Basic Problems Relating to Exports of Food Processing Industry
INTRODUCTION

The Indian food processing industry has shown a vast potential for exports. The export of processed foods worth Rs. 100 billion per annum which constitute 10% of total country's exports. During 2001-02, the total export from the country worth Rs. 141603 crore which included Rs. 25224 crore exports of agricultural, plantation and processed food products. This was 18% of the total exports of the country. Export of processed foods viz., processed fruits and vegetables, animal products, rice, marine products and other processed foods was valued at Rs. 12915 crore during 2001-02 which was percentage of the total exports. Globalization has led to an increase in trade across the borders of different countries and annually about 460 million tonnes of food valued at US $ 3 billion is being traded. Thus there is a great potential for global trade in agricultural and processed food products. The basic problems relating to exports of food processing industry are such as primitive technology, inadequate infrastructure, poor quality of raw materials, low productivity of various horticultural crops, poor quality of packaging, high cost of raw materials, such problems are being faced by the exporters. India has large prospects for export of agro products. Most of the food processing units are in the small and medium sector with traditional equipments. The industry is dependent on the availability of raw materials. The export problem relating to poor quality of raw material because the fruits and vegetables characterized by seasonality, inconsistency in availability i.e. quality of raw material is subject to vagaries of nature and other factors such as perishability. Most of the products used in this industry are perishable at all stages of manufacture and involve high market development expenses for developing a brand. The lack of infrastructure facilities like cold storage
chains is another hindrance for the growth of this industry. Above all, the food processing industry still remains highly regulated through innumerable rules, laws and orders. It has to cope with a multiplicity of agencies such as the Agricultural Product Export Development Authority (APEDA), Marine Product Export Development (MPEDA), National Horticulture Board and Various commodity boards dealing with items like cashew, tea and coffee. A task force setup by the prime minister the chairmanship of under Nusli Wadia has suggested for the creation of a processed food regulation authority as the sole regulator for this sector. This recommendation has been endorsed by the parliamentary standing committee as well. Another aspect that the food processing industry has to face the problem the absence of adequate patents and copyrights law as seen in the case of basmati rice and the recent issue of high yield vechur cow to which a Swiss Company has applied for a patent. This has affected research and development activities and hopefully amendments in the patent law in the next year will address this problem. The industry and the government need to sit and thrash out the hurdles that impedes the growth of the food processing industry. There is an urgent need to look at the supply chain. The structure of the industry, distribution, consumer attitudes and government policies as regards the supply chain, a lot of intermediaries are there in the chain who take a lot of money away from the chain without providing any value addition. As the intermediaries accounts for 65% of a product's MRP. It leads to low realization for growers and high cost to the consumers, encouraging contract farming, as regards structure of the industry. It is not well developed and is dominated by small players. The industry needs large companies, which should have the financial muscle for establishing a large marketing network and also to invent in latest
technology. Greater use of radiation technology in food processing industry and application of biotechnology will go a long way in increasing productivity and improving varieties of fruits and vegetables and other products. The government being well aware of the prospects for development of food processing industry, has taken various initiatives for its promotion. These include setting up of a separate ministry of Food Processing Industry and promotional bodies, such as Marine Product Export Development Authority (MEPDA), Agricultural and Processed Food Product Export Development Authority (APEDA) and National Horticulture Board (NHB). The other major initiative taken by the government have been enumerated here. Some new measures have been taken in 1997-98 e.g. de-reservation of certain items including ice creams and biscuits, repeal of the cold storage order of 1968 etc. The proposed raising of limit investment for the small-scale industry is also expected to promote investments in this sector, especially in terms of upgradation of technology. The policies pursued by the Government, in the past have paid rich dividends today. The Food Processing Industry contributes about 18% to the industrial Gross Domestic Product (GDP) and employs around 1.5 million persons. The Food Processing Industry, however, is primarily functioning in the informal and unorganised sector. This sector has attracted a lot of foreign investment and till June 2000, Industrial Entrepreneur Memoranda (IEM) envisaging an investment of Rs. 47146 crore had been received. It may, however be mentioned that this growth in nowhere near the potential. India has various factors adversely affecting the growth of this industry includes aspects such as primitive technology, inadequate infrastructure, poor quality of raw materials including non-availability in bulk, low productivity of various horticulture crops, poor
quality of packaging, lack of grading facilities and standards. In the post-liberalization period, export of traditional and non-traditional has for processing fruits and vegetables projected for the 9th five year plan include high cost of raw material, poor infrastructure, and technology absence of post-harvest facilities, low level of operation, failure of contract farming, lack of coordination between the processor and farmers etc. which is holding back the growth of this industry. The demand for value added products is increasing at a very high rate. India’s turnover in 1996-97 of Ayurvedic / herbal products was around Rs. 23.00 billion. The problem like lack of quality control, adulteration, spoilage, poor storage etc. have resulted in restricting out export. The growth of value added products has a vast potential. The policy development for agro industrial needs to be examined by the government, workable experience and regulations should be developed by both Government of India and state government. The regulation pertaining to food quality, environment, food legislation etc. should be realistic enforceable with the overall policy development.

