

Performance of agro based industries in India

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Abstract

Industrial development not only depends on innovation and capital outflow in a country, but also it needs availability of raw materials and adequate physical infrastructural facilities. Agriculture is one of the major raw material providing sector for major industries like paper, sugar, textile, fertilizers, chemical, edible oil, etc., Agro-based industries can play an important role to a large extent in solving the problem of poverty, unemployment and inequality in India and can significantly contribute to the overall development of the economy by efficiently utilizing the local raw materials which consequently may result in increase of gainful employment opportunities to poor people mainly landless, marginal and small farmers. This paper discusses the performance of agro based industries in India.

Keywords: Agro based industry, Agriculture, Small farmers, Labour intensive, Capital saving

1. Introduction

Agriculture and industry are integral components of the development process due to their mutual relationship as agriculture provides inputs to the industry and output of the industry is used in agriculture to expand production. There are many industries which are based on agricultural production. Agro-based industries depend on agriculture for their raw-material and other basic inputs. This inter-dependence must be oriented to suit the need of our country and State. Stabilization and growth of agricultural production results in rapid advancement in output and employment in agro-industries. Further, the cumulative effect of agricultural growth and growth of agro-industries creates greater opportunities for industrial growth as well as integration of the different sectors of the economy. Agro-based industries may be classified into two categories namely food processing industries and non-food processing industries. Food processing industries mainly deal with the preservation of perishable products and utilisation of by-products for other purposes. These types of industries include the processing of wheat, rice, maize, barley, pulses, meat, fruits, vegetables, etc.

1.1 Agro Based Industries

1. Agro-produce processing units

They merely process the raw material so that it can be preserved and transported at cheaper cost. No new product is manufactured. Ex: Rice mills, Dal mills etc,

2. Agro-produce manufacturing units

Manufacture entirely new products. Finishing goods will entirely differ from its original raw material. Ex: sugar factories, Bakery, Solvent extraction units, Textile mills etc,

3. Agro-inputs manufacturing units

Industrial units which produce goods either for mechanization of agriculture or for increasing

productivity come under this type Ex: Agriculture implements, Seed industries, Pumps, Fertilizer and pesticide units etc,

4. Agro service centre

Agro service centres are workshops and service centres which are engaged in repairing and servicing of pump sets, diesel engines, tractors and all types of farm equipment.

1.2 Review of Literature

Vikram Puri (2012) ^[13] explains that Agribusiness boom is underway in India, and it needs big talent to drive its growth. Growth in agricultural productivity will build incomes and assets, and although somewhat cyclical, at the macro level, agriculture in India will inherently be recession proof over the long term. The greatest achievement for India will come from sustained self-sufficiency in food.

Vasant Gandhi (2001) ^[12] delivered that Agro industry has been given significant priority in economic development in India. The agro industrial sector in India contributes a large share of overall employment in industry as well as value addition and income generation. Its continued role in promoting development, and reducing poverty, will depend on its capacity to contribute to small farm income and rural employment, particularly among the landless poor. Managerially, one of the major challenges lies in organizing sustained production and procurement from large numbers of small farmers.

Pawan Kumar Dhiman and Amita Rani (2011) ^[8] discussed Agro based industry is regarded as the sunrise sector of the Indian economy in view of its large potential for growth and likely socio economic impact specifically on employment and income generation. Some estimates suggest that in developed countries, approximately 14 per cent of the total work force is engaged in agro-processing sector directly or indirectly.

However, in India, only about 3 per cent of the work force finds employment in this sector revealing its underdeveloped state and vast untapped potential for employment.

Karand Mishra (2004) ^[6] has stressed in his book “Agro industries & economic development” that setting industries which make use the producers of agriculture directly or indirectly are considered more desirable in the context of the economic development of the country. Such a development has a two way effect i.e. Agriculture helps agro-related industries to make use of the raw materials directly supplied by this sector and it facilitates the growth of those types of industries which produce several inputs like fertilizer, pesticides and agricultural implements that help to promote the productivity and expansion of agriculture.

Ganesh-Kumar (2011) ^[5] concluded that agro-processing sector in India is small relative to the primary agriculture sector; its role as a driver in agricultural development and employment is therefore not critical at present. Find that indirect effects on agro-processing from India’s policy reforms in other sectors are more important than reforms in agro-processing itself. This is especially true of policy reforms in primary agriculture, which can impact agro-processing through both input supply and aggregate demand. Moreover argue that an economy-wide perspective when targeting reform or development of the agro-processing sector in India.

