



सत्यमेव जयते

GOVERNMENT OF GUJARAT

Establishment of Peanut Butter Manufacturing Unit

Agro and Food Processing

Government of Gujarat



 **ibrant** TM
10-13 Jan
GUJARAT 2017
Connecting India to the World | 8th Global Summit

Contents

Project Concept	3
Market Potential	4
Growth Drivers	8
Gujarat – Competitive Advantage	9
Project Information	11
- Location/ Size	
- Infrastructure Availability/ Connectivity	
- Raw Material/ Manpower	
- Key Players/ Machinery Suppliers	
- Potential collaboration opportunities	
- Key Considerations	
Project Financials	15
Approvals & Incentives	16
Key Department Contacts	18

Peanut and peanut butter – Overview

- ▶ Peanut, also known as groundnut, is classified as both a grain legume and an oil crop (because of its high oil content)
- ▶ The two major varieties of peanuts produced in India are Bold (Virginia) and Java (Spanish) types. The Bold variety peanuts are typically red skinned with elongated shape. The Java variety peanuts are pink skinned with round spheroid shape
- ▶ **Applications:** peanuts are used for
 - ▶ Production of nutritional supplements
 - ▶ Peanut butter
 - ▶ Confectionery products – peanut candy bars, peanut butter cookies, cakes, chocolates
 - ▶ Snacking products – salted peanuts, dry-roasted peanuts, boiled peanuts



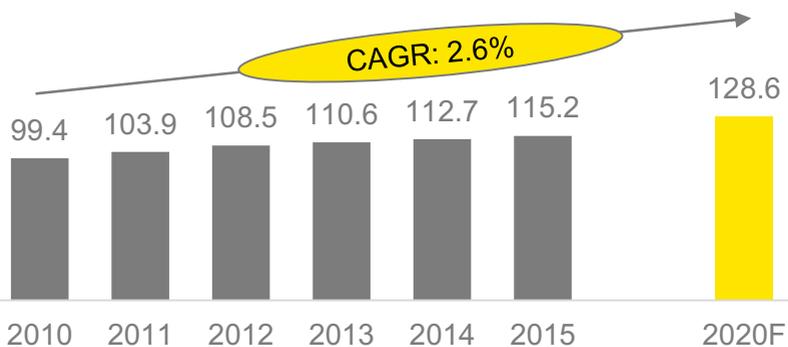
- ▶ Peanut butter is a high protein, low calorie product that possess high nutritional value. It is healthy alternative to dairy butter and used popularly in western countries as a spread.
- ▶ A serving of peanut butter provides many essential vitamins and minerals, including vitamin E, niacin, magnesium, copper, folate, manganese, and phosphorus. It also contains many bioactive compounds such as resveratrol.
- ▶ Peanut butter are also available in powder form and used in various applications such as breakfast food, savoury sauces and smoothies.
- ▶ On the basis of product type peanut butter market is divided into **regular, low sodium, low sugar and natural**. Among all, regular peanut butter is the dominating segment, followed by other segments.

Project Concept

Project Description	<ul style="list-style-type: none">▶ The project envisages setting up of export oriented manufacturing unit for peanut butter in Gujarat
Target segment	<ul style="list-style-type: none">▶ Wholesalers and retailers of peanut butter, catering to both the domestic as well as export markets▶ Contract manufacturing of peanut butter for private labels and firms selling in other countries▶ Institutions/ corporate customers as peanut butter is used in a variety of industrial food recipes

Global butter market to reach US\$21.6 billion, growing at a CAGR of 3.3% during 2010 to 2020

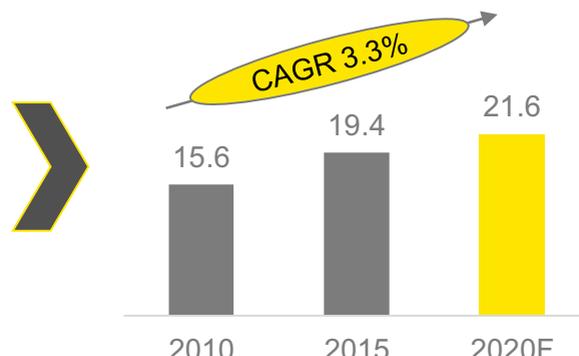
Global Oils and Fats Market: 2010 – 2020
(US\$ billion)



