CHAPTER V

Summary, Conclusions, and Suggestions

This final chapter is developed to summarising the material presented in the foregoing chapters, drawing conclusions from the informations collected during the course of research study, and making suggestions wherever appropriate and desirable. The chapter starts with briefly reconstructing ideas related to food habits and nutrition, a discussion of which forms the background for the present study.

5.1 FOOD HABITS AND NUTRITION

Food is a basic necessity of life. It is a valuable source of nutrition which is so essential to sustaining life and enabling human beings to carry on their daily activities. Spread over the length and breadth of history is the basic urge and struggle of human beings to find newer source of raw food and ways and means of making it palatable.

Several factors impinge upon the food habits of human beings and create differences across various geographical areas. Among these are social, economic, cultural and climatic factors, and personal preference and attitude towards food. Important difference underlies the
differing food habits. Men, women and children differ in their intake of food. During the course of men's life, at different stages, food quantity as well as quality varies, growing children and lactating mothers, for instance, require a larger intake of high caloric value food than a normal person would usually need.

Carbohydrates, proteins, fats, minerals, vitamins and water are the basic ingredients of food. Vegetable, meat, cereals, fruits, dairy products, and bakery products are the normal items consumed as food. These items provide the basic ingredients in varying proportion. Balanced diet is based in an equitable consumption of food items so that they provide the basic ingredients in an adequate measure. Nutrition forms the basis for deriving energy from the basic ingredients present in different type of food items. Among these, bakery products are an important source for carbohydrate, protein, fats and some vitamins. Bread and biscuits, the major bakery products are the commonly available processed food items which are fast becoming a staple diet and a convenient and inexpensive source for nutrition and energy. Bakery industry performs the role of providing bread and biscuits, and also several other allied products such as pastries, cake, etc. to the consumers.
5.2 PROBLEMS AND PROSPECTS OF BAKERY INDUSTRY IN INDIA

Bakery industry, in an organised form made its appearance in India in the early part of this century. This was partly as a consequence of changed life style of the urban population as against predominantly pastoral existence in the past in rural areas. This phenomenon has progressively increased as, in addition to men, women are also going out to work or taking up responsibilities outside the household. The changed social milieu has necessitated access to ready-to-eat food and foods that required a minimum of processing. It goes to the credit of bakery industry in our country that baked products are now fast and convenience foods especially in urban areas. They are no longer item of food for the rich and affluent as is evident from the fact that 37% of biscuits are consumed by income group below Rs. 650 p.m. and another 33% by groups between Rs. 750 and 1500 p.m. Besides, consumers are now conscious of nutritive value of the bakery products. A pack of biscuits of 100 grams biscuit provides roughly 20% of the daily energy, protein and calcium requirement of an average adult whereas a bread of loaf of 400 gram weight provides 1225 calorie which is about 51.5% of total calorie required for an adult. Further in terms of consumption, high fancy biscuits account for less than 10% of consumption while 90% consumption is of lower priced varieties such as Glucose, Marie, Arrowroot and Milk biscuits. Baked products are
handy, convenient and wholesome food. The demand would grow faster if the price of the bakery products are commensurate with per capita income.

In the pre-independence period the bakery industry existed in the form of unorganised small scale enterprises which catered to the need of local communities in cities. The main, and sometime the only, product of these bakeries was leavened bread. The fillip to the bakery industry was provided by the declaration of industrialisation as the prime objective under Five Year Plans. Easier availability of wheat after Green Revolution also contributed to the development of bakery industry. The State has also realised the severity of the problems of malnutrition by the end of the First Plan. It led to the establishment of Modern Bakeries in the Public Sector to produce bread and biscuits for every home. Migration of population to urban areas also contributed to the development of bakery industry. It added to the demand for wage goods. New settlers in cities mainly depended on fast-food in hotels, restaurants, canteen, and dhabas. The State resolved to fulfill the demand by providing incentives to bakery industry to carry out expansion of bakery units. By the end of 1961 there were 162 units in bakery industry. The number increased to 227 in 1966 and to 388 units in 1974. West Bengal and Maharashtra had 33% of the total unorganised sector (household) units
are the major constituents of the bakery industry. There are more than 53,954 household bakery units in the country. Competition and increased knowledge of nutrition resulted in improved quality of bakery products. However, in relation to home-made food products made out of food grains, bakery products continue to be more expensive. Thus, the common man has found it impossible to completely changeover to bakery products as staple diet. In order to bring a changeover to bakery products as a staple diet to an appreciable extent it is essential to undertake research and development programme to introduce low-priced wheat based baked products having local taste besides consumers education to make them realise the concept of nutrition and balanced diet.

The bakery industry has assumed social importance from the point of view of employment. Considering the huge population of India the bakery industry obviously offers a considerable potential of employment. The industry provided employment to a fairly large number of persons both in urban and rural areas. In 1973-74 the persons employed numbered 477 lakhs in production, transport and distribution areas. The number increased from 6 lakhs in 1980 to 8.60 lakhs in 1990. The potential of employment are estimated to increase upto 10.65 lakhs by 1995 provided bakery items are mass produced. These figures exclude those employed in the ancillary business and equipments and other inputs.
The industry also contributed to people's income in a substantial way. From the national point of view, the industry generated income of Rs. 700 crores in 1980 and was expected to exceed Rs. 2000 crores by the end of 1990-91.

As far as the output capital ratio of this industry is concerned, it has given account of capital efficiency in terms of output-capital ratio which is 1.5:1. This may further rise to about 2:1 as capacity utilisation increases with expansion. The industry can add much more to the national income if capital is transferred to the industry from low capital output ratio areas. The investment in the industry will, therefore, be more fruitful, productive and can bring more economic gains to society. The biscuit units of the industry hold capital of Rs. 725 crores. Further investment in the bakery industry will serve the national objective to eradicate the problems of malnutrition.

