

FOOD AND BEVERAGE INDUSTRY IN INDIA

A GUIDE ON FOOD AND BEVERAGE INDUSTRY IN INDIA.

Table of Contents

Overview	1
Market scenario	2
Government initiative	3
Government regulations	4
Legal framework	5
Taxation	6
Licences	7
Dispute resolution	9
How we can help?	10



OVERVIEW

India is one of the fastest-growing economies in the world and is expected to become the third-largest world economy by 2030, surpassing developed economies. Food and beverage ("F&B") is the largest segment of the consumption basket. The future of the food and beverage sector looks promising, given the growing demand due to changes in the consumer's lifestyle and consumption patterns.

The Indian F&B industry is emerging as a high-profit sector. It accounts for about 3% of India's Gross Domestic Product ("GDP") and around 2/3 of the total retail market in India. In fact, the revenue in the food and beverage business segment is estimated to show a Compound Annual Growth rate ("CAGR") of 14.2 percent from 2020 to 2024. Furthermore, by 2024, the projected market volume is expected to increase by US\$ 1,264 million.

The packaged food industry comprises baked goods, convenience foods, dairy, and confectionaries. Biscuits (cookies) are one of the most popular baked goods in India. The convenience food segment includes frozen meals, packaged snacks, and ready-to-cook foods. The confectionary segment includes desserts and sweets.

Tea is the most common hot beverage in India, especially in the northern, western, and eastern regions. Cold drinks such as soft drinks and fruit drinks are becoming more common in the country. Packaged water is increasingly prevalent as the Indian population does not trust the quality of municipal water.



MARKET SCENARIO



The current market size of the Indian F&B industry shows great potential for higher profit and, therefore, is attracting enormous foreign investments. The number of users in the F&B market is estimated to reach 346.9 million by 2025. There is also a great potential for the user penetration rate to hit 24.0% by Financial Year ("FY") 2025. The Indian food and beverage packaging market is expected to register a CAGR of 12.5 percent between the fiscal years 2022 and 2027. India has seen sustainable packaging growth in food and beverage industries due to increased packaged food consumption, awareness, and demand for quality products.

India's F&B sectors are the main drivers of the packaging market's expansion. Growing investment in the food processing sector is opening up new packaging opportunities due to efforts to reduce agricultural crop waste. The expansion of organised retail, the rise in the middle-class population's purchasing power, and exports all contribute to the market's growth. As a result, uniform packaging is now required to increase shelf life, maintain production speed, and guarantee quality.

With India's population skewed toward younger consumers, the majority of Indian consumption of food and beverages is driven by people between the ages of 18 and 40, which opens the opportunity for manufacturers to come up with more varieties. A higher level of living, increased wealth, and the fast-paced lifestyle of urban areas are all contributing to the expanding trend of online food delivery combined with packaged food. Presenters like Zomato, Swiggy, and Dunzo, among others, are examining the online food delivery business with rising acceptance and packaging innovation.

The market is expected to be significantly challenged due to dynamic changes in regulatory standards, primarily due to increasing environmental concerns. Governments worldwide have been responding to public concerns regarding plastic packaging waste and implementing regulations to minimize environmental waste and improve waste management processes.

GOVERNMENT INITIATIVES



Under the Infrastructure Development Scheme, the Government of India has approved the establishment of 15 mega food parks with a total grant of Rs 787.50 crore (US\$ 148.57 million).

The Center has also proposed to set up 30 food parks by the Ministry of Food Processing Industries, which will help 20,000 small and medium-sized businesses engaged in the manufacturing and processing of food products every year.

The Ministry of Food Processing Industries has allocated Rs 595 crore (US\$ 112.48 million) for various food processing schemes to be implemented.

The Union Ministry of Agriculture's Inter-Ministerial Task Force on Agricultural Marketing Reforms recommended the establishment of additional cold chain facilities with an investment of Rs 2,500 crore (US\$ 472.59 million).

