

# AATMANIRBHAR BHARAT

## GUIDELINES FOR IMPLEMENTATION OF

# “PM Formalisation of Micro Food Processing Enterprises Scheme (PM FME Scheme)”



Registration



Handholding Support



DPR and FUPs



Application for the Subsidy



Banking Linkages



Technological Upgradation



Support to FPOs/  
SHGs/ Cooperatives



Common Facilities



Branding & Marketing

## VOCAL FOR LOCAL



सत्यमेव जयते

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## **1.0 Background**

### **1.1 Overview**

- 1.1.1 The unorganized food processing sector in the country comprises nearly 25 lakh food processing enterprises which are unregistered and informal. With only 7% of investment in plant & machinery and 3% of outstanding credit, the unorganized enterprises contribute to 74% of employment (a third of which are women), 12% of output and 27% of the value addition in the food processing sector. Nearly 66% of these units are located in rural areas and about 80% of them are family-based enterprises<sup>1</sup>. Most of these units falls under category of micro manufacturing units in terms of their investment in plant & machinery and turnover.
- 1.1.2 The unorganized food processing industry in India faces challenges that limit its development and weakens performance. These challenges include: (a) lack of productivity and innovation due to limited skills and access to modern technology and machinery for production and packaging; (b) deficient quality and food safety control systems, including lack of basic awareness on good hygienic and manufacturing practices;(c) lack of branding & marketing skills and inability to integrate with the supply chains, etc.:(d) capital deficiency and low bank credit.
- 1.1.3 Unorganized micro food processing units, need intensive hand holding support for skill training, entrepreneurship, technology, credit and marketing, across the value chain, necessitating active participation of the state government for better outreach. In the last decade, Central and State Governments have made intensive efforts to organize farmers in Food Processing Organisations (FPOs) and women's Self Help Groups (SHGs). SHGs have achieved considerable progress in thrift and their repayment record with 97% NPA level is among the best. Governments have made efforts to enable SHGs to undertake various manufacturing and service sector activities including food processing. However, there are few Government schemes to support FPOs and SHGs to make investment and upscale their operations.
- 1.1.4 This scheme is a centrally sponsored scheme that is designed to address the challenges faced by the micro enterprises and to tap the potential of groups and cooperatives in supporting the upgradation and formalization of these enterprises.

### **1.2 Aims**

- 1.2.1 The scheme aims to:
- i) Enhance the competitiveness of existing individual micro-enterprises in the unorganized segment of the food processing industry and promote formalization of the sector; and

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<sup>1</sup>NSSO, 2015

- ii) Support Farmer Producer Organizations (FPOs), Self Help Groups (SHGs) and Producers Cooperatives along their entire value chain.

### **1.3 Objectives**

1.3.1 The objectives of scheme are to build capability of microenterprises to enable:

- i) Increased access to credit by existing micro food processing entrepreneurs, FPOs, Self Help Groups and Co-operatives;
- ii) Integration with organized supply chain by strengthening branding & marketing;
- iii) Support for transition of existing 2,00,000 enterprises into formal framework;
- iv) Increased access to common services like common processing facility, laboratories, storage, packaging, marketing and incubation services;
- v) Strengthening of institutions, research and training in the food processing sector; and
- vi) Increased access for the enterprises, to professional and technical support.

### **1.4 Outlay**

1.4.1 The scheme envisages an outlay of Rs. 10,000 crore over a period of five years from 2020-21 to 2024-25. The expenditure under the scheme would to 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 the Center for other UTs.

### **1.5 Coverage**

1.5.1 Under the scheme, 2,00,000 micro food processing units will be directly assisted with credit linked subsidy. Adequate supportive common infrastructure and institutional architecture will be supported to accelerate growth of the sector.

