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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	A STUDY ON THE RISK CULTURE IN BANKING SECTOR <i>FRANK MTAKI & DR. B. GANESH</i>	1
2.	INDIANISM AND INDIAN MANAGEMENT: A CONCEPTUAL STUDY <i>DR. RAVI.T.S</i>	5
3.	RESEARCH IN INFORMATION TECHNOLOGY: BEHAVIORAL ECONOMICS <i>DR. SOU. PARVATI BHAGWAN PATIL</i>	9
4.	A STUDY ON THE INVESTORS PERCEPTION TOWARDS INVESTMENT IN STOCK MARKET IS LUCRATIVE <i>DR. P. RAMAN</i>	12
5.	INDIA EXPORTS TO LATIN AMERICA: A STUDY IN REFERENCE TO DOING BUSINESS WITH ARGENTINA <i>DR. JAYANT SONWALKAR & CHANDAN MAHESHKAR</i>	17
6.	A COMPARATIVE STUDY OF CUSTOMER'S PERCEPTIONS OF SERVICE QUALITY DIMENSIONS BETWEEN PUBLIC AND PRIVATE BANKS IN RAIPUR CITY (WITH SPECIAL REFERENCE TO SBI AND ICICI) <i>DR. SALEEM AQUIL & NAZHAT TAHSEEN</i>	22
7.	ISLAMIC BANKING: INDIAN ECONOMIC DEVELOPMENT <i>DR. SHAKIR SHAIK & DR. SAMEERA</i>	27
8.	IMPACT OF ECONOMIC RECESSION ON THE FINANCIAL PERFORMANCE OF SELECT PRIVATE SECTOR CEMENT COMPANIES IN TAMIL NADU <i>DR. V. MOHANRAJ & DR. N. DEEPA</i>	30
9.	ROLE OF EMPLOYEE TRAINING IN CREATING A BEST PLACE TO WORK AND RETAIN THE BEST TALENT IN THE ORGANISATION <i>DR. J. K. RAJU & NAVEEN. G. NAIK</i>	33
10.	AGRO BASED INDUSTRIES IN INDIA: GROWTH, STATUS AND PROSPECTUS <i>DR. R. M. YALLATTI & A. K. JAYAPPANAVAR</i>	39
11.	A STUDY ON EXPORT PERFORMANCE OF LEATHER PRODUCTS IN INDIA <i>DR. A. MUTHUSAMY & S. KARPAGALAKSHMI</i>	42
12.	FISCAL EXPANSION AND ECONOMIC GROWTH IN MANIPUR <i>HUIDROM IMOBI SINGH</i>	45
13.	THE IMPACT OF NON-PERFORMING LOANS ON NET INCOME OF JORDANIAN BANKING SECTOR THROUGH 2003-2013 <i>DR. AHMAD SALEM ALKHAZALI</i>	56
14.	GLOBALIZATION: IS IT A HOLISTIC MODEL OF DEVELOPMENT? <i>DR. SYED HASAN QAYED</i>	62
15.	THE IMPACT OF INFLATION ON LIVING STANDARD OF HOUSEHOLDS IN HAWASSA CITY, ETHIOPIA <i>DR. P. NANDEESWARA RAO & TASSEW DUFERA TOLCHA</i>	66
16.	IMPACT OF MICROFINANCE BANKS ON POVERTY ALLEVIATION: THE CASE OF AHMADU BELLO UNIVERSITY, MICROFINANCE BANK <i>AMINU Y. USMAN & DANRAKA, N. DARI</i>	73
17.	IMPORT DEMAND, CAPITAL INFLOWS AND DUTCH DISEASE IN GHANA: THE CASE OF FOREIGN DIRECT INVESTMENTS (FDIS) <i>MUSTAPHA IMMURANA, KWAKU BOATENG & DANIEL MALIK ACHALA</i>	77
18.	PRIMARY EDUCATION IN ANDHRA PRADESH: A CASE STUDY OF GUNTUR DISTRICT <i>A.J. BHAGYA LATHA & DR. SHAIK AMEER</i>	86
19.	A COMPARATIVE EVALUATION OF PRIVATE SECTOR BANKS LENDING IN INDIA <i>SOMESHWAR PRIYA D.</i>	95
20.	HISTORY OF TOURISM IN HIMACHAL PRADESH <i>VINAY NEGI</i>	99
	REQUEST FOR FEEDBACK & DISCLAIMER	102