Production trends of various private and public sector bakeries have shown a continuing upward trend. This is true for the standard loaves of breads as well as other products such as biscuits. The industry produced 1.8 lakhs tonnes of biscuits and 1.85 lakhs of standard loaves of breads in 1990 despite limited supply of raw material and
lack of modernisation. Thus the industry has responded to the national call for nutritive food significantly by stepping up its production. Therefore, the industry needs, for its development, whole-hearted support on a priority basis.

The bakery industry has entered the era of competition in foreign markets. It has exported, since 1977-78, a number of baked products, other than standard bread, to countries in Europe and Australia, USA, Middle East etc. The export earnings have however, declined in recent years due to high production costs possibly caused by antiquated machinery, poor packaging and low labour productivity. It is suggested that cash incentives and concessional imports of machines and equipment will go a long way in improving competitiveness of the bakery industry in foreign market. The objective can be attained if expansion and modernisation are considered as an internal part of development plans.

This is a fact that now bread and biscuit are not only items of breakfast or meal but they are consumed in various forms and for various occasions. Bread is used for Sandwiches, pakoras, shahi-tukras, kheer and products like flat bread as substitute for traditional chapatis. Besides a wide range of foods items are made of bread both in hotels and households. Equally large varieties of biscuits are available for various occasions from breakfast to lunch and
for guests to patients. Thus bread and biscuits are becoming increasingly popular in one form or the other for a variety of uses.

Consumption pattern of bakery products indicates that about 42.75% of biscuit and bread are consumed in rural areas as against 57.25% in urban areas. Rural communities have yet to adopt bakery products. There are several factors contributing to the situation. Relatively low personal income and the fact that the bakery products may not be readily available in villages is responsible for the low consumption of baked products in rural areas. Establishment of more bakery units in rural areas may go a long way in alleviating this situation.

Also overall consumption of bread in India continues to be extremely low in relation to other developed countries. In India it is about 0.78 kg per capita per annum. Low per capital consumption in India may be ascribed to the fact that average number of inhabitants served per bakery unit in India comes to about 15,000 to 20,000 inhabitants as compared to the number of inhabitants served per bakery in Europe viz. 1000 inhabitants. By that standard there should be tremendous expansion of bakery industry in India both in urban and rural areas.
A survey of population of various cities in India versus of bakery units in cities indicates that there is a vast scope for the establishment of medium sized bakery units. Large units can be viable in towns with the population of 50,000 to 99,999 and small units (Tiny) in places with population of less than 5,000. Thus there is a large scope for settling up a number of units in rural areas and the industry will provide a sound and strong base for overcoming regional imbalances in the distribution system. Further, with this pattern of expansion of the industry, the very objective of bringing a change in food habits by popularising wheat in traditionally rice-eating areas through wheat based baked products can be achieved. It would not be preposterous to claim that bakery would be the biggest industrial activity in the country if it is properly managed and developed to meet the demand for balanced diet. Expansion of the industry is critically dependent on increase in the supply of critical inputs.

Projected growth of bakery industry in India including both public and private sectors, envisages an increase of almost 164% in case of biscuit, 152% in case of bread and 152% in case of other bakery products from 1985-1995. This is premised on the assumption that the level of consumption per capita would go up in the country with the rise in industrialisation, increased employment in
industries, enhanced awareness of nutrition and a generally urbanised lifestyle of the people. It can be said that the projection of the industry are not wide off the mark.

From the above analysis, it is clear that the industry possess a lot of potential in terms of employment, contribution to people's income, high output capital ratio, participation in removing regional imbalances, enhanced foreign exchange earnings through export and popularising the products in rural and urban areas. In addition, its demand will increase in the future as well. Marked advancement in food technology, rising trend in personal incomes (in rural and urban areas) leading to preference for better diet, housewives' option to spend less time in kitchen in order to provide themselves with more leisure time, education among women and possibilities for employment, improved and effective promotional and advertising techniques, are the major factors contributing to accelerated demand.

As already mentioned earlier that the bakery industry is wheat-based. Wheat contains highest nutritious value than any edible grain, so through this industry wheat consumption can be made more popular in non-wheat consuming areas thereby leading to more marketing opportunities. Moreover, its development and growth becomes essential for
fulfilling the constitutional commitments which clearly lays down that "the state shall regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties".

The masses of our country are suffering from vitamin deficiency. They are, in general, under-nourished and are victims of malnutrition. Thus it is necessary that they just be fed with food fortified with vitamins and nutrients so that the overall health of the nation can be improved.

One fallacious assumption is that bakery products such as biscuits, bread, etc. are consumed mainly by the relatively affluent sections of society and that they are beyond the purchasing capacity of the weaker sections. However, the average price of bakery products, can be brought down if these items are produced on a large and economic scale to cater to the needs of the majority of the population. Proper regulation of the raw material inputs and packaging materials by the Central Government agencies can further bring down the retail price of bakery products.

The bakery industry then will have enough scope to flourish and more investment in this industry would prove to be gainful. It is therefore, essential that the bakery
industry should be given top priority in the development programmes of the country. The constraints relating to production, finance, marketing, supply of inputs for achieving full capacity utilisation, research and development should be viewed equitably both for public and private sector bakeries so that the industry may get an impetus and make a healthy contribution to the economic development of the country.

