

Chapter - VII

Problems and Prospects Of the Food Processing Units

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7.1 Introduction :

From the stage of struggling to take care of basic food requirements of our population during the pre and post independence period, India has come a long way towards visualizing the tremendous potential of the agro based industries.

Finding the right way to bring out the potential can bring prosperity with right mix of employment generation and profit.

Geographical location of India gives it the competitive edge for linking it self with other countries for export. It is well known fact that the Food Processing Units are the largest employment providing industry everywhere.

The figures published in the Annual Survey of Industries (94-95) reveals that the food products had the distinction of having maximum number of employees of about 1.2 million.

The Central Government is trying its level best to develop Food Processing Units at the processing level. F.P.U comes under priority sector for both investment and credit. Lots of incentives and financial assistance schemes are given by different departments of food processing industries like APEDA, MPEDA, Horticulture board etc. Removal of certain industries from the reserve list for small scale sector, gradual liberalization in the conditions for foreign investment and above all a very progressive supportive and helpful department.

But loose ends remain at the base level in the raw material stage and at the implementation stage. The main bottle necks confronting this sector today include poor yields, lack of post harvest infrastructure, poor utilization of land, low added value and poor quality of packaging and preservation and most importantly low demand led by high prices of processed food.

It was observed that the ultimate objective of the policy should be to encourage the consumption of processed food in Urban India. This will allow the flow of money from cities to Rural area and will help in bridging the gap between ‘Urban India’ and ‘Rural India’.

The major problem which the industries are facing today is the lack of adequate demand for new sophisticated processed food products, mainly because of high price and partly because of the traditional food habits.

Industries are unable to bring down the price of their products to the satisfaction of the majority of the consumers due to various reasons –

1. Very low productivity of raw material leading to high unit price of the end product.
2. Lack of infrastructure facilities for storage of raw material, thus increasing the unit price of the end product.
3. Lack of proper linkage between industry and farm, which forces the industries to buy raw material from open market at the high prices, which increases the price of end product. Indian Food Processing Units only face this problem.
4. Non-availability of finance and high cost of finance as the financial institutions and banks consider this sector high risk factor.
5. Industries have to face the problems of high operating cost due to multiplicity of laws and regulation which they need to follow :
6. High incidence of taxes and duties on final products which increases the cost of end products.
7. Lack of basic infra structure facilities hamper the growth of the industries. Till the time they are improved the industries cannot be improved.
8. There are number of food related laws which affect the growth of Food Processing Units adversely.

India is the world’s second largest producer after Brazil and China for fruits and vegetables but, as late as 1980 no significant business was done in this field. The basic infrastructure necessary for this industry remained under-developed, because Indian food products were developed in traditional way for house hold consumption.

India's total annual fruit and vegetable production is about 103 million tones. According to the internationally famed M.C. Kinsey report titled 'Food and Agriculture Integrated Development of Action. (FAIDA)' India can be the largest food factory in the world. It projects the food sector is to be alone worth Rs. 4,80,000 million by the year 2005. The food processing units have very high potential both for the Europe market and local market if tapped properly.

7.2 Future of the Industry :

Due to the liberal steps taken by the Government for the promotion of this industry, the future looks very bright for the F.P.U. New methods of cultivation are being adopted which improve the productivity with the new hybrid varieties being added the production season is also being extended. This results in the greater availability of quality raw materials, which helps in producing a wider range of production and high quality. The multinationals entering the F.P.U. have an international marketing net work, which enables Indian product to reach all over the world easily.

Due to rise in the per capita income particularly of the middle class, a change in the food habits has been noticed. This has increased the domestic consumption of processed food.

India produces large variety of fruits and vegetables like mangoes, bananas, oranges, potatoes, onion, cauliflower etc. The total area under fruit and vegetable cultivation is estimated to be 5.63 and 5.6 Million hectares respectively.

7.3 The Scope of the Industry :

In recent times the scope of industry has widened too much. It includes development and promotion of food processing units including food- grains milling, dairy product and processing of poultry, egg and meat products.

