

Growth of Agro-Industry and its Inter-Relationship with Agriculture

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This all-India level study examines the growth of agro-industry and inter-relationship between agro-industry and agriculture. Further, it attempts to explain growth of agro-industry in terms of its relationship with agriculture. It indicated that within agricultural sector only plantation and commercial crops gets substantially processed by agro-industry. Within agro-industries, oilseed processing, sugarcane processing and raw hide and skin processing industries have strong backward linkages showing their capacity to influence agricultural growth through induced demand. However, relationship between agriculture and agro-industry gets weakened by the fact that out of 21 agro-industries only ten are primary processing. Only these are likely to be directly affected by changes in the output of agricultural sector. The regression analysis showed that the growth in linkage coefficient and the growth of raw material supply affects growth of agro-industries in positive manner, whereas, greater concentration of raw material availability influences growth of agro-industry in negative fashion. Further, mainly agricultural input processing agro-industries have lesser potential for higher growth.

Introduction

Agro-industry, by definition, processes agricultural commodities. These raw materials are usually the major cost-component in agro-industries which are characterised by seasonality, perishability and variability (Austin, 1981). The increasing availability of raw material is of primary importance to an agro-industry. The growing availability has two components: First, the growth of output of the raw material (agricultural commodity/commodities) being processed. Second, whether raw material is more dispersedly available as time passes. For, dispersed availability of raw material over wider geographical region has advantages in terms of prices, transportation and storage for a large country like India. However, the extent to which growing availability of raw materials would be advantageous to the growth of agro-industries would depend on the inter-linkage between agro-industry and agriculture.

In the literature on problems of development in developing countries, the development of linkage between agriculture and industry has got the attention since Lewis developed his model in early fifties. It is a model of growth with unlimited supplies of labour where agriculture's importance lies in its labour contribution in growth of non-agricultural sectors. Mellor (1976) provided a framework in which he postulates that agricultural and non-agricultural growth are mainly demand-led and growth can be achieved by labour-intensive method of production and this leads to decentralised rural industrialisation (mainly consists of agro-industries). Hirschman

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