

Role of Khadi and Village Industries in Processed Food & Vegetables Retailing

Abstract

After liberalization the multinational companies have come to India with various goods from medicine to high end gadgets after that Indian market flooded with cheap chinese goods as a result the small and large scale industries suffers a lot due to globalization. Hence, small scale industries are found to be ideal for poverty reduction , employment generation and economic development of the country. In this context Khadi and Village Industries play an important role to stop the migration of mass from rural economy to urban economy. Khadi and Village Industries encompasses mineral based industry, forest based industry, agro based and food industry, polymer and chemical based industry , engineering and conventional energy textile industry (excluding Khadi), service industry and Khadi industry. Khadi and Village Industries can increase the value of any product or services and help to boost up the rural as well as urban economy.

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Introduction

After the independence of India there is a significant growth in the Indian small scale industries. The census of India has classified the population on the basis of their occupation .In 1991 census shows that ,60 percent of the population belongs to primary sector which comprises of agricultural and agro based activities. Fifteen percent of the population involved in tertiary sector like transport, telecommunication, banks etc. The remaining 25 percent depend on manufacturing sector. This sector comprises small scale and large scale industries.

After Independence India is facing two main problem first unemployment and second is modernisation of its primary sector which comprises the 60 percent of Indian population. The surplus population in the rural sector is migrate to other sector. The only scope to employ these migrated mass is to provide theme jobs in manufacturing sector because the service sector already reached its maximum level. India faces many problems in starting a new industry like lack of capital, lack of adequate technology and presence of red tapeism instead of red carpet. After 1991, liberalization welcomed many MNC's in India to sell their product which include gadgets to low value small scale industrial products. Thus globalization has led to tough competition among the small scale



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and large scale industries. In this critical situation small scale industries are found to be ideal for solving the twin problems of unemployment and modernisation of agriculture.

Khadi and Village industries can stop the mass migration from rural to urban economy and act as catalyst for the growth of rural economy. This study focused how Khadi and Village Industries help the rural economy to grow and modernisation of agricultural and allied activities.

The government of India realized the significance of KVIC and gave continuous support to it since independence. In the Industrial policy resolutions of 1948 and 1956, the small scale sector was given the special role of creating additional employment with low capital investment in order to solve the basic problem of unemployment. The small scale industries are classified into traditional small industries and modern small industries. Traditional small industries include Khadi and Village industries, handicrafts sericulture and coir industries. Modern small scale industries include engineering industries, chemical industries, plastic industries and electronic industries. The traditional small industries are highly labour intensive, there are two categories of traditional small industries on the basis of employment potential. The first category of industries such as handloom weaving, incense stick manufacturing, soap making fruit and processing and making of palm products provide full time employment to rural and urban people. The second category of industries such as brick manufacturing, pottery making and pickles making provide part time employment to agricultural labourers and artisans in the rural areas.

Khadi doesn't mean production and sale of fabrics but represent a symbol for self-sufficiency and self reliance. The main objective of Khadi industry is to provide local employment to technically unqualified rural masses in conventional skill based industries.

Gandhijee believed that the rural population must develop their skills in simple industries to supplement their income from agriculture. During his time, spinning and weaving were the simplest cottage industries. In 1925, the concept of khadi was institutionalized under the auspices of the erstwhile; "All India Spinner Association" and through a resolution of the Indian National Congress, when Gandhijee was its president. In 1953 Khadi and Village industries board was set up whose main focus is to promote Khadi and Village Industries to solve the problem of unemployment. In 1956, a special act (No.61 of 1956 and as amended by Act No. 12 of 1987) was passed in parliament under which the Khadi And Village Industries commission was established in April 1957 which replaced the previous All India Khadi and Village Industries Board.

Khadi is a cloth woven by hand using handspun yarn only. Natural fibers namely cotton, wool and silk are used in spinning and the production activity carried out in rural areas.

A "**Village Industry**" means –

- i)any industry located in a rural area which produces any goods or renders any service with or without the use of power and in which fixed capital investment per head of an artisans or a worker does not exceed one lakh rupees or such other sum as may, by notification in the Official Gazette, be specified from time to time by Central Government;

Provided that any industry specified in the Schedule and located in an area other than a rural area and recognized as a village industry at any time before the commencement of the Khadi and Village Industries Commission (Amendment)

Act, 1987 shall, notwithstanding anything contained in the sub-clause, continue to be a village industry under this Act;

Provided further that in the case of any industry located in a hilly area, the provision of this sub-clause shall have as if for the word, "one lakh rupees", the word "one lakh and fifty thousand rupees" had been submitted.

- ii)any other non-manufacturing unit established for the sole purpose of promoting, maintaining, assisting, servicing (including mother units) or managing any village industry.

