

Globalisation, liberalisation, IT have created positive growth momentum

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Introduction

Economic globalisation, sustaining on the pretext of global integration of the production process, has radically improved the health of global economy. The policy-makers formulated strategies focussing on competitive advantage, cost-cutting, innovation in manufacturing, along with marketing, outsourcing, and sub-contracting which has shaped the economic landscape in a profound and indelible manner.

The trilogy of interactive forces including globalisation, trade liberalisation, and the information technology and communications revolution has not only created a positive growth momentum, but also intensified the cross border movement of goods, services, technologies, and capital leading to economic integration and interdependence of national, regional, and local economies across the globe. This global connectivity and economic linkage between different economies/countries have only been strengthened by FDI flows.

FDI is of enormous significance for promoting economic growth, raising a country's technological level, and creating new employment opportunities, especially, in developing countries, like India. It has undoubtedly opened new avenues for growth and stimulated the food processing sector.

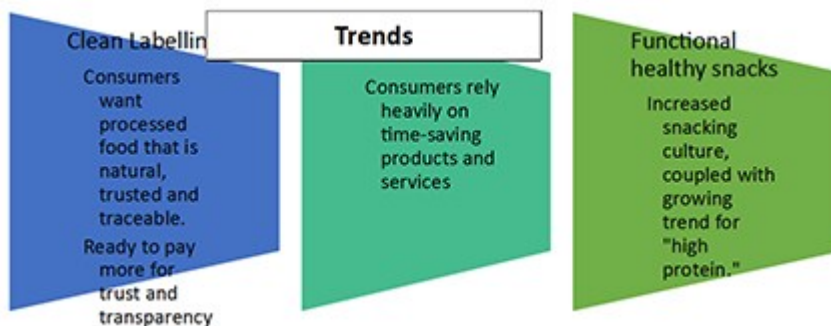
Indian Food Processing Industry

In the light of Indian food industry, the sector has emerged as the high-growth and high-profit sector owing to its immense potential for value-addition, specially, within the food processing category. The Indian food processing industry has become an attractive FDI destination including FDI inflows of US\$40 billion in 2017-2018. Between April 2000 and June 2017, India has attracted FDI inflow of US\$342.40 billion. Thanks to the Indian economic policies, which are designed to attract major capital inflows into the country on a sustained basis and allows technology sharing between the economies. Also, strong FDI inflow is complemented with the strengthening of the market forces such as demand and supply fundamentals including an abundance of raw material, cost-competitiveness, and policy support acting as supply side factors while product innovation, greater penetration of organised retail, rising export opportunities, and better preservation and packaging techniques support the demand.

Food processing units not only add value to the end-product but also increase the utility of end-consumers. Talking about the supply and value chain, food processing is one of the key value addition steps which further involve primary and secondary stages. In the primary stage, the product undergoes basic processing while the secondary stage includes value-added processing of food, wherein, the products undergo higher level of processing for its conversion to new, unique and modified products. This is estimated to account for 25-40% of the total processed food.

Indian food processing sector is a promising sector, which aims at waste reduction, value addition, crop diversification, and returns to farmers, creation of more jobs & employment opportunities and increase in export income. In India, this industry has a long way to go and is regarded as the sunrise sector and one of the priority sectors under the “Make in India” programme and it offers major opportunities to the companies, inviting the manufacturers to introduce their products and leverage gains from this high-volume industry.

The food processing sector in India encompasses five segments, including, dairy, fruits & vegetable processing, grain processing, meat & poultry processing, fisheries and consumer goods such as packaged goods, beverages, and packaged drinking water. In the food processing industrial map of India, carbonated drinks bottling, confectionery products, grain-milling and grain-milling products, meat & poultry processing, tomato paste, fast food, frozen food, RTE meals, food additives and food flavours are the most promising sub-sectors in the industry.



Game changer

In 1998, MoFPI was established to formulate and administrate rules and regulations related to food processing in India. Initially, MoFPI was solely responsible for regulations and to implement Fruit Products Order (FPO) but with the enactment of Food Safety and Standards Act, 2006, Food Safety and Standards Authority of India was executing the regulatory responsibilities. MoFPI has sanctioned 42 Mega Food Parks (MFPs) under the Mega Food Park Scheme announced during 11th & 12th Five Year Plan to augment the investments in the food processing industry. Also, in 2018, an MoU was signed between India’s MoFPI and Japan’s Ministry of Agriculture, Forestry and Fisheries with an aim to develop India’s food processing industry by involving relevant stakeholders such as local governments, private companies and others.

Earlier food processing was limited to food preservation, packaging, and transportation;

however, with the advancement of technology and favourable economic environment, the food processing sector expanded its scope. RTE meals, beverages, processed food and frozen category, seafood and meat products became the significant categories. The food processing sector was also extended to setting up of post-harvest infrastructure in form of cold storage facilities, food parks, packaging centres, value-added centres and irradiation facilities for processing of various food items.

Looking at the growth opportunities of this sector, new manufacturing firms are entering the food processing market to strengthen the industrial ecosystem as well as maintain India's status as a global export destination. Global companies are also investing across the entire value chain of food processing in India due to the large and diversified production base, nascent level of processing, conducive policies (including liberalised foreign investment rules), readymade infrastructure, changing consumer preferences and increasing expenditure level on food.

Inference

Innovation is the foremost growth mantra in the food processing industry and there is ample space for innovative ideas and establishing start-ups. Most of the industrial players are focussed to maintain a strong foothold in the market and designing strategies around increased productivity and cost reduction. Innovative and flexibly designed processing system is the right recipe for the manufacturers to keep a stride with the evolving trends in the food industry resulting from economic factors of utilisation and consumer spending.

Along with this, government's support in form of initiatives like Make in India, a forward-looking and simple FDI Policy, and Skill India, along with the country's higher rank on the Ease of Doing Business Index, have been instrumental in reviving growth. Various other factors such as the strong relationship with the suppliers, collaboration with the global retailers, expansion of distribution network, advertising backed by product quality and supportive logistics infrastructure will further augment the growth momentum. All this put together will perhaps create a growth platform for industrial players to function smoothly.

To leverage the growth opportunities, market players need to focus on product conformity with global standards and quality bars, logistics traceability and safety quality of packaging and delivery along with emphasising on technology integration, R&D and innovation.