

EXPORT POTENTIAL OF FOOD PROCESSING INDUSTRY IN INDIA

Saraswati

Assistant Professor, Department of Economics

ARSD College, University of Delhi, India

Abstract

Food processing sector covers activities such as agriculture, horticulture, plantation, animal husbandry and fisheries. It also includes other industries that use, agriculture inputs for manufacturing of edible products. The food-processing sector employs about 13 million persons directly and about 35 million persons indirectly. India's agricultural production base is quite strong, but at the same time wastage of agricultural produce is massive. Processing is very low at around 2.20% in fruits and vegetables, 35% in milk, 21% in meat and 6% in poultry. Value addition is only to the tune of 20% Food processing sector contributed about 14% of the manufacturing Gross Domestic Product. Based on Ministry of Food Processing Industry classification includes Dairy, fruits & vegetable processing, Grain processing, Meat & poultry processing, Fisheries and Consumer foods including packaged foods, beverages and packaged drinking water. India's share in world trade in respect of processed foods is only 1.6 per cent India was ranked 27th in 2006 in terms of trade performance of Processed Food Products. This paper has analysed the export potential of food processing industries (FPI) and the share of FPI's export in total exports of India. It has also analysed the role of Agricultural & Processed food Products Export Development Authority (APEDA).

Keywords: - Food processing, Export Potential, Export Share, Agricultural & Processed food Products Export Development Authority (APEDA).

Introduction

The term 'food processing' is mainly defined as a process of value addition to the agricultural or horticultural produce by various methods like grading, sorting and packaging. In other words, it is a technique of manufacturing and preserving food substances in an effective manner with a view to enhance their shelf life; improve quality as well as make them functionally more useful. It covers a spectrum of products from sub-sectors comprising agriculture, horticulture, plantation, animal husbandry and fisheries. It helps to diversify and commercialize farming; enhance the income of farmers; create markets for export of agro foods as well as generate greater employment opportunities. In short, we can say that," food processing encompasses all the steps that food goes through from the time it is harvested to the time it arrives on the consumer's plate." The food processing process can be classified into three types

Primary Processing-It includes basic cleaning, Grading and packaging as Fruits & Vegetables. The level of value additions is least.

Secondary Processing – Secondary processing includes alteration of the basic products to a stage just before the final preparation as in case of milling paddy to rice.

Tertiary Processing- It leads to a high value-added ready to eat food like bakery products like Biscuits, Chocolates etc. This study analyzed the export potential of FPI's and its share in total export of India. APEDA is also discussed in this paper.

Profile of Indian Food Processing Industry

Food processing is a large sector that covers activities such as agriculture, horticulture, plantation, animal husbandry and fisheries. It also includes other industries that use agriculture inputs for manufacturing of edible products. The food-processing sector employs about 13 million people directly and about 35 million people indirectly. In 2004-05, The food processing sector contributed about 14% of manufacturing GDP with a value of Rs 2,80,000 crores. For this, the unorganized sector accounted for more than 70% of production in terms of volume and 50 % in terms of value. The Ministry of Food Processing, Government of India indicates the following

segments within the Food Processing industry:

- Dairy, fruits & vegetable processing
- Grain processing
- Meat & poultry processing
- Fisheries and Consumer foods, including packaged foods, beverages and packaged drinking water.

Food processing industry is the 5th biggest industry in India.¹ The Indian food processing industry is one of the largest industry in the world in terms of production, consumption, export and growth prospects. The food processing industry in India is presently growing at 14 per cent against 6-7 per cent growth in 2003-04. Food processing contributes around 6% of the GDP, the market size of the food processing sector has been estimated at 700 billion US\$ in Dec 2008.² Food Processing contributes 6% of the industrial investment and 13% of Indian Exports.³ In spite of having a comparative advantage in terms of raw material/agro production, and growing demand for processed food, the level of food processing is not significant as compared to other countries only 12% food is processed in India i.e. 2.2% in case of F&V, 35% in milk, 20% in meat, 6% in poultry and 26% in marine products. Which is quite low in comparison to other countries such as USA has 80%, Philippine 88%, France 70%, Malaysia 80% food is processed.⁴ In India, the level of processing is the highest in the Dairy sector (35 %) i.e. 13% in the organized and 22% in the unorganized sector, followed by meat processing sector (21%), Marine Fisheries (10.7%) and Poultry (6%).

