Changing Consumption Pattern Leading To Growth of The ‘Food And Beverage Sector In India

Mrs. Radha Jerry Louis
Research Scholar, SPPU,
Email: - radha_dograr@yahoo.co.in

Dr. Nitin Zaware
Director, Rajiv Business School
Pune

ABSTRACT:
Changing consumption pattern of the Indian consumer has been undergoing a significant transformation over the years. Improvement in the economic conditions, exposure to International media, foreign travel, degree of urbanization, education levels, emergence of new job opportunities in the service sector such information technology, call centers and retailing that influences lifestyles are some of the drivers. Economic reforms introduced two decades ago have seen the middle classes swell. As disposable income grows, so the consumption patterns are changing in India. Especially the beverage industry in India is a big market for global beverage manufacturers. With population growth and improved standard of living, food industry in India holds immense profits.

Higher disposable incomes, changing consumption patterns and the marketing might of powerful western brands are bringing fast food to India’s Children. This study focused on how bombardment now filling TV screens and billboards as the world’s big brands fight it out for a slice of in India’s growing market.

Introduction
Accounting for about 32 per cent of the country’s total food market, the food processing industry is one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. The total food production in India is likely to double in the next 10 years with the country’s domestic food market estimated to reach US$ 258 billion by 2015. [1]

The Government of India has been instrumental in the growth and development of the food processing industry. The government through the Ministry of Food Processing Industries (MoFPI) is making all efforts to encourage investments in the business. It has approved proposals for joint ventures (JV), foreign collaborations; industrial licenses and 100 per cent export oriented units.

The Indian food and grocery market is the world’s sixth largest, with retail contributing 70 per cent of the sales. It is projected to grow at the rate of 104 per cent, touching US$ 482 billion by 2020. [1]

The Indian food processing industry accounts for 32 per cent of the country’s total food market, 14 per cent of manufacturing Gross Domestic Product (GDP), 13 per cent of India’s exports and six per cent of total industrial investment. Indian food service industry is expected to reach US$ 78 billion by 2018. The Indian gourmet food market is currently valued at US$ 1.3 billion and is growing at a Compound Annual Growth Rate (CAGR) of 20 per cent. It is expected to cross US$ 2.8 billion by 2015. [3]

The online food ordering business in India is in its nascent stage, but witnessing exponential growth. The organized food business in India is worth US$ 48 billion, of which food delivery is valued at US$ 15 billion. [1]. With online food delivery players like Food Panda, Zomato, Tiny Owl and Swiggy building scale through partnerships, the organized food business has a huge potential and a promising future

Objectives:-
This research aims to study the Changing consumption pattern leading to the growth of food and beverage sector in India.

Research Methodology and Main Study
This research has been focused on studying the Changing the consumption pattern leading to the growth of food and beverage sector in India. This is descriptive research. Secondary data has been used. The related data is collected through magazines, websites, journals, books and a report of Indian brand equity foundation-www.ibef.org and way2wealth.com/report.

Growth of Food and beverage sector in India
India has the second largest arable land of 161 million hectares and the highest acreage under irrigation. Next to China, India ranks second largest food producer in the world and has the potential to immerse biggest with food and agricultural sector. The industry is unorganized with 75% of the processing units belonging to the unorganized category. [1]
India food processing covers fruits and vegetables, meat and poultry, milk and milk products, alcoholic beverages, fisheries, plantation, grain processing and other consumer product group like confectionary, chocolates and cocoa products, soya based products, mineral water, high protein foods etc. [1]

The most promising sub sectors are soft drink bottling, confectionary manufacture, fishing, grain milling and grain based products, milk processing, tomato paste, fast food, ready to eat breakfast cereals, Health food and health food supplement is another rapidly rising segment of this industry which is gaining popularity amongst the health conscious. India with its population of more than 1 billion accounts for close to 17% of the global population. [3]

**Changing consumption pattern for the Diary sector:**

![Changes in dietary pattern in India 2010-2030(%)](www.google.co.in)

