INTRODUCTION

Traditional agriculture export products like tea, spices, cashew, etc have emerged as new products like processed food, fruits and vegetables in recent years. The Food Processing Industry is stariding hard for rapid growth but there are numerous problems impeding its growth. In view of fast changers in market demand the industry has to exert for increasing its competitive strength. The problems faced by exporters in respect of processed food products are really very significant. Many different food products and perishable items have acquired export potential and their exports are being made through sea and air routes. There are basic problems in getting space in ship / air craft when needed. Such delays adversely affect export trade and the reputation of the exporters. India is main producer of fruits, and vegetables in the world. From the trade angle, bananas, grapes, oranges, mango etc. are important one. A large number of Indian vegetables have been accepted abroad. In recent years production of vegetables in polyhouse has started in India. In the post liberalization period, export of traditional and non traditional fruits and vegetables has shown encouraging trends. An investment of Rs. 10370 crores for processing fruits and vegetables is projected for the 9th five year plan period. The main problems of this sun rise industry, 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. "The problem is much more critical particularly in production of value added products due to inadequacy of modern and sophisticated machinery which is required for production of value added products. The small producer are facing serious hurdles. Sufficient investment in hatcheries and fee mills could not be made so far. In Industry
of marine products, the rise in the cost of raw material is the main problem. The fish meat industry is also facing the problem of storage of raw materials\textsuperscript{1}. Another problem is of inadequate post harvest handling facilities. Poor storage and constant handling do affect the quality of fruits and processing industries. This again leads to an increase in the cost of manufacture. Capacity utilization of most of the units, remains around 32%, because the fruits are available during a particular season and processing plants still prefer to go in for single identified fruits. The problem of infrastructure development for food processing industry is a major one and can not be solved in short span of time. The state governments which are very strong in agriculture and horticulture base, have other priority problems and do not have the strengths and 'will' to invest in the areas of food processing industries particularly for infrastructure development. Most of the food processing units are in the small and medium sector with traditional equipment. The industry is dependent on the availability of fruits and vegetables. This is characterized by seasonally, inconsistency in availability i.e. quality of raw material is subjected 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 remain highly regulated through innumerable rules, laws and orders. Another aspect that the food processing industry has to tackle is the absence of adequate patents and copyrights law as seen in the case of basmati rice and the recent issue of high yield to

\textsuperscript{1} Problems and Prospects of Financing Agro Processing Industry in India, Dr. N.B. Shete, State Bank of India Monthly Review, Published by State Bank of India, Economic Research Department, Bombay, p. 68.
which a Swiss Company has applied for a patent. This has affected research and development activities and hopefully amendments in the patent law can only solve this problem. The industry and the government need to sit together and thresh out the hurdles that impedes the growth of the food processing industry. There is an urgent need to look at the supply chain of the industry. The structure of the industry, distribution, consumer, attitudes, and government policies is yet to be improved. 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 account for 65 percent of a product's MRP. It leads to new realization for grower and high cost to the consumers encouraging contract farming (where the processors could directly procure raw materials from the growers) will enable the food processors to get close to the grower and avoid intermediaries. As regards the structure of the industry, it is not well in dependent and is dominated by small players. The industry needs larger companies, which have the financial muscle for establishing a large marketing network and also to invest in latest technology. Greater use of radiant technology in food processing and application of biotechnology will go a long way in increasing the productivity and improving the varieties of fruits and vegetables.

The major problems of the industry may be classified in the following broad categories:

1. Policy problems
2. Production problems
3. Marketing problems
4. Financial problems
Miscellaneous problems

5. Export problems

6. Technology problems

7. Pricing problems

8. Personnel problems

The above mentioned problems of the food processing industry have been discussed as under:

Problems Relating to Policy

The policy initiatives recently taken have made the environment for accelerating investments (both domestic and foreign) and introduction of advance technology in to the food processing sector extremely favourable. The important step of exemption of excise duty will also help in expanding the domestic market base for such products in addition to the fiscal incentives. "Several other policy measures have been taken to facilities to the agro processing industries. They include permission for joint venture with foreign companies, permission to cooperate on raw materials products to establish contracts with foreign companies for setting up units for processing and exporting 100% of their produce. An 'open sky' policy for foreign freight couriers to touch Indian ports is one of their secular routes for carrying cargo. This can partly reduce the problem faced by the exporters in getting space as well as reduce freight charges to some extent. Besides the policy support measures, direct investments are contemplated for creating a chain of cold storage throughout the country for storage of processed marine fruit and vegetables products"\(^2\). So far as the policy with regard to food

processing industry is concerned, the following aspects should be taken into consideration if it has to play a prominent role in their promotion and development.

