



INTERIM BUDGET 2024

Food Processing Sector Expectations from Budget 2024

#ReformAndRise

As India gears up for Union Budget 2024-2025 which sets the tone for national development, the Food Processing Sector expects an emphasis on agriculture and related industries due to their vital role as the primary occupation for majority of the Indian population. The evolving landscape, characterized by rising incomes, heightened urbanization, and changing consumer preferences, highlights an increasing demand for processed food. Agriculture is experiencing a shift, expanding beyond conventional crops to emphasize fruits, vegetables, dairy, poultry, meat, and fisheries.

Projections suggest that by 2030, the agriculture and allied sectors could generate over USD 800 billion in revenue. To boost farmer incomes, the need of the hour is infrastructure development, integration of technological solutions, and enhancements in the overall ease of doing business. However, a focus on policy direction combined with effective promotion of investments is essential to strengthen the agricultural supply chain.

The Focus Areas for the Food Processing Sector in Budget 2024

Develop infrastructure to improve agricultural supply chains

A rise in the production of fruits, vegetables, and processed food items, especially in dairy, meat, and frozen food, has led to increased demand for agro-logistics. Consequently, supply chains must adapt to become more dynamic and agile. Establishing an effective network of modern processing, storage, and distribution facilities is essential for adding value and minimizing post-harvest losses.

Government initiatives should focus on formulating policies that promote investments in agri-infrastructure that encompass micro cold storage, micro-irrigation, silo storage, and agro-logistics. Entrepreneurs venturing into businesses like food and milk processing plants should receive financial support, incentives, training, and assistance in infrastructure and marketing facilities.

Improve market access

It is crucial to prioritize the establishment of market linkages that can reduce input costs and improve price realization for farmers in order to drive growth in agriculture and allied sectors. Leveraging online platforms and applications such as the Farm Gate app developed by the Madhya Pradesh government,

can play a pivotal role. This app provides farmers with essential price information, assured buyback options, and a platform for companies to procure agricultural produce. These applications can drive price and demand security for farmers and improve access to significant markets. The implementation of electronic mandis (e-mandis) will further facilitate the online trading of agricultural products.

In addition, the formation of the Farmer Producer Organizations (FPOs) will contribute to enhancing farmers' price realizations. The sector looks forward to witnessing increased support for sustainable agricultural practices and incentives for initiatives promoting organic farming. Implementing strategic measures to foster a healthier and environmentally conscious food sector will strengthen their commitment to offering high-quality organic and natural produce. Government initiatives in this direction will not only positively impact businesses but will also significantly contribute to the overarching objective of establishing a more sustainable and resilient food ecosystem.

Enhance ease of doing business

In light of the expanding allied sectors in agriculture encompassing fruits and vegetables, food processing, meat, poultry, fisheries, organic farming, floriculture, smart proteins, etc., the government must allocate budgets for effective on-ground implementation of policies. It is crucial to establish robust monitoring, evaluation, and reporting structures to ensure transparency. The government should prioritize creating a multi-lingual 'one-stop-shop' for all approvals and clearances, refining the single-window mechanisms across states.

To boost agricultural exports, the government should incentivize international partnerships, educate stakeholders on best practices in agriculture and manufacturing, uphold the latest international standards in quality and packaging, simplify documentation processes, and ensure the implementation of necessary food safety and traceability norms from importing countries. Initiatives such as a unified GST for all foods, streamlining compliances under a single authority like the Food Safety and Standards Authority of India (FSSAI), and additional incentives for promoting exports should be considered.

Anticipating the budget for the import-export segment, industry personnel expect the government to emphasize the importance of local sourcing and global network optimization. In response to the growing focus on sustainability and efficient supply chain practices, the budget may introduce tax incentives or subsidies for import-export companies actively engaged in local sourcing initiatives. Simultaneously, there may be an allocation of resources to enhance global network optimization by investing in technologies that improve logistics, transportation efficiency, and overall supply chain resilience. Staying attuned to these budgetary priorities is essential for import-export companies to align their financial strategies with government initiatives, fostering competitiveness and sustainability in an evolving global marketplace.

In order to tackle the rising inflationary concerns, particularly those driven by food inflation, the industry hopes that the budget will focus on improving manufacturing to generate more rural and semi-urban jobs. Additionally, there is an expectation that the budget will continue efforts to enhance the ease of doing business by reducing the compliance burden. With the introduction of the unified FSSAI legislation and GST across the board, the industry hopes for further simplification of the taxation structure to ensure harmony and uniformity in taxes across a wide set of categories.

