

Food Processing Industry in India

Abstract

Food is the most fundamental human need. The produce of farms needs to be processed before consumption for reasons of taste, nutrient and quality enhancement. The industrial set up that manages these processings are termed as Food Processing Industries (FPI). They can be established only if certain technical, commercial and legal implications are fulfilled. The prosperity of a nation can also be assessed by the share of these FPI in the national income of any country. India has tremendous potential to breed such industries and establish itself as a self dependent and prosperous nation. The government of India, as well as its entrepreneurial setup is committed to tap this vast and continual opportunity of development.

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Introduction

Empowering the Nation – The FPI way

An individual is the most elementary and fundamental building block of any country.

With the birth of every human being - a new opportunity is born. For the family, it means a better way of sustaining traditional practices. For the society, it means onset of joy and celebrations. But for a nation, it means new hopes of development, prosperity and peace. For the individual - it is simply a struggle for existence. His primary concerns remain the same - a better quality of breath, food and his environment in which he keeps on nurturing his own ideologies of betterment. Food becomes a vital and periodic need. It is a must to satisfy his hunger.

This hunger can be killed by eating anything – even raw food. But the neural sensations of taste and satisfaction give rise to new opportunities and challenges to enormous number of people. They compete among themselves to satisfy this newly evolved POS (point of sales and service).

Providing quality nutrition is a great challenge. And for the food technologists it is related to evergrowing new skills, enterprises and creativity. Food processing thus becomes a vital process of commerce. Deep in the roots, FPI gets linked up with the basic dietary needs of every single human being on this earth.

What is Food Processing Industry- (FPI)

Food Processing can be described as the process by which any raw produce of agriculture sector, dairy farming, animal husbandry, apiculture, even meat, fishing and poultry is converted (by using human labour, animal power, machines or money) to a new form. This conversion process is done in such a way that the original physical properties of raw inputs undergo a change and the newly transformed product derives a higher commercial value. At the same time it should be ensured that the new produce remains edible.

The process of value addition involves methods of preservation, addition of food additives, concentrating by boiling or drying etc. All these activities not only preserve food substances effectively but also enhance their shelf life and quality. It is not essential that all such processes are done by one unit or at one place. Once properly co-ordinated most of the processes can be outsourced to various competent individual organisations too.

Consider an example of *WHEAT*. It is a natural produce of farm. Use as such is highly limited to feed human beings. Its use in the raw form will not exceed even 50 grams for an adult. But if processed to flour, bread,

puffs, sweets etc – the satisfaction index rises to mind boggling figures. The need for these processed foods regenerate themselves at specific intervals of time. In spite of the presence of so many market players, the demand for new players always remains consistent and sustainable.

Aim of the Study

To encourage the new commerce graduates to study and analyze the changing business environment with an aim to chalk out a concrete preliminary ways to move forward and establish successful entrepreneurial startups.

Food processing industry in India can broadly be segmented as follows:

1. Fruits and vegetables: preserved, candied, glazed and crystallized fruits and vegetables, juices, jams, jellies, purees, soups, powders, dehydrated vegetables, flakes, shreds and ready-to-eat curries.
2. Food preservation by fermentation: wine, beer, vinegar, yeast preparation, alcoholic beverages. Beverages of fruit-base and cereal-based.
3. Dairy products: liquid milk, curd, flavored yogurt, processed cheese, cottage cheese, Swiss cheese, blue cheese, ice cream, milk-based sweets.
4. Food additives and nutraceuticals.
5. Confectionery and bakery: cookies and crackers, biscuits, bread, cakes and frozen dough.
6. Meat and poultry: eggs, egg powder, cut meats, sausages and other value-added products. Fish, seafood and fish processing – processing and freezing units.
7. Grain processing – oil milling sector, rice, pulse milling and flour milling sectors.
8. Food preservation and packaging materials: metal cans, aseptic packs.
9. Food processing equipments: canning, dairy and food processing, specialty processing, packaging, frozen food/refrigeration and thermo-processing.
10. Consumer food: Ready to eat packaged food, aerated soft drinks and packaged drinking water. Spice pastes.
11. Supply chain infrastructure – this niche has investment potential in food processing infrastructure, the government's focus is on supply chain related infrastructures like cold storage, abattoirs and food parks.
12. The establishment of food parks – a unique opportunity for entrepreneurs, including foreign investors to enter in the Food Processing industry in India.

