

**THE FOOD PROCESSING INDUSTRY IN INDIA: EMPLOYMENT AND POLICY INITIATIVES  
ANALYSIS.**

**MADHU.E M.A, KSET, (Ph.D), RESEARCH SCHOLAR,  
BANGALORE UNIVERSITY, P.G. CENTRE KOLAR**

**Dr. D. KUMUDA, M.A., M.Phil., Ph.D, Associate Professor,  
Department of Economics, Bangalore University, P.G. Centre, KOLAR.**

**ABSTRACT**

*The food processing industries have large potential which government enhancing them through its policies and schemes. 13 million people directly and 35 million people indirectly employed by food processing industries in India in 2009-10. Unorganised sector accounted for 70% of production in terms of volume and 50% in terms of value contributed by Food Processing Industry with 14% share to manufacturing GDP with a share of 2,80,000 crores. This sector increases profits in agriculture and pours opportunities for industrial sectors, works as important tool in controlling food price inflation, fosters self-reliance and food security notion of the government. Hence it is expected Indian food market size will grow from 23 lakh crores in 2014 to 42 lakh crores by 2020<sup>1</sup>. The employment average annual growth rate stood at 2.41 percent in registered food processing sector during last five years ending 2012-13. Hence by all these reasons food processing minister stated that efforts are in full throttle to make food processing industry as engine of Indian growth. Inter-sector relations, government policy, women employment, population changes, income change etc always provides a space for opportunities and problems in any economic activity*

***Keywords; Employment, Food Processing Industries, Policy initiatives, Schemes, Status.***

---

<sup>1</sup> Economic times, Rohit Ramesh principal “Boston Consulting Group (BCG)”, Indian food forum 2015, Mumbai 2015.  
(<http://www.foodprocessingindia.co.in/announcement.html?tmpl=component&print=1&page=>)

## INTRODUCTION

The Indian agriculture has providing livelihood for 56% of total population. However this 56% population contribution is just 18% to Indian GDP. But through industrialization of Indian agriculture that is agro based industries contributing 12.2% in total Indian agriculture GDP and 9.8% share in Indian manufacturing GDP in 2012-13.

Food processing industry in India has become a high profit industry by reason of value addition, low capital needs and easy of doing business. The country's total food market accounted for about 32 percent. The food processing industry is one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. The country's domestic food market is estimated to reach US \$ 258 billion by 2015<sup>2</sup>. Food and food products are the largest consumption category in India, with a market size of USD 181 billion. Domestically, the spending on these items amount nearly 21 percent of the gross domestic product of the country and constitutes the largest portion of the Indian consumer spending more than a 31 percent share of wallet.

Despite rain fed and gambling of rains Indian agriculture has produced 252.68 million tonnes in 2014-15<sup>3</sup>. But the economy failed in harnessing this huge agricultural production. The study conducted by Mohammad Rais<sup>4</sup> et.al, found that post harvest loses in India are stood at 76,000 crores per annum and the same loses are 44,143 crores according to ministry<sup>5</sup> of food processing industries and these loses are due to failure of agro industrialization.

The Food processing defined as “the practices used by food and beverage industries to transform agriculture and allied activities produce such as grains, meat and dairy into products for final consumption of consumers”. In simple words agriculture and allied activities produces are transformed into consumer usable as final goods. Food processing involves activities like cutting, adding, cooking, preservation and packaging etc. Supply chain in food processing sector consists of inputs, production, procurement and storage, primary processing, secondary processing; retailing encompassed high employment opportunities and low capital. Indian food processing industry registered a record growth in 2011-12 with 21.6 percent<sup>6</sup>.

## METHODOLOGY

This study is based on secondary sources. Various government documents like ministry of food processing industries, reserve bank of India, APEDA, investor portal of ministry of food processing industries and various other sources of data has been searched pertaining to food processing industry. Further FICCI study on food processing industries, Boston consulting group study on Indian food processing industries and other articles has been studied in intense of knowing problems and gaining knowledge on food processing industries. To represent data clearly tables and charts has been employed.

---

<sup>2</sup> Arpita sharma, “Role of food processing industry in India”, pratiyogita darpana monthly edition, March 2015, pp-82.

