

## Food Processing Industry under “Make in India” Programme: An Opportunity for Uttar Pradesh.

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### ABSTRACT

Uttar Pradesh is a vast state of India with 200 million consumer base. The state is also having an extensive cover of varied soils and subtropical climate, which enables it to produce variety of agricultural crops. Thus, state is occupying an important place in production of agricultural crops, horticultural, milk and meat in the country. The state also occupies a prominent place in deciding the political future of the Country. Therefore, availability of raw materials, changing lifestyles and relaxation in policies has given a considerable push to the industry's growth. Thus, state is having viable potential of becoming the next manufacturing destination within the country under the burgeoning opportunity of flagship programme “Make in India” of government of India. In so much, the state presents an attractive capital and technology investment opportunity, for both domestic and foreign investors in food processing sector. The food processing industry is among the few that serves as a vital link between the agriculture and industrial segments of the economy. Therefore, strengthening this link is of critical importance for economic and social progress of the state.

**Keywords:** agriculture, raw materials, food processing, Make in India, industrial, economy.

### INTRODUCTION:

Uttar Pradesh is the most populous and vast state in the country with a 200 million consumer base, contributing almost 8 percent to India's GDP. It is an agrarian state, which is blessed with large tracts of fertile land and suitable climate that is supporting a variety of crops, engaging about 65 per cent of the workforce. Uttar Pradesh has been also known as the most important state for deciding the political future of the Country (NRI, Depot, U.P, 2015). It has shown steady improvement in its industrial scenario over the years though it still falls behind a number of states (Table-1, Figure-1) and contributes nearly 21.2% in its GSDP. The main industries in state are information technology, agro processing, tourism, mineral-based industries, textiles, handloom and handicrafts, food processing and sports goods (Sharma, *et.al*, 2015).

Table-1: Share of Industry in GSDP

Sl.No.	Year	Share in GSDP (per cent)
1	2004-05	23.30
2	2009-10	24.50
3	2013-14	21.20

Source: PHD Research Bureau, CSO (2014-15).

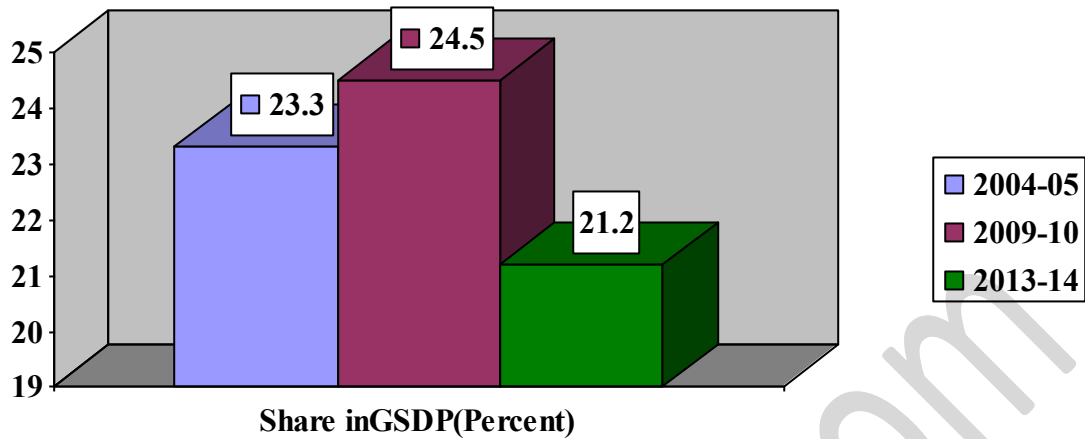


Figure-1: Share in GSDP (Per cent)

