Opportunities and Challenges for Dutch Processed Food Companies in India

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Third Eyesight

Management Consulting Firm

Strategy | Operations | Research

Quick Introduction

- Founder & Chief Executive, Third Eyesight (specialist consulting firm)
- Co-Founder & Managing Partner of PVC Partners (early-stage accelerator, emphasis on 1st-time, 1st-gen entrepreneurs and social enterprises)
- Advisory Board member – universities and companies in India and the USA

@devangshu

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Introduction to Third Eyesight

@thirdeyesight

Delivering Growth and Profits since 2003

- **Specialist consulting firm in retail and consumer products**
  - Clients include retailers, brands, manufacturers, service providers, trade associations, government and development agencies, and investors.

- **Third Eyesight's engagements include among others:**
  - Strategy development for new and existing businesses
  - Partner search including licensees or franchisees; due diligence; strategic alliances
  - Start-up assistance for new businesses and improving efficiency and effectiveness for existing businesses, and other operational support
  - Sourcing and supply chain strategy, improvement and implementation support (including design-to-delivery performance)
  - Sales / marketing strategy and operational implementation
  - Product development, product planning

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Past Projects by Sector

(NOTE: This grid is only indicative of past projects, and not an exhaustive listing of skill-set or sector exposure of the team)

Client / Sector \ Services	**Market / Sector Study**	Business Strategy	Business Plan	Business Evaluation	Marketing Strategy & Implementation Support	Brand Development	Location Evaluation	Product Development Processes, Optimisation	Supply Chain Strategy, Optimisation	Partner Search, M&A, Due Diligence, Fund Raising	Market Familiarisation	Workshops and Training
Luxury	●	●	●	●						●		●
Soft Goods Manufacturing (Fibre, Yarn, Fabric, Apparel, Accessory)	●	●	●	●		●	●	●			●	●
Soft Goods Brands, Trading and Retail	●	●	●	●	●		●	●	●	●	●	●
Hardlines Manufacturing, Brands, Retail	●	●	●				●					
Agricultural Product, Food Processing	●	●			●	●			●			●
Chemicals, Food Ingredients, Biotechnology	●	●		●	●							
Food Retail, Quick Service Restaurants, Casual Dining	●	●	●	●			●		●	●		●
Home Products	●	●	●								●	●
Investor (Venture Capitalist, Private Equity, Investment Bank)	●			●						●		●
Trade Associations, Government Bodies	●				●	●					●	●
Research Firms, Consulting Firms, Educational Institutions	●										●	●
Technology, Media, Others	●	●			●					●	●	●

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Insights on the Indian Market

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(Semi)Processed Food – A Perspective

- **Processing is not new**
  - Purpose: make food easier to consume and more palatable, or to extend its life in storage
  - Cooking, curing, curdling, pickling, drying, smoking
- **Industrialisation of workforce → Industrialisation of food**
  - Increase the volume of produce that can be processed
  - Bring production costs down
  - Substantial re-constitution, repackaging, additives

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Project Methodology

- Secondary information sources: macroeconomic data, government and trade statistics; News articles and research reports for various sectors.
- Focussed primary research in form of semi-structured interviews with the trade (manufacturers, suppliers – wholesalers, traders, manufacturers, importers and other relevant links in the supply chain) across India
- The proprietary knowledge base of Third Eyesight

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Categories Covered in the Report

