



Opportunities in Indian Food Processing Sector





OVERVIEW

Food processing is one of the fastest growing sectors in India. The sector accounts for 32% of the total USD 544 billion Indian food market. Steady increase in the production of raw material and a growing consumer base contributed heavily to the growth of the industry.

USD 174 billion

Indian Food Processing Sector
(2020)

USD 33 billion

FDI in Food Processing Sector
(by 2024)

The sector is highly labour intensive employing approximately 1.77 million people who are engaged in almost 40,000 registered units.

140,000

Food Processing Units
(Registered and unregistered)

35,000

Food Processing Supply Chain Units
(Storage and transportation units)

Key Investments

Nestle (Switzerland)

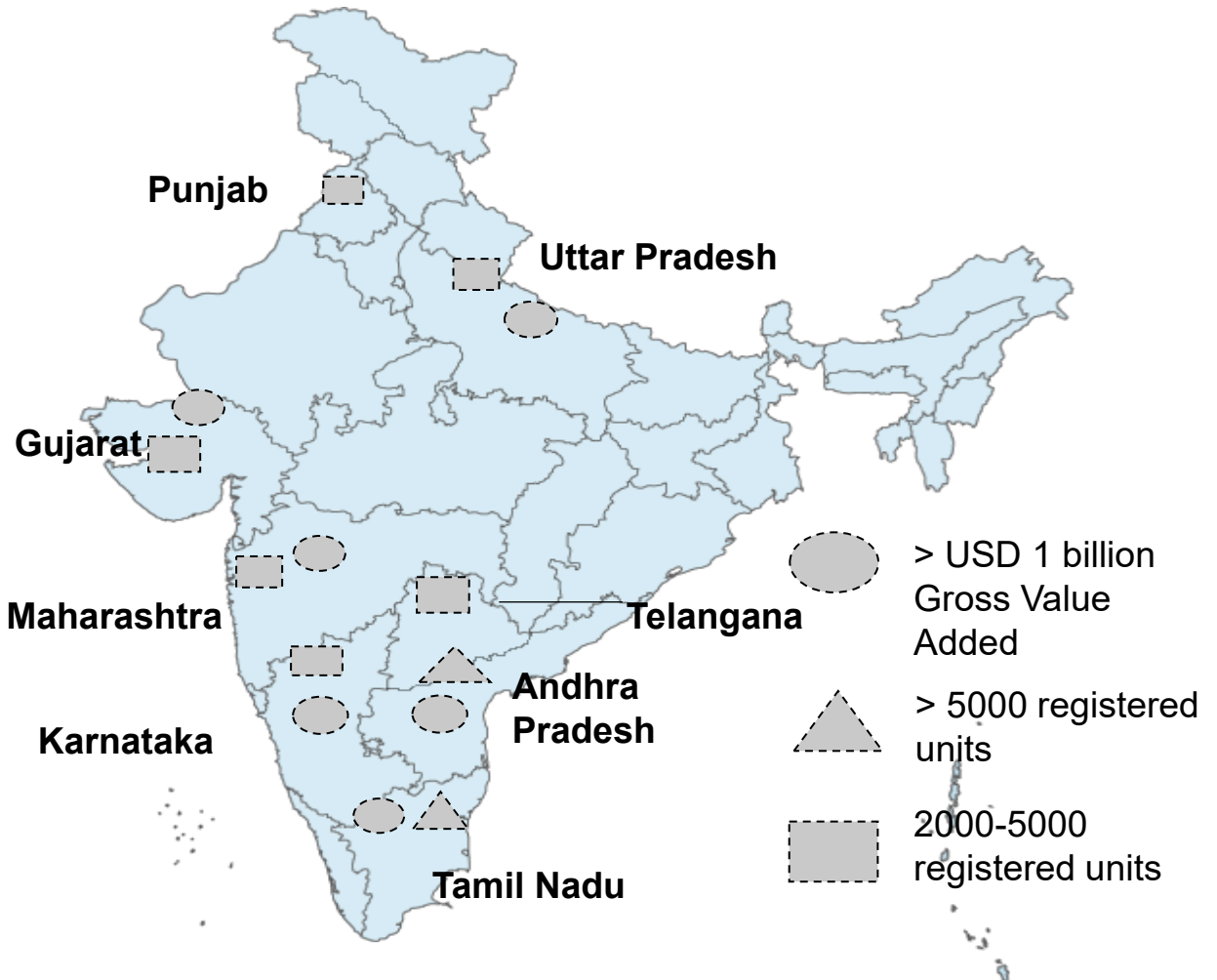
Reitzel (Switzerland)

Ferrero S.P.A (Italy)

Kerry Group (Netherlands)



