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India

Food Processing Ingredients

India's Food Processing Sector Poised for Growth

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Report Highlights:
This report is an update to the 2017 Food Processing Ingredient Report. The report contains additional information stemming from the Indian Fiscal Year (IFY) 2018/19 budget release and India's full year 2017 trade data.

Post:
New Delhi

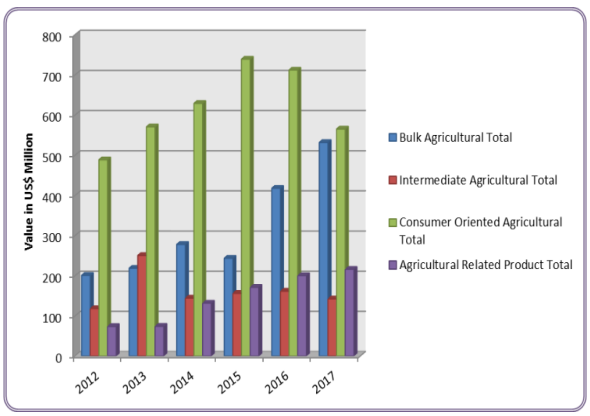
Market Fact Sheet: India - Attachment A

Executive Summary:
India is the world's second most populous country with a population of 1.3 billion of which 62.3 percent is below the age of 35. India's GDP is expected to grow 7.8 percent in Indian Fiscal Year 2018-2019 and already exceeds $2.4 trillion. The economy is on track to become the world's third-largest economy by 2025. Food processors, importers, wholesalers, retailers, food service operators are all part of a developing agribusiness sector. Apart from being a large food producer, India's bulk, intermediate, consumer oriented, and agricultural related imports grew from $22.2 billion in 2013 to $30.2 billion in 2017 and exports went from $44.5 billion to $39.4 billion during the same period.

Imports of Consumer-Oriented Products:

Imports of consumer-oriented foods, led by tree nuts and fresh fruits, are among the fastest growing segment of imported agricultural products and reached $4.9 billion in 2017. The 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.

Imported nuts and fruits feed into India's traditional retail channels with an estimated 90 percent of imported fresh fruit sold in roadside stands and open markets. Imported packaged and consumer ready foods are found in a small number of gourmet grocery stores, in the imported foods sections of larger store formats, and in thousands of small neighborhood stores. While opportunities for imported food in the HRI and food processing sectors are improving, the India market remains relatively small due to high tariffs, ongoing import restrictions, and strong competition from the domestic industry.



Food Processing Industry:

The Indian food and grocery market is the world's sixth largest. The food processing industry accounts for 32 per cent of the country's total food market, one of the largest industries in India, and is ranked fifth in terms of production, consumption, export and expected growth. It contributes around 8.8 and 8.4 per cent of Gross Value Added (GVA) in manufacturing and agriculture respectively. Food processing accounts for 13 percent of India's exports and six percent of total industrial investment.

As per the 2016-2017 Annual Survey of Industries, there are 37,175 registered food processing units in the country that employ approximately 1.7 million people in food and beverage manufacturing. According to an Assocham Grant Thorton study, the Indian food processing sector has the potential to attract $33 billion in investment and generate employment for 9 million persons by 2024.

Food Retail Industry:

India's food and grocery (F&G) retail business is estimated at U.S. $380 billion. The F&G retail sector is dominated by traditional trade formats like neighborhood shops or *kirana* 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 CY 2017-2018

Imports of Consumer-Oriented Products: $4.9 billion

List of Top Import Growth Products in India
- Tree Nuts (e.g. almonds and walnuts)
- Apples, Pears, Grapes, Non-Local/Seasonal Fruit
- Leguminous Vegetables and Dried Pulses
- Intermediate Products (e.g., malt, starch, insulin, wheat, gluten)
- Beverages, Spirits and Vinegar
- Cocoa and Cocoa Preparations