The concept of quality assurance has been alluded to the Indian exporters so far. Total quality management begins not only from the first state of manufacturing of the end product but from production of the raw material. Most of the processed food manufactured in the country is of a very good quality, largely because of the use of poor raw material. Therefore, the need of production to enter into contracted arrangements with the farmers for providing processable varieties raw materials and also help them to improve productivity by using the latest agricultural technologies.

The growth potential of India’s food industry is enormous. With food processing being a national priorities food habits changing rapidly towards
value added food. The agro and food processing industry in India is of utmost significance in terms of employment and income generation, poverty alleviation export promotion and foreign exchange earnings.

**Major problems Relating to Export of Food Processing Industry**

Major problems relating to export of food processing industry are as follows:

1. Primitive technology
2. Inadequate infrastructure
3. The poor quality of raw material
4. High cost of raw material
5. Irregular supply of raw material
6. Low productivity of various horticultural crops
7. Low rates of capacity utilization
8. Lack of grading and standards facilities
10. Poor quality of packaging
11. Problem in marketing of the product.
12. Lack of finance
13. High prices of products in international market.
14. Complex export procedures and formalities
15. Lack of efforts for search of potential foreign market
16. Lack of publicity and advertising
17. Non-availability of adequate export finance.
18. Weakness in export promotion policy.

Traditional agricultural export products like tea, spices, cashewnuts, etc are yielding place to new products like processed food, fruits and vegetables like other industries. The agro food processing industry is also facing several problems, which are peculiar to this industry. In view of fast changes in market demand, problems faced by exporters also keep changing. "Many different products and perishable items have acquired export potential and exports are made through sea and air routes. There are problems in getting space in ship / aircraft when needed. Such delays adversely affected export marketing and the reputation of the exporter"1.

Major Problems relating to export of food processing industry in India are as follows:

1. **Primitive Technology**: The food processing industry faces the basic problem of primitive technology because in industry the labourers are not skilled, modern technology is not properly used quick transport and better storage facility are also not available. As a result of this, the industry is unable to use its full potential. The products are not being manufactured at the competitive rates. The industry has not been able to take full advantage of new processing technology. In order to adopt greater efficiency, the industry needs to adopt latest technology that would provide economies of scale and cost effectiveness.

2. **Inadequate Infrastructure**: The food processing industry faces the basic problem of inadequate infrastructure because the lack of land and building, electricity, power supply, machinery, transport are not

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adequately available. The lack of infrastructure facilities including power, machinery, finance, communication marketing and cold storage chains are the main hindrance for the growth of this industry. Due to these reasons the industry has not been developed. in order to provide adequate infrastructure. The government and the industrialists have to make proper efforts for modernization of technology production process, infrastructural base.

3. **The Poor Quality of Raw Material** : The Food Processing Industry faces the basic problem of poor quality of raw material because of lack of scientific agriculture and use of good seeds and fertilizer. The quality of raw material directly affect the quality of processed food products. Due to poor quality of food products they are not in a position to create market at international level.

4. **High Cost of Raw Material** : There is also a basic problem of high cost of raw material because their production in the country is not in plenty. Due to multiple intermediaries in the distribution systems. The cost of some raw materials becomes high which ultimately adversely affects the cost of production of processed food products. Further this industry is extremely decentralized and a large number of industrial units are in the cottage and small scale sectors.

