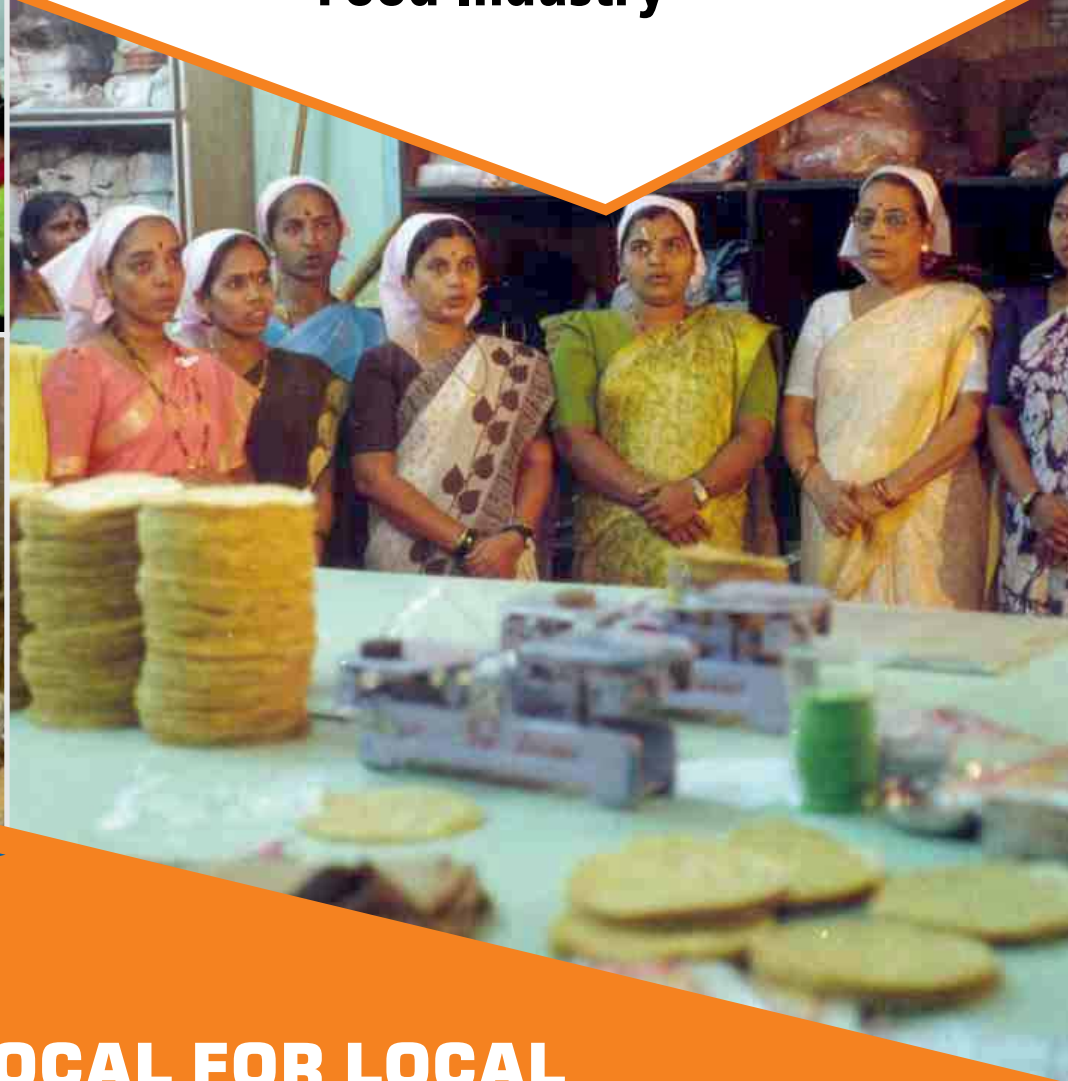


AATMANIRBHAR BHARAT

Opening gates for growth of Micro Enterprises in Food Industry



VOCAL FOR LOCAL

**Prime Minister Scheme for Formalization
of Micro Food Processing Enterprises (PM FME)**



सत्यमेव जयते

**MINISTRY OF FOOD PROCESSING INDUSTRIES
GOVERNMENT OF INDIA**



A landmark initiative under Aatmanirbhar Bharat Abhiyan offering golden opportunity for food micro entrepreneurs, FPO/ SHG/ Co-operatives to benefit from the ₹10000 crore Scheme for Formalization of 2 lakh Micro food processing Enterprises



