



**Food Processing and
Packaging Machinery**

The Indian market for food processing and beverage machinery and equipment

India belongs to the fastest growing economies in the world. In 2013, India ranked 11th on the list of the largest economies in the world according to the GDP in US dollars.

India has a very rich agricultural basis: The country is second largest producer of agricultural commodities worldwide. With an output of more than 127 million tons, India is the largest milk producer in the world. India is also the number one producer of buffalo meat, the second largest producer of fruits and vegetables and ranks fifth in poultry production. Because of its rich resources India is already a leading exporter for several food products.

The food and beverage industry – highly fragmented

The Indian food processing and beverage industry is seen as a sunrise sector gaining prominence in recent years. The contribution of this industry to the manufacturing industry's GDP stood at 8.4 percent in 2012 (78.094 Rs Crore).

The contribution of the food processing and beverage sector to the GDP has been growing faster than that of the agricultural sector. This means, more and more agricultural products are being converted into food products.

The market is highly fragmented. There are many small companies which work at a low level of technology. According to the Ministry of Food Processing Industries MOFPI, roughly 35,000 food processing and beverage production companies (2011) are registered in India. Around 50 percent of these are processing units for grain, crops and rice, including mills. The other half is dominated by the dairy sector: 1,493 units are active in the dairy industry; second largest sector is the bakery industry: 1,450 companies produce baked goods. There are 1,200 units active in the beverage sector, around 500 companies are in the cocoa and confectionery business and around 100 companies are in the meat sector.

A population of over a billion - and among these 300 million middle class consumers - make up an immense domestic market. As a result, food and food products are the largest consumption category in India. Expenditures on processed and packaged food are growing steadily. At the moment, consumption is weakening somewhat as the result of the current economic situation; however, the growth prospects for food processing and beverage production in India remain good. The Boston Consulting Group predicts an increase of expenditure for processed foods and beverages in India from 40 billion to \$ 180 billion by

2020. Rising incomes are expected to stimulate sales growth. The same goes for the opening up the multi-brand retail business for foreign direct investment (up to 51%), a decision only recently made, which is bound to pave the way for investment in supermarkets and hypermarkets.

The consumption of processed foods and beverages is steadily rising: In 2013 nearly 25 million tons of packaged foods were sold in India, an increase of over 30 percent compared to 2008. Sales volume of soft drinks increased by 170% and amounted to 11.7 billion litres.

Soft drinks in India

The penetration level of soft drinks in India is still low compared with other developing markets. The sales volume of soft drinks in India amounted to 11,755 million litres in 2013. That means it has grown by a total of 170 % compared to the sales volume in 2008. Until 2018, sales volume of soft drinks will increase by another 19 % annually. The sales volume of bottled water will increase by 20 % per year. The market size for juice will grow most dynamically within the next five years with an annual sales volume growth rate of almost 21 %. The sales volume of carbonates will increase by 10 % per year until 2017. Increasing demand for healthy and hygienic products is expected to fuel the growth of the soft drink sector. Increasing penetration in rural areas will also contribute to considerable sales increments.

Sales volume of total soft drinks and of the main product categories in India

in litres mn	2008	2013	2018	Growth rate 2013- 2018
Soft drinks	4,369	11,755	22,937	95.1 %
Bottled water	2,734	8,197	16,957	106.9 %
Carbon. soft drinks	1,207	2,351	3,465	47.3 %
Juice (fruit/vegetable)	381	1,132	2,413	113.2 %

Source: Euromonitor International 2014, VDMA

Alcoholic beverages

India is one of the largest markets for alcoholic beverages in the world. In Asia the country is the third largest sales market after China and Japan. Although India has been more of a market for rum and whiskey for a long time, beer is becoming increasingly popular, particularly among the young, affluent people. The sales volume of beer amounted to 1,837 million litres in 2013. The annual growth rate of beer sales volume will reach 9 % by 2018.

Sales volume of alcoholic drinks and beer in India

in litres mn	2008	2013	2017	Growth rate 2013 - 2017
Alcoholic drinks	2,302	3,847	5,152	33.9 %
Beer	1,062	1,837	2,599	41.5 %

Source: Euromonitor International 2014, VDMA

Dairy products

India is the largest milk producer in the world. Currently, 37 percent of the milk is processed.

