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Pune...Fastest Growing City of India

Report Categories:

Market Development Reports
Food Service - Hotel Restaurant Institutional
Food Processing Ingredients
Retail Foods
Snack Foods
Beverages
Dairy and Products
Fresh Fruit
Tree Nuts
Wine

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Report Highlights:

Pune, the fastest growing city in India, is home to 250 multi-millionaires and has a vibrant and diverse population. City contacts see rapid urbanization and trends in the food consumption patterns as an opportunity for U.S. companies to supply food and beverage products to the HORECA, retail, bakery and ingredients, and ecommerce markets.

General Information:

With a population of 3 million, Pune has emerged as the most vibrant new metropolitan center of Western India. It is home to a diverse, affluent and young population. The average literacy rate in Pune is one of the highest at 91.61 percent, which is why it is also known as the “Oxford of the East”. The city is famous for its universities of national and international prominence.

Image 1. India: Location of Pune, Maharashtra on the Indian Map



Pune is emerging as an automotive industry hub that is drawing many foreign companies. Companies like Daimler Benz, Jaguar and Volkswagen including some 65 American companies and 300 German companies along with a number of IT companies including Infosys, TCS, Wipro, IBM and many more have operations in the city. This has resulted in an increasingly growing number of foreign expats in the city as well as local residents receiving high-paying jobs with discretionary disposable income.

At \$2,115 (INR 1.27 lakh) per capita income in 2010-11, *Pune* was the second highest earning location in Maharashtra, after Mumbai. As per the 2011 Indian Statistical report, this figure marks an increase of 170 percent over the last decade. Sources report that an average Indian in Pune spends around 60-70 percent of their income on food. This is also because of the increase in the number of working class women that has bolstered household income and supported growth in the consumption of processed foods.

Pune has a well-developed infrastructure and an airport with regular flights in and out of the city to domestic and international destinations. It is also well connected by railway. Trains to/from Pune are used for logistics of goods rather than passenger carriers. Real estate costs are low, which makes it viable for businesses to establish ventures with minimal risk and affords individuals greater discretionary income. With its close proximity to Mumbai, several international retailers and hotel chains have established their presence in the city. International retailers like Marks & Spencers, Zara, Diesel, Guess and others are in the city. International hotels chains are expanding to more locations in the city, as well.

Retail Snapshot:

Best retail product prospects: breakfast cereals; sauces and salad dressings; confectionery; pastas and noodles; popcorn; meats; poultry; cheeses; fruits (oranges, apples, peaches and pears); vegetables (broccoli, lettuce, spinach, celery, cucumber and potatoes); tree nuts (almonds and walnuts)

The retail sector in Pune is growing at a fast pace. Pune is a very cosmopolitan city with 60 percent of its population being Maharashtrians. Many Indians are seen returning to the city from around the world, to enjoy a peaceful life with less pollution than some of India's other growing metro/urban centers. In addition, a growing number of foreign expats and Indian youth are pursuing higher education in Pune. As such, the demand for imported food and beverages is on the rise.

Retail food stores in the city carry a wide range of foods and beverages including a growing gourmet section. New to be seen in the city were SKUs available in food stores that were not seen in hypermarkets and supermarkets in the metropolitan cities of India. Some retailers offer a menu based selection of foods prepared from their range of products. This helps in creating awareness amongst consumers of the various recipes that can be prepared from the foods and thereby boost sales.

Image 2. India: Display of International Food Products at a Retail Stores in Pune



Generally, the warehousing and supply chain is organized better in Pune and real estate costs are lower than other metropolitan cities. Products are shipped in truck loads from Mumbai and by trains from

further cities. Demand for imported food products seem to be on a constant rise as foreign expatriates and citizens returning from abroad are accustomed to their favorite tastes and brands and are willing to pay the extra price for what they want.

The city retail sector seems to be facing challenges with trained manpower. Consumers in Pune seem to love American food products especially American sauces and condiments. They are more willing to try new products but seem to lack awareness of application and nutrition benefits of these new products.

Pune serves as a test market for many companies. Successful businesses follow the pattern of shipping small quantities and as demand patterns build, then increase their trade flows. With the growing young population in Pune, the city is set for high growth in consumer expenditure on imported food products.

Hotel and Restaurants Snapshot:

Best HRI product prospects: poultry; seafood; meats; cheeses; wines; olives; olive oil; pastas; sun-dried tomatoes; bread flours; fruits (oranges, apples, peaches and pears); vegetables (broccoli, lettuce, spinach, celery, cucumber and potatoes); tree nuts (almonds and walnuts); bakery ingredients; salad dressings; sauces and spreads.

