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Agro-based industries in Bihar

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Abstract

Agro-based industries play a vital role in the development of India's rural economy, which has been receiving increased attention from the central as well as state governments, in view of importance to the national reconstruction. The economic prosperity of a developing country like India depends largely on the development of agro-based industries which in turn leads to the creation of forward and backward linkages of the development process on large scale by making mutual complementary of agriculture and industries.

Agriculture based industries provide maximum employment in rural India and help the farmer get better price for his produce, thus increasing substantially, his quality of life. Agro-industries, which are largely village-based industries have the best potential for employment generation and also require less capital. Agro-industries are now considered as the sunrise sector of the Indian economy in view of its large potential for growth employment and income generation. The present paper makes an overview of Agro-Based industries in Indian context in general and Bihar in particular.

Keywords: agriculture, agro-based industries, Bihar, commercialisation of agriculture, food processing policy

Introduction

Agro-based industries play a vital role in the development of India's rural economy, which has been receiving increased attention from the central as well as state governments, in view of importance to the national reconstruction. The economic prosperity of a developing country like India depends largely on the development of agro-based industries which in turn leads to the creation of forward and backward linkages of the development process on large scale by making mutual complementary of agriculture and industries.

Agriculture based industries provide maximum employment in rural India and help the farmer get better price for his produce, thus increasing substantially, his quality of life. Agro-industries, which are largely village-based industries have the best potential for employment generation and also require less capital. Agro-industries are now considered as the sunrise sector of the Indian economy in view of its large potential for growth employment and income generation.

The agro industry is regarded as an extended arm of agriculture. The development of the agro industry can help stabilize and make agriculture more lucrative and create employment opportunities both at the production and marketing stages. The broad based development of the agro products industry will improve social as well as physical infrastructure of India. India is one of the largest producers of food, and is the second largest producer of rice, wheat, fruits, and vegetables in the world.

Nearly 70 per cent of the population depends on agriculture and agro-based industries. It should be emphasized that food is not just produce. Food also encompasses a wide variety of processed products. It is in this sense that the agro-industry is an important and vital part of the manufacturing sector in developing countries and the means for building industrial capacities.

Agro-based industries in India

The development of agro-based industries commenced during pre-independence days. Cotton mills, sugar mills, jute mills were fostered in the corporate sector. During the post-independence days, with a view rendering more employment and using local resources, small scale and village industries were favored. The agro industry helps in processing agricultural products such as field crops, tree crops, livestock and fisheries and converting them to edible and other usable forms. The private sector is yet to actualize the full potential of the agro industry. The global market is mammoth for sugar, coffee, tea and processed foods such as sauce, jelly, honey, etc. The market for processed meat, spices and fruits is equally gigantic. Only with mass production coupled with modern technology and intensive marketing can the domestic market as well as the export market be exploited to the fullest extend. It is therefore imperative that food manufacturers understand changing consumer preferences, technology, with modernization, innovation and incorporation of latest trends and technology in the entire food chain as well as agro-production, the total production capacity of agro products in India and the world is likely to double by the next decade. Whether it is canned food, processed food, food grains, dairy products, frozen food, fish, meat poultry, the Indian agro industry has a huge potential, the significance and growth of which will never cease. Sea fishing, aqua culture, milk and milk products, meat and poultry are some of the agro sectors that have shown marked growth over the years.

The agro-based industries assume great significance in the Indian economy, where agriculture accounts over 35 percent of the national income and about two thirds of the working population. We also need to bear in mind that over three-fourths of Indian

Population live in rural areas. Agro-based industries have great priority in the rural areas since they could be instrumental in fostering strong linkages between the agricultural and industrial sectors and enhancing the employment potential. The establishment of naturally beneficial linkages between industry and agriculture is one of the central themes of the development process. Agro-based industries play an important role in strengthening industrial and agricultural linkages. Agro-based industries are those industries which have either direct or indirect links with agriculture. Such industries must use the raw materials provided by agriculture and their output must have a market among the rural population. Surplus rural manpower must be absorbed by these industries. Agro-based industries are those processing industries which use large quantities of agricultural raw materials such as rice milling, wheat flour processing, textiles, sugar, tea, jute, coffee, paper, rubber production etc. These agro-based industries provide an excellent nexus in promoting integrated development of agricultural industry and in transforming a stagnant rural economy into a dynamic economy. The agro-based industries have played important role in the rural economy. Various agro-based industries in agriculture includes.