Food Industry by Channels (U.S. billion) 2017

Food Industry Output	$258 billion
Food Exports	$39.4 billion
Food Imports	$30.2 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)*: 2.44 trillion
GDP per capita *(USD)*: 1,709.39

Sources:
Global Trade Atlas and Annual Survey of Industries

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*

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Twitter: @USDAIndia

Section I. Market Summary

India has solidified itself as a net food exporter with a consistent balance of trade surplus in food and agricultural products though the country remains susceptible to production and price shocks for various commodities. The food processing industry is seeing growth and profitability due to increased domestic consumption and growing capabilities to meet the standards and demand for traded commodities and processed goods around the globe. The food processing sector is growing at an average rate of 8 percent per annum per the Government of India (GOI) February 2018 budget report. The 2018 GOI budget provided increased support for programs designed to spur sector growth.

India ranks second in terms of global food production and is the world's largest producer of many commodities though very little is processed owing to market disconnects and infrastructure challenges. If modern food processing technologies, cold storage techniques, and food quality grades are adopted, the sector is expected to gain strength and the link between agriculture and manufacturing will forge. Analysts expect a stronger food processing sector will address some of the rising concerns of food wastage and farmer profitability. As disposable incomes rise, consumer diets are diversifying and people are demanding greater convenience and a higher-degree of processed and prepared products. Even though policy reforms suggest progress, import of non-standardized foods and ingredients is a challenge owing to regulatory and tariff barriers.

Table 1. 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 numbers 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.	• Dynamic food safety policy regulations
• Government support to attract FDI in food processing sector	• Low levels of processing, storage and transportation infrastructure
• Consumers moving away from cereals towards higher protein rich diet	• Price-sensitive market

