

## 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**