F - Forecasted

Source: Euromonitor

Global Butter Market: 2010 – 2020
(US\$ billion)



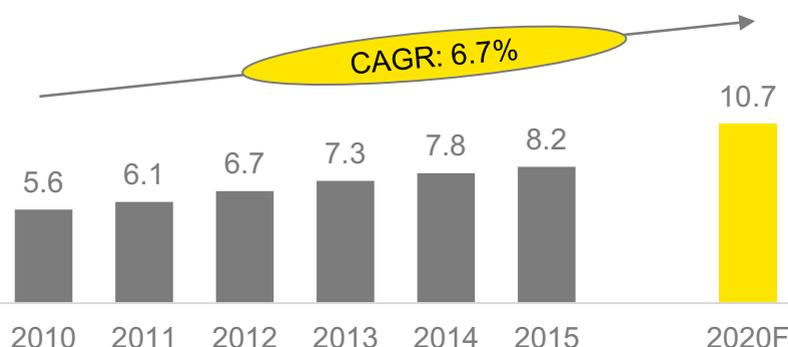
F - Forecasted

Source: Euromonitor

- ▶ The global oils and fats market is forecasted to reach US\$128.6 million, growing at a CAGR of 2.6% from 2010 to 2020. Of this, the global butter market is forecasted to grow with 3.3% CAGR to reach US\$21.6 billion.
- ▶ By 2025, Globally, among all regions, North America is expected to contribute highest market share, followed by Europe.
- ▶ However, in emerging economies such as Asia Pacific, peanut butter market is at a nascent stage and is anticipated to witness highest growth owing to the rising disposable income of consumers in these regions.

Indian Oils and Fats market to grow at 6.7% CAGR during 2010-2020

Indian Oils and Fats Market: 2010 – 2020
(US\$ billion)



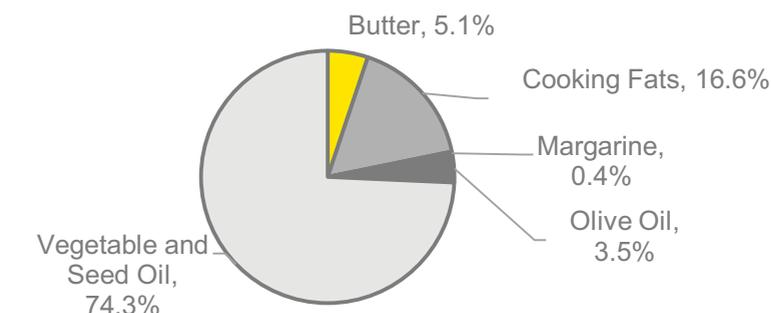
F - Forecasted

Source: Euromonitor

- ▶ The oils and fats market in India is forecasted to reach US\$10.7 billion – growing at a CAGR of 6.7% from 2010 to 2020.
- ▶ Increasing health awareness is leading to the growth of healthier oils and fats. Olive oil continues to record the fastest growth in current value sales at 47% in 2015.
- ▶ In addition, the growth of oils and fats is primarily driven by the growing population and the high per capita consumption of oils and fats in India

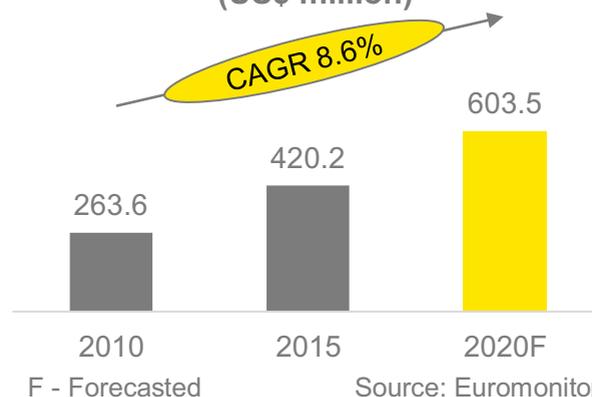
Butter constitute ~5% of the total oils and fats market in India; it is forecasted to reach US\$603.5 million by 2020, growing at a CAGR of 8.6%

Break-up of Indian oils and fats market by category 2015 (in %)



