OPPORTUNITIES IN INDIAN FOOD PROCESSING INDUSTRY

BUSINESS SWEDEN

April 2015
India
**INDIA IS AMONG THE LARGEST PRODUCERS OF FOOD GRAINS GLOBALLY...**

### PRODUCTION OF FOOD GRAIN (MILLION TONNES)

<table>
<thead>
<tr>
<th>Year</th>
<th>Grain Production (MILLION TONNES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY08</td>
<td>231</td>
</tr>
<tr>
<td>FY09</td>
<td>234</td>
</tr>
<tr>
<td>FY10</td>
<td>228</td>
</tr>
<tr>
<td>FY11</td>
<td>245</td>
</tr>
<tr>
<td>FY12</td>
<td>259</td>
</tr>
<tr>
<td>FY13</td>
<td>260</td>
</tr>
<tr>
<td>FY14</td>
<td>265</td>
</tr>
</tbody>
</table>

Total increase: 34 MT  
CAGR: 2%

### MAJOR CROPS – FY13 (MILLION TONNES/BALES*)

- **Rice**: 101.8 (32%)
- **Wheat**: 38.5 (12%)
- **Cource Cereals**: 38.5 (12%)
- **Pulses**: 33.8 (11%)
- **Cotton***: 29.5 (9%)
- **Oil Seeds**: 17.6 (6%)

* MILLION BALES OF 170 KG EACH  
* FY = FINANCIAL YEAR

- Indian agriculture & allied sectors contributes about 9-10% of the country’s GDP
- Primary source of livelihood for 70% of rural households (68% or 830 million Indians live in rural areas)
- Production of food grains reached 265 MT, 2013-2014, an increase of 5 MT from the previous year
- Fastest annual growth rate of agri-products exports in the world over the past decade, at 21.3%

SOURCE: IBEF, MINISTRY OF AGRICULTURE
INDIA – A LEADING NATION FOR PRODUCTION OF RAW MATERIALS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Buffalo meat</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>43%</td>
</tr>
<tr>
<td>Milk</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>17%</td>
</tr>
<tr>
<td>Bananas</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>27%</td>
</tr>
<tr>
<td>Mango &amp; Guava</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>39%</td>
</tr>
<tr>
<td>Pulses</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>20%</td>
</tr>
<tr>
<td>Tea</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>23%</td>
</tr>
<tr>
<td>Sugarcane</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>24%</td>
</tr>
<tr>
<td>Wheat</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>10%</td>
</tr>
<tr>
<td>Rice (paddy)</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>24%</td>
</tr>
</tbody>
</table>

LEADING PRODUCER OF NUMBER OF FOOD GRAIN, MILK, MARINE PRODUCTS ETC.

- In terms of production of food grains, ranking among states depending on climate, soil availability and presence of irrigation facilities.

SOURCE: PLANNING COMMISSION; MINISTRY OF AGRICULTURE, VARIOUS WEBSITES
The Indian food processing industry was worth USD 13.6 BN in 2013, and is expected to grow consistently the coming years.

Food processing sector has grown annually at 8.4% between 2008-2013.

Investments in registered food processing industry had grown by 20.1% at the end of 2012.

Number of registered food processing factories are increasing steadily, 2.9% in 2012 reaching 36,881 units.

Source: Ministry of Agriculture, Make in India, IBEF, MOFPI.
# FACTORS CONTRIBUTING TO GROWTH OF INDIAN FOOD PROCESSING INDUSTRY

<table>
<thead>
<tr>
<th>GROWTH FACTORS</th>
<th>IMPACT</th>
<th>DATA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abundant availability of Raw material</td>
<td>- Low cost production base &amp; cheap labor force makes it suitable for setting production base in the country</td>
<td></td>
</tr>
<tr>
<td>Rising disposable income</td>
<td>- Increase in income levels leads to higher spending on the food items</td>
<td>- Increased demand for convenience, organic and diet foods</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“USD 64 bn is being spent on eating out by the Indians”</td>
</tr>
<tr>
<td>Changing Lifestyle (Urbanization, nuclear families</td>
<td>- Demand for processed, ready to cook &amp; eat food, alcoholic &amp; non alcoholic beverages is increasing</td>
<td></td>
</tr>
<tr>
<td>, working women)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evolving tastes</td>
<td>- Evolving consumer preferences are giving rise to an increased demand for dairy &amp; poultry products</td>
<td></td>
</tr>
<tr>
<td>Policy Support</td>
<td>- Initiatives taken by Govt. of India like creation of Mega food parks, Spice parks, 100% FDI, change in import &amp; export duty structure, etc. are the major factors contributing to the growth</td>
<td></td>
</tr>
</tbody>
</table>
THE GOVERNMENT IS INCREASINGLY FOCUSING ON IMPROVING THE FOOD PROCESSING INDUSTRY...

