



Opportunities in the Food Processing Sector in India

Food Processing Sector Market Evolution

The Food Processing Sector (FPS) in India has come a long way since the green revolution in the 1960s. The industry has transformed keeping pace with the dramatic change in Indian consumer needs and lifestyle. The industry is now able to cater to both urban and rural markets. The FPS today serves urban markets which consume highly processed food categories such as ready to eat and frozen foods as well as meets the needs of rural consumption providing quality basic food grains.

There have been various factors which have boosted the industry. A significant factor was the setting up of the Ministry of Food Processing Industries (MFPI) which nurtured and directed the growth of this industry in India, and also streamlined and brought together various stakeholders in the value chain. Streamlining the sector has significantly contributed towards the overall economic growth of the country. IBEF estimates that the contribution of the food processing industry to India's GDP through manufacturing has been more than 8% in FY17.

The Indian food and retail industry was valued at USD 258 billion in the year 2015 and is expected to grow to USD 482 billion by 2020. It has witnessed a dramatic growth in the past few years and is one of the sectors which is unlikely to see any drop in growth rates in the near future.

FPS subsectors include grains, dairy, fruits and vegetables, marine products, meat and poultry and consumer foods. The food processing sector today has relevance in both the organized and the unorganized sector. The unorganized sector which accounts for almost 40% of the market has been able to generate employment at the grassroots; the organized sector has been able to attract and generate the remaining 60% of investments in the country.

Major growth drivers

Factors contributing towards the sharp growth in demand for processed foods include the increasing urbanization, increasing disposable incomes, changing spending patterns/priorities, emergence of nuclear families and the growing need for convenience foods in dual income nuclear families.

The subsectors of this industry have had varied growth levels depending upon the maturity of each, its alignment with needs which have emerged in the past few years, and the impetus received from the Government of India.

- Consumer foods which include segments such as packaged foods, health beverages, meat and poultry, packaged drinking water, aerated drinks and alcoholic beverages, have exhibited tremendous growth compared to the other sectors.
- Entry of foreign players have been key to sustainable growth in some sectors such as dairy.