<sup>3</sup> [dbie.rbi.org.in/](http://dbie.rbi.org.in/)

<sup>4</sup> Mohammad Rais, shatroopa Acharya and Neeraj Sharma, “food processing industry in India: S&T capability, skills and employment opprotunities”, Journal of Rural Development NIRD Hyderabad, vol. 32, No. (4), pp.451-478, Oct-Dec. 2013.

<sup>5</sup> Annual report, Ministry of Food Processing Industry 2014-15, page no-20.

<sup>6</sup> Annual report, Ministry of Food Processing Industries 2014-15, page no—13.

**OBJECTIVES**

- 1) To know food processing industry employment trends in India.
- 2) To analyze Indian government policy initiative for food processing sector.

**STATUS OF FOOD PROCESSING INDUSTRY IN INDIA**

To harness the benefits of agrarian economy production, it encompasses a well developed food processing industry. Food processing industry rains better profits for farmers by adding value to their primary products. This sector with only 0.19 of capital output ratio in agro processing industries heavenly fits for developing country like India to pursue and enhance industrialisation.

**Table 1: Contribution of FPI to GDP in India 2011-02 prices (Rs. In crores)**

Sl.No	Items	2012-13	2013-14	2014-15
	<b>GDP</b>	<b>85,99224</b>	<b>91,69787</b>	<b>98,27089</b>
<b>1</b>	<b>GDP agriculture*</b>			
<b>2</b>	<b>GDP manufacturing</b>			
<b>3</b>	<b>GDP -FPI</b>	<b>14,3364</b>	<b>14,9555</b>	<b>16,0224</b>
<b>4</b>	<b>GDP all India % Growth</b>	<b>6.64</b>	<b>7.17</b>	<b>6.23</b>
<b>5</b>	<b>GDP-FPI % Growth</b>	<b>4.32</b>	<b>7.13</b>	<b>2.26</b>
<b>6</b>	<b>FPI Share in GDP</b>	<b>1.67</b>	<b>1.63</b>	<b>1.63</b>
<b>7</b>	<b>FPI Share in Manufacturing GDP</b>	<b>9.11</b>	<b>9.02</b>	<b>9.02</b>
<b>8</b>	<b>FPI Share in Agriculture GDP</b>	<b>9.41</b>	<b>9.47</b>	<b>10.12</b>

Source: annual survey, ministry of food processing industries, government of India. 2015-16; \* excludes forestry and logging; percentage in brackets represents growth from year to year.

The food processing sector as a part of manufacturing sector enriches agricultural profits and enhances and creates opportunities in service sector. This sector has 10.12 percentage share in agricultural GDP in 2014-15. The food processing industry also has 9.02 percentage share in Manufacturing GDP. This sector by providing ready to cook food material and people employed to supply and maintenance these goods are also expanding opportunities in food processing industries.

**EMPLOYMENT SCENARIO**

Food processing industries are labour intensive industries. Total 37,175 registered food processing industries provided employment to 16,88,830 lakh people that is 13.04 percent in all registered factory sector in 2012-13 while overall industry provided 129.47 lakhs in the country. According to NSSO 67<sup>th</sup> round unregistered food processing sector provided employment to 47.9 lakhs which is 13.72 percent in overall industry's 348.88 lakh employments in 2010-11<sup>7</sup>.

The Indian food processing industries provided employment for 10.63 persons per Rs.1crore investment in overall industry. The following sub sectors of food processing industries