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AGRO BASED INDUSTRIES IN INDIA: GROWTH, STATUS AND PROSPECTUS

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ABSTRACT

Agro based industry as a sunrise sector of the Indian economy in view of its large potential for growth and likely socio economic impact specifically on employment and income generation. Some estimates suggest that in developed, approximately 14 percent of total workforce is engaged in agro processing sector directly or indirectly. However, in India only about 3 percent of the workforce finds employment in this sector revealing its underdeveloped state and vast untapped potential for employment. There is no denying that India has to live with the problem of unemployment for many years to come. Therefore, need arises to make over all development among all sections of the society especially in rural agro based industrial units. Agro processing industries is defined as set of techno –economic activities, applied to the products, originating from agriculture form, live stock and forests for their conservation handling and value addition to make them as usable as food feed fuel or industrial raw materials. Agro processing sector has expressed expansion during last 5 year decades. Starting with a handful of facilities which were mainly operating at domestic cottage level. The present paper is an attempt to find out the status of agro based industries and also analyses the various problems of agro based industries.

KEYWORDS

agro based Industries, growth and status.

1. INTRODUCTION

Agro –Industry is that subset of the manufacturing sector which is engaged in processing raw materials and intermediate products derived from agriculture, fisheries and forestry. Traditionally the agriculture sector used to draw most of its inputs from the villages and the farms and apparently, agro industries were perceived to be the first level post harvest processing of farm produce. However, the agro industry forms a part of the broader concept of agribusiness today. Agro based industries are those which involved in supplying the farm with agricultural inputs besides handling the products of the farm. Agro based industries are those industries which have direct or indirect links with agriculture. These industries must foster the spirit of interdependence between agriculture and industry. Such industries must use the raw materials provided by agriculture and their output must have their market among the rural population. Surplus rural manpower must be absorbed by these industries.

The planning commission identified consequently many rural areas for intensive development of small scale industries. The primary objectives of its programme were to bring about a co-operative agro industrial economy and create employment opportunities to enable a higher standard of living, mobilize rural communities and seek diversification of rural economy in a manner that contributes to the welfare of the landless and the weaker sections of village communities. Rural industrialisation was then seen to have two components namely location and linkages with large industries and processing industries based on agriculture. It was recognized that with the increase in the production of pulses and number of cash crops like sugar cane Rubber industries and oilseeds visualized in the third plan. There will be a considerable scope for the expansion of processing industries in rural areas. With a view providing full employment and strengthen and diversifying the rural economy, it will be desirable to develop these industries to the maximum extent in the decentralized industries and small scale sector and on a co-operative basis.

2. OBJECTIVES OF AGRO PROCESSING INDUSTRIES

- Ensure that a fair share of added value goes to the producer.
- To study the effects of the agro based industry on rural development.
- To analyze the various problems faced by the agro based industries.
- To suggest the remedial measure to improve the status of agro based industries for effective development of the economy.

3. HISTORICAL PERCEPTIVE

By the middle of the nineteenth century, common agro processing industries included hand pounding units for rice, water power driven flour mills, bullock driven sugar cane paper making units spinning wheels and handloom units' food weaving. In British India during the year 1863 a note was written by the governor by the madras state, sir William Denison to the government of madras state for laying greater stress on agriculture and agro processing. Based on this a set of improved machinery was brought from England for demonstration and adoption. It included thrashing machines, winnowers, chaff cutters, besides steam ploughs, steam harrows, cultivators, seed drills and horse hoes. The demonstration continued at said place near Madras till 1871 with little outcome.

Importance of agro processing sector was first realized and documented after the disastrous famine of Bengal during 1870's. Report of the Famine commission set up by the British Government in its report submitted in 1880, clearly stated the need for agricultural improvement and improved post-harvest infrastructural development specifically, rail network. Need was also felt for incorporating chemical interventions in the agricultural sector and precision farming through agricultural mechanization manned by engineers. The Royal commission on Agriculture set up by the British Government, Conducted a detailed study. In its published during the year 1928, it called for scientific approach to the sector and stressed for developing rural industries and co-operatives.