Why to go the Food processing Industry route ?

SIX main inherent factors of this industry become the basis for setting up an enterprise.

Raw Material

The Food Processing Industry (FPI) is of enormous significance as it provides vital linkages and synergies that it promotes between the two pillars of the economy, i.e. agriculture and industry. And 70% of Indian population is involved with agriculture. So, plenty of raw inputs are available at site.

Marketing

The Food Processing Industry (FPI) enhances the quality and taste of food, thus bringing more choices in food basket. The shelf life of the food increases so it provides opportunity to cater wider customer bases. Thus food processing industry keeps supplies in tune with the demand of such products. In this way it also controls food-inflation. For e.g. "Frozen peas, amla sweets and pasteurised milk is available throughout the year, everywhere."

Today, food processing allows food from other parts of the world to be transported to our local market and vice versa. Thus, it not only boosts trade but also earns foreign exchange. For e.g. Indian Basmati rice is in great demand in Middle Eastern countries.

Human Resource Management

Being an intermediate industry between Agriculture and FMCG manufacturing, it provides direct and indirect employment opportunities. Food processing industry demands various types of inputs thus creating an opportunity for the farmer to grow and diversify his crops. Farming, being a labour intensive segment will provide opportunities for rural employment.

With the rise in demand for agricultural products there will be a gradual rise in the price realisation to the farmers. Thus quality of life and social status of 70% of Indian population will also enhance. As a consequence, it will curb labour migration. Surely it will result in more HAPPY HOMES.

Enhancement in Quality & Quantity of Food

Processed foods when fortified with vitamins and minerals can reduce the nutritional gap in the population. This preserve the nutritive quality of food and prolongs the shelf life by preventing them from spoilage due to microbes.

UNO estimates that 40% of Indian farm production gets wasted. Similarly, NITI Aayog in India has estimated - annual post-harvest crop losses of around Rs 90,000 crore. It is a grave concern for the country.

If farmers do proper sorting and grading at their end and divert appropriate produce to concerned FPI, the farm wastage will be reduced, leading to better price realisation for every one in the chain.

Government Initiatives

With the above points in view, the Ministry of Food Processing Industries (MoFPI) is implementing Pradhan Mantri Kisan SAMPADA Yojana (PMKSY). It is an umbrella scheme incorporating ongoing schemes.

The objective of PMKSY is to supplement agriculture, modernize processing and decrease agricultural-wastes by implementing Food Parks, Integrated Cold Chain management systems, enhanced Food Safety & Quality Assurance administration standards.

Foreign Direct Investment (FDI) Policy

100% FDI is permitted for the food processing industries in India.

Agricultural and Processed Food Products Export Development Authority (APEDA)

An apex organization under the Ministry of Commerce and Industry – focusses on 'export' of scheduled products.

Income Tax

Businesses involved in Processing, preservation and packaging of fruits and vegetables, or integrated business of handling, storage and transportation of food grains (starting operations from 1 April 2001) and in Processing, preservation and packaging of meat, meat products, poultry, marine or dairy products (starting operations from 1 April 2009), are eligible for Profit Linked Tax Holiday under Section 80-IB of the Income Tax Act 1961, as per follows:

1. For the first five years, 100% of profits and gains derived will not be taxable.
2. For the next five years, there would be a tax deduction of 25% (and 30% in the case of a company).
3. Additionally, units that have been set up in an Special Economic Zone (SEZ) prior to 1 April 2021, engaged in the manufacture or production of any article or thing. These are in turn eligible for the following deductions for profits and gains derived:
 4. For the first five years, 100% deduction of profits derived from exports
 5. For the next five years, 50% of profits and gains derived from exports.
 6. And for another five years, 50% of profits derived are subject to deduction amount being debited to a "Special Economic Zone Re-Investment Account" and used for certain specified purposes (such as the purchase of plant and machinery).