“A combined resolve of 130 crore citizens is to make India self-reliant. The way ahead lies in LOCAL- Local Manufacturing, Local Markets, Local Supply Chain. Local is not merely a need but a responsibility.”

Narendra Modi, Prime Minister



Harsimrat Kaur Badal
Minister of Food Processing Industries



Rameswar Teli
Minister of State, Food Processing Industries

1. Background

1.1 The unorganized food processing sector comprising nearly 25 lakh units contribute to 74% of employment in food processing sector. Nearly 66% of these units are located in rural areas and about 80% of them are family-based enterprises supporting livelihood rural household and minimizing their migration to urban areas. These units largely fall within the category of micro enterprises.



1.2 These units face a number of challenges which limit their performance and their growth. These challenges include lack of access to modern technology & equipment, training, access institutional credit, lack of basic awareness on quality control of products; and lack of branding & marketing skills etc. Therefore, the unorganised food processing sector contributes much less in terms of value addition and output despite its huge potential.

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- (iv) Support for transition of existing enterprises into formal framework for registration under different regulatory framework and compliance;
- (v) Integration with organized supply chain by strengthening branding & marketing;

2. Objectives

2.1 Taking cognizance of the contribution of the food processing unorganized micro enterprises sector and the challenges that impede their performance, the Ministry of Food Processing Industries (MoFPI) has launched a "Prime Minister Scheme for Formalization of Micro Food Processing Enterprises (PM FME)" through a package support and services. The objectives under the scheme include the following:

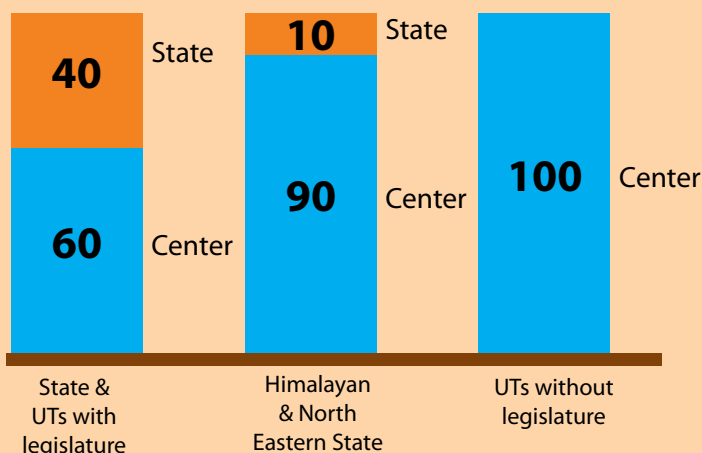
- (i) Capacity building of entrepreneurs through technical knowledge, skill training and hand holding support services;
- (ii) Increased access to credit to existing micro food processing entrepreneurs for technology upgradation;
- (iii) Support to Farmer Producer Organizations (FPOs), Self Help Groups (SHGs), Producers Cooperatives & Cooperative Societies along their entire value chain to enable microenterprises to avail common services.

3. Coverage of States/ UTs and Funding Pattern

- 3.1 It is an All India Centrally Sponsored Scheme with an Outlay of Rs.10,000 crore for coverage of 2,00,000 enterprises over 5 years from 2020-21 to 2024-25. The expenditure under the scheme would be shared in 60:40 ratio between Central and State Governments, in 90:10 ratio with North Eastern and Himalayan States, 60:40 ratio with UTs with legislature and 100% by Center for other UTs.
- 3.2 Expenditure in the first year 2020-21, whether incurred by the Centre or the States would be borne 100% by the Central Government. The expenditure made for the first year would be adjusted in ratio given above in the funds being transferred to the States equally in the next four years.



