A BRIEF REPORT ON FOOD PROCESSING SECTOR IN INDIA February 2015
1. INDUSTRY OVERVIEW

1.1 Overview

India is the world’s second largest producer of food next to China, and has the potential of being the biggest with the food and agricultural sector. The food processing industry is one of the largest industries in India—it is ranked fifth in terms of production, consumption, export and expected growth. The food industry is on a high as Indians continue to have a feast. Fuelled by what can be termed as a perfect ingredient for any industry - large disposable incomes - the food sector has been witnessing a marked change in consumption patterns, especially in terms of food.

Increasing incomes are always accompanied by a change in the food basket. The proportionate expenditure on cereals, pulses, edible oil, sugar, salt and spices declines as households climb the expenditure classes in urban India while the opposite happens in the case of milk and milk products, meat, egg and fish, fruits and beverages.

Accounting for about 32 per cent of the country's total food market, the food processing industry is one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. The total food production in India is likely to double in the next 10 years with the country's domestic food market estimated to reach US$ 258 billion by 2015. The food processing industry forms an important segment of the Indian economy in terms of contribution to GDP, employment and investment, and is a major driver in the country's growth in the near future. This industry contributes as much as 9-10 per cent of GDP in agriculture and manufacturing sector.

The Confederation of Indian Industry (CII) has estimated that the foods processing sectors has the potential of attracting US$ 33 billion of investment in 10 years and generate employment of 9 million person-days.

The Government has formulated and implemented several Plan Schemes to provide financial assistance for setting up and modernizing food processing units, creation of infrastructure, support for research and development and human resource development in addition to other promotional measures to encourage the growth of the processed food sector.

Food processing is a large sector that covers activities such as agriculture, horticulture, plantation, animal husbandry and fisheries. It also includes other industries that use agriculture inputs for manufacturing of edible products. The Ministry of Food Processing, Government of India indicates the following segments within the Food Processing industry:

- Dairy, fruits & vegetable processing
- Grain processing
- Meat & poultry processing
- Fisheries
- Consumer foods including packaged foods, beverages and packaged drinking water.
Though the industry is large in size, it is still at a nascent stage in terms of development of the country’s total agriculture and food produce, only 2 per cent is processed.

The Indian food industry stood around US$ 39.03 billion in 2013 and is expected to grow at a rate of 11 per cent to touch US$ 64.31 billion by 2018. Indian agricultural and processed food exports during April-May 2014 stood at US$ 3,813.63 million, according to data released by the Agricultural and Processed Food Products Export Development Authority (APEDA).

Exports of processed food and related items (in Billion $)

<table>
<thead>
<tr>
<th>Exports CAGR 33.2%</th>
</tr>
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<tbody>
<tr>
<td>FY11</td>
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<tr>
<td>FY12</td>
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<td>FY13</td>
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<td>FY14</td>
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India has 85,000 bakery units, of which 75,000 operate in the unorganized sector, garnering a 65 per cent market share. The per capita consumption of bakery products stands around 1-2kg per annum.

The Indian dairy industry has grown considerably post the white revolution and reports suggest that with current growth rate of approximately 3 per cent-4 per cent, it is thought to grow to 185 million tonne and become a US$ 24 billion organized industry by 2020 and US$ 140 billion overall including the unorganized sector.

Segmentation of different sectors in food processing industry:

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy</td>
<td>Whole Milk Powder, Skimmed milk powder, Condensed milk, Ice cream, Butter and Ghee, Cheese</td>
</tr>
<tr>
<td>Fruits &amp; Vegetables</td>
<td>Beverages, Juices, Concentrates, Pulps, Slices, Frozen &amp; Dehydrated products, Potato Wafers/Chaps, etc.</td>
</tr>
<tr>
<td>Grains &amp; Cereals</td>
<td>Flour, Bakers, Starch Glucose, Cornflakes, Malted Foods, Vermicelli, Beer and Malt extracts, Grain based Alcohol</td>
</tr>
<tr>
<td>Fisheries</td>
<td>Frozen &amp; Canned products mainly in fresh form</td>
</tr>
<tr>
<td>Meat &amp; Poultry</td>
<td>Frozen and packed - mainly in fresh form, Egg Powder</td>
</tr>
<tr>
<td>Consumer Foods</td>
<td>Snack food, Namkeens, Biscuits, Ready to eat food, Alcoholic and Non-alcoholic beverages</td>
</tr>
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Source: Ministry of Food Processing, India, Annual Report 2004

