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Indian Food Industry - An Attraction for Multi-National Companies & Domestic Organization



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ABSTRACT

Attraction of any industry comes with the potential of Growth & profitability. Indian Food Industry has its importance with the similar reason of a very consumer potential due to population of more than \$1.3 Bn¹. Many Organizations have grown multifold in this country & set examples for others to follow the path. Giant Indian Organizations like Parle, Amul & MTR along with Multinational companies like HUL, Nestle & Cadbury's have phenomenally grown in Indian Markets. This article analyzes the data points & lightens the factual situation of the categories & segments of Potential of Indian Food Industry.



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INTRODUCTION

Indian food market weighed \$193 billion in 2016 and is expected to cross \$540 billion in 2020, growing with a CAGR of 12 percent². This forecast itself shows a huge growth opportunity in the Indian Food Industry. Entrepreneurs cannot ignore such an important country to operate for their Business Expansions. Many Domestic players have significantly expanded their businesses starting from scratch. Companies gradually launched their operations across the zones reaching PAN (Presence Across Nation) India. Organizing product portfolios according to the regional preferences, they grabbed share of major categories.

Fueling to this attraction Government initiatives worked as catalyst. Ministry of Food Processing Industries (MOFPI) is implementing PMKSY (Pradhan Mantri Kisan Sampada Yojana)³. These schemes promote growth of food processing sector by developing infrastructure in a holistic way. Backward integration for the Food Processing Industry is critical to drive the quality, innovation & overall yield of the Manufacturers & Traders. Ease of reach of products from Farm to Folk remains the key focus in all these events.

Apart from the above initiatives encouraging Foreign Direct Investment (FDI) for the Growth of this sector, was clearly factored. 100 percent FDI in food processing sector is allowed through automatic route. In 2016, the centre allowed 100 percent FDI through approval route for retail trading, including through e-commerce, in respect of food products manufactured and produced in India. Liberal government policies acts as a synergy for the Multinational companies to establish their operations here in India.

This Article includes elaborations on the overall potential of the Indian Food Industry, with inclusion of its components like Agriculture & Food Processing. This further subtitles to different categories of the products fall under this domain. Amalgamation of categories along with government policies deployed on the consumer base can define the potential of the market to validate the attractiveness of the industry.

Potential & Current Scenario:

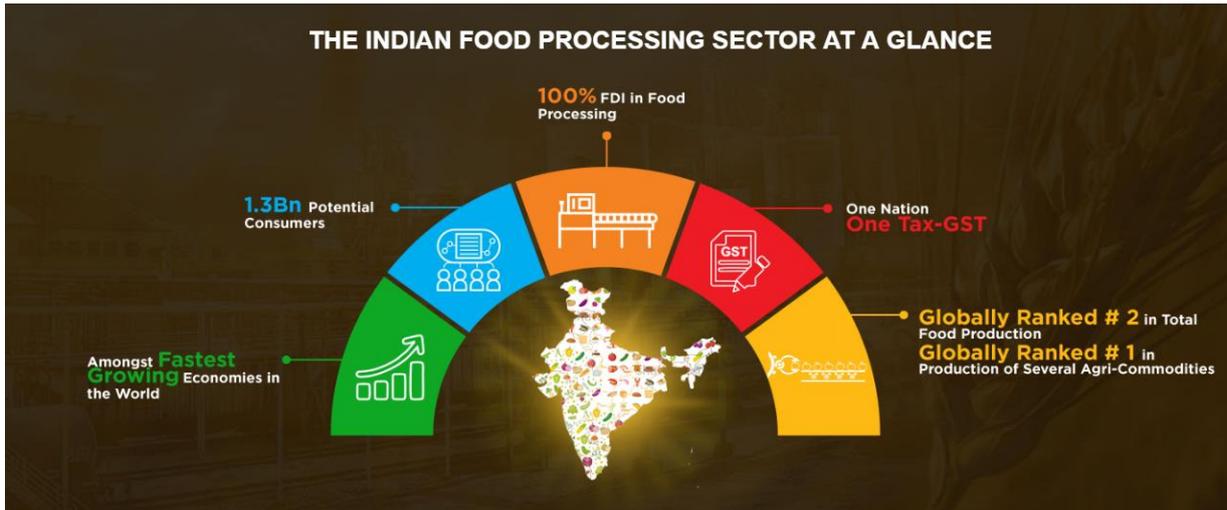
Indian food market was closed to \$193 billion in 2016 and is expected to cross \$540 billion in 2020, growing with a CAGR of 12 percent. With this huge growth potential, this industry becomes attractive for the Multi-National Companies (MNCs) & big domestic organizations to enter in. Subcomponents of the Food Industry are Agriculture & Food Processing.

The country's food processing sector has received investments of around \$11 billion out of the \$14 billion committed by domestic and foreign investors during the World Food Summit held in the national capital Region in 2017⁴. Pertaining to this scenario, Food processing is going to be one of the principal industries of India in future. The farm to fork chain is going to change in India, like elsewhere in the globe. This revolution is driven by increased agricultural production, better storage facilities, more food processing and changing consumer food preferences. The entire Indian agriculture value chain is set to change drastically.

