Foreign Investment in Global Food Industry

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1. Introduction

Retailing is one of the fastest growing segments of the economy. Retail word came from French word 'retailer' which means 'to cut piece off'. As one of the nation's largest employer the retail industry provide excellent business opportunity.

Indian retail industry is ranked among the 10 largest retail markets in the world. The attitudinal shift of the Indian consumer and the emergence of organized retail formats have transformed the face of retailing in India. Indian corporate houses are refocusing it's strategic perspective in retail marketing with the idea to use resources optimally in order to create core competence and gain competitive advantage.

Food Retail sector has made significance progress in recognizing the most material ESG (environmental, Social and Governance) issues that it faces like climate change, water security, waste management, integrating emerging business into supply chains, education, skills and job creation, food security, corporate accountability, leading and engaging employees around EGS issues etc.

Global outlook: In list of retail sales growth at constant prices 2011 Argentina topped with 80.10% growth during 2006-11 followed by China and Brazil, whereas India was at 8th Rank with 18% growth. In table of retail sales proportion of GDP-2011, Venezuela topped with 3.53% followed by Ukraine and Columbia, while India stood at 37th rank with 16.93%. in table of retail sales as a proportion of consumer expenditure:2011 Soudi Arabia topped with 47.5% followed by Ukraine and Russia while India ranked 38th with 30% (Euromonitor International from national statistics)

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Table 1: Global Outlook India stood 7th with only 4% share of organized retail represented that there is a huge scope of organized retailing.

Country	Total Retail Sales	Share of Organized	Share of Unorganized
	(USD)	Retail (%)	Retail (%)
USA	\$2,983,000,000,000	85%	15%
Japan	\$1,182,000,000,000	66%	34%
China	\$785,000,000,000	20%	80%
United Kingdom	\$475,000,000,000	80%	20%
France	\$436,000,000,000	80%	20%
Germany	\$421,000,000,000	80%	20%
India	\$322,000,000,000	4%	96%
Brazil	\$284,000,000,000	36%	64%

In the year 2012, the Indian retail sector is estimated to be Rs. 18'673 billion and it accounts for around 15% of GDP and 8% of total employment. The sector is highly fragmented with about 96% of the stores in the unorganized sector. The Kirana stores number around 12 million spread across 5000 towns and 600000 villages throughout India. (Ray et all, 2012)

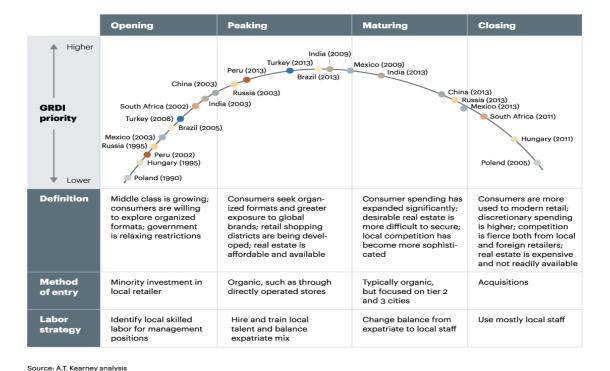


Figure 2: The GRDI window of opportunity analysis.

Window of opportunity analysis tells that India was in opening stage during 2003, while was at peaking stage in 2009 now gradually shifting towards maturity in 2013 according to AT Kearney Analysis. Brazil is now at peak stage with Turkey, Peru etc. while Russia, China is shifted towards closing at global scenario.

Table 2: Financial Year Wise FDI Equity Inflows.

From April 2000 to March 2013; Sector: Food Processing Industries						
S.	Year	Food Processing		Total FDI in India		Share of FPI
No.	(Apr-	Industries				in Total FDI
	Mar)	FDI (Rs	FDI (US\$	FDI (Rs	FDI (US\$	(Annual)
		crore)	million)	crore)	million)	
1	2000-01	198.13	45.75	10,733	2,463	1.86
2	2001-02	1,036.12	219.39	18,654	4,065	5.40
3	2002-03	176.53	36.88	12,871	2,705	1.36
4	2003-04	502.39	109.22	10,064	2,188	4.99
5	2004-05	201.32	43.98	14,653	3,219	1.37
6	2005-06	182.93	41.74	24,584	5,540	0.75
7	2006-07	457.28	102	56,390	12,492	0.82
8	2007-08	279.01	70.17	98,642	24,575	0.29
9	2008-09	455.59	102.71	1,42,829	31,396	0.33
10	2009-10	1,314.23	278.89	1,23,120	25,834	1.08
11	2010-11	858.03	188.67	97,320	21,383	0.88
12	2011-12	826.16	170.21	1,65,146	35,121	0.48
13	2012-13	2,193.65	401.46	1,21,907	22,423	1.79

Source: DIPP, Ministry of Commerce.