- Sugar Industry,
- Allied Products of the Sugar Industry,
- Textile Industry,
- Animal Husbandry,
- Silk Industry,
- Fisheries etc.

Agribusiness has strong linkage with industrial, agricultural and service sectors and has mutual impacts on each of these. It is the single largest sector of economy in many developing countries which is growing fast. Agriculture currently accounts for only about 26 per cent of the GDP in India as also for many other countries like Sri Lanka and Bangladesh and has been on a decline. But if we take an agribusiness perspective of the economy, then even now, more than 51 per cent of India GDP comes from the agribusiness sector, which includes the following agricultural inputs sectors, the farm production sector, agro processing, including food, manufacturing sector and the food/fibre distribution and marketing sector. Through sectors like agro processing and retailing or distribution are considered as part of the industrial and service sectors respectively, they are directly dependent on what happens on or around the farms. Therefore, they are legitimately part of the agribusiness sector as agribusiness includes any land based or allied food or fibre production and activities deriving from them as long as the raw material base is biological in nature. Most of the rural non-farm sector, which is targeted for employment generation today is nothing but agribusiness and depends directly on what happens in the farm sector.

Agro-based industries in Bihar

Bihar is today a state with backward economy, with structurally and technically least efficient industry and less commercialized agriculture. The vast industrial and agricultural potential is decelerating gradually. It has respectively led to a decreasing level of socio-economic conditions of the people of Bihar. The irony of development over the seventy years of period is that Bihar is inhabited by the largest proportion (42.6%) of people below poverty line having the lowest per capita income, low

industrial and agricultural growth and above all poor human development index. The sorriest state of affairs is that Bihar which has the plenty of human and natural resources has been lagging far behind the development which other states have experienced despite comparatively low endowment of resources. This calls for a clear understanding on the relationship between industry and agriculture in the process of economic development of the state which has the profound bearing on the nature and causes of growth of income and wealth. At a time, when around 60 percent of humanity in Bihar is grappling with problems of poverty, underdevelopment and structural change, the importance of well integration of industry and agriculture can hardly be undermined particularly the syndrome of non-development which has been persisting since long in the state. This chapter makes an attempt in this direction and discusses the basic issues and problems of integration of industry and agriculture.

The economy of Bihar is mainly based on agriculture. The major agricultural products of the state are cereals, pulses, oil seeds, fruits, vegetables and cash crops. The important cash crops are sugarcane, potato, tobacco, jute and spices. Bihar is the third largest producer of vegetables and sixth largest producer of fruits in India. But the capita annual productions of agriculture is at the lowest level of Rs-666 only. The reason of this is the use of technology and inputs on low level and less development of agro-based food industry. Food processing is one of the most important factors for boosting growth of any agricultural economy. Bihar has ample scope for development of this sector but it is still at a nascent stage. For giving the pace of food processing industry, the state government has prepared food processing policy 2008 and establish a food processing Directorate in the state. The state has a large potential of food processing units as fruits, vegetables, dairy, meat, poultry, fishery, food grain and beverages. It consists of all types of value addition to agricultural produce and grading sorting and packaging of food products.

The agro industries helps in processing agricultural products such as field crops, tree crops, livestock and fisheries and convert them to edible and other usable forms. The private sector is yet to actualize the full potential of the agro industry. The global market is huge for sugar, coffee, tea and processed foods such as sauce, jelly, honey and other products. Agro-industries are involved with post-harvest activity involving processing of fruits and vegetables. These activities is only two percent compared to eighty percent in United States and forty percent in china. The food processing sector is an important segment of the economy, constituting a share of around 9.0 to 10.0 percent of the Gross domestic product. Studies suggest that the setting up of an agro-industry in a rural area sets in motion forces which positively impact the socio-economic structure of the areas.

Agro-based industries is one of the important components of industrialization which promotes small scale and cottage industries in the rural areas. The benefits of industrialization may be shared by the rural population through agro-based industries. Agro-industry also plays a crucial role in the industrialization process of the developing countries. There are so many opportunities available in Bihar for Agro-based industries.