Primary food processing is a major industry with a highly fragmented structure that includes
hundreds of thousands of rice-mills and hullers, flour mills, pulse mills and oil-seed mills, several thousands of bakeries, traditional food units, and fruits, vegetable and spice processing units in the unorganized sector.

1.2 Processed Foods Scenario with respect to Specific Sectors

The industry structure and ongoing transformation offers opportunities for organized players to invest and grow. As the Indian market matures and consumers become more quality and brand conscious, the organized sector is poised to grow and gain prominence.

1.2.1 Dairy

In the dairy sector, most of the processing is done by the unorganized sector. Though the share of organized sector is less than 15 per cent, it is expected to rise rapidly, especially in the urban regions. Among the milk products manufactured by the organized sector, some of the prominent ones are ghee, butter, cheese, ice creams, milk powders, malted milk food, condensed milk and infant foods.

The market size and growth rates of some of the products in organized dairy and consumer food segments are shown in the graph below.

A few corporate players, including Multi National Corporations are now focusing on this market. For example, Nestle and Britannia have forayed into emerging segments such as Ultra Heated Treatment (UHT) and flavored milk. Ultra Heat Treated (UHT) milk is becoming popular and the market is estimated at US$ 33.4 million (Rs1.5 billion).

1.2.2 Fruits and Vegetables

Fruit and vegetable processing in India is almost equally divided between the organized and unorganized sectors, with the organized sector holding 48 per cent of the share. While products like juices and pulp concentrate are largely manufactured by the organized sector, the unorganized sector's foothold is in the traditional areas of processed items like pickles, sauces and squashes. By size, pickles form the strongest category.

The government expects the processing in this sector to grow to 10 per cent in 2010 and 25 per cent of the total produce by 2025. Most of the units engaged in above are currently export oriented. Domestic consumption of processed fruits & vegetable products is low, indicating a potential for growth through increased penetration of the domestic market.
1.2.3 **Grains**

India produces more than 200 million tonnes of different food grains every year. The major grains such as rice, wheat, maize, barley, and millets like jowar (great millet), bajra (pearl millet), & ragi (finger millet) are produced in the country. About 15 per cent of the annual production of wheat is converted into wheat products. There are 10,000 pulse mills in the country with a milling capacity of 14 million tonnes, milling about 75 per cent of annual pulse production. The country is self-sufficient in grain production and is the second largest rice producer in the world with a 20 per cent global share. Primary milling of rice, wheat, and pulses is the most important activity in food grains processing.

1.2.4 **Meat and Poultry**

India has a livestock population of 470 million, which includes 205 million cattle and 90 million buffaloes. Processing of meat products is licensed under Meat Food Products Order, (MFPO), 1973. Total meat production in the country is currently estimated at 5 million tonnes annually. Only about 1-2 per cent of the total meat is converted into value added products. The rest is purchased raw and consumed at home. Poultry processing is also at a nascent stage. The country produces about 450 million broilers and 33 billion eggs annually. Growth rate of egg and broiler production is 16 per cent and 20 per cent respectively. In the case of poultry, export from India is mostly to Maldives and Oman. Other markets such as Japan, Malaysia, Indonesia, and Singapore are being explored. The growing number of fast food outlets in the country has had a significant impact on the meat processing industry in India. As per capita incomes rise and urban families live in smaller units, the demand for processed meat products, which can be quickly cooked, has been rising. Most of the production of meat and meat products continues to be in the unorganised sector. Some branded products like Venky’s and Godrej’s Real Chicken are, however, becoming popular in the domestic market.

