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Trade performance of Indian processed foods in the international market

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Abstract

Food processing industry in India is a sunrise sector and has gained prominence over the recent years. It is one of the largest industries and ranks fifth in terms of production, consumption, export and expected growth. With the huge production base, India can easily become leading food supplier to the world. Availability of raw materials, changing life styles and appropriate fiscal policies has given a considerable push to industry's growth. It has tremendous export potential, enabling the farmers to add value to his produce both in terms of quantity and quality so that he can meet the requirements and standards of market at all stages of value chain. Keeping this in view, present paper has been written on food processing industry from the perspective of exports. It studies the overall scenario, growth rates of export value of processed food items, major export destinations of processed food like guar gum, Jaggery and Confectionery and Cocoa products and also addresses some of the problems and policy issues that affect this sector.

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1. Introduction

There is a shift in consumption pattern of our country, from cereals to more varied and nutritious diet of fruits and vegetables, milk, fish, meat and poultry products. This resulted in development of food processing industry as a sunrise industry in India. It has huge potential for increasing export earnings, generating employment opportunities and in uplifting agricultural economy. It is one of the largest industries and it ranks fifth in terms of production,

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consumption, export and expected growth. India is the largest producer of milk, cereals and second largest producer of fruits and vegetables. It is among the top five producers world wide of rice, wheat, groundnuts, tea, coffee, tobacco, spices, sugar and oilseeds.

Despite the large production of food in India, we are unable to fulfill the basic needs of Indian citizens like having affordable, sufficient and healthy food. Even today, India is dealing with the problems of food inflation and food security. With the supply side constraints, it is realized that there is a need to increase production. It is to be understood that it will not be enough only to produce more. It is equally important to save each grain produced by reducing wastages. With adequate processing facilities much of the waste can be reduced thus ensuring better remuneration for farmers. With the huge production base, India can easily become leading food supplier to the world and at the same time serving its domestic market. In spite of this, India's share in global food trade is still around 1.5 percent. Huge losses across the value chain resulting in poor processing levels. Nearly 50, 000 crores worth of food material is wasted every year in our country as the overall processing level is only 2 per cent. A developed food processing industry will reduce wastages, ensure value addition, generate additional employment opportunities as well as export earnings and thus lead to better socio-economic conditions of millions of farm families.

Frequent bans on export of processed food obstruct the growth of the industry. Exporters of dehydrated onions, casein and milk powder suffered the most from the government's recent ban on exports. Because of policy uncertainty, exporters are losing their orders. The Cabinet Committee on Economic Affairs (CCEA) is set to clear proposal to boost agri-exports. According to this proposal, processed foods from agricultural commodities such as wheat, rice, onion and milk would not be subject to any export ban or restrictions. Export earnings from processed food, including fruits, vegetables, meat and poultry products, more than doubled to Rs. 38,950 crore in 2011-12, from Rs 15,816 crore in previous year, as per provisional figures released by Agricultural and Processed Food Products Export Development Authority of India (Amiti Sen 2012). The Ministry of Food Processing has set a target of 150 per cent growth in processed food exports in the next five years on rising global demand of Indian food (Dilip Kumar Jha 2009). Keeping this in view, present paper has been written on food processing industry from the perspective of exports. It studies the overall scenario, growth rates of export value of processed food items, major export destinations of processed food like guar gum, Jaggery and Confectionery and Cocoa products and also addresses some of the problems and policy issues that affect this sector.

2. Data and Methodology

The secondary data for the study was collected from various sources like Agricultural and Processed Food Products Export Development Authority (APEDA), Ministry of Food Processing Industries (MOFPI), Department of Industrial Policy and Promotion (DIPP), Central Institute of Post-Harvest Engineering and Technology (CIPHET) and other various sources.

Compound growth rates for value of exports of processed food items from India were worked out for the period 2000-01 to 2011-12.

Exponential function fitted in the following form:

$$y = ab^t$$

$$\log y = \log a + t \log b$$

where,

y = value realized

a = constant

b = 1 + r

r = compound growth rate

And t = time variable in years (1, 2,, n)

The per cent compound growth rate is $(\text{Antilog } b - 1) \times 100$

3. Results and Discussion

India has a huge production base but there are also huge losses across the value chain because of the poor processing levels. In case of fruits and vegetables, we process only 2.2 percent while marine, poultry and buffalo meat are only 26 per cent, 6 per cent and 20 per cent processed. Though India is the largest producers of milk, only

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