

FDI IN FOOD PROCESSING INDUSTRIES

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: ABSTRACT:

The Indian Food Processing Industry is becoming an attractive FDI destination, it attracted around INR 45.19 billion FDI during 1999-2005 which is 3.3% of total FDI inflow in India, and ranked as the 7th sector attracting largest FDI in India. The development of the food industry in India stems from the consistently increasing agriculture outputs. The integration of the food processing industries with the global market would be facilitated. The Ministry of food processing industries is making all efforts to encourage investments in the sector, incentives for cold chain development and also grant-in-aid for setting up laboratories that are equipped for testing food products.

KEYWORDS:- Food processing, Greenfield investment, Brownfield investment, modernization and employment generation etc.

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INTRODUCTION:

The Ministry of Food Processing Industry has pointed out a few important aspects in the last weeks one being FDI in food Processing. To increase the FDI in the food processing sector, the govt. has permitted 100% FDI in the entire processed food item through the automatic route which means that neither there is nor approval required Companies are free to decide. This happened several years back already. The total inflow of FDI in food processing sector during the last 3 years gives a mixed picture it was 858rs. Crore (USD 188 million) in 2010-11, 1314rs. Crore (USD 279 million) in 2009-10 after 456rs. Crore (USD103 million) in the year 2008-09.

India's Food Processing Industry is one of the largest industries in the country. It is ranked 5th in terms of production, consumption, export and expected growth. India is one of the world's major foodproducers but accounts for only 1.7% of the world trade in this sector; this share is stated to increase to 3% by 2015.

The Indian food processing industry is estimated at US\$ 70 billion. According to the Ministry of food processing, this industry contribute 9% India's GDP and had a share of 6% in the total industrial production. The industry employs 1.6 million workers directly. The Indian food processing industry account for 32% of the country total food market.

Currently growing at more than 10% per annum, it is expected to touch US\$ 194 billion by 2015 from a value of US\$ 121 billion in 2012 according to **Mr. Swapan Dutta, Deputy Director General, Indian council of Agricultural Research (ICAR).**

The food processing Industries involves the different segments:

Segments	Growth rate of Market
Fruits and vegetables	20%
Dairy sector	15%
Packaged foods	8%
Meat and Poultry processing	10%
Fisheries	20%

Beverage

27%

The food processing sector does not only remain a bridge between farmers and entrepreneurs it converts the farmers into an entrepreneur. Now the Indian food processing industry is becoming an attractive FDI destination, it attracted around INR45.19 billion FDI during 1999-2005 which is 3.3% of total FDI inflow in INDIA, AND RANKED A THE 7TH sector attracting largest FDI in India. The development of the food processing industry in India stems from the consistently increasing agricultural outputs. Foreign Direct Investment refers to an “investment made to acquire lasting interest in an enterprise operating outside the economy of the investors with the basic purpose being to gain an effective voice in the management of the enterprise”.

The five main forms of FDI identified are:

- ❖ Greenfield investment (a new operation).
- ❖ Brownfield investment (expansion or re-investment in existing foreign affiliates).
- ❖ Mergers & acquisitions.
- ❖ Privatization & Equity investment.
- ❖ New forms of investment (joint ventures, strategic alliances, licensing and other partnership agreement).

FDI can also be considered as a source of economy development, modernization and employment generation.

RQUIREMENT OF FDI:

- ❖ Gain a foothold in a new geographic market.
- ❖ Increase a firm’s global competitiveness and positioning.
- ❖ Fill gaps in a company’s product line in a global industry.
- ❖ Reduced costs in areas such as R&D, production and distribution.

FDI –APPROVAL:

Foreign Direct Investment in India is approved through three routes:

- ❖ Automatic approval by RBI.
- ❖ The FIPB route.
- ❖ The CCFI route.

FDI IN FOOD PROCESSING INDUSTRIES:

The food processing industries in India attracted Foreign Direct Investment (FDI) worth US\$ 3776.57 million during the period April 2000- September 2013, according to the latest data published by Department of Industrial Policy and Promotion (DIPP).

The industry consists of segments like processed fruits and vegetables, cereal based products, dairy products, meat, poultry and **fishery products, beverage and confectionary.**

Dr. Charan Das Mahant of the Ministry of food processing industries has also informed about the Impact of FDI on the food sector. According to him FDI would not only complement and supplement domestic investment but also brings state-of-art technology and best managerial practices, thereby providing better access to foreign technology to the domestic industry.

FOOD PROCESSING IS GROWING MORE THAN AGRICULTURE AND MANUFACTURING SECTORS:

If there is one sector that has been growing faster than agriculture as well as manufacturing sectors has potential to create jobs in the rural areas bridge the gap between the price paid by the consumer and that received by the farmer and create value addition and earn foreign exchange by export of value added form produce, it is the food processing sector.

This sector does not only remain a bridge between farmers and entrepreneurs it converts the farmer into an entrepreneur. The share of food processing export in total exports from India is 12%. The Indian agricultural and processed food exports in the period April 2013- october 2013 stood at US\$12797.65 million as compared to US\$ 11827.50 million during the

same period last year, according to the data released by the Agricultural and Processed Food Products Exports Development Authority (APEDA).

KEY Players:

- ❖ Unique organics plans to setup an integrated herbal tea processing facility in West Bengal. The total outlay for the project is estimated at Rs. 500 corer (US\$80.81 million).
- ❖ ITC Ltd plans to enter a new segment, branded ready-to-drink juices. The company is close to acquiring Bangalore-based to roll out packed fruit juices under its food category.
- ❖ Haryana has launched its first food bank to support various feeding programmes in Gurgaon and nearby areas. The bank being supported by global food major Cargill and India Food Banking Network (IFBN).

FDI IN MULTIBRAND RETAIL TO FOOD PROCESSING INDUSTRY IN INDIA:

At present 100% FDI allowed in development of food infrastructure like food parks, cold chain and warehouse, which constitute the backend of the sector.

However over the last decade until April 2011 this sector attracted a meager USD1253 million or less than 1% of total FDI inflows in the country.

ADVANTAGES OF FDI:

- ❖ Increase a firm's competitiveness and positioning.
- ❖ Fill gaps in a company's product line in a global industry.
- ❖ Reduced cost in areas such as R&D, production and distribution.
- ❖ Increase the employment.

DISADVANTAGES OF FDI:

- ❖ Industrial sector dominance in domestic market.
- ❖ Technological dependence on foreign technology sources.
- ❖ Disturbance of domestic economic plans in favour of FDI- “Direct Activities”, “Cultural changes” created by ethnocentric staffing. The infusion of foreign culture and foreign business practices.
- ❖ Inflation may increase slightly.
- ❖ In India lot people based on the retailing market with this coming of this FDI they are loses their opportunities.

Inflows of foreign direct investment to food processing industries sectors for the last 3 years including 2012-13 (April to Feb.) is as follows:

S no.	Year (apr-mar)	FDI rs. crore	FDI (US \$ million)
1	2010-11	5796.22	1271.77
2	2011-12	7677.74	1652.38
3	2012-2013(April to Feb.)	2887.03	529.09

Conclusion:

FDI is complements and supplement domestic investment. FDI brings in apart from capital, state-of-art technology and the best managerial practices thereby providing better access to foreign technology by the domestic food processing industry. FDI is an important issue now days in every field of the country.

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