5. **Irregular Supply of Raw Material** : The food processing industry faces basic problem of irregular supply because there is also lack of coordination between processors and farmers. The farmers supply these products to the processes only in the absence of a domestic market. In order to ensure a regular supply of raw material, contract farming is advocated. Experience shows that this concept has made a great success in India because production is low and prices are
high. Due to nature of seasonality of various raw material and lack of adequate storage facility the industrialists have to face this problem of irregular supply of raw materials.

6. **Low Productivity of Various Horticultural Crops**: There is also a serious problem of low productivity of various horticultural crops such as fruits, vegetables medicinal and aromatic plants, spices and plantation crops like cocoa, cashew etc. The farmers are not using scientific production techniques and are also unable to make use of better irrigation, Seeds, fertilizer, insecticides. As a result of this the productivity of many items of agricultural products in very low which generally affect the cost of production of the food processing industry.

7. **Low Rates of Capacity Utilization**: The food processing industry faces the basic problem of low rates of capacity utilization because there are many factors which come in the way of effective utilization of capacity. Among them inadequate supply of raw materials throughout the year and lack of effective demand of the food products in the domestic as well as in foreign markets.

8. **Lack of Grading and Standards Facilities**: The basic problem of lack of grading and standards facilities also adversely affect the industry. Such organization and agencies engaged in grading and standardization of agricultural produces. What ever facilities are available in the country they are being properly utilized by the marginal and small farmers. As a result of this the food processing industry is not getting properly graded and standardized raw material for their use.
9. **Problem of Quality of Processed Food Products**: The food processing industry faces the basic problem of poor quality of processed food because the majority of producers are not conscious about the quality of their products. Particularly the small producers are not making use of improved technology because this is very costly affair for them. Only large producers are competent to produce quality products.

10. **Poor Quality of Packaging**: The food processing industry faces the basic problem of poor quality of packaging because the producers are not using modern packaging materials, while in the competitive market economy there is an urgent need for improvement in the packaging of the products in order to create additional market. The small industrialists are unable to make use of modern packaging material, poor packaging is seriously affecting the demand.

11. **Problem in Marketing of the Product**: The industry is also facing an acute problem in marketing of the product in domestic markets, because the domestic demand for the processed food is very low and Indian consumers are not very fond of using packed or tinned food products. The packed or processed food products have yet to create their markets. For this purpose vigorous efforts for promotion of marketing of food products are required.

12. **Lack of Finance**: Lack of finance is also one of the basic problems of food processing industry in India. These industries are not getting adequate financial support from the banks and the government on concessional interest rate. Due to seasonal in nature, these units require bulk of working capital during a particular period and if they
do not get adequate credit facilities their production is adversely affected.

13. **High Prices of Products in International Markets**: The food processing industry faces the basic problem of high prices of products in international markets because of various reasons in industry technology efficiency is not properly used. Low quality of finished goods, high taxes burden and high marketing costs, competition was very intense in the domestic market, also government policies deciding minimum procurement prices, much above real market values, low level of mechanization making production expensive also international standards are very exacting comparison to Indian products have resulted in restricting export. Due to all these reasons, the industry would not in a position to export at international level.

14. **Complex Export Procedures and Formalities**: The food processing industry faces the basic problem of complex export procedures and formalities because in industry he complexity of rules and procedures several formalities are to be completed before effecting the exports. The completion of these formalities often took considerable amount of time, also the products are perishable commodities and even a day's delay sometimes spoils, the whole consignment. The result of complicate procedures and delayed due to perishable nature. The quality of processed food products get deteriorated.

15. **Lack of Efforts for Search of Potential Foreign Market**: The food processing industry faces the basic problem of lack of efforts for search of potential foreign market because the government not
provides financial assistance, irrigate marketing network is not available. In the country which can provide the recouped marketing information, export houses regarding the processed food products are yet to be developed, as a result of this very little efforts are being made for searching the potential market in the overseas country.

16. Lack of Publicity and Advertising: The food processing industry faces the basic problem of lack of publicity and advertising because in industry there has not been overwhelming response to advertisements and publicity, also the amount of financial assistance is not available, in order to launched a generic advertisement and publicity were adequate particularly in such countries concerted efforts are not being made for intensive demand of food products may be created.

17. Non Availability of Adequate Export Finance: The manufacturing facing the problem of non availability of adequate export finance because in industry finance available not very easy, high interest rates, delays due to government policies result in project cost inflation, also no subsidy, in country there is no specific institution which is exclusive provided finance to food processing industry, due to limited sources organization, exim bank, export houses, they are not in a position to provide finance. Due to all these reasons the industry is not available to adequate export finance.