Fund Sharing Pattern Between Center & State



3.3 Funds under the Scheme would be provided to the States based on the approved Project Implementation Plan (PIP) of the States/ UTs.

4. One District-One Product: Cluster Approach

4.1 The Scheme will adopt a One District One Product approach to reap benefit of scale in terms of procurement of inputs, availing common services and marketing of products. One District One Product (ODOP) approach will provide the framework for value chain development and alignment of support infrastructure. There may be more than one cluster for one product in one district. A cluster may also extend beyond one district. The States would identify food product for a district, keeping in perspective the focus of the scheme on perishables. The ODOP could be a perishable produce-based product, cereal based

product or a food product widely produced in a district and their allied sectors. Illustrative list of such products includes mango, potato, litchi, tomato, tapioca, kinnu, bhujia, petha, papad, pickle, millet based products, fisheries, poultry, meat as well as animal feed among others. With respect to support to existing individual micro units, preference would be given to those producing under ODOP approach. However, units producing other products would also be supported. In case of groups, predominately, those involved in products under ODOP approach would be supported. Support to groups processing other products in such districts would only be for those already processing those products and with adequate technical, financial and entrepreneurial strength. Support for common infrastructure and marketing & branding would only be for products under ODOP approach. In case of support for marketing & branding at State or regional level, same products of districts not having that product as ODOP could also be included.



4.2 The scheme also envisages strengthening backward and forward linkages, provision of common facilities, incubation centres, training, R&D, marketing & branding, provision of which would primarily be for products in ODOP. Further, the cluster approach will also complement and benefit from the existing promotional efforts of the Government such as development of agriculture crop clusters under the Agriculture Export Policy, the cluster approaches of the Ministry of Agriculture and the Ministry of Rural Development through the National Rurban Mission.

5. Support to Food Processing Units

Support to food processing units would be provided for the following:

- (i) Credit linked grant at 35% of the project cost with maximum grant up to Rs 10.0 lakh to existing unorganised food processing units for upgradation;
- (ii) Credit linked grant at 35% of the project cost to SHGs/FPOs/cooperatives for capital expenditure with maximum limit as prescribed;
- (iii) Seed capital @ Rs.40,000/- per member of SHGs engaged in food processing as a working capital;
- (iv) Credit linked grant at 35% of the project cost for common infrastructure with maximum limit as prescribed;
- (v) Support for marketing & branding up to 50% of the expenditure with maximum limit as prescribed.



6. Upgradation of Processing Units

6.1 Individual Category: Individual micro food processing units would be extended credit-linked capital subsidy @35% of the eligible project cost for expansion/ technology upgradation with a maximum ceiling of Rs.10 lakh per unit. The beneficiary contribution should be minimum 10% and the balance should be loan from a Bank.

6.1.1 Eligibility criteria:

- (i) Individual / Partnership Firm with ownership right of the enterprise;
- (ii) Existing micro food processing units operational for the last three years with profits and with minimum Rs 5 lakh turnover;
- (iii) The applicant should be above 18 years of age and should possess at least VIII standard pass educational qualification;
- (iv) Only one person from one family is eligible for obtaining financial assistance. The "family" for this purpose would include self, spouse and children.

6.1.2 Procedure for applying for upgradation:

6.1.2.1 Applications would be invited at the district level on an ongoing basis for Units interested in availing the benefits under the Scheme. Existing food processing units desiring to seek assistance under the scheme should apply on the FME portal. Loan proposals would be recommended to the Banks after scrutiny. States may decide the appropriate level for short listing of the applications to be recommended to the Banks.

