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GAIN Report

Global Agricultural Information Network

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India

Retail Foods

Organized retail consolidated in 2016 with larger players expanding their presence through acquisition of regional players

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Report Highlights:

Organized retail consolidated in 2016 with larger players expanding their presence through acquisition of regional players. Modern retail remains constrained by low profitability, as domestics and international players shift towards building a stronger cash and carry wholesale business offering higher margins. As for imported foods, a growing number of importers are establishing independent retail outlets to showcase their assortment.

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.

Table 1. India: Imports of Ag., Fish, and Forestry Products from the World (U.S. \$ Billion)

Category	2009	2015	2016 (YTD) Jan- Sep' 16
Bulk	3.871	6.101	4.949
Intermediate	6.152	12.175	9.108
Consumer- Oriented	1.723	4.489	3.166
Fishery and Seafood	0.040	0.068	0.045
Forestry	1.446	2.482	1.637
Total	13.232	25.315	18.905

Source: India's Ministry of Commerce

Snapshot: Indian Food Retail Sector

- FAS Post analysis indicates the total (food and non-food) retail sector was valued at \$600 billion in 2016.
- Retail food sales are estimated at \$360 billion or about 60 percent of total retail sales.
- Estimates indicate that food retail sales in modern outlets carved out about 2 percent of sales (\$7.2 billion) in 2016 which is up from one percent in 2005.

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](#).

Table 2. India: Size of Food Retail

Sector	Estimated Size in 2016
Total Retail (Food and Non- Food)	\$600 Billion
Food Retail (Modern and Traditional)	\$360 Billion (60% of total retail sales)
Modern Retail (Food and Non-Food)	\$36 Billion (6% of total retail sales)
Modern Food Retail	\$7.2 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 India analysis and trade estimates

Foreign Direct Investment in Multi-Brand Remains Cloudy

India has more than 12 million shopkeepers who register 97 percent of all retail sales. Their opposition to liberalization of the retail sector is vigorous. Though the central government in New Delhi reversed an earlier decision and will now allow foreign supermarkets to open shops in India, individual states can still deny approval for FDI in retail.

In June 2016, the Government of India published a [Consolidated FDI Policy](#) that clarified investment procedures in retail (multi-brand and single-brand) marketing in an effort to attract foreign investment. In the case of FDI in multi-brand retailing, foreign equity up to 51 percent is allowed subject to a number of conditions and implementation is on a state-by-state basis. Only 12 states/union territories are listed in the circular as having agreed to allow FDI in multi-brand retail. While no official notification restricting FDI in multi-brand retail exists, the Government of India, in principal, has not liberalized sector growth.

Foreign Direct Investment in Cash and Carry Wholesale Trading Permitted

The Government of India clarified in the [Consolidated FDI Policy](#) that 100 percent FDI is permitted in business to business (B2B) activities. Cash and carry or wholesale trading includes resale, processing and later sale, as well as bulk imports with ex-port or ex-bonded warehouse business sales and B2B e-Commerce. The determination of whether a transaction is wholesale or not depends on the type of customers to whom a sale is made and not the volume of sales.

Foreign Direct Investment in E-Commerce Sector Permitted with Limitations

FDI is permitted in business to business (B2B) e-commerce activities and not in e-commerce retail trading or direct to consumer sale. FDI is not permitted in retail trading, in any form, by e-commerce for companies engaged in single or multi brand retail trading. However, 100 percent FDI is permitted under a marketplace model of e-commerce (i.e., a website serves as a platform for other private vendors to market single or multiple brands). No FDI is permitted under the inventory based model of e-commerce (where inventory of goods and services is owned by an e-commerce entity and is sold directly to consumers).

Table 3. India: FDI in Retail Timeline

TIMELINE	SERIES OF EVENT
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, 2011	FDI up to 100 percent in single-brand retail approved
September 14, 2012	FDI up to 100 percent in multi-brand retail approved
September 20, 2012	FDI in single brand 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)
June 06, 2013	Clarification issued on queries of prospective investors on FDI Policy of multi-brand retail
August 01, 2013	Union Cabinet approves amendment in FDI policy for multi-brand retail trading
May 27, 2014	FDI in multi-brand retail to be evaluated in a calibrated manner as per the newly elected government
May 12, 2015	FDI in multi-brand retail up to 51 percent allowed in single brand retail with government approval
June 7, 2016	Consolidated FDI Policy 2016 published

Consumer Demographics:

With a population of 1.27 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 27.6 years. Nearly 56 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 4.8 people in 2015. In urban areas, smaller nuclear families are becoming more common as mobility and employment opportunities increase.

