



AGRICULTURE DIVISION, HEAD OFFICE  
PLOT NO: 4, SECTOR-10, DWARKA, NEW DELHI-110075

01-02-2022

TO ALL OFFICES

AGRICULTURE DIVISION CIRCULAR NO. 05/2022

**REVISED GUIDELINES : PM FORMALIZATION OF MICRO FOOD PROCESSING ENTERPRISES SCHEME (PM-FME SCHEME)**

Detailed guidelines on PM Formalization of Micro Food Processing Enterprises Scheme (PM-FME SCHEME) have been circulated vide PSFID/Priority Sector Circular No. 59/2020 dated 24-08-2020, and subsequent circulars issued from time to time.

Now, on the suggestions of MoFPI (Ministry of Food Processing industries) and keeping in view the high rate of rejection under the scheme, it has been decided as under:

Sanctioning Authority	Authority for Rejection
GBBs	After taking prior permission from respective Circle Office
RAM/ iRAM/ MCC	After taking prior permission from respective Zonal Office

1. Further, for correct classification of accounts opened under the scheme, following MIS codes are to be entered:

<b>Scheme Code</b>	As per PNB Udyog/ Seva Scheme
<b>Sector Code</b>	AGRI
<b>Sub Sector</b>	AGANC
<b>Free Code 10</b>	PMFME

2. All other guidelines shall remain the same.

All field functionaries are advised to ensure meticulous compliance of the above guidelines.

**PUNJAB NATIONAL BANK**  
**AGRICULTURE DIVISION, HEAD OFFICE**

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All concerned are further advised to take possible steps to popularize the scheme and make concerted efforts to garner fresh business under the scheme. All Inspecting Officials are advised to note the guidelines to ensure its compliance. In case of non-compliance of above mentioned guidelines, the issue of non-compliance may be flagged/ reported to the competent authority for taking further action in the matter.

**Deputy General Manager**  
**(K.S. Rana)**

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02/05/2022 15:30

August 24, 2020

**PSFID/PRIORITY SECTOR CIRCULAR NO. 59/ 2020**

**REG: PM FORMALIZATION OF MICRO FOOD PROCESSING ENTERPRISES  
SCHEME (PM FME SCHEME)**

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. Most of these units fall under category of micro manufacturing units in terms of their investment in plant & machinery and turnover.

The unorganized food processing industry in India faces challenges that limit its development and weakens performance:

- 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.

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) has implemented "**PM Formalization of Micro food processing Enterprises Scheme (PM FME Scheme)**". The scheme envisages an outlay of Rs. 10,000 crore over

a period of five years from 2020-21 to 2024-25. 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.

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.

The guidelines of the scheme are enclosed as Annexure.

As the scheme focuses on **microenterprises** in the unorganized segment of the food processing industry and promote formalization of the sector, modalities for implementation of the scheme alongwith terms & conditions shall be applicable as per **PNB Udyog/ PNB Seva**, depending upon the activity.

- Guidelines regarding **PNB Udyog Scheme** are circulated vide **MSME DIVISION MASTER CIRCULAR NO. 22/2020, dt. 27.03.2020.**
- Guidelines regarding **PNB Seva Scheme** are circulated vide **MSME DIVISION MASTER CIRCULAR NO. 23/2020, dt. 27.03.2020.**

All field functionaries are advised to ensure compliance of the guidelines and make efforts to garner fresh business under the scheme.

All Inspecting Officials are advised to note the guidelines to ensure its compliance. In case of noncompliance of above mentioned guidelines the issue of non-compliance may be flagged/ reported to the competent authority for taking further action in the matter.