Position of Khadi in Post-Independence Era

After the independence of India central government recognized the importance of cottage industry and rural industry in the elimination of unemployment and reduction in poverty level. In the first five year plan the development of rural area and development of cottage industry is the primary thrust area. For the development of cottage industry and rural population All India Khadi and Village Industries board was set up in January 1953 for the development of Khadi and Village Industries the work area of this board encompasses training of personnel, supply of raw material, tap the market, promotion of the product and study of the economic problems of different village industries. In 1956 the board was replaced by Khadi and Village Industries Commission and it started working in the year of 1957 in addition to the above mentioned task Khadi and Village Industries commission was also responsible for the development of village industries. Khadi and village industries are the two major sectors which come under the purview of the Khadi and Village Industries Commission

Functions of Khadi and Village Industries Commission

KVIC is responsible for the planning, promotion, organization, and implementation of programmes it also involved itself for building up the stock of raw material, processing of raw material for supply of semifinished goods apart from the above sector it also helps in promoting the product and find out new technique for production through research and development.

Product Line for Khadi and Village Industries

Khadi and Village Industries product divided into two broad categories KHADI and VILLAGE INDUSTRIES. Khadi is further divided into four parts that is cotton, woolens, silk and muslin; whereas Village Industries is further divided into seven parts they are Mineral based industry(cottage pottery, lime manufacturing), Forest Based Industry(cottage match, incense stick, handmade paper, bamboo and cane), Agro based and food industry(beekeeping, ghani oil, canegur and khandsari, palmgur, processing of cereals and pulses industry, forest plant and fruit, fibre and fruit processing), Polymer and Chemical based industry(cottage soap, cottage leather, polymer), Engineering and Conventional energy(gobar gas, carpentry and blacksmith, aluminium, electronics, brass copper and bell metal), Textile Industry excluding khadi(polyvastra and other textile product), Service industry

Performance of MSEs during 10th Five year Plan

- Micro and Small Enterprises represent a promising segment of Indian Economy, contributing an estimated 39 percent of industrial production and 34 percent of total

exports. The estimated number of MSE unit in the country is 123.42 lakh are registered and 104.71 lakh unregistered. At the end of 2005-06, total production of MSEs was estimated at Rs. 4,97,842 crore.

- For the 10th five year plans an average growth rate of 12 percent was envisaged for the value of production of the SSI against which the estimated average annual growth rate during the first four years of the plan is 10.38 percent.

Schemes in Khadi And Village Industries

- In 2002-2003, KVIC introduced the “**Product Development, Design Intervention and Packaging (PRODIP)**” Scheme. “**Rural Industries Service Centre (RISC)**” Scheme was started in 2004-2005. This scheme is for establishing common facility centre for both Khadi and Village Industries Segment with government grant funding of up to Rs. 5 lakh per RISC. The grant can go up to Rs. 25 lakh in suitable cases.
- A **Scheme of Fund for Regeneration of Traditional Industries (SFURTI)** like Khadi, village and coir industries was approved in October 2005 and is under implementation .
- The Government's **National Common Minimum Programme (NCMP)** emphasized the importance of this segment of the economy and declared that the **KVIC and the programmes implemented through the KVIC would be revamped** .The Expert Committee set up for this purpose submitted its report to the Government (Ministry of Agro & Rural Industries) in April 2006. The main recommendation of Expert Committee encompasses:
 - Amending the KVIC act , 1956 comprehensively so as to (a) make the Commission more professional , like a modern corporate body with
 - (i) the Commission becoming a policymaking entity like a corporate board of directors,
 - (ii) a modern management headed by the CEO accountable to the whole Commission and in charge of running the organization according to the policies and priorities laid down by the commission but without day-to-day intervention of the chairman (b) introduce a permanent consultative mechanism at the zonal level and (c) include enabling provision in the law to get the programmes and activities implemented through selected on – governmental professional agencies. .
- Restructuring the Khadi Programme

