



Foreign Agricultural Service

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## Retail Sector Report

### India

1999

Office of Agricultural Affairs  
U.S. Embassy, New Delhi

Prepared by:  
PSI, Inc.

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#### Report Highlights:

**The Indian retail food sector is modernizing. While an overwhelming percentage of the food items sold in Indian "supermarkets" are produced locally, recent amendments to India's export-import policy have opened the door to more foreign products.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
New Delhi [IN1], IN

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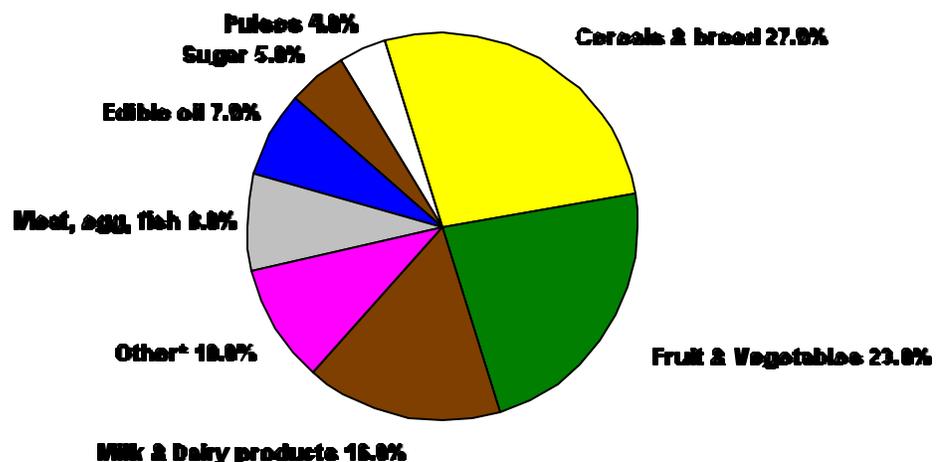
## I. Executive Summary

Food retailing in India is predominantly a small-scale business. Small family-owned shops typically retail food products in urban residential areas, urban markets and in villages throughout India. These grocery stores mainly sell food commodities. Small independent general stores (similar to grocery stores) retail branded foods. Specialized food stores sell one or two product categories such as bakery products, dairy products, meat, fruits, vegetables, grains, pulses or spices. Specialized food stores are mainly located in shopping markets. Hawkers sell fresh fruits and vegetables on open stalls or handcarts in wet markets.

Retail food sales in India were approximately \$132 billion in fiscal year 1998 and are growing at 12.9 percent per year. The retail market for fruits and vegetables has grown at over 20 percent per year in the past few years. Sales of dairy products and meat products are also growing. The volume of spices, coffee, tea and cocoa sales in India is currently low, but is growing rapidly. Retail sales of subsistence foods such as cereals, breads, pulses and edible oils have started declining. As incomes have risen, there has been a shift in consumption, from subsistence to basic foods such as dairy products and meat.

### Indian Food Retailing Industry Sub-Sectors Sales to Indian Consumers FY 1998

100 percent = \$132 billion



\* Includes potatoes, tubers, spices, coffee, tea, beverages, etc.

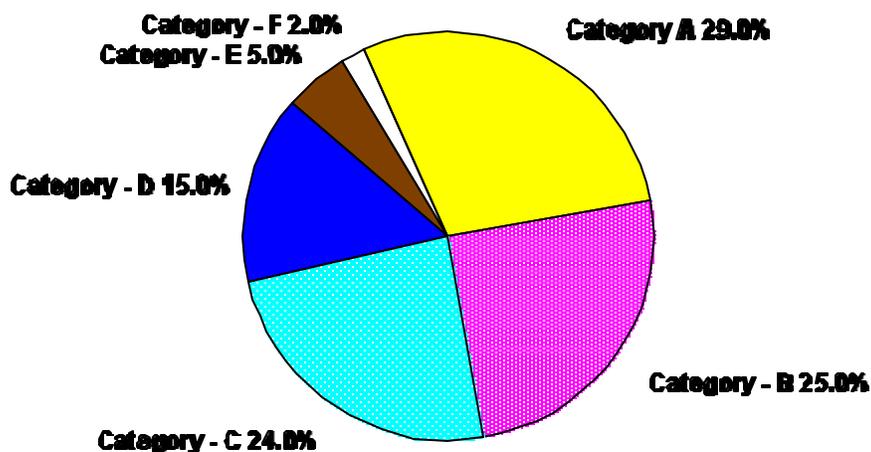
Source: Central Statistical Organisation, Literature search, Interviews, PSi analysis