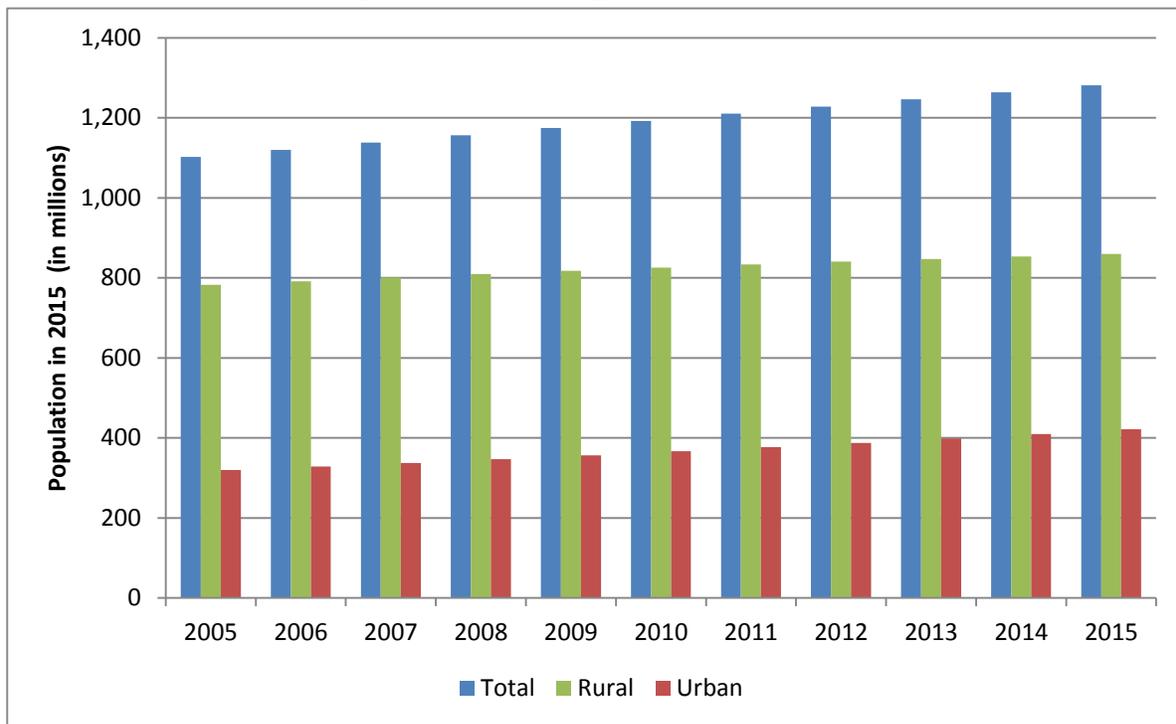
Over 855 million Indians live in rural areas compared to 415 million who live in urban areas. While the urban population is growing at more than double the rate of rural areas as migrants move to cities in search of opportunity, it will likely be several decades before India’s population will become majority urban. Agriculture accounts for an estimated 17 percent of Indian GDP, but over half of Indians are

employed in agriculture. Accordingly, urban areas will continue to gain population as surplus labor moves away from rural areas. Nevertheless, rural areas are emerging as important markets for fast moving consumer goods and daily staples like edible oils, pulses, fruits and vegetables. Imported value-added or consumer-ready foods are limited in rural areas, but show promise in Tier 1, Tier 2, and some Tier 3 cities.

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 upper, upper-middle, and middle class income consumers in urban metros and emerging city markets. According to data provided by Euromonitor, average consumer expenditure (for all products) per household by the top 10 percent of Indian households rose to \$9,711 in 2015 from \$8,067 in 2010.

Trade sources estimate India’s market for luxury goods is \$3.27 billion in 2016 and data from Euromonitor indicates that during 2011-2016, the luxury goods markets in India recorded real growth of 108 percent. There are nearly 656,000 households with annual incomes in excess of \$150,000, up from 444,000 in 2010. The location of luxury goods retailers remain limited in India and are centered in cities like Delhi and the National Capital Region, Mumbai, Bengaluru, Hyderabad, and Chennai.

