Performance of the Indian Food Processing Industry in the International Market

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Abstract
Food processing is one of the world’s largest industries in terms of the total number of firms involved and the economic value of this sector. This industry can produce high value-added products that increase an industry’s revenue and the overall growth rate of the nation’s Gross Domestic Product. It is one of India’s; largest and sunrise sectors and holds the fifth rank in production. The food processing industry plays a vital role in distributing agro-based processed food products to the people in India and abroad for consumption. This paper analyses the performance of the Indian food processing sector in the global market. It examines the value of the imports and exports of processed food, India’s trade Growth Rate of processed food, and the Compound Annual Growth Rate of Imports and Exports value of processed food products. It also discussed the challenges faced by this sector.

Keywords: Annual Growth Rate, Compound Annual Growth Rate, Food Processing Industry, External Trade, International Market, Processed Food.

Introduction
Industrialization provides a wide range of consumer goods, encouraging agriculturists to increase farm produce. In turn, this tends to raise their incomes to buy consumer goods. Thus, both agriculture and industrial development had intended to affect the growth of the other. Therefore, the harmonious development of both sectors is necessary for the economy’s steady growth. Because of this, the interdependency of agriculture and industry are complementary and not competitive. Industrialization favorably affects agricultural development and rapidly increases income and demand for agricultural commodities. In turn, it raises employment opportunities for the people. Food processing converts raw food ingredients into food ready for consumption by human beings. Processed food with fewer additives and fresh, natural components are not harmful. Still, it is always important to know what is happening because it is a multi-billion business globally, and many people want to earn money at the cost of the consumers. Hence, the food processing industry is one such industry that could produce several food products which will be able to distribute in different markets.

This sector’s output will reach $535 billion by 2025-26. The ministry of Government of India invites investment in the value-added products of this sector.
The food processing industry shares 12.38 percent (at 3-digit of NIC classification) in the employment generated in all Registered Factory sectors engaging approximately 1.93 Mn people. India’s food sector attracted $ 4.18 Bn in foreign direct investment between April 2014 and March 2020. The food processing sector has been growing at an Average Annual Growth Rate (AAGR) of around 8.41% between 2014 and 2018. The overview of the Indian food processing sector constitutes 8.83% and 10.66% of gross value added in manufacturing and agriculture, respectively. The industry contributes 13 percent of India’s total exports and 6 percent of the total industrial investment in the country.

Objectives

• To find out the trade performance of the Indian Food Processing Industry.
• To assess the Growth Rate of Import and Export of processed food in India.
• To analyze the Growth Rate of Processed Food Products in India.

Methodology

This study used secondary data and the data collected from various Government official websites like Agricultural and Processed Food Products Export Development Authority, Ministry of Food Processing Industries, Department of Industrial Policy and Promotion, Annual Survey of Industry, and other sources such as online journals, magazine, E-newspapers and research articles from the year 2011-2012 to 2020-2021.

To find out the trade performance of the Indian food processing industry in the international market. The value of imports and exports of processed food products were collected and calculated, and the rate of Imports and Exports of processed food products was analyzed using the growth rate from 2011 to 2021. The Compound Annual Growth Rate was used to analyze the value of India’s imports and exports of processed food products for the period 2000-01 to 2011-12.

Review of Literature

Kakali Majumdar (2013) mentioned that an effective supply chain needs development for the sector’s sustainable growth. Brand-building and technological up-gradation needs for an industrial expansion. There should be quality management, firm adherence to export commitments, and the acquisition of appropriate negotiation skills.

Mehta and George (2003) suggested that processed food product exports area viable instrument to sustain and enhance social welfare. The trading partners work towards making the trinity of science, safety, and trade of food products blend to form a harmonious unity.

Results and Discussions

The terms of trade activity of the Indian Food Processing Industry are analyzed. India exports agriculture and processed food products to many nations in the world, and likewise, it also imports some other commodities from different parts of the world. This chapter explains how much value these industrial products have been exported and imported by India. It also analyses whether the sector’s external trade has a positive or negative growth rate.

Source: DGCIS

Figure 1 represents the external trade values of imports and exports of processed food in India from 2011-12 to 2020-21. During this period, the export value of processed foods is higher than the import. Despite Covid, agricultural exports boomed in 2020-21. During this period, non-basmati rice got heavy demand in the international market, and this has been exported and earned high foreign exchange than the basmati rice. The export earnings from the value-added processed food products are more significant than the primary processed agricultural commodities. The main processed food products exported by India are fruits and vegetables, cereals and pulses, and alcoholic beverages. European
Union imports a more considerable amount of food products into the international market. It imports agricultural products such as fruits and vegetables, fish products, and spices from India. In the year 2020-21, the import value of processed food by India was Rs.40,901 crore, which was stable compared to the previous year’s imported rate. India imports from the USA, Nepal, China, Indonesia, France, Singapore, Brazil, Bangladesh, and UAE. The chief importers from India are Consumers, Retailers, and the Hotel industry. The Government of India allows foreign investors to make 100 percent investment in food processing industries, which does not need prior approval from the Government, which will encourage the sector to perform well in the year to come.

