

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

**Date:** 12/29/2016

**GAIN Report Number:** IN6165

## **India**

### **Food Service - Hotel Restaurant Institutional**

#### **India's foodservice sector continues growing as restaurant dining and tourist numbers climb.**

**Approved By:**

Adam Branson

**Prepared By:**

Dhruv Sood and Shubhi Mishra

**Report Highlights:**

India's foodservice sector continues growing as restaurant dining and tourist numbers climb. Household income growth and the rise of dual-income households make dining out accessible. Fast expansion of varied-format foodservice outlets are gaining popularity across major and emerging-market cities while franchising remains the most popular growth model. International hotel brands are expanding their presence in the market.

**Post:**

New Delhi

**Executive Summary:****General Economy and Policy Environment**

India has one of the world's fastest growing large economies and, by some estimates, is projected to become the world's third largest economy by 2025. In 2010, annual gross domestic product (GDP) growth reached 8.9 percent but slipped to 6.9 percent in 2013. However, in 2015, the GDP rose 7.6 percent (based on a revised base year). The International Monetary Fund and World Bank, each, have projected India's growth to remain between 7.5 and 8 percent in the medium term.

The "Make in India" program encourages manufacturing development as a major goal. Although India was ranked 130th out of 190 countries in the [World Bank's Doing Business 2017](#) report, the country made progress since 2014 by implementing several business friendly laws and the country is on the verge of instituting a nationwide Goods and Services Tax (GST) to replace existing state-by-state taxes and duties. In addition, the country's food safety authorities are looking at a move to more risk-based inspection of imported items. Despite efforts to improve business and trade, the Government of India has not lowered tariffs or noticeably improved access for imported food and agricultural products over the past several years.

India's bulk, intermediate, consumer-oriented, fishery and forestry imports grew from \$13.2 billion in 2009 to \$25.3 billion in 2015. Imports of consumer-oriented foods, led by tree nuts and fresh and dried fruits essentially have doubled since 2009 to \$4.5 billion in 2015. India's food and agricultural exports jumped from \$16.8 billion in 2009 to \$35.06 billion in 2015.

For an overview of the Indian market and agricultural trade, read the USDA Foreign Agricultural Service International Agricultural Trade Report from December 2016: [India Agricultural Trade: Expanding Export Opportunities Amid Persistent Limitations](#).

**Hotel, Restaurant, and Institutional (HRI) Service Sector Overview:**

India's HRI sector is benefiting from India's relatively strong economic growth, stable political environment, foreign investment, rising incomes, high aspiration level, a young population, increasing tourism, and changing consumer consumption patterns. While opportunities for foreign food exporters to supply into the HRI sector are improving, the market for imported food products continues to be relatively small due to high tariffs, ongoing import restrictions, and strong competition from the domestic industry.

According to Euromonitor International, India expects to see median incomes per household increase by 90 percent in real terms from 2015-2030. This will not only bring discretionary spending power to large groups of new potential foodservice customers, but it will also help transition India from a "bottom of the pyramid" market towards a middle class consumer market with greater and more sophisticated dining-out demand.

**Hotels:**

India has a vast hotel sector, but only a small percentage of hotels are considered three stars and above.

The overwhelming majority of hotels are small, traditional outlets that provide inexpensive accommodations for travelers and source all of their food locally. There are over 576 hotels and resorts in India that constitute the “organized” or modern sector. Nevertheless, as foreign and domestic travel has increased in recent years, the number of modern hotels that carry at least small amounts of imported foods on their menus is on the rise. Furthermore, hotels are able to obtain a special license that enables them to purchase food and beverage items (and other items such as equipment and furniture) duty-free subject to their foreign exchange earnings. Hotels tend to use the duty-free licenses to purchase the items with the highest import tariffs and may not use the licenses to purchase food.

### **Restaurants:**

Traditionally, Indians have tended to eat at home and the cuisine of choice has been traditional Indian foods. Those who dined outside the home often ate street foods from the enormous number of street stalls and informal eateries that are common across India. Eating in a restaurant was reserved for special occasions. India appears to be in the early stages of a significant transformation in the restaurant sector. Indian consumers are dining out more frequently and younger Indians are shedding the biases of their elders against international franchises and foreign foods. With only an estimated 100,000 modern, organized restaurants (20 or more seats, wait staff, menus) in India, there is plenty of room for growth in the industry. It is estimated that Indians spend 8 to 10 percent of their food expenditures outside the home in restaurants, cafeterias and other food establishments.