## **2.0 One District One Product**

2.1 The Scheme adopts One District One Product (ODOP) approach to reap the benefit of scale in terms of procurement of inputs, availing common services and marketing of products. ODOP for the scheme will provide the framework for value chain development and alignment of support infrastructure. There may be more than one cluster of ODOP product in one district. There may be cluster of ODOP product consisting of more than one adjacent district in a State.

2.2 The States would identify the food product for a district, keeping in perspective the focus of the scheme on perishables. A baseline study would be carried out by the State Government. The ODOP product could be a perishable agri produce, 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. In addition, certain other traditional and innovative products including waste to wealth products could be supported under the Scheme. For example, honey, minor forest products in tribal areas, traditional Indian herbal edible items like turmeric, amla, haldi, etc. Support for agricultural produce would be for their processing along with efforts to reduce wastage, proper assaying and storage and marketing.

- 2.3 With respect to support to existing individual micro units for capital investment, preference would be given to those producing ODOP products. However, existing units producing other products would also be supported. In case of capital investment by groups, predominately those involved in ODOP products would be supported.
- 2.4 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.
- 2.5 New units, whether for individuals or groups would only be supported for ODOP products.
- 2.6 Support for common infrastructure and marketing & branding would only be for ODOP products. 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.
- 2.7 Department of Commerce is focusing on agriculture crops on a cluster approach for support for exports under the Agriculture Export Policy and Ministry of Agriculture is also focusing on cluster approach for development of specific agri-produce in districts having comparative advantage. A number of states have adopted similar cluster based development. The ODOP approach of the Scheme would lead to ease in providing common facilities and other support services.

### **3.0 Programme Components**

- 3.1 The programme has four broad components addressing the needs of the sector:
  - i) Support to individual and groups of micro enterprises;
  - ii) Branding and Marketing support;
  - iii) Support for strengthening of institutions;
  - iv) Setting up robust project management framework.
- 3.2 Details of each of these components are described below.

## **4.0 Support to Individual Micro Enterprises**

**4.1** Individual micro food processing units would be provided credit-linked capital subsidy @35% of the eligible project cost with a maximum ceiling of Rs.10.0 lakh per unit. Beneficiary contribution should be minimum of 10% of the project cost with balance being loan from Bank.

### **4.2 Eligibility criteria for individual micro enterprises under the scheme:**

- i) Existing micro food processing units in operations;
- ii) Existing units should be those identified in the SLUP for ODOP products or by the Resource Person on physical verification. In case of units using electrical power, electricity bill would support it being in operations. For others units, existing operations, inventory, machines and sales would form the basis;
- iii) The enterprise should be unincorporated and should employ less than 10 workers;
- iv) The enterprise should preferably be involved in the product identified in the ODOP of the district. Other micro enterprises could also be considered;
- v) The applicant should have ownership right of the enterprise;
- vi) Ownership status of enterprise could be proprietary / partnership firm;
- vii) The applicant should be above 18 years of age and should possess at least VIII standard pass educational qualification;
- viii) Only one person from one family would be eligible for obtaining financial assistance. The "family" for this purpose would include self, spouse and children;
- ix) Willingness to formalize and contribute 10% of project cost and obtain Bank loan;
- x) Cost of the land should not be included in the Project cost. Cost of the ready built as well as long lease or rental workshed could be included in the project cost. Lease rental of workshed to be included in the project cost should be for a maximum period of 3 years only.

### **4.3 Selection Process for Individual Micro Units**

**4.3.1** Identification of existing Units to be supported would be by a two-pronged process. Based on One District One Product approach, support would preferably be provided to the Units engaged in that product in the district. Other units, who have potential, would also be supported.