Post-Independence era in India witnessed rapid growth in agro processing sector specifically during 1980's. It followed the first phase of the green revolution that had resulted in agricultural production and the need for its post-harvest management. The importance of the sector was realized by the business community leading to diversification from grain trading to processing. Lead was given by the rice processing industry, followed closely by wheat milling, paper and pulp industry, milk industry, milk processing sector, jute industry, sugarcane processing and oils extraction through solvent plants. In some areas like the solvent extraction industry, the growth is installed the processing capacity has been far higher than the supply of the raw materials. However, in other areas like fruits and vegetables processing, the growth has not been encouraging on account of poor demand for processed products by the consumers. In such cases the industry has also not been able to develop the demand adequately.

TABLE 1: YIELD OF FOOD GRAINS IN DIFFERENT COUNTRIES (KG PER HECTARE)

Name of the country	Rice	Wheat
US	7694	2825
China	6265	4455
India	3124	2619
Nigeria	1440	1127
Source FAQ		

The above table shows depicts that china produces 6265 kg of Rice per hectare, While Nigeria has to make do with just 1440 kg per hectare and India with 3124 Kg per hectare. This is nothing but a division between rich and poor countries. Rice yield per hectare is about 4 tones in developing world, while it is over 6 tones in the advanced countries. Hence India contributes about 22 percent of the global output of rice production and it is also the largest producers of world's best basmati rice. Paddy being the major crop of India covers an area of more than 42.8 million hectares, the largest under any single crop (FAQ 1995). It has also been stated by the economic times of India (21 July 2008) that in the year 2002 production of rice was of the order of 3.14 tons per hectare which was decreased to 3.13 tons per hectare in 2004 and slightly increased to 3.18 tons' hectare in the year 2007. The yield of rice in different years is as.

TABLE 2: YIELD OF RICE CROP (TONS PER HECTARE)

Name of the country\ year	2002	2003	2004	2005	2006	2007
Thailand	2.62	2.57	2.65	2.63	2.70	2.69
Indonesia	4.41	4.50	4.56	4.64	4.59	4.60
China	6.16	6.19	6.06	6.31	6.26	6.23
India	3.14	2.67	3.13	2.95	3.17	3.18
Brazil	3.30	3.25	3.43	3.37	3.86	3.81

Source: The economic times of India

From the following table it has been revealed that there has been no remarkable increase in the yield of rice in any part of the world over last 10 years. Agricultural productivity has stagnated internationally, while the demand and consumption of agricultural products has steadily increased with the increase of income levels and population growth. Therefore, on the supply side, various constraints like stagnating area under cultivation, and plateau of crop yields etc. are posing limits to production. The drought in the last year caused by deficient south west monsoon is an immediate reason for supply shortfalls during latter half of the year 2009 extended to 2010.

4. PRODUCTION AND SHORTFALL OF MAJOR FOOD CROPS IN RECENT YEARS

TABLE 3

Crop	2006-07	2007-08	2008-09	2009-10
Rice	93.4(1.7)	92.7 (3.5)	99.2 (2.6)	80 (-19.6)
Wheat	75.8(3.5)	78.6 (3.7)	80.7 (2.7)	81 (1.0)
Sugarcane	355.2 (2.0)	348.2 (-2.0)	285 (-18.2)	259 (-9.1)

Source: Yovanna August 2010

Note Figures in parenthesis indicated percent change from previous year.

The above table depicts that the shortfall in the rice reduction was around 20 percent with respect to the previous years and hence suffered a perceptible reduction. The major reason behind this shortfall can be problems faced by the various agro processing units. The various problems faced by rice mills industry are high interest rate high cost of raw materials, stiff competition distance from warehouse, frequent breakdown of finished products non availability of research lab for quality control etc. In the present paper a detailed analysis of various problems faced by these rice mills will be done.

5. TRENDS IN AGRICULTURAL PRODUCTION

At the start of the twentieth century, Indian agriculture was in a stage of subsistence. By the year 1925-26. The total area under some major crops in undivided British India was rice 32 Mha, Wheat 9.6 Mha. The yield was very low. In the year 1950-51, India produced only 50 million tons of food grain and a variety of other crops. By the year 2000- 2001, India started producing about 700 million tons of biological materials per year including food grains, oil seeds, fruits vegetables, sugarcane, milk, eggs, meat fiber crops forest produce and so on. The country has diverse agro climatic conditions and consumer preferences and hence it produces a vast variety of agricultural and livestock materials. However, their market potential is not being fully realized due to poor harvest management and inadequate infrastructure and programme for processing of agro produce.

