1.1 INTRODUCTION:

Food processing industry comprises a large spectrum of industrial units producing foods and vegetables based products, marine products, meat and meat based products, cereal based products etc. It has to play a key role in stimulating economic development. Food processing industry can also be a useful instrument for improving food supply through (i) prevention of post harvest losses of durable foods and perishable food and (ii) generating employment especially in rural areas. Establishment of food processing industry can trigger improvement in productivity of agriculture and improve income of farmer. They can also provide a boost to many downstream industries and generate foreign exchange through export. Food processing industry is the fifth largest segment in the industrial structure of Indian economy in terms of value addition.

Agriculture is considered as the backbone of our economy. Indian agriculture contributes approximately 17.50 percent of the country’s GDP, provides large scale employment and fulfills the food and nutritional requirements of the nation. It provides important raw materials for some major industries. Today, agriculture has achieved commercial importance and has changed from subsistence farming to commercial farming, import oriented to export oriented, supply driven technology to demand driven technology etc. New inputs and new technologies are hitting market every day. At present food processing industry accounts for 19% of total industrial output, generate 18% of the GDP and employ 16 lakh workers, comprising 19% of the country’s industrial labor with 5.2% of total industrial investment. It accounts 14% of the total industrial output with 5.5% of the GDP. Its turnover is estimated at Rs. 144000 crore, of which Rs. 111200 crore is in the unorganized sector. It is the fifth largest segment in the industrial structure in terms of value addition (EDII, 2011).
The market for processed and packaged food products is increasing day by day. Only 14 percent of total food products are being processed in India, whereas 35 percent food is wasted during packaging and transportation. Every year 20 to 30 percent of crop is wasted at farm level in India due to improper handling, spoilage, floods, draughts, pests and diseases and lack of knowledge of post harvest technologies. In case of fruits and vegetables, this wastage is around 30 percent (Meena, Meena & Chand 2010).

At one stage we were not able to feed out 33 crore people, majority of whom were undernourished. Now, after 60 years of independence, production of food grain has shown tremendous increase because of which our country becomes self sufficient in this regard, but for unforeseen natural calamities and other risks of seasonal imbalances, it is necessary to built stocks of food stuff for an emergency.

Food processing industry in India is mostly in the form of MSMEs on one hand and agro-based on the other. An Agro based industry is an enterprise that processes bio-mass, i.e. agriculture raw material which includes ground and tree crops as well as livestock and fisheries to create edible or usable forms, create easily transportable forms, improve storage and shelf life, enhance nutritive value and extract chemicals for other uses. It includes two categories: (i) Agro food industries and (ii) Agro non food industries. Agro based industry provides the crucial form industry linkage which helps to accelerate agricultural development by creating backward linkage (supply of credit, inputs and other production enhancement services) and forward linkages (processing and marketing) adding value to farmers produce, generating employment opportunities and increasing farmers net income. This in turn motivates the farmers for better productivity and further opens up possibilities of industrial; development. Agro industries display unique characteristics of perish ability, season ability, and variability based on the raw materials processed by them. This calls for greater speed in handling, storage and processing efficient system of marketing.

India is a country of villages of which 70% of population comes from rural area and more than 60% population depend on agriculture for their
food, shelter and clothing. Increasing demand for various agro based products for industrial use, direct consumption, and export has led to agro based industrialization in our country. It is labor intensive in character, needs less capital and more working capital. The industry includes jute, cotton, sugar, edible oil, sericulture, handicraft, khadi, power looms, khandasari, dairy, poultry, cattle feed, fruit processing and food articles and certain consumer goods.

It may be noted that recent trends in the development of agro processing industries has attracted higher capital investments, enhanced technological complexities and managerial requirements. Many companies have also funded the agro processing and processed foods as lucrative avenue for diversification. The degree of processing has been considerably intensified and modernized by the growth of processed food industry which is based on cooking, mixing and chemical alteration producing a textured vegetable food. By-product processing of major agriculture commodities has opened up the vast potential of agro industrial growth in the rural India in recent years.

Central Government has made the efforts to accelerate the pace of development in food processing industry. A number of incentives and packages have been announced for FPI. A separate Ministry for food processing industry has been established. Food processing industry has been designated as priority industry for foreign investment, technology agreement and attention is being given to infrastructure and other requirements of the industry (EDI, 2011)

A majority of the medium and large scale food processing units are sugar mills, vegetable oil seed processing units, milk & dairy units, and roller flour mills. At present there are very few units both in large and medium sectors as well as in small sector producing sophisticated, fabricated and high term foods in the state. It is also reported that lack of infrastructural facilities for scientific handling, storage and distribution of both raw and processed food is resulting in wastages of foods at every stage.

The population growth has emphasized the need for increasing food processing and preservation. The current industrial policy environment
combined with resource endowment in the country, which augurs well for the future growth. India is the largest country in the production of spices; second largest producer of rice, groundnut and vegetables after China, fruits after Brazil in the world has the largest livestock population in the world and considerable marine resources in the exclusive economic zones (FAO, 2010).