**(ARUN SHARMA)**  
**GENERAL MANAGER**

**PM Formalization of Micro food processing Enterprises Scheme**  
**(PM FME Scheme)**

<b>Parameters</b>	<b>Description</b>
<b>Aims</b>	<p><b>a.</b> Enhance the competitiveness of existing individual micro-enterprises in the unorganized segment of the food processing industry and promote formalization of the sector; and</p> <p><b>b.</b> Support Farmer Producer Organizations (FPOs), Self Help Groups (SHGs) and Producers Cooperatives along with their entire value chain.</p>
<b>Objectives</b>	<p>The objectives of scheme are to build capability of microenterprises to enable:</p> <p><b>a.</b> Increased access to credit by existing micro food processing entrepreneurs, FPOs, Self Help Groups and Co-operatives;</p> <p><b>b.</b> Integration with organized supply chain by strengthening branding &amp; marketing;</p> <p><b>c.</b> Support for transition of existing 2,00,000 enterprises into formal framework;</p> <p><b>d.</b> Increased access to common services like common processing facility, laboratories, storage, packaging, marketing and incubation services;</p> <p><b>e.</b> Strengthening of institutions, research and training in the food processing sector; and</p> <p><b>f.</b> Increased access for the enterprises, to professional and technical support.</p>

<p><b>Program Components</b></p>	<p>The program has four broad components addressing the needs of the sector:</p> <ul style="list-style-type: none"> <li><b>a.</b> Support to individual and groups of micro enterprises;</li> <li><b>b.</b> Branding and Marketing support;</li> <li><b>c.</b> Support for strengthening of institutions;</li> <li><b>d.</b> Setting up robust project management framework.</li> </ul>
<p><b>One District One Product (ODOP)</b></p>	<p>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.</p> <p>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.</p>
<p><b>Support to individual micro enterprises</b></p>	<p>Individual micro food processing units would be provided credit-linked capital subsidy @35% of the eligible project cost with a maximum ceiling of Rs.10.00 lakh per unit. Beneficiary contribution should be minimum 10% of the project cost with balance being loan from Bank.</p> <p><b>Note:</b> New units, whether for individuals or groups would only be supported for ODOP products.</p>

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

- a.** Existing micro food processing units in operations;
- b.** Existing units should be those identified in the State Level Upgradation Plan (SLUP) for One District One Product (ODOP) products or by the Resource Person on physical verification. In case of units using electrical power, electricity bill would support it being in operation. For others units, existing operations, inventory, machines and sales would form the basis.
- c.** The enterprise should be unincorporated and should employ less than 10 workers.
- d.** The enterprise should preferably be involved in the product identified in the ODOP of the district. Other micro enterprises could also be considered.
- e.** The applicant should have ownership right of the enterprise.
- f.** Ownership status of enterprise could be proprietary/ partnership firm.
- g.** The applicant should be above 18 years of age and should be at least VIII standard pass.
- h.** Only one person from one family would be eligible for obtaining financial assistance. The "family" for this purpose would include self, spouse and children.
- i.** Willingness to formalize and contribute 10% of project cost and obtain Bank loan.
- j.** 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

	<p>work shed to be included in the project cost should be for a maximum period of 3 years only.</p>
<p><b>Selection Process for Individual Micro Units</b></p>	<p>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, which have potential, would also be supported.</p> <p>Resource Persons (RPs) will identify units which show potential for availing benefit under the scheme and will also undertake field verification and due diligence in case of applications directly received.</p> <p>The RPs will submit the selected applications to District Level Committee. The District Level Committee will study the report submitted by RP and will interview the interested candidates.</p> <p>For the cases recommended by the District Level Committee/SNA (State Nodal Agency), RPs would help in preparation of DPR for availing bank loan for upgradation of the unit or for setting up of new unit.</p>
<p><b>Support to Group Category</b></p>	<p>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.</p> <p><b>a. Farmer Producer Organizations (FPOs)/Producer Cooperatives</b> would get following support:</p> <ul style="list-style-type: none"> <li>➤ Grant @35% with credit linkage;</li> </ul>



- Training support;
- Eligibility Criteria for Co-operatives/FPOs:
  - It should preferably be engaged in processing of ODOP produce;
  - It should have 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 product for a minimum period of 3 years
  - 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;

**b. Self Help Groups (SHGs)** undertaking food processing activities would be provided following support:

- **Seed capital:**
  - (i) Seed capital @ Rs. 40,000/- 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.
  - (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