Value addition in food processing in India is merely 20per cent in other countries, it is over a 22per cent in china, 45 per cent in Philippines and 188 per cent in the UK.⁵ In developed

¹ MOFPI GOI November 2006 11th Five year plan

² IBEF December 2008

³ Yes bank 2006

⁴ MOFPI Annual Report 2010-11,GT Research

⁵ Chintla, 2008

countries up to 14 per cent of the total workforce is engaged in agro processing sector directly or indirectly, In India only about 3% of the workforce are engaged which is quite low and shows its untapped potential. More importantly the lack of processing and storage of fruits and vegetables results in huge wastages estimated at about 35 per cent, the value of which is approximately Rs.33, 000 Crore annually. India's share in world trade in respect of processed foods is only 1.6 per cent India was ranked 27th in 2006 in terms of trade performance of Processed Food Products

Objective of the study

- To analysis the share of FPI's export in the total export of India.
- To examine the export potential in the food processing industries in India.
- To analysis the role of APEDA in export promotion in India.

Data and Methodology

This study is based on secondary data. The required data were collected from the ministry of food processing industry, Government of India, DGCIS and the handbook of RBI. The data were analysed using with the following formula.

$$\text{AGR} = \frac{(C-P)}{P} \times 100$$

P

The study covers aperiodic fifteen years (1997-98 to 2011-12).

The Indian processed food industry has shown a tremendous potential for exports. According to table -1 in the year 1998-99 the value of export was 18699 crore rupees and growth rate was 17.78 per cent. During the year 1999-2000 the value of export was 16559 crore and growth rate

decline to -11.44 per cent again in 2000-2001 growth rate increase by 16.63 per cent. In the next year 2001-2002 Growth rate again declines -0.29 per cent. During the study period, we find much fluctuation in the growth rate of FPI's. The highest growth rate found in year 2011-2012 which was 80.16 per cent. Average Annual Growth was found the study period was 16.50 per cent, which quite good, but much fluctuations shows the instability of export need reforms of this sector.

Table-1

Years	Value of Export (in corore Rupees)	Growth Rate%
1997-98	15876	-
1998-99	18699	17.78
1999-2000	16559	-11.44
2000-2001	19313	16.63
2001-2002	19257	-0.29
2002-2003	23685	22.99
2003-2004	23766	0.34
2004-2005	26802	12.77
2005-2006	29211	8.99
2006-2007	34204	17.09
2007-2008	43783	28.00
2008-2009	49352	12.71
2009-2010	50759	2.85
2010-2011	63733	22.55
2011-2012	114827	80.16
		AAGR=16.50

Source: Computed from ministry of food processing industries (Annual report 2011-12and 2012-13) GOI.

According to the Table -2, that during 1997-98 the total export from the country was worth Rs. 130101 crore which included Rs. 15876 crore of processed food products. This was 12.2 per cent of the total exports. The export of processed foods, viz., processed fruits and vegetables, animal products, rice, marine products and other processed foods was valued at Rs. 18699 crore during 1998-1999 which was 13.38 per cent of the total exports. In the year 1999-2000 total export was 159560.99 crore rupees in which 16559 crore rupees comes from the FPI sector the share was 10.37 per cent. During 2000-2001 the total export from the country was with Rs. 203571 crore which included Rs. 19313 crore of processed food products. This was 9.48 per cent of the total exports. In the time period 2001-2002 the total export from the country was with Rs. 209018 crore which included Rs. 19257 crore of processed food products. This was 9.21 per cent of the total exports. The share of FPI's export in total export has slightly declines during the time period 2000-2001 to 2010-2011. In the year 2010-2011 the share of FPI's 5.57 per cent.

