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Report Name: Food Processing Ingredients

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Prepared By: Radha Mani and Uma Patil

Approved By: Lazaro Sandoval

Report Highlights:

Despite the challenges delivered by COVID-19, the Indian food processing industry continues to expand rapidly. The sector has significant growth potential due to rising incomes and greater consumption of value-added products, driven by major demographic changes, including rising urbanization and greater dual income households. Over the past year, the food processing sector adapted to new, COVID-19 spurred consumption trends, including increased demand for immunity-boosting foods and affordable packaged food item sizes. In response to COVID-19's negative impact on the food processing sector, the Government of India introduced a variety of new support programs, most noticeably the Atmanirbhar Bharat ("Self-Reliant India") campaign.

Market Fact Sheet: India

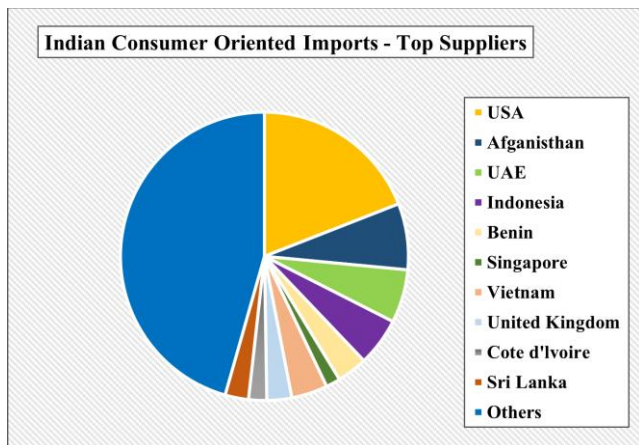
Executive Summary:

India is the fifth largest economy in the world and over the next decade it is expected to become the third largest economy. As the second-most populated country, India is on the verge of surpassing China to become the world's most populated country by 2024. As of March 2021, India's population stands at 1.38 billion, 18 percent of the total world population. The median age in India is 28.4 years and over 65 percent of Indian population is young (below the age of 35 years) with rising income levels creating a large market for food products. According to [International Monetary Fund's \(IMF\) January 2021 - World Economic Outlook Update](#), India's economy contracted by 8 percent in 2020 due to the ongoing COVID 19 pandemic, which resulted in a nationwide lockdown. The IMF's most recent projections forecast that the Indian economy will recover by 11.5 percent in FY 2021-22, making it the only major economy to register double-digit growth in 2021.

The Indian food industry is the world's third largest food industry, experiencing robust growth over the past few years. The industry has emerged as one of the most profitable sectors in the country with revenues surging by 36 percent over the previous year to USD \$633 billion in 2020 and is expected to reach USD 645.8 billion in 2021. India is the world's second largest food producer after China and is expected to become the largest in the coming years. Food processors, importers, wholesalers, retailers, and food service operators are contributing to a rapidly expanding, lucrative agribusiness sector in India. In 2020, India imported USD \$23.76 billion worth of processed foods and related products from all sources, while exports from India totaled USD \$39.61 billion.

Imports of Consumer-Oriented Products:

India's imports of consumer-oriented foods, led by tree nuts, spices, and fresh fruits, is one of the fastest growing imported agricultural products segments in the country. In 2020, India imported USD \$5.1 billion worth of consumer-oriented products, out of which 19 percent were from the United States. A rising number of brand-oriented importers, modern retail outlets, e-retail platforms, and trendsetting restaurants are some of the major contributors to the steady growth of consumer-oriented products imports.



Source: Indian Ministry of Commerce & Industry and Trade Data Monitor

Food Processing Sector:

The Indian food processing sector is one of the country's largest industries, representing 1.5 percent of GDP and ranking fifth in terms of production, consumption, and exports. Accounting for 32 percent of the country's total food market, the Indian food processing industry is expected to grow at an annual growth rate of 12 percent and generate employment for 9 million during 2019-2024. The sector's primary industries include the processing of milled grain, sugar, edible oils, beverages, dairy products, fresh fruits, vegetables, poultry, meat, and fishery products. To enhance the growth of Indian food processing sector, the Indian government has invested in infrastructure projects such as food parks and cold chain facilities. The government has also authorized 100 percent foreign direct investment (FDI) to attract international food processing firms. The government continues to enact reforms to improve the ease of doing business, including a single dedicated investor facilitation cell and custom clearance reforms.

