



SEZ BENEFITS FOR FOOD PARKS

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The Government is proposing to extend benefits of Special Economic Zones (“SEZ”) to food parks to promote India as a hub for food processing. SEZ benefits are currently available only to SEZ Developers and units. Mega Food Park Scheme presently operates under different set of guidelines framed by the Government. In the 11th Plan, the Ministry of Food Processing approved a new scheme to establish thirty (30) Mega Food Parks with a view to provide state-of-the-art infrastructure for food processing sector in the country on a pre-identified cluster basis with a strong backward and forward linkage and to provide value addition of agriculture commodities including poultry, dairy, etc. in a demand driven manner. The ownership and management of the Mega Food Park would vest with a Special Purpose Vehicle in which organized retailers, processors, service providers, farmer groups etc. may be the equity holders. The products of the Food Processing Industries located in a Mega Food Park can be sold to domestic as well as export market.

PSA view – The concept of food parks is novel and the idea of extending SEZ benefits to these food parks is laudable. Given the increasing activity and potential in this sector, this step will boost the investor-confidence and add to the needs of the sector. It is definitely an incentive for investors looking to explore prospects in the Indian food sector for it will not only mean tax advantages and concessions but also good infrastructure coupled with forward and backward chains.

Centralization of drug licensing faces stiff opposition from pharma SMEs

The Union Government’s efforts to streamline export licensing and centralization of drug licensing by creation of the Central Drug Authority (“CDA”) is facing stiff opposition from pharma units in the Small Scale Industry (“SSI”) category manufacturing drugs. The SME Pharma Industry Confederation (“SPIC”), representing the SSI units in the sector has made several representations to both houses of the Parliament seeking to stop the efforts of the government to streamline export licensing and drug licensing. SPIC has sent letters to a number of parliamentarians seeking their intervention in stopping the centralization of drug licensing and export licensing. The opposition from SPIC follows from the implementation of the changes made to Schedule M of the Drugs & Cosmetics Act as amended in 2001 which calls for higher standards for drug manufacture as provided by WHO. This had caused several SSIs which could not bear the heavy cost of upgradation to the WHO-GMP standards to shut shop. SPIC also raises fears of corruption in CDA which may be influenced by large multinational pharmaceutical companies to eliminate the remaining SSIs and along with increased cost of drugs.

PSA view –

While the implementation of the CDA and streamlining of drug licensing and export in line with WHO-GMP standards will open up global markets for Indian manufactured drugs, the SSI segment in this sector will face

heavy burden, in terms of strict compliance and cost of implementation of higher standards for drug manufacture. The fears of the SSI segment regarding corruption in the CDA, being the only authority for drug licensing and export certification, in the Indian context may be justified and was one of the objections put forth to the Select Committee of the Ministry of Health in January 2008; however, may not be grave enough to prevent the centralization of drug licensing in India. Since this objection has been raised, the law makers should carefully consider the structure and functions of the CDA so as to avoid external influence from powerful pharmaceutical companies. Further, the law makers need to give thought to providing assistance to the battered SSI segment in terms of coping with the cost of complying with the WHO-GMP standards.

FSSAI making new guidelines

After introducing a code on advertising to check the claims on nutritional values of food items, the Food Safety and Standards Authority of India ("FSSAI") is planning to regulate several other areas of food to ensure better safety and standards. P. I. Suvathan, Chairperson, FSSAI, aims to widen the scope of ensuring safety of food products and is all set to introduce the following –

(A) Regulation for the amount of trans fat in packaged foods – Trans fat or hydrogenated fats are artificially made and are found in biscuits, confectionery, fried foods, fast foods, etc, which harms the body by increasing the cholesterol level in the blood.

(B) Comprehensive standards for water – As an ingredient and finished product water are significantly related to food. Though standards exist for packaged water and potable water, drafting norms for water as an ingredient would be all-encompassing.

(C) Food Safety and Quality Standards and Regulatory guidelines suggesting the procedure to be followed for adjudication of cases, procedure of appeal, procedure for determination of cases for referring to appropriate courts and time frame for such determination, assist in notifying standards and guidelines in relation to articles for food.

(D) New licensing system classifying the food processing as high-risk products and low-risk products. This will allow regulating the small vendors. The new regulation will require small vendors to undergo a simple registration process at the base level and companies with inter-state operations will be brought under a common regulatory system.

PSA view –

Food articles are vigilantly regulated in most of the countries and there was a long pending demand for these regulations in India. The global limit of trans fat is between 2% – 5% of the total fat diet and FSSAI is also looking for a similar limit. Now, the proposed new standards for water will include the flavored water category, packaged water (branded or pouch based) and natural resource water within its purview. FSSAI has already issued draft regulations for hotels, banquet halls, caterers, restaurant, or eateries that serve food to obtain license under the Food Safety and Standards Act, 2006. Now the smaller operators are also being included within the purview. All these steps will boost the confidence of people in the packaged food products and will ensure that the safety standards are not compromised at any point in India.

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