1. Location of the food processing

2. Public investment (bulk capital and current including subsidies) and institutional finance to develop these industries and their backward and forward linkage and

3. Forms of industrial organization that could be encouraged for these industries.

1. Location of the Food Processing

1. As regards the location, this study shows that the selected food processing industries tend to be located nearer to their raw material sources and hence especially in rural areas. This in turn implies that such industrial location would be beneficial to the management performance and development concern alike. This would improve efficiency in raw material procurement as well as in sales / marketing operations. This is because the management of these industries will have better knowledge about the availability and price of raw materials and also because a large part of incremental future demand for their products would arise in the rural areas. "While the latter facilities fulfilling one of the development concern, there will be other concern that could also be satisfied from such location encouraging policies. This has also concern of generating productive employment in rural areas and diversifying occupational pattern of the rural
population. Possibilities of fulfilling these concerns are high because the selected food processing industries are labour intensive.

2. As regards public investment and institutional finance related policies it may be stated that tax concessions, and revenue subsidies may be kept to a bare minimum not only for these basic food processing industries but also for the so called non conventional food processing units. Further, public as well as private investment together with a small fraction of capital subsidy may be encouraged to modernize processing technology in those basic food processing industries where technology is obsolescent. Public investment should also be encouraged for development of rural roads.

2. **Upgrading Technology**: The policy in respect of upgrading technology should also be adopted, so that the major problems relating to, technology in the food processing industry could be solved.

3. **Cheaper Raw Material**: The aspect of policy formulation in respect of raw materials for food processing industry should also be taken into consideration. If government policy helps in providing raw materials at cheaper rates to food processing industry, this would certainly help in speedy growth of this industry.

4. **Enforcing Quality Standards**: Lack of quality standards is adversely affecting the food processing industry. There should be a specific policy for regulating the maintenance of quality standards.

5. **Development of Marketing Capabilities**: The basic problem regarding food processing industry in India is the in adequate

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development of market potentialities. The products have yet to gain wide local market.

6. **Quality and Design Improvement**: The aspect of quality and design improvement is yet to given adequate importance.

7. Non-availability of Processing varieties or raw materials over a longer period of time at reasonable price is still a serious problem. Suitable measures are required to improve this situation.

8. **Inadequate Post Harvest Processing**: Inadequate post harvest processing infrastructure has affected major problems of this industry.

9. **Inadequate Linkages Between Growers and the Processing Industry**: Inadequate linkages between growers and the processing industry has affected major problems relating the policy.

10. High incidence of taxes and duties particularly government, levis, duties on packaging materials etc has affected the problem.

11. **Shortage of Finance from the Financial Institutions**: Shortage of finance from the financial institutions has adversely affected the capital requirements of food processing industry.

12. **Lack of Infrastructure Facilities**: Lack of infrastructure facilities particularly regarding production, technology, finance and marketing. Suitable policy measures are required for the development of infrastructural base of this industry.

Thus there is an urgent need for serious consideration of these problems relating to the policy.
2. Problems Relating to Production

The problem of production of value added products is the inadequacy of modern and sophisticated machinery which is required for production of value added products. Though the food processing industry is treated as small scale industry. This sometimes is creating problems to the bankers in financing of acquaculture venture. Sufficient investment in hatcheries mills were not made yet. In industry of marine products, the rise in the cost of raw material is the main problem. Food processing industry in India faces the basic problem of production was follows:

1. **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 system, the cost of some raw materials become 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 sector.

2. **Poor Infrastructure**: There is also a basic problem of poor infrastructure because land and building electricity, power supply, machinery, transport are not 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 all these reasons the industry has not been developed. Due to poor infrastructure, the growth of this industry could not gain momentum so far.

3. **Outdated Technology**: In this industry, the labourers are not skilled, modern technology is also 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.