India imported approximately \$2.1 billion worth of food in fiscal year 1998. The Indian food retailing sector buys almost half of total food exports to India (and more than 75 percent of U.S. food exports to India). However, India's food imports are growing fast -- over 37 percent per year (from fiscal year 1994 to 1998). India's edible oil imports grew approximately 78 percent per year from fiscal year 1994 to 1998 and were 37 percent of the total food imports in fiscal year 1998. Almost half of India's food imports are of agricultural produce such as cereals, fresh vegetables, fruits and nuts. Processed consumer food imports into India are low.

There are approximately 5.9 million retail outlets in India, of which 4.1 million (70 percent) sell food products. Grocery stores (56 percent of all retail outlets) and general stores (13 percent) dominate rural India. In urban India the retail format is more varied, with kiosks (17 percent of all retail outlets) and food stores (7 percent) in addition to grocery (35 percent) and general stores (14 percent). Beside traditional retail outlets, there are 50 supermarkets and about 350 convenience stores located in larger Indian cities. Retail outlets in urban areas account for approximately 38 percent of all retail outlets in India.

### Classification of Retail Outlets in Urban India By Sales, 1996

100 percent = 1.8 million outlets



Category - A: Outlets with monthly sales below \$141

Category - B: Outlets with monthly sales between \$141-\$452

Category - C: Outlets with monthly sales between \$452-\$1,158

Category - D: Outlets with monthly sales between \$1,158-\$2,005

Category - E: Outlets with monthly sales between \$2,005-\$2,851

Category - F: Outlets with monthly sales over \$2,851

Note: Food sales are approximately 70 percent of monthly sales

Source: ORG-MARG, BusinessToday, PSi analysis

The Indian retail environment is highly fragmented. The number of small outlets has grown over the past few years, bucking the worldwide trend toward retail consolidation. The number of small retailers with monthly sales of less than \$500 has increased from 40.5 percent of total retail outlets in 1990 to 54 percent in 1996. During the same period the percentage of retailers with monthly sales of more than \$3,000 has increased from 2.8 percent to 6.5 percent of total retail outlets.

Some supermarkets and convenience stores have recently opened in India. Such stores account for only 1 to 2 percent of the retail food sales in Indian cities. Industry observers feel that by 2005 India will have 25 warehouse clubs, 33 super centers and 1200 convenience stores.

Traditional retail outlets have been successful because of their convenience (proximity to homes), personal attention and lower prices. There are few large retail stores due to high overhead costs (e.g., high rental prices for new entrants) and the existing supply chain economies. Real estate prices are high (compared to older, rent -controlled shops) and restrict new entrants from opening large retail outlets in established markets. Few Indian consumers have access to transportation to travel to a supermarket; most consumers prefer their local neighborhood shops which carry only a slightly narrower range of products.

There are two significant trends in Indian retailing. First, Indian retailers have started promoting brands instead of just selling commodities. Larger retail outlets are influencing brand selection; they are beginning to renovate and use merchandising techniques. Some of these stores charge brand owners for shelf space. This is in stark contrast to the small shopkeepers who payed personal attention to regular customers and strongly influenced their buying decisions. The shopkeeper's recommendation was important because he often did not display all the items he stocked.

Secondly, retailers have also started offering home delivery services in urban areas. Indian consumers are increasingly choosing branded foods and are less likely to seek the shopkeeper's recommendation.

The following is a summary of advantages and challenges facing U.S. food products in India:

ADVANTAGES	CHALLENGES
Indian consumers view imported food as high quality and safe for consumption.	The Indian government levies high duties on food imports into India.
Brand awareness among Indian consumers and large food retail outlets are driving the growth of food imports.	Indian retailers have limited knowledge of imported food products. The infrastructure required for distribution of foods (especially perishable foods) is inadequate.
With the new Exim Policy of India (1999), a large number of food products that were earlier restricted from import can now be imported.	The Indian government stipulates high quality standards for imported food products, but implementation is not consistent.
Leading MNCs (e.g. Nestle, Pepsi) have established food processing ventures in India and are distributing their products to retail outlets throughout India.	Only a small percentage of the Indian population is familiar with foreign (including American) foods.
Supermarkets, though few in number, are growing in popularity.	Indian consumers generally buy food from traditional stores, which are convenient and perceived to be cheaper than supermarkets.
The demand for ready-to-eat/cook food is increasing because of a larger population of working women.	Most Indian consumers prefer to consume fresh vegetables and fruits.
Packaging of imported goods is typically better than that of domestic goods.	Most Indian consumers are highly price sensitive. There is a wide choice of local suppliers.