Food Processing

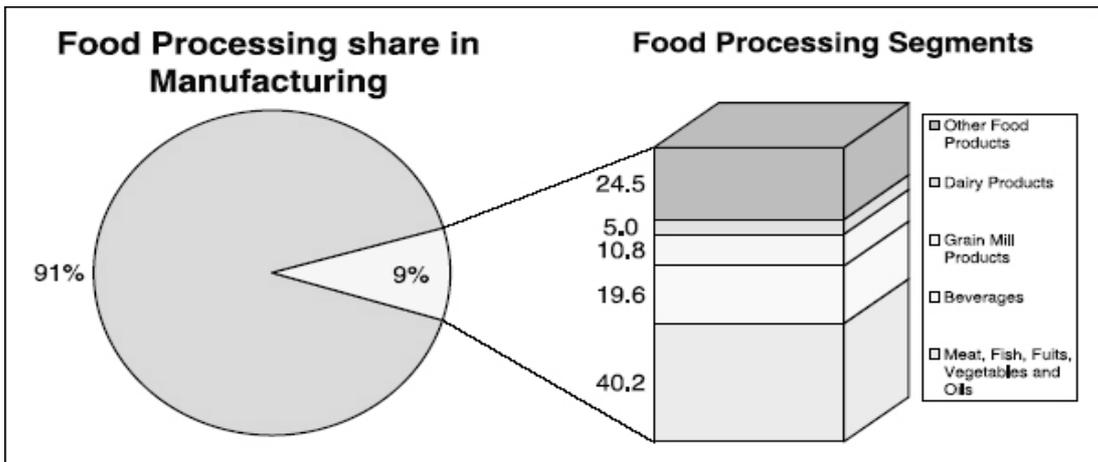
Food processing is the set of methods and techniques used to transform raw ingredients into food or to transform food into other forms for consumption by humans or animals either in the home or in the food or by food processing industry. Food processing typically takes clean, harvested crops or butchered animal products and uses these to produce attractive, marketable and often long shelf-life food products. Similar processes are used to produce animal feed.

Present Status and Future Prospects of Indian Food Processing Industries

The food processing sector is highly fragmented industry, it widely comprises of the following sub-segments: fruits and vegetables, milk and milk products, beer and alcoholic beverages,

meat and poultry, marine products, grain processing, packaged or convenience food and packaged drinks. A huge number of entrepreneurs in this industry are small in terms of their production and operations, and are largely concentrated in the unorganized segment. This segment accounts for more than 70% of the output in terms of volume and 50% in terms of value. Though the organized sector seems comparatively small, it is growing at a much faster pace.

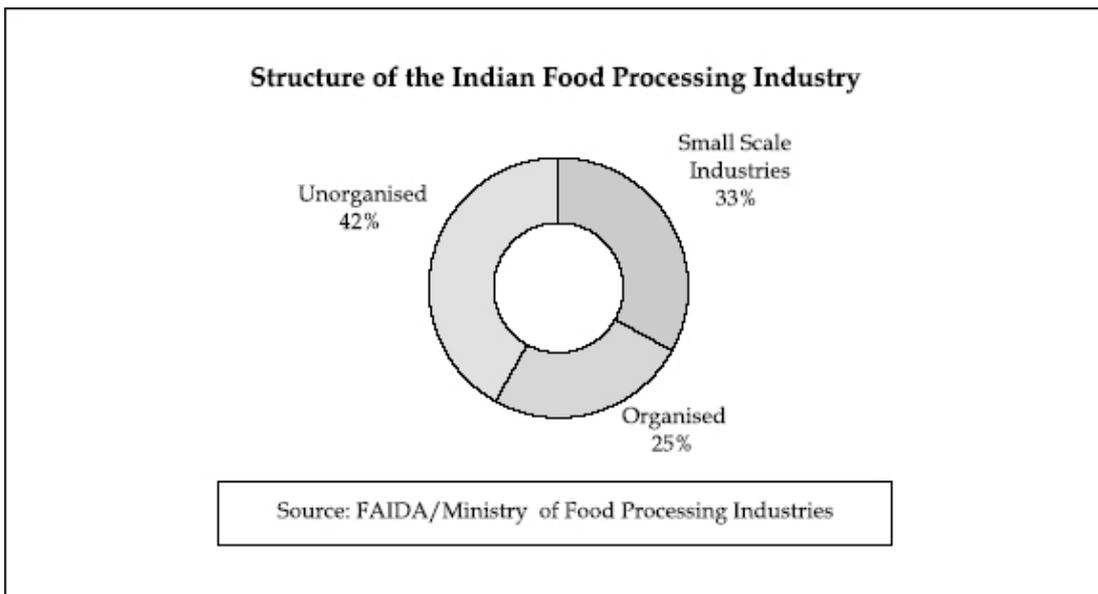
Fig.1



Source: D&B Research

Structure of the Indian Food Processing Industry

Fig.2



Fruits & Vegetables

The installed capacity of fruits and vegetables processing industry has doubled from 1.1 mn tonnes in January 1993 to 2.1 mn tonnes in 2006. Presently, the processing of fruits and vegetables is estimated to be around 2.2% of the total production in the country. The major processed items in this segment are fruit pulps and juices, fruit based ready-to-serve beverages, canned fruits and vegetables, jams, squashes, pickles, chutneys and dehydrated vegetables. The new arrivals in this segment are vegetable curries in restorable pouches, canned mushroom and mushroom products, dried fruits and vegetables and fruit juice concentrates.

