

Growth Drivers - Prospects for Food Processing Industries in Haryana

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ABSTRACT

Food processing industries considered as sunrise sector in India. The added advantage of Haryana is its close vicinity to Delhi/NCR, the state applying continuous efforts to explore the benefit of this sector. Numerous entrepreneurship development programmes running in state by the government. But to engage more youths, it is important to understand the factor responsible for the growth of this sector to encourage entry in a new venture. The present study was conducted on 160 entrepreneurs engaged in small and medium food processing enterprises (SME) in Karnal, Sonipat, Gurgaon and Yamunanagar districts of Haryana state to understand the growth driver's of existing units in the state which encouraged demand of their products which act as igniting force for youth to enter into this business. A survey was done with the help of an interview schedule. Increasing urbanization-lifestyle and aspirations and increasing spending's on health foods/health consciousness were perceived as major growth driver and had the highest prospects while, organized retail and private label penetrations had least prospect perceived by entrepreneurs.

Keywords - Food processing industries; Growth drivers; Entrepreneurs; Haryana

Food processing industries have higher potential for employment generation through development of small scale industries (Singh and Bansal; 2013, Dhiman and Rani; 2011, Shehrawat; 2006). The continuous growing demand of ready to serve (RTS) food opens the door for tremendous growth of this sector, particularly in those areas which comes in close vicinity to metro cities of country. Haryana has an added advantage of near to Delhi / NCR and also a productive agrarian state thus; food processing is most emerging sector in the state. The state of Haryana is 100 per cent self sufficient in terms of food grains production. Further, nearly 80 per cent of the total area of the state is sown. But, the productivity of agriculture is degrading day-by-day while population is increasing at constant pace. So, agriculture alone cannot provide full employment. Beside this food-processed and agro-processing product worth Rs 1,500 crores are being exported annually from the state. Thus, the state has tremendous opportunity for the agro-processing industries (Khosla *et al.*, 2010).

Establishment of more processing units in cities and rural areas can provide large scale of employment opportunities. It is also not possible to provide employment to all youth; therefore, more emphasis should be given on entrepreneurship development programme. The paper encompasses the growth drivers responsible to stimulate the scope of food processing business in the state from entrepreneur's perspective which highlighted the prospects of food processing sector. Also, the status of processing units in terms of raw material, marketing, promotional and other facilities which considered as the critical factor in the growth of units and also facilitates in the smooth working of the units.

METHODOLOGY

A descriptive and exploratory study was adopted for present investigation. The study was conducted in four purposively selected districts with the highest area and production under horticultural crops viz., Karnal,

Sonipat, Gurgaon and Yamunanagar of Haryana State. For this purpose, 160 entrepreneurs, who were engaged in small and medium food processing enterprises, were selected randomly from a list of registered enterprises under Micro, Small and Medium Enterprises (MSME) - Karnal. Further, the data were collected personally through semi- structured interview schedule. The data were analyzed with the help descriptive analysis as frequencies, mean scores and ranks while the variables were measured by using a 3-point Likert - type rating scale ranged from very prosperous (VP), prosperous (P) and not prosperous (NP) with the score given as 3, 2 and 1, respectively. On the basis of score obtained from the respondents, weighted mean scores (WMS) were computed. At last, rank order was given to each item based on their WMS for observing the relevancy of each prospect of the growth driver. Data related to the facilities exist in the processing units in terms of raw material, marketing, promotional and transportation etc to depict the inside story of the selected food processing units in the state. The analysis was done with the help of SPSS and Microsoft Excel-2007.

RESULTS AND DISCUSSION

Existing facilities in food processing units

The growth and development of a food processing enterprise depends mainly on the timely and adequate availability of resources associated with the production, marketing, financial and management. The study emphasized to reveal the status of enterprises in terms of available resources like raw material, transportation facilities, market scenario, brand establishment and supporting institutes in the states. Easy access to the availability of basic raw material and access to marketing facilities were the major factors for expansion of food processing units (Mehta, 2012).

a. Raw material

Both the types of units (organized as well unorganized) were procuring raw materials mainly from wholesalers and directly from farmers. However,

its supply was higher from former sources than the latter one but unorganized units were getting its supply mainly from the farmers. Thus, direct farmers considered as the major source of raw material for the

entrepreneurs i. e. about 76 per cent (Table 1). Dispersed raw material availability positioned

Table 1
Status of raw material availability in selected food processing units (n=160)