5.3 PROBLEMS AND PROSPECTS OF MARKETING IN BAKERY INDUSTRY IN INDIA

Bakery industry as a food processing industry is manufacturing and marketing a variety of convenience food items such as bread, buns, biscuits, pastries etc. which provide nutrition and energy. The main ingredients with which these products are made comprise wheat, yeast, sugar, shortening etc. However, the production and marketing aspects of the industry have their own dimensions and problems. These two functions go together. Infact, most marketing problems have their genesis in the area of production. Problems of production are mainly due to raw materials which the industry is unable to cope with. For instance, inappropriate quality and quantity of inputs, inadequate infrastructural facilities in the form of machines, R & D, quality control and untrained personnel are the major factors which affect the quality of end product.
Similarly in the field of marketing, product stretching, Weight and Measures (PC) Rules and restrictive provisions and Prevention of Food Adulteration Act, spiralling cost and administered prices, inadequate and unplanned distribution and promotional methods are the various constraints underlying the performance of marketing mix. The objective of marketing nutritive products would remain elusive if the problems of both production and marketing are not taken care of. In the foregoing paragraphs the problems of production and marketing are discussed.

The quality of baked products depends upon the quality of wheat flour. Wheat flour for bakery products does not conform to the specifications laid down by ISI and PFA Rules because of inability of FCI of India to supply quality wheat to the flour mills. It adds to the poor performance of bakery industry in marketing its products. In order to manage the problem of quality of wheat, an active participation of FCI, Roller Flour Mills is essential. FCI, in the first instance, should take up processing, grading and supplying only those varieties of wheat to the flour mills that are suitable for bakery products. Flour mills, on the other hand, should be given freedom to a reasonable extent by various Acts governing their operations in respect of rate of extraction, blending and enriching various types of flours with nutrients. Further, it is suggestd that it
will be more economical and scientific if bakery owners should simultaneously manage in cooperation with State Governments to undertake growing up specific varieties of wheat grains recommended for bakery products on regional basis through cooperative system of farming.

Yeast is the second most important and critical input used as an agent of fermentation of dough and it adds to the dough as sweet aroma to enrich bakery products. Problems connected with yeast includes shortage, lack of ideal storage facilities and inadequate knowledge on the part of bakers to handle it during production process. In order to overcome the problems of inadequate supply of yeast it is essential to expand its production. Government should, therefore, provide incentives to the manufacturers to establish new industrial units in different regions to meet the demand of fresh yeast in peripheral areas of the region. The introduction of refrigerated transport system will contribute a lot in solving the problem of inadequate and fresh supply of yeast at a reasonable cost. For the purpose of training of bakers in respect of application of yeast to dough, facilities provided by Food craft Institutes operating in various part of the country should be availed of. Large industrial manufacturers of yeast as well as bakeries under organised sector should also provide a lead to overcome this problem.
Sugar is also not available to bakery industry in sufficient quantity. Since 1989, the bakery industry’s problem of procuring sufficient quantity of sugar at controlled rate has compounded. Under the existing policy, the bakery industry is considered as a trading industry not entitled to store sugar beyond a limited amount. It is subject to restricted allocation of sugar in a number of states. It is suggested that such restrictions in respect of allocation of sugar be withdrawn and the industry be permitted to procure sugar direct from the sugar mills as raw material for bakery industry. This will, in turn, contribute to making the baked product available at a reasonable price.

The problem of bakery industry in procuring shortening is also worth consideration. In the first instance, Vanaspati prepared from groundnut is considered a suitable shortening agents, owing to its high cost, it is prepared from other substitutes like soya beans, sunflowers etc. which adversely affect shelf life of baked products. From the consistency and stability point of view, hydrogenated fat is considered as a suitable shortening for bakery products. However, the production of hydrogenated oil is not possible because of restriction on import of edible oil. The Government should, therefore, liberalise and
subsidise the cost of imported hydrogenated oil under its scheme of balanced diet for vulnerable sections of the society. Besides manufacturers of shortening should be required to undergo training to acquire technical knowledge in appropriate blending and processing of different oils so that quality of products may be manufactured.

In order to improve the quality of the product, it is, therefore, essential that food laws be amended so that the fats having properties of consistency and stability may be manufactured to meet the need of the bakery industry. Secondly ground nut oil for shortening manufacturers be also considered for incorporation in the specified list of oils. Thirdly as suggested by the bakers that government should control the price of imported oil for bakery industry on the basis of prorata usage i.e. the bakery industry to bear the cost of import in proportion to the quantity used to produce bakery fat.

The bakery industry is faced with rigid Statutory regulations in respect of storage of maida. For instance, in some states like U.P, Haryana, Punjab and Andhra Pradesh, manufacturers cannot hold stock of maida without storage licence. It will be in the interest of the industry and the consumers to liberalise the storage licencing provisions so that required amount of maida can be stored to enable the
industry to avoid the inflationary impact on its cost. Bakery owners should be regarded as bulk consumers instead of traders of essential commodities. Hence, liberalisation and amendment of Essential Commodities Act is necessary for providing the much-needed relief to the bakery industry.

The Small Scale bakers, out of their ignorance, are not taking care of the scientific bread improvers and chemicals. These ingredients are used for increasing the volume of bread and its shelf life etc. They should, therefore, be given training to make them acquainted with the benefit of bread improvers and preservatives.

To attain high level of efficiency and productivity, modernisation of bakery industry is absolutely essential to produce quality product and minimise the cost. The industry is confronted with lack of vital equipments and machines which are not indigenously available. As a result, it is telling upon the competitiveness of the industry in the world markets. In order to meet this situation a two-pronged approach should be given due consideration viz., provision of liberal import and extension of Hire Purchase Schemes by the Small Industries Development Bank of India (SIDBI) especially to small units along with provisions of soft loans. It is therefore, essential that the bakery equipment should be removed from restricted list and be subjected to concessional customs duty as applicable to
other food processing industry notably meat, fruits, vegetable etc. However, due to recently policy of liberalisation with regard to import of capital goods, the situation might be expected to be improved, but no clarification in this behalf is available as yet.