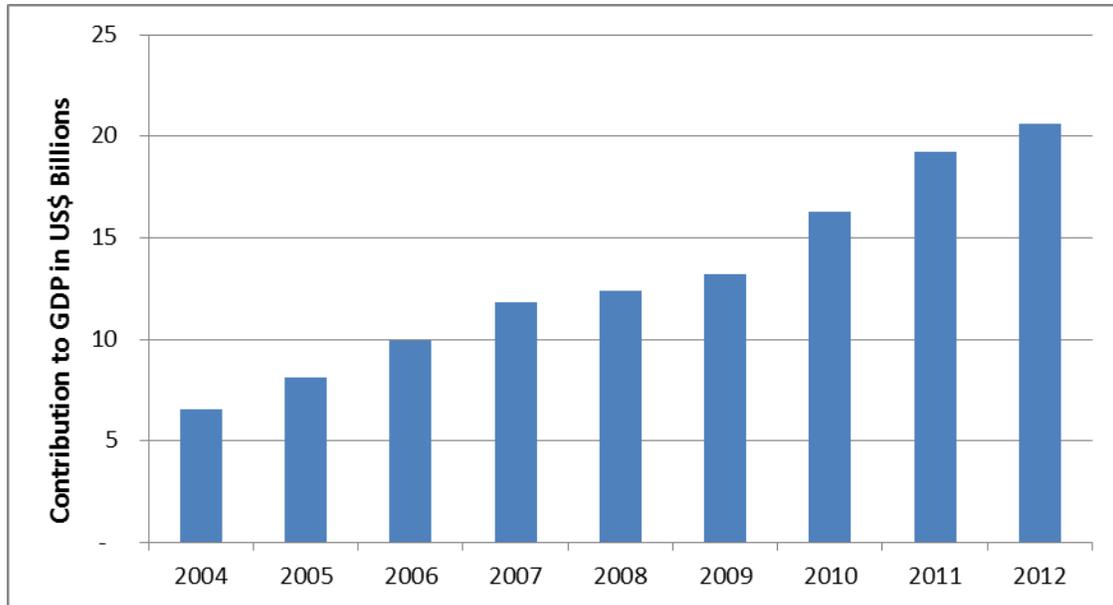
As per the 2016 India food service report published by the National Restaurant Association of India, the restaurant sector is valued at \$46.46 billion and is expected to grow to \$75 billion by 2021, with compound annual growth rate of 10 percent. The report states that the share of organized market is 33 percent and in terms of market segments, Quick Service Restaurants (QSR) and Casual Dine-in formats account for 74 percent of the total market, while Cafés make up 12 percent, and Fine Dining, Pub Bars Clubs & Lounges (PBCL) comprise the rest.

After struggling with supply chain issues for many years, major franchises have developed a handful of suppliers in India who can meet quality requirements, placing existing restaurants in a better position to expand and easing the way for new restaurants seeking to enter the market aided by internet and e-commerce. The trade continues to indicate that lack of well-planned and well-priced rental spaces, overregulation, and licensing structures limit the scaling of the operations. While the number of casual dining, fast food restaurants and coffee shops is growing, high tariffs and other trade restrictions tend to limit the use of imported food products on restaurant menus. Imports are typically limited to specialty ingredients that are not available in India.

### **Institutional:**

The institutional sector is geared in large part to serving public sector institutions such as the Indian railways and public office canteens. Corporate catering is a relatively new concept, but some large companies are providing meals to their employees at subsidized rates. Catering for parties and special events is a common and longstanding practice in India, but is dominated by traditional caterers providing local foods and cuisines. However, even traditional caterers are expanding their menus to include pasta bars and other non-Indian cuisines. Cost is a major factor in the institutional sector and the high cost of imported food products, after tariffs and other fees are applied, tends to limit opportunities for exporters in this sector.

**Figure 1. India: Contribution of Hotels and Restaurants to GDP (At Current Prices)**

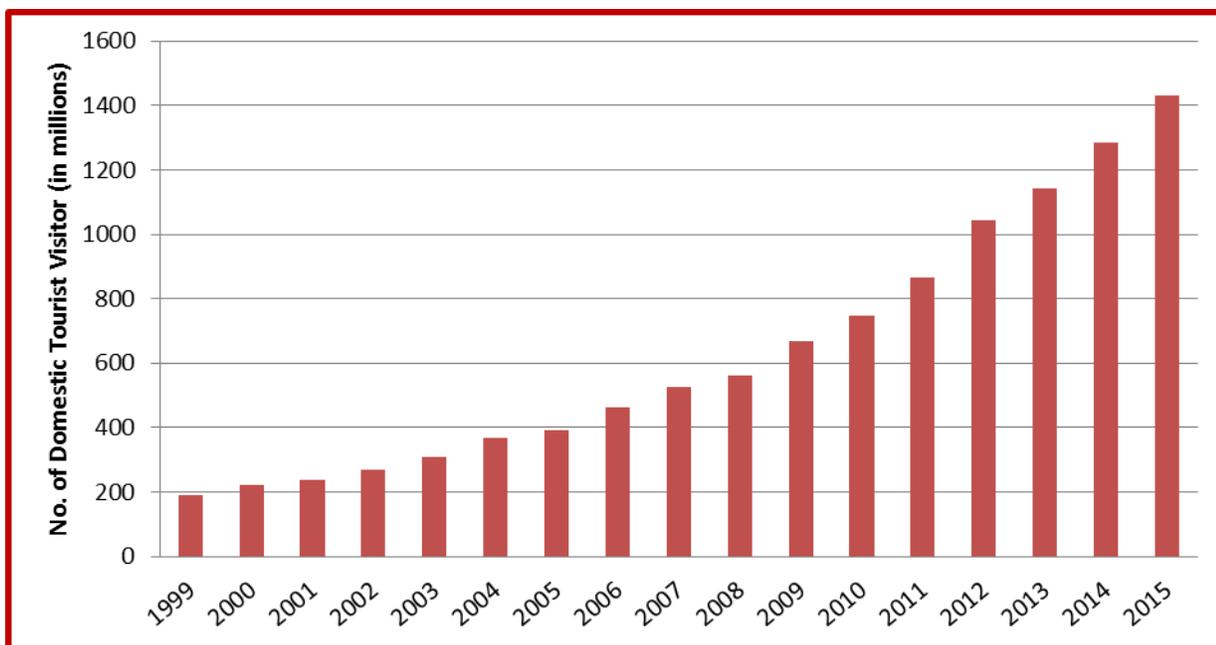


Source: Ministry of Statistics and Programme Implementation, Government of India

### **Tourism on the Rise**

The number of Indians traveling within India has increased dramatically since 1997, rising from less than 200 million to 1.4 billion in 2015. The rise reflects a variety of factors such as increased car ownership; frequent, improved and less expensive domestic air travel; rising disposable incomes; improved accommodations; a strong rail network; high aspiration levels; increasing nuclear families; and, exposure to travel and tourism abroad.