## II. Road Map for Market Entry

### A. Supermarkets

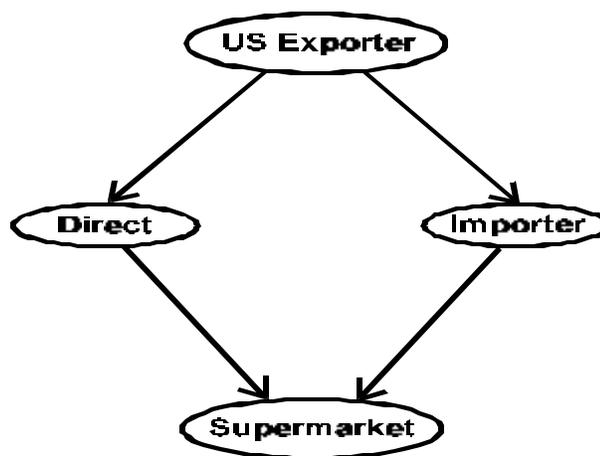
#### Entry Strategy

U.S. food exporters should analyze demand for their products in the Indian retail market and barriers to entry before selecting the best entry route. U.S. exporters of branded foods can directly export to large supermarket chains that have recently started operating in India. U.S. food companies should also consider entering into long-term agreements with Indian retail chains. The Indian government has allowed some foreign companies to enter retailing in India. Larger U.S. food exporters should consider establishing an Indian subsidiary to import from the United States and directly supply to Indian wholesalers and retailers.

#### Distribution Channels

Supermarkets buy an assortment of imported food products from Indian importers. The Indian importer may also act as a wholesaler or distributor. The Indian government-owned supermarkets do not buy or sell imported food items. However, private supermarkets are working directly with American food manufacturers (e.g., Nilgiris, a retail chain, imports American peas in bulk which are then packaged and distributed to both independent grocery stores and to Nilgiris' own stores). Some overseas manufacturers (e.g. Procter & Gamble) have a local office for importing and directly deliver imported food products to supermarkets.

#### Distribution of Imported Food in India To Large Retail Buyers



Source: Interviews



### Company Profiles

Retail Outlet	Ownership	Sales (\$Mln) 1998-9	Number of outlets	Location	Purchasing agent type
Canteen Stores Department	Ministry of Defense	750	3700	National	Local: manufacturer
Kendriya Bhandar	Ministry of Personnel, Grievances and Pensions	52	110	National	Local: manufacturer
Super Bazar	Department of Civil Supplies and Consumer Affairs	30.6	152	All outlets in Delhi	Local: manufacturer
Nanz	Goetze (India), Nanz (Germany), Marsh (USA)	9.4	24	Outlets in Uttar Pradesh, Delhi, Punjab, Haryana	Local: manufacturer
Nilgiris	M. Chenniappan	18	31	South India	Imports: Direct
FoodWorld	RPG Group	33	27	South India	NA

Supermarkets in India are reducing procurement inefficiencies through backward integration. Supermarkets may buy food directly in bulk from manufacturers and farmers instead of relying on intermediaries. By doing so, supermarkets can reduce the cost of distribution and can better control the availability of food products in their retail outlets. FoodWorld, for example, has set up a central warehouse where all suppliers deliver their goods. FoodWorld then redistributes these goods to its supermarkets from the warehouse.

Supermarkets are also sourcing directly from producers and selling food products as store-brands. Nilgiris' own branded baked, confectionery and dairy products account for over 35 percent of their total sales.

