Chapter 01
Introduction to the Study

1.1 Introduction

Agriculture is a very important sector of the Indian economy from the perspective of poverty alleviation and employment generation. The sector contributes close to a quarter of India’s national income, though the share has decreased from 56.5% in 1950-51 to 24.3% in 2001-02. The percentage of workforce engaged in agriculture has declined from 76% in 1961 to 60% in 1999-2000.

Empirical studies show that a 1% increase in agriculture output increase agriculture production by 0.5% and increase industrial production by 0.7%. During the ’80s, the trend growth rate of 3.2% in agriculture production had contributed to accelerated industrial production. Again, the decelerated growth rate of agricultural production seems to have impacted on the growth of industrial production in the ’90s.

It is important to consider the institutional context in which agricultural reforms were carried out in post-independence India. The thrust of policies in the first decade of planning were on institutional and agrarian reforms. It was only by mid-60s that it became clear that there was no alternative to achieving self-sufficiency in food grains. After that, apart from the introduction of high yielding varieties of seeds for wheat and rice, public investment in agriculture was stepped up significantly. This also led to accelerated increase in gross irrigated area over the ’70s.

However, despite this, one of the main reasons for the low yield attained in India was the unsatisfactory spread of new technological practices, including cultivation of high yielding variety of seeds which requires intensive use of fertilizers. One of the disturbing aspects of recent agriculture performance is the significant decline in gross capital formation in agriculture at constant prices. Although the gross capital formation by
private sector has increased since 1987-88, that by public sector has declined significantly, making the combined gross capital formation lower than what was achieved in the early '80s. The heavy subsidies for agriculture during the '80s made considerable inroads into the surpluses available for public investments in agriculture. This decline in investment may slow down the future growth of output and jeopardize food security.

Another important facet of Indian agriculture is the pricing policy. The policy has evolved in the context of relative shortage of agriculture products. The main function of prices has been made subservient to the income parity and food objectives. The agriculture sector needs to grow by 4% to achieve the overall growth target of 8%. To achieve that, sincere efforts will have to be made to step up public investments and facilitate in non-green revolution regions, to dry land areas. Sustaining high rate of growth in agriculture sector would require much larger use of inputs such as land, irrigation, fertilizers, pesticides and HYV. However, the availability of land is expected to emerge as a major constraint on agriculture growth. Given that new sown area cannot and indeed should not be increased further, the availability of land can be augmented through increasing cropping intensity. This requires not only expansion of irrigation facilities but also higher efficiency of irrigation system.

The 10th plan has several areas of priorities. The most important is raising the cropping intensity of existing agricultural land. Public investment in irrigation has fallen significantly over succeeding plan periods. The 10th plan aims at a major revival in public investment in irrigation capacity and water management. The accelerated irrigation benefit program is potentially important instrument for providing resources to state governments in support of ongoing irrigation scheme. The second priority must be development of other rural infrastructure that supports all rural economic activities. The third area is the development and dissemination of agricultural technologies. Fourthly, serious thought needs to be given to the issue of declining public investment in agriculture. Finally, there is need to diversify Indian agriculture both geographically and overtime.
The huge domestic market and large international market open great avenues for financing Agri-business sector. India has all the advantages viz. varied agro climatic conditions to produce every product of demand, easily available labor, abundant natural resources and largest agriculture extension / research institutions. What is required is the initiative to make huge investments coupled with strong policy support.

Diversification of agriculture and developing processing industry with high level of sophistication to meet strict international standards would have major multiplier effects on employment and equitable income growth. Agribusiness has a significant role in rural and economic development, and agro-enterprises can be a major source of non-farm employment and income.

In recognition of the 10th five-year plan's priorities for public sector investment, the government of India has identified agribusiness development as a strategic priority. Government of India has initiated several steps to develop agribusiness both for domestic and export markets.

Changing lifestyle of the population, growing income of the middle class and surplus production of fruits, vegetables and milk; food processing industry appears well poised for development and growth in the state. Union finance minister P. Chidambaram in his budget, year 2007-08, has declared food processing a priority sector and granted various tax exemptions for the sector. All processed fruits and vegetables products have been exempted from central excise duty. The market for branded foods has been growing at a healthy clip of 10-15% annually and the rise of the middle class can only help branded food, health food and convenient food to rise and become an attractive segment of the industry.

