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Q6

What are the impediments in marketing and supply chain management in developing the food processing industry in India? Can e-commerce help in overcoming this bottleneck?

UPSC Civil Services Mains 2015 · GS III · 12 marks · Food Processing

Food processing and related industries in India - scope and significance, location, upstream and downstream requirements, supply chain management.

Core demand of the question

- List impediments in marketing and supply-chain management for food processing
- Examine whether e-commerce can ease those bottlenecks
- **Keep the answer two-part:** constraints, then e-commerce with limits

Revision summary

Food processing needs a reliable farm-to-plant chain, which India still lacks at scale.

APMC rules, many intermediaries, 25-30 per cent horticulture wastage and thin **cold chain** are the main impediments.

Standards, roads, working capital and Mega Food Park last-mile links also lag.

E-commerce helps price discovery, orders and payments, and branded retail reach.

Physical cold logistics and market-law reform remain necessary; an app is not a pack-house.

Introduction

India grows a large **horticulture and milk surplus**, yet **food processing** stays thin because the crop does not travel as a graded, cold, legally saleable input. The bottleneck is **marketing and supply-chain management**: mandi rules, many intermediaries, weak **cold chain**, and poor standards. **E-commerce** can shorten information and payment hops. It cannot by itself build a reefer truck or change an **APMC** yard.

Body

Impediments in marketing and supply chain

- **Fragmented farms** give small, mixed lots that a processor cannot run a plant on without an aggregator.
- **APMC** monopoly, high mandi fees and stocking limits in many States block direct purchase from the farm gate.
- A long chain of aggregators and commission agents adds margin and delay; **wastage** of fruits and vegetables is often put in the 25-30 per cent range after harvest.
- **Cold chain** (pack-houses, reefer vans, ripening chambers) is scarce outside a few corridors; power cuts spoil the chain.

- **Standards and FSSAI** compliance, testing labs and traceability are weak, so organised retail and export reject lots.
- Rural roads, rail perishable wagons, and warehouse receipt finance do not match harvest peaks.
- Processors face **working-capital** stress when farmers must be paid cash and buyers pay late.
- The Ministry of Food Processing's **Mega Food Parks** and cold-chain scheme try to cluster this infrastructure, but last-mile linking of farms remains slow.

Can e-commerce help?

- **Yes, partly:** portals can **discover price**, place orders, and pay the farmer or FPO without a physical arhatiya.
- Inventory software and demand data let a processor or retailer **plan offtake**, which is the core of supply-chain management.
- Consumer e-commerce for packaged food widens the market for branded processed goods and can pull investment into plants.
- Farm-to-home grocery apps still need **physical cold logistics**; a click does not replace a pack-house.
- Digital divide, COD cash, returns of perishables, and **State mandi laws** still bind what an app may legally buy.
- E-commerce therefore eases the **information, matching and payment** bottleneck. It does not erase the **physical and legal** bottleneck.

Flow diagram

Farm lot -> Mandi and many hops
 Mandi and many hops -> Waste and thin processing
 Farm lot -> E-commerce match and pay-commerce match and pay
 E-commerce match and pay -> Still needs cold chain APMC reform
 Still needs cold chain APMC reform -> Stronger food processing

Conclusion

Food processing is held back by fragmented lots, **APMC** frictions, missing **cold chain** and weak standards. E-commerce can cut information and payment delays and help branded processed food reach buyers. It works as a complement to **Mega Food Parks**, FPOs and market-law reform, not as a substitute for trucks and lawful farm-gate purchase.

Facts & figures

Post-harvest loss

Fruits and vegetables often lose about a quarter to a third of volume after harvest when cold chain and grading are weak.

APMC

Agricultural Produce Market Committee laws that in many States still route first sale through notified yards and licensed traders.

Mega Food Parks

Ministry of Food Processing Industries scheme for cluster infrastructure: collection, processing and plug-and-play plots.

Cold chain

Pack-houses, reefer transport and storage that keep perishables processable; capacity remains uneven across States.

FSSAI

Food Safety and Standards Authority of India: the statutory standard that processors and e-retail of food must meet.

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