Food Retail Industry:

India's food & grocery (F&G) retail market is the third largest in the world with sales expected to surpass \$800 billion by 2023, according to private estimates. The Indian F&G retail is experiencing rapid changes with the emergence of new hypermarkets, organized retail outlets, and online retail platforms across the country. The F&G market constitutes almost 65 percent of country's total retail market. The market is dominated by traditional retail formats, specifically neighborhood shops called *kirana* stores (equivalent to mom & pop stores in the U.S.), which hold over 90 percent of the total market share. The market share held by modern trade formats including supermarkets and hypermarkets will expand dramatically over the next few years, as stores fulfill the evolving needs of consumers. Increasing urbanization, dual income households, and greater disposable incomes are some of the major factors contributing to the growth of the Indian F&G retail market. COVID-19 led to a significant increase in the use of e-retail platforms for food purchases, which led to a massive expansion of the country's e-retail grocery sector. The pandemic also led to significant changes in the consumption patterns of Indian consumers, who now demand healthier, immunity-boosting foods, along with vegan items and probiotics.

SWOT Analysis:

Strengths	Weaknesses
<ul style="list-style-type: none"> U.S. products held in high regard No/less language barriers 	<ul style="list-style-type: none"> Lack of awareness regarding the range and value of U.S. products
Opportunities	Threats
<ul style="list-style-type: none"> Growth potential in food processing and imported food ingredients 	<ul style="list-style-type: none"> Tariff and non-tariff barriers Strong competition from domestic & foreign suppliers

Quick Facts - Calendar Year 2020

Imports of Consumer-Oriented Products: \$ 5.1 billion

List of Top Import Growth Products in India

- Tree Nuts (- in shell almonds, pistachios, and walnuts)
- Fresh fruits (apples, pears, and grapes)
- Dairy products
- Food preparations
- Processed fruits
- Distilled spirits
- Condiments and sauces
- Cocoa and cocoa preparations

Food Industry by Channels (U.S. billion) 2018/19

Food Industry Output	\$358 billion (2018)
Food Exports	\$39.61 billion
Food Imports	\$ 23.76 billion
Retail	\$ 500 billion
Food Service	\$ 64 billion
Wet Market/Food Stalls/Street Karts	Unknown

Top Indian Food Processors

- Britannia Industries Limited
- Hindustan Unilever Ltd.
- Nestle India Limited
- Parle Agro Pvt. Ltd.
- Amul India
- Cadbury India Ltd. (Mondelez International)

GDP/Population (2019)

- Population (billions): 1.38 billion
- GDP (billions USD): 2.8 trillion (nominal)
- GDP per capita (USD): \$1,877 (nominal)

Contact: USDA India in New Delhi & Mumbai

E-Mail: agnewdelhi@fas.usda.gov or agmumbai@fas.usda.gov

Phone: +91-11-2419-8000 or +91-22-2672-4000

Twitter: @USDAIndia; **Instagram:** @tasteofamericain

Section I. Market Summary

The Food Processing Sector Continues to Grow Despite COVID-19

India's food and agribusiness industry was heavily impacted by COVID-19 and the resulting lockdown. Supply chains were severely disrupted and delivery of food products in a safe and hygienic manner became a high priority for the sector. Nonetheless, it continued to grow despite these challenges. During this time, consumers increased their reliance on online grocery platforms and delivery to avoid unnecessary contact.

In calendar year (CY) 2020, the Indian food-processing sector emerged as a high priority industry by the government due to its contribution to the country's GDP, employment, and investment. It employs about 1.93 million in nearly 40,000 registered units with a fixed capital of USD \$32.75 billion and aggregate output of USD \$160 billion. The sector accounts for 32 percent of the country's total food market and 14 percent of the manufacturing GDP. The demand for processed foods is growing due to a rise in disposable income and urbanization, in addition to demographic shifts including an increase in working women and nuclear families. Higher consumer demand for healthier snacks has also contributed to the growth of this sector. Currently, India is processing less than 10 percent of its agricultural output. As such, there remain wide opportunities for expansion and investment in the sector as the country is one of the largest markets for consumer food products in world.

