Export Performance of Processed Food in India – Government Initiatives

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Abstract

With India's food production transitioning from scarcity to surplus, the opportunities for increasing food processing levels are limitless. In recent years, India's food processing sector has been known for its high growth and profit margins, with the country's contribution to global food trade increasing year after year. Currently, less than 10% of India's agricultural output is processed, presenting enormous opportunities for increasing processing levels and attracting investment in this sector.To boost the export of processed food industry, the Government of India has taken several measures.As part of the policy support, to encourage investment, food processing units and supporting infrastructure are given attractive tax breaks, such as a reduction in the Goods and Services Tax (GST).

Keywords: Food processing Sector, Export Performance, Government Initiative

Introduction

India has gone a long way since its independence from a food shortage to a food surplus country. The country has become a leading exporter of fresh and processed food products thanks to its various agro-climatic conditions and the vast production base for cereals, pulses, olives, fruit, vegetables, dairy, poultry and meat products. India is currently one of the major producers of milk, rice, fruits and vegetables such as mangoes and eggplants. Because of these benefits, India is now exporting food products and processed goods to a variety of developing and developed countries including the US, the EU, Vietnam and the Middle East. In this sector India has a positive balance of trade, which contributes significantly to India's trade profits.

The Indian foodstuffs industry is set to grow tremendously, with annually increasing contribution to global food trade. The food sector in India is a high-growth and high-profit industry, especially in the food processing industry, thanks to its enormous value addition potential.The Indian government has played a significant role in the growth and development of the food processing industry, which accounts for approximately 32% of the country's total food market. The government is doing everything it can to encourage business investment through the Ministry of Food Processing Industries (MoFPI). It has approved joint venture (JV), foreign collaboration, and industrial partnership proposals.

As a result, there is a high potential for job creation in this industry. The Indian government has identified the food processing sector as a high priority industry, and it is currently being promoted through various tax breaks and incentives.

In light of this history, this study attempts to investigate India's food processing sector's overall scenario and export growth trend and identifies policy action taken by the Government of India to address the issues affecting this industry.

Statement of the Problem

India's significant production strength, combined with low levels of current processing, presents enormous opportunities for growth in the food processing industry. India is the world's second largest producer of fruits and vegetables; however, processing levels in F&V are currently at a low of 2%. As a result, there is a significant opportunity to capitalize on the potential of processed fruits and vegetables in the form of frozen (IQF), canned, pulp, puree, paste, sauces, snacks, dressings, flakes, dices, dehydration, pickles, juices, slices, chips, jams, jelly, and so on.

In India, the processing level of marine food is currently at 23%. As a result, there is a significant opportunity for marine processing players. Fish is mostly processed into canned and frozen forms for export. Furthermore, there is an increase in demand for processed and ready-to-eat marine products in both the domestic and international markets.

In India, poultry is a highly vertically integrated industry that rivals the efficiency levels of many Western countries. However, current poultry processing levels are 6%, while meat processing levels are 21%. This presents a significant opportunity for the segment to grow.

India's dairy industry is relatively advanced, with a current processing level of 35%. However, the scope remains significant. In 2017-18, per capita milk availability in India reached 375 grammes per day, which is higher than the global average of around 294.2 grammes per day. As a result, opportunities for value-added products such as ghee, flavoured yoghurt, butter (with variants), flavoured milk, cheese, etc. are plentiful.

Hence, it is important to investigate the overall scenario and export growth trend of India's food processing sector and the factors causing this trend.

Objectives

- To investigate the overall scenario and export growth trend of India's food processing sector
- To addresses the policy measures taken by the Government of India to tackle problems that affect this sector

Review of Literature

According to Athukorala et al. (2002), developed countries are better positioned for food processing sector export prospects than developing countries because they have better processing technologies, packaging facilities, and so on. According to Athukorala and Jayasuriya (2003), the impact of food safety standards on processed food exports in developing countries is still inconclusive due to some infrastructural deficiencies.

