

Export Potential and Global Competitiveness of Indian Processed Foods

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India exports a wide array of items over 10,000 tariff lines. Within this vast export basket, food and agricultural products constitute approximately 11% of our total exports. Recognising the strategic importance of agri-exports, India has taken significant policy initiatives aimed at enhancing its export performance. Another critical policy intervention is the Production Linked Incentive Scheme for Food Processing Industry (PLISFPI), approved by the Union Cabinet on 31 March 2021. By capitalising on its rich agricultural base, investing in modern infrastructure like food parks, and prioritising food safety standards, India can become a globally competitive player.

The food processing industry is one of the most important and promising sectors of the Indian economy. India is one of the largest producers of various food categories such as dairy, cereals, fruits and vegetables, animal proteins, fishes, spices, tea, etc., which indeed gives it an edge in terms of the availability of resources. This sector involves a large number of SMEs (Small and Medium-sized Enterprises) and is a substantial contributor to

creating additional employment opportunities as well as ensuring higher income for our farmers.

Exports indeed act as a strong incentive for growth. However, we should realise the fact that India's share in global merchandise exports is currently around 1.8%, making it the 18th largest exporter in the world. The Indian economy is not export-centric, yet exports contribute to around 23% of the GDP, which is impressive when compared to large economies as the US has an export-to-GDP

share of 12%, Japan 19%, and China 21%. Our exports post-Covid-19 showed a notable recovery, but the momentum slowed down in the last fiscal year, with merchandise exports marginally declining to USD 437 billion in 2023-24. On similar lines, India's share in global imports of processed food is way too low compared to its potential. Despite being the second largest agri-producer, India ranks much lower in the exports of processed food products globally. Overall, there is immense export potential for India in the processed food sector, a field that offers significant opportunities for growth and economic diversification. To fully grasp this potential, it is essential to delve into several key aspects related to India's export capabilities and challenges.

India exports a wide array of items over 10,000 tariff lines. Within this vast export basket, food and agricultural products constitute approximately 11% of our total exports. The export landscape is dominated by a few key items such as rice, spices, buffalo meat, sugar, and oil meals. These products have established a strong foothold in various international markets like the USA, China, UAE, Saudi Arabia, Bangladesh, Iran, Indonesia, Vietnam, Sudan, and the Netherlands.

Recognising the strategic importance of agri-exports, India has taken significant policy initiatives aimed at enhancing its export performance. One notable development was the introduction of a dedicated agricultural export policy in 2018 with an ambitious vision to take it to USD 100 billion and to create a more conducive environment for agricultural exports through various supportive measures.

NEW TECHNOLOGY IN FOOD PROCESSING INDUSTRIES #1

VALORIZATION

It refers to the process of converting waste materials or by-products generated by food processing industries into valuable products or resources.

Another critical policy intervention is the Production Linked Incentive Scheme for Food Processing Industry (PLISFPI), approved by the Union Cabinet on 31 March 2021. This scheme aims to diversify India's export portfolio by focusing on value-added segments and incentivising manufacturing in four specific food product segments: ready-to-cook/ready-to-eat foods, processed fruits and vegetables, marine products, and mozzarella cheese. Moreover, the scheme promotes innovative and organic products from SMEs. India being a large consumption economy, however, we are quite optimistic that once the production starts in full swing, a part of it will also be diverted to the international market and help push our exports in this space.

Another integral component of this PLI (Production Linked Incentive) is the global promotion of 'Brand India' through branding and marketing support. However, for SMEs to fully leverage this scheme, greater encouragement and support are needed, as evidenced by the relatively low number of applications received so far. Additionally, realising the needs for infrastructure modernisation, R&D in the food processing sector, the Pradhan Mantri Kisan Sampada Yojana (PMKSY) addresses the infrastructure challenges being faced by SMEs and promotes technology adoption, the establishment of cold chains, and other processing

QUESTION & ANSWER

FAQ

Q: What types of market information and research services does FIEO provide to its members?

A: FIEO provides members with market research reports, country-specific information, and data on global trade trends, helping them make informed decisions and explore new export opportunities.