Source: Euromonitor

Indian Butter Market: 2010 – 2020 (US\$ million)



F - Forecasted

Source: Euromonitor

Indian Butter Market: Market share in 2015

Brand	Company	Market share in %
Amul	Gujarat Co-operative Milk Marketing Federation Ltd	79.1
Mother Dairy	National Dairy Development Board	6.5
Britannia	Britannia Industries Ltd	3.8
Vijaya	Andhra Pradesh Dairy Development Cooperative Federation Ltd	3.3
Nandini	Karnataka Cooperative Milk Producers Federation Ltd	3.1
Saras	Rajasthan Co-operative Dairy Federation Ltd	0.4
Others	Others	3.8

Source: Euromonitor

- ▶ Gujarat has been a leader in traditional butter production with its Amul brand constituting 79.1% of market share.
- ▶ Now, the state has also emerged as the largest manufacturer of peanut butter, considering more than 10 export-oriented production units have come up in Gujarat since 2007.

- ▶ With the availability of quality groundnuts, a lot of companies have established plants to make peanut butter in Gujarat.
- ▶ As per the industry estimates, 10,000 to 12,000 tonnes of peanut butter is produced annually in Gujarat and over 90% is exported across the globe.
- ▶ Gujarat-based companies are also engaged in contract manufacturing of peanut butter for firms selling in other countries.
- ▶ Being an export oriented product, Gujarat offers excellent roads, rail and port infrastructure.



Gujarat's strategic geographic location gives it the unique advantage of proximity to food-importing nations such as Europe, the Middle East, Japan, Singapore and Thailand



- ▶ In 2014, AgroTech Foods Ltd, an affiliate of US-based Conagra Foods Inc., set up its first peanut butter facility in India at Jhagadia, South Gujarat.
- ▶ The company invested INR350 million to start local production of its Sundrop peanut butter.



- ▶ Ruparel Foods Pvt. Ltd. started producing peanut butter since 2007 and has grown as the largest manufacturer and exporter of peanut butter from India. In 2014, the company expanded its facility to a larger production capacity of 50 Metric Tonnes per day.

Favorable demographic factors and changing consumer lifestyle

- ▶ Increasing working population, rising disposable income, rising per capita expenditure on prepared food and rapid urbanization, have resulted in increasing willingness to pay a premium for processed food products such as dressings and spreads including peanut butter.

India will emerge as the world's 5th largest consumer market by 2025

India's working age population to rise to 64% by 2021

India's middle class will be 583 m strong by 2025

Rising demand for nutritious food products

- ▶ As consumers become increasingly health conscious, they continue to move towards healthier varieties of convenient food with lower fat content.
- ▶ Whether fresh or processed, peanuts are nutritious and are associated with health benefits as they are high in protein, contain healthy oils that can lower the risk of heart disease, and have a low glycemic index which can help decrease the risk for Type 2 diabetes

Growing penetration of organized retail

- ▶ Organized retail is currently at a nascent stage in India and accounts for ~8% share of the retail market and is expected to grow to ~10% of total retail share by 2019.
- ▶ The presence of retail players such as Big Bazar, Easyday and Reliance Fresh has helped in creating awareness among consumers, contributing toward increasing the demand for gourmet and ready-to-eat food products in the country.
- ▶ Availability of wide array of products (salsa, pizza/pasta sauces, mayonnaise, peanut butter, pizza toppings, sandwich fillings) due to growing prominence of organized retail, coupled with increasing global connectivity, has led to easy availability and change in the tastes and preference of domestic consumers.

Evolution of e-grocery segment in India

- ▶ E-grocery market in India is expected to grow at a CAGR of 26% during 2015-2019, driven by increasing penetration of internet connectivity, growing popularity of mobile shopping and internet banking without any time and location constraints.
- ▶ Apart from online grocery start-ups such as Grofers and Big Basket, existing horizontal marketplaces also see grocery as a viable space. In 2015, Snapdeal tied up with Godrej Nature Basket while Paytm launched a dedicated app for grocery ordering.

Gujarat - Competitive Advantage



Saurashtra (in Gujarat) is the largest groundnut producing region in the nation and is called the 'Groundnut bowl of the country'

1

High raw material availability

Saurashtra is an important groundnut producing region, accounting for ~90% of Gujarat's groundnut produce.