The 'Packaged Foods' category emerged in the 19th century to cater to the infantry on foot and on horses. The practice of freezing foods to preserve them dates back to 1000 BC. But it took American entrepreneur Clarence Birdseye to finally make frozen foods a reality in the 1930s. In many markets, packaged foods took a giant leap in the late 1970s
and '80s, thanks to consistent and innovative marketing. It was around that time that the invention of microwave ovens led to the actual category escalation. The late 1990s saw the beginning of a complete transformation of convenience foods — the health and wellness boom. Within Asia, Japan is the largest food processing market.

1.2 Indian Food Processing Industry

➢ The food processing industry is estimated to grow at 9-12% on the basis of an estimated GDP growth rate of 6-8% during the current plan period.
➢ Value addition of food products is expected to increase from the current 8% to 35% by the end of 2025. Fruit and vegetable processing which is currently around 2% of total production will increase to 10% by 2010 and to 25% by 2025.
➢ The industry employs 1.6 mn workers directly. The number of people employed by the industry is projected to grow to 37 mn direct and indirect job workers by 2025.
➢ Five year tax holiday for new food processing units in fruits and vegetable processing along with other benefits in the budget has bolstered the government's resolution of encouraging growth in this sector.
➢ From the total arable land in India of 18.4 crore hectares, fruits and vegetables contribute 15 crore tons with 70% being vegetables and 30% fruits. The total market size for fruits and vegetables is Rs. 1,13,000 crores. Of this wastage is as high as 30-40% largely because of poor post- harvesting infrastructure like storage, cold chains, etc. India is the largest producer of horticulture items in the world and sadly only less than 2% of this is being processed
➢ India’s potato production is estimated to be about 25 mn. tones cultivated over 1.3 mn. hectares, making India the 3rd largest producer of potato. However, the per capita consumption is 18 kg. versus the world’s average of 45 kg. As far as processed potatoes are concerned, less than 2% is processed in the organized sector. Wastage of farm produce touches new high of Rs. 520 bn.
➢ The current demand for branded potato products in China is 1 lakh tones a year. In India, it is 5,000 tones, but growing at an astounding 33%.
➢ Value-added spices are a good transaction because through value addition margins are more, besides the next big outsourcing boom will be in packaged food. While much of it will come from the full implementation of WTO, spices will be a category that will be a front runner. This is because most of the spices come from Asia and the processing capabilities have improved significantly in the Asian countries.

➢ Food processing industry is India’s seventh export worthy food sectors and one of India’s most FDI-worthy sectors. India is one of the world’s major food producers but accounts for less than 1.5% of the international food trade. The country produces a wide variety of agricultural products at prices that are at or below world values in most cases. This indicates vast scope for both investors and exporters.

➢ India exports processed fruits and vegetables and products that have growing demand, especially in the Middle East countries; include pickles, chutneys, fruit pulps, canned fruits, and vegetables, concentrated pulps and juices, dehydrated vegetables, and frozen fruits and vegetables.

➢ India is fast emerging as hub of the food processing industry because of the changing lifestyle of its population, growing income of the middle class and surplus production of fruits and vegetables.

According to the report of Dun & Bradstreet India on food processing in the country, wastage of Agri produce in the country is estimated at Rs. 520 bn, since processing accounts for a very small proportion of production. In the case of the country’s total fruit and vegetable production only 2% is processed. This is the situation when the country is the second largest produces of fruits and vegetables at 150 million tons annually.

The challenges the food processing industry faces include, the cultural issue of people preferring fresh over stored, the lack of a proper cold chain infrastructure and the resultant wastage, the lack of quality checking and testing facilities and the presence of too many intermediaries. These intermediaries, who add cost but no value, will be driven out through the entry of contract farming. Urbanization is changing food habits and people are moving to convenience foods while the emergence of organized retail will also have its effect.
The food processing industry report is based on findings of 262 companies across the country. These units have revenues ranging from Rs. 50 lack - Rs. 100 cr., of which 83% were SSI units and 17% medium sized. Of the companies reviewed, 89 companies were from western, 82 from southern and 68 companies from northern India. These are the regions where food processing units are located. The country has 62 food clusters according to UNIDO statistics.