MEGA FOOD PARKS TO BE PROCESSING HUBS ACROSS INDIA

Forty two Mega Food Parks (MFPs) have already been sanctioned for setting up across the country and 21 of these have reached various stages of implementation. While four of them are on the verge of meeting the conditions for final approval.

The Daily Business Bureau

Indian government embarks on widespread agri-modernisation initiatives

By RJ Whitehead on 20-Jan-2015

Indian agriculture must modernise if it stands to keep up with population growth

Related tags: India, Government, Agriculture, Modernisation

More than 140m Indian farmers will receive so-called “soil health cards” over the next three years in an effort by the country’s agriculture ministry to help them boost productivity by knowing more about the nutrients in the land they farm.

Govt to launch 17 mega food parks

By Archana Sharma on March 31, 2015

India draws food map to steer its food processing industry, exports

The map developed in association with Yasa Bank is likely to help kickstart several government initiatives to boost food processing industry in India and processed food exports.

The Daily Business Bureau

Value addition in fruits and vegetables in India stands at around 2% and average is as high as 16%.

India’s Ministry of Food Processing Industries has released the much awaited Food Map of India, a database which will be used to develop a Food Grid and to implement a slew of measures the government is planning to transform the growing food processing sector in India.
...AND IS RIGHTLY CONCERNED ABOUT HIGH WASTAGE ALONG THE SUPPLY CHAIN

CROP-WISE WASTAGE:
Estimated percentage, government official figures

- Fruits & Vegetables: 18%
- Pulses & oil seeds: 6%
- Cereals: 6%
- Poultry: 4%
- Fisheries: 3%
- Meat: 2%
- Milk: 1%

Food wastage is a major problem in India
- About USD 6.8 billion worth of food goes waste every year; this includes food grains, fruits and vegetables
- Lack of around 32 million tons of storage capacity in the country
- Opportunities exists in the areas of establishing Cold storage facilities or refrigerated warehouses, food packaging and improving the storage infrastructure

SOURCE: MINISTRY OF FOOD PROCESSING INDUSTRIES; IBEF; ECONOMIC TIMES OF INDIA; INSTITUTION OF MECHANICAL ENGINEERS; TEAM ANALYSIS
There is a significant need to develop integrated value chains in agriculture...

**Value Chain**

- **Inputs**
- **Production**
- **Procurement & Storage**
- **Processing**
- **Retailing**

**Primary Processing**
(Sorting/ Grading/ Cleaning/ Bleaching/ Refrigerating/ Chilling)

**Secondary Processing**
(Preserved pulps, slices, etc./ Malt & Milling/ Simmered & dried milk/ Cutting & frying of poultry or marine products)

**Tertiary Processing**
(Processed food/ Ready to eat meals/ Flavored drinks/ Oil Processed milk/ Confectionary items/ Jams, ketchups, etc.)

**Key Facts**
- Level of processing varies across segments considerably:
  - Only 2% of fruits and vegetable produced in India is processed
  - Corresponding level of processing of fruits and vegetables in Brazil and the US are 70% and 65% respectively, highlighting significant gap
- Value addition to agriculture produce in India is just 20% through processing and involves significant wastage

*Source: Ministry of Food Processing Industries

*A large segment of processed milk consists of packaged liquid milk*
Upcoming food parks

Development of cold chain facilities

Usage of improved and sustainable packaging technologies

Development of free trade warehousing zones and logistics parks

Capacity building and skill development

...AND A NUMBER OF OPPORTUNITIES AVAILABLE ACROSS DIFFERENT SEGMENT OF FOOD LOGISTICS
PRIVATE COMPANIES DOMINATE THE FOOD PROCESSING INDUSTRY, APART FROM THE DAIRY SECTOR, WHICH IS DOMINATED BY COOPERATIVES

SOURCE: MOFPI, ARANCA RESEARCH
We are located in India since 1995 and have offices in Bangalore and New Delhi. From our offices in India, we also cover Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka.