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Report Name: Food Processing Ingredients

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Report Category: Food Processing Ingredients

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Report Highlights:

The food processing sector is critical to India's growth as it helps facilitate crop diversification and product innovation. India ranks second behind China in terms of food production and is also the world's largest producer of numerous commodities. The sector has yet reached its full potential and the prospects for increasing processing levels are enormous. However, the sector is stymied by issues related to food waste, infrastructure, and workforce training.

Market Fact Sheet: India

Executive Summary:

India is the fifth largest economy in the world with the second largest population at 1.37 billion, which is equivalent to almost 18 percent of the world population. It is also projected to become the world's most populous country by 2024. India's economic growth has slowed down since 2018, with a GDP growth rate that declined from nearly 8 percent to 5 percent during the last quarter of 2019. India's GDP growth rate is expected to rebound to 6 percent over the course of the current fiscal year (2020-2021), according to local projections.

The Indian food industry has experienced robust growth over the past few years and has emerged as one of the country's most lucrative sectors. India is the world's second largest food producer after China and is expected to become the first in the coming years. In 2019, India imported USD 25.29 billion worth of processed foods and related products from all sources, while the exports from India totaled at USD 38.06 billion.

Imports of Consumer-Oriented Products:

India's imports of consumer-oriented foods, led by tree nuts, spices, and fresh fruits, are one of the fastest growing segments of imported agricultural products in India. In 2019, India imported USD 4.7 billion worth of consumer-oriented products, out of which 20 percent were from the United States. A rising number of brand-oriented importers, modern retail outlets, e-retail platforms, and trend-setting restaurants are some of the major contributors to the steady growth of consumer-oriented products imports.



Source: Global Trade Atlas and Trade Data Monitor

Food Processing Sector:

The Indian food processing sector is one of the country's largest industries and ranks fifth in terms of production, consumption and exports. The sector is expected to experience continued growth at an annual growth rate of 12 percent during 2019-2024. The sector's primary focus includes the processing of milled grain, sugar, edible oils, beverages, dairy products, fresh fruits & vegetables, poultry, meat, and fishery products. To support the sector, the Indian government has invested in infrastructure projects such as food parks and cold chain facilities to facilitate its growth. The government has also authorized 100 percent foreign direct investment (FDI) to attract international food processing firms. The sector continues to enact reforms to improve the ease of doing business, from a single dedicated investor facilitation cell to custom clearance reforms.

SWOT Analysis:

Strengths	Weaknesses
<ul style="list-style-type: none"> U.S. products held in high regard 	<ul style="list-style-type: none"> Lack of awareness regarding the range and value of U.S. products
Opportunities	Threats
<ul style="list-style-type: none"> Growth potential in food processing and imported food ingredients 	<ul style="list-style-type: none"> Tariff and Non-Tariff Barriers Strong competition from the domestic & foreign suppliers

Food Retail Industry:

The Indian food & grocery (F&G) retail industry is experiencing major changes with the emergence of new hypermarkets and rapidly expanding organized retail and e-retail platforms across various parts of the country. India's F&G retail market is the third largest in the world with sales expected to surpass \$800 billion by 2023, according to private estimates. The Indian F&G market constitutes almost 65% of the total retail market in India. The market is dominated by traditional retail formats, specifically neighborhood shops called *kirana stores* (equivalent to mom & pop stores in the U.S.), 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 to four percent by 2020, as these chains can quickly fulfill the evolving needs of consumers.

Quick Facts - Calendar Year 2019

Imports of Consumer-Oriented Products: \$4.7 billion

List of Top Import Growth Products in India

- Tree Nuts (e.g. in shell - almonds, pistachios and walnuts)
- Fresh fruits (Apple, pears and grapes)
- Dairy products
- Food preparations
- Condiments and sauces
- Cocoa and Cocoa Preparations

Food Industry by Channels (U.S. billion) 2018/19

Food Industry Output	\$358 billion (2018)
Food Exports	\$38 billion
Food Imports	\$25 billion
Retail	\$500 billion
Food Service	\$63.7 billion
Wet Market/Food Stalls/Street Karts	\$Unknown

Top Indian Food Processors

- Nestle India Limited
- Parle Agro Private Limited
- Britannia Industries Limited
- Amul India
- Haldiram's Food International Limited

GDP/Population (2019)