4. Low Productivity of Various Horticultural Crops: There is also a
serious problem of low productivity of various horticultural crops such
as fruits, vegetables, medicine and aromatic plants, spices and
plantation crops like cocoa, cashew etc. The farmers are not using
scientific production techniques and also unable to make use of better
irrigation seeds, fertilizers, insecticides in agriculture. As a result of
this, the food processing industry is adversely affected and the low
productivity is causing high cost of products.

5. Low Rates of Capacity Utilization: The food processing industry
faces the basic problem regarding low rate 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 market as well as in foreign markets are
worth mentioning.

6. Lack of Grading Standardization Facility: The industry is also
facing the problem of grading and standardisation facilities. There is a
lack of such organization and agencies engaged which can regulate
the grading and standarization of agricultural produces. Whatever
facilities are available in the country, they are not being properly
utilized by the marginal and small farmers. As a result of this the food
processing industry is not in a position to produce getting properly
graded and standardized products.
7. Problem of Quality of Processed Food Products: The food processing industry faces the basic problem of poor quality of processed food products 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.

8. Lack of Coordination Between the Processor and Farmers: There is also a lack of coordination between processors and farmers. The farmers supply these products to the processors 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 not made a great success in India because production is low and prices are high.

3. Basic Problems of Food Processing Industry in India Relating to Marketing

The basic problems relating to marketing faced by the agro food companies, in marketing their products in overseas and domestic market are as follows:

1. Lack of Unity: This industry manufacturers have no unity, hence there is cutthroat competition among manufacturers of agro food products in the domestic market.

2. Tax Burden is Very High: In this industry tax burden is very high. Total tax comes to about 17% in addition to this, octroi is 7% and purchase tax on packing materials is about 4% due to all these reasons tax burden is very high.
3. **Fluctuations in Prices**: The prices of raw materials do not remain steady throughout the year, hence, it is difficult for the company to fix the prices of its products and contract with the party to supply the products throughout the year at fixed prices.

4. **Lack of Marketing Information**: There is an absence of information network for marketing of the food products. Due to lack of adequate marketing information, the export houses and the producers are unable to get the information about the potential markets in the country as well as in foreign countries.

5. **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 industries are unable to make use of modern packaging material. Poor packaging is seriously affecting the demand.

6. **The High Cost of Packaging**: The manufacturer faces the basic problem of high cost of packaging because of low value of production and high taxes. A time has come to consider packaging materials as part of integrated development of the food processing sector. There is a need to reduce the incidence of taxes on this intermediate input.

7. **Low Volume of Marketable Products**: The market base for processed food products is very small because the cost of production is very high for various reasons such as high tax burden and high marketing costs. All these aspects have affected market development and the strategic choices. Even some large companies have not
succeded in generating adequate profitable sales of their branded processed food products owing to competition from units in the same narrow market base.

8. **Promotion of the processed and packaged products**: Value added products requires larger expenditure on market development. This problem is further compounded because processed and packaged products in India are expensive. Normally it is expected that the cost of processed food products must be such that these can be sold at lower prices than fresh fruits/vegetables at least in the off season. Therefore, many units have to join together to promote the products.

9. Customer are not familiar with fresh foods. So demand for frozen foods is very low in India. The customers also have a feeling that frozen food is not natural but systematic and contains preservation.

These are the basic problem which was affected by manufacturers.

Cost of packaging is very high and the market base for processed food products is very small. And the domestic demand for the processed food is very low.

4. **Basic Problems of Food Processing Industry in India Relating to Finance**

Lack of finance also makes small and medium sized units vulnerable. Agro processing projects are the recent introduction and also have high risk. Generally, because of poor record of the companies, financial institutions or banks sometimes reject these proposals, but entrepreneurs are blaming failure entirely to the bank. The major problem of food processing in India relating to financial as follows:
1. **Lack of Finance**: Lack of finance is also one on 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 then production is adversely affected.

2. **Inadequate Working Capital**: Inadequate working capital is also a basic problem relating to food processing industry because in these units fixed capital is very small, while working capital requirements are substantially high. Agro industrial units do not only require term capital for modernization and rehabilitation but also have to pay a higher rate of interest on working capital borrowed from commercial banks.

   Therefore the working capital needs of agro processing units will have to be looked at differently. An analysis of the sick units in the agro processing sector indicates that in a large number of cases, high cost and poor management of working capital have really brought the sickness.

