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Report Highlights:

The government's increased focus on the food processing sector, the changing life style of Indian consumers and a rapid growth in the organized retail sector are factors driving the growth in the food processing sector in recent years, which registered 13 percent growth in IFY 2006/07. The presence of multinational companies in the Indian food processing sector is also growing and should contribute to increased demand for quality food ingredients by the Indian food processing sector.

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SECTION I: INDIA FOOD PROCESSING SECTOR – MARKET OVERVIEW

India is one of the largest producers of fruits, vegetables, cereals, milk, and poultry in the world. However, due to lack of adequate processing facilities and cold storage, post harvest losses are high, estimated at around \$14.5 billion. However, economic and social changes in recent years have resulted in a surge in the food processing sector. In addition to rising incomes, India's demographics and rapid urbanization support further growth and diversification in food demand, including processed food. There has been an increased demand for convenience foods to accommodate the schedules of two-earner households. As a result, the Indian food processing sector has seen accelerated growth during the past few years from seven percent in 2002-03 to 13 percent in 2006-07. The current size (estimated annual turnover) of the food processing industry is estimated at \$70 billion and the market for processed food is thought to be around \$115 billion. The food processing industry is expected to attract investment, including foreign direct investment, worth \$540 million in the next six to seven years.

In India, food processing is traditionally confined to primary processing (milling and crushing) of cereals, pulses, and oilseeds, and the preparation of pickles, spice powder/mixes, and snack foods, mostly in the unorganized small-scale sector, with very little value addition. From independence in 1947 until the late 1990s, most of the food processing sector was, by law, reserved for small-scale industry (SSI) with a prescribed maximum investment. These limits effectively prevented the establishment of large-scale or vertically integrated food processing firms. Following the SSI de-reservation of most food processing subsectors in recent years, the scale of operation has expanded with several large and medium size Indian companies and some multinational companies entering into the food processing arena. Nevertheless, still a large segment of the Indian food processing industry operates in the unorganized sector, which consists of small enterprises operating outside the legal, tax, and regulatory systems that are pervasive in agricultural processing and marketing as well as other sectors of the economy. These firms account for about 75 percent of the output of the food processing industry. The level of processing of perishable food products continues to remain low (Table 1) compared with other countries due to lack of infrastructure facilities, lack of proper grades and standards in raw materials, and small scale farming. The level of processing is expected to grow in coming years mainly due to the emerging organized retail sector, providing increased backward linkages.

Table 1: Level of Processing in Perishable Products

Product	Level of Processing (% of total production)
Fruits & vegetables*	2.2
Milk**	35.0
Meat	21.0
Poultry	6.0
Marine	26.0
Grains***	91.0
Value addition in India	20.0
Share in global trade	1.6

Source: MOFPI Annual Report 2006-07 and Industry Sources

* 0.8% in unorganized sector

** A large segment of processed milk comprises packaged liquid milk

*** Mostly primary processed

Besides growing domestic investment in the food processing sector, foreign direct investment (FDI) has also been growing since early 2000 (see Annexure II on page 20), with this sector reportedly emerging as one of the top ten sectors to attract foreign direct investment (FDI). Full (100) percent FDI under the automatic route is permitted in the food processing sector, although FDI in food retailing is currently restricted. The FDI in sectors permitted through the “automatic route” does not require any prior approval, either by the Government or the Reserve Bank of India (RBI). Investors are only required to notify the regional office of the RBI within 30 days of receipt of inward remittances and file the required documents with that office within 30 days of the issuance of shares to foreign investors. The U.S. has the maximum share (56 percent) in total FDI approvals in the food processing industry. Some of the top U.S. firms that have invested in the Indian food processing industry include Coca-Cola, Heinz, Kelloggs, and Cargill.

The Indian food processing industry is poised for significant growth in the coming years, given investor interest and consumer preference. Food processors are introducing new products and improving traditional recipes using improved technology, innovative packaging and aggressive marketing. This should create additional demand for raw materials and food ingredients. A number of major domestic and multinational players (table 5) are running manufacturing facilities successfully in India. The bulk food ingredient exports from the U.S. to India are primarily edible nuts and pulses. Additionally, some other categories of food ingredients sourced from the U.S. include: essential oils (orange, lemon, lime, citrus, peppermint, spearmint), protein isolates, spices (coriander seeds, pepper, nesoi etc.), starch (corn etc.), vegetable saps, pectic substances, mucilages or thickeners, lactose, sugar and sugar syrups, mayonnaise, mixed seasonings, sauces and preparations, yeast, baking powders, sweeteners and other preparations for beverages, vinegar, oleoresins, and gelatin and gelatin derivatives etc. The export value of ingredients (given in the table below) from the U.S. is small compared to bulk ingredients (almonds and pulses etc.) but have registered positive growth in the past five years.

Table 2: India: Imports of Food Ingredients from the U.S.

