

Required Report: Required - Public Distribution

Date: July 02,2020

Report Number: IN2020-0076

Report Name: Retail Foods

Country: India

Post: New Delhi

Report Category: Retail Foods

Prepared By: Arundhati Sawant and Uma Patil

Approved By: Lazaro Sandoval

Report Highlights:

Due to COVID-19, India's food retail sector has had to grapple with supply chain disruptions and adapt to a constrained operating environment. However, contacts remain optimistic over the sector's long-term outlook and continue to see untapped growth. In fact, new opportunities have emerged from this situation as major retailers are investing in e-commerce and other avenues to market food and beverages while maintaining social distancing norms. Consumer preferences have also changed with increased demand for convenient and healthy food options, delivering new opportunities for suppliers of high-value, consumer-oriented foods.

Executive Summary:

India is one of the fastest growing major economies in the world and is expected to be one of the world's top three economic powers over the next 10-15 years, supported by its strong institutions and strategic partnerships. The spread of novel coronavirus (COVID-19) has impacted the country's economy and the consumption of imported goods; which is expected to result in GDP growth of negative 3.2 percent for 2020, according to the World Bank. However, various forecasts indicate that the country's economy will make a swift recovery in 2021. India continues to be the world's fifth-largest economy by nominal GDP and the third-largest by purchasing power parity (PPP). India is the second most populated country in the world with a population of 1.38 billion, out of which 65 percent is below the age of 35 and 50 percent below the age of 25. It is expected to become the first country to be home to more than 1.5 billion people by 2030, surpassing China.

Food processors, importers, wholesalers, retailers, food service operators continue to be a part of an evolving agribusiness sector. Apart from being a major food producer, India's bulk, intermediate, consumer oriented, and agricultural related imports grew from \$22 billion in 2013 to \$25 billion in 2019, an increase of 14 percent.

Imports of Consumer-Oriented Products:

India's imports of consumer-oriented products, led by tree nuts, fresh fruits, prepared foods, and dairy products, are amongst the fastest growing segments of imported agricultural products, reaching \$4.7 billion in 2019, with 20 percent of these food imports from the United States. The rise of millennials, affluent professionals, brand-oriented importers, modern retail outlets, e-commerce channels, mobile e-commerce and trend-setting restaurants are driving the growth of consumer-oriented imports.

Imported tree nuts, processed fruit and fresh fruits feed into India's traditional and modern retail channels in addition to growing e-commerce ones. Imported packaged and consumer ready foods are found in a growing number of gourmet stores, in thousands of small neighborhood stores along with e-commerce platforms. The country's food processing sector, another major importer of U.S. food product, continues to expand and is increasingly seeking high-value ingredients for new, innovative product lines. The hospitality sector is also growing, driven by consumer demand for a greater variety of high-quality foods and beverages.

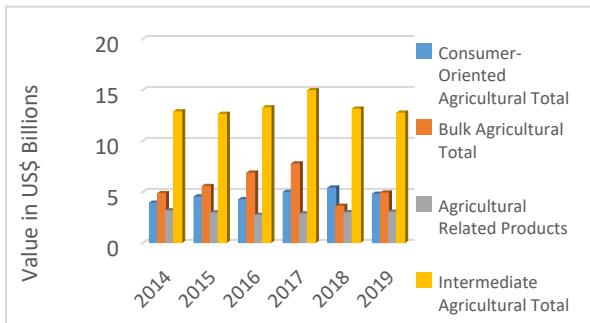


Table 1. Indian Agricultural Imports from All Sources

Source: Trade data monitor

Food Retail Industry:

India's food and grocery (F&G) retail industry is considered the third largest in the world with sales expected to surpass \$800 billion by 2023, according to private estimates. The F&G sector constitutes nearly 65 percent of the total retail market in India. The sector is highly dynamic with domestic and foreign firms vying to expand their market share while enhancing consumers' experience. The market is dominated by traditional retail formats, specifically neighborhood shops called kirana stores (equivalent to mom & pop stores in the U.S.), which represent 90 percent of the market (in terms of sales). Modern grocery retailers along with e-commerce represent the remaining 10 percent of India's F&G market. This

retail sector is expected to expand rapidly in the next 5 years as it quickly adapts to the evolving needs of consumers.

Food Retail Sector Key Updates:

This year has witnessed remarkable developments in India's food retail sector, due to the impact of COVID-19, which has spurred greater industry consolidation. India's largest food retailer, Reliance, has partnered with Facebook's WhatsApp to expand its presence in the e-commerce market, by connecting kirana stores to its online platform and supply chain. Recent media reports indicate that Reliance is close to acquiring Future Group's retail business, which would further solidify its place as India's dominant food retailer.

Quick Facts Calendar Year 2019

Imports of Consumer-Oriented Products: \$4.7 billion

List of Top Import Growth Products in India:

- Tree nuts (e.g. almonds, pistachios, and walnuts)
- Fresh fruits (e.g. apples, pears, and grapes)
- Dairy products
- Food preparations
- Condiments and sauces
- Cocoa and Cocoa Preparations

Food Industry by Channels (U.S. billion) 2019:

Food Industry Output	\$358 billion (2018)
Food Exports	\$38 billion
Food Imports	\$25 billion
Retail	\$500 billion
Food Service	\$64 billion

Top Indian Food Retailers:

- [Future Group Retail](#): Big Bazaar, FoodBazaar, KB Fair Price, Foodhall, Nilgiris, HyperCITY, Easy Day, Big Apple, Heritage Fresh, WH Smith, 7 Eleven, Aadhaar Supermarket
- [Avenue Supermarkets Limited](#): DMart
- [Reliance Retail](#): Reliance Fresh, Reliance Smart, JIO Smart
- [Aditya Birla Retail Limited](#): More HyperMarket
- [Star Bazaar \(Tata Group\)](#): HyperMarket, SuperMarket
- [RPGS Group](#): Godrej Nature's Basket, Spencer Retail LTD

Top Indian Food E-Retailers:

- [Amazon Pantry](#)
- [Big Basket](#)
- [Grofers](#)

GDP/Population (2019)

- Population (billions): 1.38 billion
- GDP (billions USD): 3.20 trillion (nominal)
- GDP per capita (USD): \$2,338 (nominal)

Sources: Trade Date Monitor, Annual Survey of Industries

SWOT ANALYSIS:

Strengths	Weaknesses
- U.S. products held in high regard	- Lack of awareness regarding the range and value of U.S. products
Opportunities	Threats
- Untapped growth potential in organized food retail sector and imported products demand	- Tariff and non-tariff barriers - Strong competition from domestic & foreign suppliers

Section I. Market Summary

India is projected to become the world's third largest economy by 2025, partly due to ongoing reforms aimed at increasing domestic consumption and investment. Based on the [World Bank's Doing Business 2020 report](#), India has jumped 14 places and is now ranked 63rd out of 190 countries in the world, due to sustained business reforms and better contract enforcement. These developments should help spur greater import demand, and growth in the food retail sector supported by new investments. Although the country is grappling with the short-term effects of COVID-19, including an economic slowdown and supply chain disruptions, the food retail sector is optimistic over its long-term outlook, believing that consumption and economic growth will recover next year.

Despite advances in the business climate, the Government of India (GOI) continues to raise tariffs on imported food and agricultural commodities. As such, the business climate for imports, though demand is growing, is subject to risk and exporters should conduct their full due diligence when exporting to India. Moreover, the opportunities in the Indian retail market are not evenly distributed across the country and could more closely be considered as unique opportunities in many of India's leading Tier-1, Tier-2, and Tier-3 cities.

Table 1. India: Grocery Retail Outlets by Channel

	2014	2015	2016	2017	2018	2019	2020
Modern Grocery Retailers	5,901	6,152	6,664	6,681	7,283	7,711	8,157
Traditional Grocery Retailers	12,488,703	12,555,234	12,623,561	12,695,235	12,770,413	12,833,521	12,886,445
Total	12,494,604	12,561,386	12,630,225	12,701,916	12,777,696	12,841,232	12,894,602

Source: Euromonitor

Consumer Increasingly Seek Healthy and Convenient Food Options

COVID-19 and nationwide lockdown have significantly changed consumer behavior, spurring new food preferences, consumption patterns, and priorities. More specifically, consumers are now seeking foods that promote greater health and well-being, especially foods perceived as immunity-boosting such as garlic, citrus, berries, ginger, spinach, almonds, and poultry. Select food retailers have begun increasing their offerings of these products and have designed promotional campaigns highlighting these healthy attributes. Given the rise in at-home consumption, consumers are also changing their perception towards frozen, ready-to-eat, packaged, and processed foods, welcoming their convenience and price value. During the initial stages of the lockdown, these products were in such high demand that shortages emerged across various retail outlets. Another consumer shift that emerged was increased demand for essential grains, pulses, dairy, cooking oils, baking mixes, and breads.

