Food Processing

MARKET & OPPORTUNITIES

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Food Processing

MARKET & OPPORTUNITIES

CONTENTS

A report by KPMG for IBEF

Introduction

India is one of the key food producers in the world, with the second largest arable land area. It is the largest producer of milk, pulses, sugarcane and tea in the world and the second largest producer of wheat, rice, fruits and vegetables.

India's Food Processing industry is one of the largest industries in the country - it is ranked fifth in terms of production, consumption, export and expected growth. The Indian food industry is estimated to be worth over US$ 200 billion and is expected to grow to US$ 310 billion by 2015. India is one of the world's major food producers but accounts for only 1.7 per cent (valued at US$ 7.5 billion) of world trade in this sector – this share is slated to increase to 3 per cent (US$ 20 billion) by 2015.

The Indian food processing industry is estimated at US$ 70 billion. It contributed 6.3 per cent to India's GDP in 2003 and had a share of 6 per cent in the total industrial production. The industry employs 1.6 million workers directly.

Indian Food Processing Industry: Structure and Composition

Food processing is a large sector that covers activities such as agriculture, horticulture, plantation, animal husbandry and fisheries. It also includes other industries that use agriculture inputs for manufacturing of edible products. The Ministry of Food Processing, Government of India has defined the following segments within the Food Processing industry:

- Dairy, fruits & vegetable processing
- Grain processing
- Meat & poultry processing
- Fisheries
- Consumer foods including packaged foods, beverages and packaged drinking water.

While the industry is large in terms of size, it is still at a nascent stage in terms of development. Out of the country's total agriculture and food produce, only 2 per cent is processed. The highest share of processed food is in the Dairy sector, where 37 per cent of the total produce is processed, of which 15 per cent is processed by the organised sector.

Primary food processing (packaged fruit and vegetables, milk, milled flour and rice, tea, spices, etc.) constitutes around 60 per cent of processed foods. It has a highly fragmented structure that includes thousands of rice-mills and hullers, flour mills, pulse mills and oil-seed mills, several thousands of bakeries, traditional food units and fruits, vegetable and spice processing units in unorganised sector. In comparison, the organised sector is relatively small, with around 516 flour mills, 568 fish processing units, 5,293 fruit and vegetable processing units, 171 meat processing units and numerous dairy processing units at state and district levels.

SEGMENT-WISE ANALYSIS

Dairy Sector

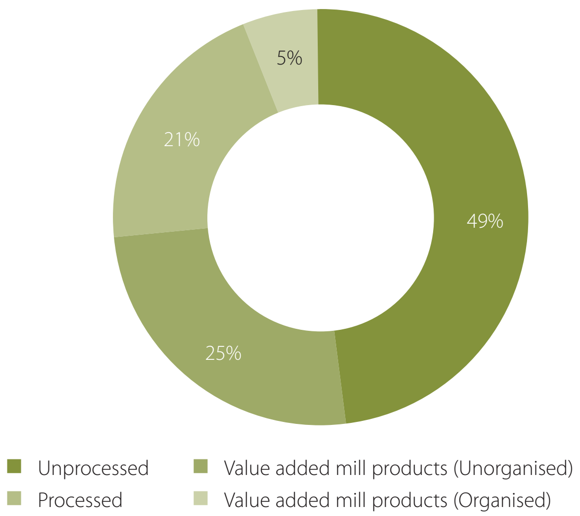
India stands first in the world in terms of milk production .The output is expected to be about 108 million tonnes (estimate for 2007), growing at a compounded annual growth rate of 4 per cent. Consumption of milk has registered a growth of nearly 8.4 per cent (in urban areas) and is currently valued at US$ 16 billion.

The dairy sector ranks first in terms of processed foods with 37 per cent of the produce being processed. The organised sector processes an estimated 15 per cent of

Segment	Dairy Sector	F&V	Meat and Poultry Processing	Fisheries	Packaged Foods	Beverages	Staple foods
Growth rate of the market	15%	20%	10%	20%	8%	27%	85%
Key Segments	Value added milk products like Butter, Cheese and Ghee	Raw F&V, Fruit Pulps, Canned Fruits and Pickles	Cattle, Buffalo and Poultry	Marine Fisheries, Frozen Products and Minced Fish products	Noodles/ Vermicelli	Fruit-based Drinks and Carbonated Drinks	Sugar, Wheat Flour and Salt
Extent of processing	37%	2%	1%	12%	-	-	-
Share of organised sector	15%	48%	5%	-	80%	77%	50%

Source: http://www.investmentcommission.in/food_&_agro_products.htm and KPMG Analyses

Share of Each Segment in Total Production



the total milk output in India. There are 676 dairy plants registered with Government of India, which come under the organised sector.

Milk and milk products contribute to a significant 17 per cent of the country's total expenditure on food. Traditional dairy products account for about 50 per cent of the total milk produced.

The market for dairy products is expected to grow at 15-20 per cent over the next three years.

- Ghee is the most widely marketed and branded product with a nation-wide penetration of 24.1 per cent. It is estimated to be growing at a rate of 8 per cent per annum
- The dairy whitener market comprises of sweetened milk powders, condensed milk and creamers. Its market size is estimated at US$ 450 million for 2005-06
- The cheese market is estimated at US$ 2.49 million for 2005-06 (54000 tonnes in volume terms), growing at a rate of nearly 10 per cent per annum. The organised cheese market is dominated by processed cheese which accounts for 74 per cent market share
- The ice-cream market in India is estimated at US$ 226 million in 2005-06, with the organised market at US$ 158.2 billion This is currently growing at 20 per cent

Fruits and Vegetables

India produces the widest range of fruits and vegetables in the world. It is the second largest vegetable and third largest fruit producer accounting for 8.4 per cent of the world's food and vegetable production. The share of organised sector in fruit processing is estimated to be nearly 48 per cent.

Fruit production in India registered a growth of 3.9 per cent during the period 2000-05 whereas the fruit processing sector grew several times faster at 20 per cent over the same period. The total area under fruit cultivation is estimated at 4.18 million hectares. The total area under vegetable cultivation is estimated at 7.59 million hectares. However less than 2 per cent of the total vegetables produced in the country are commercially processed, as compared to nearly 70 per cent in Brazil and 65 per cent in USA.

India's installed capacity for fruits and vegetable processing nearly doubled during the 1990s, from 1.1 million tonnes in 1993 to 2.33 million tonnes in 2004. About 20 per cent of processed fruits and vegetables are exported. Major products exported include fruit pulps, pickles, chutneys, canned foods, concentrated pulps and juices and vegetables. Fruit exports have registered a growth of 16 per cent in volume and 25 per cent in value terms in 2005-06. Mango and mango based products alone constitute 50 per cent of the exports.

Grain Processing

India produced nearly 209.32 million tonnes of grains in 2005-06. India's production covers all major grains – rice, wheat, maize, barley and millets like jowar, bajra and ragi. It ranks third in the production of grains in the world. With a share of 40 per cent, grain processing is the biggest component of food sector. Primary processing constitutes 96 per cent with the remaining accounted for by the secondary and tertiary sectors.

Total rice milling capacity in the country is 186 million tonnes. There are about 516 large flour mills in the country, as well as about 10,000 pulse mills.

Meat and Poultry Processing

India has the largest number of livestock population in the world accounting for 50 per cent of buffaloes and 16 per cent of the goat population. Meat production grew at a CAGR of 34 per cent during the period 1999-2004 and stood at US$ 12.44 million in 2005-06. Meat exports stood at US$ 0.104 million in 2005-06.

