

Value addition - A USP for processed food

Value-addition seems to be the latest catchword for wooing the customer, so much so it has become an inseparable part of processed food

Wan't to add a unique selling proposition to your product? Well! Value-addition seems to be the answer to that problem. The latter has become the latest fad in the corporate circles and companies in the processed food industry are not left far behind. Processing of food items is known to achieve value addition which has assumed critical importance in the last decade due to socio-economic and industrial factors. The ample availability of food from natural sources earlier gave the necessary food security, till the recent times. As the population increased, food availability from natural sources become scarce, making it necessary to look for new sources of nutritious food. Processing is basically a method of preserving the produce for later use when they are bountiful and cheaper. The demand of food always exists, but if the supplies dwindle or are high priced, the processed food gets a paradigm shift as the factor of time utility is incorporated to the product.

The degree of value addition of processed food can vary tremendously. In India the value added is only 7 per cent of agricultural value, whereas in UK, the value added in their processing

industries is as much as their agricultural value. Although India ranks second in the production of fruits and vegetables, statistical analysis reveals that only two per cent of the produce are processed. The bulk of the agricultural produce in India is sold to the consumers as

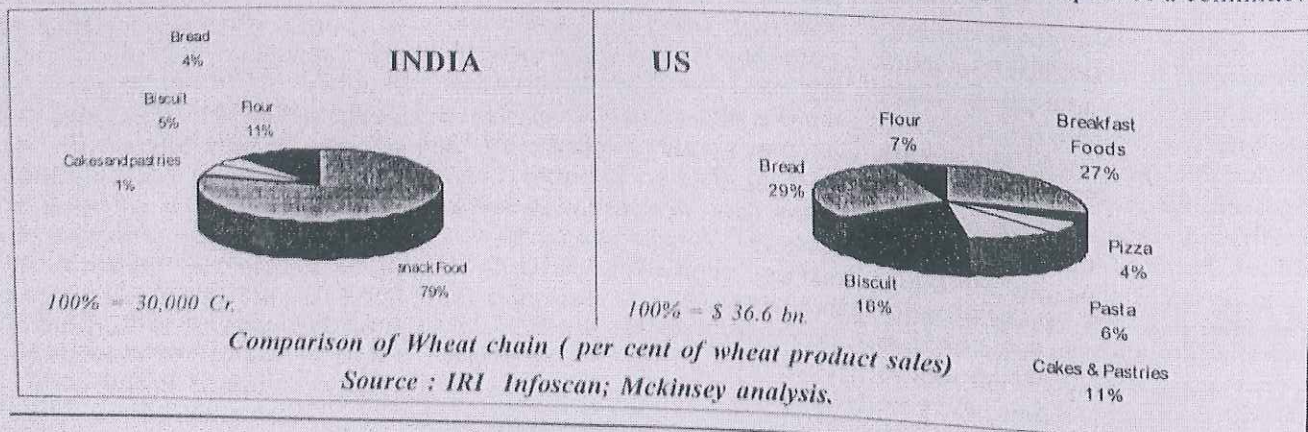
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primary product with little or no processing. Processing, if done, is at consumers' end with household labour which denotes that low value added products are marketed. However, experience has shown that infrastructural change in the socio-cultural area induces consumers to demand more value added product. Research undertaken by Anderson Consulting in USA and Western

Europe shows the extraordinary transformation which has taken place in domestic food habits. In 1934, the American consumers did spend 150 minutes for cooking food, but in 1994, the time spent is 1/10th of it to do the same. By 2010, it is projected to come down to 8 minutes! Unilever, for example had to redesign one of their US products, because consumers were no longer satisfied with cooking time of 15 minutes, even though no preparation was needed.

Coming back to how value addition can be brought about in foods, there can be of four different methods. First, constituents such as essential oils, vitamins, flavours, etc. which provide avenues for expanding food use can be isolated. Second, products with precise utility can be transformed for example semolina, noodles, milk powders etc. Third, formulations with multiple ingredients can be devised to promote good health for example fruited cereal flakes, curry powder etc. and last nutrient status of food can be improved by enriching with nutrients which are otherwise deficient.

