

**STATUS OF FOOD PROCESSING INDUSTRIES IN
SIVAGANGA AND RAMNATHAPURAM DISTRICTS OF
TAMILNADU – PRESENT SCENARIO**

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Abstract

This paper has been made an attempt to analyse the Current Status of Food Processing Industries in Sivaganga and Ramnathapuram districts of Tamilnadu. Food processing sector is indispensable for the overall development of an economy as it provides a vital linkage and synergy between the agriculture and industry. It helps to diversify and commercialise farming; enhance income of farmers; create markets for export of agro foods as well as generate greater employment opportunities. Through the presence of such industries, a wider range of food products could be sold and distributed to the distant locations. The term 'food processing' is mainly defined as a process of value addition to the agricultural or horticultural produce by various methods like grading, sorting and packaging. This article is concluded that the current market position of food processing industry is having tremendous growth in the study area. But it is having some sort of struggles to develop the business.

Key Words: Ministry of Food Processing Industries, Current Market Position, Challenges of Food Processing Industry & MSME's

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Introduction

Food processing industry in India is mostly in the form of MSMEs on one hand and agro-based on the other. An Agro based industry is an enterprise that processes bio-mass, i. e. agriculture raw material which includes ground and tree crops as well as livestock and fisheries to create edible or usable forms, create easily transportable forms, improve storage and shelf life, enhance nutritive value and extract chemicals for other uses. It includes two categories: (i) Agro food industries and (ii) Agro non food industries. Agro based industry provides the crucial form industry linkage which helps to accelerate agricultural development by creating backward linkage (supply of credit, inputs and other production enhancement services) and forward linkages (processing and marketing) adding value to farmers produce, generating employment opportunities and increasing farmers net income. This in turn motivates the farmers for better productivity and further opens up possibilities of industrial; development. Agro industries display unique characteristics of perish ability, season ability, and variability based on the raw materials processed by them. This calls for greater speed in handling, storage and processing efficient system of marketing. India is a country of villages of which 70% of population comes from rural area and more than 60% population depend on agriculture for their food, shelter and clothing. Increasing demand for various agro based products for industrial use, direct consumption, and export has led to agro based industrialization in our country. It is labor intensive in character, needs less capital and more working capital.

Central Government has made the efforts to accelerate the pace of development in food processing industry. A number of incentives and packages have been announced for FPI. A separate Ministry for food processing industry has been established. Food processing industry has been designated as priority industry for foreign investment, technology agreement and attention is being given to infrastructure and other requirements of the industry (EDII, 2011)

A majority of the medium and large scale food processing units are sugar mills, vegetable oil seed processing units, milk & dairy units, and roller flour mills. At present there are very few units both in large and medium sectors as well as in small sector producing sophisticated, fabricated and high term foods in the state. It is also reported that lack of infrastructural facilities for scientific handling, storage and distribution of both raw and processed food is resulting in wastages of foods at every stage.

Food processing industry is one of the largest industries in the country and also there is a huge potential for this food processing industry in the State of Tamilnadu. The major problem with this industry is that it is largely unorganized. Though the food processing units utilize fewer resources and are more production oriented, they find it difficult to compete with the huge players, when it comes to marketing their products. This has led to the present research proposal, which would highlight the potential markets avenues for the food processing industries and the challenges faced by the smaller players in the industry.

Objectives of the Study

- a) To study the existing status of Food processing Industries in the Proposed study area.
- b) To understand the Market challenges of the Food processing units.
- c) To provide strategic solutions to the food processing units for competitive and brand marketing.

Research Methodology

For the purpose of collecting primary data, a detailed and comprehensive Questionnaire was prepared on the basis of the objectives of the study. The data have been collected by conducting survey of food processing units in Ramanthapuram and Sivaganga districts of Tamilnadu. The researcher has been adopted convenience sampling method for taking the sample size from the whole population. It is called non probability sampling technique. Large numbers of food processing industries are available in these two districts; hence the researcher selected the sample size based on his convenience in the particular study period. Sivaganga and Ramanathapuram districts of Tamilnadu are said to be the backward districts, with their lacking industrial development, low per capita income of the people and poor economic conditions.

The two districts are known to have more number of SMEs involved in food processing, crafts and allied industrial products. Being a dry-land with poor irrigation, agriculture is more focused on dry crops, viz. maize, groundnut, chilly, palm, tamarind, few vegetables. Sea foods are available in abundant in this region, which are also processed. The population of the food processing units is large and scattered all over the district. Therefore sample has been confined to only four categories of food processing units (see Table 1) and 108 units have been selected for the present study by stratified random sampling method.