The Ministry has also sanctioned a cold storage chain facility in Kamrup district and a mega food park in Nalbari, among other schemes in the North-Eastern (NE) region of India.

The Government of India had approved the umbrella Central Sector Scheme for Agro-Marine Processing and Development of Agro-processing ("SAMPADA") Clusters with a total allocation of Rs. 6,000 crore. The scheme has been subsequently renamed as 'Pradhan Mantri Kisan SAMPADA Yojana ("PMKSY)". PMSY was envisaged as a comprehensive package that would result in the creation of modern infrastructure with efficient supply chain management from the farm gate to the retail outlet.

Now, the Government of India (GOI) has approved the continuation of the Central Sector Scheme (PMSY) (Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters) with an allocation of Rs. 4600 crore till 31.03.2026, coterminous with the 15th Finance Commission cycle. The scheme will be implemented by the Ministry of Food Processing Industries ("MoFPI").



GOVERNMENT AUTHORITIES

The Food Safety and Standards Authority of India ("FSSAI") is the regulatory authority on all matters relating to the manufacture, storage, distribution, sale, import, and availability of safe and wholesome food and beverages for human consumption in India. The key role of the FSSAI is to regulate and monitor the manufacture, processing, distribution, sale, and import of food while ensuring safe and wholesome foods for consumers.

The FSSAI appoints third-party auditing organisations for the purposes of food safety auditing and ensuring compliance with food safety management systems under the FSSAI Act and various regulations. The auditing procedure is governed under the Food Safety and Standards (Food Safety Auditing) Regulations 2018.

The Commissioner of Food Safety ("CDSCO"), appoints various food safety officers ("FSO") to enter and inspect places where food articles are manufactured, stored for sale, stored for the manufacture of any other food articles, exposed or exhibited for sale, and where any adulterant is manufactured or stored.

The manufacturing of non-alcoholic beverages and toddy (alcoholic beverages) is regulated under the Food Safety and Standards (Food Products Standards and Food Additives) Regulation 2011. The manufacturing of distilled and non-distilled alcoholic beverages is regulated under the Food Safety and Standards (Alcoholic Beverages) Regulations 2018.

Organic food offered or promoted for sale (except for organic food marketed through direct sales by small original producers or producer organisations) must comply with any of the following standards and systems:

- the National Program for Organic Production ("NPOP") or
- the Participatory Guarantee System for India ("PGS-India"); or any other system or standard notified by the FSSAI.

The Food Safety and Standards Authority of India ("FSSAI"), under the Government of India's Ministry of Health and Family Welfare ("MoHFW"), is the nodal regulatory authority on all food and beverage matters in India. The FSSAI mandates food business operators ("FBOs") to obtain registrations and licences from the FSSAI to manufacture, store, sell, or distribute any type of food or beverage in India.

LEGAL FRAMEWORK

The primary legislation governing the manufacture, storage, distribution, sale, import, and availability of safe and wholesome food for human consumption in India is as follows:

- a. The Food Safety and Standards Act 2006 (the FSSAI Act); and
 - b. The Food Safety and Standards Rules 2011 (the FSSAI Rules).
- The FSSAI consolidates various acts and orders that handle food-related issues in various Ministries and implements the act through food control authorities in various states.
 - FSSAI establishes a national regulatory body, the Food Safety and Standard Authority of India (FSSAI), as an authority for food safety and quality in India.
 - The FSSAI also regulates and monitors the manufacturing, processing, storage, distribution, sale, and import of food to ensure proper consumption.
 - The authority is also responsible for contributing to the spread of awareness about food safety and the framing of regulations to lay down standards and guidelines concerning various aspects of maintaining high standards for food.

Some of the relevant regulations under the FSSAI Act are as follows:

- Food Safety and Standards (Recovery and Distribution of Surplus Food) Regulation 2019;
- the Food Safety and Standards (Safe Food and Balanced Diets for Children in School) Regulations 2020;
- the Food Safety and Standards (Foods for Infant Nutrition) Regulations 2020; and
- the Food Safety and Standards (Labeling and Display) Regulations 2020 (the Labeling and Display Regulations).

