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Performance of Food Processing Industries (FPI) in India

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Abstract

Food processing industries are a crucial component of the Indian economy's industrial sector. They play a pivotal role in ensuring food security, providing employment opportunities in both rural and urban areas, contributing significantly to the country's GDP, and generating significant export revenue. The performance of the food processing industry plays a crucial role in shaping the Indian economy. The objective of the study is to analyze the Gross Value Added, Revenue, and FDI of the food processing industry in India's current scenario. The study has been conducted using secondary information and measurable tools. According to the study, food processing industries have managed to maintain a similar level of performance in terms of Gross Value Added (GVA) and revenue generation. However, the growth value of exports and Foreign Direct Investment (FDI) inflow has shown a decline in performance during the post-COVID-19 period under review. Finally, the study suggested that the Indian government should make legislative policy and fiscal policies for assistance to improve the performance of food processing industries.

Keywords: COVID-19, Food Processing Industries, Export Value, FDI, GVA Indian Economy.

Introduction

Since ancient times, the food processing industry has been carried out by the people in India. Over a longer period salt, sun-drying and fermentation had been used by them. Nowadays, the same things are being done by the food processing industry with the help of advanced technology and better food preservative chemicals. Food processing can be classified into two primary and secondary products. The products that are prepared from the raw material after processing such as vegetables and fruits called as primary products. On the other hand, the products are processed from primary food products to obtain new food products like jam, butter sauces etc. The food process will be done to make new products by using the existing primary food products and also to enhance their shelf-life to stay fresh for longer.

In the food process, the new products can be done with the help of existing primary food products and also to enhance their shelf-life to maintain freshness for longer periods. Similarly, in the food processing industry where the food processing will be taking place. It can be either a larger-scale industry or a small-scale home-based industry. India is a country where more than 50% of its population has been involved in the agriculture sector. Thus, the food processing industries have to have surplus raw materials in India. Almost 313.85 million tonnes of total horticulture products India produced in the year 2018-19.

India easily processes raw products into processed food with the help of food processing industries. As the Indian agriculture sector is the major supplier to the Indian economy of the entire allied sector, the food processing industry is creating employment and also benefiting the economy of the country.

The food processing minister has made a report that the food processing industry is being contributed almost 12.8% to India's GDP in the year 2020-21. Furthermore, it is the next step in sustainable development as processed foods have been less likely to get rotten, thus reducing food wastage. As it has a longer shelf life, the processed food will be efficiently exported to different parts of the world. The Indian food processing sector plays an essential role in connecting Indian farmers to consumers in the international and domestic markets. To encourage investment, the ministry of food processing industries has been making vital efforts across the value chain. These employ approximately 1.93 million people and account for 12.38% of all registered factory sector employment. According to the NSSO 73rd Round report, 5.1 million workers are being supported employment in the unregistered food processing sector. In India, the food processing industry has been instituted in key sectors like grains, sugar, edible oils, beverages, dairy products etc.

Globally, India holds the number 1 rank in producing some of the major products such as mango, papaya, banana, milk, ginger guava etc. Further, the products like sugar, cashew nuts, potatoes, rice, wheat, etc. India has been producing as a mass producer in the global economy. Despite food products, it also produces a significant amount of coffee and tobacco every year. With the help of FPIs, India has been making processed spices that can easily be transported with a shelf life of more than a year. In a recent post, the spices are one of the most exported products in India. According to the data of IBEF (India Brand Equity Foundation), \$4 billion worth of spices is being exported in the financial year 2021 in India.

In the rural economy, it is providing a significant amount of resources at the same place along with cheap labour to establish the FPI. In this connection, the government of India has been issued a fund of Rs 2000 crore via NABARD to support the food

processing industries and food parked in rural areas in 2014 and 2015.

In addition, Indian farmers have been directly selling their crops to the industry for better output with the help of the food processing industries. Meanwhile, the demand for food items is significantly increasing with the increased population, the FPIs are required more to meet the demand. In this connection, The Government of India is making important efforts towards the improvement of FPIs. In this context, the paper is going to explore the performance of the Food Processing Industries (FPI) in India in the current scenario.

Objective and Methodology of the Study

Objective

- To examine the Gross Value added and Revenue of Food Processing Industries in the manufacturing sector.
- To assess the trend of Foreign Direct Investment In flows in Food Processing Industries.