- 4.3.2 Applications would be invited at the district level on an ongoing basis for Units, from those interested in availing the benefits under the Scheme. Resource Persons (RPs) would undertake survey of various clusters and identify units that show potential for availing benefits under the Scheme. For applications received directly, RPs would undertake field verification and due diligence to assess their potential.
- 4.3.3 All the potential cases based on identification of Units directly by RPs and application received would be submitted before the District Level Committee. District Level Committee should study the report submitted by RP for each Unit and interview the interested persons.
- 4.3.4 Due diligence to be carried out by the RP for each Unit should have the following details:
- i) Annual Turnover of the enterprise;
  - ii) Track Record of payments by the enterprise;
  - iii) Existing infrastructure;
  - iv) Backward and Forward Linkages;
  - v) Proximity to clusters;
  - vi) Marketing linkages of the enterprise.
- 4.3.5 For the cases recommended by the District Level Committee/SNA, RPs should help them in preparation of DPR for availing bank loan for upgradation of the Unit. The DPR along with necessary documents should be submitted to the Banks for sanction of loan.
- 4.4 The procedure delineated above would apply for selection of new units also, provided the ODOP baseline study throws up a need / potential for such new investments.
- 4.5 State Governments should decide at what level they would want to finalize individual micro units list to be supported, by DLC or at SNA level. Similarly, for applications for capital investment by groups, common infrastructure & marketing & branding, the states should decide the role of DLC/SNA in routing of applications.

## **5.0 Group Category**

5.1 The Scheme would support clusters and groups such as FPOs/SHGs/ producer cooperatives along their entire value chain for sorting, grading, assaying, storage, common processing, packaging, marketing, processing of agri-produce, and testing laboratories.

## **5.2 Farmer Producer Organizations (FPOs)/Producer Cooperatives**

5.2.1 FPOs and Producer Cooperatives would be provided the following support:

- i) Grant @35% with credit linkage;
- ii) Training support;
- iii) Maximum limit of grant in such cases would be as prescribed.

#### 5.2.2 Eligibility Criteria for Co-operatives/FPOs:

- i) It should preferably be engaged in processing of ODOP produce;
- ii) It should have minimum turnover of Rs.1 crore;
- iii) The cost of the project proposed should not be larger than the present turnover;
- iv) The members should have sufficient knowledge and experience in dealing with the product for a minimum period of 3 years.
- v) The cooperative/FPO should have sufficient internal resources or sanction from the State Government to meet 10% of the project cost and margin money for working capital;

### 5.3 Self Help Groups (SHGs)

5.3.1 A number of SHGs are undertaking food processing activities. The Scheme proposes to provide following support to SHGs:-

#### 5.3.2 Seed capital:

- i) Seed capital @ Rs40,000/- per member of SHG for working capital and purchase of small tools would be provided under the scheme;
- ii) Priority would be given for SHGs involved in ODOP produce in giving seed capital;
- iii) All the members of an SHG may not be involved in the food processing. Therefore, seed capital would be provided at the federation level of SHGs;
- iv) This would be given as grant to the SHG federation by SNA/ SRLM. SHG federation would provide this amount as a loan to the members of SHGs to be repaid to the SHG.

5.3.3 **Support to individual SHG member** as a single unit of food processing industry with credit linked grant @35% with maximum amount being Rs 10 lakh.

5.3.4 **Support for capital investment** at federation of SHG level, with credit linked grant @35%. Maximum limit of grant in such cases would be as prescribed.

5.3.5 **Training & Handholding Support to SHGs:** For support to SHGs, a large number of trained resource persons are available with State Rural Livelihood Missions (SRLMs). These local resource persons of SRLM having expertise in agro-produce would be utilized for training, upgradation of units, DPR preparation, handholding support, etc.

5.3.6 **Eligibility Criteria for Seed Capital for SHGs:**

- i) Only SHG members that are presently engaged in food processing would be eligible;
- ii) The SHG member has to commit to utilize this amount for working capital and purchase of small tools and give a commitment in this regard to the SHG and SHG federation;
- iii) Before providing the seed capital, SHG Federation should collect the following basic details for each of the members:
  - a) Details of the product being processed;
  - b) Other activities undertaken;
  - c) Annual turnover;
  - d) Source of raw materials and marketing of produce.