Food processing is a means to meet a demand. Processing is a failure, if it caters to a product for which there is no demand. According to a report of a committee



set up by the Ministry of Science and Technology in 1994, Indians did not accept processed agricultural items especially food products. Keeping this in mind it became evident that the Indian market needs a new recipe. The need now is to ascertain the products that are consumed most by Indians and process only those agricultural items which cater to their tastes. The rest of the processing can be done to meet the export demand.

The make-up of an Indian meal is culturally entrenched in the Indian consumer's psyche. It comprises core components (dal and a vegetable/meat curry), supplementary components (rice and/or chapatti) and complements. The section of complement is most vulnerable to processing and attempts to preserve traditional pickles and chutneys are commercially viable. It is a misconception that cereals can not be processed to suit Indian tastes. Papads are an example of processed cereals used through out the country. Thus an efficient marketing mix regarding these products needs to be constructed to invigorate the indigenous processing industries.

The consciousness for value added products, has gradually encouraged the Indian consumers to trade up from low-value to high value added products. A comparison of Indian and US wheat chain was made by Mc Kinsey & Co. Inc. US, to bring out the tremendous potential of the Indian market to accommodate processed foods. 79 per cent of the total output in India is consumed as flour while only 21 per cent occupy the value-added products. On the other hand, in US, only 7 per cent accounts for flour while value added products take up the rest 93 per cent. As Indian consumers trade up the Rs. 30,000 crores wheat chain from flour to higher value products, the total value of this chain could be doubled or even trebled. Similar opportunities will open up in other products chains, as well. The question now arises is the Indian food industry geared up to meet the

explosive growth in demand?

The major drawback is that the indigenous industries think that the food can be processed only in a manner similar to those used in the European countries. The most plausible reason perhaps is that the protocols are easily accessible. Very few are keen to innovate or improve the processes for products in mass demand. For example a good innovation would be to promote a pickle without or with minimum edible oil. Another sure success would be packaged coconut water or sugarcane juice or lassi with a long shelf life and reasonable pricing. Structural and management problems are perennial in the food processing industries as only less than 5 per

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cent of agricultural produce is processed by the professional organization. Small unorganized companies using out-dated technologies and antiquated machinery can hardly give products that are capable of meeting international standards. Lack of customer orientation is another major bottleneck of building up a steady market in India. Further an inefficient distribution system blocks the development of a market, as small retailers become the key players in this game. Fragmented retailing in the form of distributors, commission agents, wholesalers etc. acts as a major constraint to the Indian consumers as far as cost-benefit ratio is considered. However there

is no market research on the transaction costs at each stages of marketing, to determine whether the retention of the alleged high margin is justified or not; so it is unfair to blame the middlemen only for poor marketing.

Development of the infrastructure should be a mandate of the Ministry of Food Processing Industries, so as to maintain the quality of the produce and to curtail the expenses incurred during transportation. The infrastructure in India needs a major overhaul in all parts. Development of refrigerated transport and freezer cabinet at the points of sale, proper warehousing near the major production sites, increase in the air cargo capacity, proper linking of roads and highways to reduce the transit times and continuous power supply for the manufacturing units are the core requirements for improving the infrastructure.

Information technology has undergone a metamorphic change in the last decade and agricultural market information is not an exception. With the increasing globalization and influx of transitional corporations in the fertile fields of food processing, information on the states of crops and prices in other countries has become important. This information is useful not only in domestic trades, but also in speculating future trends in business and economy.

The time has now come to realize that liberalization and competition go together. The zero defect culture needs to be imbibed within the organizations so that India left behind by its trade partners over quality concerns in the context of processed food products quality. Performance should be the central theme of the processed food industry otherwise India could find its markets disappearing, since the rest of the world has already moved ahead, with the onward march of the dial hour. Can we ever let that happen?

► *By Sujoy Saha, Research Scholar, IARI*