NEWS | STATISTICS

Indian food additives market to grow by 46% by 2017

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Growth Prospects

Processed foods, introduction of new products and product lines, particularly in the functional food and beverage market for low-fat, low-calorie products, spells growing opportunities for the food additives market.

Among the various segments, though sweeteners contribute the least, are growing at the rate of 25%, and are expected to become increasingly popular in the coming years. Flavours, which constitute 45% market share, are expected to grow at 13.9%. Synthetic colours are expected to grow at 7.4 %, natural colours at 12%, preservatives at 15% and food emulsifiers at 10.1%.

Market restraints

Natural food additive manufacturers find it difficult to source raw materials due to the lack of centralized supply chain system and presence of multiple sourcing points. The study finds that participants can forge partnerships with cooperatives and invest in contract farming to counter this issue. Such strategic alliances and joint R&D could also lower the prices of nature-derived products and lead to customized pre-mixes with application specific combination of flavours, colours and other additives for clients.

Some of market restraints include lack of cold storage infrastructure, an advanced logistics and transportation system for perishable goods, which leads to substantial wastage of agro-produce, adversely affecting farmers and natural food additive manufacturers. In response, the Indian government has allowed 100% foreign direct investment to attract large industry groups to invest in developing cold chain logistics, the study says.

Continuing product and process innovations in the food and beverage sector will motivate the additives market to expand its product portfolio, along with the entry of global participants will serve as market drivers and can lead to an increase in market consolidation. As smaller retailers from the unorganized sector are acquired, the margins of larger manufacturers will improve, the study observes.

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