

Food Processing + COVID 19

CONSULTATION AND STATUS REPORT

SELCO FOUNDATION

INDIA - MAY, 2020

Based on consultations held experts in the food processing value chain on the 3rd May, 2020

This document is the result of a Consultation Sessions held between the SELCO Foundation staff and prominent experts and practitioners in the food processing value chain. The discussion took place covering the challenges across three key aspects- the effects of COVID-19 on the practice and market, main challenges in the said value chain and the ecosystem of solutions which can be devised to overcome them using technology, finance and linkages.

The consultation was held with the following people:

Rasik Chauhan

Proprietor of
Devika Industries

Santhosh

CEO of EDII, Trichy Agribusiness
incubation Forum

Kalappa

Potato Chips Making
Entrepreneur, Karnataka

Ms.Nonibala Narengbarn

Secretary / Director of IRDSO
& Member for district level
advisory committee on safe
food and health diets

Vikas Patil

Proprietor of Blue
Star Auto-machines

Manoj Kumar Panda

Research Engineer, Department
of Agricultural Processing & Food
Engineering College

Yamanor

Puffed Rice Making
Entrepreneur, Karnataka

Viorica Kharmawlong

Incharge in Food Processing
and Marketing in Rural
Resource Training Center
(RRTC), Umran, Manipur



During the Lockdown

Kalappa

Potato Chips Making
Entrepreneur, Karnataka

The major effect from lockdown was the stopping of transit. As my business mainly relied on transport of raw material and finished produce. In the case of my sales, I was not able to sell anything to any other district which brought my 15KGs per day production to 4 to 5 KGs per week. I sent a Whatsapp message to my contacts, to aid this effort and this helped me sell some produce chips, however there was still a lot of un-sold stock. I was however able to sell all my other products like sweets and other snacks which I have developed marketing channels for locally.

Further more, there was a regular demand for all of my products but I did not have inputs to fulfil this. The extensive loss of about INR 20,000 to my business has now made my liquidity condition poor.

Yamanor

Puffed Rice Making
Entrepreneur, Karnataka

My business' sales are mainly depended on the local market, I also get my raw material from the local market so the loss due to the Lockdown was not too high for me. I am based out of Koppal, which was a green zone was not under lockdown for very long. It was eased off after about a month. People and markets were resumed early, which did not create a problem for the me.

However, even though the supply chain was normal, there was a lack of demand. This made us sell our old stock, at discounts of 50% which made us lose about INR 10,000

Ms.Nonibala Narengbarn

Secretary / Director of IRDSO & Member for district level advisory committee on safe food and health diets, Manipur

This has been a huge blow to the consumer, producer and supplier. We have not supplied anything to the market in 2 months.

This is the peak season for mangoes, we store it now but we have not gotten any raw materials.

We produce spices and dried mangoes. There is a short period where we have to procure the mangoes, slice the shells of the all of the produce which is completely impossible due to the unavailability of raw materials. We still don't know when we will come back to work and whether we will have enough funds to store mangoes for next yr's sale.

We work with so many different stakeholders which gives them support and employment in their own homes. But this has impacted everyone.

Vikas Patil

Proprietor of Blue Star Auto-machines

Most of the machinery that we make is of **food processing**. These **machines are primarily used during the summer season as it is the peak time for both manufacturing and as well as for sales**. The peak business season start from the month of March and last till month of June.

This is the season when *Papads* are made by large number of households and people at their homes, even Vermicelli or chilli powder as this season remains dry and **this being non agriculture season there is not too much of farming work**.

In addition to the members of household the **manpower is also freely available** for such work, for example, drying chillies



Going Forward

Santhosh

CEO of EDII, Trichy Agribusiness incubation Forum

After COVID there will be a huge demand in products such as immune boosters like beetroot malts, muringai leaf powder etc. Herbal products can be made and the demand will rise for this during and post COVID.

4 bodies at the helm of this (Ministry of AYUSH, Food fortification resource centre, FSSAI, CDSCO) **need to start working together**, which will create a huge possibility on finding solutions. **Decentralisation should be encouraged going forward as well, with local channels of production and sales.**

Kalappa

Potato Chips Making Entrepreneur, Karnataka

I am not able to get orders from the local bakeries and the raw materials from the market. Nevertheless, it will take another 1.5 months to get to normalcy of my business.

Rasik Chauhan

Proprietor of Devika Industries

The relief packages announced by the government might not stimulate the demand until and unless small business like MSMEs are successfully able to take the benefits. **If these benefits are not trickling down** to them it will not have any positive impact. What is done is that whatever the payments that were done for GST are being refunded now. There is nothing new in the relief package announced. There is no real provision for credit facilities or loans according to me.