- Population (billions): 1.37 billion
- GDP (billions USD): 3.20 trillion (nominal)
- GDP per capita (USD): \$2,338 (nominal)

Sources: Global Trade Atlas, GOI
Global Trade Atlas and Annual Survey of Industries

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Section I. Market Summary

The Indian food processing sector has emerged as an important part of the Indian economy and a major contributor to the country's gross domestic product (GDP), employment, and investment. In 2018, the sector reported 39,319 registered food processing units, and employed approximately 1.7 million people. The sector accounts for 32 percent of the country's total food market and 14 percent of the manufacturing GDP. Increasing urbanization, rising household incomes, and changes in the gender composition of the work force are some of the major drivers contributing to the growth of the processed food market.

As per the [World Bank's Report on Ease of doing Business](#), India has improved its rank to 63 out of 190 countries, and continues to make efforts to improve its business investment climate. Although the demand for international food and beverages continues to expand, the business climate for imported products faces significant challenges due to constantly changing tariffs on imported food and agricultural commodities along with exchange rate fluctuations (which affect the affordability of imported goods).

The Indian government is committed to promoting value addition in the food sector and local firms have expanded significantly thanks to this support. However, food waste remains a major challenge as local contacts estimate more than 40 percent of perishable produce goes to waste in India. Table 1 shows results from a quantitative assessment by the Central Institute of Post-Harvest Engineering and Technology (CIPHET) first published results in 2010 (at 2009 wholesale prices), and again in 2015 (at 2014 wholesale prices). The food processing sector and government are increasingly acknowledging the need to develop better storage and logistical tools to bring down the losses.

Table 1. India: Estimated Percentage of Losses of Major Agricultural Produces

Crops	Cumulative Wastage (%)	
	2010	2015
Cereals	3.9 – 6.0	4.65 - 5.99
Pulses	4.3 – 6.1	6.36 - 8.41
Oilseeds	2.8 – 10.1	3.08 – 9.96
Fruits and vegetables	5.8 – 18.0	4.58 – 15.88
Milk	0.8	0.92
Fisheries(Inland)	6.9	5.23
Fisheries (Marine)	2.9	10.52
Meat	2.3	2.71
Poultry	3.7	6.74

Source: GOI, CIPHET

The Indian government continues to increase its assistance to the sector by financing the development of food parks, cold chain and value addition infrastructure, agro-processing clusters, and fishery processing. Moreover, it has developed an investor portal 'Nivesh Bandhu' (<http://foodprocessingindia.co.in>) that outlines policy support and incentives available to investors on a national and state level. All these initiatives are integrated under the *Pradhan Mantri Kisan Sampada Yojana* campaign (Scheme for Agro-Marine Processing and Development of Agro-

Processing Clusters), launched in May 2017 to accelerate the sector’s growth. Thanks to these initiatives, eleven mega food parks have opened since 2014. The food processing sector has received over US\$ 7 billion in FDI between 2000 and 2017 and is expected to attract US\$ 33 billion in new investment over the next decade thanks to the growing ease of business and market potential. The entry of multinational food firms has been beneficial to country, leading to supply chain advances and an improved manufacturing environment.

Table 2. India: Advantages and Challenges for U.S. Food Ingredients

Opportunities	Challenges
<ul style="list-style-type: none"> • Growing food processing industry 	<ul style="list-style-type: none"> • Processed foods still seen as inferior to fresh foods by many consumers
<ul style="list-style-type: none"> • Increasing urbanization, dual income households, working women, and preference for convenience 	<ul style="list-style-type: none"> • Forward and backward linkages still developing
<ul style="list-style-type: none"> • Seasonality of raw materials produced in India 	<ul style="list-style-type: none"> • Fragmented and long supply chain
<ul style="list-style-type: none"> • Indian consumers are becoming more accepting of foreign foods and flavors 	<ul style="list-style-type: none"> • Processing firms’ source most of their ingredients locally
<ul style="list-style-type: none"> • Growing modern food retail & e-retail along with private label penetration 	<ul style="list-style-type: none"> • Dominance of traditional retail formats (Kirana stores)
<ul style="list-style-type: none"> • Increasing demand for quality and hygienic ingredients and foods. U.S. food ingredients are well-known and considered of high quality 	<ul style="list-style-type: none"> • High tariffs and market access issues
<ul style="list-style-type: none"> • Rising number of foreign brands is boosting quality throughout the sector 	<ul style="list-style-type: none"> • Despite expanding palates, most consumers prefer Indian cuisine
<ul style="list-style-type: none"> • Local processors are increasing their production capacity and food quality to meet higher export standards for foreign markets 	<ul style="list-style-type: none"> • Changing food safety policy regulations
<ul style="list-style-type: none"> • Government support to attract FDI in food processing sector 	<ul style="list-style-type: none"> • Inadequate infrastructure. Lack of extensive cold storage network
<ul style="list-style-type: none"> • Consumers moving away from cereals towards more protein rich diet 	<ul style="list-style-type: none"> • Price-sensitive market
<ul style="list-style-type: none"> • Innovative advertisements create increasing awareness among consumers and make products more accessible to consumers 	<ul style="list-style-type: none"> • Lack of skilled and trained manpower
<ul style="list-style-type: none"> • Changing lifestyles and aspirations. Fast-paced and busy lifestyle with limited time available for cooking and meal preparation 	<ul style="list-style-type: none"> • Food habits vary in each region with climate, topography, culture & heritage