2

Agricultural research

The state is home to major institutions such as Directorate of Groundnut Research (ICAR – DGR), Junagarh Agricultural University, and various other research centers catering specially to agricultural research.

3

Agriculture development

The state has witnessed above average growth rate of Gross State Domestic Product (GSDP) from agriculture and allied activities. During the period 2005-06 to 2011-12, the national average was ~4% while that for Gujarat was 5.5%.

4

Government support

Gujarat government has aggressively pursued innovative agriculture development by liberalizing markets, inviting private capital, reinventing agricultural extension, improving roads and other infrastructure.

ICAR - Directorate of Groundnut Research (ICAR-DGR) formerly known as National Research Centre for Groundnut is a premier national level institute set up by the Indian Council of Agricultural Research and Ministry of Agriculture of India to cater to the needs of agricultural science research in the field of groundnut crop in India. ICAR-DGR was established in 1979 at Junagarh.

Gujarat agricultural schemes

1. National Agriculture Insurance Scheme
2. Farmers Accident Insurance Scheme
3. Schemes for Remunerative Farm Produce Price (MSP)
4. Farmers Training Centre
5. Soil & Water Testing Laboratory
6. Janta Juth Accidental Insurance Scheme

One has to be in Gujarat to compete with Argentina, the US and China, which are major peanut butter manufacturing countries

Other advantages



Ease of doing business

- ▶ Only state which comply 100% with the environmental procedures. Gujarat fares highly when it comes to setting up a business, allotment of land and obtaining a construction permit.

Gujarat leads in ease of doing business in India

Overall ranking	1
Land allotment and obtaining construction permit	2
Complying with environment procedures	1
Complying with Labour regulations	2
Obtaining infrastructure related utilities	2
Enforcing contracts	3

Source: World Bank



Flourishing economy

Gujarat contributes 7.2% of the Nation's GDP and shows leadership in many areas of manufacturing and infrastructure sectors. Gujarat's SDP (State Domestic Product) at current price registered a growth of 11% during the year 2014-15.



Strategic location and better infrastructure

Located on the west coast of India, Gujarat is well connected to the major cities of the world by air and sea routes. The state has 45 ports, 16 domestic airports and 1 international airport in addition to an extensive rail and road network.



Easy availability of industrial materials

Many key industrial clusters such as foundry & forgings, steel pipes and tubes, steel re-rolled products and fabricated metal products are located in close vicinity of industrial hubs such as Dholera Special Investment Region (SIR).



