

E-commerce Accentuated India's Agriculture and F&B Growth



QUICK OVERVIEW

- With **1.35B people**, India ranks 2nd accounting for 18% of the world population with a **large middle class** which will grow from **350 to 580M by 2025**.
- With this population growth, the need for products such as tree nuts, fresh fruits, and craft beer has increased significantly.
- Fast economic growth, rising disposable income, and rapid urbanization are **driving consumer demand and buying behavior**, especially for fresh and processed products.
- At US\$ 600B, the **Food and Grocery retail market** in India is the 3rd largest in the world. The **eGrocery market** was a mere US\$ \$0.05B in 2013 but has grown to reach US\$ 2.9B in 2020 and is expected to grow at a **CAGR of 37%** reaching US\$ 39B by 2028.
- Nearly 2/3rd of the disease burden in India is due to lifestyle diseases; **increased awareness** has led people to look for **healthier food and beverage options**.

KEY HIGHLIGHTS

GVA from agriculture, forestry & fishing sector - **US\$ 23T**

Total Organic Area - **5.7M hectares**

Market Value of agricultural products – **US\$ 276B**

Highest Market Share in agricultural products - **Cereals**

#1 Producer of milk and spices. #2 Producer of fruits, vegetables and fish.

GOVERNMENT INITIATIVES

- The Government of India has set a priority agenda for food security and improvement of the agriculture sector through:
- Allowing **automatic 100% FDI** in the agriculture and food processing sector, along with fiscal and taxation incentives;
- Modern agricultural equipment and services for **enhanced irrigation, faster seed replacement and precision agriculture**;
- National **cold chain warehousing/logistics** infrastructure network;
- Smarter food chains through **big data, digital connectivity, e-commerce, and vertically integrated/decentralized value chains**;
- **Greater partnerships** with developed countries with advanced value chains, food supply, and agri-tech products and services;
- **Consolidated food laws** under a single regulatory authority – the Food Safety and Standard Authority of India (FSSAI);
- **Liberalization and growth of organized retail**, making the Indian market more attractive for global players; and
- Launching various schemes and plans for the agri-community in order to **increase investment and simplify farm work**.

GROWTH TRENDS

- Agricultural commodities imports have been growing and reached **US\$ 12.8B in 2020**, with edible oils, fresh fruits, pulses and nuts being at the top.
- Demand for agricultural & allied services such as **warehousing (15%), cold storages (17)%** are seeing **double digit Y-O-Y growth**.
- India's **agri-tech** sector has **600+ startups** and in 2020, along with **US\$ 500M of investment** compared to US\$ 248M in 2019.
- **Retail** in agriculture will be largely digitalized with **90% of small grocery shops** across the country using **modern traceable logistics** and transparent supply chains by 2025.
- The Indian **bakery market** is estimated at US\$ 7.6B in 2020 and is assessed to grow at **CAGR 8.5%** from 2021-2026 to reach US\$ 12.4B by 2026. India is the **2nd largest producer of biscuits** after the US. India's appetite for baked goods in continues to grow as consumers open up to **new innovations**.
- Middle class with disposable income is seeking healthy alternatives, and **organic food segment** is expected to grow at **CAGR 20%** from 2020-2025 to reach **US\$ 2.6B** by 2025 from US\$ 800M currently.

OPPORTUNITIES FOR COLORADO COMPANIES

- India will have massive future demand for agricultural products due to rapid population growth and pay development, combined with urbanization and growing middle class.
- While India is a leading producer of many agricultural products, the level of value addition (canned/frozen) is still suboptimal compared to the Western world. Enactment of strict imports/exports regulations combined with shipment delays due to the pandemic, Indian companies have recognized **localization** thus becoming **growth driver for equipment manufacturers**.
- **Food Processing:** Only 48% of total produce gets processed due to the inability of small players to handle the load, causing wastage. This inefficiency creates opportunities for **foreign firms** with expertise. Currently, the market size for the **food processing equipment sector** is **US\$ 1.5B**. This sector is projected to attract **US\$ 33B** of new investment by **2024**.
- **Meat and Poultry:** With a **CAGR of 15%**, poultry meat is the **fastest growing segment** in the domestic market.
- **Dairy Industry:** The demand for dairy products consumption increased twofold in recent years and the goal is to increase production from 53.3 MMT to 108 MMT by 2025.
- **Packaging | Cold Chain:** Due to annual harvest and post-harvest losses of over US\$ 10B, the Indian government and the private sector are seeking **advanced and sophisticated technology** to produce a variety of packaging machinery in order to create an integrated cold chain network.
- **Agricultural Yield:** The quantity of crop produced per unit of land is lower compared to that of Western countries; opportunities exist for global companies in precision farming.

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