



Promoting Agro-Based Industry in India (Issues and Challenges)

Chatar Singh Negi^a, Sanjay Kumar^{b*}

^aDepartment of Commerce, Pt. L.M.S. Govt. P.G. College, Rishikesh (Uttarakhand)
Email Id: Negics7@rediffmail.com

^bDepartment of Commerce, Govt. Degree College, Narendra Nagar, TehriGarhwal (Uttarakhand)
Email Id: drsanjay.kumar55@gmail.com

Abstract

The development of agro-based industries has the propensity to stabilize and create agriculture acceptable and moneymaking. Given the thrust on doubling farmer's financial gain, the govt agencies are enjoying a polar role in promoting agro-based industries across the country through the implementation of varied schemes and policies starting from providing collateral-free credit and access to incubation centers to providing higher instrumentality and employment opportunities for entrepreneurs. Agro-based industries give a competitive advantage, each among and out of doors the country. They absorb surplus rural labor and address the matter of excellent scale unemployment/disguised employment in rural areas. Agro-based industries give promotional/profitable occupation And activity diversification in villages that ensure balanced industrial growth in rural areas. It's time that the policymakers and trade leaders acknowledge agriculture about business as a competitive, value-adding sector and facilitate the event of agri-based industries.

Key Words: Agro-based Industries, Entrepreneur, Employment, Farmer's Income, Exports.

PAPER/ARTICLE INFO

RECEIVED ON: 11/02/2020
ACCEPTED ON: 19/04/2020

Reference to this paper
should be made as follows:

Chatar Singh Negi, Sanjay Kumar (2020), "Promoting Agro-Based Industry in India (Issues and Challenges)", *Int. J. of Trade and Commerce-IIARTC*, Vol. 9, No. 1, pp. 221-229

1. INTRODUCTION

The demand for food and agricultural merchandise is dynamic in new ways in which. Will increase in per capita incomes, higher urbanization, and therefore the growing numbers of ladies within the personnel engender higher demand for high-value commodities, processed merchandise, and ready-prepared foods. A clear trend exists towards diets that embody additional animal merchandise like fish, meat, and farm merchandise, that successively will increase the demand for feed grains (F.A.O., 2007). there's additionally a growing use of agricultural commodities, notably grains and oil crops, as bio-energy production feedstock. International trade and communications square measure fast changes in demand, resulting in the convergence of dietary patterns further as growing interest in ethnic foods from specific geographical locations. The nature and extent of the changing structure of agri-food demand provide new opportunities for diversification and price addition in agriculture, significantly in developing countries like the Asian nation. As a mirrored image of adjusting client demand, the Nineteen Nineties witnessed a diversification of production in developing countries into non-traditional fruits and vegetables. The share of developing countries in world trade of non-traditional fruits and vegetables has hyperbolic speedily within the recent past. The prospects for continuing growth in demand for added food associate degreed agricultural merchandise represent an incentive for hyperbolic attention to agro-industries development among the context of the economic process, food security, and poverty-fighting methods. Agro-industries, here understood as a part of the producing sector wherever the price is supplementary to agricultural raw materials through process and handling operations, square measure better-known to be economic engines of growth and development.

The Government is promoting Agro-based industries through several schemes as they play a crucial role in boosting the country's economy. These industries are full of high potential as employment generators, especially in rural India, and also perform several critical functions that support development and poverty alleviation. Agro-based sectors consist of the processing, preservation, and preparation of agricultural production for intermediate and final consumption. The development of agro-based industries has the propensity to stabilize and make agriculture acceptable and lucrative. Given the thrust on doubling farmer's income, the government agencies have been playing a pivotal role in promoting agro-based industries across the country through the implementation of various schemes and policies ranging from providing collateral-free credit and access to incubation centers to providing better equipment and employment opportunities for entrepreneurs.