6.1.3 Procedure with Banks for Grant:

6.1.3.1 At the national level, a Nodal bank would be appointed for disbursement of subsidy to the banks and liaison with the other banks extending loan to the beneficiaries. The bank sanctioning the loan would open a mirror account in the name of the beneficiary. Grant by the Central and State Government in 60:40 ratio would be deposited in this account of beneficiary in the lending bank by the State and Central Government respectively. If after





a period of three years from the disbursement of last tranche of the loan, the beneficiary account is still standard and the Unit is operational, this amount would be adjusted in the bank account of beneficiary. Release of grant for groups and common infrastructure would also be done in their bank account following the same principle.

6.2 Group Category: The Scheme would provide support in clusters to groups such as FPOs/ SHGs/ producer cooperatives along their entire value chain. SHGs / FPOs / Producer Cooperatives would be provided the following support:-

- (i) Grant @35% with credit linkage for capital investment with maximum limit as prescribed;
- (ii) Training support;
- (iii) Support for marketing and branding for the products under ODOP for developing common brand for the cluster/group.

6.2.1 Eligibility Criteria:

- (i) It should be engaged in processing of ODOP produce for at least three years;
- (ii) In case of FPOs / cooperatives, they should have minimum turnover of Rs.1 crore and the cost of the project proposed should not be larger than the present turnover;
- (iii) The SHG / cooperative / FPO should have sufficient internal resources to meet 10% of the project cost and margin money for working capital.

6.3. Seed Capital to SHG:

6.3.1 The scheme envisages provision of Seed capital @ Rs.40,000/- per member of SHGs engaged in food processing for working capital and purchase of small tools. Seed capital as grant would be provided at the federation level of SHGs which, in turn, will be extended to members as loan through the SHGs to be repaid to the SHG.

6.3.2 Eligibility criteria:

6.3.2.1 For Seed Capital, only SHG members who are presently engaged in food processing would be eligible. The SHG member has to commit to utilize this amount for working capital as well as purchase of small tools and give a commitment in this regard to the SHG and SHG federation.

7. Creation of Common Infrastructure

7.1 FPOs/ SHGs/ Producer Cooperatives /State agencies or private enterprises would be supported for creation of common infrastructure including for common processing facility, incubation center, laboratory, warehouse, cold storage, etc.. Eligibility of a project under this category would be decided based on benefit to farmers and industry at large, viability gap, absence of private investment, criticality to value chain, etc. Credit linked grant would be available @ 35% with maximum limit as prescribed.

8. Branding and Marketing Support

8.1 Marketing and branding support will be provided to FPOs/SHGs/Cooperatives or an SPV or micro food processing enterprises under the scheme following the cluster approach for developing common packaging & branding with provision for quality control, standardization and adhering to food safety parameters for consumer retail sale.



8.2 Support for Marketing and Branding requires a minimum volume which can be generated through active involvement of FPO/ SHG/ Cooperatives to bring large number of producers together. These organisations would be supported based on DPR prepared by them indicating essential details of the project. Support up to Rs.5 lakh would be available from SNA for preparing DPR for proposals for branding & marketing.

8.3 Support for branding and marketing would be limited to 50% of the total expenditure with maximum limit as prescribed. Proposal from states or national level institutions or organizations or partner institutions for branding & marketing will be supported for vertical products at the national level. No support would be provided for opening retail outlets under the scheme.

8.4 Procedure for Applying for Support:

8.4.1 In case of SHGs/FPOs/cooperatives interested in applying for support for branding and marketing under the Scheme, DPR should be prepared and submitted to State Nodal Agency (SNA). SNA would appraise the proposal and with recommendation from the State Level Approval

Committee (SLAC) seek approval from MOFPI. Thereafter, the proposal would be recommended to a Bank for sanction of loan. Same procedure should be followed for applying for support for creation of common facilities as well.

9. Capacity Building & Research

9.1 Training is a critical component in technical upgradation and formalization of micro food processing enterprises. Every beneficiary and guarantee institutions would undergo training for upgradation of their skills. In addition, training support would also be provided to other existing individual units and groups producing ODO product in the district even if they are not being supported through credit linked grant. Training





support would also be provided for units that are part of Support for Marketing & Branding or have potential to join such network.