**Figure 3: India: Number of Domestic Tourists in India**

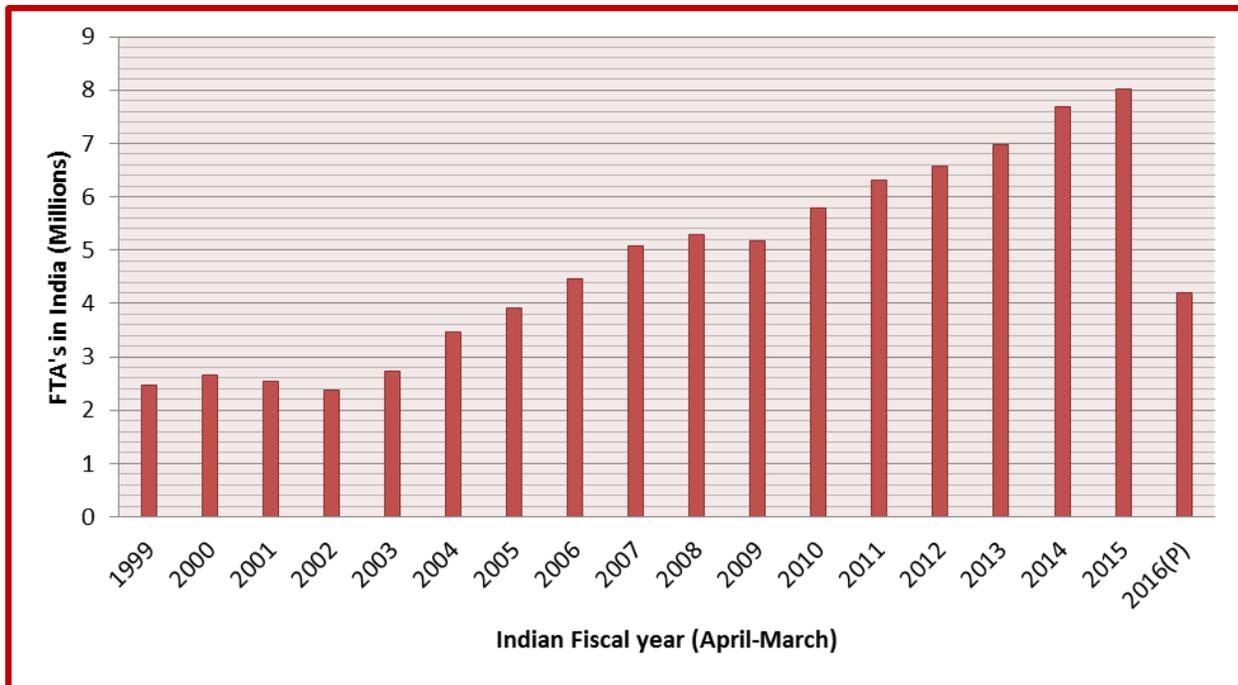


Source; Ministry of Tourism, Government of India

Foreign tourist and business arrivals have nearly doubled over the past decade, rising to 8 million in 2015 (annual growth of 4.5 percent). The rapid growth and increased frequency of domestic air travel, ease of booking services via internet, increased number of travel service providers, and an improvement in the quality and number of hotels has fueled the rise and increased the number of travelers. India continues to market itself with the “Incredible India” promotion campaign ([www.incredibleindia.org](http://www.incredibleindia.org)) and the “Atithi Devo Bhav” (Sanskrit for “the Guest is God”) program which are designed to sensitize Indian stakeholders to the value of tourists and tourism. [The Travel and Tourism Competitiveness Report 2015](#) published by the World Economic Forum ranked India 52 out of 141 countries. The overall ranking of India improved substantially from 65 in 2013.

According to the Government of India’s Ministry of Tourism, in Indian Fiscal year 2014-15 (April-March), the United States of America accounted for about 15 percent of the foreign tourist travel arrivals followed by Bangladesh at 14 percent and the United Kingdom at 15 percent. Tamil Nadu reported receiving the maximum number of foreign tourist arrivals followed by Maharashtra and Uttar Pradesh; respectively at 20 percent, 19 percent and 13 percent of total visitors.

**Figure 2: India: Foreign Tourism Arrivals**



Source: Ministry of Tourism, Government of India

### Factors Driving Food Service Growth in the Hotel, Restaurant, and Institutional Sector

The hotel, restaurant, and institutional sectors have grown notably in recent years. Foreign and Indian fast food and casual dining chains are increasing in number and existing chains are adding outlets. A significant weakening of the rupee over the past year and a half from Rs. 60 per dollar to in excess of Rs. 67 per dollar could prompt more Indians traveling within India (versus abroad) and encourage more foreign travelers to visit the country.

The following list outlines some of the factors expected to facilitate growth over the long term.

