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1.0 Sector Background

- 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 enterprises¹. Most of these units falls under category of micro manufacturing units in terms of their investment in plant & machinery and turnover.
- 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.
- 1.3 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.

2.0 Overview of the Programme

- 2.1 Taking cognizance of the contribution and the challenges that impede the unorganized sector of the Food Processing Industry, the Ministry of Food Processing Industries (MoFPI) intends to implement “**Scheme for Formalization of Micro food processing Enterprises (FME)**”.
- 2.2 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 (ii) support Farmer Producer Organizations (FPOs), Self Help Groups (SHGs) and Producers Cooperatives along their entire value chain.
- 2.3 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

¹NSSO, 2015

the Center for other UTs.

- 2.4 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.

3.0 One District One Product

- 3.1 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.
- 3.2 The States would identify the food product for a district, keeping in perspective the focus of the scheme on perishables. An ODOP study would be carried out by the State Government. The ODOP product could be a perishable produce based product or 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, kinnow, 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 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. Support for innovative products including for waste to wealth would also be provided in the Scheme.
- 3.3 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.
- 3.4 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.
- 3.5 New units, whether for individuals or groups would only be supported for ODOP products.
- 3.6 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.

4.0 Objective of this assignment

- 4.1 The purpose of these studies is to prepare a State Level Up-gradation Plan (SLUP), which will have three components:
- (i) ODOP study
 - (ii) Study on Groups- SHGs, FPOs and cooperatives
 - (iii) Base Line assessment & Detailed Cluster study
- 4.2 The first study to identify ODOP could be done in house by the State Nodal Agency (SNA) or through a third party. This study should get completed in one month time. The outcome of this study is list of ODOP along with justification for selection of a particular product for a district.
- 4.3 The second study is to be done by collecting data on SHGs, FPOs and cooperatives engaged in food processing by collecting that data from State Rural Livelihood Mission (SRLM), NABARD and Small Farmer Agri-Business Consortium (SFAC) and NCDC and State Cooperation Department. This study should be done in parallel to the third study and should feed in to the third study. This study preferably be done in house by SNA.
- 4.4 The third study is to prepare State Level Upgradation Plan. This study should get concluded by 31 December 2020. SLUP should form basis for preparation of Project Implementation Plan (PIP) for subsequent years. The third study should be carried out by a third party consultant.

5.0 Scope of Work and outline of key activities

- 5.1 The scope of work under each of the above components is detailed below:

6.1 Part I- ODOP Study

- 6.1 A critical part of the SLUP is the ODOP study. Towards this the agency will first carry out the preliminary ODOP study to identify the ODOP across the districts in the State following the step by step methodology & checklist given below:
1. Identify and enumerate food products being processed district wise
 2. Undertake district wise mapping of existing food processing micro enterprises involved in processing of the identified focus products.
 3. Once the ODOP is identified a justification needs to be given as to how the products qualifies as an ODOP, following the suggestive checklist given below:
 - (i) The product should preferably be a non staple product?
 - (ii) Whether the product is perishable?
 - (iii) Whether raw material availability for the product is abundant?

- (iv) Whether there are a large number of enterprises involved in the processing of this product (justified with numbers and % share of total number of micro food enterprises in that district, which should be at-least more than 50%)?
- (v) Whether a large number of workers are engaged in the processing of this product in the district (% share of total workers hired by food processing micro enterprises in that district, should be at-least more than 50%)?
- (vi) Whether there are a large number of clusters engaged in the processing of this product?
- (vii) Whether there are a large number of Self Help Groups and Farmer Producer Organisations engaged in the processing of this product (nos to total SHGs/FPOs engaged in food processing in the district)?
- (viii) Whether this product is being sold to other districts, states and exported to other countries (validated by data)?
- (ix) Has the product been granted Geographical Indication status by Government of India (this would be an added advantage)?

