

N K SINGH*Sunday, January 23, 2005*

from the ringside

Thought for food

Sustained increase in farm incomes is crucial not only for GDP growth but to sustain a growing market for goods and services. Integrated agricultural reforms entail cohesiveness on complex policy measures, including changes in the Minimum Support Price (MSP) regime, a targeted public distribution system, securing improved metabolic balance in soil by appropriate fertiliser mix, increased irrigation coverage through use of rain-water harvesting and sustainable water-use techniques, and effecting changes in crop patterns in consonance with changing consumer preferences and groundwater availability. Value-added agricultural activity, particularly agro-processing activity, is however central to any design for restructuring agricultural activity. Consider the following:

India with an arable land area of 184 million hectares produces 91 million tonnes of milk (highest in the world), 150 million tonnes of fruits and vegetables (second highest), 210 million tonnes of foodgrains (third highest), 6.2 million tonnes of fish, and has 480 million livestock (largest). Nonetheless, processing levels for fruits and vegetables are just 2 per cent, poultry 2.1 per cent, milk 14 per cent, and fish 4 per cent. Poor shelf life and absence of market connectivity and outlets result in large food wastage. Thus nearly 40 per cent of fruits and vegetables are wasted. Compare this to countries like the Philippines and China where processing activity is 45 per cent and 23 per cent respectively compared to our modest 7 per cent in food products.

Why has our food-processing activity not taken off?

First is the absence of adequate infrastructure, particularly rural road connectivity, inadequacy of information and marketing linkages, and the absence of cold chain systems. Cost of packaging (poor as they are) ranges from 10-54 per cent of production cost. The cold chain capacity caters to less than 10 per cent of the produce and within that the facilities are so rudimentary that over 80 per cent are only capable of handling potatoes! High costs and low availability of credit remain a problem because even within the priority sector, lending by banks for agriculture, food processing receives only 4.5 per cent of the earmarked credit.

Second, the regulatory framework preventing farmers from directly marketing their produce, except through designated agricultural markets, adds to cost and impairs flexibility. A wholesale modification of the Agricultural Produce Marketing Act is an inescapable necessity. So is greater encouragement for contract farming. The ingredients of future policy are contained in the Food Processing Policy, 2005, prepared by the Ministry for Food Processing. These need to be finalised. Issues of infrastructure, adequacy of financing, legal and regulatory framework need to be addressed. Synchronisation of the aggressive rural roads programme with mobile refrigeration facilities and linking cold chains will minimise waste and improve

farm incomes.

The most debilitating factor however is the legal framework. Currently, food laws span nine ministries, comprising 13 Central orders alone! In addition, states have their own control orders. Organisations responsible for enforcing these regulations are poorly staffed or trained and represent the worst vestiges of the licence permit raj. Food inspectors (a modest 4,000) are known to harass manufacturers for extracting untenable rent. Two years ago, the Government had announced the constitution of a Group of Ministers to formulate an Integrated Food Law. The composition of the Group changed and so did the Government. A new group under the Minister for Agriculture was constituted some time ago. It has completed its work expeditiously and the draft of a Food Safety and Standards Bill, 2005, has been put on the website of the Ministry for Food Processing. While this Bill has much to commend itself for integrating various laws into a cohesive legislation and is no doubt a positive step forward, several infirmities remain. These include:

a) While everybody is conscious that the Government has a social and moral obligation to promote purity in food, the Bill seeks to achieve this by excessive controls through elaborate licencing procedures. The Bill is clearly draconian—investing wide powers under Section 38 in food inspectors for inspection, search, seizure, with offences being punishable with imprisonment. These are liable for misuse given the mindset of food inspectors. We need to consider whether instead of licencing, we can delicense the sector, prescribe food standards rigorously and impose heavy financial penalty for deviation from prescribed standards. Creating a vast network of food inspectors may not be the most efficient means to achieve the broad objective shared by all of “ensuring availability of safe and wholesome food for human consumption”.

b) There is little evidence to suggest that the new Authority will have autonomy. The composition of the Authority, under Section 5 of the Bill, consisting of several joint secretaries of various ministries, their selection through a committee headed by the Cabinet Secretary, the procedures for their removal, the inherent powers retained by the Government to issue directives over a wide gamut of issues does not inspire confidence either in its independent constitution or functioning.

c) In fact Article 8(C) of the proposed Act on removal of members is liable to ambiguous interpretation. So is the unusual proviso on the possibility of the Authority itself being superceded. We have rarely heard of authorities or regulators being superceded, except through a new legislation. Both the members of the Authority and indeed the Authority itself are thus vulnerable to the political exigencies of the time.

d) Curiously, the Act does not stipulate the administrative ministry under the aegis of which the proposed Authority would be constituted. If the focus is development instead of regulation, the Food Processing Ministry would be its logical home. The mandate of the Food Processing Ministry needs clarification for effecting coordination of post-harvest activity, which is currently dispersed over a number of institutions.

A lot of time and effort has gone into the drafting of this Bill. Sharad Pawar deserves credit for completing a difficult task quickly where his predecessors had failed. However, if this Bill is to truly meet international benchmarks, it needs to be

divested of the subsisting licence permit raj mindset. The powers prescribed under the Act, methods of appointment, removal and enforcement need to be simplified. After all, the end objective is to make it easier, simpler, safer and more profitable for the agro-processing industry to come up in this country. A draconian law in the offing may not be the best means to achieve this end. We need Food for Thought.

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