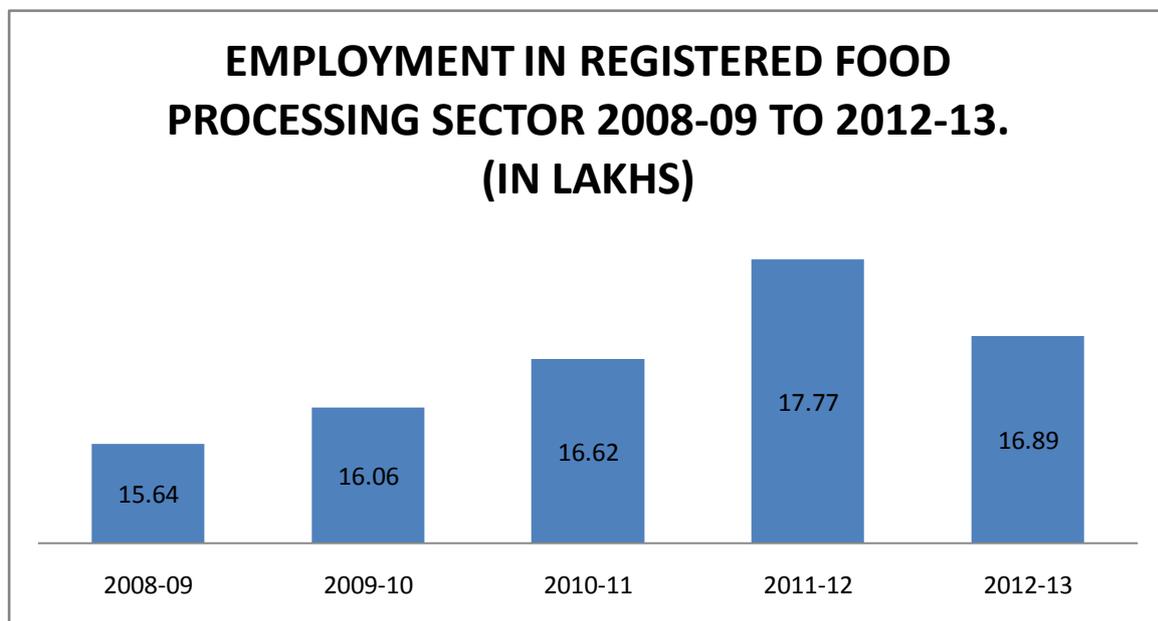
<sup>7</sup> Annual survey, ministry of food processing industries, 2015-16, pp-16-17.

employment generation is above average. The employment in Fish sub-sector 16.86, Grain mill Products at 15.57, dairy 12.73 and Meat sub-sector 11.74. However these subsectors gross value added (GVA) is low which must be increased to make/increase remuneration/profitability.

In India there are total 37175 registered food processing industries working with fixed capital of 1,58,863 crores. These registered food processing industries total value of output is 7,49,042 crores and they are providing 16,88,830 lakh people employment and 47.9 lakh employment in unregistered food processing industries. Food processing industry exported worth of 37,798 crores in 2014-15. Food processing industry attracted 3982.88 foreign direct investment.

The food processing sector accommodation for employment has increased over years. In 2008-09 15.64 lakhs, in 2009-10 16.06 lakhs, in 2010-11 16.62 lakhs, 2011-12 17.77 lakhs and in 2012-13 16.89 lakhs people are employed in the food processing sector with Average annual growth rate for five years ending is of 2.41.

CHART-1



Source: annual survey, ministry of food processing industries, 2014-15.

#### SCHEMES<sup>8</sup>

According to the 'vision 2015' dossier the food processing industry targets to increase processing of perishables from 6 percent to 20 percent, value addition from 20 percent to 35 percent and increase in share of global food trade from 1.5 percent to 3.0 percent. The Government's providing fiscal incentives to explore and utilise available opportunities in the food processing sector. The Government of India provided Tax deductions from income and expenditure<sup>9</sup> upto 150% exemption for maintenance and creation of warehouses, cold storages and godowns etc. and 100% exemption for agricultural related activities like bee keeping etc. The eligibility threshold of minimum 100 workmen is proposed to be reduced to 50 is made in the provisions of section 80JJAA of the income tax act further certain commodities secured as

<sup>8</sup> Year end review-2015 for the Ministry of food processing industries, retrieved at (<http://pib.nic.in/newsite/PrintRelease.aspx?relid=133994>), downloaded on 1- april- 2016.

<sup>9</sup> Ministry of Food Processing Industry, (<http://foodprocessingindia.co.in/fiscalandotherincentives.html>) downloaded on 4-3-2016.

exemption under service tax negative list with custom duty facility.