India continues to maintain its rank at 63 out of 190 countries on the World Bank's [Report on Ease of Doing Business](#) and continues to make efforts to improve its business climate and attract investment. Nonetheless, the climate for importing food and beverages continues to face significant challenges due to changing tariff rates, exchange rate fluctuations (which impact the affordability of imported goods), and other barriers.

Food waste remains a major challenge as local contacts estimate more than 40 percent of perishable produce goes to waste in India. In its Annual Report (2018-19), the Central Institute of Post-Harvest Engineering and Technology (CIPHET) affirmed that the post-harvest losses in India are in the range of three to sixteen percent for all major crops and the level of value addition and processing is still below 10 percent. The food-processing sector and government are increasingly acknowledging the need to develop better storage and logistical tools to bring down the losses. [GAIN Report INDIA: IN2020-0009-Food Processing Ingredients includes](#) the quantitative assessment results by CIPHET published in 2010 (at 2009 wholesale prices), and again in 2015 (at 2014 wholesale prices).

Government Support

The Indian government continues to promote the sector by financing the development of food parks, cold chain and value addition infrastructure, agro-processing clusters, food safety and quality assurance infrastructure, and fish processing. The government's investor portal "[Nivesh Bandhu](#)" outlines policy support and incentives available to investors on a national and state level. All these initiatives are integrated under the *Pradhan Mantri Kisan Sampada Yojana* campaign (Scheme for Agro-Marine Processing and Development of Agro Processing Clusters) launched in May 2017 to accelerate the sector's growth, which has resulted in the development of 22 mega food parks. On May 12, 2020, the government announced its "Atmanirbhar Bharat" campaign to make India more "self-reliant." As part of this campaign, the [Prime Minister Formalisation of Micro Food Processing Enterprises](#) (PMFME) program was launched to promote global outreach, strengthen the Indian agricultural and food processing sectors, and establish India's economy as self-reliant and self-sustainable. The "Operation Greens" program was also established to protect fruit and vegetable growers from making distress sales due to the lockdown and reduce post-harvest loss. India received foreign direct investment of USD \$463.44 million in the food-processing sector during the first half of fiscal year 2020. The entry of multinational food firms has been beneficial to country, leading to supply chain advances and an improved manufacturing environment.

Table 01. India: Advantages and Challenges for U.S. Food Ingredients

Opportunities	Challenges
<ul style="list-style-type: none"> Growing food processing industry 	<ul style="list-style-type: none"> Processed foods still seen as inferior to fresh foods by many consumers
<ul style="list-style-type: none"> Increasing urbanization, dual income households, working women, and preference for convenience 	<ul style="list-style-type: none"> Forward and backward linkages still developing
<ul style="list-style-type: none"> Diverse agricultural climatic zones suitable for agricultural produce, seasonality and easy availability of raw materials produced in India. 	<ul style="list-style-type: none"> Fragmented and long supply chain resulting in food wastage. Inadequate transportation for perishable items
<ul style="list-style-type: none"> Indian consumers becoming more accepting of foreign foods and flavors 	<ul style="list-style-type: none"> Processors source most of their ingredients locally
<ul style="list-style-type: none"> Growing modern food retail and e-retail along with private label penetration 	<ul style="list-style-type: none"> Dominance of traditional retail formats (Mom and Pop Stores/<i>Kirana</i> Stores)
<ul style="list-style-type: none"> Increasing demand for quality and hygienic ingredients and foods. U.S. food ingredients are well known and considered of high quality 	<ul style="list-style-type: none"> High tariffs and market access issues
<ul style="list-style-type: none"> Rising number of foreign brands is boosting quality throughout the sector 	<ul style="list-style-type: none"> Despite expanding palates, most consumers prefer Indian cuisine
<ul style="list-style-type: none"> Local processors are increasing their production capacity and food quality to meet higher export standards for foreign markets. 	<ul style="list-style-type: none"> Changing food safety policy regulations
<ul style="list-style-type: none"> Government support to attract FDI in food processing sector 	<ul style="list-style-type: none"> Inadequate infrastructure and industry automation. Nearly one-third of the produce is wasted due to poor post harvesting techniques and the lack of adequate storage infrastructure, including cold storage.
<ul style="list-style-type: none"> India's proximity to key export markets 	<ul style="list-style-type: none"> Inadequate export related infrastructure for produce especially at seaports and airports.
<ul style="list-style-type: none"> Consumers moving away from cereals towards more protein rich diet 	<ul style="list-style-type: none"> Price-sensitive market
<ul style="list-style-type: none"> Innovative marketing and modern retail outlets increase consumer awareness and makes products easily accessible 	<ul style="list-style-type: none"> Lack of skilled and trained labor
<ul style="list-style-type: none"> Rising demand for frozen, ready-to-eat, and ready-to-cook products 	<ul style="list-style-type: none"> Majority of consumers prefer eating freshly prepared food.
<ul style="list-style-type: none"> Changing lifestyles and aspirations. Fast paced and busy lifestyle with limited time available for cooking and meal preparation 	<ul style="list-style-type: none"> Food habits vary in each region with climate, topography, culture, and heritage