The Environment Protection Act, 1986:

- The Act was enacted with the main objective of providing protection and improving the environment.
- The Act also incorporated the rules for the manufacture, use, import, and storage of hazardous microorganisms, substances, and cells used as foods.
- As a special feature, the Act also made it compulsory for every food plant discharging waste into the mainstream to obtain a No Objection Certificate from the respective State Pollution Board.

Voluntary Standards and Certification: The Bureau of Indian Standards (BIS) formulates Indian Standards in the food processing industry by prescribing standards relating to raw materials and their quality, hygiene requirements for packaging, and labelling.



TAXATION

Every business in the food and beverages industry has to comply with the several tax regulations of the country in which they are operating their business. It is one of the most important registrations in any business.

Goods and Service Tax (GST) rate on food items in India:

- Containerized veggies (steamed, uncooked, or boiled) have no GST.
- Vegetables preserved with brine or other methods that are unfit for immediate human consumption are exempted from GST.
- Meat packed in a container with a registered trademark/brand name is subject to a 5% GST.
- 5% GST on non-in-shell avian eggs and egg yolks boiled or steam-cooked.
- GST is 5% on ginger (excluding fresh ginger), turmeric (except fresh turmeric), thyme, curry leaves, bay leaves, and other herbs and spices.
- 12% GST on sugar-preserved vegetables, fruits, nuts, and edible plant parts.
- Foods such as meal/powder of dried leguminous vegetables are subject to a 5% GST.
- 12% GST on the vinegar/acetic acid, preserved/prepared vegetables, fruits, nuts, and edible plant components.
- 18% GST on food preparations containing less than 40% cocoa by weight, such as those made with flour, malt extract, and so on.

Input Tax Credit ("ITC") benefits are only available to businesses charging 18% GST on food services, according to GST Laws, while restaurants or eateries charging merely 5% GST on food services do not obtain ITC benefits. Currently, the GST on food and food services does not exceed 18%, and no food goods are included in the highest tax category of 28%. As a result, no significant price increases or cuts in food goods have been reported since the implementation of GST (Goods and Service Tax).

LICENCES

Food Business Operator needs to obtain the following licences to start a food business in India:

FSSAI licence: FSSAI stands for Food Safety and Standards Authority of India. Obtaining a licence from the FSSAI to run a food business in India is mandatory. The requirements that need to be fulfilled by a food business to obtain the FSSAI licence are as follows:

- a basic FSSAI registration is required for a food business with an annual turnover of up to Rs. 12 lakhs.
- a state FSSAI licence is needed for a food business that has an annual turnover of up to Rs. 20 crore and operates in only one state.
- a Central FSSAI licence is needed for a food business that has an annual turnover of more than Rs. 20 crore and operates in multiple states.

An application form is sent to the licensing authority along with registration fees, which can now be paid online as well. On registration, an FSSAI number is given to the business. This number is printed on every food package manufactured or processed by the business.





Registration under the Shops and Establishments Act: A food business has to register under the Shops and Establishments Act of the state in which its business is located. A Shop and Establishment Certificate can be obtained by filling out a form, paying the requisite fees, and attaching relevant documents to it.

Health Trade licence: A health trade licence allows a business to trade in any items or services that have a direct impact on public health. A food business that has this licence from the Municipal Corporation, is certified to comply with hygiene and safety standards. A health trade licence is issued by the municipal corporation or the health department of the state in which the business carries out its trade activities.

Liquor licence: If the business wishes to serve alcohol within its premises, then it needs to apply for a liquor licence by filling out the relevant forms. The local Excise Commissioner grants this licence to any food business that wants to serve any drinks containing liquor.

NOC from the Chief Fire Officer: To obtain a NOC (No Objection Certificate), the business has to submit its building plans, model of the building, and certificate of an architect, and fill out a questionnaire with the Chief Fire Officer.

