

Indian Food Processing Industry: Waking up to a Healthier Future

Food processing is one of the most evolving sectors in India. Last year the sector posted a higher growth rate as compared to the manufacturing segment. Investments are increasing manifold as the Indian food processing industry is on the radar of many investment engines.

Major food processing segments with high growth potential includes dairy, poultry, ready to eat and bakery foods. In 2011, it is estimated that approximately 15 private equity and venture capital funds deals were closed in the food sector with a total value of \$285 million. These deals are supported by the huge consumption base and ample supply of raw materials. The path is not without hurdles as procuring the right amount and quality of raw produce still poses a big challenge to processors. The success stories in Indian food processing arena capitalise on the core thumb rule of consolidating the back-end, coupled with small challenges and huge opportunities that this sector holds. We have witnessed a huge growth in this sector in recent years, well supported by new technological innovations and improved government interventions.

In the recent time the sector has attracted many global and domestic processing majors in expanding presence and product offerings for Indian consumers. The offerings are not only restricted to the Indian consumer, but also cater to the global buyers; in the year 2010-11 export of Indian food processing related commodities clocked a remarkable mark of \$9 billion. The FDI inflows also supported the attractiveness of the sector achieving \$2.7 billion mark for the period of April 2000-November 2011. Domestic consumption of processed food is expected to grow by 10-15 per cent and export market is also witnessing high potential and it is expected to grow with a CAGR of 18-20 per cent. The major markets for Indian processed food are Europe, Middle East, Japan, Singapore, Thailand, Malaysia and Korea. With all these positive impacts the wastage levels of raw material is coming down and the progress towards food security is encouraging.

Recent Trends and Developments

Food processing in India is witnessing the exponential curve and new trends and developments in the sector can be bucketed under following segments:

Food Processing Technology:

Apart from computer vision technology, other technologies like vacuum cooling and hydrostatic pressure are also attracting food processors in enhancing the shelf life of raw produce. The vacuum cooling technology allows processors to enhance the shelf life of perishables without disturbing the physical form of produce. The overwhelming response from the industry will make this technique common among food processors in the near future. Hydrostatic pressure is yet another technological innovation offering preservation coupled with other basic processing steps such as drying and permeabilising plant membranes. This processing technology is safe, gentle and hygienic.

Food Processing Procedures:

Evolved consumer aspects like increasing awareness, paying capacity and acceptance level has led to the introduction of innovative food processing and preparation methods. The increased health consciousness has pushed new processing methods and ingredient dynamics in processed food. A new method like baking is picking up big time in India. Baking of food products is replacing traditional frying, resulting in a more sophisticated processing technique as well as the final produce. Baking cuts processors' cost in terms of energy and time. It also allows the final processed food to capture higher nutritional content.

Apart from baking, hybrid technological combinations like microwave and infrared heating can enable higher savings specifically in processing segments like bakery, biscuits and cakes. Some trials at the end of the technological provider has shown impressive results and the same can be replicated on a commercial scale for other processing segments as well.

Government Intervention

Indian government has also considered food processing as one of the major investment sectors. The huge budgetary allocation for the sector has been fixed at `660 crore for the fiscal, up from `600 crore in 2011-12. New initiatives and schemes have been floated from different ministries and aligned government agencies on a frequent basis. Now the schemes and initiatives are more realistic than before generating greater interest among the bigger players.

One of the new initiatives for food processing industry stakeholders is the National Mission on Food Processing. Under this mission the MoFPI is planning to increase the contribution of the state government through support participation for food processing activities. The effort will increase central and state level activity coordination resulting in betterment of food processing landscape. It will also support the outreach of processed products. At the same time it will provide more flexibility to suit local needs. The mission aims to set up food processing units on a large scale from state government while technological and logistical support will be provided by the central government. Detailing the technological and logistics support, central government will aid in technological up-gradation, skill development, promotional activities and non-horticultural cold storage infrastructure. Currently the draft schemes have been approved and the facilitation will commence in August-September. The initial feedback on the mission from various state governments is extremely encouraging and the mission supports the philosophy of decentralisation, greater participation of state governments, convergence of various programmes and implementing the schemes in the mission mode instead of routine vertical programmes.

Apart from National Mission on Food Processing, the government is also planning to provide food processing sector the status of priority-sector lending, for specific projects involved in processing of perishable products. These interventions will be an addition to the existing duty exemptions and FDI support to promote food processing as investment poised sector in India.

Food and agriculture has been a relevant topic of discussion in the Indian economic scenario for a very long time. A country feeding 1200 million people will need robust production, preservation and distribution functions. Infrastructures supporting these functions are not robust and need a lot of addition and up-gradation. Food processing has emerged as one of the rescue tools to reduce wastage and achieving maximum reach from the limited production. It has taken the Indian consumer a long time to accept the perception of nutritive value delta in processed food vis-a-vis fresh food. But with the consumer evolving, the situation is brighter for the industry. In coming years, processed food will achieve higher penetration in the monthly household consumption basket and the same will help in stabilising price sensitivity and dependence on perishables.

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