Owing to the growing automobile and IT industries, the city has almost all international hotel brands. Sources report that this has increased competition in the hotel and restaurant sector.

Table 1. India: Major 5-Star Hotels in Pune

Hotel Chain	No. of Properties
Courtyard Marriott	4
JW Marriott	1
Hyatt Regency	1
Westin	1
Le Meridian	1
Vivanta by Taj	1
Novotel	1
Orchard	1
Radisson Blu	1
Four Points Sheraton	1
Double Tree by Hilton	1

Most 5-star hotels procure imported food products from retailers to meet the demands of their clientele. Pune has a vibrant F&B culture, offering both regional and international delicacies. Restaurants and café lounges at 5-star hotel properties offer almost all cuisines and at varied prices to meet every pocket. Pune is becoming famous for its rich night life where young consumers enjoy music and light

beverages like wines, beers and cocktails. The legal drinking age in the state of Maharashtra is 25 years.

Shopping malls are on the rise in Pune. Most malls have a floor dedicated to casual dining restaurants and kiosks in a food court format. Young college/university students and working population frequent food courts spending hours being with friends and colleagues, snacking with tea and coffee, during their free time, and being out of the heat/elements. The food courts offer various cuisines of which Italian, Chinese and burger joints seem to be the most common.

Table 2. India: List of Selected Shopping Malls in Pune

Phoenix Market City
Nucleus Mall
Inorbit Mall
Magnum Mall
Mariplex Mall
SGS Magnum Mall

Quick service restaurants like Subway, Dominoes, Pizza Hut, McDonalds and KFC are visible in the city. Hard Rock Café, Chili’s and Irish pub are famous “international” casual dining restaurants. Pubs and micro-breweries are on the rise, too.

Food processing Snapshot:

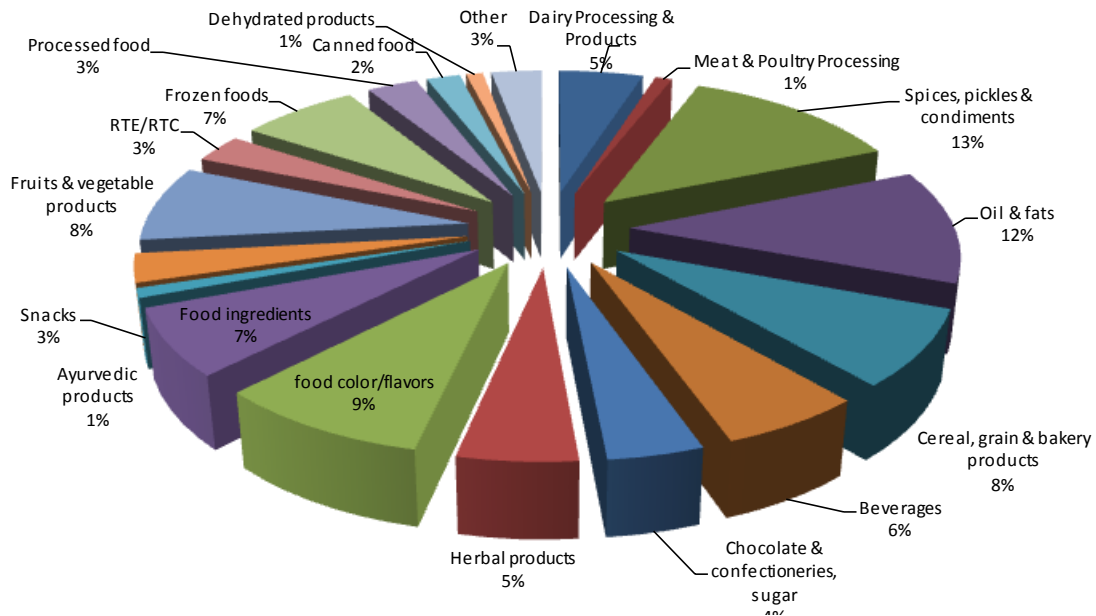
Best food processing and ingredient product prospects: ice cream ingredients; baking flours; juice concentrates; spices; edible oils and probiotic food products.

Changing food trends of the cosmopolitan population, the close proximity to urbanized first and second-tier markets like Mumbai, Nasik, Nagpur and Aurangabad, and good infrastructure has given boost to the Pune food processing sector.