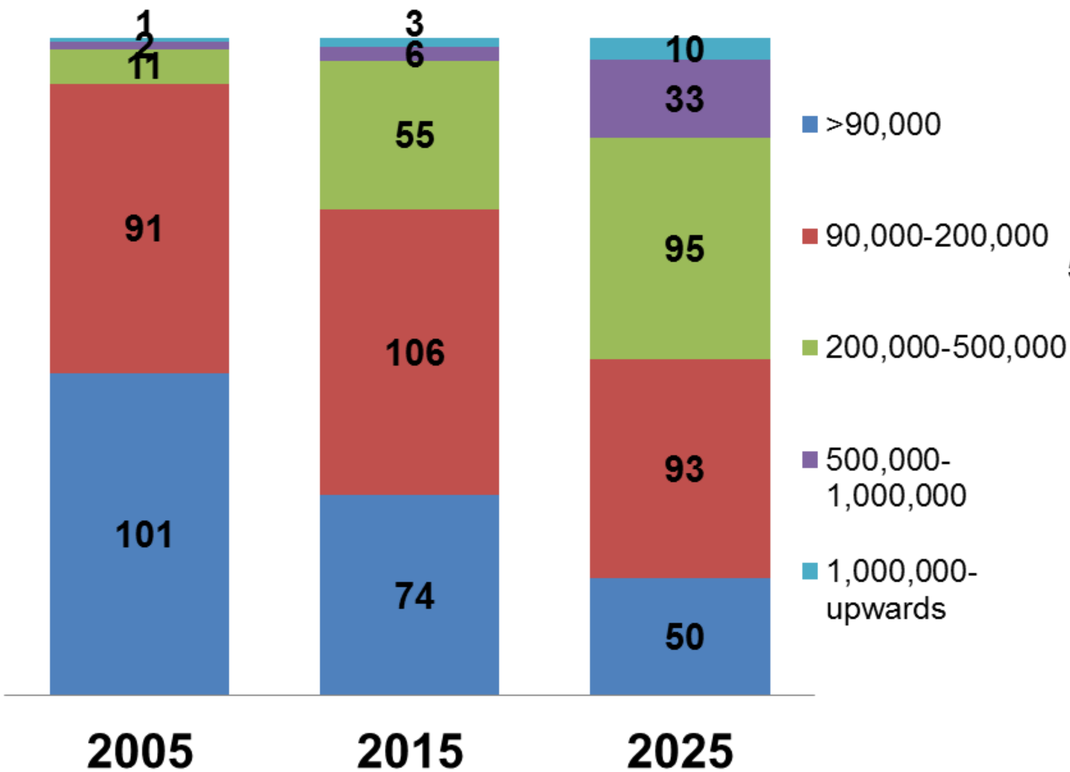
- Dairy
- Potato and Related Products
- Processed Fruits & Vegetables
- Poultry & Egg
- Swine Meat
- Bovine Meat
- Marine Products
- Breakfast Cereals
- Pasta
- Infant Food
- Bakery Products
- Beer
- Wine
- Spirits
- Oils and Fats
- Fruit-Based and Non-Alcoholic Beverages
- Sugar Confectionary
- Chocolate & Cocoa Products
- Sauces and Condiments

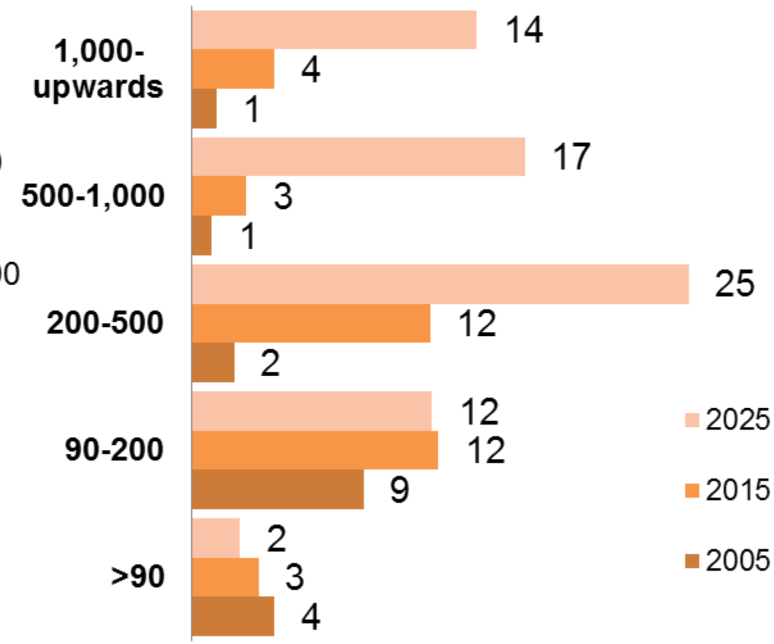
India:EU – Size, Diversity Comparison

	European Union	India
Comprises of	28 member countries	29 States, 7 Union Terr.
Area	4.4 m km²	3.3 m km²
Population	500+ million	1.2+ billion
Languages	24 official, 150 minority	22 major, Over 1600 dialects