Methodology

The study is based on subordinate data gathered from various reports such as the Ministry of Food Processing Industries (MoFPI) 2021, Ministry of Food Processing Industries (GoI)-Annual Report 2021-2022, Economic Time, and additional web sources. The study duration is from 2012 to 2022, and the accessible information has been handled and presented with appropriate tables and pi-charts.

Analysis and Clarification

Food Processing Industries (FPI)

Table-1 explores the Share of FPI in Manufacturing GVA (in percent) in India in terms of the pre and post-COVID-19 growth of FPI from the year 2012 to 2020.

Table 1 Share of FPI in Manufacturing GVA (inpercent)

Pre – Pandemic Period		
S.No	Years	% of Share
1	2012-13	8.7
2	2013-14	8.3
3	2014-15	8.0
4	2015-16	8.5

5	2016-17	8.7
6	2017-18	8.7
7	2018-19	10.0
Post - Pandemic-Period		
S.No	Years	% of Share
8	2019-20	9.9
9	2021-22	11.18

Source: Based on data received from the Ministry of Food Processing Industries (MoFPI) 2021.

The Share of Food Processing Industry in Manufacturing GVA was at an average of 8.7% per year during the pre-pandemic period and has increased to 9.9% per year during the Post-Pandemic period.

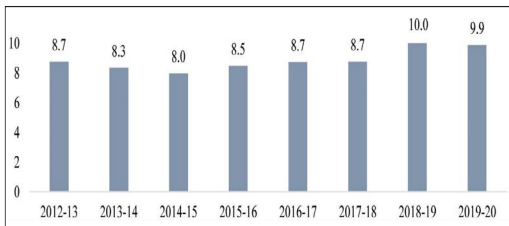


Figure 1 Share of FPI in Manufacturing GVA (in percent)

Source: Based on data received from the Ministry of Food Processing Industries (MoFPI).2021

Figure 1 indicates the share of FPI in manufacturing GVA (in per cent) between the years 2012 to 2020. Between the periods of study, the Share of FPI in Manufacturing GVA was below 10%. However, in the years 2018-19 and 2019-2020, the share of FPI in manufacturing GVA has received the highest GVA. In the post covid -19, the Share of FPI in Manufacturing GVA has been very low ranging from 10 to 9.9%. Remarkably, from 2012 to 2018, the Share of FPI in Manufacturing GVA was just 8% to 9 % during the period of study.

Food Manufacturing Enterprises And Its Revenue Contribution

Figure-2 bi-chart explores the food and beverage manufacturing enterprise in India (2016-2020). Chart-A reveals the total number of enterprises and total revenue and Chart- B shows the growth of exports in percentage

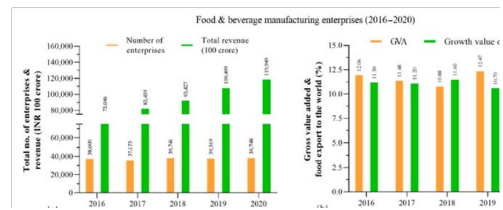


Figure -2 A indicates the food and beverage manufacturing enterprise in India between the years 2012 and 2020. From 2018 to 2020, India's total number of registered food and beverage manufacturing enterprises remained the same but there were slight changes in their numbers. However, there is a significant improvement in the total revenue generated from the food and beverage industry. It being changed from 75,046 (100 crore Indian Rupees (INR)) to 119,949 (100 crore INR), (1 USD = 72.45, 28 March 2021). Surprisingly, in the year 2016, the total revenue generated was almost 75,000 INR crore, compared to more than 100000 INR crore in the year 2020.

Figure 2B indicates the growth value of exports (in percent) between the years 2016 to 2020. During the periods, the growth value of exports remained almost consistent. However, the value of exports declined from 11.60% in 2018 to 10.70% in 2019 and again dropped to 8.90% in 2020. This is because of the impact of COVID-19 in the country. Remarkably, in the post covid-19 scenario, in the year 2020, the growth value of exports has gone below 8%.

FDI in the Food processing Sector

Table 2 FDI Inflows in the Food Processing Sector in India (in US\$)

Pre – Pandemic Period		
S.No	Years	In Million US \$
1	2014-15	515.9
2	2015-16	505.9
3	2016-17	727.2
4	2017-18	904.9
5	2018-19	628.2
Post - Pandemic-Period		
S.No	Years	In Million US \$
6	2019-20	904.7
7	2020-21	393.4
8	2021-22*	410.6

Source: Based on data received from the Ministry of Food Processing Industries (MoFPI).2021

Table 2 reveals that FDI inflows into the food processing sector were at an average of 565.42 million US\$ per year during the pre-pandemic period and have increased to 569.56 million US\$ per year during the Post-Pandemic period.

