



India: Food Processing Equipment

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Summary

This report provides a brief overview and market assessment on the Indian food processing equipment (FPE), including dairy processing. The Indian food processing equipment sector provides a growing market characterized by a few major players. The food processing equipment sector has been expanding at an average annual rate of 10-15% for the last few years. The growing Indian market for processed food items and associated equipment offers promising prospects for U.S. suppliers of food processing equipment. The urban population with their increasing purchasing power drives the demand for food products in India. The Government of India encourages new food processing ventures and imports of equipment are permitted. Indian agents and distributors are looking for new agency or distribution opportunities.

Market Overview

The Indian food processing industry has been on a speedy growth during the past ten years. The Government of India (GOI) has accorded highest priority for this industry and offer subsidies and concessions for this industry sector. For example, many value-added and processed food items are totally exempt from excise duty. In addition, the GOI has reduced corporate taxes and added tax incentives for new manufacturing units in select sectors of the food processing industry. Finally, free trade and export processing zones have been established with all required infrastructure in place. The GOI is also encouraging the development of 100 percent export-oriented facilities.

India has diverse agro-climatic conditions and has a large and diverse raw material base suitable for food processing companies. At present a very small percentage of food production is processed into value added products. Factors like rapid urbanization and rising per capita incomes have caused rapid growth and changes in demand patterns. It is to be noted that an average Indian spends about 50 percent of his household budget on food items. This continues to sustain the demand for processed food.

India ranks first in the world in production of cereals, livestock population and milk, and second in the production of fruits and vegetables. But less than 2 percent of the produce is processed. Only around 1 percent of India's annual meat production of over 4.5 million tons is converted to value-added products.

India also produces almost all varieties of spices amounting to 25 percent to 30 percent of world production. India grows 22 million tons of oil seed in addition to other important cash crop products like tea, coffee, cashew nuts and cocoa. Realizing the growing demand for processed food, several firms have plans to enter this sector. Industry experts believe that the Indian food processing sector will record an annual average growth of 15 percent for the next five years, supporting the growth of food processing equipment demand.

India leads the world in milk production with a current annual output of 91 million tons. This production constitutes 13% of the world's total output and over 55% of Asia's total milk yield. India's milk production is estimated to be growing at 4-5% per annum against the world's average of 1%. The projected milk output in India by 2010 is 115 million tons.

The hugely successful Indian dairy cooperatives under the Indian Operation Flood project, a dairy development project launched in 1970, are responsible for the rapid growth and commercialization of the Indian dairy sector. The dairy cooperatives contribute the major share of processed liquid milk marketed

in India. 170 Milk Producers' Cooperative Unions, organized into 15 State Cooperative Milk Marketing Federations, process and market milk in India. These cooperatives manufacture well-known brands such as Amul, Vijaya, Verka and Mother Dairy. According to industry estimates, the Indian dairy sector currently processes approximately 20 million liters of milk per day in more than 400 dairy plants. The Mother Dairy plant in Delhi— one of the world's largest liquid milk plants—handles over 800,000 liters of milk per day. Mother Dairy's first automated dairy plant in Gandhinagar, near Ahmedabad in the State of Gujarat, processes 1 million liters per day.

Inadequate cold storage facility in the country is cited as a reason for the wastage of food items. India is one of the world's largest producers of fruits and vegetables but nearly 30 percent of this production is lost due to inadequate cold chain facilities. With a long coastline of 3650 miles, the Indian marine product industry is growing rapidly, but large quantities of marine products are wasted because of lack of storage facilities. Other food segments like dairy products, and processed meat, also require cold storage facilities. Realizing the urgent need for cold storage facility, the GOI has accorded high priority for this segment. The cold storage equipment sector provides an excellent opportunity for U.S. companies.

The Government of India's plans to significantly expand the cold storage facility in the country has a potential to push the demand for cold storage equipment. Currently, the commercial and industrial refrigeration market has an estimated value of \$212 million. There are significant opportunities for U.S. companies to partner with Indian counterparts to provide cold storage and refrigeration equipment.