3. **High Taxes Burden**: The food processing industry is also facing the problem of high taxation. The processed / packaged food products have been considered luxury items and therefore, high taxes at various stages of processing have been imposed. Although, excise duty exemption has been granted to this industry but the position has not improved. The products are still treated as luxury items instead of mass consumer items. Therefore other taxes are still very high.
Thus these are the major problems which effect the food processing industry relating to finance it creates many problems i.e. working capital and long term finance.

5. Basic Problems Relating to Export of Food Products

Traditional agricultural exports products like tea, spices, cashew nuts, 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 demands, problem faced by exporters also keep changing many different products and perishable items have acquired export potential and exports are made. Some problems faced by the manufacturers, exporters are described below:

Problem of Contract Business:

1. Export business was done mainly on the basis of contacts. Several times, it became extremely difficult, when trained people tried to start their own business on the contracts developed by them during their tenure in the company.

2. Complex Export Procedures and Formalities: The food processing industry faces the basic problem of complex export procedures and formalities. The complexity of rules and procedures has adversely affected the export business. Several formalities are to be completed before effecting the export. 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.

3. **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, irri gate 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.

4. International standards are very exacting, particularly when mixing homogenizing, de accrediting and pasteurization are involved. Indian products can not meet these exacting standards.

5. Frequent changes in export policy and the policies framed being not in conformity with those followed in importing countries.

6. **Non Availability of Adequate Export-Finance**: The manufacturers 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 not 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.

7. **Lack of Publicity and Advertising**: The food processing industry faces the basic problem of lack of publicity and advertising because
there has not been overwhelming response to advertisements and publicity. Adequate amount of financial assistance is not available, in order to launched a generic advertisement and publicity. Efforts are not being made for creating intensive demand of food products may be created.

8. **High Prices of Products in International Market**: The food processing industry faces the basic problem of high prices of products in international markets because of various reasons. Low quality of finished goods, high taxes burden and high marketing costs, tough competition are the basic problems which are being faced by the industry at the international market. Government policies are also not favourable to this industry, in fact, problem of raw material, cost of production, storage transportation are the major factors causing high prices of products.

Thus we can say that these are the major problems which are being faced by the manufacturer.

**Problems Related To Technology**

Basic problems of food processing industry in India relating to technology as follows:

India is the world's second largest producer of fruits and vegetables with an annual production of 40 million tonnes of fruits and 60 million tonnes of vegetables. It accounts for 1% of the local trade in processed food, to the tune of Rs. 28000 crore. At about 40% of its produce worth Rs. 23000 crore is wasted every year due to lack of storage chains. At present, the existing cold storage capacity is estimated at about 26 million cubic meters about 85% of the facility is for storage of potatoes.
In India 1% of the total horticulture produce is converted into value added products. Only 1.3% of the total fruit and vegetables produced in the country are processed as against 40% in developing countries and 70% in developed countries. Only modern technology, quick transport and better storage facility can enable the industry to grow to its full potential. In order to adopt greater efficiency, the industry needs to infuse latest technology that would provide economics of scale and cost effectiveness. Greater use of radiation technology in processing, and application of bio technology with help in increasing productivity and improving varieties of foods and vegetables. Some major problems relating to technology are as follows:

1. **Lack of Modern Technology**: In industry modern technology is not properly used because of the small scale of operations, the agro industry has not been able to take advantage of new processing technology and higher yields. The results are low yield, excess of energy, lack of scale economies in production, and increased marketing costs. In order to adopt greater efficiency, the industry needs to infuse latest technology that would provide economic of scale and cost effectiveness.

2. **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.

3. **Small Scale of Operations**: Because of the small scale of operations, the agro industry has not been able to take advantage of
new processing technology, the results are low yield and increased marketing costs.

4. **Lack of Selection of Technology**: 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 preferred, while for large scale and sophisticated processing capital intensive technology is necessary.

5. **Lack of Efforts for Search of New Technology**: The food processing industry faces the basic problem of lack of efforts, for search of new technology 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 technology are yet to be developed, as a result of this very little effects are being made for searching of new technology in the overseas country.

6. Lack of Scale Economics in production effected. The technology because Indian agro food processing units are predominantly canning oriented, while technology used abroad is far ahead both in design and performance. The technology is often obsolete.

Thus these are the major problems relating to technology.

