Impact of Food Processing Industries on Socio Economic Development

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Abstract:
Agriculture is a traditional economic activity for survival as well as for economic prosperity. Dualism, an existence of traditional and modern agriculture is dividing the benefit of economic growth between the farmers (cultivators) and industrialist (investors). In this back drop, the paper tries to point out few challenges and drawbacks of the national agricultural policy. It also aims to find alternatives in food processing industries as a way to bridge the division between the stated groups so as to improve socio economic conditions of the people in the traditional sector. The banking sector in the rural areas is working towards realizing the goals of inclusive development by providing credit to the food processing industries.

Key words: Agriculture, Dualism, Food Processing Industries, Socio Economic Development, Horticulture and National Agricultural Policy

Introduction:
Agriculture and allied activity is dependent on nature. Food processing industries strive on agriculture & allied agriculture activity. Dualism is still basic character of Indian agriculture. Food processing industries had a beginning with the establishment of rice mills, oils mills, flour mills and baking of bread. As technology developed the food processing industries gained momentum in production and productivity with latest advance technology such as engineering, nano technology, etc. Agriculture, mainly the farming and animal husbandry was a self-sufficient, independent unit operated by a household which changed to business unit for increasing income or profit. The skill required to indulge in business lagged behind for the producers (farmers) in the early stage the commercialization of agriculture was rapid. The green revolution gave an opportunity to produce more during later half of 1960s till 1980s which benefited farmers with large land holdings. The farmers were neglected but their produce was traded for profit.

Objectives of the Study:
1. To outline the various policy measures of Food Processing Industries (FPI)
2. To study the impact of FPI on Socio Economic Development
3. To point out the challenges faced by FPI
4. To analyze the future of FPI

National Agricultural Policy (NAP): The NAP realized the excess production of food grains (increasing buffer stock) provided incentives and encouraged diversification of agriculture products and emphasized on oilseeds, pulses, vegetables etc. Further the National Horticulture board after 1993 emphasized on the production and productivity of flowers and fruits envisaging opportunities in international trade and establishment of food processing industries in rural areas.
to generate employment and income. The food processing industries (FPI) has no doubt developed at a steady pace till now but has a lot of challenges to face. They are:

1. The Past and the Present.
   a) The British commercialized agriculture sector, neglecting the farmers. After independence government rewarded large land holders for higher production. Post liberalization farmers who could acquire technology and skill gained from agro products that were allowed to be exported.
   b) FPI which depend on agriculture maintains a balanced growth for increasing urban middle class and a declining percentage of population dependent on agriculture for their source of livelihood.

2. Technology: Highly skilled entrepreneurs with technical knowhow or those who could collaborate with foreign companies were the one who ventured into food processing industries. Thus initially the British neglected the farmers but benefitted from their labor. The rich farmers benefitted from higher production. Few farmers benefitted by acquiring skill and technology. One of the main challenges is to overcome the rules and regulation regarding sanitation, health and hygiene, phytosanitary measures etc implemented under WTO, is by augmenting the level of technology. This can be achieved by collaborative technology or by innovating ourselves, the latter is difficult to achieve. Therefore the FPI rely on the first method. Technology is an outcome of innovation and innovation is an outcome of research and development. The food processing industries in India is far behind because we neglect the R&D. We are in vicious circle of low level of technology because of low or no R&D. FPI has taken the route of participatory management collaboration or FDI which any excludes the participation of the farmers, the main supplier of raw material to FPI.

To develop farmers the FPI can give a percentage stake and make them an important share holder considering ESOP as an alternative.

3. Employment: Generating employment by establishing FPI in rural areas is as overemphasized policy of the government. The advent of technology enabled machines under capitalist system, gives rise to few jobs, which are given to the skilled man power, thus depriving the farmer of white color job. They are left with outsourcing job and the blue color job.

4. Human resource:

Education level and skill development opportunities are low in the rural areas as compared to the urban areas in India. The development of required skill as human resource for FPI in India is an uphill task both in terms of efforts and costs. Availability of education/skill manpower and retaining them is a challenge to FPI.

5. Government Incentives: The government of India provides incentives to FPI if it is located in rural areas. This is a challenge to FPI.

6. Migration:

Establishment of FPI in rural areas aims to reduce/stop, migration to cities. Migration does not depend only on one Factor, i.e. income or employment. Other factors influence migration. Thus the probable customers and workers in rural areas move away from the place of production, increasing the transportation and logistics cost to the FPI.
7. Infrastructure: The increasing cost and shortage of infrastructural facilities (far away from world class) discourages the FPI. Roads, railways, airways, energy and electricity, cold storage and water supply etc are scarce and thus diseconomies of scale, increases the cost which is unavoidable.

8. Finance: Most of the food processing industries are small and medium enterprises. One of the important drawbacks of SSI or MSME is its inability to raise finance from financial institutions at a reasonable cost (rate of interest). The lead bank is bestowed with the task of financing FPI but it has its own limitation, in addition to other financial institutions. The RRBs also has on its agenda of financing the establishment, progress and working of FPI in rural areas confined to its jurisdiction. In Maharashtra the Gramin Bank and the Vidharbha Konkan Gramin Bank are catering to this aspect of FPI.

In India most of the MSME is managed as a family business whereas the FPI with dependence on technology from abroad is managed either in collaboration or at professional level therefore the success.

9. Socio Economic Conditions: A large numbers of farmers are still left in the same state who continues with their laborious effort, unsuccessfully to climb up the social status. The socio-economic and political condition is not conducive enough to attract FPI in many place, regions and states. The food processing industries manufacture mostly consumer goods which should have proximity to markets with high purchasing power. 

The socio economic condition of many places and regions do not qualify as markets for the products. The political disturbance has its own effect on discouraging the FPI.

Conclusion:
India with a large middle class population and increasing purchasing power promises an readymade market for FPI. More over the changing consumption pattern and lifestyle of the middle class will require/demand quality products from FPI.

In the year to come the citizens of the bottom of the socio economic status will also add to the probable customers (middle income class) increasing the scope of FPI. The customer base will increase, the technology will improve, the infrastructure can be world class, and human resource will acquire skill & knowledge, but by then the FPI will be owned by the entrepreneurs mostly from non agriculture background, leaving the status of majority of the agriculturist as it is.
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