



Tuesday, July 12, 2016

[Home](#) ■ [FNB Mart](#) [About Us](#) ■ [Contact Us](#) ■ [Feedback](#) ■ [Search](#) ■ [Subscribe](#) ■ [Advertise](#) ■ [Ratecard](#)
**FoodBeverageNews**
[Click Here](#)
**News**
[Policy & Regulations](#)
[Food Processing](#)
[Beverages](#)
[Dairy Products](#)
[Agriculture](#)
[Snacks & Confectionery](#)
[Fruit & Vegetable](#)
[Meat & Seafood](#)
[Sugar](#)
[Oils & Fats](#)
[Ingredients/Flavours](#)
[Spices](#)
[Retail](#)
[Bakery / Biscuits](#)
[Poultry](#)
[International](#)
[Company Report](#)
[New launches](#)
[Nutrition](#)
[Hotels & Hospitality](#)
**Features**
[Edit](#)
[Column](#)
[Special Reports](#)
[Interview](#)
[Issues](#)
[In Focus](#)
[Analysis](#)
[Budget](#)
[Festival](#)

## F&B SPECIALS

### Processed foods - Growth potential, demand high

Thursday, 16 January, 2014, 08 : 00 AM [IST]

**Anurag More and Priyanka Dhomse, Mumbai**

Food processing sector in India is said to be worth \$100 billion, yet it has huge growth potential and offers opportunities that remain to be tapped. The sector is of key importance, as it holds the vital link between agriculture and industry.

According to Market Research.com, the Indian food processing industry provides almost 60 per cent of all job opportunities by directly employing around 1.6 million workers. It is the fifth-largest industry in the country in terms of production, consumption, export and growth.

The Indian processed food sector is expected to touch \$255 billion by financial year 2016 with 13 per cent growth rate per annum. The packaged fruit juice market is estimated to be slightly over Rs 1,000 crore in size.

#### 32% of total market

According to Netscribes, the processed food and beverage market accounts for 32 per cent of the total food market. The Indian food processing industry is valued at Rs 8,410.50 billion, and is estimated to grow at a compound annual growth rate (CAGR) of 10 per cent to reach Rs 12,460 billion by 2015.

The highest share of processed foods is in the dairy sector, where 37 per cent of the total produce is processed. Of this, only 15 per cent is processed by the organised sector.

"The processed food market is estimated at Rs 2,80,000 crore. Though it is large in size, it is still at a nascent stage in terms of development. Of the country's total agriculture and food produce, only two per cent of the total is processed," Vinod Gaikwad, general manager, marketing and sales, Greenways Food and Beverages (D) Pvt Ltd.

Nilesh Lele, director, Enel Advisors, said, "The industry is large and ever-growing. Some estimates put it to be in the range of \$100 billion."

#### Import and export

India's exports of processed foods and beverages was Rs 381.51 billion in 2012-13, including the share of such products as mango pulp (Rs 6.09 billion); dried and preserved vegetable (Rs 6.37 billion); other processed fruit and vegetable (Rs 17.33 billion); pulses (Rs 12.85 billion); groundnuts (Rs 40.65 billion); guar gum (Rs 212.87 billion); jaggery and confectionery (Rs 9.18 billion); cocoa products (Rs 2.94 billion); cereal preparations (Rs 22.41 billion); alcoholic and non-alcoholic beverages (Rs 19.09 billion), and miscellaneous preparations (Rs 17.12 billion) (source: Netscribes).

"The Indian domestic market has a great unmet demand, which is one of the main drivers of this sector. While a majority of this market would be met through indigenous production, imports will also increase manifold. Imports of fresh produce, wine, packaged foods and cheese are just a few such examples of big opportunities," said Netscribes.

#### Prospective size



#### Interview

"Rise in market share due to more consumption of instant products"

[Past News...](#)

#### FORTHCOMING EVENTS

[International](#)

[Domestic](#)

#### FNB NEWS SPECIALS

[Forthcoming](#)

F&amp;B Projects

Marketing

Brand news

Marketing

People

Books

Events

Allied Sector

Technology

Equipment

Packaging

Education

Food Safety

Gaikwad said, "The new wave in the food industry is not only about foreign companies arriving here attracted by the prospective size of the market. It is also about the migration of the 'Made in India' tag on food products travelling abroad. Indian food brands are increasingly finding prime shelf space in the retail chains in the United States and Europe."

"In recent months, the imports of food products have been hurt due to the time-consuming process of product approval. Unofficial reports have put the estimated loss in the range of Rs 1,000 crore," opined Lele.

#### Government initiatives

In order to facilitate and exploit the growth potential of the sector, the government on its part has initiated extensive reforms. Some of the key measures undertaken by the government include the amendment of the Agriculture Produce Marketing Committee Act; the rationalisation of food laws; the implementation of the National Horticulture Mission, etc. The government has also outlined a plan to address the low scale of processing activity in the country by setting up mega food parks with integrated facilities for procurement, processing, storage and transport.

