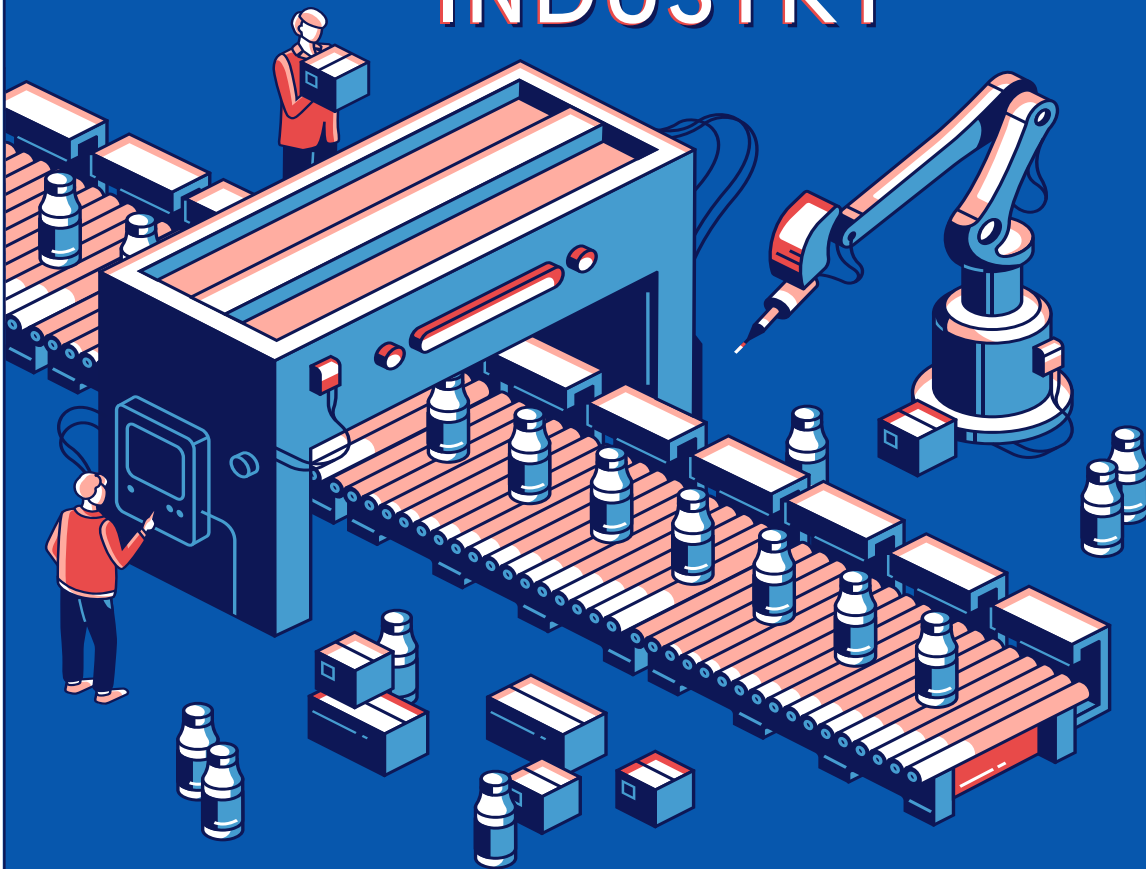


INDIA'S FOOD PROCESSING INDUSTRY



The Indian food processing industry is among the largest in the nation in terms of growth, production, consumption and exports. The industry produces several food products such as meat, poultry, fisheries, fruits, vegetables, spices, milk and milk products, alcoholic beverages, plantations and grains. It also manufactures cocoa products and chocolates, confectionery, mineral water, soya-based items and high-protein foods. Since the liberalisation in August 1991, the government proposed and accepted multiple projects, for instance, creating foreign collaborations, joint ventures, 100% export-oriented units and industrial licenses to encourage growth and investment in the food processing industry. Foreign direct investment (FDI) in India was estimated at Rs. 2,934.1 crore (US\$ 368.8 million) in FY21.