Section II. Roadmap for Market Entry

A. Entry Strategy

Key factors to consider before entering the market:

- **Can your product come into India and comply with local laws**
 - ✓ Conduct due diligence when exporting to India and determine if your product has market access in Indian commerce.
 - ✓ Study India's varied laws, particularly those pertaining to foods and beverages.
 - ✓ Review FAS policy and market reports and consider engaging a market research firm to assist with opportunities and challenges.
- **Find the Right Partner**
 - ✓ Identify a reliable importer/distributor who services the food retail sector.
 - ✓ Avoid conflicts of interest.
 - ✓ Consider whether participating in an Indian trade show would be an effective means to identify a key importer/distributors/partner.
 - ✓ Consider if collaborating/ participating in USDA-endorsed promotional activities would be an effective way to create and/or increase market awareness and penetration.
- **Secure Payment Terms**
 - ✓ Until a successful working relationship is established, exporters may wish to consider vehicles such as an irrevocable Letter of Credit, advance payment, payment at sight.

FAS-India's offices do not have the authority to mediate contractual disputes, or to serve as a collection agent when differences over payment or other commercial issues arise. For information about local legal services, please refer to GAIN report **Error! Hyperlink reference not valid.** [IN6155](#).

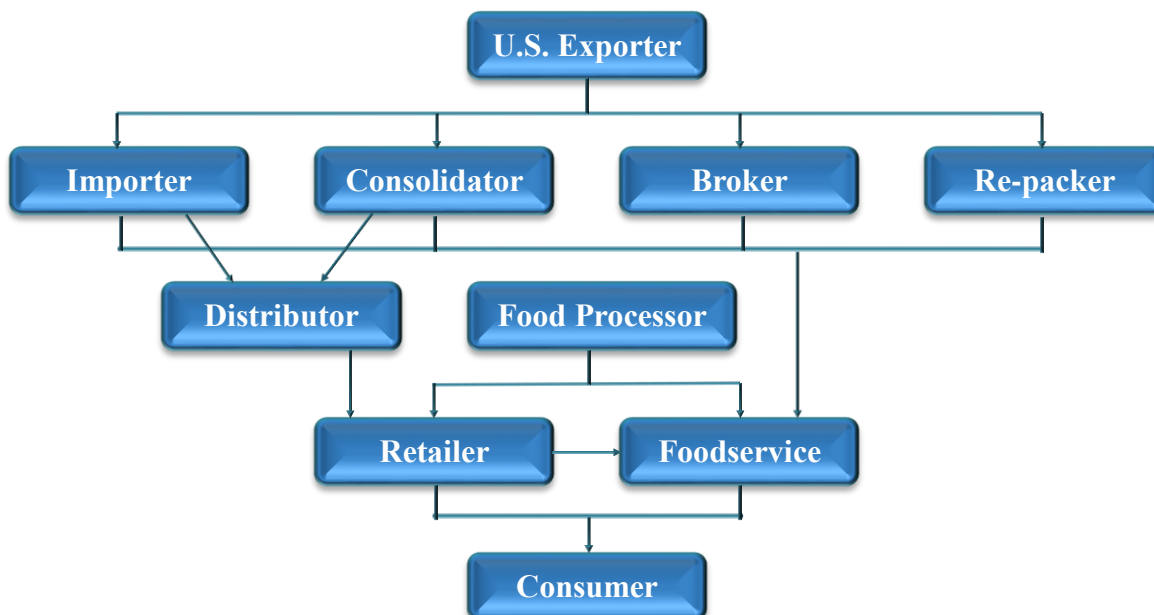
B. Import Procedure

Laws regulating Indian imports of food and agricultural products are under the jurisdiction of multiple GOI authorities. For more information, exporters should refer to FAS-India's GAIN report [Food and Agricultural Import Regulations and Standards Country Report](#) and the GOI's [Food Import Clearance Manual](#).