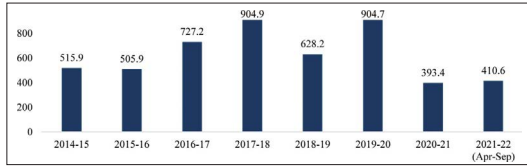


Figure 3 FDI Inflows in Food Processing Sector (in US \$ million)

Source: Based on data received from the Ministry of Food Processing Industries (MoFPI), 2021

Figure 3 indicates the FDI inflow in the food processing sector between 2014 and 2021. In years like 2014, 2015, 2020, and 2021, the FDI inflow was below 650 US \$ million. However, in the years 2016, 2017 and 2019, the food processing sector received more than 650 US \$ million in FDI inflow. Surprisingly, inflows have dropped to less than \$500 million in the post-COVID-19 period. This was the very lowest inflow during the period of study.

Food Processing Industries In The Post Covid-19 Scenario In India

By the year 2025-26, India's food processing output is going to reach \$535. It has sub-segments such as fruits and vegetables, poultry and meat processing, fisheries, food retail, dairy industry etc. It will become one of the largest sectors in the world. In the post-COVID-19 scenario 2020–21, total horticulture production is estimated to be a record 334.60 MT, which has an increase of about 14.13 MT (4.4%) over that achieved in 2019–20. India's global milk production is almost 23%. It will be growing at a CAGR of 6.2 % to reach 209.96 million tonnes in the years 2020–21. In the case of egg production at a global level, India ranks 3rd and produced at least 122.11 billion numbers in the year 2020–21 and the per capita availability of eggs was 91 eggs per annum in the same year.

Fish production increased 10.87 percent from 2014–15 to 145 lakh tonnes in FY 2020–21, India is the world's second-largest fish producer which accounts for 7.56 percent of global output. The

product, like sugar, in the year 2020-21, 70 LMT, has been exported. Furthermore, the contracts are being signed in the sugar season 2021-22 amounting to almost 30 LMT for export. In the case of Grocery retail in India, it has grown at a CAGR of more than 50% and is expected to reach USD 10 billion to USD 12 billion by 2025. However, Maine products countries like the United States, China, Japan, Vietnam, and Thailand, with nearly 74% share, and the items' value last fiscal year (March 2020-April, 2021) was USD 5.96 billion the top five export destinations. On the other hand for cereals, exports have increased from 102 MT in 2019-20 to 521 MT in 2020-21.

Meat production in India has increased from 6.69 million tonnes in the year 2014-15 to 8.80 million tonnes in the year 2020-21 and the country currently ranks 8th in meat production at the world level. During the last six years i.e. 2015-16 to 2020-21, the production of rice, wheat and nutri-cereals increased at compound annual growth rates (CAGR) of 2.7, 2.9 and 3.5% respectively. In the same period, the CAGR for pulses, oilseeds and cotton was produced 7.9, 6.1 and 2.8 % as well.

Government Initiatives To Improve The Food Processing Sector in India

There are major initiatives that have been taken by the government of India to enhance the food processing sector in India.

- **Leveraging Reforms:** to boost the growth in the food processing sector, the Indian government has allowed 100% FDP in food product marketing and various incentives for supply chain infrastructure by the central and state governments.
 - *In the 2017-18 Union Budget on Dairy Processing Infra Fund: worth Rs 8,000 crore (US\$ 1.2 billion) was allocated to dairy processing infra by the Government of India.*
 - *Relaxed FDI norms: The Government of India is allowing up to 100 per cent FDI through automatic route in food product e-commerce.*
 - *Plan Investment: The Food Safety and Standards Authority of India (FSSAI) has been allocated around Rs 482 crore as a planned investment (US\$ 72.3 million) in order to strengthen the food testing infrastructure, advance the 59 existing*

food testing laboratories, and start up almost 62 new mobile testing labs across India.