## B. Traditional Markets: Small Independent Stores and Wet Markets

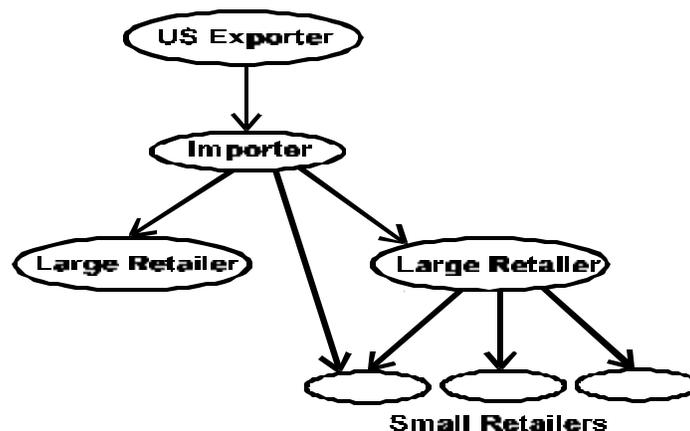
### Entry Strategy

There are a large number of intermediaries in the Indian retail market. This fragmented multi-layer distribution is a barrier to the entry of U.S. foods into the Indian market. U.S. exporters of food should carefully select and appoint distributors in the major cities of India. In selecting a distributor the U.S. exporter should consider an existing wholesaler or large retailer with a dominant position in the local market. The Indian distributor should be financially sound and reputable.

### Distribution system

Indian importers buy food products in bulk from overseas manufacturers and sell them to large retailers in India. Small retailers buy imported food from importers or large retailers. Many large retailers are increasingly buying high value imported foods because of their higher sales margins.

### Distribution of Imported Food in India To Small Retail Buyers



Source: Interviews

## III. Competition

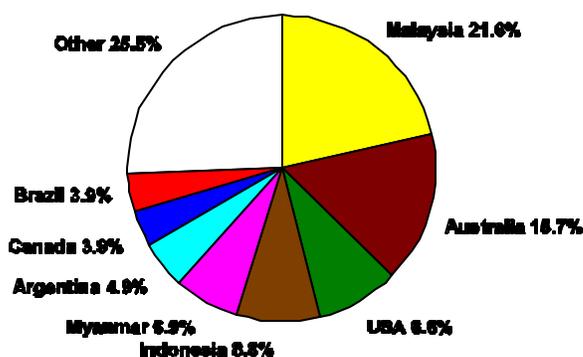
The United States is the third largest food exporter to India and accounts for approximately 9 percent of India's food

imports. The United States' food aid to India accounts for almost half of total U.S. food exports to India. Although U.S. food exports to India are growing at 9 percent per year (from fiscal year 1994 to 1998), U.S. share of the imported food market in India has declined from 23 percent in fiscal year 1994 to 9 percent in fiscal year 1998. Brazil, Australia, Canada and Argentina are the primary competitors of the United States in India's imported food market, and have taken market share away from U.S. suppliers over the past several years. India also imports fruits and nuts from Iran, Guinea and Tanzania.

### Country Competition in the Indian Food Sector

FY 1998

100 percent = \$2.1 billion



Source: DGCIS, PSi analysis

The United States exports a wide variety of food products to India (mainly processed foods and nuts). The U.S. supplies approximately 35 percent of India's total prepared food imports (prepared foods constitute 12 percent of India's total food imports).

The United States is India's sole supplier of homogenized composite food preparations (including soups and broths).

U.S. raw cane sugar exports to India (6 percent of India's import of raw cane sugar) face competition from Brazil (50 percent import market share). Brazil also supplies more than 50 percent of India's other sugar imports.

Unshelled almonds account for 3.2 percent of India's total food imports. The U.S. supplies approximately 85 percent of the unshelled almond exports to India. Recently, Iran and Australia have started exporting almonds to India.

Imports of dried leguminous vegetables, approximately 16 percent of India's total food imports, mainly consists of dried peas. U.S. market share of dried pea imports into India has sharply declined to approximately 3 percent (in fiscal year 1998) despite steady market growth. Canada now supplies approximately 37 percent of India's dried pea imports. Australia supplies approximately 25 percent of the dried peas and 61 percent of chickpeas imported to India. Myanmar supplies more than 90 percent of India's other dried leguminous vegetables imports.

