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Q5

What are the reasons for poor acceptance of cost effective small processing unit? How the food processing unit will be helpful to uplift the socio-economic status of poor farmers?

UPSC Civil Services Mains 2017 · GS III · 10 marks · Crops, Irrigation and Marketing

Major crops - cropping patterns in various parts of the country; different types of irrigation and irrigation systems; storage, transport and marketing of agricultural produce and issues and related constraints; e-technology in the aid of farmers.

Core demand of the question

- Give reasons why cost-effective small food processing units are poorly accepted
- Explain how food processing can raise the socio-economic status of poor farmers

Revision summary

Cost-effective small food plants are still weakly taken up because of working capital, power, cold chain, **FSSAI** and GST fixed costs, and mandi cash habits.

Fragmented farm supply without FPOs leaves units idle.

Processing can raise poor farmers' status by storing glut, cutting waste, and adding rural jobs.

Mega Food Parks, cold-chain schemes and **SAMPADA** provide shared infrastructure.

The farmer gains when payment is timely and the unit is linked to an **FPO**, as dairy cooperatives already showed.

Introduction

A large share of Indian fruit, vegetables, milk and grain is still sold **raw and perishable**. **Small processing units** - village crushers, pulp plants, millers, dehydrators - can add value close to the farm at modest capital cost. Farmers and local entrepreneurs still **accept them poorly**. The gap is not only technology. It is credit, power, compliance, raw-material flow and a market that still prefers the mandi cash today to a processed rupee tomorrow.

Body

Why small processing units are poorly accepted

- **Working capital and credit:** processors must buy harvest in a few weeks and sell through the year; banks want collateral that a small unit does not have, even when **MUDRA** or priority-sector labels exist on paper.
- **Power, water and cold chain:** a cost-effective machine still fails if voltage drops or there is no **cold store** for pulp and milk, so wastage stays high.
- **Seasonal and fragmented supply:** smallholders cannot guarantee volume and quality; without a **Farmer Producer Organisation**, the unit runs below capacity.
- **FSSAI, labelling and GST compliance** are fixed costs; they are heavy for a micro unit even when the process itself is cheap.

- **APMC and trader links:** the farmer gets cash at the gate; processing means delay, rejection risk and a new middleman, so take-up is low.
- **Skills and brand:** village units struggle with hygiene, shelf life and retail listing against established brands.
- **Land and pollution** clearances, and irregular raw-material prices, make even a low-cost plant look risky.

How food processing can uplift poor farmers

- Processing converts a **perishable glut** into a storable good, which cuts distress sale and raises the farmer's share of the consumer rupee.
- It creates **rural non-farm jobs** (sorting, packing, transport) for land-poor households, including women.
- Linked procurement gives a **second market** besides the mandi, which is socio-economic insurance.
- **Mega Food Parks**, the **cold-chain scheme**, and **SAMPADA (2016-17)** (later the umbrella for parks, agro-processing clusters and backward linkages) are meant to put shared infrastructure around small units so the farmer does not buy a full factory.
- **Operation Flood** already showed that village-level processing plus a brand can lift millions of small milk producers; the same logic applies to fruit, spices and fish.
- Nutrition improves if millets, pulses and horticulture are processed locally instead of only rice-wheat moving through PDS.
- For the poorest, the gain is real only if the unit is **FPO-owned or contract-linked** with timely payment, not a distant mill that extracts crop and leaves waste.

Flow diagram

Reasons credit power FSSAI supply -> Low acceptance of small units
 FPO plus Mega Food Park SAMPADA -> Local processing
 Local processing -> Less wastage more jobs
 Less wastage more jobs -> Better farmer status

Conclusion

Small processing units stay poorly accepted because credit, power, compliance and irregular supply outweigh the cheap machine. Food processing can still lift poor farmers by cutting wastage, adding jobs and offering a second market, if **SAMPADA**-type shared parks, FPOs and working-capital reach the village, not only the park's showpiece plant.

Facts & figures

SAMPADA

Umbrella food-processing programme (2016-17) covering mega food parks, cold chain, agro-processing clusters and backward linkages.

Mega Food Parks

Ministry of Food Processing Industries scheme: shared processing infrastructure so small units and farmers plug into a hub.

FSSAI

Food Safety and Standards Authority of India: licensing and standards that raise safety but add compliance cost for micro units.

FPO

Farmer Producer Organisation: aggregator that can feed a small plant with volume and bargain for a better processed price.

MUDRA

Micro credit channel that can fund a village mill or pack unit if banks actually lend against cash flows, not only land.

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