

STATUS OF SMALL SCALE FOOD PROCESSING INDUSTRIES IN UTTAR PRADESH

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ABSTRACT

Uttar Pradesh is most populous state in the country. It is the fifth largest state in terms of geographical area. The state has great contribution to the country politically and economically. Most of population of the state is engage with agriculture as its primary source of livelihood. After independence the state contributes significantly to the GDP of the country but gradually it become one of the backward state on development ground. It is the largest producer of raw material for the food processing industries. This paper discusses the scope of small scale food processing industries in the state to generate employment to rural artisans, improving their financial condition and measures the growth pattern of these industries in the state after globalization.

KEYWORDS: *FPI, Economy, Agriculture, Significant, Globalization, GDP.*

Introduction

Food processing industry is increasingly seen as a potential source for driving rural economy as it brings synergy between industry and agriculture. Food processing covers a spectrum of products from sub-sectors comprising agriculture, horticulture, animal husbandry and fisheries etc. Uttar Pradesh is a major food producer state in India and has abundant availability of a wide variety of crops, fruits, vegetables and livestock. The state government is providing its full support for the growth of this industry particularly to the micro and small scale sector. With the high potential and all the favourable factors available, this industry has not grown to the desired extent. The micro and small scale processed food sector in the state continues to face a number of problems despite enormous support at all levels. Consequently, the units are not able to take benefit of the favourable conditions. The main obstacle to the development include credit difficulties, obsolete technology, power shortage, below standard quality, low demand, infrastructural and marketing constraints.

The processed foods in India become popular due to various socio-economic changes such as urbanization, changes in taste, high cost of household labour, increase in the number of working women, improvement in the living standard of people. The demand for processed and fast foods by large urban population of the country is therefore, likely to grow steadily in near future. The food processing sector in India is one of the important in terms of production, consumption, export and growth prospects.

Objective of the Study

This study aims at finding out the growth of small scale Food Processing Industries in U.P.

Research Methodology

This study is based on primary data taken from Directorate of Industries, Kanpur. Data for Small scale food processing industry is calculated from the main source of data for the period 2005 to 2010. Annual growth rate and Compound Annual growth rate is calculated to find out the growth during this period.

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Findings of the Study

Table 1 represents total number of Small scale industries under the processed food sector in Uttar Pradesh. In year 2005, total number of small scale FPI industries is 72830 and in 2010 it increased to 99026. During this period Compounded annual growth rate (CAGR) is 6.34 per cent.

Table 1: Total FPI in U P

YEARS	FPI	CAGR	GROWTH (%)
2005	72830	6.34 %	-
2006	77803		6.83
2007	82210		5.66
2008	87524		6.46
2009	93700		7.06
2010	99026		5.68

Source: Status of Industries in U.P.

Directorate of Industries, U.P. (Planning & Research Division) Kanpur.

It is clear from the above table that though the growth is not significant but it is showing the increasing trend successively for the given period. The state, having a large base of agricultural product and land, is best suited for agriculture. Therefore, FPIs have potential to grow with a higher growth rate in the state than it has registered for the given period. In figure 1, the growth in number of industries is represented with the help of chart. It shows rising trend in growth of industries over the time period.

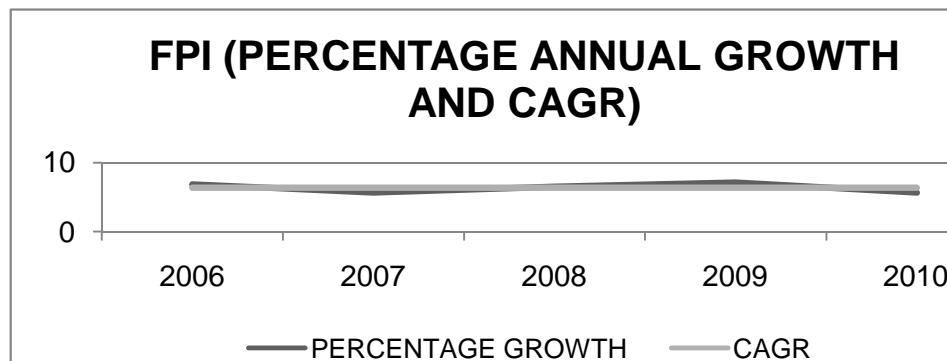
Figure 1



Note: Based on previous table.

Figure 2, represents the CAGR and annual growth rate, both at same quadrant. Comparison of annual growth rate with CAGR is quite clear from the line chart. CAGR is parallel to x-axis, as it indicates the constant rate over the period. Annual growth rate is volatile year by year. It is below CAGR in 2007 and 2010; that indicates lower annual growth than average in those years. In 2009, annual growth rate is higher than average growth rate.

Figure 2



Note: based on Table 1.

Annual growth rate shows the volatility. It is less than CAGR in year 2007& 2010 and more than CAGR in 2006 & 2009 and same in 2008. On comparison of SSI and FPI we find that the CAGR and Annual growth both of FPI are higher than SSI.

Table 2: Percentage of FPI on SSI

Years	SSI	FPI	% of FPI at SSI
2005	521835	72830	13.95
2006	552117	77803	14.09
2007	580604	82210	14.15
2008	612338	87524	14.29
2009	645640	93700	14.51
2010	679703	99026	14.56

Source: Status of industries in U.P.

Directorate of Industries , U.P. (Planning & Research Division) Kanpur.