Demographic Drivers of Change

Million Households, Income in ₹





Source: McKinsey Global Institute projections, 2010

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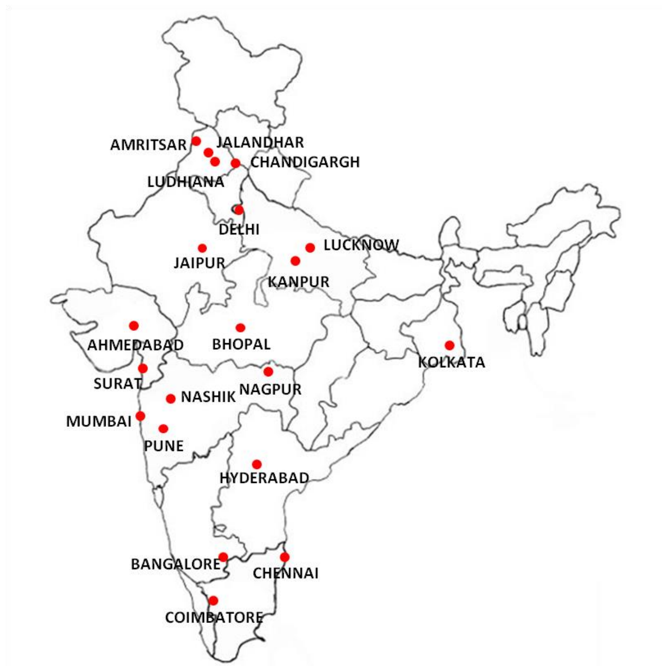
Demographic Drivers of Change

- **Concentration of incomes**
  - 53 cities with populations of over 1-million have a combined population of 160.7 million, i.e. 43% of urban population



A Few Highly Populous Cities of India

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Demographic Drivers of Change

- **Lifestyles changes**
  - Youth moving out of parental homes and hometowns for professional reasons, leading to creation of new households.
  - Increasing double income nuclear family structures with more women now working than ever before, and as a consequence spending less time in the kitchen.
  - Time crunch leading to increased demand for convenience options which include processed foods and ready-to-eat/ready-to-cook products.

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Food in India: Quick Facts

- Food accounts for about half of all consumer spending, i.e. estimated at over US$250 billion
- Processing of fruits and vegetables varies widely by sector:
  - Low: about 2% (fruits and vegetables)
  - High: around 35% (milk)

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Processed Food in India: Quick Overview

- Modern retail sector a rapidly growing platform
- Industrial capacity for processed foods – encouragement from government through incentives
- Growth of domestic and international branded restaurant chains
- Growth of outbound catering and food services

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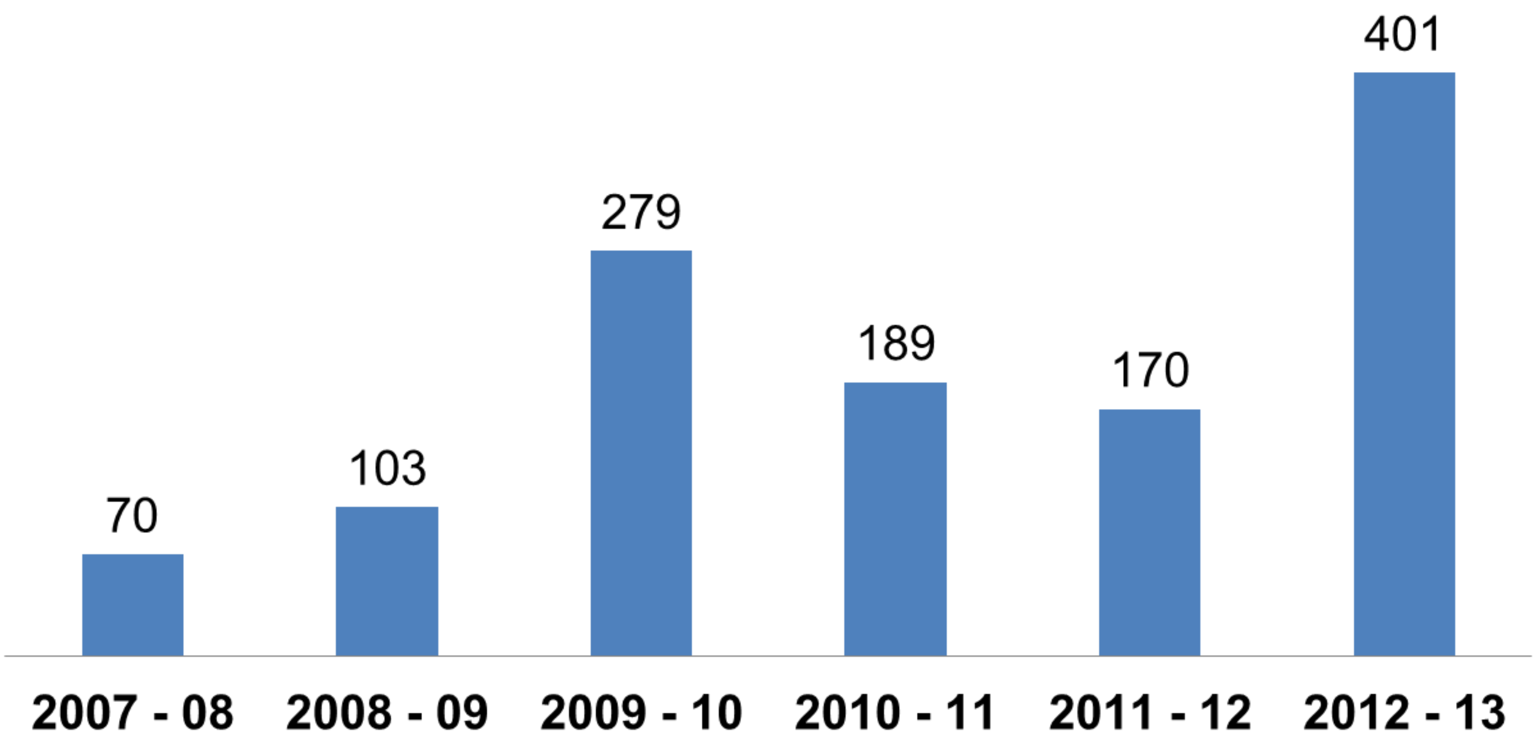
Foreign Investment – Food Processing
(million US$)



