

Bihar :

A Land Of Immense Opportunities For Food Processing Industry



Bihar

A Huge base of Agriculture production

An excellent climate with fertile soil and abundant water for cultivation of diverse range of food grains, fruits and vegetables. A significant producer of rice, maize, pulses and variety of fruits and vegetables. Largest producer of delicious Litchi and nutritious Makhana...

Major Attractions for Food Processing Industry



Modern Rice Mills and husk based power generation

Around 50 lac MT of paddy is produced over an area of around 40 lac Ha. The State has some famous fine varieties including Katarani rice, renowned for its special aroma, produced in Bhagalpur- Munger region. Patna rice is another fine variety of the State. Districts like Rohtas, Kaimur, Aurangabad, Bhojpur and Buxar in south-west region, are known as the “rice bowl” of the State. 'Sona Chood' of Bhojpur region is yet another scented variety. These districts account for more than 30% of rice production and have a thriving rice milling cluster.

Bihar is also one of the largest markets for milled rice. In fact, installed capacity of rice milling is not enough to meet the existing demand and existing mills also require expansion and modernization. Thus, there is a large scope for setting up new and modern rice mills in the State which can make variety of rice products. There are also significant opportunities in utilization of by products for making starch, bran oil etc. for .

Finally, the large paddy production also offers opportunities for setting up husk based power generation in the State. The present productivity level at around 15 Quintal/Hectare is expected to increase to around 25 by 2011-12 Qtl/Ha bringing in further opportunities for potential entrepreneurs.

Maize processing

Around 20 lac MT of maize produced over an area of around 7 lac Ha. Major producing districts are Khagaria, Madhepura, Begusarai, Saharsa and Katihar. Winter (*Rabi*) maize is cultivated mainly in Bihar with a production of 0.74 million MT., about 40% of the total production. This gives unique position to the State in national maize market with most of maize processing units in north India depending highly on maize from the State for a significant period of time. With state productivity much higher than national productivity level and area under cultivation expected to rise, the availability of good quality maize offers significant opportunities for entrepreneurs in the State.



However, the level of processing in the State is presently quite insignificant. There is thus a large opportunity for maize processing Units which can be set up for making a range of products like starch, corn oil, corn flakes, corn flour, poultry feed etc. .

Litchi processing

At around 2 lac MT of production, Bihar accounts for almost 75 % of national production of this delicious fruit.

Most sought after produce of the State in both national and international market, Litchi offers an unparalleled range of processing opportunities. This highly perishable fruit requires a specific climate and soil condition, found in the area around Muzaffarpur district which remains focal point of litchi production in the country.

The Brand “Muzaffarpur Litchi” commands a special respect in the fresh as well as processed fruit segments.

Limited period of harvesting season and high perishability of litchi makes it imperative for all litchi processors to have their facilities near to production centres in the State which are also well connected to major markets over the years. Litchi is amenable to processing of various levels and entrepreneurs may choose to set up Units for Pulp, juice, nectar, beverage, jam, jelly, pulp slabs, etc.



Banana ripening and processing

Around 10 lac MT of Banana produced over 28 thousand Ha of land. Two major production clusters, around Bhagalpur and Vaishali, account for almost 50 % of state production. With hub at Naugachia, Bhagalpur region produces more than 2 Lac MT of *Hari Chaal* and *Robusta* varieties. The second cluster around Vaishali region produces more than 2.5 Lac MT of *Muthia* and *Chinia* varieties.

Banana offers significant opportunities for both fresh and processed food market. There are opportunities of setting up modern ripening chambers for catering to premium national and international market.

There may also be scope for processing units for making Pulp, baby food, banana fibre, packing material, banana flower vegetables (Ready to eat), banana trunk vegetables & pickles. Processed Banana is picking up fast with the South Indian market. New markets are emerging in the gulf countries and middle east.