In order to raise the quality of India's processed products to international standards, to address health concerns and harness the export opportunity, the government is establishing a network of quality control and testing laboratories and testing centres across India, supported by research and development (R&D) through research institutes.

#### 100% FDI

To promote private sector activity and invite foreign investments in the sector, the government allows 100 per cent foreign direct investment (FDI) in food processing and cold chain infrastructure. During the last Budget, several policy measures were announced, especially for cold chain infrastructure, to encourage private sector activity across the entire value chain.

The Prevention of Food Adulteration Act (PFA), 1954 and Rules, 1955 were enacted in India (Kapur and Krishnamurthy, 1981). Delhi has a separate Directorate of Prevention of Food Adulteration, which is entrusted with the responsibility of implementing the provisions of PFA Act and Rules.

#### The other Acts

- Fruits Products Order, 1955;
- Meat Food Products Order, 1947;
- Edible Oils Packaging (Regulation) Order, 1998;
- Solvent Extracted Oil, De-oiled meal and Edible Flour Order, 1967, and
- Milk and Milk Products Order, 1992

The government has implemented several schemes to promote the growth of the food processing industry. The Centre has permitted income tax deduction amounting to 100 per cent of the profit earned for five years, and 25 per cent of the profit for the next five years, in case of new agro-processing industries to package and preserve fruit and vegetables.

Netscribes stated that the excise duty on meat and fish products was halved to eight per cent, whereas dairy machinery was exempted from duty. The Indian government approved the funds for establishing 15 mega food parks across the country, and aims to enhance the processing level of perishables from six per cent to 20 per cent, and increase value addition from 20 per cent to 34 per cent by 2015.

Gaikwad said, "The Centre allows 100 per cent FDI in this sector, and has formulated and implemented several plan and schemes to provide financial assistance for setting up and modernising food processing units, creation of infrastructure, support for research and development and human resource development, in addition to other promotional measures to encourage the growth of the processed food sector."

"FSSAI 2006 is a revolutionary step, and the implementation will take time. It is too early to comment about the impact of the new regulations," Lele said.

#### Challenges

Netscribes stated that like many other growing industries, the food processing industry faces many challenges, including the lack of infrastructure in the shape of cold chain; the lack of packaging centres; value-added centres, and modernised abattoirs.

"As per the Federation of Indian Chambers of Commerce and Industry (FICCI) report, the challenges faced by the sector include inadequate infrastructural facilities; comprehensive national level policy on the food processing sector, food safety laws; inconsistency in central and state policies and the

Past

#### Overview

**Packaged wheat flour market growth 19% CAGR; may reach Rs 7500 cr: Ikon**

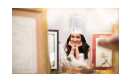
[Past News...](#)



**Ingredients SOUTH ASIA**

#### Recipe for Success

**A Paris Dream in Kolkata! - Chef Sneha Singhi's Recipe for Success**



[Past News...](#)

availability of trained manpower," it added.

"The key challenges also include faced by the sector are the low level of research and development; industry-academia gap; skill gap; technology gap; meeting global quality standards, a higher number of small and unorganised players, and regulatory bottlenecks," Netscribes stated.

Securing the raw materials and maintaining profitability in the face of ever-growing inflation would be challenges.

### **Overcoming challenges**

The government has come up with several schemes to provide financial assistance for setting up and modernising food processing units, creating infrastructure, and promoting measures to encourage the growth of the processed food sector.

The Central government allows 100 per cent FDI in this sector, and there are incentives to set up processing plants either in agri-exports' zones or outside of them. The Centre, in co-operation with state governments, will be starting schemes under the National Mission on Food Processing (NMFP) and taking steps to create additional foodgrain storage capacity in the country.

"There are various steps being taken. For instance, fruit and vegetables are preserved using cold storage," said Lele.

"In order to address the problem of infrastructure in the food processing sector, the government is supporting the implementation of the food park scheme, the setting up of packaging centres, value-added centres etc.," Gaikwad stated.

### **Trends**

Earlier, food processing was largely confined to the food preservation, packaging and transportation, which mainly involved salting, curdling, drying, pickling, etc.

However, over the years, with emerging new markets and technologies, the sector has widened its scope. It has started producing many new items like ready-to-eat foods, beverages, processed and frozen fruit and vegetable products, marine and meat products. It also includes the establishment of post-harvest infrastructure for processing of various food items.

Netscribes stated that with increasing health-consciousness, consumers nowadays are opting for healthy ingredients such as natural flavours in processed food and drinks. Zero-calorie beverages with no additives or preservatives are seen to attract more consumer interest. Also, convenient pre-processed food, which requires little preparation, is witnessed to gain more demand in developed markets.

