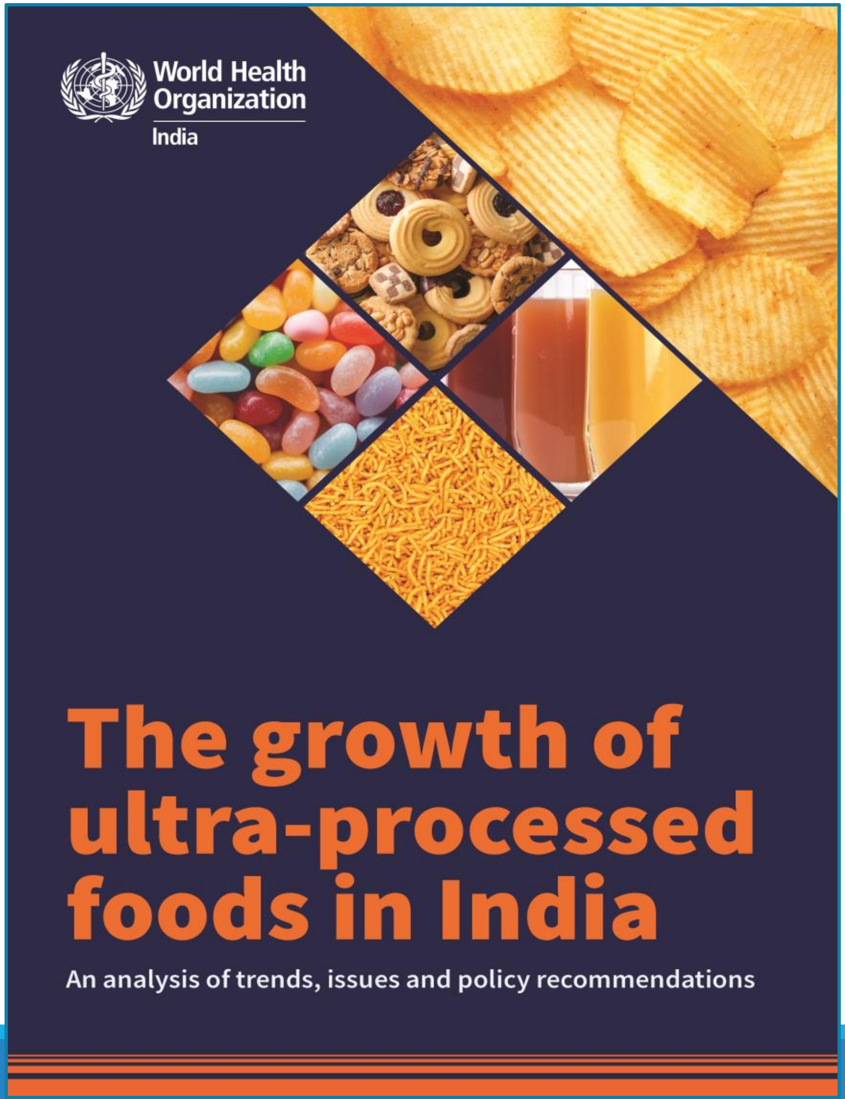


PRESENTATION OF THE KEY FINDINGS

by

Dr Arpita Mukherjee, Professor, ICRIER
Mr Dripto Mukhopadhyay, External Consultant, ICRIER
Ms Eshana Mukherjee, Research Associate, ICRIER
Dr Rachita Gupta, National Professional Officer (Nutrition), WHO

Release of the Report

The Growth of Ultra-processed Foods in India:
An Analysis of Trends, Issues and Policy Recommendations

At ICRIER-WHO India Joint Event on Tuesday, 22 August 2023
New Delhi, India

Layout of the Presentation

- Why India needs to Focus on Healthy Diet and Nutrition Security?
- What is a Healthy Diet?
- Research Gaps & Objective of this Study
- Methodology and Data Sources
- Layout of the Report
- Key Findings: Trends in Ultra-processed Foods (2011-2021)
- Trends in Ultra-Processed Foods: Category wise
- Trends in Ultra-processed Foods: Subcategory wise
- India's Trade in Ultra-processed Foods
- Retail Sales Channels of Ultra-processed Foods
- Three Scenario Forecast (2023-2032) – Ultra-processed v/s Essential/Staple food CAGR
- Key Stakeholders and Policy Initiatives to Promote Healthy Diet
- Examples of Global Best Practices
- India: Status of Policies/Initiatives
- Some Policy Gaps
- Nine Recommendations to help India attain Nutrition Security and meet UNSDGs by 2030
- Areas of Future Research

Why India needs to Focus on Healthy Diet and Nutrition Security?

- India is one of the fastest growing economies in the world with a large population
- The market for processed food is growing - diet patterns are changing
- With rising income and growing population, the country is facing the dual burden of malnutrition (undernutrition and overnutrition), with increasing incidence of noncommunicable diseases (NCDs) morbidities due to unhealthy diet
- Unhealthy population can reduce the benefits of large workforce and increase medical expenses
- Pandemic induced health issues, including stress and lack of exercise

- Indian Council of Medical Research (ICMR)-National Institute of Nutrition (NIN) (2020): In India, the average daily intake of visible fats among the urban population in 7 metro cities was 33 gm/day, higher than the recommended levels of 20 gm /day
- National Family Health Surveys in India between 2005-2006 and 2019-2020: 29.8% of men and 33.2% women in urban India and 19.3% and 19.7%, respectively, in rural India are overweight. Obesity rates among children have increased by 19.3% between 2005-06 and 2015-16
- Comprehensive National Nutrition Survey of 2019 - 4% of children and 5% of adolescents are overweight
- ICMR (2016): the percentage of NCD deaths in India increased from 38% in 1990 to 61.8% in 2016. This increased to 66% (WHO, 2019)

What is a Healthy Diet?
Processed Foods: Essential/Staple Vs Ultra-processed Foods