Potentialities of Agro-based industries

Agro processing could be defined as set of techno economic activities carried out for conservation and handling of agricultural produce and to make it usable as food, fibre, fuel or industrial raw

material. It is a well-recognized fact across the world, particularly in the context of industrial development that the importance of agro-industries is related to agricultural increase as economies develop. Inadequate attention to the agro-processing sector in the past put both the producer and the consumer at a disadvantage and it also hurts the economy of the country. Agro-industries are now regarded as the sunrise sector of the Indian economy in view of its large potential for growth and likely socio economy impact on employment and income generation. Some estimates suggest that in developed countries, up to 14 per cent of the total work force is engaged in agro-processing sector directly or indirectly. However, in India, only about 3 per cent of the work force finds employment in this sector revealing its underdeveloped state and vast untapped potential for employment. Properly developed, agro-processing sector can make india a major player at the global level for marketing and supply of processed food and a wide range of other plant and animal products.

The Agro based industry is broadly categorized in the following three types: village level industries, small scale industry and large-scale industry. Village level industries are owned and run by rural households with very little capital investment and a high level of manual labour, for example-pickles, paper, etc. Small scale industry involves medium investment and semi-automation. Example-edible oil, rice mill, etc. Large scale industry involves large investment and a high level of automation. Example- sugar, jute, cotton mills, etc.

Globalisation and liberalization have the greatest impact on the rural poor through their influence on the agricultural sectors, terms of trade, availability and cost of inputs, and new investments in the agribusiness sector. Technological progress in farming can help the rural poor by raising farm productivity, lowering food prices, increasing employment and reducing farming risk. But the role and influence of multinational corporations in food production and trade will, as and institutional mechanism, determine the exact impact of globalization of the rural poor. Contract farming promotes participation of domestic firms and MNCs in farming and is seen as the new investment aspect of globalization.

The importance of the Food Processing Industry (FPI), a significant component of API, in India's agriculture can best be understood from the studies by Mckinsey which reveal that food in India has an economic multiplier effect of 2.0 to 2.5 which means for every rupee of revenue generated from food the economy at large benefits by Rs2.0 to 2.50.5 The share of agro-industry in village level rural industries was 83per cent, 78per cent and 72per cent in terms of number of enterprises, total employment generated and gross value addition respectively.

The agro-based industries can seize an opportunity of significant growth in the light of changes over the past few years, because of changing trends in

- Markets,
- Consumer segments and
- Regulations.

The agro-based industries assume great significance in the Indian economy in general and Bihar in particular, where agriculture accounts for over 35 percent of the national income and about two thirds of the working population. Agro-based industries have great priority in the rural areas since they could be instrumental

in fostering strong linkages between the agricultural and industrial sectors and enhancing the employment potential.

According to the vision 2015 documents the FPI envisages to increase processing of perishable from 6% to 20%, value addition from 20% to 35% and increase in share of global food trade from 1.5 percent to 3.0 percent. In order to capitalize the available opportunities, it is necessary to create an enabling environment for healthy growth of FPI and formulated a strategic action plan to accomplish the vision 2015 by end of the 12th plan.

On account of poor post-harvest management, the losses in farm produce in India are estimated to over one lakh crore each year. These losses occur during storage, handling, milling and processing. Various studies have concluded that these losses can be halved with the help of processing industries.

Conclusion

An extended arm of agriculture, agro-industries can make agriculture more lucrative and create employment opportunities, both at the production and marketing stages. The broad-based development of the agro products industry will improve both the social and the physical infrastructure of India.

If agricultural based industries are gone up, it will lead to:

- More employment opportunity.
- Minimise the food import.
- Substantial food export.
- Save foreign exchange.
- Enhance the village economy-minimize the migration of people to city.
- Farmers are assured to get enough return.
- Customers can enjoy the value-added services.

We must realize the significance of the agriculture-based industries for strengthening the economy of Bihar. If our entrepreneurs or Farmers are well trained in maintaining quality, attractive packages, promotional activities, knowing taste and preferences of the customers from domestic and international and export procedure, they will succeed.

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