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Economic Policies and Government Initiatives Fuelling India's Food Processing Industry

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Abstract

The food processing sector in India is experiencing rapid expansion, driven by government initiatives, policy support, and increasing global demand. The Ministry of Food Processing Industries (MoFPI) has implemented key programs such as the Pradhan Mantri Kisan Sampada Yojana (PMKSY) and the Production-Linked Incentive Scheme for Food Processing Industry (PLISFPI) to promote investment, modernization, and supply chain development (MoFPI, 2023). These policies aim to enhance domestic manufacturing, improve export potential, and create employment opportunities. India's food processing market is projected to reach $535 billion by 2025, with an estimated compound annual growth rate (CAGR) of 15.2% (Invest India, 2024). The food processing industry plays a pivotal role in bridging Indian farmers with both domestic and global consumers, contributing to 12.22% of employment in the registered manufacturing sector and 14.18% in the unregistered segment (NSSO, 2016). As of September 2023, multiple projects have been sanctioned under PMKSY, including Mega Food Parks, Cold Chain initiatives, Agro-Processing Clusters, and Food Testing Laboratories (MoFPI, 2023). The government is also working towards making India a global hub for 'Shree Anna' (millets) (Government of India, 2024).

India's agricultural and processed food exports have shown significant growth. In FY 2022-23, exports reached $51 billion, with major destinations including the USA, Bangladesh, UAE, and Vietnam (UN Comtrade, 2024). The country remains a leading global producer of milk, eggs, fruits, and vegetables. Horticulture production reached 351.92 million metric tons (MT), while milk production stood at 221.06 MT, marking an annual growth rate of 5.29% (FAO, 2024). Seafood exports reached a record high of $8.09 billion, while non-basmati rice emerged as the top agricultural export, with shipments totaling $4.66 billion under the APEDA basket (DGCIS, 2024). The PLI scheme is expected to drive an expansion of INR 30,000 crore in food processing capacity and generate approximately 2.5 lakh direct and indirect jobs by 2026-27 (MoFPI, 2023). Foreign direct investment (FDI) in the food processing sector has also increased, with cumulative FDI inflows reaching $12.354 billion as of September 2023 (DPIIT, 2024). The Indian government permits 100% FDI through both automatic and government approval routes, further supporting investment and technological advancements in the industry.

Keywords: Food Processing Industry, Agricultural Exports, Economic Policies, create employment opportunities

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Introduction

The food processing sector in India is undergoing rapid expansion, creating significant investment opportunities. The country's dynamic food retail industry, supported by favorable economic policies and financial incentives, has contributed to substantial growth (Government of India, 2024). The ministry of Food Processing Industries is actively encouraging investments in this sector, recognizing its critical role in economic development (Ministry of Food Processing Industries, 2023).

One of the most prominent initiatives in this domain is the Pradhan Mantri Kisan Sampada Yojana, which focuses on modernizing food processing infrastructure (MoFPI, 2023). This comprehensive program aims to establish state-of-the-art facilities and improve supply chain management, ensuring an efficient transition from farm to market (Government of India, 2024).

Furthermore, the Production Linked Incentive Scheme for the Food Processing Industry (PLISFPI) has been introduced to boost domestic manufacturing, promote exports, and support food processing enterprises that meet specific sales and expansion criteria (MoFPI, 2023). The scheme follows an Expression of Interest (EoI) approach to encourage the creation of globally competitive Indian brands, strengthening India's presence in the international food processing industry (UN Comtrade, 2024).