1.2 STATEMENT OF THE PROBLEM:

Food processing Industry is mainly dependent on agriculture for raw material. The demand of the processed food is continuously increasing as need of food for increased population is major concern. This industry has vital role in the economic development in general and for completing need of the food in particular. But being most of these units in the form of MSMEs, they have many problems at grass root level. On the other hand they have prospective future in the light of increasing trend of demand of food products in Indian and foreign market. The present study is entitled as, “Problems and Prospects of Food Processing Industry in Kolhapur District.” The study attempts to examine the problems related to functional areas of industries i.e. like production, finance, human resources and marketing especially unavailability of raw material, constrains in access to credit facility, inadequate infrastructure, availability of skilled and unskilled labors, problems relating to domestic as well as international marketing.

There is a tough competition with big companies. It has increased after globalization and food processing units are facing some problems. Most of them are small in nature. Small is beautiful but not sustainable. It is realized with the present condition of this industry in rural areas. Even some of them do not able to survive themselves and become sick. Financial management and marketing management of such food processing units are the burning issues in this context. It inspires us to conduct the present study.

1.3 SIGNIFICANCE OF THE STUDY:

The food processing is mostly depends on agriculture and food processing industry has tremendous significance in human life and its evolution. The present study covers one of the important issues which affect various
segments of the economy. It is useful to enterprises to conduct the day-to-day management. It would help to the entrepreneurs to manage their business, in proper way for solving their general and specific problems. The present study will provide policy prescription to the government to improve the support to such enterprises.

1.4 OBJECTIVES OF THE STUDY:

1. To review the origin and development of food processing industry.
2. To study the profile of food processing industry in Kolhapur district.
3. To study the working of food processing units in Kolhapur district.
4. To identify and study the problems of food processing units.
5. To study the employment generation by food processing units.
6. To study the prospects before food processing units in Kolhapur district.
7. To present observations and make suggestions on development of food processing units.

1.5 HYPOTHESES OF THE STUDY:

The research study is conducted with the following hypotheses:

1. The food processing units have not employed scientific production method in their production management.
2. Food processing units are facing problems in obtaining finance from nationalized banks.
3. There is negligence in training of personnel by food processing units to develop their skills and upgrade their knowledge.
4. The performance of food processing units is affected by marketing problems such as heavy competition, reduction in demand etc.
5. The development of food processing units in Kolhapur district generated additional employment.
6. The food processing units have market potential.
1.6 RESEARCH METHODOLOGY:

1.6.1 COLLECTION OF DATA:

(A) PRIMARY DATA:

For the purpose of collecting primary data, a detailed and comprehensive interview-schedule was prepared on the basis of the objectives of the study. The data have been collected by conducting survey of food processing units in Kolhapur district.

Various elements of food processing units with considering their problems pertaining to the functional areas of management have been taken into account while preparing the schedules and questionnaires. The problems such as availability of raw material, access of credit facility, availability of finance, availability of skilled and unskilled labor, problems regarding training, problems of marketing etc. have been taken into consideration. Primary data have been collected by conducting interviews, informal discussion and non-participative observations.

(B) SECONDARY DATA:

The required secondary data useful for this study have been collected from the published and unpublished sources through: (i) Annual reports and statements (ii) Books, journals, periodicals and reports (iii) M. Phil dissertations and Ph. D. theses etc.

1.7 SAMPLE DESIGN:

1.7.1 The Universe

The universe of the present study covers the food processing units in Kolhapur district. The problems and prospects of these units have been analyzed and interpreted under this study. Food processing sector includes Grain & Cereals (rice mills), Edible oil (oil mills), Spices, Fruits & vegetables, Meat & Poultries, Milk and dairy products, Fisheries & Sea foods, Consumer industry and Plantation of tea, coffee, cashew coca etc. But for the present study, (i) rice mills, (ii) oil mills, (iii) spices and (iv) fruit & vegetable have been covered as selected segments of the food processing industry as many studies had been previously conducted by earlier researchers on (a) sugar, (b) dairy, (c) consumer industry and (d) meat and poultry. Fisheries and sea food is the
negligible segment of FPI in Kolhapur district. So these segments have been excluded.

The office of the Assistant Commissioner of Food and Drug Administration Maharashtra state Kolhapur has registered 217 FPU's in the twelve talukas of Kolhapur district.

### 1.7.2 SELECTION OF SAMPLE:

The population of the food processing units is large and scattered all over the district. Therefore sample has been confined to only four categories of food processing units (see Table 1.1) and 60 units (28%) have been selected for the present study by stratified random sampling method. A lot of studies on sugar factories were conducted by earlier researchers so the category of sugar factories has been excluded from the present study.