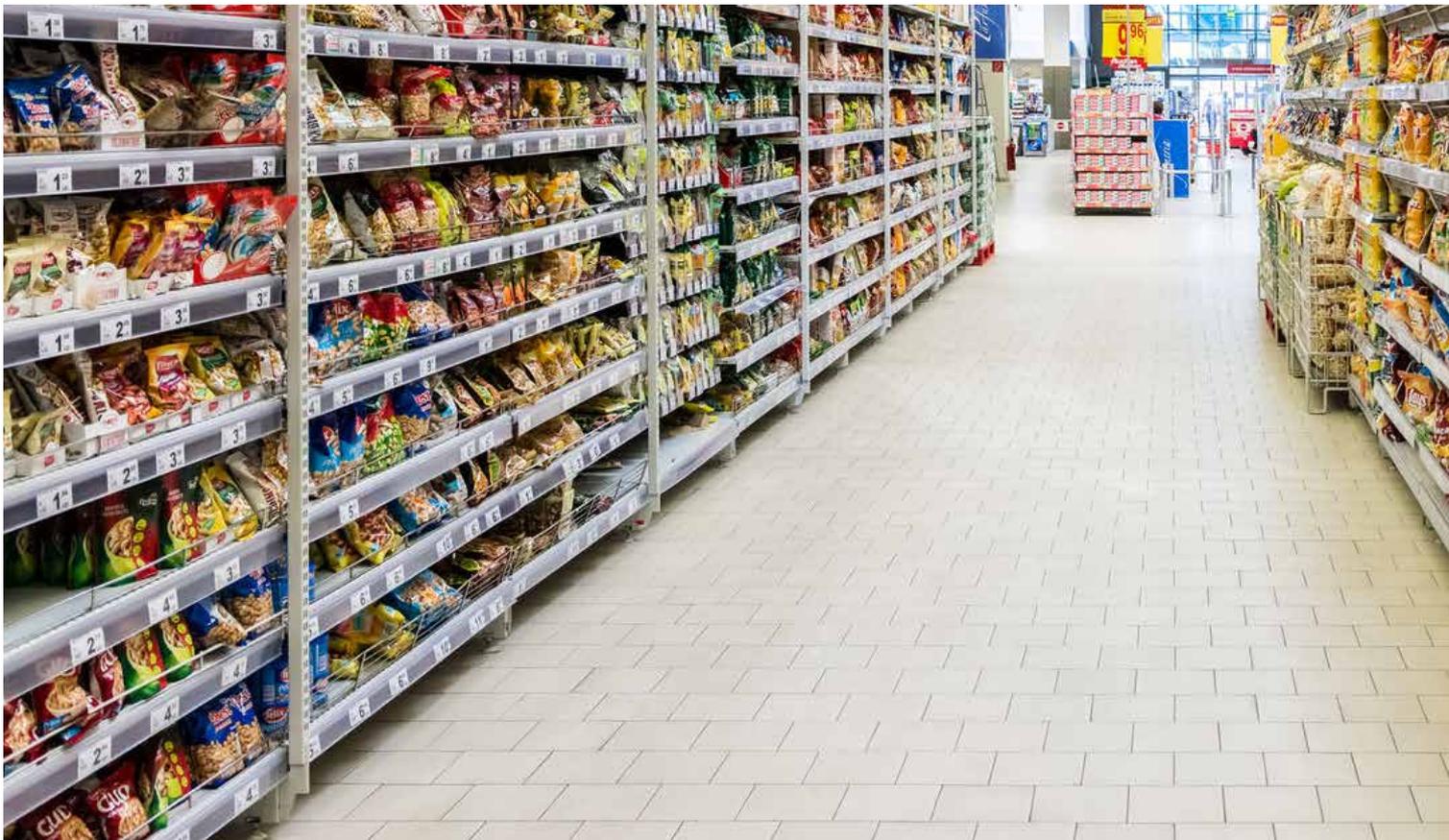
Government Policy Support

While the Indian FPS is growing at a fast pace, it is still at an early stage and less than 5% of the food produced is processed today. In order to achieve the objective of the National Food Processing Policy which aims to position India as a World Food Factory, the Government will launch a revamped National Mission of Food processing called SAMPADA (Scheme for Agro-Marine Produce Processing and Development of Agro-Processing Clusters)

- It is a comprehensive package to create a contemporary infrastructure with efficient supply chain management from the farmer to the ultimate point of purchase by the customer.
- It is expected that this initiative will provide a boost to the integrated cold chain sector and add value to the existing infrastructure. The goal is to provide infrastructure for agro-processing clusters and also aid in the creation of forward linkages in the retail market and backward linkages to the farm gate.
- The SAMPADA mission will have an outlay of USD 900 million, and it will integrate current and new schemes in the FPS. The mission will be implemented in 2019-20 fiscal year.

Opportunities in the Food Processing Sector

- Indian consumers are rapidly changing their eating habits. Trends indicate a sharp increase in on-the-go eating, snacking in between meals, switching to healthier eating alternatives, pre-cooked ready to eat meals and increasing consumption of organic foods. This has led to a host of new opportunities in the consumer foods market for both domestic and international companies to build a stake in this fast-growing processed food market.
- While there are several companies entering the market, the sector is largely untapped given the low per capita consumption levels and the dramatic changes occurring in the Indian lifestyle.
- India is also being developed and nurtured to become a global outsourcing hub for food processing because of its strategic location which connects to various export market destinations. There has been a steady improvement in the infrastructure available to establish Agri Export Zones (AEZ) in the country.
- In the last few years the MFPI has funded the development of various Mega Food Park projects. The 'Make in India' campaign has established more than 40 Mega Food Parks (MFP) and also provided fundamental infrastructure to operationalize new companies rapidly. The estimated investment by the government in this initiative for FPS so far has been more than USD 2 billion.





Major challenges in the FPS supply chain today relate to access, infrastructure, and inadequate information for market linkages. This has led to significant wastage of produced foods in the supply chain.

- This is being overcome by way of government intervention in aiding the development of infrastructure in cold chain, streamlining supply chain and logistics.
- It is expected that technology up gradation from various stakeholders will help facilitate optimized procurement and storage of perishable raw materials, timely transformation into finished goods and efficient distribution across different levels in the network. It is imperative that the percentage of the wastage in the supply chain be reduced to realize the true potential of the FPS.

To summarize, the Food Processing Sector in India represents an attractive investment opportunity for new players both domestic and international. Demand for processed foods over the next decade will increase rapidly due to the steady economic growth, rising income levels and changing lifestyles. Companies with access to the technological and market know-how in this sector should evaluate this attractive opportunity at this appropriate time.

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