Key Statistics in the Food Processing Industry

- In the fiscal year 2022-23, India's agricultural and processed food exports increas by 13%, reaching $19.69 Billion in the first 9 months compared to the previous year (Directorate General of Commercial Intelligence and Statistics [DGCIS], 2024).
- The Pradhan Mantri Formalisation of Micro Food Processing Enterprises Scheme aims to strengthen individual micro-enterprises operating in the unorganized food processing sector (Ministry of Food Processing Industries [MoFPI], 2023).
- The share of processed food exports in agricultural exports has grown substantially, rising from 13.7% in 2014-15 to 25.6% in 2022-2023 (Government of India, 2024).
- From April 2000 to September 2023, foreign direct investment (FDI) in the food processing sector reached $12.354 billion, accounting for 1.89% of total FDI equity inflow. In FY 2023, FDI equity inflow in the sector amounted to $0.896 billion (Department for Promotion of Industry and Internal Trade [DPIIT], 2024).
- The Indian food processing market is projected to reach $535 billion by 2025, with a compound annual growth rate (CAGR) of 15.2%. Consumption patterns in Tier-II and Tier-III cities are expected to mirror those in metropolitan areas, leading to increased demand for processed foods (Invest India, 2024).
- Consumer spending in India is estimated to rise to $6 trillion by 2030 (World Economic Forum, 2023).
- In FY 2022-23, India's agricultural and processed food exports totaled nearly $51 billion, with key export destinations including the USA, Bangladesh, UAE, Vietnam, and others (UN Comtrade, 2024).
- India holds a leading global position in the cultivation of various fruits, including mangoes, bananas, guavas, papayas, sapotas, pomegranates, limes, and aonlas. The country ranks as the second-largest producer of fruits and vegetables (Food and Agriculture Organization [FAO], 2024).
- During FY 2022-23, India exported 17.8 million tonnes of non-basmati rice and 4.6 million tonnes of basmati rice (DGCIS, 2024).
- The Government of India is actively working to position India as a global hub for 'Shree Anna' (millets) (MoFPI, 2023). Additionally, India permits 100% FDI in the food processing industry through the automatic route. For food products manufactured or produced in India, 100% FDI is also allowed via the government approval route for trading, including e-commerce (DPIIT, 2024).

India's Food Processing Industry Scenario

India's food processing sector ranks among the largest worldwide, with its output projected to reach $535 billion by 2025-26 (Invest India, 2024). This industry plays a vital role in linking Indian farmers with both domestic and global consumers. The Ministry of Food Processing Industries (MoFPI) actively promotes investment across the entire value chain, enhancing India's agricultural and industrial infrastructure (MoFPI, 2023).

Within the registered factory sector, food processing contributes 12.22% of total employment, engaging approximately 2.03 million individuals (National Sample Survey Office [NSSO], 2016). Furthermore, the unregistered sector employs 5.1 million workers, accounting for 14.18% of jobs within unregistered manufacturing (NSSO, 2016). The Indian food processing industry covers a broad spectrum of segments, including processed fruits and vegetables, ready-to-eat (RTE) and ready-to-cook (RTC) products, mozzarella cheese, marine products, edible oils, beverages, and dairy goods (Government of India, 2024).

As of September 30, 2023, multiple projects have been sanctioned under various PMKSY schemes, including:

- 41 Mega Food Parks
- 371 Cold Chain initiatives
- 68 Agro-Processing Clusters
- 474 projects under the Creation/Expansion of Food Processing & Preservation Capacities (CEFPPC)
- 61 Backward and Forward Linkages projects
- 46 Operation Green initiatives
- 186 approved Food Testing Laboratories (MoFPI, 2023).

Key Sub-Sectors of India's Food Processing Industry

- Fruits & Vegetables
- Poultry & Meat Processing
- Fisheries
- Food Retail
- Dairy Industry