There are around 1,700 food processing units registered in the Pune district with major Indian players like Pravin Masalewale, Universal Spices, Chordia Food Products, Weikfield, Gits Products, Venky's and Dynamix Dairy. Pune also has MNC manufacturing establishments like Mondelez, Lehar Pepsico, Coca-Cola, ITC, etc.

The food processing sector in Pune is heterogeneous and spread across 12 sectors which include sweets; milk and milk products, ice cream; farsan & namkeen; bakery products; dry fruits; fruits and vegetables; pulses, flour, lentils, and cereals; spices, papad, chutney, pickles; ready-to-eat and ready-to-cook; mineral waters and beverages; edible oils; and others. The Pune area is the second largest producer of fruits and vegetables in the country. Sources report the market for imported food products is large.

Chart 1. India: Food Processing Industry Sector 2011-12 – Pune



Source: *Mahratta Chamber of Commerce, Pune*

The food processing sector in Pune is a flourishing industry with growth across all sectors particularly ice cream, baking flours, juice concentrates, spices, oils and probiotic food products. Most of the firms in Pune are proprietary firms. Given the perishable nature of the industry, more than half of the food processing enterprises sell directly to consumers.

Most food processing establishments prefer to procure raw materials directly from the market yard.

Only about 20 percent of the companies procure from distributors. Price, quality, and a limited range of products available with importers and distributors in the city are the main problems faced by the food processing units.

Sources report that U.S. companies looking for opportunities in Pune should envision generating employment to be successful in the city. The main challenges faced by the food processing sector are the availability of trained man power, technology acquisition, and resource (e.g., water) management/conservation.

E-Commerce Snapshot:

Best food and grocery e-commerce product prospects: “natural” or gourmet foods and beverages, health and nutrition bars; ready to eat/serve foods; fresh fruits and vegetables

India is at a very nascent stage with e-commerce in the food sector. According to the Internet and Mobile Association of India (IAMAI) findings in October 2014, Mumbai had 16.4 million internet users while Delhi had 12.15 million. Other metros cities like Kolkata had 6.27 million internet users closely followed by Chennai, Bangalore and Hyderabad. Pune stood first in the second-tier emerging cities with 3.62 million registered internet users and y-o-y growth of 34 percent. The next closest second tier emerging city was Ahmedabad with 3.72 million internet users and 33 percent y-o-y growth.

However, with nuclear families on the rise in Pune, shopping for foods and beverages online seem to be the growing convenience. The working population who are short of time order their bi-weekly or monthly groceries online rather than spending 2-3 hours dedicated at a local grocery store to replenish their kitchen. With discount promotions available online, consumers are becoming more enthusiastic about shopping online.

A growing trend is also seen in the easy availability of fresh fruits and vegetables online. The fruits and vegetables segment of the food e-commerce sector is witnessing strong growth. Consumers prefer to shop for these perishable items online rather than go to the markets and beat the heat in the city. Grocery e-retailers report that fruits and vegetables account for 20 percent of their total orders.

The challenge faced by online grocery retailers is managing the logistics in delivering products to consumers at their preferred time. Pune is a relatively small town by Indian standards and traffic inside the city has become a concern for most businesses who deliver products to the door step. Most online retailers deliver products through their warehouses reaching their consumers by motorcycle/scooter to avoid traffic and delays.

Table 3. India: List of Selected Online Food Retailers in Pune

Olivetretrading.com
Punexpress.com
Baniyababu.com
Rabimart.com
Buyizy.com
Ordermygrocery.com
Supremekirana.com
Punesubji.com
Easydukaan.com

Table 4. India: Imports of Agricultural Products into Pune (via Icd Chinchwad Port and Serum Bio Pharm Park SEZ) from the United States in Value

Commodity	Description	United States	% Share	%Δ
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		Dollars				14/13
		2013	2014	2013	2014	
220290	Nonalcoholic Beverages	-	216,556	0	100	n/a
170240	Glucose & Glucose Syrup Containing 20-49% Fructose	24,222	134,316	14.83	47.85	454.53
350400	Peptones, Other Proteins & Deriv Etc; Hide Powder	66,822	77,362	40.91	27.56	15.77
210210	Yeasts, Active	0	44,996	0	16.03	n/a
350110	Casein	53,030	13,529	32.46	4.82	-74.49
130231	Agar-Agar	19,120	10,363	11.7	3.69	-45.8
170230	Glucose (Dextrose), Under 20% Fructose In Dry Form	0	123	0	0.04	n/a
	Total	163,194	497,245			

Source: USDA/Global Trade Atlas

POST CONTACT AND FURTHER INFORMATION

For further information about Ahmedabad and other markets, please contact the following USDA offices in India.

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