

THE FOOD PROCESSING INDUSTRY IN INDIA

An Industry Presentation from *McG*
-A Demo pack of Select Slides-

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- Food Regulation & Control

The Indian Food Sector : Introduction

- India is one of the major food producers in the world
- The food and agricultural sector contribute to about 26 % of India's GDP
- India's position in terms of world ranking:
 - 1st in the production of Cereals, Milk & Livestock population
 - 2nd largest producer of fruits after Brazil
 - 2nd largest producer of vegetables in the world, next to China
 - 2nd largest producer of biscuits and bakery products after USA
 - 3rd largest producer of fish
 - Ranks amongst the top 5 in producing Rice, Wheat, Groundnuts, Tea, Coffee, Tobacco, Spices, Sugar & Oilseeds
- Total food grain production (2006 – 07) : 209.2 million tonnes

Processed Food Industry : India

- **An Overview**
- **Industry Structure**
- **Major Players & Products**
- **Export**
- **Investment Trends**

Processed Food Industry : An Overview

- **Food Processing in India is still in its nascent stage**
- **The first food processing unit in India was established in 1942**
- **The Indian processed food market is valued at Rs. 3,000 billion**
- **Processed food industry in India :**
 - **Ranks 5th in the country (in terms of production, consumption, export and expected growth)**
 - **Contributes 14 % to GDP**
 - **Accounts for 3.5 % of country's export**
 - **Offers employment to around 13-15 Million People**
 - **Has a growth rate of 7 - 8 %**

Fruits & Vegetables Processing (Mn. tonnes)

<u>Year</u>	<u>Installed Capacity</u>	<u>Production</u>
2001	2.1	1.0
2002	2.2	1.0
2003	2.2	1.0
2004	2.2	0.9
2005	2.2	0.9
2006	2.2	1.0

Fruits & Vegetables Processing - Introduction

- India is the world's 2nd largest producer of fruits & vegetables next to Brazil & China respectively
- India is 1st in Banana production of contributing 15 million tonnes & accounts for 1/3 rd (34 %) of the total fruit production in the country
- India stands 1st in the production of Cauliflower, 2nd in Onions and 3rd in the production of Cabbages
- Total cultivated area of fruits & vegetables is around 12 Mn. Hectare (i.e. 7% of total cultivation area)
- The country produces around 168 Mn. tonnes of fruits & vegetables p.a. & accounts for about 10 % of the global production in fruits & about 13 % of global production in vegetables
- Main fruits produced in India are Mango, Banana, Citrus, Guava & Apple ; these account for almost 75 – 80% of total fruit production
- Main vegetables produced in India are Potato, Brinjal, Tomato, Onion, Cabbage and Tapioca ; these account for 70% of total vegetable production

Processed Food : Fish, Meat & Poultry Products

Marine Products

**An Overview
Production
Processing Units
Export**

Meat Processing

**An Overview
Production
Consumption**

Aquaculture

**An Overview
Production**

Egg & Poultry

**An Overview
Egg Production
Poultry Meat : Production
Poultry Meat : Market Size
Export & Import**

Indian Marine Products : An Overview

- India is the 3rd largest producer of fish, 2nd largest producer of inland fish & ranks 16th in global marine product exports
- India has a coast line of about 8,118 km in nine states
- Contribution of marine products to India's GDP is around 1.5 % and 5 % to agricultural GDP
- Livestock and fishery sector contribute about 6.5% to GDP (5.4% from livestock, 1.1% from fishery)
- Within the agriculture sector, livestock contribute to 27 %
- Marine products include : Shrimp, Fin fish, Tuna, Cuttlefish, Squid, Octopus, Red Snapper, Ribbon Fish, Mackerel, Lobster & Cat Fish, prawns

Indian Marine Industry : Fish Production (Mn. tonnes)

<u>Year</u>	<u>Marine</u>	<u>Inland</u>	<u>Total</u>
1990-91	2.3	1.5	3.8
2000-01	2.8	2.8	5.6
2001-02	2.9	3.1	5.9
2002-03	3.0	3.2	6.2
2003-04	2.9	3.5	6.4
2004-05	2.8	3.5	6.3
2005-06	2.8	3.8	6.6