According to Mehta and George (2003), processed food exports can be a viable instrument for sustaining and improving social welfare in developing countries if all trading partners work together to make the trinity of science, safety, and food product trade blend into a

harmonious unity. Wilkinson (2004) discovered that transformations in developing countries' food processing sectors are increasingly viewed as strategic in terms of export earnings, domestic industry restructuring, and dietary issues.

According to Chenggapa et al. (2005) and Mukherjee & Patel (2005), while Indian consumers have historically preferred fresh and unprocessed food over processed and packaged food, recent changes in consumption patterns, particularly among middle and upper income groups, indicate that the country's processed food segments have plenty of room to grow.

According to Goyal and Singh (2007), rising income, increased urbanisation, changing lifestyles, greater willingness to experiment with new products, an increase in the number of working women, and other factors have resulted in a significant increase in consumption of processed food products.

According to Dharni and Sharma (2008), the food processing industry is an important link between agriculture and industry. The non-parametric DEA approach is used in this study to compute the Malmquist Total Factor Productivity (TFP) change.

Shinoj P et al. (2008) investigated India's comparative advantage in agricultural export relative to Asia in the post-reform era. Ten major agricultural commodity groups are studied from 1991 to 2004. India has been able to maintain its comparative advantage in commodities such as cashew and oil meals, but tea, coffee, spices, and marine products have suffered.

Banerjee (2008) has provided a road map for the future of the tea industry in India. The demand is limitless, and the supply is decreasing proportionally. As a result, greater emphasis will be placed on production, which will also boost exports.

Jongwanich (2009) found that food safety standards imposed by developed countries have a negative impact on processed food exports from developing countries in an inter-country econometric study of processed food exports.

Discussion

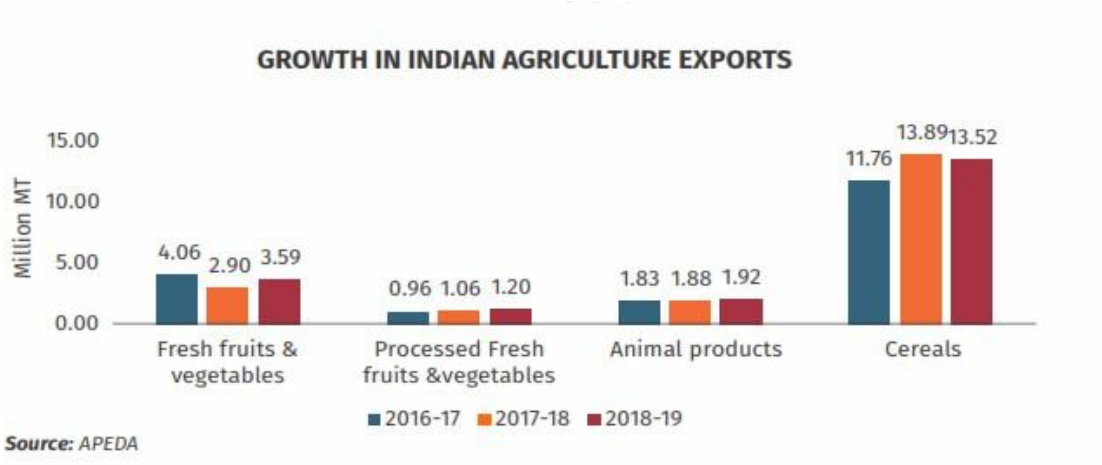
India's agricultural and processed food exports totaled USD 38.49 billion in 2018-19. The top five exported commodities during the period were marine products (USD 6.80 billion), basmati rice (USD 4.71 billion), buffalo meat (USD 3.59 billion), spices (USD 3.31 billion), and non-basmati rice (USD 3.00 billion).

Indian agricultural/horticultural and processed foods are exported to over 100 countries/regions, with the Middle East, Southeast Asia, SAARC countries, the EU, and the US being the most important. However, India's total agriculture export basket accounts for slightly more than 2% of global agriculture trade, and agricultural exports contribute as little as 2% of India's GDP.