C. Distribution Channels

Major players in the distribution channel for products entering the food ingredients sector include food processing companies that have access to global supply chains, as well as a combination of clearing and forwarding agents, wholesalers, distributors, and importers who supply to domestic food manufacturing companies.

D. Market Structure



E. Share of Major Segments in the Food Processing Industry

Table 02. India: Major Food Processing Sectors in 2020

Segment	Production in Million Metric Tons (MMT)
Fruits and Vegetables	313.85 (2018-19)
Milk	195
Meat and Poultry	Buffalo Meat: 3.8
	Broiler Meat: 3.9
	Eggs: 109
Marine Products	13.7
Grain (cereals and pulses)	303 (crop year July-June 2020/21)
Consumer Foods	Packaged Foods: Not available
Beverages	Aerated soft drinks: 3,491 million liters (2019) Packaged drinking water: 8,305.9 million liters Alcoholic beverages: Not available

F. Company Profiles

Table 03. India: Top Ten Food Processing Companies

Company	Website Links
Britannia Industries Limited	www.britannia.co.in/
Hindustan Unilever Ltd.	https://www.hul.co.in/
Nestle India	www.nestle.in/
Parle Agro Pvt. Ltd.	https://www.parleagro.com/
Cadbury India Limited (Mondelēz International)	www.in.mondelezinternational.com/home
Gujarat Cooperative Milk and Marketing Federation (Amul)	www.amul.com/
Kwality Dairy India Limited	www.kwality.com
MTR Foods Limited (Owned by Norway- based Orkla)	www.mtrfoods.com/

Haldiram Snacks Pvt. Ltd.	www.haldiram.com/
Indian Tobacco Company (ITC)	www.itcportal.com/
PepsiCo India Holdings Limited	www.pepsicoindia.co.in/
<i>Source: Public Media</i>	

G. Sector Trends

Food constitutes almost half of Indian consumer expenditures and will continue to do so for the next decade. The packaged food segment is the fastest growing food segment and is expected to double in the next five to ten years due to continued economic growth, demographic changes, and growing e-commerce. Edible oils and dairy products represent the largest portion of the sector. Other segments supporting this growth are confectionery products, sweet biscuits (cookies), snack bars, savory snacks, spreads, rice, pasta and noodles, sauces, condiments, baby food and baked goods. Given the damaging impact of COVID-19 on the Indian economy and household disposable incomes, manufacturers of packaged food products are more likely to launch smaller package sizes to remain affordable. Despite reduced spending power, consumers prefer higher-priced, branded packaged food products, as they believe these products are more hygienic and safer. Consumer preference trends show an increasing focus on fresh fruits, eggs, meats, beverages, processed foods, organic, natural foods and most importantly immunity boosting foods. Protein-rich vegan food items as an alternative to meat and poultry is also growing rapidly in demand.

Table 04. India: Sales Volume of Packaged Foods 2016 and 2020 (1,000 tons)

Category	2016	2020	Percent Change
Baby Food	66	74	12
Baked Goods	3,412	3,650	7
Biscuits and Snack Bars	2,237	2,497	12
Breakfast cereals	62	92	48
Confectionery	464	574	24
Dairy	20,978	26,446	26
Ice Cream and Frozen Desserts	390	313	-20
Edible Oils	8,181	14,840	81
Processed Fruit and Vegetables	96	105	9
Processed Meat and Seafood	44	58	32
Ready Meals	67	118	76
Rice, Pasta and Noodles	3,302	5,928	80
Sauces, Dressings and Condiments	596	824	38
Soup	11	15	36
Sweet Spreads	37	49	32
Savory Snacks	973	1,335	37
<i>Source: Euromonitor</i>			

Table 05. India: Sales Value of Processed Foods 2016 and 2020 (\$ billion)

