

Performance And Progress Of Agro Based Industry In India

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Abstract

The number of people living in extreme poverty. Exceptional progress in some developing countries makes achieving that goal globally a realistic possibility. Rural Development in India is one of the most important factors for the growth of the Indian economy. India is primarily an agriculture-based country. Agriculture contributes nearly one-fifth of the gross domestic product in India. In order to increase the growth of agriculture, the Government has planned several programs pertaining to Rural Development in India. The Ministry of Rural Development in India is the apex body for formulating policies, regulations and acts pertaining to the development of the rural sector. Agriculture, handicrafts, fisheries, poultry, and dairy are the primary contributors to the rural business and economy. therefore allocates more subsidies to firms in the smaller region. Compared to proportional voting, this leads to more firms in the region with fewer consumers. Proportional voting thus welfare-dominates majoritarian election.

Keywords: Agricultural Development, Urban and Rural Development, Millennium Development Goals

Introduction

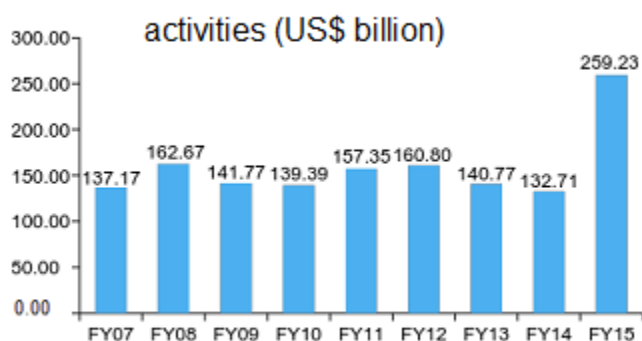
The agro based industry is regarded as an extended arm of agriculture. The development of the agro industry can help stabilise and make agriculture more important and create employment opportunities both at the production and marketing stages. The broad-based development of the agro-products industry will improve both the social and physical infrastructure of India. Since it would cause diversification and commercialization of agriculture, it will thus enhance the incomes of farmers and create food surpluses. Agriculture plays a vital role in India's economy. Over 58 per cent of the rural households depend on agriculture as their principal means of livelihood. Agriculture, along with fisheries and forestry, is one of the largest contributors to the Gross Domestic Product (GDP). As per estimates by the Central Statistics Office (CSO), the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) was 15.35 per cent of the Gross Value Added (GVA) during 2015–16 at 2011–12 prices.

India is the largest producer, consumer and exporter of spices and spice products. India's fruit production has grown faster than vegetables! making it the second largest fruit producer in the world. India's horticulture output, comprising fruits, vegetables and spices, -year in 2014-15 to a record high of 283.5 million tonnes (MT) It ranks third in farm and agriculture outputs. Agricultural export constitutes 10 per cent of the country's exports and is the fourth-largest exported principal commodity. The agro industry in India is divided into several sub segments such as canned, dairy, processed, frozen food to fisheries, meat, poultry, and food grains.

The Department of Agriculture and Cooperation under the Ministry of Agriculture is responsible for the development of the agriculture sector in India. It manages several other bodies, such as the National Dairy Development Board (NDDB), to develop other allied agricultural sectors. The agro-industry mainly comprises of the post-harvest activities of processing and preserving agricultural products for intermediate or final consumption. It is a well-recognized fact across the world, particularly in the context of industrial development, that the importance of agro-industries is relative to agriculture increases as economies develop. It should be emphasized that 'food' is not just produce. Food also

encompasses a wide variety of processed products. It is in this sense that the agro-industry is an important and vital part of the manufacturing sector in developing countries and the means for building industrial capacities.

GDP by value added – size of agriculture and allied



Source: Ministry of Agriculture, Print Release, RBI, TechSci Research;
Notes: GDP – Gross Domestic Product, CSO – Central Statistical Organisation

The agro Industry is broadly categorised in the following types:

- (i) **Village Industries**—These are owned and run by rural households with very little capital investment and a high level of manual labour; products include pickles, papad, etc.
- (ii) **Small scale industry**—These are featured by medium investment and semi-automation; products include edible oil, rice mills, etc.
- (iii) **Large scale industry**—These are involving large investment and a high level of automation; products include sugar, jute, cotton mills, etc.