The state of Uttar Pradesh occupies a prominent place in the agriculture sector in the country and availability of raw materials, changing lifestyles and relaxation in policies has given a considerable push to the industry's growth. Thus, state is having sustainable opportunities of becoming the next manufacturing destination with in the country under the burgeoning opportunity of flagship programme "Make in India" of government of India. It is an attempt to alter the production structure of the economy through shift from agriculture to manufacturing. In state, it has been identified that the food processing industry in state presents an attractive capital and technology investment opportunity for both domestic and foreign investors. "Make in India" is also an initiatives to encourage companies to manufacture their products in India with aim to increase GDP growth and tax revenue and focuses on new ideas and initiatives such as first develop India and then foreign direct investment, look-east on one side and link-west on the other, highways and 'I-ways, facilitate investment, foster innovation, protect intellectual property, build best-in-class manufacturing infrastructure and with also intention of reviving manufacturing businesses and emphasizing key sectors in India amidst growing concerns that most entrepreneurs are moving out of the country due to its low rank in ease of doing business ratings (Ramana, 2015). The 25 key sectors (Table-2) identified under the programme of the economy for job creation and skill enhancement (Ramana, 2015).

Table-2: Key sectors allowed making in India programme.

Automobiles	<b>Food Processing</b>	Renewable Energy
Automobile Components	IT and BPM	Roads and highways
Aviation	Leather	Space
Biotechnology	Media and Entertainment	Textiles and garments
Chemicals	Mining	Thermal Power

Construction	Oil and Gas	Tourism and Hospitality
Defence manufacturing	Pharmaceuticals	Wellness
Electrical Machinery	Ports	
Electronic Systems	Railways	

**Food processing** is subset of manufacturing that processes raw materials and intermediate products derived from the agricultural sector. This domain is among the few that serves as a vital link between the agriculture and industrial segments of the economy. Strengthening this link is of critical importance because food processing offers several advantages. Firstly, it reduces wastage of food and contributes to food security. Secondly, it provides better returns to farmers by seeking to create a supply chain that links farms and farmers to industries and markets. Thirdly, it is a labour-intensive industry which can potentially employ several jobless young men and women in Uttar Pradesh. Fourthly, it could boost agricultural exports from state, which currently account for a very small share in the global trade in food products. The need of the hour is to create effective, inclusive and sustainable food processing infrastructure, which can potentially realize these social and economic objectives.

#### SEGMENTS OF FOOD PROCESSING INDUSTRY

The processed food industry is divided into the broadly two segments (Rao,*et.al*, 2009):-

**Primary Processed Food:** It includes products such as fruits and vegetables, packed milk, unbranded edible oil, milled rice, flour, tea, coffee, pulses, spices, and salt, sold in packed or non-packed forms.

**Value-added Processed Food:** It includes products such as processed fruits and vegetables, juices, jams, pickles, squashes, concentrate, processed dairy products (ghee, paneer, cheese, butter), processed poultry, processed marine products, confectionary, chocolates, alcoholic beverages.

#### METHODOLOGY

To study potential of Uttar Pradesh to promote food processing industries in state under Make in India programme. The relevant literature was reviewed and analyzed for secondary data, available on production of food grains, fruits, vegetables, milk and meat in the state. The data sources are research journals, newspapers, policy papers and state and central government departments' reports, etc. Data was analyzed using a qualitative data analysis, which involved the process of describing, classifying and connecting (Ritchie and Lewis, 2003).

Discussion in the paper is organized into following three broad sections:

**Section-1** of the paper gives an overview of raw material production in the state.

**Section-2** deals with initiatives taken to facilitate food processing industries by government,

**Section-3** belongs to SWOT analysis of potential of state for food processing industries.

## 1. OVERVIEW OF RAW MATERIAL PRODUCTION IN THE STATE

The state is producing major food grain i.e. rice, wheat, chick pea, fruits, such as mango, guava, litchi, lemon, jack fruit, bael etc. and vegetables like potato, tomatoes, cauliflowers, garlic, chilies, peas, turmeric etc. are important. There is also enormous scope for increasing agricultural productivity and growth. Performance of the livestock production is also very impressive.

- 1.1. Horticultural Production:** Uttar Pradesh is ranked 1<sup>st</sup> in horticultural produce ( Table-3a), which include mainly fruits like mango, guava, papaya, banana, etc. and vegetable such as potato, cabbage, cauliflower, carrot, tomato, sweet peas, etc. (NHB, 2014). Crop wise horticultural production is also very impressive (Table-3b, Figure-2), which may offer a rich source of raw material to industry.