GST

Ministry of Food Processing Industries has streamlined the rates for products under the GST regime, at specified rates of 0% (Nil), 5%, 12%, 18% and 28%.

Project Import Scheme

Under the Project Imports Scheme, industrial plants, irrigation projects and power projects are eligible for concessional customs duty. Detailed mention of the concessional duty is:

1. The basic customs duty rate for goods imported under the Project Imports Scheme is 5%. And, for certain specified projects such as a specified drinking water supply project, the basic customs duty rate is 0%.
2. After the introduction of GST, goods that were initially subject to countervailing duty are liable to an IGST at 18 %.

Better Future Perspectives of FPI in India

Official reports say that, India is the world's second largest producer of fruits & vegetables after China but only 2% of the produce is processed over here. Similarly, India's livestock population is largest in the world but only about 1% of total meat production is converted to value added products.

At present, India's agricultural exports predominantly consist of raw materials, which are then processed in other countries. Wheat, Rice,

sugar, edible oil and flour mills have lower value-additions as compared to fruits and vegetables, dairy, bakery or chocolates. If Food Processing can be segregated into primary and secondary processing units, commercial goals can be achieved faster. All this leaves an ample amount of space for food processing industries to play their role.

How to establish a Food Processing Industry

Reliable information and timely execution is the key to success in business. In Indian scenario, the beacon in this direction today is the MAKE IN INDIA project: an initiative of the Government of India. This is a one stop window for meeting all the requirements of an entrepreneur. And it connects with all the department links under one umbrella.

Ministry of Food Processing Industries (MoFPI)

MoFPI provides a host of financial assistance to food processing companies in India, under the umbrella scheme of Pradhan Mantri Kisan Sampada Yojna (PMKSY). It says "With an allocated amount of \$882 Mn, that is expected to leverage investment of \$4.6 Bn, in addition to the creation of employment for 5,30,500 people by 2019-20."

The extensive research of these two government initiatives presents data for 190 economies and aggregates information from 10 areas of business regulation, which helps an entrepreneur with below mentioned stages of business setup.

1. Starting a Business
2. Dealing with Construction Permits
3. Getting Electricity
4. Registering Property
5. Getting Credit
6. Protecting Minority Investors
7. Paying Taxes
8. Trading across Borders
9. Enforcing Contracts
10. Resolving Insolvency

These 10 points can be related to the satisfaction index of industrialists, investors and entrepreneurs. Infact, these can be treated as the indicators depicting "Ease of doing Business" in any country.

Nivesh Bandhu

Nivesh Bandhu is an investor facilitation portal to assist investors on the investment decisions. A special fund of \$285 Mn has been set up in National Bank for Agriculture and Rural Development (NABARD) for affordable credit. This ascertains that -

1. 100% FDI is permitted under the automatic route in the Food and Processing industry in India.
2. 100% FDI is allowed through government approval route for trading, including through e-commerce in respect of food products manufactured or produced in India.

Food Safety & Standards Authority of India (FSSAI)

FSSAI is the apex regulatory body. It aims to simplify product approvals using a single-interface portal, "The Food Regulatory Portal" for effective and transparent implementation of the food safety laws in the country.

Sector-specific Skill Development Initiatives are also being taken up, with National Institute of

Food Technology, Entrepreneurship and Management (NIFTEM) and Indian Institute of Food Processing Technology (IIFPT) being recognized as Centres of Excellence.

Environmental Clearances

Central Pollution Control Board facilitates an online consent management and monitoring system to ease out the difficulties in getting environmental clearances.

Conclusion

With so much of prevailing proactive measures and facilitations, now a days establishing and operating a food processing unit has gone lot easier. "Just do it" is what can be advised.

More profits to entrepreneurs signifies more active involvement of people. This will lead to a better lifestyle for common people in India. And this in turn - represents the prosperity of the nation itself.

Time and again, people from all across the world came in India to study our policies, way of living and culture and have improved themselves. We have done this all in the historical past and we will regain the same status of prosperity and joy in near future.

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