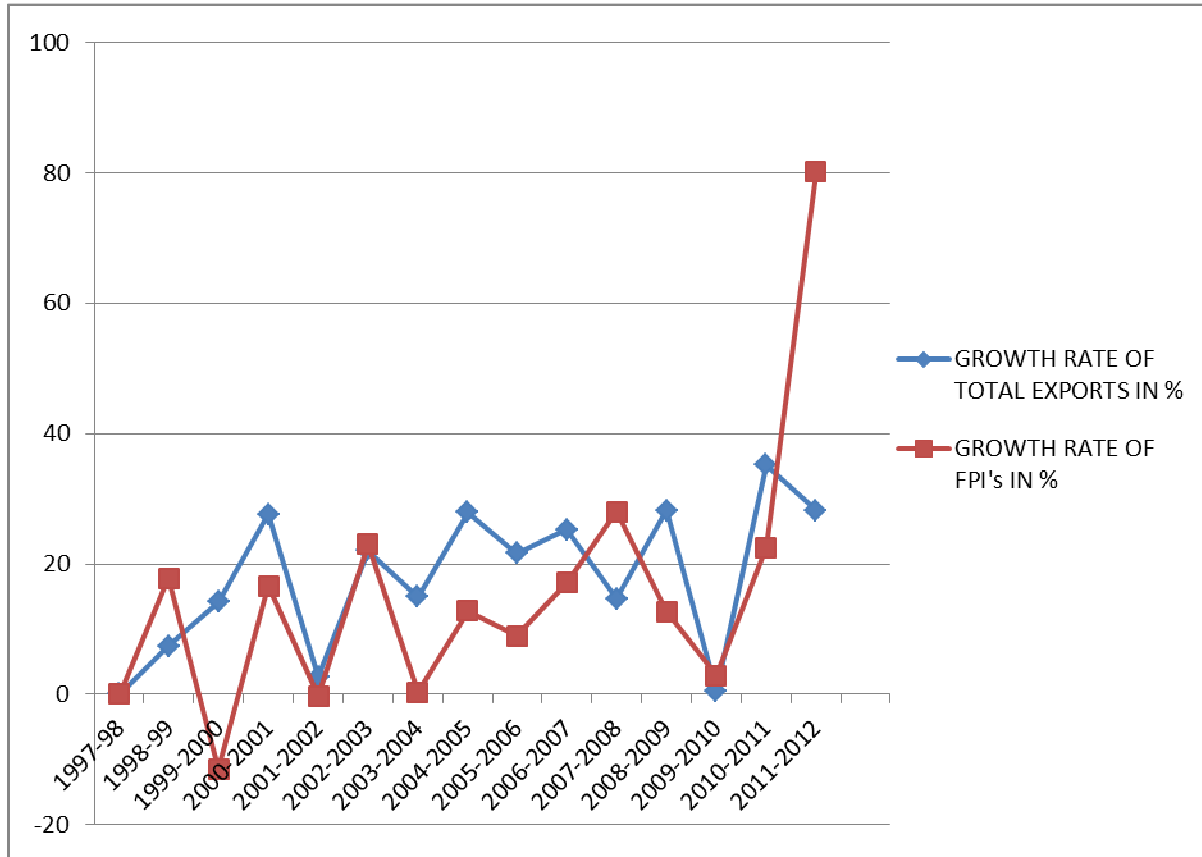
But the value of FPI's export was continuously increased during this time period. The share of FPI's decrease due to increase the value of total exports. During the year 2011-2012 the total export of the country was with Rs. 1465959 crore, which included Rs. 114827 crore of processed food products. This was 7.83 per cent of the total exports that show slight increases in the share of FPI.