#### 5.3.7 Eligibility Criteria for Credit Linked Grant for Capital Investment for SHGs:

- i) The SHGs should have sufficient own funds for meeting 10% of the project cost and 20% margin money for working capital or sanction of the same as grant from the State Government;
- ii) The SHG members should have for a minimum period of 3 years' experience in processing of the ODOP product.

## 6.0 Support for Common Infrastructure

**6.1** Support for common infrastructure would be provided to FPOs, SHGs, cooperatives, any Government agency or private enterprises. Common infrastructure created under the scheme should also be available for other units and public to utilize on hiring basis for substantial part of the capacity. 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%. Maximum limit of grant in such cases would be as prescribed.

**6.2 Types of Common infrastructure to be funded under the scheme:** The following common infrastructure would be funded under the Scheme:

- i) Premises for assaying of agriculture produce, sorting, grading, warehouse and cold storage at the farm-gate;
- ii) Common processing facility for processing of ODOP produce;
- iii) **Incubation Centre** should involve one or more product lines, which could be utilized by smaller units on a hire basis for processing of their produce. The Incubation Centre may partly be used for training purpose. It should be run on commercial basis.

### **6.3 Procedure for groups to send proposals for Common Infrastructure and capital investment by FPOs/SHGs/Cooperatives:**

6.3.1 The following procedure should be followed for seeking funding for common infrastructure and capital investment by FPOs/SHGs/Cooperatives under the Scheme:

- i) A DPR for seeking assistance under the Scheme for capital investment and common infrastructure should be prepared, based on the format as prescribed;
- ii) The DPR should have necessary details of the proposal, detailed project cost, proposed manpower, turnover, marketing channel, sources of raw material, estimated profit & loss account, cash flow statement, etc.;
- iii) The DPR should be sent to State Nodal Agency (SNA). After approval of the proposal by SLAC, SNA should recommend the proposal to MoFPI. Any proposal for assistance to a group for grant above Rs.10 lakh should be sent to MOFPI for approval.
- iv) After approval of the proposal by MoFPI, the proposal should be forwarded to the financial institution for sanction of loan;
- v) The DPR may also contain proposal for training support to the group members based on the training hours & modules, as prescribed and the cost norms of Ministry of Skill Development and Entrepreneurship. Component of training and capacity building would be fully funded under the Scheme;
- vi) Assistance of Rs. 50,000/- per case would be provided to FPOs/SHGs/ Cooperatives for preparation of DPR;
- vii) Disbursement of grant should take place to the bank account of the applicant organization after sanction of loan by the bank.

### **7.0 Branding and Marketing Support**

7.1 Marketing and branding support would be provided to groups of FPOs/SHGs/ Cooperatives or an SPV of micro food processing enterprises under the Scheme. Following the ODOP approach, marketing & branding support would only be provided for such product at the State or regional level.

### **7.2 Eligible items for support**

- i) Training relating to marketing to be fully funded under the scheme;
- ii) Developing a common brand and packaging including standardization to participate in common packaging;
- iii) Marketing tie up with national and regional retail chains and state level institutions;

iv) Quality control to ensure product quality meets required standards.

**7.3** Support for marketing and branding requires developing a common brand, common packaging and product standardization. The appropriate level for common branding and packaging would differ from place to place, case to case and product to product. Whether it should be district, regional or state level would be decided by the concerned SNA in each case. Therefore, the proposal for support to marketing and branding should be prepared by the SNA. Support for branding and marketing would be limited to 50% of the total expenditure. Maximum limit of grant in such cases would be as prescribed. No support would be provided for opening retail outlets under the scheme.

**7.4** Vertical products at the national level could also be provided support for branding & marketing on the same lines as described above for ODOP focus. Such support for common branding/packaging and marketing would be provided at the national level. Proposal for that support should be sent to MoFPI by the states or national level institutions or organizations or partner institutions.