Favourable labour policy

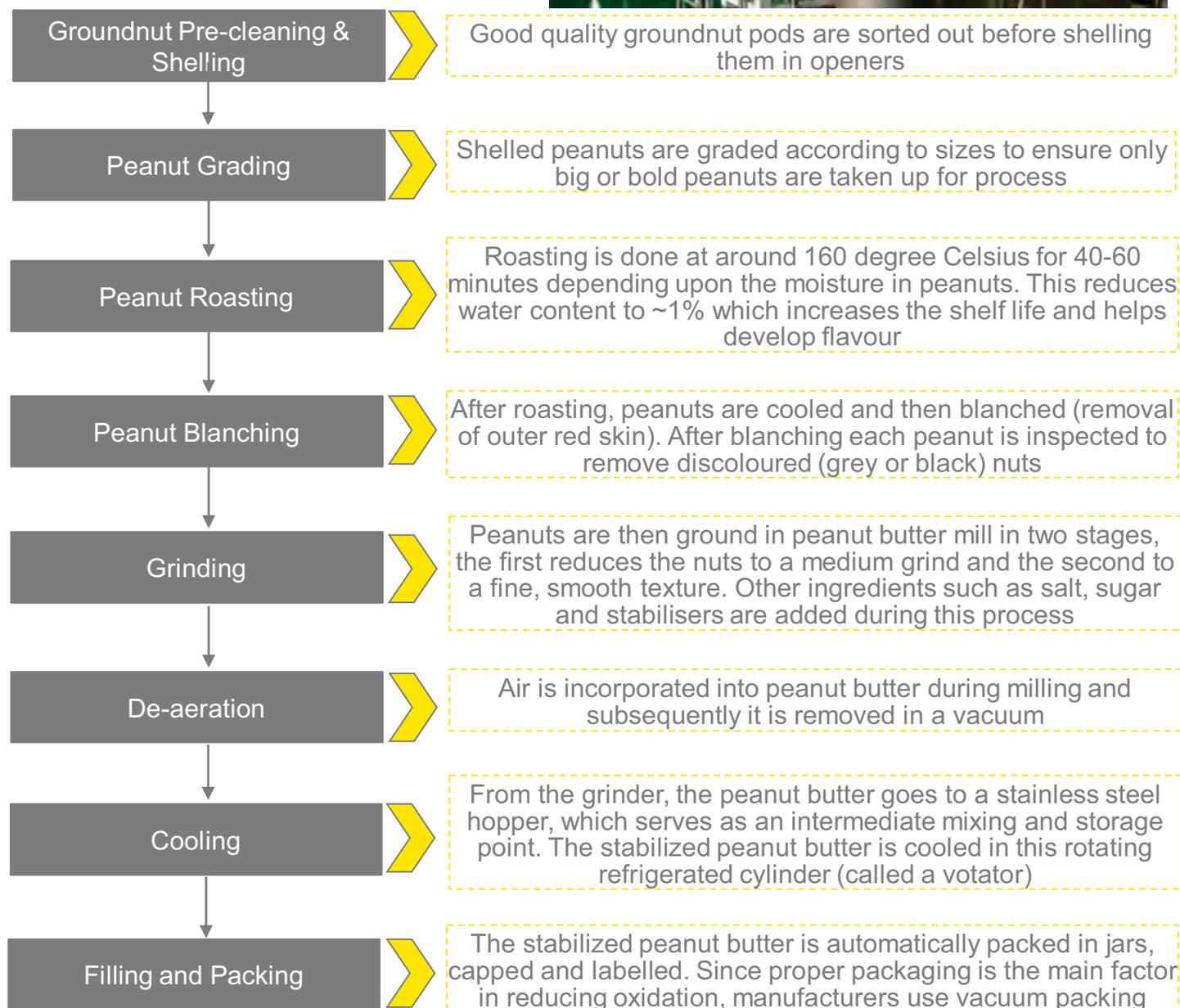
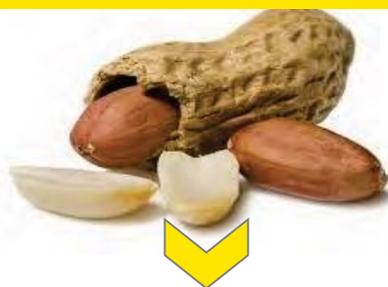
The Gujarat government has recently passed the Labour Laws Bill (December 2015), to give an impetus to industrialization. The key reform includes a provision for out-of-court settlement to speed up the process labour related dispute resolutions.



Better social infrastructure

Gujarat has one of the lowest cost of living amongst the Indian states and is relatively less congested and less polluted, offering better standards of living to the inhabitants and providing a better environment to work.

Manufacturing process of peanut butter



Project location

Location

Saurashtra in Gujarat

Reason for proposed location

- ▶ Key groundnut producing centres in Gujarat are based in Saurashtra region, mainly at Rajkot, Amreli, Bhavnagar, Jamnagar, Surat, Porbandar, Surendranagar and Sabarkantha.
- ▶ Peanuts are exported from Saurashtra to Europe and far-east countries. Companies in these countries procure huge stocks from India and use it for manufacturing butter to sell under their own brand names to the US, UK and Australia and India as well.
- ▶ Additionally, Saurashtra in South-West Gujarat houses majority of peanut butter manufacturing units.



Potential industrial space in Saurashtra: Pipavav Special Investment Region (SIR)

- ▶ Area of the SIR is 145 square kilometer (14,500 hectare)
- ▶ Pipavav port, named as “the gateway to North-West India”, is one of the largest cargo handling terminals in the country.
- ▶ Pipavav-Surendranagar freight corridor connects the site to Surendranagar which is further linked to Ahmedabad.
- ▶ The nearest international airport is at Ahmedabad (335 km); Domestic airports at Bhavnagar (140 km), Junagadh (260 Km), Rajkot (480 km) and Diu (90 km) all connected with Mumbai International Airport.