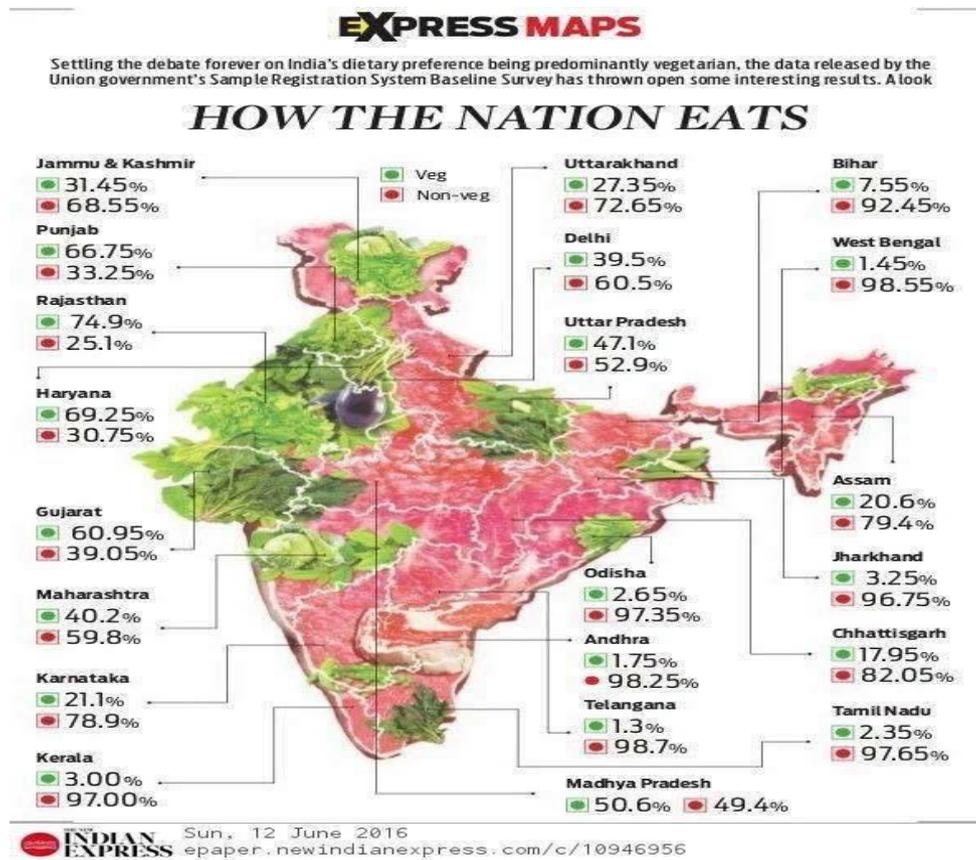
These variations can be validated by the significant change in the numbers of the facilities. There were only two mega food parks before 2015 and currently there are 22. Number of cold chains in raised to 135 from 37 before the said period. There were 5,000 farmers who were impacted by the food parks before 2015, now there are 53,000 farmers getting benefited post May' 17. The proposal for a Food Processing Bank is also under active consideration⁵.

The FDI in the food processing sector rose 24 percent in 2017-18 to USD 904.9 million, according to an official data. FDI inflow into the sector stood at USD 727.22 million during 2016-17 financial year. The sector attracted FDI worth USD 505.88 million and USD 515.86 million in 2015-16 and 2014-15 respectively⁶.

Government is equally encouraging foreign companies to come & invest in this Industry. At present, 100 percent FDI in food processing sector is allowed through automatic route. In 2016, the Centre allowed 100 per cent FDI through approval route for retail trading, including through e-commerce, in respect of food products manufactured and produced in India.



Regional Food Diversity & Company’s Strategies:



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India is diversified in terms of Food consumption habits, as seen in the above data. Hence, choosing segments is critical. Extreme preferences of Vegetarian & Non-vegetarian food make it tricky to choose the category of products. Andhra prefers to eat 98.7% Non-vegetarian Food, whereas, Rajasthan just have 25.1% of this population. To En-cash upon the

potential of this market, companies need to analyze this data. For choosing vegetarian food products, one need to be visible about the common preferences to launch across PAN India. To analyze this further we will deep dive in the segments of food processing industry. We also will study some examples of the companies functioning in the important segments.

