

# PROMOTING AGRO-INDUSTRIES

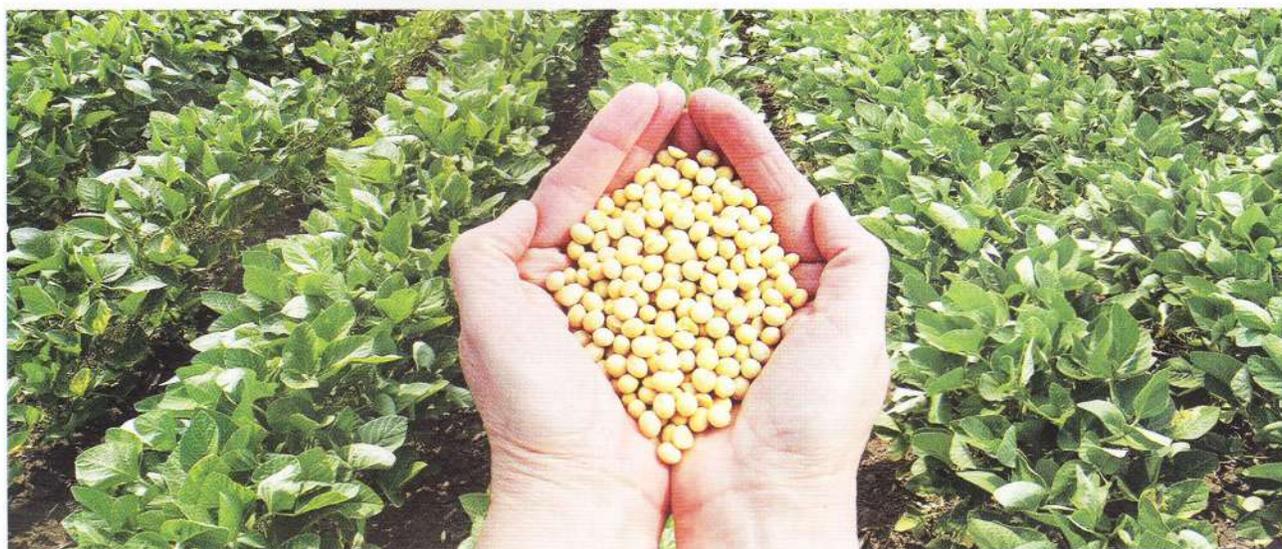
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**Agro-industry consists of the processing, preservation and preparation of agricultural production for intermediate and final consumption. It performs a number of crucial functions that support development and poverty alleviation. Policy makers and industry leaders should recognize agriculture in connection with industry as a competitive, value-adding business sector that has a positive development impact and significant contribution to economic growth.**

**B**efore discussing the role of Government Agencies in promoting agro-based industries and products in India, it would be pertinent to understand the concept itself. Agro-industry consists of the processing, preservation and preparation of agricultural production for intermediate and final consumption. It performs a number of crucial functions that support development and poverty alleviation. So, it is high time that rather than focusing on agricultural production and productivity alone, the policy makers and industry leaders recognize agriculture in connection with industry as a competitive, value-adding business sector that has a positive development impact and significant contribution to economic growth. A comprehensive approach could include supporting small agro-producers and SMEs, enabling market access and developing a supportive institutional environment.

The omnibus expression, 'Agro-based industry' is involved in supplying the farm with agricultural inputs besides handling the products of the farm. Textiles, sugar, vegetable oil and plantation industries

derive their raw materials from agriculture, therefore are called agro-based industries. Today, however, the impact of innovation processes and new technologies suggest a widening of the range of agro-industry inputs that could be considered, including biotechnological and synthetic products, for example. This implies that currently, the agro-industry continues to process simple agricultural goods while also transforming highly sophisticated industrial inputs that are often the result of considerable investments in research, technology and innovation. Broadly the agro-industries are classified as food and non-food industries. According to the International Standard Industrial Classification (ISIC) agro-industry consists of: Food and beverages; Tobacco products; Paper and wood products; Textiles, footwear and apparel; Leather products; Rubber products, etc. If we look at the data from the annual survey of industries, it shows that 46 per cent of all factories in India are agro industrial and they contribute almost 22 per cent of the manufacturing value added and nearly 43 per