Most of the animals in India are not bred for meat. Animals generally used for production of meat are cattle, buffaloes, sheep, pigs and poultry. Only 11 per cent of the buffalo population, 6 per cent of the cattle, 33 per cent of the sheep and 38 per cent of the goat population is culled for meat. Consumption per head of both fresh and processed meat is very low at 1.5 kg compared with world average of 35.5 kg. Indian poultry meat market was approximately US$ 2.03 billion in 2005. Indian broiler industry has seen a rapid growth in the last few years - CAGR of more than 10 per cent a year since 1998.

Fisheries

India is the third largest fish producer in the world and second in in-land fish production. The Fisheries sector in India has been classified into marine, inland and aquaculture. The fisheries sector contributes 1.1 per cent to the country's GDP. This segment also provides employment to 11 million people engaged fully, partially or in subsidiary activities pertaining to the sector.

India's fish production stood at a level of 6.4 million tons in 2004-05. Of this, about 60 per cent (3.9 million tons) came from marine resources. Currently fish processing is mostly targeted for export markets. There are over 369 freezing units with a daily processing capacity of 10,266 tonnes and 499 frozen storage units with a capacity of 134,767 tonnes. Processed fish product exports include conventional block frozen products, individual quick frozen products and minced fish products like fish sausage, cakes, cutlets, pastes etc.

Export of marine fish products touched of US$ 1.48 billion during 2004-05. Exports showed an increase of 11.97 per cent in volume and 11.1 per cent in value realisation. Frozen shrimp is the largest item in terms of value contributing to 63.5 per cent of the total exports, and frozen fish is the largest in terms of volume contributing to 34.62 per cent.

Consumer Foods Including Packaged foods, Beverages and Packaged Drinking Water

Packaged Foods

Packaged foods segment in India registered a growth of 8 per cent in 2005-06. Noodles/Vermicelli is the fastest growing category in this segment with a CAGR at 15 per cent. The market for branded noodles is estimated at 230 million servings per year.

The Soups market is still small and nascent in India and is approximately US$ 14 million in value. The market for culinary products is estimated at US$ 475,000 and estimated to grow at 18 to 20 per cent per annum. Products like Tomato Ketchup and Jams currently have low penetration levels, but are growing rapidly. Ketchups, for example, have a penetration of just 3 per cent in India; however this category is estimated to be growing at 20 per cent per annum.

Beverages

The beverages market primarily consists of non-alcoholic beverages which can be broadly classified into carbonated drinks, non-carbonated drinks and hot beverages. This segment is estimated at US$ 155 million out of which fruit juices and fruit-based drinks account for US$ 60 million. The market size of organised carbonated drinks is estimated at US$ 119 million. In the past decade the carbonated drinks market registered a healthy growth rate of 20 per cent, driven by the positive changes in India's consumer profile.

Hot beverages include health drinks such as white beverages ('Horlicks' etc) and brown beverages such as tea/coffee as well as branded drinks (Eg: 'Boost'). The total size of this market is estimated at US$ 333 million by value and 85,000 tonnes by volume. White beverages account for 65 per cent of the market and brown beverages constitute the remaining 35 per cent

India is the largest producer of tea in the world accounting for 28 per cent of the total global production, at 857 million kgs. Tea production in India has been growing at 1.2 per cent per annum and India is the fourth largest exporter of tea in the world with estimated exports of US$ 5 million in 2002-03. India is also the fifth largest producer of coffee accounting for 4 per cent of the total production in the world. Nearly 75 per cent of India's production is exported and coffee exports stood at US$ 5.2 million in 2005-06.

Staples – Bread, Wheat Flour, Salt and Sugar

Bread is slowly coming to be a staple product consumed by people of all economic classes in India. Total bread production in the country in 2004-05 was estimated at 2.7 million tons, growing at 7.5 per cent. About 55 per cent of bread production comes from the organised sector.

India is the second largest producer of wheat in the world with an output of more than 70 million tonnes. Branded 'atta' (wheat flour) is an important item in this segment with an estimated market of US$ 195 million.

India's Strengths in Food Processing

Favourable Factor Conditions

India has access to several natural resources that provides it a competitive advantage in the food processing sector. Due to its diverse agro-climatic conditions, it has a wide-ranging and large raw material base suitable for food processing industries. Presently a very small percentage of these are processed into value added products. The semi-processed and ready to eat packaged food segment is relatively new and evolving.

India's Competitive Edge in Food Processing

	India	Global Rank	Share in Global Production
Arable Land (million hectares)	161	2	-
Irrigated Land (million hectares)	55	1	-
Cost Line (km)	8041	19	-
Major Food Crops (MT)	35	3	4%
Fruits (M)	47	2	10%
Vegetables (MT)	82	2	10%
Rice/Paddy (MT)	132	2	22%
Wheat (MT)	65	2	12%
Milk (MT)	88	1	16%
Sugarcare (MT)	289	2	21%
Pulses (MT)	12	1	21%
Tea (MT)	0.88	1	28%
Edible Oildseed (MT)	25	3	7%
Cattle (million)	226	1	20%

Source: Cygnus report, India Food Processing Sector, 2005

India has the largest irrigated land in the world. It is also world's largest producer of milk, tea and pulses. India has large marine product and processing potential with varied fish resources along the 8,041 km coastline, 28,000 km of rivers and millions of hectares of reservoirs and brackish water. India also possesses the largest livestock population in the world with 50 per cent of world's buffaloes and 20 per cent of cattle.

India's comparatively cheaper workforce can be effectively utilised to set up large low cost production bases for domestic and export markets. Cost of production in India is lower by about 40 per cent over a comparable location in EU and 10-15 per cent over a location in UK.

Along with these factor conditions, India has access to significant investments to facilitate food processing industry. There have been increasing investments not only by domestic firms and Indian government, but also foreign direct investment

Related and Supporting Industries

The Indian food processing industry has significant support from the well developed R&D and technical capabilities of Indian firms. India has a large number of research institutions like Central Food Technological Research Institute, Central Institute of Fisheries Technology, National Dairy Research Institute, National Research and Development Centre etc. to support the technology and development in the food processing sector in India.

Government Regulations and Support

The Government of India has taken several iniatives to develop the food processing industry in India. One indication of the importance that the sector receives is the hiking of the present outlay for the sector from US$ 19.5 million in 2004-05 to US$ 41.35 million the next year, more than twice the earlier amount. The government has been developing agri-zones and the concept of mega food parks to promote food processing industry in India. It is considering investing US$ 22.97 million in at least 10 mega food parks in the country besides working towards offering 100 per cent foreign direct investment and income tax benefits in the sector.

In order to promote investment in the food processing sector, several policy initiatives have been taken during recent years. The national policy aims to increase the level of food processing from 2 per cent to 10 per cent in 2010 and to 25 per cent in 2025. Some of the initiatives include:

- The level of institutional credit to be provided by banks and FIs has been increased from US$ 17.41 billion during 2003-04 to about US$ 23.76 billion in 2005-06
- Allowing full repatriation of profits and capital
- Automatic approvals for foreign investment up to 100 per cent, except in few cases, and also technology transfer
- Zero duty import of capital goods and raw material for 100 per cent export-oriented units. Customs duty on packaging machines reduced. Central excise duty on meat, poultry and fish reduced to 8 per cent
- Income tax rebate allowed (100 per cent of profits for 5 years and 25 per cent of profits for the next 5 years) for new industries in fruits and vegetables besides institutional and credit support
- Allowing sales up to 50 per cent in domestic tariff area for agro-based, 100 per cent export oriented units
- Government grants given for setting up common facilities in Agro Food Park.
- Full duty exemption on all imports for units in export processing zones.

