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India

Food Processing Ingredients

India's Food Processing Sector- A Sunrise Sector

Approved By:
Jeanne F. Bailey

Prepared By:
Radha Mani

Report Highlights:
Evolving at around 8 percent, per year, India's food processing industry is considered the sunrise sector of the Indian economy due to its large potential for growth, employment, and income generation. India ranks second behind China in terms of global food production, and is also the world's largest producer of many commodities. However, rising concerns with food wastage, the overall low level of processing due to market disconnects between what farmers are producing versus what consumer want, and infrastructure challenges require immediate attention.

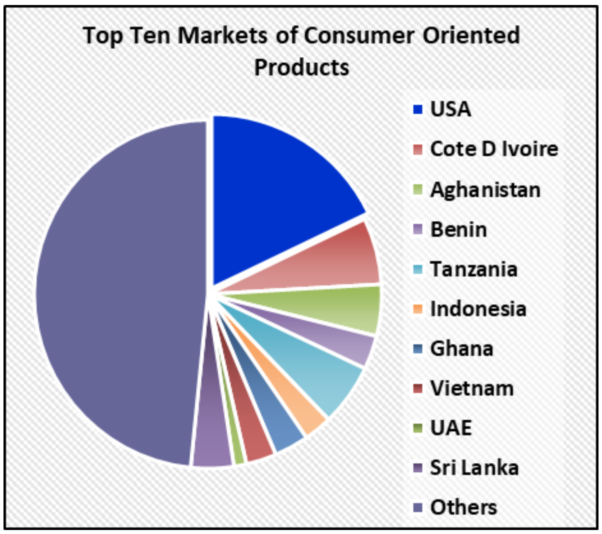
Market Fact Sheet: India

Executive Summary:

India has a developing mixed economy. India's gross domestic product (GDP) in 2018 was around USD 2.69 trillion and is forecast to reach USD2.97 trillion in 2019. India's population is the second largest in the world, growing at 1.08 percent, per annum, and is projected to become the world's largest by 2024. The Indian food sector has emerged as a high-growth and high-profit sector due to its immense potential for value addition, particularly within the food processing industry. Food processors, importers, wholesalers, retailers, and food service operators are all part of a developing agribusiness sector. In 2018, India's imports of processed foods and related products from all sources were USD 31.6 billion, while exports totaled USD 59 billion.

Imports of Consumer-Oriented Products:

India's imports of consumer-oriented foods, led by tree nuts and fresh fruits, are among the fastest growing segments of imported agricultural products, and reached USD 5.3 billion in 2018, up from 4.9 billion in 2017. Approximately 18 percent of these food imports were from the United States. The Indian market for imported foods has grown slowly, though a growing number of professional, brand-oriented importers are emerging and there has been an increase in the number of modern retail outlets and hotels carrying imported products.



Source: Global Trade Atlas

India's food-processing sector, growing annually at 8 percent for the last five years from 2014-18, ranks fifth in the world in terms of production, consumption, and exports. Major products manufactured by the food-processing sector include milled grain, sugar, edible oils, beverages, and dairy products. Government policy allows 100 percent foreign direct investment (FDI) and does not require that foreign companies obtain prior approval by the Government of India (GOI) for food processing industries. This sector is at the forefront in making reforms for the ease of doing business, from a single dedicated investor facilitation cell to custom clearance reforms. As of 2018, India has 39,319 registered food processing units, and employs approximately 1.7 million people in food and beverage manufacturing.

Food Retail Industry:

India's food and grocery (F&G) retail business is estimated at USD $380 billion. The F&G retail sector is still dominated by traditional trade formats like neighborhood shops or *kirana* (mom & pop) stores, which hold about 98 percent of the total market share. The market share held by modern trade formats like supermarkets and hypermarkets is expected to double from two to four percent by 2020, as stores fulfil the evolving needs of consumers.

