



FDI Recent Scenario

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Abstract :

The need of today's running life is an instant food and processing industries are playing a vital role in filling the gaps of demand and supply. The FDI in food processing industries is having a rising graph presently and the industry growth with FDI also helps them to fetch the international market. Government initiative helps the food processing sector to opt the FDI in a convenient channel.

Keywords : *Foreign Direct Investment, Food Processing industries, Government role in FDI, Market and FDI, opportunities, comparison in US industries and Indian food companies.*

Introduction

The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year. In India, the food sector has emerged as a high-growth and high-profit sector due to its immense potential for value addition, particularly within the food processing industry.

The food industry, which is currently valued at US\$ 39.71 billion, is expected to grow at a Compounded Annual Growth Rate (CAGR) of 11 percent to US\$ 65.4 billion by 2018. Food and grocery account for around 31 percent of India's consumption basket.

Accounting for about 32 percent of the country's total food market, The Government of India has been instrumental in the growth and development of the food processing industry. The government through the Ministry of Food Processing Industries (MoFPI) is making all efforts to encourage investments in the business. It has approved proposals for joint ventures (JV), foreign collaborations, industrial licenses, and 100 percent export oriented units.

OBJECTIVE :

To Study the recent scenario of FDI in India and moreover in Agriculture Sector

RESEARCH

1) Market Size

The Indian food and grocery market is the world's sixth largest, with retail contributing 70 percent of the sales. The Indian food retail market is expected to reach Rs. 61 lakh crore (US\$ 915 billion) by 2020. The Indian food processing industry accounts for 32 percent of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. It contributes around 14 percent of manufacturing Gross Domestic Product (GDP), 13 percent of India's exports and six percent of total industrial investment. Indian food service industry is expected to reach US\$ 78 billion by 2018. The Indian gourmet food market is currently valued at US\$ 1.3 billion and is growing at a Compound Annual Growth Rate (CAGR) of 20 percent. India's organic food market is expected to increase by three times by 2020. The online food ordering business in India is in its nascent stage, but witnessing exponential growth. The organised food business in India is worth US\$ 48 billion, of which food delivery is valued at US\$ 15 billion. With online food delivery players like Food Panda, Zomato, TinyOwl and Swiggy building scale through partnerships, the organised food business has a huge potential and a promising future. The online food delivery industry grew at 150 percent year-on-year with an estimated Gross Merchandise Value (GMV) of US\$ 300 million in 2016.

2. Investments

According to the data provided by the Department of Industrial Policies and Promotion (DIPP), the food processing sector in India has received around US\$ 7.47 billion worth of Foreign Direct Investment (FDI) during the period April 2000-December 2016. The Confederation of Indian Industry (CII) estimates that the food



processing sectors have the potential to attract as much as US\$ 33 billion of investment over the next 10 years and also to generate employment of nine million person-days.

Mr Tomasz Lukaszuk, the Ambassador of the Republic of Poland had also highlighted the keen interest shown by Polish companies looking for opportunities in India to expand collaboration and invest food processing.

Some of the major investments in this sector in the recent past are:

- US-based food company Cargill Inc, aims to double its branded consumer business in India by 2020, by doubling its retail reach to about 800,000 outlets and increase market share to become national leader in the sunflower oil category which will help the company be among the top three leading brands in India.
- Mad Over Donuts (MoD), outlined plans of expanding its operations in India by opening nine new MOD stores by March 2017.
- Danone SA plans to focus on nutrition business in India, its fastest growing market in South Asia, by launching 10 new products in 2017, and aiming to double its revenue in India by 2020.
- Uber Technologies Inc plans to launch UberEATS, its food delivery service to India, with investments made across multiple cities and regions.
- Di Bella, the Australia-based coffee chain, plans to invest Rs.67 crore (US\$ 10 million) for setting up around 20 new outlets in Mumbai, besides entering Delhi and Bangalore by 2017.
- KKR & Co LP, the US-based private equity firm, plans to invest about Rs.520 crore (US\$ 77.38 million) in dairy company Kwalitiy Ltd, which will be used to strengthen its milk procurement infrastructure and increase processing capacity.
- Henry Ford Health Systems (HFHS), a US-based health and wellness group, plans to enter India by signing a franchise partnership with Chandigarh-based hospitality and food services firm KWalls Hospitality, and set up 'Culinary Wellness' branded stores across the country.
- Mondelez International, the US-based confectionery, food, and beverage major, inaugurated its new manufacturing plant in Andhra Pradesh set up for Rs. 1,265 crore (US\$ 190 million), with an annual production capacity of 250,000 tonnes.
- Pure Circle, a Malaysia-based natural sweetener producer, plans to invest around Rs. 1,300 crore (US\$ 200 million) in India to set up a manufacturing plant and make the country its regional production and export hub in the next five years.
- Swiggy, a food delivery start-up owned by Bundl Technologies Private Limited, has raised Rs. 230.34 crore (US\$ 33.80 million) in a Series C funding round, with its existing investors SAIF Partners, Accel Partners, Norwest Venture Partners and Apoletto Asia Ltd contributing 79 percent of the new funds raised.
- Gujarat Cooperative Milk Marketing Federation (GCMMF), popularly known as 'Amul', plans to invest Rs. 5,000 crore (US\$ 733.6 million) to establish ten new processing plants as well as expand the current capacity to touch 32 million litres per day (MLPD) capacity by 2020.
- Private Equity (PE) firm India Value Fund Advisors (IVFA) plans to invest around US\$ 100-150 million in the food business in India over the next two years.
- Zomato, a restaurant search and discovery platform, has raised US\$ 60 million from Singapore government-owned investment company Temasek, along with existing investor Vy Capital, in order to explore new business verticals.
- ITC Limited plans to invest Rs. 800 crore (US\$ 117.4 million) to set up a world-class food processing facility in Medak, a district located in Telangana.



The company has also formulated plans to enter the dairy market.

Government Initiatives

Some of the major initiatives taken by the Government of India to improve the food processing sector in India are as follows:

- In Union Budget 2017-18, the Government of India has set up a dairy processing infra fund worth Rs. 8,000 crore (US\$ 1.2 billion).
- Union Budget 2016-17 proposed 100 percent FDI through FIPB (Foreign Investment Promotion Board) route in marketing of food products produced and manufactured in India.
- The Government of India has relaxed foreign direct investment (FDI) norms for the sector, allowing up to 100 percent FDI in food product e-commerce through automatic route.
- The Food Safety and Standards Authority of India (FSSAI) plans to invest around Rs. 482 crore (US\$ 72.3 million) to strengthen the food testing infrastructure in India, by upgrading 59 existing food testing laboratories and setting up 62 new mobile testing labs across the country.
- The Indian Council for Fertilizer and Nutrient Research (ICFNR) will adopt international best practices for research in fertiliser sector, which will enable farmers to get good quality fertilisers at affordable rates and thereby achieve food security for the common man.
- The Government of India allocated Rs. 1,500 crore (US\$ 225.7 million) and announced various measures under the Merchandise Exports from India Scheme (MEIS), including setting up of agencies for aquaculture and fisheries in coastal states and export incentives for marine products.
- Government of India plans to allow two Indian dairy companies, Parag Milk Foods and Schreiber Dynamix Dairies, to export milk products to Russia for six months, after these companies got approval for their products by Russian inspection authorities.
- Ms Harsimrat Kaur Badal, Union Minister for Food Processing Industries, Government of India inaugurated the first of its kind Rs. 136 crore (US\$ 20 million) mega international food park at Dabwala Kalan, Punjab. She has also expressed confidence that the decision to allow 100 percent Foreign Direct Investment (FDI) in multi-brand retail with 100 percent local sourcing condition, will act as a catalyst for the food processing sector, thereby controlling inflation, uplifting the condition of farmers, and creating more jobs in the country.
- FSSAI has issued new rules for importing products, to address concerns over the entry of sub-standard items and simplify the process by setting shelf-life norms and relaxing labelling guidelines.
- The Ministry of Food Processing Industries announced a scheme for Human Resource Development (HRD) in the food processing sector. The HRD scheme is being implemented through State Governments under the National Mission on Food Processing. The scheme has the following four components:
 - Creation of infrastructure facilities for degree/diploma courses in food processing sector
 - Entrepreneurship Development Programme (EDP)
 - Food Processing Training Centres (FPTC)
 - Training at recognised institutions at State/National level
- FSSAI under the Ministry of Health and Family Welfare has issued the Food Safety and Standards (Food Product Standards and Food Additives) Regulations, 2011 and the Food Safety and Standards (Contaminants, Toxins and Residues) Regulations, 2011 which prescribe the quality and safety standards, respectively for food products.