The liberalised overall policy regime, with specific incentives for high priority food processing sector, provides a very conducive environment for investments and exports in the sector.

Investments Required in the Food Processing Sector

India requires an investment of US$ 28 billion to bring the level of processing to 10-12 per cent by 2012. The following areas of investment have been identified by the Ministry of Food Processing:

- Mega food parks
- Agri-infrastructure and supply chain integration
- Logistics and cold chain infrastructure
- Fruit and vegetable products
- Animal products, meat and dairy
- Fisheries and sea food
- Cereals, consumer foods and ready-to-eat foods
- Wine and beer
- Machinery and packaging

Critical Success Factors for Manufacturers in this Sector

The Indian food processing industry's growth potential cannot be disputed; however, it requires certain competencies and success factors to fructify this potential. These include addressing the current gaps in the value chain as well as leveraging on the various advantages the country provides. Investors in the sector need to be aware of these factors and build the required capabilities in their business to ensure success. Some of the key success factors are discussed below.

Integrated Supply Chain and Scale of Operations

While India ranks second in production of fruits & vegetables, nearly 20 to 25 per cent of this production is lost in spoilage in various stages of harvesting. The key issues are poor quality of seeds, planting material and lack of technology in improving yield. Ensuring good quality produce entails investments in technology and ability to sustain a long gestation period for the harvest. Good quality production also results in better quality of processed fruits. Hence there is a need to establish backward linkages with the farmers with the help of arrangements such as contract farming to improve the quality of the produce.

Scale is a key factor in the processing industry. Nearly 90 per cent of the food processing units are small in scale and hence are unable to exploit the advantages of economies of scale. This is also true with land holdings.

The country has only 3600 slaughterhouses, 9 modern abattoirs and 171 meat processing units, and a limited number of pork-processing units. This is one of the reasons penetration of processed meat is extremely poor at 1 per cent in India. These figures indicate both the need for scale, and the potential for growth offered by the sector.

Processing Technology

Most of the processing in India is currently manual. There is limited use of technology like pre-cooling facilities for vegetables, controlled atmospheric storage and irradiation facilities. This technology is important for extended storage of fruits and vegetables in making them conducive for further processing.

In the case of meat processing, despite the presence of over 3600 licensed slaughter-houses in India, the level of technology used in most of them is limited, resulting in low exploitation of animal population.

Bringing in modern technology is an area that existing as well as new investors in the sector can focus on, this will make a clear difference in both process efficiencies as well as quality of the end product.

Increasing Penetration in Domestic Market

Most of the processing units are export oriented and hence their penetration levels in the domestic market are low. For example,

- Penetration of processed fruits and vegetables overall is at 10 per cent
- The relative share of branded milk products especially ghee is still low at 2 per cent
- Penetration of culinary products is still 13.3 per cent and is largely tilted towards metros
- Consumption of packaged biscuits for Indian consumers is still low at 0.48 per cent while that for Americans is 4 per cent

However, there is increasing acceptance of these products amongst the urban population. India has a large untapped customer base and even a small footprint in the domestic market would enable the player to gain significant volumes.

Acceptance in the domestic market and hence higher penetration is driven by the following factors:

Competitive Pricing

Consumers of processed foods are extremely price sensitive even a small change in pricing can have significant impact on consumption. For instance, the launch of PET bottles, new price points and package sizes in non-carbonated drinks (such as Coca Cola) has increased in-home consumption from 30 per cent in 2002 to 80 per cent in 2003. Competitive pricing also enables penetration in the rural markets.

Brand Competitiveness

Share of branded products in purchases of Indian consumers has increased by 25 per cent to 35 per cent. This is especially true for urban consumers. Branded products like Basmati rice and KFC's chicken have been very successful implying that there is a good demand for hygienic branded products at reasonable prices.

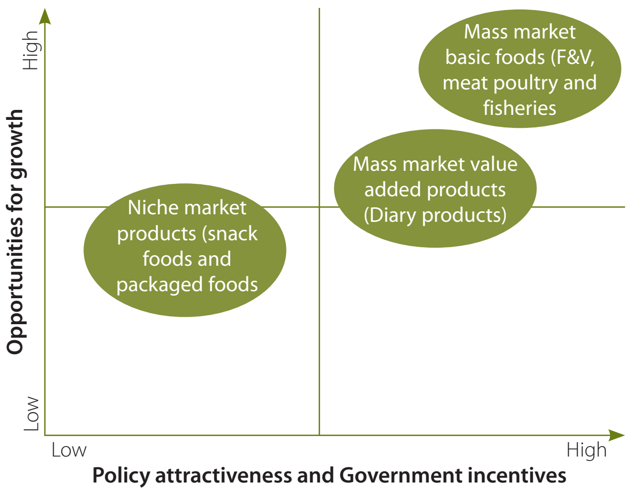
Product Innovation

Certain processed food categories such as snack foods are impulse purchase products where consumers look for novelty and new flavors and hence these categories lack brand loyalties. Visibility through attractive packaging boosts consumption.

Increasing time constraints amongst the working middle class has boosted consumption of products like instant soups, noodles and ready-to-make products. Innovation in packaging and product usage is an important success factor for processed foods.

Segment-wise Attractiveness of Processed Foods

India presents several potential growth areas in the food processing sector. Based on our assessment of the potential growth opportunities and the enabling environment in terms of policy support, three key segments have been identified that indicate high attractiveness. These are discussed below:



MASS MARKET BASIC FOODS- FRUITS & VEGETABLES, POULTRY, MEAT AND FISHERIES

Fruits and Vegetables Segment

Several factors make the fruits and vegetables sector in India attractive from a market size and growth perspective. As mentioned, India is a significant producer of fruits in the world, contributing to 10 per cent of global production. The fruits and vegetables sector is growing rapidly at a healthy rate of 20 per cent per annum. It is however nascent, with penetration level of about 10 per cent. These factors indicate the high growth potential in the sector. This is also highly unorganised at present, with the unorganised sector at 48 per cent share, indicating the scope for organised players to make an impact.

Several policy measures have been undertaken by the Government to create the right stimulus for growth in this sector. Some of the key initiatives include:

- Foreign equity participation up to 51 per cent allowed. Initiatives like post-harvest management, logistics given priority in attracting FDI
- Complete exemption from excise duty
- Income tax rebate of nearly 100 per cent of profits for new industries in fruits and vegetables sector
- Many fruits and vegetables processing industries eligible for automatic approval of technology upgradation

Meat, Poultry and Fisheries Segment

The meat, poultry and fisheries segment is another high potential area that has the advantage of several favorable factor conditions. In terms of raw material, India has the best supply of livestock in the world, accounting for 50 per cent of buffaloes and 16 per cent of the goat population. India also ranks third in the world in production of fisheries. As mentioned earlier, the bulk of the livestock is not bred for slaughter.

There is a large potential for setting up modern slaughter facilities and development of cold chains in meat and poultry processing sector. In the fisheries segment also, India's long coastline and network of inland waterways and lakes, offers plentiful availability of different types of fishes. Fishery resources in India are seriously under-utilised.

The Government has also taken up several initiatives to encourage investment and growth in this segment. These include:

- Foreign Equity participation allowed in the fisheries sector subject to approval. Foreign investment proposals on nearly US$ 210 million have been approved in the sector
- Financial assistance given for setting up of processing

infrastructure like IQF plants, refrigerating transport equipment, freezing plants
- Excise duty on meat poultry and fisheries reduced from 16 per cent to 8 per cent

Mass Market Value-Added Products- Dairy, Bakery

India is the world's largest milk producer and dairy is the one of the most promising segments of food processing. Demand for dairy products is expected to grow at a healthy rate of 15 to 20 per cent over the next five years. The segment offers a high potential for value add – the level of processing value add, at 37 per cent, is amongst the highest in the food processing industry. At the same time the share of organised players is still small, at 15 per cent, indicating the potential for growth for organised players.