Quick Facts Calendar Year 2018

Imports of Consumer-Oriented Products: **$5.3 billion**

List of Top Import Growth Products in India
- Almonds, In shell
- Fresh Apples
- Pistachios
- Intermediate Products (e.g., malt, starch, insulin, wheat gluten)
- Beverages, Spirits and Vinegar
- Cocoa and Cocoa Preparations

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

Food Industry Output	$258 billion (2015)
Food Exports	$39.4 billion
Food Imports	$24.5 billion
Retail	$380 billion
Food Service	$48.3 billion
Wet Market/Food Stalls/Street Karts	$Unknown

Top Indian Food Processors
- Nestle India Limited
- Britannia Industries Limited
- Amul India
- Parle Agro Private Limited
- Haldiram's Food International Limited
- ITC Limited

GDP/Population
Population *(billions)*: 1.3 billion
GDP *(billions USD)*: 2.69 trillion (nominal)
GDP per capita *(USD)*: $2,015.22

Sources: Global Trade Atlas, GOI

SWOT Analysis

Strengths	**Weaknesses**
U.S. products held in high regard	*Awareness of the range and value of U.S. products*
Opportunities	**Threats**
Growth Potential in Food Processing	*Tariff and Non-Tariff Barriers*

Contact: USDA FAS India in New Delhi or Mumbai
E-Mail: agnewdelhi@fas.usda.gov or agmumbai@fas.usda.gov
Twitter: @USDAIndia

Section I. Market Summary

The Indian food processing industry accounts for about [32 percent o]f the country's total food market, comprising the primary and value-added processed food, and is one of the largest industries in India, ranking fifth in terms of production, consumption, exports and expected growth. Driven by changing trends in markets, consumer segments, and regulations, the industry has seen significant growth and change over the past few years, and is expected to continue to do in the future, further shaping the demand for value-added products and, in turn, India's food processing industry. However, food wastage remains a big challenge and more than 40 percent of perishable produce goes to waste in India. Table 1 shows results from a quantitative assessment by the Central Institute of Post-Harvest Engineering and Technology (CIPHET) first published results in 2010 (at 2009 wholesale prices), and again in 2015 (at 2014 wholesale prices). Clearly, there is a pressing need to develop storage and logistical amenities to bring down the losses.

Table 1. India: Estimated Percentage of Losses of Major Agricultural Produces

Crops	Cumulative Wastage (%)	
	2010	2015
Cereals	3.9 – 6.0	4.65 - 5.99
Pulses	4.3 – 6.1	6.36 - 8.41
Oilseeds	2.8 – 10.1	3.08 – 9.96
Fruits and vegetables	5.8 – 18.0	4.58 – 15.88
Milk	0.8	0.92
Fisheries (Inland)	6.9	5.23
Fisheries (Marine)	2.9	10.52
Meat	2.3	2.71
Poultry	3.7	6.74
Source: GOI, CIPHET		

The GOI's ['Make in India'] campaign launched in 2014 facilitated investment in manufacturing in various sectors, including food processing. The goal of the campaign was to reduce food losses and keep food inflation in check, while generating local employment and demand for domestically produced agricultural products. Nine mega food parks were operationalized between 2014 and 2018. Government policy allows 100 percent foreign direct investment (FDI) and does not require that foreign companies obtain prior approval by the GOI for food processing industries, and 100 percent FDI through the government approval route for trading, including through e-commerce for food products manufactured or produced in India. The FDI equity inflow for the food processing sector in marketing year (MY) 2018 (April- October) was USD 485 million. The GOI funding of USD 882 million towards the Prime Minister's plan for "Doubling Farmers' Income" for the period 2016-20 is supposed to help create modern infrastructure and supply chain management from farm gate to retail outlet. The scheme is a big step towards reducing wastage of agricultural produce and is expected to create employment for 500,000 jobs by 2019-20.

Table 4. India: Advantages and Challenges for U.S. Food Ingredients	
Opportunities	**Challenges**
• Growth in the food processing industry	• Processed foods still seen as inferior to fresh foods by many consumers
• Increasing disposable incomes, dual income households, urbanization, increasing number of nuclear families, preference for convenience foods	• Forward and backward linkages still developing
• Seasonality of raw materials produced in India	• Fragmented and long supply chain
• Indian consumers are becoming more accepting of foreign foods and flavors	• Processing firms source most of their ingredients locally
• Small but growing modern food retail and e-e-retail sector	• Modern retail sector is relatively small
• Increasing demand for quality and hygienic ingredients and foods	• High tariffs and market access issues
• Rising number of foreign brands is boosting quality throughout the sector	• Despite expanding palates, most consumers prefer Indian cuisine
• U.S. food ingredients are well-known and considered of high quality	• New local food developments follow global market trends (natural foods, juices, processed meats)
• Local processors are increasing their production capacity and food quality to meet higher export standards for foreign markets.	• Changing food safety policy regulations
• Government support to attract FDI in food processing sector	• Inadequate processing, storage and transportation infrastructure and facilities
• Consumers moving away from cereals towards more protein rich diet	• Price-sensitive market

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 the local laws**
  - ✓ 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 of identifying 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 IN6155.