Category	2016	2020	Percent Change
Baby Food	0.5714	0.8894	55.65
Baked Goods	1.8152	2.6123	43.91
Biscuits and Snack Bars	4.0620	5.6946	40.19
Breakfast Cereals	0.2719	0.4672	71.83
Confectionery	2.6796	3.8076	42.10
Dairy	14.1143	24.7380	75.27
Ice Cream and Frozen Desserts	1.3365	1.2608	-5.66
Edible oils	11.2081	20.3293	81.38
Processed Fruits and Vegetables	0.1491	0.2322	55.73
Processed Meat and Seafoods	0.1497	0.2396	60.05
Ready Meals	0.2401	0.4639	93.21
Rice, Pasta and Noodles	4.1872	9.9098	136.67
Sauces, Dressings and Condiments	1.8397	3.4669	88.45
Instant Soups	0.0052	0.0088	69.23
Spreads	0.1864	0.4019	115.61
Sweet and Savory Snacks	3.5207	5.7849	64.31

Source: Euromonitor

Section III: Competition

The Indian food processing industry is primarily dependent on domestic agricultural ingredients and inputs. As such, India's domestic industry is the primary competitor for U.S. exporters of food ingredients. Thanks to its diverse climatic conditions and terrains, India produces a variety of foods and ingredients in bulk with seasonal crops at prices below most imported products. Moreover, the quality of these products is steadily increasing, making them more attractive for local processors. Most third-country competitors enjoy a freight advantage over the United States due to their proximity and can therefore supply at lower costs. Consolidators in neighboring markets like Dubai and Singapore offer quick delivery of smaller shipment volumes, including U.S. origin shipments. High import duties and restrictions on several imported raw materials pose additional challenges for direct U.S. exports to the market. Please refer to Table 6 below for additional details.

The Indian food processing industry is highly fragmented with thousands of unorganized players made up of mills, processing units, and bakeries. Yet, there are major domestic firms, including Amul, Dabur India Limited, ITC Limited, HUL and Mother Dairy, who continue to expand their market share and regional distribution. These domestic food processors are taking advantage of Indian consumers' growing taste for international flavors by producing local substitutes/versions. Products like ketchup, mayonnaise, and Mexican cuisine style sauces are now being supplied by Indian manufactures. Previously, local consumers only experienced these products in foreign restaurant chains or hotels. The industry is also experiencing rise in number of foreign firms due to advances in infrastructure and tremendous growth opportunities.

Table 6. India: Competition in Major Product Categories in Calendar Year (CY) 2020

Product Category	Net Imports (In \$ Million CY 2020)	Major Supply Sources	Strengths of Key Supply Countries	Advantages (A) and Disadvantages (D) of Local Suppliers
Animal or vegetable oils, fats, and related products	10,575	Indonesia Argentina Ukraine Malaysia	Major production hubs and competitive prices	Local production is inadequate, and more than 40 percent of total edible oil consumption is dependent on imports (A)
Leguminous Vegetables, Dried Shelled/Pulses	1,564	Canada Myanmar Tanzania Mozambique Brazil	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 percent of total demand for pulses is met through imports (A)
Edible Fruits and Nuts	3,189	USA Afghanistan Benin UAE Côte d'Ivoire	Growing market demand, preference for specific quality, popular at certain holidays	Domestic production of some of major fruits and nuts is insignificant (A)
Sugars and sugar confectionery	756	Brazil South Africa Netherlands USA	Price competitiveness	India is usually a net exporter of sugar (D)
Coffee, Tea, Mate and Spices	797	Vietnam Indonesia Sri Lanka Nepal	Price competitiveness and proximity	Most imports are for re-export (D)
Albuminoidal Substances; Modified Starches; Glues; Enzymes	516	China USA Thailand Germany	Price competitiveness	Local production is limited (A), U.S. supplies good quality products with competitive prices (A)
Lac; Gums; Resins and Other Vegetable Saps and Extracts	257	Afghanistan China Indonesia USA	Price competitiveness and proximity	Local production is limited (A), U.S. supplies good quality products with competitive prices (A)
Products of the milling industry, malt, starches, insulin, wheat gluten	64	China Sri Lanka Australia Chile	Price competitiveness, high quality	Growing domestic industry (A), increasing awareness about health & quality food (A), stringent food laws (D)
Dairy produce; birds' eggs; natural honey; edible prod. of animal origin	37	France Germany Italy Denmark	Price competitiveness, sanitary requirements	Domestic production is not keeping pace with demand (A), Indian import protocols are very stringent and effectively prohibit imports of dairy products from the United States (D)