1.2.5 **Fish Processing**

India is the third largest fish producer in the world and is second in inland fish production. The fisheries sector contributes US$ 4.4 billion to the national income, which is about 1.4 per cent of the total GDP. With its over 8,000 km of coastline, 3 million hectares of reservoirs, 1.4 million hectares of brackish water, 50,600 sq km of continental shelf area and 2.2 million sq km of exclusive economic zone, India is endowed with rich fishery resources and has vast potential for fishes from both inland and marine resources. Processing of fish into canned and frozen forms is carried out almost entirely for the export market. It is widely felt that India’s substantial fishery resources are under-utilized and there is tremendous potential to increase the output of this sector. The units in the fish processing sector are largely small scale proprietary/partnership firms or fishermen co-operatives. In the past ten years, the corporate sector has increased its operations in preservation, processing and export of coastal fish.

1.2.6 **Consumer Foods**

Consumer food industry includes packaged foods, aerated soft drinks, packaged drinking water and alcoholic beverages.
1.3 Packaged or Convenience Foods

This segment comprises bakery products, ready-to-eat snacks, chips, namkeens (salted snacks and savouries) and other processed foods/snack foods. The market size of confectioneries is estimated at US$ 484.3 million growing at the rate of 5.7 per cent per annum. Biscuits have a market of US$ 373.4 million, growing at 7.5 per cent per annum. Other products like bread, chocolates are also growing at a significant rate. There is a demand for Indian snack food (Ready-To-eat) in overseas markets.

1.3.1 Aerated Soft Drinks

Two of the biggest global brands in this segment are well established in India. Soft drinks constitute the third largest packaged foods segment, after packed tea and packed biscuits. Penetration levels of aerated soft drinks in India are quite low compared to other developing and developed markets, an indication of further potential for rapid growth.

1.3.2 Packaged Drinking Water

Trends such as shortage of drinking water in the large metropolitan cities, changes in consumer lifestyles leading to demand for convenience and availability of various packaged sizes to suit different needs have led to a spurt in growth and these trends are expected to continue to fuel demand in this sector.

1.3.3 Alcoholic Beverages

India is the third largest market for alcoholic beverages in the world. The demand for spirits and beer is estimated to be around 373 million cases per annum. There are 12 joint venture companies producing grain based alcoholic beverages that have a combined licensed capacity of 33.9 million litres per annum. 56 units are engaged in manufacturing beer under license from the Government of India.
1.4 Policy Initiatives

The various competitive advantages in the food processing sector in India have been analyzed under the framework given below:

Given the size of the industry and the nascent development stage, the food processing sector is a key focus area for the Government of India. The importance of the sector is further enhanced by the fact that over 70 per cent of the population depends upon agricultural activity for livelihood. The government has therefore been focusing on commercialization and value addition to agricultural produce, minimizing pre/post harvest wastage, generating employment and export growth in this sector, through a number of regulatory and fiscal incentives. The industry is largely unorganised, with a small but growing organised sector.

The popularity of food and agro products is not surprising when the sector is now offering a growth of more than 150 per cent in sales. With such promise in the sector, a number of foreign companies have joined the fray. While US brands such as McDonald's, Pizza Hut and Kentucky Fried Chicken have become household names, more are on their way.

The new wave in the food industry is not only about foreign companies arriving here attracted by the prospective size of the market. It is also about the migration of the Made in India tag on food products traveling abroad. Indian food brands and fast moving consumer goods (FMCGs) are now increasingly finding prime shelf-space in the retail chains of the US and Europe. These include Cobra Beer, Bikanervala Foods, MTR Foods' ready-to-eat food stuff, ITC's Kitchen of India and Satnam Overseas' Basmati rice.

The Government has formulated and implemented several schemes to provide financial assistance for setting up and modernizing of food processing units, creation of infrastructure, support for research and development and human resource development in addition to other promotional measures to encourage the growth of the processed food sector.

The Centre has permitted under the Income Tax Act a deduction of 100 per cent of profit for five years and 25 per cent of profit in the next five years in case of new agro processing industries set up to package and preserve fruits and vegetables.

- Excise Duty of 16 per cent on dairy machinery has been fully waived off and excise duty on meat, poultry, and fish products has been reduced from 16 per cent to 8 per cent.
- Most of the processed food items have been exempted from the purview of licensing under the Industries (Development and regulation) Act, 1951, except items reserved for small-scale sector and alcoholic beverages
- Food processing industries were included in the list of priority sector for bank lending in 1999
- Automatic approval for foreign equity up to 100 per cent is available for most of the processed food items except alcohol, beer and those reserved for small-scale sector subject to certain conditions
- The Union Commerce Ministry has approved a brand promotion campaign for value-added “Made in India” cashew being launched in the West Asian market by March end. The campaign, mooted by Cashew Export Promotion Council of India (CEPCI), involves
a financial assistance of US$ 344,787 by the Ministry

- Full repatriation of profits and capital has been allowed
- Zero duty import of capital goods and raw material for 100 per cent export oriented units
- Sales of up to 50 per cent in domestic tariff area for agro based, 100 per cent export Oriented units is allowed
- Government grants have been given for setting up common facilities in agro Food Park
- Full duty exemption on all imports for units in export processing zones has been done

1.5 Food Safety and Standard Act, 2006

Till the year 2005, thirteen different laws were applicable on the food and food processing sector. Multiple laws/ regulations prescribe varied standards regarding food additives, contaminants, food colours, and preservatives and labeling. In order to rationalize the multiplicity of food laws, a Group of Ministers (GoM) was set up to suggest legislative and other changes to formulate integrated food law, to be a single reference point in relation to regulation of food products. Based on the recommendations of the GoM the ministry of food processing enacted the Food Safety & Standard Act (FSSA), 2006. Salient features of the act:

- FSSA will be aided by several scientific panels and a central advisory committee to lay down standards for food safety. These standards will include specifications for ingredients, contaminants, pesticide residue, biological hazards and labels
- The law will be enforced through State Commissioners of Food Safety and local level officials
- Everyone in the food sector is required to get a licence or a registration which would be issued by local authorities
- Every distributor is required to be able to identify any food article to its manufacturer, and every seller to its distributor. Anyone in the sector should be able to initiate recall procedures if he finds that the food sold had violated specified standards

1.6 Foreign Direct Investment

The government of India is planning to offer 100 per cent foreign direct investment and income tax benefits in the food processing sector.

Foreign direct investment (FDI) in the country's food sector is poised to hit the US$ 3billion mark. In the last one year alone, FDI approvals in food processing have doubled. The cumulative FDI inflow in food processing reached US$ 2,804 million in March '06. The sector received approvals worth US$ 41 million. This figure is almost double the US$ 22 million approved in 2004-05. Nearly 30 per cent of FDI in this sector comes from EU countries such as Netherlands, Germany, Italy and France. Some of the successful ventures from EU countries are Perfetti, Cadbury, Godrej-Pilsbury, Nutricia International, Manjini Comaco, etc.
1.7 Vision strategy and action plan

Ministry had commissioned a Vision preparation for the growth of FPI sector. The Vision Document was released on April 07, 2005. The Vision envisages that industry should aim to increase processing level of perishables from 6 per cent to 20 per cent, increase value addition from the present level of 20 per cent to 34 per cent and share in global trade up from 1.6 per cent to 3 per cent, thus tripling the size of processed food industry by 2015. Tripling of the size of industry is estimated to generate direct employment of 2.8 million and indirect employment of 7.4 million persons.

1.8 Infrastructure Development in Food Processing Sector

There is a lack of suitable infrastructure in the shape of cold chain, packaging centres, value added centre, modernized abattoirs etc. Improvement in general infrastructure is also an aid for energizing of sector. Government attaches highest priority to development and expansion of physical infrastructure for facilitating prompt growth of industries. In order to address the problem of infrastructure in food processing sector, the Government has implemented the scheme for infrastructure development comprising the following components:

1.8.1 Food Park Scheme

The idea behind setting up of food parks is that small and medium entrepreneurs find it difficult to invest in capital-intensive activities. Therefore, as a part of the strategy to develop food processing infrastructure, the Ministry has been proactively pursuing the task of setting up of food parks in different parts of the country. In the food parks, common facilities like cold storage, food testing and analysis lab, affluent treatment plant, common processing facilities, packaging centre, power supply, water supply, seminar / conference / training facilities etc can be assisted. Financial assistance for food parks is provided at 25 per cent for general and 33.33 per cent for difficult areas subject to a maximum of INR 40 million. Under the scheme, 02 food parks were assisted under 8th Plan, 39 under 9th Plan Scheme and 10 under 10th Plan. An amount of INR 1.04 billion has been sanctioned up to December 2005. 22 food parks have become operational.

In a bid to boost the food sector, the Government is working on agrizones and the concept of mega food parks. Twenty such mega parks will come up across the country in various cities to attract Foreign Direct Investment (FDI) in the food processing sector.

The Government has released a total assistance of US$ 23 million to implement the Food Parks Scheme. It has so far approved 50 food parks for assistance across the country. The Centre also plans US$ 22 billion subsidy for at least 10 mega food processing parks.

1.8.2 Packaging Centres

The Scheme aims to provide facilities for packaging, which may help in enhancement of shelf life of food products and make them internationally acceptable. Assistance at 25 per cent of the project cost in general areas and 33.33 per cent in difficult areas subject to a maximum of INR 20 million is provided for establishment of packaging centre. Assistance is available to all
implementing agencies. So far assistance of INR 1450 million has been sanctioned to one packaging centre in Jammu & Kashmir.

1.8.3 Integrated Cold Chain Facility

The scheme is intended to improve viability of cold storages and enhance cold storage capacity. Assistance at 25 per cent of the project cost in general areas and 33.33 per cent in difficult areas subject to a maximum of INR 7.5 million is provided for establishment of cold chain facilities. During 10th Plan an amount of INR 4010 million has been sanctioned towards assistance for three cold storages in Gujarat, three in Maharashtra, one each in UP, Kerala, Manipur, Meghalaya, Andhra Pradesh, Haryana, Delhi and Goa. During 9th Plan, assistance of INR 148.6 million was extended to 53 cold storages.

1.8.4 Value Added Centre (VAC)

The Scheme is intended to enhance value addition leading to enhanced shelf life, higher total realization and value addition at each level of handling and also to facilitate traceability. Assistance at 25 per cent of the project cost in general areas and 33.33 per cent in difficult areas subject to a maximum INR 7.5 million is provided for establishment and modernization of value added centre. So far, three VACs i.e. one each in Maharashtra, Himachal Pradesh and Punjab have been sanctioned assistance involving an amount of INR 1100 million during 10th plan.

1.8.5 Irradiation Facilities

The scheme aims at enhancing shelf life of the food product through irradiation techniques by preventing infestation like in flour, sprouting and change in chemical composition of the product (as in potato). Financial assistance at 25 per cent of the project cost in general areas and 33.33 per cent in difficult areas subject to a maximum of INR 50 million is provided for establishment of irradiation facilities. So far four irradiation projects i.e. two in Maharashtra and one each in West Bengal and Haryana have been sanctioned assistance involving an amount of INR 78.9 million.

1.8.6 Modernized Abattoir

The Scheme aims at scientific and hygienic slaughter, causing least pain to the cattle and ensuring better byproduct utilization. Assistance at 25 per cent of the project cost in general areas and 33.33 per cent in difficult areas subject to a maximum of INR 40 million is provided to local bodies for modernization of abattoirs. So far only one case i.e. of MCD Delhi has been approved for grant of INR 40 million.

1.9 Sector-Specific Government Policies

1.9.1 Fruits and vegetables

- Though no industrial license is required for setting up Fruits & Vegetable Processing industries, setting-up 100 per cent Export Oriented Units require specific Govt. approvals. Many Fruits & Vegetables Processing industries are eligible for automatic approval of foreign
technology agreement and up to 51 per cent foreign equity participation including tomatoes, mushrooms & other frozen vegetables, fruit, nuts, fruit-peel, fruit jellies, marmalades, fruit juices & vegetable juices etc.

- This sector is regulated by the Fruit Products Order, 1955 (FPO), issued under the Essential Commodities Act
- All processing units are required to obtain a license under this order
- Some items like: pickles & chutneys, tapioca sago and tapioca flour are reserved for exclusive manufacture in the small scale sector
- Export of fruit & vegetable products is freely allowed

1.9.2 Fisheries

- Foreign equity is permitted in fish processing sector. Fish processing projects with a minimum of 20 per cent value addition can be set up as 100 per cent Export Oriented Units
- All items can be exported freely except for silver pomfrets of weight less than 300 grams
- Export of marine products is allowed only after registration of the units as an exporter with the Marine Products Export Development Authority (MPEDA), Cochin

1.9.3 Meat & Poultry

- The Meat Products Control Order, 1973 under the Essential Commodities Act, 1954 regulates the manufacture, quality and sale of all meat products
- A license is required under this order to set up of a factory for producing/processing meat products
- Export of meat is subjected to pre-shipment inspection and a certificate is required from State Animal Husbandry Department/Directorate of Marketing and Inspection
- Slaughter of cows is banned in most of the States. Export of beef is prohibited
- A No Objection Certificate (NOC) has to be obtained from the District administration for the slaughter of cattle, buffaloes etc.
- Permission from the civic bodies/State Government (Department of Animal Husbandry) is also required before setting up a meat processing unit integrated with a slaughter house

1.9.4 Milk & Milk products

- Milk and Milk Products Order (MMPO) regulates milk and milk products production in the country. The order requires no permission for units handling less than 10,000 litres of liquid milk per day or milk solids up to 500 tonnes per annum
- All the milk products except malted foods are covered in the category of industries for which foreign equity participation up to 51 per cent is automatically allowed
- Ice cream, which was earlier reserved for manufacturing in the small scale sector, has now been de-reserved. As such, no license is required for setting up of large scale production facilities for manufacture of ice cream
- Subsequent to de canalization, exports of some milk based products are freely allowed provided these units comply with the compulsory inspection requirements of concerned agencies like: National Dairy Development Board, Export Inspection Council etc.
1.9.5 Grains

- The Rice Milling Industry (Regulation) Act 1958 & Rice Milling Industry (Regulation & Licensing) Rules 1959 have been repealed from 28 May, 1997
- Rice milling and pulse milling sectors, which were earlier reserved for the small scale sector, have now been de reserved
- Since liberalization, there is no license requirement for setting up or capacity expansion of roller flour mills. The mills can obtain their wheat supply from any source
- There is no license requirement or price/distribution controls on manufacture of wheat products

1.9.6 Packaged Foods

- The industry is de licensed and automatic approval for foreign investment up to 51 per cent of equity (except for items like malted food and items which are reserved for production in small scale sector) is granted
- The setting up of 100 per cent export oriented units requires specific government approval
- The packaging laws and regulations affecting food products are mainly covered under the Standards of Weights and Measures Act, 1976, and the Standards of Weights and Measures (Packaged Commodities) Rules, 1977 (SWMA) specifying the quantity and package labeling regulations for all products
- The Prevention of Food Adulteration Act, 1954, and the Prevention of Food Adulteration Rules, 1955 (PFA) specify food adulteration/contamination norms and permissible ingredients from consumer health and safety point of view
- The Agmark Rules relate to the quality specifications and needs of certain agricultural products to be eligible for Agmark certification.

1.10 Government Initiative

The Central government allows 100 per cent FDI in this sector. There are incentives for setting up processing plants either in agri–export zones or outside of them. Sourcing of raw materials - fruits and vegetables or flowers or meat - is easier with an AEZ since there are already participants with knowledge about the industry standards. There are opportunities to create – Halal hub (export to south-east Asia, the Middle-East), vegetarian hub (20 per cent of Indian population + overseas), organic food hub (Europe and the US) and seafood hub in the country.