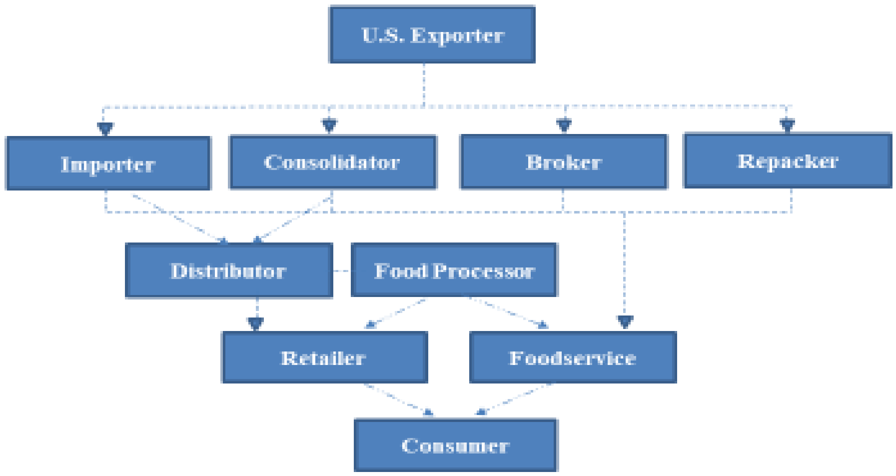
B. Import Procedure

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-Narrative, 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 a global supply chain, as well as a combination of clearing and forwarding agents, wholesalers, distributors, and importers who supply to the domestic food manufacturing companies.

D. Market Structure



E. Share of Major Segments in the Food Processing Industry

Table 3.India: Major Food Processing Sectors in 2018	
Segment	Production in Million Metric Tons (MMT)
Fruits and Vegetables	277
Milk	167
Meat and Poultry	Buffalo Meat: 4.25
	Broiler Meat: 4.9
	Eggs: 88 billion
Marine Products	7
Grain Processing	283.7
Consumer Foods	Packaged Foods: Not available
	Aerated soft drinks: 2,645 million liters (2017) Packaged drinking water: 8305.9 million liters Alcoholic beverages: Not available

F. Company Profiles

Table 4. India: Top Ten Food Processing Companies	
Company	**Website Links**
Nestle India	www.nestle.in/
Parle Products Private Limited	http://www.parleproducts.com
Britannia Industries Limited	www.britannia.co.in/
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/
Source: Public Media	

G. Sector Trends

With the spread of cafés, chain restaurants, modern retail outlets, and efforts to attract investment in cold chains and food logistics, the food processing industry is expanding sales in every category of processed foods increased significantly, both in volume and value terms, between 2014 and 2018. Industry sources estimate that over 400 million Indians regularly consume some type of processed food. Urban areas account for over 75 percent of sales, as consumers seek convenience and quality. For higher-value frozen and refrigerated foods, sales are almost exclusively in urban areas. Rural areas tend to have lower incomes and a preference for fresh ingredients. Nevertheless, rural areas are emerging as a market for well-priced, shelf-stable foods. Consumers in developed markets are more open to the idea of packaged food, which manufacturers often position for convenience, nutrition, and food safety.

Table 5. India: Sales Volume of Packaged Foods in 2014 and 2018 ('000 Tons)			
Category	**2014**	**2018**	**Percent Change**
Baby Food	86	98	14
Baked Goods	2,614	2,960	13
Biscuits and Snack Bars	1,636	1,910	17
Breakfast cereals	44	69	57
Confectionery	451	640	42
Dairy	15,800	20,997	33
Ice Cream and Frozen Desserts	289	460	59
Edible Oils	5,898	11,070	88
Processed Fruit and Vegetables	46	59	28
Processed Meat and Seafood	30	46	56
Ready Meals	51	85	67
Rice, Pasta and Noodles	2,156	3,786	76
Sauces, Dressings and Condiments	396	604	53
Soup	8	12	50
Margarine and Spreads	7	13	86
Savory Snacks	702	1,129	61
Source: Euromonitor			

Table 6. India: Sales Value of Processed Foods 2014 and 2018 ($ billion)			
Category	**2014**	**2018**	**Percent Change**
Baby Food	0.4464	0.7497	67.94
Baked Goods	1.5360	2.2870	48.89
Biscuits and Snack Bars	2.9970	4.4250	47.65
Breakfast Cereals	0.2050	0.3633	77.22
Confectionery	2.4874	4.2880	72.39
Dairy	10.8900	19.5494	79.52
Ice Cream and Frozen Desserts	1.0288	1.9720	91.68
Oils and Fats	9.7193	23.0475	137.13
Processed Fruits and Vegetables	0.1230	0.1943	57.97
Processed Meat and Seafoods	0.1134	0.2038	79.72
Ready Meals	0.1825	0.3342	83.12

