

A Study on Development Trends of Food Processing Sector in India

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In this Research paper an attempt has been made to have an overview of the current status of Food Processing sector as well as its role in the economic development of the nation in general and economic condition of rural people in particular. It has also been tried to trace various problems faced by small scale industry with regard to food processing units and how to cope-up with these problems.

Key words: - Food Processing, Economic Development, SSIs, Food Processing Centers.

The overall growth of an economy especially developing one largely depends upon the growth of Small Scale Industries. In the developing economies like India, SSIs constitute a reasonable share in the GDP, exports, employment generation etc. As almost 60% of our population depends on agriculture and agriculture based activities, the role of agro-based industries enhances from the point of view of development of rural and backward people. In India the main challenge before the economic planners is the scarcity of capital and infrastructural facilities. So Small Scale Industries are getting their relevance over the other sectors as these industries require relatively less amount of funds and mainly based upon labour intensive technologies as well as locally available raw material used in the production activities. Food processing sector has become the second largest employment provider after agriculture. It has benefitted people engaged in agro-based manufacturing units as well as rural artisans and consequently increasing their per capita income. Direct relation with agriculture is a feature of this industry which has better prospects for production, consumption, export and growth.

IMPORTANCE OF THE STUDY-

Among the various sectors of SSIs, food processing is the most significant one which is working as a potential source for driving rural economy by establishing a linkage between industry and agriculture. This sector is crucial for India to emerge as a competitive manufacturing base. It has proved to be helpful in providing fair and increased prices of agricultural products resulting into increased rural incomes and higher standard of living of farmers. It also ensures the value addition through processing, grading, and standardization of agro-based produces, promotion of crop diversification and generation of employment opportunities as well as increase in export earnings. India also has a large marine production and processing potential with varied fish resources. The small scale food processing industry can check rural migration by gainfully employing people in villages. By focusing on the food processing industry there can be lead towards better and prosperous future. In the light of abovementioned advantages, it is important to visualize the opportunities and challenges of this sector and to recommend the suggestions to make this sector more fruitful.

OBJECTIVE OF THE STUDY-

The major objectives of the present study are:

1. To have an understanding about the present scenario of Food processing sector in India.
2. To study about the role of this sector as a small scale industry in economic development and impact of economic reforms on it.
3. To analyse the growth trends in various Items (sub-sectors) of this industry over the last decade.
4. To assess the role of processed foods sector in creating employment opportunities, increasing output, income and raising standard of living.

RESEARCH METHODOLOGY-

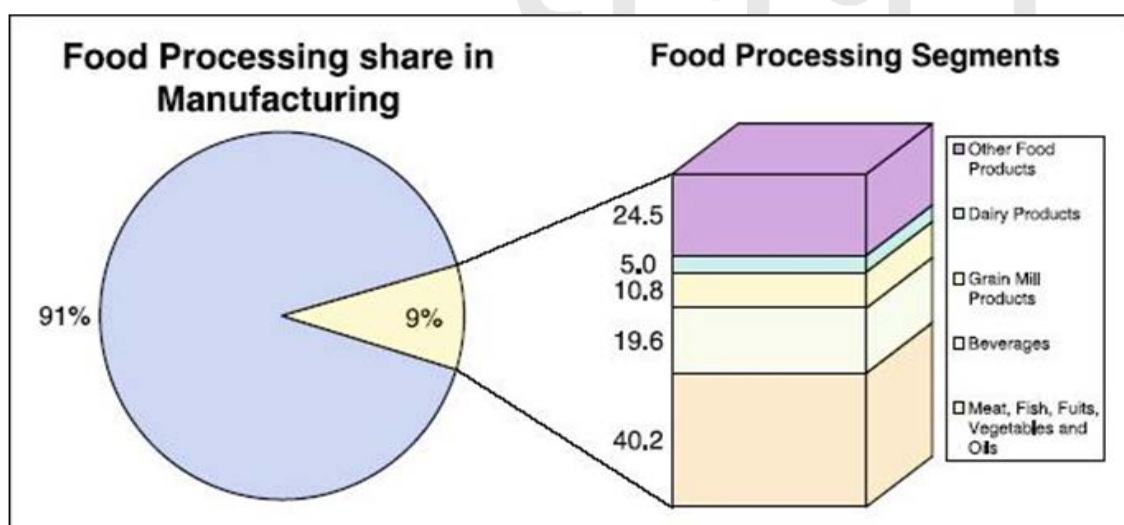
The proposed study is based on descriptive research design. The relevant issues have been examined on the basis of information gathered through secondary sources. For the betterment of food processing industry researcher talk to various persons and groups who engaged in such sectors. Various issues have been analysed by applying statistical or analytical tools and techniques wherever required.