**Table-3(a): Top 10 States of Horticultural Production India.**

Rank	State	Production(000 MT)
1	Uttar Pradesh	26042.9
2	Maharashtra	24277.0
3	Tamil Nadu	23671.5
4	Gujarat	20813.0
5	Madhya Pradesh	20058.4
6	Karnataka	19457.9
7	Bihar	19428.9
8	Andhra Pradesh	18429.8
9	Odisha	12092.9
10	Kerala	10887.4

**Source:** National Horticulture Board, 2014(Govt. of India).

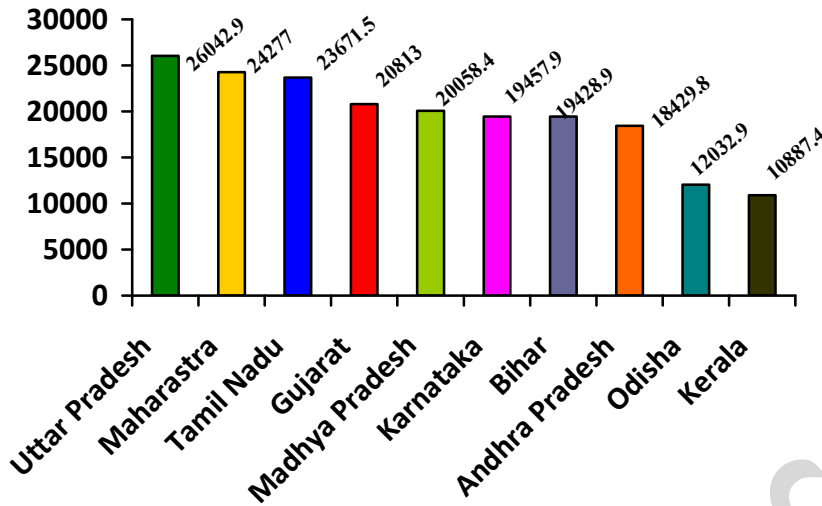


Figure-2: Top 10 States of Horticultural Production (000 MT) India

Table-3(b): Crop wise horticultural production in state per annum

Sl.No.	Crops	Production((MT.)
1	Mango	4133971
2	Guava	283387
3	Banana	119425
4	Papaya	8330
5	Citrus	1545
6	Aonla	352680
7	Potato	12547235
8	Tomato	325503
9	Peas	1947839
10	Garlic	226994
11	Petha	26180
12	Pumpkin	31237
13	Parwal	26180
14	Musk-Melon	439062
15	Water-Melon	485145

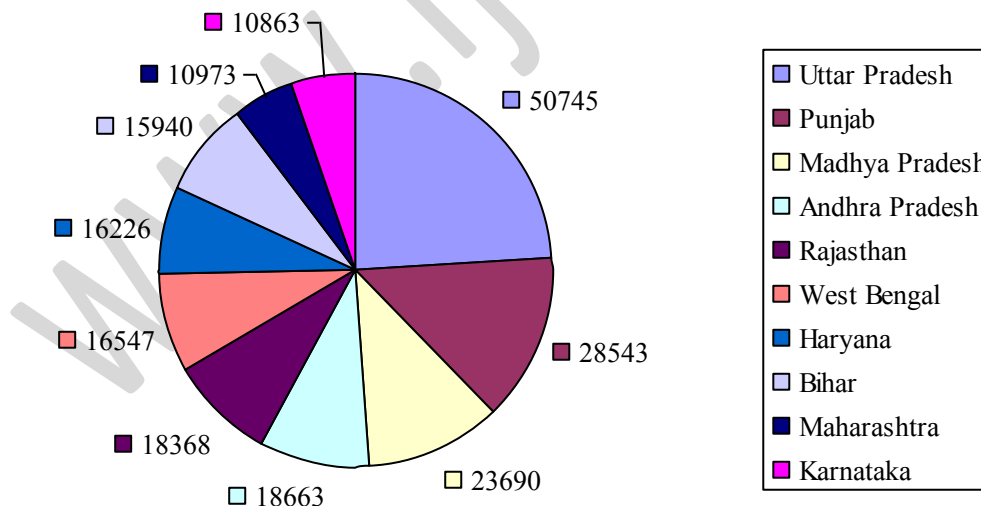
Source: Dept. of Horticulture & Food Processing, U.P. (2014)