The Textile and Clothing Industry has the potential to grow significantly and to contribute to the Government's ambitious target of achieving USD 5 trillion economies by 2024-25 by shifting surplus labor from the agriculture sector to more productive industrial activities. The dairy industry in the country that includes milk production, collection, processing, and marketing has come a long way over the years, and the present Government is taking many steps to promote this sector. The National Bamboo Mission (N.B.M.) provides a new impetus and direction to enable the realization of bamboo's considerable potential. With its multidisciplinary and multidimensional approach, N.B.M. is trying to promote Bamboo production, handicrafts, marketing, export, and establish a bamboo wholesale and retail market. Similarly, the Indian Jute industry is also expanding fast. The sector supports around 40 lakh farm families and provides direct employment to 2.6 lakh industrial workers and 1.4 lakh in the tertiary sector. It contributes to Rs. 1,000 to Rs. 1,200 crore annually to the export earnings of the country. Turning the agro and

food process business into a significant export business may also produce substantial employment opportunities for employees since it's an effortful business. Agro-food process industries have the potential to come up with directly meaningful employment in production activities and even indirect employment through its forward and backward linkages. This employment is in rural areas wherever these industries need to be settled close to the supply of raw materials, particularly decayable agricultural merchandise. Agro-based sectors have high potential as being employment generators and foreign exchange-earners. To supply tier taking part in the field within the domestic market, generally, it becomes necessary for the govt. To intervene, so they don't fall victim to unfair trade practices, like selling or Subsidies, of alternative countries. The board General of Trade Remedies (DGTR) may be a quasi-judicial body that works to guard Indian businesses against such unfair practices by forming laws and policies against such activities. Agro-based industries offer a competitive advantage, each at intervals and outdoors in the country. They absorb surplus rural labor and address the matter of excellent scale unemployment/disguised employment in rural areas. Agro-based industries offer promotional/profitable occupation ANd activity diversification in villages that ensure an all-around industrial growth in rural areas. It's time that the policymakers and business leaders acknowledge agriculture about business as a competitive, value-adding business and facilitate the event of agri-based industries.

2. OBJECTIVES AND RESEARCH METHODOLOGY

- To know the nature and characteristics of the agro-based industries.
- To examine the impact of agro-based industry on the Indian economy.
- To examine the Issue, Problems, and challenges faced by the Agro-based Industry in India.
- To observe the recent initiatives of Govt. for promoting Agro-based Industries in the country.

This study is descriptive. Available secondary data from reports issued by the Ministry of Agriculture & Farmers Welfare, G.O.I., Annual Survey of Industries, central Statistical Organisation were extensively used for the study. Different news articles, books, and authorized internet sources were used, which were enumerated and recorded. A straightforward percentage method has been used for analyzing the secondary data to show the contributions of the Agro-based Industry towards total output and employment generation over the past few years.

3. AGRO-BASED INDUSTRY – DEFINITION AND TYPES

The development of agro-based industries has the propensity to stabilize and create agriculture acceptable and moneymaking. Associate in Nursing omnibus expression 'agro-industry' covers a spread of business, processing, and producing activities supported agricultural raw materials, and additionally, those activities and services that return to agriculture as inputs. Agriculture provides knowledge to the trade, and industrial outputs area unit utilized in agriculture to expand its production and productivity base. Thus, the agro-industry encompasses not solely the activities that use raw materials sourced from agriculture; however, additionally, people who offer inputs for contemporary science practices. Supported the input-output linkages and also the interchange between agriculture and trade, agro-industries is of 2 sorts – (a) process industries or agro-based industries and (b) input offer industries or agro-industries. The agencies supporting agriculture by the approach of planning and producing inputs for production and productivity growth of the first sector area unit termed as agro-industries whereas agro-based industries method and add price to such agro resources that contain ground and tree crops, fruits and vegetables, etc., still as placental for his or her day to day operations. As per the International

customary Industrial Classification (ISIC) framework, the agro-based trade consists of the manufacturing/processing of food and beverages, textile, footwear and attire, animal skin rubber, paper and wood, and tobacco product.