#### IV. Best Product Prospects

Prospect in the Indian Market	Product
A. Products that are present in the market	- Bulk Commodities - Dried Peas and Beans - Almonds - Dates
B. Products not present in significant quantities but which have good sales potential	- Fresh and Processed Vegetables and Fruits such as: apples, oranges, lemons, cherries, potatoes, peas, beans, groundnuts and jams, fruit jellies, marmalade, fruit squash and cocktail, - Dairy Products - Snack Foods - Chocolates
C. Products that will not do well or cannot be used in the market	Beef and Fish

##### A. Products Present in the Market:

India is expected to continue importing bulk commodities (e.g., wheat and corn in reduced domestic production years) as well as dried peas, beans and fruits and nuts such as almonds, cashew nuts and dates. Import duty rates for dried peas is currently set a zero. Despite high duty rates for import of fruits and nuts, low domestic availability during the off-season will support windows of opportunity for imports of some fruits and vegetables.

##### B. Products Not Present in Significant Quantities but have Good Sales Potential:

The Indian government generally restricted the import of vegetables into India (dried peas and semi-preserved vegetables are exceptions). However, the government has recently allowed import of many other vegetables and the duty rates are relatively low (approximately 15 percent basic duty). This new import policy is expected to lead to an increase in imports of vegetables, fruits and related products.

In accordance with its commitments to the WTO, India is reducing quantitative restrictions on imports in a phased manner. In its latest budget, the Indian government has allowed the import of 894 items and special import licenses

as for another 414 previously restricted items. Foreign food exports to India will be allowed and will increasingly compete with the Indian food industry.

C. Products That Will Not Do Well or Cannot Be Used in the Market:

Indian Customs restricts the import of most processed meat preparations. India's domestic supply of fish is large due to its extensive coastline and therefore rarely imports fish.

**V. Post Contact**

For further information, contact PSi in New York at the following address:

PSi, Inc.  
1 World Trade Center, 93rd Floor  
New York, NY 10048  
Tel: 212-806-8841  
Fax: 212-514-9766

E-Mail: [Manu\\_Bammi@psi-world.com](mailto:Manu_Bammi@psi-world.com)  
Web site: [www.psi-world.com](http://www.psi-world.com)

**Selected Food Retailers In India**

1. Kendriya Bhandar  
Pushpa Bhawan  
Madangir Road  
New Delhi - 110 001.  
Ph: 91-11-6986102/6990912/6984104  
Fax: 91-11-6982150
2. Nanz Food Products Ltd.  
A-39, Mohan Cooperative Industrial Estate  
Mathura Road  
New Delhi - 110 044.  
Ph: 91-11-6959894 to 6959896  
Fax: 91-11-6959897
3. Super Bazaar  
The Cooperative Store Ltd.  
Super Bazaar, Connaught Place  
New Delhi - 110 001.  
Ph: 91-11-3310110/3310163/3310167  
Fax: 91-11-3310870

4. Canteen Stores Department  
"Adelphi"  
119, Maharshi Karvi Road  
P.O. Box 11060  
Mumbai - 400 020.  
Ph: 91-22-2037142
5. FoodWorld  
4th floor, Spencer plaza  
769, Anna Salai  
Chennai - 600 002.  
Ph: 91-44-8523611  
Fax: 91-44-8523691
6. Nilgiris Stores  
Nilgiri Dairy Farms Ltd.  
171, Brigade Road  
Bangalore - 560 001.  
Ph: 91-80-5588401/5588702  
Fax: 91-80-5585348

### **Selected Food Importers In India**

Angels Enterprises (P) Ltd. (commodities, dry fruits, vegetable products)  
13, Bela Road  
Civil Lines  
New Delhi - 110 054.  
Ph: 91-11-2522513/2522613  
Fax: 91-11-2915770

Chimera Gentec Pvt. Ltd.  
C-255, Sector - 51  
Noida - 201 303.  
Ph: 91-1191-570669  
Fax: 91-1191-570669  
chimgen@yahoo.com

Impex Global Limited (agro-commodities)  
Street no. 9, Manjlish Park  
Adarsh Nagar  
New Delhi - 110 033.  
Ph: 91-11-7227454/7137454  
Fax: 91-11-7231115

Indian Specialty Fats Ltd. (soya bean oil, peas)

Choubey Colony

Raipur - 492001.

Ph: 91-771-253628

Fax: 91-771-253623

gallant@gwrl.dot.net.in

Mega Overseas Inc. (agro-products)

MB - 29, Antriksh Bhavan

22, Kasturba Gandhi Marg

New Delhi - 110 001.

Ph: 91-11-3713668/3351161

Fax: 91-11-3329598

Ashok Enterprises

23A, Netaji Subhas Road

6th Floor, Suite No. 4

Calcutta - 700 001.