**1.2. Food grain production:** A rich raw material resource base in the state of food grains and reported 1st in country (Table-4a, Figure-3), which include mainly wheat, rice, pulses, oil seeds, etc. (Depot. of Economics and Statistics, 2013-14). Food grain production is increasing in almost all commodities (Table-4b), which is indicating towards an important raw material base in state (Dainik Bhaskar, 2015)

**Table-4(a): Top 10 States of food grain production.**

Rank	State	Production( 000MT)
1	Uttar Pradesh	50745
2	Punjab	28543
3	Madhya Pradesh	23690
4	Andhra Pradesh	18663
5	Rajasthan	18368
6	West Bengal	16547
7	Haryana	16226
8	Bihar	15940
9	Maharashtra	10973
10	Karnataka	10863

**Source:** Directorate of Economics and Statistics, Ministry of Agriculture, Govt. of India, (2013-14)



**Figure-3: Top 10 States of food grain production(000MT) in India**



Table-4(b): Grains production in state per annum.

Sl.No.	CROPS	PRODUCTION((LMT.)
1	Food grains	536
2	Pulses	24
3	Oil seeds	12
4	Wheat	334
5	Rice	138
6	Mustard	945000
7	Maize	13
8	Gram	697,000
9	Pigeon pea	259000

Source: Dainik Bhaskar, epaper, Mar 27, 2015.

- 1.3. Milk Production:** Uttar Pradesh is also a largest milk producing state in the country, which is supporting rural economy as it largely depends on production and processing milk. Milk production mainly includes cow, buffalo and goat milk (Table-5).

Table-5: Milk Production (LMT.) per annum.

Sl.No.	Milking Animal	Milk Production (in LMT.)
1	Cross Bred Cow	18.400
2	Non- Descript Cow	45.462
3	Buffalo	175.240
4	Goat	12.875

Source: Department of Animal Husbandry, GOUP. (2014-15)

- 1.4. Livestock Production:** In state production of livestock is very impressive, which include buffalo, goat, sheep and pigs (Department of Animal Husbandry, U.P. 2014-15). Thus, livestock production indicates a rich resource base of raw material availability for food manufacturing (Table-6).

Table-6: Meat Production per annum

Sl.No	Species	Meat Production (in lakh kg.)
1	Buffalo	7575.14
2	Goat	1771.65
3	Sheep	230.99
4	Pig	1410.32

Source: Department of Animal Husbandry, Govt. of U.P (2014-15)

## 2. FACILITATION OF FOOD PROCESSING INDUSTRIES IN STATE

**2.1. The state government initiatives:** The state offers a wide range of subsidies, fiscal and policy incentives, industry friendly policy framework to foster investments coupled with availability of skilled and semiskilled workforce, attractive incentives and a responsive and prompt public delivery system. Some of financial incentives provided by Uttar Pradesh government (Food Processing Industrial, Industrial and Infrastructure Development policy, 2012) are as follows:

- i) 100% Exemption from Stamp Duty.
- ii) Exemption from Mandi Fees :
- iii) Interest subsidy
- iv) Capital Investment Subsidy
- v) Research & Development Grant
- vi) Assistance for Global competitiveness, quality & standardization
- vii) Assistance for Patent/ Design Registration
- viii) Assistance for Market Development.
- ix) Assistance for Human Resource Development under National Food Processing Mission

**2.2. The union government initiatives:** Highest priority has been accorded by the Government of India for the development of infrastructure and has already taken several initiatives on this front which include developing of food parks, packaging center, modernized abattoirs, integrated cold chain facilities, irradiation facilities and value added center. In terms of policy support, the ministry of food processing has taken the following initiatives (MFPI, 2012):