cent of manufacturing industry employment. Agro-industry, on an average, generates employment for 14 persons per investment of Rs.100000 versus 3 per cent per Rs.100000 for others. This shows that although the share of agriculture in India's GDP has been declining, it is still a highly important economic sector in India's agrarian economy and plays a very significant role in the all round economic development of our country. It can further play a strategic role in pro-poor growth strategies, particularly in developing countries like ours where even after the passage of 72 years of independence, around 65 per cent of the poor live in rural areas. As possibilities for income generation are restricted in rural areas, rural non-farm earnings from trading, agro-processing, manufacturing, commercial, and service activities constitute about 30 to 45 per cent of rural household income. The importance of agro industry for employment is further emphasized by high and increasing levels of female involvement, especially in the non-traditional, high-value agro-chains (i.e. horticulture, fruits and fish products).

In addition, strong synergies exist between agro-industry, agriculture and poverty alleviation. Agro-industry provides capital and services to farmers (e.g. seeds and equipment, training, production and market information), promotes entrepreneurship, raises demand for agricultural products and connects farmers with markets through the handling, processing, marketing and distribution of agricultural products. As a result, productivity and quality of agricultural production, farm returns and economic stability for rural households, food security, and innovation throughout the value chain can be enhanced. Efficient agro-industry can therefore spur agricultural growth, and—accompanied by a strong link with small holders—reduce rural poverty, thus, essentially acting as a launching pad for the integration of our developing economy into global markets.

While casting a glance at the history, it is found, during pre-independence period, the Swadeshi movement was directed to undermine the demand for cheap and imported machine-made consumer goods on one hand and to mobilize rural support for the struggle for India's political independence, on the other. Post-independence, the Third Five-Year Plan onwards, however, the state has continued to provide support to traditional rural industries especially the Khadi and village industries. Virtually,

Agro-industries received impetus at two distinctively different phases. One, during the seventies when, as a consequence of the Green Revolution, State Agro-Industries Corporations were established to provide modern agricultural inputs and two, during the eighties, when the role of foreign direct investment and technology in the food processing sector was emphasized.

The requirement of today is a fresh and comprehensive approach, integrating the development of villages with agro-industries, with larger involvement of farmers in processing their own produce. In our democratic set-up, one cannot ignore development of the majority of the people or keep them on subsidies. The fact also remains that Indian population is so distributed that migration from agriculture to industry or from rural to urban centres or from densely populated areas to scarcely populated ones is not an easy and sustainable alternative. Besides the physical dimensions involved, the very characteristics of the population are such that there are clear linguistic barriers, which limit large scale migrations. Gainful employment to the rural people has to be provided in their own locale. Viewed in this perspective, agro-industries as a concept, has to be dealt with very differently from the past approaches, policies and programmes or other industries. The potential for agro-industrial development in India is largely linked to the relative abundance of agricultural raw materials and availability of low-cost labour, making them particularly suitable for Indian circumstances.

Now let us discuss the initiatives taken by the Government of India in promoting agro industries. The erstwhile Ministry of Agro & Rural Industries has been re-designated as Ministry of Micro, Small and Medium Industries (MSME) to coordinate the programmes with various ministries/agencies engaged in similar programmes. It designs and implements the policies through its field organizations for promotion and growth of small and tiny enterprises, including the coir industries. The implementation of policies and various programmes/schemes for providing infrastructure and support services to small enterprises is undertaken through its attached office, the Small Industry Development Organization (SIDO), statutory bodies/other organizations such as Khadi and Village Industries Commission, Coir Board, National Small Industries Corporation (NSIC), etc.

