

## Constraints in the growth of food processing sector

- High cost of raw material (due to low productivity and poor agronomic practices)
- Lack of scale
- High cost of packaging
- High logistics cost
- Lack of infrastructure (High cost of power, lack of cold chains, storage, handling and transportation)
- Seasonability of operation
- Low per capita income
- Socio-cultural factors such as preference for freshly cooked products as compared to packaged products
- Price differential between fresh and processed food in India is very high.
- More than a dozen food laws under several Ministries govern food sector.
- In the long and fragmented supply chain, right from farm to mandi to processor to distributor to retailers, there are too many points of intermediation & disconnect.

## Supply chain management

Supply chain is a network between a company and its suppliers and customers.

Following becomes part of Supply chain of food product from farmers to consumers.

- Farmers/Suppliers of Raw Material
- Food Processing unit (convert Raw material into Finished goods)
- Transporter
- Distributors/Wholesalers
- Retailers
- Consumers

Supply chain management is the handling of the entire production flow of goods- starting from the access of raw material from suppliers to delivery of final product to the consumer.

Effective supply chain management systems minimize cost, waste and time.

## Upstream Requirements (Towards Suppliers for uninterrupted supply of Raw Material)

- To ensure that agriculture produces sufficient food, farmers need the right incentives, knowledge, and technology.
- Availability of High yielding varieties (HYV) of seeds
- Availability of Fertilizers
- Latest Farms Machinery
- Farm power availability
- Affordable credit
- Cold chain and preservation infrastructure at farm level. e.g. Cold Storage, Controlled Atmosphere (CA)/Modified Atmosphere (MA) storage, Deep Freezer.
- Reduction in logistics cost (Development of Transport infrastructure)
- Require amendments in State APMC Act regarding direct procurement from Farmers (reduction in intermediaries)
- Reduction in import duty on inputs

## Downstream requirements

- Affordable credit
- Skilled Manpower
- Modern technology/machinery
- Food Testing Laboratories
- Standardisation of Food quality and safety norms
- Rationalization of tariff and duties.
- Reduction in logistics cost (Development of Transport infrastructure)
- Marketing & distribution except by big companies is largely unorganised and fragmented. Fragmented retail structure are associated with low product quality, lack of variety and low hygiene.
- Organised retailing reduces number of intermediaries and transaction costs and thus making it cheaper for consumer. It enables processors to test market their products effectively
- Current distribution structure is risk averse and hence inhibits stocking new products.
- R&D in food processing for product and process development

## Food Processing Sector–Major Challenges:

Ministry of Food Processing Industries has identified six key challenges faced by the food processing industry:

