

Food Processing in India: A Sunrise Sector

Status

India is the world's second largest producer of food next to China, and has the potential of being the biggest in the world.

Food processing is a key industrial sector for India; it accounts for a gross output of more than US \$ 69.4 billion, out of which value-added food products comprise US \$ 22.2 billion. Size of the semi-processed and ready to eat packaged food industry is over US \$ 1 billion, and it is growing at over 20 per cent a year.

The total processed food production in India is likely to double in the next ten years. There is an opportunity for large investments in food and food processing technologies, skills and equipment, especially in areas of canning, dairy and food processing, specialty processing, packaging, frozen food/refrigeration and thermo processing. fruits & vegetables, fisheries, milk & milk products, meat & poultry, packaged/convenience foods, alcoholic beverages & soft drinks and grains are important sub-sectors of the food processing industry. Health food and health food supplements are another rapidly rising segments in this industry.

The food processing sector in India has been accorded high priority by the Government of India, with a number of fiscal incentives, to encourage commercialization and value addition to agricultural produce. Since the liberalization in August 1999, upto February 2001, proposals for projects of over US \$13.4 billion, have been proposed in various segments of the food and agro-processing industry. Besides this, the government has also approved proposals for joint ventures, foreign collaboration, industrial licenses and 100 per cent export oriented units envisaging an investment of US \$ 4.80 billion during the same period. Out of this, foreign investment is over US \$ 18.2 billion.

Segments

❑ Milk & Milk Products

Dairy development in India has been acknowledged the world over as one of the most successful developmental programmes. India is the largest milk producing country with production of more than 80 million tonnes recorded in 2000-2001.

❑ Fruits & Vegetables

India is also the second-largest producer of fruits and vegetables in the world. In a small way, India has been in the export market for fruits and vegetables for almost 30 years. Popular items for export include mango chutneys, pickles, fruit juices, canned and dehydrated mushrooms, frozen & canned fruit & vegetables.

❑ Cereals & Grains

India produces about 200 million tonnes of various food grains every year. All major grains — paddy, wheat, maize, barley, millets like: jowar (great millet), bajra (pearl millet) & ragi (finger millet) are produced in the country. The country is self sufficient in grain production and is the second largest rice producer in the world, with a 20 per cent share.

❑ Meat & Meat Products

India has the largest livestock in the world with 50 per cent of world's buffaloes and 20 per cent of cattle. India is the fourth largest producer of eggs and eight largest producer of broiler poultry in the world. However, only 1 per cent of meat production is converted into value-added products.

❑ Marine Products

With over 8041 km. of coastline, 3 million hectares of reservoirs and 1.4 million hectares of brackish water, India has vast potential for fishes from both inland and marine sources. 60 per cent of the production of fish in India is from marine sources.

❑ Packaged Food Products

Packaged food products have been slow in penetrating the large potential presented by India's 300 million strong middle classes. But due to growing urbanization and changing food habits, the demand has been rising at a good pace and there is enough latent market potential waiting to be exploited through developmental efforts.

❑ Alcoholic Beverages

Liquor manufactured in India is categorized as beer, country liquor and Indian Made Foreign Liquor (IMFL). IMFL production includes wines, whisky, rum, vodka, gin and brandy. The import of potable alcohol is subject to government licensing. Recently, India has also started producing wine.

Policy Initiatives in the Food Processing Sector

- ❑ Food processing industry declared a priority area.
- ❑ Full repatriation of profits / capital allowed.
- ❑ Almost entire sector is de-licensed.
- ❑ Automatic approvals for foreign investment up to 100 per cent, except in few cases and also technology transfer.
- ❑ Zero duty import of capital goods and raw material for 100 per cent export oriented units.
- ❑ Agro based 100 per cent export oriented units allowed sale up to 50 per cent in domestic tariff area.
- ❑ Export earnings are exempted from corporate tax.
- ❑ All processed fruits and vegetables products exempted from Central Excise Duty.
- ❑ Government grant given for setting up of common facilities in Agro Food Park.
- ❑ Full duty exemption on all imports for units in Export Processing Zones.

Opportunities

- ❑ Dehydration and canning, frozen juice/frozen vegetables, fruit juice and concentrates/pulps, ready to serve/eat vegetables, mushroom cultivation and processing
- ❑ Meat and poultry products, integrated abattoirs-cum-meat processing units, frozen and processed sea food
- ❑ Milk products - cheese, frozen desserts, yoghurt ,whey, protein, casein
- ❑ Energy foods/energy/health drinks, wine, snack foods
- ❑ Post harvest technology for preservation, packaging technologies and material, transportation of fresh and processed foods/cold chain, warehousing and development of cold chain, bulk storage and movement of food grains, cold storage and cargo handling facilities at international airports.
- ❑ Biotechnology - extensive pool of germ plasm, trained breeders and scientific manpower available in India.

Headquarters:



Confederation of Indian Industry

23, Institutional Area, Lodi Road

New Delhi-110 003, INDIA

Tel: 91-11-24629994-7 • Fax: 91-11-24626149

email: ciico@ciionline.org • website: www.ciionline.org