National Mission on Food Processing

The NMFP outlay for 2012-17 has been kept at INR 16 billion consisting of INR 12.50 billion provided by the Government of India (GOI) and corresponding State share of INR 3.50 billion. This includes INR 3.20 billion already approved for 2012-13, of which INR 2.50 billion was the GOI share and INR 700 million was the State share. The following schemes under the NMFP will be implemented by State Governments for the remainder of 12th Five Year Plan in pursuance of today’s approval:
- Scheme for technology up-gradation / establishment / modernisation of food processing industries
- Scheme for cold chain, value addition and preservation infrastructure for non- horticulture products
- Setting up/ modernization/ expansion of abattoirs
- Scheme for Human Resource Development (HRD)
- Scheme for promotional activities
- Creating primary processing centres / collection centers in rural areas
- Modernization of meat shops
- Reefer vehicles
- Old Food Parks

The government has taken significant initiatives to improve the food processing sector in India. Some of the major ones are:

- The Ministry of Food Processing Industries has taken some new initiatives to develop the food processing sector which will also help to enhance the incomes of farmers and export of agro and processed foods among others. The government has also approved the setting up of five numbers of Mega Food Parks in the states of Bihar, Maharashtra, Himachal Pradesh and Chhattisgarh.

- The Government of India has set up a US$ 315.15 million corpus for Nabard to help lend to food processing units at a lower interest rate. The fund will be provided to large food chains and units and also for creation of infrastructure in these parks.

- The Indian Institute of Packaging (IIP) has planned to offer a packaging solution to the famed Tirupati ‘Laddu’ to enhance its shelf life. They have also planned to install automatic vacuum packaging system for the packaging of ‘Laddu’ with higher shelf life.

- The State Government of West Bengal has decided to arrange land for any investment in agriculture-related units. The government has also taken up a hands-off policy regarding procurement of land for setting up industrial projects.

- The Government has set up the Expenditure Management Commission to rationalise subsidies, among other expenditure items in India. India incurs nearly one per cent of food subsidy annually, generally utilised under the existing public distribution system (PDS) consisting of Food Corporation of India (FCI) and nearly five lakh Fair Price Shops (FPSs)
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2. MARKET KEY PLAYERS

The major players operating in the Indian food and beverages industry include Dabur India Limited, Godrej Industries Limited, Hindustan Lever Limited, Britannia Industries Limited, ITC Limited, Nestle’ SA, PepsiCo, Inc, Cadbury Schweppes PLC, Future Group, RPG Enterprise and Godrej Agrovet Limited.

India is the world's largest producer of milk, second largest producer of fruits and vegetables and the third largest fish producer and it ranks second in inland fish production. With a huge agriculture sector, abundant livestock, and cost competitiveness; India is fast emerging as a sourcing hub of processed food. India produces 200 million tonnes (MT) of food grains each year.

2.1 Cold Chain, Value Addition and Preservation Infrastructure

- A huge gap of 9 to 10 million tonnes is identified of cold storage capacity in the country
- The assistance provided by government under the Scheme includes financial assistance (grant-in-aid) of 50 per cent the total cost of plant and machinery and technical civil works in General areas and 75 per cent for NE region and difficult areas subject to a maximum of Rs 100 million

Key players: Voltas, Blue-Star and Kirloskar Pneumatic are some of the cold storage players and equipments. Radhakrishna Foodland and Snowman Frozen are major providers of cold storage facilities. Concor is setting up a countrywide network of complexes for horticulture in Delhi, Mumbai and Bangalore among other places.

2.2 Third-party logistics

The food supply and cold chain is temperature-sensitive and manual- handling reduces the product quality and life. Logistics providers with air conditioned trucks, automatic handling equipment and trained manpower will provide end-to-end support. One can also adapt state-of-the-art techniques such as cross docking that will reduce the transit times and inventory.

Many companies choose to outsource their transportation to a third-party logistics (3PL) company so they can focus resources on their core business.

Collaboration is also on the rise as a logistics cost-cutting strategy. Food companies are approaching suppliers and third-party logistics providers to solve shared issues together. It takes advantage of local cost efficiencies at each location while at the same time administering it overall.

