



Ministry of Food Processing Industries

Cabinet approves "Scheme for formalisation of Micro Food Processing Enterprises (FME)"

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The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has given its approval to a new Centrally Sponsored Scheme - "Scheme for Formalisation of Micro food processing Enterprises (FME)" for the Unorganized Sector on All India basis with an outlay of Rs.10,000 crore. The expenditure will be shared by GOI and the States in ratio of 60:40.

Details of the Scheme:

Objectives:

- Increase in access to finance by micro food processing units.
- Increase in revenues of target enterprises.
- Enhanced compliance with food quality and safety standards.
- Strengthening capacities of support systems.
- Transition from the unorganized sector to the formal sector.
- Special focus on women entrepreneurs and Aspirational districts.
- Encourage Waste to Wealth activities.
- Focus on minor forest produce in Tribal Districts.

Salient features:

- Centrally Sponsored Scheme. Expenditure to be shared by Government of India and States at 60:40.
- 2,00,000 micro-enterprises are to be assisted with credit linked subsidy.
- Scheme will be implemented over a 5 year period from 2020-21 to 2024-25.
- Cluster approach.
- Focus on perishables.

Support to Individual micro units:

- Micro enterprises will get credit linked subsidy @ 35% of the eligible project cost with ceiling of Rs.10 lakh.
- Beneficiary contribution will be minimum 10% and balance from loan.
- On-site skill training & Handholding for DPR and technical upgradation.

Support to FPOs/SHGs/Cooperatives:

- Seed capital to SHGs for loan to members for working capital and small tools.
- Grant for backward/ forward linkages, common infrastructure, packaging, marketing & branding.
- Skill training & Handholding support.
- Credit linked capital subsidy.

Implementation schedule:

- The scheme will be rolled out on All India basis.
- Back ended credit linked subsidy will be provided to 2,00,000 units.
- Seed capital will be given to SHGs (@Rs. 4 lakh per SHG) for loan to members for working capital and small tools.
- Grant will be provided to FPOs for backward/forward linkages, common infrastructure, packaging, marketing & branding.

Administrative and Implementation Mechanisms

- The Scheme would be monitored at Centre by an Inter-Ministerial Empowered Committee (IMEC) under the Chairmanship of Minister, FPI.
- A State/ UT Level Committee (SLC) chaired by the Chief Secretary will monitor and sanction/ recommend proposals for expansion of micro units and setting up of new units by the SHGs/ FPOs/ Cooperatives.
- The States/ UTs will prepare Annual Action Plans covering various activities for implementation of the scheme, which will be approved by Government of India.
- A third party evaluation and mid-term review mechanism would be built in the programme.

State/ UT Nodal Department & Agency

- The State/ UT Government will notify a Nodal Department and Agency for implementation of the Scheme.

- State/ UT Nodal Agency (SNA) would be responsible for implementation of the scheme at the State/ UT level including preparation and validation of State/ UT Level Upgradation Plan, Cluster Development Plan, engaging and monitoring the work of resource groups at district/ regional level, providing support to units and groups, etc.

National Portal & MIS

- A National level portal would be set-up wherein the applicants/ individual enterprise could apply to participate in the Scheme.
- All the scheme activities would be undertaken on the National portal.

Convergence Framework

- Support from the existing schemes under implementation by the Government of India and State Governments would be availed under the scheme.
- The Scheme would attempt to fill in the gaps, where support is not available from other sources, especially for capital investment, handholding support, training and common infrastructure.

Impact and employment generation:

- Nearly eight lakh micro- enterprises will benefit through access to information, better exposure and formalization.
- Credit linked subsidy support and hand-holding will be extended to 2,00,000 micro enterprises for expansion and upgradation.
- It will enable them to formalize, grow and become competitive.
- The project is likely to generate nine lakh skilled and semi-skilled jobs.
- Scheme envisages increased access to credit by existing micro food processing entrepreneurs, women entrepreneurs and entrepreneurs in the Aspirational Districts.
- Better integration with organized markets.
- Increased access to common services like sorting, grading, processing, packaging, storage etc.

Background:

- There are about 25 lakh unregistered food processing enterprises which constitute 98% of the sector and are unorganized and informal. Nearly 66 % of these units are located in rural areas and about 80% of them are family-based enterprises.

- This sector faces a number of challenges including the inability to access credit, high cost of institutional credit, lack of access to modern technology, inability to integrate with the food supply chain and compliance with the health & safety standards.
- Strengthening this segment will lead to reduction in wastage, creation of off-farm job opportunities and aid in achieving the overarching Government objective of doubling farmers' income.

VRRK/SH

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