In the same way it will go a long way to improve the efficiency of small scale bakeries if atleast certain equipments for handling, batching, mixing, dough breaking, laminators, moulding, cutting and baking are supplied to them by SICO on easy terms and conditions. The installation of these machines would make them competitive and economically viable. The other requirement of modernisation in bakery industry is the process technology with which a baker should be well acquainted. He should not only be proficient in mechanical operations but also possess adequate knowledge in respect of usage of inputs in their recommended proportion so that the objective of improved yield and output at lower cost may be achieved. The knowledge about the scientific approach to production operations and quality control technique can be imparted to both small and large scale bakers in various Food Craft Institutes operating almost in every state and by organising special workshops in various towns of the regions from time to time.
Modernisation should be coupled with the establishment of a system for quality control. It is suggested that specification by ISA and Statutory quality control and Inspection of the finished product should be enforced in bakery industry.

Bread making in India has not been largely unaffected by technological development. Training programmes have become indispensable to both the large and small units of the industry to keep pace with technological development in the field of production. The traditional methods, lack in scientific selection of flour, preparation and fermentation of dough and other technical knowledge etc. In most major towns Catering and Food Craft Institute have been set up where such training of entrepreneurs can be arranged. Simultaneously large and medium units should also be encourages to provide in-plant training facilities to small bakers.

Research and Development has assumed new dimensions with growing awareness among the consumers about quality and price. Though the industry has been successful in introducing food items for every occasions, it is dangerous to become complacent. It is necessary to look for new techniques to produce new items of food for all types of consumers in the future. Our technical talents are reported
to be second to none in the world. The apathy of industry, its technicians and consumers merits serious consideration. R & D or for that matter product development involves a sizeable investment. it is, therefore, suggested that Consortium type of agency of regional basis be established to undertake R & D Programmes for the industry as a whole to evaluate all ideas including food habits/regional tastes for the purpose of new product development. Every one associated with bakery profession must cooperate and contribute in this venture. The existing units need new equipment to translate their research into production. The new machines turn out much larger outputs. The capital investment in new equipment would not be justifiable at present levels of production. Much as the industry would like to improve the range of products, it is unable to do so for the reason that present policy is unsupportive. As R & D efforts in the bakery industry need to be promoted at the unit and industry level, therefore it is essential to constitute a committee of Food and Bakery Technologists to generate and evaluate all possible ideas for commercialisation so that the benefit of the same may be reaped by both sector bakeries.

In short, the problem of production sector of the bakery industry comprise of inferior quality of inputs, lack of modernisation coupled with quality control techniques, Research and Development and Training Programmes. For
manufacturing and marketing quality products, production aspect of bakery industry should be given immense weightage and managed properly.

In the field of marketing the industry has not been able to provide good quality product's at reasonable prices and at convenient places due to a number of constraints. As discussed earlier that baked products are made of flour, sugar, salt, yeast, shortening, glucose and improvers and give "Therapeutic Treatment" as a preventive medicine. The bakery industry would be able to market nutritive product if right quality of inputs including packaging material and infrastructural facilities are provided to the industry.

The bakery units generally do not have a strong base for their future survival if certain measures towards quality control practices are not taken. Quality control practices cannot work in isolation. It is the joint responsibility of State, Growers, FCI, Millers and Bakers. It is, therefore, essential that State as well as private growers should include the cultivation of, in their cropping programmes, of those specific wheat varieties which are recommended for baking purposes. On the other hand, FCI after having procured the wheat stock should extend its efforts to supply to the millers wheat stock that has
properly been graded and processed. Milling operations should simultaneously be given legal support to convert the wheat into flour of specified grade suitable for various purposes in baking industry. Quality of the end product in terms of its nutritive value, smooth surface, shelf life, packaging etc. can be improved if manufacturing operations are scientifically managed. Lastly, through the application of Statistical Quality control techniques, the quality of the end product can be ensured. It is, therefore, essential that organised efforts should be made to impart such knowledge to small bakers in particular from time to time by holding seminars and workshops in different parts of the country. Besides there should be specification by ISI and Statutory provisions in respect of Statistical quality control for, the finished products at all levels which should be made essential to be practised.

Industry's ability to undertake product stretching is limited to the provisions of Weight and Measures (PC) Rule 1977 Act. It has on its planning map to market packs of breads and biscuits having low and high unit values to cover all the consumers among different strata in the society. It has a social importance to provide the food items at a reasonable price. The Act should, therefore, not be applied in its present form and it should suitably be amended to allow product stretching.
The problem of bread and biscuit industry are aggravated by the restrictive provisions of Prevention of Food Adultration Act. The Statute makes it compulsory to print on packs the essential information such as date of manufacturing, the expiry date, the ingredients, the price and the colour used etc. In this context the industry is reluctant to comply with statutory provisions on small packets on the ground that as the information about quality of inputs vary from time to time, therefore, it can not be printed before hand. Since the consumers have a right to know about the quality, quantity and price etc. of food items, therefore, the industry is required to comply with PFA requirements. However, in the interest of consumers as well as industry the Government should take steps to subsidise the printing of statutory information.

