

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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India

Retail Foods

2012

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Report Highlights:

Thousands of small traditional retail outlets continue to dominate the Indian food retail sector, accounting for 98 percent of sales. However, a number of modern retail chains offering a more consumer-friendly shopping experience are emerging and the number of stores has increased significantly over the past few years and now exceeds 3,000. The recent decision to allow foreign direct investment in multi-brand retail could speed the development of the retail sector in states where investment is allowed. India is a small but growing market for imported consumer -ready food products, imports were \$2.0 billion 2011, up from \$1.0 billion in 2008.

SECTION I. MARKET SUMMARY

General Economy and Policy Environment

In 2010, annual GDP growth reached 8.5 percent, then slipped to a nine-year low of 6.5 percent in 2011 and to 5.5 percent for the quarter ending June 30, 2012. India's GDP growth was recently downgraded by the international monetary fund to 4.9 percent for calendar year 2012. The economy is challenged by year-long depreciation of the rupee, stubborn inflation and a looming fiscal deficit. Nevertheless, 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.

Food inflation, which has been in the double digits for much of the past few years, is a particular concern. Food inflation has moderated slightly to 8-10 percent over the past few months. Thus far, the Government of India has not taken recent steps to lower tariffs or to improve access for imported products as a means of easing food inflation. Nevertheless, led by commodities such as pulses and vegetable oil for which tariffs were already low, India's agricultural imports jumped from \$7.2 billion in 2007 to \$17.3 billion in 2011. Imports of consumer-ready foods, led by nuts and fresh and dried fruits have doubled since 2008 to \$2.0 billion

Snapshot: Indian Food Retail Sector

- Estimates of the dollar value of India's retail sector vary significantly. A survey of 10 private estimates indicates that the total (food and non-food) retail sector was valued at somewhere between \$ 320 billion and \$ 550 billion in 2011.
- Retail food sales are estimated at \$270 billion, which equates to 60 percent of total retail sales.
- Estimates indicate that modern grocery retailers managed to carve out an estimated one percent share of food retail sales in 2005 and that share has increased to two percent in 2011 or \$ 5.4 billion.

Table 1: Size of Indian Food Retail

Sector	Estimated size on 2011
Total Retail (Food and Non- Food)	\$450 Billion
Organized Retail (Food and Non-Food)	\$27 Billion (6 % of total retail sales)
Food Retail (Modern and Traditional)	\$270 Billion (60 % of total retail sales)
Modern Food Retail	\$5.4 Billion (2 % of total food retail sales)
The food retail market includes the retail sales of all food products, both packaged and unpackaged, as well as beverages (including retail sales of all alcoholic and non- alcoholic beverages)	

Source: FAS Mumbai analysis and trade estimates

Foreign Direct Investment Approved

On September 14, 2012, the Government of India (GOI) again approved 51 percent Foreign Direct Investment (FDI) in multi- brand retail. The new policy establishes investment requirements for foreign retailers and hypermarkets, which have thus far been limited to wholesale operation. The government

had suspended implementation of the policy in late 2011. The new policy is largely unchanged from the 2011 policy, but emphasizes the role of the states in approving investment and sets a three-year time limit for foreign retailers to complete their investment in backend operations. See [IN2120](#) for more information. Opposition parties recently filed a motion seeking a withdrawal of the decision, but both houses of the Indian parliament voted to uphold the earlier decision.

Table 2: FDI in Retail Timeline

TIMELINE	SERIES OF EVENTS
July 1991	FDI up to 51 percent allowed in certain stores
January 1997	FDI up to 100 percent allowed in “cash and carry” format with automatic government approval
February 10, 2006	FDI up to 51 percent allowed in single brand retail with government approval
November 24, 2011	FDI up to 100 percent in multi- brand retail approved
December 7, 2011	FDI up to 100 percent in multi- brand retail put on hold
January 10, 2012	FDI up to 100 percent allowed in single brand retail
September 14, 2012	FDI up to 100 percent in multi brand retail approved
September 20, 2012	FDI in single brand retail sourcing norms amended
December 05, 2012	FDI in multi-brand retail decision wins a confidence vote in Lok Sabha (lower house)
December 07, 2012	FDI in multi-brand retail decision wins a confidence vote in Rajya Sabha (upper house)