Processed food: Food products manufactured by industry in which salt, sugar, fat and/or other culinary ingredients have been added to unprocessed or minimally processed foods to preserve them or make them more palatable. Processed food products are derived directly from natural foods and are recognized as a version of the original foods. The processes used in the manufacture of these food products may include different methods of preparation, cooking, preservation and, in the case of cheeses and breads, nonalcoholic fermentation. Food-grade additives may be used to preserve the sensory properties and safety of these products

Processed food and beverage items can be classified as:

- *Essential/Staple Food - Food that is more likely to be a part of a healthy diet*
- *Ultra-processed/ HFSS Food - Food which may contribute to excess consumption of energy, saturated fats, trans fats, sugar or salt*

- WHO South-East Asia Region (SEAR) model

HFSS foods may be defined as foods (any food or drink, packaged or non-packaged) which contain low amounts of proteins, vitamins, phytochemicals, minerals and dietary fibre but are rich in fat (saturated fatty acids), salt and sugar and high in energy (calories) that are known to have negative impact on health if consumed regularly or in high amounts

- Ministry of Women and Child Development (MoWCD), Government of India

Healthy Diet/Nutrition Security – Need & Gaps

- After achieving food security, India is now focusing on nutrition security (Chapter 8, Economic Survey 2022 – 2023)
- There is a need to align domestic policies with the United Nations Sustainable Development Goals (UNSDGs) like SDG2 (Universal access to safe and nutritious food and end to malnutrition) and SDG3 (Reduce mortality from NCDs) by 2030
- Yet, there is a dearth of data-based studies on the:
    a) Sales/consumption trends of the ultra-processed foods in India
    b) How it has changed pre and post the coronavirus (COVID-19) pandemic?
    c) What is the likely growth in the future?
    d) What kind of policy measures can help India to achieve nutrition security?

Objectives

a) Analyse the sales trends in India’s ultra-processed food category and the changes post COVID-19 pandemic

b) Present the future growth projections

c) Examine the best practices in policymaking of other countries and global guidelines available on ensuring nutrition security

d) Examine the policies and initiatives taken in India

e) Identify gaps and suggest recommendations on how to reduce consumption of unhealthy food and help India attain nutrition security

For this study, ultra-processed food categories are:

1) Chocolate and Sugar Confectionery
2) Salty Snacks
3) Beverages
4) Ready-made and convenience food
5) Breakfast Cereals

Methodology and Data Sources

- The report is based on secondary data analysis and information analysis
- A descriptive analysis and a three-scenario forecast analysis has been done to show past trends and future growth (2023-2032) of ultra-processed foods in India

Examples of Secondary Data Sources

Euromonitor International's Passport*	National Accounts Statistics, MoSPI	Reserve Bank of India and International Monetary Fund	Directorate General of Foreign Trade, MoCI
• All India level retail volume/value of retail sales, per capita retail sales, sales by retail channel	• Macro-economic trends like gross domestic product (GDP), private final consumption expenditure, disposable income etc.	• Growth rate	• Trade

Layout of the Report

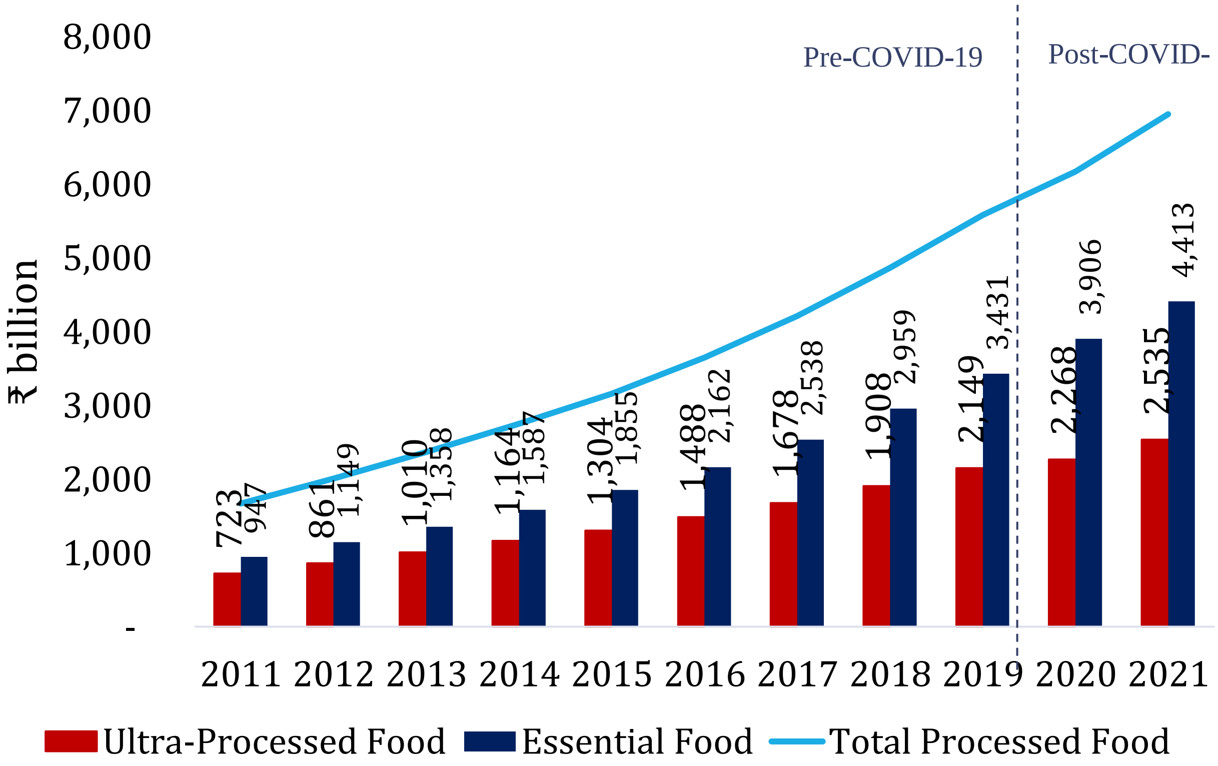
- **Section 1: Introduction**
- **Section 2: Trends in growth of processed food in India – pre-and post-COVID-19**
  - (a) Trends in total processed food: ultra-processed and essential
  - (b) ultra-processed product category and sub-category wise growth- pre and post Covid-19
  - (c) India’s trade in ultra-processed foods – changing trends
- **Section 3: Demand forecast for processed foods with a focus on ultra-processed foods: 2023 to 2032**
- **Section 4: Governance Structure and Key Stakeholders: Food and Nutrition**
- **Section 5: Global best practices and India’s policies/regulations to support healthy diet and nutritional security and policy gaps**
  - (a) Fiscal measures – taxes and subsidies (b) Labelling guidelines (c) Government food procurement policies (d) ban/restrictions on trans fats (e) Restrictions and regulations on advertising and marketing – traditional and social media (f) Consumer awareness programmes/campaigns (g) Voluntary dietary/nutrition guidelines
- **Section 6: Key findings, policy recommendations and the way forward**