Infrastructure availability/ connectivity



Rail

- ▶ A 269-km-long rail line links Pipavav with the first major railway line at Surendranagar in the Saurashtra region of Gujarat.
- ▶ The Delhi - Mumbai broad gauge line provides nationwide broad gauge connectivity for the Saurashtra and Kutch regions of the state of Gujarat.

Proposed

- ▶ The Mumbai-Ahmedabad bullet train project will have Surat as one of the stations.



Road

- ▶ The cities in Saurashtra region are very well connected with each other and also with other cities in the state of Gujarat.

Proposed

- ▶ Widening of 260km long Bhavnagar-Somnath four lane coastal highway NH8E in Gujarat (timeline: 2.5 years; cost INR 5,000 crore).
- ▶ Six new national highways for Gujarat as well as the refurbishing of a 277 km highway between Bhavnagar and Veraval in the Saurashtra region.
- ▶ Expressway planned for connecting Ahmedabad with Pipavav port (INR 9000 crore).
- ▶ Connection of Western DFC to Pipavav (INR 2500 crore).



Air

- ▶ Saurashtra region is very well connected through air. Of the key groundnut growing regions, Rajkot, Amreli, Bhavnagar, Jamnagar, Surat and Porbandar have airports.

Proposed

- ▶ Seeking to improve air connectivity, the Gujarat government has decided to develop six new airstrips in smaller towns in the state. Of these two lie in the Saurashtra region - Morbi and Dwarka.



Port

- ▶ Saurashtra region boasts of a number of ports – Porbandar, Pipavav, Bhavnagar, Navlakhi, Bedi, Sikka, and Okha
- ▶ Kandla, the major port of Gujarat is at 5 hours distance (by road) from Junagarh, the key groundnut growing region in Saurashtra.

Proposed

- ▶ Five new berths are likely to be added to the 20-year-old Pipavav port in the next three years

Project Information



Raw material availability

- ▶ The main raw materials required for making peanut butter are peanut kernels, sugar, salt, emulsifier, and preservatives.
- ▶ Since, Gujarat (more particularly Saurashtra region) is the single largest as well as the best quality groundnut producer accounting for over 30% of total groundnuts produced in India, the main raw material is easily available in sufficient quantities and competitive prices.

Gujarat	Area (lakh ha) 18.05	Production (lakh tons) 33.76	Yield (kg ha⁻¹) 1870
----------------	--------------------------------	--	---

Source: Gujarat Agro Industries Corporation (GAIC)

Triennial (2010-11 to 2012-13) averages of area, production and yield of groundnut in various states of India

States (~92% of total production in India)	Area (lakh ha)	Production (lakh tons)	Yield (kg ha ⁻¹)
Andhra Pradesh	14.26	11.3	790
Tamil Nadu	3.7	9.1	2495
Karnataka	7	5.4	742
Rajasthan	2.8	3.6	1182
Maharashtra	3.8	7.1	1813

Source: Vision 2050, Directorate of Groundnut Research, July 2015

Estimated manpower requirement

Manpower requirement at the site – 20 persons

Managerial staff	Manufacturing section	Quality control staff	Other support staff including purchase and marketing assistants
3 Persons	8 Persons	2 Persons	7 Persons

Potential collaborations opportunities

- ▶ Support and development through tie-up with Entrepreneurship Development Institute of India
- ▶ Potential for Research and Development (R&D) collaboration through
 - ▶ The Directorate of Groundnut Research
 - ▶ State Universities in Gujarat - Navsari Agricultural University, Gujarat Agriculture University – Surat , Anand Agricultural University.

Project Information



Leading players in Gujarat



Product portfolio – Creamy peanut butter, crunchy peanut butter, chocolaty peanut butter, sugar-free peanut butter
Location – Bhavnagar, Gujarat
Website – <http://unitedfoodsindia.com/Default.aspx>



Product portfolio – Creamy/crunchy peanut butter, peanut paste, roasted peanut
Location – Bhavnagar, Gujarat
Website – <http://www.saazfoods.com/>



Product portfolio – Creamy/crunchy peanut butter
Location – Sabarkantha, Gujarat
Website – <http://dasfoodindia.com/>



Product portfolio – Creamy/crunchy peanut butter, Peanut butter honey, peanut paste in drums
Location – Bhavnagar, Gujarat
Website – <http://www.rupafood.com/>

