PREFACE

Indian population is the second largest in the world and poised to take over China as the most populous country by 2030. According to the 2011 census of India, 68.84 percent of Indians live in 6,40,867 different villages. The size of these villages varies considerably. 2,36,004 Indian villages have a population less than 500, while 3,976 villages have a population of 10,000+ and the population of all the villages is around 833.1 million. (‘Indian census’ from Censusindia.gov.in). Farming in Indian villages has been the occupation for the people since known Indian history of ancient Harappa and Mohenjodaro.

Government has to establish many procedural mechanisms for sufficient agricultural produce to meet the needs of the growing population and so not doubt agricultural sector became the dominant sector of the economy if not the key sector till 1990s. India has become one of the top countries of agriculture produce, especially for sustainability of life for growing population. According to many research firms, if India has to achieve a GDP growth of over 8 percent, the agricultural sector must grow better than 4 percent. Essentially Food processing of the agricultural produce and add value and can better contribute towards the development of the economy.

Food processing is all about converting raw food and other farm produce into edible, usable and palatable form. It is the conversion of clean, harvested, butchered or slaughtered components into marketable food products with value addition so as to improve their quality, reliability and shelf life. Further Food processing is about preservation of food while providing greater potential for export.
Food processing began in the prehistoric age with drying of fruits in nature or storing of animals for coming winter feed needs. There are crude processing types such as over heat or fire, fermenting, sun drying and preserving with salt and later human beings learnt steaming for cooking. Food preservation has become a key part for warriors during wars and sailors as set travels across continents during last two thousand years. Industrial revolution in 17th century began to change food processing as Nicolas Appert developed a vacuum bottling process to supply food to troops in the French army. Canned tins were developed by Peter Durand in 1810. These food processing technologies were largely developed to serve military needs in many countries. As population rose in the early 20th century and travel became regular for many business people with added change in food habits led to newer development of food processing techniques such as spray drying, juice concentrates, freezing, artificial sweeteners, colorants, and preservatives. Instant packaged foods such as biscuits, chocolates, bakery items, variety of fruits drinks attracted higher percentage of students. As refrigerators along with microwave ovens penetrated global markets, dried instant soups, reconstituted fruit juices and self cooking meals began to be developed.

Food processing industry has developed in India as a result of the diversification and commercialization of Indian agriculture. This sector acquires high priority as it reduces post-harvest losses, brings value addition in agriculture, creates high export potential and gives greater bargaining power to the farmers for their products, generates employment in rural areas and improves the living standards of people. So India has been rightly poised to lead needs of the food among many hungry countries in the world. Food processing sector in India had grown by 8 percent between 2006 and 2010 which is better than the growth of the manufacturing sector.

but agriculture has been growing only at 2 to 3 percent according to the annual reports of Ministry of Food Processing Industry, MOFPI. According to Piruz Khambatta, Chairman and Managing Director, Rasna at Food and Beverage conference in 2012 raised a key statement, ‘Food processing can do to rural India what IT has done to urban India.’ Thus there is a need for the business experts and industrialists to realize the growth of food processing sector as 31 percent of spending done by Indians is on food. No doubt food processing is crucial for agricultural nation like India. Expansion of food processing is imminent with huge scientific, educational and management talent along vibrant and developed finance market. This sector will be a boon for Small and Medium Enterprises and lead to food security as supply varies because of inaccuracies in predictability of rains. Stable food processing would control food prices.

The food processing industry aids in the development of the agricultural sector by providing solutions to the problems of inconsistent demand, low price realization and irregular income of the farmers. It contributes to the nation’s food security by balancing seasonal supplies and fluctuation demands, thereby mitigating wastage levels in the agricultural sector.\(^2\) The food processing industry in India became an economic multiplier which is reported to be much higher than other Industries. Thus the rapid growth in the food processing industry has fuelled the growth of trade on the international front. The organized Food processing industry in India is classified into many sub-sectors such as Fruits and Vegetables, Milk and milk products, meat and poultry, fisheries, beer and alcoholic drinks, grain processing, packed food/consumer food, packed drinks.

As per Mc Kinsey study ‘India is likely to become the second largest dairy products producer, next to the US, in the years to come. According to the Dairy India 2007 estimates the

\(^2\) (Food Processing-A fast growing business, the Hindu Survey of India, July 1997.)
current size of Indian dairy sector is US$ 62.67 billion and has been growing at a rate of 5 percent a year. Dairy products and fruits and vegetables are the most attractive segments for investments. Dairy products have a growth rate of 15 percent. India is the leading producer of milk in the world, about 108 million tons in 2007 out of which 37 percent of the produced milk is processed and 676 diary plants are registered with the government. Growing segments are,

1. Branded butter market is valued at US$ 133 million and is estimated to grow at 8-10 percent per annum,
2. Cheese market is valued at US$ 110 million and is growing rapidly in urban areas at about 15 percent.
3. Ghee is growing at a rate of 8 percent annual rate with 24.1 percent penetration across country and
4. Ice cream market is valued at US$ 199 million in India and is growing at 20 percent annual rate.

Other emerging segments include are Ultra Heated Treatment (UHT) and flavored milk and UHT milk is gaining popularity and the market is estimated at USD 33.4 million.

AP is considered as ‘rice bowl of India’. It is synonymous with ‘Annapurna’ the land of plentiful harvests on nutritional security. “It is also a veritable ‘akshyapatra’ or vessel of plenty of horticultural produce. Identified as states with ‘great potential’, AP, Gujarat, Karnataka, Maharashtra and Tamil Nadu are projected to increase their industrial productivity by more than two and half times to Rs. 50 lakh crore in next five years. Food processing industry in AP plays a significant role to that extent. There is a large potential for production of a variety of processed products from the fruits and vegetables grown in the state. The post-harvest losses in fruits and vegetables were estimated at Rs.95,000 crores in the country, whereas in Andhra Pradesh it was
Rs.4750 crore, the loss of fresh produce is 30 percent of the production in the state. AP is the second biggest contributor (10 percent) to the net value added in food industries and beverages in the country and first among the South Indian states. The growth of the food processing industry in Andhra Pradesh during the next ten years is expected to be 15 percent, driven mainly by export demand. The state witnessed higher growth rate in food processing industries than that in the all-India level. The growth rate in the net value added increased marginally from 18.98 percent during 1991-92 to 2000-01 to 29.01 percent during 2001-02 to 2008-09.\(^3\) With these developments, we envision a strong and vibrant agriculture in the state with higher farm incomes, lesser risk, more jobs opportunities, and better environment for food processing industry. A.P. has strong dairy processing including a processing capacity of 0.52 million litres per day. The average milk production per day in the state is 24.3 million litres per day. The processing capacity in the organized sector is 22% of the country’s processing capacity.

The researcher made an endeavour to study the performance of Dairy Processing Industry in India and Andhra Pradesh with specific reference the performance of Guntur District Milk Producers’ Mutually Aided Cooperative Union Limited., Vadlamudi (SANGAM DAIRY), Guntur District was chosen where the main thrust was not in just producing milk but also giving opportunities to improve the quality of rural life in different angles. The voyage of Sangam Dairy started with 81 Co-operative Societies and now it has 643 member societies and 432 collection centers in the district. An attempt was made to undertake an economic analysis of dairy farming in the areas around Sangam Dairy and further the financial performance of the unit was assessed which was felt important in order to suggest measures essential to improve the financial performance.

\(^3\) (Source :CMIE (2008), Andhra Pradesh).