Key Findings: Trends in Ultra-processed Foods (1)

2011-2021

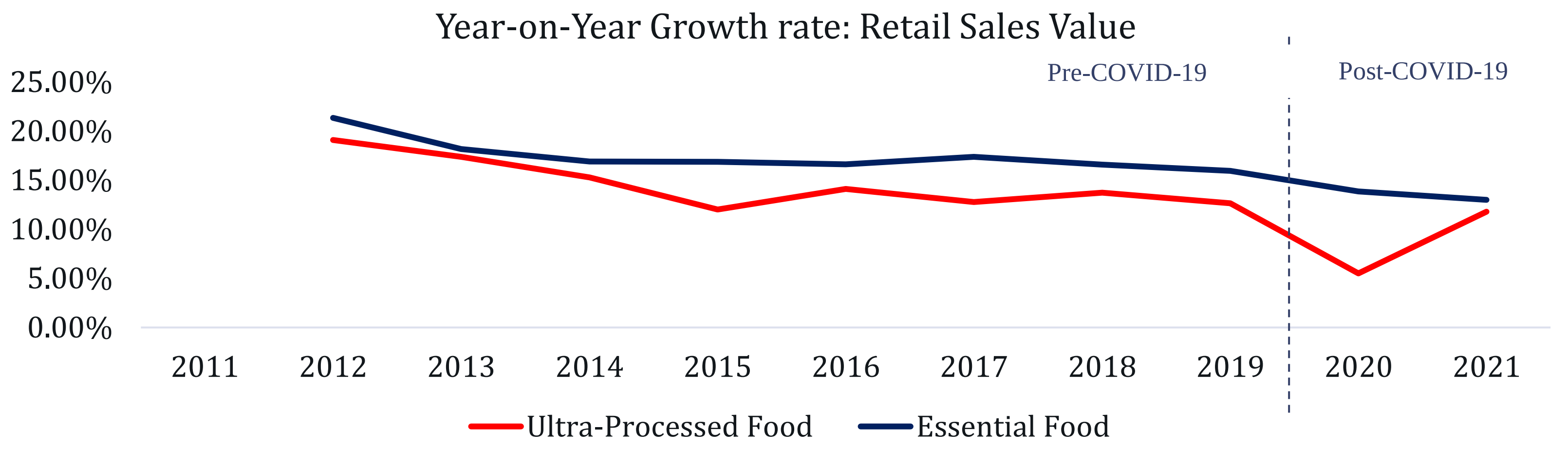
- The ultra-processed food sector grew at a CAGR of 13.37% in retail sales value between 2011 and 2021
- Share of ultra-processed foods in the retail sales of total processed food (essential/staple plus ultra-processed):
  - I. in terms of sales value was 43% in 2011, 36% in 2021 and it is projected to be 39% by 2032
  - II. in terms of sales volume, declined from 47.7% in 2011 to 46.1% in 2021

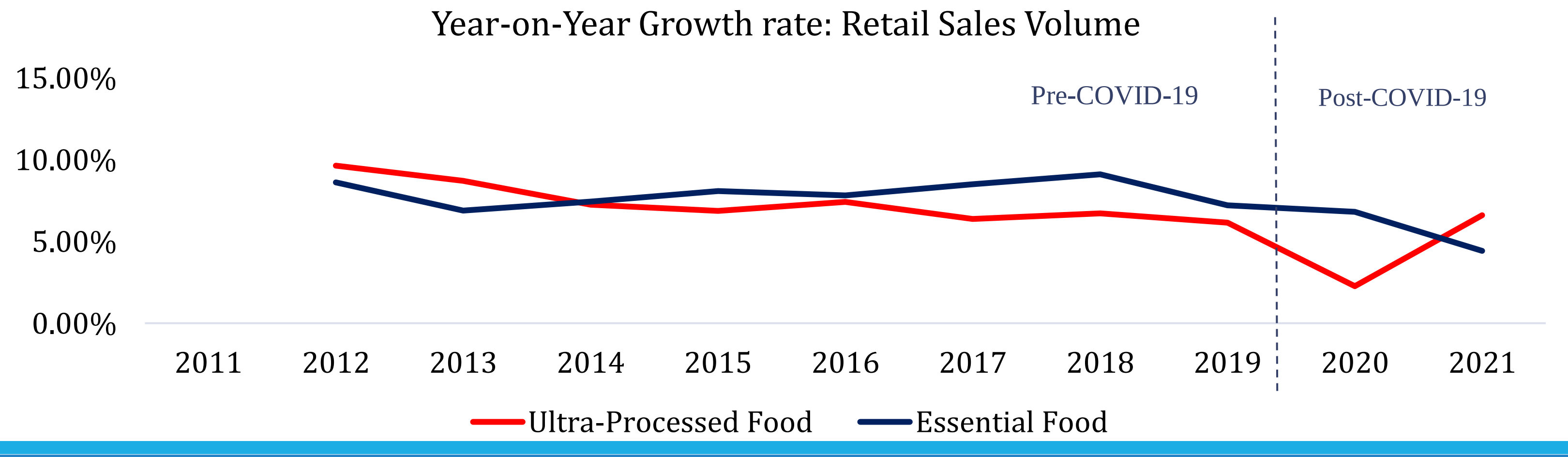
Retail Sales Value



Key Findings: Trends in Ultra-processed Foods (2)

