Is Food Processing the Missing Link in Development?

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Abstract

India is one of the world's largest producers of many agricultural commodities, yet it captures only a small share of global processed-food exports. This paper asks whether export-oriented food processing can provide a missing link between agricultural abundance, structural transformation, and better rural employment. Combining cross-country evidence on trade and productivity with Indian factory data, commodity-level comparisons, and case studies, it shows that processed food is a global market comparable in scale to apparel and has historically supported early industrialization. India nevertheless underperforms sharply: it holds about 14 percent of global arable land but less than 2 percent of processed-food exports, implying an annual export gap of roughly $50–110 billion. This underperformance reflects weak productivity growth in both cultivation and processing, unusually small formal plants, high energy costs, fragmented farm supply, inadequate quality-control systems, and unstable trade policy. Yet India's success in shrimp, frozen French fries, and table grapes shows that firms and producer organizations can build competitive clusters by coordinating technology, inputs, standards, and procurement. The paper argues for policies that target the entire farm-to-export chain—linking processors, production bases, finance, infrastructure, affordable power, traceability, and stable market access—while ensuring that farmers share in the gains.

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