



Food processing sector in India: Overview

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India is one of the world's largest producers as well as consumer of food products. Food sector is playing an important role in contributing to the development of country's economy. Food and food products are the largest consumption category in India, with a market size of USD 181 billion. Domestically, the spending on food and food products amounts to nearly 21% of the gross domestic product of the country and constitutes the largest portion of the Indian consumer spending with more than a 31% share of wallet. Going forward, the Indian domestic food market is expected to grow by nearly 40% of the current market size by 2015, to touch USD 258 billion by 2015. (FICCI-EY report, 2009)

Food processing industry in India is increasingly seen as a potential source for driving the rural economy as it brings about synergy between the consumer, industry and agriculture. A well-developed food processing industry is expected to increase farm gate prices, reduce wastages, ensure value addition, promote crop diversification, generate employment opportunities as well as export earnings which ultimately influence the socio-economic fabrics of the country.

In order to facilitate and exploit the growth potential of the sector, the government on its part, has initiated extensive reforms. Some of the key measures undertaken by the Government include: amendment of the Agriculture Produce Marketing Committee Act, rationalization of food laws, implementation of the National Horticulture Mission, intensive to food exporters, establishment of cold chain etc. The government has also outlined a plan to address the low scale of processing activity in the country by setting up the mega food parks, with integrated facilities for procurement, processing, storage and transport. To promote private sector activity and invite foreign investments in the sector, the Government allows 100% FDI in the food processing and cold chain infrastructure. The recent budget has announced several policy measures, especially for the cold chain infrastructure, to encourage private sector activity across the entire value chain.

However, despite of continual efforts and initiatives of the Government to provide the required stimulus to the sector, processing activity is still at a nascent stage in India with low penetration. At the same time, though India is a key producer of food products, having an adequate production base for inputs, productivity levels of some of the food products are very low in the country. While India remains a top producer of food, production yield levels are lowest amongst the BRIC countries. Also, the Indian export market, at USD 13.7 billion, has a share of only 1.4% of the world food trade.

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