All the people involved in these units have started realizing that the quality product of International standard is the key to success. Thus all the care and necessary steps are taken to improve the quality from the first step that is from the selection of the raw materials. Improvement is also done in the basic working condition of workers, plants and machinery.

The APEDA has brought out a book entitled ‘ISO 9000’ on ‘The food with the entire spectrum of quality control.

7.4 Investment Opportunity in Export of Fruits and Vegetables :

The country’s share in the world trade of processed fruit and vegetables is less than one percent.

Change in export- import policies and exchange rate adjustment have helped improving the export potential. Mangoes, bananas, grapes, pomegranate etc. are the main fruits having good export potential.

The main destination being Middle East, U.K, Europe, and to some extent Singapore, Malaysia etc.

Onion, Potato and Green traditional vegetables like okra, bitter gourd and other seasonal vegetables have good export potential. The exports are limited to Middle East, Europe, UK and Singapore etc.

7.5 Natural Fruit Pulps and Concentrates :

India is rich in a variety of Tropical fruits like Mango, Grapes, Bananas etc. BEC food specializes in processing these fruits to manufacture Natural Pulps and Concentrates.

They are prepared without using any preservatives or additives at any stage. And are packed in Aseptic Bags or Cans. They are very hygienic and of good quality. They have shelf life up to two years.

7.6 Gramin Information Centre.

India has very good agricultural base but it can not be utilized to its full capacity as our farmers are using the old methods of cultivation specially in the rural areas.

To increase the out put of agricultural product in rural areas they have to be made familiar with weather fore-cast, crop cultivation practices, post harvest technology, water management, market information for grains, fruits and vegetables, processed food, low cost technology, Government schemes and policies.

Agriculture and agribusiness can be made easily accessible to rural masses through information technology development at Rural areas.

For making the rural mass familiar with all this The Maratha Chamber of Commerce has proposed a concept for setting up 100 Gramin information centres (GIC) at the Taluka level at the place which is accessible easily by other villages and has electricity and internet connectivity.

Most of the F.P.U are dependent on the raw materials, supplied by the Farmers, therefore it is very essential that the farmers are in a position to supply the raw materials regularly.

But they are unable to supply the raw materials regularly as the supply gets affected due to various reasons like less or more rains, insects, bad seed or sapling etc. If the farmer is using the outdated methods of cultivation his supply gets affected.

The GIC is planning to overcome all these problems by providing the farmers with the latest information and technology so that they can increase their productivity.

One GIC will cover roughly 20 villages with an average population of 3000 per village.

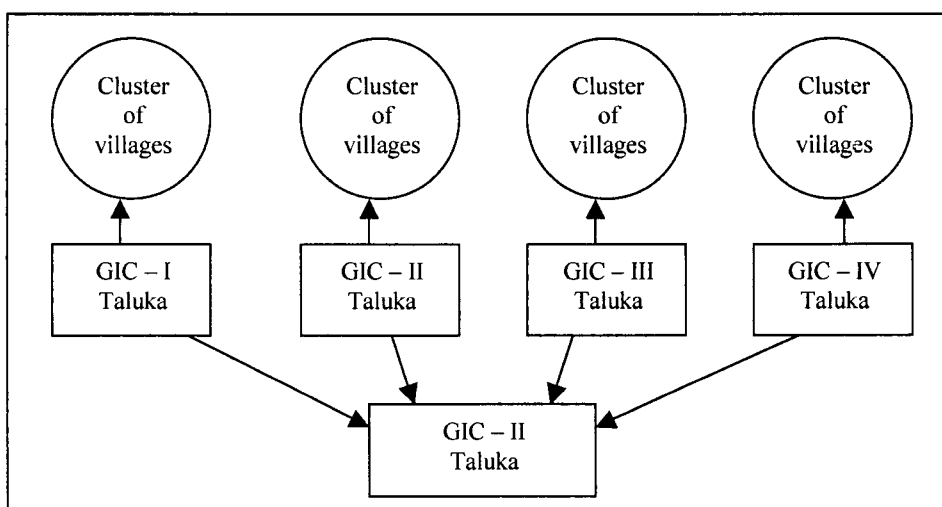


Figure 7.1 GIC Network

7.6.1 Management of GIC :

GIC will be managed by the local head in the village with the help and support from the young men of the village who are familiar with agriculture and have some education in that field, such as agriculture graduates. They will also be made computer literate so that they can help the farmer in getting the information from the computers.

