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Namashkar Kolkata! Opportunity and Potential in The City of Joy.

Report Categories:

SP1 - Expand International Marketing Opportunities

Market Development Reports

Promotion Opportunities

Food Processing Ingredients

Food Service - Hotel Restaurant Institutional

Fresh Deciduous Fruit

Retail Foods

Snack Foods

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Report Highlights:

Capital to the sixth largest economy of India and home to the second oldest U.S. diplomatic mission in the world, Kolkata is a market filled with highly educated, well-travelled and willing to spend consumers. “The Kolkata market is a market filled with un-tapped potential for American foods and beverages,” say industry sources in a market where imports of food and agricultural products clearing customs in 2017 stood at U.S. \$5 million of which U.S.-origin products had a 12 percent market share.

Market Factsheet: West Bengal - Attachment A

Executive Summary:

Located on the Eastern Seaboard of India, West Bengal is the 6th largest economy of India, with a total population of 91 million and a literacy rate of 77 percent. Famously known as ‘The City of Joy’ Kolkata is the capital of the state of West Bengal and was the first capital of India under the British rule until 1911.

West Bengal recorded a Gross State Domestic Product (GSDP) per capita of U.S. \$1,674 in 2017-18. The state’s GSDP per capita grew at a CAGR of 8.7% during 2005-06 to 2017-18.

Agriculture is the chief occupation of the people of West Bengal. It contributed 19% to the state’s GSDP in 2014-15. Rice, potato, jute, sugarcane, and wheat are the state’s top 5 crops. In 2017, the state was awarded the Krishi Karman Award for the 5th year in a row, which is an award given to the states in India that are the best performers in raising the country’s food grain production.

The official language of the state is Bengali, although English and Hindi are used widely. Some of the key cities in the state of West Bengal include Kolkata, Siliguri, Asansol, Durgapur, Raniganj, Kharagpur, Haldia, Darjeeling, Malda, Midnapore, Cooch Behar and Howrah.

Its location advantage makes the state a traditional market for eastern India, the Northeast, Nepal and Bhutan. It is also a strategic entry point for markets in Southeast Asia. The cost of operating a business is lower in Kolkata than in other metropolitan cities.

Horticulture, Tea, Fisheries, and Poultry Production:

West Bengal has six agro-climatic zones and offers a diverse variety of environments for agriculture and horticulture production as well as fisheries.

Production of fruits and vegetables in the state in 2016-17, stood at 3.7 million metric ton (MMT) of fruits and around 25.5 MMT of vegetables. The state was the second largest producer of potato in India, accounting for about 25% of the country’s potato output at ~13 MMT.

It is also the second largest tea growing state in India and accounted for around 29% of India’s tea production in 2016-17. In 2017 the total tea production in West Bengal from April-December 2017 stood at 342 million kilograms.

As per the state budget for 2018-19, the state government allocated U.S. \$427 million to the agriculture sector, U.S. \$28 million has been allocated to food processing industries and the Horticulture Department.

The state is among the largest producers and exporters of shrimp/prawn from India. State funded processing facilities for fish are set up at key locations across the state from where the processed fish is then exported. To encourage further production, the government has developed new methods of deep sea cage culture. In 2016-2017 the total fish production in the state stood at 17 MMT. As per the state budget for 2018-19, the state government allocated U.S. \$64 million to the fisheries industries.

With a favourable climate for poultry breeding, the state is considered one of the key players and one of the most attractive markets in the poultry industry. The state was one of the leading producers of poultry meat in the country in 2016-17 with a production of 252 thousand metric tons.

Food Processing Industry in West Bengal:

Owing to its strengths in horticulture, tea, fisheries and poultry, West Bengal has established itself as a major food producer. As per the Annual Survey of Industries there are 1,808 registered food processing units in the state. The state government has laid strong focus on the development of the food processing industry through the establishment of five food parks, eight industrial parks, seven special economic zones, and six agri-export zones. Some of the key food processing industries based in West Bengal are ITC Limited, PepsiCo, Britannia Industries Limited, Keventer, IFB Agro, Bisk Farm, and Haldiram’s.



SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none">• U.S. products are held in regard by consumers and industry.	<ul style="list-style-type: none">• Consumers are slow to respond to a new product in the market.• Consumers have strong brand loyalty to traditional products.
Opportunities	Threats
<ul style="list-style-type: none">• An un-tapped market filled with opportunities.• High growth potential in food processing.	<ul style="list-style-type: none">• Strong focus on the use of domestic product versus imported product in both processed foods and ingredients.• Tariff and non-tariff barriers.