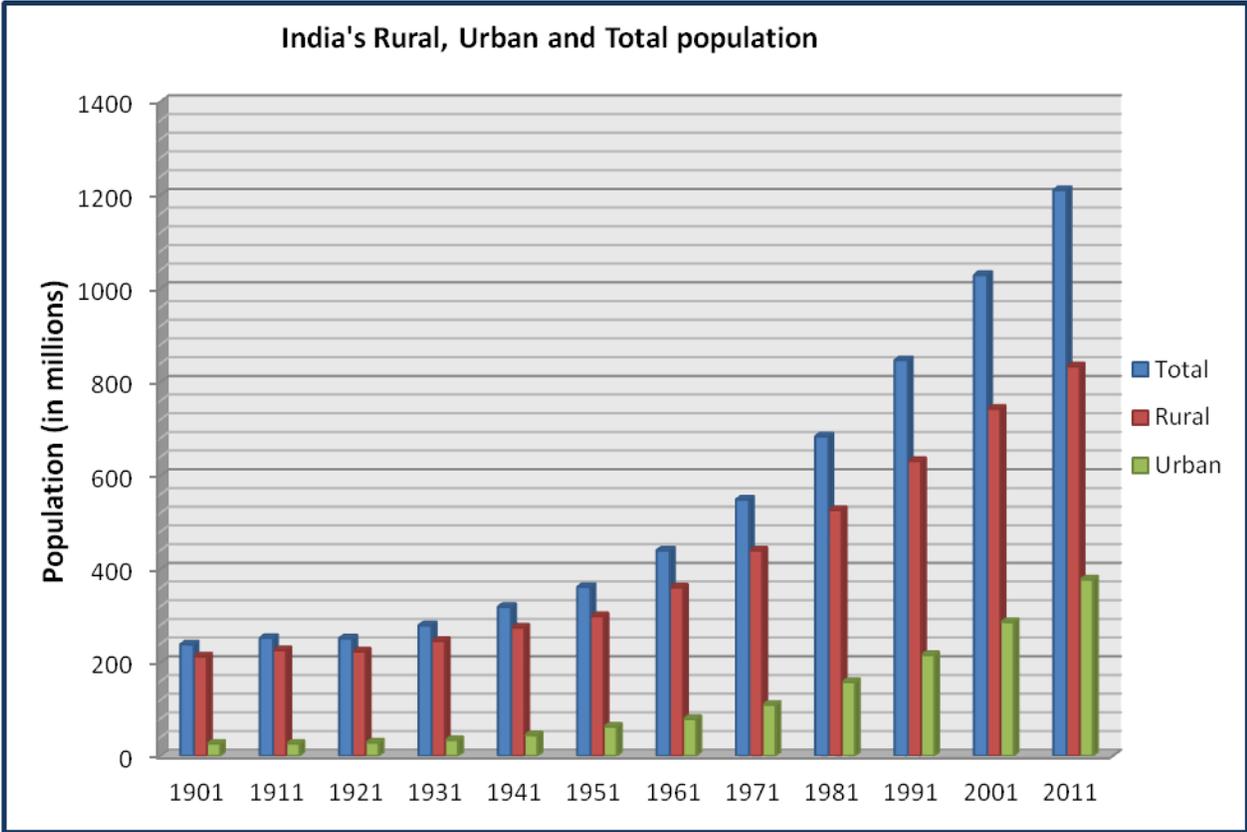
Consumer Demographics

With a population of nearly 1.2 billion, India is the world’s second most populous country after China. India is also one of the youngest countries in the world with a median age of 25. Nearly 60 percent of Indians are under the age of 30. However, declining birth rates suggest that the Indian population will age over the next 10 years with the fastest growth occurring among those aged 30 and above, a group that comprises the highest earners. Nearly half of all Indians are married and families traditionally live in joint or extended families resulting in an average household size of 5.3 people in 2011. In urban areas, smaller nuclear families are becoming more common as mobility and employment opportunities increase.

Over 800 million Indians live in rural areas compared to 380 million who live in urban areas. While the urban population is growing at more than double the rate of rural areas as migrants move to cities in search of opportunity, it will likely be several decades before India’s population will become majority urban. Agriculture accounts for an estimated 15 percent of Indian GDP, but over half of Indians are employed in agriculture, suggesting that urban areas will continue to gain population as surplus labor moves to cities. Nevertheless, rural areas are emerging as important markets for fast moving consumer goods. A study by the Confederation of Indian Industry and Technopak estimated the total value of the rural market at \$425 billion in 2010. Aside from vegetable oil and pulses, opportunities for imported value-added or consumer-ready foods are likely limited in rural areas.

While consumption of processed foods such as domestically-produced chips, biscuits and vegetable oils penetrates the lower income categories, current opportunities for value-added imported foods are generally thought to be limited to higher income consumers. According to data provided by Euromonitor, the top 10 percent of Indian households (22 million households with 100 million people living in the households) had total household expenditures of \$12,557 in 2010. Trade sources frequently estimate India’s market for luxury goods at 10 million people and data from Euromonitor indicate that there are nearly 450,000 people with annual incomes in excess of \$150,000, up from 300,000 in 2005.

Figure 1: India’s Population 1901-2011



Source: Government of India, Ministry of Home Affairs

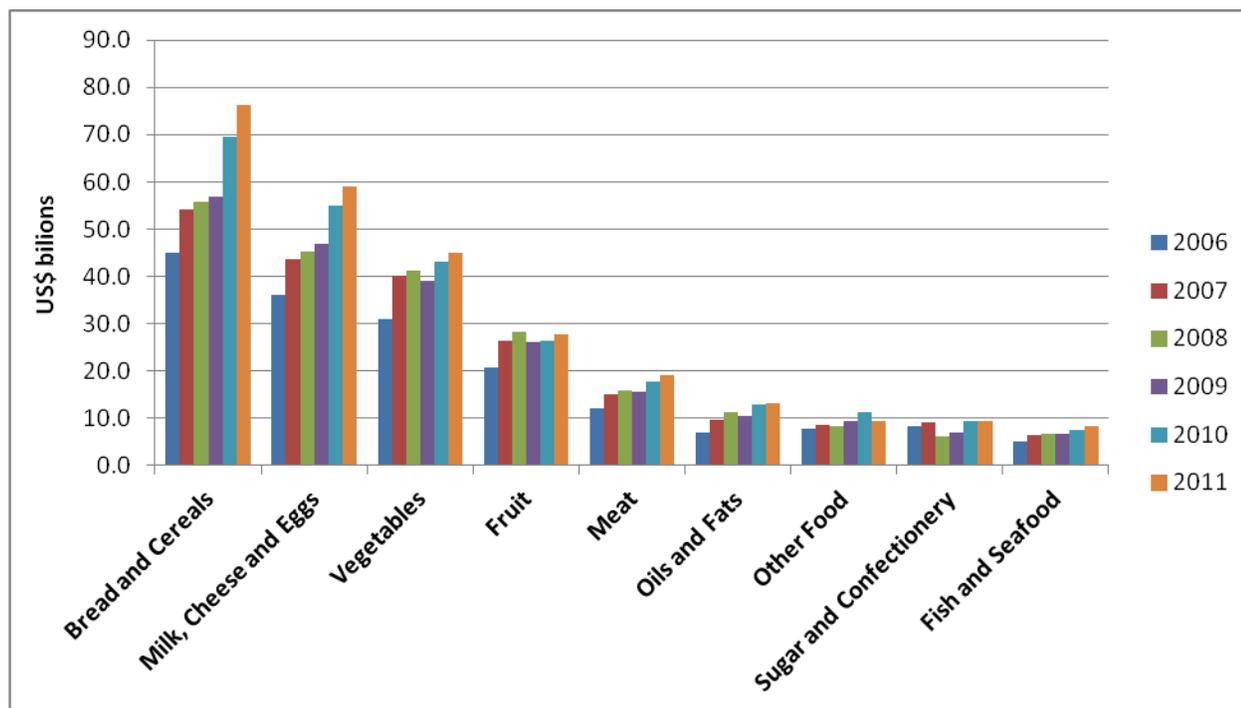
Table 3: Indian Consumer Expenditures on Major Food Categories During 2011

Categories	2011	2006 – 2011
	US\$ billions	Growth Percentage
Bread and Cereals	76.2	69.7
Milk, Cheese and Eggs	58.9	63.6
Vegetables	44.9	45.3
Fruit	27.8	34.3
Meat	19.1	56.6
Oils and Fats	13.2	88.6
Sugar and Confectionery	9.5	13.1
Other Food	9.5	23.4
Fish and Seafood	8.2	57.7
Total	267.3	54.5

*Growth rates are based on inflation-adjusted real values

Source: Euromonitor

Figure 2: Growth in Indian Consumer Expenditures on Major Food Categories 2006 – 2011



Source: Euromonitor

Consumer Food Preferences

An estimated 20-30 percent of the Indian population is strictly vegetarian in accordance with the tenets of Hinduism. Those Hindus who eat meat tend to do so sparingly and beef consumption is taboo among Hindus, Jains and Sikhs who comprise over 80 percent of India's population. Furthermore, non-vegetarian food is not consumed during special days or religious observances. India's large Muslim population (estimated at 160 million) does not consume pork and eats Halal animal products that are sourced from livestock that were slaughtered according to the tenets of Islam.

Indians tend to take pride in the many regional and varied foods that comprise Indian cuisine. In general, Indians have a strong preference for fresh products, traditional spices and ingredients, which has generally slowed the penetration of American and other foreign foods. However, the acceptance of packaged, convenience and ready-to-eat food products is increasing, especially among younger consumers and the urban middle class. Many Indians are quite willing to try new foods while eating out, but often return to traditional fare at home. Italian, Thai and Mexican foods are reportedly the fastest growing new cuisines in India and consumers are slowly diversifying their consumption patterns.

Typical imported food items that can be spotted in retail stores in major cities include dry fruits and nuts, cakes and cake mixes, pastries, chocolates and chocolate syrups, seasonings, biscuits, canned fruit juices, canned soups, pastas, noodles, popcorn, potato chips, canned fish and vegetables, ketchup, breakfast cereals, and fresh fruits such as apples, pears, grapes and kiwis.

Imported Food Market in India

India effectively prohibited imports of most food products up until 10 years ago. Consequently, the business of importing food is relatively new and consumer awareness of imported foods is limited, but growing. In 2011, India's market for consumer food products was valued at \$2.0 billion, up from \$1 billion in 2008. Nuts, dried fruit and fresh fruit account for about half of consumer-ready imports, but imports of other products are growing at the same rate, albeit from a very small base. The United States (\$448 million) was the largest supplier of consumer oriented agricultural products followed by China (\$200 million), Nepal (\$84 million), Afghanistan (\$84 million) and Australia (\$79 million).

For many Indian consumers, even upper income consumers, the option to consume imported foods and new cuisines is a new experience. While consumers may be familiar with foreign foods in a restaurant setting or during international travel, many do not know how to prepare foreign foods at home.

Consumer education is an important part of introducing new and imported foods to the market. Similarly, "Indianizing" products by altering a product's flavor or demonstrating how a foreign product can be fused with Indian foods are other ways of introducing new products. As India's modern retail sector develops, it will likely become an increasingly important vehicle for introducing imported food product to consumers before moving those products to the traditional retail sector. India now has several 24-hour food networks and cooking competition shows are becoming popular on television. Increased exposure to foreign foods and the opportunity to consume them is expected to lead to continued growth in the sector.

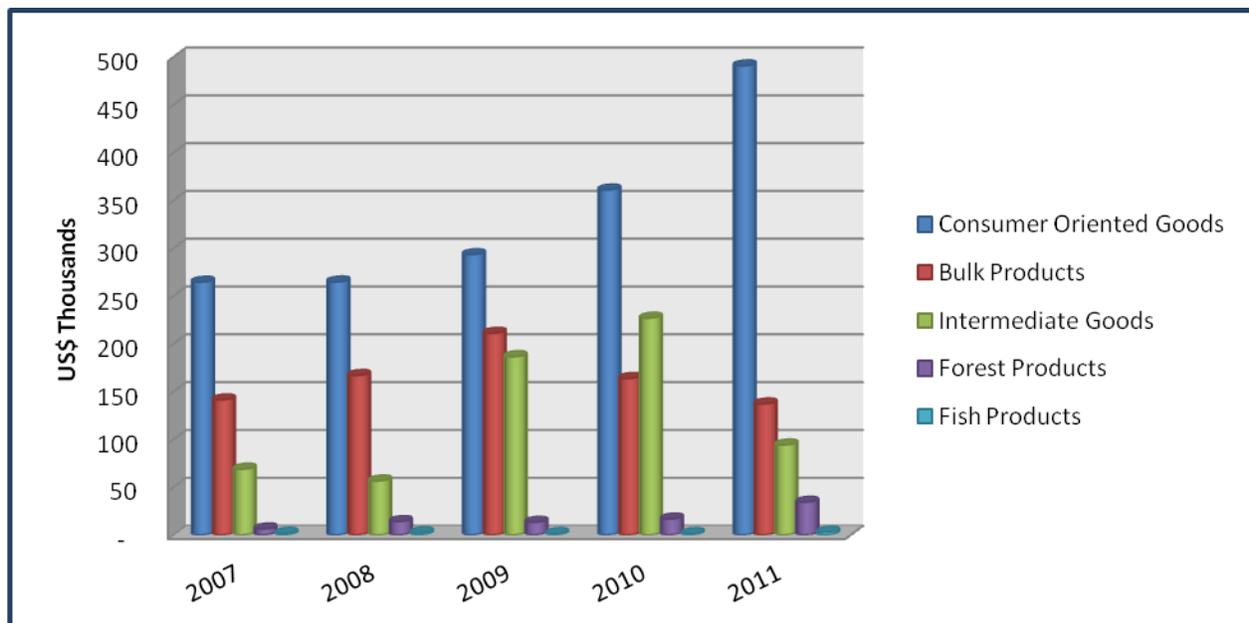
Imported nuts and fruits feed easily into India's traditional retail channels. An estimated 90 percent of imported fresh fruit is sold in roadside stands and open markets. Imported packaged and consumer-

ready foods are found primarily in hotels; a small number of gourmet grocery stores that specialize in imported foods; in the imported foods sections of some larger store formats and in thousands of small neighborhood stores that have some degree of specialization in imported foods. One of the more well-known imported food brands has products in over 22,000 stores across India, of which 19,000 are small traditional retail outlets. Hence, while the modern retail sector is expected to become an increasingly important means of selling imported foods, India’s traditional retail system will remain an important way of reaching consumers for years to come.

A variety of imported food products from the United States and other countries can be easily seen on the shelves of the organized retail stores:

- Beverages (Fruit juices, concentrate, alcoholic beverages, and carbonated drinks)
- Confectionary items
- Dry fruit and nuts
- Breakfast cereals
- Fresh fruits and vegetables
- Canned and frozen food
- Preserves, jam, jellies, and marmalades
- Health food products
- Pasta and noodles
- Soups, syrups, and seasonings
- Sauces and salad dressings

Figure 3: Export from US to India – Values in thousands of Dollars



Source: Global Agriculture Trade System

Impediments to Imported Food Products

- **High Tariffs:** Tariffs are generally 30-50 percent on imported food products, which coupled with local excise and sales taxes, distributor margins and transportation costs can double or triple the FOB price of an imported product by the time it reaches a retail shelf.
- **Infrastructure:** Refrigerated warehousing and transportation facilities are limited and costly, but facilities are improving. In some cases, high electricity costs and/or erratic power supplies have constrained cold chain development. Whereas infrastructure projects were previously reserved for the public sector, private investors are now being encouraged to participate in developing roads, warehouses markets and transportation links. The recent decision to allow FDI in the retail sector is expected to lead to some improvement in infrastructure in states where stores are allowed to open.
- **Stringent Food Laws:** The Government of India has recently consolidated its food laws under a single regulatory authority, the Food Safety and Standard Authority of India (FSSAI). Exporters from other countries have to follow an array of food laws covering use of additives, colors, labeling requirements, packaging, weights and measures, and shelf - life. See [IN2150](#), [IN2069](#), [IN2055](#) for more information.
- **Diverse Food Habits:** Indians have a number of food preferences that are derived from religious requirements such as Halal and vegetarianism. In addition, food habits and preferences can change dramatically from region to region, presenting a challenge for food marketers.

Table 4: Advantages and Challenges Faced by U.S. Products in India:

Advantages	Challenges
Growing middle income consumers, dual earning households, increasing exposure to western lifestyle and international cuisine	Diversified food habits and preference for fresh and traditional products
Associated with good quality and status	Indian food companies can offer products at competitive prices
Gradual transformation of retail food sector in urban and rural areas	Difficulty in reaching untapped semi-urban and rural consumer base due to infrastructural challenges

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

The best way to begin exporting to India is to identify a firm that imports and distributes food and beverages. These firms are experts at navigating the import and distribution processes and are able to engage directly with India-based food retailers. U.S. companies that already supply major food retailers in the United States or other foreign markets may wish to investigate similar supply relationships with firms that have a presence in India. Some retailers are importing directly but only products that they source in large volumes. With time, more retailers will likely import more products directly.

- 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.
- Analyze the likely landed post-duty cost of a product. Recognize that after local margins and transportation, a product may be significantly more expensive.
- Establish a relationship with an Indian importer/distributor that provides services to the food processing sector.
- Be prepared to start small by shipping a few pallets or cases of a product and recognize that it could take several months or years before an importer is ready to order full containers.
- Be willing to meet special labeling requirements and consider working through a consolidator or participating in mixed containers.
- U.S. firms should examine all distributor prospects and thoroughly research the more promising ones. Check the potential agent's reputation through local industry or trade associations, potential clients or bankers.
- Consider whether participating in an Indian trade show would be an effective means of identifying a distributor.
- For products with a potentially longer shelf life and/or larger order volumes (e.g., from medium or large food processing chains), U.S. exporters may identify and explore supplying through consolidators based in Dubai, Singapore and Europe.

