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A solution at last for low farmer incomes? Why the food processing sector is critical for a developing India

Rising consumer incomes are creating bigger markets for processed foods

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Rising consumer incomes in India are creating bigger markets for processed foods. This has generated the need for new and modern post-harvest and agro-processing technologies for meeting this demand.

Boost for the sector

The Ministry of Food Processing has undertaken many programmes to give a boost to this sector by enabling domestic policies. In an open economy, it is equally important to establish global linkages and encourage foreign direct investment in this sector. This facilitates better returns to the farmers producing food crops, boosts manufacturing, creates new jobs, and promotes research and entrepreneurship.

A three-day World Food India 2017 event, organised by the Ministry of Food Processing Industries, was held in New Delhi in the first week of November 2017. About 20,000

participants from 20 countries and 26 Indian states had gathered to participate and hold discussions. The event comprised of nine seminars and a mega exhibition. This is a precursor for putting India's food processing sector on the global map.

The NCAER report

The Medium-term Agricultural Outlook Reports of the National Council of Applied Economic Research (NCAER) was prepared for the Ministry of Agriculture and Farmers Welfare. It has highlighted the changing food habits and demand dynamics for agricultural commodities, including horticulture and livestock (NCAER, 2015; 2016). The NCAER reports revealed the prevalence of inadequate infrastructure in the agriculture sector, such as in the areas of storage, processing, cold chains, and supply logistics. This necessitates substantially greater private (both domestic and international) and PPP participation in these areas. The government is seeking to encourage private investment in agri-infrastructure with announcements of policy decisions and projects. However, FDI in food retailing and supply chains continues to remain a politically contentious issue.

Fast-paced growth

A recent study on the challenges and growth enablers of India's food processing sector highlights the role of this sector in creating vital linkages and synergies between agriculture and manufacturing (Grant Thornton-ASSOCHAM, 2017). The sector can play a major role in minimising the post-harvest losses of various crops. The Indian packaged processed foods industry is estimated at about US \$12 billion. It includes biscuits, chocolates, ice-cream, confectionery, snacks, cheese and butter. The industry has been growing at a fast pace during the recent years. By 2024, the food processing sector is expected to employ nine million workers.

Government support

The food processing sector has received the government's support through various other measures as well. As per the statement of the Cabinet Committee on Economic Affairs (May 3, 2017), the government has provided an impetus to investment in the food processing and retail sector. It has allowed 100 per cent FDI in trading including through e-commerce for food products manufactured or produced in India. This is expected to benefit farmers immensely, while also creating a back-end infrastructure and significant employment opportunities.

A special fund of Rs 2,000 crore has been set up in NABARD to make affordable credit available at concessional rates of interest for designated food parks and agro-processing units in these food parks. Food and agro-based processing units and cold chain infrastructure have been brought under the ambit of Priority Sector Lending (PSL) to provide additional credit for food processing activities and infrastructure. This would help in boosting food processing, reducing wastage, creating employment, and increasing farmers' income.

New schemes

The government had approved a new Central Sector Scheme, the Pradhan Mantri Kisan SAMPADA Yojana, in May 2017. SAMPADA refers to the Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters. An allocation of Rs 6,000 crore was made for the period 2016-20, coterminous with the 14th Finance Commission cycle. The scheme is being implemented by the Ministry of Food Processing Industries.

This scheme would also act as a catalyst for the government's ongoing efforts towards doubling farmers' income by 2022. It is a comprehensive package. It aims at creating modern infrastructure for food processing units with efficient supply chains from the farm gate to the retail outlets. Seven major schemes are being implemented under this package. These include mega food parks; integrated cold chain and value addition infrastructure; creation and expansion of food processing and preservation capacities; infrastructure and agro-processing clusters; creation of backward and forward linkages; food safety and quality assurance infrastructure; and human resources and institutions.

Food processing is a sunrise sector for India, which contributes to the income of farmers and processors. It would create many new jobs at different levels of skills. Integration with the global economy would add glitter to the success of this sector.

Note: Views expressed in this article are those of the authors and do not necessarily represent the views of NCAER.