India is a major producer of food in the world, with a large and growing market. The food and grocery retail market, valued at US\$ 11.3 trillion in 2021, is also among the largest in the global economy. The food sector is currently undergoing a transition in India. The Agricultural and Processed Food Products Export Development Authority (APEDA) forecasts that the sector will grow at a compounded annual growth rate (CAGR) of 3% between 2022 and 2030. Poor quality and high cost of marketing channels are major impediments to the industry's growth, contributing to non-competitiveness. Meanwhile, over 72% of food sales occur through superstores and major retailers. Thus, India offers an attractive opportunity to the players in the sector, as the Indian market has low saturation due to a few organised retailers holding minor market shares. The country's retail and food sectors may thus see a major overhaul in the future.

Exports from India: Strengths of India's food processing industry in major markets

India's food processing sector is a sunrise sector that has gained prominence in recent years. Major processed food products exported from India include processed fruits and juices, pulses, guar gum, groundnuts, milled products, cereals preparations, oil meals and alcoholic beverages. India created history in agriculture and processed food

exports by exporting products worth US\$ 25.6 billion in FY22 . Export of APEDA products stood at US\$ 7.4 billion as of April-June 2022, up 31% compared with US\$ 5.7 billion over the same period last fiscal, according to the Directorate General of Commercial Intelligence and Statistics. Furthermore, exports of processed fruits and vegetables grew by 59.1%; cereals and miscellaneous processed items grew by 37.66%; meat, dairy and poultry products grew by 9.5%; basmati rice grew by 25.5%; non-basmati rice grew by 5%; and miscellaneous products grew by 50%.

Exports grew despite the ongoing supply chain disruptions. India managed to strengthen its exports, driven by an increase in the production of major products such as milk, meat, fish and food products. Important factors contributing to the increase in exports include the rise in global population and demand for branded foods, climate change and geopolitical tensions. The rise in exports has also been largely attributed to export promotion activities undertaken by the APEDA. Activities included organising B2B exhibitions in different countries; searching new potential markets by conducting various activities associated with Indian embassies; upgrading and strengthening laboratories for export testing; and providing infrastructure and financial assistance for exporters. India's geographic location creates an opportunity to connect with major regions such as the Middle East, Europe, Japan, Singapore and Malaysia, thus enhancing export-related





activities. The Middle East is one of India's prime export partners for processed food. Major products exported to Middle East countries, for instance, Saudi Arabia, the UAE and Iraq, are basmati rice, other cereals, meat and dairy products. India exports around 12% of the processed food to the EU . The EU is experiencing severe drought across regions due to heat waves. The ongoing Russia-

Ukraine crisis has also elevated energy prices and increased inflation. India can increase processed food exports to Europe as a major export partner. The UN has warned that close to 1.6 billion people across 94 countries are exposed to food and fuel crises. India has the potential to be a world leader in processed food export if the government targets this key sector.

India's Exports: APEDA Products (April-June 2022)

Products	US\$ Million
Fruits and vegetables	409
Cereals preparations and miscellaneous processed items	1,143
Meat, dairy and poultry products	1,120
Basmati rice	1,157
Non-basmati rice	1,566
Miscellaneous products	2,013
Total	7,408

Source: PIB

APEDA targets to export US\$ 23.6 billion of the agricultural and processed food basket for 2022-23.

Reasons for Investing in India's Food Processing Sector

The reasons to invest in the growth of the food processing industry in India are explained below.

Attractiveness of the Indian economy:

- In terms of GDP, India is the fifth largest economy in the world . Real GDP growth in FY22 stood at 8.7%, 1.5% higher than that in FY20, indicating recovery and strong growth post the pandemic period.
- FDI inflows in FY22 stood at US\$ 84.8 billion, up 3.5% from FY21. FDI inflows crossed the US\$ 80 billion mark in FY21, reaching US\$ 82 billion in FY21 and US\$ 74.4 billion in FY20. Strong FDI inflows coupled with economic growth during the pandemic suggest high investor confidence in India's growth and prosperity.
- The country has a total road network of 58.9 lakh km, the second largest road network in the world. The country's railway network exceeds 67,000 km of rail length, making it the fourth largest in the world.
- In India, approximately 71% of infrastructure investments are in energy, roads, urban infrastructure and railways. Energy will account for 24% of the investments; roads will account for 18%; urban infrastructure will account for 17%; and



railways will account for 12% of the total investments.