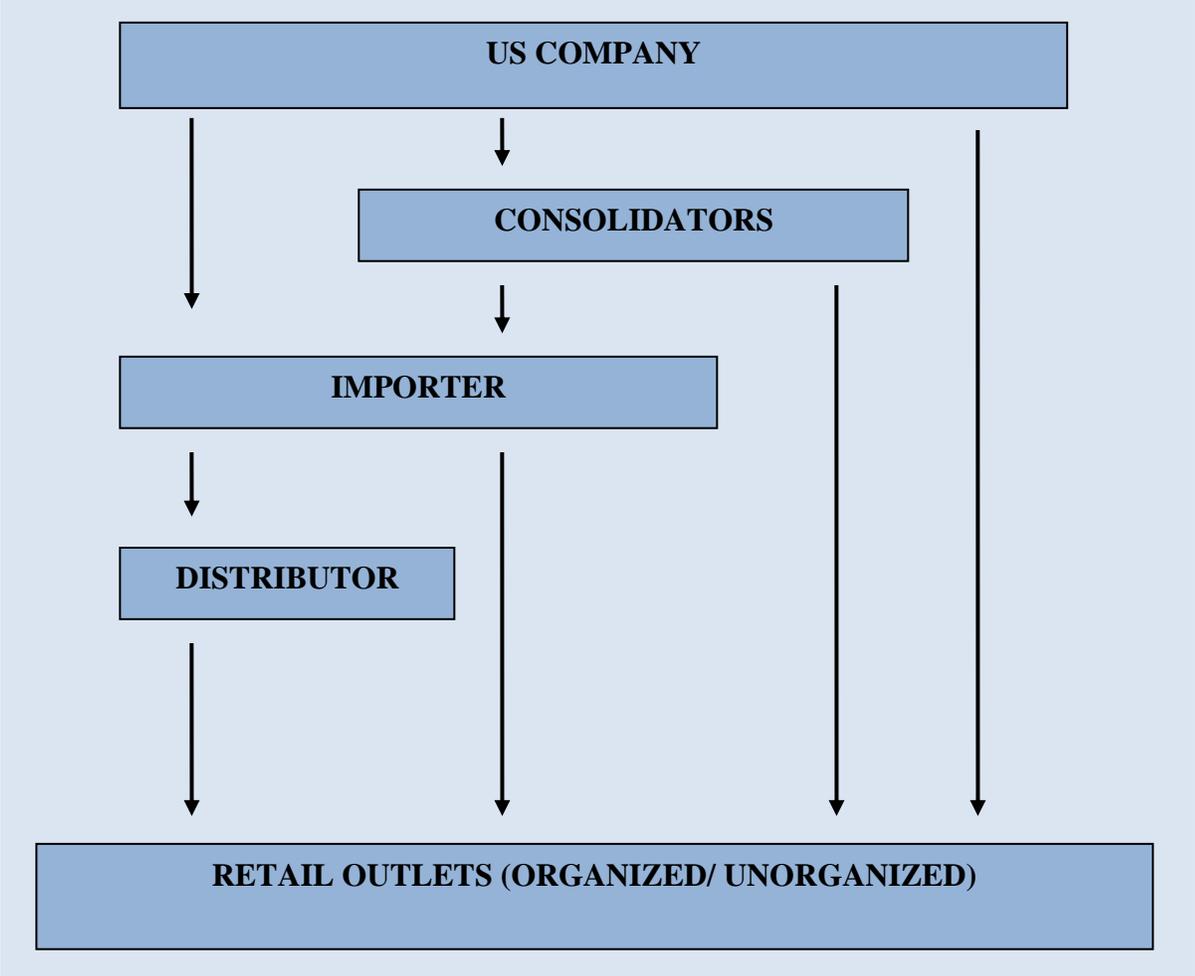
Participation in trade shows offers a good opportunity to get a sense of the Indian market and engage directly with potential importers or distributors. USDA currently endorses two annual trade shows in India. Mumbai-based Annapoorna typically takes place in September and Delhi-based AAHAR which takes place in March every year. While these shows are not geared specifically to food retail, they typically draw many of the major Indian importers and retailers. Indian importers also travel to major international shows such as SIAL, ANUGA and Gulfood.

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 cash 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, but these situations can be avoided with proper preparation and sale terms. For firms that qualify, the Export Import Bank of the United States provides exporter insurance.

Market Structure

The following chart gives an overview of the distribution network for imported food products:



Distribution Structure

Marketing channels for imported foods often involve several intermediaries. Indian firms typically import, with the help of a clearing and forwarding agent, and distribute food products to retailers. While a number of importers have their own warehouses, others may utilize clearing and forwarding agents to

facilitate the storage, movement and distribution of goods given the high cost of building and maintaining warehouses and maintaining truck fleets. Importer/distributors with national distribution typically have sub-offices in regional cities or appoint other distributors to market their products in specific regions.

For domestically produced foods, clearing and forwarding agents transport merchandise from the factory or warehouse to — stockists or distributors. While the agents do not take title to the product, they receive 2 to 2.5 percent margins, then invoice the stockist, and receive payment on behalf of the manufacturer. The stockists have exclusive geographical territories and a sales force that calls on both the wholesalers and on large retailers in urban areas. They usually offer credit to their customers and receive margins in the range of 3 to 9 percent. The wholesalers provide the final link to those rural and smaller retailers who cannot purchase directly from the distributors. Sales to these retailers are typically in cash only and the wholesalers receive a margin of 2 to 3 percent. Margins for retailers vary from 5 - 30 percent, and the total cost of the distribution network represents between 10 and 20 percent of the final retail price. As a rule of thumb, retail prices of imported foods are typically 100 to 200 percent (or more) percent higher than FOB export prices after tariffs, excise, margins and transportation costs added on. Added costs for products requiring refrigeration or special handling are even higher.

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.