Food Ingredients	Value (US\$ Million) CY 2007
Essential oils	8.352
Bulgur wheat (precooked/prepared)	6.030
Albumin, protein, isolates	5.998
Pectic, mucilage, thickeners	5.949
Lactose	4.957
Mixtures Odorife	3.704
Vegetable oils	3.042
Enzymes	2.693
Vegetable Sap	1.884
Gelatins	1.477
Sugars	1.440
Malt, starch, gluten	1.271
Sugars	1.087
Dressings, seasonings, soups, mayonnaise	1.032
Protein concentrate / textured protein substances	1.006

Starch	0.974
Eggs	0.928
Spices	0.866
Doughs	0.643
Citrus (prepared / preserved)	0.550
Veg. mixtures (dried/sliced/cut/powder)	0.345
cereal flour, flakes,	0.321
Dried fruits, nuts	0.255
Onion powder, dried	0.240
Peannut Butter	0.200
Food Preparations of flour, starch etc.	0.164
Sweet Corn (prepared/preserved)	0.154
Bran from Corn	0.146
Baking Powder	0.132
Honey	0.130
Natural Honey	0.111
Potato Flakes	0.108
Corn gluten meal	0.089
Seeds	0.084
Other Lecithins & Phosphoaminolipids	0.082
Yeast	0.070
Wheat Soy Blends	0.064
Bran from Rice	0.056
Malts ext, blended food products	0.049
Casein Glues	0.049
Oleic Acid	0.048
Vinegar & substitutes of vinegar prepared from acetic acid	0.025
Rennet	0.020
Corn soy milk blend	0.014
Pencillin G Amidase	0.013
Stearic Acid	0.003

Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

Trade Policy

Market access for U.S. food ingredients in India will be largely determined by India's food laws, primarily the Prevention of Food Adulteration Act and rules, administered by the Ministry of Health and Family Welfare (MOHFW) (See <http://mohfw.nic.in/pfa%20acts%20and%20rules.pdf>). The Ministry of Health and Family Welfare (MOHFW) regulates both domestic production and importation of processed foods and food ingredients, through the standards laid out in the Prevention of Food Adulteration Act and Rules. The link provided for the PFA has the text version of the rule for the year 2004. The MOHFW regularly releases amendments to the original rule through notifications

which are published in the gazette of India. Therefore, for assessing specific PFA rule amendments / notifications, the following website can be assessed: <http://www.mohfw.nic.in/pfa.htm#Final%20Notifications> . Furthermore, there are a number of other rules regarding labeling, packaging, weights and measures, shelf life, sanitary and phytosanitary regulations and their details are available in the GAIN report 'IN7068'. However, with the new food safety and standards Act signed by the president in 2006 (<http://mofpi.nic.in/fsnstds.pdf> or <http://www.mohfw.nic.in/Food%20Safety%20Standard%20Act.pdf>), a consolidated food law is expected to be implemented by the end of this year or soon thereafter. Report [IN 7033](#) provides detailed information on the new food safety and standards act.

Advantages and Challenges:

The major advantages and challenges for U.S. exporters are enumerated below.

Advantages:

- Encouraging growth of the food processing industry
- Increasing disposable incomes and increasing preference for ready-to-cook food, changing lifestyles and more women in the workforce.
- Seasonality of the raw material
- Lack of adequate produce varieties for processing
- Emerging food retail sector
- A new "The Food Safety and Standards Act", possibly by the mid-year
- Growing health awareness for quality and hygienic foods
- Government introduced tax concessions (income tax and excise duties) policies
- Presence of Multinational food processors who have a growing demand for a variety of quality food ingredients
- U.S. products are associated with high quality

Disadvantages:

- Traditional preferences for fresh food and affordability
- Availability of raw material and low labor costs
- Multiplicity of food laws and government policies on taxation, etc.
- Lack of sufficient infrastructure facilities (cold-chain, transportation routes, packing and grading centers, quality control, and testing)
- Fragmented, long and inefficient supply chain and lack of farm-level post harvest management and collection centers
- High inventory, carrying costs and packaging costs
- Low levels of integration between raw material producers and food processors and low capacity utilization of processing units

SECTION II: ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

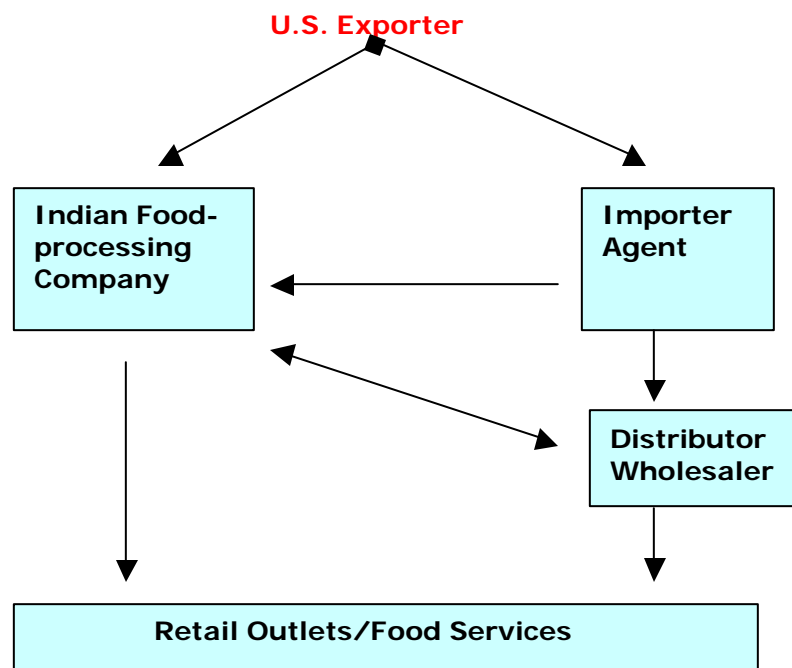
U.S. food ingredient suppliers interested in the Indian market should contact major Indian players (list given in Section II C) to assess their requirements. Appointing agents and distributors is the most effective method of reaching out to potential food processing companies. The following guidelines should be kept in mind while selecting agents or distributors:

- Determine through surveys who their potential customers are, and where in India these customers are located.
- Recognize that agents with fewer clients and a smaller organization may be more adaptable and committed than those with large installed infrastructure and those that are well known.
- There may be a conflict of interest where the potential agent handles similar product lines, as many agents do.
- U.S. firms should examine all distributor prospects and thoroughly research the more promising ones. Check the potential agent's reputation through local industry/trade associations, potential clients, bankers, and other foreign companies/missions.

Product promotion would definitely play a major role in establishing brand identity and increasing market penetration. Participation in major trade shows can help in reaching out to potential customers. The Indian Trade Promotion organization (ITPO) holds a popular annual food exposition 'Aahar' in March. Various domestic and international food companies participate in Aahar to showcase their products and Post supports U.S. food industry participation. The U.S. ingredients manufacturers can also show case their product in the IFE show. IFE India (www.ife-india.com) will be held on 2-4 December, 2008 in New Delhi. Interested U.S. processed food or food ingredient manufacturers should contact Post. Another platform for introducing a company's range of food ingredients is the annual Food Ingredients India show, which this year will be held in Mumbai on October 3-4, 2008. For detail visit: <http://india2008.fievents.com/content/Exhibitorinfo.aspx>. Additionally, the Confederation of Indian Food Trade and Industry (CIFTI) in collaboration with [Deutsche Landwirtschafts-Gesellschaft \(DLG\)](http://www.foodtecindia.com/) will organize the International Food Tech India (IFTI) 2008 show (<http://www.foodtecindia.com/>) in Mumbai from October 6-8, 2008. The IFTI show will have a special food ingredients pavilion.

B. MARKET STRUCTURE

Figure 1: Distribution Channel for Imported Food Ingredients & Processed Food



U.S. food ingredient suppliers can access the Indian market in the following three ways: (a) supply directly to local food processors; (b) supply through local agents/distributors to local food processors; or (c) start production and/or distribution centers in India. Most domestic food ingredients manufacturers supply their product through a network of local distributors. However, many manufacturers also establish direct contacts with processed food manufacturers. Some multinational food ingredient companies have started their manufacturing businesses in India.

C. COMPANY PROFILES

The food processing industry in India can be classified into the following categories depending upon the scale of the operation:

- Large Indian companies, wholly owned by domestic players, having their production base in India or neighboring countries (for tax purposes)
- Wholly owned subsidiaries of foreign companies or joint ventures.
- Medium/small domestic food processing companies with a local presence.
- Small scale companies or cottage industries in the unorganized sector.

Table 3 A (below) and table 3 B (at the end of this report) lists some of the major food processing companies in India and their products.

Table 3 A: Major Food Processing Players in the Indian Market

Company	Product Types	Brand	Sales US \$ Million	End-Use Channels	Production Location
Gujrat Cooperative Milk and Marketing Federation	Packaged milk, butter, milk powder, ghee, milkspray, cheese, chocolates, yogurt, infant milk formula, sweetened condensed milk, ice-cream and flavored Milk	Amul	1,050	Retail (own and other), Export	Gujrat
Dynamix Dairy Industries Ltd	Cheese, butter, ghee, whole milk powder, skimmed milk powder, dairy whitener, infant food, casein / lactose, whey products, UHT plain milk, flavored milk & juices	Dynamix	NA	Retail	Pune
Mother Dairy Fruit and Vegetable Private Ltd.	Ice-cream, plain milk, flavored milk, butter, ghee, UHT milk, cheese, yogurt, dairy whitener, juices.	Mother Dairy	NA	Own retail outlets, Export	Delhi
Mahaan Foods Limited	Coffee and dairy whiteners, edible casein,	Mahaan	45	Retail	New Delhi

