

FOOD PROCESSING FOR NON-FARM SECTOR

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The food processing activities are critical to India's growth and the government is focused on providing adequate thrust to the sector and is trying to engage more rural farmers in this sector. A well-developed food processing sector will help in facilitating various opportunities such as modern processing techniques for processing food which will result in improved shelf-life of the agricultural produce and ensure steady revenue to farmers. With the correct set of policy implementations and support, the sector can grow profoundly, taking India to a new position of strength and prosperity in the global economy.

Food processing sector in India plays an important role in linking Indian farmers to consumers in the domestic as well as international markets. It is of enormous significance for Country's development and provides synergies to support industry and agriculture by contributing to social and economic growth. During the last decade, food processing sector in India has grown significantly and moved from a situation of insufficiency to surplus in food production which is expected to be doubled in the next ten years. For this reason, there is a prospect for huge investments in food and food processing activities. The food processing sector has been given main concern by

the Government of India, with a number of financial relief and incentives, to promote commercialization and value addition.

Currently, India stands second in terms of global food production and has good status in producing numerous food products like milk, ginger, banana, guava, mango and papaya. With such a vast raw material base, it can be assumed that India can become the leading provider of food items in the world in next coming years which will further strengthen the link between agriculture and manufacturing by the use of modern food processing and storage technologies. However, in order to





understand the maximum potential of the sector, a rising apprehension about the wastage needs continuous attention.

Food processing sector faces various problems, which have a direct consequence on the approach and required intervention for the development of the sector. Therefore, the sector needs support for infrastructure establishment and targeted incentives to draw investment for designing of processing capacity. To address these issues, substantial investments are required in various components of the supply chain.

Food Processing Sector: Current Scenario

India's vast agricultural resources alone produce enormous potential for investments in its food processing and equipment industry. Major areas holding possibility for value-added processing are packaging, canning, frozen food, dairy, food processing and thermo-processing industries. The food processing sector in India accounts for almost one-third of the total food market in India. The food processing sector is valued at 258 billion US dollars (USD), and it is the fifth largest sector domestically in terms of production, consumption, export and expected growth in the country. It contributes to around 14 per cent of manufacturing Gross Domestic Product (GDP) and 13 per cent of India's total food exports.

Currently, the Indian Government food market is valued at 1.3 billion USD and is growing at a Compound Annual Growth Rate (CAGR) of 20 per

cent. The Processed food market is expected to grow to 543 billion USD by 2020 from 322 billion USD during 2016, at a CAGR of 14.6 per cent. The sector engages approximately 1.77 million people in around 39,319 registered units with fixed capital of 29.2 billion USD and aggregate output of around 144.6 billion USD. Major industries constituting the food processing sector are grains, sugar, edible oils, beverages and dairy products. It contributes around 8.80 per cent and 8.39 per cent of Gross Value Added (GVA) in manufacturing and agriculture, respectively, 13 per cent of India's exports and 6 per cent of total industrial investment. As per Department of Industrial Policy and Promotion (DIPP), the food processing sector in India has received around 7.54 billion USD worth of Foreign Direct Investment (FDI) during the period April 2000-March 2017 while FDI equity inflow during 2017-18 was 484.82 million USD. Further, Indian government aims to boost growth in the food processing sector by leveraging reforms such as 100 per cent FDI in marketing of food products and various incentives at central and state government level along with a strong focus on supply chain infrastructure.

Food Processing for Livelihood Sustainability

Food processing is an activity that changes the raw food stuff into a suitable form for marketing purpose. It is the major source of employment and income for rural areas and holds the key to reduction of waste in the fragile supply chain, avoids food wastage and also helps in attaining food security. In present times, the demand for nutritious fruits

and vegetables increases every year. Therefore, modernizing of supply chain will prove to be a boon for both producers and consumers. Food processing sector primarily engages a major share of workers from the agriculture sector, who face disguised unemployment.

Processed food occupies less space for storage and can be exported for foreign exchange. The Indian food processing sector has remarkable potential to nurture, due to its increasing demand presently. Growth in food processing sector will help in creating new employment opportunities, enhance agricultural yields, improve productivity and enhance the quality of standard of living of the people across the country, especially of rural people.