After the pandemic there seems to be a sharp 'V-shaped' recovery in ultra-processed food (11.29% growth between 2020-2021)





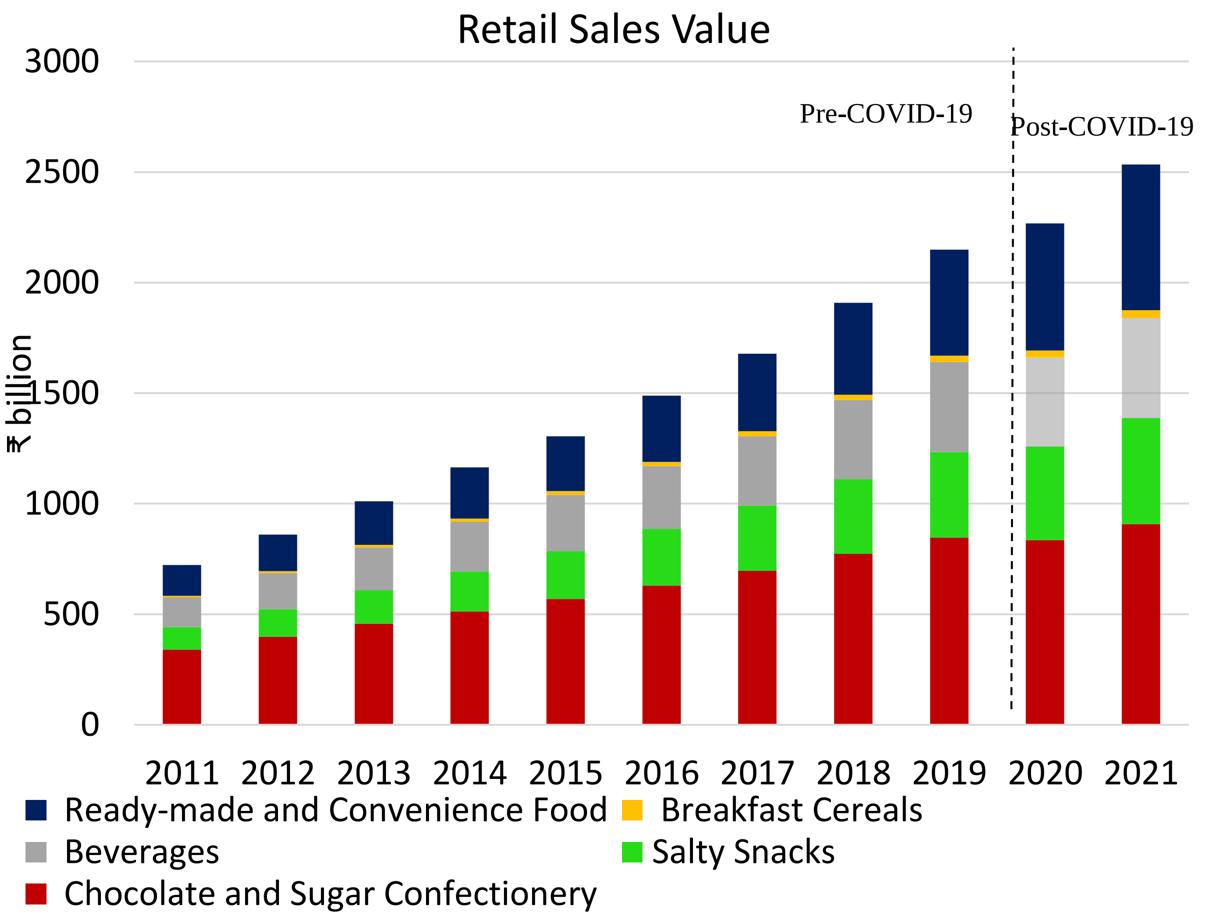
Trends in Ultra-Processed Foods: Category wise (1)

- Size and growth varies by the five categories in ultra-processed foods:

  I. In terms of retail sales value, chocolate and sugar confectionery accounted for the maximum market share, during 2011-2021, followed by ready-made and convenience food. Beverages was the 3rd largest category till 2019, but in 2021, salty snacks overtook it

  II. In terms of retail sales volume, the share of beverages was the highest during 2011-2021, followed by chocolate and sugar confectionery, and ready-made and convenience food respectively

  III. Per capita retail sales of ready-made and convenience food increased at a fast pace during the pandemic since they take less preparation time while other categories like beverages saw a dip



Trends in Ultra-processed Foods: Category wise (2)

Salty snacks had a CAGR of 16.78% in retail sales between 2011 to 2021

Its share in the total ultra-processed retail sales value has increased from 14% in 2011, to 18% in 2020, to 19% in 2021