Table 1

Sample Selected from Food Processing Units in Ramanathapuram & Sivaganga District

Sl.No	Category	No. of Units
1	Rice Processing	33
2	Marine and Sea Food	28
3	Dairy, fruits , vegetable processing, Spices & Oil Processing	24
4	Consumer foods including packaged foods, beverages.	23
Total number of units Covered		108

Analysis of Current Market Position and Challenging Factors

Current Market Position

The below table shows that the current market position of FPI in the study area

The Values Strongly Disagree- 0-0.8, Disagree- 0.81-1.6, Neutral- 1.6-2.4, Agree- 2.41-3.2, Strongly Agree- 3.21-4.0

Table.No. 2 Current Market position of FPI

Current Market Position	Mean	Rank
My company product name and fame in the market	4.0278	3
Customers knows well about my company product	3.6944	6
Advertisement enhances the sales of my product	3.6574	7
Distributor gives preference to sell my product	3.8333	5
Customers satisfied in using my product	4.3333	1
Taste/Features of products are focused to the customers	4.2593	2
Export opportunity of my product	3.9074	4
Packing of my product is attracting to the customers	3.6111	9
Technology involved in my business	3.3056	10
Attractiveness of our logo in the market	2.8704	11
Cost of expenses for advertisement	2.8148	12
Tax benefits or exemptions for my company products	2.8704	11

Net profit earnings of the business in every year	3.6204	8
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Source: **Primary Data**

Table 2 indicates the mean value of respondents' opinion towards current market position. The variables "Customers satisfied in using my product", "Taste/Features of products are focused to the customers", "My company has product name and fame in the market", "Export opportunity of my product", have very high mean value, indicates that the current market is very strong in these aspects, whereas other aspects also holds good value. The aspects "Cost of expenses of advertisement", "Attractiveness of our logo in the market", "Tax benefits or exemptions for my company products", have very low mean value, indicates these aspects are very weak in the current market. And "Technology involved in my business" is in the moderate level, can be motivated to use more technology. Hence the current market position is in good status except, advertisement cost, tax benefits and logo attractiveness.

Table.No. 3 Challenging Factors of Business in Industry

Challenging Factors of Business in Industry	Mean	Rank
Lack of finance and capital sources for your business	4.1944	1
Non-availability of skilled sales personnel	3.3704	5
Poor infrastructure	2.1111	13
Distance in procuring of raw material	2.3704	11
Lack of transport facility for supply of the products	2.5000	9
Lack of proper supply chain management of your products	2.2222	12
MNC's interference in your market	2.8333	7
Lack of advertisement for your product	2.8889	6
Fear to export the products to another country	3.4074	4
Inadequate CRM practice	2.4907	10
lack of awareness in using latest technology for your business	2.5000	9
Decreasing purchasing support for your product	2.1111	13

Lack of middlemen support for your product	2.5000	9
Fear to accept the contract of MNC brand name for your product	2.7500	8
Increasing number of competitors in the market	3.7222	2
Inadequate preservation/storing facilities for your products	3.6019	3

Source: **Primary Data**

Table 3 indicates the mean value of respondents' opinion towards challenging factors of business in industry. The Variables "Lack of finance and capital sources for your business", "Increasing number of competitors in the market", "Inadequate preservation/storing facilities for your products", "Fear to export the products to another country", "Non-availability of skilled sales personnel" have very high mean value, indicates that these are the factors considered as most challenging one by the respondents. The aspects "Decreasing purchasing support for your product", "Poor infrastructure", "Lack of proper supply chain management of your products", "Distance in procuring of raw material", "Inadequate CRM practice", have very low mean value, indicates these aspects are very least challenging factors in the business industry. And the factors such as awareness about latest technology, lack of middlemen support, lack of transport facility, MNC interference, and fear to accept the contract of MNC are in the moderate level, which are also considered as somehow challenging one by the respondents. Hence the most challenging factors are in the finance and marketing side of the business, whereas operations seem to be less risky.

Factor analysis for Current Market Position of Business

Table No. 4 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.618
Bartlett's Test of Sphericity	Approx. Chi-Square	427.438
	Df	78
	Sig.	.000

The KMO and Bartlett's test of sphericity indicates that KMO & Chi-Square value for all dimensions is high with .618, 427.438 viz. And the sample size chosen is more appropriate for the study.

Table No. 5 Rotated Component Matrix^a

Particulars	Component			
	Customer Focus/Innovation	Promotional expenses & Revenues	Product Preference	Brand Awareness
My company product name and fame in the market				.729
Customers knows well about my company product				.559
Advertisement enhances the sales of my product				.184
Distributor gives preference to sell my product			.691	
Customers satisfied in using my product			.810	
Export Opportunity of my Product			.685	
Taste/Features of the products are focused to the customers	.677			
Packing of my product is attracting to the customers	.658			
Attractiveness of our logo in the market	.525			
Technology involved in my Business	.679			
Cost of expenses for advertisement		.810		
Tax benefits or exceptions for my company products		.825		
Net profit earnings of the business in every year		.188		

Source: **Primary Data**

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

The exploratory factor analysis was conducted to identify the factors to determine current market position. It has been converged into 4 factors, viz. Customer focus/Innovation, Promotional expenses and revenues, Product preferences and Brand awareness.