To ensure remunerative prices to the farmers for their produce is the major issue in the country. In order to create greater opportunities for employment generation and enhancing farmer's income, there is a necessity to increase the processing and marketing various cereals, fruits, vegetables etc. In this regard, a well-developed food processing sector is required with higher level of processing which further helps in crop diversification, commercialization of agriculture, reduction of wastage, role in enhancing shelf life, improves value addition, ensures better return to the farmers, promotes employment as well as creates markets for export of agro foods. In the process, the

farmers will be able to raise their own level of income and employment. Apart from farmer, the consumer is also likely to benefit as there will be an increase in the supply of food products with a longer shelf life. The broader idea behind the food processing activities is to bring together farmers, processors and retailers and link agricultural production to the market so as to guarantee maximization of value addition, minimization of wastages and improving enhancing farmers' income.

In India, there is huge land capacity for food production and more than 50 per cent of Indian population work in agriculture and its allied activities. If there are good food processing industries in India, raw materials such as grains or fruits can be processed into food for domestic and foreign consumption. The increase in the incomes of the working class has led to increase in the demand for availability of processed foods. Another important factor for the rising demand of processed food is the change in the food habits of the working class who prefer readily available convenient foods. Food processing sector is also capable of addressing critical issues of food security, food inflation and providing healthy food to the public and consequently has also emerged as an important segment of the Indian economy in terms of its contribution to GDP, employment and investment.



Government Initiatives For Food Processing Sector

India's food ecosystem offers huge prospects for investments with stimulating growth in the food retail sector, economic policies and monetary incentives. The Government of India through the Ministry of Food Processing Industries has also taken steps to boost investments in the food processing sector through Pradhan Mantri Kisan Sampada Yojana (PMKSY). Major activities covered under the Yojana are establishment of mega food parks, integrated cold chain and value addition infrastructure, expansion of food processing & preservation capacities, infrastructure for agro-processing, creation of backward and forward Linkages, food safety and quality assurance infrastructure, generation of human resources and Institutions. Till now, the government has sanctioned 42 mega food parks to be set up in the country under the Mega Food Park Scheme while 17 mega food parks have become functional. Apart from this government has identified food processing sector as one of the priority sector under Make in India campaign.

The allocation for food processing sector under PMSKY is Rs. 6,000 crore for the period 2016-20 co-terminous with the 14th Finance Commission. PMKSY is expected to influence investment of Rs.31,400 crore for handling of 334 lakh million ton agro-produce valued at Rs.1,04,125 crore, helping 20 lakh farmers and generating 5,30,500 direct and indirect employment in the country by the year 2019-20. Further, the PMSKY scheme will assist in building modern infrastructure with a well-organized supply chain management from farm gate to retail outlet. It will not only boost the growth of food processing sector in the country, but also help in providing better returns to farmers and is a big step towards doubling of farmers income, creating a wide variety of employment opportunities especially in the rural areas, reducing wastage of agricultural produce, increasing the level of processing and enhancing the export of the processed foods.

Future in Rural India

The future prospects of food processing sectors in India are bright. Food and beverages companies are persistently exploring better ways to augment their sales and market share by the means of adding new products in markets as as by modernizing more professional promotional campaigns. New practices

and methods are being developed to enhance the quality of the processed food. It can be said that India has an advantage of huge agricultural land and this can help potentially to become an ideal sourcing destination for food products internationally. Food processing sector is one of the promising sectors in India which offers unique opportunities in production and export of processed food. In this regard to expand food processing sector, Indian government has also launched numerous schemes to promote food processing sector by making huge investments.

The food processing activities are critical to India's growth and the government is focused on providing adequate thrust to the sector and is trying to engage more rural farmers in this sector. A well-developed food processing sector will help in facilitating various opportunities such as modern processing techniques for processing food, which will result in improved shelf-life of the agricultural produce and ensure steady revenue for farmers. With the correct set of policy implementations and support, the sector can grow profoundly, taking India to a new position of strength and prosperity in the global economy.

Challenges and Way Forward

It has been observed that there are many factors that lead to the growth of food processing industries in India. Despite huge development in this sector, there are several constraints that hinder the development of food processing industries. The key challenges identified overall for the food processing sector in India are capital intensive functions, poor supply chain linkages, infrastructure bottlenecks, lack of skilled manpower and low adherence to quality standards due to low competition. These challenges can be minimized by making awareness programmes related to food processing to rural farmers who are primarily engaged in agricultural activities which in turn will help them to improve their livelihood mechanism and hence economic status. Therefore, there is a need to frame such policies which would focus on the involvement of rural farmers in this sector as they play an important role in management of Indian food ecosystem.

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