18. Weakness in Export Promotion Policy: The food processing industry faces the basic problem of weakness in export promotion policy in following reasons:

1. No promotional support
2. The policy provides a package of incentive including exemption from maintaining the average export obligation.

3. Food processing industry is one of the thrust areas identified for exports, free trade zones (FTz) and export processing zones (EPz) have been set up with all infrastructure. Also setting up of 100% export oriented units (EOU) is encouraged in other areas. They may import free duty all types of goods including capital goods. Under the export promotion capital goods (EPCG) scheme permission to achieve a lower threshold level for achieving the export houses status, preferential access to market access initiative funds and duty free access to trimming and establishment for achieving value added exports.

4. Capital goods, including spares up to 20% of the CIF value of the capital goods may be imported at a concessional rate of custom duty subject to certain export obligations under the EPCG scheme. Export linked duty free imports are also allowed.

5. The policies framed being not in conformity with those followed in importing countries affected the export trade due to the weakness of export promotion policy it would be very affected to export.

19. **Problem of Contact Business**: Export business is done mainly on contacts. Several times it become very difficult when trained people tried to starts their own business based on contacts developed by them during their tenure in the company.
Thus we can say that these are the major problems which are faced by the manufacturers export invite potential buyers to their manufacturing facilities to impress upon them the quality and standards of their products. This could bring profitable business. The companies kept cordial business relation with their customers by maintaining the high standards of their products exported.

Suggestions for Solving the Major Problems Relating to Export of Food Processing Industry

There are numbers of problems faced by the exporters. But there are solution to solve the problems also. The following suggestions may be given in order:

1. Use of Modern Technology

1. In primitive technology it would be very useful for the agro processing units as also the farmers, if necessary technologies could be developed to make possible production of fruits and vegetables over a longer spread, i.e. varieties which would provide regular supply of raw material inputs to the processing plants. This will help to increase the capacity utilization of the units over a longer period of time during the year.

2. The selection of technology for processing units is very much connected with the type of raw material to be processed and the product to be produced, capacity labour availability and costs also play important roles in technology selection. In small scale processing labour intensive technology is necessary. In the case of paddy milling, generally capacity determines the technology.
3. Only modern technology, quick transport and better storage facility can enable the industry to grow to its potential in order to adopt greater efficiency. The industry needs to infuse latest technology that would provide economies of scale and cost effectiveness.

4. Appropriate technology should be provided for the wide used in the food processing sector.

5. The case studies on Karnavati Agro Processing Corporation Ltd. (KAPCL) MAFCO and NOGA deal in the processing of fruits and vegetables, while technology used by them is more labour intensive, in accordance with their observations most of the operations such as washing, drying and grading are done manually.

6. The industry needs to adopt the latest technologies

2. Adequate Infrastructure

1. Inadequacy of post harvest adequate infrastructure also acts as a hurdle. There is a need to develop the cold-chain structure which will include pre cooling and cold storage and refrigerated vans. The structure also developed to become adequate.

2. The government and the industrialists have to make proper efforts for modernization of technology, production, process infrastructural base.

3. Quality Improved and Control

1. Poor quality of raw material besides ensuring adequate quantity, it is also necessary to ensure acceptable quality.
The requirements of quality of raw material is linked with the requirement for finished foods.

2. The quality of raw material also depends on how they were handled from the time of harvesting to the delivery to the processing units. So the quality of raw materials should be developed by food packaging. In order to ensure that the required quality of material is produced, it becomes necessary to develop specifications inspections procedure.

3. The scientific agriculture should be encouraged.

4. Cost Effectiveness

High cost of raw material is the main problem of exports of food processing industry. This has one of the reason to produce quality processed products at low cost, processing plants should produce / acquire seeds of appropriate varieties. Distribute above all these seeds to the producers themselves and enter into definitive contracts with the farmers for buying the products at remunerative competitive incentive prices.

5. Regular Supply of Raw Material

In order to ensure a regular supply of raw material contract farming is advocated. Nature of seasonality of various raw materials and adequate storage facility should be improved.

6. High Productivity Improved

High productivity of various horticultural crops should be encouraged. The horticultural crops such as fruits, vegetables, spices and plantational crops like coconut, cashew should
improved and it will increased and the farmers should be used scientific production techniques then they will able to make use of better irrigation seeds, fertilizer, insecticides in agriculture. Then the result of this the productivity of many items of agricultural products is become very high.