Support technology development and adoption

Digital technologies such as artificial intelligence, machine learning, remote sensing, big data, blockchain, IoT, GIS, and drones/robots have the potential to revolutionize the agricultural value chain for operational efficiency. Despite being in a nascent stage, digital adoption is hindered by small landholdings and limited farmer awareness. To address these factors, the government's recent initiative, the Digital Agriculture Mission (2021–2025), aims to propel digital adoption in the agricultural sector. The focus includes creating a robust ecosystem, developing agristacks, and providing databases, information on government schemes, agro-logistics, real-time market intelligence, advisory services, data transparency, and market linkages through platforms like e-NAM to farmers. Strengthening Farmer Producer Organizations (FPOs) will be crucial for the adoption of on-ground technology.

Additionally, incentivizing agri-tech start-ups with interest-free loans and tax benefits will promote innovation and advance the digital transformation of the agricultural sector.

Increase government incentives

The current cold storage infrastructure presents significant opportunities for growth with the Government of India taking substantial measures to enhance this crucial component of the agricultural and allied sectors. Employing a multi-faceted strategy, the government is focused on developing modern infrastructure tailored to the diverse needs of various industries. Financial incentives are already being provided to support the prospective expansion of the cold chain sector. By bolstering cold chains and post-harvest infrastructure, significant reductions in wastage can be achieved, leading to surplus production for exports and increased income for farmers. Moreover, these initiatives contribute to the broader goal of achieving sustainable development, specifically targeting zero-hunger by ending all forms of malnutrition, doubling agricultural productivity, and enhancing the incomes of small-scale food producers. In addition to these efforts, incentives and subsidies are available for harvesting machines used in millet cultivation to reduce production costs. Despite these commendable efforts, the approved budget of INR 10,900 crore (~USD 1.30 billion) for the Production Linked Incentive (PLI) scheme for the Food Processing Sector appears relatively low compared to allocations in other sectors. Recognizing their substantial contribution to employment opportunities, the food sector is pushing the government to allocate a larger budget to support its robust growth and development. In addition to 2023 being declared 'the year of millets', substantial progress has been made in increasing the demand for millets in the marketplace. It is essential that this segment receives continued support from the government so that adequate progress can be achieved.

Effectively utilize resources

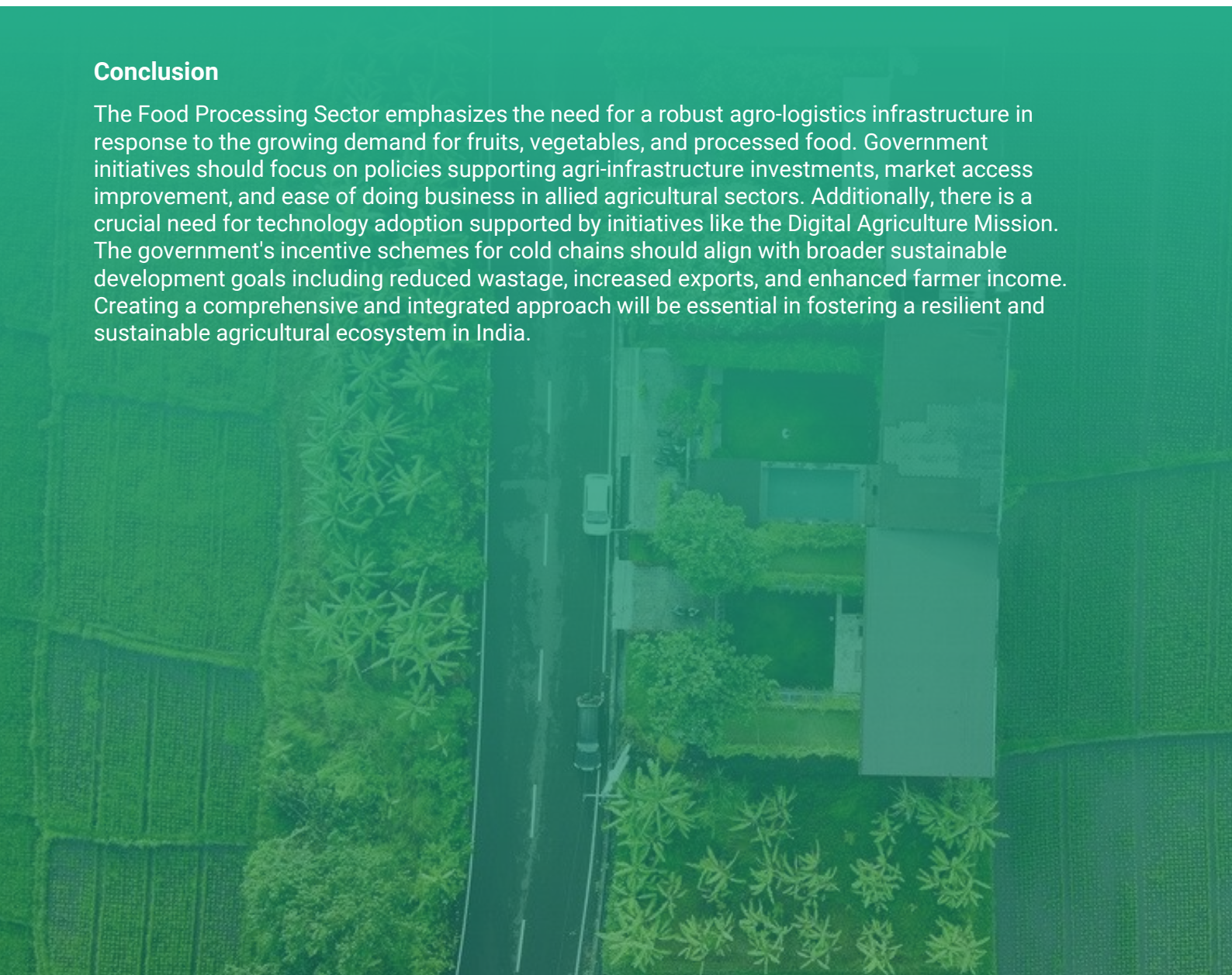
Emphasizing the significance of a strategic fund, senior officials recommend a heightened budget allocation of INR 4,200 crore (~USD 500 million) for the upcoming financial year. Industry experts express optimism that fully optimizing the current year's budget could serve as a crucial catalyst for advancing development in the Food Processing Sector.

