Food Processing Sector in India

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Why in News?

At the **17th edition of ANUTEC - International FoodTec India**, held in Mumbai, prominent figures from the industry and government unveiled a promising future for the **food processing sector in India**. It is on a **remarkable trajectory of growth,** poised to become **one of the key drivers of the nation's economy.**

What is the Status of the Food Processing Sector in India?

- **About Food Processing:**
    - The **food processing sector is a crucial component of the overall food supply chain.**
        - It involves the **transformation of raw agricultural and livestock products into processed and value-added food products** that are suitable for consumption.
    - This sector encompasses a wide range of **activities, technologies, and processes** aimed at making food products **safer, more convenient, and longer-lasting,** while also enhancing their flavor and nutritional value.
- **Food Processing Sector in India:**
    - The Food processing sector significantly contributes to India's economy, accounting for **13% of** exports **and 6% of industrial investment.**
        - The sector has attracted substantial **foreign direct investments (FDI)**, with **USD 4.18 billion** pouring in from **2014 to 2020,** indicating **confidence in its future prospects.**
    - It is **expected to generate a whopping 9 million jobs by 2024.** Also, by 2030, India is set to become the **world's fifth-largest consumer of food and** food technology**,** as household consumption quadruples.
        - This underlines the **sector's immense growth potential.**
- **Government Initiatives Related to Food Processing Sector:**
    - Inclusion of **food & agro-based processing units** and cold chain as an agricultural activity under **Priority Sector Lending (PSL)** norms in April 2015.
    - Shifting from **product-by-product approval to an ingredient and additive-based approval process** by the **Food Safety and Standards Authority of India (FSSAI)** through notifications in **2016 as a measure toward ease of doing business.**

- Allowing **100% Foreign Direct Investment (FDI)** approval under automatic route for the food processing sector.
- Setting up a Special Food Processing Fund of Rs. 2000 crore with **National Bank for Agriculture and Rural Development (NABARD).**
- **Other Government Initiatives:**
  - **Pradhan Mantri Kisan Sampada Yojana**
  - **Pradhan Mantri Formalisation of Micro Food Processing Enterprises Scheme**
  - Production Linked Incentive (PLI) Scheme **for food processing industry**
- **Challenges Related to Food Processing Sector:**
  - **Lack of Cold Chain and Storage: Inadequate cold storage and transportation** facilities result in significant post-harvest losses of perishable goods. This not only **affects food quality but also impacts the income of farmers.**
  - **Fragmented Supply Chain:** The supply chain in India is **highly fragmented, leading to inefficiencies and increased costs.** Poor road and rail infrastructure can result in delays and losses during transportation.
  - **Complex Regulations:** The food processing industry is subject to a **complex web of regulations, licenses, and permits,** which can be challenging for businesses to navigate.
    - **Inconsistent enforcement of regulations** can lead to unfair competition and quality issues.
  - **Food Safety Concerns:** Ensuring food safety and quality standards across the supply chain remains a significant challenge. **Contaminated or adulterated food products can harm public health** and damage the reputation of the sector.
  - **Research and Development**: Limited investment in research and development inhibits innovation and the development of new, value-added products.
    - India's **research and development (R&D) expenditure-GDP ratio** of 0.7% is very low when compared to major economies and is **much below the world average of 1.8%.**

Way Forward

- **Smart Food Processing Hubs:** Establishing **smart food processing hubs** equipped with advanced technologies like **Internet of Things (IoT)**, **artificial intelligence (AI)**, and **blockchain**. These hubs can **monitor the entire food supply chain, from farm to table, ensuring quality, traceability, and efficiency.**
- **Nutraceutical Innovation:** Developing a range of **functional and nutraceutical foods tailored to specific health needs.** These could include **foods fortified with essential nutrients, probiotics, and bioactive compounds** to address prevalent health concerns in the Indian population.
- **Zero-Waste Processing:** Implementing **zero-waste processing techniques where every part of the raw material is utilized.** For instance, **converting food waste into biofuels** or using food byproducts to create new products like bio-plastics or animal feed.
- **Community-Based Processing Centers:** Establishing community-based food processing centers in rural areas. These centers can serve as **hubs for local farmers to process their produce**, reducing post-harvest losses and creating rural employment opportunities.

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims

Q. With what purpose is the Government of India promoting the concept of "Mega Food Parks"? (2011)

1. To provide good infrastructure facilities for the food processing industry.
2. To increase the processing of perishable items and reduce wastage.
3. To provide emerging and eco-friendly food processing technologies to entrepreneurs.

Select the correct answer using the codes given below:

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

Ans: (b)

Mains

Q. What are the reasons for the poor acceptance of a cost-effective small processing unit? How can the food processing unit be helpful to uplift the socioeconomic status of poor farmers? **(2017)**

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