- Chefs working in the HRI sector are keen to introduce new cuisines and culinary practices;
- Restaurants and hotels are “Indianizing” their services and foods to better meet Indian preferences;
- The modern segment of the HRI sector is striving to match standards of quality and service;
- Government of India with its safe food initiative (Surakshit Khadya Abhiyan) is intending to ensure quality food at all the levels;
- International hotel chains are penetrating the Indian market;
- The increasing number of shopping centers and shopping destinations make foodservice through retail a more preferred location;
- The growing trend for convenience in food courts and full-service restaurants in shopping centers;
- Dine-in locations expanding inside hypermarkets and supermarkets for easy access to attract consumers;
- Low-fare domestic airlines providing improved and more frequent travel service;
- Rising numbers of working women, increased urbanization and a very young population are all expected to lead to lifestyle and eating pattern changes;

- Strong growth in casual dining and fast food sectors from both domestic and foreign chains which are introducing new dining options and foods;
- Increased competition is keeping costs “in check” and ensuring that firms are delivering value for money;
- Slowdown in global economy has led to an increase of domestic travelers opting for leisure destinations within India; and,
- Stable political scenario is expected to act as a catalyst in increased number of business and leisure travelers.

### **Import Market**

The market for imported foods has grown slowly. Developments over the past few years indicate a growing number of professional, brand-oriented importers and an increase in the number of modern retail outlets and hotels. This suggests stronger growth prospects, albeit from a small base. Unique labeling requirements, ongoing non-tariff trade restrictions, complex state and local taxes, a weaker rupee, and a slow-to-develop distribution infrastructure continue to complicate the import process.

Among modern hotels and restaurants, opportunities are typically for foods or ingredients that are not readily available in India. Even luxury hotels are very cost conscious and often seek to minimize food costs by using local ingredients. Among four and five-star hotels, imported products include wine, other alcoholic beverages, dairy products, meat, seafood, fruits, frozen French fries, sauces, seasonings, and condiments, drink mixes, and ingredients for foreign cuisines such as Italian, Thai, Japanese, Chinese, Mexican, and Spanish.

Within the restaurant sector, imported food and ingredients are typically limited to products that cannot be sourced in India. Among the growing number of Indian and foreign chain restaurants, high tariffs and other trade restrictions generally lead restaurants to look for local suppliers who can meet their needs. Some specialty items and ingredients that cannot be sourced in India are imported and few imported food products are incorporated in menu with an idea to give marketing edge to the hotel or restaurant. There are a few high-end restaurants that are not affiliated with hotels in major cities that serve imported food products, as well.

Regional trading hubs such as Dubai and Singapore continue to be important suppliers to the Indian market. However, as the food import community shifts its focus from simply trading to professional brand management, distribution and marketing, importers are increasingly looking to represent foreign exporters in India. Key importers are located in cities such as Delhi, Mumbai, Chennai, Kolkata, Cochin and Goa, but tend to be concentrated in Mumbai and Delhi.

The import process continues to be complex and relatively costly. Consequently, hotels and restaurants typically source their products from local importers and distributors who have the expertise in clearing, storing, and transporting products. Most hotel chains purchase through centralized procurement offices on annual contracts with local importers, ordering small quantities of food products as needed and minimizing food storage at hotels. Restaurants also rely on local distributors for their needs and some require importers to become an approved supplier.

### **Tariff and Non-Tariff Barriers**

Given the multitude of tariff and non-tariff barriers (described below), food and beverage product exporters should work closely with local Indian importers and distributors to be certain that their products have market access and they should ensure that their products comply with India’s food labeling and inspection requirements.

While India lifted its effective ban on food imports in the early 2000s, tariffs on consumer- ready food imports remain high. Wine and spirits attract significantly higher tariffs and excise taxes. Additionally, there are several key trade restrictions that limit market access for U.S. food products. And, imports of alcoholic beverages are constrained by local taxes and a complex licensing system for distribution and sales.

**Table 1. India: Advantages and Challenges for U.S. Food Products**

<b>ADVANTAGE</b>	<b>CHALLENGES</b>
<ul style="list-style-type: none"> <li>A growing tourism sector.</li> </ul>	<ul style="list-style-type: none"> <li>Tariff and non- tariff restrictions.</li> </ul>
<ul style="list-style-type: none"> <li>Increasing urbanization and growing number of working women that has led to dual-income households.</li> </ul>	<ul style="list-style-type: none"> <li>Competition from countries with closer geographical proximity and freight advantage.</li> </ul>
<ul style="list-style-type: none"> <li>Expanding young population and increasing growth of fast food chains and casual dining restaurants.</li> </ul>	<ul style="list-style-type: none"> <li>Developing food distribution infrastructure and a long and fragmented supply chain.</li> </ul>
<ul style="list-style-type: none"> <li>Growing popularity of American culture and foods. Many U.S. fast food franchisees are present in the market.</li> </ul>	<ul style="list-style-type: none"> <li>Strong competition from the local suppliers including multinational food companies.</li> </ul>
<ul style="list-style-type: none"> <li>Eating out culture is growing among upper and upper middle class Indians along with a greater willingness to try new cuisines.</li> </ul>	<ul style="list-style-type: none"> <li>U.S. exporters’ unwillingness to work with small volumes, consolidated shipments, and special labeling requirements.</li> </ul>
<ul style="list-style-type: none"> <li>U.S. products generally have a good quality image among consumers.</li> </ul>	<ul style="list-style-type: none"> <li>Specific labeling and clearing requirements and procedures.</li> </ul>
<ul style="list-style-type: none"> <li>Strengthening economic ties between India and the United States.</li> </ul>	<ul style="list-style-type: none"> <li>Consumers’ preference for traditional Indian food.</li> </ul>
<ul style="list-style-type: none"> <li>The global economic downturn resulted in price sensitive domestic travelers opting for trips within India leading to increased demand for hotels.</li> </ul>	<ul style="list-style-type: none"> <li>The Indian economy is challenged by year- long depreciation of rupee, stubborn inflation, and a looming fiscal deficit. Recently implemented demonetization is also playing a role in poor attendance at the hotels and restaurants.</li> </ul>