- Urbanisation is a crucial factor in the development of the Indian economy. By 2030, the World Bank estimates that approximately 42% of the country's population will live in urban areas, up from 31% in 2011.
- India is also keen on developing its human capital. The country is expected to continue to be among those having the youngest populations in the world till 2030, as per the UN Population Fund. Young Indians have recognised the importance of investment in higher education. Total enrolments in higher education was estimated at 3.7 crore. India has the third largest group of scientists and technicians in the world.





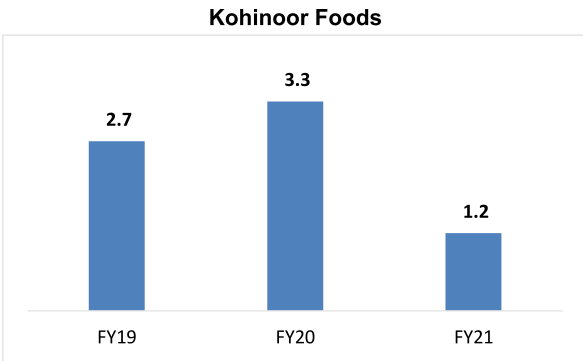
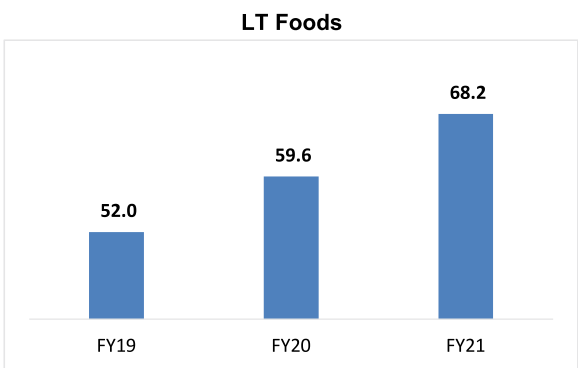
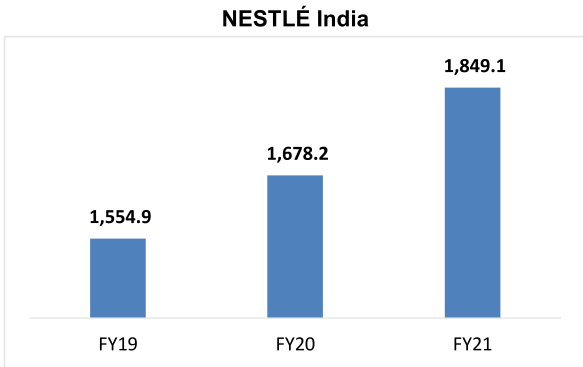
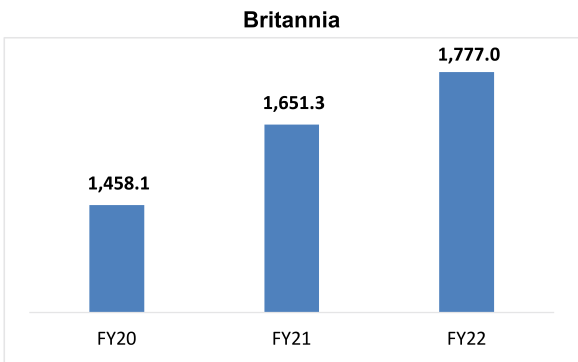
Opportunities in the food processing industry in India:

- The food processing sector in India grew at an average annual growth rate of approximately 8.4% between 2014 and 2018.
- The food processing sector constitutes around 10.7% and 8.8% of the gross value added in the agriculture and manufacturing sector, respectively. As per the Annual Survey of Industries 2018-19, the food products industry accounted for 15.8% of the factories, 8.9% of wages to workers and 11.2% of workers.
- The output of the Indian food industry is forecast to reach US\$ 535 billion by FY26. Increasing urbanisation, growth in household income and growth of the organised retail sector are major growth drivers for this industry.
- India ranks first in the production of milk, spices and livestock, and second in the production of food, vegetables, fruits and fish.



