

FOOD PROCESSING SECTOR IN TELANGANA

A BRIEF REPORT

Compiled for:



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Prepared by:



THE INDIAN INSTITUTE OF ECONOMICS

INTRODUCTION

Food is the basic necessity of every living creature. India is the second largest producer of food next to China. The table gives the food grain production in the country during the last five years.

In Million Tonnes

Category	Food Grain Production in India				
	2009-10	2010-11	2011-12	2012-13	2013-14
Cereals	218.1	244.5	259.3	257.1	264.80
Pulses	14.7	18.2	17.1	18.3	19.3
Oil Seeds	24.9	32.5	29.8	30.9	32.9

Source: Economic Survey 2015, Ministry of Finance, GOI.

The Food Processing sector accounts for 30% of the total food market and is ranked fifth in terms of production, consumption, exports and expected growth. The country's domestic food market is estimated to reach \$ 258 billion by the end of the year and grow to \$ 482 billion by 2020. The government is making all efforts through Ministry of Food Processing Industry (MOFPI) in increasing investments in this sector. This market is 14% of manufacturing GDP, 13% of Indian exports and 6% of total industrial investments.

According to the Department of Industrial Policy and Promotion (DIPP) between April 2000 and June 2015 the Food Processing Sector has received an FDI of US \$ 6215.46 million and the major investors are Food Panda, Zomato, Papa John merging with Pizza Corner.

PROCESSED FOOD SECTOR

Grain

India produces 26,480 million tonnes of various food grains like rice, wheat, maize, millets, etc. There are over 10,000 pulse mills with a milling capacity of 14 million tonnes, 15% of wheat produced is processed. Rice, wheat and pulse milling are the main activities in grain processing. In Telangana, the total grain production is approximately 10 million tonnes and in Andhra Pradesh it is 11.14 million tonnes. Table below depicts the various cereal products in Andhra Pradesh and Telangana

Production of Major Food Grains in Andhra Pradesh

In Million Tonnes

S.No	Crop	2010-11	2011-12	2012-13	2013-14	2014-15
1	Rice	7883	7744	6863	7993	8101
2	Jowar	156	352	412	266	264
3	Bajra	88	52	99	82	35
4	Maize	1884	1763	1911	2218	1883
5	Ragi	47	38	42	43	35
6	Pulses	966	933	1133	1079	811
7	Total Oil Seeds	2372	1743	1988	2242	1916

Source: Economic Survey 2014-15 A.P

Production of Major Food Grains in Telangana

In Million Tonnes

S.No	Year	Production
1	2010-11	92.60
2	2011-12	75.01
3	2012-13	82.42
4	2013-14	107.49
5	2014-15 (Kharif)	44.30

Source: Economic Survey 2014-15 Telangana

FRUITS & VEGETABLES

The total production of fruits and vegetables in India are in tonnes. Pickles of raw mango, tomato, lemon, etc. are the main processed vegetables and they are partly in organized and unorganized sectors, almost equally divided.

The fruits that are processed into pulp and juices are mainly in the organized sector although mango pulp (sold as jelly) is once again, by and large, in the unorganized sectors. The total fruits and vegetable production in Telangana is 4.67 million tonnes and in Andhra Pradesh it is 10.33 million tonnes. The details are given in the table below:

Production of Fruits in Andhra Pradesh

S.No	Name of the Crop	2013-14		2014-15 (1st AE)	
		Area in Ha	Production MTs	Area in Ha	Production MTs
1	Fresh Fruits	10937	54686	10937	54686

Source: Economic Survey 2014-15 A.P

Production of Vegetables in Andhra Pradesh

S.No	Name of the Crop	2013-14		2014-15 (1st AE)	
		Area in Ha	Production MTs	Area in Ha	Production MTs
1	Vegetables	167723	3354466	120000	2400000

Source: Economic Survey 2014-15 A.P

Production of Fruits in Telangana

S.No	Name of the Crop	2013-14		2014-15 (1st AE)	
		Area in Ha	Production MTs	Area in Ha	Production MTs
1	Fresh Fruits	426099	4674208	N.A	N.A

N.A: Not applicable as the Telangana state was formed only in 2014.

Source: Economic Survey 2014-15 Telangana

Production of Vegetables in Andhra Pradesh

S.No	Name of the crop	2013-14		2014-15 (1st AE)	
		Area in Ha	Production MTs	Area in Ha	Production MTs
1	Vegetables	347293	4999519	N.A	N.A

N.A: Not applicable as the Telangana state was formed only in 2014.