Indian Agriculture Industry: an overview

- GDP of agriculture and allied sectors in India was recorded at US\$ 259.23 billion in FY15
- According to the advanced estimates of Central Statistical Organisation, agriculture and allied sector recorded a growth of 8.3 per cent in FY15
- Agriculture is the primary source of livelihood for about 58 per cent of India's population- See more at: <http://www.ibef.org/industry/agriculture-india.aspx#sthash.om421v3a.dpuf>

CATEGORY-WISE AGRO-BASED INDUSTRIES IN INDIA

S. N	Category	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	CGR	t-Stat
1	Manufacture of food products &	25,584 (52.59)	24,238 (51.56)	28,547 (53.29)	28,654 (52.40)	29,874 (52.21)	30,510 (51.86)	2.19	48.52*
	a) Production, Processing	3,951	4,012	4,258	4,426	4,897	5,019	1.40	14.12*
	b) Manufacture of Dairy	758	795	851	924	874	963	5.10	31.00*
	c) Manufacture of Grain Mill Products, Starches	12,852	12,985	12,987	13,520	13,285	14,021	2.30	47.29*
	d) Manufacture of Other Food	5,874	5,044	5,921	6,012	6,623	7,215	0.48	25.36*
	e) Manufacture of Tobacco	2149	1402	4530	3772	4195	3292	4.19	14.87*
2	Manufacture of Tobacco	2,952 (6.06)	2,541 (5.40)	3845 (7.17)	3785 (6.92)	4,136 (7.22)	4,157 (7.06)	5.76	5.59*

3	Manufacture of	13,502	13,852	14,251	14,988	15,654	15,698	0.31	55.56*
	a) Spinning, Weaving & Other	9,855	9,962	10,542	10,854	10,995	11,023	1.73	41.47*
	b) Manufacture of Knitted and	1,110	1,230	1,452	1,362	1,487	1,464	5.85	2.80*
	c) Manufacture of Knitted and	2,537	2,660	2,257	2,772	3,172	3,211	5.4	0.421*
4	Manufacture of Leather	2,654	2,842	2,956	3,241	3,420	3,896	3.72	3.14*
	a) Manufacture of hats and caps	1,522	1,634	1,752	1,960	2,101	2,055	2.41	32.52*
	b) Manufacture of wearing	1,132	1,208	1,204	1,281	1,319	1,841	4.75	4.15*
5	Manufacture of Paper & Paper	3954	3529	3966	4013	4124	4568	2.49	22.28*
	Total	48,646	47,002	53,565	54,681	57,208	58,829	1.55	71.57*

(Table value = 2.306)* Significant at 5 per cent level@ Not significant at 5 per cent level

Note : Percentages in parentheses 2. www.indiastat.com

Source: 1. Annual Survey of Industries, Central Statistical Organisation, New Delhi. (Different issues)



Rural market is growing faster than urban, rural marketing results into overall balanced economical and social development. Rural marketing turns beneficial to business units, people residing in rural areas, people residing in urban areas, and to the entire nation. Let's see how growth and development of rural marketing contribute to overall prosperity and welfare.

Understanding rural-urban linkages matters because it provides the basis for measures that can improve both urban and rural livelihoods and environments. Ignoring them means that important opportunities will be lost, and in many cases it will also contribute to poor and marginal people's hardship. There are urban initiatives that can reduce ecological damage to rural areas, and help support regional development. However, with a narrow urban-centric approach, such initiatives are unlikely to be given the priority they deserve.

Market Size

Over the recent past, multiple factors have worked together to facilitate growth in the agriculture sector in India. These include growth in household income and consumption, expansion in the food processing sector and increase in agricultural exports. Rising private participation in Indian agriculture, growing organic farming and use of information technology are some of the key trends in the agriculture industry.

As per the 4th Advance Estimates, food grain production is estimated at 253.16 million tonnes (MT) for 2015-16. Production of pulses estimated at 17.33 million tonnes.