Many of the industry's problems are due to spiralling cost incidence of high taxes and administered prices of bread particularly in large cities. During the last few years the cost of maida and other inputs have shot up tremendously. The heavy incidence of taxes have added to the woe of the industry. The tax is levied at every point which constitutes 36% of the price. The excise duty alone at 11 5% involves the cost of Rs. 75 crores for 20,000 tonnes of biscuits produced. The bread is differently treated by the Government for taxation purpose. It is exempt from
excise duty in some cities but it has still to bear the sales tax, additional tax etc. which accounts for 20% of the price. Consumers are unable to afford baked products at the current price level. The industry too is facing a fast erosion of demand as a result of heavy incidence of taxes. In this context the industry had been pointing out to the Government that demand is elastic of price. The withdrawal of tax or reduction thereon would expand the sales volume manifold. It would neutralise the impact of reduction in tax rate by means of expanding the aggregate revenue as a result of large sales volume.

Some changes in the existing tax structure have been proposed in the Union Budget 1983-84 that might have a beneficial effect on the bakery industry. The excise duty on biscuits etc. has been reduced from 11.5 per cent to 7.5 per cent. On extruded snack foods and other such similar products, the reduction in excise duties is from 17.25 per cent to 10 per cent. Specified machinery for food processing machinery have also been included in reduction of excise duties from 55 per cent to 25 per cent. The proposed rationalisation of general small scale industry (SSI) Schemes through reduction of excise duties is likely to benefit the bakery units in the SSI Sector.

The industry also pleaded with the Government
either to decontrol the bread in metropolitan cities or revise the price to ensure economic viability, particularly of small units. Restricted expansion in the industry, exclusively for the small sector, had been envisaged by the Government but the small scale sector units of the industry have not expanded inspite of increases in size of metropolitan cities due to low margin of profit as a result of rising cost and administered prices. The industry also pleaded with the Government to let the market forces of demand and supply determine the price. The market mechanism would ensure efficiency and profitability. The Government did not agree to decontrol the price. Instead a marginal increase in the bread prices is allowed by the Government from time to time. However, such revisions of the price of bread obviously fall short of neutralising the impact of rising cost of inputs due to inflationary conditions. To compensate the industry for loss, the industry further demanded preferential allocation of wheat flour from FCI. The demand is still pending with the Government. However, the Government agreed to provide the benefit under "MODVAT" scheme only to the extent of 2% of credit. From the above analysis it is concluded that the industry has a strong case for substantial relaxation in tax and determination of remunerative prices. In fact food items should not be included in the tax base for revenue. In contrast to that in India a tax of only 8% is imposed on food items in Japan. It
is, therefore, worth considering to abolish or reduce the tax, to decontrol the price and to ensure supply of inputs at reasonable prices. These measures will automatically contribute to increasing production and bringing down average price of the product and getting more revenue for the Government. It will further go a long way in improving the quality and supply of bread and biscuits as a source of nutrition to the weaker section.

Distribution system of the industry reveals that the organised sector bakeries have a well-managed distribution system but still large scale bakeries have to face problems which relate to high cost of selling and distribution, dealers incentives, and tough competition. In case of Small Scale bakeries, operating within a District and town, the system of distribution is neither economical nor feasible. Although they have developed a variety of unbranded products that are preferred by consumers of all segments, but the coverage of market is quite limited due to the high cost of distribution. Cut-throat competition compels them to give a handsome amount of dealers in the form of cash and quantity discount to exhaust their stock. Because of their inability to employ experienced and qualified hands in the field of marketing they normally have their own counter sales and engaged cycle boys to distribute their output.
In this way both sector bakeries have been facing difficulties in the distribution of product. Some of their problems are similar in nature while other vary from situation to situations. For instance, high cost of distribution in the form of freight, dealers exploitation for cash and quantity discounts, erratic supply due to lack of transport facilities, tough competition etc. are the problems which are more or less common to both of them. However, problems which are being faced by small scale sector bakeries exclusively comprise of lack of proper branding, packaging, inadequacy of qualified staff due to which they are neither able to utilise full production capacity nor able to cover a sizeable market available within and outside the region. However, these problems can be managed through the cooperation of both sector bakeries by establishing a Consortium exclusively dealing with the distribution of products of member units. The objective of this organised system of distribution should be to avoid wasteful competition, curb price wars, ensure full capacity utilisation to reduce cost of production, meet maximum consumer needs within and outside the regions through regular and adequate supply and provide a reasonable return to the bakers. In order to achieve these objectives the task of this central agency should be:
1. To collect funds from member units on the basis of some criteria to run the consortium.

2. To maintain a network of mobile vehicles.

3. To classify markets into segments of "Adequate Demand", "Inadequate Demand", "No Demand" within and outside the region.

4. Ascertained demand of shops, dhabas, supermarkets, Institutions and Feeding Programmes etc.

5. To assign target of production to member units as per production capacity in order to avoid and underproduction.

6. To study preferences and eating habits of target markets.

7. To sell unbranded varieties of small scale bakeries under some brand names.

8. To maintain chart indicating the dealers and competitors selling and stocking the products in different regional areas.

9. To appraise profitable and loosing product and product lines of members units and advise accordingly.

10. To utilise pooled resources to avail of the services of experienced managerial and technical personnel to highlight technological development and adopt modern marketing practices.

11. To undertake research and development programmes.

12. To make arrangements of promotional campaign on the regional and national level.

In brief it is concluded that problems of production and marketing of bakery industry are interrelated and a wholistic approach to resolve them is necessary. Therefore Department of Food in the Ministry of Agriculture should give due attention and priority for its development and an apex body by the name of "Bakery Industry Development
Board be constituted to deal with the problems and ensure good prospects of the industry.