Mahaan Dairies Limited Mahaan Protein Limited	pharmaceutical and edible grade lactose, whey protein concentrate, milk protein concentrate, ghee, demineralised whey powder, SMP, full cream milk powder, dehydrated milk fat, milk powder replacer, functional foods, infant food formulation, sports food, sauces and soups etc.				
VRS Foods Limited	Bactofuged milk (bacteria free), yogurt, butter milk, cheese (cottage, mozzarella), UHT milk, ghee, SMP, instant dairy mix, dimineralised whey powder, edible casein,	Paras	NA	Retail	New Delhi and Uttar Pradesh
Pioma Industries	Soft drink concentrate, instant drink powder, fruit jams, cordials, flavors, pickles, curry pastes, snacks, fruit syrups etc.	Rasna	NA	Retail, Export	Gujrat
Dharampal Satyapal Group	Spices, RTE snacks, flavored water, spring water	Catch	300	Retail	Himachal Pradesh, Uttar Pradesh, Delhi, Assam and Tripura
Dabur Foods Limited	Fruit juices, vegetable pastes, tomato ketchup, honey	Real, Nature Care, Homemade, Dabur	61	Retail	West Bengal, Nepal
United Breweries Limited (UBL)	Beer	Kingfisher	261	Retail & HRI	Punjab, Uttar Pradesh, Maharashtra, Goa, Karnataka, Kerala, Tamil Nadu, Andhra Pradesh, Madhya Pradesh, West Bengal and Nepal
Millennium Alcobev Pvt Ltd., (50:50 JV between UBL and its subsidiary	Beer	Sand Piper lager, Zingaro strong, Kalyani black label	NA	Retail and HRI	Maharashtra

Scottish and New Castle Plc (S&N) ,UK)					
Britannia Industries Limited Britannia New Zealand Foods Pvt. (50:50 JV between Britannia Industries Ltd. and Fonterra , New Zealand)	Biscuits, bread, cakes, cheese, dairy whitener etc.	Britannia	579	Retail	Delhi, Maharashtra, West Bengal & Tamil Nadu
Indian Tobacco Company (ITC)	Fruit Purees/Concentrates, IQF/Frozen Fruits, shrimps, prawns, spices, biscuits, salty snacks, wheat flour, RTE foods, confectionary	Sunfeast, Kitchens of India, Aashirwad, Candyman, Mint-o, Bingo	3,045	Retail	Karnataka and West Bengal
MTR Foods Limited (Recently acquired by a Norway based company 'Orkla')	Soups, RTE Foods, rice meals, spice powders, instant sweet mixes, instant ice-cream mixes, vermicelli, pickles, ice-cream	MTR	\$261	Retail (own and other)	Karnataka and Maharashtra
Al-Kabeer Exports Private Limited	Seafood, RTE meals, cottage cheese, snacks, nuggets, burgers, french fries	Al-Kabeer	NA	Retail	Hyderabad, UAE & UK
Hind Agro Industries Limited	Boneless meat and other meat and meat products (goat, buffalo, sheep)		NA		Uttar Pradesh and Delhi
Suguna Poultry Farm Limited	Poultry and poultry products (fresh, chilled, frozen and processed)	Suguna	350	Retail (own and other)	Tamil Nadu, Karnataka, Kerala, Uttarprades, Chandigarh, , Gujrat, Maharashtra and Andhra Pradesh
Venkateshwara Hatcheries Group	Poultry and poultry products (fresh chilled, frozen and processed)	Venkys	103	Retail	Maharashtra and Madhya Pradesh
Darshan Foods Private Limited	Skinless sausages, pepperoni, german salami, sausages,lemon pepper breaded burger patty, black forest ham,	Meatzza	NA	Retail and HRI	Haryana

	chicken breast roll, imported french turkey				
Hindustan Unilever Limited (Unilever holds 51.5 % equity in HUL)	Tomato ketchup, fruits drinks, vegetable soups, ice-cream, jams, ready to drink products etc.	Kissan, Annapurna, Knorr	553	Retail	Maharashtra, Madhya Pradesh, Uttar Pradesh etc.
Godrej Hershey Foods and Beverages Limited / GHFBL (A JV between Hershey Company of North America with 51% stake and Godrej beverages and foods limited with 43% stake)	Confectionery, soymilk, juices, tomato puree, edible oils, vanaspati (hydrogenated vegetable oil) biscuit shortening, margarine	Maha Lacto, Sofit, Jumpin, Smart Cook etc.	78	Retail	Madhya Pradesh and Andhra Pradesh
AVT McCormick Ingredients Ltd. (AVT Group of Companies & McCormick & Co Inc. USA and AVT Natural Products, A public limited company, with 68% shareholding held by AVT.)	Spices, oleoresins		NA	Export, Retail	Kerala
GlaxoSmithKline Consumer Healthcare (A U.K. based pharmaceutical, biological and healthcare company)	Health food drinks, biscuits,	Horlicks, Boost, Maltova, Viva	303	Retail	Punjab, Andhra Pradesh, Haryana and several other third party manufacturing facilities.
Weikfield Products Co. (India) Pvt. Ltd. (Weikfield is the exclusive distributor for Campbell Soup, USA)	Custard powder, baking powder, drinking chocolate, cream caramel, chutneys, sauces and natural ayurvedic health foods		NA	Retail	Maharashtra
Nestle' India (Nestlé India is a subsidiary of Nestle' S.A.	Dairy whitener, yogurt, noodles, tomato ketchup, packaged milk, multi grain breakfast cereal, energy	Nescafe, Maggi, Milky bar, Milo, Kitkat,	736	Retail	Punjab, Haryana, Uttaranchal, Goa,