Figure 1. India: Population 2005-2015



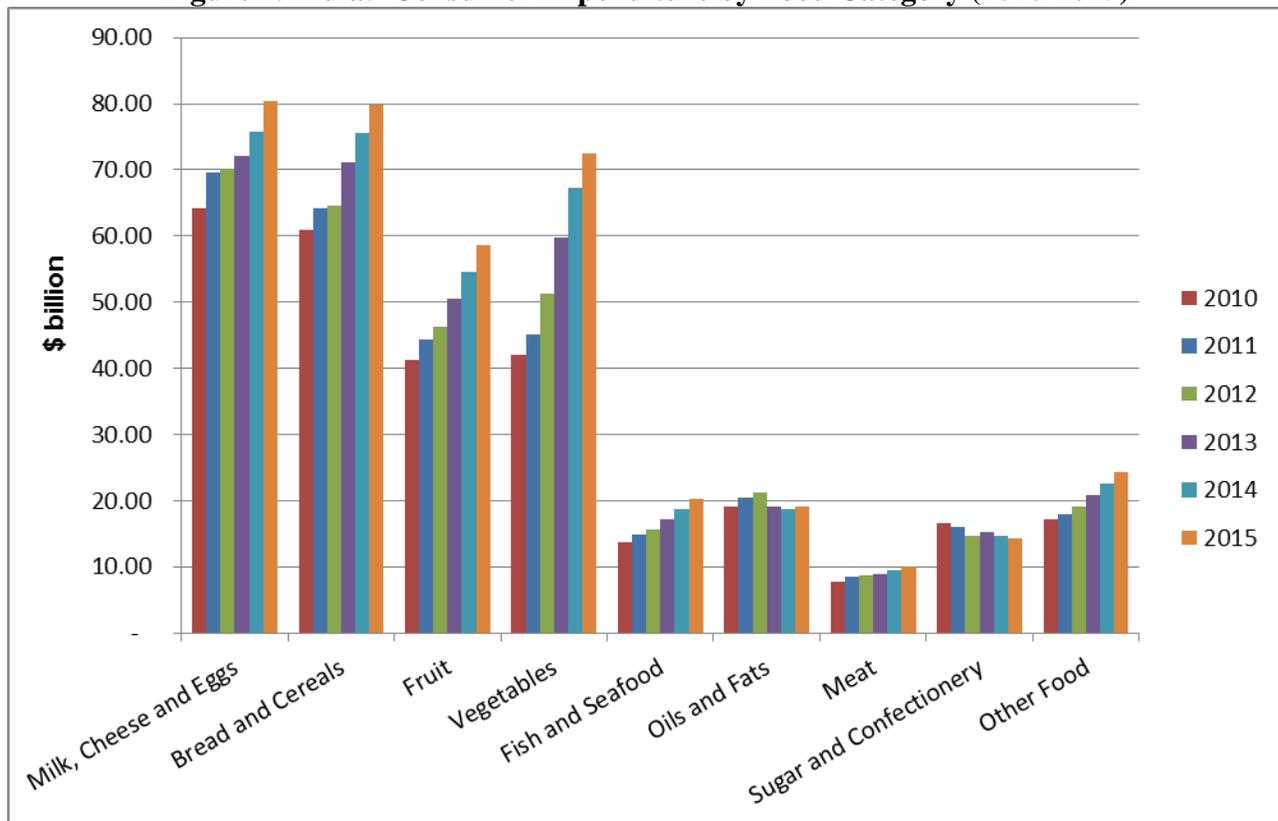
Source: Euromonitor

Table 4. India: Consumer Expenditures on Major Food Categories During 2015

Categories	2015	2010 – 2015	2010-2015
	(\$ billions)	Growth Percentage	CAGR
Milk, Cheese and Eggs	80.30	25.3%	4.6%
Bread and Cereals	79.90	31.2%	5.6%
Fruit	58.60	42.3%	7.3%
Vegetables	72.40	72.0%	11.5%
Fish and Seafood	20.20	46.8%	8.0%
Oils and Fats	19.00	0.4%	0.1%
Meat	10.00	29.4%	5.3%
Sugar and Confectionery	14.30	-13.0%	-2.8%
Other Food	24.20	41.4%	7.2%
Total	379.00	34.2%	6.1%

Source: Euromonitor

Figure 2. India: Consumer Expenditure by Food Category (2010-2015)



Source: Euromonitor

Consumer Food Preferences

Although studies suggest the vast majority of the Indian population is not vegetarian, 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 (cow meat) consumption is taboo among Hindus, Jains, and Sikhs who comprise over 80 percent of India's population.

