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Fostering Value Addition in Agriculture



Web Desk | January 19, 2017

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Value added agriculture is a process of increasing the economic value and consumer appeal of an agricultural commodity.

It is an alternative production and marketing strategy that requires a better understanding of the rapidly changing food industry and safety issues, consumer preferences and effective management

. It may not be inferred that value addition, means only the processing of a raw material in some form of canned foods.

There are various ways of adding value to a commodity. Further, in a country like Pakistan, the scope of value addition is astonishing for the reason of availability of raw materials as well as the large market size.

In a marketing system of the value chain, farmers are linked to the needs of consumers, in close collaboration with suppliers and processors to produce specific goods required by consumers.

Instead of focusing on the benefits of one or two links, players at all levels of the value chain can benefit.

Well functioning value chains are said to be more efficient in bringing products to consumers and therefore all actors, including small-scale producers and poor consumers, should benefit from the value chain development.

Value chains are providing a good source of employment generation and poverty reduction. The poor people engage with value chains at a number of different nodes of the chain, as workers and consumers as well as producers.

So the value chains can play an important role in uplifting the socio-economic status of the local people.

Food processing involves any type of value addition to the agricultural produce starting at the post harvest level.

The size of global processed food industry is estimated to value about US \$3.5 trillion and accounts for the three-fourth of the global food sales. Most of the growth is taking place in developing countries in Eastern Europe, Asia and Asia-Pacific, which are experiencing increase in population.

The huge market in ASEAN countries alone, with over 550 million people, is a vast potential waiting to be untapped.

Despite its large size, only 6% processed foods are trade across borders compared to 16% of major bulk agricultural commodities.

Japan is the largest food processing market in the Asian region, followed by India and China. One of the most technically advanced food industry is Australia globally as the products are manufactured to international standards comparatively low prices. Countries in Sub-Saharan Africa, Latin America and some parts of Asia remain on the lower end of competence in food technology.

Europe, North America and Japan are divisions of higher-end technology, with a sharp shift towards convenient and diet.

Food is the second largest in Pakistan and accounts for 27% of its value-added production and 16% of total employment in the manufacturing sector, with an estimated 169 million consumers; Pakistan is the world's eighth largest market.

More than 1000 large-scale food processing companies in Pakistan, 75% of the rural-based food manufacturers in the so-called informal sector (problems of access to raw materials, finance, skills, knowledge and management)

Pakistan food industry has changed dramatically with a forward shift in the traditional lifestyle and eating habits.

Average consumers spend 42% of income on food. Retail sale of processed food increased 10% per annum and currently is estimated at approximately US \$1.4 billion, of which imported products account US \$325 million.

Supermarkets are gaining popularity as a shopping site and now accounts for approximately 10% of all retail food sales. Moreover, Pakistan will find a large number of Western-style fast food chains because of increasing popularity of such food style.

Food Processing Units in Pakistan

Type of Processing Industry	Units	Employment
Fruits & Vegetables	155	23500
Cereal Based	1246	45000
Edible Oil	321	34,000
Sugar Sector	427	25000
Livestock Sector	68	28,5000
Total (all agro based industries)	1989	154,250

Source: Asian Productivity Organization (APO), 2004

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The ability of food processors at industrial level depends entirely on the availability of raw materials.

Pakistan is a major producer of commodity and industrial crops such as wheat, rice, sugarcane and oilseeds.

Livestock and horticultural products are also important elements in agriculture and raw materials for further processing and export.

Harvest and post-harvest losses of wheat and other grains are between 15-18% and value-added products are biscuits, starch and glucose.

High demand on the international market, especially mangoes, apples, dates and citrus and having 12% share in the agricultural value addition. Citrus and mangoes accounted 48% of all fruits produced in Punjab.

Baluchistan provides the second largest amount of fruits, mainly apples and dates. A high post-harvest loss 20-40% and only 3-5% is processed.

Value-added products are jam, squashes and syrups etc.

Self-sufficiency in edible oils during 1947-1960 and major sources of edible oil are cottonseed oil, sunflower oil, canola oil, rapeseed oil.

Imports started in 1960, now the local production is only 29% and the imports are 71%. Higher per capita consumption of 11.9 liters and value-added products are special fats, shortenings and margarine.

Sugarcane is one of the largest cash crops in Pakistan, providing raw material for sugar-based products.

Its share in the value addition of agriculture and GDP are 3.6% and 0.8% respectively. During 2009-10, area under sugarcane was 943000 hectares.

Sugar waste such as mud, molasses can be used for various value-added products to be produced using biotechnology techniques and value-added products are white sugar, brown sugar, refined sugar, paper and chipboard.

Livestock accounts for about 50% of the GDP of agricultural value-added and about 9.4% of GDP.

Net foreign exchange earnings from livestock products and by-products account for 11% of total export earnings of the country.

Pakistan is probably one of the world least efficient users of livestock resources, because home-based slaughtering generally does not make most efficient use of the by-products.

Pakistan is the fifth largest producer of milk in the world, with annual production of 45 billion liters. Only 4-5% of milk is processed.

The value-added dairy products in Pakistan are often consumed whole milk powder, skimmed milk powder, condensed milk, cream, butter and ghee.

Poultry sector is an organized and vibrant segment of the agricultural industry in Pakistan. This sector generates employment for 11.55 million people.

Poultry meat contributes 23.8% of total meat production in the country.

Meat sector is much disorganized in Pakistan, although the local export potential exists and value-added products are gelatin and sausages.

There are many obstacles to value addition in Pakistan as inadequate supply of inputs, inadequate safety standards, poor financial support, erratic inputs & poor artisan skills, poor technical choices and lack of innovation.

Main challenges facing agro-processing industry in Pakistan are post-harvest losses due to a lack of storage and transport, inability to supply raw materials, inadequate cold chain facilities, poor funding, lack of investment in supply, lack of training facilities for farmers and processors, poor product quality, weak regulatory system, poor technical choices and a lack of innovation, unequipped food analysis laboratories, inefficient market structure and lack of coordination links with academia, industry and research organizations.

In this context, there should be establishment of agro-processing training institutes and small food processing units at district level, revise Pakistani food standards for food quality, improving process efficiency and decreasing losses and increasing links between industry and research organizations.


So both public and private sectors must cooperate by sharing responsibilities and coordination.

This in turn will lead to a situation in the country of prosperity for all stakeholders by ensuring food security and increasing income.

Courtesy: Manan Aslam & Shahid Latif Â Â

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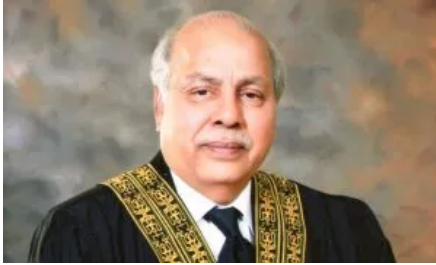
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