7.0 Part II- Study on Groups

- 7.1 The second important component of the study is the study of groups. This data primarily should be collected from State Rural Livelihood Mission (SRLM), NABARD and Small Farmer Agri-Business Consortium (SFAC) and NCDC and State Cooperation Department. This will include the following:
 - 7.1.1 Assessment of the number of SHGs, FPOs and cooperatives in the State involved in food processing including the product, level of operations, workers engaged, value of produce, marketing channels, investment, loans taken, etc.
 - 7.1.2 Ranking of these groups in terms of size and scale of operations.
 - 7.1.3 Studying the top ranking and bottom ranking groups in detail in terms of
 - (i) Profile of products, members and area of operation
 - (ii) Understanding of challenges in terms of access to raw material, finance, technology, infrastructure and marketing
 - 7.1.4 Arriving at recommendations on addressing the above challenges.
 - 7.1.5 Identifying the potential beneficiary groups per district to be covered under FME keeping in perspective.

8.0 Part III State Level Upgradation Plan (SLUP) Studies

8.1 Detailed study for preparation of SLUP would have two components:

- 8.1.1 Part I of the SLUP comprises, conducting baseline assessment studies which will assess the existing situation in the State w.r.t (a) Policy and Regulatory frameworks (b) Food processing micro enterprises eco system and (c) Firm level issues of these micro enterprises.
- 8.1.2 Once the ODOP is identified in each district, detailed study needs to be undertaken for each district product cluster to cover the following:
- (i) Industry & Market Analysis
 - (ii) District Profiling
 - (iii) Cluster Analysis
 - (iv) Benchmarking Studies
 - (v) Stakeholder Consultation
 - (vi) Need Assessment & Gap Study
 - (vii) Recommendations
 - (viii) Key Impacts

8.2 Baseline Studies

8.2.1 **Assessment of the existing Policy and Regulatory frameworks for FPI and FPI micro enterprises in the State:**

8.1.2.1 **Assessment of Food Processing Policies in the State:** the agency will scan the existing food processing and MSME policies and vision documents in the State and the Centre, to understand the existing policy context and incentives available for the food processing micro enterprises in the unorganized sector for the vision period. The policies would then have to be scanned critically to understand the need and areas for reforms or modification. The same would have to be listed and detailed out.

8.1.2.2 **Assessment of ongoing and proposed State Government programmes in the FPI and allied sectors:** under this the agency will provide a brief overview of the State Government programmes being implemented in the Food Processing sector, MSME sector and other related sectors and organizations including State Rural Livelihoods Mission and State Skill Development Missions for such enterprises in the unorganized sector. The strategic plans and budgets at the state-level would be analyzed and areas for convergence along with steps to implement such convergence would be worked out. Discussions with stakeholder departments will be undertaken to inform recommendations of implementation steps to achieve convergence.

8.1.2.3 **Assessment of existing Regulatory frameworks for FPI:** The agency will review the existing laws and regulations affecting the sector, including land, labor, and investment policies which could affect production potential, processing and trade opportunities, food standards and safety, storage, and interstate movement, tariff barriers etc. These will be analyzed and the gaps would need to be identified, for which required reforms would also be suggested:

8.1.2.4 Stakeholder Mapping:

- (i) All the possible stakeholders operating currently in the food processing and allied sector in the State will be mapped. The roles of each stakeholder impacting the micro enterprise sector, would be clearly described.
- (ii) The agency would then hold 2-3 stakeholder workshops to identify the possible synergies between various players and the willingness and modes of participation in the programme. The areas desired for convergence would be presented to the stakeholders and commitments from them would have to be sought for ensuring participation as required.
- (iii) Based on the outcomes of the stakeholder workshops, the work plan and recommendations for convergence would be detailed out. This would then form part of the annual action plan to be submitted by the States.
- (iv) Through the stakeholder workshops conducted as above, the agency would then identify potential project partners that can serve as champions for change across the sectors. This is necessary so as to harness these players towards successful outcomes in the programme.
- (v) The potential stakeholder matrix is given below.