Use of E-Commerce Expands Dramatically

Due to lockdown restrictions and social distancing norms, Indian customers turned to and relied on e-commerce platforms to secure essential food supplies. Since the start of the lockdown, in late March, the e-commerce sector has seen significant changes as many food manufacturers, retailers, distributors, importers, and e-commerce firms have come together to develop new

distribution networks and take advantage of synergies. For example, leading food delivery and cab aggregator apps, such as Swiggy, Uber, Scootsy, and Zomato, have partnered with traditional and modern retails to deliver groceries.

COVID-19 Spurs Industry Consolidation

The wider economic impact of COVID-19 has resulted in significant developments within India's food retail sector. The opportunities and challenges that have emerged from the situation have led to new partnerships, acquisitions, and firm expansions across the industry. For example, Reliance, the country's largest food retailer, is expanding its presence in the e-commerce market, while advancing negotiations towards a potential acquisition of Future Group's food retail operations, according to local media reports. Amazon India has expanded its *Amazon Pantry* services to over 300 cities, which will facilitate the acquisition of food essentials and fresh products for customers at home.

Section II. Road Map for Market Entry

A. Entry Strategy:

Key factors to consider before entering or introducing products into the Indian market

- **Can your product come into India and the local laws:**
 1. Determine if your product has market access in Indian commerce
 2. Study India's varied laws, particularly those pertaining to food and beverages
 3. Review FAS policy and market reports and consider engaging a market research firm to assist with opportunities and challenges
- **Find the Right Partner:**
 1. Identify a reliable importer/distributor who services the food retail sector
 2. Avoid conflicts of interest
 3. Consider whether participating in an Indian trade show would be an effective means of identifying a key importer/distributors/partner
 4. Consider if collaborating/ participating in USDA endorsed promotional activities would be an effective way to create market awareness and penetration
- **Secure Payment Terms:**
 1. Until a successful working relationship is established, exporters may wish to consider vehicles such as an irrevocable Letter of Credit, advance payment, payment at sight.
 2. FAS India offices do not have the authority to mediate contractual disputes or serve as a collection agent when differences over payment or other commercial issues arise. For information about local legal services, refer to [IN6155](#).

B. Import Procedures and Regulations:

Laws regulating Indian imports of food and agricultural products are under the jurisdiction of multiple GOI authorities. For more information, exporters should refer to FAS-India's GAIN report [Food and Agricultural Import Regulations and Standards - Country Report](#) and the GOI's [Food Import Clearance Manual](#).

C. Market Structure:

India's food and grocery (F&G) retail sector is divided into two categories modern (hypermarkets, supermarkets, cash and carry stores, and e-retail) and traditional (kirana stores/ mom and pop stores, mobile pushcarts/vans selling fresh produce). These retailers procure imported food and beverage items based on their target audience and current market trends. The distribution network of foods and beverages is multidimensional with a combination of importers, clearing and forwarding agents, wholesalers, and distributors supplying goods to both modern and traditional retailers. COVID-19 led to major supply chain disruptions due to labor shortages, market uncertainty, and logistical bottlenecks at the initial stages of the national lockdown. However, industry contacts report that the supply chain situation has improved greatly since then.