Source: Annual Report, Ministry of Food Processing Industries

Opportunities and Challenges: Highlights

OPPORTUNITIES	CHALLENGES
▪ Demographics changes & their implications ▪ Manufacturing competitiveness in several sectors ▪ Regulations and laws are progressively more open and business-friendly ▪ The "Organised" Market is at a nascent stage, hence potential growth is very high	▪ Differences within customer groups ▪ Tax laws ▪ Sub-optimal infrastructure - roads, electricity, cold chains and ports ▪ Increasing cost of Real Estate ▪ Restrictions on retail operations with foreign investment

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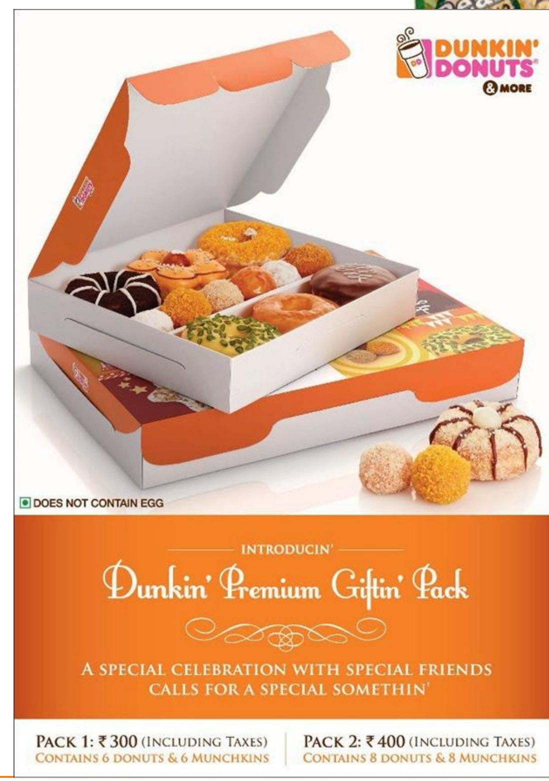
“Survival of the ~~Fittest”~~ Most Adaptable



Netherlands’ Share in Imports (Examples)

Product Category	Import Value from Netherlands (2013) - million USD	Total Import Value (2013) - million USD	Share of Netherlands
Infant Food	1.71	3.00	57%
Poultry Meat	0.11	0.28	39%
Processed Potatoes	2.21	8.8	25%
Swine Meat	0.59	3.6	16%
Cheese	0.87	8.1	11%
Beer	0.27	3.9	7%
Sauces	0.67	11.68	6%
Whey	1.08	19.9	5%