Table 1 Suggested Stakeholder Matrix

	Sector	Participants	Chair
1	Government	The nodal department officials and other relevant department representatives.	Chief Secretary/ Principal Secretary- Nodal department
2	Groups/ Associations	The representatives of the various associations in the FPI sector, trade union representatives, Self Help Groups (SHG), Farmer Producer Organizations (FPOs), Large retail players – state, national and international that have presence on the ground	Nodal officer of department/ State PMU lead/ leading enterprise association head
3	Technology	National and State level technical institutions, technology providers, manufacturer associations, representatives of micro enterprises	Nodal officer of department/ State PMU lead/ National institute representative/ Lead State technical institution representative/ leading technology expert

4	Regulatory	FSSAI representatives of the State, representatives of micro enterprises	Nodal officer of department/ State PMU lead / leading enterprise association head
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8.1.3 Profiling of existing Micro Enterprises eco system:

8.1.3.1 This activity is critical in the baseline assessments, wherein the existing numbers and details of existing FPI micro enterprises in the state would be captured. This would comprise:

- (i) **District wise profiling based on secondary research:** the agency would carry out secondary research and tabulate information on location, number of micro enterprises, products, size, years in operation, etc. district wise.
- (ii) **Mapping the value chain aspects of each market segment** the value chains across the different segments would need to be mapped viz. (i) suppliers of inputs to farmers, (ii) farmers to micro enterprises, and (iii) micro enterprises to markets.
- (iii) **Understanding the Infrastructure constraints faced by Micro Enterprises:** The agency would map the infrastructure constraints currently being faced by the FPI micro enterprises w.r.t (i) public infrastructure such as roads for backward and forward linkages, water, power etc. (ii) access to common facilities such as grading, sorting, packaging, cold chain facilities etc. (iii) access to testing facilities, compliance to standards and the frequency of inspections from the safety regulators. The gaps thus identified could be tabulated district wise as below:

Table 2: Infrastructure Gap analysis- district wise

Infrastructure	Up-gradation proposals
A) Public Infra	
B) Common facilities	
C) Testing facilities	
D) Safety standards	

- (iv) **Mapping the market potential of FPI micro enterprises :** The agency will map the existing National, State and regional level retailers that are currently in operation in the State and then map the existing products of the target enterprises with this list. Assessments/interviews with sample state, national and international retailers would be done, to also scan the demand of these

buyers in terms of the specifications in terms of quality, food safety standards and specifications and also assess the willingness of the national and international retailers to link with the potential FPI micro enterprises under FME.

8.1.4 Mapping the Firm level issues:

8.1.3.1 Under this segment, the agency will detail out the firm level issues of the micro enterprises through focus group discussions and would be mapped along with the costing as below:

Table 3: Firm level gaps and recommendations

	Sectors	Gaps	Recommendations	Costing
1	Skill training needs			
2	Manufacturing practices			
3	Technologies			
4	Access to finance			
5	Access to mentorship/service			

8.3 Detailed cluster diagnostic study and preparation district action plan

8.3.1 Once the ODOP is identified in each district, detailed study needs to be undertaken for each district product cluster to cover the following:

8.3.2 Industry & Market Analysis

8.3.2.1 **Introduction:** A brief description of the product with respect to its background and all the necessary details.

8.3.2.2 **Benefits of the Product:** The benefits of the product can be listed as per:

- (i) If the product utilizes any notable raw material used that is distinctly found in that specific district or is eminent in that area.
- (ii) If it aids in any health benefits or have medicinal properties
- (iii) It is culturally valuable
- (iv) Does it help in the uplifting of the local culture and promotion of the district?

8.3.2.3 **Global Market for the Product:**

- (i) Highlight the global importance and reach of the product.
- (ii) Does it aid in the export business?

8.3.2.4 **Indian Market & Valuation of the Product:** This should cover aspects such as:

- (i) What is the strategic importance of the product in India
- (ii) What is the valuation of the product in India?
- (iii) What does it lack to be a better-quality product?
- (iv) The significance of the product in that particular district/state.
- (v) How do the generic public perceive the product?

8.3.2.5 **Manufacturing Process:** A brief manufacturing process must be included, along with all the key steps, machinery, infrastructure etc, required for the production.

8.3.2.6 **Tests done for the product:**

- (i) **Qualitative Tests:** the tests that determine the quality parameters for the product in factual terms.
- (ii) **Quantitative Tests:** the tests concluding the parameters of the product in numerical terms.

8.3.3 **District Profiling:** The district profiling must include the following:

- (i) **Socio economic profiling** (history, geography, administrative set up, climate)
- (ii) **Demographic profiling** (Population, Sex Ratio etc)
- (iii) **Industrial Profiling** (No of industrial units/no and type of MSMEs, inclthe number of units engaged with producing the specific ODOP product).