3.1. Present Scenario

The Industrial statistics of organized manufacturing units, as reported in the Annual Survey of Industries of Central Statistical Organization (Table 1), indicate that there was less number of factories in rural areas vis-à-vis urban areas in 2017-18. However, their contributions towards total output and net value addition in the sector were somewhat identical. It shows that the establishment of more rural industrial units would go a long way in not only absorbing surplus labor but also contributing mainly to the total industrial output and value addition.

Table 1: Rural-Urban Break up of Industries in India
(Value Figures in Rs. Lakh & Others in Number)

Sector	Factories	Workers	Total Persons Engaged	Total Output	Net Value Added
	1	2	3	4	5
Rural	98,177	55,55,120	69,82,408	40,34,65,937	6,20,03,250
Urban	1,39,507	66,69,282	86,32,189	40,47,01,178	6,18,09,605
% Rural to Total	41	45	45	50	50
TOTAL	2,37,684	1,22,24,402	1,56,14,598	80,81,67,115	12,38,12,856

Source: Annual Survey of Industries, central Statistical Organisation, 2017-18(Provisional)

3.2. Exports of Agro-Based MSMEs -

Data collected from Directorate General of Commercial Intelligence and Statistics (DGCI&S) points to the fact that micro, small and medium scale agro-based industries have been contributing to about one-fifth of India's total exports, with exports remaining in the range of U.S. \$ 56,000 to 59,000 million in the past four years shown by table -2. These are primarily exports of textiles, ready-made apparel, etc.

Table 2: Exports of Agro-Based MSMEs
(Figures in US\$ million)

Sub Sector	Year			
	2014-15	2015-16	2016-17	2017-18
Animal Or Vegetable Fats And Oil And Their Products	973	877	893	1,264
Prepared Food Stuffs, Beverages, Spirits And Vinegar, Tobacco And Manufactured Tobacco Substitutes	5,918	5,837	6,010	6,205
Rubber And Articles Thereof*	7,808	7,619	7,787	9,311
Raw Hides And Skins, Leather, Fur skins & Articles Thereof; Saddlery And Harness; Travel Goods, Handbags And Similar Containers; Articles of Animal Gut (Other than silkworm gut)	3,872	3,442	3,233	3,312
Wood & Articles of Wood; Wood Charcoal; Cork And Articles of Cork, Manufactures of Straw, Of Esparto or other Plaiting & Materials; Basketware And Wickerwork	353	456	415	428

The pulp of wood or other Fibrous Cellulosic Material; Recovered (Waste and Scrap) Paper or Paper board, Paper and Paper board and Articles Thereof	1,430	1,447	1,464	1,702
Textiles & Textile Articles	37,654	36,728	36,477	36,738
Sub Total	58,009	56,405	56,290	58,959
India's Total Exports	3,10,338	2,62,291	2,75,852	3,03,376
Agro-based MSME Exports as a proportion of India's total exports (%)	18.7	21.5	20.4	19.4

Sources: DGCI&S and Ministry of Micro, Small & Medium Enterprises.

*Includes plastic products.

3.3. Govt. Schemes to Promote Agro-Based Industry

India was not able to sustain economic growth because the farmer's purchasing power has not improved much. If there is no purchasing power, there will be no demand for consumer goods. The Government is implementing many schemes to encourage agro-based industries. Govt. Plans to Promote Agro-Based Industry range from providing collateral-free credit and access to incubation centers to providing better equipment and employment opportunities for entrepreneurs in various corners of India.

Foreign Direct Investment has been permitted 100 percent in multi-brand retail. Foreign Direct Investment has been put on an automatic route in the seed sector, dairy, animal husbandry, and controlled atmospheric poly houses.

