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In a Food safety NUTSHELL

Special Feature

Basmati rice industry:
Spreading its fragrance

Roundtable

Food labelling rules:
Time to act?

State Focus: Maharashtra

Country Focus: China/Taiwan

Leaders Speak

Ashutosh Chakradeo
business head – Food & Grocery,
Hypercity Retail India Ltd



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Located in the western part, Maharashtra is India's third largest state in area and second largest in population. It is today emerging as an important horticultural state in the country. Principal crops grown in the state include rice, *jowar*, *bajra*, wheat, *tur*, *moong*, *urad*, gram and other pulses. While the state is a major producer of groundnut, sunflower and soyabean oilseed crops, it is a pioneer in onion production in the country. The important cash crops are cotton, sugarcane, turmeric and vegetables.

Anil Jain, managing director, Jain Irrigation Systems Ltd, says, "Maharashtra has a strong horticultural development programme linked to the Employment Guarantee Scheme (EGS) since about 15 years and the orchards have already started producing fruits. There is also an increased awareness among farmers about the adoption of modern agricultural practices and contract farming concepts."

Anil Jain

managing director, Jain Irrigation Systems Ltd



Food cluster helps in better sourcing of raw material for food processing in the right quantity, quality and time. It is mutually beneficial to the farmer and the processor. A common facility could reduce the overhead expenditure like common waste treatment, cold storage, market intelligence & communication, common utility services, etc

Infrastructure at its best

Different types of soil, diverse agro-climatic conditions, adequate technical manpower, well-developed communication facilities, increasing trends in drip irrigation & green houses, use of cold chain facilities and vibrant farmer organisations offer numerous opportunities to grow different horticultural crops in the state. M A Tejani, joint managing director, Gits Food Products Pvt Ltd, opines, "Maharashtra is one of the most industrialised states in India. The Mumbai-Pune-Sangli belt is highly developed, both in terms of industry and infrastructure. A large variety of fruits & vegetables apart from other raw materials like cereals, spices, etc are easily available. Other services like analytical laboratories, training institutions, etc are also easily available."

Best quality grapes produced in the state are now exported to other countries. Mango, particularly 'Alphonso' grown in Konkan is an already established name in the international market. The state has an area of 13.66 lakh hectare under various fruit crops like mangoes, bananas, oranges, grapes, cashewnuts, etc.

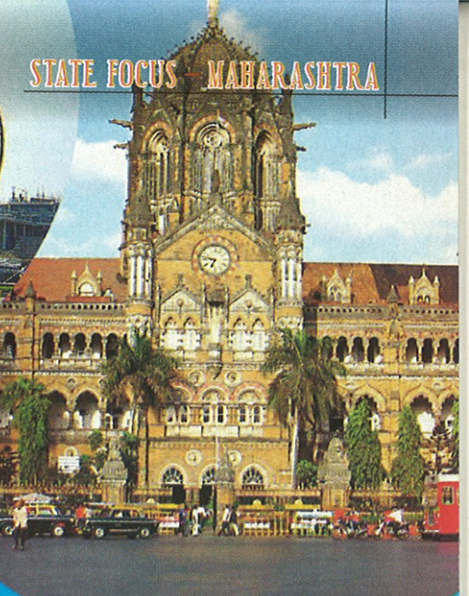
"While the state is the leading producer of grapes & pomegranates, it is the second largest producer of sweet limes, oranges, bananas, mangoes and

many of the traditional and exotic vegetables, including onions & tomatoes as major industrial raw material. The state is also leading in the wine industry," claims Jain.

Food processing

The main food processing industries in the state are in the sectors of sugar, poultry, rice mill, flourmill, meat, edible oil, *vanaspati*, fruit & vegetable units, milk processing units, etc. There exists immense opportunities for modernising food processing units in the state. Rice, wheat, soyabeans, *jowar*, grapes, pomegranates and mangoes are the main crops that are available in the state for primary and secondary process. Similarly, there is a vast potential for the development and setting up of processing units for tomatoes, onions, cabbages, okra and cauliflowers. In particular, fruit juice pulp and concentrated units, winery, distillery, pickles, rice mill, flour mill, *dal* mill, soyabeans extraction and refining units can be set up in the industrial areas of the state.