Year-on-year growth rate of ultra-processed food: pre- and post-COVID-19

In per cent

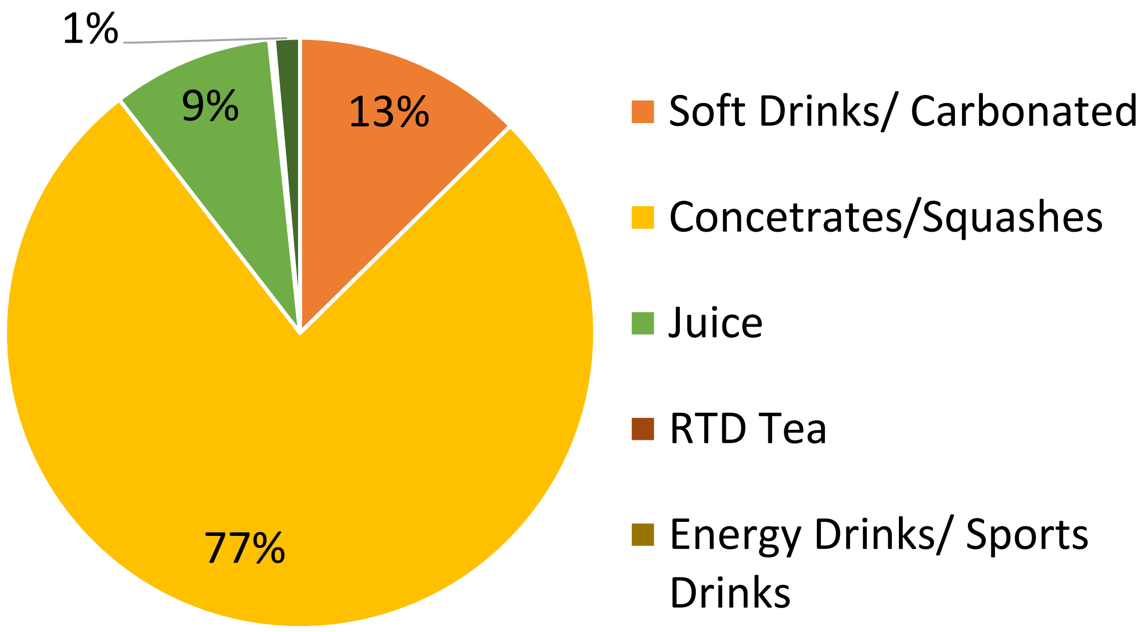
Ultra-processed food category	Retail sales value			Retail sales volume		
	2019	2020	2021	2019	2020	2021
Chocolate & sugar confectionery	9.61	(-) 1.36	8.64	3.24	(-) 3.88	4.01
Salty snacks	14.44	9.20	13.40	9.67	5.26	8.75
Beverages	13.89	(-) 1.15	12.66	6.08	2.04	6.53
Breakfast cereals	12.47	12.91	10.17	11.38	12.88	14.47
Ready-made & convenience food	15.78	19.83	14.68	11.43	16.97	10.91

Trends in Ultra-processed Foods: Subcategory wise (1)

- Subcategory wise Analysis:
  I. In chocolate and sugar confectionery: sweet biscuits accounted for over 43% of the market share in retail sales value in 2021
  II. In beverages: share of soft drinks/carbonates declined from 59% in 2011 to 37% in terms of retail sales value in 2021
  III. In beverages: concentrates/squashes accounted for 77% of the market, followed by soft drinks/carbonates at 13%, and juices at 9%, in retail volumes in 2021
- While the market for breakfast cereals is much small compared to many developed countries, a number of varieties in India have high sugar content

Trends in Ultra-processed Foods: Subcategory wise (2)

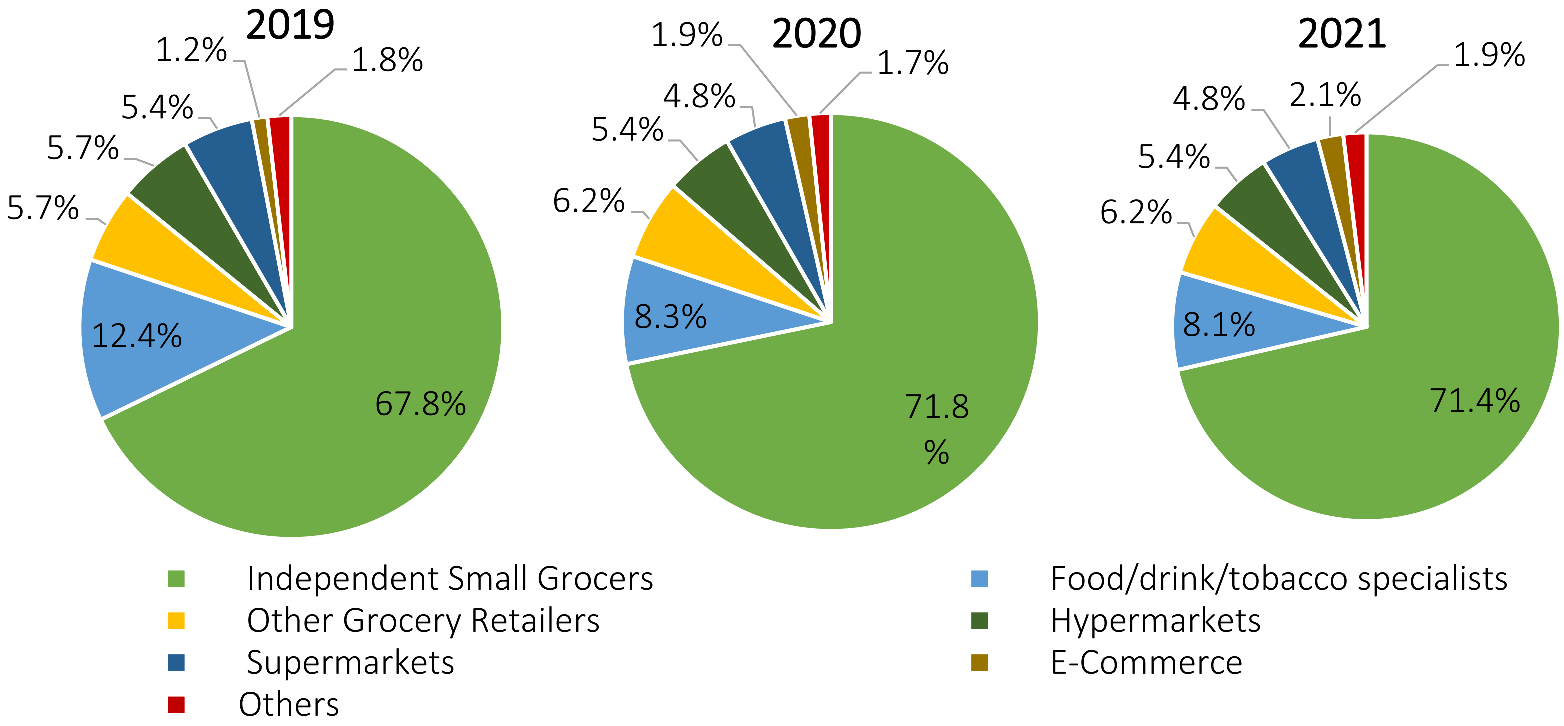
Retail sales volume of beverages in 2021