Parity for restaurants

Restaurants are one of the few businesses where the industry is pegged at 5% GST without the allowance of any input tax credit. The National Restaurant Association of India has requested the government to restore the rate back to 12% with the allowance of input tax credits.

Conclusion

The Food Processing Sector emphasizes the need for a robust agro-logistics infrastructure in response to the growing demand for fruits, vegetables, and processed food. Government initiatives should focus on policies supporting agri-infrastructure investments, market access improvement, and ease of doing business in allied agricultural sectors. Additionally, there is a crucial need for technology adoption supported by initiatives like the Digital Agriculture Mission. The government's incentive schemes for cold chains should align with broader sustainable development goals including reduced wastage, increased exports, and enhanced farmer income. Creating a comprehensive and integrated approach will be essential in fostering a resilient and sustainable agricultural ecosystem in India.



About Nexdigm

Nexdigm is an employee-owned, privately held, independent global organization that helps companies across geographies meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise enables us to provide customized solutions for our clients.

We provide integrated, digitally driven solutions encompassing Business and Professional Services, that help companies navigate challenges across all stages of their life-cycle. Through our direct operations in the USA, Poland, UAE, and India, we serve a diverse range of clients, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries.

Our multidisciplinary teams serve a wide range of industries, with a specific focus on healthcare, food processing, and banking and financial services. Over the last decade, we have built and leveraged capabilities across key global markets to provide transnational support to numerous clients.

From inception, our founders have propagated a culture that values professional standards and personalized service. An emphasis on collaboration and ethical conduct drives us to serve our clients with integrity while delivering high quality, innovative results. We act as partners to our clients, and take a proactive stance in understanding their needs and constraints, to provide integrated solutions. Quality at Nexdigm is of utmost importance, and we are ISO/IEC 27001 certified for information security and ISO 9001 certified for quality management.

We have been recognized over the years by global organizations, like the International Accounting Bulletin and Euro Money Publications, World Commerce and Contracting, Everest Group Peak Matrix® Assessment 2022, for Procurement Outsourcing (PO) and Finance and Accounting Outsourcing (FAO), ISG Provider Lens™ Quadrant 2023 for Procurement BPO and Transformation Services and Global Sourcing Association (GSA) UK.

Nexdigm resonates with our plunge into a new paradigm of business; it is our commitment to **Think Next**.

USA Canada Poland UAE India Hong Kong Japan

www.nexdigm.com

Reach out to us at ThinkNext@nexdigm.com

Follow us on



Listen to our podcasts on all major platforms

This document contains proprietary information of Nexdigm and cannot be reproduced or further disclosed to others without prior written permission from Nexdigm unless reproduced or disclosed in its entirety without modification.

Whilst every effort has been made to ensure the accuracy of the information contained in this document, the same cannot be guaranteed. We accept no liability or responsibility to any person for any loss or damage incurred by relying on the information contained in this document.