PROCESSED FOOD SECTOR-

Ever since the country attained independence and the Government initiated economic planning for the balanced economic development, serious efforts have been made to boost the small and medium industries. Because of low capital base and backward technology a major emphasis has been given to these industries which act as a positive catalyst to ensure the quality of life to the poor people. At the same time the labour intensive processed foods sector was considered to be a significant area of operation for those who are directly or indirectly engaged in agriculture and allied activities. During the economic reform period small scale industries outperformed the rest of manufacturing sector. The average rate of growth of manufacturing sector during 1991-92 to 1999-2000 periods was around 6% while SSI recorded 8% growth. Despite of good economic condition at present, this sector is still facing some problems. Seasonal or disguised unemployment, poverty, women deprivation, unplanned education, health hazards and impact of globalisation are big and challenging problems and all these need our active attention towards processed food industries.

PRESENT STATUS OF FOOD PROCESSING SECTOR-

If we look at the statistics available in the government and non-government publications, we find that India produces annually 110 million tones of milk which is highest in the world, followed by 150 million tonnes of fruits and vegetables standing at second position in terms of production capacity. If we look at the latest data available, we find that India stood at third position in the world in the production of food grains as well as fisheries. India ranks first in livestock accounting for 485 million. At the same time there is production of 489 million poultry and 45.200 million eggs. As compared to the level of production, a very low percentage of total produce is being processed which is the main cause for non-exportability of these products. Only 2.2% of fruits & vegetables, 6% of poultry and 26% for marine products comes under processing for making them high quality goods. This is why in total world trade of processed food sector India's share is merely 1.5% presently. Not only for export, even very low percentage of food and vegetables consumed within the nation undergo processing. Because of shortage of processing and proper storage facility a large amount of fruits & vegetables approximately 35% of total production goes waste, resulting a loss of revenue for the producers and distributors. It is therefore desired to extend a vibrant infrastructure in order to enable the farmers getting a fair and full remuneration as well as in reduction of wastages. The respective participation of Food Processing institutions in total manufacturing sector can also be understood by the following diagram.



The above picture shows the share of Food Processing in total manufacturing sector. It occupies 9% share out of total 100 % coverage of manufacturing industry. This 9% has been further classified into five major categories including meat, fish, fruits & vegetables, beverages, grain mill products, dairy products and other food products accounting for 40.2, 19.6, 10.8, 5, 24.5% respectively.

As per the government estimations, food processing sector has provided a direct employment to about 14 million people and indirect employment to about 35 million people. The share of Food Processing Sector is recorded as around 14% of the GDP in manufacturing items, which accounts for Rs. 23 Lakhs Crore approximately. Moreover nearly 70% of this production is processed by the unorganized sector while in terms of the value its share is only 50% of the total value of processed items. This slow growth of the Food Processing Industry has been recorded in the country because of many bottlenecks in the form of inadequate and improper infrastructural facilities, like cold chain, packing, grading and standardization centers, lack of quality control and testing facilities infrastructure, inefficient logistic system, delay in the supply of raw material etc. The other problems faced by FPIs are inadequate supply of process able items of farm produce, seasonality of raw material, unaffordable taxation, high inventory carrying cost, high packaging cost, affordability and cultural preference for fresh food, transportation problems etc.

Item- Wise Analysis of Food Processing Sector-

1. OIL MILLING:

Oil milling is one of the major items of food processing sector. In India varieties of oilseeds crops are grown in different agricultural zones with favorable climate. Among these Groundnut, mustard/rapeseed, sesame, sunflower, linseed, Niger seed/castor are the major traditionally cultivated oilseeds. Soya bean and sunflower have also been significantly produced during recent years. Coconut is most important amongst the plantation crops. In recent decades many efforts from the government as well on individual basis have been made to increase oil palm in Andhra Pradesh, Karnataka, Tamil Nadu in addition to Kerala and Andaman & Nicobar Islands. The rice bran oil and cottonseed oil are also the two important items that come under non-conventional oils.

As far as production of Oilseeds and edible oils are concerned, India holds the first position in the world and this sector has assumed important position in the agricultural sector in the Indian economy accounting for the estimated production of 28.21 million tonnes of nine cultivated oilseeds during the year 2007-08. In the worldwide oilseeds production India's share is around 7%. At the same time Export of oil meals, oilseeds and minor oils has increased remarkably from 5.06 million tonnes in 2005-06 to 7.3 million tonnes in 2006-07. This increase has proved to be India's share as about 6.4% of world oil mill export.