7. **Problems Relating to Price**

The important element of domestic marketing of agro food products are pricing of products and marketing channels. Pricing of products and marketing channels. Pricing of product is an important managerial function.
Every management attempts to find that combination of price, volume and cost which will be most advantageous to it. If the price is set too high the seller may not find enough buyers. If the price is set too low, the company may not be able to cover the cost of production. Thus the setting of appropriate price is important for every enterprise. Since a food price today need not be a good price tomorrow. The pricing decision needs to be reviewed and reformulated periodically. Some basic problem of food processing industry in India relating to pricing as follows:

1. **High Prices in the Domestic Market**: Manufacturers may charge high prices in the domestic market using a full cost pricing approach and use their surplus capacities to product goods to be sold in international market at prices that approximate marginal cost. Also government policies deciding minimum procurement prices, low level of mechanization making production expensive due to all these reasons the prices will be high in the domestic market.

2. **Competition**: Competition among different sellers generally affect the demand of products. The major components of the prices of a product are raw material cost packaging cost, processing cost, transportation cost excise duty, sales tax, distributors margin, retailers margin. Due to of cutthroat competition in the domestic market the industry is facing a serious problem.

3. The prices of raw materials do not remain steady throughout the year, hence it is difficult for the company to fix the prices of its products and contract with the party to supply the products throughout the year at fixed prices.
4. Most of the processing units do not have strong information network to keep track of raw materials prices and their availability.

8. Problems Relating to Personnel

The food processing industry faces the basic problem relating to personnel which are discussed here in brief:

The affairs of the firm are governed by the council of partners comprising one managing partner and two partners. The partners are fully assisted by a team of professionals from various disciplines namely finance, marketing, manufacturing, engineering etc. The group of nine companies had two different groups of services, the group services office was in the administration building of the group. This group consisted of a financial manager, personnel manager, engineering and medical service to nine companies of this group. The managing partner looked often the day to day management of the firm.

The managing partners was assisted by the finance manager, personnel manager, commercial manager and technical manager. Some problems of food processing industry in India relating to personnel as follows:

1. **Lack of Skilled Personnel**: In industry did not have skilled personnel in procurement processing and marketing because they don't want to do own work, lack of technically efficiently due to all these reasons in industry lack of skilled personnel.

2. **Lack of Scientific and Selection Procedure**: In industry among personnel did not have a scientific and selection procedure because the success of industry depends upon per capital invested in it. The larger degree of instrumentation vastly improve all aspects of
production. The assembly lines are seldom mechanized and whatever little mechanization exist, is of little value for want of trained manpower. Increased mechanization and highly trained personnel will resolve the impeding factors.

3. **Inadequate Training Facilities**: The food processing industry comprising many aspects. Every aspect and procedure is a religion in its own way. Each aspect is highly important and should have a trained literature working staff. Semi skilled and under qualified staff is a bane in this industry. Where personnel hygiene itself is so important occasional schools should be established which import training to develop manpower to man, all post of this industry.

4. **Variation in Wages Structure**: In food processing industry function under organised and unorganised sector. The organised sector is always a better polymaster and always attract better talent whereas, it is the unorganised sector which takes beating as far as wages offering are concerned. Government labour department has specified wages of semi skilled and skilled labour but these wages are seldom adhered to.

5. **Lack of Social Security and Welfare**: The insecurity which ails human mind always reflect on his work and spirit. A secured confident labour shall produce more rather than insecure delved worker, social securiry, although is a problem which is faced by all of us, but working population should be provided with some.

These are the major problems relating to personnel.
SUGGESTIONS FOR SOLVING THE PROBLEMS OF THE INDUSTRY

1. Suggestions Relating to Policy

The government should adopt certain measures for solving the problems of this important industry. Some policy changes are required for the remedies of these problems.

Somebody said that "where there is will there is way". Like this if basic problems have to be solved efforts must be made in the right direction. There is a widespread recognition about the need and development of agro processing industries with the broad objectives of improving farm incomes, creating employment opportunities and promoting to exports.

1. "The agro processing sector is now on the threshold of a major breakthrough. It is expected that this sector will draw the attention of national as well as international food processing / agro processing giants in terms of capital investment"\(^4\).