Maharashtra is important due to agri-food processing market as the state has big consumption markets in the cities like Mumbai, Pune, Nashik, Aurangabad, Nagpur, etc. "Maharashtra is the producer of various agri-commodities due to its favourable climatic condition. The availability of raw materials and good market potential, are the two main points of attraction for any industrialist. The allied industry, road facilities, power and labour (technical, skilled labour) are available easily," explains Pradeep Chordia, managing director, Chordia Food Products Ltd.



also higher in Maharashtra. It is hoped that with the setting of several SEZs in Mumbai-Pune region, the situation will improve considerably."

Policy rules

With agricultural sector being the main stream of the state economy - both in terms of quantity of agriculture produce and employment, the state government has identified it as a major target group of industrial promotion. Jain believes, "The industrial policy and state laws are conducive for the growth of the food processing industry. The law and order as well as labour unionism are comfortable in the state."

The Maharashtra government's step to amend the APMC (Agricultural Marketing Produce Committee) Act has also benefited the food processor in the state. "The amendment of the APMC Act, permitting private markets and contract farming, enables the manufacturers to buy directly from farmers and thereby save on commodity & transport costs. This amendment is a win-win situation for the manufacturers and the farmers, who get good cost/return and manufacturers get fresh produce," explains Desai.

Seconding his views, Chordia says, "The amendment in the APMC Act, will enable

direct contact of manufacturers with farmers. It will also help curb middlemen dominance as far as voluminous product handling is concerned. During the season, it will benefit the farmers to get a good average price from the processors as compared to the market price."

Further the government of India has announced the creation of AEZs for promoting greater exports of fresh and processed agricultural produce from the country. Maharashtra has identified eight potential horticultural crops of commercial importance for AEZs.

In spite of these benefits, there are still some challenges for the state. Chordia points out, "As compared to other neighbouring states, there are no specific policies as far as the processing industry is concerned. This being a seasonal industry, the major support is required for flexible labour policies (application of agricultural labour laws), VAT exemption, capital, subsidy support, etc. Other states like Madhya Pradesh and Andhra Pradesh are

This has made the state a favourite location for receiving the largest FDI in the country. Maharashtra was among the front-runners to receive the highest share of FDI in food processing during the last five years.

Advantage Maharashtra

Availability of a wide range of agri-products makes the state an ideal destination for food processing. Sanjay Desai, executive director, Desai Brothers Ltd, opines, "Advantages offered by Maharashtra include the diverse availability of agricultural & horticultural produce; central location for new produce grown in other states; developed infrastructure; export market through Mumbai, and availability of trained manpower."

Well-developed basic infrastructure and strong industrial base offers added benefits for agro-processing and agro-export. According to Jain, some of the advantages of having a food processing plant in Maharashtra include:

- Better infrastructure: Availability of industrial estates, agri export zones (AEZs), and communication
- Close proximity to the port and better air cargo services at Mumbai, Nagpur, Pune, Nasik
- Availability of technical and managerial manpower in large numbers
- Proximity and easy access to scientific and technical institutions of national and international repute for R&D collaborations

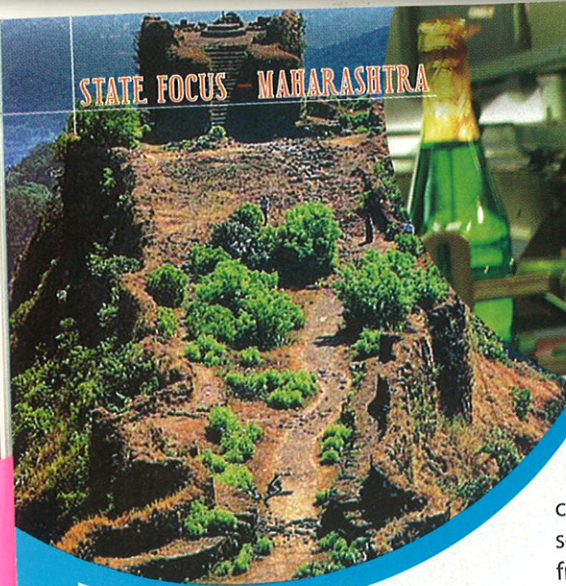
These advantages are to some extent offset by the relatively higher cost of labour & other industrial requirements, says Tejani adding, "The hidden costs are



M A Tejani

joint managing director, Gits Food Products Pvt Ltd

"Maharashtra is one of the most industrialised states in India. The Mumbai-Pune-Sangli belt is highly developed both, in terms of industry and infrastructure. A large variety of fruits & vegetables apart from other raw materials like cereals, spices etc, are easily available. Other services like analytical laboratories, training institutions etc, are easily available



offering these kinds of benefits to the manufacturers."