#### Table 1.1
Sample selected from Food Processing Units in Kolhapur District

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Category</th>
<th>Population</th>
<th>Sample (28%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rice processing</td>
<td>35</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Oil processing</td>
<td>67</td>
<td>20</td>
</tr>
<tr>
<td>3</td>
<td>Spices</td>
<td>77</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>Fruits &amp; vegetable processing</td>
<td>38</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>217</td>
<td>60</td>
</tr>
</tbody>
</table>

Source: Compiled by Researcher on the basis of data obtained by Food and Drug Administration Office Kolhapur.

To test the validity of the primary data collected from food processing units, it was necessary to enquire with counterpart of it as shown in Table 1.2

Along with 60 food processing units, other 421 respondents have been interviewed which are derived from five categories as customers, suppliers, employees, bankers and Assistant Commissioner of Food and Drug Office.

#### Table 1.2
Total Number of Respondents

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Respondent</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Food Processing Units</td>
<td>60</td>
</tr>
<tr>
<td>2.</td>
<td>Customers</td>
<td>120</td>
</tr>
<tr>
<td>3.</td>
<td>Suppliers</td>
<td>120</td>
</tr>
<tr>
<td>4.</td>
<td>Employees</td>
<td>120</td>
</tr>
<tr>
<td>5.</td>
<td>Bankers</td>
<td>60</td>
</tr>
<tr>
<td>6.</td>
<td>Assistant commissioner of food and drug office</td>
<td>01</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>481</td>
</tr>
</tbody>
</table>

Source: Compiled by Researcher
1.8 TECHNIQUE OF ANALYSIS:

For this study the data collected have been processed by using tools and techniques for bringing out the findings on all aspects of food processing units which influenced the development. The data have been presented by using tables, bar charts and pie charts formulated through the computer package MS Excel. The data have been analyzed by using tools such as percentage, cumulative growth index, mean, standard deviation, coefficient of variation etc. For statistical testing of hypotheses, independent two sample ‘t’ test have been made with the help of SPSS and SYSTAT 11. The method of time series and linear regression has been applied for estimation of production, export etc. to predict the market potential.

1.9 SCOPE AND LIMITATION OF THE STUDY:

Topical scope of the study confined to the problems and prospects of food processing industry. The geographical scope of the study is limited to Kolhapur district. The analytical scope is restricted to the testing of hypotheses. The functional scope of the study is limited to identifying problems and prospects of FPI in the light of objectives of the study. The study is related to only those units which have registered with office of the Assistant Commissioner of Food and Drug Administration, (Maharashtra Govt.) Kolhapur. The period selected for the study is only of ten years i. e. from 1999-2000 to 2008-2009. There were constraints of area, time and money, which resulted in limiting the scope of the study.

1.10 CHAPTER SCHEME:

The present study is divided into six chapters. The brief outline of each of the chapter is given below:

**CHAPTER ONE: Introduction and Research Methodology:** This chapter deals with the introduction of the subject. The introduction points out meaning, concept of food processing industry. It also defines types of food processing industry. This chapter defines all relevant aspects such as approach to the problem, statement of the problem, objective of the study, hypothesis of the study, research methodology, significance, scope and limitations of the study.
CHAPTER TWO: Food Processing Industry at a Glance: This chapter focuses on the characteristics of the food processing industry. It describes production, export and import of the selected categories of the food processing at international level.

CHAPTER THREE: Review of Literature: This chapter deals with the review of literature about food processing industry. It includes the detailed review of various books, published articles in journals, and unpublished M. Phil dissertations & Ph. D thesis related to the subject.

CHAPTER FOUR: Profile of Kolhapur District: This chapter deals with the profile of Kolhapur district. It includes physical, geographical and demographical features of the district. It includes the detailed information about the population, type and area of land, main occupation, rivers, rainfall, number of industries, health centers, financial institutions, number of villages, number of food processing units, etc. in every taluka of the district.

CHAPTER FIVE: Problems and Prospects of Food Processing Units (Analysis and Interpretation of data) : In this chapter analysis of general information about selected food processing units is made with the help of location, type of organization, area, site, education, sex, age of the owner. This chapter also includes the detailed analysis of selected food processing units with following points.

1. Production : In this point various aspects are analyzed such as capital investment, rate of turnover, capacity utilization, source of raw material, policy about inventory, status of machinery, flow of production in last year’s are discussed.

2. Finance : In this point various aspects were analyzed like, capital investment, source of capital, percentage of capital in assets, return on investment, requirement of working capital, problems in formation of capital, purchase and sales negotiations, grant from government were discussed.

3. Human resource management: In this point the recruitment and selection procedure, training and development policy, wage administration, morale, discipline & grievance system and performance appraisal were analyzed.
4. **Marketing**: In this point distribution channel, area of market, nature of competition, credit policy, sales turnover, customer relations, advertisement policy, marketing problems were analyzed.

The data collected from processing units, suppliers, bankers, employees and customers etc. have been analyzed and interpreted in this chapter. It also includes the testing of hypotheses.

**CHAPTER SIX: Conclusions and Suggestions**: The main findings and conclusions are given in this chapter on the basis of detailed analysis and interpretation of the collected data. Some suggestions are also given for the development of food processing industry in Kolhapur district.
References:


