

**A REVIEW ON INDIAN FOOD PROCESSING INDUSTRY:  
CHALLENGES AND OPPORTUNITIES**

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### **1. INTRODUCTION:**

Thanks to professor M.S.Swamynathan, the father of green revolution in India that transformed our country from a land of foodstuff shortage to a land of surplus foods. As an immediate reaction to the initiative, India is presently the world's second largest producer of food, and has the potential of being the biggest with developing food and agricultural sector. In modern India, growing economy, surplus food and changing lifestyle has shifted the consumption pattern, from cereals to more varied and nutritious diet of fruit and vegetables, milk, fish, meat and poultry products. This gradual progression has given rise to the food processing industry in India.

India's food processing sector primarily covers fruit and vegetables; meat and poultry; dairy products, alcoholic beverages, fisheries, plantation, grain processing and other consumer product groups like confectionery, chocolates and cocoa products, Soya-based products, mineral water, high protein foods etc.

### **2. OBJECTIVES:**

The broader objectives of this review is to familiar the readers about a potential industry in India. This could encourage some Company Secretary professionals to explore the sector and start their own enterprise. However, some specific objectives of the review are highlight as follows:

- To study the economic advantage of food processing industry in India
- To analyse the Indian market of food processing industry
- To make a SWOT analysis of the said industry

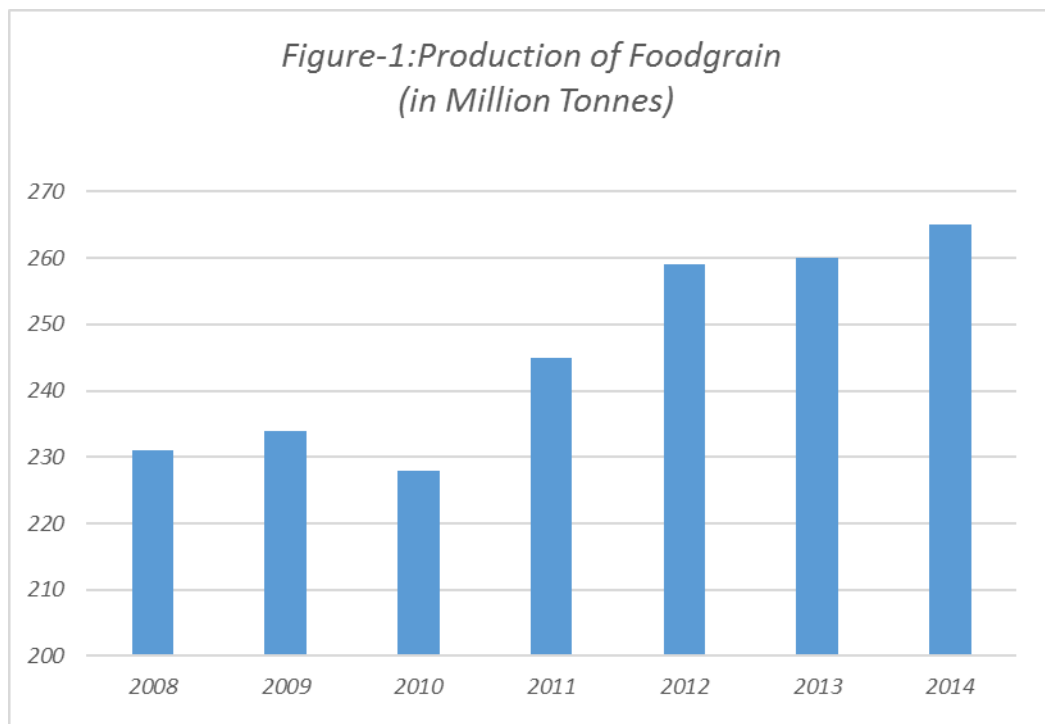
### 3. METHODOLOGY:

This study is analytical in nature and based on secondary sources of information that are collected from various research papers, reports submitted by various agencies, government data sources.

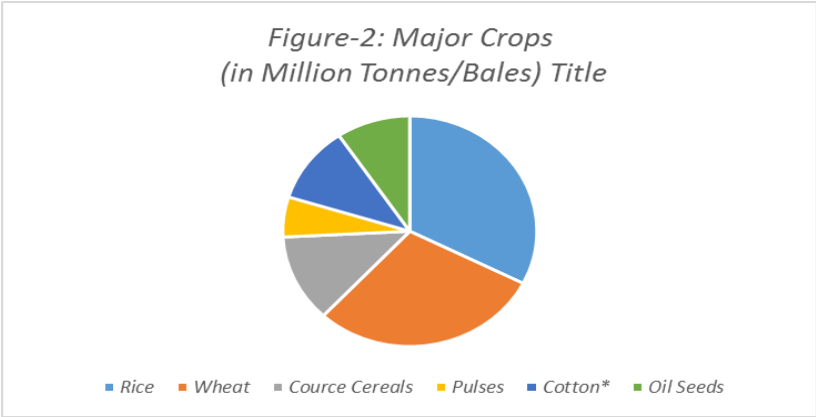
### 4. THE ECONOMIC ADVANTAGES:

A developed food processing industry would not only reduce wastages, but would also increasingly fetch remunerative income to farmers which is another problem before the agriculture sector at present. At present the food processing sector employs about 13 million people directly and about 35 million people indirectly.

India is among the largest producers of food grains globally. Following figure-1 shows the production of food grain (in million tonnes) in India by 2014. It can be seen from the figure that the total increase is 34 MT with a CAGR of 2%.

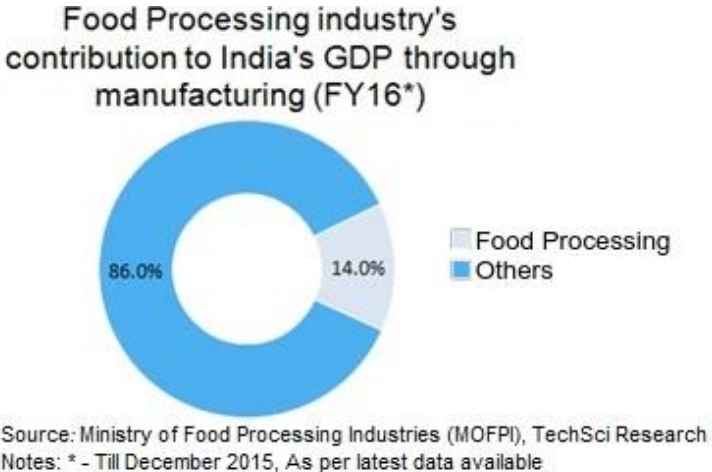


The pie chart derived below shows the percentage contribution of major crops (in million tonnes/Bales) by the financial year 2013. The production of rice constitute around 32% of the total production followed by wheat (29%), Cereals (12%), Pulses (6%), Cotton (11%) and Oil Seeds (9%).



It is increasingly becoming evident that only a vibrant food processing sector can lead to increasing farm gate prices and thus increase income levels, reduce wastages and increase employment opportunities. An average Indian spends about 50% of household expenditure on food item and also the demand for processed/convenience food is constantly on rise. As India has liberalized its overall policy regime with specific incentives for high priority food processing sector, provide a very conducive environment for investments and exports in the sector

Figure-3 derived below highlights the contribution of food processing industry to India’s GDP. It can be seen that the industry contributes around 14% to the country’s GDP by the year 2015.



### ***The Market of Indian Food Processing Industry:***

The Indian food processing industry accounts for 32 per cent of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. It contributes around 8.80 and 8.39 per cent of Gross Value Added (GVA) in Manufacturing and Agriculture respectively. The Indian gourmet food market is currently valued at US\$ 1.3 billion and is growing at a Compound Annual Growth Rate (CAGR) of 20 per cent. India's organic food market is expected to increase by three times by 2020.

The online food ordering business in India is in its nascent stage, but witnessing exponential growth. With online food delivery players like FoodPanda, Zomato, TinyOwl and Swiggy building scale through partnerships, the organised food business has a huge potential and a promising future. The online food delivery industry grew at 150 per cent year-on-year with an estimated Gross Merchandise Value (GMV) of US\$ 300 million in 2016.

Indian is also a leading market for food related raw materials in the world. The following table shows various items related to raw materials in food production with their global ranking.

**Table-1: Food Related Raw Material Production State in India**

<b>Items</b>	<b>Global Ranking- Production (2014)</b>	<b>Global Share (2014)</b>
Buffalo Meat	1 <sup>st</sup>	43%
Milk	1 <sup>st</sup>	17%
Bananas	1 <sup>st</sup>	27%
Mango & Gauva	1 <sup>st</sup>	39%
Pulses	1 <sup>st</sup>	20%
Tea	2 <sup>nd</sup>	23%
Sugarcane	2 <sup>nd</sup>	24%
Wheat	2 <sup>nd</sup>	10%
Rice (Peddy)	2 <sup>nd</sup>	24%

Source: Planning Commission, Ministry of Agriculture, Various websites

According to the data provided by the Department of Industrial Policies and Promotion (DIPP), the food processing sector in India has received around US\$ 7.54 billion worth of Foreign Direct Investment (FDI) during the period April 2000-March 2017. The Confederation of Indian Industry (CII) estimates that the food processing sectors have the potential to attract as much as US\$ 33 billion of investment over the next 10 years and also to generate employment of nine million person-days.

**5. THE WORLD:**

India’s export of food products to abroad is gradually increasing. The figure-3 derived below shows the export volume of India’s food processing industry by the first quarter of the year 2017.

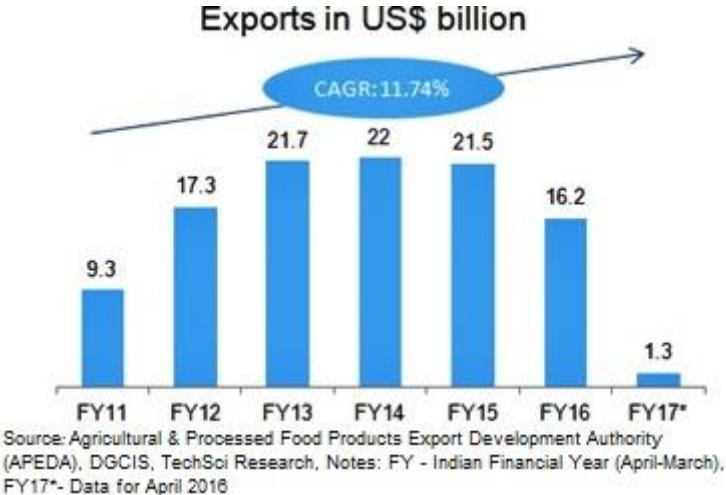


Figure-3: Export potentialities of Indian Food processing Industry.

The India’s share in the world and among developing and emerging industrial economics between 2010 and 2014 are compared in the following table derived below. From the table it can be seen that as a world economy India’s share was only 1.7 per cent in 2010 which increased by only 0.1 percent by the year 2014 to 1.8 per cent only. In terms of developing and emerging industrial economics category, India’s per cent was 5.5 per cent which increases to 5.9 per cent only. It implies that, India is still having potentiality of growth towards this sector.

Table-2: Major Producers in Selected Divisions, 2010 And 2014

World				Developing and Emerging Industrial Economic			
2010		2014		2010		2014	
Economy	Share (%)	Economy	Share (%)	Economy	Share (%)	Economy	Share (%)
<b>Food Products</b>							
United States of America	20.0	United States of America	18.5	Brazil	15.4	Indonesia	13.4
Japan	10.5	China	12.5	Indonesia	10.5	Brazil	13.2
China	9.0	Japan	9.4	Mexico	9.4	Mexico	8.7
Brazil	4.6	Indonesia	4.1	Thailand	5.8	<b>India</b>	<b>5.9</b>
Germany	4.1	Brazil	4.1	<b>India</b>	<b>5.5</b>	Argentina	5.4
France	3.3	Germany	3.7	Turkey	4.7	Thailand	5.1
Indonesia	3.1	France	3.0	Argentina	4.5	Turkey	4.9
						Venezuela (Bolivarian)	
Mexico	2.8	Mexico	2.7	Venezuela	4.5	Republic Of	3.8
United kingdom	2.8	Russian Federation	2.5	Poland	3.7	Poland	3.6
Italy	2.8	United Kingdom	2.5	Colombia	2.8	Colombia	2.8
Russian Federation	2.4	Italy	2.4	South Africa	2.8	South Africa	2.6
Spain	2.4	Spain	2.1	Philippines	2.2	Chile	2.1
Canada	2.0	Canada	1.9	Chile	2.0	Philippines	1.9
Thailand	1.7	<b>India</b>	<b>1.8</b>	Greece	1.8	Peru	1.8
<b>India</b>	<b>1.7</b>	Argentina	1.7	Peru	1.7	Pakistan	1.6
<b>Some of above</b>	<b>73.2</b>	<b>Some of above</b>	<b>72.9</b>	<b>Some of above</b>	<b>77.3</b>	<b>Some of above</b>	<b>76.8</b>

Source: The journal of Industrial Statistics and UNIDO, 2016.