The fruits and vegetable processing industry is rather fragmented. A large number of units are in household and small-scale sector, having low capacities of up to 250 tonnes per annum. From the year 2000 onwards the industry has seen a significant growth in ready-to-serve beverages, pulps and fruit juices, dehydrated and frozen fruits and vegetable products, pickles, processed mushrooms and curried vegetables, and units engaged in these segments are export oriented.

Exports of Processed Fruits & Vegetables (Quantity in MT, Value in Rs Mn)

	2001-02		2004-05		CAGR	
	Quantity	Value	Quantity	Value	Quantity	Value
Dried & Preserved Vegetables	209157.8	5371.5	351034.3	7657.5	18.8	12.5
Mango Pulp	76735.18	2413.4	90988.6	3008.6	5.8	7.6
Pickles & Chutney	38758.97	1203.4	67193.29	1205.8	20.1	0.1
Other Processed Fruits & Vegetables	61332.39	2017.4	80760.5	2755.3	9.6	10.9
Total	385984.3	11005.7	589976.7	14627.2	15.2	9.9

Source: Ministry of Food Processing Industries, Annual Report 2005-06

Grain Processing

Processing of grain includes milling of wheat, rice and pulses. In 1999-00, there were more than 91,000 rice hullers and 2,60,000 small flourmills which were engaged in primary milling. There are 43,000 modernized rice mills and huller-cum-shellers. Around 820 large flourmills in the country convert about 10.5 mn tonnes of wheat into wheat products. Also there are 10,000 pulse mills milling about 75% of pulse production of 14 mn tonnes in the country.

Primary milling of grains is considered to be the important activity in the grain-processing segment of the industry. However, primary milling adds little to shelf life, wastage control and value addition. Around 65% of rice production is milled in modern rice mills. However, the sheller-cum-huller mills operating give low recovery. Wheat is processed for flour, refined wheat flour, semolina and grits. Apart from the 820 large flourmills, there are over 3 lakh small units operating in this segment in the unorganised sector. Dal milling is the third largest in the grain processing industry, and has about 11,000 mechanised mills in the organised segment. Oilseed processing is another major segment, an activity largely concentrated in the cottage industry. According to estimates, there are approximately 2.5 lakh ghanis and kolus which are animal operated oil expellers, 50,000 mechanical oil expellers, 15,500 oil mills, 725 solvent extraction plants, 300 oil refineries and over 175 hydrogenated vegetable oil plants.

Indian Basmati rice has gained international recognition, and is a premium export product. Branded grains as well as grain processing is now gaining popularity due to hygienic packaging.

Consumer Foods

This segment comprises of packaged foods, aerated soft drinks, packaged drinking water and alcoholic beverages.

Packaged / Convenience Foods

Consumer food industry mainly consists of ready-to-eat and ready-to-cook products, salted snacks, chips, pasta products, cocoa based products, bakery products, biscuits, soft drinks, etc.

There are around 60,000 bakeries, several pasta food units and 20,000 traditional food units and in India. The bakery industry is among the few processed food segments whose production has been increasing consistently in the country in the last few years. Products of bakery include bread, biscuits, pastries, cakes, buns, rusk etc. This activity is mostly concentrated in the unorganized sector. Bread and biscuits constitute the largest segment of consumer foods with an annual production of around 4.00 million tonnes. Bread manufacturing is reserved for the small-scale sector. Out of the total production of bread, 40% is produced in the organized sector and remaining 60% in the unorganised sector, in the production of biscuits the share of unorganized sector is about 80%.

Cocoa Products

Cocoa products like chocolates, drinking chocolate, cocoa butter substitutes, cocoa based malted milk foods are highly in demand these days, 20 production units are engaged in their manufacture with an annual production of about 34,000 tonnes.

Soft drinks

After packed tea and packed biscuits the soft drink segment is considered to be the 3rd largest in the packaged foods industry. Over 100 plants are engaged in aerated soft drinks industry and provide huge employment. It has obviously attracted one of the highest FDI in the country. Strong forward and backward linkages with glass, plastic, refrigeration, sugar and the transportation industry further strengthen the position of the industry. Soft drink segment has a huge potential in the Indian market, as a vast portion of the market is still to cover.

Exports of Consumer Foods (Quantity in MT, Value in Rs Mn)

	2001-02		2004-05		CAGR	
	Quantity	Value	Quantity	Value	Quantity	Value
Groundnuts	112813	2509	177115	5030	16.2	26.1
Guar gum	117883	4031	129648	6643	3.2	18.1
Jaggery & Confectionery	365893	4365	35549	770	-54.0	-43.9
Cocoa Products	1293	129	2274	273	20.7	28.5
Cereal Preparations	38087	2247	49487	2778	9.1	7.3
Alcoholic & Non-Alcoholic Beverages	49672	1183	30045	1138	-15.4	-1.3
Miscellaneous Preparations	23189	1373	52514	2244	31.3	17.8
Milled Products	322347	1964	140123	1449	-24.2	-9.6

Source: Ministry of Food Processing Industries, Annual Report 2005-06

Constraints & Drivers of Growth

Changing lifestyles, food habits, organized food retail and urbanization are the key factors for processed foods in India, these are post-liberalization trends and they give boost to the sector.

