

Food Processing Innovations in Indian Market Outlook

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Abstract: The food processing industry, includes the retail both organized and unorganized, and also the processing sector. These all form a widened agribusiness system that is wide-ranging and is comprised of strategies, performance and espousal of ample governance structures. The research organizations have always shown with their thorough hard work that the food processing sector is the sunshine sector in Indian Economy. The processing of food is not novel or original as it has been there since the evolution of mankind but yes, definitely has improved and flourished with time. The food processing sector in India now covers around one-third (32%) of the total food industry. With a very wide product line, India stands as one of the largest producers in fruits and vegetables, milk, livestock, fish, food grain, etc. Foreign Direct Investment (FDI) is also very lucrative in the country as 100% FDI is allowed under automatic route in food processing industry; thus making India a huge potential market for public-private partnership in food processing. This paper attempts to throw light on how the food industry has been heavily affected by several structural and economic changes and how innovative steps are being taken towards a better and improved sunrise sector. It will also help in assessing the strengths and weaknesses of the sector and will definitely facilitate in establishing the image of food processing business as the strongest mainstay in the Food Economy of India.

Keywords: Agri-business, FDI in food, Food Business, Food Processing, Innovation.

A. Introduction

The changing living patterns of Indian societies have tremendously marked towards a newer individualism towards the processed foods. The rapid contact to liberalized souks and the associated profound institutional transformation has led to revolutionization of both the food and agricultural sectors, as the families going nuclear, the working wives and the raise in the spending limits have given a new birth to the emerging food processing sector making it a sunshine sector of the economy. The Indian food industry comprises of food production and the food processing industry- both organized and unorganized. The food processing industry is one of the largest in India- it is ranked fifth in terms of production, consumption, export and expected growth.

The idea of India is gradually changing as number of countries showing interest to invest in India is increasing. In fact it is observed that India has displaced the US as the second most favoured destination in the world for FDI after China. Food industry is one of the key sectors which is the mainstay of Indian economy because of its high share in employment and major contribution to GDP. At present the food processing sector employs about 13 million people directly and about 35 million people indirectly. The food market in India is estimated at over Rs. 9,100 billion and accounts for about two third of the total Indian retail market.

B. Study of the Sectoral Growth and Implications: Review of Literature

The present review study was undertaken as an empirical study of the earlier studies on food processing sector of Indian and by surveying the impact of change in living styles of Indians adopting processed foods to understand the crucial issues in the Indian food processing sector, the requirement of more reforms in the sector by introduction of

Public Private Partnership (PPP) projects, the initiatives taken by the government and their impacts, the major drives towards innovation in Food Processing and their outcomes. Researchers have also mentioned that the meat sector has brighter prospects in India as a processed food (Bhalla and Hazell, 1998).

Looking into some of the key facts, India has largest irrigated land in the world. India produces annually 90 million tonnes of milk (highest in the world), 150 million tonnes of fruits & vegetables (second largest), 485 million livestock (largest), 204 million tonnes food-grain (third largest), 6.3 million tonnes of fish (3rd largest), 489 million Poultry and 45,200 million eggs. Food processing industry is currently growing at around 14%. The industry received FDI totalling Rs. 7190 million in 2007-08. However, India's share in export of processed food in global trade is only 1.5 %; whereas the size of the global processed-food market is estimated at Rs. 190 trillion and nearly 80 per cent of agricultural products in the developed countries get processed and packaged.

The amount of FDI inflow for Food Processing Sector in India covers more than 10% of the total FDI of US\$ 1128.4 million. The Ministry of Food Processing Industries (MFPI) has prepared Vision 2015 document which predicts that the size of the processed food sector is going to rise three times which can be achieved by increasing the level of processing of perishables from 6% to 20%, value addition from 20% to 35% and share in global food trade from 1.5% to 3% by 2015.

C. SWOT Analysis of the Sector

The major strengths of the Sunshine Sector are numerous in number and there are very shortfalls to it. Be it the profusion of raw materials availability; Fruitful incentives and rigorous support to the start-ups in the sector, the sector is well bestowed with the potencies to support the economy of the country as a whole.

There are a few other opportunities of being associated with the sector like enormously big network of manufacturing facilities in India; vast domestic market; growing Ag, etc. There are quite a few barriers which may hinder the growth of the sector like low availability of ample infrastructural facilities; lesser quality control & testing methods. Other problems constitute the incompetent supply chain, insufficiently developed linkages between R&D labs and industry.

D. Results & Discussion

The major advantages that Indian food market includes: India is the largest producer of milk in the world, second largest producer of fruits and vegetables, largest number of livestock in the world, third largest producer food grains and third largest output of fish. Talking about the innovativeness in the technologies we have a lot of evidences that the entire food industry has significant contribution of technology to growth of food processing industry.

Trade growth has combined with a second factor to cause deep restructuring of the members' agrifood economies: the countries have also undergone stabilization programs to curb long-term inflationary pressures and to correct overvaluation of currencies.

Indian Market Size: Historic and Forecast Foodservice Value (Rs. mn/ Current Prices)

Category	2010	2011	2012	2013
Consumer food service by type and chained/independent	4,200,133.7	4,850,054.2	5,487,054.7	6,115,853.1

Source: Euromonitor International report, August 2010

Segment	Size (Output/Value)	Projected Growth	Processing Level	Organized Players
Dairy Products	US 62.67 billion	15%	37%	15%
Fruits and Vegetables	2.33 million tonnes	20%	2%	48%
Meat and Poultry	US 13 million	10%	1%	5%
Fisheries	6.4 million tonnes	20%	12%	N/A
Packaged Food	US 2 billion	85	3%	80%
Beverages	155 million	27%	N/A	77%

Overview of Indian Food Processing Sector; Source: Trends & Drivers Report, Anonymous 2011

E. Case Study

Case study of HUL Hindustan Unilever: The products of HUL include Dairy, Snack Foods Tea, instant coffee, Beverages, Staples, biscuits, ice-creams, salt, wheat flour-atta, instant drinks, soups, jam and squash. HUL is the India's largest fast moving consumer goods company, with leadership in Home & Personal Care Products and Foods & Beverages. Its brands have spread across 20 distinct consumer categories, with sales of US\$ 2.17 billion. HUL's Foods segment is at 9 per cent, beverages are at 12 per cent of its businesses HUL has followed the strategy of divesting its non-core businesses and focusing on its food business as a growth driver.

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G. Conclusion

Earlier, the food processing sector in India had faced issue of shortage of funds, but now the government is trying its best by introducing various supportive schemes both for the start-ups and the established players in the market like the Amendment of APMC Act, establishment of Central Food Technology Research Institute (CFTRI) and Agricultural and Processed Food Products Exports Development Authority (APEDA) and introduction of various schemes related to food sectors like dairy, fisheries, and other food processing. Still, there are a number of environs that the Government of India should concentrate on in order to tap the global food market. These include the rationalizing of the tax structure, reducing the sales tax and excise duty on processed value-added products, liberalize FDI in food retail, establishing derivative market for food services. Moreover, market segmentation has become an important option for small and medium firms, which cannot struggle against the largest firms on the basis of price. However, these individual strategies require a strong endeavor of collective action to support them.

H. References

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