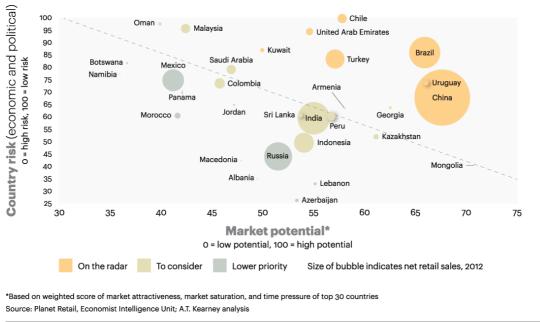
Table 3: Share of top investing companies in FDI approvals for food processing 2012.

Company	Origin	State	Amount of	% of FDI in
			FDI	Total Invest.
Coca-Cola South Asia	US		Rs.23, 870	100%
Hindustan Coca-Cola	US		Rs.5,950	100%
C.P. Aquaculture	Thailand	Tamilnadu	Rs.3,660	50%
Heinz Italia, SPA	Italy		Rs.2,840	100%
Groupe Danone	France		Rs.2,450	100%
Cerestar Holdings	Netherland	Maharashtra	Rs.1,900	100%
Kellogg India P. Ltd	US	Delhi	Rs.1,650	100%
Artal Foods	Belgium		Rs.1,520	100%
Y.F.Asia Ltd	Mauritius	Delhi	Rs.1,520	100%
Coca-Cola South Asia	US	Gujarat	Rs.1,364	100%

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Table two represent the analysis of FDI equity inflow since April 2000 to March 2013. Discussed about share of FPI in total FDI which is in range of 0.29- 4.99 %. In table 3 we could see that Delhi, Maharastra, Gujrat and Tamilnadu are the major areas for top investing companies mainly from US, Mauritius, etc.

In 2013 GRDI country attractiveness following is the position of different economy in the world.



Source: 2013 AT Karney Global Retail Development Index fig3 page 16.

Figure 3: 2013 GRDI country attractiveness.

According to 2013 Global retail development index India slipped down to 14th rank into category of to consider than earlier it was in on the radar category. Now India is having market attractiveness 36.8% while country risk is 59.4 % GRDI score is 55 with -9 changes in rank with last year.

Recent FDI	infl	OWE	in	India
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Name of the Indian Company	Amount of FDI Inflows	
	Rs. Thousand Cr.	
Cadbury India Ltd	7,007.70	
Metro Cash & Carry India Pvt	1,403.60	
Balarampur Chini Mills Ltd	1,130.80	
Nestle India Ltd	1,007.90	
Kelloggs India P. Ltd	659.4	

Parry Confectionery Ltd	644.8
Cargil Foods India Ltd	625.3
Brittania New Zealand Food P. Ltd	575.3
Amamalgamated Bean Coffee Trading Company	479.8
Dynamic Daily Industries Ltd	346.2

These are some recent and updated corporate information in the field of Food retail sector which represents that Indian corporate is pulling up socks for the integration, diversification, technological up gradation, expansion etc to grow and develop at global platform.

2. Conclusion

Retailing is one of the fastest growing segments of the economy. Indian retail industry is ranked among the 10 largest retail markets in the world. The attitudinal shift of the Indian consumer and the emergence of organized retail formats have transformed the face of retailing in India. In the year 2012, the Indian retail sector is estimated to be Rs. 18'673 billion and it accounts for around 15% of GDP and 8% of total employment. The sector is highly fragmented with about 96% of the stores in the unorganized sector. India: gradually shifting towards maturity in 2013 according to AT Kearney Analysis. Brazil is now at peak stage with Turkey, Peru etc. while Russia; China is shifted towards closing at global scenario.

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