



interstate trade restrictions, excise taxes, poor post harvest management, and diffuse distribution networks hinder development.

Food Processing

Food processing is a high priority sector for the Indian Government. There are no licensing requirements for up to 51% foreign equity participation. A number of food processing items such as, meat, tomato paste products, fast food, health food, breakfast cereals, tropical fruit juices, pulps and concentrates, preserved mushrooms, and alcohol have been identified as thrust areas for exports. The sector offers excellent opportunities for joint ventures in the above products.

The approved foreign investment in India's food processing industry was USD 722 million (at current exchange rate) from 1991- March 1995, which constitutes about 11% of the total approved foreign investment in India. Many Indian firms are eagerly seeking joint venture partners in this area along with the technology and equipment associated with the manufacture, marketing, handling and packaging of food products. In the past few years there have been a number of foreign companies that have established food processing companies in India in production areas such as tomato paste, ready-to-eat breakfast cereals, ice cream, soft drinks, snack foods, chewing gum, spices, and other products. Some of these are wholly owned, but approval is easier for joint ventures, with at least minority shares by local partners. Some major fast food companies are entering India because the domestic market for fast food is expanding rapidly and is likely to continue expanding as India's economy grows more than twice as fast as its population. Most of the foreign companies are relying on local sources of supply for the bulk of their raw materials, but India's trade policy permits the possibility of importing products for value-added processing. A number of companies are importing some food production inputs for this purpose.

As India's food processing industry becomes more sophisticated, demand for quality intermediate food products and ingredients is expected to grow. Many of India's major food processing companies have expressed interest in importing intermediate food products such as cheese powders, flavourings, mixes, and concentrates.

One problem in this area is that customs officials are often unfamiliar with these products. Clearing customs can be difficult and many of these products may be classified as consumer products. Importers should contact customs officials for a pre-shipment ruling on their product which will determine the applicable duty and