Considering all these factors, the GOI in 1986 established the Agricultural & Processed Food Products Export Development Authority (APEDA). APEDA has contributed to the development of physical infrastructure, grading and packaging standards, modernization of packinghouses and financial assistance for infrastructure development. The main goal is to curtail wastage of food products, and remove logistical bottlenecks in the food processing industry.

Small sized Indian firms with a production capacity of less than 0.5 tons per day contribute to more than 75 percent of the industry's output in terms of volume and 50 percent by value. According to the GOI's Ministry of Food Processing Industries (MOFPI), several thousands of bakeries, food, fruit and vegetable processing units in small-scale sector operate in the country selling their products to the local market. Over 820 flourmills, 418 fish processing units, 5198 fruit and vegetable processing units, and 171 meat-processing units are medium to large sized ventures in the country. Several of these ventures have plans to upgrade their production machinery to improve the quality and to retain their market share.

Anticipating the future growth potential of the Indian processed food market, a host of foreign companies have entered the Indian market and additional ones are evaluating options to do so. The entry of these new companies offers good market prospects for food-processing equipment suppliers. Several multinationals have entered India's food-processing sector, the oldest being Nestle of Switzerland and Brooke Bond Lipton of the Unilever group. Over the last few years, U.S. companies, Coca Cola, PepsiCo, Kellogg's, Pillsbury, Sara Lee Bakery, General Mills, and Heinz, have established their presence in India.

Growth of the processed food industry in India is hampered by multiple factors such as the lack of basic infrastructure for proper storage, preservation, and distribution facilities resulting in wastage and value loss. The lack of proper cold chain facilities and multiplicity of laws, regulations and orders governing this sector are major obstacles to growth.

Market Trends

Important food-processing sub sectors in India are fruit/vegetable, fish, dairy, meat & poultry processing, packaged/convenience foods, soft drinks and grain processing. The soft drinks and the confectionery

sectors have recorded the highest inflow of foreign investment in the food processing sector, followed by the fruits and vegetable products, grain based products, meat and poultry, and milk food sectors.

The domestic Indian dairy machinery industry is quite self-reliant and proficient in developing a range of equipment such as stainless steel dairy equipments, evaporators, milk refrigerators and storage tanks, milk and cream deodorizers, centrifuges, clarifiers, agitators, homogenizers, spray dryers and heat exchangers. However, Indian industry needs latest technology such as self-cleaning cream separators, aseptic processing systems, milk testers, processing technology for the manufacture of yogurt, amino acids/chelates for the dairy industry, and feeding systems for dairy-mixer wagons.

The world's leading equipment companies like Hassia-Redatron, Invensys, Siebe, IMV Technologies and Tetra Pak have established manufacturing facilities and offices here through collaborations with local partners. Major foreign collaborations in the field of dairy production and processing include ATE Enterprises Ltd. with Stork Amsterdam BV of Netherlands, Pune based Filtron Engineers Ltd with Fristam Pumpen of Germany and with Dip ling Ernst Fischer of Austria, and Bhagwati Supervac Pvt. Ltd with Supervac of Austria.

Import Market

Imports currently account for less than ten percent of the total food-processing equipment market. Imported state-of-the-art equipment is much more expensive than locally available products but they offer significant benefits in terms of yield recovery, lower maintenance and better quality output. Currently, imports from the U.S. represent 30 percent of the total imports of food equipment into India. Other major suppliers include Germany, Sweden, Switzerland and France. There are no restrictions on import of food-processing equipment into India. The total duty for import of food-processing equipment is 50.8 percent.

Imports of dairy equipment currently constitute less than 15% of the total market, with the major suppliers being Germany, France, Holland, Sweden, Austria, and the U.S. India allows entry of dairy machinery without any restrictions. India abolished the additional duty component on the import of dairy equipment in a bid to boost the agriculture and dairy industries.

The Indian domestic machinery market is not yet developed in machinery related to feeding systems, large capacity homogenizers, UHT plants, reverse osmosis, ultra filtration, aseptic packing machines, and packing machines for cheese, butter and ice cream. According to industry experts, these machines offer promising potential markets in India. The increased demand for processed dairy products requires quality equipment and services, which can be supplied through U.S. exports to India.