Source: Ministry of Commerce and Industries and FAS India analysis

Section IV: Best Product Prospects

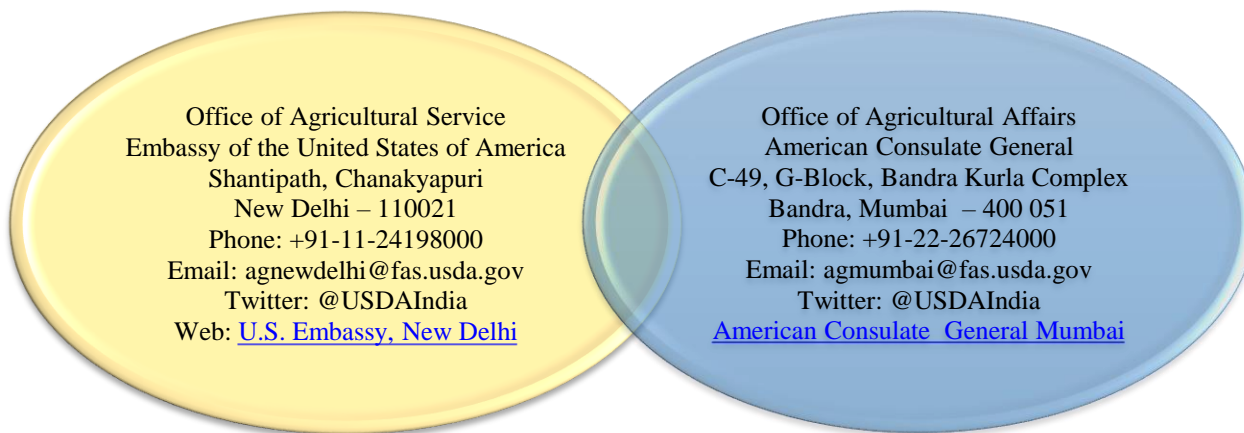
The expansion of India's food processing and manufacturing industry has led to increased demand for imports of food and beverage ingredients, as well as food additives. Products in high demand include tree nuts (mainly almonds, walnuts, pistachios, hazelnuts, chestnuts – Harmonized Tariff System – HS 0802), products of the milling industry, malt, starches, insulin, wheat gluten (HS 11), leguminous vegetables, dried shelled/pulses (HS 0713), fresh fruit apples, pears, and quinces (HS 0808), beverages, spirits, and vinegar (HS 22), albuminoidal substances, modified starches, glues, enzymes (HS 35), and essential oils and related products (HS 33). Other products such as cocoa and cocoa preparations (HS 18), grapes, fresh or dried (HS 0806), fruit juices (HS 2009), fruit pulps (HS 2202), additives/flavorings/sweeteners (HS 2106), seasonings, condiments and sauces (2103) although not imported in large quantities from the United States, have good market potential.

Amid COVID-19 and its economic impact, the Indian government encouraged consumers to buy local produce including fresh fruits and vegetables; however, due to seasonal complementarity with Indian produce, the demand for U.S. products (fresh fruits, tree nuts etc.) is still growing. Another market prospect is the growing plant-based meat substitute market in India, including finished products and the raw ingredients.

Products Not Present Because of Significant Barriers

Several trade restrictions limit market access for U.S. products, such as red meats and dairy, due to established import requirements. Imports of biotech commodities are also prohibited. For more information on India's biotech import policy, see USDA FAS India GAIN report [Agricultural Biotechnology Annual 2020](#).

Section V: Post Contacts and Further Information



For additional information please visit the FAS websites & useful FAS India GAIN reports

[FAS Homepage](#)

[FAS India - Exporter Guide](#)

[FAS India - Retail Report](#)

[FAS India - Food Service - Hotel Restaurant Institution](#)

[FAS India - Food and Agricultural Trade Show Calendar](#)

[FAS India - Food Processing Ingredients Report 2018](#) - For information on key contacts in the Ministries, Regulatory Authorities, Food Processing Research Institutions and Associations as well as organizations under the Ministry of Food Processing Industries.

Attachments:

No Attachments