Rice, Pasta and Noodles	3.1917	6.6197	107.40
Sauces, Dressings and Condiments	1.3460	2.5767	91.43
Soups	0.0041	0.0060	46.34
Spreads	0.2539	0.5622	121.43
Sweet and Savoury Snacks	2.4308	4.7263	94.43
Source: Euromonitor			

Section III: Competition

India's domestic industry is the primary competitor for U.S. exporters of food ingredients. With its diverse agro–climatic conditions, India produces a variety of foods and ingredients at prices below most imported products, or products made from imported ingredients. The quality is improving steadily, too. Also, some third-country competitors enjoy a freight advantage over the United States, and can therefore supply at lower costs. Consolidators in markets like Dubai and Singapore offer quick delivery of small quantities, including for ingredients that originated from the United States. High import duties and restrictions on a number of imported raw materials pose additional challenges for direct U.S. exports to the market. Please refer to Table 7 below for additional details.

Table 7. India: Competition in Major Product Categories in Calendar Year (CY) 2018

Product Category	Net Imports (In $ Million) CY 2017	Major Suppliers	Third Country Suppliers	Advantages (A) and Disadvantages (D) of Local Suppliers
Animal or Vegetable Oils, Fats and Rendered products	9,467	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	924	Myanmar Canada Australia Mozambique Russia	Price competitiveness, freight advantage (for countries like Myanmar) and the ability to produce specific kinds 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	3,546	USA Côte d'Ivoire Benin Tanzania Afghanistan	Growing market demand, preference for specific quality, popular at certain holidays	Domestic production of some of the major fruits and nuts is insignificant (A)
Sugars and Confectionery	632	Brazil Germany USA Netherlands	Price competitiveness	India is usually a net exporter of sugar (D)
Coffee, Tea, Mate And Spices	705	Vietnam Sri Lanka Indonesia Madagascar	Price competiveness and proximity	Most imports are for re-export (D)
Albuminoidal Substances; Modified Starches; Glues; Enzymes	462	China USA Germany Thailand	Price competiveness	Local production is limited (A), U.S. supplies good quality products with competitive prices (A)
Lac; Gums; Resins and Other Vegetable Saps and Extracts	223	Afghanistan China Indonesia USA	Price competiveness 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, and Wheat	71	China Australia Sri Lanka	Price competitiveness, high quality	Growing domestic industry (A), increasing awareness about health & quality food (A),

Gluten		Cambodia		stringent food laws (D)
Dairy Produce; Birds' Eggs; Natural Honey; Edible Prod. of Animal Origin	32	France Turkey Germany Denmark	Price competiveness, 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

Due to the expansion of its food processing and manufacturing industry, India's imports of food and beverage ingredients, as well as additives, continues to grow. 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), and fruit juices (HS 2009) although not imported in large quantities from the United States, have nonetheless good potential.

Products Not Present Because Owing to Significant Barriers

Several trade restrictions limit market access for U.S. products, like red meats and dairy, owing to established Indian import requirements. Also, imports of biotech commodities are prohibited. Effective July 8, 2006, the GOI Foreign Trade Policy (2004-2009) specified that all imports containing products of modern biotechnology must have prior approval from the Genetic Engineering Approval Committee (GEAC), Ministry of Environment and Forests and Climate Change. The policy made biotech declarations mandatory. Soybean oil and canola oil derived from select events are the only biotech food/agricultural products approved for import. For more information on India's biotech import policy, see USDA FAS India GAIN report IN8129 Agricultural Biotechnology Annual 2018.

Section V: Post Contacts and Further Information

Foreign Agricultural Service Embassy of the United States of America Chanakyapuri, New Delhi – 110 021 Phone: +91-11-24198000 Email: agnewdelhi@fas.usda.gov Twitter: @USDAIndia Web: US Embassy, New Delhi	Office of Agricultural Affairs American Consulate General C-49, G-Block, Bandra Kurla Complex Bandra €, Mumbai – 400 051 Phone: +91-22-26724000 Email: agmumbai@fas.usda.gov Twitter: @USDAIndia Web: American Consulate General Mumbai

Readers may refer to 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 the organizations under the Ministry of Food Processing Industries.

For additional information, see http://www.fas.usda.gov