**Tax exemption should be provided without corruption, bias and nepotism. Tax benefits should encourage technology adoption, employment generation, quality goods production, basic infrastructure development.**

### **1) FOOD PROCESSING FUND AT NABARD**

- Government of India has announced setting up of an Rs.2000 crores as a separate fund under NABARD in 2014-15 for food processing industries, for the same ministry of food processing industries and NABARD issued guidelines for avail these loans.
- The ministry has notified 148 food parks in which concessional credit can be availed by food processing industrial units. A loan of Rs. 519.20 crores has been sanctioned to 12 mega food parks.

### **2) MEGA FOOD PARKS**

A mega food park provides various facilities to food processors, farmers, retailers and exporters helping achieve faster growth of food processing industries to provide modern infrastructure. Total 42 megha food parks sanctioned and allocated to state governments and private firms including Adani Ports and SEZ, envisaging an investment of over Rs. 6000 crores by central government.

- ❖ The scheme envisages financial assistance in the form of grant-in-aid @ 50% of the eligible project cost in general areas and @ 75% in difficult areas subject to maximum of Rs. 50.00 crore per project.
- ❖ From each mega food park which has 30-35 food processing units with a collective investment of Rs. 250 crores would eventually lead to annual turnover of about Rs. 450-500 crores and creation of direct and indirect employment to the extent of about 30,000 persons.
- ❖ Presently 39 mega food parks have been granted approval, in which 5 are operational and remaining are under implementation.
- ❖ During current year (2016) 16 mega food parks have been given in principal approval, 9 are accorded final approval and 1 in Assam is operational and 3 in different states are likely to be operationalised by 31<sup>st</sup> march 2016.

By 2015-16 only 8 megha food parks are operational in which 35 units are working by providing employment to 12,100 people directly and 4 lakhs people indirectly through franchises and dealership. **But government expected that there will be 30-35 units in each megha food park with 500 crores turnover which assured 30,000 people job. But in reality 8 megha food parks together have only 35 units which are provided only 12,100 jobs directly. Government spent 217.25 crores in 11<sup>th</sup> plan but now they are completed. This decreases marginal efficiency of capital by increasing long years for project to complete. Furthermore these parks are organised away from source that is agricultural raw material. Government allocated 1714.00 crores to scheme in 12<sup>th</sup> plan.**

### **3) COLD CHAIN SCHEME**

- This program launched to provide integrated cold chain and preservation infrastructure facilities without any break from the farm gate to the consumer.
- This scheme provides financial assistance in the form of grant-in-aid @ 50% of the total cost of plant and machinery and technical civil works in general areas and 75% for difficult areas subject to a maximum of Rs. 10.00 crores.
- In 2009-2015 government has approved 138 cold chain projects which create capacity of 118 lakh LPD of milk processing, 4.76 lakh MT of cold storage, 119 MT/hour of IQF and 810 number of refer van.
- 70 projects are operational and 68 are under implementation.

### **4) MODERNISATION/ SETTING UP OF ABATTOIRS**

- The local bodies/public under takings etc are given grant-in-aid for the establishment of modern abattoirs and modernization of existing abattoirs @ 50% cost in general areas and 75% for north eastern region and difficult areas subject to maximum of 15.00 crores.
- Out of 40 approved projects, 5 abattoirs became operational.
- This scheme has been subsumed under NMFP and the same has been delinked from central government support from 2015-16.

- 5)** Reserve bank of India issued guidelines dated 23-04-2015 for bank loans to food and agro processing sector units to form part of agriculture for Priority Sector Lending (PSL) subject to aggregate sanction limit of Rs. 100crore per borrower.

### **GENERALISED SUGGESTIONS**

The food processing industries development seems only result of macro level policy efforts that is central government in India. Ground level problems are left unattended by state governments. As a result food processing industries are failed to reach the target at what is set.