**7.5 Eligibility criteria:**

7.5.1 The proposals should fulfill the following conditions:-

- i) The proposal should relate to ODOP;
- ii) Minimum turnover of product to be eligible for assistance should be Rs 5 crore;
- iii) The final product should be the one to be sold to the consumer in retail pack;
- iv) Applicant should be an FPO/SHG/cooperative/ regional - State levels SPV to bring large number of producers together;
- v) Product and producers should be scalable to larger levels;
- vi) Management and entrepreneurship capability of promoting entity should be established in the proposal.

**7.6 Procedure for applying for assistance under Branding & Marketing**

7.6.1 **Detailed Project Report preparation:**

- i) A DPR should be prepared for the proposal, comprising essential details of the project, product, strategy, quality control, aggregation of produce, common packaging and branding, pricing strategy, promotional details, warehousing and storage, marketing channel, plans for increase in sales etc.;
- ii) Support up to Rs.5 lakh would be available from SNA for preparing DPR for proposals for marketing & branding;
- iii) The proposal should also contain flow chart of activities from the procurement of raw material to marketing, critical control points, ensuring quality control,

plans for five years in terms of promotional activities, increasing the number of participating producers and turnover;

- 7.6.2 There should be an agreement with a business plan, executed between the cooperatives/SHG/FPO/SPV, the lead buyer(s), if any, and the SNA, which would describe the capital and services needs of the producers and proposed improvements that would allow them to upgrade their production capacities and skills to strengthen their linkage with the market, i.e. the lead buyer(s).

## **8.0 Capacity Building & Research**

### **8.1 Support to National Institutions:**

**8.1.1** Capacity building and training is a critical component in technical upgradation and formalization of micro food processing enterprises. At the National level, National Institute for Food Technology Entrepreneurship and Management (NIFTEM) and Indian Institute of Food Processing Technology (IIFPT) would play pivotal role in capacity building & research. They would be eligible for financial assistance towards research and capacity building. NIFTEM and IIFPT in partnership with State Level Technical Institutions would provide training and research support to the selected enterprises/groups/clusters. National level product specific institutions under ICAR, CSIR or premier institutes like DFRL and CFTRI will be partner institutions for providing support at the vertical level across the country for training and research.

**8.1.2** NIFTEM and IIFPT would carry out the following activities:

- i) Capacity building and training for MoFPI, State and District officials;
- ii) Developing curricula and training modules and partner with State Level Technical Institutes for further trainings to micro enterprises and groups;
- iii) Training of trainers;
- iv) Development of online modules for training;
- v) Preparation of standard Detailed Project Reports (DPRs) for typical products for micro units;
- vi) Development of shelf of technology/ machines for up-gradation of typical micro units;
- vii) Partnership with other research and training institutions for the above activities;
- viii) Strengthening State Level Technical Institutions for delivery of the Scheme requirements.

**8.1.3** NIFTEM and IIFPT would establish a PMU in their organization for the Scheme with composition as prescribed. For these PMUs, they would engage personnel on

contract basis. Grant under the Scheme would be provided to NIFTEM and IIFPT to meet full cost of these PMUs.

**8.1.4** NIFTEM and IIFPT should prepare Project Implementation Plan (PIP) for the activities they propose to undertake along budget and submit to MoFPI. Committee for Capacity Building & Research at MoFPI would examine the PIPs and seek approval of IMEC for them. MoFPI would provide funding support under the Scheme to NIFTEM and IIFPT for the activities approved in the PIPs.

## **8.2 Support to State Level technical Institutions**

**8.2.1** State Government should nominate a State Level Technical Institution for the Scheme. Their activities would include:

- i) Prepare PIP for the State Level Technical Institution;
- ii) Providing inputs to PIP being prepared by the SNA relating to capacity building and research;
- iii) Conducting capacity building and training for State and District officials;
- iv) Conducting training for District Resource Persons;
- v) Provide inputs for Branding and Marketing plans being prepared by SNAs;
- vi) Provide mentoring support to District Resource Persons for handholding micro enterprises, preparations of DPRs, etc.

**8.2.2** The nominated State Level Technical Institution should prepare PIP including annual training calendar for the proposed activities and send that to MoFPI after approval from the State Level Approval Committee in consultation with the NIFTEM and IIFPT.

**8.2.3 Criteria for selection of State Level Technical Institution:** The State Level Technical Institution should be an existing institution involved in food processing technology. This Institute could be:

- i) A college/institute under State Agriculture University or any other University;
- ii) A State-owned food processing technology research Institute;
- iii) An institute under CSIR or any Government of India institute focusing on food processing;
- iv) If it is a college, it should have undergraduate/post graduate courses in food processing technology and necessary faculty;
- v) The Institute should have a full-fledged laboratory with necessary testing and processing equipment;
- vi) The Institute should have faculty undertaking research work and product development and machinery for food processing, especially for MSMEs;

- vii) The proposal should be recommended by the State Government;
- viii) The Institute should be willing to appoint a Nodal Officer and a dedicated team consisting of at least two faculty members focusing exclusively on the Scheme;
- ix) The Institute should have sufficient built-up space to undertake training for beneficiaries under the Scheme;
- x) The institute preferably should have pilot plants for processing few products under ODOP for the State.

### **8.3 Training support to individuals/groups**

**8.3.1** Training support would be provided to individual units and groups that are being provided support for capital investment. In addition, training support would also be provided to other existing units and groups in the districts that are processing ODOP products. Groups that are being provided support for marketing & branding under the Scheme would also be provided training support.

**8.3.2** Ministry of Skill Development & Entrepreneurship (MSDE) have fixed per hour rate to be spent on trainings. The same benchmark rate would be utilized for the Scheme. Type of training and number of hours of training should follow the prescribed norms.

**8.3.3** The following are the focus areas for capacity building under the Scheme:

- i) Entrepreneurship development, essential functions of enterprise operations, marketing, book keeping, registration, FSSAI standards, Udyog Aadhar, GST Registration, general hygiene, etc.;
- ii) Specific training designed for ODOP product or the product produced by the unit including operations of necessary machines, hygiene issues, packaging, storage, procurement, new products development etc.;

#### **8.3.4 Mode of Training**

- i) Online modules would be used for the general training applicable to all Units;
- ii) Product specific training would be provided for the districts for ODOP using RSETI physical infrastructure to the extent possible;
- iii) Training should be organized in short modules on a weekly basis using audio-visual support within the district so that the disturbance to the existing business operations is least;
- iv) An important component of the training would be work on the machines that Units are going to purchase and training on hygiene and packaging. Therefore, a specific component for training is being introduced for such beneficiaries in the existing units using those machines within the district or outside for a short duration.

**8.3.5 Handholding Support:** The Scheme envisages engaging Resources Persons (RPs) at the district/ regional level for providing hand-holding support to the micro food processing enterprises. These RPs would carry out the following functions:

- i) Handholding micro enterprises in preparation of DPRs, getting bank loan, training, upgradation of the unit, getting necessary regulatory approvals, hygiene, etc.;
- ii) Provide inputs for PIPs and ODOP and Cluster studies and study of groups;
- iii) Identification and facilitation of applications for subsidies and seed capital to individual micro enterprises and groups and common facilities;

## 9.0 Institutional Architecture

**9.1** Robust institutional architecture at all administrative levels would be set up for the scheme. There would be committees at the National, State and District levels (for policy guidance) for implementation and to monitor the progress of the Scheme. These committees would oversee the performance of the National Programme Division at MoFPI and the State Nodal Agencies. In addition to these, there would be PMUs set up comprising consultants and experts engaged on full time basis to support the National Programme Division at MoFPI and the State Nodal Agencies. Institutional structure is illustrated in the chart below and described in the section below:

**Figure 1: Institutional Architecture**