Furthermore, non-vegetarian food (i.e., chicken, lamb/mutton, etc.) 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. Many non-vegetarian members of the Indian population, too, may not eat meat or poultry at home and may only consume it at restaurants or at food service establishments.

Indians 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 and upper middle class. Many Indians are willing to try new foods while eating out, but often return to traditional fare at home. Italian, Chinese, Thai and Mexican foods are reportedly the fastest growing new cuisines in India and consumers are slowly diversifying their consumption patterns.

Imported food items often spotted in retail stores include dry fruits and nuts, cakes and cake mixes, chocolates and chocolate syrups, seasonings, biscuits/cookies, canned/packaged fruit juices, canned soups, pastas/noodles, popcorn, potato chips, canned fish and vegetables, ketchup and other sauces, breakfast cereals, berries like cranberries and blueberries, and fresh fruits such as apples, pears, grapes and kiwis.

Indian consumers have very traditional habits when it comes to food shopping. They use a variety of small stores such as bakeries and butchers, as well as push cart vendors, but most dry goods and household items are purchased from kirana stores, which are typically family-owned outlets found on almost every street corner that usually offer home delivery. However, with the recently implemented demonetization of 500 and 1000 rupee currency notes and a shortage of currency for making change in the marketplace, many shoppers turned to organized retail where they could purchase items with debit or credit cards. Since the initial disruption, many kirana stores have implemented electronic payment methods to win back previous customers.

Imported Food Market in India

The business of importing food is relatively new in India and consumer awareness of imported foods is limited. In 2015, India's imports of consumer-oriented food products were \$4.5 billion, up from \$1.7 billion in 2009. Nuts, dried fruit and fresh fruit account for more than half of consumer-ready imports, but imports of other products are growing at strong rates. The United States (\$757 million) was the largest supplier of consumer-oriented agricultural products followed by Cote d'Ivoire (\$414 million), Sri Lanka (\$241 million), Afghanistan (\$223 million), and Tanzania (\$223 million). Data available through September 2016, indicates that imports had reached \$3.166 billion, with United States (\$509 million) remaining the largest supplier of consumer oriented agricultural products followed by Cote d'Ivoire (\$392 million), Sri Lanka (\$197 million), Benin (\$185 million), Tanzania (\$185 million), Nepal (\$148 million), Afghanistan (\$139 million), and Australia (\$137 million).

For many Indian consumers, even upper income consumers, the option to consume imported foods and

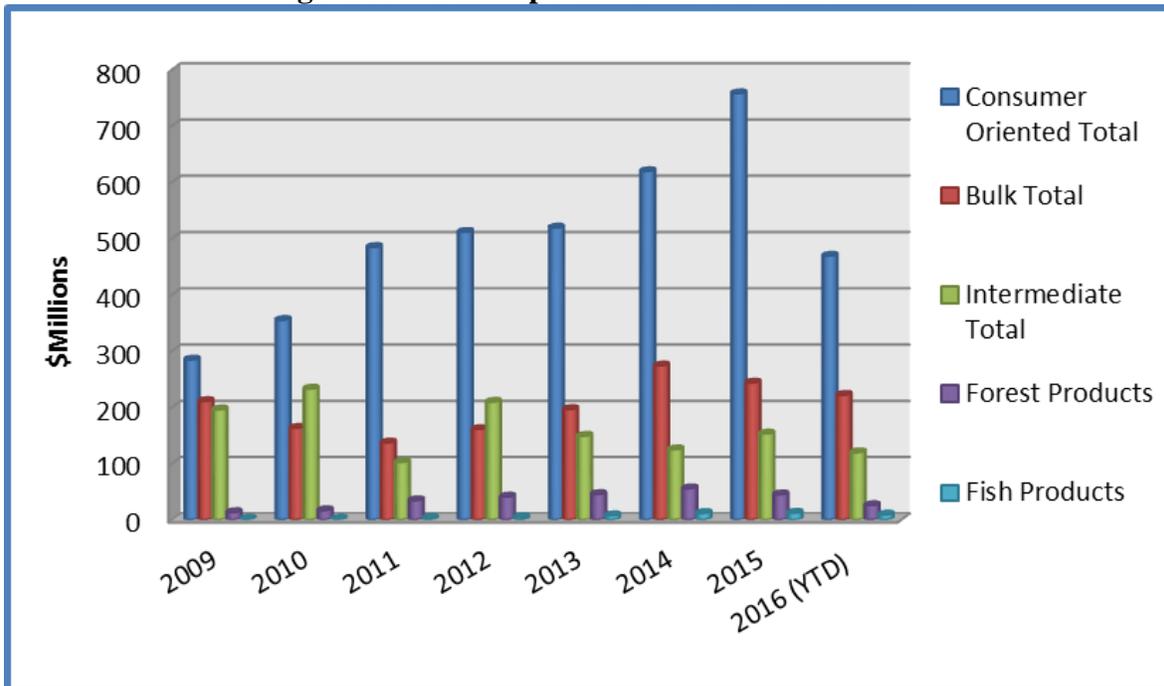
foreign cuisines is a new experience. While consumers may be familiar with foreign foods in a restaurant setting or during international travel, many do not know how to prepare foreign foods at home. Consumer education is an important part of introducing new and imported foods to the market as trade sources have suggested that with Indian familiarity with fresh ingredients, it is a challenge to introduce frozen foods. 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 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 popular on television. So much so that retail management has indicated that shoppers enter stores and look to repeat menus and recipes from shows aired the previous evening. 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.