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General Information:

FAS India offices continue to explore the potential and market prospects for imported food, beverages, and agricultural products in emerging as well as metro cities across India. This report is snapshot of the market situation, the untapped potential, the opportunities and challenges that imported foods and beverages; food-retail; and food processing sectors face in the state capital of India's sixth largest economy – Kolkata.

Introduction:

Commonly referred to as the 'City of Joy', Kolkata is the capital of West Bengal and was the first capital of India under the British rule until 1911. Kolkata is the main business, commercial, and financial hub of eastern India and the main port of communication for the North-East Indian states. It is one of the most important metros of India. Kolkata is home to India's oldest and second-largest stock exchange company – The Calcutta Stock Exchange; a major port; an international airport; and India's and South Asia's first metro railway service.

The U.S. Consulate in Kolkata is the second oldest U.S. diplomatic mission in the world dating back to 1792.

Image 1: The state map of Kolkata



Through the British rule, Kolkata was a major port and commerce center for the world economy. However, post Indian independence in 1947 and the partition of India, both the city of Kolkata and the state of West Bengal took major blows to their economies. With a large inflow of refugees from the then states of Bangladesh, Bihar, and Jharkhand the infrastructure of Kolkata was challenged and not capable of handling the population boom.

Trade-Union movements began to flourish in the 1970's which led to investors leaving the state of West Bengal and heading towards other newly emerging states and cities in India. As investors moved, the lack of capital destroyed most of Kolkata's small-scale industries and sectors.

Through the years, although Kolkata has managed to attract major investment in information technology (IT) and business process outsourcing (BPO), in 2009, it was ranked the hardest of 17 Indian cities in which to do business by the World Bank. Industry and consumer sources have noted with Post that the presence of a communist government for several decades in West Bengal has led to slow growth in the state's economy.

As per the 2011 census, the city of Kolkata had a population of 4.5 million, while the population of the city and its suburbs was 14.1 million, making it the third-most populous metropolitan area in India. Recent estimates of Kolkata Metropolitan Area's economy have ranged from \$60 to \$150 billion (GDP adjusted for purchasing power parity) making it the third most-productive metropolitan area in India, after Mumbai and Delhi.

Kolkata is administered by several government agencies. The Kolkata Municipal Corporation, or KMC, oversees and manages the civic infrastructure of the city's 15 boroughs, which together encompass 141 wards. The Kolkata Municipal Corporation was ranked first out of 21 cities for best governance and administrative practices in India in 2014. It scored 4.0 out of 10 compared to the national average of 3.3. The Kolkata Port Trust, an agency of the central government, manages the city's river port. The Kolkata Metropolitan Development Authority, is responsible for the statutory planning and development of greater Kolkata.

Kolkata is subject to a tropical wet-and-dry climate that is designated "Aw" under the Köppen climate classification. According to a United Nations Development Programme report, its wind and cyclone zone is "very high damage risk".

Kolkata serves as the main hub for air, road, and rail transportation on the eastern coast of India, which ideally would make it the key port of entry for most of the imported foods and beverages. However, it is important to note that nearly all current imported foods and beverages are brought into Kolkata via road from other ports of entry across India. This results in additional costs for transportation and, in turn, increases the final product cost.

Imports of U.S. agricultural food products clearing customs in Kolkata port grew by 100 percent in 2017 to U.S. \$613,308 (see Tables 1 & 2) compared to 2016 with almonds and apples being the two main U.S. commodities imported. Pulses and lentils are another major commodity that is imported through the port of Kolkata. In 2016, the import of pulses from the United States through the port of Kolkata stood at U.S. \$4.4 million, which reduced drastically to U.S. \$351 in 2017 as sources report area demand moved more towards Australia, Russia, and Canada crops.

There were not any imports via air for 2017. Industry sources and Post analysis suggests that there is untapped potential for importers and industry based out of Kolkata to more actively use the Kolkata port to import a larger basket of imported foods and beverages from the United States.

Imported Foods and Beverages Snapshot:

Best product prospects: apples, tree nuts, poultry, pork, pasta and pasta sauces, condiments, spreads, soya and whey protein, alcoholic beverages (wine and beer) and brewing ingredients. Source: Industry contacts.

Kolkata is home to some of the most educated and widely travelled consumers in India. Owing to this, consumers are aware of imported foods and beverages; are open to global tastes; are willing to experiment with new products and have the purchasing capacity to indulge in quality over price. However, by the political nature of the state and region, the social ethic of the consumer is influenced, still, by the political and regional history.