of Switzerland)	drinks, chocolates	Barone, Milkmaid and Nestea			Karnataka and Tamil nadu
Perfetti Van Melle India (a subsidiary of Perfetti Van Melle, Italy)	Confectionery and chewing gum	Center Fresh, Alpenlebe, Mentos, Chlor Mint, Big Babool etc.	NA	Retail	Haryana, Tamil Nadu and Uttarakhand
Indo Nissin Foods Ltd. (a subsidiary of Nissin Food Products Company Ltd., Japan)	Noodles	Top Ramen	9	Retail	Haryana and Karnataka
Agro Tech Foods Ltd. (A public limited company, affiliated to ConAgra Foods Inc., USA)	Edible oil, RTE pudding, dried green peas, popcorn, cocoa mix, frozen potato products	Sundrop, ACT II, Hunt's Snack Pack, Crystal	260	Retail & HRI	Maharashtra, New Delhi, Andhra Pradesh and West Bengal
Heinz India Private Limited	Tomato ketchup, baby food, energy drink	Complan, Glucon-D, Heinz	NA	Retail	Uttar Pradesh and Karnataka
Kellogg India Private Limited (A wholly owned subsidiary of Kellogg US)	Breakfast Cereals, biscuits	Kellogg's	NA	Retail	Maharashtra
Godrej Pillsbury Limited (A joint venture between Godrej group and Selviac Nederland BV (Pillsbury),	Cereal flours and bakery foods		NA		Karnataka
Cargill India Private Limited	Vegetable oils, wheat flour	Nature Fresh	NA	Retail	Haryana
Adani Wilmar Limited (50:50 JV between Adani Group, India and Wilmar Holdings, Singapore)	Vegetable oils	Fortune, Raag, jubilee	650	Retail	Rajasthan, West Bengal and Andhra Pradesh
Cadbury India Limited (Cadbury Schweppes Group of Britain)	Chocolate, confectionery, milk based drinks and candies	5 Star, Perk, Celebrations, Éclairs, Bytes, Bournvita	NA	Retail	Maharashtra, Madhya Pradesh, Karnataka and Himachal

					Pradesh
Tinna Oils and Chemicals Limited (A JV between Tinna Group & ADM of USA)	Sunflower, soybean and peanut oils, food ingredients (cocoa powder, soya protein concentrate and isolate, fructose, xanthan gum, emulsifiers, prolite, functional wheat protein isolates, soy isoflavons, fibresol-2, Nat vit E, phytosterols	Health Fit	NA	Retail and food processing industries	Maharashtra and Karnataka
Pepsico India Holdings Limited	Aerated beverages, fruit juices, potato chips, breakfast cereals etc.	Pepsico	~ 1550	Retail	

Note: Most information has been sourced from company websites. This list is neither exhaustive nor ranked according to the order of importance. Sales figure data is mentioned only for those companies for which information is available in the public domain.

D. SECTOR TRENDS

PRODUCTION

The food processing industry is set for significant growth due to changing consumption patterns and growth of the organized retail sector. The Ministry of Food Processing Industries (MOFPI) has set targets to increase the level of processing of perishables from 6 to 20 percent, value addition by 20 to 35 percent and the share in global trade from 1.5 to 3 percent by the year 2015. This Ministry supports the development of the cold chain, storage, preservation and quality control, modernization of abattoirs, mega food parks, and improved quality and hygiene standards for street food. The government plans to set up 60 agri export zones and 53 food parks to encourage food processing.

Most Indian food processing industries, with the exception of some reserved for the small scale sector and the alcoholic beverage segment, are exempted from licensing requirements, and can use the automatic approval route for foreign direct investment up to 100 percent. The GOI recently reduced the excise duty on processed food from 16 to 8 percent. Last year, condensed milk, ice-cream, preparations of meat, fish and poultry products, pasta, and yeast, were exempted from the excise duty. The custom duty on packaging machines was brought down to 5 percent and the excise duty on RTE packaged foods and instant food mixes was reduced from 16 to 8 percent.

CONSUMPTION

Changing lifestyle and consumption patterns, increasing purchasing power, the growing number of dual income families, exposure to western foods, changing demographics, and expanding organized retailing are drivers of rising consumption of processed foods. Industry sources confirm that around 300 million Indians, mostly upper and middle class, are the major consumers of processed food, which is expected to grow by another 200 million by the year 2010. Indian consumers spend on an average 50 percent of their income on food.

India's food processing industry can be classified in the following categories:

Fruits, Nuts and Vegetables

The installed capacity of the organized fruits and vegetable processing industry has increased from 1.1 million tons in 1993 to 2.5 million tons in 2007. Nevertheless, only a very small proportion of the country's fruit and vegetable production is processed because of inadequate processing capacity, scattered production regions, and lack of processing varieties.

Juices, pulp concentrates, vegetable pastes, ready to serve (RTS) beverages, ready to eat (RTE) vegetables, jams and frozen french fries are manufactured by the organized sector. Hindustan Unilever Limited (HUL), Marico, Mapro, Priya Foods, Dabur Foods, Nestle, Heinz, Pepsi, Godrej, Mother Dairy and Haldiram are some of the renowned fruit and vegetable processing companies. The fruits and vegetable processing industry is dependent upon a number of food ingredients though most of the basic raw material (fruits and vegetables) is sourced locally. Edible nuts like Almonds are mostly imported, with the United States enjoying the largest share in the market.