**SECTION II: Road Map for Market Entry**

**A. Entry Strategy:**

- Survey existing and potential opportunities by reviewing FAS policy and market reports and consider engaging a market research firm to assist in analyzing market opportunities and challenges.
- Determine if your product has market access in India.
- Identify an Indian importer/distributor who services the HRI sector.
- Examine all prospective candidates, and thoroughly research the more promising ones. Check the potential agent's reputation through potential clients and bankers.
- Recognize that agents with fewer principals and a smaller set-up may be more adaptable and committed.
- Avoid conflicts of interest where a potential agent handles similar product lines from competing suppliers.
- Consider whether participating in an Indian trade show would be an effective means of identifying a distributor.
- Consider if partnering in USDA endorsed promotional activities would be an effective way to create market awareness.
- For products with a potentially longer shelf life and/or larger order volumes (e.g. from large hotel chains), U.S. exporters may identify and explore supplying through consolidators based in Dubai, Singapore and Europe.
- Make sure you understand India's varied food laws, particularly those pertaining to use of additives, labeling requirements, shelf life, and sanitary and phyto-sanitary regulations.

Ensuring payment is another important consideration when establishing a relationship with an importer. Until a successful working relationship is established, exporters may wish to consider vehicles such as an irrevocable letter of credit. Alternatively, Indian importers are accustomed to operating without credit and may be willing to pay prior to shipment. While FAS India receives few queries concerning delinquent Indian importers, our offices do not have the authority or expertise to mediate contractual disputes or serve as a collection agent when differences over payment arise. FAS India can recommend local legal services (refer [IN6155](#), but these situations can be avoided with proper preparation and sale terms.

## **B. Market Structure**

Hotels and restaurants, depending on their procurement systems, buy imported food and beverage products from alternate distribution chains based on the type of products and the volume of the consignment.

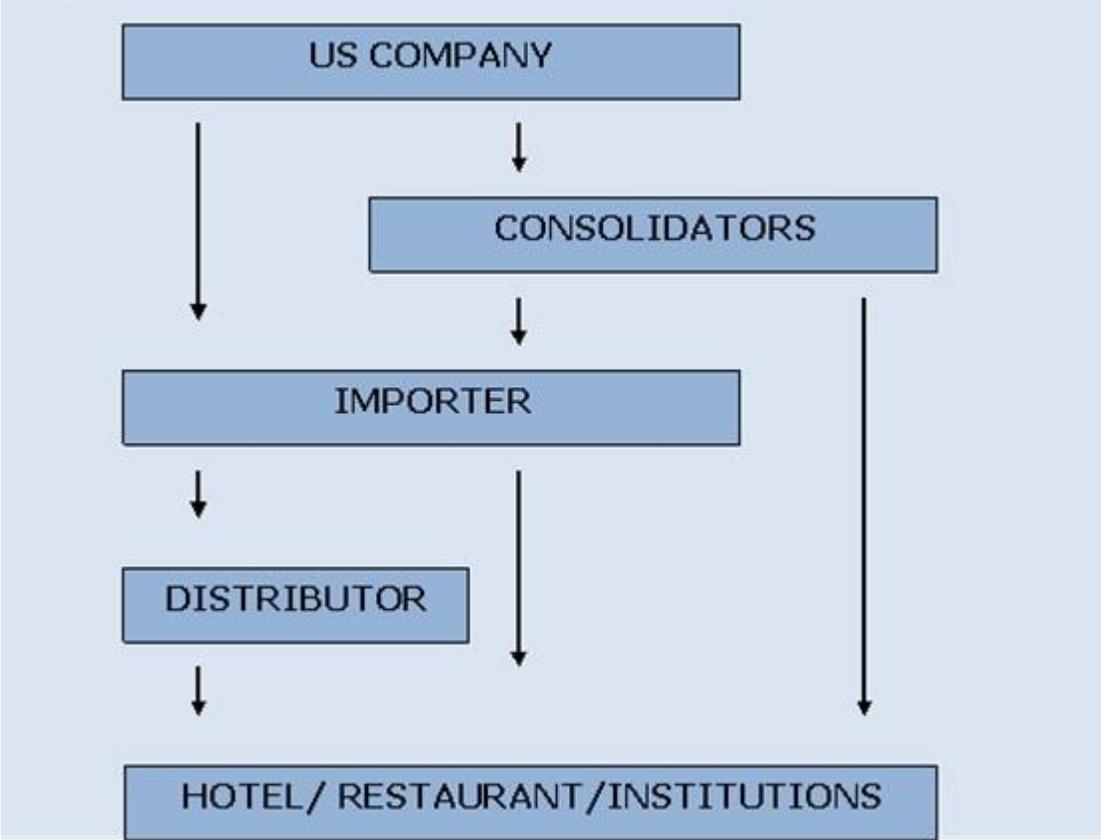
- Imported fresh produce is generally bought from wholesalers and distributors.
- Imported meats, fish, seafood, and dairy products are obtained from dedicated importers and their exclusive distributors who have the cold chain infrastructure to handle such products.
- Most establishments procure non-perishable items through distributors or, in a few cases, from importers.
- A few larger hotel and restaurant chains import specialty items through consolidators based in Dubai, Singapore, or Europe.

Wines and liquors are generally procured through importers, mainly private bonded warehouse operators, as most hotels and restaurants import liquor duty-free against their foreign exchange earning license.

With the rise of chain restaurants, modern companies specializing in the handling of food have also emerged. These firms are equipped to comply with rigorous temperature and quality specifications on behalf of their clients and offer modern warehousing and transportation facilities.

The following flow chart gives an overview of the distribution network for imported food for hotel and restaurant sector buyers.

**Figure 4. India: Flow Chart of Food and Beverage Food Service Distribution**



**C. Sub – Sector Profiles**

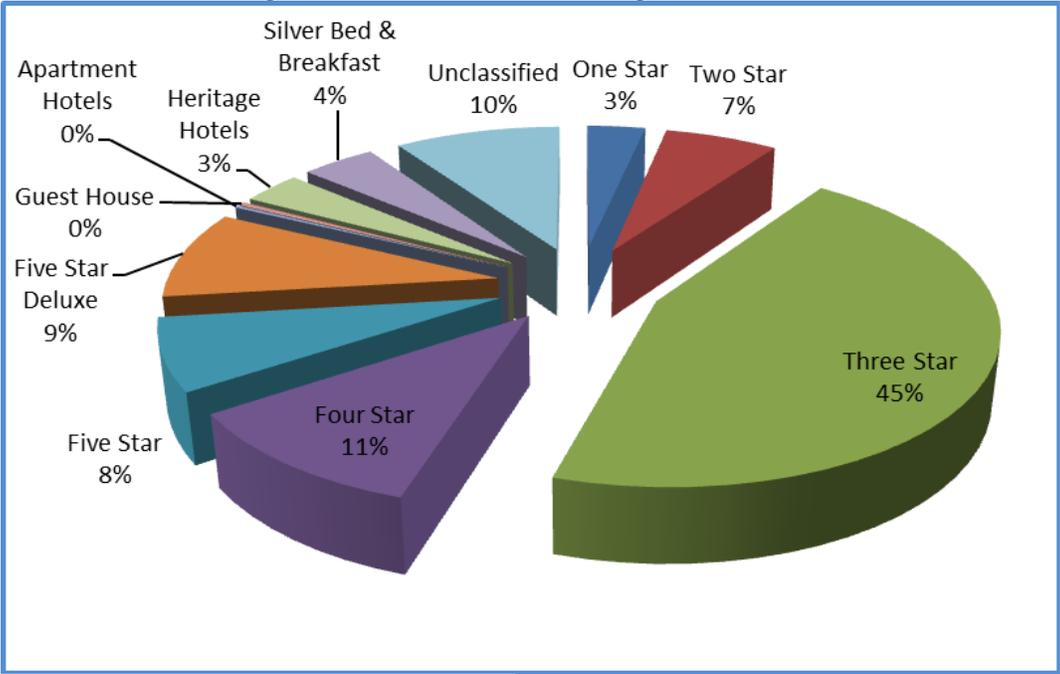
**Hotels:**

According to the Ministry of Tourism, there are around 576 hotels and resorts in India that constitute the “organized” or modern sector. Most of these hotels are in larger cities and major tourist or business destinations. India has several world class domestic hotel chains and several international chains have established a presence through franchising or partnerships with Indian firms. These branded hotels are mostly in the premium segment (5 star/5 star deluxe/heritage) and mid-range segments (3 and 4 star), which cater to business and leisure travelers. With the rise in tourism (destination weddings, eco-

tourism, etc.) and business travel, several international brands are exploring the possibility of expanding further in tier 2 and tier 3 cities.

The Government of India is providing incentives to stimulate the construction of new hotels in order to match tourism sector growth. The incentives include a Five-Year Tax Holiday for 2, 3 and 4 Star category hotels located in UNESCO declared World Heritage sites (Except Mumbai and Delhi), 100 percent FDI control, and credit at reduced interest rates. Most of the international hotel brands operating in India are not investing in the physical property, but following an operate-only model where brands bring in their resources, systems, processes and marketing.

**Figure 5: India: Profile of Organized Hotels**



Source: Ministry of Tourism, Government of India

Imported food and alcoholic beverage products destined for the hotel sector are primarily sold to the luxury hotel segment (three star and above). The Indian wine industry estimates that half of all wine imports enter India via the hotel sector’s duty-free exemption. The Government of India has a special initiative termed the Service Exports from India Scheme (SEIS) under the Foreign Trade Policy 2015-20. Luxury hotels and service providers are entitled to transferable duty credit, equivalent to 3 percent of their net foreign exchange earnings over the previous financial year, which may be used to import food items, alcoholic beverages, and capital goods. Similarly, the Export Promotion of Capital Goods (EPCG) Scheme under Foreign Trade Policy 2015-20, allows for imports of capital goods for producing quality goods and services to enhance India’s export competitiveness. For the common service provider as certified by DGFT, it can include imports of machinery, refrigeration equipment, fixtures, spare parts, etc. for rendering services. Imports under the EPCG scheme shall be subject to an export obligation equivalent to 6 times the duty saved on capital goods, to be fulfilled in 6 years from the authorization issue date.

Most hotels purchase imported food and beverages from Indian firms that import and distribute food products. However, some of the larger hotel chains procure via consolidators based in Dubai, Singapore, and Bangkok. Indian importers typically import mixed containers and offer a range of products. Hotels often deal with multiple importers in order to get the desired range of imported foods. Exporters seeking to access the Indian hotel market should identify an importer that specializes in distributing to hotels and be prepared to offer small quantities of products or mixed containers.

Over the past five years, India has been touted as a wine market with tremendous potential which has attracted interest from wine suppliers from around the world. While the development of the industry has proceeded more slowly than forecast, many wine exporters are competing to supply the relatively small hotel market, making it difficult to establish a relationship with existing importers who already carry a range of foreign wines.

### **Restaurants:**

A large percentage of the restaurant sector in India is “unorganized” where small restaurants and street-side stalls are common. According to information from the National Restaurant Association of India, there are approximately 100,000 restaurants in the “organized” or modern sector, which is defined as restaurants with more than twenty seats and a restaurant menu. Indians tend to prefer multi-cuisine restaurants where a family or group can order a range of different cuisines. A typical multi-cuisine restaurant might serve Chinese, various regional Indian dishes, and European-style foods. That trend is changing as restaurants serving a single cuisine are becoming increasingly popular. International fast food and local multi-unit restaurant groups are driving the expansion in the restaurant industry. South India is emerging as a key region for growth of multi-unit chains that supply reasonably-priced ethnic food with a quick-service concept. While stand-alone locations dominate, higher rents and increasing costs are forcing food operators to venture into new avenues to drive sales.

Most foreign and local chains are doing well in major cities, and are expanding into mid-sized Indian cities referred to as tier-two and tier-three cities. Many of these fast food chains have developed a range of Indian styled products to suit local preferences. Although these chains procure most of their products locally, several products such as French fries, specialty cheeses, some meats and seafood, flavors, condiments, and other ingredients are often imported. Over the past few years, the ‘coffee shop’ culture has spread via chains like Costa Coffee, Starbucks, and Café Coffee Day in major cities, and seems poised for future growth. These chains are sourcing syrups, nuts, berries, and some bakery ingredients from foreign origins.

### **Home Delivery/Takeaway:**

Home delivery and takeaway services are expected to increase in popularity as consumers are looking for convenient options. Late working hours and social activities that run late into the night as well as chaotic traffic conditions in major metropolitan cities is driving sales of home deliveries. Home delivery also works well for food operators. This type of outlet requires a smaller space, which translates into lower and cheaper rentals and consequently, lower capital investment (rental deposit, interiors, furniture). In addition, ongoing operational costs (staffing, utilities, etc.) are also lower. The two most important threats to 100 percent home delivery/takeaway are expected to be cost components, staff salaries and utility costs, which increased drastically over the last two years. Another challenge is that home delivery continues to be a niche channel, where most consumers order for daily consumption. As a result, there are not many cuisine options available. As disposable income grows amongst urban

consumers, sources expect that individuals will move along the value chain to more expensive dining outlets.

In the past year, several online food delivery options emerged. Franchised or chained 100 percent home delivery/takeaway remains dominated by pizza. Most international players chose to expand through franchising as this provides local knowledge; but some companies are expanding through company-owned stores.

To cash in on the growing demand of home delivery, many operators made a foray into the third-party online delivery services. Third-party online delivery service providers such as [Foodpanda](#) and [Grofers](#) introduced delivery portals and web-based/ mobile applications. These operators tied up with existing, independent foodservice players for delivering to the end consumer. Such portals offered huge discounts to first-time consumers and attracted significant media attention with their business models.

### **Street Stall/Kiosks:**

Street food has gained acceptance due to the convenience and affordability it offers. Street food is highly fragmented and localized. With the increase in real estate prices and high operating costs, some companies prefer kiosks to stand-alone stores. Typical kiosk costs involve lower rentals and fewer staff. Consequently, their use of fuel, water and electricity is also lower than for other formats. Hence, even major players are launching kiosks and increasing their reach.

Unlicensed independent street stalls/kiosks constitute the bulk of sales for the sub-category in 2015. According to Government of India, there are approximately 2 million street food vendors across India. Most of the unlicensed operators provided meals or Indian-style savory snacks at affordable prices to a large clientele and hence, enjoyed huge popularity. However, the Food safety and standards authority of India (FSSAI) has initiated a 'Project – Clean Street Food' for street food vendors to train them about aspects of safe food and hygiene. Chained/branded street stalls/kiosks are popular, too. These chained stalls are located in shopping centers and high foot traffic streets.

The major challenge appears related to the supply chain as consumers expect food to be of farm-fresh quality. Moreover, running out of stock and spoilage due to improper storage are frequent occurrences. In addition, maintaining quality safety standards across all outlets is difficult.

### **Cafés, Bars and Pubs:**

The growth of cafes is driven by many factors; including, favorable demographics, rising income levels, the development of mid-sized cities and the advent of international chains. A growing willingness, especially among the youth, to consume food and drink outside the home and increasing disposable incomes are helping to fuel further growth. Cafés are considered perfect places to socialize and hangout; hence, sales of this category are mainly driven by the younger generation. The population segment aged 15 to 34 is the target demographic that visits cafés/bars frequently and the legal age for alcohol consumption in India is 25 years. Young people also prefer to drink on-site rather than take products away.

Bar and pub growth is associated with rising disposable incomes, a greater population of younger people reaching legal drinking age, growth of consumers in smaller towns, and widening exposure to pub culture. Bars and pubs make a major proportion of their revenue from drinks but most serve some meals

or snacks. Finger food is extremely popular to be consumed along with alcoholic beverages. Brew pubs featuring craft products are a new concept that is appearing across several big cities and slowly gaining popularity. Franchising continues to be one of the most popular ways of expanding amongst cafés/bars players. Various franchisees are the third biggest players amongst cafés/bars, but contribute marginal value share.

**Institutional:**

The institutional food service sector includes catering services for the armed services, railways, ships, airlines, hospitals, schools, government meal programs, prisons, and government and corporate offices. The leading hotel chains and a few corporate caterers provide catering services to the airlines and for higher-end corporate and private events. Cost is a major consideration and catering companies procure most of their food and beverage requirements from domestic sources. To the extent that caterers utilize imported foods, they commonly source from local firms that import and distribute foreign foods.

**SECTION III: COMPETITION**

The biggest competition for U.S. food and beverage products in India’s HRI market is from the domestic food industry. India’s diverse agro-industrial base offers many products at competitive prices. Leading multinational food companies and global brands have food processing operations in India that offer a range of western-style products at reasonable prices. Most local products are priced lower than comparable imported ones due to high import duties and marketing costs. While many high-end hotel and restaurant buyers are aware of the quality differences and insist on world class standards, most are also very price conscious.

There are no reliable statistics for specific information on imports of food and beverage products destined for the HRI sector. Based on a qualitative assessment of the market and information obtained from market sources, products from Australia, New Zealand, the European Union, the Middle East, and other Asian countries directly compete with items from the United States. In addition to the freight cost advantages, suppliers from these regions are often willing to supply mixed consignments and modify product specifications to meet Indian food laws.

**SECTION IV: BEST PRODUCT PROSPECTS FOR HRI SERVICE SECTOR**

**Category A: Products Present in the Indian Market that Have Good Sales Potential**

Description	Total Imports CY 2015 - Value (\$ millions)	Total Imports CY 2015 - Quantity (metric tons)	5-yr. Import growth by value (in %)	Base tariff	Key Constraints Over Market Development	Market Attractiveness for US
Almonds	737	96,017	17	Rs. 35/	Competition from	High seasonal

				kg (in-Shell)	Afghanistan and Australia	demand, health consciousness
Pistachios	110	10,842	13	10%	Competition from Iran and Afghanistan	High seasonal demand, health consciousness
Grapes Fresh or dried	66	202,259	21	30%	Competition from domestic and foreign suppliers	Seasonal shortages and high prices, diverse fruits among India's middle income population and growing retail industry
Apples Fresh, Pears And Quinces, Fresh	236	215,676	10	Apples 50% Pears 30%	Competition from domestic and foreign suppliers like China, Chile, and New Zealand.	Seasonal shortages and high prices, increasing interest in quality fruits and growth of organized retail.
Cocoa and Cocoa Preparations	205	53,715	10	up to 30%	Competition from domestic and other foreign suppliers	Consumer preference for imported products and brands
Fruit Juices	33	20,542 liters	3	up to 30%	Competition from domestic brands and neighboring countries	Increasing health awareness and shortage of domestic products
Sauces, Preparations Mixes, Condiments, and Seasonings	14	6786	7	30%	Competition from domestic brands	Consumer preference for imported products and brands and growing fast food culture
Beverages, Spirits, and Vinegar	569	392,140,302 liters	16	up to 150%	High import duty, complex state laws, and competition from other suppliers	Increasing consumption and growing middle income population
Cheese	7	1,267	1	Up to 30%	Prohibitive Import Requirements, Competition from Italy, Denmark, France, Oceania, Netherlands	Consumer preference for imported cheeses from various countries and brands

### **Products Not Present Because They Face Significant Barriers**

There are several key trade restrictions that limit market access for U.S. food products. Imports of most animal and livestock-derived food products are effectively banned due to established Indian import requirements. This includes certain sub-categories in the Harmonized Tariff Schedule under Chapters 2, 3, 4, 5, 16 and 21 (e.g., milk and dairy products, poultry meat, certain seafood, ovine and caprine products, as well as pork products and pet food). Furthermore, imports of beef are banned due to religious concerns.”

Effective July 8, 2006, the Government of India's (GOI) Foreign Trade Policy (2004-2009) specified that all imports containing products of modern biotechnology must have prior approval from the

Genetic Engineering Approval Committee (GEAC), Ministry of Environment and Forests. The policy also made a biotech declaration mandatory. Soybean and canola oil derived from GE soybeans (select events) and canola are the only biotech food/agricultural product currently approved for import. For more information on India's biotech import policy, please see IN6157 Agricultural Biotechnology Annual 2016'

#### **SECTION V: POST CONTACT AND FURTHER INFORMATION**

The following reports may be of interest to U.S. exporters interested in India. These, and related reports, can be accessed via the FAS Home Page: [www.usda.fas.gov](http://www.usda.fas.gov) by clicking on "Data & Analysis" and then selecting GAIN reports and choosing the "search reports" function to refine the desired criteria (e.g., category and date range).

<b>Report Number</b>	<b>Subject</b>
IN6165	Food Service- HRI 2016
IN6166	Food Processing Ingredients 2016
IN6163	Exporter Guide 2016
IN6162	Food and Agricultural Import Regulations and Standards – Narrative
IN6080	Agricultural and Agribusiness Consultants 2016
IN6157	Agricultural Biotechnology Annual 2016
IN6159	India Food and Agricultural Trade Show Calendar 2017

For additional information please contact:

#### **Foreign Agricultural Service**

**Embassy of the United States of America**

**Chanakyapuri, New Delhi - 110 021**

**Phone: 91-11-2419-8000, Fax: 91-11-2419-8530**

**E-Mail: [agnewdelhi@fas.usda.gov](mailto:agnewdelhi@fas.usda.gov)**

**Twitter: @USDAIndia**

**Web: [http://newdelhi.usembassy.gov/foreign\\_agricultural\\_service.html](http://newdelhi.usembassy.gov/foreign_agricultural_service.html)**

#### **Office of Agricultural Affairs**

**American Consulate General**

**C-49, G-Block, Bandra Kurla Complex, Bandra (E)**

**Mumbai - 400 051**

**Phone: 91-22-2672-4863**

**E-mail: [agmumbai@fas.usda.gov](mailto:agmumbai@fas.usda.gov)**

**Twitter: @USDAIndia**

**Web: <http://mumbai.usconsulate.gov/business/agriculture-related-business.html>**