

CHAPTER-02

ENTREPRENEURIAL OPPORTUNITIES IN FOOD PROCESSING IN INDIA

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2.1 INTRODUCTION

2.1.1 DEFINITION : ENTREPRENEURIAL OPPORTUNITIES

Entrepreneurial opportunities are defined as conditions where products and services can be sold at a price greater than the cost of their production. An 'entrepreneurial opportunity', thus, is a situation where entrepreneurs can take action to make a profit (Casson, 1982).

2.1.2 FOOD PROCESSING

Food processing involves set of methods and techniques used to transform raw ingredients into food or to transform food into other forms for consumption by humans or animals either in the home or food processing industry. Broadly, food processing industries include milling industry, bakery industry, confectionary industry, milk processing and packaging plant, meat packing & processing plant, slaughterhouse, sugar industry, canning industry, fruits and vegetable processing plants, industrial rendering, etc. Food processing is the transformation of agricultural products into food, or of one form of food into other forms. Food processing takes many forms, from grinding grain into raw flour, home cooking, and complex industrial methods used in the making of convenience foods. Food entrepreneurship refers to people setting up their own businesses within the world of food and cuisine. This could encompass a wide range of business types, from starting your own catering business to being a culinary entrepreneur in food delivery. Food processing provides special benefits to the society. These include toxin removal, preservation, easing addition, all-season availability of many foods, easing marketing and distribution tasks, and makes many kinds of foods safe to eat by de-activating spoilage and pathogenic microorganisms.

These days, more and more people live in the cities far away from where food is grown and produced. Increasing number of adults is living away from the families who gets little time for the preparation of food based on fresh ingredients. Not only that, the demand for nutritious food considering health conditions has also been increasing day by day. That there will be more and more

demand for readymade or processed food in coming days. Thus, food processing industry offers yet more opportunities for entrepreneurship development to establish and run food-based industries.

WHERE INDIA STANDS IN TERMS OF PRODUCTION?

India is largest producer of Pulses, Mangoes, Banana, Milk, ginger, Buffalo meat and second largest producer of rice, wheat, potato, garlic, cashew nut, groundnut, dry onion, green peas, pumpkin, gourds, cauliflowers, sugarcane, and tea in the world.

- India produces 17% of the global total of vegetables and 14% in the case of fruits. About 40% of the world's mangoes and 30% of the world's bananas and papayas are produced in India.
- India is net exporter of agricultural products. But value addition of Indian product remains quite low.

Food processing has potential to turnaround whole economy. Indian economy is still agrarian, because about 55% population is directly dependent upon agriculture.

2.2 ENTREPRENEURIAL OPPORTUNITIES IN FOOD PROCESSING SECTOR

Economic development of a country is supported by entrepreneurship in several ways. It is a key contributor to innovativeness and product improvement and plays a pivotal role in creating employment.

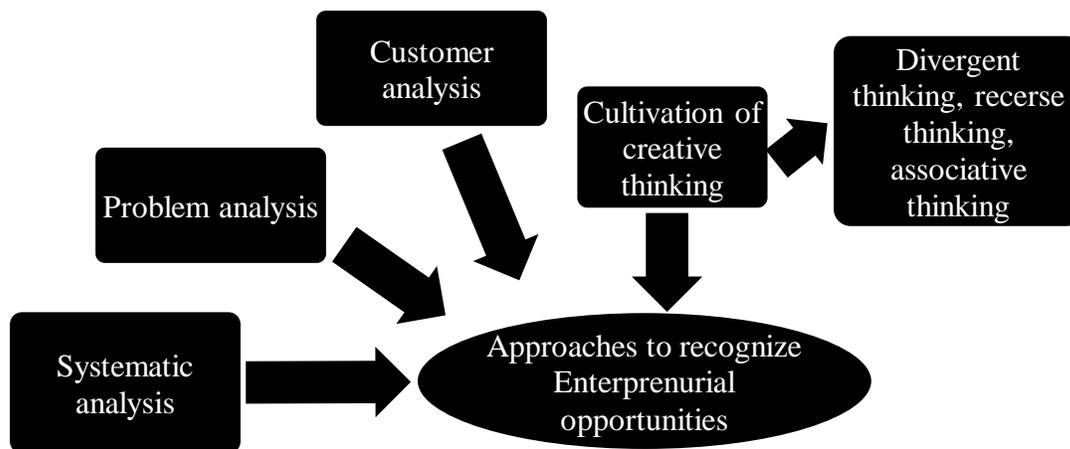


Figure 2.1: Identify entrepreneurial opportunities

1. FRUITS AND VEGETABLES

- Presently consumers spending on unprocessed fruits and vegetables.
- Supply chain losses are 10-25%.

OPPORTUNITIES

- Establish enterprises that provide alternative products
- Supply chain (Cold storage, Chilled frozen carrier etc.)
- Demand of organic fruits and vegetables

2. CEREALS

Cereal processing is only based on secondary processed products and wheat milling (wheat flour) and rice milling dominates in cereal processing. Processing of Cereal is mainly dominated by unorganized and unbranded players.

OPPORTUNITIES

- Enterprises may be established on processing of tertiary value added products.
- There is a lot of scope of Ethnic snacks, Health foods, Infant foods etc.
- Alternative cereals like major millets, minor millets and can be processed.

3. BEVERAGE

Varieties of beverages are being prepared in this segment but still there is a demand of healthy beverages.

OPPORTUNITIES

- Opportunities for enterprises to manufacture healthy beverages.
- Opportunities in enterprises for growing of organic fruits and vegetables and processing of herbs, health ingredients etc.
- Underutilized fruits and vegetables can also be taken as raw ingredients for production of health beverage.

4. MILK AND MILK PRODUCTS

Plenty of milk and milk based products are being prepared in this segment with minimal processing and consumed in original form, which is why there is a need of more processing as well as healthy products.

OPPORTUNITIES

- Opportunities for enterprises at village level (Bulk Coolers) to be sourcing point for big players.
- Opportunities in enterprises for value added health products (Prebiotics, Probiotics, Synbiotics etc.).
- Underutilized fruits and vegetables can also be taken as a raw ingredient for production of health beverage.

5. SOYBEAN PROCESSING SECTOR

Now a day there is a need to develop process technologies for products matching to conventional food habits of the country. Soy based food products has potential to provide the opportunity to upcoming entrepreneurs.

The Food and Drug Administration (FDA) recommends that consumers incorporate at least 25 grams of soy protein each day for healthy heart. The unique chemical composition of soybean seed, which includes the number of nutraceutical compounds such as isoflavons, tocopherol, and lecithin besides 20 % oil and 40 % protein, has made it one of the most valuable agronomic crops in the world. And this unique composition of soybean seeds makes it best candidate for future designer foods. The multifaceted uses of Soybean at the national and global level are as follows:

a) WHOLE SOYBEAN PRODUCTS

- Seed
- Soy flour
- Soy sauce
- Soy paneer (Tofu)
- Soy milk

b) SOYBEAN OIL PRODUCTS

- Cooking oil
- Baking products
- Margarine
- Salad oil Soybean meal:
- Animal feed
- Poultry feed
- Feed for aqua culture

c) SOYBEAN PROTEIN PRODUCTS

- Textured vegetable protein
- Isolated soy protein

d) SOYBEAN BASED INDUSTRIAL PRODUCTS

- Printing inks
- Cosmetics
- Paints
- Soaps/detergents/toiletries Soybean food products
- Plastics and rubber industry

OPPORTUNITIES

Soy products find wide application as a versatile ingredient virtually in every food system, including bakery, breakfast cereals, beverages, infant formulas, dairy analogue and meat analogue. Soy milk and tofu are the main value added products which can be prepared easily from soybean. Apart from soy milk and tofu different other products like soybean flour, soy nuts, textured soy protein, soy protein isolate and soy protein hydrolysate can also be prepared from soybean.

6. PROCESSING OF SPICES AND CONDIMENTS

The processing and trade of spices has always been an important industry. Small-scale processing of spices can be economically and socially successful.

OPPORTUNITIES

Processing of spice can be a good opportunity for entrepreneurs because number of value added products can be prepared from different spices:

- Black pepper – Oleoresin, Green pepper in Brine, dehydrated green peppers, canned green pepper, white pepper powder etc.
- Paprika – colour, paprika flavour
- Ginger – powder, wines, dry ginger starch from spent ginger preserves, ginger in oil Oleoresin
- Turmeric – Natural pigments, curcuminoids, oleoresins
- Coriander – Powder, oleoresins
- Cumin – powder, oleoresin
- Fennel – sugar coated fennel, oleoresin, whole etc
- Fenugreek – powder, dried fenugreek leaves etc
- Tree spices – obesity regulators, stimulators, nutraceuticals (cinnamon, cassia nutmeg, cloves)
- Chillies – powder, pickles, paste, oleoresin, oil, brined chilli, sauces.

CONCERNS

- Other key challenges faced by the food processing sector are gaps in supply chain infrastructure which means inadequate primary processing, storage and distribution facilities; the insufficient connection between production and processing; seasonality of operations and low capacity utilizations.
- Even at current level of production, farm produce valued at Rs 70,000 million is being wasted every year only because there is no adequate storage, transportation, cold chain facilities and other infrastructure supports.
- An estimated 25% of fruits and vegetables valued at about Rs250bn-300bn is wasted annually due to poor post harvesting technology and inadequate storage and transportation. Cold chain facilities are miserably inadequate to meet the increasing production of various perishable products like milk, fruits, vegetables, poultry, fisheries etc.

- In order to promote the food and allied industries, the Government of India has established, a few national level organizations, which in one way or the other support the industry.

POLICY INITIATIVES

- Government is committed to enhance growth of food processing sector and put it on a robust footing. Government is actively encouraging investment in agro processing industries to reduce wastage and encourage value addition.
- Accordingly, for giving a boost to FPI sector, Government has recently initiated several measures besides tax concessions.
- The major focus of the Ministry aim at increasing Government investment in creating the farm to market supply chain, market processing infrastructure to attract more private investment.
- It is also proposed to strengthen R& D, HRD, in the food processing sector, establish more food testing laboratories to ensure quality of food products and compliance of national & international standards, etc.

GOVERNMENT POLICY MEASURES

- As per extant policy FDI up to 100% is permitted under the automatic route in the food infrastructure (Food Park, Cold Chain/warehousing). In so far as food retail is concerned the FDI policy does not permit FDI into Retail sector except Single Brand Product Retailing. This policy is uniform for all retailing activity.
- No industrial license is required for almost all of the food & agro processing industries except for some items like: beer, potable alcohol & wines, cane sugar, hydrogenated animal fats & oils etc.
- MRTP (Monopolies & Restrictive Trade Practices Act) rules and FERA (Foreign Exchange Regulation Act) regulations have been relaxed to encourage investment and expansion by large corporates.
- Most of the items can be freely imported and exported except for items in the negative lists for imports & exports. Capital goods are also freely importable, including second hand ones in the food processing sector.
- Excise & Import duty rates have been reduced Many processed food items are totally exempt from excise duty. Custom duty rates have been substantially reduced on plant & equipment, as well as on raw materials and intermediates, especially for export production.
- Indian currency (rupee) is now fully convertible on current account and convertibility on capital account with unified exchange rate mechanism is foreseen in coming years.
- Food processing industry is one of the thrust areas identified for exports. Free trade zones (FTZ) and export processing zones (EPZ) have been set up with all infrastructure. Also, setting up of

100% Export oriented units (EOU) is encouraged in other areas. They may import free of duty all types of goods, including capital goods.

- All profits from export sales are completely free from corporate taxes. Profits from such exports are also exempt from Minimum Alternate Tax (MAT).

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