Competition

Major players such as Alfa Laval, Filtron Engineers, Indian Dairy Machinery Company Ltd. (IDMC) and a large number of small companies with a localized presence mainly dominate the domestic market for dairy equipment. There are also a large number of consulting organizations operating in India in the dairy sector, ranging from one-man operations to fairly large companies. IDMC is a wholly owned subsidiary of the National Dairy Development Board (NDDB). IDMC was originally established as a pre-project assembling unit to supply equipment for NDDB but soon diversified into manufacturing equipment for the dairy sector, including handling entire project requirements for most process industries. The company collaborates with leading overseas companies in marketing and technical areas.

Major foreign equipment manufacturers supplying the Indian market are Alfa Laval of Sweden, Tetra Pak India Private Ltd. and Buhler India Pvt Ltd., of Switzerland, Schaaf Asia Pvt. Ltd. of Germany, and Cryovac India Pvt. Ltd. of the U.S. Some major domestic food processing equipment suppliers include B. Sen Barry & Co., Dr. Froeb India Pvt. Ltd., CS Aerotherm, Continental Bakery Machines & Allied Products, Baker Enterprises, Indopol Food Processing Machinery Pvt. Ltd., Mittal International, PRS Technologies, and Relief India among many others.

U.S. machinery suppliers coming into India can expect to face competition from established players as well as from a large number of small sized Indian firms. However, the Indian market offers significant export opportunities for U.S. equipment manufacturers if U.S. companies can deliver superior engineering solutions to end-users. Business deals for equipment in India are generally negotiated on an individual basis through ongoing communication with end-users. This requires strong local representation to maintain strong relationships with potential customers and to call on potential customers to provide information about the company's capabilities.

Technology, price, delivery, and performance standards are critical factors that determine whether food-processing equipment can be sold in the Indian market. The cost of equipment and low running cost remain one of the primary factors that influence the sale of food-processing equipment. Upgrading would be another extremely important factor in the buying decision of the end-users. The U.S. exporter would need to have a clear plan regarding the provision of upgrades and add-ons to their products, especially those required for capacity expansion. After-sales service is also a key concern of Indian buyers.

End Users

Small and large Indian food processing ventures are the end-users of food processing machinery. The Ministry of Food Processing Industry's website carries useful information on Indian market and Government regulation. Please visit <http://www.mofpi.nic.in/> for further information

Market Entry

Agents and distributors promote food-processing equipment among the Indian end users. A reputable and experienced local agent or importer possesses good understanding of the market and maintains a good contact with end users. The agent maintains good connections with government officials, which will be helpful in securing the necessary product and labeling licenses and clearances. A good local agent can also provide valuable support in arranging meetings and promotional events, placing advertisements in local newspapers and trade publications, and other marketing and sales activities.

Opportunities for Profile Building

The Indian Dairy Association (IDA) <http://www.indiandairyassociation.com>, and the All India Food Processing Association <http://www.aifpa.com/index.asp> are the major professional industry associations in India. These associations organize seminars, conferences and exhibitions on a wide range of topics related to food processing sector in India and present networking opportunities for U.S. machinery suppliers.

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Upcoming Trade Shows/events

- Food and Bev Tech 2006, November 9-11, Mumbai. The Confederation of Indian Industry is organizing its first flagship event **Food & Bev Tech 2006**, at Bandra-Kurla Complex, Bandra (East), Mumbai, India. The event will provide an excellent platform to showcase the latest machinery, equipment, raw materials & accessories to the Indian firms. Learn more at: <http://www.ciionline.org/Western/Events/1740/default.asp>
- AgroTech 2006, December 1- 4, 2006, Chandigarh. Seventh edition of the Agro-Tech is organized by the Confederation of Indian Industry, and is India's premier biennial agro technology fair. The event will feature world-famous outdoor equipment and apparel brands. Learn more at: <http://www.agrotech-india.com/>

For More Information

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