



THE INDIA FOOD REPORT 2018-19

A TERM REPORT ON THE WORLD'S
MOST EXCITING FOOD MARKET

Sizing > Sectors > Key Players >
Opportunities > Challenges > Future



सत्यमेव जयते



It is a matter of delight that India Food Forum is publishing The India Food Report 2018.

The prime mandate of our Ministry is consumer advocacy and promotion of basic consumer rights and our government is committed to uphold and protect the welfare of consumers. We aim to effectively protect the rights and legitimate interests of consumers and are committed to ensuring that the best possible services are extended to all consumers in the country, particularly rural consumers, women, and children.

While providing justice to consumers remains a priority for the Ministry, our Government's vision is to step further from Consumer Protection to Consumer Empowerment. Efforts are on to realise the goal of consumer empowerment through awareness and education. We also seek to enhance consumer protection through prevention of unfair trade practices; enable quality assurance and safety through standards and their conformity; and ensure access to an affordable and effective grievance redress mechanism.

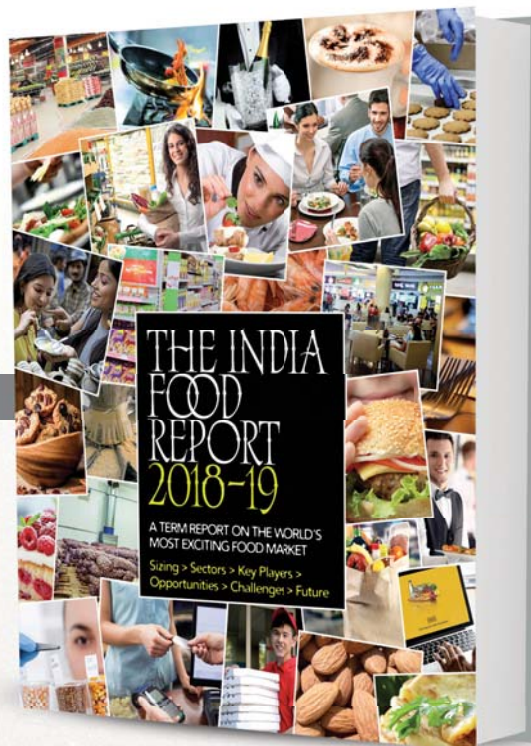
In the context of food sector especially, I am happy to share that the Surakshit Khadya Abhiyan, a pan-India campaign for safe food, aims to be a grass-root movement, which will benefit everyone, rural as well as urban population. The strength of the Surakshit Khadya Abhiyan involves key stakeholders as partners in order to strengthen the connect with consumers, street food operators and industry across the country. In today's complex and interdependent food supply chain, food safety is a shared responsibility of the farmers, the food industry, regulators as well as consumers.

I hope that this report will help inform and educate the consumers and will contribute to the industry knowledge.

I convey my best wishes to the team of the India Food Report 2018.

Ram Vilas Paswan
Minister for Consumer Affairs, Food and Public Distribution
Government of India

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INDIA'S **FOOD** SECTOR

– By IMAGES Research

India is emerging as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) & International Monetary Fund (IMF) and is expected to be one of the top three economic powers of the world over the next 10-15 years. India is also gaining respect as fastest-growing G20 economy. The demonetization move in November 2016 followed by the landmark Goods & Services Tax (GST) implementation in July 2017 and other measures to improve the ease of doing business provided the much required thrust on the economic front. The efforts were recognized by World Bank's Ease of Doing Business Ranking 2018, where for the first time ever, India jumped 30 ranks to become the top 100th country in terms of ease of doing business. In November 2017, Moody's Investor's Service raised India's sovereign rating from the lowest investment grade of 'Baa3' to 'Baa2' and changed the

outlook from 'stable' to 'positive' owing to the reforms initiated. The achievement is being seen as a much awaited enabler to attract investors in India across various sectors, food sector being one of them. For the period from April 2000 to June 2017, food sector had already contributed 3.48 per cent to total FDI equity inflows in dollar terms in the country.