7. High Rates of Capacity Utilization

Appropriate technology is as much as important as is the market for the processed products and funds to run the unit successfully. Appropriate technology is a must to run the unit to its ultimum capacity utilization. Appropriate technology should be improved, adequate supply of raw materials should be improved.

According to Marvex Cannery's Unit: Does not have skilled personnel in procurement processing and marketing does not have a strong infomration network both for procurment of raw material and marketing of the products consequently under utilization of the created capacity is very high and capacity must be utilization encouraged.

8. Quality Standards Improved

1. Organisation and agencies engaged in grading and standardization of agricultural produces. So the government support is recommended; graded and standardized raw material should improved. Then such facilities are available in the country they are being properly utilized by the marginal and small farmers.

2. In the quality of processed food products the technology should improved and small producers are not making used
this technology they should used this technology in order to get better results.

9. Better Quality of Packaging

1. Poor quality of packaging should be developed. There is one research and development institution for the packaging industry namely the Indian Institute of Packaging. It was setup with a laboratory in Bombay. Three regional offices are being planned. The central food technical research institute (CFTRI) has a packaging division which is basically involved in developing food packaging. According to the working group on the eighth five year plan for the agro processing industry the seventh plan period saw many new trends being initiated in food packaging.

1. Aspectic bulk packaging of fruit pulps in bag in box.

2. Aspectic packaging of fruit juices, beverages in multi layered cartoons.

3. Pre packaging of fruits and vegetables at ambient conditions.

4. Quality of packaging should be improved.

5. To rationalization of duties on packaging, giving more fiscal incentives and duties, it should be developed on packaging.

10. Improved Quality Products

1. Small producers should used of improved technology.

2. The quality of products improved by Govt. and other institutions should be provided financial assistance.
11. Promotion of Marketing of Food Products

1. Many countries would proper marketing to foreign marketing, as domestic marketing is comparatively simpler and safer, and the marketing managers do not have a deal with a different currency face political and legal uncertainties or adopt the product to a different set of needs and expectations. There are two such factors, which compel the companies to go to the international market. First the demand for the production in domestic market should be improved and the government policies are highly encouraging to the companies.

2. Companies have to search suitable markets in foreign countries and the government policies are highly encouraging to the companies which are export oriented, and at times the companies may find international markets an attractive place to earn profit, it has the acquired to the maintain of a good knowledge of the changing international marketing environment.

3. In industry domestic demand and the efforts to be required for promotion of the marketing of food products should be improved.

12. Adequate Working Capital

1. The financial institutions should come forward to finance the food processing units on a larger scale. The rationalization of duties on packaging, abolition of state taxes and duties, giving more fiscal incentives and tax holidays coupled with improved techniques of production processing and marketing can go a long way in making the agro based more competitive and financially viable proposition.
2. The financial institutions and government should provide financial support.

3. The credit liberal facility also provide from the institutions and the government.

4. To develop alternative financing solutions for the exporters.

5. In this respect and now a days the careful planning and management of the working capital, becomes vital. Karnavati Agro Industries Corporation Ltd. Followed a policy of producing only against confirmed orders. This created fluctuations in production over the year procurement and production during the season and exports later involved in locking up funds in working capital.

13. Minimum Prices of Products

1. The technology efficiency should improved.

2. The quality of finished goods improved.

3. Government should provide subsidy on raw materials so that the prices of the finished products will be lower therefore the price of the Indian products in international market will be lower.

4. In taxes are still very high. There is a need to further liberalise these taxes so that the domestic market base can be further enlarged.

14. Relaxation of Export Procedure and Formalities

1. Government policies should be improved for export procedures and formalities. The rules and complicated procedures and several formalities should provided the relaxation of these rules.

2. The perishable commodities spoils, sometimes because of taking various time. The government should provided the new rules and
procedures and few time for perishable commodities. So that the quality of processed food products not get deteriorated.

15. Efforts for Search of Foreign Market Improved

1. Government should provide financial assistance.

2. The government should provide irrigation marketing network which can recouped the marketing information.

3. Export houses regarding the processed food products are yet to be developed.

16. Improved Publicity and Advertising

1. The government should encouraged the amount of financial assistance.

2. The ministry should launched many news journals and wide publicity in the print media also launched some plan schemes for improving publicity and advertisements.