Eating House licence: An eating house licence is required for any business where the general public is admitted and any kind of food or drink is served for the public's consumption. An eating-house licence can be obtained from the State Police Commissioner.

Environmental Clearance: This licence can be obtained from the state or city pollution board. This licence is granted once the authority evaluates the scope and impact of the business on the environment.

Signage licence: A signage licence allows a food business to advertise itself by putting up any words, signs, or pictures. Your food business is required to apply with the local municipal body to obtain a signage licence in India and publicly display signs outside its business premises.

DISPUTE RESOLUTION

If a company, hotel, or individual takes part, in assisting, or perpetrating food or beverage contamination, a complaint can be filed against the manufacturer, restaurant owner, shopkeeper, or employer. For this, the local health authority, the Food Safety Authority's district commissioner, or the Consumer Forum must be approached.

Even the Consumer Forum can be approached at any of the three levels: district level, state level, or national level. The complaints that are registered have original jurisdiction at district levels and further appellate jurisdiction at a state or federal level.

As per the Food Safety and Standards Act of 2006, people who perform acts that result in food and beverage contamination may face the following penalties:

- any individual who sells any material that is not as per the consumer's demand or provision is liable to pay a maximum fine of Rs. 5 lakh if found guilty;
- anyone who manufactures, stores, sells, distributes, or imports any sub-standard food or beverage item, any food or beverage item which contains decayed matter, or any item stored in unhygienic conditions, is liable to pay a penalty, which may extend up to Rs. 5 lakh;
- anyone who manufactures, stores, distributes, or imports any misbranded food-related product against the prerequisites stated by the Act might face a penalty of up to Rs.3 lakh;
- any person who issues a misguided advertisement misrepresenting food quality or provides consumers with false guarantees might have to pay up to Rs 10 lakh;
- if anyone distributes a non-severe adulterant, they may face a fine of up to ₹1 lakh; if the adulterant is harmful to health, the fine may rise to Rs.10 lakh; and
- a fine of Rs. 2 lakh will be imposed for any violation of the law as specified in the Act.

The FSSAI Authority also has a comprehensive system of citizen concern management and a reliable 360-degree mechanism to deal with consumer complaint redressal through various focal points, including social media, emails, a direct helpline, an FSSAI mobile app, and a dedicated concern management website.

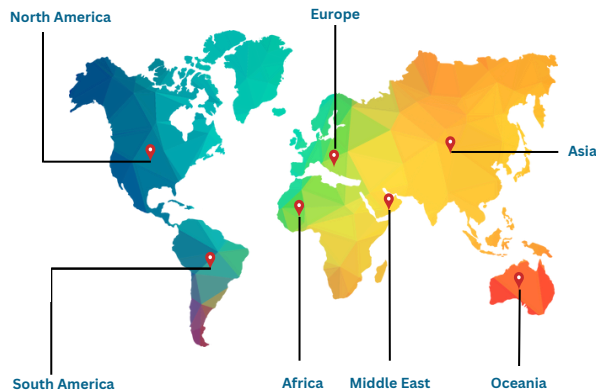
Consumers can lodge their complaints regarding food and beverage concerns with the state authorities through various means. One can approach the Food Safety Commissioner or file a complaint through a state grievance-handling mechanism.

HOW WE CAN HELP ?

We have a dedicated team of professionals who will help you in the following ways:

- We have proficiency in and updated knowledge of the laws, regulatory requirements, and industry practices.
- We assist existing businesses as well as international companies looking to export or establish a franchise in India.
- Our team has been actively involved in advising clients on statutory packaging and labelling compliances, reviewing their labels, print, and media advertising contents, etc., to ensure statutory compliance, advising on the import of food products into India, custom bonding and clearance, storage, and labelling issues.
- We have a dedicated team of attorneys who specialise in matters and concerns related to the food industry and assist their clients in complying with food and beverage laws.

SERVING CLIENTS WORLDWIDE



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