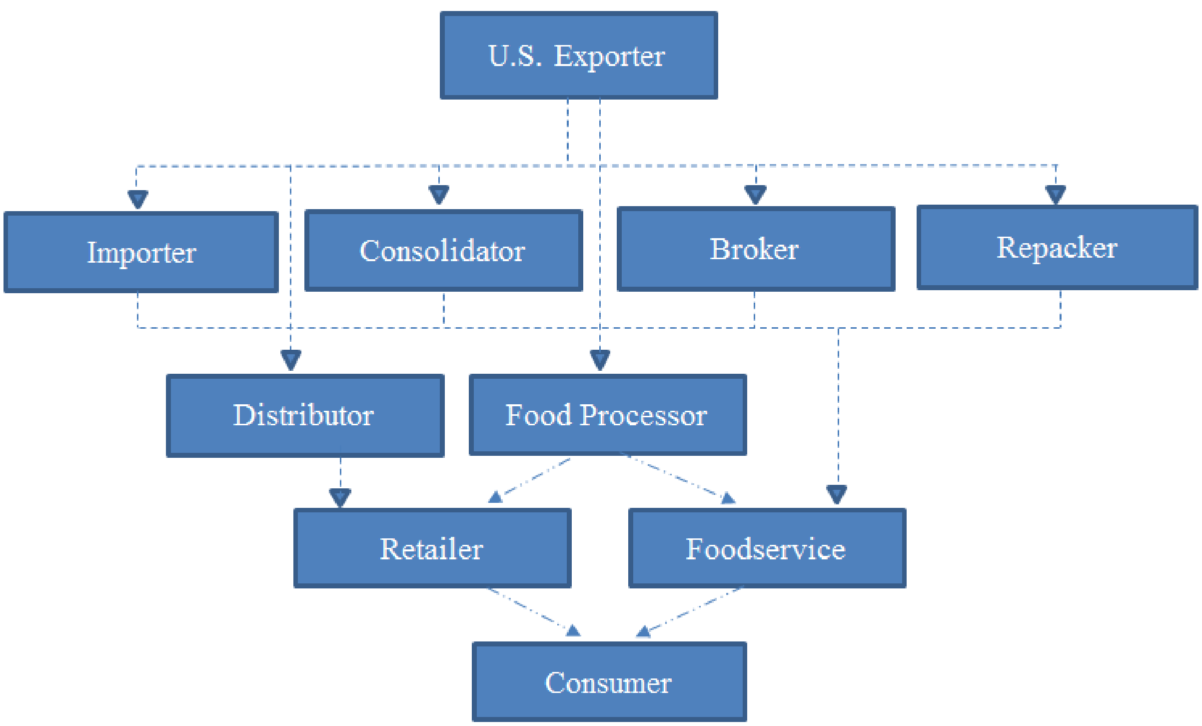
Section II. Roadmap for Market Entry

A. Entry Strategy
Refer to USDA FAS India GAIN report IN7150 Food Processing Ingredients.

B. Import Procedure
Laws pertaining to food and agricultural products imported into India are under the jurisdiction of multiple GOI authorities. Exporters should refer to the USDA FAS India GAIN report Food and Agricultural Import Regulations and Standards-Narrative and the GOI published Manual for Food Imports.

C. Distribution Channels
Major players in the distribution channel of products entering the food ingredient 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 domestic national- and regional-level food manufacturing companies.

D. Market Structure



E. Share of Major Segments in the Food Processing Industry

Table 2. India: Major Food Processing Sectors	
Segment	Production in Million Metric Tons (MMT)
Fruits and Vegetables	282.5 MMT
Milk	146.3 MMT
Meat and Poultry	Buffalo Meat: 1.6 MMT Goat Meat: 0.9 MMT Broiler Meat: 4.2 MMT Egg: 82.9 billion eggs
Marine Products	13 MMT
Grain Processing	270.1 MMT
Consumer Foods	Packaged foods: Not Available Aerated soft drinks: 2,645 million liters (2017) Packaged drinking water: 934.78 million liters (2017) Alcoholic beverages: Not Available

F. Company Profiles

Table 3. India: Major Food Processing Players	
Company	**Website Links**
Aachi Group	www.aachigroup.com/cms/
AB Mauri	www.abmna.com/
Adani Wilmar	www.adaniwilmar.com/
Agro Tech Foods Ltd. (affiliated with ConAgra Foods Inc., USA)	www.atfoods.com/
Al-Kabeer Exports Private Limited	www.al-kabeer.com/
Allanasons	www.allana.com/
AVT McCormick Ingredients Ltd.	www.avtmccormick.com/
Bikaji Foods International	www.bikaji.in/
Bikanervala Foods Pvt. Ltd.	www.bikanervala.com/
Britannia Industries Limited	www.britannia.co.in/
Cadbury India Limited (Mondelēz International)	www.in.mondelezinternational.com/home
Capital Foods	www.agropure.net/
Cargill India Private Limited	www.cargill.co.in/
Dabur Foods Limited	www.dabur.com/
Darshan Foods Private Limited	www.meatzza.com/
Dr. Oetker India Pvt. Ltd./ Funfoods Pvt. Ltd.	www.oetker.in/
Dynamix Dairy Industries Ltd	www.schreiberdynamixdairy.com/
Ferrero India Private Limited	www.ferreroindia.com/
Field Fresh Foods Private Limited	www.fieldfreshfoods.in/
General Mills India	www.generalmills.co.in/
Gits Foods	www.gitsfood.com/
Gujarat Cooperative Milk and Marketing Federation (Amul)	www.amul.com/
Haldiram Snacks Pvt. Ltd.	www.haldiram.com/
Hatsun Agro	www.hap.in/
Heritage Foods Limited	www.heritagefoods.in/
Hershey India Private Ltd.	www.thehersheycompany.com
Hindustan Coca Cola Beverages Pvt. Ltd.	www.hindustancoca-cola.com/
Hindustan Unilever Limited	www.hul.co.in/
Indian Tobacco Company (ITC)	www.itcportal.com/
Kellogg's India Private Limited	www.kelloggs.in/
Kohinoor Food Ltd.	www.kohinoorfoods.in/
Kraft Heinz India	www.heinz.co.in/
KRBL Ltd.	www.krblrice.com/