Manoj Kumar Panda

Research Engineer, Department of Agricultural Processing & Food Engineering College

The **most important factor going forward in COVID is sanitation**. How can food be supplied in a manner that **consumers are confident to buy items?** As there are a lot of hands touching produce — primary processing and secondary processing (cutting, slicing) and packaging is required. **High class consumers, paying premiums, get all levels of processing. But poor don't even get primary processing.** When thinking about livelihoods - food is essential for the poor. Policy plays a major role and has to be thought of in a scientific manner. **All stakeholders need to be involved** - manufacturers, farmers, govt etc.

Post covid - we need to rethink the products that we are going to sell - processed products have to be tamper proof with proper packaging. There has to be a system where consumers have confidence and do not have fear of contamination.

Vikas Patil

Proprietor of Blue Star Auto-machines

We can categorise the food into two - one that is consumed and produced within our homes and one which we consume outside. In the case of the outside food there will be restrictions due to lack of mobility, sales might be affected to considerable extent and might witness decline also.

People might also differentiate between the essential and non-essential food items - with those which are categorised as non-essential, avoided to a large extent. This pandemic will have effect on large scale food consumption like in case of social functions like marriages. Due to this demands for the food products will decline

For our new food processing products, we have to categorise them into essential and non-essential - for example in case of milk there would always be a demand for its processing and it would be recession proof. This would even apply to other essentials such as bakeries. We are planning to have processing equipment to cater to the such needs. **There are also packaged food products being sold by the firms who need the equipment that we make. We are seeing opportunities available for us so we might expand the product portfolio to tap into such market where packaging is required.** I think in near future demand for such equipment will gather momentum and we are ready to grab such opportunities.

VALUE CHAIN



INPUTS

KEY CHALLENGES

Santhosh

CEO of EDII, Trichy Agribusiness incubation Forum

Each state depends on the other for raw materials and finished goods and here policy plays a major role. Farmers thus end up growing a single crop and the whole village does so. This has negative effects on our land and climate which should change.

Today, the government is insisting on decentralisation as well which should be a major plan forward. **Bigger companies are playing the logistical role, which needs to change and smaller units need to grow. Decentralised Renewable energy will play a major role with mobility and aiding decentralisation efforts**

Viorica Kharmawlong

Incharge in Food Processing and Marketing in Rural Resource Training Center (RRTC), Umran, Manipur

We cannot teach them with big machines as it is tough to implement. So we are teaching practices that are easy to implement using more manual methods. We do though have a few machineries for our own production and to do demos like Spice pulverizers, food dehydrators when not possible to sun dry outside, sealer machine, grinder machine for turmeric, ginger and spices. During our trainings, we teach about hygiene and sanitation. We also demo various machines. During COVID it would be best to provide trainings through online classes as physical distancing would be tough here. Currently there are no trainings being carried out.

POTENTIAL SOLUTIONS

Viorica Kharmawlong

Incharge in Food Processing and Marketing in Rural Resource Training Center (RRTC), Umran, Manipur

We are paying attention to what we have locally and what we can do about it. We are getting more **bananas from our farms** and are unable to sell so we are **making wine out of it.** This will have a larger local market than banana chips and packaging will. **There will be good income once we sell it in a few months. If we make chips, we don't know how long it will sell and therefore last. Our first priority is to not waste produce.**

In our training centre we give training to farmers and school dropouts on how to **improve their practices, add value to their produce, how to preserve and improve the produce.**

This training centre has 5 departments- livestock, agri, bee keeping, fisheries and processing. These 5 depts are integrated and make use of land and not depend on only one. Thus make use of all resources that are available to improve their livelihood.

Vikas Patil

Proprietor of Blue Star Auto-machines

We are using the **video calls more frequently to get in touch with potential / existing customers.** Where customers are asking us to **show the videos of the machines remotely this will help us to gain trust and create faith** amongst them. They want to experience **how the products are being made** where they are being made this is gaining a lot of traction. **We can use such facilities in a better way going forward.**

VALUE CHAIN



PROCESSING

KEY CHALLENGES

Manoj Kumar Panda

Research Engineer, Department of Agricultural Processing & Food Engineering College

We need to **take into personal hygiene in any unit**, regardless of what is produced. Pest control will also play a major role. Prices are going to rise and **consumers are going to go for good quality - germ free, items that are processed properly.**

European countries have evolved and have zero tolerance to physical, bio, chemical hazards. Thus, packing also has to be proper and there will be a demand in food packaging machines post COVID.

Bodies like FSSAI, ISO have different standards - on how godowns, processing units are maintained - and these can be looked at.

Santhosh

CEO of EDII, Trichy Agribusiness incubation Forum

Minimal processing will work - like puffed rice, potato chips etc. Consumer behaviour and need will play a huge role in how this business works. Changes are constant and **COVID will also have a change in consumer mind set** with what counts as essential. food **processing sector will have to adapt on that basis.**

POTENTIAL SOLUTIONS

Rasik Chauhan

Proprietor of Devika Industries

Our **focus is on small scale like cottage or home based enterprises which need machinery where single product can be made** so there is focus on it. Presently we are making machines like wafer chips machine , snack machine, spice grinding machine , slicer machine etc. it is possible for the potential entrepreneur to make investments and we intend to focus on such segment.