## Government Policy for Agro-Based Industries

The Ministry of Food Processing Industries has been implementing several schemes for the development of food processing in India, which are as follows:

- Scheme for Infrastructure Development;
- Scheme for Technology Up-gradation/Establishment/Modernization of Food Processing Industries;
- Scheme for Quality Assurance, Codex Standards and Research & Development;
- Scheme for Human Resource Development;
- Scheme for Strengthening of Nodal Agencies; and
- Scheme for Backward and Forward Integration and other Promotional Activities.

During the Eleventh Five-Year Plan, programmes started earlier were restructured with appropriate management/implementation arrangements in Public Private Partnership mode, with strong Project Implementation capabilities. Also the Scheme for Technology Up-gradation has been decentralized and now it operates through Nodal Banks in place of State Nodal Agencies to provide back-ended credit linked subsidy. The new integrated approach not only addresses issue of financial assistance but also Skill Development Entrepreneurship Investment, institutional development and providing a policy environment which stimulates growth. Core elements of the strategy are: Better project selection, development and implementation; decentralized cluster-based development, particularly for creation of infrastructure and fostering linkages to retail outlets; industry-led capacity building and up-gradation of standards; an integrated food law and science-based food standards; and strategic intervention with redesigned schemes and strong implementation.

### Latest Developments

The Finance Minister, while presenting Budget 2019 focused on reviving traditional industries, with a cluster-based approach, through the Scheme of Fund for Regeneration of Traditional Industries (SFURTI), for development of khadi, village industries, and coir clusters by providing them with improved

equipment, common facilities centres, business development services, training, capacity building and design, and marketing support, etc. A total of 34,791 artisans have benefitted under the scheme with an assistance of Rs 143.15 crore during 2018–19. Further, A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE) has been launched with an aim to create new jobs and reduce unemployment, promote entrepreneurship culture in India, boost grassroots economic development at the district level, facilitate innovative business solutions for unmet social needs, and promote innovation to further strengthen the competitiveness of the MSME sector. This is done by implementing incubation and commercialization of business ideas through technical/research institutes, including those in the field of agro-based industry. These would be designated as Knowledge Partners and would incubate new/existing technologies for their commercialization. The Budget 2019 proposed that 80 livelihood business incubators and 20 technology business incubators will be set up in 2019–20 under it with intent to develop and train 75,000 skilled entrepreneurs in agro-rural industries.

Credit Linked Capital Subsidy Scheme (CLCSS) is again a facilitator of technology upgradation of small scale industries, including khadi, village, coir and other agro-industrial units, by providing 15 per cent upfront capital subsidy (limited to a maximum of Rs.15 lakh) with the objective to upgrade plant and machinery of small enterprises with state-of-the-art technology and also for new MSMEs, which have set up their facilities with appropriate, eligible and proven technology duly approved under scheme guidelines. Since inception in 2000-01 till date, a total of 62,827 MSME units have been assisted, availing subsidy of Rs 3888.13 crore.

Prime Minister's Employment Generation Programme (PMEGP) started in 2008 as a credit-linked subsidy programme with an aim to generate self-employment opportunities through establishment of micro-enterprises in various sectors, including agro-based industries. It is implemented by KVIC that is functioning as the nodal agency at the national level. A total of 5.45 lakh micro enterprises have been assisted with a margin-money subsidy of Rs 12,074.04 crore, providing employment opportunities to an estimated 45.22 lakh persons till March 31, 2019. Around, 17.44 per cent of the total units of agro-based food processing industries were

assisted under PMEGP during the last three years; the status is given in Table 1.

(Table 1)

| Year                  | Total No. of project assisted | Project assisted under ABFPI | Percentage of ABFPI units out of total units |
|-----------------------|-------------------------------|------------------------------|--|
| 2016-17               | 52912                         | 8944                         | 16.90%                                       |
| 2017-18               | 48398                         | 8386                         | 17.33%                                       |
| 2018-19 (Provisional) | 73427                         | 11901                        | 16.21%                                       |

(Source: [mofpi.nic.in](http://mofpi.nic.in))