2. Introduction of modern processing technology and transfer of global biotechnology research to Indian farmers is the need of the hour. Efforts are required for promotion of use of modern technology in food processing industry.

3. There is an urgent need for the growth of decentralized sector of the food processing industries. In order to realizes their benefits for the rural population. Ancillary activities like subsidiary processing repairs activities and other services especially trading / marketing of the product produced by the organised sector of the food processing industries may be evolved. Such food processing and agriculture

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growth would pave the path for rural led economics development with their strengths supporting backward and forward linkages.

4. "So far as the availability of institutional finance is concerned there is a basic need of reducing the interest rate especially for those basic food processing units, which show a high performance in their efficiency in production and working capital management". What is emphasized here is that the financial institution may follow more fixable and differential interest rates for their loans to food processors in case for loans to rural households. In this context it is also important to consider lowering interest rates on both banking and now banking deposits and refinance. This is because lower lending rates in isolation of revision in deposits and interest rates would jeopardize the viability of financial institutions and also to some extent the profitability of basic food processing and other industries which relieve not only on institutional finance but also on deposits from their shareholders and the public at large.

5. Another suggestion is that the institutional finance should be vigorously provided for these basic food processing industries and especially for grain and edible oil mills which have a much lower access to bank credit than sugar and dairy industries. Moreover such bank credit may be officially defined as 'indirect' rural credit. Since these industries are working with capital intensity and cheaper finance should be made easily available to them.

2. Suggestions Regarding Raw Material

In the context of raw materials the following suggestions may be made:

(A) Food processing industry should be encouraged not only to undertake research and development for generating new consumer products; but also to adopt research for transferring and global research on biotechnology, particularly seeds and plantation materials. Appropriate fiscal incentives may be provided for Research and Development activities.

(B) Food processing units should be encouraged to strengthen their linkages with research and development institutions / universities to generate seeds and plantation materials for suitable processable varieties.

(C) Food processing industry should be encouraged to strengthen the backward linkage with farmers. If this is done, they can play a proactive role in generating suitable varieties for processing accelerating farmers, income and in the process improving their own profitability. The expenditure in strengthening the backward linkage should be considered as a part of R & D expenditure and included in fiscal incentives.

(D) The selected cases land use policies may have to be revised and liberalized to open up the possibilities of some captive production of raw materials. The industry has been urging for access to wastelands or other government land on a long term to produce suitable raw materials and increase the productivity of land substantially.
1. **Integrated Processing Companies**: Utilization of by-products and value added possibilities of a commodity system can substantially improve the financial viability of the units. It is, therefore recommended that all Indian financial institutions should take the lead in generating model projects for setting up integrated processing complexes.

2. **Strengthening the Data Base**: At present, the data base for food processing industries is very weak. Although some commendable efforts have been made to collect data on relevant variables, systematic efforts are still lacking. This is an appropriate area for APEDA to initiate suitable action.

3. Effort should also be made to provide commercially useful information and assistance to the units for developing their trade to foreign countries.

4. Efforts are also required to offer professional advice to their members in area such as technology, upgradation, quality and design improvement, standards and specification, product development, innovations etc.

5. The government should make necessary arrangements for organizing visits of delegations of entrepreneurs abroad to explore overseas market opportunities. This would help in promotion of exports of food products.

6. The industrialists should also be allowed to participate in trade fairs exhibition and frequent buyer seller meet should be arranged in India and abroad.

These are the suggestions which are improvement the policy.
3. Suggestions Relating to Production

1. Cost Effectiveness

1. High cost of raw material is the main problem of production of food processing industry in India. This has one of the reasons 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 incentives prices.

2. Producers should be helped by the processing plants in respect of input supplies, extension of modern technology and quality control.

2. Adequate Infrastructure

1. Inadequacy of post harvest 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 crop production in India is concentrated in a particular season. It can, therefore be advantageous for processing enterprises particularly those engaged in canning and freezing.

3. Use of Modern Technology

1. New Technology increases recoveries through such processes as reverse osmosis. Investment is required for balancing equipment and improved technology as several key stages sterilizing concentration and packaging more and more integrated agro processing complexes
need to be setup which can serve as anchor, for forgoing forward and backward linkages.

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

4. High Productivity Improved

High productivity of various horticultural crops should be encouraged. The horticultural crops such as fruits, vegetables, spices and plantation 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 fertilizers, insecticides in agriculture. Then the results of this the productivity of many items of agricultural products is become very high.

5. High Rates of Capacity Utilization

1. Appropriate technology is as much as important as it the market for the processed products and funds to run the unit successfully. Appropriate technology is a must to the run the unit to its utmost capacity utilization.

2. It would be very useful for the agro processing units as also the farmers, if necessary technologies could be develop to make possible production of fruits and vegetables over a longer spread, 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 period of time during the year.
6. Improvement of Quality Standards

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

2. in quality of processed food products the technology should improved and small producers are not making used this technology. They should used this technology.

7. Better Quality of Processed Food Products

1. Quality of processed food should be improved

2. Small producers should improve technology

3. The quality of processed food products should be improved by government and other institutions

8. 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 the government should provide financial assistance.

9. To promote the production in a particular area of suitable range of crops and varieties maturing in different season in order to keep processing
facilities in operation for as long as possible. The perishable nature of many crop and livestock products also require close contact between the producer and processor as well as advance planning to keep issues to a minimum.

Thus these are the suggestions for improvement which makes the production growth.

3. Suggestions Relating to Marketing

The suggestions are given below:

1. Competitive markets for domestic consumption as well as for export require a legal and regulatory framework, which should be provided by the government of India.

2. Manufacturers should be encouraged to unity.

3. The government should provide relaxation for high taxes.

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

5. Government should encouraged to minimum price or fixed price throughout the year.

6. It has been observed that most of the exporters in the past have survived of the margin provided by cash compensatory support. Therefore, scanning of government policy support measures is a major preoccupation if top management similarly, currency fluctuation in the foreign exchange market has a direct bearing on the overseas market and its profitability.

7. Improvement for search of marketing information

(a) Government should provide financial assistance.
(b) The government should provide irrigation marketing network which can recoup the marketing information.

8. The infrastructure facilities including cold storage suitable transport facilities should provide to manufacturer.

9. **Better Quality of Packaging**: 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 technological 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

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

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

3. Pre packaging of fruit and vegetable 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. In high cost of packaging there is a need to reduce the incidence of taxes on this intermediate input.

11. Marketable produce should products in high volume.
12. The pricing of products and terms of trade of forced to distributors also are key decision variables in expanding the overseas market base, particularly in the branded processed food market segment.

These are the solutions for improvement which makes the marketing growth.

4. Suggestions Relating to Finance

The following suggestions as follows:

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 institution and government should come forward to help the food processing industries.

3. Inadequate working capital in this respect and now a days 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 procurment and production during the season and exports later involved locking up funds in working capital.

4. In taxes are still very high. There is a need to further liberalize these taxes so that the domestic market base can be further enlarged.
5. The credit liberal facility also provide from the institutions and the government.

6. To develop alternative financing solutions for the exporters.

Thus these are the suggestions for improvement while fixed capital per factory is relatively very small working. Capital requirements are substantially large for agro industries. Agro industrial units not only require term capital for modernization and rehabilitation, but also have to pay a higher rate of interest on capital market. Therefore the working capital needs to agro processing units will have to be locked at differently.

1. Suggestions Relating to Export of Processed Food Products

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

2. Efforts for Search of Foreign Market Improved

The solutions of efforts for search of foreign market as follows:

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.
3. Availability of Adequate Finance

The solutions of availability of adequate finance as follows:

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 provide relaxation for high taxes.

4. Improved Publicity and Advertising

The solution of improved publicity and advertising as follows:

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

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

3. Concerted 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.

5. 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 product will be lower therefore the price of the Indian products in international market will be lower.
4. The government should provide promotional support for export promotion policy.

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

6. To provide information to manufacturers on opportunities in now traditional exports including advice of markets and countries.

Thus these are the major suggestions solved by the industry and 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.

6. Suggestions Related to Technology

Some suggestions are as follows:

"Advancement in the scientific and technical knowledge needed to generate new technologies for both agriculture and agro industries and to make it possible to rapidly increase production of agricultural commodities and their processed and manufactured forms. Additionally they are also lead to the processing of by products and waste products of these commodities"6.

1. Used of Modern Technology

1. The 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

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

3. Improved access to new technologies for agricultural as well as for agro industries would assist the adoption of these technologies by both these segments of an agricultural system.

4. 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 economics of scale and cost effectiveness.

5. The industry needs to adopt the latest technologies.

2. The technology import needs are broadly identified for dehydrated products, tomato products, fruit drinks powder and new products because technology used is far abroad is far ahead both in design and performance. So the industry should be able to take advantage to new processing technology.

3. Selection of Improved Technology:

1. Large scale and sophisticated processing capital intensive technology is necessary.

2. Development of new technologies in food processing and packaging and also to provide to the mechanism to facilitate quick transfer of technologies to field through a network of research and development
institute having a central institute at the national level with satellite institutions located strategically in various regions to cover up the whole country and to make available the required testing facilities. This could be done by establishing a new institutions or strengthening and existing one.

3. The government should provided financial assistance irrigate marketing network which can provide the recouped marketing information.

Thus these are the major suggestions which has been affected the technology, capital intensive technology is necessary.

7. Suggestions Related to Prices

Some suggestions are as follows:

1. Minimum Prices in the Domestic Market

   1. 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.

   2. Government exercise its influence on prices through taxes and subsidies and controls direct price controls take the firm of inflation of price either for all output or far a part of the output.

2. (1) In industry among manufacture and river sellers competition would not be effect. They should encouraged to unity among themselves.

   (2) The prices of a product are raw material cost packaging cost, processing cost, excise duty should not be effect in the domestic market. They should avoid competition.

3. 1 The government should making fix prices to the products.
2. Monrak Export Ltd. Markets products whose prices are fixed on cost plus basis. The average retail price covered the cost of production.

3. The government should provide strong information network to keep track of raw materials price and availability.

8. Suggestions Related to Personnel

1. Improvement of Skilled Personnel: Some suggestion as follows:

   (a) In industry skilled personnel should encouraged to do work.

   (b) Few institute which impart proper occasional training to unskilled personnel.

   (c) In industry technically efficiency should improved.

2. Improvement of Instrumentation and Operational Selection Procedure

   1. The government should provide financial assistance to industry.

   2. The government should encouraged to scientific procedure for personnel.

   3. In industry should improve mechanization and trained manpower for selection procedure.

3. Adequate Training Facilities:

   1. Training facilities should improved.

   2. Training schemes and new techniques should be encouraged to personnel.

   3. Occasional schools should be established to personnel.

   4. Government should provided to financial assistance.
4. Uniform wage structure should be adopted

1. Government labour department has specified wages of semi skilled and skilled labour for uniform wages structure should be adopted.

2. Organised and unorganised sector should improved.

3. Wages structure should be in proper way.

5. Welfare scheme should be adopted

1. Social security should be improved.

2. Secured and unsecured labour shall produce more rather than insecured worker so these labour should be improved.

3. Working population should be provided with government.

4. The government should provide financial assistance.

5. The government should provide pension, welfare, fund, insurance etc.

These are the solutions which can improvement for personnel.

Conclusion

It can be concluded that while the current level of food processing industry reflects the primitive rural marketing structure, improvement in this sector can bring our vast improvement in value addition to agricultural products, creation of new employment. Especially in the small town and rural areas, improvement in the nutritional status of the rural women and the poor and availability of cheaper and better products for the consumers world wide "The food processing industry are considered sunrise industries and have the potential to attracting huge local and foreign investments, these investments will not only accelerate the pace of industrialization but will also lead to improvement in both rural and urban infrastructure, a well run food processing industry ensures that the producers remunerative prices for his
products, the consumer pays less for higher and assured quality, additional investment inflows as also by long term gains to the government fiscal resources. Where there in food processing industry faces several problems, the policy environment for agro industrial development narrated by the government, workable practices and regulation should be developed by both, government of India and state government, food legislation etc. should be realistic, enforceable and also consistent with the overall policy environment. In food processing industry the bankers and private investors have to study.

1. The market which involves people, products, price, place and promotion.

2. Location of plant/unit which determinants the cost of transportation availability of raw material is adequate quantity and quality and infrastructure facilities etc.

3. Technology for processing dealing with design which include outputs, technology, location and inputs. The financial institutions should come forward to finance the food processing industry 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 industry more competitive and financially viable propositions.

7 Omesh Salgal, The Author is Secretary of Department of Food processing industries, Employment News, 20-26 Jan. 2001, New Delhi, p. 3.