Bakery products is a related segment that has also been growing strongly, at about 7.5 per cent. The segment is still highly fragmented, though organised players have nearly 55 per cent share of output.

Both these segments, while indicating attractive growth potential, have also been focus areas for policy support by the government.
- Foreign equity participation permitted to the extent of 51 per cent in dairy processing sector
- De-reservation of many segments like ice-cream and ghee from small-scale industries
- Excise duty of 16 per cent on dairy processing machinery fully waived for promotion of dairy processing
- Subsequent to decanalisation, exports of some milk based products are freely allowed provided these units comply with the compulsory inspection requirements of concerned agencies like the National Dairy Development Board, Export Inspection Council, etc.

Niche Market Foods - Snack Foods, Ready-to-Make Foods, Packaged Foods

This business is characterised by high volumes and low margins. Penetration levels are yet quite low in this segment, with product acceptance largely restricted to the urban population. Product innovation and branding play a key role in success of these products. As such, this segment could be an attractive option for multinational companies with established brands and strengths in innovation, to enter and get established in India.

The Government has been supporting this segment through policy initiatives such as:
- Automatic approval of foreign equity participation up to 51 per cent
- Income tax rebate of 100 per cent of profit for five years and 25 per cent of profits for the next year for packaging of foods

Backward Integration - Emerging Business Model

The generic value chain of the food processing industry from raw materials to retail to the consumer, is shown below. Traditionally, different players across the value chain played the different roles and worked more or less independently. Recently, the trend has been towards increasing integration and collaboration across players in the value chain, to garner mutual benefits. Such integration is being driven by the manufacturers, who are looking to integrate backward and establish linkages with both raw material producers (farmers) and aggregators/logistics providers. These links have led to two new models emerging in the sector – Contract Farming and Terminal Markets. These are further discussed below.

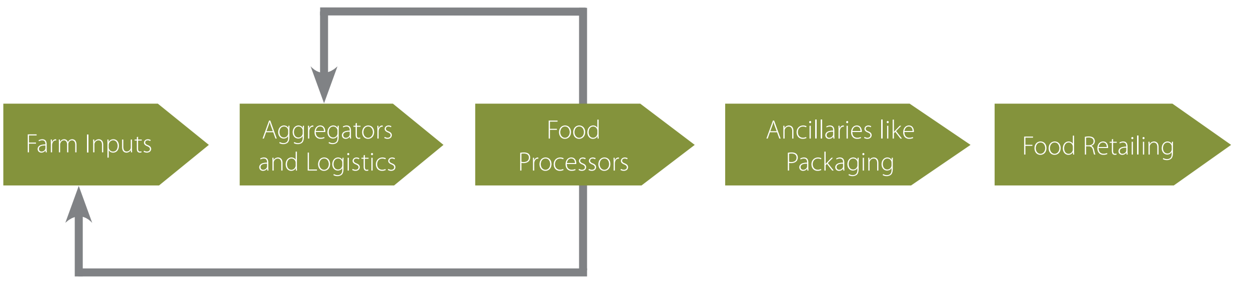
Contract Farming

Contract Farming is an agreement between the food processor (contractor), who is typically a large organised player, and the farmer, whereby the farmer is contracted to plant the contractor's crop on his land. He also agrees to harvest and deliver to the contractor a quantum of produce, based upon anticipated yield and contracted acreage at a pre-agreed price. The food processor provides inputs in terms of technology and training to the farmer, to improve the yield and quality of the produce.

This results in a win-win situation that generates a steady source of income for the farmer and eliminates supply shocks and assures good quality farm inputs which are crucial for the processor.

The Government of India has been actively encouraging contract farming endeavours. The National Agricultural Policy envisages that 'private sector participation will be

Terminal Markets
Jointly participate through investments in a one-stop modern market offering grading, sorting, electronic auctioning, quality testing, cold storage and banking facilities



Contract Farming
The farmer is contracted to farm on his land and the produce of an agreed yield and quality is bought by the processor at an agreed price

encouraged through contract farming and land leasing arrangements to allow accelerated technology transfer, capital inflow and assured market for crop production'

Successful Contract Farming in India

A good example in this area has been Pepsi Foods' experience with contract farming for its tomato processing plant at Hoshiarpur in Punjab. Through transfer of technology and providing good quality seeds and inputs to farmers, Pepsi was able to substantially increase both quality and quantity of tomato production in the area, so as to meet the demands of its plant.

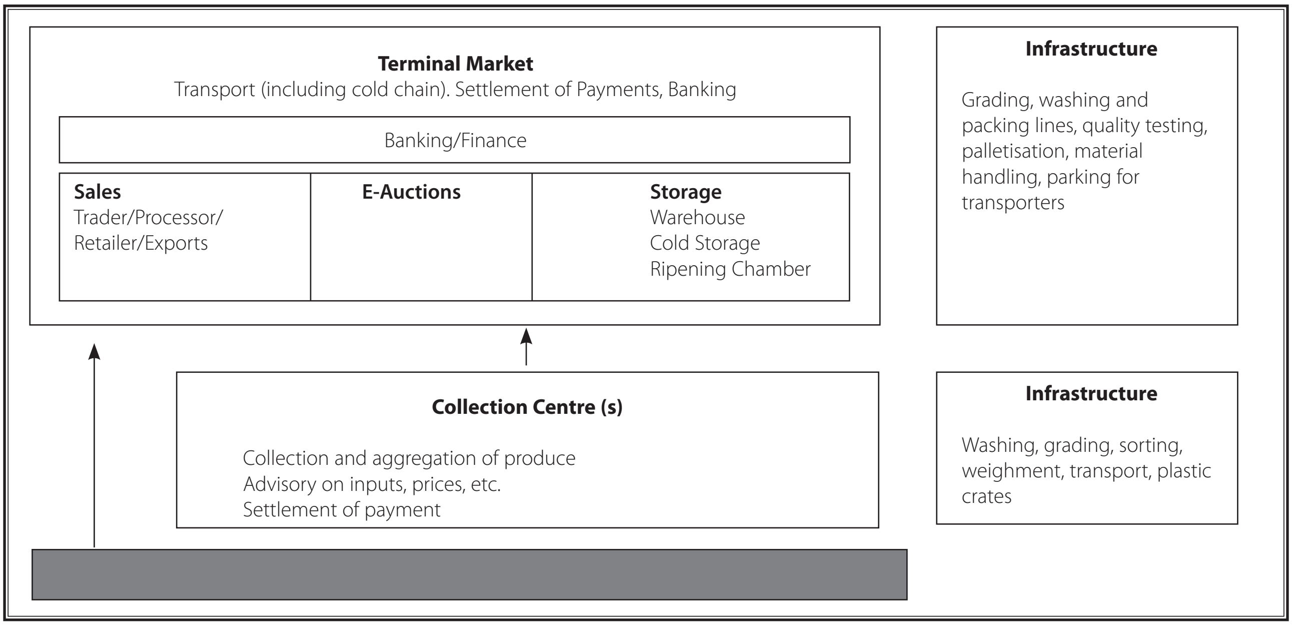
A key aspect of Pepsi's approach was its partnership with local bodies such as the Punjab Agricultural University and Punjab Agro Industries Corporation Limited, which went a long way in getting the farmers' buy-in and ensuring success of the venture.

Terminal Markets

A Terminal market is a central site, often in a metropolitan area, that serves as an assembly and trading place for agricultural commodities. Here there are different options for disposing off the produce. It can either be sold to the end consumer, or to the processor, or packed for export, or even stored for disposal at a future date. It thus offers different options to farmers under a single roof.

Typically, terminal markets operate on a hub and spoke model where the markets form the hubs, and are linked to different collection centres (spokes) that are located close to the production centres. The typical value chain structure for a terminal market, as well as the key activities and corresponding infrastructure requirements at each level, are depicted in the figure below:

The Government of India is looking to promote terminal markets, as a means of integrating domestic produce with retail chains. There are plans to set up such markets in eight cities across five states, at a cost of US$ 131 million. The cities being considered are Mumbai, Nashik, Nagpur, Chandigarh, Rai,Patna, Bhopal and Kolkata.



Attractive States and Specific Incentives

Given the size and significance of the food processing sector in India's economy, several states in India are focusing on developing the sector and attracting investments in it. At the same time, there are a few states that are attractive for investors due to favourable market and factor conditions. The following table gives a high level assessment of the key states for the food processing sector along four key parameters.

The following sections briefly profile each state in terms of market and factor conditions. The details of the different incentives offered by the state government to this sector are given in Appendix.

Andhra Pradesh

Andhra Pradesh is a key state that contributes significantly to the food and food processing sector in India. The state ranks first in the country in area and production of mango, oil palm, chillies and turmeric, second in citrus and coriander, third in cashew, fourth in flowers and fifth in grapes, banana, ginger and guava based on area and production. It accounts for a sizeable share of country's aggregate production of rice. It also contributes 25-30 per cent to the total sea food exports of the country.

The food processing industry contributes 19.36 per cent to total industrial production in the state. It ranks second in the production of value-added products and beverages with a 10 per cent contribution to the exports of the country.

The state is also well endowed with human resources with the right skill sets. It is estimated that the agro-based industry in the state employs 65 per cent of its total population.

Fiscal Incentives

- The Government of Andhra Pradesh will give an additional 10 per cent of the subsidy assistance being given by the Government of India to the agro food processing units
- Power is a very important cost factor in food processing units; to help newly established units during the nascent stage, Government will extend electricity tariff at a concessional rate of about 4 cents per unit for a period of five years
- A re-fund of 50 per cent of Stamp Duty Land Registration and Documentation Duty paid by the unit A, 5 per cent interest subsidy will be given on total working capital loan taken by new food processing industrial units in food parks subject to a maximum of US$ 4,433 per unit for a period of one year in the other areas of the state a maximum of US$ 2,216.8 per unit for a period of one year will be given

State-wise Attractiveness for Investing in Food Processing

State	Andhra Pradesh	Punjab	Uttar Pradesh	Madhya Pradesh	Karnataka
Investment Opportunities	High	High	High	Moderate	Moderate
Fiscal Incentives	High	High	High	High	High
Non-Fiscal Incentives	High	Moderate	High	High	High
Overall Attractiveness	Very high	High	Very High	Very High	High

- To encourage use of mechanised grading/sorting /sizing machines/ packaging especially for exportable products, a subsidy of 50 per cent will be given on equipment with a ceiling of US$ 6,650.4 per beneficiary on primary processing activities, like grading, sorting, packaging, washing at the farm gate. To encourage the use of driers which will help in getting better value addition for perishable produce a subsidy of 25 per cent on the cost of equipment will be given subject to ceiling of US$ 4,443 per beneficiary
- All Food Processing Industries shall be exempted from payment of market cess on the procurement of raw material for the industry. On the turn over of the value of finished product for exports, a development cess of 0.5 per cent would be charged and the amount will be exclusively utilised for improving the infrastructure for the food processing industry
- The sale tax on inputs shall be adjusted against the tax payable, on the sales of the finished products sold within the State. Further in respect of exports the input tax shall be refunded by Industries Department
- A 25 per cent Airfreight subsidy will be given on the actual cost incurred on the airfreight for export of perishables with a ceiling of US$ 4,443 per unit per annum

Non-Fiscal Incentives

- The Government will assist establishment of futures markets for produces being used by the food processing industries and promote micro irrigation systems and contract farming for which a separate policy and package will be prepared by the Horticulture Department
- The Government will develop and promote electronic trade exchanges for processed food products
- The Government will assist marketing capabilities of food processing units to face not only WTO challenges but also undertake exports
- All the Food Processing units will be given clearances under the Single Window Act
- All procedures for inspection, pollution control etc., will be simplified ultimately leading to a zero inspection regime

PUNJAB

Punjab is a significant contributor to India's wheat and rice production. It is the second largest producer of wheat contributing to 21.5 per cent to the total production in the country and the fourth largest producer of rice contributing to 9 per cent to the total production.

The state has shown one of the fastest growth rates in this sector with the annual production of food products increasing nearly 300 times between 1991and 2001. AT the same time, Punjab's share in processed foods stands at a low 3 per cent, indicating significant potential for growth

Fiscal Incentives

- For agriculture commodities other than wheat and paddy no market fees shall be levied on purchases made by agro and food processing units
- Similarly for commodities other than wheat and paddy purchased by food and agro processing units, no rural output tax shall be charged
- All processing units will be allowed to purchase agricultural products directly from the farmers and necessary exemption for this purpose will be given to them under the Punjab APMC Act
- Sales tax on packaging material will be reduced to minimum floor level
- Sales tax on ISI mark pumps and motors will be reduced to the minimum floor level
- There will be no restriction on any dealer for stocking/movement of food grains, sugar and edible oils
- For agro and food processing units (other than those processing wheat and paddy) input tax credit in respect of sales or purchase tax paid will be allowed. In respect of wheat, paddy / rice industry, this Input tax credit will only be allowed units which have a fixed capital investment of at least US$ 10.8152 million

MADHYA PRADESH

Madhya Pradesh is the fourth largest producer of agri-produce in India with lowest consumption of fertilizer per hectare. The state ranks first in the production of soyabean, gram, oilseeds, pulses, and linseeds, maize. It ranks second in the production of lentils and niger.

Agriculture contributes almost one-third of the Gross State Domestic Product (GSDP) and is the main source of employment for over 70 per cent population. It constitutes about 60 to 75 per cent rural income.

The performance of the agriculture sector in the state has been impressive. From a growth rate of 1.5 to 2 per cent in the 1980s, the state has made rapid strides growing at the rate of 4 to 5 per cent, faster than the country's average of 3.1 per cent

Fiscal Incentives

- Food processing has been classified as a thrust sector and food processing industries have a fixed capital investment of US$ 110,840 and above are given a special subsidy at the rate of 25 per cent of fixed capital investment (in backward areas) up to a ceiling of US$ 55,420
- No Mandi fee would be charged on agricultural produce, purchased from outside the state for food processing industries to be used as raw material
- Expenditure incurred in obtaining necessary National/ International Quality Certification such as FPO, Agmark, BIS, Euro Standard etc. by the food processing industry will be reimbursed up to maximum of US$ 2216.8
- In order to give encouragement for Research and Development in food processing industries, 10 per cent of actual expenditure incurred for it subject to a maximum US$ 2216.8 would be reimbursed as a subsidy
- Industrial investment promotion assistance will be given to food processing industry having a fixed capital investment below US$ 2.20 million
- The sales tax on purchase of raw material set up in food parks will be adjusted against the sales tax on the finished product

Non-Fiscal Incentives

- In food parks common facilities like cold storage, warehouse, etc., are being established. These facilities will be utilised to its maximum capacity and once the industrial units are set up in the parks
- Land would be allotted at concessional rates to attract entrepreneurs in food parks set up in specific locations
- The Agriculture and Horticulture Department will take initiative to promote contract farming around the Food Park as per the demand of industries established at food parks

UTTAR PRADESH

Uttar Pradesh dominates India's agricultural production, accounting for 34 per cent of the total groundnut, 17.5 per cent of the total rapeseed, 8 per cent of the fruits and 14 per cent of the vegetables produced in the country. It has the largest livestock population in the country and tops the milk production. It is the largest producer of sugarcane and ranks second in the manufacture of sugar.