There has been a notable change in consumption pattern in India. Unlike earlier, now the share and growth rates for fruits, vegetables, meats and dairy have gone higher compared to cereals and pulses. Such a shift implies a need to diversify the food production base to match the changing consumption preferences.

Also in developed countries it has been observed that there has been a shift from carbohydrate staple to animal sources and sugar. Going by this pattern, in future, there will be demand for prepared meals, snack foods and convenience foods and further on the demand would shift towards functional, organic and diet foods.

Some of the Key Constraints Identified by the Food Processing Industry Include

- Poor infrastructure in terms of cold storage, warehousing, etc
- Inadequate quality control and testing infrastructure
- Inefficient supply chain and involvement of middlemen
- High transportation and inventory carrying cost
- Affordability, cultural and regional preference of fresh food
- High taxation
- High packaging cost

SWOT Analysis of Food–Processing Industry

Strengths

- Abundant availability of raw material
- Priority sector status for agro-processing given by the central Government
- Vast network of manufacturing facilities all over the country
- Vast domestic market

Weaknesses

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

Opportunities

- Large crop and material base offering a vast potential for agro processing activities
- Setting of SEZ/AEZ and food parks for providing added incentive to develop greenfield projects
- Rising income levels and changing consumption patterns

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- Favourable demographic profile and changing lifestyles
 - Integration of development in contemporary technologies such as electronics, material science, bio-technology etc. offer vast scope for rapid improvement and progress
 - Opening of global markets

Threats

- Affordability and cultural preferences of fresh food
- High inventory carrying cost
- High taxation
- High packaging cost

Indian and Foreign Trade

Investments

Between 1991 to November 2006 the total inflow of foreign direct investment in the food-processing sector accounts Rs 52.7 bn (US\$ 1.2 bn). The highest investment towards the food-processing sector in a single year was recorded in 2001-02 amounting to Rs 10 bn. During the last five years, FDI witnessed an inflow of over Rs 24 bn of foreign investment.

During the last five years Maharashtra received the highest share of FDI in food processing. The dairy and consumer industries received FDI worth Rs 2.7 bn each as foreign investment. Countries of European Union such as Netherlands, Germany, Italy and France contribute nearly 30% of FDI in food-processing sector. Perfetti, Cadbury, Godrej-Pilbury, Nutricia International, Manjini Comaco are some of the successful ventures from EU countries

Major Food Processing Companies in India

Major MNCs:- Nestle, Pepsi, Coke, Kelloggs, Conagra, Unilever, Perfetti, Glaxo Smithkline, Heninz, Wyeth, Ajinomoto, Nissin met, Walmart.

Major Indian Companies:- ITC, Dabur, Britannia, Parle, Amul, Haldiram, Godrej, Venky's.

Indian MNCs likely to Enter:- Reliance, Bharti Group, Tatas, Wipro, Thapars etc.

With the advent of the multinational companies in the Indian market the competition in food processing industry has increased. These multinational companies are facing tough competition from strong Indian brands. Such competition has obviously increased innovations. It has also facilitated a sustained growth of the sector and improved global competitiveness. The emerging new growth phase of the sector is just in its initial stages with the potential for India to emerge as a leading food supplier to the world.

Exports

There has been an encouragement for new processing capacities for agro-food products through its various policy initiatives and plan schemes providing financial incentives for setting up of new units and modernization of existing units from the Ministry of Food Processing Industries.

Export of Processed Food products (2004-05)

Value Added Products

The Food Processing Sector

Food processing adds value to the agricultural produce starting at the post harvest level. It includes even primary processing like grading, sorting, cutting, seeding, shelling packaging etc.

The Sector Comprises of the following Major Areas

Fruit & Vegetable

The major products processed out of fruits and vegetables include beverages, juices, concentrates, pulps, slices, frozen and dehydrated products, wine potato wafers or chips etc.

Apple

Apple without skin, cooked, canned apples, dehydrated apples, frozen apples, canned apple juice, apple juice, apple sauce.

Banana

Banana Powder, Banana Flour, Banana Puree, Banana Chips, Banana Jam and Banana Jelly, Banana vinegar, Sweet coat banana.

Grape

Jam, Juice, Syrup, Squash, Wine and Raisins.

Guava

Pectin, Jam, Jelly, Pickle, Powder, Puree, Peru khand, Beverages, Ethanol Production, Wine and Animal Feed preparation.