It is imperative, while talking of the food sector, to mention the importance of Agriculture, which has been aiding the sector's growth since ages and without which there would have not been any food industry. The agriculture sector, besides raising the food basket for internal consumption, also provides the basis for foreign food trade and it earn foreign exchange for the country. It is due to the high output capacity of the nation's agriculture that today India ranks among top two countries in the world in terms of production of milk, pulses, rice, wheat, fruits, vegetables and

sugarcane. Additionally, India's performance on the world stage is getting a further boost in the production of livestock and fishing & aquaculture. Agriculture's share in the GDP was 17.5 per cent in 2015-16. During same year, crops' production contributed 60 per cent, livestock almost 26 per cent and fishing contributed more than 5 per cent in agriculture GVA. There have been efforts on financial, policy and marketing fronts to raise the performance of agriculture by the government. At the same time, there are challenges of increasing the productivity per hectare, reducing the workforce in agriculture and food wastage at the farm level, which need permanent solutions.

Agricultural output is also fuelling growth and expansion of food processing industry. India's USD 258 billion (2015) food processing industry is growing at a CAGR of 13.3 per cent and contributes 1.47 per cent to country's total GVA (2016). Employing 17.41 lakh people (2013-14) in



INDIA'S PRIMARY FOOD SECTOR - AGRICULTURE

– By IMAGES Research

The importance of agriculture can never be overstated. Agriculture and its allied sectors continue to contribute significantly to India's GDP, accounting for a sizeable share in the country's export, and supporting a large part of the population's livelihood, besides also being the source of raw material for a large number of industries.

Accelerating to a higher agriculture growth rate is critical for a variety of reasons – attaining food security, achieving an overall 8 per cent growth rate in GDP as envisaged in the 12th Five Year Plan and enhancing rural income, which is abysmally low at present. The agriculture sector employs nearly half of the workforce in the country. It provides employment to not only adult males but also to women of the households. Women work extensively in the production of major grains and millets, in land preparation, seed selection and seedling production, sowing, applying manure, weeding, transplanting, threshing, winnowing and harvesting.

Agro-economy

Indian agriculture has marked its presence at the global level. India is the world's largest producer of milk, pulses and the second-largest producer of rice, wheat, fruits, vegetables and sugarcane. The Agriculture sector contributes 17.5 per cent of the GDP (at current prices in 2015-16). Over the past few decades, manufacturing and services sectors have increasingly contributed to the growth of the economy, while the agriculture sector's contribution has decreased from more than 50 per cent of GDP in the 1950s to 13.9 per cent in 2016-17 (at constant prices) – a hallmark of a developing economy (Table I).



INDIA'S FOOD PROCESSING SECTOR

India, as a country, has progressed from scarcity to surplus in food during the past 8-10 years. The progress has resulted in an increased trade in the production of food commodities which, in turn, has paved the way for the food processing industry to grow and become profitable. Already, one of the largest food producers in the world, India is estimated to double its food production over the next 10 years. The increased production is expected to attract huge investment, not only in the form of capital, human resources and skill development, but also in processing technologies, equipment and financial areas. The fast rising food segments benefiting from this growth will be fruits & vegetables, fisheries, milk & milk products, meat & poultry, alcoholic beverages, soft drinks, packaged/convenience foods, health foods & supplements and grains. Experts also foresee an immense improvement in the areas of speciality processing, packaging, frozen food, refrigeration and thermo processing.

Industry Size and Construct

IBEF estimated the food processing industry in India at Rs. 16,51,200 crore (USD 258 billion[^]) in 2015. Growing at a CAGR of 13.3 per cent, the industry size will be Rs. 30,84,800 crore (USD 482 billion[^]) by 2020. The organised share of food processing sector is estimated at 25 per cent, dominated by the



DECODING FOOD SAFETY FOR INDIAN FBOS

– By Charu Khanna

As the Indian food industry caters to huge number of consumers in India as well as abroad, it becomes imperative for food business operators to ensure safety in their supply chains.