The state has 2659 food product manufacturing units, which is the highest in a single sector in the state (19.5 per cent of total manufacturing units in the state). The state with its prosperity has enabled the growth of allied industries like ware-housing, cold storages and flourmills.

However, despite the inherent potential, the food processing sector has so far been largely untapped only around 2 per cent of the production is commercially processed. Key issues faced in this area relate to post harvest management, which includes grading, sorting, packaging, processing, transportation and marketing. It is envisaged that agriculture in the state can turn into a lucrative venture, if there is a proper linkage from end to end among various components of agri-business, i.e. from the stage of sowing to final sale and consumption, which can develop synergy and dynamic efficiency in the system.

Fiscal Incentives

- State Government will also consider setting up joint sector ventures in identified areas with a view to encouraging investment and for this purpose from the land available the Government will consider participating by way of equity in land for setting up marketing centers and processing plants. Land will also be considered for giving on lease for backward integration
- To offset the disadvantage on account of being land-locked, the Government may consider assistance for transporting goods to the ports for the purpose of exports from time to time
- To encourage export of processed food, no tax/cess/ duty will be levied on any input used in a product that is exported.
- To encourage value addition within the state, Sales Tax will be rationalised to make these affordable and in turn boost consumption
- Electricity duty will be exempted for 5 years.
- State will consider provision for interest free loan

for facilitating availability of working capital where cumulative capital investment during the policy period is US$ 1.11 million or more
- To promote direct farmer-processor linkages, the payment of Mandi Fee will be made optional

Non-Fiscal Incentives

- Food processing sector is beset with complications emerging out of various laws, rules and regulations. A task force will be set up to examine these provisions and submit recommendations within six months to rationalise them.
- It is proposed that a special task force will be constituted to provide end to end solutions to provide a fillip to processing and improvement in farmer incomes.
- To facilitate end to end development of horticulture and agricultural produce that has 'market potential', a policy has already been announced for Agriculture Horticulture Development Zones for identified produce grown in geographically contiguous areas. The objective is to identify the bottlenecks at each stage of the value chain and suggest interventions, in a project mode, to remove these bottlenecks. The existing and proposed food parks will be integrated as a part of these zones so as to address issues relating to the entire value chain.
- Quality testing laboratories will be encouraged in the private sector and efforts will be made to get them accreditated by recognised agencies like APEDA, so that certification from these laboratories can add value to the product.

KARNATAKA

About 70 per cent of Karnataka's population lives in villages and 71 per cent of the total work force is engaged in agriculture. The state is the leading coffee producer in India, accounting for nearly 70 per cent of the country's coffee cultivation. Horticulture contributes to nearly 17 per cent of the states GSDP.

Karnataka offers several green-field opportunities for setting up agro-based industrial activities including preservation, processing and packaging of food. Several MNCs have established a footprint in the state, Britannia, ITC, Nestle, and Unilever being the most prominent.

Fiscal Incentives

- Agro Food Processing Industries will be declared as "Seasonal Industry" for the purpose of Labour Act. These industries will also be exempt from payment of minimum demand charges to the KPTCL, during closure period of more than 190 days at a time
- 100 per cent exemption from payment of Electricity Tax and levy of concessional ST of 4 per cent on liquid fuel used for Captive Power Generation
- All Agro Food Processing Industries which purchase fruits and vegetables directly from the farmers on contract farming basis would be exempt from payment of Market Fee/Cess under the APMC Act
- All Agro Food Processing Industries will be exempt from Payment of Conversion Fine when they purchase agricultural lands for establishing the Industry/Food Park
- Reimbursement of technology transfer fee, consultancy fee/contract research fee, if the technology is transferred through R & D Institutions like Central Food technological research Institute. Defense Food Research laboratory etc., subject to a ceiling of US$ 554 or 25 per cent of technology fee whichever is lower from the technology Upgradation Fund
- The Government assistance will be in the form of providing financial assistance for creation of basic infrastructure facilities, subject to a ceiling of US$ 110,840 per incubator/centre.

Non-Fiscal Incentives

- 6 Food Parks taken up at Malur, Bagalkot, Maddur, Hiriyur, Jewargi and Belgaum would be completed by end of 2007
- Government will adopt the "Mega Food Park" concept being formulated by Ministry of Food Processing, Govt. of India, for Implementation in select Districts by providing infrastructure, forward and backward linkages
- Accelerated development of food processing industries will be encouraged. Karnataka has 11 Agro Climatic Zones ideally suited for cultivation of a variety of cereals, oil seeds, fruits & vegetables, spices, flowers etc. These agro resources would be harnessed to the fullest extent to create value chain for farmers, processors & Consumers

Brief Case Studies of Successful Companies

Indo Nissin Foods Ltd.

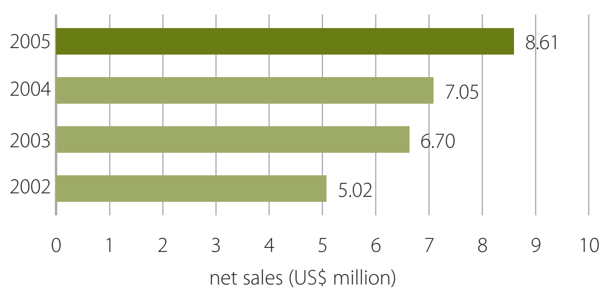
Nissin Food entered India in 1988 through a joint venture with Brooke Bond India Ltd. (Brooke Bond later merged with Hindustan Unilever Limited) to form Indo Nissin Foods Ltd. However, the agreement broke off between the two parties in 1998 and HUL pulled out its stake from the company. HUL also gave up the distribution of Indo Nissin products. The company then decided to distribute the products through Marico Industries.

The company manufactures noodles and a variety of home foods. Top Ramen is the major brand of the company in India with approximately 20 per cent market share in the instant noodle market. Indo Nissin uses the technology of its parent company for manufacturing its products.

The company's production facilities are located near Delhi and in Bangalore.

The company had net sales of US$ 8.61 million for year ending December 2005. It registered a healthy growth in net sales for the period 2002-2005 with a CAGR at 31 per cent

Net Sales for Indo Nissin: 2002-05



Source: ISI Emerging Markets

FACTORS FOR SUCCESS

• Early Entry in Ready-to-Eat Food Market

Indo Nissin was one of the early players in the Indian ready-to-eat food market. It has been offering instant noodle cups since 1991.This helped the company to take an initial lead over its competitors.

• Targeting Specific Consumer Base

Indo Nissin foods have always been innovative in terms of new product development. It has launched new innovative products in India to cater to a specific user segment. The company promoted noodles as a healthy product with vitamins and calcium being added to them. In order to target the younger segment, it launched new cup noodles.

• Adapting Products to Local Taste

Indo Nissin Foods has a unique capability of quickly adapting its product to the tastes of the local people. It has put special emphasis on studying the local tastes, culinary traditions and eating habits of the country in which it operates. This strategy has tremendously helped in increasing sales in the countries of operation. The company has been very particular in terms of choice of ingredients, quality and price.