- 1)** Small and marginal farmers should be made partners to make them entrepreneurs.
- 2)** Village educated unemployed should be given priority to build godowns, abattoirs and in establishment of new industries.
- 3)** Policy should aim to bring stability in supply of raw materials and their prices by vigilant agricultural policy and build efficient transportation means.
- 4)** According to stage of food processing industries and resource availability in each state, should be given information, technology assistance, financial assistance and infrastructural facilities.
- 5)** Advertisement of Indian food processing industry products must be given in social media and government should relax norms for these industries for the same.
- 6)** Food processing industries strengthens rural entrepreneurship and an easy way to sort-out regional imbalances. So modernization and capital needs must be availed at reasonable interest rates.

- 7) Post harvest losses offset both farmers and food processing industries from profit accumulation. So governments should adopt a strategy to turn farmers into as a primary processor of food products at their farms with efficient machinery. This in future may increase farmer's abilities to establish their own industries and transform farmers into as industrialists gradually.
- 8) Tax benefits should be made conditional. Tax should apply only if firm is in profits. Firm must be adopted labour intensive technique. Firm which own's basic infrastructure like godwon, transport and possibly solar power generation units must be benefitted with perceivable higher Integrated tax benefits rather than only profit as measure for tax benefit.

## **CONCLUSION**

The continual efforts and initiatives of the government to provide encouragement to the food processing sector are still low. The opportunities and profits of food processing industries in India are enriched and stimulated by growing population, decreasing per capita land availability (0.3 hectare to every farmer), increased climate change effects on productivity and high post harvest losses. So both efficiency and production increase is vital element not only for food processing industry development but also for food security of growing population and its nutritional needs.

42 mega food parks have been given approval is major step in governments intention for the development of food processing industry. Giving some independence to the Indian Institute of Crop Processing Technology (IICPT) and 42 other food testing labs are continuing food processing sector's research and development and food testing. Skill development programme in association with Food Industry Capacity and Skill Initiatives (FISCI) has launched in 30 centers in states of the country. A new system of ingredients approval instead of product approval which is under evaluation will boost the food processing sector.

Plans and schemes are in right way but as an economist sums that Indian economy is best in planning but worst in implementation. Few projects like cold chain scheme, food parks are given to state authority which may increase state developmental differences due to their own inefficiencies. Reducing labour threshold in industries set back to employment but bringing FPI loans under primary sector lending rate is boosting activity to food processing industry (FPI). So government some incentives are driving Indian food processing industry towards technological utilisation which may increase GDP but it may not absorb unemployed in the economy. So this again increases income inequality in the country and keeps India in vicious circle of poverty.

## **REFERENCES**

### **JOURNAL AND OTHER ARTICLES**

- 1) Arpita sharma, "Role of food processing industry in India", pratiyogita darpana monthly edition, March 2015, pp-82.
- 2) FICCI Survey--(2010) "Bottlenecks in Indian Food Processing Industry" (Survey 2010) --- FICCI survey on challenges in food processing sector 2010.
- 3) Mohammad Rais, shatroopa Acharya and Neeraj Sharma, "food processing industry in India: S&T capability, skills and employment opprotunities", Journal of Rural Development NIRD Hyderabad, vol. 32, No. (4), pp.451-478, Oct-Dec. 2013.

### **GOVERNEMNT ANNUAL REPORTS**

- 4) Annual report, Ministry of Food Processing Industries 2014-15, pp—13, 17, 20.
- 5) Annual report, Ministry of Food Processing Industry 2015-16. pp-16.

### **WEBSITES**

- 6) Economic times, Rohit Ramesh principal "Boston Consulting Group (BCG)", Indian food forum 2015, Mumbai 2015.  
(<http://www.foodprocessingindia.co.in/announcement.html?tmpl=component&print=1&page=>)
- 7) [HTTP://WWW.IBEF.ORG/NEWS/INDUSTRYNEWS/INDIANFOODINDUSTRY](http://WWW.IBEF.ORG/NEWS/INDUSTRYNEWS/INDIANFOODINDUSTRY).
- 8) Ministry of Food Processing Industry,  
(<http://foodprocessingindia.co.in/fiscalandotherincentives.html>) downloaded on 4-3-2016.
- 9) Year end review-2015 for the Ministry of food processing industries, retrived at (<http://pib.nic.in/newsite/PrintRelease.aspx?relid=133994>), downloaded on 1- april- 2016.