- The Indian food processing industry is evolving rapidly. Industry players have encountered several changes due to changing consumption patterns, rising urbanisation, changes in the gender composition of employees and increase in food consumption. Indians now like to experience multiple food cuisines in addition to traditional Indian cuisines. Due to these factors, the food industry in India is expected to reach US\$ 1.2 trillion in revenue by FY26.

Revenues of Food Processing Companies (in US\$ million)



Source: Company Filings

Britannia Industries

Limited: Britannia Industries Limited is among India's largest food processing companies, having a market capitalisation of over Rs. 88,000 crore (US\$ 11.1 billion). The company sells several food items ranging from biscuits



and bread to cakes and croissants. It also sells biscuits in small packet sizes at few rupees apiece, making it easier for low-income families to enjoy the company's products. Britannia Marie is a well-known household biscuit consumed with tea. The company has a legacy of more than 100 years





and presence in over 60 countries. It earns more than Rs. 9,000 crore (US\$ 1.1 billion) in revenues annually. The company's products are sold in over 50 lakh retail outlets across the country, reaching more than 50% of the country's homes. Britannia's dairy products are distributed in more than 1 lakh outlets, and the business contributes 5% to its annual revenue. Britannia Bread is a major brand in the country's organised bread market, and contributes Rs. 450 crore (US\$ 56.6 million) to the company's annual revenue. The brand has an annual turnover of approximately one lakh tonnes in volume. The business operates 13 factories and four franchisees, and sells nearly 1 million loaves daily across more than 100 towns and cities in the country.

The company's strategic expansion plan is based on the principle 'One new market a year'. Britannia is a market leader in Nepal and the second largest player in the UAE. The company also has strong market positions in other Gulf Cooperation Council (GCC) countries. Moreover, it has a presence in South East Asia, North America and Europe, and is investing in a modern facility in the Mundra SEZ, Gujarat, serving the export market. Furthermore, it plans to expand into Africa and more Southeast Asian countries.

Parle Products: Parle Products is one of India's largest manufacturers of biscuits and



confectioners. The company was founded in 1929 by Mr Mohanlal Dayal and the first factory in Vile Parle, Maharashtra, operated with only 12 employees producing confectionery. In 1938, the company launched its first biscuit, the famous Parle-G, then known as Parle Gluco. Subsequently, between 1941 and 1945, the company launched and sold Monaco, a salty cracker biscuit. Parle produces several food products including confectionaries, biscuits, snacks, cakes, rusk and cereals. During the pandemic, the company also launched hand sanitisers. The Parle-G biscuit is a national favourite, and its small packs, coupled with Parle's wide reach to the remote corners of the country, helps even the poorest to afford and enjoy the biscuit. The company aims to deliver health and taste with a value-for-money goal that allows people of all ages and classes to enjoy its products.



In addition to being an Indian favourite, the company's products are rapidly gaining international acceptance. Apart from India, Parle has manufacturing units in eight countries, namely, Nepal, Nigeria, Cameroon, Ghana, Kenya, Ethiopia, Ivory Coast and Mexico. Moreover, the US, the UK, Australia, Canada, the Middle East and New Zealand are some of the company's major international markets. In order to gain customer confidence in international markets, the company received globally recognised quality control certifications.

NESTLÉ India: Nestlé India is a subsidiary of the Swiss multinational company NESTLÉ S.A. The Nestlé Group is the world's largest food and beverage group, with presence in nearly 191 countries. The company holds 2,000 brands in its portfolio ranging from local favourites to global and exotic products. Nestlé India has a century-old presence in India. The company operates eight manufacturing facilities and four branch offices in the country. In 1961, the company established its first manufacturing facility at Moga, Punjab, followed by those at Choladi, Tamil Nadu; Nanjangud, Karnataka; Samalkha, Haryana; Ponda and Bicholim, Goa; Pantnagar, Uttarakhand; and Tahlilwal, Himachal Pradesh. Its branch offices are responsible for sales and marketing activities. The company's products include beverages, cereals, chocolates, dairy, nutrition foods, other snacks and cooking aids. The company's Nescafé brand is famous for its coffee products, which are sold in several flavours. The 'Maggi' brand, famous for the world-famous Maggi noodles, includes several other products, such as ketchup and pasta. The company has also forayed into nutrition segments, for instance, probiotics and organic products.