Retailers rarely import directly, relying on importers and distributors to handle the clearing and storage of products. However, a few of the larger modern retail chains have started to import certain products directly. Imported foods enter India from regional trading hubs such as Dubai, Singapore and Hong Kong as well directly from supplying countries. Major importers are located in Mumbai, Delhi, Bengaluru, Hyderabad, Kolkata and Chennai.

Infrastructure

India has a growing number of logistics firms that are capable of meeting the demands of the growing restaurant sector. These firms are leading the way towards the development of a modern food infrastructure system, but there is still much to be done, especially in handling perishable and temperature sensitive products. The Indian food system has very limited experience in handling products that have specific temperature requirements and even if a product is delivered to a store in good condition, it is not uncommon for some small and traditional retailers to turn coolers off at night to save on electricity.

The Government of India is keenly interested in improving the food handling system and hopes to attract investment and technology in this area. The recent approval of FDI in multi-brand retail requires firms to invest in their back end infrastructure. With time, increased demand for better services, education and investment, the food handling system is expected to improve.

India has 3.34 million kilometers (2 million miles) of roads and roads in some areas have improved

considerably over the past 10 years. Nevertheless, road travel can be slow and difficult. India also has over 65,000 km (40,389 miles) of railroads that carry over 30 million passengers and 2.8 million tons of freight per day. India has coastline of 7,600 kilometers and is serviced by 13 major ports in Kandla, Mumbai, Mundra, Cochin, Mormuagao, and New Mangalore on the west coast, and Chennai, Tuticorin, Vishakhapatnam, Paradeep, Ennore and Kolkata on the east coast. Container handling facilities are available at most major ports and in several major cities. Mumbai, followed by Chennai, is India’s largest container port and the port where most containerized food enters India. Air shipments typically land at the Mumbai or Delhi airports. Freezer and refrigeration facilities at the Mumbai airport are limited and present a challenge for importers seeking to clear high value food products with short shelf life.

Emergence of Modern Retail

India’s food retail industry is dominated by thousands of small “kirana” stores which account for 98 percent of food sales. During the mid-1990s, there were an estimated 200 modern grocery stores operating in India. These were typically chains in south Indian cities (mainly Bengaluru) that were not much larger than kirana stores. These stores were distinguished by their emphasis on a more modern self-service shopping environment that offered a range of products. A few cities also had cooperative stores that were owned by consumer societies. However, the Indian market was dominated by small kirana stores and government-run food distribution outlets supplying essential commodities. The emergence of larger chains and stores began around 2005 and the sector has since grown to nearly 3,000 modern retail outlets across India. While many retailers are expanding and opening new stores, profitability continues to be an issue for many as factors such as high real estate costs, high capital borrowing costs, shrinkage, high debt levels, training of qualified staff and a costly supply chain add significantly to operating costs. For more information on the retail store formats and factors facing the development of the industry, see [IN2059](#).

Table 5: Estimated Number of Modern Retail Stores

Company	Store	Ownership	Chain Format	No. of outlets
Aditya Birla Retail	More	Local	Grocery Store	575

Aditya Birla Retail	More Megastore		Hypermarket	12
Arambagh Hatcheries Limited	Arambagh's Foodmart	Local	Grocery Store	31
Bharti Retail	Easyday Stores	Local	Grocery Store	150
Bharti Retail	Easyday Market		Supermarket	10
Bharti Retail	Easyday Hyper		Hypermarket	1
Brown Tree Retail	Brown Tree	Local	Grocery Store	12
Dairy Farm International	Foodworld Gourmet Store	Local	Gourmet Store	1
Dairy Farm International	Foodworld Super Store		Hypermarket	2
Dairy Farm International	Foodworld Supermarket/ Express Store		Supermarket	70
Express Retail Services Pvt. Ltd.	Big Apple Retail	Local	Grocery Store	65
Pantaloon Retail (Future Value Retail)	Big Bazaar	Local	Hypermarket	161
Pantaloon Retail (Future Value Retail)	KB's Fairprice		Supermarket	135
Pantaloon Retail (Future Value Retail)	Food Bazaar		Grocery Store	135
Pantaloon Retail (Future Value Retail)	Food Right		Hypermarket	1
Pantaloon Retail (Future Value Retail)	Food Hall		Gourmet Store	1
Godrej Industries	Nature's Basket	Local	Gourmet Store	18
The Heritage Group	Heritage Fresh	Local	Grocery Store	72
Jubilant Group	Total	Local	Hypermarket	5
K. Raheja Corp. Group	HyperCITY	Local	Hypermarket	12
Kovai Pazhamudir Nilayam	Kovai Pazhamudir Nilayam	Local	Supermarket	34
Le Millennia Supermart	Needs Supermarket	Local	Supermarket	17
Magson Group	Magsons	Local	Supermarket	8
Max Hypermarkets India	Auchan	Local	Hypermarket	13
M.K. Retail Company	M.K. Retail	Local	Supermarket	7
MyDollarStore	MyDollarStore India	Local	Grocery Store	40
Namdhari's Fresh	Namdhari's Fresh	Local	Grocery Store	20
Nilgiri Dairy Farm	Nilgiris 1905	Local	Supermarket	90
N Stores Food Retail Pvt.	N Stores	Local	Grocery	3

Ltd.			Store	
Nuts N Spices	Nuts N Spices	Local	Grocery Store	16
Company	Store	Ownership	Chain Format	No. of outlets
Ratnadeep Super Market (P) Ltd.	Ratnadeep Supermarkets	Local	Supermarket	3
Reliance Retail Limited	Reliance Fresh	Local	Grocery Store	592
Reliance Retail Limited	Reliance Mart		Hypermarket	18
Reliance Retail Limited	Reliance Super		Supermarket	17
RPG Retail	Spencer's Hyper	Local	Hypermarket	30
RPG Retail	Spencer's	Local	Grocery Store	220
Shri Kannan Departmental Stores	Shri Kannan Departmental Stores	Local	Supermarket	25
SRS Retail	SRS Value Bazaar	Local	Supermarket	23
Sugar and Spice India Pvt. Ltd	Le Marche	Local	Gourmet Store	7
Tata Group (Trent)	Star Bazaar	Local	Hypermarket	13
Wadhawan Group (Smart Retail Pvt. Ltd.)	Smart Supermarket	Local	Grocery Store	28
Total	-		-	2,705