Figure 2. India: Distribution Flow Chart for Retail Food and Beverage Products

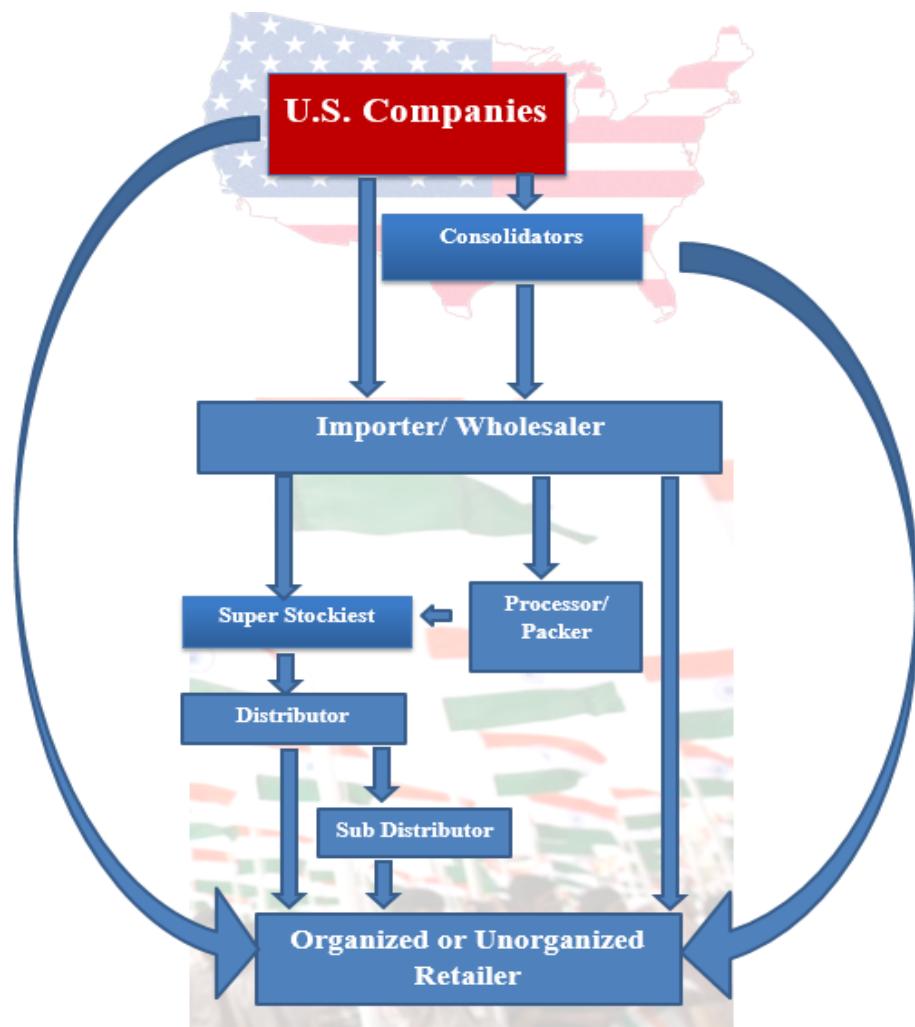


Table 2. India: Major Food Retail Chains

Company	Website
Reliance Retail: Reliance Fresh and Reliance SMART	https://relianceretail.com/
Future Value Retail: Big Bazaar, Food Bazaar, KB Fair Price, FoodHall, Food Right, Big Apple, Nilgiris, HyperCITY, Easy Day Stores	http://www.futureretail.in/
Aditya Birla Retail Limited: More HyperMarket	http://www.morestore.com/know-abrl/aditya-birla-retail-ltd
Avenue Supermarts Limited: DMart	http://www.dmartindia.com/
Star Bazaar (Tata Group): HyperMarket, SuperMarket	https://starbazaarindia.com/
Spencer's Retail: Nature's Basket, Spencer's Retail	http://www.spencersretail.com/
Walmart India: Best Price Modern Wholesale, Flipkart	http://www.wal-martindia.in/
Spar Hypermarket	https://www.sparindia.com/
Namdhari's Fresh	http://www.namdharfarmfresh.com/

Table 3. India: Major Food E-Retailers

Company	Website
Big Basket	https://www.biggbasket.com/
Grofers	https://grofers.com/
Nature's Basket	https://naturesbasket.co.in/
Amazon Pantry	https://www.amazon.com/gp/pantry/info
Amazon Fresh	https://www.amazon.com/alm/storefront?almBrandId=QW1hem9uIEZyZXNo
Jio Mart	https://www.jiomart.com/
Flipkart Grocery	https://www.flipkart.com/grocery/pr?sid=73z&marketplace=GROCERY
Spencer's	https://www.spencers.in/
Easyday	https://www.easyday.in/
DMart	https://www.dmart.in/

Section III. Competition

India's domestic industry is the primary competitor for U.S. retail foods and beverages. India, with its diverse and favorable climatic conditions, produces a variety of foods and food ingredients at prices below most imported products or products made from imported ingredients. In addition, many third-country competitors enjoy seasonal as well as freight advantage over the United States due to their proximity to India and lower prices. High import duties, labeling requirements, and restrictions on a number of imported packaged retail goods pose additional challenges for U.S. products in India.