LT Foods: LT Foods is engaged in producing and selling rice under the brand name, Daawat.



The company's shares are listed on the BSE and NSE, with a market capitalisation of more than Rs. 3,000 crore (US\$ 377.1 million). Mr. Vijay Kumar Arora founded the company in 1978 in Amritsar, Punjab. At present, the company is a leading processor of rice and



other speciality foods in the country. Its products include basmati rice, rice-based snacks, flour, snacks, grains, beans and pulses. The company primarily offers premium-grade products. Kari Kari, a Japanese premium snack brand, was launched by the company via a joint venture with Kameda Seika, a leader in the Japanese rice cracker market. The brand aims to sell premium rice-based snacks in India. The company's brands are sold in more than 60 countries globally, including the US and countries in Europe, the Middle East and East Asia.

Kohinoor Foods Ltd.:

Kohinoor Foods sells basmati rice brands, wheat flour, ready-to-eat meals and curries, cooking pastes and spices, simmer sauces, frozen foods and seasonings. The Kohinoor Basmati rice is among the most popular products of the company. The company also exports to global markets, including the US, Australia, Canada, New Zealand, the UK, Europe, the Middle East and South East Asia and. The company was started in the late 1970s as a small rice trading firm by three brothers, namely Mr. Jugal Kishore Arora, Mr. Satnam Arora and Mr. Gurnam Arora, in Amritsar, Punjab. They branded it as 'Kohinoor' to signify the focus on quality and differentiate it from other branded and unbranded rice varieties. The company has a market cap of nearly Rs. 300 crore (US\$ 37.7 million) and earned revenues of Rs. 98.6 crore (US\$ 12.4 million) in FY22.



Parle Agro: Parle Agro is one of India's largest beverage companies,

with revenue of Rs. 6,500 crore (US\$ 817 million). The company's brands include Frooti, Appy Fizz, Appy, Dhishoom, Frio, Bailey, BFizz and SMOODH. The products are divided into four segments: beverages (fruit drinks, sparkling drinks, carbonated drinks and nectars), packaged drinking water under the Bailey brand, food and polyethylene terephthalate (PET) preforms. The company is based in Mumbai, Maharashtra, and has more than 4,000 employees. It operates 84 modern manufacturing facilities and sells its products through 20 lakh outlets via a network of more than 5,000 channel partners. The company has presence in

Parlé Agro

more than 50 countries. Products are sold in Tetra Pak, allowing a quick slurp, and in larger quantities in plastic bottles. The company has also implemented the concept of 'backward integration', through which it manufactures PET bottles. The company has a manufacturing capacity of 53,000 metric tonnes per annum (MTPA) across three manufacturing hubs, and manufactures 10 million preforms daily. This business-to-business (B2B) segment provides bottles necessary for packaging the company's drinks. In addition, the company supplies PET preforms to more than 50 countries.

MTR Foods:

MTR Foods was founded in 1924 by the Maiya family as part of the MTR restaurant. Later in 1975, the family diversified into instant mixes and convenience foods. The company's products include ready-to-eat rice and curries, cook gravies, ice cream, frozen food, instant mixes, spices, papads and pickles, and milk beverage drinks. Its breakfast ready-to-eat mixes are household favourites, providing the experience of authentic Indian foods. The company has a presence across the world. In February 2007, the company announced a partnership with Orkla, a Nordic conglomerate. Orkla has a strong foothold not only in the Nordic countries, which are domestic markets for the company but also in Russia, India and parts of Eastern and Central Europe. This can help the company expand its footprint in European countries. The company's products are already popular in several international markets such as the USA, the UK, Canada, Germany, New Zealand, Australia, South East Asian countries and the Middle East. Indians living in these countries can experience Indian cuisines through MTR.