FEDERATION OF INDIAN EXPORT ORGANISATIONS
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Table 1: India's position in top 10 items consumed globally

Hs Code (6-digit)	Product label	World imports from world		India's exports		India's share in world imports 2022
		Value in 2022 (USD bn)	CAGR (2018-22)	Value in 2022 (USD bn)	CAGR (2018-22)	
210690	Food preparations, n.e.s.	58.351	7%	0.581	20%	1.00%
151190	Palm oil and its fractions, whether or not refined (excl. chemically modified and crude)	42.711	18%	0.003	130%	0.01%
190590	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion ...	31.576	9%	0.167	5%	0.53%
220421	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested ...	27.739	1%	0.001	-17%	0.002%
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	25.430	6%	9.400	8%	36.96%
040690	Cheese (excl. fresh cheese, incl. whey cheese, curd, processed cheese, blue-veined cheese and ...)	23.160	4%	0.028	16%	0.12%
230910	Dog or cat food, put up for retail sale	22.886	13%	0.063	13%	0.27%
230990	Preparations of a kind used in animal feeding (excl. dog or cat food put up for retail sale)	22.711	7%	0.279	2%	1.23%
220300	Beer made from malt	17.435	2%	0.045	1%	0.26%
180690	Chocolate and other preparations containing cocoa, in containers or immediate packings...	15.929	3%	0.098	-4%	0.61%

facilities, which contribute to improving the supply chain and storage capabilities in the food processing sector.

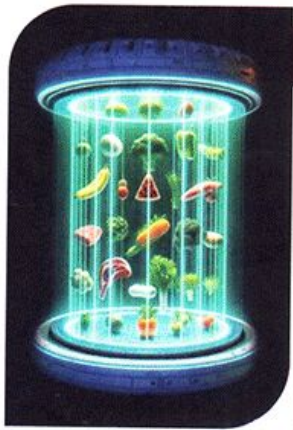
The Government has recently launched initiatives specifically designed to boost food exports through Mega Food Parks. These parks create modern infrastructure for food processing across the entire supply chain, from farm to market. This includes establishing modern processing facilities; such parks enable processors to meet international quality standards for food products. Improved infrastructure reduces spoilage and extends shelf life, making exports more viable through higher value addition. The clustering of processing units facilitates knowledge sharing and access to common resources, leading to potentially higher quality and competitiveness in the export market. Programmes within the Ministry of Food Processing Industries (MoFPI) offer grant-in-aid to

approved food processing units, incentivising them to set up units within Mega Food Parks.

Looking at the larger picture at the global level, a lot of segments emerge where we could focus. Upon analysing the UNCTAD WITS (United Nations Conference on Trade and Development World Integrated Trade Solution) data on consumer goods, which covered 189 tariff lines at 6 digits, including both finished and semi-finished food products, it was observed that India holds only a 3.7% share in the top 10 commodities consumed globally. This indicates significant room for growth and improvement, particularly in the sectors that are encouraged by the Central Government through PLI and through specific State agri-export promotion plans.

From table 1, it is evident that apart from rice, India does not hold a significant share in the global imports of other processed food products,

NEW TECHNOLOGY IN FOOD PROCESSING INDUSTRIES #2



IRRADIATION

It is the process by which an object is exposed to radiation. An irradiator is a device used to expose an object to radiation, notably gamma radiation, for a variety of purposes.

Uses:

1. Sterilisation of army rations and other shelf stable foods.
2. Extension of shelf life of various foods to be distributed and stored at refrigerated temperatures, eg. fresh fish, meats, milk, eggs.
3. Inhibition of sprouting in onions and potatoes, and delay in ripening of fruits.

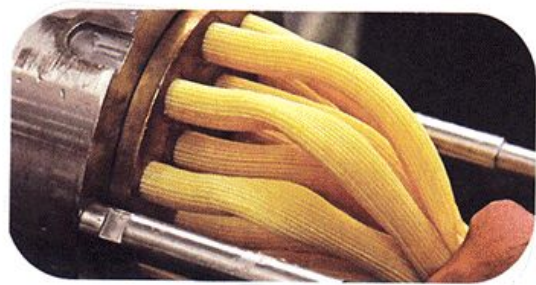
particularly where the global imports are rising at a rapid pace, like pet food and bread and bakery items. While all top 10 items have shown a positive CAGR (Compounded Annual Growth Rate) in world imports, India's exports of wine and chocolate have declined, indicating areas where improvements and strategic interventions are necessary. These statistics underscore the need for targeted strategies to sustain and boost export activities. There are a couple of aspects that could help in this regard.

Firstly, data-driven policies are essential for identifying and maximising export potential. According to MoFPI, the definition of food processing industries includes both manufactured and other value-added processes. Manufactured processes involve transforming any raw product of agriculture, animal husbandry, or fisheries through a process involving employees, power, machines, or money, resulting in a change in its original physical properties. If the transformed product is edible and has commercial value, it falls within the domain of the food processing industry. Other value-added processes include significant value addition, such as increased shelf life or products being shelled and ready for consumption, even if they do not undergo manufacturing processes. Therefore, nearly all agricultural produce in any form is considered processed for data purposes, which broadly covers ITC Chapters 2-23. Aligning these categories at the 8-digit HS (Harmonized System)

level can provide more precise insights into the value-added processed food exports. Countries like Singapore have already implemented separate HS codes for processed food, a practice that India could adopt to better track and promote its value-added exports. India has already taken similar initiatives for emerging sectors like Ayush and technical textiles, where specific tariff lines are identified.

