Formalising Food Enterprises

Why in news?

An elaborate package for agriculture has been launched with proposal to formalise the food enterprises.

How was this package viewed?

- Several analysts and commentators then adjudged this as a turning point for agriculture.
- Much has been talked about it since, on the extent of fund commitment, the policy reforms related to the Essential Commodities Act, and amendment in marketing laws.

What is the importance of small and micro-enterprises?

- Small and micro-enterprises with 0 or <5 employees dominate the enterprise in low and middle-income countries.
- India has more than 60 million of these, and 20 million are in the food sector.
- These small food enterprises employ 25 million men and nearly 10 million women as entrepreneurs and workers.
- It supports 150 million people. India has about 120 million.

Why they need to be formalised?

- In fostering recovery, it is important to realise that these enterprises, and not agriculture, **drives the growth in India's food economy**.
- Between 2010-11 and 2015-16, their gross value added increased at 24% per year compared to a meagre 2% in the agricultural GDP.
- An overwhelming share of these enterprises are informal.
- Hence, their formalisation and is probably the most underrated proposal in the package.

What is the cluster-based approach for food enterprises?

- The package also emphasised a cluster approach for the food enterprises.
- This means that the idea of developing **commodity-specific clusters** like kesar from Kashmir, tapioca from Tamil Nadu, etc.
- In such a cluster, units could be horizontally or vertically linked.

- The success depends on how enterprises interact with one another, and how enterprises interact with each other depends on the extent of formalisation.
- Hence, the cluster approach to food enterprise development must undertake a massive pre-step of formalisation.

What should be the vision of food enterprises?

- The food enterprises are further envisioned to position themselves in the context as “Vocal for local with Global outreach”.
- But much more is needed for crossing the local-global viaduct.
- Given the history and tenets of consumer psychology, more vocal for local has happened only when the local has a global reach.

What is the reality?

- Some statistics underscore the realities confronting food enterprises.
- India is the second-largest horticultural producer in the world.
- But, much smaller countries like Thailand and Egypt do better in horticultural exports.
- Despite being a comparatively small exporter in food, India faces the highest number of consignment rejections from the US and Europe.
- Like any other product with credence attribute, **reputation effects** drive food products too.

What needs to be done?

- **GAP norms** - India needs to come up with good agricultural practice (GAP) norms to build a reputation for delivering on quality and safety.
- This would help India with much-needed credibility and reputation for going global would not be possible.
- If the package were to stipulate on quality and safety standards, set out a blueprint for GAP and other standards, one could see a prospect for the food enterprises.
- **Promoting clusters** - One-size-fits-all type interventions may not work in the promotion of these clusters.
- Farmers need to have real-time information on niche commodities and their prices to be able to tap on global export markets.
- Like Grapenet with registering of farmers and real-time information and monitoring on needed practices, there should be other nets like applenet.
- These systems involve fixed costs that disadvantage small farmers.
- Hence, suitable aggregation models that anchor on safety, quality and health attributes are needed for local to global outreach models.

Source: Financial Express

