

Sub: Launching of PM Micro Food Processing Enterprises Scheme (PM FME) for Food Processing.

SYNOPSIS

- *PM FME facilitates the up-gradation of existing food processing activities and Support for common infrastructure.*
- *The intending beneficiaries of the scheme are existing individual micro food processing enterprises & Group enterprises such as SHGs/ FPOs/ Cooperatives.*
- *Individual enterprises engaged in processing of One District One Product (ODOP).*
- *FPOs/Producer Cooperatives engaged in processing of ODOP produce with minimum turnover of Rs.1 Crore are eligible under PM FME scheme.*
- *SHGs having 3 years experience in ODOP processing with sufficient own funds to meet 10% of the project cost and 20% margin money for working capital are eligible under PM FME scheme.*
- *Back end subsidy of 35% of project cost with maximum amount of Rs. 10 Lakhs.*

The unorganized food processing sector in the country comprises nearly 25 lakh food processing enterprises which are unregistered and informal. Despite having large number of units and providing large employment, the sector contributes much less in terms of value addition and output.

Much efforts have been made to enable Self Help Groups (SHGs) to undertake various manufacturing and service sector activities including food processing. However, there has been lack of Government schemes to support Farmer Producer Organization (FPOs) and SHGs to make investment and upscale their operations. Hence the Ministry of FPI, Gol has come up with the subject scheme of PMFME.

The scheme aims to enhance the competitiveness of existing individual micro-enterprises in the unorganized segment of the food processing industry and promote formalization of the sector; and support Farmer Producer Organizations (FPOs), Self Help Groups (SHGs) and Producers Cooperatives along their entire value chain.

The objectives of the scheme are to build capability of the micro-enterprises to enable:

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

The scheme adopts a Cluster approach which is extended to one or more districts. The States would identify a food product for a district which is known as One District One Product (ODOP) approach, keeping the focus on perishable food products.

The scheme also envisages strengthening backward and forward linkages, provision of common facilities, incubation centers, training, R&D, marketing & branding.

The programme has four broad components addressing the needs of the sector:

- Support to individual and groups of micro enterprises
- Branding and Marketing support
- Strengthening institutional support
- Setting up robust project management frameworks

The role of financial institution is to support the individuals and groups of micro food processing enterprises such as SHGs/ FPOs/ Cooperatives. The important operative scheme guidelines are furnished in Annexure I. Full details of the scheme guidelines can be accessed at <https://mofpi.nic.in/pmfme/>.

Branches/Offices are advised to strictly follow/implement the guidelines.

PARAMASIVAM M
GENERAL MANAGER

Lending guidelines for PM Micro Food Processing Enterprises Scheme (PM FME)
under Atmanirbhar Bharat Abhiyan:

1. Purpose:

- Up-gradation of existing food processing activities
- Support for common infrastructure

2. Beneficiaries:

- Existing individual micro food processing enterprises
- Groups enterprises such as SHGs/ FPOs/ Cooperatives

3. Eligibility:

i. Under up-gradation of existing food processing activities

Individual Category:

- Existing micro food processing units.
- The enterprise should be unincorporated and should employ less than 10 workers.
- The enterprise should preferably be involved in the product identified in the ODOP of the district. Other micro enterprises could also be considered.
- The applicant should have ownership right of the enterprise.
- Ownership status of enterprise could be proprietary / partnership firm.
- The applicant should be above 18 years of age and should possess at least VIII standard pass educational qualification.
- Only one person from one family would be eligible for obtaining financial assistance. The “family” for this purpose would include self, spouse and children.
- Willingness to formalize and contribute 10% of project cost and obtain Bank loan.
- Cost of the land should not be included in the Project cost. Cost of the ready built as well as long lease or rental Work shed could be included in the project cost. Lease rental of work shed to be included in the project cost should be for a maximum period of 3 years only.

Group Category (FPOs/SHGs/ producer cooperatives):

FPOs/ Producer Cooperatives:

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

Self Help Groups (SHGs):

- Financial support shall be extended to individual SHG/SHG members for setting up a unit and its marketing and support, SHG federations for setting up common infrastructure and common processing facilities.
- The SHGs should have sufficient own funds for meeting 10% of the project cost and 20% margin money for working capital.
- The SHG members should have for a minimum period of 3 years experience in processing of the ODOP product.

ii. Under support for common infrastructure:

- This support could be available to FPOs, SHGs, cooperatives, any Government agency or private enterprise.
- Common infrastructure created under the scheme should also be available for other units and public to utilize on rental basis for at least 50% 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.
- Types of Common infrastructure to be funded under the scheme as follows;
 - Premises for assaying of agriculture produce, sorting, grading, warehouse and cold storage at the farm-gate for FPOs/Cooperatives.
 - Common processing facility for processing of ODOP produce.
 - Incubation Centre: Incubation Centre should involve one or more product lines, which could be utilized by smaller units on a hiring basis for processing of their produce.