Agricultural Production and Export Trends

- Horticulture production in 2022-23 was estimated at 351.92 million metric tons (MT), marking an increase of 1.37% from the previous year (Food and Agriculture Organization [FAO], 2024).
- India is the world's largest producer of milk, with a total output of 221.06 MT in 2021-22, reflecting a 5.29% annual growth rate (Government of India, 2024).
- Egg production in 2021-22 reached 129.60 billion, marking a 6.19% increase from the previous year (FAO, 2024).
- Fish production in 2021-22 was 16.24 MT, with 4.12 MT from marine sources and 12.12 MT from aquaculture. National fish production for 2022-23 is projected to rise to 17.4 MT (MoFPI, 2023).
- Plantation crop production is expected to grow from 15.76 MT in 2021-22 to 16.05 MT in 2022-23, reflecting a 1.78% increase (FAO, 2024).
- Seafood exports reached a record high in 2022-23, with 1.73 million MT shipped, amounting to $8.09 billion (DGCIS, 2024).
- The export of cereals (excluding rice, wheat, maize, and millet) saw a 13.64% growth in the first nine months of FY 2022-23 (UN Comtrade, 2024).
- From April to October 2023, cereal exports were valued at $404.30 million, as per DGCIS provisional data (DGCIS, 2024).
- India's total meat production in 2021-22 was 9.29 million MT, with an annual growth rate of 5.62%. The leading meat-producing states were Maharashtra (12.25%), Uttar Pradesh (12.14%), West Bengal (11.63%), Andhra Pradesh (11.04%), and Telangana (10.82%) (FAO, 2024).
- Estimated crop yields for 2022-23 included 135.75 MT for rice, 110.55 MT for wheat, and 57.31 MT for coarse cereals (UN Comtrade, 2024).
- India's food grain exports have consistently increased, raising the nation's share in global food grain exports from 3.38% in 2010 to 7.79% in 2022 (United Nations COMTRADE, 2024). Key agricultural exports include marine products, rice, spices, and more (UN Comtrade, 2024).
- Non-basmati rice has emerged as India's top agricultural export, with shipments totaling $4.66 billion in the first nine months of 2022-23 under the APEDA basket (DGCIS, 2024).

Policy Initiatives and Investments

The Union Cabinet, under the leadership of Prime Minister Shri Narendra Modi, has approved the Production-Linked Incentive (PLI) Scheme for Food Processing as part of the Atmanirbhar Bharat initiative (Ministry of Food Processing Industries [MoFPI], 2023). A total of 158 applications have been approved under this scheme, including 22 MSMEs focusing on millet-based products (Government of India, 2024).

The implementation of the PLI scheme is projected to drive an expansion of nearly INR 30,000 crore in food processing capacity and create approximately 2.5 lakh direct and indirect job opportunities by 2026-27 (MoFPI, 2023).

Beneficiaries of the PLI scheme have reported investments amounting to approximately INR 7,099 crore under this initiative (Invest India, 2024).

Conclusion

The food processing sector in India is one of the fastest-growing industries, significantly contributing to economic development, employment generation, and global trade. With an expected market size of $535 billion by 2025, this industry plays a pivotal role in connecting Indian farmers to domestic and international markets (Invest India, 2024). The Ministry of Food Processing Industries (MoFPI) and the Government of India have undertaken multiple initiatives, such as the Pradhan Mantri Kisan Sampada Yojana (PMKSY) and the Production Linked Incentive (PLI) Scheme, to strengthen infrastructure, enhance exports, and attract investments (MoFPI, 2023). These policies have led to an increase in food processing capacity, supporting entrepreneurs, MSMEs, and major industries.

India's agricultural and processed food exports have consistently grown, with exports totaling $51 billion in FY 2022-23 (UN Comtrade, 2024). The country ranks second globally in fruit and vegetable production and is the world's largest producer of milk (FAO, 2024). The growth of Tier-II and Tier-III cities, along with increasing urbanization and income levels, is expected to further accelerate demand for processed food products (World Economic Forum, 2023). Additionally, foreign direct investment (FDI) inflows into the food processing sector have increased, reaching $12.354 billion between 2000 and 2023, reflecting rising investor confidence in the industry (DPIIT, 2024).

Despite these advancements, challenges such as inadequate cold chain infrastructure, supply chain inefficiencies, and regulatory constraints remain. Addressing these issues through policy interventions, technology adoption, and private sector participation will be crucial in achieving sustained growth (Government of India, 2024). Furthermore, the Atmanirbhar Bharat initiative and PLI scheme are expected to drive further investments and employment generation by 2026-27, positioning India as a global food processing hub (MoFPI, 2023).

In conclusion, India's food processing sector is poised for significant expansion, backed by strong government support, increasing consumer demand, and robust investment opportunities. With continued infrastructure development, policy reforms, and global trade partnerships, India is well on its way to becoming a leading force in the global food processing industry.

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Conflicts of Interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

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