Sr.No.	Raw Material	Status	Frequency	Percentage
1.	Source of raw material	Wholesaler	39	24.4
		Direct farmer's	121	75.6
2.	Basis of procurement	On subsidised rates	42	26.2
		On market rates	118	73.7
3.	Availability in local market	Available	92	57.5
		Not available	58	36.3
4.	Availability at needed time and quantity	Available	72	45.0
		Not available	88	55.0

Source; Author's investigation

Further results showed that majority of the entrepreneurs (57.5%) had the easy provision of raw material for their units but if concerned with the requirement of raw material at needed time and adequate quantity around 55 per cent enquired dissatisfaction. Entrepreneurs also informed that the prevailing market forced and the extents of supply and demand conditions were determining the procurement prices of majority types of raw materials in the markets. The prices of raw materials supplied under pre-arranged basis were mutually fixed by suppliers and units themselves. To this situation Saraswati (2014), suggested most of the processed food manufactured in

the country is not of a very good quality, largely because of the use of poor raw material. Therefore, the processors need to enter into contracts, arrangements with the farmers for providing process able varieties of raw materials and also help them to improve productivity by using the latest agricultural technologies.

b. Marketing facilities

Marketing facilities are determining factor for expansion and the growth of any enterprise. Thus the situation of market in selected units investigated.

Table 2
Marketing facilities existing in food processing units (n=160)

Sr.No.	Market	Status	Frequency	Percentage
1.	Market place	Local market	22	13.8
		Outside district	52	32.5
		Outside the state	48	30.0
		Outside the country	15	9.3
2.	Marketing system	Inadequate	38	23.8
		Somewhat adequate	88	55.0
		Adequate	34	21.3

Source; Author's investigation

It was realized during the study that the prevailing marketing system *jpere* inadequate for about 24 per cent units while majority (55%) expressed somewhat adequate to the system. It is also interesting that about 10 per cent units also export their produce to overseas whereas, the major market for about 62 per cent unit is either outside their district or state (Table 2). These results are in line with the study of Shehrawat (2006).

c. Branding and Promotional Activities

Branding and promotion is critical now a days for developing the market for their products. But it is quite surprising that only 39 per cent of entrepreneurs were promoting by one mean or other. The prominent reasons behind poor status of promotion among

entrepreneurs were the high cost of advertisement and lack of awareness. A perusal of e4 Table 3 revealed that out of 62 entrepreneurs majority i.e. 59.7 per cent of entrepreneurs advertised their product through newspaper followed by 33.9 per cent of the entrepreneurs used hoardings and banners as a source of advertisement, while 30.7 per cent entrepreneurs advertised their product through wall writing and local magazines and remaining 27.4 per cent advertised on TV or radio. It is interesting to mention here that 21 per cent of entrepreneurs used website as their source of advertisement while 4.8 per cent had made social networking as their choice of advertisement. These responses were based on multiple responses in the study.

Table 3
Branding and promotion activities adopted by entrepreneurs

Sr.No.	Promotional activities	Status	Frequency	Percentage
1.	Advertise the product (n=160)	Yes	62	38.8
		No	98	61.3
2.	Source of advertisement* (n=62)	Website	13	21.0
		Social networking sites	3	4.9
		TV and radio	17	27.4
		Newspaper	37	59.7
		Hoarding / Banners	21	33.9
		Local magazines & wall	19	30.7
		Writing		
Any other	12	19.4		
3.	Advertisement agency (n=62)	Hired	13	21.0
		Owned	49	79.0

* Multiple responses, Source : Author's investigation

d. Other facilities

The study also investigates the existing facilities in the unit for their smooth running. Facilities related to transportation, quality control and pollution control have a significant role in effective marketing, quality production and environmental cordial respectively. Thus, it was exhibited (Table 4) that 60 per cent units were dependent on others & for transportation as they had to hire while 40 had their own trucks and lorries for the procurement and marketing purpose. Also, majority of entrepreneurs did not adopt any type of quality control measures which envisaged the lack of quality

control facilities available to entrepreneurs. For the production of better finishing superior quality products, the use of quality control measures seems to be essential. While only 43 per cent of the respondents had claimed quality control measures in their units. This predicts that entrepreneurs have no hesitation in adopting quality control measures if such facilities are made available to them. Concerning pollution control measures, about half the number of units availed these measures and working under the regulations of pollution control board while it is also a matter of unease that remaining units were not following any measure.

