

A Conceptual Study on Challenges and Opportunities in Food Industry with Focus on India

***Santhosh Kumar Nair, ¹Umamaheswari**

***Research Scholar, ¹Associate Professor, Periyar Maniammai Institute of Science & Technology, Thanjavur, India.**

Abstract - It's a well-known fact that India is an agriculture base country however the wastage of food products is very high and the processing of the products is also low. The country's processing sector is very small and the processing food which is as per the consumable standards has reached to less than 10% of the population. The country share in the overall exports of the processed foods in the world market is at 1.5% market share and worth less than \$3.5 billion. This paper intends to examine the trends in the food processing industry in India, discuss on various issues and problems which tends to slow down the growth of the industry. Though there exist various promising aspect which can support the growth potential in the industry, there is still significant constraints which needs to be addressed so as to enhance the growth prospects of the industry in the country.

Keywords: Food processing, India

I. INTRODUCTION

India is considered to be the 2nd largest food producing nation standing next to China and possess huge potential of gaining more market share in the world. The food products are considered to be the biggest spending category in India, because the nation needs to feed its population which is about a billion the food consumption accounts for nearly 20% of the country's GDP which is worth more than \$180 billion. The domestic market will be growing by nearly 35% of more than \$275 billion in 2020 and \$350 billion in 2025. The country's agricultural base is very strong, but it is noted that the wastage of food is very high and the processing of them is also low. The processing of foods which are reaching to the consumable standards is noted to be more than 81% in many developed countries, however in case of India it has reached only less than 11%. This clearly shows that the food processing sector in the country is very small in the world trade and the market share is less than 1.5%. (IBEF, 2018)

On a general parlance, the highly populated developing countries there will be higher incomes which tend to result in change in the diet patterns, with increased demand for meat and meat products, dairy consumptions and other processed foods. In India, there is a sustained economic growth and development which increased due to the urbanisation fueling high growth in the demand for processed foods like vegetables, fruits, dairy products, meat etc. The estimated food processing consumption in the middle class sector is around 350 million and the percentage of food expenditure intends to increase further when compared with other expenditure in the coming years. The government is now focusing its attention to move from

food security to nutritional security of their citizens and this will pay way for more food processing products in the country. Moreover, the increased mobility among the consumers, enhanced aspiration and the overall availability of wide range of food products has contributed to increase in the spending pattern of the consumers towards food products.

Structure and Composition of Indian Food Processing Industry

The food processing industry in the country tends to include agricultural products like vegetables, fruits, dairy products and livestock. These products are used for intermediate or for final consumption by the consumers. The processed foods are considered as the products in which the raw commodity is mainly transformed using various processing methods and then the final output is provided to the consumers for consumption, some of the examples are canned fruits, snack foods, ready to eat foods etc.(Murthy, 2011).Through these processing methods, the manufacturers intends to add various agricultural and other produce using different techniques which includes grading, packing, processing etc intends to add more shelf life to the food products. A strong and dynamic processing sector intends to play a key role in ensuring food safety for the population, enhance economic setup for the country, contribute to GDP etc. The food processing industry intends to provide a close connection and synergies among the industries and the agricultural sector which has been a key role in enhancing growth and development of the country's economy. Furthermore, the processing industry also intends to add new employment in rural and urban areas, involve in exporting of food products which earns foreign exchange for the country.

Key factors impacting the food processing industry in India

The major factor which is impacting the growth and development of the food processing industry in the country is the absence of required infrastructure, like connecting roads to the rural areas, absence of inadequate information about the future trends and requirements and market linkages. There is also lack of electricity supply in the rural areas which affect the food processing companies to thrive also the absence of cold chain systems also affects the food processing industry like vegetables, fruits, dairy products etc. The cold chain capacity is available to less than 10% of the total produce and these facilities are mainly intend to process only potatoes which is nearly 80%. A poor infrastructure for string the raw food materials in the country are impacting the growth and development of the country and also possess high food insecurity in the country. Also, to be noted is the power outages in the rural areas were the food processing companies and industry are set up, this impacts the performance of cold storages and the quality of food materials which is stored in such storages. The next factor impacting the skill sets of the individuals in the food processing industry, the individuals use traditional methods of farming and the processing methods are also conventional in nature, there is very low awareness of modern processing methods and there is also exposure to low scale operations. (Annapoorna, 2011). The next aspect hindering the growth of food processing industry is the poor quality standards and control mechanisms which is being implemented by the companies in the quality standards for processing the food products, packaging the processed foods etc. For example, the vegetables may not be washed properly and are processed as ready to eat food snack or packaged which may later be categories as ready to cook products. Also, high cost and non availability of financial aspects to the food processing industry tends to remain as a problem when the sector is in the nuances. The regulatory framework which focuses in preventing the farmers from being directly involved in the marketing of the products, except which is designated as agricultural markets intends to add to cost and impair flexibility. The next factor is on the packaging which is very poor in quality and the cost is also high which has become unbearable for small scale producers. Another key constraint is the applicability of the legal framework which current spans on the food laws, also the state government tend to have their own control orders which makes the producers to comply with both state and central government regulations.

II. SWOT ANALYSIS

Strength

- The raw materials are available round the year, the supply constraints is very less

- High demand in the domestic market
- Agro processing is now socially acceptable products and is an important area which supports from the central government
- Vast network of the manufacturing and processing facilities all over the country. (Sharma, 2011)

Weakness

- The working capital requirement is very high and the cost of financing is also high
- Low availability of better equipment's for processing the products, the skill set is very low in the processing industry
- Remuneration is less when compared with other industries like IT, ITES etc
- Inadequate infrastructure and R&D facilities

Opportunities

- Huge population with increased demand
- Large crop and base in the country due to agro-ecological variables provide more opportunities to processing the activities
- Opening of global markets provide opportunities for foreign exchange revenues

Threats

- Huge competition from China and other developing economies
- Low awareness of food processing
- Rapid developments in the industry may lead to more obsolescence

III. CONCLUSION

Thus from the above, it can be noted that the food processing industry in India is still in the introduction stage, the opportunities for the food processed goods are high in number as the most of the household intends to concentrate their expenses majorly on the food consumptions. This offers more opportunities, however due to lack of infrastructure, skill set of the individuals and more competition impact the industry growth and development.

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