



Food Processing Alert



Vol.1 No.1 April 2010

A new dawn beckons

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The unique selling point of Indian FPI

India is the second largest producer of food, next only to China. What is surprising is that India only processes 10 per cent of its total agriculture and food produce. The processing level is even lower for fruits and vegetables - around 2 to 2.5 per cent which is almost negligible when compared to other countries in which the level of processing is 70 to 80 per cent. There is no denying the fact that the food processing industry (FPI) in India is still at a nascent stage in terms of development. But this very fact is its unique selling point (USP). It opens up massive opportunities and avenues that are waiting to be tapped. As Union Minister of Food Processing Industries, India, Subodh Kant Sahay puts it, "if we look at the potential in this manner, sky is the limit from the opportunity point of view."

The Ministry of Food Processing Industries (MOFPI) acts as a catalyst for bringing in greater investment into this sector, guiding and helping the industry in a proper direction, encouraging exports and creating a conducive environment for the healthy growth of the industry. It has consistently formulated and implemented different schemes and plans to provide financial assistance for improving infrastructure, setting up of food processing units, supporting research and development and expanding human resource capital for the industry. Now the time has come when investors and entrepreneurs from across the globe can exploit the opportunities and chart out sustainable investment plans to penetrate the least-traded avenues of the Indian FPI

The Sector in a nutshell

The Indian food processing industry ranks first in terms of availability of milk, tea and pulses; second in rice, fruits, vegetables and wheat.

Processed food exports from India constitute almost 5 per cent of the total exports of the country.

The national policy for food processing aims to increase the level of food processing to 25 per cent by the year 2025.

The packaged processed foods industry is estimated to be in the range of US\$ 10.87 billion US\$ 13.05 billion, including biscuits, ice-cream, chocolates, confectionery, cheese, snacks and butter.

The food market in India is estimated to be more than US\$ 182 billion, accounting for about two third of the total Indian retail market.

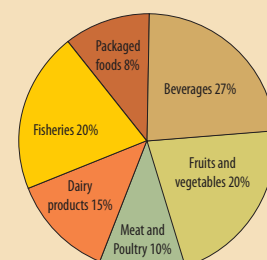
The Confederation of Indian Industry (CII) has estimated that the food processing industry has the potential to attract US\$ 33 billion of investment within the next one decade and generate employment of 9 million person-days.

According to consultancy firm McKinsey & Co, the retail food sector in India is expected to grow from an estimated US\$ 70 billion in 2008 to around US\$ 150 billion by 2025 and would capture a major chunk of the global food industry, which is likely to attain the landmark of US\$ 400 billion by 2025 from an estimated US\$ 175 billion in 2008-09.



I want the Indian processed food sector to become like a real BPO sector for us. We are determined to create a food processing hub in India with mega food parks, an effective cold chain from farming to retailing, research and development opportunities and in the process, generate maximum job opportunity for landless labourers to the top class CEOs. India has witnessed the IT revolution and the BT (Biotechnology) revolution. Now the time has come for the FT (food technology) revolution.

Subodh Kant Sahay, Union Minister for Food Processing Industries India



Ever-growing opportunities: The magic platter

The total food production in India is expected to increase two-fold within the coming one decade, and there is immense opportunity for large scale investment in skills and equipment, and food and food processing technologies. This particularly applies to sectors like dairy and food processing, canning, specialty processing, frozen food and refrigeration, packaging and thermo processing.

Promising subsectors

The food processing industry in India covers a wide range of sub-sectors including milk and milk products, meat and poultry, fisheries, alcoholic beverages, fruit and vegetables, plantation, grain processing and other consumer product groups like chocolates and cocoa products, confectionery, mineral water, soya-based products, and high protein foods, among others.

penetrated just around 15 per cent of the households in India indicating a large potential for growth.

- The annual per capita consumption of branded confectionery in India is still under 100 gms approximately.
- According to MoFPI estimates, the total contribution of the sugar boiled confectionery market in the organised sector, consisting of toffees, hard-boiled candies, éclairs and gums, is around Rs. 20 billion.

Bakery industry The bakery industry in India is primarily dominated by small-scale units with around 50,000 small and medium-size producers playing a major role in shaping up the market.

- According to MoFPI, biscuits and bread are the two

- There is tremendous potential in the Indian biscuit industry, as the per capita consumption is only 2.1kg in India as compared to over 10kg in the US, UK and Europe.

Health food and beverages: The phenomenal growth in Indian economy, coupled with increasing awareness about healthy functional ingredients is promoting the growth of health food and beverage market in India.

- According to a report by consultancy firm Frost & Sullivan, a growing desire among Indian consumers to stay fit and healthy, led by young professionals is another major driving force in this market which is estimated to garner revenue worth more than US\$ 1,161million by 2012 as compared to a meager US\$ 185million in 2007.

products, consuming almost 100 per cent of its domestic milk production.

- According to MOFPI, the milk surplus states in India are Uttar Pradesh, Punjab, Haryana, Rajasthan, Gujarat, Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu.
- Despite having largest milk production, India is a negligible player in the world dairy market.
- There is immense opportunity for broadening the products range in India with assured market fuelled by the high population density in urban areas, emergence of hyper-and super-markets, change in life style, westernisation of taste and more importantly, by exploiting low penetration rates among urban and rural population.