Lychee

Lychee crush, juice, squash, pickles, canned and dried fruits.

Mango

Juice, squash, nectar, jam, pulp, puree, pickles, canned slices, mango leather (papad), starch from mango kernel.

Items
Process
Dried an
Mango P
Pickle an
Other Pro
Total for

Papaya

Papain, Jam, Marmalade, Tutti-frutti (candy), Pickle, Wafers (Papad), Chocolate, Canned papaya, Fridge dried papaya.

Pineapple

Canned Pineapple Juice, Pineapple Squash, Pineapple beverage, Canning Syrup from Pineapple Waste Juice, Preparation of Vinegar from Pineapple Wastes, Cattle Feed Ingredient, Pineapple Bran, Pineapple Silage, Pineapple Tops (Crowns), Waxes, Pineapple Proteases (Bromeliad), Pineapple Fibre.

Pomegranate

Pomegranate Juice, Jelly, Syrup, Squash, Nectar, Anar rub, Anar crush, Dried pomegranate (Anar Dana), Powder, Pomegranate wine.

Sapot

Chikku Juice, Squash, Syrup, Jam, Toffee, Candy, Dried Fruit Scrap and Powder, Milk Shake, Ice cream.

Watermelon

Juice.

Fruits and Vegetables Consumer Products

Fruit Toffees

Fruit toffee is made from pulp of various fruits along with certain food preservatives and ingredients. Small and cottage scale manufacture of fruit toffee provides self-employment in the area where the fruits widely available. Although fruit toffees are being made in the organised sector still there exists a vast potential for cottage scale production.

Fruit Bars

Fruit bar is a concentrated fruit product, which has a good shelf life. A variety of pulpy fruits like mango, banana, guava, papaya, apple etc. can be used in preparing fruit bars. Due to their good shelf life, availability in various flavors and texture fruit bars are becoming increasingly popular.

Fruit Jams and Jellies

Fruit jams and jellies are prepared by boiling the fruit pulp with sufficient quantity preservative like sugar to a moderately thick consistency. The popular varieties of jam include mixed fruit, pineapple, mango, strawberry, grape, apricot and among jellies, guava and apple. The jam is used as a bread spread and could be taken along with paranthan, chapatti and puri. Jams, jellies and marmalades contribute around 17% of the total processed fruit and vegetable products.

Improved Murabba Making

Murabba comes under indigenous sweet preparations of the country. Murabba could be prepared from amla, mango, bael, myrobalan, carrot, apple also citrus peels are quite popular. The traditional method of preparing murabba requires a long processing time and does not ensure good keeping quality for the product often spoils due to microbial fermentation. The method has been improved to obtain murabba in a shorter period with good keeping quality, attractive translucent appearance and desirable texture.

Tutty Fruity

Fruits like apple, mango, amla, papaya, strawberry, raspberry, pear, cherry, etc are used in preparing preserves or candies. Raw papaya is largely used to make tutti-fruity used in bakery products, sweetmeats, ice creams, salads and pan.

The candied fruits and vegetables are quite popular food items and their consumption of is rapidly increasing.

Osmo-air Dried Fruits

Osmo air-dried fruits are based on a novel approach towards dehydration. Slices of various fruits like ber, pineapple, jackfruit, mango, etc. are processed in two stages. In the first phase most of the water is removed using sugar syrup as an osmotic agent. In the second phase air drying is done where the moisture content is further reduced to about 15%. The osmo-air dehydrated product is near to the fresh fruit in terms of colour, flavour and texture. The osmo-air dehydrated product can be used in ready-to-eat type foods, ice cream, fruit salad, kheer, cakes and bakery products. Such osmo-air dried fruit based units can be set up in areas near fruit orchards to the benefit of people. The process is simple and involves operations like selection of fruits, cleaning, washing, peeling, curing and slicing and dicing. To remove water by osmosis the prepared fruit slices are steeped in sugar solution. The slices are then drained, dried in a hot air drier and finally packed in flexible pouches.

Grape Raisins

Dried grapes are used in various food preparations and are directly consumed. Grape growing area has the potential of manufacturing raisins. An effective and improved method to prepare raisins has been developed which can easily be adopted. This process consists of washing of grape, alkali treatment, sulphitation, drying in sun or in dehydraters.

Any grape variety with high sugar and low acid content can be used yielding a good quality product. No sophisticated equipment is needed and the unit can be installed in orchards generating rural employment.

Dry Apricots

Apricot is grown in the temperate regions. The dry fruit form of apricot is an important item of confection. The fully ripe fruits are harvested item of confection. The fully ripe fruits are harvested and placed in a wooden sulfuring chamber wherein yellow sulphur is burnt at the rate 4g per kg of fruit. Sulfured fruits are then dried in a solar drier for 5-7 days till the moisture content is about 17%. Finally the dry fruits are packed in polythene bags for storage and marketing.