The following 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, concentrates, alcoholic beverages, and carbonated drinks)
- Confectionary items
- Dry fruits 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. India: Imports from the United States



Source: USDA/FAS Global Trade Database

Impediments to Imported Food Products:

- **High Tariffs:** Tariffs are generally 30-50 percent on imported food products, which, when coupled with local excise and sales taxes, distributor margins, transportation costs, and retail margins and final prices can be double or triple the FOB price of an imported product.
- **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 may eventually 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). For more information on food laws related to food products imported into India please refer to Food and Agricultural Import Regulations and Standards (FAIRS) - Narrative report (available from the “Exporter Assistance” category of the FAS [GAIN](#) website)
- **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 5. India: Advantages and Challenges Faced by U.S. Products in India

Advantages	Challenges
<ul style="list-style-type: none"> Expanding number of middle and upper income consumers willing to diversify diets. 	<ul style="list-style-type: none"> Stringent food regulations regarding biotech foods and ingredients and certain food additives.
<ul style="list-style-type: none"> Increasing urbanization and growing number of working women that has led dual-income households. 	<ul style="list-style-type: none"> Diverse agro-industrial base offering many products at competitive prices and preference for fresh traditional foods.
<ul style="list-style-type: none"> Increasing exposure to international products and a western lifestyle. 	<ul style="list-style-type: none"> Indian food companies (including many multinational companies) produce western-style food products at competitive prices.
<ul style="list-style-type: none"> Opportunities for bulk and intermediate products that can be used by the food processing sector under the Make in India campaign. 	<ul style="list-style-type: none"> High tariffs, persistent sanitary and phyto-sanitary requirements that effectively prohibit or restrict imports and competition from other countries.
<ul style="list-style-type: none"> A slow but, gradual transformation of the retail food sector in urban and rural areas. 	<ul style="list-style-type: none"> Difficulties in accessing vast semi-urban and rural markets due to infrastructure limitations.
<ul style="list-style-type: none"> U.S. food products are considered safe and of high quality. 	<ul style="list-style-type: none"> High income consumers are spread throughout the country.
<ul style="list-style-type: none"> Strong U.S.-India ties and political stability in India. 	<ul style="list-style-type: none"> Competition from countries having geographical proximity and freight advantage.
<ul style="list-style-type: none"> Growing domestic and international tourism and rise in food/lifestyle media creating opportunities for niche and high-value products. 	<ul style="list-style-type: none"> Unwillingness of U.S. exporters to meet Indian importers' requirements (mixed shipments, changing product specifications to conform to Indian food laws, etc.).

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. 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

retailing 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 India specific labeling requirements.
- 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.