Lakshmi Kantha Reddy and Rathnakumari (2014) ^[9] explains that agriculture has been a way of life and continues to be single most important livelihood of the masses. Agricultural policy focus in India across decades has been on self-sufficiency and self-reliance in food grains production. Agro based industries in the development of India is widely recognized and needs no emphasis. They can provide vast employment opportunities at comparatively low investment.

Randeni (2011) ^[11] suggested that technology can make a considerable contribution to develop agro -based industries as far as possible. In this point of view, a deeper investigation was made to identify whether they have been provided more technological facilities as they expected. In this review to some extent it was noted that they are having lack of expected technological facilities as well as technological know –how. The agro-based industries can be established and developed very well in NCP enabling to cater the industrial purposes of the country.

Arul Kumar and Manimannan (2014) ^[2] found that Agriculture still forms the life line of our Indian economy and vital

activity of a human being. Agriculture sector in India contributes nearly half of the national income, providing jobs to three fourth of the total population. In short agriculture plays a significant role in the economic development process of a country and agriculture continues to be the most predominant sector of the Tamilnadu economy. Agriculture productivity has been an important issue as the population continues to grow.

Rajiv Khosla (2013) ^[10] suggested agro based industries are seen as an important link between agriculture and industry which can solve inherent problems prevailing in the Indian agriculture. But, to promote agro industries in an imprecise way to solve agricultural problem will not offer any solution. In case of number of agro based industries relative labour, capital and efficiency clearly and consistently indicates bright prospects and a good scope of their development. In case of many other agro based industries evidence is equally clear about bleak prospects of further development. On the basis of these evidences, we can say with some confidence that the following agro based industries have a very good scope of development in India.

Prabeena Ambidattu (2015) ^[9] explains India is one of the largest producers of food and it is also the largest producer of milk, sugar cane and tea. Second largest producer of rice, fruits, wheat and vegetables. In India 70% of the population depends on agriculture and agro based industries. The development of agro processing industries implies the development of agriculture on one hand and the entire set of industries, linkages, and investments that cater to the demands of the masses with improving incomes and environment on the other. It creates space for improving farm industry linkages along with great export potential.

1.3 Agro based Industries in India

Agro industry is an enterprise that processes raw materials, including ground and tree crops as well as livestock. The degree of processing can vary tremendously, ranging from the cleaning and grading of apples to the milling of rice, to the cooking, mixing, and chemical alteration that create a texturized vegetable food agro industries can be roughly categorized according to the degree the raw material is transformed. In general, capital investment, technological complexity and management requirements increase in proportion with the degree of transformation.

Table 1: Agro based Industries in India

S. No	Description	Industries	Productive Capital*	Workers
1	Food products	35346	21979802	1232679
2	Textiles	18645	24860635	1267670
3	Rubber and plastic products	13147	10079179	466790
4	Tobacco products	3294	1310788	425799
5	Beverages	2103	3881305	121346
6	Paper and paper products	6810	5415903	193026
7	Cotton ginning, cleaning and bailing, Seed processing for propagation	3301	1474036	73096
8	Wood and products of wood and cork, except furniture	4269	891952	60034
	Total	86915	69893600	3840440

*Capital measured as Rs. in lakh

Source: Annual Survey Industries 2013-14.

Table No 1 shows that, as per the annual survey of industries 2013-14, there are 86915 agro based industries with 3840440 workers and its productive capacity amounted to Rs.69893600 lakhs.

Agro based industries can provide increasing employment opportunities to the landless poor's and rural peoples. Agro

based industries will help to diversification of rural economy it will help to reduce extreme dependence only on agriculture which makes for in stability of rural economy. Agro based industries would help to solve the unemployment and under employment especially among landless agricultural labor and tribal population.

Table 2: Agro based Manufacturing Industries Production Growth Rate in India

S. No	Industry Group	2009-10	2010-11	2011-12	2012-13	2013-14
1	Food products & beverages	133.5	142.9	164.8	169.5	167.7
2	Tobacco products	102.0	104.1	109.7	109.2	110.2
3	Textiles	127.4	135.9	134.0	142.0	148.3
4	Wood & products of wood and cork, except furniture, manufacturing of articles of straw	160.1	156.5	159.2	147.9	144.6
5	Paper & paper products	121.1	131.4	138.0	138.7	138.6
6	Rubber and plastic products	167.4	185.2	184.6	185.0	181.1
	Total	811.5	856.0	890.3	892.3	890.5

*Base 2004-05=100.