Leading machinery suppliers in Gujarat



<http://www.shrijeenut.com/>



<http://www.depagro.com/>



<http://www.apsindustries.net/>



<http://www.ganesh-engineering.com/>

Key considerations

- ▶ Tackling aflatoxin in groundnut - The permitted level of aflatoxin in groundnut for human consumption, according to international standards, is 4 parts per billion (ppb) in the European Union and 20 ppb in the US. Indian groundnut exports have faced restrictions from importing countries (Vietnam and Indonesia) in recent past, due to high levels of aflatoxin.
- ▶ High dependence on weather - Peanuts production is highly vulnerable to rainfall deviations and display huge fluctuation between years.

Estimated project cost

2016 Estimates

Assumption:

- ▶ The proposed unit is estimated to produce 2,250 Million Tonnes Per Annum (MTPA) of peanut butter.

Description	Amount (INR Million)
Land (Area: 4,000 square meters) (Rate: INR690 per sq. mtr. as of May 2016)**	2.76
Building & Civil work	5.4
Plant & Machinery	17.4
Other Fixed Assets	1.6
Preliminary & Pre-operative	2.2
Provision for contingencies	1.8
Fixed Cost of Project	31.2
Margin Money for working capital (@10% of Fixed cost of project)	3.1
Total Cost of Project	34.3
Means of Finance (Since, the proposed unit is EOU, a Debt: Equity ratio of 2.5:1 is suggested)	
Equity	9.8
Debt	24.5

** GIDC rates for Mahuva district in Bhavnagar, Saurashtra. As major peanut butter manufacturers such as Ruparel Foods, United foods, R.M. Foods and saaz Foods, have their manufacturing facilities at Mahuva.

Plant and Machinery	
• Hoppers & Elevators	• Ingredient Feeder
• Seed Cleaner	• Ammonia Chilling Plant for refrigeration
• Vibrating Sieve with dust aspiration system	• Whole / broken nut blancher
• Pods Opener with pneumatic Husk separator	• Piston Feeler for Peanut Butter Packing line
• Picking / Sorting Tables	• Chamber less vacuum packing machine
• Radiant Ray Roaster for dry roasting	• Electronic weighing scale
• Cooling Sieve	• Pellet Truck for Loading in Container

Approvals

- ▶ For approvals, the project report should be submitted to respective District Industries Centres (DICs). DIC will forward the proposal to Industries Commissioner who will submit the report to State Level Approver Committee (SLAC) for final approval.
- ▶ Additionally, The proposed unit will have to register itself with Secretariat of Industrial Approvals (SIA), Ministry of Industries and Government of India, by filing Industrial Entrepreneur's Memorandum (IEM), as it will have plant and machinery investment of more than INR 10 million.
- ▶ Since it will be an export oriented unit, the peanut butter needs to be approved by food authorities of exporting countries, apart from registration with Indian and state food administration.
- ▶ Bureau of Indian Standards has laid the quality norms for peanut butter in their standard IS 9037:1979 and it is obligatory to meet provisions under the PFA act for all ingredients and quality aspects for marketing the product in the Indian market.
- ▶ Compulsory registration abolished, March 2015: The Union Commerce Ministry has abolished the compulsory registration for groundnut shelling units to export to countries outside the European Union. The move is expected to increase shipments from India. Till now, exporters had to buy groundnuts from the shelling units registered with the Agricultural and Processed Food Products Export Development Authority (APEDA); the shelling units had to get themselves registered through the Indian Oilseed and Produce Export Promotion Council.

Incentives/ Initiatives from Government of Gujarat

Gujarat government announced its **Agri Business Policy – 2016** with emphasis on promoting food processing industry by developing the entire value chain of exporting locally grown farm produces.

- ▶ Capital investment subsidy at 25% of eligible project cost subject to maximum INR50 million for cold chain, food irradiation processing plants and packaging houses
- ▶ Back ended interest subsidy at 7.5% on term loan with maximum amount of INR40 million for a period of 5 years for setting up infrastructure project in Agro & Food Processing sector (including packaging houses)

PROPOSED: The Government of Gujarat is proposing to establish Agri Export Zones (AEZ) for Groundnut, and few other agricultural products. The main objective of AEZ is to provide higher returns to the farmers by enhancing their accessibility to export and extending their capacity to produce export specific quality products.