1. In terms of retail sales value, the share of soft drinks/carbonated drinks declined from 59% in 2011 to 45% in 2019 and 37% in 2021
2. Within the beverages category, CSDs have the lowest growth rate both in terms of value and volume between 2011 and 2021
3. In 2021, the share of juices in retail sales value was 49%
4. While consumers are shifting from CSDs to juices and milk-based drinks assuming these are healthy, but these may also have high free sugar content

Retail Sales Channels of Ultra-processed Food (1)

Retail sales channels for chocolate and sugar confectionery

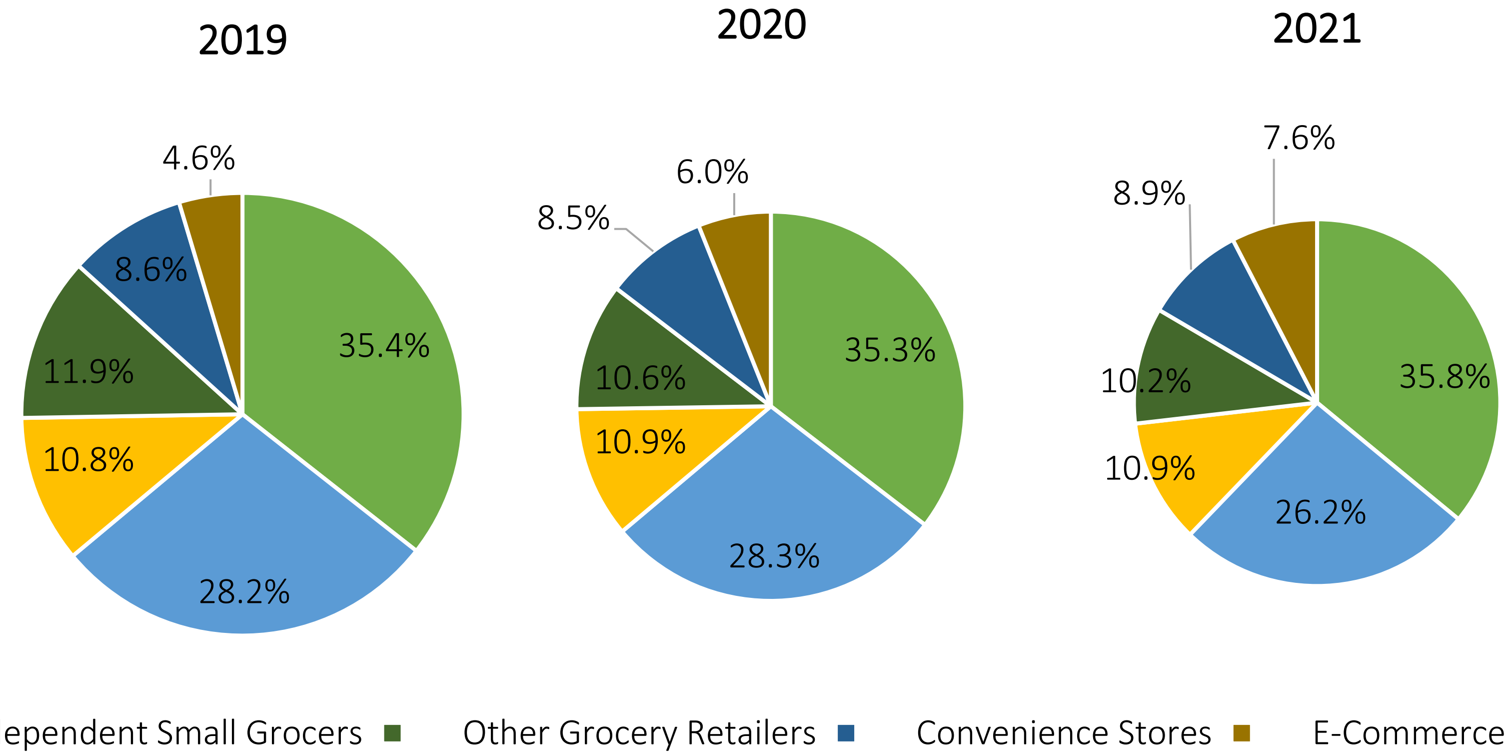


1. Over the years, there has been a shift in the retail sales channels with entry of organized retail brand ecommerce
2. Independent grocers still account for majority of the sales, but there are differences across product sub categories
3. Around 80% of the production and over 70% of sales are through independent small grocers (kirana stores) or the unorganised sector
4. Any policy intervention, especially marketing restrictions including point of sale marketing, should take into account the production and sale channels

Retail Sales Channels of Ultra-processed Food (2)

