

Developing agro-industries for employment generation in rural areas

The majority of people in Asia and the Pacific still live in rural areas. In most cases, the main employer in rural areas is the agriculture sector. The job-generating capacity of the agriculture sector, however, has been hampered by a number of factors, such as poor rural infrastructure, stagnant demand, and worsening terms of trade against other sectors. Trade liberalization and policy reforms are also having a negative impact on the ability of the agriculture sector to create more employment opportunities. Many governments in the region have been aggressively pursuing policies to generate more employment opportunities centered on industrialization. The results have been mixed in the Asia and Pacific region, however. Some member countries or their specific areas have successfully tapped the potential of agro-industries or invited external investors in rural areas with support from appropriate policies. But others have been trapped by the inherent impediments including inadequate infrastructure, paucity of skilled labor, and insufficient government services.

To review recent attempts to generate employment in rural areas and analyze various strategies and policy options to generate rural employment, especially the development of agro-industries, the APO held a study meeting on Employment Generation in Rural Areas through the Development of Agro-industries in Hyderabad, India, 26 April–2 May 2005. The program was implemented by the National Productivity Council, in collaboration with the National Centre for Jute Diversification and National Institute of Rural Development (NIRD). Fifteen participants from 11 member countries attended the meeting.

Six resource speakers from the USA, Thailand, Japan, and India spoke on: The agro-processing sector and its role in rural development; Resource conservation for sustainable development and employment generation in rural areas; Role of modern technology and entrepreneurship in rural industrial growth and employment generation: case studies from North America; Role of technology and infrastructure in employment generation in rural areas: experience of India; Employment generation in rural areas through cooperation among the private sector, government, and NGOs: the TBIRD experience in Thailand; and Public-private sector partnerships for employment generation in rural areas through agro-industries: case of India.

For field studies, the participants visited the following agro-industries: S & S Agro Biotech (P) Ltd., a commercial producer of banana tissue culture plants; Kaveri Seeds Co. Pvt. Ltd., a processor of various crop seeds; Vimala Feeds Unit of Janaki Feeds Pvt. Ltd., which is involved in poultry feed production; Vijaya Phyto Farms Pvt. Ltd., a nursery growing fruit trees, ornamental plants, and seedlings; and the Rural Technology Park of the NIRD, which serves both demonstration and production functions.

It was generally agreed at the study meeting that significant potential exists for employment generation in rural areas through the development of appropriate rural-based agro-industries in many member countries. However, the main constraints hindering the development of rural-based agro-industries, especially of SMEs, are: inadequate institutional credit; poor infrastructure; nonavailability of/poor access to appropriate technologies; weak market linkages; inadequate skilled workforce, need-based training programs, and posttraining guidance; lack or unreliable supply of quality raw materials; lack of a conducive policy environment, high duty/tax rates; and lack of access to export markets due to poor quality/safety of food products.



Field visit at Kaveri Seeds Co. in Secunderabad

To alleviate these constraints, some of the suggestions/recommendations put forward by the participants were:

- 1) The private sector should be offered incentives to establish agro-industries in rural areas. However, such incentives should be coupled with appropriate regulatory mechanisms to prevent overexploitation of natural resources and protect the rights of local people/communities.
- 2) Development and strengthening of infrastructure such as power, transport, communications, cold chain facilities, water, marketplaces, and other social/logistical infrastructure require the immediate attention of all concerned.
- 3) R&D as well as extension services should be strengthened for the development of appropriate technologies, effective technology transfers, and improved access to existing technologies.
- 4) Need-based training followed up with on-site guidance to meet the specific needs of rural agribusiness enterprises is essential to stimulate industrialization and employment generation in rural areas. More training institutes should be established and existing ones upgraded.

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- 5) Identification of niche markets and enhancement of the competence (food safety and quality) of rural entrepreneurs to compete successfully in markets should be a core component of the rural industrialization strategy.
- 6) Organization of small producers into associations/cooperatives to achieve economies of scale and pool resources should receive priority.
- 7) There is an urgent need to establish effective market intelligence networks at both the local and national levels to keep SMEs informed of changing market demand, price fluctuations, etc. Greater use of information and communications technologies (ICT) can help rural entrepreneurs to improve their business performance. Policymakers should therefore work for the development of ICT infrastructure in rural areas.
- 8) Preferential financial and fiscal policies for rapid rural development through the development of rural-based agro-industries should form an integral part of the national/provincial development plans.
- 9) Institutional credit should be provided to stimulate rural industrialization and employment generation. Such credit should be characterized by easy access, low interest rates, simple procedures, and longer repayment schedules.
- 10) Concerted efforts of all stakeholders are needed to promote the development/improvement of rural-based agro-industries, especially of SMEs and cottage industries, to generate more job opportunities in rural areas and ensure sustainable rural development. Agro-based SMEs must be productive, innovative, and flexible to survive in an era of intense competition due to globalization and trade liberalization. 