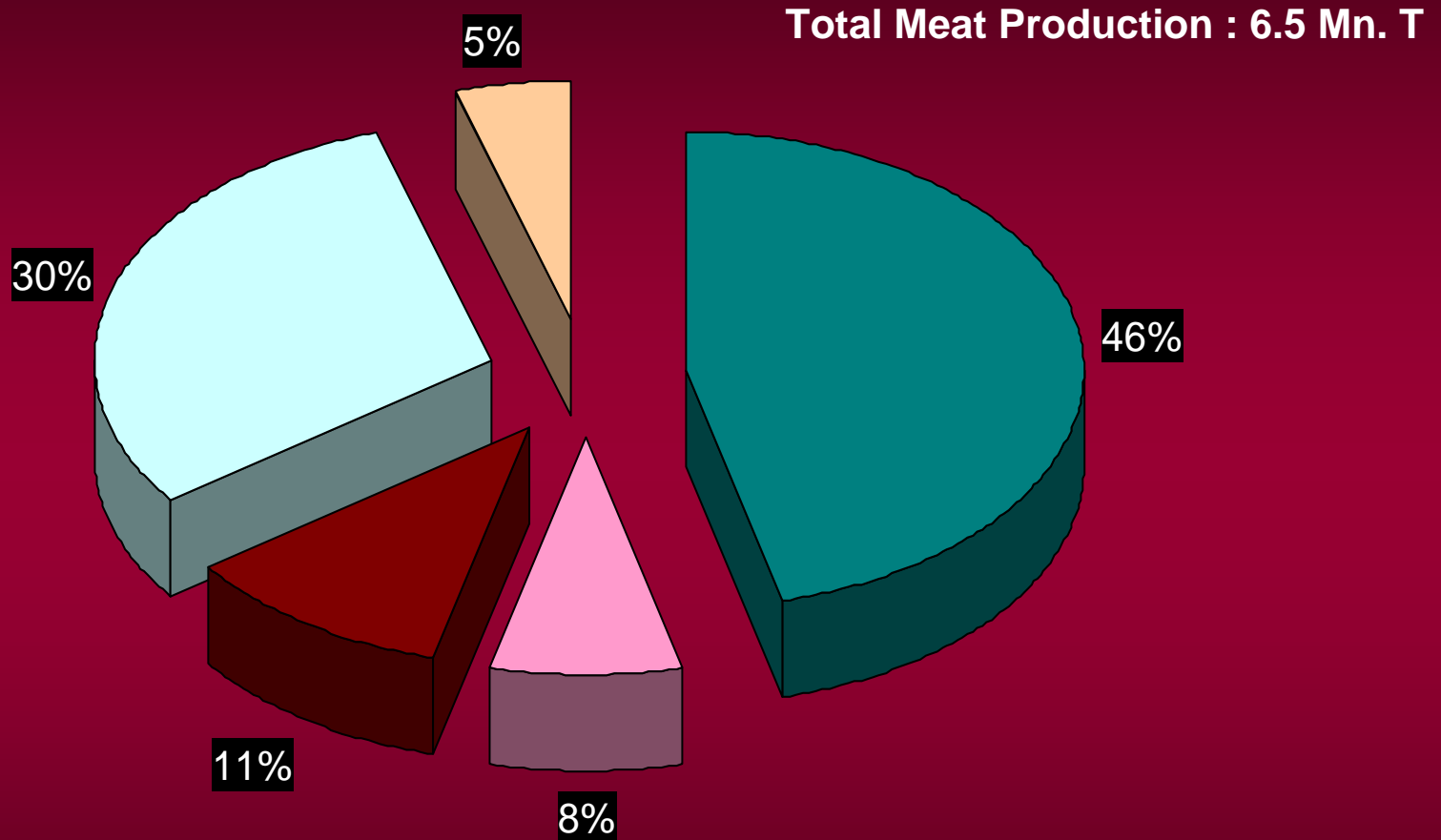
Sea Food Processing : Industry Structure

<u>Processing Units</u>	<u>Unit</u>	<u>Qty</u>
Process Plants	No.	473
Freezing Units	No.	372
Freezing Capacity	Tn. per Day	10,320
Cold Storages	No.	504

