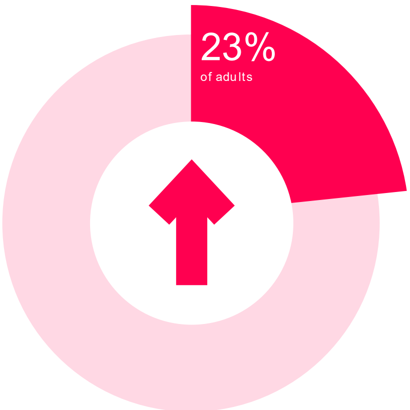
Context

Food and nutrition trends in India

India's food processing industry is now the world's sixth largest and is expected to reach INR 40.1 trillion by 2026.[1] Between 2016 and 2021, it grew at an average annual rate of around eight per cent and has emerged as an important segment of the Indian economy in terms of its contribution to gross domestic product (GDP), employment, and investment.[1] Spending on F&B increased at a rate of 9% per year between 2011 to 2021.[2]

Amidst these important trends, there is a changing nutritional landscape. With a growing population which in 2023 became the largest in the world, India has managed to make progress on to reduce stunting.[a] The percentage of children under five suffering from stunting decreased from 38.4% to 35.5% (NFHS-4 to NFHS-5). However, the triple burden of malnutrition remains a significant public health challenge in India. According to the FAO, in 2022 approximately 16.6% of India's population were undernourished (down from 21.4% in 2004-06).[3] Deficiencies in key micronutrients contribute to a range of non-communicable diseases. For instance, iron deficiency causes anaemia which affects 57% of adult women in India (NFHS-5). Such micronutrient related NCDs have implications for the wider economy: anaemia alone is estimated to cost India $20.5 billion per year through lost worker productivity, equivalent to 0.7% of GDP.[4]

Figure 1: Rates of overweight and obesity are on the rise in India



Rates of overweight, which now affects over 23% of adults, and micronutrient deficiency are on the rise in India, likely linked to changing consumer diets. Sales of packaged food & beverages in India are up by 15% every year.

At the same time, rates of overweight and obesity are increasing in India (see Figure 1). Overweight (BMI ≥25kg/m^2) and obesity (BMI ≥30kg/m^2) now affects over 23% of adults in India[5], and 3.4% of children under five are overweight.[6] Meanwhile an estimated 74 million adults in India are affected by diabetes, the second largest number worldwide. The causes of diabetes are multifactorial, and

[a] The WHO defines stunting as "the impaired growth and development that children experience from poor nutrition, repeated infection, and inadequate psychosocial stimulation" Stunting in a nutshell (who.int)

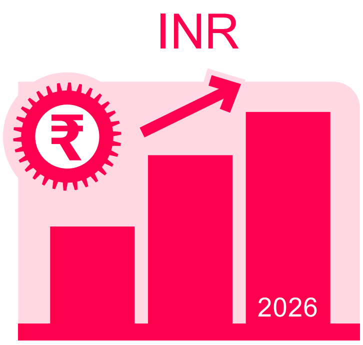
overweight and obesity are recognized as leading risk factors. According to the Indian Council of Medical Research (ICMR), the share of deaths due to NCDs in India increased from 38% in 1990 to 61.8% in 2016, with unhealthy diets as one of the major factors in this increase.[7] The number of deaths due to NCDs further increased to 66% in 2019, according to the WHO[8][9]. The World Obesity Atlas estimates the economic impact of the prevalence of overweight costs the India economy 1.2% of its GDP through healthcare costs, premature death, absenteeism and presenteeism.[10]

Changing diets in India: the rise of processed foods

The causes of these high rates of both micronutrient deficiencies and overweight and obesity are multifactorial. Changes in consumers' diets in India play a significant role in both, especially overweight and obesity. A key feature of these dietary changes is the substantial increase in the consumption of highly processed foods in recent decades, which in turn often displaces more traditional foods which involve less industrial processing, such as staple products (e.g., whole grains, and fruits, vegetables, nuts, and legumes). Multiple studies find an association between high consumption of highly processed foods and both low dietary diversity and inadequate intake of micronutrients.[11][12][13][14]