Within the next years the demand for packaged milk and milk products will increase because the growing middle class health-conscious consumer segment turns towards the western way of life and thus requires more and more processed and packaged food in modern supermarkets. The availability of fresh/pasteurised and long life/UHT milk is increasing all across the country.

Sales volume of drinking milk products in India

in 1,000 tons	2008	2013	2018	Growth rate 2013-2018
Dairy products	10,156	14,457	18,479	27,8 %

Source: Euromonitor International 2014, VDMA

Bakery products

According to Euromonitor, the second strongest segment (after dairy products) within the packaged food sector is baked goods: In 2013, the sales volume of baked goods rose to 4.2 million tons. The per capita consumption at 3.3 kg is, however, very low. An increase in consumption is predicted to happen by 2018.

Sales volume of bakery product in India

in 1,000 tons	2008	2013	2018	Growth rate 2013-2018
Bakery products	3,251	4,220	5,445	29 %

Source: Euromonitor International 2014, VDMA

Confectionery products

It was the confectionery sector which saw a remarkably high growth rate with an increase of 99% in the period of 2008-2013. The sales volume reached 416,000 tons in 2013. The forecasts for the segment are very optimistic, too: Especially chocolate products enjoy a rising appreciation among the middle class population. Market experts predict a growth of around 20% per year in the segment of chocolate alone.

Sales volume of confectionery product in India

in 1,000 tons	2008	2013	2018	Growth rate 2013-2018
Confectionery products	209	416	685	64.9

Source: Euromonitor International 2014, VDMA

Meat

India is an important producer of meat but not a country of high meat consumption. India is the largest buffalo meat producer in the world. However, the domestic consumption of beef and veal continues to remain low. Since cows are considered to be sacred according to the Hindu religion, the majority of the Indian population does not consume beef.

According to the UN Food and Agriculture Organization, India has produced a total of 6.99 million tons of meat and poultry in 2013. This represents an increase of 4 percent over the previous year. Most of the meat production is exported. However, consumption is increasing due to higher spendable incomes.

Meat and poultry production in India

in 1,000 tons	2011	2012	2013
Meat and poultry	6,492	6,734	6,993
Beef and veal	2,583	2,619	2,653
Poultry	2,581	2,860	3,127

Source: UN Food and Agriculture Organisation, FAOSTAT

Processing and packaging machinery for food and beverages – imports and exports

Despite a considerable increase in the supply provided by local machinery manufacturers, there is still a high demand for foreign machinery featuring state-of-the-art technology especially by companies producing food and beverages not only for the local market but for export purchase imported machinery. For the manufacturers of processing and packaging machinery for the food and beverage industry, India has become a very important market in Asia with strong growth potential.

In 2012, the Indian imports of processing and packaging machinery for food and beverages increased by two percent and amounted to 662 million Euros (47 billion Rs). Germany* belongs to the most important supplying countries after Italy.

Indian imports of processing and packaging machinery for food and beverages in Euro million

	2008	2009	2010	2011	2012	Growth rate 2008-2012
Total imports	371	374	454	649	662	78 %
Imports from Italy	73	86	86	157	127	74 %
Imports from Germany	87	52	68	103	104	20 %
Imports from China	27	34	51	66	94	248 %
Imports from US	41	24	41	38	50	21 %
Imports from UK	25	26	35	53	36	36 %

Source: National statistics of 52 industrial countries, VDMA

*In addition to the figures shown in the table, the sales of German-Indian joint venture companies or wholly owned German subsidiaries producing processing and packaging machinery for food and beverages in India for the Indian market have increased within the last years.

Indian exports processing and packaging machinery for food and beverages
in Euro million**

	2008	2009	2010	2011	2012	Growth rate 2008-2012
Indian Exports	166	150	182	279	326	96.4 %

Source: National statistics of 52 industrial countries, VDMA

**The Indian exports include the exports of Foreign-Indian joint venture companies or wholly owned foreign subsidiaries producing processing and packaging machinery for food and beverages in India not only for the local market but also for export in the Asian region.

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