The majority of Indian exports are low-value, raw or semi-processed goods sold in bulk and processed in other countries, indicating the potential to move up the value chain. The share of high-value and value-added-agro produce in India's agricultural export basket is less than 15%, compared to 25% in the US and 49% in China. This is despite India's geographical

location, which provides it with a distinct advantage in terms of exports, with convenient connectivity to Europe, the Middle East, and Africa from the western coast, as well as Japan, Singapore, Thailand, Malaysia, and Korea.

Furthermore, India is unable to export its vast horticultural produce due to a lack of quality uniformity, standardization, and the inability to reduce losses throughout the value chain.



To boost the export of processed food industry, the Government of India has taken several measures. Several initiatives have been launched with the goal of promoting investments, innovation, and the sharing of best practices, with the overall goal of positioning India as the world's "Food Basket." This vision is consistent with the government's 'Make in India' initiative. The food processing industry has been designated as a "high priority" by the Indian government. The Ministry of Food Processing Industries (MOFPI) has been established as a nodal agency for the formulation and implementation of food processing industry policies and plans.

As a policy measure, Government of India allowed FDI in food processing industry as follows:

- Under the automatic route, 100 percent FDI is permitted in food processing industries.
- 100% FDI is permitted in food product manufacturing and trading (including through e-commerce) for food products manufactured and/or processed in India.

The overall goal is to increase FDI in the food processing industry, which will provide significant opportunities for the sector through increased opportunities for technology transfer, backend integration, and expansion of the food processing industry, as well as increased employment through the establishment of more food processing units.

In tandem with policies that support the food processing sector, several progressive marketing reforms and schemes for agricultural products have been launched, allowing for better sourcing opportunities for food processing industries.

- The Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act 2017, for example, allows for clauses such as allowing single licences for traders and de-listing perishables from the scope of the APMCs, both of which will be significant enablers for better food processing sourcing. However, the Act's adoption by states must be expedited.
- In 2016, the electronic National Agriculture Market (e-NAM) portal was launched with the goal of creating a unified agriculture market. The portal currently connects 585 mandis in 16 states and two UTs, forming the world's largest integrated virtual agriculture market.

Apart from marketing reforms and schemes, GoI has taken several measures to improve infrastructure required for the development of food processing industry. An umbrella scheme, Pradhan MantriKisan SAMPADA Yojana (Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters), has been launched with an allocation of Rs. 6,000 crores for the period 2016-20 to augment private investment in the food processing sector.

The existing MoFPI schemes have been merged into PM-SAMPADA, and the emphasis is on the development of modern infrastructure with efficient supply chain management from farm gate to retail outlet. In the long run, the scheme aims to provide better returns to farmers, create job opportunities, reduce agricultural waste, increase processing, and boost exports of processed foods. The PM Kisan SAMPADA Yojana is expected to leverage Rs. 31,400 crores in investment for the handling of 334 lakh MT Agro-produce valued at Rs. 1,04,125 crores, benefiting 20 lakh farmers and generating 5,30,500 direct/indirect jobs in the country.

As part of the policy support, to encourage investment, food processing units and supporting infrastructure are given attractive tax breaks, such as a reduction in the Goods and Services Tax (GST). As a result, the cost of producing processed items is expected to fall.

In parallel with reducing GST, the Government of India offered an income tax break in the form of a 100% deduction of profits and gains derived from such industrial undertaking for five assessment years beginning with the first assessment year, followed by a 25% (or 30% if the assessee is a company) deduction of profits and gains derived from the operation of such industrial undertaking.

Furthermore, the food processing sector receives priority Sector Lending to facilitate easy access to finance. The National Bank for Agriculture and Rural Development (NABARD) has established a special fund of Rs.2000 crore to provide credit at low interest rates to the food processing sector.

Conclusion

India's high agricultural and allied production levels, combined with low processing rates, represent enormous untapped opportunities for all players in the food processing industry. With the support of progressive policies, fiscal incentives, and an enabling regulatory environment, the export of processed food products will increase as consumer preferences shift toward

convenience foods. Today's consumers are more concerned than ever before about making responsible food choices.

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