2. PULSE MILLING & FLOUR MILLING SECTOR:

For the adequate and focused growth of the sector, the Ministry is providing financial assistance to the grain processing enterprises for its expansion in the form of grant. The main aim of the scheme is to promote the food processing sector with respect to adoption of modern technology to increase quality of the product, reduce cost of production and generate employment in addition to reduction in wastage, value addition, strengthening on of food etc. The Ministry has released grant of 907 lakhs to 50 applicants in flour milling sector and 432 lakhs to 51 applicants in pulse milling sector (upto 31.12.2010). The details of grant-in-aid is depicted in following table-

TABLE-1
FINANCIAL ASSISTANCE TO OIL, PULSE & FLOUR MILLING SECTOR

Year	No. of Units Assisted			Grant in aid disbursed (Rs. Lakhs)		
	Pulse mills	Flour Mills	Oil Mills	Pulse Mills	Flour Mills	Oil Mills
2007-08	13	14	93	183.13	433.51	1973.52
2008-09	34	39	118	688.73	998.34	2051.50
2009-10	23	29	29	162.49	393.60	562.64
2010-11 (up to December 2010)	51	50	24	431.53	907.47	363.12

Source: Ministry of Food Processing Industries, Annual Report 2010-11.

The data shown above depicts the gradual growth of number of units getting financial assistance from the Government agencies. The Ministry of Food Processing Industries provides financial assistance to edible oil milling sector under the scheme of technology upgradation/ modernisation/expansion. The scheme has been decentralized w.e.f. 1st April 2007. During the financial year, 2009, Ministry has released grant-in-aid of 5.62 crore to 29 units for setting up/ modernisation/expansion of edible oil milling industries, under the decentralized pattern of the scheme. As far as financial assistance to pulse and floor mills is concerned, it has increased from Rs. 183.13 lakhs and Rs. 433.51 lakhs in 2007-08 to 431.53 lakhs and 907.47 lakhs respectively.

3. MILK PRODUCTION:

India has got the top position in the total milk production in the world since 1988. In the total world milk production of around 613 million tones, India's share stands at approximately 15% accounting for 91 million tones. If we compare the growth trends in the production of milk in India and that on the world level, we find that India's production growth stands at a CAGR of 4% as against the growth at a CAGR of 1.1% in the world. However despite a satisfactory growth trends in milk production, the availability of milk in India to an individual is 229 grams per day which is lower than the world average of 285 grams per day.

Of the total milk production in India, only 35% milk is being processed, of which the organized dairy industry accounts for 13% of the milk produced, while the rest of the milk is either consumed by the producers themselves or sold at the origin through informal channels. The production level of milk in India can be projected to be 135 million tons by 2015.

Despite a widespread growth of milk production, we are still able to process only 15% of the total milk output through organized dairy outlets. After the introduction of the Operation Flood, also termed as White Revolution in early 1980s the industry saw a remarkable growth in the milk production. The total milk economy is estimated at Rs. 1,300 billion in terms of value. However, the market for dairy whiteners (commercially known as beverage milk powders and condensed milk) and creamers is estimated as Rs. 3,000 million. Apart from MNCs like Nestle and companies like Britannia, the Indian enterprises have also made perceptible progress. The Indian companies engaged in the processing of milk and producing a variety of milk products can be Named as Amul, Sapan, Mohan, Parag, Namaste India and several others which are working in the marketplace with various products available in different sizes and different packaging modes. As per the data available, the Indian dairy sector is valued at US\$ 62.67 billion and expected to grow 5% annually.

4. MEAT AND MEAT PRODUCTS:

In terms of cattle population India enjoys top position in the world. It has 94.1 million of buffalo accounting for approximately 56.5% of world buffalo population. On the other hand around 17% of the goat population in the world is there in India. The country also holds fifth rank in egg production producing over 1.6 million tons, while it is ninth in the number of poultry. In spite of this rosy picture of livestock population and the production of meat, milk and eggs, a very low portion of the total production is being exported because of inadequate and improper processing, Grading and standardization facilities.

In order to improve the required infrastructure for processing of meat and meat food products for domestic as well as foreign market, Ministry of Food Processing Industries has been extending monetary assistance regularly to many business units through grant-in-aid which can be represented in the following table:

TABLE -2
FINANCIAL ASSISTANCE TO MEAT PROCESSING SECTOR

Year	No. of Units	Grants-in-aid disbursed (in Rs. Cr.)
2008-09	8	1.80
2009-10	10	2.33
2010-11(till 28.2.2011)	20	4.55

Source: Ministry of Food Processing Industries, Annual Report 2010-11.

In terms of size the export of sheep, goat and buffalo meat too is not very large due to lack of competitive advantage. Export is restricted to countries in the Middle East, with large ethnic Indian population.