WHO India's 2023 report on the 'Growth of ultra-processed foods in India' describes how between 2011 and 2021, India's Ultra-Processed Food (UPF) sector grew at a compound annual growth rate of 13.37% in retail sales value, and represents 37% share of the overall processed food market (2023)[15]. While UPF retail sales saw a temporary decline during the COVID-19 pandemic, sales have recovered since with an 11.29% growth between 2020 and 2021.[16]This increased consumption of processed packaged foods is prevalent throughout the Indian population, including economically poor and rural Indian consumers. For example, low-income families on average spend more than 90% of their earnings on food items, of which 10-15% is on highly-processed and packaged food, including chocolates, carbonated drinks, jellies, biscuits, and chips.[17]

Figure 2: Growth of the food processing sector in India



40.1 trillion

The food processing sector in India will grow to INR 40.1 trillion by 2026 – a sizable and growing contribution to GDP, employment, investment and diets.

Box 1: WHO India reports on Ultra processed foods landscape in India

The World Health Organization Country Office for India in 2023 published an analysis of the sales trends of HFSS foods and beverages over the last decade and a landscape analysis of the regulatory environment governing sales of processed foods and beverages: "The Growth of Ultra-Processed Foods in India: An Analysis of Trends, Issues and Policy Recommendations" [a]. The food manufacturing industry typically utilizes HFSS ingredients in their processed packaged food products, which is a major determinant of the nutritional quality of the final product. The production of Ultra-Processed Foods (UPF) further involves modification of whole foods into substances to be used as additives e.g., stabilizers and emulsifiers to prolong shelf life, enhance taste among other factors [a]. In India the rise in the production and availability of UPF foods in correlation with a shift in consumption patterns has led to a nutrition transition resulting in a rise of NCDs in India. It is therefore imperative that stricter regulations for the salt, sugar and fats prevalent in packaged foods are implemented at category level.

FSSAI considered using specific cut off values for these nutrients to underpin a proposed front-of-pack labelling (FOPL) system in 2018. It has since revised these in the form of a draft Indian Nutrition Rating (INR), released in 2022. Pending further deliberation, this has not yet passed. Thus, as of November 2023, no definition of high fat salt, and sugar (HFSS) has been officially established in India[a].

Box 2: The changing Indian food environment

- Sales of packaged food and beverages in India have surged by 15% every year since 2011, outperforming total food sales.[18]
- Small grocers (kirana stores) continue to dominate the food retail market and hold the majority of retail sales of highly processed foods. For instance, 71.4% of retail sales of chocolate and sugar confectionary are through these stores (2021), marking an increase from 41% in 2011. Likewise, 72% of retail sales channel for salty snacks are through Kiranas (2021), compared to only 14% through other grocery retailers, 7% through hypermarkets, 4% through supermarkets, and 3% through convenience stores.[19] At the same time, there are signs of a shift towards organized retail formats, and also e-commerce.[20]
- Snacking can be a useful contribution to nutrient requirements, however with increasingly sedentary lifestyles, and influence of advertising of energy dense foods, is also now associated in India with unhealthy weight gain and overweight and obesity[21]. The dietary guidelines for Indians advise on minimising use of snacks rich in salt, sugar and fat, snacking. However, it has seen significant growth in recent years, with increased consumption frequency in daily life, and the majority of Indians now eating a snack at least twice a day.[22]
- Revenue in the snack food market totalled US$66.92bn in 2023, and is expected to grow annually by 9.01% (CAGR 2023-2028).[23]
- Increasing affluence of India's working middle class, in addition to expanding tourism and international travel has led to increased demand for convenience foods and international food products. Increases in disposable income, plus changing lifestyles and shift towards nuclear dual-income families, means less time available to prepare meals. In turn this contributes to increased consumption of food from out-of-home.[24]
- Between 2018 and 2022, revenue for the Indian online food delivery market has increased five-fold, from $5.01 billion to $25.12 billion.[25]

The role of industry: responsibility and opportunity

As (ultra-)processed foods make up an increasing proportion of Indians' diets,[26] the food and beverage industry plays a key and ever-growing part in determining what Indian consumers eat. This applies not only to the development of products, but also in how they are marketed, labelled, and priced. The growing role companies play in shaping consumers' food environments and diets, comes with business opportunities but also responsibilities to help reduce and prevent excessive consumption of calories and nutrients of concern, which contribute to increasing rates of obesity and diet-related diseases, as well as the displacement of healthier food groups in consumers' diets.