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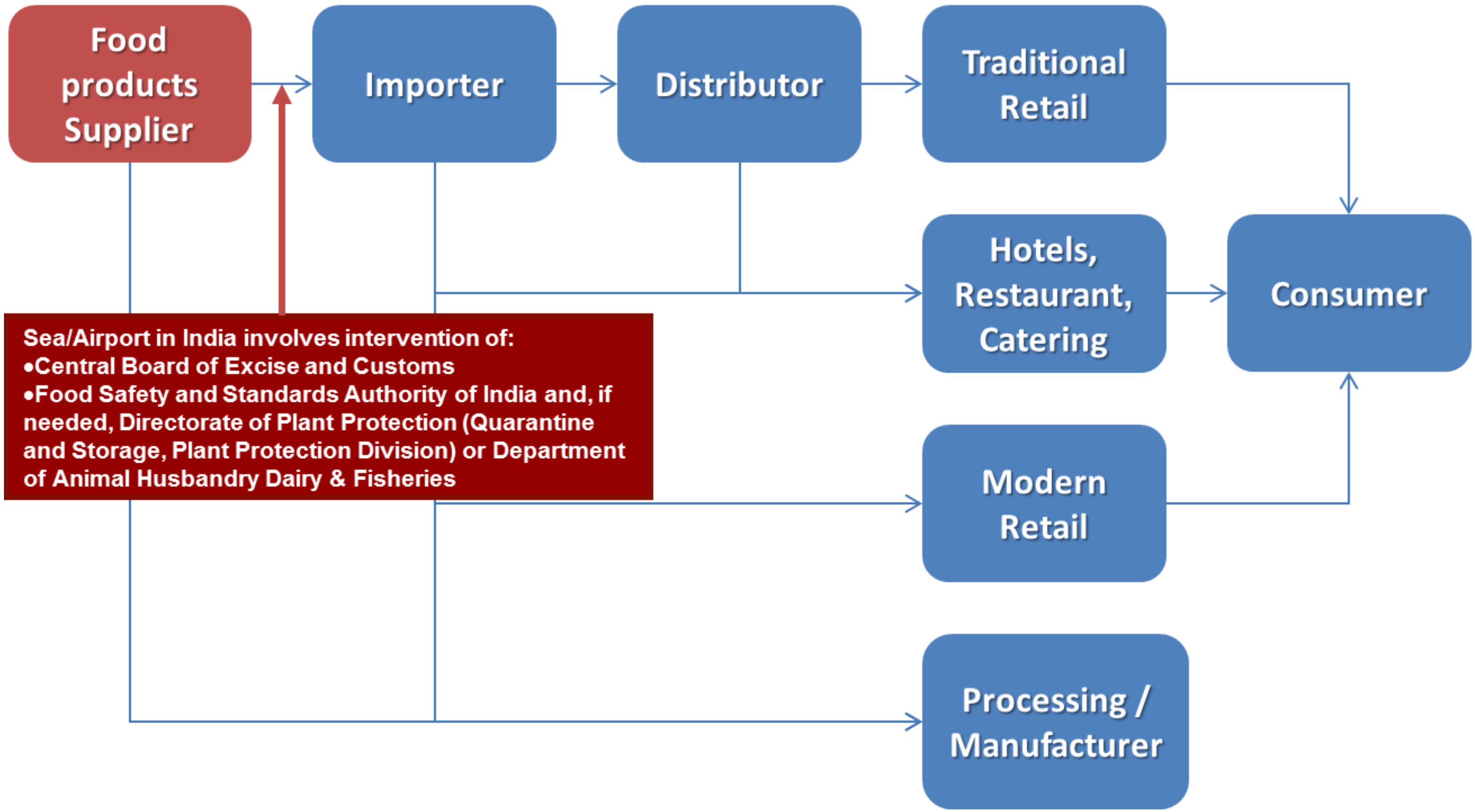
Value Chain for Imported Food Products



Routes to Market (1) - Types

Type of Operation		Type of Presence in India		
		Indian Representative	Partially Owned (JV)	Own Presence
Trading/Export to India	Liaison / Representation	✓		✓
	Distribution presence	✓	✓	✓
Manufacturing in India	Partial processing locally, or repackaging	✓*	✓	✓
	Local Manufacturing	✓*	✓	✓

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Routes to Market (2) - Approaches

Sell *(e.g. Remia)*

- Export-oriented approach
- Send products to India from existing factories

Bridge *(e.g. Cargill Sri Lanka – Sumeru sausages)*

- Bulk imports of finished products or base materials
- Partial processing or repackaging in India

Make *(e.g. Ferrero Rocher)*

- Manufacture in India from local, imported or mixed ingredient inputs

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