A majority of consumers in Kolkata have deep roots in the communist era and this still influences several of their day-to-day lifestyle and purchasing decisions. Consumers in Kolkata are known to take time to adapt themselves to a new product, a new taste, and to changing trends. Consumers are well educated and are known to question the pros and cons of a new product. Sources report they appreciate strong literature, information on and marketing materials of a new product which will aide them in their purchasing decisions. Consumers in Kolkata are thought to have the strongest brand loyalty in the country.

Sources report that, “It just takes a longer time, appropriate strategy, and lots of market penetration and patience to mold the mindset of Kolkata consumers.” Owing to these points, it seems many importers and foreign exporters have not exhibited interest in going direct to the Kolkata market. Rather, they have stayed away and compounded the problems of market neglect over the years.

Sources report that nearly all imported food and agricultural product brought into the state is through larger importers with headquarters in Mumbai and New Delhi and have Kolkata on their distribution channel. Most of the imported product makes its way to large, modern retail stores.

Still, there are knowledgeable, license-ready importers in Kolkata who are interested in bringing product through Kolkata ports but demand may be too meager for them to justify bringing in container loads at a single time. Area importers seem to prefer consolidating an assorted shipment coming through Mumbai or any other port across India and pay the extra land transport costs to bring the product to the Kolkata market.

Kolkata serves as a hub for some of the country’s largest food processing companies. With most of these food-processing companies venturing into the production of high-end gourmet foods that are produced locally with locally sourced ingredients, there is and will continue to be fierce competition for imported foods and beverages wanting to penetrate the market in which both consumers and industry are majorly tipped towards local tastes.



Image 2 & 3: The assortment of imported products at a high-end retail store in Kolkata

Retail Snapshot:

In comparison to the imported foods and beverages segment, the retail segment in Kolkata has seen some of the strongest and fast-paced development over the years. Key retail industry players have pegged Kolkata as one of the best kept secrets in modern retailing. Consumption in the food retail segment is known to be more stable than other metros in India and sees a high-level of festival-linked purchases throughout the year. Industry analysts have attributed the growth and stability of retail in Kolkata to the growth in employment in the BPOs, IT, and the services sector.

There is a strong presence of key national and local retailers in Kolkata. Most of these retail stores have a considerable assortment of imported foods and beverages in the ‘gourmet sections’ of their stores. However, it is important to note that the assortment of high-end locally produced gourmet food products is larger than that of the available imported foods and beverages. Retail stores and chains selling

imported foods generally source their product from importers and distributors located in Mumbai and New Delhi.

Some of the retailers with whom Post met with emphasized the greater need of awareness and marketing activities for imported products within the retail set up of Kolkata. They identified the festive seasons as the key periods to hold such awareness and marketing activities as the season sees high sales generated.

Key Retailers in Kolkata	Number of Outlets
Arambagh Food Mart Private Limited	30
Spencer's Retail	16
More – Aditya Birla Retail Limited	36
Reliance Fresh – Reliance Retail Private Limited	17

Source: Post analysis and retailers websites.



Image 4 & 5: The assortment of locally produced foods at a local retail store in Kolkata

Food Processing Snapshot:

West Bengal has established itself as a major food producer. As per the Annual Survey of Industries there are 1,808 registered food processing units in the state. The state government has laid strong focus on the development the food processing industry through the establishment of five food parks, eight industrial parks, seven special economic zones, and six agri-export zones. Some of the key food processing industries based in West Bengal are ITC Limited, PepsiCo, Britannia Industries Limited, Keventer, IFB Agro, Bisk Farm, and Haldiram's.

Through the Ministry of Food Processing Industries (MOFPI), the government has advocated for the development of the food processing sector across the country. Kolkata has exemplified itself as a key center and hub for food processing along the eastern coast of India. With large food processing companies headquartered in Kolkata, it is important to note the development of locally produced high-end gourmet foods and beverages that are often more cost effective and enjoy large consumer loyalty. American companies looking to enter the Kolkata market should evaluate the opportunities for American ingredients to be used in these production facilities. Although locally sourced product would have more preference, it is the quality and sustainability of American products that would enable exporters to penetrate the market.

Hotel, Restaurants and Institutions (HRI) Snapshot:

Best product prospects: poultry; pork; niche ingredients – maple syrup; tree nuts; exotic fruits and vegetables; sauces and condiments.

Key to note: Stiff competition from local manufacturers and processors of these products may exist. As such, a 'Unique Product' is the key selling point for U.S. companies looking to enter Kolkata.

Known as the land of foodies, Kolkata has established itself as a key food destination in India. The 'Bengali' cuisine is famous both on national and international platforms. The city is dominated by street food and is known to be the country's friendliest city for street food lovers. Over the last few years, there has been a gradual shift of focus towards more organized quick service restaurants, fine-dining, and high-end niche standalone restaurants. The rise in multi-cuisine quick service restaurants across Kolkata is fueled by the consumer's high purchasing power.