Source: Central statistic office (Economic survey 2014-15).

Table No 2 reveals that agro based manufacturing industries production growth rate in the year 2009-10 was 811.5 and it has been increased to 890.5 in the year 2013-14. Agro based industries has been consistently growing in India during the year 2009-10 to 2013-14.

Agro-based industries by providing employment and income to rural masses would help to reduce extreme inequalities of income that persist today in Indian economy because

industries have got concentrated in urban areas. Agro-based industries would thus be a step in the direction of reducing extreme inequalities of income and wealth both in rural and direction of establishing socialist pattern of society.

It ensure to rural people for employment and steady income. Agro based industry is the most important factor of poverty alleviation and developed the socio economic rural people.

Table 3: Exported Agro Based Products

S. No	Commodity	2014-2015			2015-2016 (Prov)		
		Quantity	Value	%	Quantity	Value	%
1	Rice (Basmati)	3698.93	4516.28	23.13	2388.82	2172.52	23.01
2	Rice (except Basmati)	8278.23	3336.84	17.08	3824.16	1398.39	14.81
3	Spices	926.02	2430.35	12.44	491.29	1472.71	15.60
4	Cashew	134.57	909.26	4.65	59.08	452.58	4.79
5	Sugar	1955.19	871.41	4.46	1639.48	611.81	6.48
6	Other Cereals	3514.35	869.11	4.45	645.48	162.33	1.74
7	Wheat	2924.05	828.75	4.24	415.92	102.5	1.08
8	Coffee	221.04	814.02	4.18	147.07	460.25	4.87
9	Fresh Vegetables	2061.00	763.24	3.90	923.63	388.05	4.11
10	Groundnut	708.39	760.37	3.89	219.74	278.07	2.94
11	Tea	215.41	681.79	3.49	137.07	414.98	4.39
12	Processed Fruits & Juices	-	592.26	3.03	-	330.38	3.49
13	Fresh Fruits	486.94	516.26	2.64	231.06	244.56	2.59
14	Cereal Preparations	305.43	496.41	2.54	188.15	298.47	3.16
15	Processed Vegetables	-	281.75	1.44	-	145.82	1.54
16	Pulses	222.14	199.86	1.02	130.44	122.51	1.29
17	Other Oil Seeds	247.54	185.03	0.94	116.89	86.13	0.93
18	Milled Products	419.86	168.76	0.88	259.99	101.01	1.06
19	Cocoa Products	20.88	138.87	0.74	19.55	108.34	1.15
20	Vegetable Oils	42.05	94.56	0.48	15.23	46.35	0.49
21	Fruits &Vegetable Seeds	12.05	69.96	0.38	3.61	42.48	0.48
	Total	26394.88	19525.14	100	11857.92	9440.33	100

* Quantity measured as Thousand Million Tonnes and Value measured as Millions in \$

Source: Ministry of Commerce & Industry.

In the year 2014-15, export of agro based industries quantity amounted to 26394.88thousand million tones with the value of \$ 19525.14million, of which basmati rice (23.33%) is the major agro based export products.

In the year 2015-16, export of agro based industries quantity amounted to 11857.92thousand million tones with the value of

\$ 9440.33million, of which basmati rice (23.01%) is the major agro based export products.

4. Conclusion

The impact of agro-based industries was significant on the income levels of all categories of the rural population. The

increase in incomes was more spectacular in the households of agricultural workers employed in agro-based industrial units. While the farmer category was benefited by the agro-based industries indirectly through higher rates of wages and ensured employment in the farm sector, the latter was benefited by the employment in agro-based industrial units.

Agro based industries in India is one of the basic and backbone of Indian economy which provide employment, income generation, industrial inputs and outputs, regional growth and associated with all kind of walks of human beings. Growth of agricultural sector became a growth of socio-economic development of the country. Therefore, it is concluded that, there is a vast scope in the export of agro based products in future with huge volume of foreign exchange. There is a need of specialized and effective steps to be taken for promoting the agro based export in future.

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