Section II. Roadmap for Market Entry

A. Entry Strategy

Key factors to consider before entering the market:

- ❓ **Can your product come into India and comply with the local laws**
 - ✓ Conduct due diligence when exporting to India and determine if your product has market access in Indian commerce.
 - ✓ Study India's varied laws, particularly those pertaining to foods and beverages.
 - ✓ Review FAS policy and market reports and consider engaging a market research firm to assist with opportunities and challenges.

- ❓ **Find the Right Partner**
 - ✓ Identify a reliable importer/distributor who services the food retail sector.
 - ✓ Avoid conflicts of interest.
 - ✓ Consider whether participating in an Indian trade show would be an effective means of identifying a key importer/distributor/partner.
 - ✓ Consider if collaborating/ participating in USDA-endorsed promotional activities would be an effective way to create and/or increase market awareness and penetration.

- ❓ **Secure Payment Terms**
 - ✓ Until a successful working relationship is established, exporters may wish to consider vehicles such as an irrevocable Letter of Credit, advance payment, payment at sight.

FAS-India's offices do not have the authority to mediate contractual disputes, or to serve as a collection agent when differences over payment or other commercial issues arise. For information about local legal services, please refer to GAIN report [IN6155](#).

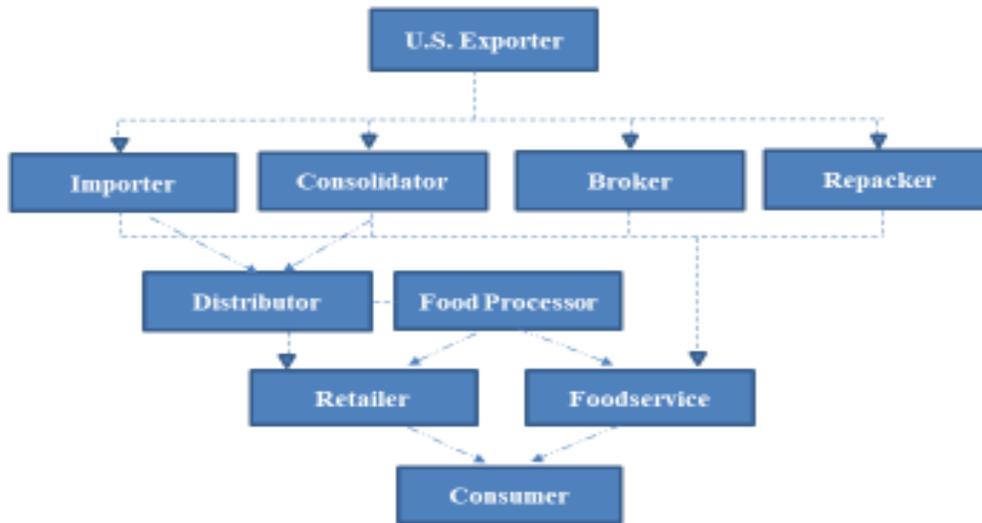
B. Import Procedure

Laws regulating Indian imports of food and agricultural products are under the jurisdiction of multiple GOI authorities. For more information, exporters should refer to FAS-India's GAIN report [Food and Agricultural Import Regulations and Standards - Country Report](#) and the GOI's [Food Import Clearance Manual](#).