1.3 Financial Trends of Food Processing Industry

Figure 1.1 depicts the financial trends of Food Processing Industry for the period of December 2003 to December ’07.

Changing life styles, more number of working women and higher ‘out of home’ consumption in urban areas are fuelling the demand for processed foods in India. This has changed the once-traditional, small-scale industry into a modern large-scale one.
With better processing technologies and improved packaging becoming available domestically, the food processing industry has found exports a good market. In fact, exports of processed food products from India jumped nearly 40% to Rs. 200 billion during April-November 2007.

Over 35% of India’s population comprises the middle class, which traditionally preferred home-made food. However, middle class consumers are now increasingly favoring processed and packaged food, which provides excellent growth potential for this sector. The expansion of organized retail is also acting as a catalyst for growth.

The domestic food processing industry is dominated by unorganized players. There are only a small number of large players, which include MNCs like Nestle and Cadbury. At the same time, FMCG companies such as ITC and Hindustan Unilever (HUL) also have a large presence.

An analysis of 17 leading companies in the domestic food processing sector shows that the industry entered a high-growth phase in December ‘06, recording over 30% year-on-year revenue growth, compared to 12% growth rate over the previous few years. Although the spurt in sales growth began a year ago, this was reflected in the industry’s profit growth only in recent quarters. The sector’s profit after tax, which grew 10% year on year in the December ‘06 quarter, jumped 35% in the December ‘07 quarter. While operating margins increased marginally, other income surged 67% in the December ‘07 quarter, against the corresponding period of ‘06.

Despite the growth witnessed in the sector so far, the penetration of processed food remains very low in India, which implies great potential for the industry in future. While macro-economic and industry-specific factors point to continued market expansion, higher inflation and fuel prices will continue to challenge profitable growth. Hence, domestic manufacturers need to ensure operational efficiency, supply chain management and brand-building to safeguard their margins.
Factors which influence household food expenditure are essentially down to earth - palatability, digestibility, keeping quality and how far a food will go in the preparation of meals, its value in money terms. The king-pin in all market research on food must be the woman of the house; it is her laying out of the household purse that determines the amount of food expenditure and the varieties purchased week by week. A housewife's choice, however, is a complex of her family's likes and dislikes, rarely her own, and also determined by the amount allocated from her purse for this part of the household budget and the number of mouths she has to feed. Any tendency to experiment, to extend the variety of food, is only possible with a well-filled purse; with a large family, a common complaint is of monotony in the diet. A factor of immense importance nowadays is whether the housewife is employed or not, and whether whole-time or part-time, and which part of the day she can be in her own home. To this may be attributed, as much as anything, the rise in consumption of convenience foods. Any differences in food choice are likely to be regional, and settled dietary habits, passed on from one generation to another.

Advertising helps considerably in the acceptance of a branded food, but housewives tend to ignore cut-throat competition between rival brands, and what weans a consumer from a brand is not competition in advertising, nor even new and more attractive presentation, but reduction in real price. The main pre-occupation of the woman of the house is food adequacy, and especially that her children will have what she considers conforms to a nutritious diet.

In a research paper "Mothers of invention: maternal empowerment and convenience consumption" the authors explore how the complex relationship between consumption and production evolves as women enact their roles as mothers, and reconstruct their self-identity through their use or avoidance of convenience products. Qualitative, individual interviews are used to allow an in-depth analysis of the life stories of the group of respondents. An interpretive analysis reveals the purpose, patterns and rules followed by

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these individuals in their actions. Convenience consumption empowers these “mothers of invention” to instrumental and emotional autonomy through their rejection of unnecessary drudgery, and enables them to negotiate the role of caretaker within the family. The implications of the study suggest that there is a role for marketing to remove any vestiges of guilt in convenience consumption by addressing the issues of sustainability, nutrition, quality and value in convenience products. The paper reveals the importance of reinforcing the connections between a better quality of family care and love. The paper also demonstrates the importance of the interactions of the family members on convenience consumption.

1.4 Opportunities in Food Processing

With the number of working woman more than doubling in the last two years, ready-to-eat packaged food category has finally taken off in India. Ready to Eat (RTE) food users have more than doubled in the last two years from 3 million to 6 million at the end of 2005. Rising affordability and time paucity, direct fallouts of the lady stepping out of the house for work, is what’s driving RTE penetration. Following table 1.1 illustrates the RTE packaged food users in India.