Hub for food processing

Pune, the second largest city in Maharashtra, is a base for a large number of food processing companies. The food processing industry in Pune, valued at Rs 1,800 crore, comprises one per cent of the national output. According to Desai, the reasons for Pune emerging as a hub for the food processing industry in Maharashtra include its proximity to Mumbai, availability of good agricultural produce and availability of good basic infrastructure.

Pune has emerged as a food industry cluster or hub because of several distinct advantages. Tejani says, "It has a dry climate & pleasant weather overall, except for the three summer months. Average rainfall being low, there are no disruptions or dislocations as observed in Mumbai, Kolkata, etc. Pune is also geographically approximately in the centre-west of India & is advantageously placed between North & South India. Pune has a large educated workforce,

Pradeep Chordia

managing director, Chordia Food Products Ltd



"Maharashtra is the producer of various agri-commodities due to its favourable climatic conditions. The availability of raw materials and good market potential, are the two main points of attraction for any industrialist. The allied industry, road facilities, power and labour (technical, skilled labour) are available easily"

many R&D institutions & excellent connectivity in terms of rail, road & air services including an inland container freight station for import export."

Pune's large engineering industry base, he believes, not only caters to machinery requirements but also back-up spares & maintenance services.

"All these factors have led to the most diverse range of processed food manufacturing establishments in Pune - right from primary processing like wheat flour, semolina, etc, to edible oils, sauces & pickles, ice cream & confectionery, ready-to-cook instant mixes, ready-to-eat foods, frozen foods, confectionery including the famous 'Lonavala chikki' to name a few," observes Tejani.

High on wine

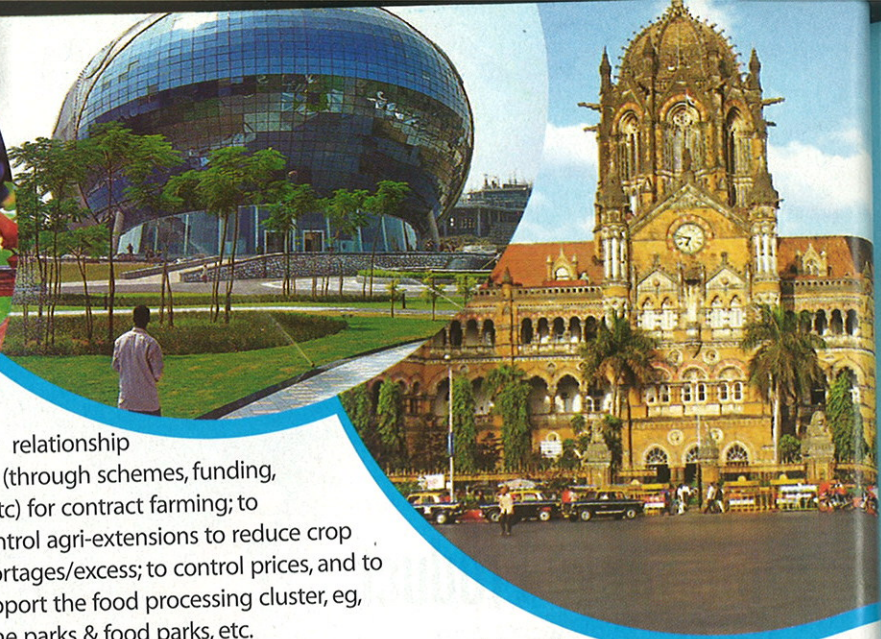
Thanks to the rising popularity of wine in India, more and more farmers in Maharashtra are trading their acres of table grapes and changing over to wine grape varieties. Grape wine production got a big boost with the Maharashtra grape processing industrial policy coming into effect in 2001. Today, out of total grape wine production in India, Maharashtra accounts for almost 97 per cent. In financial year (FY) 2008, the total wine production of grape wine in India was 2.25 crore ltr, out of which

Maharashtra's share was 2.11 crore ltr. Of the country's total 61 wineries, Maharashtra's share is 58. In order to further tap the potential of this sector, the Union Food Processing Ministry has increased its percentage of grants to small wine manufacturers in Maharashtra (especially in tribal areas) to 33 per cent from 25 per cent.