**Figure 2**

**INDIA’S TRADE GROWTH RATE OF PROCESSED FOOD**

![Growth Rate of Import and Export of Indian processed food from 2011-12 to 2020-21](image)

*Source: DGCIS*

Figure 2 shows the Growth Rate of Import and Export of Indian processed food from 2011-12 to 2020-21. However, the export value of processed food is greater than the import value. In India, the import of processed food had a positive growth rate from 2011-12 to 2016-17, after which it had a negative Growth Rate from 2017-18 to 2020-21. Every year the import of Processed Food in India increased from 2014 to 2017. In the year 2014-15, the Export of processed food had a negative growth rate except for this year; all the other years had a positive growth rate. India Exported processed food products to neighboring countries like Sri Lanka, Bangladesh, Pakistan, and Nepal. China, Russia, Germany, the USA, and the UK are significant importers of vegetable flours, sauces, starch, and malt products. From 2011 to 2021, the highest Export Growth Rate attained by the processed food products were animal casings (28%), cocoa products (20%), and meat products (18%). Trade activity among the countries got disturbed during the Covid 19 pandemic. The APEDA scheduled processed food products in India achieved an overall export growth rate of 26.51%. The growth rate for imported processed food was 26.0% in 2011-12, and it got a negative growth rate of -2% in 2020-21. India also imports processed food from nearly 48 countries.

**Product-wise Import Analysis**

![Growth Rate of Import and Export of Indian processed food from 2011-12 to 2020-21](image)

*Source: DGCIS*

Figure 3 explains the Compound Annual Growth Rate of all the Agricultural and Processed Food Products Export Development Authorities products of India from 2011-12 to 2020-21. India is importing several processed food products from other nations. The Compound Annual Growth Rate of fresh opinions (89%) is high, and India has imported it from Afghanistan, Egypt, United Arab Emeritus, Turkey, and Iran. The product with the next highest growth rate was Walnuts (73%) imported from the USA exports, Chile, United Arab Emeritus, Afghanistan, and Vietnam. The products like Wheat, Dairy Products, Maize, and Processed meat have negative growth rates because India is also one of the producers of these products at the global level.

**Product-wise Export Analysis**

![Growth Rate of Import and Export of Indian processed food from 2011-12 to 2020-21](image)

*Source: DGCIS*
Figure 4 shows the Compound Annual Growth Rate of Agricultural and Processed Food Products Export Development Authorities products of India from 2011-12 to 2020-21. Animal Casings (28%) attained the top highest Growth Rate, followed by Cocoa products (20%), other meat (18%), Misc processed items (17%), non-Basmati rice (16%), Milled (16%), and Wheat products (15%). India produces more animal casings products with the available resources in the nation, and it also exports the products to Hong Kong, Vietnam, Malaysia, Myanmar, and Cambodia. India exports cocoa Products to the USA, Turkey, Indonesia, Brazil, and Netherlands. Some products with a negative growth rate are Guar gum, Cashew nuts, shell liquid, and poultry. The Export of poultry products from India to the UAE declined after the Avian Influenza outbreak; UAE reached a consensus on the format of the Health Certificate for the Export of hatching eggs and day-old chicks from India to the UAE. The Value-added products got a growth rate of more than 40% in 2020-21 compared to the previous financial year, 2019-20. Cocoa products secured the second-highest growth rate, followed by other meat; Misc processed items, non-Basmati rice, and Milled and Wheat products have the highest growth rate of nearly 20% over ten years. India exports cocoa products to Netherlands, Nepal, China, Sri Lanka, and the United States.

Challenges in the Food Processing Industry

All countries in the world face many problems in promoting industrial activities. Hence, it is necessary to focus attention on the major obstacles to the industry’s development path. Some of the key challenges experienced by the drives are under utilization of resources, low capital formation, low level of technology, market imperfection, insufficient storage, and institutional supply chain gaps. The problem of land fragmentation reduces the agricultural output and limits economic potential. Climate change also affects food production due to intense heat, harsh weather, and droughts; wheat, maize, and other crop yields declined. It estimates that worldwide output might reduce up to 30% by 2050 if appropriate adaptation techniques are not applied soon. Lack of focus on quality and safety standards and not having enough product development and innovation. The industry is very capital-intensive, and it creates a strong entry barrier and allows a limited number of players to enter the market. Efficient quality control and food safety are essential in improving export potential in India. International buyers are particular about the quality of food. Implementing proper grading and packing centers encourages exports to the developed markets that require strict adherence to quality standards.

Suggestions

Skills are needed to produce various crops instead of mono-crops on the farm level. The farm-level skill training programs need to be implemented for the farmers to gain more knowledge about the upgraded technology; this will encourage them to get higher productivity. The finished products need to be transported to several markets in the world for different periods based on the demand. Hence, the Government must increase proper infrastructure and high-quality storage capacities in every targeted area. Some of the quality products can be transported to the processing industry quickly without any wastage and damage, which will increase the production of value-added products. A high-quality processed food can occupy its position in the international market easily. It encourages the country to get more foreign exchange by successfully selling processed food in the domestic and global markets.

Government Initiatives

The Government introduced a policy called Pradhan Mantri Kisan SAMPADA Yojana to enrich the development of the Food Processing Industry in India. The goal of PMKSY is to complement agriculture, modernize; processes, and reduce agri-waste, which also aids in providing higher pricing to farmers and creating good job prospects. This policy focuses on seven components they are Mega food parks. The establishment of a mega food park gives a world-class infrastructural facility. Its main goal is to increase the quantity of additional value to reduce waste and increase the farmers’ revenue. The Food Processing and preservation facilities are being built or expanded. Agro-processing Cluster Infrastructure establishes backward and forward links and ensures food safety and quality, focusing on Institutional and human resources development.
**Conclusion**

Though the sector has good growth in the international market, still some of the areas need to be focused on for its remarkable performance—the most significant constraints like a lack of awareness about the nutrient content in processed food. Since the sector is highly capital intensive, the emergence of industries is very low, with less innovation and development. The development of marketing channels and quality improvements need to be addressed well ahead of time by which a country can attain high economic growth. The well-developed food processing sector reduces wastage, improves value addition, promotes crop diversification, ensures a better return to the farmers, promotes employment, and increases the nation’s export earnings.

**References**


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