Meat and Meat Products

Annual meat processing capacity in the organized sector is about one million tons; capacity utilization is 40 to 50 percent. India has 5,520 registered and 4,707 un-registered slaughter houses, mostly small. Poultry is the fastest growing meat segment with an estimated annual growth rate of 10-15 percent but only around six percent of poultry meat is processed because of the Indian preference for fresh meat. Some buffalo meat is processed for export and major players in the meat industry are Allansons, Hind agro, Al-kabeer, Suguna, Godrej, Skylark, Venkateshwara Hatcheries, Arambagh Hatcheries and Darshan Foods. The GOI prohibits imports of poultry meat and meat products and swine meat from countries reporting avian influenza (both highly pathogenic avian influenza and low pathogenic avian influenza). Imports of beef are banned due to religious concerns. For more details please see IN 7094.

Dairy

Milk is largely processed in the unorganized sector (around 22 million tons per annum) while the organized sector (mostly dairy cooperatives) processes 13 million tons of milk. A major share of the milk processed in the organized sector is in the form of packaged liquid milk. Other processed items include ethnic sweets, milk powder, curd, whey, butter, ghee (butter oil), cheese, and ice cream. Key players in the organized sectors are Mother Dairy, Amul, Paras dairy, Nestle, Britannia, Reliance, Dynamix dairy, HUL, Heritage foods, Mahaan foods, Validal industries, Haldiram and Bikanerwala (ethnic sweets & snacks). The current GOI sanitary conditions effectively block imports of dairy products from the United States and many other countries. For more details please see IN 7100.

Edible Oils

About 80 percent of India's oilseed production, which includes peanut, rapeseed, soybean, sunflower, cottonseed, coconut, and sesame, is crushed for oil. About one million ton of various oils, including imported palm oil, is hydrogenated to make Vanaspati (margarine). A large number of domestic oilseed companies have established edible oil brands in the market and target their product as "healthy oil". Some of the major domestic players in the market are Godrej, Dhara, Marico, Liberty, Prestige, Ruchi and Gujarat Ambuja Export Limited. Cargill, Bunge and Adani Wilmar India are some of the major multinational players in vegetable oil refining and marketing. India is a significant importer of vegetable oils (mostly palm and soybean oils). Most palm oil is imported from Malaysia and Indonesia and soybean oil from Brazil and Argentina.

Alcoholic Beverages

India is a large market for alcoholic beverages. The government of India has provided licenses to 56 units to manufacture beer and to twelve joint venture companies which produce grain based alcoholic beverages. Market sources estimate that whisky, mostly low priced, accounts for about 55 percent of the total market share in Indian spirit consumption, followed by rum, brandy and vodka. The alcoholic beverage segment is expected to grow by 25 percent in the next five years. Main domestic players are United Breweries, Jagatjit Industries and Mohan Meakins. SABMiller, International Distilleries, Diageo, Seagram and Baccardi are prominent multinational players. Some Indians prefer French wines and scotch but are willing to try alcoholic beverages from the U.S. though the high duty structure is the major roadblock against bulk imports.

Milling and Baking

Wheat is the major grain processed in India, largely for wheat flour (atta). Milling of rice and pulses makes up the balance of the grain processing industries. Wheat milling is largely confined to the unorganized sector but some large companies are involved in processing and marketing of branded flour. Major players in the branded atta segment are ITC, Pillsbury, HUL, Agro Tech Foods and Shakti Bhog Foods. Breakfast cereal production in the organized sector is small, but growing, and is mainly confined to corn flakes and oat products. Kelloggs and Mohan Meakins, Bagrry's are some of the major manufactures of breakfast cereals. Bakery products constitute the largest segment of grain-based processed foods. Small and medium unorganized local players and a limited number of organized units dominate the industry. Major players are Britannia, HUL, Indian Tobacco Company (ITC), Parle, Priya Gold, and Cremica. The grain-based snack market, comprising extruded snacks and savorys is very large and is mostly dominated by small players. Some of the larger players are Pepsi, Haldiram, SM Dyechem, and Bikanerwala. Imports of the products from the milling industry such as malt, starches, inulin, wheat gluten are increasing because of the growing baking and retail industry. India also imports a significant amount of pulses from Myanmar, Canada, Australia and the U.S.

Non Alcoholic Beverages

There are 100 soft drink plants in the country and this segment has attracted one of the highest levels of foreign direct investment. According to the MOFPI, the soft drink sector ranks as the third largest among the regularly consumed packaged foods after packaged tea and biscuits. The installed capacity for sweetened aerated water is 2.9 million tons per year. Additionally, the domestic fruit drink market is forecast to grow by 20 percent per year over the next several years. Several companies are trying to introduce new products like exotic fruit juices, vegetable juices, fruit based milk drinks and fruit and vegetable juice blends. The major players in this segment are Coca-Cola, Pepsi, Dabur, Godrej, Mother Dairy, Surya and other regional players. A number of renowned domestic and multinational companies dominate the non alcoholic beverage sector. Many of these players demand more food ingredients like sweeteners, enzymes, preservatives, fruit pulps etc.