Secondly, food products, being consumable, are subject to stringent standards in major international markets. Each of these markets has unique demands and regulatory environments, presenting both opportunities and challenges for Indian exporters. The WTO SPS (World Trade Organization Sanitary and Phytosanitary Measures) agreement advocates for furthering the use of harmonised sanitary and phytosanitary measures between Members as per the international standards developed by the relevant international organisations, which could be translated into national legislation or regulations to be enforceable. However, members are permitted to implement national standards that exceed those standards to ensure food safety and quality. Ensuring compliance with these standards is crucial for accessing and maintaining a presence in international markets. Emerging national and private standards pose challenges for smaller SMEs, as there is no single repository for all standards. Moreover, a lot of private or industry standards have

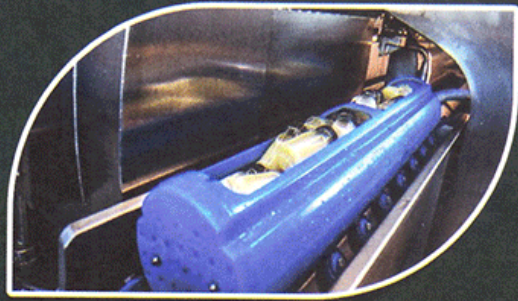
NEW TECHNOLOGY IN FOOD PROCESSING INDUSTRIES #3



EXTRUSION

It is the process of making a product (an extrudate) by forcing a material through an orifice or die to form a shape.

NEW TECHNOLOGY IN FOOD PROCESSING INDUSTRIES #4



HIGH PRESSURE PROCESSING

It is a novel method for non thermal processing of food. The food is subjected to elevated pressures (upto 900 MPa) with or without the addition of heat to achieve microbial inactivation or to alter the food attributes in order to achieve desired qualities.

also come into play. This makes it difficult for SMEs to comply with the varied requirements, highlighting the need for a centralised repository of standards that SMEs can refer to for compliance.

Thirdly, India is aggressively negotiating Free Trade Agreement with many countries, which is indeed a welcome step as it will help in better market access through duty concessions. However, there is also a need to include Mutual Recognition Agreements (MRA) in such agreements between the national certifying and testing agencies of such countries so that products once certified locally do not require any additional certification. For example, recently, India has come up with their Halal certification (i-CAS Halal) for meat and meat products, which would help the sector once it gets accreditation from other global halal issuing agencies through MRA.

Another aspect is the quality of finished products, which is dependent on the quality of raw materials. The Government's initiative to form and promote 10,000 Farmer Producer Organisations (FPOs) is a positive step in this direction. FPOs can help ensure a steady supply of consistent-quality raw materials, which is crucial for maintaining the standards of processed food products destined for export. There is a need to enhance the interaction and linkages between these two segments of the value chain.

Skill development is also crucial for the food processing sector. For instance, the Indore cluster might require specialised training for operators in namkeen and confectionery production, soybean meal processing plants, and solvent extraction units. However, the needs of a cluster in Solapur or Guntur could be different. Therefore, capacity-building programmes and training sessions, particularly in food processing clusters, can help local manpower align with export demands. Basic training related to food safety and HACCP (Hazard Analysis Critical Control Point) certification is also essential. Additionally, introducing professional courses in food technology, food science, food engineering, and food packaging will help develop the necessary skill base for the industry.

Efficient and competitive logistics play a crucial role in all sectors, including the food and agriculture sectors, which could have specific needs for cold chains, temperature-controlled warehouses, reefer vans, etc. An adequate infrastructure at clusters as well as at sea and air ports would be essential to maintaining the quality of goods during transportation.

Lastly, enhanced marketing would be critical to pushing our exports. Global trade fairs play an exemplary role in exposing global buyers to Indian processed food exporters in a convenient and outcome-oriented fashion. It is especially encouraging to startups and MSMEs (Micro, Small and Medium Enterprises) who lack the wherewithal to take their products and engage with buyers in key destination markets despite their strong product range. A larger support from the Government to encourage companies to engage in such activities would definitely help in showcasing India's capabilities and occupying a larger share of global processed food imports.

In conclusion, India's processed food sector boasts immense potential for export growth. By capitalising on its rich agricultural base, investing in modern infrastructure like food parks, and prioritising food safety standards, India can become a globally competitive player. To fully unlock this potential, continued government support, industry collaboration, and a focus on innovation will be crucial. By addressing these areas, India can transform its processed food industry into a major driver of economic growth and forge a strong position in the international food market. □