Table 4. India: Competition in Major Product Categories

Product category	Total Imports (USD Million) CY 2019	Major supply sources	Strengths of key supply countries/ domestic industry	Advantages (A) and disadvantages (D) of local suppliers
Edible fruit and nuts; peel of citrus fruit or melons	3,076	USA Afganistán Benín UAE Cote d'Ivoire	Preference for specific quality, freight advantage	Domestic production of some major fruits and nuts is insignificant (A)
Sugars & sugar confectionery	410	Brazil South Africa Netherlands USA Germany	Price competitiveness	India is usually a net exporter of sugar (D)
Miscellaneous edible preparations	211	USA China Ireland Netherlands Thailand	Price competitiveness, and freight advantage	Domestic processing sector willing to replicate several recipes using low-cost inputs (D)
Preparations of vegetables, fruit, nuts, or other parts of plants	119	China USA Spain Thailand Netherlands	Price competitiveness, and freight advantage	Domestic processing sector willing to replicate several recipes using low-cost inputs (D)
Animal or vegetable fats and oils	9,850	Indonesia Malaysia Argentina Ukraine Nepal	Major production hubs & competitive prices	Local production is inadequate & more than 40 percent of total edible oil consumption is dependent on imports (A)

Source: Trade Data Monitor

Table 5. India: Imports of Consumer-Oriented Agricultural Products by Top 25 Suppliers

Partner (Unit \$1,000)	2016	2017	2018	2019	Jan - Feb 2019	Jan - Feb 2020
World	4,209,576	4,932,859	5,348,802	4,742,453	626,288	942,155
United States	711,836	867,693	984,593	967,092	156,626	203,768
Afghanistan	189,436	290,517	298,217	338,566	56,262	88,545
Indonesia	177,065	185,866	199,698	243,843	47,448	55,950
United Arab Emirates	34,611	36,214	175,525	239,209	31,989	53,327
Benin	123,627	121,300	277,194	226,418	8,505	228
Vietnam	180,403	177,558	191,911	191,716	26,772	34,462
Cote d Ivoire	325,977	302,548	329,991	170,410	9,976	1,228
Sri Lanka	135,470	190,393	155,242	158,674	22,672	22,317
Ghana	70,394	111,123	198,138	149,937	8,877	626
Singapore	37,059	29,853	145,132	130,651	8,210	9,074
Guinea-Bissau	210,392	254,785	123,370	120,914	419	3,441
Nepal	175,847	165,911	130,324	114,226	16,458	18,150
Italy	57,961	69,476	55,214	108,205	17,105	15,501
Netherlands	45,564	53,234	86,324	86,247	14,773	15,666
Thailand	48,125	56,023	74,386	84,266	11,261	14,808
Australia	97,584	141,632	117,585	81,630	5,177	2,575
China	163,862	174,182	62,253	78,238	11,980	16,460
Chile	42,451	54,055	96,926	77,145	1,328	1,708
Iran	111,872	155,869	118,852	67,347	13,605	35,464
Nigeria	58,796	72,321	130,976	62,708	5,120	801
Germany	25,326	33,065	37,461	56,308	4,375	6,814
Iraq	62,147	61,439	67,995	55,888	21,809	28,760
Turkey	19,126	27,932	30,729	55,155	8,792	34,676
New Zealand	45,661	38,458	68,504	53,075	3,560	4,769
Bangladesh	19,294	22,840	38,511	68,504	7,802	9,554
All Others	1,039,687	1,238,569	1,153,749	776,936	105,385	263,480

Source: Trade Data Monitor

Section IV. Best Product Prospects

Import products in high demand include tree nuts (almonds, walnuts, pistachios, hazelnuts, chestnuts –HS 0802), leguminous vegetables, dried shelled/pulses (HS 0713), fresh apples, pears, quinces, beverages, spirits, and vinegar (HS 22). Other products such as cocoa and cocoa preparations (HS 18), grapes (HS 0806), fruit juices (HS 2009), fruit pulps (HS 2202), seasonings, condiments and sauces (2103) although not imported in large quantities from the United States, have good potential.