Future Plans

With the current economic growth of India, there will be a rise in income of the middle class and its spending power will increase. This will also lead to an increase in demand for processed foods, such as instant noodles. Indo Nissin Foods Ltd. wants to tap a larger share of this potential market. The company is also looking to reduce prices of some products to make them more attractive to customers. It plans to further align its sales network with its marketing partner Marico Ltd. The other initiatives of the company include expanding sales by launching new products, conducting promotional campaigns, and achieving cost reductions by restructuring the production system

PERFETTI VAN MELLE:

Perfetti Van Melle in India

Perfetti Van Melle India, a 100 per cent subsidiary of the global conglomerate, started operations in India in 1992 with the setting up of its factory. It launched its first brand in the Indian market in 1994, the popular brand Center Fresh Today as a confectionery company of notable repute, it leads the Indian sugar confectionery market with more than 25 per cent of the value share of the market. In the last twelve years, the company's portfolio has grown from a single brand to having 15 brands today.

The company strives to leverage the international brand portfolio in India, while adapting flavors and blends to the local tastes. The confectionery space in India is known by certain distinct characteristics - highly price sensitive, extremely low value and a distribution driven market. With major players such as Nestle, HUL and Gujarat Co-operative Milk Marketing Federation eyeing this space for a bigger bite of the pie, competition is expected to heat up. Other operators in the same space include Wrigley Joyco, Candico, Parle, Godrej Nutrine, Ravalgaon, Lotte Parry, ITC and Cadbury.

Key Success Factors in India

The Indian confectionery market is very different from the global market. While India is primarily a mono pack market, globally the confectionery market is a multi pack market. The trade is also significantly different with the global market relying heavily on organised trade. In India, unorganised mom and pop retail outlets such as paan shops and kirana outlets result in the bulk of sales. Organised trade is still insignificant in terms of sales. Functional products and sugar free confectionery dominate the world-wide market, while that trend is yet to pick up in India. Keeping these factors in mind, Perfetti has designed its India strategy. Some of the factors that have contributed to the success of Perfetti Van Melle in India include the following:

Innovative Products

Perfetti Van Melle has introduced several innovations in its products, cases in point being Center Shock, Alpenliebe Swirl and Happydent Gum. The company offers products through continuous innovation, alongwith setting and achieving high quality standards, rigorous processes and controls. As a result these are recognised by the consumer to be amongst the best two in the respective product categories in which it operates. The company believes that this contributes significantly to their achieving and maintaining a dominant position in the market. Perfetti Van Melle has also successfully adapted its products to the Indian palate, serviced the market with superior products and ensured the maximum flexibility to give what the market would demand.

Strong Brand Building

Perfetti Van Melle has also shown creativity in its packaging as well as communication and promotions. Big Babol redemption contests, Cofitos Click Card promotion are examples of this. Alpenliebe, Big Babol, Chlor-mint are all brands built in the past decade and advertising has played a key role in the same. A series of conventional and non-conventional branding techniques and media innovations have been utilised to promote the company's products in India. Besides media vehicles like television, radio (FM), press, outdoor and on ground activities as well as "Point of Purchase" promotional material have been used tactically, across the country. The company believes in being flexible when deciding spends on a specific brand and lets the market factors determine spends on the brand and on different media vehicles. However, advertising has to be backed by availability of the product, in order for the advertising to deliver the desired results and Perfetti has taken care to ensure the same.

Constant Re-invention of Brands

The company continually works towards developing its brands and goes to the extent of re-inventing the same if the situation demands. An example is the brand Cofitos that was relaunched at a lower price point because of the market demands. Variants of Alpenliebe were also launched in the year 2002 to take the brand forward and to create excitement in the market. Similarly the company has worked on the positioning of brands like Chlormint and modified the same in order to develop it further. Despite several constraints in the structure of the Indian confectionery market, Perfetti Van Melle expects to embark on its growth path. In a nutshell, its success is expected to be the result of superior quality and state-of-the-art products, distinctive marketing strategies, continuous improvement through research and innovation, care for people and dedication to surrounding communities and environment.

Future Plans

Perfetti Van Melle's vision is to enhance its world leadership in confectionery by creating value for people through delightful and imaginative high quality products.

The company's mission is to:

- Develop, manufacture and market high-quality and innovative products for consumers through efficient use of its resources and in partnership with its customers
- Create a fulfilling workplace for its employees built on trust, mutual respect and appreciation of their diversity
- Value the role it plays in communities, as a socially and environmentally committed Organisation
- Generate economic value through superior growth and profitability

India, being the focus country, the company strives to change the face and nature of the confectionery industry. It aspires to shift it away from the unorganised segment, dominated by low quality and unhygienic products to a more competitive and organised scenario, dominated by high quality manufacturing, innovative advertising and widespread distribution extending even to small towns and villages.

Conclusion and Key Take-aways

Indian food processing industry has seen significant growth and changes over the past few years, driven by changing trends in markets, consumer segments and regulations. These trends, such as changing demographics, growing population and rapid urbanisation are expected to continue in the future and therefore, will shape the demand for value added products and thus for food processing industry in India. The Government of India's focus towards food processing industry as a priority sector is expected to ensure policies to support investment in this sector and thus attract more FDI.

Some of the sectors which are relatively more attractive include Fruits and Vegetables, Meat, poultry and fisheries, dairy products, snack foods and ready-to-make items. India, having access to vast pool of natural resources and growing technical knowledge base, has strong comparative advantages over other nations in this industry. Also, the Government has provided various incentives such as capital subsidies and tax exemptions for boosting investments in these segments.

However despite the various aspects making these sectors attractive certain success factors are crucial in reaping their potential. These include, scale and supply chain efficiency, brand competitiveness and effective marketing, deploying superior technology, product innovation and pricing.

The Government also encourages many participative-models such as terminal markets and contract farming arrangements to benefit the various stakeholders. Many private players participating in these arrangements have been successful.

Also, the various states realising the importance of this industry from an employment as well as revenue generation perspectives have been extremely forthcoming in bolstering growth in this industry. Some of the states that have taken an extra mile by providing various fiscal as well as non-fiscal initiatives include Andhra Pradesh, Punjab, Madhya Pradesh, Uttar Pradesh and Karnataka. These states while having favorable factor conditions in terms of abundance of raw materials and labour, have also designed specific food processing policies to encourage private sector participation and foreign investments.

Many foreign MNC's such as Nestle, Perfetti Van Melle and Indo Nissin Products have been successful by leveraging the India-advantage. Learning from the experiences of these successful MNC's and in light of the above assessment, the food processing sector in India is clearly an attractive sector for investment and offers significant growth potential to companies so investing.

A well-integrated supply chain and a successful marketing strategy with investments in the most attractive segments and states is key to competitiveness to success in this sector.

Appendix: Profile of Key Players

Profile of Domestic Players in the Segment			
Player	**Segment**	**Products**	**About the company**
Dabur India Ltd.	Beverages and Culinary	Fruit juice, cooking pastes, coconut milk, tomato puree, lemon drink, chilli powder and honey.	• Closely held listed company with Promoters' holding at 78.4 per cent of the total share capital. • Dabur Foods is a 100 per cent subsidiary of Dabur India • Turnover of US$ 19.12 million in 2004

The company will focus on boosting institutional sales to hotels, Restaurants and caterers in addition to retail sales

Gits Food Products Pvt. Ltd.	Snack foods and dairy	Sweet mix, namkeens, snack mix meal mix, pure ghee, dairy whitener and milk powder	• Gits exports to Europe, UK, USA, Australia, Canada, and the Middle East contributing to the extent of approximately 35 per cent of its total revenue. • Gits is an unlisted private family owned business.

Gits is strategically growing and broadening its export market and has launched new international style export packaging.