Incentives/ Initiatives from Government of India

- ▶ **Creation of national common market in agricultural products:**
 - ▶ The Indian Central Government earmarked, at the beginning of June'16, a fund of US\$31.2 million for a program aimed at supporting the State Governments to reform the wholesale marketing system, in order to break traders' oligopoly and help create a national common market in agricultural products.
 - ▶ The program is to be implemented over three years starting 2015-16. 50 regulated wholesale markets (mandis) to be initially reformed across 10 states, including groundnut mandis (such as (Rajkot, Shahabad, Bikaner, Saurashtra, etc.).
- ▶ **Financial assistance on distribution of seeds, under NMOOP (National Mission on Oilseeds and Oil Palm) policy:** 50% of the cost or INR12/- per kg whichever is less is provided for varieties/composites of oil seeds which are not older than 10 years. Hybrids: 50% of the cost with a ceiling of INR 25/- per kg of hybrids, which are not older than 10 years.
- ▶ **National Agricultural Insurance Scheme:** Groundnut is one of the 26 crops covered under the scheme. 10 % subsidy in the premium amount is available to small and marginal farmers under National Agricultural Insurance Scheme.
- ▶ **Seed Village Programme:** In order to upgrade the quality of farmer saved seeds which is about 60-65% of the total seeds used for crop production programme, following interventions are made :
 - ▶ 60% assistance for oilseeds is provided for distribution of foundation/certified seeds required for one acre area per farmer.
 - ▶ Farmers' Trainings : Financial assistance of INR15,000 per group (50-150 farmers each group) is provided for farmers training on seed production and post harvest seed technology (INR 0.15 lakh)
 - ▶ Seed treating/dressing drums : Financial assistance for treating seeds produced in the Seed Village is available @ 3500 per seed treating drum of 20Kg capacity and INR 5,000 per drum of 40Kg capacity.
 - ▶ Seed Storage bins: To encourage farmers to develop storage capacity of appropriate quality, financial assistance will be given to farmers for purchasing Seed Storage bins.
- ▶ The Ministry of Food Processing Industries announced a **scheme for Human Resource Development (HRD) in the food processing sector**. The HRD scheme is being implemented through State Governments under the National Mission on Food Processing. The scheme has the following four components:
 - ▶ Creation of infrastructure facilities for degree/diploma courses in food processing sector
 - ▶ Entrepreneurship Development Programme (EDP)
 - ▶ Food Processing Training Centres (FPTC)
 - ▶ Training at recognised institutions at State/National level

Directorate of Groundnut Research

<http://www.dgr.org.in/>

Agricultural & Processed Food Products Export Development Authority

<http://apeda.gov.in/apedawebsite/>

National Bank for Agriculture and Rural Development (NABARD)

www.nabard.org/

Food Safety and Standards Authority of India

<http://www.fssai.gov.in/>

Agriculture and Co-operation Department

www.agri.gujarat.gov.in/index.htm

Gujarat Industrial Development Corporation

www.gidc.gov.in/

Industries Commissionerate

www.ic.gujarat.gov.in

This project profile is based on preliminary study to facilitate prospective entrepreneurs to assess a prima facie scope. It is, however, advisable to get a detailed feasibility study prepared before taking a final investment decision.

For further details:

INDEXTb
INDUSTRIAL EXTENSION BUREAU
(A GOVT. OF GUJARAT ORGANISATION)
ISO 9001 : 2015 Certified

- Block No. 18, 2nd Floor, Udyog Bhavan, GH-4, Sector 11, Gandhinagar - 382 010 Gujarat, INDIA
- +91-79-23256009, 23250492 / 93
- +91-79-23250490
- indextb@indextb.com
- www.indextb.com



Gujarat Agro Industries Corporation

A Government Enterprise

Gujarat Agro Industries Corporation Limited
Gujarat State Civil Supplies Corporation Ltd Building
2nd Floor , "B" Wing , Sector 10A,
Gandhinagar – 382010, Gujarat, India
Phone / Fax : 079-23240208
Email: md-gaic@gujagro.org
<https://gaic.gujarat.gov.in/>