C. Distribution Channels

Major players in the distribution channel for products entering the food ingredients sector include food processing companies that have access to the global supply chain, as well as a combination of clearing and forwarding agents, wholesalers, distributors, and importers who supply to the domestic food manufacturing companies.

D. Market Structure



E. Share of Major Segments in the Food Processing Industry

Table 3. India: Major Food Processing Sectors in 2019

Segment	Production in Million Metric Tons(MMT)
Fruits and Vegetables	312
Milk	191
Meat and Poultry	Buffalo Meat: 4.3
	Broiler Meat: 5
	Eggs: 95 billion
Marine Products	12.6
Grain Processing	292
Consumer Foods	Packaged Foods: Not available
Beverages	Aerated soft drinks: 3491 million liters (2019)
	Packaged drinking water: 8305.9 million liters
	Alcoholic beverages: Not available

F. Company Profiles

Table 4. India: Top Ten Food Processing Companies

Company	Website Links
Nestle India	www.nestle.in/
Parle Products Private Limited	http://www.parleproducts.com
Britannia Industries Limited	www.britannia.co.in/
Cadbury India Limited (Mondelēz International)	www.mondelezinternational.com/
Gujarat Cooperative Milk and Marketing Federation (Amul)	www.amul.com/
Kwality Dairy India Limited	www.kwality.com

MTR Foods Limited (Owned by Norway- based Orkla)	www.mtrfoods.com/
Indian Tobacco Company (ITC)	www.itcportal.com/
PepsiCo India Holdings Limited	www.pepsicoindia.co.in/
Haldiram Snacks Pvt. Ltd.	www.haldiram.com/
Source: Public Media	

G. Sector Trends

Food constitutes almost half of Indian consumer expenditures and is expected to remain so for the next decade. The packaged food segment experienced double-digit growth in 2019 with edible oils and dairy products representing the largest portion of the sector. Other segments supporting this growth are confectionery products, sweet biscuits (cookies), snack bars, savory snacks, spreads, sauces, condiments, baby food, and baked goods. Increased demand for packaged goods is driven by a shift in consumer preferences for branded and convenience products, flashy and media-driven product launches, and rising awareness of healthy living.

In the past, consumer spending on food was mainly on basic items such as grains, vegetables, oils, spices, and sugar. This shifted thanks to the greater affordability and accessibility of other food products and categories. As a result, consumers are increasingly shifting towards fresh fruits, eggs, meats, beverages, processed foods, organic and natural foods. Vegan foods are also a new, trending product group that is providing new alternatives to meat and poultry.

Table 5. India: Sales Volume of Packaged Foods 2015 and 2019 ('000 Tons)

Category	2015	2019	Percent Change
Baby Food	63	73	16
Baked Goods	2,695	3,073	14
Biscuits and Snack Bars	2,020	2,340	16
Breakfast cereals	52	76	46
Confectionery	499	698	40
Dairy	16,910	22,025	30
Ice Cream and Frozen Desserts	319	519	63
Edible Oils	6,940	12,615	82
Processed Fruit and Vegetables	49	63	29
Processed Meat and Seafood	34	50	47
Ready Meals	59	97	64
Rice, Pasta and Noodles	2,277	4,544	100
Sauces, Dressings and Condiments	450	656	46
Soup	9	13	44
Sweet Spreads	29	38	31
Savory Snacks	814	1,208	48

Source: Euromonitor

Table 6. India: Sales Value of Processed Foods 2015 and 2019 (\$ billion)

Category	2015	2019	Percent Change
Baby Food	0.5038	0.8280	64.35
Baked Goods	1.6717	2.4825	48.50
Biscuits and Snack Bars	3.7250	5.5283	48.41
Breakfast Cereals	0.2440	0.4083	67.34
Confectionery	2.8420	4.7990	68.86
Dairy	12.4200	22.1030	77.96
Ice Cream and Frozen Desserts	1.1850	2.2570	90.46
Edible oils	11.8390	26.9460	127.60
Processed Fruits and Vegetables	0.1350	0.2140	58.52
Processed Meat and Seafoods	0.1320	0.2280	72.73
Ready Meals	0.2090	0.3800	81.82
Rice, Pasta and Noodles	3.3590	8.0510	139.68
Sauces, Dressings and Condiments	1.5840	2.9230	84.53
Instant Soups	0.3330	0.5420	62.76
Spreads	0.2503	0.5540	121.33
Sweet and Savory Snacks	3.0010	5.3670	78.84