No financial support would be provided for opening retail outlets under the scheme.

4. One District One Product (ODOP):

- Each State will identify the ODOP for each district.
- The ODOP product could be a perishable produce based product or cereal based products 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 could be supported under the Scheme. For example, honey, minor forest products in tribal areas, traditional Indian herbal edible items like tamarind, amla, haldi, etc.

5. Application Sourcing:

Resource Person (RP):

- District RP is appointed by the State Government.
- RP will identify the units, undertake field verification and due diligence to assess their potential, Application processing and submit to District Level Committee.
- On recommendation of DLC, RPs will help in preparation of Detailed Project

Report (DPR), support for obtaining necessary registration and licenses including food standards of FSSAI, Udyog Aadhar, GST etc. along with necessary documents for availing bank loan for upgradation of the Unit.

- 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.

District Level Committee (DLC)

- DLC will study the report submitted by RP for each Unit and interview the interested persons.
- DLC will recommend for availing bank loan for upgradation of the Unit by forwarding the proposal to State Level Approval Committee (SLAC).

State Level Approval Committee (SLAC)

- The SLAC will have power to sanction project expenditure up to Rs. 10 lakh.

Inter Ministerial Empowered Committee (IMEC)

- For proposals with project size above Rs.10 Lakhs should be sent to Inter Ministerial Empowered Committee (IMEC), MoFPI for approval.
- After approval of IMEC, MoFPI, the proposal will be forwarded to the Bank for sanctioning of loan.

6. Margin:

- 10% of project cost

7. Quantum of loan:

- 90% of project cost enumerated in DPR.
- However, support for branding and marketing would be limited to Rs. 1.00 Crore in each case subject to a maximum of 50% of the total expenditure.

8. Rate of Interest:

- Rate of Interest applicable for Food and Agro Processing as per HO Circular 166/2020 dated 24.03.2020 and other RoI guidelines issued from time to time.

9. Guarantee Cover:

- CGTMSE guarantee coverage is available for credit facility not exceeding Rs.2 Crores.

10. Security:

- Up to Rs.2 Crores: Hypothecation of assets created out of Bank finance & CGTMSE coverage.
- Above Rs.2 Crores:
 - a) Hypothecation of Assets created out of our finance.
 - b) Mortgage of landed property with Post development security value of minimum 125% of the loan amount.
 - c) However, if the sanctioning authority feels that there is need for additional collaterals depending on risk factors, the same may be insisted.

11. Back end Subsidy:

- 35% of project cost with maximum amount of Rs. 10 Lakhs.
- Centre-State share at 60:40 (90:10 for Himalayan & NE States)
- Loan Disbursement confirmation to be sent to Nodal Bank for releasing the subsidy.
- Nodal Bank will transfer the subsidy from the central and state governments to the bank account of beneficiary in the loan bank branch.
- Subsidy amount would not earn any interest and would not charge interest for this amount on the loan disbursed.
- After a period of three years from the disbursement of loan, the beneficiary account is still standard, and the Unit is operational, the subsidy amount would be adjusted to the loan account of beneficiary.

12. Delegation of Powers:

- Delegation of powers applicable to MSME loans to be followed for loans sanctioned under Food and Agro Processing units vide HO Circulars 233/2020 dated 01.04.2020, 320/2020 dated 30.04.2020, 387/2020 dated 26.05.2020 & 178/2020 dated 30.03.2020 and other Delegation of power guidelines issued from time to time.
- However, the SHG loans are exempted from normal risk rating methods for fixing the delegation of powers and have been provided with separate delegation of powers vide HO Circular 320/2020 dated 30.04.2020. The grading & credit information report norms as per Micro Finance Policy (HO Circular 178/2020 dated 30.03.2020) to be followed for loans to SHGs.

13. Repayment:

- 60 EMIs including an initial repayment holiday not exceeding 6 months for both interest and principal.

14. Product & Scheme code:

Product / Scheme	Canara Bank	e-Syndicate Bank
Loan Product*	777 - Food and Agro Processing Units - Agri TL	819 - Food and Agro Processing Units - TL
Scheme	Under BAM 83 → Scheme Code: 99300 - PM FME - Atmanirbhar Bharat Abhiyan to be selected.	MIS capture Screen (FP BAX78) under GOVT SCHEME TAB → Central Govt. → Atmanirbhar Bharat Abhiyan → PM FME - Atmanirbhar Bharat Abhiyan.

**In case of working Capital loans, Branch can choose the appropriate product code as per requirement and select the scheme code as above.*

15. Classification:

- Priority - Agriculture - Food and Agro Processing Units.