6. R & D IN AGRO BASED INDUSTRIES

- Development of new products and processes for better nutrition, convenience and taste.
- Enhancement of shelf life of the products safe storage packing and development of better performing materials.
- Better economic utilization of agricultural residues by products and recycling of wastes.
- Design layout planning and development of pilot plants, agricultural produce bulk handling systems and area specific agro processing models.
- Work conditions, safety and pollution control.

7. GROWTH AND DEVELOPMENT OF AGRO BASED INDUSTRIES

- The growth & expansion of agro industries form inseparable part of the overall programme for economic & industrial development.
- The related groups of agro industries have to be set up in a co-ordination manner so the utilization of byproducts can be possible simultaneously.
- Advanced management and marketing methods need to be introduced in agro industries which cater to the export market.
- Both backward and forward linkages are to be ensured in respect agro industries so that maximum growth impulses area generated.
- Suitable strategies have to be formulated to promote rural savings and ploughing them in rural areas for productive investments through attractive deposit and credit instruments.
- Extension & dissemination of information through mass media, technology development research activities and training programmes need to be improved.

8. PROBLEMS OF AGRO BASED INDUSTRIES

8.1 FINANCIAL PROBLEM

It has been major problem of these industries as lack of finance by the financial institutions. Majority of the surveyed units have given 1st ranking to the lack of finance whereas second priority was given to high interest rate. It has also been found that due to financial constraints these units are not running smoothly.

8.2 INFRASTRUCTURE PROBLEM

For creating industrial culture in any reason infrastructural facilities are required without these no industrial enterprise can survive and sustain for long. As regards infrastructural problems of these industries is concerned no any industrial estates have been created by the government. Entrepreneur are also facing the problem of costly transportation cost due to the availability of warehouses and remote industrial location.

8.3 MARKETING PROBLEM

The industries have very less market to sell their products in the nearby areas and have to remain dependent up on supply to government agencies like food supply corporation of India and other agencies, in addition to it industries are also facing stiff competition, changing conditions of market etc.

8.4 MANAGEMENT PROBLEM

Many units are facing problems due to lack of professional management. In the surveyed units it has been found that none of the units have appointed professional manager in their enterprises. Majority of the units are in partnership form of the organization and due to vested interest of some partners, there is a dispute and lot of litigations among the partner. It has been observed that in majority of the unit's entrepreneurs have invested huge amount of investment in constructing building. Some of the units are diversified the funds of the industry in constructing their homes. The money required in industry have been diversified in other dead assets as a result these industries are not earning profits.

8.5 RESEARCH AND DEVELOPMENT

R&D occupies an important place for inculcating industrialization. The various R & D problems agro based industries comprises the non-availability of research & development institutions. Due to this cost of production is very high, delay in delivery of goods etc.

9. SUGGESTIONS

- It is suggested that the financial institutions should provide the assistance without any bias to the needy and deserving entrepreneur of agro based industry.
- Arrangement to supply market information to the farmer and agro processor should be put in place.
- Emphasis should be put on the establishment of new agro industrial plants in the production catchments to minimize transport cost.
- Create employment opportunity in the rural sector.
- The national plan should provide for management of agro industrial activities in the catchment area both by private companies and individuals as well as co-operatives.

10. CONCLUSION

The Indian economy is predominantly rural and agriculture oriented. Majority of the people in our country are those living poverty line and earn their livelihood from agriculture and other related activities. According to 2005 world bank estimates 42 percent of the India falls below poverty line \$ 1.25 a day in normal terms. Despite India being one of the fastest growing economies of the world. It is home to cover a third of the world's poor people. Even after 62 years of independence the country has not shown expected progress in industrial sector especially agro based industry. However, these industries are facing problems of financial problem, Lack of proper skills, upgrading technological supported. Some of the problems could be deals with the government intervention and the co-operation and support of the international agencies. These industries were got vital importance because it has created employment opportunity. The agro based industries helped in improvement in rural economy. Hence the need of hour is the with a greater emphasis on the problems faced by agro based units, require a well-furnished government policy. It lies in the long-term interest of the entrepreneurs to actively contribute in bringing the above fruition.

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