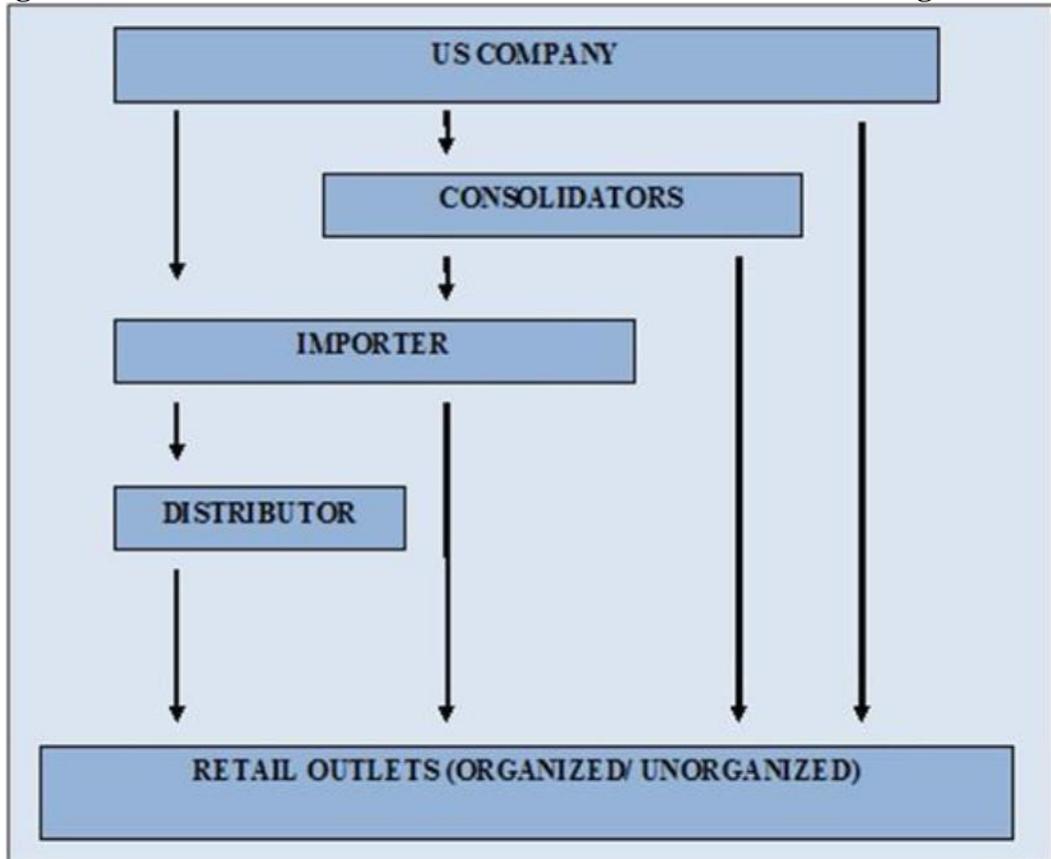
A visit to India to gain a first-hand feel of the Indian market, preferably coinciding with a major food show, such as Annapoorna (a USDA-endorsed show), the Food and Grocery Forum (January in Mumbai) or AAHAR (in March 2017 in New Delhi) (see Appendix B for more details) offers an opportunity to learn about the Indian market and meet prospective importers. Similarly, increasing numbers of Indian importers are visiting international food shows such as ANUGA, SIAL, Food and Hotel Asia, 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 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.

Market Structure

The following chart gives an overview of the general distribution network for imported foods:

Figure 4. India: Distribution Flow Chart for Retail Food and Beverage 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 3 to 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 five to seven 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 four to six

percent. Margins for retailers vary from 10 to 40 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 two to three times 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.

Table 6. India: Imported Food Product Pricing (Margins at Various Channels)

Distribution Channel	Margins
Clearing and forwarding agents	3-5 percent
Wholesalers	4-6 percent
Super Stockists	5-7 percent
Distributor	8-12 percent
Importers	5-25 percent
Retailer	10- 40 percent

Source: USDA/FAS Analysis

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 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, and Chennai.

Infrastructure

Refrigerated warehousing and transportation facilities are limited and costly, but improving. In some cases, high electricity costs and/or erratic power supplies have constrained cold chain development. Road travel can be slow and difficult. India has 3.34 million kilometers (2 million miles) of roads and many have not been improved over the past 10 years. 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 a coastline of 7,600 kilometers and is serviced by 13 major ports in Kandla, Mumbai, Mundra, Cochin, Murmagoa, 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 and Delhi airport are limited and present a challenge for importers seeking to clear high-value food products with a 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 over 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, high debt levels, training of qualified staff and a costly supply chain add significantly to operating costs.