Source: Economic Survey 2014-15 Telangana

FRUITS & VEGETABLES

India has a huge livestock population totalling almost half a billion. Processed meat is estimated to be around 5 million tonnes annually. In poultry, the country produces almost half a million broiler and 33 billion eggs annually. The poultry is well developed in Telangana state and Andhra Pradesh and the production in these states are 10.6 and 12.73 billion, respectively.

Production of Meat in Andhra Pradesh

S.No	Year	Meat ('000 M.Ts)
1	2010-11	383.65
2	2011-12	440.06
3	2012-13	477.65
4	2013-14	488.75
5	2014-15 (upto Dec, 2014)	387.87

Source: Economic Survey 2014-15 A.P

Production of Eggs in Andhra Pradesh

S.No	Year	Eggs (Million Nos)
1	2010-11	11638.3
2	2011-12	12244.0
3	2012-13	12874.0
4	2013-14	12726.9
5	2014-15 (upto Dec, 2014)	9534.5

Source: Economic Survey 2014-15 A.P

Production of Meat in Telangana

S.No	Year	Meat ('000 M.Ts)
1	2010-11	N.A
2	2011-12	N.A
3	2012-13	N.A
4	2013-14	N.A
5	2014-15 (upto Dec, 2014)	515.00

N.A: Not applicable as the Telangana state was formed only in 2014.

Source: Economic Survey 2014-15 Telangana

Production of Eggs in Telangana

S.No	Year	Eggs (Million Nos)
1	2010-11	N.A
2	2011-12	N.A
3	2012-13	N.A
4	2013-14	N.A
5	2014-15 (upto Dec, 2014)	1060.00

N.A: Not applicable as the Telangana state was formed only in 2014.
Source: Economic Survey 2014-15 Telangana

DAIRY

The total milk production in the country is 138 million tonnes. But it is essentially in the unorganized sector. Milk processing comprises of ice-cream milk powder, butter, cheese, condensed milk, malted milk food, infant foods, ghee, yogurt, etc. some of the MNCs are involved in the production ultra heated milk and flavored milk which are becoming popular and the market is estimated to touch INR 1.5 billion. In Telanagana, the total milk produced is 4.238 million tonnes and in Andhra Pradesh it is 9.082 million tonnes.

Production of Milk in Andhra Pradesh

S.No	Year	Milk ('000 M.Ts)
1	2010-11	7734.39
2	2011-12	8402.04
3	2012-13	8810.00
4	2013-14	9082.73
5	2014-15 (upto Dec, 2014)	7215.00

Source: Economic Survey 2014-15 A.P

Production of Milk in Telangana

S.No	Year	Milk ('000 M.Ts)
1	2010-11	N.A
2	2011-12	N.A
3	2012-13	N.A
4	2013-14	N.A
5	2014-15	4238.00

N.A: Not applicable as the Telangana state was formed only in 2014.
Source: Economic Survey 2014-15 Telangana

FISH PROCESSING

India is the third largest producer of fish in the world. India has a unique advantage of 8000 km of coast line, three million hectares of reservoirs, 1.4 million hectares of brackish water, 50,600 sq km of continental shelf area and 2.2 million sq km of exclusive economic zone. Thus, it has both rich marine and inland sources. In Andhra Pradesh which has more than 700 km of coast line the marine fisheries is more developed than in Telangana state which is essentially land locked.

Production of Fish in Andhra Pradesh

S.No	Year	Marine Fish (incl. Marine Shrimp)	Inland Fish (incl. Fresh Water Prawn & Brackish Water Shrimp)	Total
1	2010-11	290553	1133259	1423812
2	2011-12	379417	1023269	1402686
3	2012-13	414349	1174101	1588450
4	2013-14	438246	1330537	1768783
5	2014-15 (upto Nov, 2014)	226777	890904	1117681

Source: Economic Survey 2014-15 A.P

Production of Fish in Telangana

S.No	Year	Freshwater Fish	Freshwater Prawn	Total
1	2010-11	133587	2206	135793
2	2011-12	196708	3774	200482
3	2012-13	214591	5037	219628
4	2013-14	243037	6596	249633
5	2014-15 (upto Dec, 2014)	163348	5621	168969