Kwality Dairy	www.kwality.com/
LT Foods Ltd	www.ltgroup.in/
MARS International India Pvt. Ltd.	www.mars.com/
Marico	www.marico.com/
McCain Foods India	www.mccain.com/
Milkfood Ltd.	www.milkfoodltd.com/
Mother Dairy Fruit and Vegetable Private Ltd.	www.motherdairy.com/
Mrs. Bector's Foods Specialties-CREMICA	www.cremica.in/
MTR Foods Limited (Owned by Norway- based Orkla)	www.mtrfoods.com/
Nestle India	www.nestle.in/
Parle Agro Private Limited	www.parleagro.com/
Parry Enterprises	www.peil.in/
PepsiCo India Holdings Limited	www.pepsicoindia.co.in/
Perfetti Van Melle India	www.perfettivanmelle.com/
Patanjali Foods	www.patanjaliayurved.net
Ruchi Soya Industries	www.ruchisoya.com/
Sterling Agro Industries Ltd	www.steragro.com/
Suguna Poultry Farm Limited	www.sugunafoods.co.in/
Tata Global Beverages	www.tataglobalbeverages.com/
United Breweries Limited (UBL)	www.unitedbreweries.com/
Vadilal Industries Limited	www.vadilalgroup.com/
Venkateshwara Hatcheries Group	www.venkys.com/
VRS Foods Limited	www.parasdairy.com/
Weikfield Products Co. (India) Pvt. Ltd.	www.weikfield.com/

G. Sector Trends

See USDA FAS India GAIN report IN7150 Food Processing Ingredients.

The GOI doubled the budget allocation for the Ministry of Food Processing Industries (MOFPI) from $109 million last year to $216 million in Indian Fiscal Year 2018/19 (INR 7.1 billion to INR 14 billion) in order to provide subsidies for the Agro-Marine Processing and Development of Agro-Processing Clusters Scheme (*Krishi Sampada Yojana*). The scheme promotes the creation of specialized agro-processing financial institutions; infrastructure and facility development; and, state-of-the-art testing facilities in forty-two government supported mega food parks that largely target food processing for export. The 2018 budget introduced additional import tariffs and surcharges on several agricultural and intermediate products with the reported goal of encouraging food manufactures to develop domestic supply chains.

Table 4. India: Sales Volume of Packaged Foods 2013 and 2017 (in Thousand Metric Tons)			
Category	**2013**	**2017**	**Percent Change**

Baby Food	59	69	16
Baked Goods	2,552	2,854	12
Biscuits and Snack Bars	1,545	1,878	22
Breakfast Cereals	36	68	89
Confectionery	400	576	44
Dairy	14,852	19,393	31
Ice Cream and Frozen Desserts	264	405	53
Oils and Fats	4,993	9,627	93
Processed Fruit and Vegetables	45	69	53
Processed Meat and Seafood	26	46	77
Ready Meals	43	75	74
Rice, Pasta, and Noodles	1,925	3,149	64
Sauces, Dressings, and Condiments	358	549	53
Soup	7	11	57
Spreads	25	33	32
Sweet and Savory Snacks	617	1,057	71
Source: Euromonitor			

Table 5. India: Sales Value of Processed Foods 2013 and 2017 (U.S. $ billion)

