

## Declining per capita protein intake spells trouble

Rajesh Shukla and Mridusmita Bordoloi | The Financial Express | December 04, 2015

***Unlike many other food product categories, there is still scope for growth in protein consumption in large markets in India.***

The United Nations has declared 2016 as the International Year of Pulses (IYOP) in a bid to increase public awareness of the nutritional benefits of pulses. The effort is to encourage connections throughout the food chain, better utilise pulses-based proteins, give a boost to production of pulses and crop rotation and address challenges in the pulses trade. From an Indian perspective, this offers policy-makers a ready-made opportunity to focus on Indian food security issues and address the challenges related to price inflation and declining production of pulses through a series of long- and short-term measures.

If we consider Indian food habits, key sources of protein include pulses, milk, dairy products, eggs, fish and meat. In terms of quantity, India happens to be the largest global consumer of dairy, pulses, sugar and spices. On the production side, India is the world's third-largest producer of food grains and the largest producer of milk and spices. Yet apart from cereals and dairy, demand outpaces supply in most other food categories—namely pulses, edible oil, fruits and vegetables—resulting in rising levels of inflation. Based on WPI, it is observed that prices of pulses increased by 53% between October 2014 and October 2015.

At the same time, there has been a gradually-increasing preference for packaged food among consumers. Whatever be the reason, India has witnessed a drastic change in food consumption patterns over the last two decades, which includes a fall in cereal intake and a non-significant rise in consumption of other food items, especially in the rural areas. This change in consumption behaviour has resulted in declining average per capita calorie and protein intake despite the rise in expenditure levels. One of the paradoxes of India's food debate is that while spending on food is rising, average caloric intake is not improving much. A major cause for this is that Indian consumers are moving rapidly towards more expensive calories in value-added food categories.

India's protein food market (in terms of total household sector expenditure in this category) is estimated to be around R4.05 lakh crore in FY15, with rural India making for 60%, and is expected to reach a size of around R6 lakh crore by FY21 (at FY15 prices). If we divide the entire Indian food basket into five broad categories—namely, cereal, protein food, fruits & vegetables, beverages & processed food, edible oil and other food items—protein food occupies the largest share (33%), followed by cereals (19%).

## Protein food and its spending intensity

	Size of market (₹ thousand crore, 2014-15)	Spending intensity (₹/annum/household, 2014-15)	State ranking based on	
			Market size	Spending intensity
<b>Top 5 states based on market size of protein food</b>				
Uttar Pradesh	55.1	15,562	1	11
Maharashtra	35.2	14,392	2	13
Tamil Nadu	33.3	17,089	3	10
Bihar	32.0	4,832	4	12
Andhra Pradesh	31.7	14,227	5	14
<b>Top 5 states based on spending intensity</b>				
Haryana	19.0	30,014	1	1
Himachal Pradesh	3.7	24,432	20	2
Delhi	8.4	24,460	15	3
Punjab	13.8	24,355	13	4
Kerala	19.2	22,444	10	5

Source: Rajesh Shukla & Mridusmita Bordoloi (2015) 'Indian Consumer Market 2020: Structure, Size, Growth and Intensity', price

Out of the total expenditure on protein food, nearly half (52%) is spent on liquid milk and just 19% goes towards pulses. Dairy products have a much smaller share at 6%. Household spending on protein food grew at the rate of 6.6% per annum in real terms during the last decade (between FY05 and FY15). The pace of growth has been relatively faster in urban areas than rural. Within protein food, milk products have registered the highest growth rate, which is similar to that of beverages & processed food (9%). This is a big jump for milk products from the average growth observed during FY94 and FY05 (2.8%).

Overall, there was hardly any increase in average protein food consumption during the decade between FY94 and FY05, especially in urban India. However, the same increased considerably during the last decade even if we look at it in real terms. Among its sub-categories, per household spending was highest in the case of liquid milk in both rural and urban areas. If we look at rural-urban differences in average household expenditure on protein food, it is observed to be maximum in the case of liquid milk and minimum for pulses and related products.

Average household spending on protein food increases gradually with economic status. A household from the top decile in rural India spends around five times more on liquid milk as compared to one from the bottom decile. The rise in spending intensity is not as sharp in urban India. The top 10% households in rural and urban India have similar intensities to spend on milk.

With rising economic status, there is significant jump in spending on milk products by both rural as well as urban households. Again, there is considerable variation in intensity to spend on eggs, fish and meat across economic status. An average household from the top decile in rural India spends three times more on eggs, fish and meat as compared to a household from the bottom 10%. Similarly, a household in the top urban decile spends a little higher than double the amount spent by a household from the bottom decile.

Our latest report (Indian Consumer Market 2020) also looks at market size, growth and spending intensity of households on different product categories for the major 21 states in India. The analysis reveals substantial inter-state variation in the pattern of spending on protein food. Uttar Pradesh, Maharashtra and Tamil Nadu have emerged as the top three protein food markets in terms of size in FY15 and together make up for 31% share of all India market. Bihar, which is ranked fourth in terms of size, is one of the fastest growing markets between FY05 and FY15, followed by Tamil Nadu and Andhra Pradesh. Thus, unlike many other product categories, there is still scope for growth in protein food consumption in large markets in India. The pace of growth in case of the largest market, Uttar Pradesh (6.3%) is little slower than the all India average of 6.6% per annum.

While the size of a market reflects the total magnitude of expenditure, spending intensity (average spending per household) tells us how much an average household is ready to spend on that product category. Significantly, none of the top five states in terms of market size appears in the list of top five in terms of spending intensity. While the largest market (Uttar Pradesh) occupies the 11th position in terms of spending intensity, the second- and third-largest markets (Maharashtra and Tamil Nadu) have been ranked at 13th and 10th positions respectively. In contrast, Haryana, which ranks at number 10 in terms of size of protein food market (R190 lakh crore), has the highest spending intensity among 21 major states in India. Surprisingly, Himachal Pradesh, which is a much smaller market (ranking number 20 in terms of size), is at second position in terms of average spending intensity on protein food. The two relatively richer states, i.e., Delhi and Punjab, have occupied the second and third ranks in terms of spending intensity per household.

Given the huge nutritional benefits of protein food, it is important for all states to take up sustained efforts to increase awareness among the general public about pulses, take appropriate measures to enable improvement of yields and remove supply side constraints.

The demand-supply mismatch is expected to become much more acute in the next decade unless these initiatives are initiated without further delay.

***Rajesh Shukla is Director & CEO, and Mridusmita Bordoloi is Principal Research Fellow, People Research on India's Consumer Economy (ICE 360°)***

*The article has been extracted from PRICE's recent publication Indian Consumer Market 2020: Structure, Size, Growth and Intensity, based on trend analysis of integrated unit-level data sets of ICE 360° survey 2014, CES NSS rounds*