

Economic Implications on the Growth of Agro-Food Industries in India

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INTRODUCTION

"Decisions about who produces our food, what food is produced, how it is produced, and who gets to eat that food have been steadily moving from ... households and governments to ... corporation boardrooms".

– Mary Hendrickson and Harvey S. James Jr

Indian Food processing industry is the world's largest producer of food next to China and has the potential of being the biggest in the food and agricultural sector. The total production in India is likely to double in the next ten years and there is an opportunity for large investments in food and food processing technologies, skills and equipment, especially in areas of Canning, Dairy and Food Processing, Specialty Processing, Packaging, Frozen Food/ refrigeration and Thermo processing. Fruits and Vegetables, Fisheries, Milk and Milk products, Meat and Poultry, Packaged/convenience Foods, alcoholic Beverages and soft drinks and Grains are important sub-sectors of the food processing industry. Health food and health Food Supplements is another rapidly rising segment of this industry which is gaining vast popularity amongst the health conscious. The accomplishments and achievements of the green and white revolutions have contributed to the development of Indian Food Processing Industry.

As per Ministry of Food Processing of India (MOFPI), the term 'food processing' is mainly defined as a process of value addition to the agricultural or horticultural produce by various methods like grading, sorting and packaging. In other words, it is a technique of manufacturing and preserving food substances in an effective manner with a view to enhance their shelf life; improve quality as well as make them functionally more useful. It covers a wide spectrum of products from

sub- sectors comprising agriculture, horticulture, plantation, animal husbandry and fisheries. It also includes other industries that use agricultural inputs for manufacturing of edible products.

Nature of agro-food based industries

The agro-industrial sector is here defined as the subset of the manufacturing sector that processes raw materials and intermediate products derived from agriculture, fisheries and forestry. Thus, the agro-industrial sector is taken to include manufacturers of food, beverages and tobacco, textiles and clothing, wood products and furniture, paper, paper products and printing, and rubber and rubber products.

- Primary processing of food Primary processing of food comprises of sorting, grading and packaging of fruits and vegetables, milk, rice, spices, etc.
- Secondary Processing of Food Secondary processing of food comprises of re-shaping of food for ease of consumption. It includes flour, oil cakes, tea leaf and beverages powder etc. Together with primary processing, the two segments constitute around 62% of the processed foods in value terms.
- Tertiary Processing of Food (or) Value Added Food Segment Value added food segment includes processed fruits and vegetables, juices, jam & jelly etc and holds around 38 % share in the total processed food market.

Agriculture and Food industry in India

India's agrarian culture and varied regional climate have significantly contributed to the global food basket.

- Indian curries, mangoes, snacks and spices are known for their excellent quality across the globe. Globally, India leads the following food segments: India is the second largest producer of

fruits in the world and accounts for 10 per cent of the world fruit production with first rank in the production of bananas (30.43 million tonnes 22.94 per cent), papayas (6.1 million tonnes, 44.03 per cent) and mangoes including mangosteens, and guavas (19.21 million tonnes, 37.57 per cent)

- India is the largest milk producer in the world (155.5 million tonnes)
- India has the largest buffalo population (111.0 million heads)
- India is the largest pulses producer in the world (22.14 million tonnes)
- Among vegetables, India ranks second in world (168.59 million tonnes, 10.7 per cent, and first in the production of Okra (6.4 million tonnes, 73.6 per cent)
- Exports of processed food and related products
- During FY11–16, India's exports of processed food and related products (inclusive of animal products) grew at a Compound Annual Growth rate(CAGR) of 11.74 per cent, reaching US\$ 16.2 billion.
- Main export destinations for food products have been the Middle East and Southeast Asia.
- The food processing industry is one of the largest industries in India and ranks fifth in terms of production, consumption and exports. As per the latest data available, food processing sector is expected to reach US\$ 258 billion in FY15.
- In FY16* (till December 2015), food processing industry constituted 14 per cent to India's GDP through manufacturing.

Food Safety and Standard Act, 2006

Thirteen different laws were applicable on the food and food processing sector till a Group of Ministers (GoM) was set up to rationalize and simplify the laws governing the industry in 2005. Thus, the Food Safety and Standard Act (FSSA) was formulated in 2006. The salient features of the act are:

- Food Safety and Standard Authority (regulating body of FSSA) will be aided by scientific panels and central advisory committee to lay down standards for food safety. These standards will include specifications for ingredients, contaminants, pesticide residue, biological hazards and labels.

- The law will be enforced through State Commissioners of Food Safety and local level officers
- Everyone in the food sector is required to get a license or registration which would be issued by local authorities.
- Every distributor is required to be able to identify any food article to its manufacturer, and every seller is required to identify any food article to its distributor. Anyone in the sector should be able to initiate recall procedure if he finds that the food sold has violated specified standards.

Top leading agro-food industries in India and its growth

Amul is an Indian dairy cooperative, based at Anand in the state of Gujarat. Founded in 1946, the brand is today managed by the Gujarat Co-operative Milk Marketing Federation Ltd (GCMMF) which is jointly owned by about 3,000,000 milk producers in the state.

Amul the co-operative was formed as a response to the exploitation of marginal milk producers by agents and traders of the existing dairy in the state. The co-operative has gone from strength to strength, on the back of the inspired leadership of Mr Tribhuvandas Patel, the Founder Chairman and Dr Verghese Kurien, who was entrusted with the task of running the dairy from 1950.

The Amul model has helped India to emerge as the largest milk producer in the world. More than 15,000,000 milk producers contribute their milk in 144,500 dairy cooperative societies across the country. The milk is processed in 184 district co-operative unions and marketed by 22 state marketing federations, ensuring a better life for millions.