Marine Export : Major Players

- **Abad Fisheries, Kochi**
- **Accelerated Freeze Drying Co. Ltd., Kochi**
- **Adani Exports Ltd., Ahmedabad**
- **Allanasons Ltd., Mumbai**
- **Amalgam Foods Ltd., Kochi**
- **Baby Marine Exports, Calicut**
- **Baby Marine International, Kochi**
- **Castlerock Fisheries Ltd., Mumbai**
- **Falcon Marine Exports Ltd., Bhuvanesar**
- **Rubin Exports, Alleppey**
- **Ruby Marine Foods, Kochi**
- **Southern Seafood's Ltd., Chennai**

Meat Production : Share by Type (2006)



■ Bovine Meat ■ Pig Meat ■ Sheep & Goat Meat ■ Poultry Meat ■ Others

Eggs & Poultry Meat : An Overview

- India ranks 5th in the world in terms of egg production & is the part of Rs. 290 billion poultry sector
- Per capita availability of egg in the country is around 42 Nos. per head p. a. (2006-07)
- Poultry meat has been registering a CAGR 12% in the last 11 years
- Andhra Pradesh ranks first in egg & broiler production
- The four Southern States & Maharashtra together contribute to almost 60 % of the total egg production, in the country
- Per capita consumption of poultry meat :

USA	49.8 Kg. p.a.	U.K	28.4 Kg. p.a.
UAE	40.2 Kg. p.a.	France	26.0 Kg. p.a.
Canada	34.8 Kg. p.a.	China	9.7 Kg. pa.
Australia	32.4 Kg. pa.	India	1.7 Kg. p.a

Poultry Meat : Market Size

- Poultry sector in India is well organized & contributes to around 70 % of the total meat market
- India is the 9th largest producer of poultry meat in the world
- Around 90 % of poultry meat in India is consumed in the fresh form
- Western Hatcheries (part of the Venkateswara Group) were the first to set up a poultry processing unit in India (1986)
- Top 10 major players contribute for 95 % of total processed poultry meat market
- In 2005-06 2.3 Mn tonnes of poultry meat was produced
- In the overall market for poultry products, India was positioned 17 in world poultry production
- Average per capita poultry meat consumption in the year 2005 was 1.8 Kg
- Total poultry meat consumption in 2005 was 1900 million Kg

Milk & Dairy Products

- **An Overview, Industry Structure, Major Players & Products, Consumption Pattern, Market Size, Production**
- **Milk Powder & Condensed Milk**
- **Baby Food**
- **Malted Milk Food : Major Players & Market Share**
- **Ice Cream : Consumption, Major Players & Market Share, Recent Developments**
- **Milk Products : Export**

Milk & Dairy Products : Industry Structure

- **State co-operatives & privately owned Indian companies dominate the liquid milk sector**
- **India has around 110,000 village dairy co-operatives spread over 265 districts, 22 state level co-operative dairy federations, and 170 milk producer unions at the district level**
- **There are 275 plants and 83 milk product factories in the co-operative, public, and private sectors**
- **The organized sector processes in 370 milk plants & product factories and is growing at an average annual rate of 10-15 %**
- **Infant Milk Food, Milk Powder, Whitener, Condensed Milk, Malted Milk Food, Butter, Cheese, Ice Cream and Ghee are the major value added products from the Indian dairy sector**
- **Gujarat Cooperative Milk Marketing Federation Ltd. (Amul) and Nestle are the leading players in the value-added segment**

Milk & Dairy Products : Production Trends 2000 - 2006

Year	Milk (Mn. T)	MP & CM -----	MMF (000 T)	IMF -----
2000-01	80.6	146.9	116.9	66.0
2001-02	84.4	128.6	109.0	69.0
2002-03	86.2	155.1	108.7	72.0
2003-04	88.1	147.4	109.1	80.0
2004-05	92.5	147.0	97.5	86.0
2005-06	97.1	148.1	84.0	88.0

MP - Milk Powder ; MMF - Malted Milk Food ; CM - Condensed Milk ;
IMF – Infant Milk Food