	<p>would provide this amount as a loan to the members of SHGs to be repaid to the SHG.</p> <ul style="list-style-type: none"><li>➤ <b>Support to individual SHG member as a single unit</b> of food processing industry with credit linked grant @35% with maximum amount being Rs 10 lakh.</li><li>➤ <b>Support for capital investment</b> at federation of SHG level, with credit linked grant @35%.</li><li>➤ <b>Training &amp; Handholding Support to SHGs</b></li><li>➤ <b>Eligibility Criteria for Seed Capital for SHGs:</b><ul style="list-style-type: none"><li>• Only SHG members that are presently engaged in food processing would be eligible;</li><li>• 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;</li></ul></li><li>➤ <b>Eligibility Criteria for Credit Linked Grant for Capital Investment for SHGs:</b><ul style="list-style-type: none"><li>• 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;</li><li>• SHG members should have for a minimum period of 3 years' experience in processing of the ODOP product.</li></ul></li></ul>
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<p><b>Support for Common infrastructure</b></p>	<ul style="list-style-type: none"><li>➤ 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%.</li> <li>➤ <b>Types of common infrastructure that may be funded under the scheme:</b><ul style="list-style-type: none"><li>a. Premises for assaying of agriculture produce, sorting, grading, warehouse and cold storage at the farm-gate;</li><li>b. Common processing facility for processing of ODOP produce;</li><li>c. 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.</li></ul></li></ul>
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<p><b>Procedure for groups to send proposals for Common Infrastructure and capital investment</b></p>	<p>The following procedure should be followed for seeking funding for common infrastructure and capital investment by FPOs/SHGs/Cooperatives under the Scheme:</p> <ul style="list-style-type: none"><li><b>i)</b> A DPR for seeking assistance under the Scheme for capital investment and common infrastructure should be prepared, based on the format as prescribed;</li><li><b>ii)</b> The DPR should have necessary details of the proposal, detailed project cost, proposed manpower, turnover, marketing channel, sources of raw material, estimated profit &amp; loss account, cash flow statement, etc.;</li><li><b>iii)</b> The DPR should be sent to State Nodal Agency (SNA). After approval of the proposal by State Level Approval Committee (SLAC), SNA should recommend the proposal to Ministry of Food Processing Industries (MoFPI). Any proposal for assistance to a group for grant above Rs.10 lakh should be sent to MOFPI for approval.</li><li><b>iv)</b> After approval of the proposal by Ministry of Food Processing Industries (MoFPI), the proposal should be forwarded to the financial institution for sanction of loan;</li><li><b>v)</b> The DPR may also contain proposal for training support to the group members based on the training hours &amp; modules, as prescribed and as per the cost norms of Ministry of Skill Development and Entrepreneurship. Component of training and capacity building would be fully funded under the Scheme;</li><li><b>vi)</b> Assistance of Rs. 50,000/- per case would be provided to FPOs/SHGs/ Cooperatives for preparation of DPR;</li><li><b>vii)</b> Disbursement of grant should take place to the bank account of the applicant organization after sanction of loan by the bank.</li></ul>
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<p><b>Branding and Marketing Support</b></p>	<p>Marketing and branding support would be provided to groups of FPOs/SHGs/ Cooperatives or a Special Purpose Vehicle (SPV) of micro food processing enterprises under the Scheme. Following the ODOP approach, marketing &amp; branding support would only be provided for such product at the State or regional level.</p>
<p><b>Nodal Bank</b></p>	<p>MoFPI would select a Nodal Bank for facilitation and ensuring smooth flow of subsidies from the Banks to the micro enterprises. The functions of the Nodal bank would include the following:</p> <ul style="list-style-type: none"> <li><b>a.</b> Monitoring and liasoning with Banks for target driven approvals of applications and timely disbursal of subsidies to individual micro enterprises and groups;</li> <li><b>b.</b> Transfer of subsidy from the central and state governments to the bank accounts of beneficiary in the lending bank branch.</li> </ul>
<p><b>Credit Linkage and Disbursement of loan</b></p>	<ul style="list-style-type: none"> <li><b>a.</b> The credit linked grant would be transferred to the lending bank after sanction of loan by the bank.</li> <li><b>b.</b> The bank sanctioning the loan would open a mirror account in the name of the beneficiary. The lending bank would report the fact of sanction of loan to the Nodal Bank at the national level.</li> <li><b>c.</b> After receipt of this information, Central and State Government should respectively transfer 60% and 40% of its share of grant to the Nodal Bank. The Nodal Bank would transfer 60% of the Central share of the grant and 40% of the State share of the grant together to the concerned lending Bank branch.</li> </ul>