AMUL: Unlike the aforementioned firms that operate as limited liability companies, AMUL is a cooperative based in

Anand, Gujarat. In 1946, farmers in the town were inspired by Mr. Sardar Vallabhbhai Patel and guided by leaders such as Mr. Tribhuvandas Patel and Mr. Morarji Desai to protest against the local trade cartel of intermediaries. The farmers went on a milk strike and formed their cooperative named





the Kaira District Cooperative Milk Producers Union Limited. This cooperative began with only two village dairy cooperative societies and around 274 litres of milk, and is now known as the Gujarat Cooperative Milk Marketing Federation (GCMMF). AMUL is the flagship brand of this cooperative. The cooperative grew rapidly under the leadership of Mr. Tribhuvandas Patel, who became the founding Chairman, and Dr. Verghese Kurien, who has been responsible for operations of the dairy since 1950. People noticed AMUL's success, and Prime Minister Lal Bahadur Shastri encouraged replicating this strategy. The Amul Model, as it came to be known, is a three-tiered structure with dairy cooperative societies at the village level, that are federated under a district level and a state level milk union. The model aims to establish a direct link between producers and consumers, eliminating the need for intermediaries. The model's key components include professional management and control given to milk farmers regarding procurement, processing and marketing decisions.

AMUL currently produces several dairy products such as butter, curd, cheese, cheese sauce, bread spreads, ghee, ice cream, protein products, chocolates, milk powders, sweets, cattle feed and bakery products. The cooperative's products are well-known household items in the country. GCMMF is the country's largest exporter of dairy products. It exports products to South East Asia, Australia, New Zealand, the Middle East, Africa, the US and Canada.

Government Schemes and Initiatives

The Ministry of Food Processing Industries (MoFPI) oversees the sector and acts as a

catalyst to attract investments from India and abroad. The prime initiatives of the ministry are to enhance farmers' income by improving utilisation and value addition, enhancing technology usage to minimise wastage, encouraging R&D initiatives and promoting export. The ministry is supporting the food processing sector with a variety of schemes.

Pradhan Mantri Kisan SAMPADA Yojana

(PMKSY): The scheme is also known as Agro-Marine Processing and Development of Agro-Processing Clusters. This initiative was launched on May 3, 2017 to promote the food processing sector in setting up infrastructure across the country with an efficient supply chain for faster movement of farm produce and providing better returns to farmers. In 2018, a new scheme, "Operation Green," was launched for the integrated development of the Tomato, Onion and Potato (TOP) crop



value chain. In FY22, close to 22 perishable products were added to the scheme. Under the PMKSY scheme, the government approved an outlay of Rs. 6,000 crore (US\$ 751 million) for 2016-20 and extended it for 2020-21. The Government of India approved the continuation of the scheme till 31 March 2026, with an allocation of Rs. 4,500 crore (US\$ 564 million). PMKSY has several component schemes under its portfolio, including mega food parks, creation/expansion of food processing and preservation capacities (unit scheme), integrated cold chain and value addition infrastructure, creation of infrastructure for agro-processing clusters, food safety and





quality assurance infrastructure, creation of backward and forward linkages, Operation Greens and human resources and institutions. According to the ministry, the PMKSY scheme is expected to leverage investments of Rs. 11,096 crore (US\$ 1,390 million), which would benefit 2.8 million farmers and generate 0.5 million direct/indirect employment opportunities by 2025-26.

Production Linked Incentive Scheme for Food Processing Industry (PLISFPI): The scheme came into existence on March 31, 2021, and aimed to promote the creation of global food manufacturing giants by utilising Indian resources and supporting Indian brands to explore international markets. The PLISFI scheme will be implemented from FY22 to FY27 with a total outlay of Rs. 10,900 crore (US\$ 1.4 billion).

Objectives of the scheme:

- Support food manufacturing entities that have stipulated minimum sales targets and are willing to make a minimum investment in expansion of processing capacity and branding internationally for incentivising the emergence of robust Indian brands
- Supporting the formation of global food manufacturing giants
- To strengthen selected Indian food products brands for wider acceptance in international markets and global visibility
- Increasing employment opportunities for non-farm jobs
- Ensuring remunerative and fair prices for farm produce increasing farmers' income.