REGIONAL HUBS



Source: Annual Survey of Industries 2016-17



KEY SEGMENTS

USD 40 billion

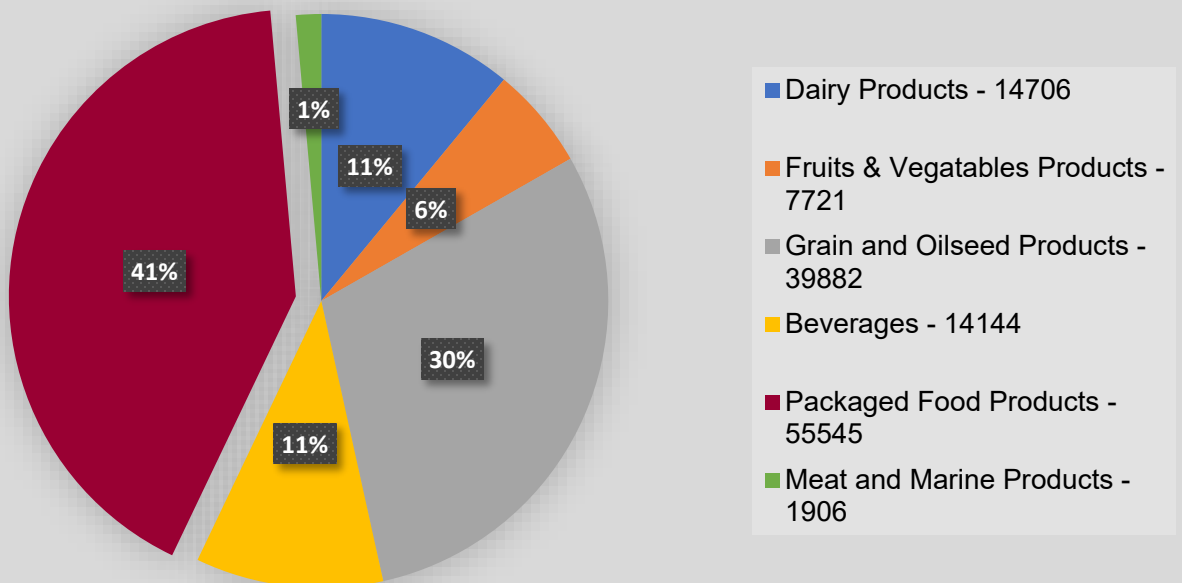
Packaged Food Market Size
 (2018)

High Growth Sub Segments

Savoury snacks Breakfast cereals
 Seasonings Pet food

The industry is segmented among six major product categories based on the source of raw material and the end products.

Food Processing Segments (by number of units)



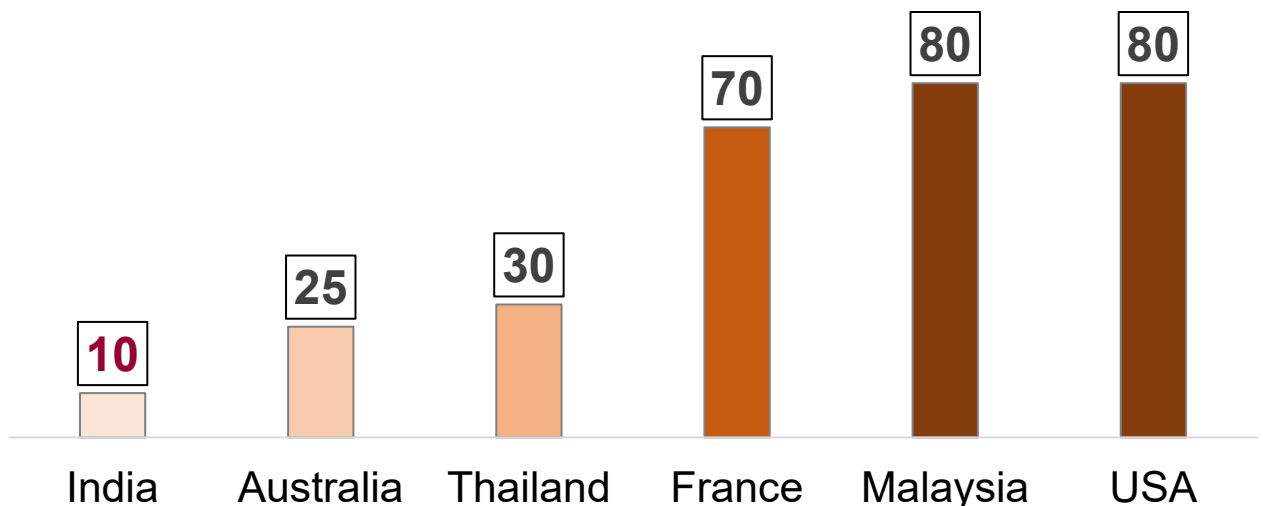
Source: Ministry of Food Processing Industries (MoFPI)



The Indian food processing sector is marred with low capacity utilization and inadequate focus on quality and safety standards.

Less than 10% of the total food produced is processed into value added products in India and post-harvest losses account for USD 1.5 billion with the processing levels for fruits and vegetable and poultry products are as low as 2% and 6% respectively.