8.3.4 **Cluster Analysis:** This section will cover the detailed analysis of the cluster to include the following:

8.3.4.1 **Location of the cluster:** The location of the cluster on the map of India and including in which district and state.

8.3.4.2 **Turnover& Employment:** the overall employment of that cluster and the total turnover in the past 1-5 years of time-period.

8.3.4.3 **SocialEconomic Profile of the ODOP Producers:** Sex ratio, Vulnerability profile, Experience, family structure

8.3.4.4 **Infrastructure**

- (i) Essential amenities required for the production of the product
- (ii) Existing infrastructure
- (iii) Additional infrastructure required

8.3.4.5 **Raw Materials**

- (i) The vital raw materials and all the added materials along with that.
- (ii) The quality parameters being checked for all the raw materials.
- (iii) Whether the raw materials are perishable in nature.

8.3.4.6 **Production Process:** the detailed explanation of the step by step process of production, including all the equipment and machineries required with detailed steps.

- 8.3.4.7 **Product Range:** the various types of this product needs to be listed and described including the value added products of this ODOP if any
- 8.3.4.8 **Technology:** The various types of Plant and machineries and technologies deployed for manufacturing the various types of products by the small and large units need to be detailed out.
- 8.3.4.9 **Marketing:** The existing market linkages across the value chain needs to be detailed out with an illustrative flow chart showing each level of facility and infrastructure including from storage to market places to exports.
- 8.3.4.10 **Human Resource:** the ownership pattern of the firms in the cluster, the data on total number of labourers employed in the cluster with details of the skilled and unskilled workers.
- 8.3.4.11 **Skill Development:** the skills required for the ODOP with a comparison with the existing skill sets available in the cluster and identified needs for further skilling for the workers.
- 8.3.4.12 **Testing:** the presence of testing facilities in the cluster and adherence to FSSAI norms needs to be assessed, along with identification of the need for additional testing facilities.
- 8.3.4.13 **Institutional Support:** The existing institutional support available in the cluster w.r.t presence of associations, technical institutions, and public sector units and parastatals needs to be mapped.
- 8.3.4.14 **Support Infrastructure:** the existing infrastructure available in the cluster in terms of public infrastructure such as roads, water and electric supply needs to be mapped along with existing backward and forward linkages and common facilities present in the cluster.
- 8.3.4.15 **Financial Linkages:** the access to existing financing channels needs to be mapped.
- 8.3.4.16 **Environmental Impact:** if the product creates any kind of pollution harming the environment and curbing steps.
- 8.3.4.17 **Cluster Actors:** Various stakeholders within the cluster needs to be mapped such as:
- (i) No of skilled and semi skilled Workers
 - (ii) Manufacturers
 - (iii) Unit Owners
 - (iv) Raw Material Suppliers
 - (v) Enterprise Promotion Councils
 - (vi) Industrial Associations
 - (vii) Financial Institutions
 - (viii) Marketing players

- 8.3.4.18 **Existing Government Schemes:** mapping of all the relevant central and state governmental policies and schemes that can be tapped towards development of the ODOP, product, process and marketing.
- 8.3.4.19 **Cluster Map:** mapping of all the stakeholders involved and captured as per the process adopted for the ODOP needs to be illustrated with the help of an elaborate flow chart.
- 8.3.4.20 **Value Chain:** the value chain process for the ODOP needs to be illustrated in the form of a flow chart
- 8.3.4.21 **Product Cost Analysis:** the total cost of production of the product including raw material, labour and transportation cost needs to be tabulated and compared with the selling price prevalent and then arrive at the net profit in the cluster.
- 8.3.4.22 **SWOT Analysis:** The Strength, Weakness, Opportunities and Threats in the ODOP value chain in the cluster needs to be detailed out.
- 8.3.4.23 **Benchmarking Studies**
- (i) **National Benchmarking:** the success stories of this product in other States needs to be detailed out in this section.
 - (ii) **International Benchmarking:** international success stories need to be detailed out here..
- 8.3.4.24 **Stakeholder Consultation**
- (i) **Individual Meeting:** The survey questionnaire sample (has to be provided by the State Nodal Agencies). Collect ground data which has been used for real time analysis of the cluster. The data to be illustrated in a detailed manner.
 - (ii) **Agenda points & discussions:** The minutes of the various stakeholder meetings conducted at various points of time need to be collated here along with photographs of the meetings held.
- 8.3.5 Need Assessment & Gap Study:** Based on the analysis done in this study so far the key constraints faced and the recommendations to overcome these needs to be detailed out. This section also needs to highlight the needs and the current gaps w.r.t infrastructure, access to raw material, technology, infrastructure and marketing support in the form of a needs assessment matrix.
- 8.3.6 Outreach activities and mobilisation of proposals for upgradation / expansion / modernization of individual units and groups**
- 8.3.7 Recommendations:** Under this section the final recommendations for the ODOP needs to be collated to include:
- (i) **Project Strategy & Interventions:** The key strategy for the cluster needs to be formulated which would cover the means of filling the gaps and overcoming the constraints in the cluster.
 - (ii) **Vision Statement & Key Objectives:** The vision statement for the cluster needs to be articulated which would encapsulate the goals and outcomes envisaged for the cluster. Along with this the key objectives for development of the cluster needs to be identified and listed.