- Spices Board, set up by the Ministry of Commerce to develop and promote Indian spices worldwide, aims spice exports of US\$ 3 billion by 2017.
- The Government of India has approved the setting up of five numbers of Mega Food Parks in the states of Bihar, Maharashtra, Himachal Pradesh and Chhattisgarh. The Government plans to set up 42 such mega food parks across the country in next three to four years.

Road Ahead

Going forward, the adoption of food safety and quality assurance mechanisms such as Total Quality Management (TQM) including ISO 9000, ISO 22000, Hazard Analysis and Critical Control Points (HACCP), Good Manufacturing Practices (GMP) and Good Hygienic Practices (GHP) by the food processing industry offers several benefits. It would enable adherence to stringent quality and hygiene norms and thereby protect consumer health, prepare the industry to face global competition, enhance product acceptance by overseas buyers and keep the industry technologically abreast of international best practices.

FDI in Agriculture (India) :

Agriculture is an important sector, which determines growth and sustainability and plays a vital role in the development of India, more than 60% of the country population deriving their subsistence from it. Most of the rural population in India depends on agricultural practices for employment and livelihood. Indian economy in agriculture has shown a steady growth in the last two decades. The agriculture industry in India is growing at a great space and is expected to grow many folds in the near future. FDI triggering technological transfer and creating employment opportunities and reduces poverty and raises the living standards. Agriculture sector of India is highly unorganized. Especially for small and marginal farmers, continuous increase of input cost and stagnant crop price, profit potential of agriculture sector has declined substantially. Farmers not knowing how to manage their economy (Gupta 2005). If production is good then there prices fall, when there is crop failure

farmers hardly get any compensation in terms of higher prices. Newspapers are rampant with the news of farmers suicides across the nation. Maharashtra is a highly industrialized state of India, agriculture is to be the main occupation in the state. Similarly most of the cultivable land is rain-fed and depends on monsoon between June to September. Therefore, the agriculture calendar of Maharashtra and other part of India is governed by monsoon. Any fluctuation in monsoon leads to condition of floods or drought. This effect on the secondary economic sector. Maharashtra has the largest number of Dams in India, but the net irrigation area only 33, 500 square kilometre about 16 % only. The main Cash crops includes cotton, sugarcane, turmeric, silseeds, fruits like mangoes, bananas, grapes, oranges and pomegranates, Most of the growers of cash crops such as sugarcane and cotton in the state belong to farmers co-operatives. FDI in different states in India have increased steadily since the early 1990s, Delhi, Maharashtra, Karnataka and Tamilnadu are with maximum FDI. Therefore study is undertaken to access the role of FDI in Maharashtra Agriculture sector.

Recent Data: With FDI, Indian Businesses started to capture the International Market for their products and services and the recent data of Year 2016 shows the following updates:

(I) Exports of processed food and related products

- During Financial Years 2011–16, India's exports of processed food and related products (inclusive of animal products) grew at a CAGR of 11. 74 percent, reaching US\$ 16. 2 billion.
- Main export destinations for food products have been the Middle East and Southeast Asia.
- In FY17* India's exports stood at US\$ 1. 3 billion.

(II) Growth in Agriculture

GDP of agriculture and allied sectors in India was recorded at US\$ 244. 74 billion in Financial Year 2016

- According to the advanced estimates of MOSPI, agriculture and allied sector



recorded a CAGR rise of 6.64 percent during FY07-16

- Agriculture is the primary source of livelihood for about 58 percent of India's population

CONCLUSION:

Service sector in India contribute 56 % of our GDP. In China, manufacturing accounts for a significant share of GDP. While in India, manufacturing contributes around 23 % of the GDP. If India has to grow at 8 to 10 % economic growth rate our agricultural sector must have to expand so reformation in our agriculture sector is needed. Similarly in animal husbandary, pisciculture, aquaculture under controlled condition and service related to agro and allied sectors have also been provided with 100 % FDI along with the tea sector.

Since the majority of FDI are in the form of joint venture and export-oriented. In particular foreign partners played a major role in choosing

processing technologies that suit foreign demand, notably in processed agricultural product like chicken, pineapple and tiger prawns. Foreign companies also brought in seeds and animal breeds that were adapted with local conditions and benefitted Thai agriculture.

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