Key players: Raymond Corporation, SPS group, SembCorp, Exel and BAX etc

2.3 Retail

Retail, one of the largest sectors in the global economy ($7 trillion), is going through a transition phase in India. One of the prime factors for non-competitiveness of the food processing industry is because of the cost and quality of marketing channels.
Globally more than 72 per cent of food sales occur through super stores. In India there are 12 million outlets selling food and related items including push carts, wet markets and neighbourhood kirana stores. The kirana stores are generally located in small space and have no cold storage facilities. They also have restricted capital resulting in lack of shopping variety.

The Indian retail sector is estimated to have a market size of about $180 billion but the organised sector represents only 2 per cent share of this market. A strong retail front-end can also provide the necessary fillip to agriculture and food processing and other industries.

Key players: Bharti airtel group, Aditya Birla group, Pantaloon, Reliance etc
3. CHALLENGES AND OPPORTUNITIES

The future of the Indian farmer depends on the success of the food industry as India's prosperity is predominantly linked to the growth of incomes in the agrarian sector of the economy. Increasing liberalization of the economy has tried to lift the protection that the food and agriculture sector once enjoyed in the country. This has exposed the sector both to the opportunities and challenges of the global food economy.

The market forces are compelling the Indian agriculture producers to increase the quality of their farm produce while continuing to maintain their cost competitiveness in order to be able to compete effectively in the global food market. Even in the domestic market, rising per capita incomes and changing demographic profile of the population has ensured the growing demand for processed and convenience foods. Increasing consumer awareness about health and hygiene has shifted the focus of the market to "safe" foods. The Indian food-processing sector is undergoing a veritable revolution - all the way from the plate to the plough.

Indian food processing industry has seen significant growth and changes over the past few years, driven by changing trends in markets, consumer segments and regulations. These trends, such as changing demographics, growing population and rapid urbanization are expected to continue in the future and, therefore, will shape the demand for value added products and thus for food processing industry in India. The Government of India's focus towards food processing industry as a priority sector is expected to ensure policies to support investment in this sector and attract more FDI. India, having access to vast pool of natural resources and growing technical knowledge base, has strong comparative advantages over other nations in this industry. The food processing sector in India is clearly an attractive sector for investment and offers significant growth potential to investors.

3.1 Challenges faced by the Indian industry

The most crucial challenge today that the Indian food processing industry is facing is the lack of suitable infrastructure in the shape of cold chain, packaging centres, value added centre, modernized abattoirs etc.

Improvement in general infrastructure is also a must requirement for the industry to progress. Some other important initiatives that are needed are:

- Promotion of appropriate crossbreeds while conserving indigenous breeds of livestock
- Establishment of livestock marketing system
- Promotion of rural backyard poultry in a cooperative marketing setup
- Development of cooperative dairy firms
- Enhancing livestock extension services
- Encouraging private veterinary clinic
- Institutionalising a framework for utilising synergy between restoration and creation of water bodies for water harvesting and fishery
- Provision of an insurance package to avoid distress
3.2 Strengths and opportunities that India enjoys

- It is the seventh largest country, with extensive administrative structure and independent judiciary, a sound financial & infrastructural network and above all a stable and thriving democracy
- Due to its diverse agro-climatic conditions, it has a wide-ranging and large raw material base suitable for food processing industries. Presently a very small percentage of these are processed into value added products
- It is one of the biggest emerging markets, with over 1 billion population and a 250 million strong middle class
- Rapid urbanization, increased literacy and rising per capita income, have all caused rapid growth and changes in demand patterns, leading to tremendous new opportunities for exploiting the large latent market. An average Indian spends about 50 per cent of household expenditure on food items
- Demand for processed/convenience food is constantly on the rise
- India's comparatively cheaper workforce can be effectively utilized to setup large low cost production bases for domestic and export markets
- Liberalized overall policy regime, with specific incentives for high priority food processing sector, provide a very conducive environment for investments and exports in the sector
- Very good investment opportunities exist in many areas of food processing industries, the important ones being: fruit & vegetable processing, meat, fish & poultry processing, packaged, convenience food and drinks, milk products etc.