In terms of diversification, Banana Fiber (trunk and leaves) has a scope as well as a good market as one of the diversified textile fibres. Naugachia, being a district in the near vicinity of Bhagalpur (textile hub of Bihar) has an added advantage for setting up fibre extraction and yarning units, over and above food processing.

Makhana processing



Makhana pop production in the State is estimated at around 20,000 MT, with major producing districts being Darbhanga, Madhubani, Purnea and Katihar. An almost exclusive offering from the State, having more than 90% production of the nut in the country, this highly nutritious crop is traditionally used in roasted form as snack and for kheer making.

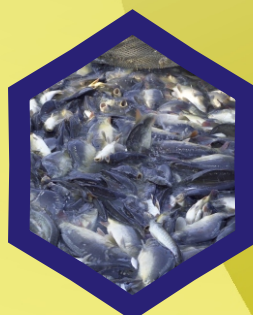
As Makhana is now increasingly accepted as a health food all over the country, it offers significant opportunities for value addition through limited investment in primary processing and packaging facilities. Further research and development efforts for this product also give hopes for variety of processed makhana products. .

Growing popularity, unique positioning and being a product adored by masses as well as classes proves its potential to become a major attraction in the processed food segment.

Vegetables processing

Bihar is the second largest producer of vegetables in India with a production of nearly 8 Million MT per annum over an area of 4 lakh hectares. Bihar is the largest producer of Okra in the country, second largest producer of Cabbage, third largest producer of Potato, Brinjal, Cauliflower and Onion. . It also produces significant volume of various other vegetables and feeds far off places including Delhi and Kolkata.

Growth of organized retail market in fresh fruits and vegetables offers significant opportunities for processing and value packaging facilities in vegetable production centres in the State. Many other opportunities in processing of Dairy, Fishery and Spices etc. are also available.



Potential Processing Opportunities...

Crops	Types of potential Processing
Grains/ Cereals	
Rice	Rice mills: Variants of milled rice (Polished rice, unpolished rice, puffed rice, pressed rice, rice flour, broken rice), starch, Bran oil, silica, husk based power generation etc.
Maize	Starch,, corn oil, corn flakes, corn flour, poultry feed, animal feed, zeinaprotien, etc.
Pulses	Modern mills, Flour, etc.
Oilseeds	Edible oil, oil cake, etc.
Fruits	
Mango	Pulp, juice, beverage, nectar, mango powder, pikle, jam, jelly, juice, candies, slabs, packing material, ayurvedic medicines etc.
Litchi	Pulp, juice, nectar, beverage, jam, jelly, pulp slabs, etc .
Guava	Juice, Beverage, Jam, jelly, nectar, ayurvedic medicines etc .
Banana	Pulp, baby food, banana fibre, packing material, banana flower vegetables (Ready To Eat), banana trunk vegetables & pickles
Makhana	Pop, flour, baby food, snacks, kheer, sweet & confectionery
Amla	Ayurvedic medicine, murabba, dryamla powder, hair oil, dry amla fruit, & mouth freshener etc.
Vegetables	
Tomato	Juice, paste, puree, ketchup & soup
Potato	Chips, stacks, vegetables(Ready To Eat), powder, starch, wine, alcohol, snacks,
Chilly	Paste, ayurvedic medicine, dry chilly, chilly powder
Peas	Vegetables (Ready To Eat)

An enabling policy environment...

Industrial Incentive Policy 2006 : Major Features

- Stamp duty and registration fee waiver in lease/sale/transfer of land for setting up Units,
- VAT reimbursements @ 80% of deposited amount for 10 years (max. 300% of capital investment)
- Incentive provisions for Zero VAT items also available (max 70 % of installed capacity)
- Reimbursement of 50% capital investment on plant & machinery for captive power generation/Diesel generating set with no upper limit
- 25% VAT reimbursement for existing industries for 5 years

Abolishment of APMC Act

To facilitate easy procurement of agricultural produces by food processing industry in the State.