Table 4
Other existing facilities in the selected food processing units (n=160)

Sr.No.	Other facilities	Status	Frequency	Percentage
1.	Transportation facilities	Owned transport	65	40.6
		Hired transport	95	59.4
2.	Pollution control measures	Yes	79	49.4
		No	81	50.6
3.	Quality control measures	Yes	69	43.1
		No	91	56.9

Source: Author's investigation

Perceived growth drivers by the entrepreneurs

The growth drivers were those aspects which determine the sustainability in food processing sector. The prosperity of different dimensions of the growth driver examined in this paper from entrepreneur's prism and arranged in their rank order in Table 5. The meanscore analysis showed that the prospect of increasing urbanization (lifestyle and aspirations) perceived highest by the entrepreneurs with the WMS of 2.75. The dependency on ready to serve (RTS) food ultimately enhances the demand for processed food. Arya (1992) defined convenience of foods as those products in which all or a significant portion and their preparation has been transferred from the consumer's kitchen to the processing plant. Another growth driver considered most prosperous was increasing expenditure on health food i.e. health consciousness

was also a prospect from entrepreneurs point of view and ranked second with the WMS of 2.73. There is continuous growth in sales of healthy food and food products in US (Hollingsworth; 2000). Now a days people near metro cities are more conscious towards nutrition and it inculcate in their habit to check the content label on it. It ensures the healthy food demand, thus, it also enhanced the prospect of quality food product in the market and also encourage for healthy competitive business to ensure good quality of food. Entrepreneurs also perceived the increasing nuclear families (WMS=2.65) as a prospect and considered as a growth driver. The basic reason behind this considered as in nuclear families the demand for cooked homely food, diminishing with the lacking time by all the members and dependency on ready made food is increasing. The other aspects of growth drivers with

prospects were demand of functional foods (WMS=2.57). These food items have become part of daily life (Singh and Bansal, 2013). The diversification from cereal crops to fruits and vegetables (WMS=2.49) also considered as a growth driver by the entrepreneurs as in Haryana. The productivity is decreasing day by day with the continuous cultivation of traditional crop. Thus, the state putting efforts for diversification and emphasis on horticultural foods, thus this also considered as a growth driver as it will stimulate consumption and demand for processed food. Also, changing demography-rise in disposable income

(WMS=2.48) and organized retail and private label penetrations (WMS=2.43) considered as growth driver by few of the entrepreneurs.

Thus, it was found that in present context, increasing urbanization, expenditure on health foods increasing nuclear families, demand of functional food and diversified cropping all directed towards the prospects of food processing industries in near by future. Thus, the state should consider this fact and develop its policy to enhance investments for the growth of this sector.

Table 5
Growth drivers prospects perceived by entrepreneurs for food processing

Sr.No.	Growth Drivers	Degree of prospects			Total Score	Weighted Mean Score	Rank order
		VP	P	NP			
1.	Increasing urbanization-lifestyle and aspirations.	125	30	5	440	2.75	I
2.	Increasing expenditures on health foods /health consciousness.	119	38	3	436	2.73	II
3.	Increasing nuclear families and working women.	112	40	8	424	2.64	III
4.	Demand for functional foods.	104	43	13	411	2.57	IV
5.	Diversification from cereal crops	98	42	20	398	2.49	V
6.	Changing demographics rise in disposable income	93	51	16	397	2.48	VI
7.	Organized retail and private label penetrations	91	47	22	389	2.43	VII

Source : Author's investigation

CONCLUSION

The above study concluded that Growth driver's as increasing urbanization, expenditure on health foods increasing nuclear families, demand of functional food and diversified cropping all leading the high demand of processed food. Thus, there is tremendous scope of food processing industries. This paper also suggests that government should strengthen their intervention through sufficient investment to develop food processing units and involve more number of youths through developing the suitable infrastructure and providing more number of entrepreneurship development programmes. Proper training and suitable facilities will encourage more number of entrepreneurs

to jump into this sector and to create more number of employments in the state. So, there is a need of providing adequate facilities to the processors. Integrated efforts of both the public and private role players in this field must be brought for the development. The overall potential of food-processing is huge as it can: Increase the value of crops of poor farmers and thus yield higher returns; expand marketing opportunities; improve livelihoods of people; extend shelf-life of commodities; improve palatability of commodities; enhance food security; overcome seasonality and perish ability constraints; and empower women who are often involved in food-processing.

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