	<p><b>d.</b> That Bank branch should place this amount in the mirror-account of the beneficiary. The lending bank should disburse sanctioned loan amount in accordance with normal banking practice to the beneficiary/supplier.</p> <p><b>e.</b> If after a period of three years from the disbursement of last tranche of the loan, the beneficiary account is still standard, and the unit is operational, this grant amount would be adjusted in the bank account of the beneficiary.</p> <p><b>f.</b> If the account becomes NPA prior to three years from the date of disbursement of the loan, the grant amount would be returned.</p> <p><b>g.</b> If the grant amount is adjusted after three years against the loan amount in case of standard account, no interest would be payable by the borrower on the portion of the loan disbursed by the Bank equal to the grant amount from the date of receipt of the grant amount by the lending bank.</p>
<p><b>Credit Guarantee &amp; Interest Subvention</b></p>	<p><b>a.</b> Benefit of credit guarantee coverage for loans offered under this Scheme should be provided to the borrower under the <b>Credit Guarantee Trust for Micro &amp; Small Enterprises</b> through the National Credit Guarantee Trustee Company under their usual terms &amp; conditions.</p> <p><b>b.</b> Interest subvention of 2% under the <b>Interest Subvention Scheme for incremental credit to MSMEs, 2018</b> would also be available to the borrowers on the outstanding balance.</p>
<p><b>Collateral Security</b></p>	<p>Collateral Security be obtained as per Bank's extant guidelines.</p>
<p><b>Classification</b></p>	<p>Classification and reporting of advances for Food and Agro-processing up to an aggregate sanctioned limit of ₹100 crore</p>

	per borrower from the banking system shall be under Agriculture- Ancillary advances.
<p><b>Convergence Framework</b></p>	<p>Food Processing Enterprises being supported under the Scheme would be eligible for benefits under the following Government Schemes:</p> <ol style="list-style-type: none"> <li><b>a. National Rural Livelihood Mission</b> – providing seed capital, training, handholding support and interest subvention to SHGs;</li> <li><b>b. Start-up Village Entrepreneurship Programme (SVEP)</b> –It is a Centrally Sponsored Scheme, a part of NRLM, provides capital and technical support to rural start-ups through training, handholding and support through Community Enterprises Fund (CEF) as a loan up to Rs. 1 lakh for individual entrepreneur and Rs. 5 lakh for group entrepreneurs at 12% interest;</li> <li><b>c. Interest Subvention Scheme for incremental credit to MSMEs 2018</b> – 2% interest subvention on outstanding balance;</li> <li><b>d. Credit Guarantee Trust Fund for Micro &amp; Small Enterprises (CGTMSE)</b> for collateral free loan up to Rs 2 crore;</li> <li><b>e. PM MUDRA Yojana</b> for loan up to Rs.10 lakh;</li> <li><b>f. A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship (ASPIRE);</b></li> <li><b>g. Scheme for Fund for Regeneration of Rural Industry (SFURTI);</b></li> <li><b>h. Public Procurement Policy for MSEs;</b></li> <li><b>i. Benefits available under various other Schemes of MoFPI</b> such as Backward &amp; Forward Linkages, Agricultural</li> </ol>

	<p>Production Cluster, Cold Chain etc. would be used to provide support to clusters/groups.</p> <p><b>j. Support from PMKVY and NRLM for skill training for SHGs</b>, if falling within the guidelines would be taken. For shorter duration on site trainings, support would be provided from NRLM and the PM FME scheme, tailor-made for such purposes.</p>
<p><b>Other Terms &amp; Conditions</b></p>	<p><b>a.</b> 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.</p> <p><b>b.</b> 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.</p> <p><b>c.</b> New units, whether for individuals or groups would only be supported for ODOP products.</p> <p><b>d.</b> Support for common infrastructure and marketing &amp; branding would only be for ODOP products. In case of support for marketing &amp; branding at State or regional level, same products of districts not having that product as ODOP could also be included.</p>
<p><b>CBS Identifier Code</b></p>	<p><b>Scheme Code: As per PNB Udyog/ Seva Scheme</b> <b>Purpose of Advance Code: PMFME</b></p>