Vikas Patil

Proprietor of Blue Star Auto-machines

Food safety concerns are always there. **Immediate concerns can be solved where handling can be minimised which will ensure safety. This can be achieved with automations like conveyer belt. However if such features are incorporated it will push up the cost of the machines. We need to thus optimise on the speed of the machines to slow down the output to see that we can minimise the human holding.**

For end user automation will be a sort of benefit. However we as manufactures must be ready to incorporate the safety features to comply with the COVID related restrictions. **Transactional costs would increase with hygiene standards being incorporated but this would also give a district advantage to the business.** If current business are able to invest into maintaining the hygiene factors then they can retain the customers . Further, packaging can play a critical role. **One can use disposables, or one time use materials while selling their products which will help in gaining the customer faith and regain his trust.**

Ms.Nonibala Narengbarn

Secretary / Director of IRDSO & Member for district level advisory committee on safe food and health diets

We started our food processing unit in 2006 looking at **our local fruits**. Nobody paid much attention to it and it is available abundantly. The fruits being consumed were mostly coming from Myanmar - we thus thought of starting our own unit. **Our enterprise is not based on profit but giving opportunities to these women. 16 items which includes pickles, preserves (king chilli, local fruits and herbs) and spicy and candy items are made with links to people in the hills for raw materials.** Fruits such as gooseberry, mangoes and tamarind are used.

We also conduct trainings with SIDBI etc. A one month course - 30 people per batch were trained on fruit preserve making, meat pickles etc. **Idea was to store the produce. We would supply raw materials to them to train them on safety and hygiene. After trainings, people started their own units.** We also sell to shelter homes who cut slice, and then sell back to us.

VALUE CHAIN



PACKAGING & MARKETING

KEY CHALLENGES

Santhosh

CEO of EDII, Trichy Agribusiness incubation Forum

A feasibility study will have to be done before setting up an enterprise as we are a price oriented country. Shelf life post 1 yr is worrisome as people will use more chemicals which is harmful. People should also have their own logistics within their own areas in a decentralised manner.

Manoj Kumar Panda

Research Engineer, Department of Agricultural Processing & Food Engineering College

We need to check on **packaging and marketing, and look at the complete chain in this respect. A burning problem in Odisha is where we are producing lots of veggies and are selling them at throwaway prices in villages and premium prices in cities. We need to thus form FPOs, have good processing technologies, have outlets.** For example the horticulture dept has 8 units in Bhubaneswar for mangoes and people are waiting in queue and have confidence that farmers are selling. Establishing this chain is thus critical to reach the right customer..

20-30 yrs back we started modernisation of hullers and pressers but the problem was that there were isolated pockets with sellers. The complete value chain was not looked at and it just has to be there.

One can first start with primary processing in catchment areas like cleaning, sorting, grading etc. Further on one can carry out secondary processing like tomato puree making, mango pulp making, etc.

POTENTIAL SOLUTIONS

Rasik Chauhan

Proprietor of Devika Industries

It is possible that entrepreneur who is into processing such products like spices , snacks etc can **go for packaging and tap into the local markets** by selling the finished products. The food industry is ever green industry this industry is sort of recession proof as the food items are consumed on daily basis or used in other processes. Presently due to the lock down the market in general is down but in the future demand for such equipment would increase.

The entrepreneurs should try to explore more at **delivering the products/meals through parcel services rather than sales at counters.** This can emerge as key differentiating factor to do business in the current situations.

Vikas Patil

Proprietor of Blue Star Auto-machines

What we have learned during the lockdown is that there are many products that come through other states but what has happened is that with restrictions placed on the movement so these things had to be managed internally and you have to rely on those which are available within the local areas itself. This helped in bringing about change in the people attitude that there are locally available we can place order through the WhatsApp groups for all from vegetables to even machinery.

We also have to see that in the market **big brands have extensive presence but due to current restrictions they have not been able to services** that markets, this **opened up market for the local brands to sell their products** by using the locally available packaging these has changed the perceptions of the **customers who earlier showed preference towards the established brand names but that has changed** even if we take locally made wafer chips even they don't have high quality packaging but are source locally to make are being preferred by customers sales are taking place.

In the future I think that **packaging will be a big thing that will enable even the local manufacturers who are of small in scale can find markets locally for the production for their produce and he can utilize his capacities to the fullest extent.** In near future he can tap newer markets and establish linkages in the cities also. Earlier these local based small sized manufacturers were being discriminated and ignored due for variety of reasons but that is changing now customers are positively inclined to buy the products. **If the local manufacturers can maintain the quality the customers would be more inclined towards buying these products. This will automatically lead to market creation and sales promotion.**

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Thank You!
**For more information
please get in touch:**

covid19@selcofoundation.org
www.covid-19.selcofoundation.org

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