Dairy Sector to touch $140 billion by 2020: report

The size of the dairy industry in both organized and unorganized sectors is expected to double to $140 billion by 2020, on the back of growing demand and rising disposable income. [17]

**Growth - Dairy Sector :** The dairy ingredients market is projected to grow at a CAGR of 5.6% from 2015 to 2020.

The major drivers of the market are increasing awareness towards health & wellness, growth in application sectors, and R&D and innovations to expand applicability & accelerate growth. [4]

![Expenditure in rural and urban India](https://www.google.co.in)

Changing consumption pattern for fruits and vegetables:

Traditionally, Indian lifestyle has a predilection for fresh F AND V or those processed at home. On the contrary, surveys indicate a consistently low consumption of F AND V. Avg. household consumption of F AND V indicate 149 (fruits: 20) to 152 (fruits: 27) during this decade though far below the recommended intake but slightly better from the previous survey (120-140 g/capita/day). [15, 16, 17] Annual consumption (kg/person/annum) of fruits was 9.6 (rural), 15.6 (urban) and 11.8 (India) while it was 74.3 (rural), 79.1 (urban), 76.1 (India) for vegetables. [18] According to latest National Sample Survey Office (NSSO) survey revealed that out of 1000 household in India, vegetable consumption was reported by 983 (rural) and 932 (urban) whereas fruits by 608 (rural) and 777 (urban) residents (11)

Fruits and vegetables: India with its current production of around 32 million MT of fruit, accounts for about 8% of the world’s fruit production. The diverse agro-climatic zones the country make it possible to grow almost all varieties of fresh fruits and vegetables. The diverse agro-climatic zones in the country make it possible to grow all varieties of fruits and vegetables in India. The fruit production in India has recorded a growth rate of 3.9% whereas the fruit processing sector has grown 20% per annum. However the growth rates have been extensively higher for...
frozen fruits and vegetables (121%) and dehydrated fruits and vegetables (24%). There exist 4000 fruit processing units in India with an aggregate capacity of more than 12 lakh MT (less than 4% of total fruits produced). It is estimated around 20% of the production of processed fruits is meant for exports, the rest caters to defence, institutional sectors and household consumption. Mango and mango based products constitute 50% of exports. [11]

India is the second largest producer of vegetables in the world (ranks next to China) and accounts for about 15% of the worlds production of vegetables. The current production level is over 71 million MT and the total area under vegetables cultivation is around 6.2 million hectares which is about 3% of the total area under cultivation in the country. In case of vegetables potato, tomato, onion, cabbage and cauliflower account for 60% of the total production in the country. [11]

Changing consumption pattern for grains and cereals

Grains and Cereals : the Indian Breakfast cereal market was pegged at $139m for 2012 with market growth doubling over the last 6 years according to new Mintel research. The market is currently brand led and comprise ready to eat adult cold cereals that represent 40% of the market, children cold cereal 20% and hot cereals 40% [6]

Fisheries consumption in India :

Fisheries: Fishing in India contributed over 1 percent of India's annual gross domestic product in 2008. Fishing in India employs about 14.5 million people. The country's rich marine and inland water resources, fisheries and aquaculture offer an attractive and promising sector for employment, livelihood, and food security. Fish products from India are well received by almost half of world's countries, creating export-driven employment opportunities in India and greater food security for the world. According to the food and Agriculture organization (FAO) of the United nations, fish output in India doubled between 1990 and 2010. [16]

Meat and poultry: India is the fifth largest producer of eggs and ninth largest producer of poultry meat amongst all countries. [12]

Food retail: 

Food and groceries form major portion (75%) of the retail pie. However, it has the lowest level of penetration of 1% in organized retail. Branded foods market size is growing at 15- 20%. Big names in the retail industry include Aditya Birla Group, Reliance retail, RPG etc.
Increased disposable income and urbanization is projected to change consumption patterns towards more water-intensive products.

**Usage of Water-Intensive Consumer Products – Domestic**

<table>
<thead>
<tr>
<th>India’s water footprint</th>
<th>World Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicken</td>
<td>7,736</td>
</tr>
<tr>
<td>Milk</td>
<td>1,350</td>
</tr>
<tr>
<td>Cotton</td>
<td>18,694</td>
</tr>
<tr>
<td>Eggs</td>
<td>7,591</td>
</tr>
</tbody>
</table>

| India’s annual domestic per capita consumption (kg) of these products is increasing |
|-----------------------------|-----------------|-----------------|-------------------|----------|
| Chicken (2000 and 2030E) | 0.66 | 2.00 | 1.23 | 2000 | 2020E |
| Milk (2001 and 2030E) | 42.10 | 125.00 | 60.00 | 2001 | 2020E |
| Eggs (2000 and 2020E) | 1.96 | 4.51 | 6.50 | 2000 | 2020E |

**India’s population is projected to continue to increase, driving further consumption increases**

| India Population 2000-2020E (MM) |
|----------------|-----------------|----------------|-------------------|----------|
| 2000 | 1,004 | 1,022 | 1,148 | 2020E | 1,362 |

While some demand growth will be met through imports, domestic production is also expected to increase.

- **Parle Agro**
  - 1984
  - Beverages, water and food.

- **Britannia Industries Ltd.**
  - 1892
  - Bread, cake, bakery and Dairy products.

- **GlaxoSmithKline Consumer Healthcare**
  - 2000
  - Significant presence in pharmaceutical and biology industry. The company’s consumer healthcare division is offering various food products and energy drinks including Horlicks, Viva, Boost etc.

- **Cadbury India Ltd.**
  - 1824
  - Chocolate confectionary

- **Kwality Dairy India Ltd.**
  - 1992
  - It is a dairy product company involved in milk processing, ghee and other milk products manufacturing

- **Rasna International Private Limited**
  - 1993
  - Soft drinks concentrates, Instant drink powder and packaged drinking products.

- **Vadilal Industries Ltd.**
  - 1907
  - Dairy and processed foods

Source: [www.businessstandard.com](http://www.businessstandard.com)
Few Facts about Companies and their growth in the sales

Currently the ice cream industry in India is worth $2000 crores. The ice cream market has witnessed steady growth over the last few decades. The per capita consumption of ice cream in India is about 300 ml. as compared to the world average of 2.3 liters per annum. [13]

Parle Agro’s Frooti is India’s first national mango drink and has 85% market share in the tetra pack segment. [8]

Rasna claims 92.7% market share in non carbonated soft drink concentrate powder [9]

Conclusion

The changing consumption pattern of Indians has a dominant effect on the increase in the growth of Food and Beverage sector.
Convenience, sophistication and health are few factors which are directly linked with the increased sales and thereby profits for the food and beverage industry in India. A latest research noted that consumer expenses in India are set to increase by 13% each year for the next 3 years. The dynamic demography and the population (which is 17% of the global population) attract huge investments from the leading companies in the food and beverage market. India is largest by Purchasing power parity. Increase in the disposable income is one of the prominent factors.

Convenience of ordering online is changing the entire scenario of price competition and organizations will have to design and initiate ways to offer to the markets differently.

Age structure, educational levels are the prime factors for increasing demand levels for the food and beverage sector.

India accounts for less than 1.5% of International food trade despite being one of the worlds major food producers, which indicates a huge potential for both investors and exporters.

Recommendations

A total of 8 prominent organizations are part of the study. Indianizing has to do with the price levels. All the organizations need to continuously study the market which is dynamic in nature in India. Customization as per the culture and the needs of the consumer would be the strategy for near future for all these companies. Acknowledging culture and designing the strategies which suit the Indian markets will yield more profits for the organizations. All the organizations need to make their products or offerings relevant and only then they could connect to the Indian Consumer.

References

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