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2005</th>
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<tbody>
<tr>
<td>Working women</td>
<td>05</td>
<td>12</td>
</tr>
<tr>
<td>RTE packaged food users</td>
<td>03</td>
<td>06</td>
</tr>
</tbody>
</table>

(Figures in million)

Source: NRS & 3D mindshare (3D Base: SEC ABC, 15-55 years, 1 lakh + towns)
Following figure 1.2 indicates the ‘The Economic Times Euro RSCG Prosumer’ study across eight Indian Sec A and B cities covering 2000 respondents.

Figure 1.2
The Economic Times Euro RSCG Prosumers’ study

(Numbers are in percentage.)

1. "I am much more aware of the nutritional health value of the food I eat than I used to be."
2. "I pay a lot of attention to health issues and I consider myself well informed in this area."
3. "Overall, I eat a healthy and balanced diet."
4. "I'm more likely to go to a fast-food restaurant that offers healthy selections."

Eating healthy is gaining popularity and will soon become the order of the day, with 89% of presumers claiming to be more aware of the nutritional value of the food they eat. Prosumers are the elite among the consumer classes. They are the first to try a new product and share their opinion with family and friends, and set the pace for the rest of the market. Consumers will soon start picking up products that are labeled as low-calorie or cholesterol-free.
Food brands will put nutrition information on their packs, because consumer will demand and trust that information. Health awareness is set to increase. With health consciousness will come the desire to know more about the food we eat and its ingredients. Information is on our fingertips today. Add to it the keep-fit, eat-healthy and look young culture that we are living in. People are careful about what they eat. And market is waiting to cater to any whim of the demanding consumer. The result is market shelves filled with information-packed health foods. Items labeled as low-calories, high protein or cholesterol free will have an edge over the regular products.

The popularity of ready-to-eat food is gradually gaining momentum among the Indian consumers. In supermarkets, staples comprise about 22% of the total size of an average monthly or weekly grocery shopper, as opposed to processed food which stands at 26% of the total budget. This is a global trend that is fast catching up in our country too. Table 1.2 below indicates popularity of staple and processed food.

<table>
<thead>
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<th>Table 1.2</th>
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<tbody>
<tr>
<td><strong>Popularity of Staple and Processed Food</strong></td>
</tr>
<tr>
<td>Category</td>
</tr>
<tr>
<td>Staples (wheat, rice, etc.)</td>
</tr>
<tr>
<td>Processed food</td>
</tr>
</tbody>
</table>

Source: In-store Consulting; www.in-store.in
Base: All shoppers buying weekly or monthly grocery

As reported in, The Economic Times, Ahmedabad edition; February 25, 2008

In the research paper "Children's snack food consumption patterns in Germany and England"² the authors investigated primary schoolchildren's snack food consumption patterns and food preferences by interview technique in schools in Germany and England and analyzed on the basis of culture, sex and social class. There were significant differences in the proportions of children who took chocolate to school in the various

social classes in both England and Germany and there were also highly significant differences in the total number of chocolate bars consumed each week by the different social classes in both countries. Food choices from a table display containing a range of snack foods popular in both countries showed highly significant differences between German and English children with German children preferring a much higher proportion of “healthy food options”, e.g. fruit, yogurt, milchschnitte (sponge cake snack), etc. compared with English children who chose four chocolate products out of their five most preferred items. Reasons for such differences could be related to advertising pressures, nutrition education experience, parental attitudes, convenience and availability, income constraints and psychological factors.

There is a lot of scope for business in food processing. Big opportunities lie in areas like upgradation of commodities to packaged and branded products. There has also been a good market for ready to eat products, which offer value for money. Products focused towards children and young adults, which offer changing life styles, are the order of the day.

Lake of good quality raw materials is the main disadvantage for food processing units. High raw material prices and the predominance of middlemen in the wholesale segment of the market are also major concerns. There has also been an absence of cost effective packaging technology and this, along with infrastructure constraints, pushes prices of end-products up. This is not an enabling scenario for the growth of the industry, which is highly price sensitive. Then production of food grains being mostly seasonal, the lack of round-the-year availability of raw materials results in low capacity utilization and, therefore, hinders growth of food processing Industry. There is a need to reduce wastage of raw materials and increase the shelf life of farm produces. Business needs to focus on systematic promotion and market development, innovative product development and tapping export market.