Table 6. India: Products Present in the Market Which Have Good Sales Potential

Product Types	Import value (USD Million) CY 2019	Import volume (Metric Tons) CY 2019	Basic Import Tariff	Key Constraints	Market Attractiveness for USA
Tree Nuts (mainly almonds and walnuts)	2,299	1,096,378	Almonds Shelled (INR 120/Kg) Almonds In-Shell (INR 42/Kg) Walnuts Shelled (100%) Walnuts In-Shell (120%) Pistachios Shelled and In-Shell (30%)	Competition from other suppliers ,high tariffs	Greater health awareness, aspiring middle class, and growing retail industry
Chocolate and Cocoa Products	196	58,997	30%	Strong competition from domestic and international suppliers	Strong brand and quality preference
Fresh Fruits	406	415,623	25% - 105%	Competition from domestic and foreign suppliers such as Chile and New Zealand	Seasonal shortages and high prices, increasing interest in quality fruits and the growth of organized retail
Fruit and Vegetable Juices	43	29,531 liters	35% - 50%	Competition from domestic manufactures and foreign suppliers from neighboring countries	Increasing health awareness and shortage of quality products
Beverages, Spirits and Vinegar	838	842,664,185 liters	30% - 150%	High import duty and competition from domestic suppliers	Growing consumption and lack of domestic production

Source: Trade Data Monitor and Central Board of Indirect Taxes and Customs, India

Products Not Present Because of Significant Barriers

Currently, there are several trade restrictions that limit market access for U.S. food products. With the exception of poultry meat and poultry products, imports of most animal and livestock-derived food products are 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.

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, Forest and Climate Change. The policy also made a biotech declaration mandatory. The only GE food products currently authorized for import into India are soybean oil and canola oil derived from select events are the only biotech food/agricultural product currently approved for import. For

more information on India's biotech import policy, please refer to USDA FAS India GAIN report [IN2019-0109 Agricultural Biotechnology Annual 2020](#).

Table 7. India: Top Consumer-Oriented Product Imports

Table 7.A: Top Consumer-Oriented Products Imported from the World		Table 7.B: Top Consumer-Oriented Products Imported from the United States			
Description	United States Dollars (In Million)			Description	United States Dollars (In Million)
		2018	2019		
Cashew Nuts, Fresh or Dried, In Shell	1,705	1,101	Almonds, Fresh or Dried, In Shell	645	701
Almonds, Fresh or Dried, In Shell	763	802	Apples, Fresh	165	59
Apples, Fresh	304	256	Walnuts, Fresh or Dried, In Shell	24	14
Dates, Fresh or Dried	257	163	Almonds, Fresh or Dried, Shelled	12	7
Pepper of Genus Piper, Neither Crushed nor Ground	136	93	Food Preparations Nesoi	23	23
Others	2,183	2,327	Others	115	163
Total	5,348	4,742	Total	984	967

Source: Trade Data Monitor

Section V: Post Contact Information

Foreign Agricultural Service
Embassy of the United States of America
 Chanakyapuri, New Delhi,
 Pin code - 110 021, India
 Phone: +91-11-24198000
 Email: agnewdelhi@fas.usda.gov
 Web: [US Embassy, New Delhi](#)
 Twitter: [@USDAIndia](#); Instagram: [@tasteofamericain](#)

Office of Agricultural Affairs
American Consulate General
 C-49, G-Block, Bandra Kurla Complex,
 Bandra E, Mumbai - 400 051
 Phone: +91-22-26724000
 Email: agmumbai@fas.usda.gov
 Web: [American Consulate General Mumbai](#)
 Twitter: [@USDAIndia](#); Instagram: [@tasteofamericain](#)

For additional information please visit the FAS websites & useful FAS India GAIN reports

- [FAS Homepage](#)
- [FAS India Exporter Guide](#)
- [FAS India Food Processing Report](#)

Attachments:

No Attachments