Source: Company Websites, Meetings with Retailers, Trade Publications

Table 6: Modern Convenience Stores

Company	Store	Ownership	Number of outlets
Bharat Petroleum	In & Out	Local	320
Godfrey Philips India	Twenty Four Seven	Local	4
Total			324

Source: Company Websites

Table 7: Cash-and-Carry Stores

Company	Store	Ownership	Number of outlets
Bharti Wal-Mart Private Limited	Best Price Modern Wholesale	Joint Venture between Bharti Enterprises and Wal-mart	12
Carrefour Group	Carrefour Wholesale Cash & Carry	Foreign	2

Future Group (Aadhar Retailing Limited)	Aadhar Wholesale	Local	1
Metro AG	Metro	Foreign	9
Total			24

Source: Company Websites

Table 8: Modern Retail Segmentation

Store Format	Store Size (sq ft.)	Number of outlets
Grocery Store	500-3,000	1,972
Supermarket	10,000-30,000	438
Convenience Stores	1,000-1,500	324
Hypermarket	60,000-120,000	268
Gourmet Store	500-5,000	27
Total		3,029

Source: Post Analysis

Note: The above information has been sourced from the industry sources or through the company websites. Therefore, USDA does NOT in any way endorse or guarantee the accuracy of the information contained in the above table.

Internet Retailing: Several internet grocery retailers have launched over the past few years and India's first e-retailer dedicated to imported foods recently opened. Some brick and mortar stores have also begun selling food on line or announced plans to do so. Shopping at traditional kirana stores can be unpleasant due to the lack of parking, air conditioning and occasionally less than hygienic conditions outside the stores. As a result, many well-to-do consumers are accustomed to having their groceries delivered from their local kirana store or having their household help do the shopping. The ability to order on line could enable modern retailers to better compete with the services that kirana stores provide.

Private Label: These products are a relatively new in India, but a number of large format retailers have launched their own private label brands. Retailers have a greater control over the supply chain with their own private labels, minimizing stock-outs. Among the many categories under private labels, staple foods such as packaged rice, cereals and pulses, flour, sugar, breakfast cereals and packaged tea are the most popular categories and find greater acceptance among consumers. For certain specialty items, retailers could turn to foreign private label manufacturers.

SECTION III. COMPETITION

Imported food products in the Indian retail market face a high level of competition from domestic products. India is a significant agricultural producer and a net exporter of food products. Domestic production has the added advantage of low-cost labor, easy access to raw materials and the protection of high tariffs, which provides an edge over imported food products. Many foreign multinational opt to invest and manufacture in India rather than import food products. Consequently, a growing number of

international brands are now made and marketed in India. Products from the United States also face competition from products coming from various other countries, which enjoy geographical proximity with India.

In 2011, India’s total imports for consumer oriented products were valued at US\$ 2.0 billion with dry fruits (almonds, pistachios) and fresh fruits (apples, oranges) among the dominant categories. Packaged food categories such as sauces, dressings and condiments, sugar based confectionery, juices, non-alcoholic beverages, bakery items and wine also registered positive growth during 2011 (see table below). The total share of imports from the United States was 22.5 percent valued at \$450 million, due in large part to exports of almonds and fresh fruit.

Table 9: Products Present in the market with competition from other countries.

Description	Major Supply Sources (Percentage Share by Value)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Almonds Imports: 86,641 tons US\$366 million	<ul style="list-style-type: none"> • USA – 74% • Australia - 9% • China - 4% 	Seasonal availability.	Products not sufficiently available on local market.
Pistachios Imports: 8,818 tons US\$62 million	<ul style="list-style-type: none"> • Iran -52% • Afghanistan – 19% • USA – 18% 	Historical trade relationship. U.S.brands locally packed from imported ingredients.	Products not sufficiently available on local market.
Grapes Fresh Imports: 3,899 tons US\$ 8 million	<ul style="list-style-type: none"> • USA – 50% • Peru – 14% • Chile – 9% 	Seasonal availability.	Seasonal domestic production, priced competitively.
Apples Fresh Imports: 179,015 tons US\$ 189 million	<ul style="list-style-type: none"> • USA – 37% • China – 36% • Chile -12% 	Price, Seasonal availability.	Products not sufficiently available on local market.
Pears And Quinces, Fresh Imports: 17,409 tons US\$: 13 million	<ul style="list-style-type: none"> • China – 42% • South Africa – 23% • USA – 23% 	Price competitive, Seasonal availability.	Products not sufficiently available on local market.