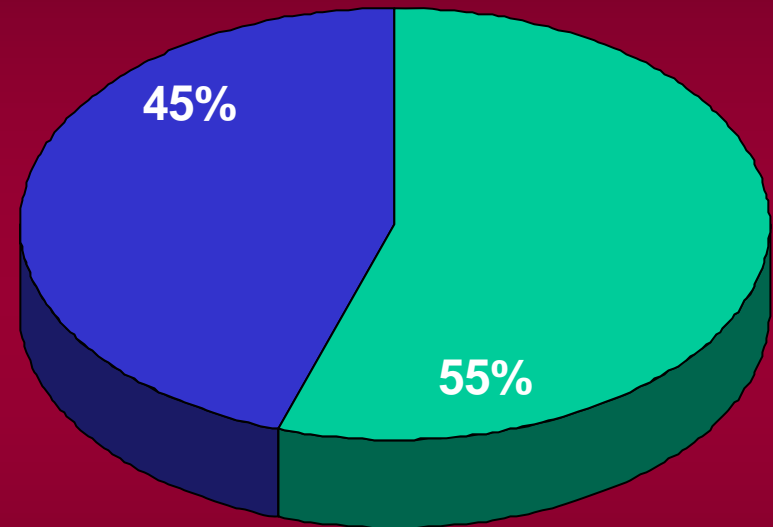
The Bakery Sector in India : An Overview

2005 - 06

- Bakery segment is the largest among the processed food markets in India
- The Indian Bakery market is valued at Rs. 118 billion
- Annual production of bakery products which includes bread, biscuits, pastries, cakes buns, rusk etc was estimated at 5 million tonnes (2005-06)
- In terms of sales volume, bread & biscuits account for 82 % of the total bakery market
- Organized sector holds 45 % of the market share while unorganized sector has 55 %
- North India is the biggest market for biscuits at 34 %, followed by the South at 30 %
- Per capita consumption of Bread 1.4 Kg. p. a.
Biscuits 1.5 Kg. p. a.

Bread : Industry Structure

- The unorganized sector accounts for 55% of the 2.9 Million tonnes bread market in India
- Regions show wide differences in consumption trends
- The south, especially the State of Kerala has the highest per capita consumption of bread in India



■ Unorganized ■ Organized

Biscuits : Popular Brands (Global)

<u>Rank</u>	<u>Country</u>	<u>Largest Selling Brand</u>
1	India	Parle - G
2	Italy	Mulino Bianco
3	USA	Control Brand
4	Australia	Arnott's
5	Mexico	Marias Gamesa
6	UK	McVities Chocolate
7	Sweden	Gote Borgkex
8	Central America	Nabisco
9	Sri Lanka	Munchee Tilairi Marie
10	Canada	Christie
11	China	Quingshi

Processed Food Industry : Chocolates & Confectionery

Industry Segmentation

Major Players & Brands

Chocolates

- An Overview, Major Players & Market Share, Major Brands

Confectionery

- An Overview, Market Size, Major Players & Market Share, Bubble Gum / Chewing Gum, Major Players & Recent Developments

Sugar Candies & Mouth Fresheners : Major Players & Brands

Chocolate Production Trends : Organized Sector (1999 - 2006)

<u>Year</u>	<u>Production (000 Tn.)</u>
1999-2000	24.5
2000-01	31.8
2001-02	26.4
2002-03	27.0
2003-04 *	30.0
2004-05 *	30.8
2005-06 *	31.2

* Estimates

Confectionery Market : An Overview

- **The Indian confectionery market is highly fragmented with a number of small players & a few large players & MNCs in the organized sector**
- **Confectionery sector includes hard - boiled sugar confectionery, toffees, eclairs, lollipops, fruit rolls & gums**
- **Total market (2005-06) : 168,000 tonnes ***
- **Annual per capita consumption of branded chocolates & confectionery in India is around 160 gms**
- **Nutrine is the market leader followed by Perfetti, Parle & others**

*** Including Gums**

Packaged / Convenience Food Industry : An Overview

- Packaged / Convenience Food comprises ready-to-eat & ready-to-cook food products
- The market for semi-processed/cooked and ready to eat foods is estimated to be around Rs 40 billion in 2005-06 & is growing by 20 % annually
- In the ready-to-eat segment, salted snacks is gaining popularity & is growing at 30 – 35 % p.a.
- The packaged food segment is highly fragmented with small players accounting for almost 75 % of the output in terms of volume & 50 % in terms of value
- The result of the food revolution that's been coming along is the new menu including everything from Punjabi *kadhi pakora* in a can to pure vegetarian navratan kormas in hi-tech retort pouches