On implementation, the scheme is expected to expand processing capacity and generate processed food output of approximately Rs. 33,494 crore (US\$ 4.9 billion) and create 2.5 lakh jobs by FY27.



PM Formalisation of Micro Food Processing Enterprises Scheme (PM FME):

PM FME is a scheme launched by the Ministry of Food Processing Industries (MoFPI) in association with the states. The system provides financial, operational and technical support to upgrade existing micro food processing enterprises. The scheme aims to provide the following support measures:

- Financial and training support for technology upgradation
- Support for transitioning existing enterprises into formal frameworks
- Support to self-help groups, producers cooperatives and farmer producer organisations along their value chains
- Marketing support to integrate firms with organised supply chains
- Support for registration and compliance with different legal and regulatory frameworks

The scheme will be implemented with a total outlay of Rs. 10,000 crore (US\$ 1.3 billion) from FY21 to FY25. The primary theme of the scheme is the One District, One Product (ODOP) approach, which is a part of the broader strategy to focus on agriculture and industrial development in each district by providing benefits, incentives and support.

ODOP Initiative:

The ODOP initiative was announced to realise every district's true potential, generate employment, fuel economic growth and promote rural entrepreneurship. The initiative would help achieve the Prime Minister's vision of Atmanirbhar Bharat. It was operationally merged with the joint initiative of the Directorate General of Foreign Trade (DGFT) and Department of Commerce, in which the Department for Promotion of Industry and Internal Trade was an important stakeholder. This initiative was the "Districts as Export Hub" scheme. The Department of Commerce, through DGFT, has engaged with central and state government agencies to promote the ODOP initiative. The objective is to transform every district in the country into an export hub, specialising in exporting a particular product for which the district is famous. The objective will be achieved by providing the necessary





support and incentives in the form of fiscal support, scaling up local manufacturers and exporters, marketing support, attracting international buyers and generating additional employment in the district. Some food products identified under the scheme are potato, mango, litchi, tapioca, tomato, petha, pickle, bhujia, kinnu, fisheries, meat, poultry and animal feed. Support would also be provided to increase production efficiency and sales to reduce wastage via proper storage, marketing and assaying. In case of capital investment support for existing micro-units, ODOP products will be preferred. Existing units producing other products will also be eligible for support. However, in case of support for marketing, branding and common infrastructure, only ODOP products will be eligible. The ODOP initiative will lead to ease in offering common facilities and other necessary support services.

Outlook

The Indian food processing industry is large and evolving. The industry offers several food



efficiently handle the production, research and development, marketing and other functions of food processing companies. On the demand side, the industry is supported by a large, young, urban population with increasing spending power.

The country is expected to overtake China in terms of population, supporting growth of the industry. The industry is also a major exporter. Despite the pandemic and supply chain restrictions, the food processing industry's exports grew in FY22. Agriculture and food processing exports crossed US\$ 25 billion in FY22. The ongoing crises in Europe due to droughts and food shortages caused by the Russia-Ukraine crisis have opened



and beverage products. In recent years, industry players have expanded into categories such as organic food, international and exotic cuisines and ready-to-eat food. Robust supply-side opportunities support the industry. India is among the top producers of several food products such as milk, wheat and fish. The country has a young and talented workforce that can

several new opportunities in food processing exports.

Indian food processing companies have grown significantly. Many such companies had humble beginnings, starting production locally and on a small scale. Nevertheless, their success enabled them to reach new heights. Parle is currently one of the largest



food processing companies in India. AMUL's success is displayed as an example to follow for cooperatives worldwide, as its efficient execution played a significant part in India being the largest milk producer. The government is keen on the success of the Indian food processing industry. The MoFPI is the key ministry in formulating policies and

reforms to grow and develop the industry. The government also launched several initiatives to promote the industry and incentivise export growth. With support from the government, strong positioning in an attractive market and effective execution, India's food processing industry is bound to reach new heights.