Source: Economic Survey 2014-15 Telangana

BEVERAGES

Aerated soft drinks, packaged drinking water and alcoholic beverages are the main products. Global leaders like Coke and Pepsi are well established in India. However the per capita consumption of soft drinks is very low compared with the global average. In India the per capita consumption of soft drinks is 5 litres, while in US it is over 250 litres and in Europe it is over 100 litres. The growing middle class with fairly large incomes is now a food market and coke has decided to invest US \$ 20 billion in the next five years in India, as they consider the market to grow. India has now entered the era of packaged drinking water in a big way. India is the third largest market for alcoholic beverages and the demand is over 375 million cases per annum.

PACKAGED FOODS

These comprise chips, biscuits ready to eat snacks, bakery products and confectioneries and this market size is estimated at approximately \$ 500 million growing at a rate of 5.7% per annum. Bakery products are essentially in the unorganised sector. There are over 85,000 bakeries in India and 75,000 units are in the unorganized sector with a 65% market share.

There are about 37,175 food processing industries in India out which 9,359 units are located in Andhra Pradesh and Telangana and that is, about 25% followed by Tamil Nadu 5,186 (14%) and Maharashtra 3,113 (8%) and Punjab 2,784 (7.5%). The other 43% of the units are in the rest 23 states.

PROCESSING MACHINERY

There are over 1,500 machine suppliers in the Food Processing Industry and the key players are Raymond Corporation, SPS Group, Semb Corp, Excel, etc. in the logistics sector. While, in the cold chain sector they are Blue Star, Voltas, Kirloskar Pneumatic, Snowman Frozen, etc. There are 47 units that are manufacturing various machines in Andhra Pradesh and Telanagna put together.

FOOD PARKS

The Govt. of India has set up a Food Parks scheme as the small scale entrepreneur cannot afford to invest in capital intensive activities like

infrastructure building up. In the Food Parks, common facilities like cold storage, food testing and analysis laboratory, effluent treatment plant, common processing facilities, packing centre, power supply, water supply, seminar or conference or workshop or training facilities are set up. Financial assistance for food parks is provided at 25% in general areas and at 33.3% in difficult terrains subject to a maximum of INR 40 million. An amount of INR 1.04 billion is spent by GOI in setting up 22 food parks which are now operational in various parts of the country.

Now GOI is contemplating to set up 20 mega food parks across the country in various states to attract FDI.

GOVERNMENT POLICY

The government has implemented several schemes for the growth of food processing sector and the primary ones are:

- The GOI has permitted under the Income Tax Act, 100% exemption of profit for the first five years and 25% of profit for next five years in case of new agro processing industries set up to package fruits and vegetables
- Full excise duty exemption on dairy machinery. On machinery for meat and poultry it is reduced to half
- Automatic approval for foreign equity upto 100% for most of the processed food items making units except for alcohol and beer making units and those reserved for MSME
- Full repatriation of profits and capital are allowed
- Full duty exemption for units in SEZs