Dehydrated Vegetables

Dehydration is one of the methods to preserve seasonal and perishable vegetable and make them available throughout the year in hygienic conditions at reasonable or low cost. Such dehydrated vegetables are easy to transport and cater to the needs of large catering establishments. The advantage of such dehydrated vegetables can be used in various preparations at any season of the year. Traditional sun drying is time consuming, less hygienic and climate dependent.

The process for controlled dehydration of vegetables consists of grading and sorting, washing, peeling and trimming, size reduction, blanching, chemical treatment, dehydration and packing in unit can be established.

Anardana

Anardana is pomegranate seed. The seed when dried yields anardana of commerce. The anardana is manually extracted of arils followed by sundrying. It is unhygienic, labour intensive and slow. The product cannot be stored for long or beyond monsoon season since spoilage occurs due to discolouration, moisture ingress and insect infestation.

The modern processing technique is hygienic and consists of pre-cleaning, mechanised extraction of arils, solar drying and packaging. The mechanised aril extractor works on ¼ HP motor and can process 60 kg fruit per hr as compared to productivity of 5 kg per hr in manual operation.

Retail in Food Processing

The size of the Indian urban food market is estimated at Rs 350,000 crore. The domestic market for processed food is huge and fast growing. The retail boom will create a huge demand for the food-processing sector in the coming years. Little wonder that 2007 has been designated the Year of Food Technology.

The private sector is yet to realize its full potential in the food-retailing sector, as the market is still to explore. Though, it has now started discovering the money there is to be made in the urban food retailing market.

Assured Market

Urban centres have the potential of development process. But they do not produce food as they lack agricultural land; on contrary the rural areas do. In that sense, the urban areas provide an assured market for the food produced by farmers. The urban food marketing system thus assumes considerable importance for both feeding the urban population and helping farmers.

There are certain distinct characteristics of urban food demand. The urban population generally has a higher purchasing power. The rising average income is leading to greater demand for high-value processed food. A considerable number of urban women work, creating a demand for heat-and-serve foods.

The urban population density is high and this demands a chain or a network of retail outlets. Indian food retailing is poised for a quantum leap. Not only are newer names set to dot the retail landscape but also such new formats, as hyper-and super-markets are to emerge.

The key drivers for increased demand in value-added processed food products are: a) growth in consumer class; b) change in lifestyle characterized by expanding urban population, increased number of nuclear and dual-income families; c) change in attitudes and tastes with increasing modernization and to a lesser extent westernization of tastes, particularly, of the youth; d) low penetration rates; and e) ability to offset seasonal supply-and-demand effects in fresh products.

It has been estimated that during the Eleventh Plan period, an investment of Rs 1 lakh-crore is expected in the food-processing sector. Realizing the need for a regulatory framework for the retailing sector, the government has merged 16 laws relating to the food-processing sector into one piece of legislation and this is expected to be put in place from the 2007-08 financial year.

Changing Consumer Profile

Consumer Markets

The Indian foods industry of US\$ 6.1 billion forms 44 per cent of the entire FMCG sales. It is growing at 9 per cent per annum. The growth is contributed by packaged basics like cooking oil,

wheat flour, rice, and ghee, indicating an overall upswing in the commodity branding movement. In the second quarter of 2006, in the FMCG category the branded food segment was among the top movers recorded in second quarter of 2006. ITC in this sector is growing at 54 per cent and HLL at 20 per cent. Britannia recorded an overall growth of 24 per cent as compared to 4 per cent in the second quarter of 2006. Dabur Foods too accounted a remarkable growth of 27 per cent.

The food industry is on a high as Indians continue to have a feast. Fuelled by what can be termed as a perfect ingredient for any industry - large disposable incomes - the food sector has been witnessing a marked change in consumption patterns, especially in terms of food.

Change in Consumption Patterns

Increase in the purchasing power or the potential of the consumer is always accompanied by a change in the food basket, as observed by ICRA, which has studied the food expenditure patterns over the last three decades in India. In their study they observed that that the proportionate expenditure on cereals, pulses, edible oil, sugar, salt and spices declines as households climb the expenditure classes in urban India while the opposite happens in the case of milk and milk products, meat, egg and fish, fruits and beverages.

For instance, the proportionate expenditure on staples like cereals, grams and pulses declined by one per cent, from 45 per cent to 44 per cent, in rural India while the figure settled at 32 per cent of the total expenditure on food in urban India.

The processed food market is marked by the large part of shift in consumption, which accounts for 32 per cent of the total food market. It accounts for US\$ 29.4 billion, in a total estimated market of US\$ 91.66 billion. The food processing industry is considered to be one of the largest industries in India. The industry is ranked fifth in terms of production, consumption, export and expected future growth.