Beer, Alcoholic Beverages & Beverages The market for



India's food processing industry has got the whole world market to exploit. Even the great American entrepreneur Warren Buffet when asked on CNN television where he would like to invest next, said he would like to invest in India's food processing sector //

Subodh Kant Sahay,
Union Minister for Food Processing Industries India



Investment opportunities in the Indian food industry are set to shoot up by a huge 42.5 per cent to US\$ 181 billion in 2015 and to US\$ 318 billion by 2020 //

FICCI-E&Y study on the Indian food industry



Most promising sectors are the following:

Confectionery industry The size of the Indian confectionery industry is estimated to be US\$ 600 million. Sugar confectionery consists of around 61 per cent of the market, with chocolates, mints and gums forming the rest of the market. The confectionary market in India is thriving with activities. Consumer awareness campaigns, media activity and regular product launches combine to make it one of the most hyperactive segments in Indian market.

- According to MOFPI, sugar boiled confectionery has

major bakery products in India, accounting for 82 per cent of all bakery products.

- India is the third largest biscuit manufacturing country after the United States and China.
- According to the Indian Biscuits Manufacturer' Association (IBMA) the biscuit industry in India witnessed annual growth of 17 per cent in 2008-09 and the rural B-urban market penetration for biscuits has been around 75-85 per cent for urban market and 55-65 per cent for rural market.

- Though the market for health food and beverages, including energy and sports drink is still developing, the demand for functional foods is expected to witness major upward thrust in terms of consumer base due to their specific health benefits.

- The fruit-drink category is growing at a rate of 25 per cent perDespite having largest milk production, India is a negligible player in the world dairy market.

Dairy: India is highest milk producer in the world, accounting for more than 13 per cent of world's total milk production. It is also the world's largest consumer of dairy

alcoholic beverages has been consistently growing over the years.

- India is considered to be the third largest market for alcoholic beverages in the world.
- 'The Future of Wine', a report on the state of the wine industry over 50 years, suggests that the market for wine in India was growing at over 25 per cent per year.
- According to industry experts, the market for carbonated drinks in India is worth US\$ 1.5 billion, while the juice and juice-based drinks market accounts for US\$ 0.25 billion.

Investment magnet: Luring the best and brightest

According to the Minister for Food Processing Industries, Mr. Subodh Kant Sahay, "We need at least Rs. 1 lakh crore (US\$ 22 billion) of investment in the sector within the next half a decade to raise the level of processing from 10 per cent to at least 20-25 per cent." The statement speaks volumes about the potential and requirement of the Indian food processing industry in terms of investment. India as a nation embodies five distinctly varied population classes within its diverse socio-economic set up. The existence of such a wide range of population itself gives the investors and the producers an unparalleled bouquet of choices, and allows them to customize their offering, depending on the profile of customers and available resources, both manpower and financial. What is a major thrust for the investors is the fact that Indians spend more than 40 - 45 per cent of their income on quality food. Hence there is a tremendous opportunity to cater to the domestic market.

Why invest in India

Knowledge base One of the largest pools of scientists, engineers, technicians and managers.

Conducive policy environment It provides freedom of entry, investment, location, choice of technology, production, import and export, offers well balanced package of fiscal incentives.

Flexible investment option Free and full repatriation of capital, technical fee, royalty and dividends; convenient use of foreign brand names.

Beneficial tax structure Complete exemption from customs duty on industrial inputs and corporate tax holiday for five years for 100 per cent Export Oriented units and units in Export Processing Zones.

Young population The demographic factors are also in favour of the growing demand for processed food.

Robust manufacturing capability One of the largest manufacturing sectors in the world, embodying almost all areas of manufacturing activities.

Retail boom Indian retail food industry has revolutionised shopping experience of Indian customers. Growing at the rate of 30 per cent, the Indian food retail is going to be the major driving force for the retail industry as well as food processing industry.

Ample raw material and resource base Rich base of mineral and agricultural resources.

Vast market Access to the massive domestic and South Asian market.

A large and rapidly growing consumer base Around 300 million-strong consumer base for branded consumer goods, estimated to be growing at 8 per cent per annum. Demand for several consumer products is growing at a rate of more than 12 per cent, per annum.



Private sector investment in pipeline

- The second biggest processed foods company in the world, Illinois-based Kraft Foods Inc has, entered India through the takeover of British confectionery maker Cadbury, which owns brands like Cadbury's Dairy Milk and Bournville in Indian market.
- Soft drink major Pepsico is planning to pump in an additional Rs 950 crore as equity in its Indian operations - the biggest in the beverage business since its entry into the country in 1989.
- Coca-Cola has invested around Rs. 6,000 crore so far in India and is planning fresh investments.
- FieldFresh Foods, the JV between Indian telecom-to-retail giant Bharti Enterprises and the Del Monte Pacific arm, DMPL India, is looking to invest Rs. 200 crore in setting up its first manufacturing plant in India.