F&B manufacturers can adapt their product portfolios with more affordable and nutritious food to help achieve and maintain healthy diets that are aligned with the dietary guidelines for Indians. Using (inter-) nationally recognized and scientifically sound systems to assess the healthiness of their products and categorize them is key to doing this effectively and credibly.

Formulating nutritious and affordable products is one important step towards ensuring a healthier food environment; but driving sales of these healthier products relative to the less healthy products through responsible pricing, marketing, and labelling is another important factor. This will cater for the needs of all Indian consumers, including those groups at greater risk of experiencing malnutrition, such as those on lower-incomes and children.

Shifting towards healthier portfolios also makes business sense. With increasing interest in utilizing True Cost Accounting for food systems, including as an investment screening tool,[27] and for assisting policymakers[28], companies with unhealthy portfolios face growing risks to their business. Companies who are instead proactive in measuring the full externalities of their products, and accordingly shifting towards a healthier portfolio, should see commercial benefits over time.

- The 20 companies assessed in ATNI's 2023 India Index are responsible for an estimated 36% of the total sales (in FY2021) of packaged food and beverage in India.
- Together the estimated sales of packaged food and beverages[b] by the companies assessed in this Index totalled INR 2610.343,48 million (FY 2021).[29]

Role of investors

Malnutrition presents a significant challenge for India's economic growth, with overweight/obesity, undernutrition and micronutrient deficiency all impacting employee wellbeing, productivity, and absenteeism. According to some estimates, poor nutrition is costing the Indian economy up to 4% of GDP annually. In recognition of this, responsible investors globally and in India are beginning to recognize nutrition as a material issue and are becoming a driving force for companies to take action. Additionally, companies can benefit from demonstrating to investors that they are constructive and proactive on addressing nutrition-related risks (such as regulation for marketing, labelling, and fortification) and opportunities (including increasing consumer demand for healthier products) through implementing robust growth strategies and governance systems for nutrition.

ATNI's Investor Expectations on Nutrition, Diets and Health is a framework used by 84 institutional investors to integrate nutrition concerns into their responsible investment approaches. The Expectations derive key nutrition metrics across material nutrition topics, and are serviced by the data provided by ATNI's Indexes, including the 2023 India Index. Such metrics include the percentage of sales derived from healthy products; executive remuneration linked to nutrition objectives; implementation of responsible marketing to children policies; and transparency around lobbying to name a few. The 84 investors in ATNI's Investors in Nutrition and Health, manage roughly USD 20 trillion in assets, have signed up to these Investor Expectations. For the first time, in 2023 a group of investors in AINH representing USD 3.6 trillion in AUM have signed on to actively use the Expectations to drive company progress on nutrition in India through their stewardship practices.

Additionally, there is an opportunity in India to introduce nutrition into the new regulatory framework for ESG disclosures being implemented by the Securities and Exchange Board of India (SEBI). Indicators relating to the Social component in this framework include several which are employee-related (e.g. disclosures on gender and social diversity, median wages, welfare benefits, health and safety, trainings etc.). While nutrition is not yet featured, workforce nutrition is a sector-agnostic theme that all large

[b] Only including F&B product categories that were in scope for the Index Product Profile Assessment

companies could implement. Requiring reporting on workforce nutrition in India would ensure that the private sector invests in safe and healthy food choices at work which, in turn will feeds into higher returns over the long term by reducing the risk of poor nutrition and diet-related diseases and boosting employee productivity in the workplace.

Government Action

Responsibility for food and nutrition policy at the national level is divided across a range of Indian governmental ministries:

Ministry	Agency	Role
Ministry of Health and Family Welfare (MoHFW)	The Food Safety and Standards Authority of India (FSSAI)	Responsible for food sector regulation.
	The Indian Council of Medical Research (ICMR)- National Institute of Nutrition (NIN)	Plays a key role in designing dietary guidelines
	-	Has the School Health Programme for screening for malnutrition and builds awareness about health and nutrition
The Ministry of Food Processing Industries (MoFPI)	-	Responsible for developing the food processing sector
The Ministry of Finance (along with GST Council)	-	Plays a key role in taxation, customs duties, and cess
The Ministry of Commerce and Industry (MoCI)	-	Main body for trade in processed food, including ultra-processed food, and is responsible for promoting exports
The Ministry of Women and Child Development (MoWCD)	-	Plays key role in addressing diet sustainability and malnourishment/undernourishment, especially in children, adolescent girls, pregnant women and lactating mothers under Saksham Anganwadi and Poshan 2.0 schemes
The Ministry of Consumer Affairs, Food and Public Distribution	-	Plays key role in implementing the public distribution system (PDS) system in the country, and for providing subsidized nutritious foods to the population. It also regulates weight, measures and thereby package size, and certain labelling requirements for packaged commodities.
The Ministry of Education (MoE)	-	Implements the Pradhan Mantri (PM) Poshan Shakti Nirman (POSHAN) Scheme, which aims to address hunger and malnutrition among school children.
Ministry of Agriculture and Farmers Welfare	Indian Council of Agricultural Research	Autonomous organisation responsible for co-ordinating, guiding and managing agricultural research and education in India.

Government action on improving nutrition includes programmes that both directly collaborate with the private sector, as well as others that run in parallel, where the government may or may not choose to engage with the private sector for procurement.

In 2021, the Ministry of Women and Child Development launched POSHAN 2.0, following on from the National Nutrition Mission (NNM), also known as POSHAN Abhiyaan[30]. This includes a focus on addressing malnutrition in children, adolescent girls, pregnant women and lactating mothers, setting targets to: prevent and reduce child stunting and under nutrition (0-6 years) by 2% per year, reduce prevalence of anaemia among young children by 3% per year, and among women and adolescent girls aged 15-49 years by 3% per year, and reduce Low Birth Weight (LBW) by 2% every year.[31]

The government has also taken further steps to ensure food is available to vulnerable populations. From 1st January 2023 (until December 2023), the Indian government rolled out its new integrated food security scheme Pradhan Mantri Garib Kalyan Ann Yojana (PMGKAY), which would extend COVID-19 relief measures introduced in 2020 to provide free food to low-income groups, as well as building on longer-term food subsidy programs such as those set out in the National Food Security Act.[32] Under the PMGKAY scheme, five kg per person, and thirty-five kg per household, of foodgrains are provided per month to 80 crore (800 million) poor and poorest of poor people in the country.[33] [34]

In regards to acting on the growth of the HFSS food market, the FSSAI's Food Safety and Standards (Safe Food and balanced diets for Children in School) Regulations, 2020 restricts food business operators (FBOs) manufacturing HFSS food from advertising and marketing such products on school premises or within 50 meters of school gates.[35] The FSSAI is also currently finalising a definition of HFSS, which will inform its approach to displaying sugar, salt and fat information on front-of-pack, in its India Nutrition Labelling proposed regulation.[36]

In 2018, FSSAI launched 'Eat Right India', a program intended to take a coordinated approach to the public health, nutrition and environmental issues associated with food. This included convening, engaging, and partnering with multi-sectoral stakeholders, including: government bodies, food companies, consumers, academics, and professionals.[37] One such partnership with the private sector was through the Confederation of Indian Industry Food and Agriculture Centre of Excellence (CII-FACE), which sought to make food companies be joint stakeholders in providing safe and nutritious food, leading to 12 companies making voluntary pledges not to advertise HFSS foods to children.[38] Similarly, a 2020 World Bank report identified the Eat Right India food fortification initiative resulting in 82 companies (large and MSME) producing 122 fortified products.[39]

The central Indian government and state governments jointly manage the Public Distribution System, a food security network that procures, stores, transports and distributes supplemental food grains and non-food goods to low-income populations at subsidised rates. These food commodities are wheat, rice, and sugar, and some states/UTs distribute additional goods such as pulses, edible oils, iodized salt, and spices, among others.[40]

In light of such activities by government on increasing access to nutritious food, and the persistent issue of malnutrition, companies can benefit from also taking action in this space. This can involve not only supporting voluntary government programs, but also being proactive by aligning with international recommendations, where regulation is not currently in place.

The relevant trends in India outlined in this chapter summarize how the food and beverage (F&B) industry is playing an ever growing and pivotal role in determining what consumers in India eat, the quality of their diets, and resulting health impacts. While the trends do not seem to be heading in a good direction in terms of access to nutritious food products, there remains ample opportunity for companies, investors and policymakers to accelerate progress and deploy various strategies which will improve the production of healthier food options for the Indian population.

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