- i. Formulation of the National Food Processing Policy
- ii. Complete de-licensing, except for alcoholic beverages
- iii. 100% FDI on automatic route
- iv. Excise duty waived on fruits & vegetables processing from 2000 – 01
- v. Income tax holiday for fruits & vegetables processing from 2004 – 05
- vi. Customs duty reduced on freezer van from 20% to 10% from 2005 – 06
- vii. Implementation of Fruit Products Order



- viii. Implementation of Meat Food Products Order
- ix. Enactment of FSS Bill 2005
- x. Food Safety & Standards Bill, 2005

Apart from these initiatives, the Centre has requested state Governments to undertake the following reforms:-

- a. Amendment to the APMC Act
- b. Lowering of VAT rates
- c. Declaring the industry as seasonal
- d. Integrate the promotional structure.

### **3. SWOT ANALYSIS OF POTENTIAL FOR FOOD PROCESSING**

#### **3.1. Strengths**

- i. Sufficient and viable availability of raw material.
- ii. Priority sector status for food processing given by the government.
- iii. Food Processing Industry, Industrial and Infrastructure Development policy.
- iv. Vast network of manufacturing facilities.
- v. Vast domestic market.
- vi. Skilled and cheap work force.

#### **3.2. Weaknesses**

- a. Low availability of adequate infrastructural facilities.
- b. Lack of adequate quality control & testing methods as per international standards.
- c. Inefficient supply chain due to a large number of intermediaries.
- d. High requirement of working capital.
- e. Inadequately developed linkages between R&D labs and industry.
- f. Seasonality of raw material.

#### **3.3. Opportunities**

- i. Large crop and material base offering a vast potential for food processing industry.
- ii. Setting of SEZ/AEZ and food parks for providing added incentive to develop greenfield projects.
- iii. Rising income levels and changing consumption patterns.
- iv. Favourable demographic profile and changing lifestyles
- v. Integration of development in contemporary technologies such as electronics, material science, bio-technology etc. offer vast scope for rapid improvement and progress
- vi. Opening of global markets.

#### **3.4. Threats**

- a. Affordability and cultural preferences of fresh food.
- b. High inventory carrying cost.
- c. High taxation.
- d. High packaging cost.

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## CONCLUSION

Uttar Pradesh is vast state and contributing almost 8 percent to India's GDP. The state is primarily being an agrarian economy has shown steady improvement in its industrial scenario over the years though it still falls behind a number of states and contributes nearly 21.2% in its GSDP. The state is ranked 1st in horticultural crop, food grain, milk production and potential of meat production is quite impressive because large number of livestock. In addition to raw material base, state also offers supportive incentives for promotion of food processing industries in state in line of Centre government. Therefore, Food processing sector serves as a vital link between the agriculture and industrial segments of the economy. Strengthening this link is of critical importance and exploiting the potential of large base of raw material resource with in the state and opportunities of "MAKE IN INDIA" programme of government of India.

## RECOMMENDATIONS AND ADVANTAGE OF UTTAR PRADESH

The state has a strong competitive advantage in food processing, being blessed with unsurpassed natural advantages. Exploitation of this potential can bring about an era of prosperity with the right mix of employment generation and profits. Following are significant reasons for investing in state's food processing sector:

- 1) It is the largest state in the country, with extensive administrative structure and sound financial & infrastructural network and above all a stable and thriving democracy.
- 2) Due to its diverse agro-climatic conditions, it has a wide-ranging and large raw material base suitable for food processing industries. Presently a very small percentage of these are processed into value added products.
- 3) It is one of the biggest emerging markets, with over 200 million consumer base
- 4) Rapid urbanization, increased literacy and rising per capita income, have all caused rapid growth and changes in demand patterns, leading to tremendous new opportunities for exploiting the large latent market.
- 5) Demand for processed/convenience food is constantly on the rise.
- 6) State's comparatively cheaper workforce can be effectively utilized to set-up large low cost production bases for domestic and export markets.
- 7) Liberalized overall policy supports, with specific incentives for high priority food processing sector, provide a very conducive environment for investments and exports in the sector.
- 8) Very good investment opportunities exist in many areas of food processing industries, the important ones being: fruit & vegetable processing, meat, packaged, convenience food and drinks, milk products etc.

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