Besides problems related to product, pricing and distribution aspects, an area which needs special attention is that of advertising and sales promotion. The analysis of promotion in bakery industry has revealed that is probably the most neglected area. To some extent such an apathy on the part of the industry is understandable. The peculiar characteristics of the bakery industry are its preoccupation with matters and problems related to quality of raw material and input, inadequate compensation of costs due to an inappropriate pricing mechanism, and the distribution logistics and management. Being a mass-consumed item which has become a commonly staple diet among a majority of urban dwellers the focus is more on satisfying the unmet demand through production and distribution. In such a backdrop, promotion has typically been a neglected area. But the market situation is fast undergoing a metamorphosis. In an environment of liberalisation, the bakery industry is likely to become more competitive. Coupled with improvement in technology, availability of better equipment and machinery, modernisation, and changing consumer preferences companies—large, medium and small, are likely to lay a greater emphasis on branding and creating product differentiation. For this to take place, increasing importance needs to be
given to advertising and sales promotion. Efforts need to be initiated by the Government, industry and the constituent units. The Government can encourage the promotion of bakery products by popularising their usage through its media. The industry could create a common fund for a centralised agency for promotion. The individual units must provide more resources—personnel and finance to promotional activities and take into account the changing tastes and preferences of consumers. If the industry fails to respond to these changes, the consumers are likely to switch over to the substitutes. In this sense, promotion should be viewed as a means for the substance of the industry.

5.4 PROBLEMS AND PROSPECTS OF MARKETING IN MODERN FOOD INDUSTRIES (INDIA) LTD.

The Problems and Prospects of marketing of bakery products of Modern Food Industries (India) Ltd. (MFIL) have been taken up for in-depth study. Formerly it was incorporated on 1st October 1965 under the name "Modern Bakeries (India) Ltd." as a Government Company under the administrative control of the Department of Food, Ministry of Food and Civil Supplies. It was registered under Companies Act 1956. Some of the objectives with which the company was set up are to manufacture bread and bakery products, promote manufacture of indigenous bakery plants,
equipments and raw materials; play a nucleus role in
development of bakery industry; and to bring about a change
in dietary habits for better nutrition.

Initially it had nine plants. Later on, four
plants were also established making a network of 13
automatic plants located in large cities of the country. The
company since its inception is mainly engaged in the
production and marketing of bread under the brand name
"Modern Bread". However, in the wake of the Government
policy for reserving bakery industry for Small and Tiny
Sector in 1978, The Company had to diversify its line of
activities in the field of beverage, oil, extruded and
energy food, fruit processing etc. Accordingly its present
name "Modern Food Industries (India) Ltd." was adopted in
November 1982 to reflect its diversified activities. The
Company is also subject to the price control policy of the
Government. Still manufacture and sale of bread is the major
business of the company. It constitutes 85.5% of the
turnover from the bread only. Company's production covers
about 9 crore out of 85 crores consumers in the country.

Initially the Company had an authorised capital
of Rs. 1 crore which has been enhanced from time to time.
After diversification the capital was raised from 8 crores
in 1982 to Rs. 15 crores in 1989-90.
The Company has its registered office in the Union territory of Delhi. The affairs of the Company are managed by the Board constituted by the Government of India. It has organisational set up at Central as well as Unit levels to execute policies of the management. At Central level to look after of marketing aspect of the Company, there is a Controller Marketing assisted by various Chiefs specialised in Horticulture, Commerce, Marketing and Technology. The Chief Marketing Manager at central level is further assisted by Senior Sales Manager. Likewise at Unit level it is the General Manager assisted by various functional managers such as Sales Manager, Production Manager, Accounts Manager and Personnel and Engineering Manager. The activities at unit levels are carried on through centralised system of authority. Therefore sales and production functions are undertaken as per directives of the central office at Delhi. Considering the wider span of control, it is suggested, as given in Exhibit 4.3, that Controller Marketing and Senior General Manager (Marketing) at Corporate Level should be assisted by more than one Sales Manager to look after commercial and institutional sales of bread, diversified products and sales promotion including research tasks. Likewise at Unit level there should be a Marketing Manager in place of Sales Manager. However, Sales Manager assisted by various area Sales Supervisors should function under the
directives of the Marketing Manager. This set up will be better to deal with sales, promotion and research aspects at the Unit level.

The Company since inception regarded R & D as a vital activity. Formerly it undertook the work on quality improvement of Naan and development of other traditional wheat based food such as kulchas and roties. The R & D Division of the Company is actively engaged to work on quality improvement and development of new and low cost varieties of bakery related and unrelated products such as protein enriched flat bread (Roti), cakes, peanut butter, cola drink and beverages etc. Milk sandwich bread, rich formulation brown bread, a suitably flavoured sweet bread for franchised bread units have also recently been developed by the R & D section of the Company. Problems connected with quality of maida as well as bread wrappers etc. have also been studied by the R & D section. Thus the R & D unit of the Company exclusively deals with core, Tangible and Augumented aspects of the products of the Company. In other words, it covers such matters concerning as ingredients, nutrition, flavour, process parameters, new product development, and cost reduction programmes etc.