Through its interaction with industry, Post forecasts an opportunity in the use of high-end ingredients such as maple syrup, tree nuts, fresh or dried berries (e.g., cherries, blueberries, cranberries) in the production of sweets for which West Bengal and Kolkata are renowned. Retail players highlighted that a majority of the almonds and walnuts sold and consumed in Kolkata originated from California.

Owing to the dietary influences of the north-eastern states, Kolkata also is one of the few cities in India which consumes pork significantly. There are significant opportunities for exporters of poultry and red meats (lamb and pork - dependent on market access) in the Kolkata market with particular focus on the five-star hotel chains.

Most of the five-star hotel chains of India such as the Taj Group of Hotel, The Oberoi Group, ITC Hotels, and Hyatt have a presence in Kolkata. During a recent visit by FAS staff to Kolkata, Post noted that there has begun to be a significant change in the origin of products used in the mini-bars of these hotel groups. Much of the mini-bar offerings in these hotels are gourmet snack and food products that are produced locally by large food processing companies in India. This potentially poses a challenge

and domestic competition for exporters looking to target such a category.

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Table 1: Import of Agricultural & Related Products from the United States through Kolkata.

India Import from United States Via Port: Kolkata Sea								
Commodity: Agricultural & Related Total, (2017)								
Year To Date: January - January								
Commodity	Description	United States Dollars			% Share			%Δ 18/17
		2016	2017	2018	2016	2017	2018	
Agricultural & Related Total	-2017	4599420	1147099	738806	100	100	100	-35.59
080211	Almonds, Fresh Or Dried, In Shell	0	226599	339905	0	19.8	46	50
080810	Apples, Fresh	0	397613	273403	0	34.7	37	-31.24
330210	Mixtures Odoriferous Substance Use Food/ Drink Ind	0	42272	55224	0	3.69	7.47	30.64
440799	Nonconiferous Wood Nesoi, Sawn, Sliced Etc, Ov 6Mm	0	0	53862	0	0	7.29	n/a
440391	Oak Wood, In The Rough, Not Treated	0	0	10309	0	0	1.4	n/a
440399	Nonconiferous Wood In The Rough Nesoi, Not Treat	41187	0	6103	0.9	0	0.83	n/a
071340	Lentils, Dried Shelled, Including Seed	0	223896	0	0	19.5	0	-100
071310	Peas, Dried Shelled, Including Seed	4430700	127127	0	96.3	11.1	0	-100
230990	Animal Feed Prep Except Dog Or Cat Food, Retail Pk	100401	0	0	2.18	0	0	n/a
220890	Cordials, Liqueurs, Kirschwasser, Ratafia, Etc.	1295	0	0	0.03	0	0	n/a
350510	Dextrins And Other Modified Starches	22732	0	0	0.49	0	0	n/a
220830	Whiskies	2947	0	0	0.06	0	0	n/a
220421	Wine, Fr Grape Nesoi & Gr Must W Alc, Nov 2 Liters	158	0	0	0	0	0	n/a
350790	Enzymes And Prepared Enzymes, Nesoi	0	117460	0	0	10.2	0	-100
382312	Oleic Acid	0	12133	0	0	1.06	0	-100

Source: The Global Trade Atlas

Table 2: Import of Pulses through the Port of Kolkata (World – Various Countries).

India Import from World Via Port: Kolkata Sea							
Commodity: Pulses, (2017)							
Year To Date: January - January							
Partner Country	United States Dollars			% Share			%Δ 18/17
	2016	2017	2018	2016	2017	2018	
World	80345202	62691862	21301330	100	100	100	-66.02
Australia	42081070	26385283	9883047	52.38	42.09	46.4	-62.54
Russia	4573469	506395	6778801	5.69	0.81	31.82	1,238.64
Canada	22932665	22444205	2846595	28.54	35.8	13.36	-87.32
Ukraine	1868035	158130	1543994	2.33	0.25	7.25	876.41
Lithuania	1529682	3984879	175052	1.9	6.36	0.82	-95.61
Tanzania	0	0	52171	0	0	0.24	n/a
Turkey	0	0	21669	0	0	0.1	n/a
Myanmar	2803876	372475	0	3.49	0.59	0	-100
Estonia	0	8326880	0	0	13.28	0	-100
Latvia	84927	0	0	0.11	0	0	n/a
Bulgaria	40779	61080	0	0.05	0.1	0	-100
United States	4430700	351023	0	5.51	0.56	0	-100
Uzbekistan	0	101511	0	0	0.16	0	-100

Source: The Global Trade Atlas