All the factors have very high loadings with the items, except 2 items, advertisement enhance sales and net earnings of the business every year, which indicates all the other items are very important to determine current market position of the business. The factors Customer focus/Innovation, Product preferences & Brand awareness are considered as very important factors to capture market position.

The results of the factor analysis indicates that determining current market position has been converged in to 4 factors viz. customer focus/innovation, promotional expenses/revenues, product preferences and Brand awareness. Among these customer focus/innovation, product preference and Brand awareness help to capture and determine market position. The 4 factors were identified for challenges in the current business viz. Supply Chain problems, Marketing problems, Market risks and inadequate resources and practices. The factors Market risks and inadequate resources/practices with least scores indicate these are the major challenging factors for current business.

Factor Analysis for Challenging factors in current business industry

Table No. 6 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.581
Bartlett's Test of Sphericity	Approx. Chi-Square	839.842
	Df	120
	Sig.	.000

The KMO and Bartlett's test of sphericity indicates that KMO & Chi-Square value for all dimensions is high with .581, 839.842 viz. And the sample size chosen is more appropriate for the study.

Table No. 7 Rotated Component Matrix^a

Particulars	Component			
	Supply Chain Problems	Marketing Problems	Market Risks	Inadequate Resources/Practices
Lack of finance and capital sources for your business				.050
Non-availability of skilled sales personnel				.232
Poor infrastructure				.211
Distance in procuring of raw material	.564			
Lack of transport facility for supply of the products	.801			
Lack of proper supply chain management of your products	.879			
Lack of middlemen support	.528			
Inadequate preservation or storing facilities	.151			
MNC's interference in your market		.738		
Lack of advertisement for your product		.900		
Fear to export the products to another country		.522		.632
Inadequate CRM practice				.786
lack of awareness in using latest technology for your business				.683
Decreasing purchasing support for your product				.545
Fear to accept the contract of MNC brand name for your product			.377	
Increasing number of competitors in the market			.853	

Source: **Primary Data**

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 8 iterations.

The exploratory factor analysis was conducted to identify the factors to determine the challenging factors for current business. It has been converged into 4 factors viz. Supply Chain problems, Marketing problems, Market risks and inadequate resources and practices. All the factors have very high loadings with the items, except 5 items lack of finance and capital, non-availability of skilled sales personnel, poor infrastructure, fear to accept MNCs contract and inadequate preservation of storing facilities, which indicates that these are the major challenges in current Business. And all the factors are more appropriate to determine the challenges in the current business. The factors market risks and inadequate resources/practices are considered as major challenges in current business.

Results of the Market Prospects and Challenges

Majority of the respondents' opinion towards current market position is positive except cost of advertisement, tax exemptions and logo attractiveness. The Business men have their own market with good name and fame, fully focused on customer needs. Respondents stated that Export opportunities are also available for this business. Hence the current market position is good in all aspects except the 3 aspects mentioned above.

At present entrepreneurs consider challenging factors as finance and marketing, whereas there is no complications in the operations side i.e., procurement, supply chain, transport, etc. The Business men fear about loss to make export transaction, also the competitors are increasing in the market. And they are not aware about use of latest technology for their business. Also, they don't have adequate preservation/storing facilities. And Middlemen support is in moderate level. They fear to tie-up with MNC's brand name, though they didn't enter into the contract with MNC, the interference of MNC is still there. And they don't have wide options for financial/capital support. These are the major challenges faced by the entrepreneurs at present.

Suggestions of the Study

1. Current market position is having good status in the field of food processing industries. Thus the food processing industries keep on the same in future.
2. Government agencies did not provide sufficient encouragement to start the business. But the government provided some schemes to start the business in the study area. However

the new startup businessmen did not get the government opportunities, due to the corruption, officers approach and time duration etc.,

3. Most of the businessmen are fresher or having less than five years experience in the field of their business. Hence, the EDI will be incubated and give proper training to the less than five years experience businessmen in the study area.
4. Even now very less numbers of large scale industries are available in the study area. So the Indian central and state government may create awareness to start the large scale food processing industries and explain its benefits and profit volume to the businessmen.
5. Businessmen are invested the low amount to their business. So the Ministry of MSME may announce the financial assistance to the businessmen for improving their business in the field of food processing industries in India.
6. Large numbers of businessmen fear to export their products. So the businessmen may create a club to protect their business, export and import the processed food products in India as well as abroad. It will be useful to gain the knowledge about the export and import the business goods.
7. In Sivaganga and Ramnathapuram businessmen don't want to tie up their business with MNC companies. If they may tie up their business, they will get some opportunities to improve their business

Conclusion

This research helps to identify the current market status for food processing industries in two districts of Tamil Nadu. From this study it is obvious that current market is very high, as the consumer taste, preferences, life style are changing foster. Food processing industries have already accelerating growth in ASEAN and Other Nations in the World. The market for processed foods is growing drastically all over the World. The growth of food processing industries will contribute to nations GDP.

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