Processing Rate (%) for Perishable Items India and the World

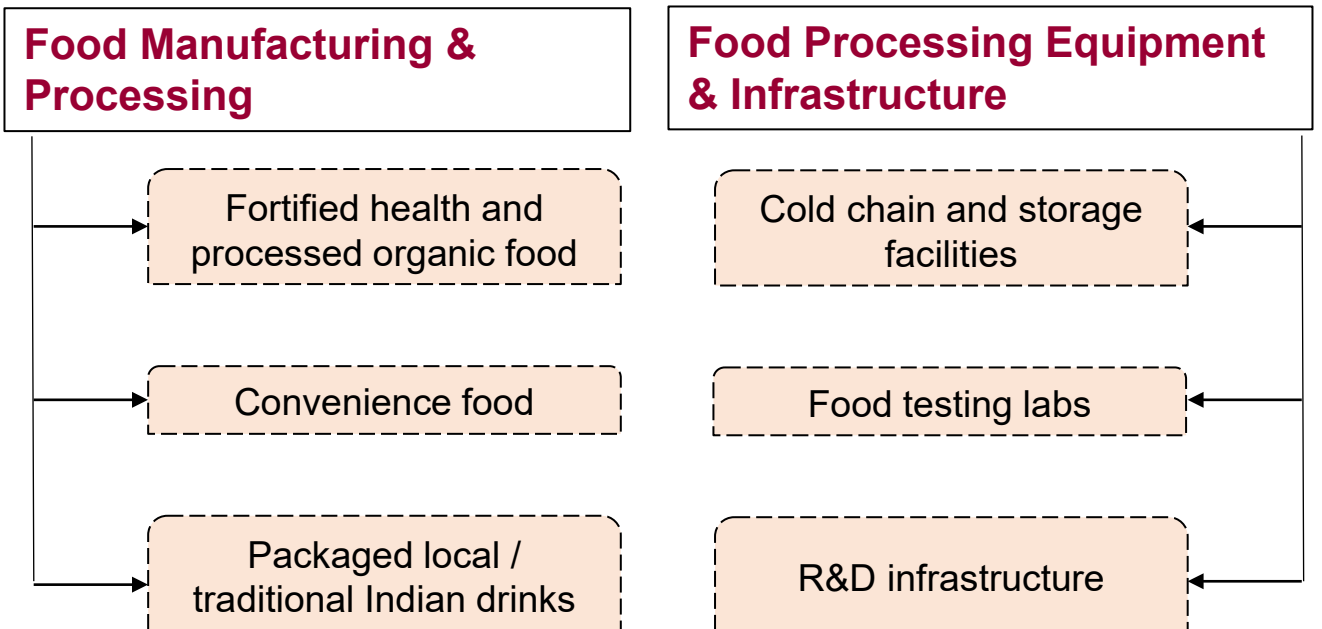


Source: Ministry of Food Processing Industries (MoFPI)



OPPORTUNITIES

As the sector inclines towards innovation and looks to adopt modern technology to maximize capacity, the market for food manufacturing and processing plant and machinery is estimated to grow to USD 51 billion by 2024-25.



Source: Ministry of Food Processing Industries (MoFPI)

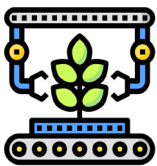


GROWTH DRIVERS



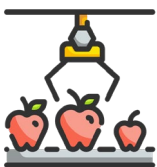
New Product Development

- Demand for new food products
- Growing market for processed, cleaned and frozen meat and poultry products



Food Processing Infrastructure

- Automation and integration of supply chain
- Packaging technology for enhanced shelf life



Fruits and Vegetable Processing

- Current processing levels in the segment are less than 2%
- Investment in technology for processing, developing, and preserving new fruit-based products



KEY GOVERNMENT INITIATIVES

The Indian Government recognizes Food Processing as a priority sector with enhanced emphasis under the Make in India initiative. Companies involved in development of infrastructure for a food manufacturing unit are eligible for a tax deduction of 100% for the initial five years.



100% FDI permitted in the sector including for trading through e-commerce



Lower GST rates of 0%, 5%, and 12% for ~80% food products



42 Mega Food Parks sanctioned including 11 operational and 4 completed parks

Note: FDI – Foreign Direct Investment, GST – Goods and Services Tax

Sources: Make in India, Department for Promotion of Industry and Internal Trade



MARKET ENTRY

Increasing consumption levels, expanding food and beverage retail segment, poor processing infrastructure set to be upgraded, and facilitative government policies offer sizeable opportunities for foreign investors across the Indian food manufacturing supply chain.

As the total consumption of the food and beverage segment in India is expected to increase significantly, **the fragmented industry is looking outward** at foreign players for investment in **food manufacturing infrastructure, technology, and product innovation.**

India Presence Modes

Local Subsidiary/ Joint Venture

Limited Liability Partnership

Branch or Project Office

Distribution Channels

Single Brand Retail

Multi-Brand Retail

E-commerce