Bihar Single Window Clearance Act 2006

- State level board and district committees for approval of applications within stipulated time lines
- Provision of deemed approval as well as self certification by the applicant

Vision 2015 for promotion of food processing sector in the state by bringing

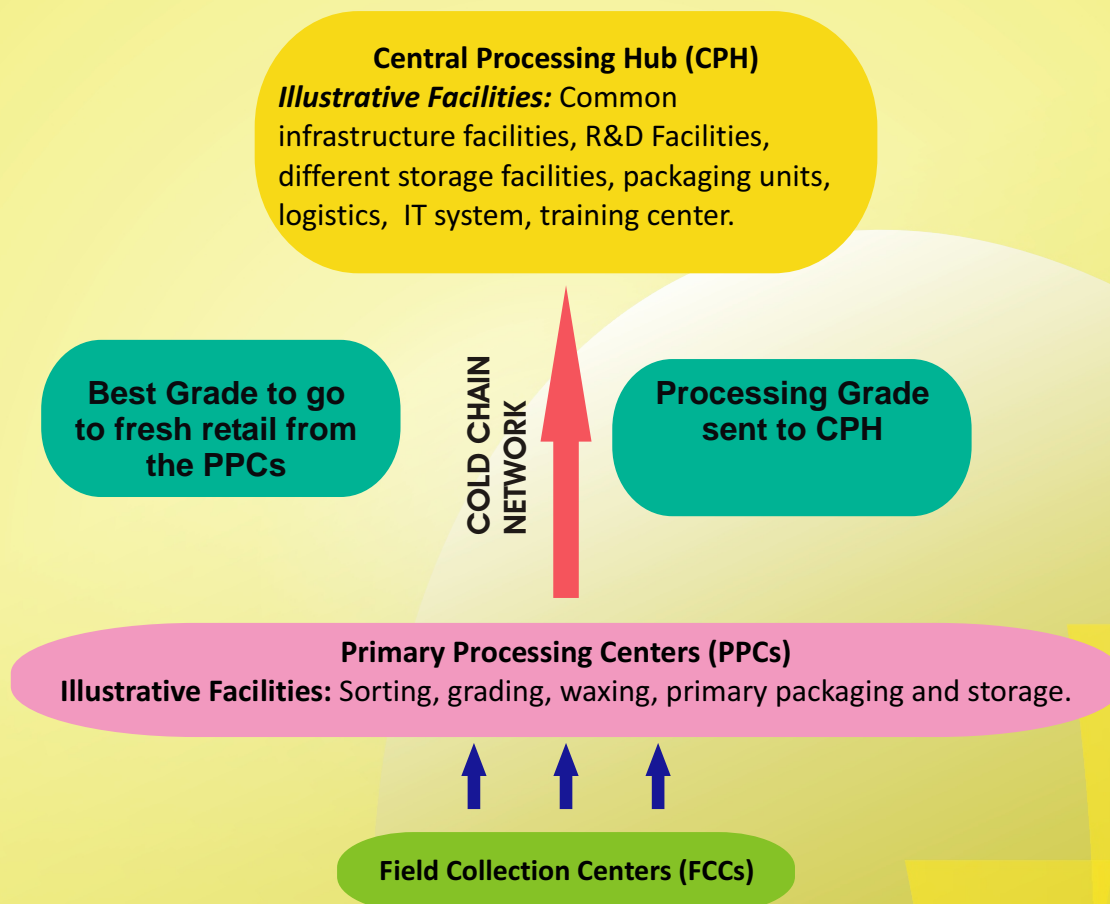
- Scheme for Food parks
- Scheme for Integrated Development of Food processing sector

Scheme for Food Parks in Bihar

Objective :

To create modern enabling infrastructure for food processing units in the state with farm to market linkages.

Proposed Structure



Food Parks:

An identified geographical area having potential of strong viability for the food processing units.

