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A faint, light-colored world map is visible in the background of the page, showing the outlines of continents and countries.

## Market Brief - Product

### India : India's Emerging Ice-Cream Market

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New Delhi [IN1], IN

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## **Consumption Trend**

India's ice-cream consumption is estimated to be growing at roughly 9 percent per year, and is forecast to reach 120 million liters in 1998/99. This is still only 120 ml per capita -- much less than its South Asian neighbors, Pakistan (400 ml) and Sri Lanka (300 ml). India's consumption has been constrained until recently by restrictive production policies and an effective ban on imports. However, increasing middle class incomes, changes in urban lifestyles, and improved supplies due to liberalized production policies may lead to sharply higher consumption over the next few years.

Consumption is largely confined to the urban population, and predominantly during the summer. Among the flavors marketed, the most preferred are vanilla (30 pct market share), strawberry, chocolate and butterscotch in that order. To cater to the lower end of the market some producers have recently introduced cheaper sherbets containing artificial fruit juices and sugar. Until 1997, imported ice-cream was limited to foreign exchange earning luxury hotels. After liberalization, a Delhi-based trader has started importing some US ice-cream, though demand is limited by high tariffs (51 percent).

## **Distribution**

Ice-cream distribution typically involves a distributor, a wholesaler and the retailer. Most brands have small regional operations with their production facilities located near major markets due to lack of cost-effective cold chain facilities. Distribution of national brands is done through owned or leased cold storage facilities located in the major consumption centers from which supplies are made to distributors or directly to a retailers. Some leading brands have started covering smaller cities and towns from their metro markets through acquisition of smaller production facilities and improvements in distribution networks. Retailers mostly operate through fixed outlets or hires of pushcarts, tricycles or three wheelers. Distribution margins are about 18-20 percent. There are an estimated 70,000 retail outlets for ice-cream in India.

## **Competition**

The government "dereserved" ice-cream in 1996/97, leading to expansion of local production capacities through mergers of small units into larger units and entry of multinational brands into the market. Larger companies also expanded their distribution network and broadened their product offerings. The cooperative sector entered the ice-cream market in late 1996, taking advantage of its dairy processing and distribution facilities. The entry of the cooperative sector launched a price war, causing most small and medium players to exiting the industry or merge with large-scale producers.

The major market competition for ice-cream comes from soft drinks, fruits and traditional milk-based sweets. However, rapidly growing production, improved distribution facilities, and heavy advertising are expected to increase ice-cream's market share.

Though trade was liberalized in 1997, there have been negligible imports of ice-cream due to high tariff and inadequate infrastructure. Major competitors for US ice-creams are Australia, New Zealand and European countries, as they all enjoy freight advantages.

## **Packaging and Labeling**

Ice-cream is marketed in three types of packaging. The most popular is cups of 100-150 ml at rs. 9-14 (21-33 US cents) for the ready-to-eat segment. Bars, sticks and cones represent another ready-to-eat market at rs. 5-20 (US cents 12-47). One-liter family packs in wax coated paper or plastic cartons sell at rs. 52-60 (US\$ 1.21-1.40) for the popular flavors (vanilla and strawberry), and rs. 68-90 for the premium flavors (chocolate, butterscotch, etc.).

## **Policy**

Packaging and labeling of ice-cream is governed by various laws, such as Prevention of Food Adulteration Act, 1954 (PFA) and Standards for Weights and Measures Act, 1976, etc. Any imported product must conform to these specifications. For further information on food laws, refer to the report "Food Laws in India" (IN 7064). PFA specifies that ice-creams marketed in India must contain at least 10 percent milk fat and must use sugar as the sweetening agent. Although there clearly would be a market for fat free or sugar free ice-creams catering to calorie conscious consumers, the import of ice-creams not meeting PFA standards is not possible.

## **US Market Opportunities**

High tariffs and the lack of an efficient distribution system will continue to restrict the market for imported ice-cream. However, after 50 years of post-independence isolation, the upwardly mobile younger generation wants to try new tastes, and will pay a premium for ice-cream, still considered a luxury item. A Delhi importer reports that despite 30-40 percent higher prices of imported brands, he has experienced rapid growth in sales of U.S. ice-cream since he began retailing it in July 1998. However, successful marketing requires considerable promotional spending and development of distribution networks. With the domestic industry offering high margins to market intermediaries, importers face stiff competition in distribution channels. However, the wider product line of imported ice-creams and status attached to them may lead some regional players to offer them in their exclusive outlets. Interested exporters could work with them in introducing new brands and flavors.

**Appendix : List of Major Ice-Cream Contacts:**

1. Gujarat Cooperative Milk Marketing Federation (GCMMF)  
Amul Dairy Road, Post Box No:10  
Anand - 388 001

Contact: R.S. Sodhi, AGM (Marketing)  
Phone: 91-2692-41621  
Fax: 91-2692-40208

2. Hindustan Lever Limited  
Brookefields  
Marathahalli  
Post Box No. 3777  
Bangalore - 560 037

Contact: Ponnappa, Director - Ice Creams  
Phone : 91-80-8475021  
Fax :91-80-8475110

3. Baskin Robbins India Private Limited  
J/177, Pimpri Chinchwad Industrial Area  
Bhosari, Pune - 411 026

Contact: Ravi Ghai  
Phone: 91-212-777004  
Fax: 91-212-777996

4. Vadilal Industries Limited  
First Floor, Vrundavan Complex  
Near Subash Chowk  
Ahmedabad - 380 052

Contact: RR Gandhi , Chairman  
Phone : 91-79-6564019  
Fax: 91-79-6564027

5. Mother Dairy  
Patparganj  
New Delhi - 110 092

Contact: NA Shaikh, General Manager  
Phone: 91-11-2242158  
Fax: 91-11-2211991

5. Nirula's Corner House Limited  
L-Block, Connaught Circus  
New Delhi - 110 001

Contact: Lalit Nirula, Managing Director  
Phone: 91-11-3322419  
Fax:91-11-3324669

6. Punjab State Cooperative Milk Producers' Federation Limited  
SCO No:153-155, New City Center  
Sector 34A  
Chandigarh - 160 022

Contact: Amrik Singh, Managing Director  
Phone: 91-172-604179  
Fax:91-172-604302