The latest milestone is Government of India-approved Pradhan Mantri Kisan SAMPADA Yojana (Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters) with an allocation of Rs 6,000 crore for the period 2016–20. It is a comprehensive package which will result in creation of modern infrastructure with efficient supply chain management from farm gate to retail outlets. It will not only provide a big boost to 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 huge employment opportunities especially in rural areas, reducing wastage of agricultural produce,

increasing the processing level and enhancing the export of processed foods. It is expected to leverage investment of Rs 31,400 crore for handling of 334 lakh MT agro-produce valued at Rs 1,04,125 crore, benefitting about 20 lakh farmers and generating 5,30,500 direct/indirect employment by 2019–20. The Centre has so far sanctioned 42 mega food parks and 234 cold chain projects with 139 lakh tonnes of preserving and processing capacity of agro-produce worth Rs 35000 crore.

Apart from Government of India, Small Industries Development Bank of India (SIDBI), National Bank for Agriculture and Rural Development (NABARD), Khadi & Village Industries Commission (KVIC), National Agricultural Cooperative Marketing Federation of India



Ltd (NAFED) are the major promoting agencies in the sphere. The Development of food processing industry being accorded top priority by Government of India, as it is one of the most critical links in the agri-value chain, the Finance Ministry, in 2014, announced setting up of a Special Fund of Rs 2,000 crore in NABARD with the objective of providing impetus to its development on a cluster basis. Under



this, direct term loans at affordable rates of interest are provided to Designated Food Parks (DFPs) and food processing units in the DFPs.

As on September 30, 2019, a Term Loan of Rs 549 crore has already been sanctioned while more than 349 cr. out of it has been disbursed by NABARD for the above purposes.

Another market player is NAFED established in 1958, with an objective to organize, promote and develop marketing, processing and storage of agricultural, horticultural and forest produce; distribution of agricultural machinery, implements and other inputs; undertaking of inter-state, import and export trade; and to establish food processing units. SIDBI also has been playing an important role by providing support to National Small Industries Corporation (NSICs) for providing leasing, hire-purchase, and marketing support to industrial units in the SSI and also extends financial support to State Small Industries Development Corporation (SSIDCs) for providing them source raw materials and marketing their end products.



Although, there is a vast scope for development of agro industries, the constraints being faced in tapping it, are varied and mainly time-dependent. Generally, the production of fruits and vegetables in different regions of India, is highly seasonal, resulting in large variation as a result of different climate, altitude, distance from the coast and latitude from north to south of the country, which do not always favour large-scale processing industries since the volume of a particular variety of fruit, for example, required for the market may be strictly limited. The processing plant required for small-scale capacity may not meet the minimum economies of scale, and/or the plant may require constant modification to accommodate the different mix of varieties offered by producers. The costs of production of raw materials on the farm are also generally high, usually due to low productivity. This may lead to harvesting over a wider catchment area, higher transport distances, more producers involved and the result is higher delivery costs at the factory gate. In addition, the growth of food processing industry may be hampered by (a) inadequate infrastructure such as



stores, power and water services, communications and similar; (b) limited government support; (c) poor location; and (d) lack of appropriate technologies. The lack of post-harvest facilities for drying, sorting, grading and packing at point of production adds to the woes and results in a loss of raw materials. Competition from global players, loss of trained manpower to other industries and other professions due to better working conditions prevailing there, may lead to further shortage of manpower. Rapid developments in contemporary and requirements of the industry may further lead to fast obsolescence.

### The Road Ahead

With a view to reduce waste and cut back on transport and handling costs, primary processing of all foods and processing of perishable foods needs to be undertaken in, or adjacent to, the point of production. Even, the disposal of by-products and wastes at point of production becomes more cost-effective. It is high time that the national plan for improvement and extension of agro-processing technology at farm, traditional small industry and modern industry levels is prepared, while taking into account the diversity in resources and needs of different regions in the country. Thrust areas for research and development need to be identified and met with. More financial incentives and support need to be provided to promote the modernization of agro-processing industry and for establishing new such industries in production catchments. Arrangements to supply market information to the farmer and agro-processor need to be put in place through the sincere and close involvement and of course, out of the box thinking of all the stakeholders.

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