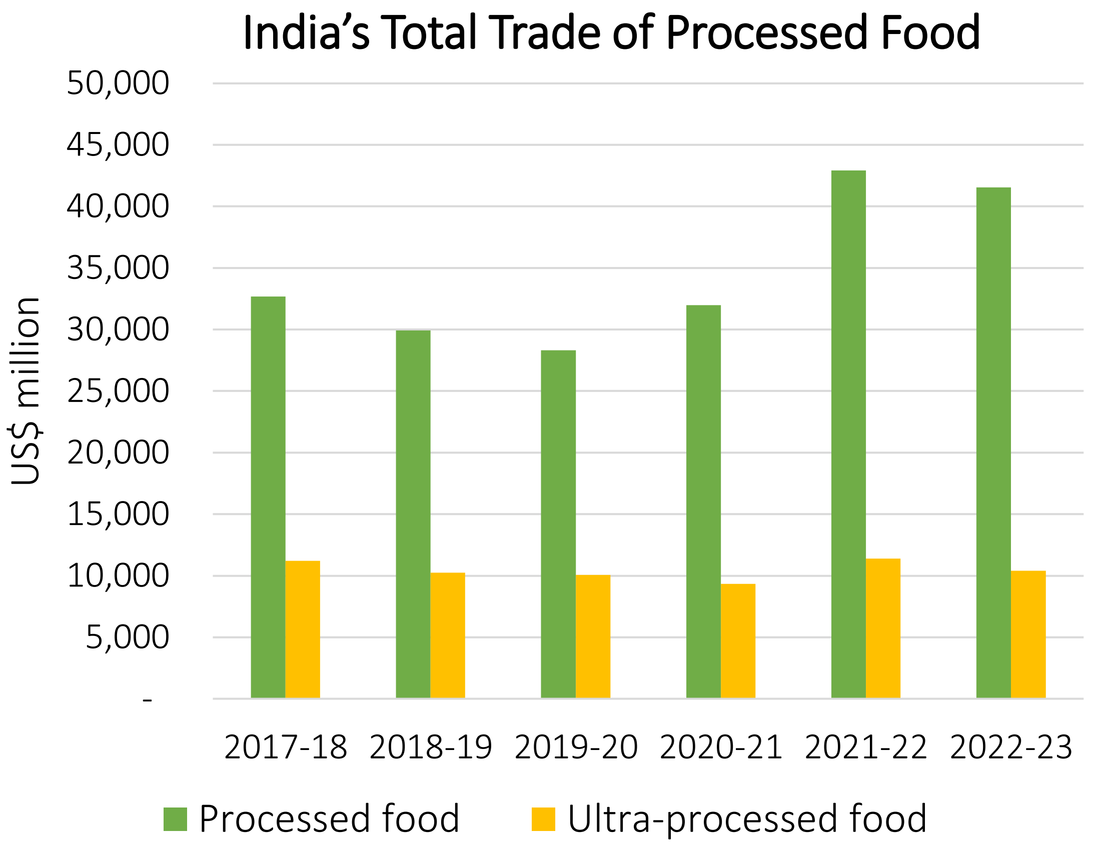
Share of retail sales channel for ready-made and convenience food

1. Only in case of ready-made and convenience food, hypermarkets had the largest share (35.8%) in 2021
2. Ecommerce is small but growing but there is difference across subcategories



India's Trade in Ultra-processed Foods

- Over the last 5 years, India's trade of processed food has increased from US$32,687 million in 2017-2018 to US$41,530 million in 2022-2023 (April to January)
- But, as the export markets are becoming more health conscious, India's trade of ultra-processed food is declining
- From 34% in 2017-2018, the share of ultra-processed food in the total trade of processed food declined to 25% in 2022-2023 (April to January)
- In terms of trade balance, India has a positive trade balance (exports are higher than imports) for the overall processed food category and in the ultra-processed food subcategory from 2017-2018 to 2022-2023 (April to January)
- The trade balance for ultra-processed food declined from US$ 10,179 million in 2017-2018 to US$ 8,936 in 2022-2023 (April to January)



Three Scenario Forecast (2023-2032) – Ultra-processed v/s Essential/Staple food CAGR (1)

(a) Ultra-processed food

Optimistic *(GDP 7%)*	Realistic *(GDP 6%)*	Pessimistic *(GDP 5%)*
9.68%	8.25%	6.84%

(b) Essential/staple food

Optimistic *(GDP 7%)*	Realistic *(GDP 6%)*	Pessimistic *(GDP 5%)*
8.40%	7.19%	5.99%

- Under all three GDP growth scenarios, both ultra-processed and essential/staple food have a higher growth rate than the growth rate of the GDP
- **Ultra-processed food is predicted to grow at a faster rate than the essential/staple food**
- Hence, in a growing economy there is a greater need to shift consumption to healthier food

Three Scenario Forecast (2023-2032) – Ultra-processed v/s Essential/Staple food CAGR (2)

By sub-categories:

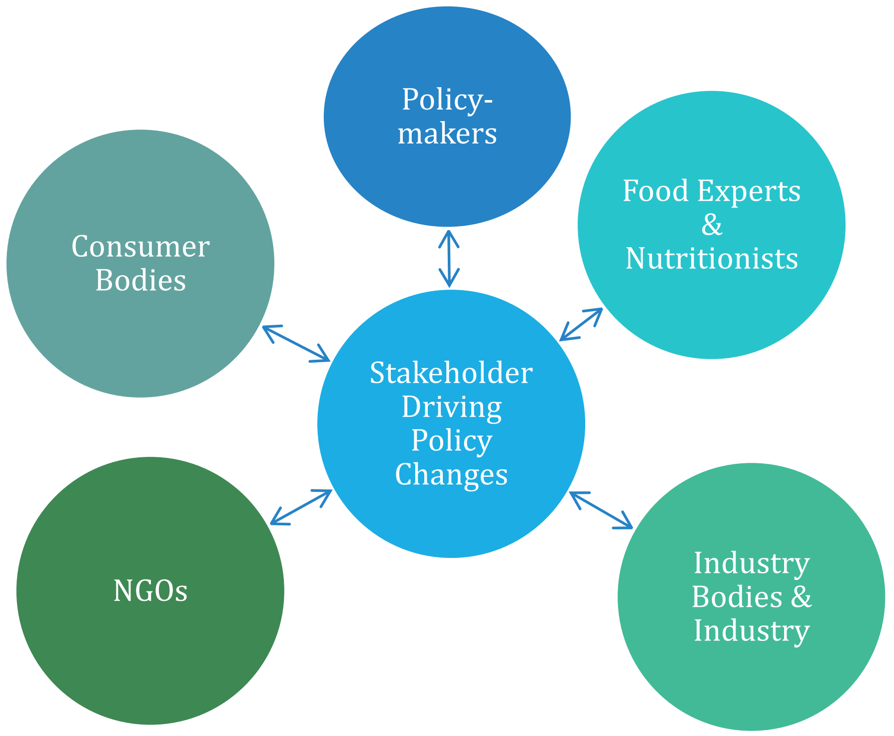
- Salty snacks is estimated to have the highest projected growth rate, followed by breakfast cereals and beverages
- By 2032, despite a decline in market share, chocolate and sugar confectionery will continue to dominate ultra-processed food followed by salty snacks and ready-made and convenience food