3. Concreted efforts should be made for intensive demand of food products.

4. The government should encouraged the advertisements and publicity in order to get overwhelming response.

17. Availability of Adequate Finance

1. The specific institutions should provide financial assistance to food processing industry.

2. The limited sources organization, exim bank, export houses should provide financial assistance to food processing industry.

3. The government should should provide relaxation for high taxes.
18. Improved Export Promotion Policy

1. The government should provide promotional support for export promotion policy.

2. To respond to export problems of Indian exports of Indian exporters and pursue policy resolution.

3. The government should encouraged for concessional rate and duty free facilities.

4. To provide information to manufactures on opportunities in non traditional exports including advice on market and countries.

Thus these are the major suggestions solved by the industry and the government need to sit and thrash out the hurdles that impedes the growth of the food processing industry. As regards structure of the industry, it is not well developed and is dominated by some players and establishing a large marketing network and also to invent in latest technology. Application of bio technology will go a long way in increasing productivity and improving varieties of fruits and vegetables.

A Critical Review of the Government Policy Regarding the Promotion of Exports of the Processed Food Products

In a bid to attract large foreign investment in the stagnant sector of promotion of exports of the processed food products, the union government is likely to come out with a National Food Processing Policy during the forth coming session of parliament to remove the bottlenecks. The proposed policy aims at doing away with constraints like high taxation structure, multiplicity of laws and agencies confronting the sunrise sector, besides marking investment more profitable. Also, the government intends to enact an umbrella legislation by synthesizing the plethora of laws, governing the
agro processing sector and come out with a comprehensive processed food development act. The aim is to substantially enhance value addition and increase the processing level from a meagre two percent at present to at least ten percent by the end of decade, for which an investment of about Rs. 140000 crore would be required. The policy, prepared after eliciting views of state government farmers, cooperations, experts and other institutions would not only play a significant role in ensuring growth of the industry. But also in generating considerable employment opportunities. Given the levels of investment required for the food processing sector to take off, the center wants the state and private sector to share the burden and has, in fact, sought private sector investment in setting up a cold storage chain, processing units and food testing labs. While food processing seems to have taken a center stage, for the time being at least, its upgradation, however requires a daunting investment of Rs. 140000 crore over ten years and this amount of money the government does not have to spare yet, this is also sector that is viewed as a potentially big employers, capable of checking migration by providing jobs in rural areas. It is also one sector that is where the mismatch between growing demand and supply may leave the door open for an invasion of foreign products.

For the promotion and development of agro based commodities, the Government of India has setup and elaborate institutional mechanism in the form of promotion and development councils / board / authority / either under statue or otherwise. A general axiom in international economics is that 'export promotion' is vital for stimulating and sustaining economic growth often export promotion has the potential to create a stronger economy. Lower unemployment has increase globalization, promote formation of strategic alliances, improve the balance of payments, and also
facilitate adoption of improved technology for increased exports. The challenges, constraints and concerns for the critical review of the promotion of exports of the processed food products as follows:

1. The differential between the farmer realization and the final consumer price is very high in our country even in the fresh produce. In processed food products the high price and account of cumulative effect of low productivity, high cost of raw material, spoilage due to poor infrastructure, inefficient and costly transportation, high cost of finance an high incidence of taxes and duties, leads to the vicious cycle of low demand, low capacity utilization, high per unit cost and low demand.

2. Despite vast domestic market size, the present level of processed food marketability is very low but by doing massive awareness and educational campaigns this market could grow higher enough to consume substantial part of our processed foods.

3. The government policy create an appropriate environment for entrepreneurs to setup food processing industries through fiscal initiatives / interventions like rationalization of tax structure on fresh foods as well as processed foods and machinery used for the production of processed foods.

4. A concerted promotion campaign to create market for processed foods should be undertaken. Financial assistance may be provided to the industry, NGOs, cooperatives, private sector units and other state government organizations. So that they may act vigorously for creation of overseas market for processed food products.
5. Effort should be made for strengthening of database and market intelligence system through studies and surveys. These studies and surveys may be conducted in various states of the country.

6. Establishment of marketing network with an apex body to ensure proper marketing of processed products.

The Government of India in the budget, for 2001-02 exempted the export of processed products of fruits and vegetables completely from central excise duty of 16%. During April-Oct. 2001 the additional capacity of 28000 tonnes has been created in fruits and vegetables processing as against 24000 tonnes during the corresponding period of the last year.