Table 1.3 depicts breakdown of total projected cumulative consumption across categories for the period 2005-'25.
Table 1.3

Breakdown of total cumulative consumption across categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (trillion Rupees, 2005-'25)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; beverages</td>
<td>248</td>
</tr>
<tr>
<td>Transport</td>
<td>148</td>
</tr>
<tr>
<td>Housing &amp; utilities</td>
<td>87</td>
</tr>
<tr>
<td>Health care</td>
<td>79</td>
</tr>
<tr>
<td>Personal products</td>
<td>74</td>
</tr>
</tbody>
</table>

*Source: The Bird of Gold Report, Mckinsey & Company, 2007*

Though almost all categories of consumer goods will experience significant growth in the next 20 years; food, housing, healthcare and other utilities will be the biggest gainers. Basic utilities will still hold an upper hand and will account for more than 80% of total cumulative spending in India over the next 20 years.

According to FICCI report, the food market is the latest sunshine industry and is set to move ahead of information technology and even the Pharmaceutical business in the country. The main reason for this growth is the sheer availability of choices in front of consumers. As more Indians face time constraints in their daily lives, snacking or convenience eating is getting popular. Also, the desire to experiment and exposure to multiple choices is aiding the growth.

There is an annual wastage of food stuffs in the country to the tune of Rs. 50,000 crore, much of which is happening because not enough is being done about food processing. Despite bright prospects in the global arena in the food processing sector, the country’s export performance leaves much to be desired. According to officials of the Agency for Development of Food Processing Industries in Kerala (Adfik), India accounts for a mere 1.5% of the global food trade despite the huge quantities and varieties of foodstuffs.
There are about 15 crore middle class individuals, of which 60% are below 35 years - a segment which is increasingly depending on processed foods. This opens an ideal opportunity for small entrepreneurs who are eyeing this segment for making a fortune. The government is also providing fiscal sops to encourage investments in this sector.

Over the past 5 decades, India has taken giant steps in producing food grains, milk, fruits and vegetables. The raw food materials production is estimated to worth over Rs. 60,000 crore. After primary, secondary and tertiary processing, the total size of the industry is estimated to be as high as Rs. 1,10,000 crore. This reflects the opportunities that food processing industry offers to the economy as a whole.

Big opportunities lie in upgradation from commodities to packaged and branded products and convenient foods, which offer value for money. Products focused towards children and young adults and products catering to those who lead a fast modern-day life, have been the order of the day. Realizing the potential, and in order to provide further boost, the government has exempted condensed milk, ice-cream, pectins, pasta and yeast from excise duty. Further, excise duty on certain ready-to-eat packaged foods is reduced to 8% from 16%. The FPI will also be benefited from the reduction in excise duty on paper, a cut in customs duty on major bulk plastics and a reduction of customs duty on packaging machines, which would reduce packaging cost. The sector has been accorded priority sector status for the purpose of lending by banks. This will result in increased credit flow to this industry segment.

Newspaper advertisements by Ministry of Food Processing Industry give five reasons why processed food makes good sense:

1. It complements today's fast life style.
2. Comes pre-cooked, saves a lot of time and hassle.
3. It's hygienically processed and packaged.
4. Offers variety to suit every body's taste and needs
5. Any food, any time, anywhere.
1.5 Foreign Direct Investment in Food Sector

Foreign Direct Investment (FDI) in the country’s food sector is poised to hit Rs. 120 bn mark. FDI in food already beats the money being put into the hotels and tourism industry. According to Industry Ministry data, the cumulative FDI inflow in food processing reached $ 2,804 mn (Rs. 9,826 cr.) in March 2006. Food processing now has an almost 4% share of FDI approved by the government. However the numbers are still too low given the potential food processing has for generating profits and jobs. The government has been trying to promote the sector as a prime opportunity, along with airports and power.