- (iii) **Strategy for Integrated Development:** The strategy for holistic development of the cluster wr.t market, infrastructure and workers and innovations proposed needs to be formulated.
 - (iv) **Proposed Interventions:** The interventions proposed in the cluster ranging from infrastructure, technology, common facilities, institutional and marketing support required, based on this study, needs to be finally collated here along with the costing of each intervention.
 - (v) **Key Impacts:** The key impacts that would be derived out of the proposed interventions needs to be listed in a matrix form.
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9.0 Timeline of deliverables

Table 4: Milestones for SLUP

	Milestones for SLUP	Timelines (from commencement)
1	ODOP Idnetification study	31 st July, 2020
2	Study on Groups	30 th September, 2020
3	Detailed Studies	30 th November, 2020
6	Draft final SLUP	20 th December, 2020
7	A power-point presentation of the final SLUP	31 st December 2020

10.0 Team Composition

- 10.1 At a minimum the agency will deploy the following experts for carrying out the SLUP exercise. The agencies are encouraged to have additional technical resources for preparation of the SLUP.

Table 5: Team Composition for SLUP: Team composition and man-weeks for the studies are suggested to SNA as given below:

	Area of Specific Experience Desired	Minimum Professional Qualification & Desired Experience	Indicative Man Weeks
1	Team Leader	<p>- MBA degree or equivalent in agribusiness, rural management or other relevant fields. Experience in designing and managing entrepreneurship and MSE development solutions.</p> <p>-Experience with various models for entrepreneurship promotion (e.g., incubators and accelerators,) would be useful when designing the SLUP. Previous experience/understanding of the State and the sector is valuable. Experience with issues/trends related to business enabling environments would also be preferred.</p>	15
2	Credit/ Finance expert	MBA degree or equivalent in finance with 3-5 years experience in preparation, assessment and review of financial plans of micro enterprises. Previous experience/understanding of processes of Banks and terms of lending for micro enterprises would be useful in designing strategies for upgradation for the micro enterprises..	4 weeks
3	Marketing Expert	A post-graduate degree/equivalent in agri marketing. Thorough knowledge and understanding of markets, gained from in-depth agro-processing, food, or consumer goods industry experience. Experience with agribusiness manufacturing in developing countries can provide an additional level of insight to the team. Understanding of the agribusiness sector on a broad scope (e.g., agro-processing, manufacturing, transport, distribution) would be an added advantage.	10 weeks

4	Data Analysis	A Post graduate degree from a recognized National/ International institute in Economics/ Statistics/ Public Policy; Masters /post graduate diploma in Business Management/other relevant field Ability to synthesize insights from a wide range of primary and secondary data sources. Experience with the design of statistically significant surveys is beneficial for the entrepreneur surveys to be carried out as part of the SLUP. Experience with firm-level microeconomic analysis is a plus.	15 weeks
5	Social Mobilization	A post-graduate in Social Sciences/Work. Strong network, reputation and level of respect among local entrepreneurs. Local environment knowledge, including cultural diversity. Speaks the local language	4 weeks
6	Food Processing Expert	Master's degree in Food Processing with 5 years' minimum experience	10 weeks