Food supply chains today are incredibly complex and often span the globe. For example, wheat flour produced in northern India is used in making burger buns in the western regions of the country, which are exported to be used in burgers in the Middle East and Africa.

Similarly, fish caught in the open seas is filleted in China, frozen and sent to cold stores in South Korea, from where it is sold and delivered to factories around the world.

This interlinked web of suppliers has evolved to make the best use of resources such as raw materials and labour. As a result, 21st century supply chains have evolved into worldwide inter-connected supply-and-demand networks with profound interdependencies, comprising vastly more complex





HOW INDIA'S BEVERAGE MARKET IS ENLARGING

– By Abhinav Biswas

With India's population skewed towards younger consumers, the majority of Indian consumption of food and beverages is driven by people between the ages of 18 and 40, which opens the opportunity for manufacturers to come with more varieties.

India, with its population of 1.2 billion, is one of the largest consumer markets in the world. It is also demographically one of the youngest with about 50% of its population below the age of 25 and about 65% below the age of 35. The majority of Indian consumption of food and beverages is driven by people between the ages of 18 and 40. The appetite of the young Indian population has been a key driver in industry growth. At the same time, it opens the opportunity for manufacturers to come with more varieties. Also, they have to keep in mind that India is a price-sensitive market and prices will always have an impact on what products consumer buy and how often they buy them. As such, there may be scope for manufacturers to offer beverages at multiple price points to ensure there is accessibility for the nation's wider audience.

The Indian food and grocery market is the world's sixth-largest, with retail contributing 70 per cent of the sales. The Indian food retail market is expected to reach INR 61 lakh crore (US\$ 915 billion) by 2020, according to a sectoral report by Indian Food Resourcing. Beverages have proved themselves to be smart movers and manufacturers are continually developing innovative marketing techniques to penetrate modern retail.

Carbonated Soft Drinks

Carbonated drinks are those drinks that bubble and fizz with dissolved carbon dioxide gas in it. Many people find the fizzy sensation to be pleasing and are fond of the slightly different taste that carbon dioxide provides. But health concerns by the consumers are leading the manufacturers to shape their corporate strategy, with diet and low-calorie varieties in the global market.

The industry has moved far beyond simply offering low or reduced-sugar versions of their brands, reformulating their products to include natural rather than artificial additives. The Prime Minister of India Narendra Modi has proposed that big players like Coca-Cola, Pepsi should add 2% of fruit content in the aerated drinks,

THE IMPACT OF INDUSTRY 4.0 IN FOOD SECTOR

– By Anand Ramanathan, Avinash Chandani, Sayani Banerjee and Poonam Bhutoria

The food industry in India is expected to witness a radical shift thanks to various factors – Government of India's drive to augment processing levels through Make in India campaign and Industry 4.0 playing a major role in elevating the manufacturing as well as supply chain landscape by usage of technologies, including Internet of Things (IoT), Blockchain, Predictive Analytics, among others.



Food is considered to be an inherent factor and a strong backbone of economic growth for any country. In India, the food industry is estimated to be USD 448 Bn in FY 16. This industry is growing at ~10% and contributes to 9-10% of manufacturing GDP in FY17¹. The diversity in Indian culture and changing needs of customers create further complexity in the food production and distribution system in the country.

A number of changes are shaping the Indian food landscape with disruptions in business models of companies, in terms of their interaction with consumers and responsiveness to their needs. While packaged food is the fastest growing segment posting a double digit growth yoy, currently only ~10% of agri-produce is being processed in India².

Government of India's drive to augment processing levels through Make in India campaign; and Industry 4.0 playing a major role in elevating the manufacturing as well as supply chain landscape by usage of technologies including Internet of Things (IoT), Blockchain, Predictive Analytics, the food industry in India is expected to witness a radical shift. The complete ecosystem is expected to evolve from being a linear model to a more complex dynamic chain with multiple inter-linkages enabled by technology interventions.