Further the prices of a number of fruits and vegetables products have come down by 8-10%.

The Government policy reform over the last decade have aimed at creating an environment for achieving rapid increase in exports, raising India's share in world exports, and making exports on engine for achieving higher economic growth. The focus of these reforms have been on liberalization openness with a basic thrust on outward orientation focusing on export promotion activity, moving away from quantitative restriction and improving competitiveness of Indian industry to meet global market requirements. In the context of on going negotiation on agriculture in the world trade organization and in order to take advantage of the expected liberalization of agricultural trade, primary was given to agricultural exports, include proposals to formulate a specific agricultural export policy and setup agricultural export zones, extension of benefits of export promotion scheme such as the duty exemption scheme and the export promotion capital goods scheme to the agricultural sector. The Agricultural and
Processed Food Products Export Development Authority (APEDA) would supplement the efforts of state governments for facilitating agricultural exports.

**Suggestions for Changes in the Existing Policy for Export Promotion**

Over the last years, significant changes in the policy have helped to strengthen the export production base. Some points given below:

1. Facilitate input availability besides focusing on quality and technology upgradation and improving competitiveness. Steps have also been taken to promote exports, through multilateral and bilateral initiatives, identification of thrust areas and focus regions. The government have already setup a high level committee for formulating policy for the next year. Since liberalization several policy measures have been taken with regard to regulation and control. Fiscal policy, export and import, taxation, exchange and interest rate control, export promotion and incentives to high priority industries. Food processing industry and agro industries have been accorded high priority with a number of important relieves and incentives, some of the important suggestion for policy changes are as follows.

2. To value addition and increase the processing level: According to Comprehensive Processed Food Development Act, the aim is to substantially enhance value addition and increase the processing level from a meagre two per cent at present to at least ten per cent by end of the decade, for which an investments of about Rs. 140000 crore would be required.
3. **To Promote and Develop The Exports** : "The Trade Development Authority (TDA) and Indian Institute of Foreign Trade are other institutions working to promote and develop the exports. A number of organizations have also been setup at the state level over the years. They are Agro Industries Corporation or Export Development Corporations for developing and promoting exports of product"<sup>2</sup>.

4. To provide commercially useful information and assistance to their members in developing and increasing their exports.

5. To offer professional advice to their members in areas such as technology, upgradation, quality and design improvement, product development, innovation etc.

6. To organize visit to delegations of its members abroad to explore overseas market opportunities.

7. To promote interaction between the exporting community and the government both at the state and central levels.

8. To build a statistical base and provide data on the exports and imports of their members in the country as well as other relevant international trade data.

9. To increase the efficiency of government expenditure both the planned and non planned material.

10. Government, both state and central must invest in infrastructure development. The state government must provide essential services for the farmers and entrepreneurs.

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11. Government of India should establish a stable macro economic framework through sound monetary and fiscal policies, which can control inflation.

12. Government will continue to support first generation entrepreneur through policy mainly and will support their efforts. Large number of EDP trainers and motivers will be trained to significantly expand the Entrepreneurship Development Programme (EDP) Industrial Associations would also be encouraged to participate in this venture effectively.

13. To develop policy, planners have also now fully realized that the commercial potential of food processing industry and the inherent advantage the country possesses in the field due to the diverse agro climatic conditions. They are enabling production of al varieties of horticultural produce therefore, giving a major thrust to this sector, a separate ministry has been carried out under the union government to formulate and implement policies and plans for a rapid development of this industry. The plan in primarily at improving infrastructure, upgrading technology and export markets for processed foods.

14. **According to National Food Processing Policy**: "During the session of 2003-04 of parliament to remove the bottlenecks. The proposed policy aims at doing away with constraints like high taxation, structure, multiplicity of laws and agencies, confronting the sunrise sector, besides making investments more profitable, new government policy made some development of export promotion"\(^3\).

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3 Annual Reports, Govt. of India, Ministry of Food Processing Industry, New Delhi, p. 10
15. To Develop Fiscal Policy and Taxation: "According to Monopolies and Restrictive Trade Practice Act and FERA Act, wide ranging fiscal policy changes have been introduced progressively. Excise and import duty rates have been reduced substantially. Many processed items found are totally exempted from excise duty"\(^4\).