SECTION III: COMPETITION

India's domestic industry is the primary competitor for U.S., food-processing and ingredient suppliers in India. India, with diverse agro-climatic conditions, has a production advantage in many agricultural goods, with the potential to cultivate a large range of raw materials (spices, spice oils, essential oils, condiments, and fruit pulps) required by the food-processing industry. Moreover, significant variations in food habits and culinary traditions across the country translate into a competitive advantage for small and medium size local

players, who are familiar with local food habits and markets. Some Indian food-processing companies have increased market share by decreasing product prices. However, high import duties on processed food and food ingredients make imports relatively costly. Additionally, existing domestic food laws restrict the use of a number of ingredients, flavors, colors, and additives, thus posing an additional challenge to U.S. exporters interested in the Indian market. As mentioned earlier, the PFA law (regulates the domestic production and importation of processed foods and food ingredients) is very old and some of its regulations have not been revised over time.

Foreign competition for the United States comes mostly from countries in closer geographic proximity to India, such as Australia and New Zealand. European suppliers are major competitors in the food ingredient sector. Several foreign firms, including some from the United States, have started operations in the manufacture and distribution of processed foods and ingredients in India.

Table 4: Competition in major product categories

Product Category	Net Imports	CIF Value 2006-07 (IFY) (US\$ Mln.)	Major Supply Sources	Market Share (%)	Strengths of Key Supply Countries	Advantages (A) and Disadvantages (D) of Local Suppliers
Animal or vegetable oils, fats and their cleavage products	4.46 Mln Tons	2,265.96	Indonesia Argentina Malaysia USA*	46 28 10 1	Major production hubs and competitive prices	Local production is inadequate and more than 40 % of total edible oil consumption is dependent on imports.(A)
Pulses	2.49 Mln Tons	1007	Myanmar Canada Australia	49 23 8	Price Competitiveness, freight advantage (for countries like Myanmar) and the ability to produce specific kind of pulses demanded in India.	Local production is inadequate and more than 20 % of total demand for pulses is met through imports.(A)
Nuts	129,426 Tons	262	USA Iran Pakistan	58 12 9	Growing market demand, preference for specific quality traits.	Domestic production of some of the major nuts is insignificant (A)
Sugars and sugar confectionery	45,035 Tons	26.57	Netherland USA China	17 16 15	Brand recognition, assorted products	Same as above
Products of the milling industry, malt, starches, inulin, wheat gluten	29,091 Tons	14.45	Thailand Australia China USA	15 11 11 3	Price Competitiveness, Freight advantage for China and Thailand.	Growing domestic industry (A), Increasing awareness about health & quality food (A), Stringent food laws (D)

Cocoa and cocoa preparations	15,852 Tons	29.82	Ghana Malaysia Singapore USA	38 12 7 1	Price Competitiveness	Domestic production is not sufficient to meet demand (A)
Dairy products	12,519 Tons	23.4	New Zealand France Nepal USA	49 11 9 4	Price Competitiveness	Domestic production is though reasonable but there are seasonal shortages (A), Indian import protocol is very stringent and effectively prohibits imports of dairy products from the U.S. and many other countries (D)
Spices and Condiments	0.1 Mln Tons	125.6	Sri Lanka Indonesia Vietnam USA	45 18 16 0	Price Competitiveness, freight advantage	India is a major producer for many spice crops (D)

Source: Ministry of Commerce and Industry, GOI and Post analysis

Table 5: Major Food Ingredient Players in the Indian Market

Company Name	Country
International Flavors and Fragrances India Limited	United States
Fine Organics	United States
The Solae Company	United States
Tinna Oils and Chemicals Ltd.	India /USA
AVT McCormick Ingredients Ltd.	India/US joint venture
Davars M.P. Organics	India
Synthite Industrial Chemicals Limited	India
Plant Lipids	India
Fine Organics	India
Lucid Colloids Limited	India
Tata Chemicals Limited	India
Global Calcium Private Limited	India
AB MAURI	United Kingdom
AB Lauri India Limited	U.K.
Duckworth Flavours India Private Limited	U.K.
DANISCO	Denmark
MSC CO. Ltd.	Korea
Doehler	Germany
Danisco (India) Pvt. Ltd.	Denmark
Chr. Hansen	Denmark
Indo Bakels Pvt. Ltd.	Sweden

SECTION IV: BEST PRODUCT PROSPECTS

Table 6: Best Product Prospects for the Food Processing Ingredients

Product Types	Import Volume (tons) 2006/07	Import Value (\$Million) 2006/07	Average Annual Import Gr. Rate (%) for the past 5 years in value terms	Basic Import Tariff Rate	Key Constraints	Market Attractiveness For USA
Nuts (Mainly Almonds)	129,426*	262*	20	In shell Almonds (Rs. 35/Kg) Pistachios (30%)	Competition from other suppliers exists but is not substantial	High demand and growing retail industry
Cocoa and cocoa preparations	15,852	29.82	43	30	Strong competition from domestic and international suppliers	Strong quality and brand preference
Sugar and sugar confectionery	45,036	26.57	28	20-100	Competition from domestic industry	Brand preference and growing retail
Products of the milling industry, Malt, starches, inulin, wheat gluten	29,092	14.45	33	0-50	Competition from domestic suppliers	Growing bakery and retail industry and increased popularity for processed foods
Pulses	2.49 Mln Tons	1007	12	Nil	Price Competitiveness , freight advantage (for countries like Myanmar) and the ability to produce specific kind of pulses demanded in India.	Local production is inadequate and more than 20 % of total demand for pulses is met through imports.