Sugars and sugar Confectionary Imports: 124,583 tons US\$ 125 million	<ul style="list-style-type: none"> • Brazil – 36% • USA -11% • Germany – 11% 	Rising demand for sugar and sugar confections.	Developed confectionary industry, Products not sufficiently available on local market.
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Description	Major Supply Sources (Percentage Share by Value)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Cocoa and Cocoa Preparations Imports: 46,829 tons US\$ 180 million	<ul style="list-style-type: none"> • Ghana – 15% • Indonesia – 15% • Sri Lanka – 10% • USA – 1 % 	Rising cocoa bean imports from top 3 countries due to proximity. Chocolate imports rising due to preference for new and evolving tastes.	Limited domestic cocoa production. India produces a number of good quality chocolate products. Local manufacturers mainly target consumers that prefer chocolates in conveniently packed single serve bars as well as large bars as well as party packs and in gift boxes. Locally manufactured chocolates include well known brands.
Fruit and Vegetable Juices Imports: 20,667 tons US\$ 36 million	<ol style="list-style-type: none"> 1.China – 19% 2.USA- 13% 3.UAE – 11% 	New concepts in juices always attractive, e.g. cranberry juice	Locally manufactured juices include well known international brands.
Sauces, Preparations Mixes, Condiments, and Seasonings Imports: 7,369 tons US\$ 13 million	<ol style="list-style-type: none"> 1.China – 26% 2.USA – 19% 3.Singapore – 7% 	<p>Rising preference for Asian style cuisines</p> <p>Singapore supplies high quality price competitive Asian sauces</p> <p>China is a major supplier of other high-end Asian sauces such soya sauce, oyster sauce, plum sauce and alike.</p> <p>The USA is a major supplier of western sauces such as salad dressing, spaghetti sauce, mixed condiments, barbeque sauce, black pepper sauce,</p>	Local products dominate this snacks market with very widespread national distribution reach. Locally produced soya sauce, tomato sauce and other Asian sauces have a very strong presence in the market

		Thousand Island Dressing, salad cream, salsa and alike.	
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Description	Major Supply Sources (Percentage Share by Value)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Beverages, Spirits, and Vinegar Imports: 177,237,697 tons US\$ 274 million	1. United Kingdom - 42% 2. Nepal – 10% 3. Brazil – 8% USA – 7%	Rise in demand for non-alcoholic beverages, High import duty and competition from domestic suppliers New U.S. concepts in beverages always attractive, e.g. functional drinks	Local branded mineral water, juices, cordials and soft drinks dominate the market. The market is dominated by locally manufactured. India has two major breweries that are aggressive brand driven businesses which proactively protect their market shares.
Source: Global Trade Atlas, market observations and trade comments			

SECTION IV. BEST PRODUCT PROSPECTS:

Category A: Products present in market and have good sales potential

Description	Total Imports CY 2011 - Value (\$ millions)	Total Imports CY 2011 - Quantity (metric tons)	5 Year Avg. Annual Export Growth	Base tariff	Key Constraints Over Market Development	Market Attractiveness for US
Almonds	366	86,641	17%	Rs. 35/ kg (in-Shelled)	Competition from Afghanistan and Australia	High seasonal demand; Increasing use, health consciousness
Pistachios	62	8,818	14%	10%	Competition from Iran and Afghanistan	High seasonal demand; Increasing use, health consciousness
Grapes Fresh	8	3,899	33%	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	189	179,015	52%	50%	Competition from domestic	Seasonal shortages and high prices,

					and other foreign suppliers	diverse fruits among India's middle income population and growing retail industry
Pears And Quinces, Fresh	13	17,409	42%	30%	Competition from other foreign suppliers like China and South Africa	Seasonal shortages and high prices, diverse fruits among India's middle income population and growing retail industry
Sugars and sugar Confectionery	125	124,583	41%	up to 100%	Competition from domestic and other foreign suppliers	Consumer preference for imported products/ brands
Cocoa and Cocoa Preparations	180	46,829	45%	up to 30%	Competition from domestic and other foreign suppliers	Consumer preference for imported products/ brands

Description	Total Imports CY 2011 - Value (\$ millions)	Total Imports CY 2011 - Quantity (metric tons)	5 Year Avg. Annual Export Growth	Base tariff	Key Constraints Over Market Development	Market Attractiveness for US
Fruit Juices	36	20,667	23%	up to 30%	Competition from domestic brands and neighboring countries	Increasing health awareness and shortage of domestic products
Sauces, Preparations Mixes, Condiments, and Seasonings	13	7,369	19%	30%	Competition from domestic brands	Consumer preference for imported products/ brands and growing fast food culture
Beverages, Spirits, and Vinegar	274	177,237,697	22%	up to 150%	High import duty, complex state laws, and competition from other suppliers	Increasing consumption and growing middle income population

Category B: Products not present Due to Significant Trade 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 because of established Indian import requirements. This includes dairy products classified in Chapter 4 of the Harmonized Tariff Schedule, poultry meat, lamb and mutton, seafood, goat and pork products including pet foods. Imports of beef are banned due to religious concerns. Imports of alcoholic beverages are constrained by high import tariffs, local taxes and a complex licensing system for distribution and sales. Exporters should work

closely with local Indian importers of alcoholic beverages.

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. No biotech food product or ingredient is officially permitted for commercial importation. The only exception is soybean oil derived from Roundup Ready Soybeans, which was approved for importation on June 22, 2007, by the GEAC. For more information on India's biotech import policy, please see [IN2098](#).

SECTION IV. POST CONTACT AND FURTHER INFORMATION

The following reports may be of interest to U.S. exporters interested in India. There, and related reports prepared by this office, can be accessed via the FAS Home Page: www.usda.fas.gov by clicking on "Attaché Reports" and searching by the report number. Reports given below will provide additional information to exporters interested in Indian market.

Report Number	Subject
IN2059	India's Food Retail Sector Growing
IN2120	India Approves Foreign Direct Investment in Multi-Brand Retail
IN2163	Exporter Guide Annual 2012
IN2162	Wine Market Update 2012
IN1186	India: HRI Food Service Sector Annual 2011
IN2150	New Norms Under Legal Metrology-Packaged Commodities- Rules- 2012
IN2116	Livestock and Products Annual
IN2098	Agricultural Biotechnology Annual
IN2132	Dairy and Products Annual
IN1214	Food Processing Ingredients
IN2087	Agricultural and Agribusiness Consultants

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