Food processing industry in India can be segmented as follows:

1. Cereal/ pulse milling
2. Fruit & vegetable processing
3. Milk & milk products
4. Beverages like coffee, tea & cocoa
5. Fish, poultry, eggs & products
6. Meat & meat products
7. Aerated waters/soft drinks
8. Beer/alcoholic beverages
9. Bread, biscuits & other bakery products
10. Edible oil/fats
11. Confectioneries
12. Breakfast cereals, malt protein, weaning, extruded food products

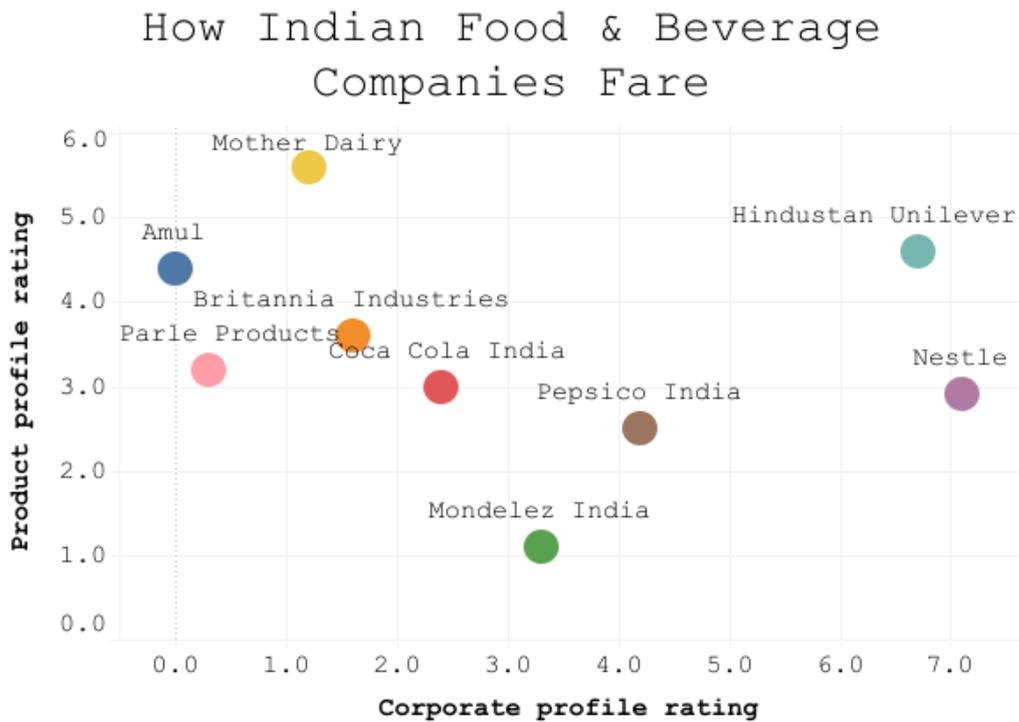


Top Food Companies of India:

Top Food Cos		
Companies	Sales (₹ Crore)	Growth (%)
Parle	8,300	3.1
Britannia	6,800	9.5
Mondelez	6,800	7.2
Nestle	6,500	1.5
ITC	6,200	12
Adani	5,000	14.1
Ruchi	4,400	15.7
HUL	3,900	4.1
GSK	3,400	6.8
Frito-Lay India	3,200	1.7

Parle products topped the charts among food companies in India during 2014-15, with sales exceeding Rs 8,300 crore, according to a recent Nielsen report sourced from industry executives. The 85-year old company, the market leader in the largest category of biscuits and owner of Parle G, India’s biggest food brand, had a 29% share in the biscuit’s category during the year with sales of over 5,000 crores. Britannia, India’s second-largest biscuit maker and chocolate giant Mondelez shared the second spot with revenues of 6,800 crore⁸.

Choosing products, markets & marketing strategies play a vital role in the success of the organizations. Maintaining balance between product profile rating & corporate profile rating is a challenge for even the top Industry Players. The products of Delhi’s Mother Dairy were ranked the healthiest of the nine companies assessed, while those of Hindustan Unilever and Britannia were ranked second and third, according to the Access to Nutrition Index⁹.



Data- Indian Food & Beverages companies		
Brands	Corporate profile	Product profile
Amul	0	4.4
Britannia Industries	1.6	3.6
Coca Cola India	2.4	3
Hindustan Unilever	6.7	4.6
Mondelez India	3.3	1.1
Mother Dairy	1.2	5.6
Nestle	7.1	2.9
Parle Products	0.3	3.2
Pepsico India	4.2	2.5

Picking up data of dairy segment, this industry in India is an attractive segment with \$146 BN potential¹⁰, about 82% of which is unorganized. Companies like Gujarat Cooperative Milk Marketing Federation Ltd (Amul India), Mother Dairy Fruit & Vegetable Pvt Ltd, Karnataka Co-operative Milk Producers Federation Ltd (Nandini) & Parag Milk Foods Ltd have remarkably established their growth & ranked among top players¹¹. On the other hand, global dairy giants such as Fonterra or Danone are finding impossible to ignore. The irony, however, is that these dairy companies have struggled to get their recipe right in India. Danone (dairy arm) burnt its fingers and exited the Indian market in early 2018, while Fonterra, which had partnered with Britannia exited the country in 2007¹².

CONCLUSION

Indian food industry is an attraction for domestic & multi-national companies. However, to unleash the real potential of this industry, understanding the diversity of the population is extremely essential. Choosing the product segment aligned with the zonal preference pattern is critical to be successful in Indian market. With the strategic approach based on these parameters, top food companies, have tasted success in this industry. Hence, these are the time tested tools for entering this highly potential Indian food industry.

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