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Value Chain Analysis and Financial Viability of Agro-Processing Industries in Himachal Pradesh

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Abstract 

The paper has studied the structure and extent of value addition in different agro-processing units in Himachal Pradesh. It has also examined the financial viability of agro-processing industries in the state. The break-even analysis has shown enough leverage for processing units to stay in the business even at low capacity utilization. The extent of value addition has been about 53 per cent in the processing sector. The maximum value addition has been observed in fruits/vegetable processing (133%), followed by bakery and confectionery units. The financial viability ratios computed from financial accounts have revealed high current ratio but lower quick ratio (acid test) in most of the processing industries, showing that many industries have substantial unsold inventories. However, financial ratios have been found more favourable in case of small units as compared to large units. A direct relationship has been found between size of the firm and number of its backward and forward linkages. An average processing industry has 85 backward linkages and 123 forward linkages. It is found that geographical concentration of the processing industries in the state is influenced more by demand rather than supply factors. The suggestions and recommendations emerging from the investigation include policy thrust and emphasis on developing industrial areas in raw material producing regions, thrust on small-scale industries for self-employment in micro enterprises in rural areas, promotion of supporting and subsidiary (intermediate) industries to diversify value addition activities, cost effective and adequate supply of raw material by strengthening direct linkages through suitable contract farming


models, liberal credit policy to modernize processing units and encouraging formation of small industries consortia or associations for collective marketing and sales promotion.

Details

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