- Overall, the forecasted values show that there is a constant upward trend in the consumption of ultra-processed foods
- Even if consumption of these is low compared to home cooked foods, the upward trend needs to be curtailed with policy interventions to prevent an obesity epidemic in India, which is evident in western countries

Processed food category	CAGR for 2023 to 2032 (in %)		
	Optimistic	Realistic	Pessimistic
Salty snacks	13.79	11.82	9.85
Breakfast cereals	13.02	11.16	9.30
Beverages	9.80	8.40	7.00
Ready-made & convenience food	8.61	7.38	6.26
Chocolate & sugar confectionery	7.14	6.12	5.10

Key Stakeholders and Policy Initiatives to Promote Healthy Diet

- Globally, countries have adopted many policy interventions to promote healthy diet or to reduce the consumption of unhealthy food
- The key players on which such interventions are applied, include food processors/manufacturers and consumers



The key players on which such interventions are applied includes: food processors/manufacturers and consumers

Examples of Global Best Practices

- Comprehensive nutrition policy or roadmap and nutrition-focused regulations to address dual burden of under and overnutrition, which clearly specify the objectives, goals and targets
- Higher taxes on unhealthy food
- Lower taxes/subsidies/incentives for healthy food
- Front of pack nutrition labelling for guiding consumers towards right purchases
- Consumer awareness programmes
- Nutrition-linked public procurement policy
- Regulations on advertising/marketing to incentivise consumption of healthy diets or disincentivise consumption of ultra-processed foods
- Ban on certain products like partially hydrogenated fats (PHVOs) rich in trans fats

India: Status of Policies/Initiatives

- Government of India has introduced several policies and initiatives to promote a healthy diet, in alignment with global best practices to support nutrition security, healthy diet and ensure a healthy population
- Many regulations are evolving - for example, front-of-the pack labelling (FoPL)
- Some initiatives are voluntary and not mandatory

Some Examples of India's Policies/ Initiatives

- Eat Right India Campaign
- Limit on Trans-fat in food
- Integrated Child Development Services (ICDS) Scheme
- Food Safety and Standards (Advertising and Claims) Regulations 2018
- Food Safety and Standards (Safe Food and Healthy Diets for School Children) Regulations 2020
- National Multisectoral Action Plan for Prevention and Control of Common Noncommunicable Diseases, 2017-20

World Health Organization India

ICRIER

Some Policy Gaps

I. Absence of a clear definition and coverage of HFSS food or ultra-processed foods

II. Absence of an overarching nutrition roadmap targeting reduction of consumption of unhealthy foods

III. Inadequate nutrition-based taxes and incentives - There are hardly any fiscal policy/initiatives/incentive to support product reformulation, innovation, and exports of healthy products

IV. Government procurement policies mainly focus on undernourishment rather than the entire spectrum of malnutrition including overweight/obesity

V. Lack of comprehensive advertisement and marketing regulations – for example, how to address marketing of unhealthy food through over-the-top (OTT) and social media platforms

Nine Recommendations to help India attain Nutrition Security and meet UNSDGs by 2030 (1)

I. Develop a transparent definition of different categories of HFSS foods

II. Remodel existing policies and programme to address both undernutrition and overnutrition

III. Have nutrition-linked taxes/GST to:

   a) Make unhealthy products expensive and healthy products cheaper for consumers

   b) Incentivise manufacturers to reformulate products

IV. Link fiscal incentives to nutrition

V. Implement the FOPL labelling

Have multi-stakeholders partnership for healthy diet/ stop unhealthy diet

- *Jago Grahak* and *Jago India*

Nine Recommendations to help India attain Nutrition Security and meet UNSDGs by 2030 (2)

VI. Regulate marketing and advertisement

VII. Build awareness about healthy eating habits and the harmful impacts of unhealthy diet - promote ICMR-NIN guidelines

VIII. Ensure provision of healthy food under the food safety net programmes

IX. Have data-driven policy-making

Healthy Citizens are our Nation's Asset

Areas of Future Research

- Designing a roadmap for a comprehensive nutrition policy with targets for addressing issues like overweight and obesity
- Subcategory-wise product classification, fiscal and other interventions
- Detailed study of issues at the state and district levels and then designing state and district level policy interventions for a healthy diet
- How to address issues related to sales and manufacturing of ultra-processed food through the informal sector/non-branded products?

Thank you

Contact:

arpita@icrier.res.in

emukherjee@icrier.res.in

dripto@ascension.org.in

guptarac@who.int

Limitations of Euro-monitor dataset

- All data on market sizes, company shares, and channel shares, represents only take-home values and volumes, what is commonly called off-trade
- Information on beverages does not include hot drinks
- Information on rice, juices and coconut water only relates to the sale of packaged products
- Dataset does not cover traditional Indian sweets (mithai), whether sold packaged or loose
- For some subcategories, such as juice (not from concentrate, 100% or coconut and other plant water), data is available 2014 onwards
- Retail sales through e-commerce channel is not available for all years. For example, for beverages, e-commerce sales data is available 2015 onwards
- For all data on market sizes, and channel shares, all values are reported in INR, with historic data being reported based on current prices, and forecast data (2022-2026) on the basis constant 2021 prices and applied across all the years from 2022-2026
- The database provides forecasted retail sales (for both value and volume), from 2022 to 2026, for which the inflation rate for 2021 has been considered and applied across all the years