Ph: 91-33-4749949/4756885

Fax: 91-33-4749919/2204946

aarvind@cal.vsl.net.in

Bush Boake Allen India Ltd. (orange oils, vanillin, ethyal)

1-5, Nagdevi Cross Lane

Mumbai - 400 003.

Ph: 91-22-3400486/3445456/3401109

Fax: 91-22-3442211

Eastern Agencies (vanillin, coumarin, terpinol, saccharines)

301, Mangal Simran

28th Road, Bandra West

Mumbai - 400 050.

Ph: 91-22-6433242/6453958

Fax: 91-22-6435189

Global Links

RH-3, Agrawal Plaza, Sector: 2

Plot 69, Kopar Khairane

New Mumbai - 400 003.

Ph: 91-22-7541233/7541179

Fax: 91-22-7541233

sagarg@bol.net.in

Kothari Global Ltd. (pulses)  
133, Mittal Court 'B' Wing  
13th Floor, 224  
Nariman Point  
Mumbai - 400 021.  
Ph: 91-22-2875249/2875250  
Fax: 91-22-2872430

Navalji Kothari Trading India Ltd. (food grains, oils)  
Kothari Commercial Complex  
Kala Chabutra  
Akola - 444 001.  
Ph: 91-724-434409  
Fax: 91-724-435873  
sagarg@bol.net.in

Pushpanjali Polymer Industries Pvt. Ltd. (fresh fruits, vegetables)  
104, Continental Park  
Kuthrud  
Pune - 411 029.  
Ph: 91-212-331310  
Fax: 91-212-330899  
ssd96@yahoo.com

Sugar Supply Co.  
107/109, P.D. Mello Road  
Carnac Bunder  
Mumbai - 400 009.  
Ph: 91-22-3436322/3435982  
Fax: 91-22-3436594

Nireman International (Cocoa)  
22 (Old 37/6)  
Aga Abbas Ali Road  
Bangalore - 560 042.  
Ph: 91-80-5594877  
Fax: 91-80-5594837

## Sources Of Information

Central Statistical Organization  
Sardar Patel Bhawan  
Sansad Marg  
New Delhi - 110 001.  
Ph: 91-11-3344689  
Fax: 91-11-3732067

Centre for Monitoring Indian Economy  
11 Apple Heritage  
54-C Andheri Kurla Road  
Andheri (East)  
Mumbai - 400 093.  
Ph: 91-22-8219595/8219090  
Fax: 91-22-8219696

Confederation of Indian Industry (CII)  
23, Institutional Area  
Lodi Road  
New Delhi - 110 003.  
Ph: 91-11-4629994 to 4629997  
Fax: 91-11-4633168/4626149

Department of Small Scale Industries  
Agro and Rural Industries  
Ministry of Industry  
Government of India  
Nirman Bhavan  
New Delhi - 110 011.  
Ph: 91-11-3019219  
Fax: 91-11-3018315/3017611

Director General of Commercial Intelligence & Statistics  
1, Council Street  
Calcutta  
Ph: 91-33-2483111  
Fax: 91-33-2486528

India Investment Centre  
Jeevan Vihar Building  
Sansad Marg  
New Delhi - 110 001.  
Ph: 91-11-3733673/3733679  
Fax: 91-11-3732245/3733712  
E-mail: iic@giasdl01.vsnl.net.in  
Web site: www.nic.in/iic

Indian Trade Promotion Organisation  
Pragati Maidan  
New Delhi - 110 001.  
Ph: 91-11-3371540  
Fax: 91-11-3320855/3318142

Ministry of Food Processing Industries  
Government of India  
Khel Gaon Marg, Panchsheel Bhavan  
New Delhi - 110 0049.  
Ph: 91-11-6492216/6493227/6493228  
Fax: 91-11-6493228

National Council for Applied Economic Research  
Parsila Bhawan  
11, Indraprastha Estate  
New Delhi - 110 002.  
Ph: 91-11-3317860 to 3317868  
Fax: 91-11-3327164

Secretariat for Industrial Assistance  
Ministry of Industry  
Government of India  
Udyog Bhawan, New Delhi - 110 001.  
Ph: 91-11-3011983/3014218/3014088  
Fax: 91-11-3011034/3015245/3012626  
E-mail: iisdc@sansad.nic.in