With an annual output of 146.3 MT, India is the largest producer of milk, accounting for 18.5 per cent of the total world production. It also has the largest bovine population. India, the second-largest producer of sugar, accounts for

14 per cent of the global output. It is the sixth-largest exporter of sugar, accounting for 2.76 per cent of the global exports.

Spice exports from India are expected to reach US\$ 3 billion by 2016–7 due to creative marketing strategies, innovative packaging, strength in quality and strong distribution networks. The spices market in India is valued at Rs 40,000 crore (US\$ 5.87 billion) annually, of which the branded segment accounts for 15 per cent.

The procurement target for rice during marketing season (MS) 2015–16 has been finalised as 30 MT.

Investments

Several players have invested in the agricultural sector in India, mainly driven by the government's initiatives and schemes.

According to the Department of Industrial Policy and Promotion (DIPP), the Indian agricultural services and agricultural machinery sectors have cumulatively attracted Foreign Direct Investment (FDI) equity inflow of about US\$ 2,261 million from April 2000 to December 2015.

Some major investments and developments in agriculture in the recent past are as follows:

1.The Small Farmers' Agri-Business Consortium (SFAC) plans to organise camps in Madhya Pradesh and Chhattisgarh to promote its venture capital assistance scheme (VCAS), which seeks to provide capital and project development facility (PDF) to agri-business entrepreneurs.

2.Agri-research institute ICRISAT's is looking to set up a Rs.100 crore (US\$ 14.67 million) fund in a year, an initiative that could help small entrepreneurs from the agri-business and nutrition space raise money.

3.Mahindra & Mahindra (M&M), India's leading tractor and utility vehicle manufacturer, announced its entry into pulses retailing under the brand 'NuPro'. Going forward, the company plans to foray into e-retailing and sale of dairy products.

4.Fertiliser cooperative IFFCO launched a joint venture with Japanese firm Mitsubishi Corp for manufacturing agrochemicals in India.

5.Acumen, a not-for-profit global venture fund, has invested Rs 11 crore (US\$ 1.7 million) in Sahayog Dairy, an integrated entity in the segment, based at Harda district in Madhya Pradesh.

6.Rabo Equity Advisors, the private equity arm of Netherlands-based Rabo Group, raised US\$ 100 million for the first close of its second fund – India Agri Business Fund II. The fund plans to invest US\$ 15–17 million in 10–12 companies.

7.Oman India Joint Investment Fund (OIJIF), a joint venture (JV) between the State Bank of India (SBI) and State General Reserve Fund (SGRF), invested Rs 95 crore (US\$ 13.94 million) in GSP Crop Science, a Gujarat-based agrochemicals company.

8.The world's seventh-largest agrochemicals firm, Israel-based ADAMA Agrochemicals plans to invest at least US\$ 50 million in India over the next three years.

9. Biomass for energy: Supply prospects Biomass for energy can be obtained from residues of ongoing agricultural and forest-product industries, from harvesting forests, and from dedicated plantations. The harvesting of forests for biomass is likely to be limited by environmental concerns. Over the next couple of decades new bioenergy industries will be launched primarily using residues as feedstocks. s. Moreover, the establishment and maintenance of biomass plantations must be carried out in the framework of sustainable economic development

Rural-Urban linkages

The difference between urban centres and rural areas may seem so obvious that definitions should not be an issue. However, there can be major variations in the ways in which different nations define what is an urban centre. The criteria used include population size and density, and availability of services such as secondary schools, hospitals and banks. However, the combination of criteria applied can vary greatly. Even the population thresholds used can be different: for many African nations it is 5,000 inhabitants, while for most Latin American and European nations it can be as low as 2,000 or 2,500 or even just a few hundreds inhabitants.