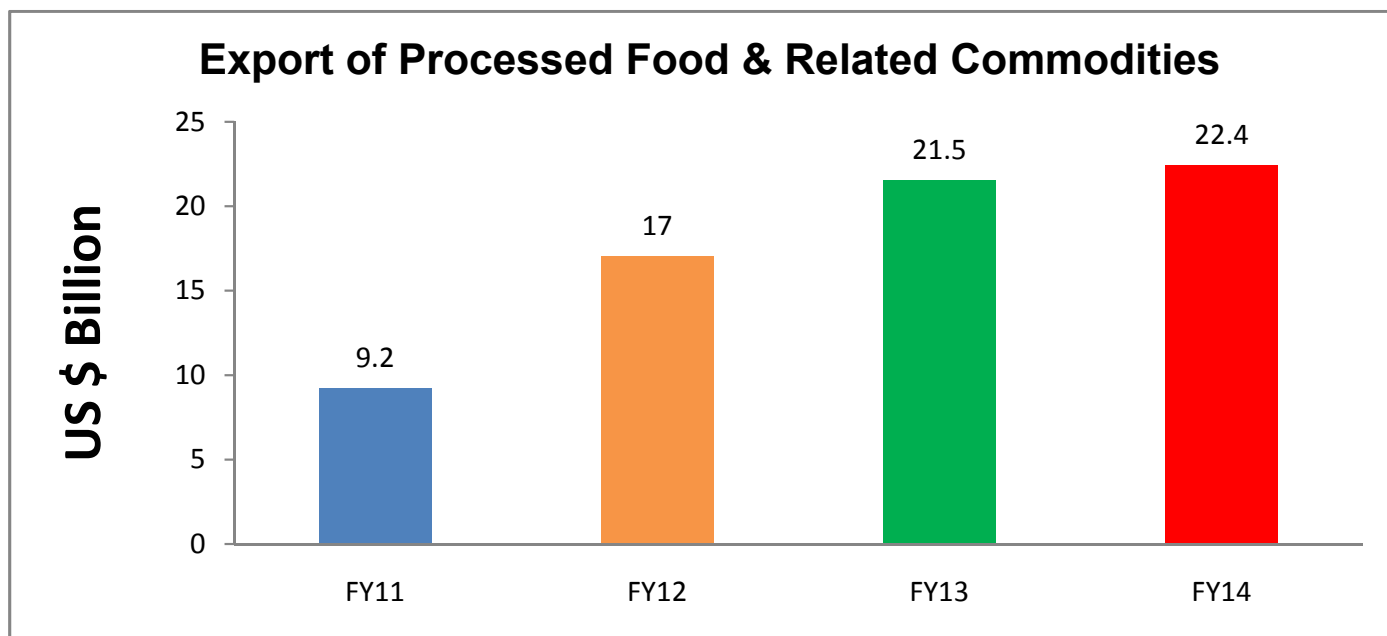
Both the governments of AP and Telangana have more or less the same type of incentives like 15% cash subsidy on fixed assets subject to a maximum of Rs.20 lakhs 9% interest subsidy for 5 years, part reimbursement of VAT and power charges.

FOREIGN DIRECT INVESTMENT

100% FDI is permitted in food sector by the Govt. of India and it is automatic approval for most of the food processing units except for alcoholic beverages and those reserved for MSME.

EXPORTS

All agricultural products when exported undergo at least some processing and hence, all edible agricultural products are included in food exports and the exports have been registering an Average Annual Growth Rate (AAGR) of 20.53% for five years ending 2013-14. This can be seen from the pi diagram given below:



CHALLENGES AND OPPORTUNITIES

Indian Food Processing Industry has registered significant growth due to the changing trends like growing population, rapid urbanization and migration and changing demographics. This has triggered the demand for ready to eat foods consequently growing opportunities for the food processing sector. India is a super market with a population of over 1.27 Billion with a strong middle income group of nearly 350 million with a fairly large purchasing power. The government has recognised the importance of the food processing sector and has made suitable changes in the policies and has incentivised the industry. The scope is very huge in meat and poultry processing, fruits and vegetables processing and milk products.

The industry also has several infrastructure short falls like cold chains, packing centers, modernized abattoirs.

NATIONAL MISSION ON FOOD PROCESSING

The NMFP outlay for the 12th Plan period (2012-17) has been kept at INR 16 billion consisting of INR 12.50 billion from Govt. of India and the corresponding states share of INR 3.50 billion. The following schemes under NMFP will be implemented by the state governments for the remaining 12th Plan:

- Scheme of Human Resource Development (HRD)
- Scheme of Promotional Activities
- Creating primary processing centres / collection centers in rural areas
- Modernization of meat shops
- Setting up / Modernization / Expansion of abattoirs
- Scheme for technology up-gradation / Establishment / Modernisation of Food Processing Industries
- Scheme for cold chain, value addition and preservation infrastructure for non-horticulture products
- Reefer vehicles
- Old Food Parks

CONCLUSIONS

The main strength of India is that due to its diverse agro-climatic conditions, it has a wide ranging and large raw material base for food processing industries. It has a stable democracy with well organized administrative structure and sound financial basis which is developing a good infrastructure. Hence, the scope is phenomenal and will give good dividends for investors.

Andhra Pradesh has a very long coast line and three perennial rivers which are a huge marine and fresh water fishing source and is one of the largest producers of cereals, fruit and fresh vegetables. It has a huge potential for Food Processing Industries.

Telangana state is a good source for maize and other cereals. It is a good source for inland fishing and a very huge, well developed poultry industry. There is ample scope for setting up processing industries for breakfast cereals, bakery, biscuits, fruit processing and fisheries industries.



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