Category	**2013**	**2017**	**Percent Change**
Baby Food	0.4244	0.7438	75.27
Baked Goods	1.5247	2.2654	48.58
Biscuits and Snack Bars	2.9784	4.4444	49.22
Breakfast Cereals	0.1790	0.3781	111.21
Confectionery	2.2870	4.0556	77.33
Dairy	10.3194	18.5278	79.54
Ice Cream and Frozen Desserts	0.9815	1.8117	84.59
Oils and Fats	8.4969	20.7346	144.02
Processed Fruits and Vegetables	0.1235	0.2284	85.00
Processed Meat and Seafood	0.1049	0.2052	95.59
Ready Meals	0.1698	0.3148	85.45
Rice, Pasta, and Noodles	2.9321	5.8272	98.74
Sauces, Dressings, and Condiments	1.2562	2.4877	98.03
Soups	0.0448	0.0833	86.21
Spreads	0.1188	0.2608	119.48
Sweet and Savory Snacks	2.1651	4.5602	110.62
Source: Euromonitor; Exch Rate: 64.80			

Section III: Competition

India's domestic industry is the primary competitor for U.S. food ingredient providers. India, with its diverse agro–climatic conditions, 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. Many third-country competitors enjoy a freight advantage and can 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.

Table 6. India: Competition in Major Product Categories in Calendar Year (CY) 2017

Product Category	Imports (In $ Million)	Major Supply Sources	Strengths of Key Supply Countries	Advantages (A) and Disadvantages (D) of Local Suppliers
Animal or vegetable oils, fats and their cleavage products	11,894	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	3,938	Australia Canada Myanmar Russia Ukraine	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)
Edible Fruits and Nuts	3,429	USA Côte d'Ivoire Tanzania Afghanistan Guinea-Bissau	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 sugar confectionery	1,163	Brazil Germany USA Netherlands	Price competitiveness	India is usually a net exporter of sugar (D)
Coffee, Tea, Mate And Spices	826	Vietnam Sri Lanka Indonesia Madagascar	Price Competiveness and proximity	Most imports are for re-export (D)
Albuminoidal Substances; Modified Starches; Glues; Enzymes	403	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	245	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, wheat gluten	74	China Australia Sri Lanka Cambodia	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	44	France Turkey Germany Denmark	Price Competiveness, sanitary requirements	Domestic production is not keeping pace with demand (A). The Indian import protocol is very stringent and effectively prohibits imports of dairy products from the

				United States. (D)
Source: Global Trade Atlas and FAS India analysis				

Section IV: Best Product Prospects

Table 7. India: Best Product Prospects for the Food Processing Ingredients (Data through CY 2017)						
Product Types	**Import Value ($ Million)**	**Import Volume (Metric Tons)**	**5–yr. Import growth by value (in %)**	**Basic Import Tariff**	**Key Constraints**	**Market Attractiveness For USA**
Nuts (mainly Almonds)*	1,065	203,120	7	In shell Almonds (Rs. 35/Kg) Pistachios (10%)	Competition from other suppliers exists but is not substantial	High demand and growing retail industry
Cocoa and cocoa preparations	224	67,664	1	30%	Strong competition from domestic and international suppliers	Strong quality and brand preference
Products of the milling industry, Malt, starches, insulin, wheat gluten	74	116,811	8	30%	Competition from domestic suppliers	Growing bakery and retail industry and increased popularity for processed foods
Leguminous Vegetables, Dried Shelled/Pulses	3,938	7,011,345	11	50%	Price Competitiveness, freight advantage (for countries like Myanmar) and the ability to produce specific pulses demanded in India.	Local production is inadequate and more than 20% of total demand for pulses is met through imports.
Apples, Pears and Quinces Fresh	324	348,485	7	Apples 50% Pears 30%	Competition from domestic and foreign suppliers like China, Chile, and New Zealand	Seasonal shortages and high prices, increasing interest in quality fruits and growth of organized retail
Grapes Fresh or Dried	87	23,259	16	30%	Competition from domestic and foreign suppliers	Seasonal shortages and high prices, increasing interest in quality fruits