Scope for improvement

Despite being one of the most industrialised states in India, companies in Maharashtra still face some major challenges. Maharashtra being a power deficient state, Jain feels that the government should take urgent steps to augment the power supply situation. According to him, the state should exempt agricultural-processed products from all the duties, as the farming can become sustainable only if the value addition to agricultural produce happens. "The government should facilitate cluster development for proper supply chain. Contract farming laws should be just and reasonable for both, the farmer and the processor. State agricultural department and Maharashtra State Agricultural Marketing Board (MSAMB), should play a proactive role and work with the industry to promote industry need based farming by adopting varieties suitable for processing. The government should facilitate industry-institutional linkages for better and need based R&D support," he observes.

There is a lot that the Maharashtra government needs to do for rapid growth of processing industry in Maharashtra, believes Tejani. Jain opines, "Reforms are necessary in all spheres concerning



relationship (through schemes, funding, etc) for contract farming; to control agri-extensions to reduce crop shortages/excess; to control prices, and to support the food processing cluster, eg, wine parks & food parks, etc.

establishments & running of food processing units. An entrepreneur has to run to various regulatory agencies like factory inspector office, pollution control, MIDC, MSEB, sales tax, income tax, FPO, FDA, municipal corporation/ *gram panchayat*, ESI PF, etc. There is no time-bound single-window facility and harassment & delay are well known. Funding is another area of concern as banks & other agencies like MSFC, SICOM are also creating bottlenecks."

Presently, VAT on processed foods is 12.5 per cent, while the octroi ranges from 5-7 per cent across various cities & towns of Maharashtra. This needs to be rectified. Tejani says, "Implementation/enforcement of the PFA Act & other applicable legislations are also unsatisfactory & a lot of unnecessary prosecutions are being launched in courts of law. Labour laws also require drastic reforms. Until all these issues are tackled & industry-friendly environment is created, the food industry will not grow."

According to Desai, the state government should take steps to help strengthen the manufacturer and farmer

Sanjay Desai

executive director, Desai Brothers Ltd



"The amendment of the APMC Act, permitting private markets and contract farming, enables the manufacturers to buy directly from farmers and thereby save on commodity & transport costs. This amendment is a win-win situation for the manufacturers and the farmers, who get good cost/return and manufacturers get fresh produce"

The cluster effect

Maharashtra is home to some food parks (clusters), which provide state-of-the-art environment conducive for the manufacturing of food and agro products. Jain feels that food cluster helps in better sourcing of raw material for food processing in right quantity, quality and time. He adds, "It is mutually beneficial to farmer and processor. A common facility could reduce the overhead expenditure like common waste treatment, cold storage, market intelligence & communication, common utility services, etc. Single-window services can also be provided."

"With the help of food cluster, any entrepreneur will be able to start his business with bare investment in machinery. The other support activities (where major capital cost is involved) towards common infrastructure like warehousing, laboratory, effluent treatment plant, power line, roads, security, etc, are not required to be invested," observes Chordia.

Citing the example of Chordia Food Park, he points out that the park is near to markets like Mumbai, Pune & Solapur where raw material availability and major consumers are available. It provides infrastructural facilities like cold storage, laboratory, effluent treatment plant, warehouse, pilot plant in addition to brand support and distribution support. In a short span, this food park has tied-up with big and small industries and many of them are planning various associations with us, claims Chordia.

Marching ahead

With recent advancements in science & technology, globalisation and transformation in eating habits, vast opportunities have opened up for the development of food products from agriculture produce in the state. Food processing will grow at a rapid pace due to a shift in consumer behaviours, retail boom and the consumer spends, which is growing, opines Desai.

Summing up in Chordia's words, "With the help of natural richness and governmental support, this industry had been growing in Maharashtra. With the change of market scenario, life styles of the middle class and changing food habits, the demand for food industry is increasing. Only the support of government is required as many small entrepreneurs are controlling the major share of markets in various products."