Source: Euromonitor

Section III: Competition

India's food processing industry is primarily dependent on domestic agricultural ingredients and inputs. As such, India's domestic industry is the primary competitor for U.S. exporters of food ingredients. Thanks to its diverse climatic conditions and terrains, India produces a variety of foods and ingredients at prices below most imported products. Moreover, the quality of these products is steadily increasing, making them more attractive for local processors. Most third-country competitors enjoy a freight advantage over the United States due to their proximity and can therefore supply at lower costs. Consolidators in neighboring markets like Dubai and Singapore offer quick delivery of smaller shipment volumes, including for U.S.-origin ingredients. High import duties and restrictions on several imported raw materials pose additional challenges for direct U.S. exports to the market. Please refer to Table 7 below for additional details.

The food processing sector is highly fragmented with thousands of mills, processing units, and bakeries; however major domestic firms continue to expand along with their market share and regional distribution. These domestic food processors are taking advantage of Indian consumers' growing taste for international flavors by producing local substitutes/versions. Products like ketchup, mayonnaise, and Mexican-style sauces are now being supplied by Indian manufactures. Previously, local consumers only experienced these products in foreign restaurant chains.

Table 7. India: Competition in Major Product Categories in Calendar Year (CY) 2019

Product Category	Net Imports (In \$ Million) CY 2019	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	9,840	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	1,549	Myanmar Canada Australia Mozambique Russia	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 percent of total demand for pulses is met through imports. (A)
Edible Fruits and Nuts	3,077	USA Côte d'Ivoire Benin Tanzania Afghanistan	Growing market demand, preference for specific quality, popular in certain holidays	Domestic production of some of the major fruits and nuts is insignificant (A)
Sugars and sugar confectionery	410	Brazil Germany USA Netherlands	Price competitiveness	India is usually a net exporter of sugar (D)
Coffee, Tea, Mate and Spices	725	Vietnam Sri Lanka Indonesia Madagascar	Price competitiveness and proximity	Most imports are for re-export (D)
Albuminoidal Substances; Modified Starches; Glues; Enzymes	547	China USA Germany Thailand	Price competitiveness	Local production is limited (A), U.S. supplies good quality products with competitive prices (A)
Lac; Gums; Resins and Other Vegetable Saps and Extracts	278	Afghanistan China Indonesia USA	Price competitiveness 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	73	China Australia Sri Lanka France	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	36	France Italy Germany Spain	Price competitiveness, 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: Ministry of Commerce and Industries and FAS India analysis

Section IV: Best Product Prospects

Due to the expansion of its food manufacturing industry, India's imports of food and beverage ingredients, as well as additives, continues to grow. Products in high demand include tree nuts (mainly almonds, walnuts, pistachios, hazelnuts, chestnuts – Harmonized Tariff System – HS 0802), products of the milling industry, malt, starches, insulin, wheat gluten (HS 11), leguminous vegetables, dried shelled/pulses (HS 0713), fresh fruit apples, pears and quinces (HS 0808), beverages, spirits, and vinegar (HS 22), albuminoidal substances, modified starches, glues, enzymes (HS 35), and essential oils and related products (HS 33). Other products such as cocoa and cocoa preparations (HS 18), grapes, fresh or dried (HS 0806), fruit juices (HS 2009), fruit pulps (HS 2202), additives/ flavorings/ sweeteners (HS 2106), seasonings, condiments and sauces (2103) although not imported in large quantities from the United States, have good potential.

Products Not Present Because Of Significant Barriers

Several trade restrictions limit market access for U.S. products, like red meats and dairy, due to established Indian import requirements. Imports of biotech commodities are also prohibited. 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. This policy also requires a mandatory biotech declaration. The only GE food products currently authorized for import into India are soybean oil derived from GE soybeans (glyphosate tolerant and five other events) and canola oil derived from GE canola (a select herbicide tolerant event). For more information on India's biotech import policy, see USDA FAS India GAIN report [Agricultural Biotechnology Annual 2019](#).

Section V: Post Contacts and Further Information

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For information on key contacts in food processing related ministries, regulatory authorities, associations, and research institutes; readers may refer to [India Food Processing Ingredients Report 2018](#).

For additional information, please visit our website: <http://www.fas.usda.gov>

Attachments:

No Attachments