The Company installed capacity to produce standard bread loaves of 400 grams has been expanding from time to time. In terms of percentage the capacity utilised ranged
from 48.63% in 1968-69 to 76.0% in 1989-90. Obviously there has been improvement in capacity utilisation but it falls short of normal utilisation. Major factors causing underutilisation of capacity comprise of irregular supply of raw materials, operational drawbacks, breakdown and poor maintenance of tools and equipments. Inadequate and untrained technical hands are additional handicaps. All this has caused erratic production, low and defective yields of bread and high cost of maintenance. Besides due to Statutory restrictions the Company is unable to undertake substantial expansion to meet the ever increasing demand. The Company’s production covers, as mentioned earlier, only 9 crores out of about 85 crores consumers in the country. In order to cope with the problems of both quality and quantity of flour, the Company should consider both short-term and long-term planning. As a short-term measure the Company, as a public sector enterprise, should take up the matter with Government to get the required quantity of graded quality wheat and other inputs from food corporation of India and Civil Supplies Department. In its long term planning, it should manage to engage seed-growers and plan to develop its own farms. This venture will be justified to fulfil its objective for providing raw materials etc. necessary for sustaining the growth of bakery industry’s production. It further carries weightage as the Company is dealing with
diversified agro-based products. Besides wheat, other ventures like animal husbandry, poultry, sugarcane, beekeeping etc. can also be developed to meet the requirement of expensive inputs like milk, ghee, sugar etc.

Problems connected with operational drawbacks and poor maintenance of tools and equipments needs vigilant supervision and proper monitoring on the part of management. Much of the losses and delay in production schedule can be averted if mechanical operations are handled by experienced and trained personnel. This requires provision of inplant training for newly-recruited workers.

The Company's inability to expand production capacity is due to statutory restrictions. Under the Statute only small units of bakery industry are allowed to expand their production. It can be argued here that small scale bakeries through such expansion programmes cannot so easily attain that level of proficiency as mechanised bakeries in organised sector had done over a long period of time. Further the objectives and areas of operations of both sector bakeries differ and should simultaneously be given due weightage. Therefore, such restrictions are unwarranted and irrelevant to the social objectives of providing nutritious food for weaker sections of the society. It will, therefore, be worth-while to do away with such statutory restrictions.
Although the Company has developed to market a number of products through its R & D efforts but still it has not been able to maintain required level of quality of its products in the form of nutrition, colour, finish etc, due to inferior quality of inputs, production drawbacks etc. Further Company's product stretching programmes to manufacture bread loaves of low and high unit value to cover lower strata people are governed by Weight and Measurement (PC) Rule, 1977. Quality level of the product of the Company, as suggested earlier can be maintained if right quality of inputs are made available to the Company. This requires the active participation of FCI, Roller Flour Mills, and Civil Supplies Department and engaging farm growers and developing its own farms. Besides the matter with regard to package size and weight should be taken up with the Director, Weight and Measurement to consider and revise provisions of permissible pack weight, sizes etc.

The nature of pricing of the Company is subject to statutory regulations in metro and market based price in other than metro areas. Besides both production and distribution cost have been rising tremendously due to exorbitant rates and a steep rise in prices of all inputs including fixed overheads of the Head Office. Heavy expenditure on repair and overtime, high rate of overdraft
mounting doubtful debts and defective breads and market returns have further added to inflate the cost of bread making. As a result most of the Units of the Company have been incurring losses affecting the profitability of the Company as a whole. Over and above, idle capacity has resulted into inadequate amount of contribution margin to absorb fixed overheads. In brief high cost of inputs, disproportionate amount of both variable and fixed overheads, idle capacity and controlled prices of breads are the major factors which have adversely impacted the price structure of the Company’s products. These state of affairs of the Company are disconcerting. It, therefore, needs cost planning and control so that the Company, as a government enterprise, should be able to earn normal profit for its future growth. It is suggested that a multi-pronged strategy should be adopted to maintain the economic viability of the units and the Company as a whole. In the first instance, in order to minimise the input cost, State as well as Central Government should earmark the essential inputs and supply them at subsidised rate to State-owned bakeries operating in different part of the country. Secondly, increased overhead cost is the result of inefficient management at Unit and Central levels. Therefore, Company’s own style of management has to be changed. Principle of responsibility and accountability has to be adopted and strictly adhered to in all areas of operations in order to keep the overhead cost
within standard norms. Corrective actions need to be taken up without any delay in case of any variation or out of line behaviour. Thirdly to manage the problems of idle capacity output and sales of the Company can be planned with reference to the break even analysis.

For having a realistic pricing policy, the Government should fix the price so as to cover total cost. The cost which is to be considered as a basis of price has to be computed by considering installed capacity, the capital employed, and variable cost. Installed capacity can be used as a basis of per unit cost; the capital employed can be used as a basis to compute profit and profitability; and variable cost can be used for calculating contribution margin for the purpose of determining the break even point. The Government has not taken these variables into consideration. The norms suggested above should be helpful in evolving a remunerative pricing policy in place of the adhoc approach of the Government to controlling the prices of breads.