Godrej Industries Ltd.	Beverages and Staples	Edible oils, vanaspati, bakery fats, fruit drinks, fruit nectar, fruit juices and tomato puree	• Revenues from the food segment were US$ 250 million in FY04.

The company's strategy is to increase capacity utilization in edible oils and to tap the niche health conscious market

Haldiram Marketing Pvt. Ltd.	Snack Foods	Sweets, namkeens, syrups, crushes, chips and papads	• Started in 1936 • Major share in the namkeen and snack food market in India. • Strong presence in northern India especially in New Delhi. • Exports to USA, UK, Canada, Australia, Singapore and the UAE.

The strategy followed is competitive pricing and labor intensive products that predominantly cater to the Indian palette

MTR Foods Ltd.	Snack Foods, Ice creams	Ready-to-Eat curries and rice, Ready-to-Cook gravies, frozen foods, ice creams, instant snack and dessert mixes, spices (turmeric, coriander, black pepper), pickles and papads.	• Turnover is estimated at US$ 261 million with the export market accounting for approximately 10 per cent of MTR's total sales. • An ISO 9002 and HACCP certified company is amongst the top five processed food manufacturers in India. • The company was recently acquired by Orkla, a Norway-based company for US$ 80 Million.

After establishing itself in the south, MTR is developing its brand in
the west and north Indian markets in line with the rapid expansion of its product line

Parle Agro Private Ltd.	Beverages and Bottled water	Fruit drinks and mineral water	• Leading player in the fruit based beverages segment and the bottled water segment. • Its flagship product is the fruit based drink Frooti Mango, which has 75 per cent market share

The Backward integration and aggressive media campaign for its products launches has broadly been its strategy.

Milkfood	Milk food	Milk powder, baby food, cheese and other milk products	• The company is a subsidiary LP Investments Ltd. which is a wholly owned subsidiary of Jagatjit Industries Ltd. • Revenues of around US$ 6.8 million in 2006-07
Profile of Overseas Players			
Player	Segment	Products	About the company
Hindustan Unilever Limited(HUL)	Beverages, Staples, Dairy, Snack Foods	Tea, instant coffee, biscuits, ice-creams, salt, wheat flour -atta, instant drinks, soups, jam and squash	• The parent company Unilever holds 51.55 per cent of HUL's equity Unilever is a Fortune 500 transnational, which sells Foods and Home and Personal Care brands in about 100 countries worldwide • India's largest fast moving consumer goods company, with leadership in Home & Personal Care Products and Foods & Beverages • HUL's brands, spread across 20 distinct consumer categories, with combined volumes of about 4mn tons and sales of US$ 2.17 billion • HUL's Foods segment is at 9 per cent, beverages are at 12 per cent of its businesses

HUL has followed the strategy of divesting its non-core businesses and focusing on its food business as a growth driver.

Britannia Industries Ltd.	Bakery Products	Biscuits, flavored milk, dairy whitener, ghee, bread, cake and rusk.	• A leading player in the Indian organised biscuit market with nearly 30 per cent value share • The Nusli Wadia group, one of the oldest business houses in India and Groupe Danone, French multi-products food company, equally share the 48.5 per cent promoter holding in Britannia • Sales of US$ 327.6 million in 2004

Britannia will strengthen its position by launching new products and improving volumes and introducing variants of the existing ones

Agro Tech Foods	Staples and snack food	Wheat flour (atta), edible oil, vanaspati, popcorn, french fries and green peas.	• A dominant player in the edible oils and branded foods sector, in India. • ConAgra Foods Inc of USA, world's third largest foods company, along with Tiger Brands of South Africa holds a majority stake of 52.3 per cent in Agro Tech Foods Ltd, through CAG Tech Holdings, Mauritius. • Revenue: US$ 230 million in 2007

Intends to diversify its product portfolio and foray into new markets by focusing on vending as an important mode for product and brand differentiation.

ITC Ltd.	Staples and Snack Foods	Wheat flour-atta, salt, ready-to-eat meals, biscuits, confectioneries, snacks and cooking paste.	• ITC is a listed company with British American Tobacco (BAT) holding 33 per cent stake and Institutions holding 50 per cent stake. • ITC made its entry into the branded & packaged foods business in August 2001 with the launch of the Kitchens of India brand. • A more broad based entry was made in mid 2002 and the company currently has a wider portfolio in the confectionery, staples and snack foods segments.

ITC's Corporate strategy aims at creating multiple drivers of growth using its wide distribution reach, superior brand building capabilities, effective supply chain management and acknowledged service skills in hoteliering.

Nestle India Pvt. Ltd.	Dairy, Beverages and Snack Foods	Instant coffee, condensed milk, dairy whitener, infant food, chocolates and confectioneries	• Incorporated in 1959 as Food Specialties, Nestle Alimentana, Switzerland promoted Nestle India (NIL). • Nestle India is a 51 per cent subsidiary of Nestle SA (founded 1866), which is today the world's largest food and beverage company. • Gross turnover in the year 2007 was US$ 652 Million

The company is focusing on launching new products in all product segments.

Pepsico India Holdings	Beverages and Snack food	Soft drink, fruit juice and chips	• PepsiCo was founded in 1965 through the merger of Pepsi-Cola and Frito-Lay. • Tropicana was acquired in 1998 and PepsiCo merged with The Quaker Oats Company, including Gatorade, in 2001.

Pepsi's focus is high volume scales and is planning to raise capacity by setting up of new greenfield plants as well as appointing new franchisee bottlers.

Cadbury India Ltd.	Confectionery	Chocolates, hard boiled confectionery, malt foods, cocoa powder	• Cadbury, a subsidiary of Cadbury Schweppes is a dominating player in the Indian chocolate market with strong brands like Dairy Milk, Five Star, Perk, Gems etc. • Dairy milk is the largest chocolate brand in India. • Chocolates and confectionery contribute to 75 per cent of Cadbury's turnover. • Sales of around US$ 234.54 million in 2007.

The company plans to increase franchise of its existing brands and continue to explore new product opportunities including adjacent market opportunities.

Apex Contact Agency	Address
Agricultural and processed Food Products Export Development Authority (APEDA)	Agricultural & Processed Food Products Export Development Authority
(APEDA)	3rd Floor, Ansal Chamber II 6 Bhikaji Cama Place, New Delhi-110066
National Cooperative Development Corporation	National Cooperative Development Corporation 4, Siri Institutional Area Hauz Khas, New Delhi-110066
Cashew Export Promotion Council	PBNO 1709 Chitoor Road, Ernakulam South, Cochin 682016
Coffee Board	No 1, Dr B R Ambedkar Veedhi Bangalore 560001, India
Marine Product Export Development Authority(MPEDA)	3 Thoufeeq Complex, Ravipuram,M.G.Road, Cochin-682016 Tel - 91484 350562/350518 http://www.mpeda.com
National Dairy Development Board(NDDB)	Post Box No 40 Anand 388 001 Telephone : (02692)-22121/22221/22321
Spices Board	Ministry of Commerce, Govt of India Sugandha Bhavan, N.H. Bypass, P.B. No. 2277, Palarivattom P.O., Cochin - 682 025, Kerala, India Phone: 91- 484-333610, 333616, 347965 E-mail: spicesboard@vsnl.com
Tea Board	14,B.T.M.Saraui (Brabourue Road) P.O.Box 2172, Calcutta 700001 Phone 9133235-1411

Exchange Rate Used

Year	Exchange Rate (INR/US$)
2000-01	45.75
2001-02	47.73
2002-03	48.42
2003-04	45.95
2004-05	44.87
2005-06	44.09
2006-07	45.11

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