9.2 National Institute for Food Technology Entrepreneurship and Management (NIFTEM) and Indian Institute of Food Processing Technology (IIFPT), two national level food processing technology institutions under MOFPI are given responsibility to spearhead capacity building and research. At the State level, they would partner with a State Level Technology Institute in food processing technology selected by the State Government for conducting capacity building and training.

9.3 Training to individual and group beneficiaries will focus on entrepreneurship development, essential functions of enterprise operations, book keeping, registration, FSSAI standards, Udyog Aadhar, GST Registration, general hygiene, packaging, marketing etc. Specific training designed on the model of ODOP and the vertical focus products will be undertaken nearer to the work place of the entrepreneurs. Existing infrastructure of Rural Self Employment Training Institutes (RSETI) and other institutions

at the district level will be utilized for imparting training.

10. Partner Institutions

10.1 The scheme lays special focus on SC/ST, women and aspirational districts and FPOs, SHGs and producer cooperatives. TRIFED, National SC Development Finance Corporation, NCDC, Small Farmer Agri-Business Consortium (SFAC) and National Rural Livelihood Mission under Ministry of Rural Development have been working in these areas. The above institutions may converge their activities by facilitating identification of units / clusters of STs, SCs, cooperatives, FPOs and SHGs respectively. Identified clusters / units in the select ODOP in the States will form part of the State PIP.



11. Implementation & Monitoring Mechanism

11.1 The Scheme will have the following management structure at the Central, State and District level for effective implementation and monitoring of the scheme:



11.2 Inter-Ministerial Empowered Committee (IMEC): IMEC at the Central level, will be chaired by Minister for Food Processing Industries (MoFPI) for general superintendence, guidance and overall direction for implementation of the scheme, monitoring of progress and reviewing its performance. IMEC will approve scheme guidelines, Project Implementation Plan (PIP) of the State/ UTs under the scheme and various projects of capital investment by SHGs/FPOs/ cooperatives, common infrastructure facilities and proposals of marketing & branding for project size above Rs 10 lakh. A Project Executive Committee (PEC) will be constituted in MoFPI for undertaking administrative function and regular monitoring of the scheme at operational level. A National Programme Management Unit (NPMU) will be set up to assist MoFPI to provide secretarial, managerial and implementation support.

11.3 State Level: State Governments would appoint a Nodal Department and a State Nodal officer to oversee the implementation of the Scheme. The Scheme will be implemented by a State Nodal Agency (SNA) assisted by the State PMU. A State Level Approval Committee chaired by the Chief Secretary will oversee the implementation of the Scheme. The Committee will sanction expenditure up to Rs 10 lakh on various activities related to the implementation of the scheme. A District Level Committee (DLC) would be constituted under the Chairmanship of District Collector.

11.5 District Resources Persons (DRPs) would be appointed by SNA for providing handholding support to the beneficiaries. Handholding support would be for preparation of DPR, taking bank loan, support for obtaining necessary registration and licences including food standards of FSSAI, Udyog Aadhar, GST etc.



12. Studies & Reports

12.1 State Governments should prepare a Project Implementation Plan (PIP) which will have the following two components:

- (i) **Base-Line Assessments:** A baseline study should be undertaken to identifying ODOP. This study should get concluded by 31 July, 2020 in each State. For this study, Rs. 5.0 – 10.0 lakh would be provided to the States.
- (ii) **State Level Upgradation Plan(SLUP):** Once decision is taken on the ODOP, detailed studies should be carried out in the States detailing the number of units undertaking processing of that product in the district, farm level of operations, total volume and value of produce, technology, farm gate level processing, storage, warehousing, etc., This study should be concluded by 31 December, 2020. The amount provided for the above study would be Rs.25.0 – 75.0 lakh to States.

13. Detailed Guidelines

Detailed guidelines of the scheme may be view at Ministry's website mofpi.nic.in



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