Pradhan Mantri MUDRA Yojana is a scheme launched on April 8, 2015, for providing loan options. 10 lakh to the non-corporate, non-farm small/micro-enterprises.

The Standup India Scheme facilitates bank loans between 10 lakh and one crore to at least one Scheduled Caste (S.C.) or Scheduled Tribe (S.T.) Borrower and at least one woman borrower per bank branch for setting up a Greenfield enterprise.

GraminBhandaranYojana aims to meet the requirements of farmers for storing farm produce, processed farm produce, and agricultural inputs.

The scheme's objective is to prevent distress sale immediately after harvest by providing the facility of pledge financing and marketing credit by strengthening agricultural marketing infrastructure in the country. It promotes grading, standardization, and quality control of agricultural produce to improve their marketability.

The Scheme of Fund for Regeneration of Traditional Industries (SFURTI) aims to organize traditional industries (such as bamboo, khadi, and honey) and artisans into clusters to make them competitive and provide support for their long term sustainability, sustained employment, and enhanced marketability of products.

The Credit Linked Capital Subsidy Scheme (CLCSS) is a facilitator of technology up-gradation of small scale industries, including khadi, village, and coir industrial units, by providing a 15% upfront capital subsidy (limited to a maximum of Rs. 15 lakh).

The Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE) facilities credit to MSME units through collateral-free loans up to a limit of Rs. 100 lakh for invidious MSMEs on payment of a guarantee fee to the Bank by the MSME.

Besides CGTMSE, the Government's focus lies on schemes such as Prime Minister's Employment Generation Programme (PMEGP), Pradhan MantriKisanSampadaYojana (PMKSY), system of

Cold Chain, Value Addition and Preservation Infrastructure, Modernization of Abattoirs scheme, and more.

3.4. Issues, Problems, and Challenges of Agro-Based Industries

Despite its high potentiality to ensure equitable income and employment opportunities in rural areas, the agro-based industrial sector has remained underdeveloped. A review of available literature indicates that the agro-based units have to address impending issues viz., Finance, Industrial Policy, Research and Development, Infrastructure Facilities, Marketing, Production, and Human Resource-related concerns. Table 3 maps significant problems with the types of issues faced by Agro-Based Industries in India.

Table 3: Issues and Types of Problems

Issue	Types of Problems
Financing agro-based units	<ul style="list-style-type: none"> • Underfinancing/inadequate/non-availability of bank finance • Inappropriate project appraisal • Delay in getting bank finance • Cost overrun due to high-interest rates and project completion delay
Industrial Policy, Research & Development	<ul style="list-style-type: none"> • Lack of implementation of industrial policy • Stringent regulatory provisions, environmental, tax, Labour policy/act/rules • Lack of industrial research& development • Non-availability of Right Consultancy Services • Lack of Accredited Research Laboratory for total quality control
Infrastructure	<ul style="list-style-type: none"> • * Lack of warehouse, cold chain facilities • Expensive Logistic support • Location disadvantages • Wastage management
Marketing	<ul style="list-style-type: none"> • Distance from the warehouse, cold chain facilities • * Lack of national/international market access along with inappropriate market research • Competition with Multi-National Companies • Dependence on government subsidy and other support • Inconsistent quality of processed products • Weak and nonexistent market development
Production	<ul style="list-style-type: none"> • Backward, forward linkage issues relating to production • Inappropriate and obsolete process and ancillary equipment\Underutilization of capacity • Shortage or inconsistent raw materials supply • Seasonality of crops
Human Resources	<ul style="list-style-type: none"> • Labor shortages in rural areas Unskilled labor • Low investment in skillset up-gradation

The challenges highlighted on top of counsel that a national strategy for agro-industrial development is probably going to be wide-ranging. However, a number of the essential problems such a policy may cowl square measure as follows:

- Work with agro-industries at the sub-sector and sector levels to outline plans to boost aggressiveness in domestic and international markets.
- Work with giant agro-industries to help tiny farms and producers in meeting their needs.
- Work to eliminate institutional barriers to entry that inhibit entrepreneurial dynamism.
- Guarantee effective competition between enterprises within the agro-industrial sector to confirm alternative for primary producers and customers and 'fair' costs.
- Work towards the improvement of general and sector-specific infrastructure, operating with the personal sector wherever applicable.
- Lay down a restrictive framework that facilitates business investment, promotes competition between agro-industrial enterprises, and ensures 'fair treatment of customers and first producers.
- Build a strategic investment in analysis and development that, instead of being broad-based, a square measure directed at known areas of competitive advantage.
- Hash out with international commercialism partners for market access and technical help directed at competitors in markets wherever a competitive advantage has been known.

In developing such ways, there's no want for developing countries like India to every begin from scratch and to 'reinvent the wheel.' Developing countries, and therefore the sectors and companies in this, ought to be inspired to share experiences. Bilateral and quadrilateral donors and development organizations will play a job in facilitating expertise sharing and in supporting processes of technology transfer. In contrast, FDI and, therefore, the trade relations that companies in developing countries have with international patrons are going to be of skyrocketing importance to capability development at the enterprise level.

3.5. Potential of Agro-Based Industries

The unsteady and decelerating agricultural growth, if not inactive, can have severe consequences for the livelihoods of the population that depends on agriculture, significantly the producing sector that has robust backward and forward linkages with agriculture. The liberalized food-producing sectors, similarly as alternative types of agribusinesses, may play an essential role in stimulating agricultural growth. Amongst numerous agro-industries, food production is a lot of material intensive, and so possesses a lot of vital potential to revitalize agricultural growth by strengthening forward and backward linkages with farmers, and speed up the method of exploitation and diversification of agricultural production. Further, food process industries, to cut back their dealings prices, typically tend to be placed nearer to the supply of material, and so will produce financial gain opportunities for the rural folks. Hence, fast agricultural growth through diversification and development of agro-processing could be a vital policy challenge. Unfortunately, the economy is nonetheless to appreciate the total potential of those industries within the general and food-producing sectors, especially. The demand for processed food and alternative agro-based merchandise is increasing thanks to sustained financial gain growth, increasing urbanization, an aggressive middle-income category, increasing entry of ladies within the workforce, the nuclearization of families, enhancements in accomplishment, and exposure to western foods. The share of processed diet merchandise associate degreed beverages within the food basket has shown an increasing trend over the last three decades.

Demand for processed foods is a lot of attention to financial gain and value changes and can grow quicker than the other food item. By 2020, processed food merchandise and beverages square measure went to account for regarding V-day share within the food basket. Rising demand, in

conjunction with enhancements in transportation, logistics, communication, technological innovations, logistics, communication, technological innovations, adequate legal and restrictive arrangements, and alternative favorable economic policies in food and alternative agro-processing of these provide vast scope for the expansion of process business. The domestic, similarly because the international market, is gigantic. Solely with production assisted by trendy technology and intensive selling will the native market similarly because the export market should be exploited to the fullest extent. The event of the Agro-Industry will facilitate to stabilize and build agriculture a lot of remunerative and create employment opportunities each at the assembly and selling stages. The food process sector in India has the supply of potential attracting investments and generating employment. The broad-based development of the agro-products business can improve each of the social and physical infrastructures of India.

4. CONCLUSION

This paper has wanted to stipulate the promotion of agro-industry within the country and, therefore, the challenges being baby-faced, most notably because of the international agro-food economy changes in response to a series of pervasive megatrends. Indian planners and policymakers have perpetually inspired rural and Agri- industrial enterprises. The inherent blessings of Agri- industries square measure optimum utilization of native Agri- resources, Mobilisation of investment on an oversized scale, creation of job chance, hindrance of distress rural-urban migration, and reduction of inequality across sectors and regions. Agri-based industries adapt to the notion of competitive blessings each inside and outdoors the country. They'll play the role of a security valve to soak up surplus rural labor and may address the matter of serious scale unemployment/ disguised employment in rural areas. The critical challenge here is, however, effectively the govt. Implements its schemes and policy interventions to confirm balanced industrial growth in rural regions while not undermining the identity of the towns and villages; its socio-economic structure Agri- production systems and, therefore, the essential agri-manufacturing characteristics.