- *National Mission on Food Processing: The state government's scheme is being announced for Human Resource Development (HRD) by the Ministry of Food Processing Industries for the food processing sector as part of the National Mission on Food Processing. There are four components to this scheme: The creation of infrastructure facilities for degree/diploma courses in the food processing sector, The Entrepreneurship Development Programme (EDP), Food Processing Training Centres (FPTC) and Training at recognized institutions at the State/National level*

Union Budget 2022-23

In order to boost farmers' income, The Union budget allocation is largely supported in food processing sectors. The amount of almost 44 per cent to Rs 6,407.31 crore has been increased for the Ministry of Fisheries, Animal Husbandry and Dairying, and Food Processing Industries by the next fiscal to Rs 2,941.99 crore. To reduce the country's dependence on the import of edible oils in India, the government would implement a rational and comprehensive scheme with the vision of inclusive development and increase domestic oilseed production. Moreover, the government will be making some legislative and policy changes and also adopting suitable varieties of fruits and vegetables In order to promote agro forestry. In addition, through "Kisan Drones" the governance would be promoted for the crop assessment, digitisation of land records and spraying of insecticide.

The government will facilitate a fund with blended capital raised under the co-investment model through NABARD to start-ups for agriculture and rural enterprises relevant to the farm produce value chain. Moreover, the government will encourage chemical-free natural farming throughout the country with a focus on farmers' lands in five-kilometre-wide corridors along the river Ganga in the first stage. Also,

The government will initiate a public-private partnership (PPP) model with the association of public sector research and extension institutions along with private agri-tech players and stakeholders

in agri value chains to deliver digital and high-tech services to farmers. On the procurement of agri-crops, the government's procurement of wheat and paddy at the minimum support price (MSP) during 2021-22 will cover 1,208 lakh tonnes from 163 lakh farmers. The direct payment of MSP value to their accounts will be Rs 2.37 lakh crore.

By the year 2023, the government will be providing post harvest support to enhance domestic consumption of millet products internationally. For the coming fiscal, the government is being allocated an estimated budget of Rs 675000 crore for PM-KISAN, Rs 15500 crore for the crop insurance scheme, Rs 7,183 crore for the Krishonnati Yojana, Rs 10,433 crore for the Rashtriya Krishi Vikas Yojana (RKVY), and about Rs 1,500 crore for the Market Intervention Scheme-Price Support Scheme.

Findings of the Study

- The study indicated that the Share of FPI in Manufacturing GVA received the highest GVA in the years 2018-19 and 2019-2020 and also decreased from 10 to 9.9% the Share of FPI in Manufacturing GVA in the post-COVID-19. Remarkably, the Share of FPI in Manufacturing GVA was just 8% to 9% between 2012 & 2018.
- It shows that India's total number of registered food and beverage manufacturing enterprises remained the same but there were slight changes in their numbers from the year 2018 to 2020. Remarkably, the total revenue generated was almost 75,000 INR crore in the year 2016, as compared to more than 100,000 INR crore in the year 2020.
- The study reveals that during the periods of study, the growth value of exports remained almost consistent from 2016 to 2017. However, the value of exports dropped by 8.90% in 2020. Particularly in the post covid-19 scenario, the growth value of exports has gone below 8% in the year 2020.
- The study found that the food processing sector received more than 650 US \$ million FDI in the years 2016, 2017 and 2019. Surprisingly, after COVID-19, inflows dropped to less than USD 500million, the lowest level recorded during the study period.

Conclusion and Suggestions

Food processing industries have been playing a vital role in food security, employment in rural and urban areas, export values, and the GDP share of the country. There is no doubt that this sector's performance every year will influence the Indian economy's growth and development. This study uses secondary data to examine the Gross Value Added, Revenue, and FDI of Food Processing Industries in the manufacturing sector in recent years in India. It found that the Share of FPI in Manufacturing GVA was just 8% to 9 % between 2012 and 2018 and also received the highest GVA in the years 2018-19 and 2019-2020. Also, the study reveals that the total revenue generated was almost 75,000 INR crore in the year 2016 as compared to more than 100000 INR crore in the year 2020. Whereas, in the post covid-19 scenario, the growth value of exports has gone below 8% in the year 2020. Moreover, in the post covid -19, the FDI inflow has gone to less than 500 US \$ million. Therefore, the study reveals that food processing industries have maintained almost the same performance in GVA and revenue generation; whereas the growth value of export and FDI inflow have shown a decline in performance in the post covid-19 scenario. Hence, the Indian government needs to come out with effective legislative and fiscal policies for assistance in order to improve the performance of food processing industries. Only then, growth and development be sustained in the Indian economy.

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