The government envisages an investment of Rs. 50,000 cr. in food processing industry during the 11th five year plan. The investment would be directed towards building backward and forward linkages in the supply chain and testing facilities. Out of this proposed investment, the government’s share will be 10%, industries’ 40% and 50% would be invested by banks and financial institutions. The sector has brought investments worth over Rs. 20,000 cr. since the liberalization in 1991. Out of this, foreign investment is of Rs.9620 cr., which is 3.3% of total foreign direct investment.

1.6 India and China account for 50% of global vegetable output

Over the last 15 years, global production of vegetables has almost doubled. Asian countries are producing more vegetables than anyone else. ‘Value added identity preserved’ - canned, dried, frozen, juiced and fresh cut, are selling like hot cakes. Asia account for 73% of 850 million tones of global vegetable production. Among the Asian countries, China and India together account for more then 50% of the global production.

High growth in vegetable production is due to a changing lifestyle of the present generation, which prefers low calorie and easy-to-digest foods. Obviously, vegetables top their priority list. Research in genetically-modified crops and contract farming by big corporate are picking up in India. A recent Rabo Bank study has noted that in developed
nations like the US, total sales for fresh cut vegetables is projected to touch Rs. 600 bn. and at present account for 10% of farm produce.

Unlike the developing nations like India and Brazil, the west is more akin to consume packaged vegetables due to its huge urban markets. In spite of the fact that India is the second largest producer of vegetables in the world, the commercial processing of vegetables has a long way to go. Crop handling pattern in the farms are also different. Compared to large-sized specialized farming in the west, Indian’s harvest is mostly a result of marginal farming. Crop sowing in India is usually demand independent, thanks to the presence of large number of intermediaries. In the west, the vegetables production size depends on consumption demand. Year-round import of vegetables takes place in many European and other countries. Availability of technology has bridged the gap between farmers and consumers. Today, a well informed farmer is more likely to remain in vegetable cultivation than switch over to another profession as the market is booming.

1.7 Gujarat can be a food factory of the world

Gujarat can be made ‘a food factory of the world’. What is required is a common approach that includes branding, research & development and integrated marketing. The advantage in state’s favor is the ‘Sardar Sarovar Project’. This mighty dam and canal project a one-of-its-kind project in the world – has already become a case study for all developing countries in the world. Even the deserts of Gujarat could soon come alive with fruits and flowers.

The need of the hour is to leverage our strengths, be it the entrepreneurial spirit of our farmers, a good infrastructure in terms of ports, rail and roads, or be it the fact that we are world-leaders in certain crops — banana or mango, onions or potato, isabgul or cumin, groundnut or cotton. Gujarat’s mango, for instance, is better than any other mango in the world. But it has never been promoted as a premium product. Though we produce more isabgul (Psyllium Husk) in the world, it is embarrassing that all the exports are being
made without any value-addition. The need of the hour is for the government, industry, farmers and academicians to ensure that we all work towards a common goal.

We have to orient ourselves to corporate farming, post harvesting infrastructure that includes air-cargo complexes, investment in more and more food parks, food SEZs and Agri Export Zones. Our academicians should focus on value-added food processing, quality certification and most importantly in creating quality manpower. There has to be a thrust on marketing, especially in creating common branding and promoting the common brand in the world so that the producers can get better value for their products and farmer can get better realization for their crops in return.

There is a big need to develop a common 'Gujarat' brand as has been done in case of 'Kiwis' of New Zealand. When New Zealand started exports in the early 1980s, exports of the fruit was hardly 6,000 tones. But by the early 1990s, it rose to 2,00,000 tones, a whopping 75% of world trade. Farmers, who were earlier getting almost nothing, were realizing fancy prices for their produce. New Zealand kiwis soon become a fruit for all seasons across the world. So much so, it has become a brand ambassador for the country. This has been possible because of constant efforts of the Kiwi Marketing Board of New Zealand, especially with the government spending huge money across the world. Not surprisingly, New Zealand kiwi is the Coca-Cola of the fruit industry of the world.

The kiwi board spent 200 mn. New Zealand Dollars in 20 years in promotions. It relied heavily on PR, newspaper editorials, merchandising, free sampling, supermarket activities to promote the fruit brand around the developed world. Kiwi was also positioned as a healthy snack. The board also made R&D available to farmers and processors, and also ensured that all the produce is marketed with minimum threshold of quality so that even one fruit is not rotten and every body gets the same quality of fruit every where, be it in Japan, France or Brazil.
Today, kiwi promotion attracts tourist groups to New Zealand to see kiwi farms and to
taste the fruits at the farm. In fact, the campaign actually made to sell kiwis has ended up
in marketing New Zealand as a tourist destination.