Table-2

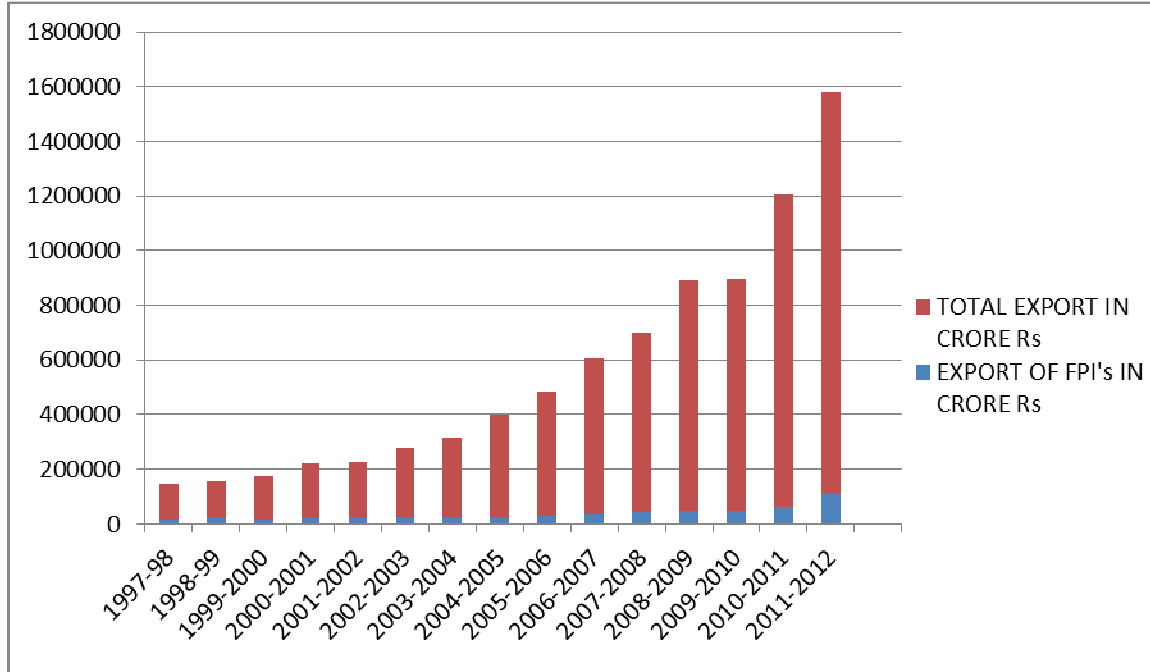
Years	Total Exports in Rs crore	AGR of total exports %	Exports of FPI's In Rs crore	% Share of FPI's Export in Total Exports
1997-98	130101	-	15876	12.2
1998-99	139753	7.41	18699	13.38
1999-2000	159560.99	14.17	16559	10.37
2000-2001	203571	27.58	19313	9.48
2001-2002	209018	2.67	19257	9.21
2002-2003	255137	22.06	23685	9.28
2003-2004	293367	14.98	23766	8.1
2004-2005	375340	27.94	26802	7.14
2005-2006	456418	21.6	29211	6.4
2006-2007	571779	25.27	34204	5.98
2007-2008	655864	14.7	43783	6.67
2008-2009	840755	28.19	49352	5.86
2009-2010	845534	0.57	50759	6
2010-2011	1142922	35.17	63733	5.57
2011-2012	1465959	28.26	114827	7.83
		AAGR=19.32		AAShare=8.81 %

Source: Computed from ministry of food processing industries (Annual report 2011-12 and 2012-13) GOI and Handbook of RBI.

Graphs-1 shows growth rate of FPI's export and Total export



Graph-2 Shows share of FPI's export in Total export



The average annual share of FPI's during the study period was 8.81 per cent.

In Table-1 or Table-2 Growth Rate were fluctuating in both of the exports total export as well as FPI's export that was not a good symbol for the economy.

India's rising exports provided a stimulus to domestic production, whereas its growing imports supported domestic production by supplying necessary raw materials, technology, consumer and capital goods. India has large prospects for exports of agro-products. The key to India's success, however, shall be quality. In our endeavour to boost exports, India may be confronted with two issues, viz., genuine quality issues and pseudo quality issues. We need to gear up to meet both the challenges. The concept of quality assurance has been alluding to the Indian exporters so far. Total quality management begins not only from the first stage of manufacturing of the end product, but from stage one of the productions of the raw material. Most of the processed food manufactured in the country is not of a very good quality, largely because of the use of poor raw material. Therefore, the processors need to enter into contracts, arrangements with the farmers

for providing process able varieties of raw materials and also help them to improve productivity by using the latest agricultural technologies.

Agricultural & Processed Food Products Exports Development Authority (APEDA)

Agricultural & Processed Food Products Exports Development Authority (APEDA) under Ministry of Commerce and Industry, Government of India, was established under the Agricultural and Processed Food Products Export Development Authority Act 1985 which came into force with effects from 13th February, 1986 by a notification issued to this effect (Gazette of India). APEDA is responsible for the development and promotion of the export of Agricultural and processed food products. APEDA provide financial assistance and subsidies to the export processing zones.