7.6.2 Objective of GIC

Some of the basic objectives of GIC are as follows :

1. To help the farmers in knowing in details about the latest changes and improvement in food technology. So as to increase the production.
2. To help the farmers in creating their market.
3. To make them aware about the rules and regulation of foreign trade.
4. To develop network of agriculture business in food processing sector.
5. To pass on the information and findings to the farmers for the betterment of the agriculture products.

7.6.3 Technical Support :

GIC will get the technical support from the following agencies :

- 1) Agro Business Cell, Government of Maharashtra
- 2) Ministry of food Processing, Government of India
- 3) State Agriculture Universities
- 4) Central and Regional Research Institutes
- 5) MCCIA'S Agribusiness Core Committee
- 6) National Horticulture Board
- 7) State Agriculture Marketing Board
- 8) Department of Horticulture Government of Maharashtra

7.6.4 Project Output :

1. The bargaining position of the farmers will improve.
2. The raw material cost of F.P.U will decrease.
3. Knowledge of technology and products will improve the standard of raw materials in F.P.U .
4. It will create more employment opportunities.
5. It will create more Agribusiness Entrepreneurship.
6. It will help farmers in producing high value products.

7.6.5 Main Activity

The main activity of GIC will be information exchange, analysis, research and communication, in a way that will improve the total output and the quality of the farm produce and in turn will improve the standard of the farmers.

Chart showing flow of information and services at GIC

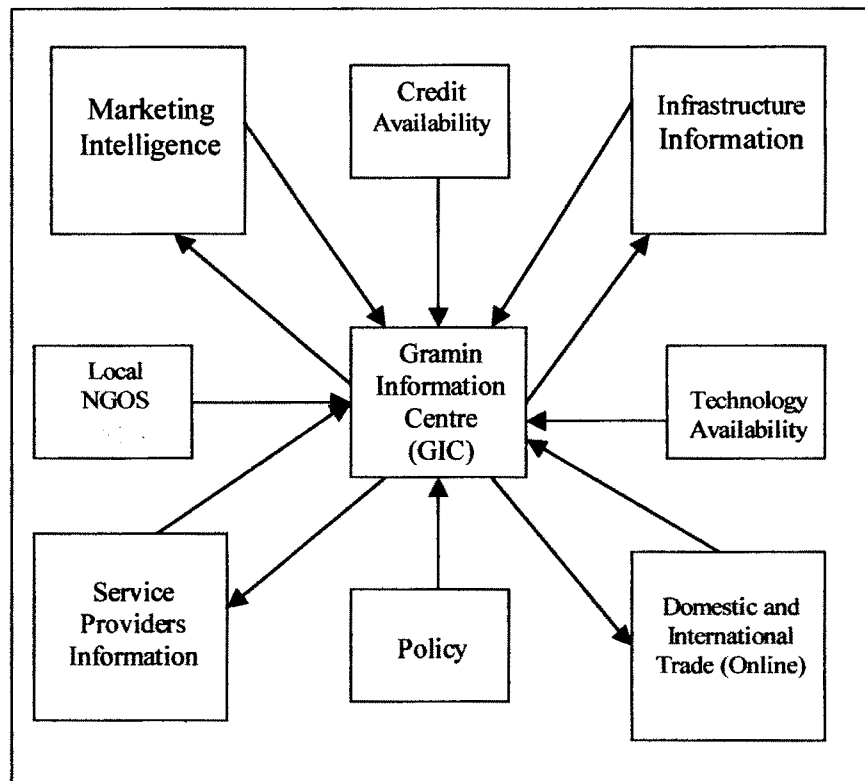


Figure 7.2