## 6. THE SWOT ANALYSIS:

A brief SWOT analysis can reveal numbers of information about this sector in a more detailed manner.

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Easy availability of raw materials as per the industry requirements</li> <li>• Vast network of manufacturing facilities</li> <li>• Wide spread domestic market</li> <li>• Widened international market</li> <li>• Social recognition to this industry as a source of livelihood</li> <li>• Various government initiatives from time to time</li> </ul>	<ul style="list-style-type: none"> <li>• Requirement of investment</li> <li>• Low technological equipment</li> <li>• Inadequate automation with respect to information management</li> <li>• Low salary/wage in comparison to other industry</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Large population of the country</li> <li>• Increase in level of living of the individuals</li> <li>• Increase in both earning concept among the new generation</li> <li>• Opening of the global market</li> <li>• Development of supportive industries like electronics, computer science etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Huge competition from global leaders</li> <li>• Frequent changing nature of global laws on food production</li> <li>• Non availability of adequate land for the raw materials and land</li> <li>• Reduce in interest among the works for this sector</li> </ul>

## 7. GOVERNMENT INITIATIVES:

Some of the major initiatives taken by the Government of India to improve the food processing sector in India are as follows:

- The Government of India aims to boost growth in the food processing sector by leveraging reforms such as 100 per cent Foreign Direct Investment (FDI) in marketing of food products and various incentives at central and state government level along with a strong focus on supply chain infrastructure.
- In Union Budget 2017-18, the Government of India has set up a dairy processing infra fund worth Rs 8,000 crore (US\$ 1.2 billion).



- The Government of India has relaxed foreign direct investment (FDI) norms for the sector, allowing up to 100 per cent FDI in food product e-commerce through automatic route.
- The Food Safety and Standards Authority of India (FSSAI) plans to invest around Rs 482 crore (US\$ 72.3 million) to strengthen the food testing infrastructure in India, by upgrading 59 existing food testing laboratories and setting up 62 new mobile testing labs across the country.
- The Indian Council for Fertilizer and Nutrient Research (ICFNR) will adopt international best practices for research in fertiliser sector, which will enable farmers to get good quality fertilisers at affordable rates and thereby achieve food security for the common man.
- The Ministry of Food Processing Industries announced a scheme for Human Resource Development (HRD) in the food processing sector. The HRD scheme is being implemented through State Governments under the National Mission on Food Processing. The scheme has the following four components:
  - Creation of infrastructure facilities for degree/diploma courses in food processing sector
  - Entrepreneurship Development Programme (EDP)
  - Food Processing Training Centres (FPTC)
  - Training at recognised institutions at State/National level

### ***Recent Developments:***

Some of the major investments in this sector in the recent past are:

- Global e-commerce giant, Amazon is planning to enter the Indian food retailing sector by investing US\$ 515 million in the next five years, as per Mr. Harsimrat Kaur Badal, Minister of Food Processing Industries, Government of India.
- Parle Agro Pvt Ltd is launching Frooti Fizz, a succession of the original Mango Frooti, which will be retailed across 1.2 million outlets in the country as it targets increasing its annual revenue from Rs 2800 crore (US\$ 0.42 billion) to Rs 5000 crore (US\$ 0.75 billion) by 2018.
- US-based food company Cargill Inc, aims to double its branded consumer business in India by 2020, by doubling its retail reach to about 800,000

outlets and increase market share to become national leader in the sunflower oil category which will help the company be among the top three leading brands in India.

- Mad Over Donuts (MoD), outlined plans of expanding its operations in India by opening nine new MOD stores by March 2017.
- Danone SA plans to focus on nutrition business in India, its fastest growing market in South Asia, by launching 10 new products in 2017, and aiming to double its revenue in India by 2020.
- Uber Technologies Inc plans to launch UberEATS, its food delivery service to India, with investments made across multiple cities and regions.

## **8. CONCLUSION:**

The Food Processing Industry sector in India is one of the largest in terms of production, consumption, export and growth prospects. The government has accorded it a high priority, with a number of fiscal reliefs and incentives, to encourage commercialisation and value addition to agricultural produce. This sector is having ample sector to prosper in future years ahead. These sector could be a good potential for the Company Secretary professionals who wants to start their own enterprises.

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