For the purpose of this article, we have focused on 3 key trends that are shaping up the food industry in India:-
1. Consumption Trends 2. Supply Trends 3. Regulatory Developments

¹ News articles, Industry Reports, Deloitte Analysis

² Ministry of Food Processing Industries Annual Report 2015-16



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SCOPE OF 'MAKE IN INDIA' IN THE FOOD SECTOR

– By O.P. Khanduja

Constant innovation and introduction of consumer-friendly products is the need of the hour. It should be welcomed by all FMCG manufacturers. Better quality products and international packaging is required to attract not only Indian but global consumers as well.



India has been importing about 180 products since the past 50 years. We have been importing some basic components connected to the power industry and telecom sector. We are launching satellites, but we do not manufacture SIM cards. If we concentrate on manufacturing at least a few of the products from the list of 180, things will change to a great deal. (News extract from *The Hindu*)

While running through some pages of extracts on the "Make in India" topic in services and technology, I realized that the situation is very much the same for the Food Sector. India, being self-sufficient in terms of crop produce of all vegetation and varieties, still imports some basic food items. The top 50 items being imported to India include edible vegetables at rank 17, sugar and sugar confectionery at rank 31, coffee and tea as well

UNLEASHING THE POTENTIAL OF INDIA'S FOOD DIVERSITY

– By Narendra Baheti

If pasta can become a multi-billion dollar industry globally, imagine that with the incredible number of foods that India produces, what huge potential there exists to make a number of these products globally popular and into a flourishing industry.



Since the time Columbus ventured into Indian shores, traders, emperors and enterprises have known the role India played and continues to play in the creation of cuisines. This journey started with Indian spices and we believe the diversity and discovery of Indian food has existed since generations.

No country on global map, perhaps, has the diversity that India has to offer in the making and shaping of





The changes in Indian consumer and economy are explicit and so is the impact of these changes on the food market. For retailers as well as brands, this means a great deal. Macroeconomic and attitudinal changes will drive food consumption trends, giving rise to significant business opportunities.

6

CONSUMPTION TRENDS

That will shape the future of Indian Food Industry

– By Baqar Naqvi and Willson Anand



Food has always been an integral part of our culture and each region of the country has its unique cuisine deeply rooted to its traditions, lifestyles, religions, climates and agricultural conditions. However, as we are witnessing, each new generation is ushering socio-economic and cultural changes and this is now reflecting in their overall behavior, including food habits. The shape, size and construct of food industry is thus changing. This evolution is further supported by continuous improvements in the food supply chain inclusive of product development, production, processing, distribution and marketing.



KEY TRENDS IMPACTING FOODSERVICE INDUSTRY

– By Saloni Nangia

An overview of key trends influencing the food services industry, internationally and in India, across the entire food services eco system – consumers, restaurants, kitchens, equipment, logistics, marketing and communication, digital presence and investments.

Food Services have emerged as a key segment in the Indian economy, with the size of the food services market (organized and unorganized) estimated at INR 3,37,500 crore in 2017 and projected to grow at a CAGR of 10 per cent over the next five years to reach INR 5,52,000 crore by 2022. For perspective, in terms of size, it is 1.6x of the Indian Railways, 8x of the hotel industry in India and about 23x of Bollywood industry. The unorganized segment, which are eateries not licensed by FSSAI like dhabas, street stalls, roadside vendors, food carts, etc., accounts for a 66 per cent share in the food services market and is projected to fall to 57 per cent in 2022 as many unorganized businesses continue to move towards the organized sector. The organized market (chain and organized standalone outlets) was estimated at INR 1,15,000 crore in 2017 and is projected to grow at a CAGR of 16 per cent, to reach INR 2,37,000 crore by 2022, gaining a share of 40 per cent from 31 per cent in 2017.

IDEAS, CONCEPTS & STRATEGIES CUSTOMISED FOR INDIA'S BOOMING CONSUMER INDUSTRY



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