

6. PMFME – Strengthening Micro Food Units – Economy

As of June 2025, ₹3,791.1 crore has been released to States/UTs, with over 1.44 lakh loans sanctioned under the PMFME scheme, reflecting progress in formalising India's micro food processing sector.

“Vocal for Local” – Building Competitiveness in Food Processing

Introduction

Launch and Background – The PMFME Scheme was launched on 29 June 2020 as a key initiative under the Atmanirbhar Bharat Abhiyaan, with the aim of formalising and strengthening India's vast unorganised food processing sector. The sector largely consists of small and micro enterprises which face challenges of technology adoption, access to credit, market linkages, and standardisation.

Financial Outlay – The scheme has a total financial outlay of ₹10,000 crore for the period 2020–21 to 2025–26, designed as a Centrally Sponsored Scheme (CSS). The cost-sharing pattern is – 60 – 40 between Centre and States, 90 – 10 for North-Eastern and Himalayan States, and 100% central assistance for Union Territories without legislatures.

Objectives – PMFME aims to –

1. Formalise 2 lakh micro food processing enterprises.
2. Promote the ODOP (One District One Product) approach to strengthen regional food clusters, traditional products, and niche items.
3. Provide infrastructure, credit support, and training to make micro food enterprises more competitive, both domestically and globally.

Key Components of the Scheme

1. Support for Individual Units

Credit-linked subsidy – Eligible individual micro food processing units receive a 35% subsidy on project cost (up to ₹10 lakh ceiling).

Beneficiary contribution – At least 10% of the project cost must be contributed by the beneficiary, while the balance is arranged through bank loans.

Impact – This promotes formalisation of scattered micro-enterprises by making them creditworthy, reducing dependence on informal moneylenders, and facilitating technology upgrades.

2. Support for Groups (FPOs, Cooperatives, SHGs)

Seed capital support – SHG members receive ₹40,000 each as working capital or for purchasing tools/equipment, encouraging small-scale entrepreneurship.

Grant support – FPOs and cooperatives receive 35% of the project cost as a grant for collective activities like processing units, packaging, and storage.

Branding and marketing assistance – Support is given at state or regional levels to promote ODOP products, which helps small producers compete in broader markets.

3. Common Infrastructure

Investments are made to establish shared facilities such as grading, warehousing, cold storage, incubation centres, and processing clusters. These facilities particularly support ODOP clusters by enabling value addition, reducing wastage, and ensuring economies of scale.

4. Capacity Building

Training, skill development, and R&D support are provided by premier institutions such as NIFTEM (National Institute of Food Technology Entrepreneurship and Management), IIFPT (Indian Institute of Food Processing Technology), ICAR institutes, and CSIR labs. Focus is on entrepreneurship development, adoption of modern technology, product-specific improvement (e.g., packaging, shelf-life enhancement), and food safety practices.

Achievements (as of June 2025)

Loans sanctioned – Credit-linked loans worth ₹11,501.79 crore sanctioned for 1.44 lakh units.

SHG support – ₹376.98 crore distributed as seed capital to 1.03 lakh SHG members, encouraging women-led rural enterprises.

Infrastructure – 93 common infrastructure projects worth ₹187.20 crore approved, strengthening value chains at the cluster level.

Branding – 27 branding and marketing projects sanctioned with a total value of ₹82.82 crore, enhancing ODOP visibility.

Training – Over 16 lakh beneficiaries trained in modern food processing practices, packaging, and entrepreneurship.

Export growth – India's food processing exports reached USD 49.4 billion in 2024–25, with processed foods accounting for 4% of the share, reflecting the scheme's contribution to international competitiveness.

Analysis

Economic Impact – Strengthens agriculture–industry linkages, ensuring farmers receive better prices by reducing dependence on raw crop sales. Creates rural employment opportunities by enabling micro-enterprises to flourish in processing, packaging, and value addition. Reduces post-harvest losses through improved cold storage and processing infrastructure. Expands India's processed food exports, thus boosting foreign exchange earnings.

Social Impact – Empowers women entrepreneurs through SHG-based support, seed capital, and training. Revives and promotes traditional and regional foods under ODOP, ensuring cultural preservation while making products market-ready. Improves nutrition security by encouraging diversified processed food products.

Institutional Impact – Formalises informal food enterprises by bringing them under regulatory, credit, and quality frameworks. Enhances the capacity of training institutions and incubation centres, creating an innovation-driven ecosystem in food processing. Builds synergies between central and state governments, financial institutions, and local entrepreneurs.

Challenges

Awareness Gap – Many rural entrepreneurs and SHGs are unaware of the scheme's provisions, leading to under-utilisation.

Credit Access – First-generation entrepreneurs face challenges in securing loans, as banks remain cautious despite subsidy provisions.

Logistics & Infrastructure – Gaps in cold chain networks, warehousing, and last-mile connectivity limit value addition potential.

Quality & Standards – Small producers struggle to obtain FSSAI certification, branding, and international quality compliance, affecting their competitiveness.

Way Forward

Awareness Campaigns – Strengthen grassroots outreach via digital platforms, district-level workshops, and Panchayat-level mobilisation to increase scheme uptake.

Ease of Credit – Simplify loan application processes, expand microfinance and fintech partnerships, and introduce flexible repayment models for small entrepreneurs.

Market Linkages – Develop partnerships with e-commerce platforms, retail chains, and export councils to enhance the visibility and sales of ODOP products.

Quality Assurance – Establish district-level standardisation, packaging, and certification centres to ensure quality compliance for small producers.

Sustainability Integration – Encourage eco-friendly packaging materials, renewable energy-based processing, and waste recycling to align with India's climate goals.

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