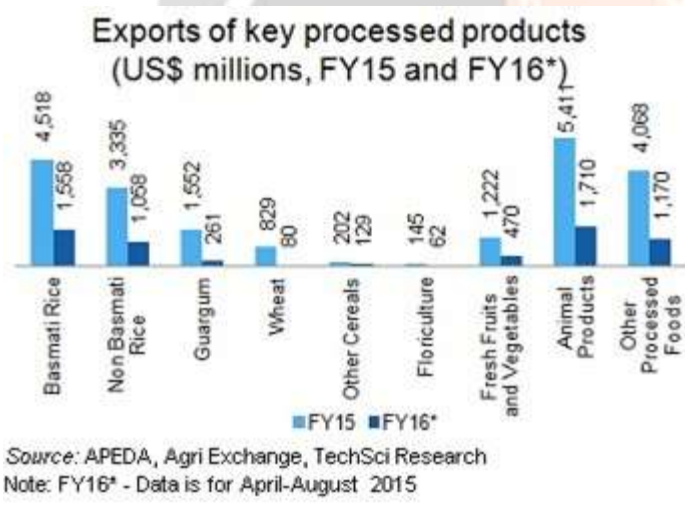
This wide fluctuation in definitions has three important implications.

- **Official classifications should be treated with caution** – for example, a large proportion of settlements classed as ‘rural’ in China and India would fall within the ‘urban’ category if they used the criteria and population thresholds adopted by many other countries. Given the size of the population of these two countries, this would significantly increase the overall proportion of urban residents in Asia and in the world.
- **International comparisons are difficult**, as they may look at settlements which, despite being classed in the same category, may be very different in both population size and infrastructure. In addition, the reliability of data on urbanization trends within one nation can be compromised by changes in the definition of urban centers over time.
- **Public investment in services and infrastructure tends to concentrate** on centers that are defined as urban. As a consequence, investment can bypass settlements not defined as urban even if these can, and often do, have an important ‘urban’ role in the development of the surrounding rural areas. Within national and regional urban systems, larger cities also tend to be favored with public investment over small and intermediate-sized urban centers, including those with important roles in supporting agricultural production, processing and marketing. [1]

Position of Some main agro based industries of india

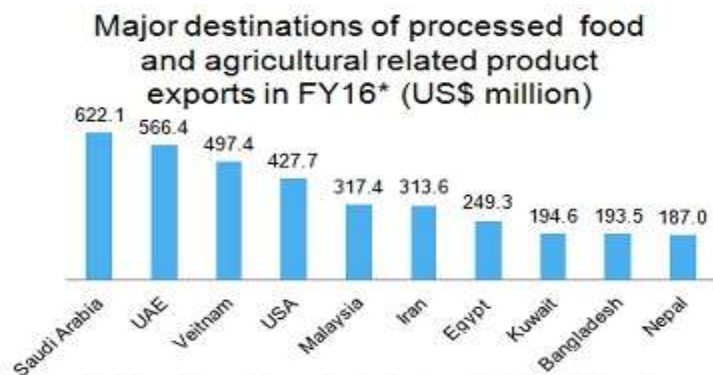
1.India Food industry

India’s share in global sugar production in 2022 is forecast at 15 per cent at around 32 million tonnes.



Exporters gaining from rising global demand and location advantages

1. Growth in food product exports has been aided by: - Improvements in product and packaging quality - Greater private sector participation
2. India has a location advantage: It is geographically close to key export destinations (Middle East, South East Asia)
 - USA is the top destination for processed products from India
3. Vietnam, Saudi Arabia, Iran, and UAE are the other major destinations for Indian exports



Source: Ministry of Food Processing Industries, APEDA, Ministry of Commerce & Industry, TechSci Research FY16* - Data is for April-August 2015

India’s agrarian culture and varied regional climate have significantly contributed to the global food basket. Indian curries, mangoes, snacks and spices are known for their excellent quality across the globe. Globally, India leads the following food segments:

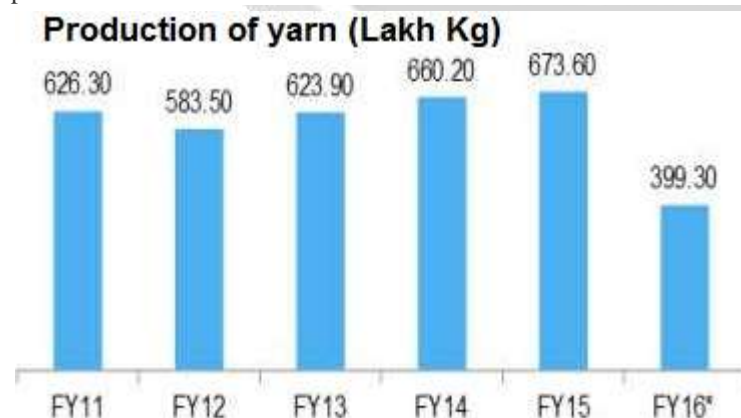
1. India is the largest milk producer in the world (137.7 million tonnes)
2. India has the largest buffalo population (112.9 million) accounting for approximately 56.7 per cent of the global buffalo population
3. It is the largest mango producer in the world (18.4 million tonnes).
4. It is the largest banana producer (29.7 million tonnes).
5. It ranks second in fruit (89 million tonnes) and vegetable production (162.9 million tonnes).
6. It is the second-largest fish producer in the world (9.6 million tonnes)

2. Textile industry of india

Cotton is the main segment in yarn and fabric

Production of yarn grew to 673.60 Lakh Kgs in FY15 from 626.30 Lakh Kgs in FY11, implying a CAGR of 1.8 per cent.

1. Production of yarn between April to October’15 stood at 399.30 Lakh Kg.
2. Cotton yarn accounts for the largest share in total yarn production; in FY15, the segment’s share amounted to 61 percent.



Source: Ministry of Textiles, TechSci Research Note: FY16* - Data is for April-October 2015 CAGR- Compound annual growth rate

The overall exports of agriculture and processed food for FY 2014-15 stood at US\$ 21.51 billion.

3.Cotton Industry India

Cotton plays an important role in the Indian economy as the country's textile industry is predominantly cotton based. India is one of the largest producers as well as exporters of cotton yarn and the Indian textile industry contributes about 11 per cent to industrial production, 14 per cent to the manufacturing sector, 4 per cent to the GDP and 12 per cent to the country's total export earnings. The cotton cultivation in India stands 12.25 million hectares this year (2014-15) against about 11.5 million hectares last year (2013-14). India is also the second largest producer of cotton worldwide

- India's export of cotton increased by 200,000 bales to reach 4.1 million bales in FY2014-15.

4.Silk Industry In India

With sericulture activities spread across 52,360 villages, the Indian silk industry is one of the largest generators of employment and foreign exchange for the country. India enjoys a unique global position in terms of production of all commercially useful varieties of silk. India is the second largest producer of silk and accounts for nearly 18% of global raw silk production. In 2014-15, Mulberry accounted for 74.7 per cent, Eri 16.3 per cent, Tasar 8.4 per cent and Muga 0.6%.of the total raw silk produced.

5.Tobacco Industry In India

Indian tobacco, introduced by the Portuguese in the 17th century, is appreciated worldwide for its rich, full-bodied flavour and smoothness. It is now an increasingly well-known as well as respected commodity in global tobacco markets and has found its way into cigarettes manufactured in several countries. India has an impressive and progressive profile in the global tobacco industry. India is the third-largest tobacco producer in the world, with annual production of about 800 million kgs. The major exportable variety, Flue Cured Virginia (FCV) tobacco, is produced mainly in Andhra Pradesh and Karnataka, with production in 2014–15 totalling 297 million kgs. This has led to India emerging as a leading exporter of FCV tobacco globally.

Total Exports for manufactured and unmanufactured tobacco stood at US\$ 883.26 million for FY 2014-15.

6.Wool And Woolen Textile Industry In India

India is the seventh-largest producer of wool in the world with a global production share of nearly 1.8 per cent. India's wool consumption was estimated at 135 million kg. This is expected to increase to 260 million kg by 2019–20. Wool consumption is expected to grow at a CAGR of 7.8 per cent over 2010–2015; the same growth is expected to continue over 2016–2020. The wool industry is concentrated in Punjab, Haryana, Rajasthan, Uttar Pradesh, Maharashtra and Gujarat. Punjab accounts for about 40 per cent of wool production units, followed by Haryana (27 per cent), Rajasthan (10 per cent) and the rest of the states (23 per cent). A few larger units are located in Maharashtra, Punjab, Gujarat and West Bengal.

- The exports of wool and wool blended products witnessed an increase of 11 per cent in FY 2014-15. -

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