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 are also selling food online or have 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 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 online could enable modern retailers to better compete with the services that kirana stores provide. For more information on the e-retailing grocery market, please refer to [IN5155](#).

Private Label: These products are 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 like sauces and condiments, vinegars, dried fruits and tree nuts, and microwaveable popcorn, retailers often turn to private label suppliers.

Cash and Carry Format: The presence of cash and carry remains very limited in India, with most of the companies involved in the channel engaging mainly in business-to-business sales. Cash and carry companies operating in India generally operate purely as business-to-business entities, positioning themselves as inexpensive mass retailers through which businesses can purchase stock in bulk and save substantial sums of money in the process. Indian consumers have access to these cash carry outlets only when their employers or a business body has a membership card with the retailer, and this membership card is presented by the individual customer at the time of purchase. As the government policy has maintained its position on restricted access to foreign investment in multi-brand retail, a growing number of domestic and international players are looking to expand their presence in India via the cash and carry wholesale retail format. The cash and carry model can be much more cost effective and profitable as stores can sell unbranded goods to the traditional retailers and provide them access to their large warehousing instead of small stores keep larger inventory in their own space.

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. 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 geographic proximity with India.

Table 10. India: 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: 96,017 tons \$737 million	<ul style="list-style-type: none"> USA – 73% Australia - 21% Iran – 3% 	Seasonal availability.	Price fluctuation leads to erratic supply in market however, related health benefits lead to purchase decisions.
Pistachios Imports: 10,842 tons \$110 million	<ul style="list-style-type: none"> Iran -68% Afghanistan –26% USA –5% 	Historical trade relationship. U.S .brands locally packed from imported ingredients.	U.S. origin product is not sufficiently available in local market thus product of other origin is consumed in Indian market.
Grapes Fresh Imports: 4,078 tons \$9 million	<ul style="list-style-type: none"> USA – 47% Peru – 16% Chile –15% Australia - 16% 	Seasonal availability.	Seasonal domestic production, priced competitively.
Apples Fresh Imports: 193,699 tons \$215million	<ul style="list-style-type: none"> USA –29% China –37% Chile -23% New Zealand –7% 	Price, Seasonal availability.	Seasonal domestic production, priced competitively.
Sugars and sugar Confectionary Imports:1,703,445 tons \$581 million	<ul style="list-style-type: none"> Brazil – 85% Germany – 3% USA - 2% Netherlands - 2% 	Rising demand for sugar and sugar confections.	Developed confectionary industry, Products not sufficiently available in local market.
Fruit and Vegetable Juices Imports: 2,0542 liters \$33 million	<ul style="list-style-type: none"> China –22% USA- 13% UAE –11% Brazil – 8% 	New juices are attractive, e.g. cranberry juice.	Locally manufactured juices include well known international brands.
Sauces, Preparations Mixes, Condiments, and Seasonings Imports: 6,786 tons \$14 million	<ul style="list-style-type: none"> USA –31% Thailand –15% China- 16% Malaysia- 6% Singapore –6% 	Rising preference for Asian style cuisines Singapore supplies high quality price competitive Asian sauces China is a major supplier of Asian sauces such soy sauce, oyster sauce, and plum sauce. The USA is a major supplier of western sauces	Local products dominate the snacks market with widespread national distribution. Locally produced sauces have a strong presence in the market

		such as salad dressing, spaghetti sauce, mixed condiments, and barbeque sauce.	
Wine Imports: 3,951,221 liters \$23 million	<ul style="list-style-type: none"> • France –40% • Australia –17% • Italy – 10% • United Kingdom - 9% • United States- 7% 	Growing demand in hospitality sector, High import duty and competition from domestic suppliers New concepts in wine are attractive.	Domestic manufactured wines dominate the market. India has one major brand that is aggressive brand driven business which proactively protects its 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 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/ kg (in-Shelled)	Competition from Afghanistan and Australia	High seasonal 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 like China, Afghanistan, and Peru	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 like Indonesia, Malaysia and Singapore	Consumer preference for imported products and brands
Fruit Juices	33	20,542 liters	3	up to 30%	Competition from domestic brands and neighboring countries like China, and UAE	Increasing health awareness and shortage of domestic products
Sauces, Preparations Mixes, Condiments, and Seasonings	14	6786	7	30%	Competition from domestic brands and neighboring countries like Thailand and China	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 like United Kingdom and France	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 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 IV. 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.fas.usda.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).

Report Number	Subject
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

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