1.8 Corporate India's passion for fruit in organized retail

- M & M - Agri-business arm Mahindra Shubh Labh Services Ltd., a subsidiary of M & M focuses primarily on exports of grapes, pomegranate and studying market for banana, sapota and litchi.
- Godrej - Nature’s Basket retail format has fruit basket of grapes, mangoes and sapota.
- ITC is expanding its e-Choupal concept to market a basket of fruits and vegetables by building a farmer to consumer cold chain for apple, mango and banana amongst other fruits.
- Bharti is looking at exporting to the UK as well as at the domestic market for mangoes, apples, litchis and cherries.
- Pepsi is looking at India as a sourcing base for oranges.
- Adani - Adani AgriFresh fruit basket comprises apples.
- Reliance’s fruits and processed fruits products for Indian and international market would be put under the brand Rellure. Reliance group has test marketed mango pulp. The company is exporting mango plus in certain countries since a year. Export of Sapota (Chikku) and pomegranate are also on the cards. Reliance Life Science would sell Rellure Kesar pulp in the domestic market. The Rellure range would be available at Reliance Fresh outlets. The company has tied up with Anand Food and Dairy Products in Chikhodra village of Anand district among others for processing and packaging mango pulp for Reliance Life Science. The test marketing has started within Reliance’ group companies priced at Rs. 80 for 850 gram Kesar mango pulp. According to market sources reliance is trying to improve the shelf life and also the applications of fruit products for Indian platter by introducing state-of-the art packaging techniques. Flavor innovation and format innovations are core areas of business. Competition is expanding market categories and reinforces consumers’ faith.
in products. Competition motivates to continuously innovate and offer the best to consumers.

- Consumer food retail segment includes range of jams, souces, condiments, chutneys, syrups, marmalades, tomato ketchup etc. The Rs. 250 cr. category is dominated by multinationals like Nestle, HUL and Heinz. While Nestle, HUL and Heinz are present in the Rs 120 cr. ketchup category through their brands Maggi, Kissan and Heinz respectively, HUL's Kissan is only dominant branded player in the Rs. 100 cr. Jams category.

India produces an estimated 50 mn. tones of fruit annually (10% of the world’s fruit production) valued at over $10,000 crore. It ranks second to Brazil in the world in production. In certain products like mangoes, sapota, banana, pomegranates and acid lime, India is the largest producer. India produces about 54.2% of the world’s mangoes and 11% of bananas. About 50,000 tones of pomegranates are produced every year, of which 1% is exported. In grapes, the country has recorded the highest productivity per unit area in the world. And virtually any fruit can be found in the Indian basket: Apricots, pears, peaches, citrus, guava, melon, pineapple, plus the exotic variety like starburst, avocados, artichoke and olives.

Yet, the country has not been able to capitalize on this advantage, so far. That is because, almost the entire production, logistics and trade of fruits and vegetables is dominated by the unorganized sector, leading to large inefficiencies and wastages. Post-harvest losses continue to be high. The potential for companies entering this sector arises precisely from these weak spots in the Indian fruit markets.

1.9 New players and innovative juice drinks in the beverages market

The total fruit-based beverage market is close to Rs. 1,600 crore. Out of this, the fruit drink segment is estimated at Rs. 1,250 crore while the juice segment is Rs. 350 crore. Around 90% of the fruit juice market is unorganized, with street-side vendors being the major suppliers. However, since the customer preference is changing, more and more
fruit juice and drink manufacturing companies are expected to rope in the growing market. The fresh fruit juice and fruit drink market is growing by 40% every year. Dabur’s Real is the market leader in this segment with 60% share followed by PepsiCo’s Tropicana which has 33% share. In the fruit-based drinks category, Coca-Cola’s Maaza is the leader with 33% market share followed by Parle’s Frooti and PepsiCo’s Slice with 27% and 13%, respectively. Imports are also rising on the account of 25-30% increase in demand from retailers, for brands like the South African brand Ceres and US-based Dr. Pepper.