REFERENCES

- [1]. Annual Report of Ministry of Micro, Small & Medium Enterprises.
- [2]. **Barrett, C., Barbier, E., and Reardon, T. (2001).** Agro-industrialization, Globalization, and International Development: The Environmental Implications. Environment and Development Economics.
- [3]. Central statistics office (Economic survey). 2018-19.
- [4]. **Cook, M., and Chaddad, F. (2000).** Agro industrialization of the Global Agrifood Economy: Bridging Development Economics and Agribusiness Research. Agricultural
- [5]. Countries: Trends and Policy Impacts. Agricultural Economics.
- [6]. Developing Countries. World Development.
- [7]. **Diaz-Bonilla, E., and Rea, L. (2000).** Trade and Agroindustrialization in Developing
- [8]. Economics.
- [9]. Export and Import Report, Ministry of Commerce and Industry, 2018.
- [10]. **F.A.O. (2007).** Challenges of Agribusiness and Agro-industries Development, Committee of Agriculture, Twentieth Session, COAG/ 2007/5, Rome, Italy.
- [11]. **Ganesh Kumar.** Reforms in Indian agro-processing and agriculture sectors in the context of unilateral and multilateral trade agreements. 8th annual conference on global economic analysis.

- [12]. **Goyal, S. K. (1994).** "Policies Towards Development of Agro-industries in India." In G. S. Bhalla, ed., *Economic Liberalization and Indian Agriculture*, Chapter VII (pp. 241-286). New Delhi: Institute for Studies in Industrial Development.
- [13]. Kurukshetra, A journal on Rural development, Ministry Of Rural Development
- [14]. **Mead, D.C., and Liedholm, C. (1998).** *The Dynamics of Micro and Small Enterprises in*
- [15]. Ministry of Agriculture & Farmers Welfare Committee on Doubling of Farmers Income Report, 2018.
- [16]. Ministry of Agriculture & Farmers Welfare, G.O.I., Annual Report, 2018.
- [17]. **Mishras, Karg Cand N. (2004).** *Agro-industries and economic development*, deep & deep publications Pvt. Ltd., New Delhi.
- [18]. **Rabobank (2008).** *The Boom Beyond Commodities: A New Era Shaping Global Food and Agribusiness*, Hong Kong.
- [19]. **Reardon, T., and Timmer, P. (2005).** *Transformation of Markets for Agricultural Output in Developing Countries Since 1950: How Has Thinking Changed?* In: Evenson, R., Pingali, P. and Schultz, T.P (eds) *Handbook of Agricultural Economics: Agricultural Development, Farmers, Farm Production, and Farm Markets*. North-Holland, New York.
- [20]. **Reddy Jagdish, (2019).** *India Agro-based Industries Types and problems*, <https://www.agrifarming.in/india-agro-based-industries-types-and-problems>
- [21]. *The Hindu*, India's national newspaper.
- [22]. **Tripathy, K. K (Jan 2010).** *Agro-based Industry in India* Kurukshetra, A journal on Rural development. Vol 58 N0 3, Pp21-25
- [23]. Vikrampuri. *Agribusiness an excellent career opportunity for talented people*. International food and agribusiness management.
- [24]. **World Bank (2007).** *World Development Report 2008 - Agriculture for Development*, Washington, DC.
- [25]. Yojana, A development monthly, Room No. 660, Sookhana Bhavan, Lodhi Road, New Delhi-110003