5. FISHERIES:

As far as income, employment and exports are concerned, fisheries sector in India is growing as a significant source. This is a source of nutritious food and also used for medicinal purposes. India holds the third position in the world in terms of fish production country and ranks second in inland fish production. India has a vast potential for production of fishes. It has a very large area of coastline as well as brackish water. There is 2.2 mn. Sq. km. of exclusive economic zone which supplements Processing of fish into canned and frozen forms is carried out entirely for the export market. However there is still potential of further increase in its production and extend the marketability in the domestic as well as foreign market. There has been a positive impact of economic reforms as fish-processing sector has been attracting huge foreign investments during post reform period. Since India got the independence, Govt. of India has done a lot for the development of processing of marine products. However, a large number of processing and freezing units are needed to ensure the full utilization of the potential of this sector. Ministry of Food Processing Industries have been extending financial support in establishing fish processing units, as well as technology up gradation, modernization and extension of these units. The Ministry has released grant of 126 lakh to 6 applicants (up to 31.12.2010). Processed fish products for export include conventional block frozen products, individual quick frozen products (IQF), minced fish products like fish sausage, cakes, cutlets, pastes, surimi, texturized products and dry fish etc. Exports of marine products have been inconsistent and on a declining trend because of some unfavorable market conditions in the developed nations.

6. POULTRY:

The poultry industry in India has shown a remarkable growth during last decades. India stands at fifth rank in the production of eggs and it is ninth largest producer of poultry broiler. This industry has done the business of around Rs. 60,000 crore in the year 2010. The production of chicken in India is estimated at 1,400 million in a year of which 95% is traded alive. Uttar Pradesh is one of the major producers of poultry meat in India. The total poultry meat production in 2010-11 is 1862.025 lakhs Kgs., which has declined from 1983.592 lakhs Kgs. in 2005-06.

7. CONSUMER FOODS:

Consumer Food is another major sector of food processing industry which is showing an increasing trend in the production as well as consumption in domestic and international markets. The main items produced in this industry are Breads, Cakes, Biscuits, Namkins, Pastries, Patties, Rusk, Buns, Rolls, Maggi, Corn flakes, and Rice flakes, ready to eat and ready to cook products, etc. Bread and biscuits constitute the largest segment of consumer foods. Their production is about 4 million tons per year. Manufacturing of bread is reserved for SSI sector. The share of organized and unorganized sectors in the production of bread is 40 and 60 respectively. At the same time the ratio is 80 : 20 for two sectors in the production of biscuits. Presently there are approximately 70,000 bakeries, 20,000 traditional food units and several pasta food units working in India. Indian Biscuits Industry holds the second position in the world after

USA being the first, having a turnover of around Rs. 3,000 crore. The latest position of consumer food industry has been shown in the following Table-3.

TABLE-3
FINANCIAL ASSISTANCE TO CONSUMER FOODS SECTOR

Year	No. of Cases	Assistance released (` in lakh)
2007-08	156	3205.00
2008-09	112	1837.00
2009-10	145	2247.17
2010-11	111	1967.42

Source: Ministry of Food Processing Industries, Annual report 2010-11.

As against the overall growth trends of finance released to and production of food processing institutions, consumer food sector has shown declining trends. A sharp decrease in financial assistance was recorded from Rs. 3205 lakhs in 2007-08 to Rs. 1967.42 in 2010-11. This is because of relatively low profitability and high risk of wastages and loss due to perishable nature of consumer food items.

CONCLUSION-

In view of the availability of physical, natural and human resources available in India, it can be concluded that food processing sector has a potential to change the socio-economic conditions of rural India. A Strong and dynamic food processing sector can play a significant role in diversification of agricultural activities, improving value-addition opportunities and creating surplus for export of agro-food products. This requires policies and plans for improvement of food processing infrastructure including up gradation of technology and enforcement of quality standards, promoting investment in food processing, thus assisting in domestic market and export growth. For getting the fruitful results, there needs a vibrant infrastructure as well as full financial and technological support from the government to the food processing units. It is found that only one percent of total meat production is converted to value added products. India is the largest milk producer in the world but only 15% of total milk is processed through the organized sector because of lack of processing centers and proper logistic system.

A major concern of our economic planners should be on the development of agriculture sector which is the base of most of the Food processing activities. This sector has given a hope for betterment to the people engaged in agriculture. It reduces the wastages and ensure the adequate supply of food products and hence, stabilizing the economy by maintaining the price at a moderate level. It is also found that food processing industry covers the wide range of sub sectors what have potential to increase the employment and controls the migration of workforce to the other states as well as other nations.

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