Dabur has launched three unheard flavors under its summer drinks brand, Coolers, while retaining the familiar Ampanna. These include lemon-barley, watermelon-mint and rose-litchi. Delhi based Rittel Impex has launched Coco juices in apple-banana and honey-lemon flavors. Seabuckthorn Indage has launched apple-peach, pineapple-apple and black-current flavors with Seabuckthorn fruit as its base product. This fruit has medicinal and stress relieving properties. Manipur based Exotic Juices has introduced Passip, while Pepsi was to launch several Tropicana variants. The company had earlier launched fruit fusion, nectars and guava flavors of Tropicana juices apart from the existing mango and litchi flavors. Rasna, while maintaining its traditional stance with the recently launched Juc-fit, has created quite a stir with Rs 45 a liter price against Rs 75 a liter from its big rivals, with intentions to make fruit juices an everyday consumption item. The company has taken a cue from China’s experience with a dollar a liter pricing which exploded the market.

At 40% growth rate annually, the juice market is the second fastest growing category after bottled water in beverages market. Rising health consciousness and proliferation of malls have added to the attraction in packaged juices. During the last 12 month, there have been several initiatives to expand this market. Surya foods, the maker of Priyagold biscuits, has launched its Freshgold brand. Juice-bar chain, Amorittos introduced Go Juice kiosks aimed to replace roadside juice vendors. Stagnant growth in the cola market; fighting various controversies and an increasing health consciousness among Indians have also forced industry majors to shift focus on this segment. Companies have
increased spends on advertising their fruit juice brands by 25-30%, and are expanding production capacities as well.

Canadian juice bar chain, Juice Zone has made a quiet entry into India through a Delhi-based master franchise, Cogent Enterprises. Similarly, Mr. Orange Juicing Systems that imports juicing units has launched 20 franchised orange juice kiosks with an investment of Rs. 20 cr. and has charted out an expansion plan to add 100 outlets by the year end.

The last few years have seen several foreign brands of packaged fruit juices such as, Berry, Lacnor, Caprisome and Ceres entering India. Orissa-based Mamta Agro Foods is going national having introduced its packaged fruit juice brand, Jooz. The huge growth is because of the rising health consciousness among the consumer and the fast changing eating habits. The breakfast table is witnessing transformation as things like cereals are becoming more acceptable and juice products are convenient to consume with it. It's the overall familiarity of juice as good accompaniment, which has added to its popularity. Besides, it's convenient in making cocktails and a wholesome health drink.

Marketers believe as the fruit beverage market evolves, it will see emergence of niches. Next could be fruit juices fortified with vitamins and minerals to stand apart. These enriched juices and drinks will address specific deficiencies, for instance, juices enriched with only calcium. Some beginning has already been made and more recently, Rasna made its big bang entry into fruit juice market with Juc-fit with 100% ACE proposition or enriched with vitamin A, C and E in addition to vital minerals and calcium. Analysts feel juices and fruit drink market will soon follow global trends of micro segmentation. So we may see juices and drinks for growing children, pregnant woman and old people. Crossover juices are concoction of two very different food stuffs, such as apple juice with soy.

Another segment, which as of now comprises only a small fragment of the overall juice market, is sports drinks - Red Bull and Gatorade. The category requires marketers to create and cultivate a demand in order to boost sales. In order to increase their bottom lines, fruit juice marketers are targeting places like gyms, night clubs, BPOs, among other places.
youth hangouts and places of interest for the health conscious consumer. Most consumers see no difference between juice and drink. To them, price and taste is all that matters. It is brand owners and retailers that see the sharp cleave in segments. And often, most consumers who are drawn by price eventually graduate into the more premium-packaged juice category.

In the research paper “adopters of new food products in India”\(^3\) the authors compare the attitudes about new food purchases between innovators/early adopters and non-adopters, and to determine the food purchase characteristics of innovators/early adopters and non-innovators. Data were collected in ten locations in India between November 1999 and February 2000. Including income as a covariate, MANCOVA was performed to determine how innovators/early adopters and non-innovators differed in their attitudes about new food purchases. The findings revealed some important characteristics of food innovators/early adopters: they tend to be opinion leaders, seek variety in food types and brands, and are more responsive to sales promotions and advertisements. Food prices are relatively important to both consumer groups.

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