Table 2, depicts the percentage of Food Processing industries at total SSIs in Uttar Pradesh. The percentage of FPI at SSI for 2005 is 13.95 % and for 2010 it is 14.56 per cent.

It shows a slight increase in FPIs percentage over the successive years and at the same time share of FPIs in total SSIs is almost 15 per cent. That's good indication for the FPI sector in the state.

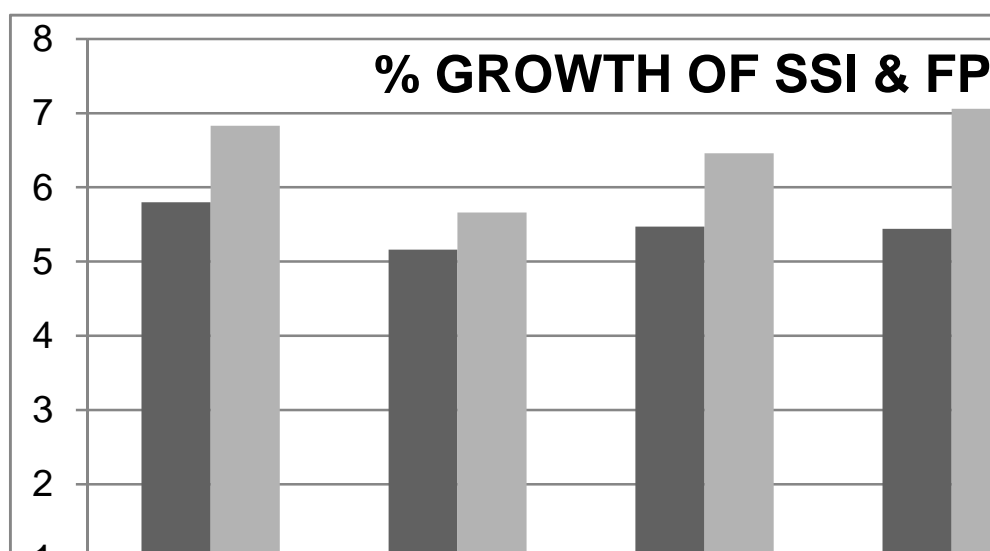
Table 3: Percentage Growth of SSI and FPI

Years	% Growth in SSI	% Growth in FPI
	CAGR 5.43%	CAGR 6.34 %
2005	-	-
2006	5.80	6.83
2007	5.16	5.66
2008	5.47	6.46
2009	5.44	7.06
2010	5.28	5.68

Note: based on table 1& data from DI, Kanpur.

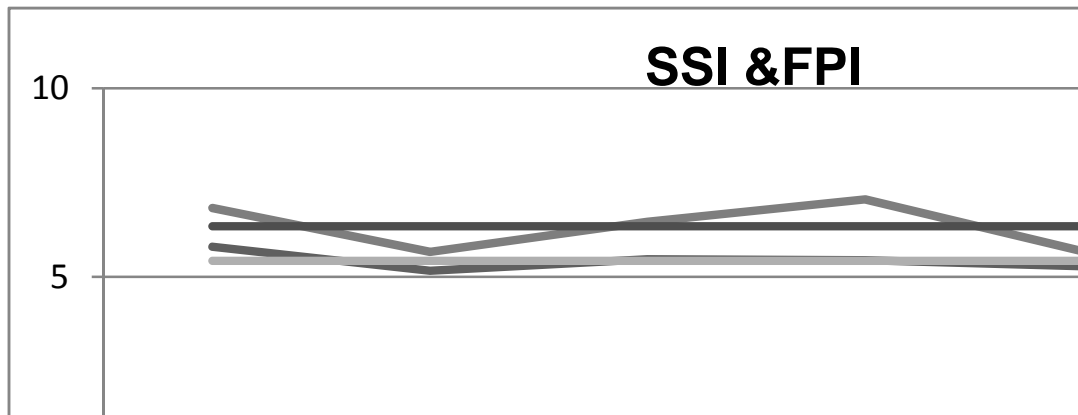
Table 3, represents the comparison between growth percentage of SSI and FPI during 2005 to 2010. It is obvious from the above table that FPI are growing at a higher rate than overall SSI sector. Figure 3, compares the growth of FPI and SSI at same quadrant and it is very clear that FPI exceeds the overall SSI on growth of number of industries.

Figure 3



Note: Based on Table 3.

Figure 4



Note: Based on Table 3.

The above line chart presents a clearer picture of fluctuation in CAGR and annual growth rate of SSI & FPI. That reveals the relevance of small Food Industries among the other SSIs. The curve of FPI is higher than that of SSI in terms of both CAGR and Annual growth rate. Annual growth rate of FPI is more volatile than SSI. In 2009, FPI growth rate is much higher than CAGR and in the same year SSIs growth is almost equal to its CAGR.

Conclusion

Small scale food processing industries can play important role in economic development of the state. This industry has potential to improve the financial condition of farmers in the state since raw material for these industries is based on agricultural product. It can be proved to be better on both grounds viz. for the farmers or rural artisans and for the economy of state. Agricultural products are used in food processing industries for further processing and preserved for uses for longer period. Consequently, it reduces the wastage of agricultural products, provide market to farmers to sell their product. Hence it assures the optimum utilization of farm products, prevents it from being perished, and increases the supply and helps the state economy to grow at faster rate.

Limitations of This Study

This study includes only the data for five years from 2005 to 2010 due to non-availability of data for the 2010 onwards.

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