1	Feasibility studies, surveys consultancy & database upgradation	50% of the total cost subject to a ceiling of Rs 2lakhs assistance to exporters, grower organizations, trade associations for conducting surveys, feasibility studies etc. 50% of the project cost subject to a ceiling of Rs 10 lakhs to semi government / State Government / public sector undertakings.
2	Infrastructure development	25% of the cost up to Rs. 2.50 lakhs assistance for purchase of specialised transport unit. 25% / 50% of the cost of equipment subject to a ceiling of Rs 5 lakhs / 10 lakhs / 25 lakhs / 50 lakhs on the mechanization of harvest operations / intermediate packaging material / setting up of sheds / handling facilities / preshipent treatment such as fumigation, X-ray screening, hot water dip treatment. Integrated post harvest system / vapor Heat treatment,

		irradiation facility / pollution control. Effluent treatment / high humidity cold storage, deep freezers, controlled atmosphere or modified atmosphere storage.
3	Export Promotion and Market development	<p>Cost of samples or freight or both subject to ceiling of Rs 50,000/-</p> <p>100% of the cost of publicity & market promotion by APEDA.</p> <p>40% of the cost up to Rs. 2 lakhs for publicity and promotion in preparation of product literature & publicity material.</p> <p>40% of the cost up to Rs 1 lakh for brand publicity through advertisement.</p> <p>100% of the cost of Export promotion by APEDA for undertaking activities like buyer/seller meet, Product promotion, exchange of delegation,</p>
4	Packaging Development	50% of the cost of development upto RS 5 lakhs for developing packaging standard & design 100% in the case of APEDA. 30% subsidy upto RS 1 lakh to exporters for use of packaging materials as per standards and specifications developed or adopted by APEDA.
5	Assistance to promote quality and quality control	50% of the cost upto RS 5 lakhs to exporters, producers, trade issues, public institutions for setting-up/strengthening laboratories.

		50% of the cost up to Rs. 2 lakhs to exporters and producers for quality assurance and quality control system such as ISO 9000, ISO 14000, HACCP. TQM etc.
6	Up-gradation of meat plants	85% of the cost of up gradation of public sector/municipal slaughterhouses, processing plants engaged in exports in meeting with international standards. 25% of the cost up to Rs 25 lakhs to the privately owned slaughterhouse-processing plants engaged to export production to meet with international standards.
7	Organization Building & HRD	50% of the cost of approved training program upto Rs. 50,000/- for domestic training to growers & manufacturer, exporter and export related organization for up gradation of technical and managerial personnel through training in India excluding cost of travel. 50% of the cost of Seminar / workshop upto RS 1 lakh for National seminar to recognize the association of growers / exporters.
8	Generating relevant research & development by APEDA through research institutions for the common benefit of the trade and industry.	Up to 50% of the cost, maximum RS 5 lakhs for exporters and trade associations. In the case of State/other Government organization upto maximum of Rs 10 lakhs to support relevant research & development for export and export enhancement.

Conclusion: Despite Agricultural initiatives and advantages, the processing of raw material for value addition is still at a very low level merely 20 per cent as compared to 25-85 per cent in the developed countries. India's share in world trade in respect of processed foods is only 1.6 per cent India was ranked 27th in 2006 in terms of trade performance of Processed Food Products. It was not significant. To boost the growth, Increase the share of exports and reduce the instability of export the Government and the industry have to work in close unison. The industry needs to adopt the latest technologies to inject greater efficiency which could provide economies of scale and cost effectiveness. Government should pay more attention on the promotion of export processing units.

References:

- Kachru R.P. (2006), "Agro Processing Industries in India- Growth, Status and Prospects." Assistant Director General (processing Engineering), Indian Council of Agricultural Research, New Delhi, PP.114-125.
- FINAL REPORT- Productivity & Competitiveness in Indian Manufacturing: Food Processing Sector Submitted to National Manufacturing & Competitiveness council (NMCC) GOI. New Delhi, Submitted by Economic Services Groups National Productivity Council, New Delhi.
- Kumar Anjani (2010), "Exports of Livestock Products from India: Performance, Competitiveness and Determinants." Agricultural Economics Research Review ,Vol. 23 January-June 2010 pp 57-67
- Ministry of food processing industry, Annual Report 2011-12, GOI.
- Vision Document for the Food Processing Sector in the state of Haryana.
- Haryana Food Processing Policy (GOH)

International Journal of Computing and Corporate Research

ISSN (Online) : 2249-054X

Volume 4 Issue 2 March 2014

International Manuscript ID : 2249054XV4I2032014-06

- www.apeda.gov.in
- www.mofpi.nic.in