16. No industrial license is required for almost all of the food and agro processing industries. Except for some items like beer, potable alcoholic items reserved for exclusive manufacture in the small scale sector. Most of the items can freely imported and exported except the items in the list for inputs and exports. Capital goods are also freely importable, including second hand ones in the food processing sector.

17. Food processing industries through export promotion should be encouraged to strengthen the backward and forward linkages.

18. To formulate and implement policies and plans for a rapid development for export promotion.

19. To promote and develop of the export products.

Thus we can say that these are the major suggestions for changes in the existing policy for export promotion. The policy environment for agro industrial development by governments, workable practices and regulation should be developed by both, government of India and State government.

**Conclusion**

The government policy regarding food processing industry "National Food Processing Policy", during the forthcoming session of parliament to

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remove the bottlenecks also, the government intends to enact an umbrella legislation by synthesizing the plethora of laws, governing the agro processing sector and come out with a comprehensive processed food development act.

The promotional objectives are implemented through specific programme and activities, all aimed at improving the export competitiveness and potential of the country. These programmes and activities may broadly be grouped into three categories.

The first, category includes programe which facilitate participation of Indian exports of project and consultancy services in international project opportunities. The second genere of the programmes support for export production and international marketing efforts of Indian companies. The third category refers to assistance provided to facilitate sector level efforts in training and Human Resource Development (HRD) and research work in international trade. The core export promotional activities undertaken by bank are to make the Indian exporter internationally competitive on the count of financing terms offered by him and to develop alternative financing solution for the exporter and to respond to export problems of Indian exporters and pursue policy resolutions.

The major problem relating to export of the food processing industry such as primitive technology, inadequate infrastructure, poor quality of raw material, poor quality of packaging, low productivity of various horticultural.

The government, being well aware of the prospects for development of food processing industry, has taken various initiatives for its promotion. These include setting up of a separate Ministry for Food Processing Industry and promotional bodies such as Marine Product Export
Development Authority (MPEDA), Agricultural and Processed Food Products, Export Development Authority and National Horticultural Board (NHB).

The policies pursued by the government in the past have paid rich dividends today. The Food Processing Industry contributes about 18% of the industrial gross domestic products (GDP) and employs around 1.5 million persons. The food processing industry, however, is primarily functioning in the informal and unorganised sector. This sector has attracted a lot of foreign investment and till June 1997, 4098 Industrial Entrepreneur Memoranda (IEM) envisaging as investment of Rs. 47146 crore had been received. It is in the context that the government of India has given utmost priority to developing the food processing sector. The government has taken a number of initiative the entire sector has been deregulated and no license is required except in the case of alcoholic beverages, automatic of foreign investment upto 51% is allowed. Even where investment is more than 51% approval is given on a case to case by the foreign investment, promotion board export oriented units are permitted to import raw material and capital foods free of zero duty import is also permitted for capital goods.

One of the key resultant of the policy is the food processing development act, the proposed act envisages a single authority for harmonizing and clarifying the function of each player. The department of food processing industries will have the role of development, while food safety distribution and other regulatory functions will continue to be administered under the existing legislation. The act would have a focus on development. The emphasis will be on developing the food processing sector as a whole.
We have to need reduce post-harvest losses and even a one per cent achievement in this could Rs. 250 Crore annually in fruits and vegetables, if managed properly and efficiently, could bring prosperity to rural areas through more employment generation and increase in incomes of our farmers. It is well known that processing of fruits and vegetables offers much higher economic returns per hectare compared to cereals crops because of their high productivity and value addition.

To sum up, the industry and government need to thrash out an everlasting policy removing all hurdles in the way of growth of the industry. All aspects of supply, structure of the industry, distribution, consumer attitudes and policies need a thorough examination and overhaul so as to make the food processing industry as one that contributes as significant portion of our national income for increasing exports, a long terms agri and food exports plan with focus on tea, coffee, spices, fish and marine products like, wheat mango, grapes etc. will have to be formulated. Further, in order to tap the growth potential of the food processing industry which in turn would develop more employment and revenue, there is an imperative need for penetration in the market particularly in the lower socio-economic groups and rural India and to realize increase in per capita consumption of processed foods. Special attention will have to be paid for setting up of regulated markets with primary objective to improve market efficiency and equitable distribution of benefits between producers, traders and consumers.