The distribution system of MFIL has also been examined. Channels of distribution of the Company comprise of sole distributors, distribution direct to retailers by its own fleet of vehicles, salesmen and salesmen-cum-drivers. For its target market, the Company has adopted
undifferentiated, differentiated and concentrated marketing strategies. Further in order to cover the market it operates intensive, selective and exclusive system of distribution. With this network of distribution the objective of distribution to supply fresh bread at competitive prices and economy and control over distribution have not been achieved due to high cost of distribution and improper managerial approach. The ever-increasing incentive to dealers, defective breads and cost of their replacement, delay in supply of fresh breads, mounting doubtful debts, inter unit transfer of breads, high rate of overdraft etc. are the basic reasons of excessive cost of distribution and low sales realisation causing losses in most of the Units of the Company. It has lost ground to competitors as a result of delayed decisions in granting incentives for the dealers because the management of the Unit is not empowered to take such decisions. The Units of the Company are unable to follow suit of their competitors without prior approvals of the management at headquarters. It is suggested that it is necessary to delegate adequate powers to Unit management for evolving suitable marketing policies. The losses from defective breads can be minimised by taking suitable measures to deal with the problems connected with production operations as already cited earlier. Delay in supply of bread and market returns can be reduced drastically by insisting on vehicle operators to observe the schedule of
delivery and by way of granting adequate incentives to the dealers. It calls for proper supervision and control. The distribution system should also take care of mounting doubtful debts. It seems that there is laxity in recovery of the book debts. Management can deal with the doubtful debts by specifying the safe limits of the amount and the period of credit sales. Inter-unit transfer accounts for losses because the price is fixed by the Head Office on the basis of the region of transfer. It has no relevance to the cost of production which is usually more than the price. Another problem of great concern is of payment of high rates of overdrafts. In order to take advantage of large scale purchases, the Head Office manages the inventories for all Units while the cash proceeds and idle cash balances are held by the Units. Due to paucity of funds, the Head Office has to resort to overdraft with incidental cost of interest affecting the profitability. Therefore, it is imperative to fix minimum cash balance at Unit levels and regularise remittance of surplus cash balances to the Head Office. This will set off the liquidity of Head Office. Besides the above, franchising scheme may turnout, in the long run, to the disadvantage of the Company. It is apprehended that the franchising units would only become its strong competitors after a period of time. To avoid the problem of franchising scheme in the future, the Company should not only control
production and distribution policies of the franchising units, but it is worth considering to develop a chain of ancillary industries to cater to the needs for bread besides dishes in canteens and restaurants. These measures will go a long way in improving the health of diners. The sales performance of the Company would improve in the long run as a result of these measures.

There is hardly any effective sale promotion approach. The Company simply participated in fairs, exhibition etc. with a nominal amount of funds. It, of course, brings out literature in vernacular languages for distribution to popularise the nutritional culture. It would take time to impress upon the popular minds the needs for balance diet. Tastes and traditions are two conflicting forces working on the minds of the consumers. The sale promotion campaigns lack in intensity and spread. Its campaigns do not match those of its competitors in private sector. Funds are not allocated either on the basis of sales, parity with rivals, return, objective or task. The sales promotion campaigns can be made more effective if managed at the Head Office for all regional units keeping in view the regional tastes and nutritional requirements. Follow up programmes should be worked out at the Unit level. Adequate outlay should be provided in the budget which should be determined with the parameters of cost and
benefits to the consumers and the Company. It, therefore, needs to develop sales promotion policies that, should be appropriate and effective to achieve objectives with fair returns.

In brief, the Company should manage its marketing mix through the application of modern marketing practices to achieve the objectives of economic viability of the units through consumer satisfaction. An integrated approach covering all functional areas of the Company should be adopted to manage the problems of marketing of the Company.
5.5 CONCLUDING COMMENTS

The present research study has been initiated with the development of insights into food habits and nutrition which have been considered as the background within the parameters of which the bakery industry operates. Further, the problems and prospects at different levels viz. the bakery industry itself, the marketing in bakery industry, and a specific case of marketing function in Modern Food Industries Ltd. have been studied and analysed. In this concluding part of the thesis, certain general observations merit the consideration of all concerned.

At the outset it is clear that the bakery industry plays a significant role in providing wholesome, nutritious, and balanced diet to consumers that is important in making available a convenient and inexpensive source of food necessary for creating and sustaining energy and good health. World over, specially in the developed countries, great significance is attached to the bakery industry. But despite its self-evident importance, bakery industry in India is not accorded the primacy it deserves. Typically, the bakery industry in India can be considered as a low-profile, stable growth industry that is preoccupied with its internal, inherent problems, a phenomenon that has possibly prevented it from realising the prospects that are really there. The onus for this state of affairs lies mainly with
the industry and its constituent units. But the blame has to be shared by the Central and State Governments as well. In line with this thinking, steps for the development of bakery industry have to be initiated by the Government as well as the industry itself.

The genesis of the problem generally faced by the industry can be traced back to the nature of raw materials and other inputs. The basic constituent of bakery product is wheat and its derivates. Being an agricultural product, it is practically impossible to have an access to a consistent and reliable quality raw material. Other inputs such as yeast, sugar, etc. too present the same problem. The wide variation in quality of raw materials, therefore, plays havoc with the subsequent production processes leading to quality variation in the final output. The final product itself is a perishable commodity with a limited shelf life amenable to quick deterioration if not consumed within a given time period.

The problems, referred to above, could be contained to an appreciable extent if there could be, for instance, Standardisation of production processes, stringent quality control at the input in-process and output stages, and quick distribution and disposal. However, these actions are not practically feasible due to a variety of reasons.
The industry is beset with problems of low profitability and returns which prevent it from investing substantially in activities such as procurement of good quality raw materials, buying expensive, sophisticated and mostly imported capital goods, doing market research, or undertake development of human resources. This, as can be observed, is the proverbial vicious circle: business activities do not create enough profits and reserves that could be invested for development; without development, the profitability remains low. Only sustained, far-reaching, and whole hearted measures can enable the industry to get over this dilemma. Several such measures have been proposed in the preceding sections. These measures merit the consideration of the Government as well as the industry itself.

The marketing function can play a significant role in creating and sustaining demand, educating and informing the consumers about the benefits of a balanced diet and the contribution that bakery products can make to render their diet nutritive, and, in general, making the process of pricing, distribution, and promotion more effective. It would not be out of place to suggest that investments made in marketing activities can bring manifold returns. Therefore, there exists a strong case to suggest that the bakery industry will have to increasingly emphasise the marketing function in its business activities. Such a step
can be expected to lend a strong base to the industry to place it in a vantage position to take advantage of the good prospects that lie ahead.