The Confederation of Indian Industry (CII) has projected that the food-processing sector has the potential of attracting US\$ 33 billion of investment in 10 years and create the opportunity for huge employment about 9 million person-days.

NUFs-the Paradox

The family structure in India has moved from that of a joint family to Nuclear Urban Family. The main characteristics of a Nuclear Urban Family are: -

- The members are highly individualistic
- They have adequate spending power
- The members have divergent tastes
- They have unique needs that require its solutions

It has been discovered by the marketers that despite the above characteristics, it's not just the man, woman or the kid but the family that makes the purchase decisions. Herein lies the paradox in choice of like and dislike. Though the family members consume separate products, the choice is taken as one. Also more and more products are being purchased for collective consumption. If a family plans for an outing, the choice of is taken into account and a collective decision is taken.

Value Chain

The value chain also known as value chain analysis is a concept from business management that was first described and popularized by Michael Porter.



Firm Level

A value chain is a chain of activities for a firm operating in a specific industry. The business unit is the appropriate level for construction of a value chain, not the divisional level or corporate level. Products pass through all activities of the chain in order, and at each activity the product gains some value. The chain of activities gives the products more added value than the sum of the independent activity's value. It is important not to mix the concept of the value chain with the costs occurring throughout the activities.

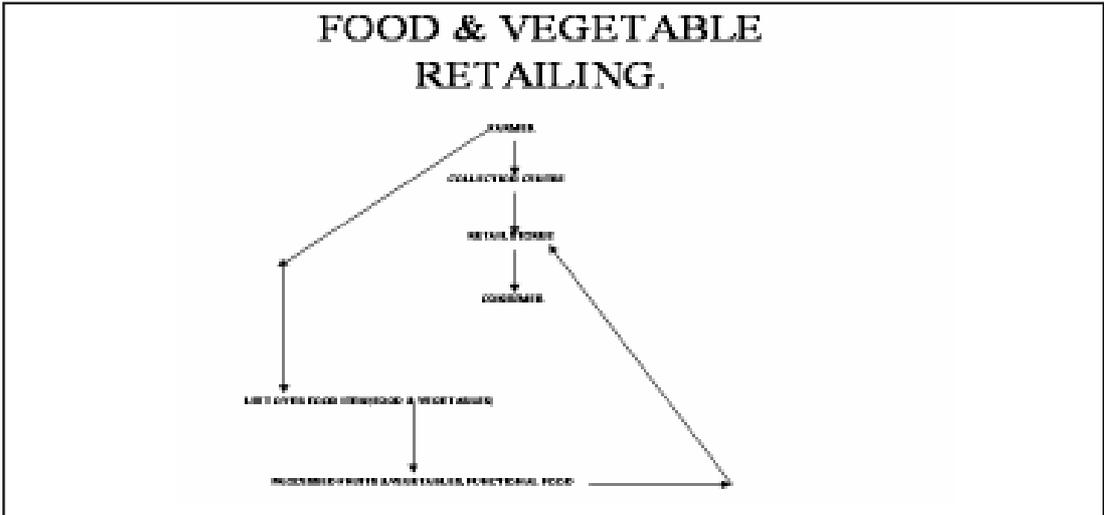
Activities

The value chain categorize the generic value adding activities of an organization. The “primary activities” included inbound logistics, operations(production), outbound logistics, marketing and sales(demand), and services(maintenance). The support activities included administrative infrastructure management ,human resource management,technology(R&D), and procurement. The costs and value drivers are identified for each value activity.

Industry Level

An industry value chain is a physical representation of the various processes that are involved in producing and services, starting with raw materials and ending with the delivered product. It is based on the notion of value added at the stage of production. The sum total of link level value added yield total value.

Involvement of Khadi and Village Industries in value chain



From the product line of KVI it was cleared that Village Industries involves itself in seven different sectors, Agro Based and Food Industry is one of them. Which include Beekeeping, Ghani oil, Canegur and Khandsari, polymer, processing of cereals and pulses, forest plant and fruit, fibre and fruit processing. From the above discussion we came to know that there is a tectonic shift in consumer behavior and their culture, people are now shifting towards Nuclear Urban Family, they have the inclination towards functional food and processed food.

From the fig.1 only 9 percent of the Indian manufacturing sector have the share of processing industry, Khadi and Village Industry initiates to link the primary sector (agricultural economy) with the tertiary Sector (manufacturing sector) so that it can minimize the problem of mass migration of rural population from rural area to urban area, it reduces the level of unemployment by involving the rural population in food processing industry initiated by Khadi and Village Industry and the most important is that increases country's foreign exchange by exporting the processed food and minimizes the wastages and jet propelled the inclusive growth initiatives taken by state as well as central government.

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