With a 120 year heritage and an existence since 1889, KRBL Ltd is India's first integrated rice company with a comprehensive product chain.

KRBL today stands at the top slot of the Indian rice industry, unmatched and unparalleled in every aspect. It has an extensive and well-positioned brand presence in both, the domestic and international markets. The sales from rice exports went up by 9.54 per cent in FY13. The company holds a 25 per cent market share in the branded Basmati exports from

India and a 30 per cent share in the branded Basmati sale in the domestic market.

The company's flagship brand 'India Gate' is a market leader, commanding significant premium over most other brands in the industry. With a milling capacity that is the largest in the world, KRBL has been growing its sale of Basmati year on year to post impressive numbers.

The Heritage Group was founded in 1992 by Mr Nara Chandra Babu Naidu. It is one of the fastest growing private sector enterprises in India, with five business divisions, namely, Dairy, Retail, Agri, Bakery and Renewable Energy, under its flagship Company Heritage Foods Ltd.

The annual turnover of Heritage Foods crossed Rs 1726.99 crore (US\$ 281.18 million) in FY14. Presently, Heritage's milk products have market presence in Andhra Pradesh, Telangana, Karnataka, Kerala, Tamil Nadu, Maharashtra, Odisha and Delhi and it has retail stores across Bengaluru, Chennai and Hyderabad. Integrated agri operations are in Chittoor and Medak Districts and these are backbone to retail operations and the state-of-the-art bakery division at Uppal, Hyderabad and Telangana.

The Britannia company was started in the year 1892 in Calcutta (now Kolkata) as a biscuit factory with an initial investment of just Rs 295 (US\$ 4.76). From a humble beginning, Britannia Industries Ltd is presently one of India's most popular food industries. The company's offerings are spread across the spectrum with products ranging from the healthy and economical Tiger biscuits to the more lifestyle-oriented Milkman Cheese. Having succeeded in garnering the trust of almost one-third of India's one billion population and a strong management at the helm, Britannia continues to dream big on its path of innovation and quality.

Introduced primarily for British settlers in India, Kissan has been present in India since 1935. The UB Group, under the Late Mr Vittal Malya then, acquired Kissan from Mitchell Bros in the year 1950. However, in 1993, Hindustan Unilever Ltd took it over from the UB Group.

Since its launch, innovation has been the main approach. The brand introduced new formats of food, such as canned fruits and vegetables, baked beans, and the like. Over time, Kissan evolved to become the first ever fruit and vegetable brand in the country. From there onwards, the journey has been focussing

primarily on real ingredients, fresh vegetables and fruits.

Nestle came to India when it set up its first factory in Moga, Punjab in 1961. Presently, it has four offices and around eight manufacturing facilities across India. Nestlé has been a partner in India's growth for over nine decades now and has built a very special relationship of trust and commitment with the people of India.

The company's activities in India have facilitated direct and indirect employment and provides livelihood to about one million people, including farmers, suppliers of packaging materials, services and other goods.

Nestlé India manufactures products of truly international quality under internationally famous brand names such as Nescafé, Maggi, Milkybar, Kit Kat, Bar-One, Milkmaid and Nestea; and in recent years the company has also introduced products of daily consumption and use such as Nestlé Milk, Nestlé Slim Milk, Nestlé Dahi and Nestlé Jeera Raita. Parle Agro is an Indian private ltd company founded in 1984 that owns Frooti, Appy, LMN, Hippo and Bailey. They are the largest Indian food and beverage company, with brands that have won the hearts of consumers everywhere, they are in almost every home across the length and breadth of India.

In 1959, operations started as Baroda Bottling Co for carbonated beverages. At Parle Agro, it's not just about the business. It's how they go about it. It's about the people. It's about the culture and ethics. It's also about sustainability and social responsibility. Their philosophy is built around their need to lead, their need to innovate, and their need to make the world a better place with a little contribution from us. Started in 1924 with the establishment of the MTR restaurant, MTR Foods today stands tall as an Indian heritage brand. A household name, MTR Foods has consolidated its market leadership in the south of the country and is all set for a strong pan-India presence, beginning with forays into the northern, western and eastern regions.

In February 2007, MTR Foods announced its official partnership with Nordic conglomerate Orkla. The Orkla global conglomerate comprises four business units: Orkla Foods Nordic, Orkla Brands Nordic, Orkla Food Ingredients and Orkla Brands International.

Post this joint venture (JV), MTR Foods has taken major steps to revitalise its brand appeal and establish its presence in the homes of modern consumers across India. With an all-new brand presence and a unique brand identity, MTR Foods seeks to own the instant food category in India, with Spices as a constant focus in the southern regions.

CONCLUSION

As of 2013, India ranks 5th in the world in terms of the value of food processing. The industry is expected to grow to ₹ 126,840 crore by 2016, growing at 13% each year since 2012. The expected growth rate is higher than the expected growth rate of the economy. The industry has really taken off in India and abroad as convenience is the most important factor for the consumers. Consumers are willing to pay more as their work habits and lifestyle changes. Moreover, increasing media penetration and awareness levels have increased the demand for 'quality food', 'nutritional food' and 'healthy eating habits'.

Many companies are investing in the product innovation and trying for newer technologies that can make the units more cost competitive, while offering a better product. The industry provides a win-win situation to all the people involved – consumers (in terms of better quality of food), producers (in terms of profit generation) and society (in terms of generating employment and providing adequate and nutritional food).

The industry is critical from the economic point of view and hence the government has its focus on the development of this industry. Moreover, it is supported by various climatic and geographic advantages that India enjoys. Under the right guidance, the industry can take India to the leadership position in the export of processed food products.

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