Potato Wafers (Crisps): Market Trends

- **Leading players are now adopting attractive packaging and promotional techniques to increase consumption level and beat competition**
- **Snack items are fun eat products, brand loyalties are not strong and consumers look for novelty and new flavours**
- **Penetration is much larger in the northern region**
- **The products are marketed in small pack sizes, as lower unit price makes the product appear more affordable**

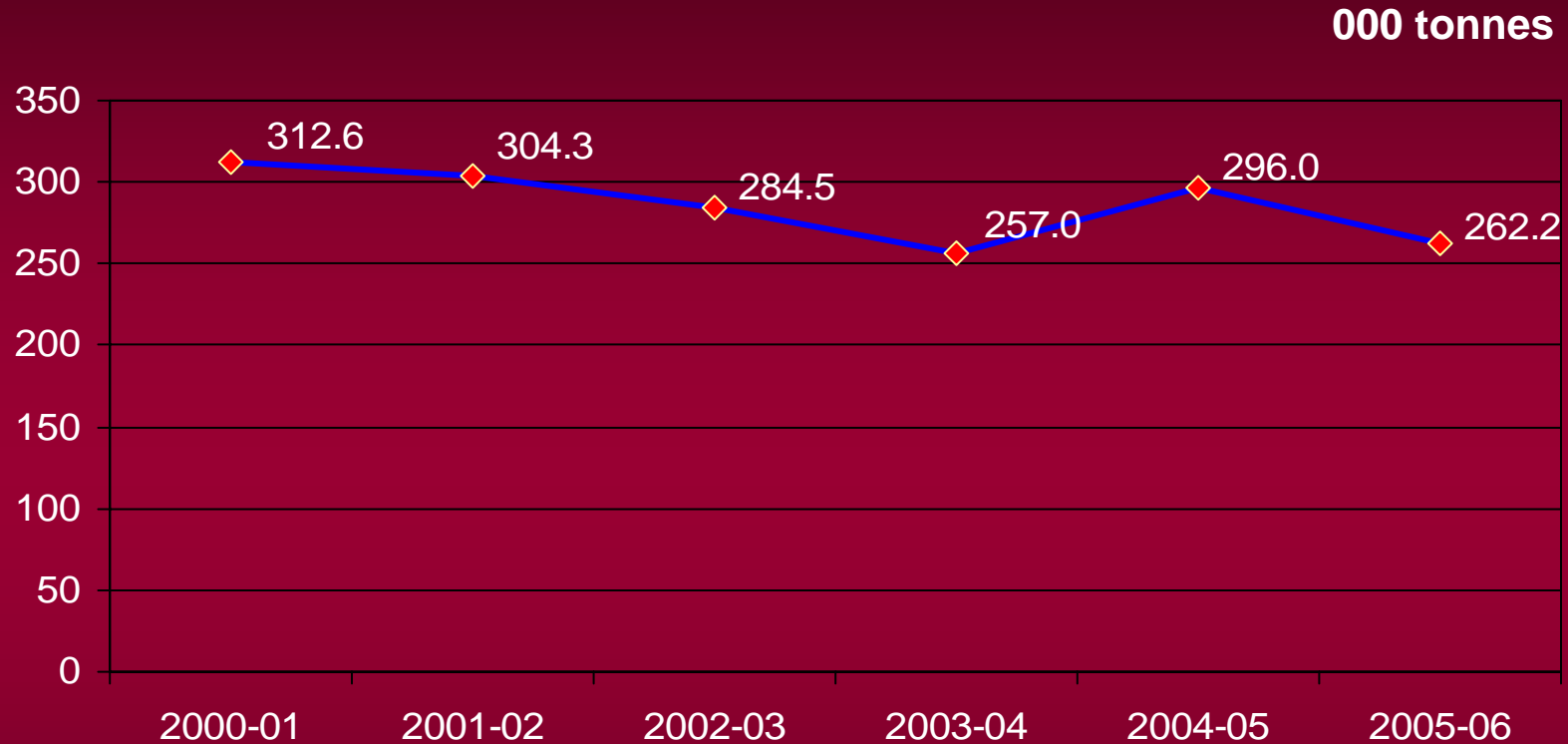
Foreign Liquor in India : An Overview

- Foreign liquor is bottled in India since 1993
- Scotch bottled in India (BIO) or other imported whisky comprises 120,000 – 130,000 cases
- BIO segment is growing at 12-14 %
- Some of the major brands imported & bottled in India are :
 - Spey Royal, Black & Red Label (Johnnie Walker)
 - Something Special, 100 Pipers & Passport (Seagram)
 - Teachers, Long John & Old Smuggler (Allied Domecq)
 - Black Dog, Black & White, VAT 69 (United Distilleries)
 - Bourbon Whisky (Jagatjit Industries with American Brown - Forman Beverages)