To improve hygiene in food processing, different measures are being taken by the governments of various countries to ensure food safety. Thus, the packaging of processed food products has become an important step to ensure safety and hygiene of food products. The demand for processed foods is growing at 10 to 15 per cent per annum. The rising contribution of women to the working force and growing nuclear families has led to the higher demand for convenience foods, especially in urban areas.

Lele said, "As the population keeps growing, there will be a huge demand for processed foods. Nuclear families, working women, awareness, etc. will increase the demand for processed foods."

### **Marked change**

"The food industry is on a high, as we Indians continue to have a feast. Fuelled by large disposable incomes, which can be termed as a perfect ingredient for any industry, the food sector has been witnessing a marked change in consumption patterns. The rising per capita incomes and changing demographic profile has ensured the growing demand for processed and convenience foods. The increasing consumer awareness about health and hygiene has shifted the focus of the market to safe foods," Gaikwad stated.

Praveen Jaipuriar, marketing head - foods, said, "There's a growing awareness today among Indian consumers about health and wellness, and increasingly, people are seeking healthier products. Though this health-consciousness has largely been an urban phenomenon, we are now seeing the share of rural markets for packaged fruit juices also grow as penetration increases in the hinterland. Packaged fruit juices have traditionally been a very urban market product, but with growing health awareness and health consciousness among rural consumers, we are witnessing a marked growth in demand for healthier products like packaged fruit juices. As a result, we are now seeing the demand for packaged juices grow in smaller towns as

well."

He added, "When the disposable incomes are limited, people tend to spend on basic nutritional products like milk. However, as affluence or disposable income rises, so do the aspiration levels of consumers. Add to this the growing awareness levels about health products and health-consciousness, and consumers start to consume more of aspirational and functional health products like packaged fruit juices. Furthermore juices are more palatable or better tasting than some of other nutritional products and offer health benefits too.

With time, the urban consumers are seeking more value-added health products. Given the stressed and time-pressed lifestyles that people in urban India lead, consumers are increasingly looking at wholesome and convenient solutions like packaged juices that provide the required nutrition. The rushed and time-pressed lifestyle that urban Indians are leading today has led to a demand for on-the-go and convenient breakfast and snacking solutions.

#### **MNC look at Indian market**

The Confederation of Indian Industry (CII) has estimated that the foods processing sectors has the potential of attracting \$33 billion of investment in ten years and generate employment of nine million person days. The food processing sector in India is clearly an attractive sector for investment and offers significant growth potential to investors.

"The dairy sector, which has the highest share of processed foods, is dominated by the unorganised sector. A few corporate players, including Britannia and multi-national corporations (MNC) such as Nestle, have forayed into emerging segments such as ultra-heated treatment (UHT) and flavoured milk," stated Netscribes.

"Even ITC wants to enter the dairy sector in a big way. In fruit and vegetables, juices and pulp concentrate are largely manufactured by the organised sector, whereas traditional items such as pickles, sauces and squashes are manufactured by the unorganised sector," it added.

"Only one or two per cent of the total meat is converted into value-added products, mostly by the unorganised sector. However, branded products like Venky's and Godrej Real Chicken are gaining popularity. Processing of fish into canned and frozen forms is carried out almost entirely for the export market. In packaged foods, confectionery, biscuits, bread and chocolates are growing at a brisk pace. Indian snack foods are witnessing demand in the overseas market," stated Netscribes.

Lele stated, "MNC are looking at the Indian market with huge expectations due to the sheer size of the population, but at the same time are cautious due to the legal and regulatory framework in the country. It is also impossible to understand the psyche of Indian buyers, for example, almost every American eats cereals for breakfast, but Indians tend to prefer Indian breakfasts like idli, poha and upma."

#### **Improve sector**

Organised retail has come up as a key driving factor in the development of processed food through its innovative methods of marketing.

"There is a need of improvement in general infrastructure, like the promotion of crossbreds, the development of cooperative firms, keeping a provision of an insurance package, etc., to improve the prospects and enhance the growth of the sector," said Gaikwad.

Lele stated, "Importers can study the buying patterns in the western worlds, and customise the products, sizes and tastes for Indian markets."

#### **F&B products having export potential**

F&B products with great export potential are dairy products, processed meat and fish, etc. Beverages would show a tremendous growth in coming years, and the consumer buying would move towards healthier, flavoured water and low-added sugar options.

Netscribes said, "The demand for segments like ready-to-eat, convenience foods, functional foods, health drinks, flavoured milk and fruit juices are growing very fast. Export demand is increasing for the food products like pickles, chutneys, fruits and vegetables (canned, frozen and dehydrated), concentrated pulps and juices, packaged meat and marine products."

**PRINT THIS!****E-MAIL THIS!****BACK****Post Your Comment****\* Name** : **\* Email** : **Website** : **Comments** :

Post your comment

[Home](#) | [About Us](#) | [Contact Us](#) | [Feedback](#) | [Disclaimer](#)  
Copyright © Food And Beverage News. All rights reserved.  
Designed & Maintained by [Saffron Media Pvt Ltd](#)