*Includes almonds, walnuts, pistachios, hazelnuts, chestnuts etc.

Source: Ministry of Commerce and Industry, GOI and Post analysis

Products Not Present Because They Face Significant Barriers

Beef imports are banned due to religious reasons. Pork and poultry products (including pet food) and also imports of dairy products and most meat products (including pork and poultry products) from the United States are effectively banned due to sanitary import requirements (see [IN7094](#) and [IN7100](#)).

SECTION V: POST CONTACT AND FURTHER INFORMATION

The following reports may be of interest to US exporters interested in India. These, and related reports prepared by this office, can be accessed via the FAS Home Page: www.fas.usda.gov by clicking on "Attaché Reports" and searching by the report number.

Report Number	Subject
IN7095	India: Exporter Guide 2007
IN6111	India: Retail Food Sector 2006
IN7114	India: HRI Food Service Sector Annual 2007
IN7100	Dairy and Products, Annual
IN7094	Livestock and Products, Annual
IN7033	FAIRS: India's Food Safety Standard's Act-Status and Outlook

For additional information and guidance please contact:

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Annexure I: Share of Top Five Investing Countries in FDI Approvals for Food Processing Industries (August 1991 to October 2006):

Rank	Country	No. of FDI approvals	Amount of FDI Approved	%Age with total FDI for Food Processing Industries
			US \$ in million	
1.	USA	137	1 579.7	55.97
2.	Netherlands	74	161.8	6.02
3.	France	30	121.8	4.73
4.	Italy	36	137.0	4.46
5.	Thailand	19	126.8	4.01
Total of above		296	2,127.1	75.19

Source: MOFPI

Annexure II: Foreign Direct Investment in the Food Processing Sector

Year	FDI (\$ million)
2000-01 (Apr. - Mar.)	50
2001-02	259
2002-03	44
2003-04	128
2004-05	44
2005-06	46
2006-07 (Apr-Dec)	56
Grand Total	627

Source: MOFPI Annual Report 2006-07

Table 3 B: Some Other Food Processing Players in the Indian Market

Company	Product Types	Brand	Sales US \$ Million	End-Use Channels	Production Location
Punjab State Milk and Marketing Federation	Liquid milk, WMP, SMP, infant food, ghee, butter, cheese, baby food	Verka	181	Own retail outlets, Export	Punjab
Andhra Pradesh Dairy Development Cooperative Federation Limited	Ghee, butter, processed cheddar cheese and cheese spread, UHT milk, flavored milk, milk in tetra packs, sterilized cream, skimmed milk powder (SMP), dairy whitener, cooking butter and ice cream	Vijaya	NA	Retail	Andhra Pradesh
Haryana Dairy Development Cooperative Federation Limited	Whole milk powder (WMP), milk sweets, ghee, cheese, yogurt, table butter and flavored milk	Vita	NA	Own retail outlets	Haryana
Heritage Foods (India) Limited	Plain milk, UHT milk, ice-cream, ghee, butter, yogurt, cream, milk sweets, buttermilk etc.	Heritage	87	Retail (own and other)	Maharashtra, Karnataka, Tamil Nadu and Andhra Pradesh
Vadilal Industries limited	Ice-cream, canned fruits and vegetables, RTS foods, fruit pulp etc.	Vadilal	30	Retail (own and other)	Gujrat
Vallabhdas Kanji Limited	Spices, seasonings, flavors and fragrances	VKL	100	Export, Retail	Kerala
Synthite Industrial Chemicals Limited	Raw / powdered / sterilized spices, spice oleoresins, essential oils, natural food colors, floral concretes/absolutes, resinoids, seasonings, health/functional food ingredients, spray dried and added value products		61	Export	Kerala
Vimbros and Company	Whisky, brandy, rum, vodka, wine, gin, tequila, liqueur		NA		Pondicherry
Surya Foods and Agro Limited Surya Fresh Foods Limited	Biscuits	Priyagold, Fresh Gold, Freeze, Fresh Fizzy	67	Retail	Uttar Pradesh, Gujrat

E.B.I Cremica Food Coatings (P) Limited (JV with Cremica Industries Limited and EBI Food Ltd UK a company owned by Kerry Ingredients)	Breads, coatings, marinades, glazes, seasonings, stabilizers ice-cream	Cremica	NA	Retail	Punjab
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Note: Most of the information has been sourced from company websites. This list is neither exhaustive nor ranked according to the order of importance. Sales figure data is mentioned only for those companies for which information is available in the public domain.