						and growth of organized retail
Fruit Juices	46	28,065	5	50%	Competition from domestic manufactures and foreign suppliers from neighboring countries	Increasing health awareness and shortage of quality products
Beverages, Spirits and Vinegar	707	670,510,866 Liters	13	Beverages, Wine and Spirits 150% Vinegar 30%	High import duty and competition from domestic suppliers	Growing consumption and lack of domestic production
Albuminoidal Substances; Modified Starches; Glues; Enzymes	403	124,873	5	20%	Competition from domestic and foreign suppliers like China, Thailand and Taiwan	High demand and growing ready to eat (packaged) food industry
Essential Oils and related products	800	135,549	7	20%	Competition from domestic and foreign suppliers like China, Thailand and Taiwan	High demand and growing retail industry, Demand for additional flavorings
*Includes almonds, walnuts, pistachios, hazelnuts, chestnuts etc. Source: Global Trade Atlas and Post Analysis						

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. 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 a biotech declaration 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 IN7135 Agricultural Biotechnology Annual 2017.

Section V: Key Contacts and Further Information

- Foreign Agricultural Service, Embassy of the United States of America
  Chanakyapuri, New Delhi - 110 021
- Office of Agricultural Affairs, Consulate General of the Unites States of America
  C-49, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051
  Phone New Delhi: 91-11-2419-8000, Fax: 91-11-2419-8530
  Phone Mumbai: 91-22-2672-4863
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A. Ministries and Regulatory Authorities	
Ministry of Food Processing Industries	www.mofpi.nic.in
Directorate General of Foreign Trade	www.dgft.gov.in
Agricultural and Processed Food Products Export Development Authority	www.apeda.gov.in
Food Safety and Standards Authority of India	www.fssai.gov.in
B. Food Processing Research Center and other Institutions	
The Indian Institute of Crop Processing Technology	www.iicpt.edu.in/

Central Food Technological Research Institute	www.cftri.com
National Dairy Research Institute	www.ndri.res.in
Central Institute of Fisheries Technology	www.cift.res.in
The Central Marine Fisheries Research Institute, Kochi	www.cmfri.org.in/
Central Avian Research Institute, Izatnagar	www.icar.org.in/cari/
The Central Inland Fisheries Research Institute	www.cifri.ernet.in
The Defense Food Research Laboratory	www.drdo.org
Central Potato Research Institute	www.cpri.ernet.in/
Central Plantation Crops Research Institute	www.cpcri.gov.in/
Indian Agriculture Research Institute	www.iaripusa.org
Indian Institute of Horticulture Research	www.iihr.ernet.in
Directorate of Wheat Research	www.icar.org.in
Indian Institute of Packaging, Mumbai	www.iip-in.com
Indian Veterinary Research Institute	www.ivri.nic.in
National Institute of Fisheries Post-Harvest Technology and Training	www.ifpkochi.nic.in
National Institute of Nutrition, Hyderabad	www.ninindia.org
Central Institute of Post-Harvest Engineering and Technology, Ludhiana	www.ciphet.in/
C. List of Food Processing Associations	
Wheat Products Promotion Society	www.wpps.org/
All India Food Processors' Association	www.aifpa.net
Indian Pulses and Grain Association	www.ipga.co.in/
Indian Beverage Association	www.in-beverage.org
The Solvent Extractors' Association of India	www.seaofindia.com/
The Soybean Processors Association of India	www.sopa.org/
The Indian Sugarmills Association	www.indiansugar.com/
The Indian Dairy Association	www.indairyasso.org/
The Poultry Federation of India	www.pfindia.org/
All India Meat and Livestock Exporters Association	www.meat-ims.org/
The All India Rice Exporters Association	www.airea.net/
D. Organizations Under the Ministry of Food Processing Industries	
National Institute of Food Technology Entrepreneurship and Management	http://www.niftem.ac.in/
Indian Institute of Food Processing Technology	http://www.iifpt.edu.in/
National Meat and Poultry Processing Board	www.nmppb.gov.in
Indian Grape Processing Board	www.igpb.in