State Government proposes setting up of two food parks in fruits and vegetable clusters in the State :

Muzaffarpur-Vaishali region
Bhagalpur-Katihar region

Focus on fruits and vegetables due to relatively higher level of wastage, but may also have other food processing units based on grains, milk products etc.

Eligibility & Funding

The Food Parks will be set up by a Special Purpose Vehicle (SPV), preferably registered as a corporate body with **at least 51% equity** of the private entrepreneurs, while the rest of the equity may be with central and state government agencies, banks and financial institutions etc.

Grant of Rs. 15 Crores or up to 20% of the total project cost, whichever less.

Entire details of the scheme available on the website www.gov.bihar.nic.in

Scope & Coverage of the Scheme :

I. Common Infrastructure at Central Processing Hub :

Physical and Environmental Infrastructure:

It may include compound wall, site development, internal as well as approach roads, drainage system, water supply, sewerage, electricity supply including captive power plant, effluent collection, treatment & disposal, hazardous waste management facility, factory sheds, telecommunication lines, office & administrative building, conference room, workers' dormitories etc proposed to be developed for the Food park.

Technological Infrastructure: It may include a Common Facility Center (CFC) for certain production processes, R&D center, a Quality Testing Laboratory, CA Chamber, IQF, Variable Humidity System, Irradiation Facility, Dry Storage facility, Cold Storage facility, Reefer Vans, Packaging and Bottling unit, Trade Center, Product Display center, an IT-Enabled information and training center etc.

II. Primary Processing Centres and Field Collection Centres

PPCs comprises of sorting, grading, waxing, primary packaging and storage facility. It may also be possible to undertake processing activities depending upon the feasibility at select PPCs.

III. Engineering and Construction Supervision Consultancy:

Cost of hiring of technical consultants by the SPV for undertaking bid management, detailed engineering and design and construction supervision of the project. The cost incurred on hiring consultants, to the extent of 5% of cost of CPH and PPCs shall be considered part of total project cost of Food Park.

IV. Capacity Building:

Skill development, different quality and environmental certification & standards, and other common initiatives undertaken by the SPV, Proposed cost on these activities would be though limited to 1 % of the cost of CPH and PPCs and shall be considered part of total project cost of Food Park.



Release of Assistance

Government of Bihar will release its grant in four installments to SPVs, through a Trust and Retention Account, as following:

20% of the total state government's grant in advance after final approval



40% of the total after utilization of the 1st installment, submission of its Utilisation Certificate (UC) and after the proportionate expenditure (i.e. 20% of the SPV share) incurred by the SPV.



30% of the total grant after utilization of the 2nd installment, submission of its Utilisation Certificate (UC) and after the proportionate expenditure (i.e. 40 % of the share of SPV) has been incurred by the SPV.



Final 10% of the total grant share after successful completion of the project and submission of the submission of the Utilisation Certificate (UC) of the 3rd Installment.

Scheme for Integrated Development of Food Processing Sector

Objective

To address the infrastructure, technology, skills and marketing constraints being faced by Rice, Maize, Pulses, Honey, Makhana, Fruits and Vegetables and other food processing units in the State by facilitating setting up of new food processing units, and also aid in expansion and up gradation of existing units.

Eligibility & Funding

All projects in food/agro sector, promoted either by Special Purpose Vehicle (SPV) or by Individual Investors are eligible for assistance under the Scheme.

Grant up to 40% of the project cost, subject to maximum of Rs. 10 Crores for SPV in case of common cluster infrastructure and up to 35% of the project cost subject to maximum Rs. 5 Crores in case of an individual investor.

Scope & Coverage of the Scheme

The project cost for the purpose of this Scheme will include land, factory building, plant and machinery, R & D, quality control center, training center, trade and display center, warehousing facility, water supply, electricity supply including captive power plant, effluent treatment, telecommunication lines etc.

For expansion and capacity increase of existing units, though, the benefits of the Scheme will only be available if the expansion project leads to capacity addition of at least 50%.

Release of Assistance

The state government will release its share of assistance in 4 phases, as per the following schedule :

First 10 % of the assistance, as advance, on final approval of the project

Second 20 % of the assistance, as advance, after the financial closure of the project and award of contracts for civil work and placing of orders for proposed plant and machinery

Third 40% of the assistance after the utilization of the previous installments and after the proportionate expenditure (i.e. 30% of the share of Individual Investors/SPVs) has been incurred by the individual investors/SPVs

Fourth 30% of the assistance after the utilization of the previous installments and after the completion of the project

An illustrative list of the projects eligible for the scheme-

Hard Components

Processing and Value Addition

Infrastructure/Units: For setting up of new units for food/agro processing, byproduct processing units (e.g. rice bran processing, corn oil, husk based power generation plants), procurement centers, storage, cold chain facilities etc.

Physical and Environmental Infrastructure

will include drainage, water supply, sewerage, power supply including captive power plant, effluent collection, treatment & disposal, hazardous waste management facility, telecommunication lines etc

R&D, Quality Control and Training

Infrastructure to include R&D center, food testing laboratory, quality control & certification laboratories, training center etc.

Marketing Infrastructure: It will include setting up of market intelligence system, trade center, display center, establishing marketing linkages with the retail chain or processing units etc.

Expansion & Capacity addition and Technology Up-gradation and modernisation for existing units

The project may cover any other need-based activity that is vital for sustainability of various agro/food processing clusters.

Soft Components

Skill development will include technology sourcing different processing, entrepreneurship development, training, quality and environmental certification, adoption of TQM including HACCP, ISO standards, GMP, GHP etc.

Marketing will include collective marketing initiatives like certification, standardization and promotion of common brand for niche products of Bihar, creation and promotion of special brands, participation in trade fairs/exhibitions, creation of websites, printing of brochures etc.

Implementation of the Schemes by Department of Industries, Government of Bihar

Project Approval and Monitoring Committee (PAMC)

The Government of Bihar has constituted a Project Approval and Monitoring Committee (PAMC) under the chairmanship of Principal Secretary (Industries), Government of Bihar, which will be responsible for approval of the projects and monitoring of their implementation.

There would be two-stage process for approval of the projects.

In-principle approval: will be accorded based on Preliminary Proposal submitted by the PMA covering the major features of the proposed project and location and availability of land. This approval shall be valid for 6 months from the date of approval. If the final approval for the project is not sought within this period, the in-principle approval shall lapse unless specifically extended by PAMC.

Final Approval for Food Parks: will be accorded if the following conditions are fulfilled:

- ✍ Availability of entrepreneurs to set up the Food Park
- ✍ Establishment of project specific SPV for cluster level common infrastructure
- ✍ Execution of shareholders agreement and other related agreements between the SPV and the members based on the business plan submitted by the SPV
- ✍ Procurement of requisite land by the SPV
- ✍ Preparation and appraisal of DPR by the PMA, and its recommendation
- ✍ Establishment of project specific Trust and Retention Account (TRA), with a nationalized Bank, by the SPV

Final Approval for the Scheme for Integrated Food Processing Sector: will be accorded if the following conditions are fulfilled

- ✍ Establishment of project specific SPV, in case of cluster common infrastructure
- ✍ Procurement of requisite land by the Individual Investors/SPVs
- ✍ Preparation and appraisal of DPR by the PMA, and its recommendation
- ✍ Establishment of project specific No-lien account for individuals and Trust and Retention Account (TRA) for SPV with a scheduled commercial bank by the beneficiaries

Project Management Agency (PMA)

(For implementation of the Scheme, from the stage of conceptualization to commissioning)

PMA is responsible for identification of entrepreneurs, assisting them in selection of suitable projects according to their strength, and place them appropriately.

PMA is also assisting the Govt. of Bihar in periodical monitoring along with other advisory services.

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