Tea Market : Industry Structure

- The first tea plantation in India commenced operations during the middle of the 19th century and currently, there are over 25,000 tea estates in the country
- Tea plantations in India are concentrated in the North-East (Upper Assam, West Bengal) & the South (Kerala, Tamil Nadu)
- The North-East accounts for 76 % of total tea production
- Its penetration in urban areas is around 90 % & in rural areas 75 %
- Traditionally the sale of tea dust / leaves in India has been in the loose form
- Currently, the share of packaged tea in the total tea market is at around 50 – 55 %
- The country leads in global R & D in tea industry & is the largest manufacturer & exporter of tea processing machinery
- There are currently 1000 brands in the market of which 90 % are represented by the regional players

Coffee : Trends in Production (2000- 2006)



Soft Drink Concentrates : Major Players & Brands

<u>Company</u>	<u>Brand</u>
Dr. Morepen Laboratories	C-Sip
HUL	Fruit Kick
Kraft Foods *	Tang
Pioma Industries Pvt. Ltd	Rasna

* Owned by Phillip Morris

Fruit Drink Industry : An Overview

- The organized fruit beverage market in India was valued at Rs. 12 billion (Includes nectars, drinks & juices) and is growing at 25 % p.a.
- Fruit juice & nectar occupy 23 % of the market
- Fruit drink sector dominates with 77 % of the market
- The per capita consumption of fruit juice in India is low at 200 ml.
- Broadly fruit drink market can be classified as :
 - Drinks : Fruit juice with pulp content less than 40 %
 - Nectars : Fruit juice with pulp content between 40-80 %
 - Fruit Juice : Juice with pulp content more than 80 %

Branded Water : An Overview

- **Production of branded mineral water stood around 100 Million cases during 2005-06**
- **Per capita consumption in India is 5 lts per year whereas globally it is 24 lts**
- **Annual consumption is 5 Billion lts**
- **This sector is growing at 25 % annually (CAGR)**
- **Various packaging sizes are available such as pouches, 500 ml, 1 ltr, 2 ltr, 5 ltr, etc**
- **This sector is divided into 3 segments: premium natural mineral water Natural mineral water and Packaged drinking water**
 - **Organized packaged water market was estimated at Rs. 12 billion**

Hindustan Unilever Ltd. (HUL)

- **Hindustan Unilever Ltd., a 51.6 % subsidiary of the Anglo-Dutch conglomerate Unilever Plc, is the largest FMCG company in the country, with a turnover of Rs. 121 Billion.**
- **The company's business extends from personal & household care products to foods, beverages, specialty chemicals & animal feeds**
- **The company has a dominant market share in most categories like - toilet soaps, detergents, skincare, hair care, color cosmetics, etc.**
- **HUL is also one of the leading player in food products such as branded tea, coffee, ice cream & other culinary products**
- **Personal & household products contribute to 76 % of turnover; beverages & food products contribute to 22 % of turnover**
- **HUL has sold most of its dairy products to Heinz & is presently concentrating on its ice cream brands - Kwality Walls, Baskin & Robin**

Britannia Industries Ltd. (BIL)

- Britannia is the largest bakery products manufacturer in India
- They are the market leader for biscuits with a market share of 39 % (by value) and 32 % (by volume)
- Owned jointly by Groupe Danone & the Nusli Wadia group, BIL was incorporated in 1918
- Turnover of the company is around 17 Billion
- BIL has a presence in biscuits, bread, cakes, snack food, flavoured milk, cheese & butter
- Biscuits contribute to around 90 % of the company's total turnover
- Britannia diversified into dairy products in 1997, under the Milkman umbrella; main products are cheese, dairy whitener & butter
- Britannia has newly formed a joint venture with the Fonterra group of New Zealand for its Dairy business
- Britannia recently acquired 50 % stake in daily bread