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Product Brief

Snack Food Market in India 2008

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Report Highlights:

The snack food market in India is \$3 billion; with the organized segment accounting for almost half of the market share and growing at rate of 15 to 20 percent per year. However, the imported snack food market is growing but small (\$30 million) due to high import duties, a complex distribution network and availability of relatively cheaper domestic snack foods. Over the past six years, exports of U.S. snack foods to India have grown almost ten times to \$5 million in CY 2007. A growing economy, changing lifestyles, rise in disposable incomes and preference for quality products of U.S. origin will continue to fuel growth of imported U.S. snack food items in India.

Includes PSD Changes: No
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Trade Report
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Table of Contents

SECTION I: MARKET SUMMARY	3
TABLE 1: OVERVIEW OF THE INDIAN SNACK FOOD BUSINESS	3
IMPORT MARKET.....	3
TRADE POLICY	6
CONSUMPTION BEHAVIOR.....	7
OPPORTUNITIES AND CHALLENGES	7
SECTION II: ROAD MAP FOR MARKET ENTRY	7
ENTRY STRATEGY.....	7
MARKET STRUCTURE	8
SECTION III: COMPETITION.....	9
TABLE 2: INDIAN/MULTI-NATIONAL COMPANIES IN THE SNACK FOOD SEGMENT.....	10
SECTION IV: POST CONTACTS AND FURTHER INFORMATION.....	12
APPENDIX 1: SNACK FOOD ITEMS/INGREDIENTS IMPORTS (THOUSAND US \$) CY 2001 TO 2006	13

SECTION I: Market Summary

Around 1,000 snack items and 300 types of savories of diverse tastes, forms, textures, aromas, bases, sizes, and fillings are sold in India¹. Potato chips and potato based products are by far the largest product category with over 85 percent share of the salty snack market, followed by snack nuts, chickpea and other pulse-based savory snacks. Popcorn, diet snacks (soy nuts, bread sticks), breakfast cereals, baked & roasted snacks (biscuits, specialty breads, chocolate coated snacks, cookies etc.) and cheese snacks are in high demand across organized retail chains. Health foods, health food supplements and convenient foods are also rapidly growing segments.

As per an industry estimate, the branded and organized snack food segment dominated by major players such as Frito Lay, Con Agra, Kellogg's, Marico, Dabur, HLL, ITC, Parle, Haldiram's, Nestle, Britannia, Cadbury, Bikano and Balaji is estimated to grow by 15 to 20 percent per year; whereas the growth of un-branded snack food is likely to grow modestly at 8 percent per year in the near future (table 1).

Product pricing for branded products are normally 15 to 20 percent greater than for the un-branded food segment due to higher overhead expenses. Snack food packaging ranges from 35/40 gm sachets to 400 gm economy packs. Small packs work very well in India.

Table 1: Overview of the Indian Snack Food Business

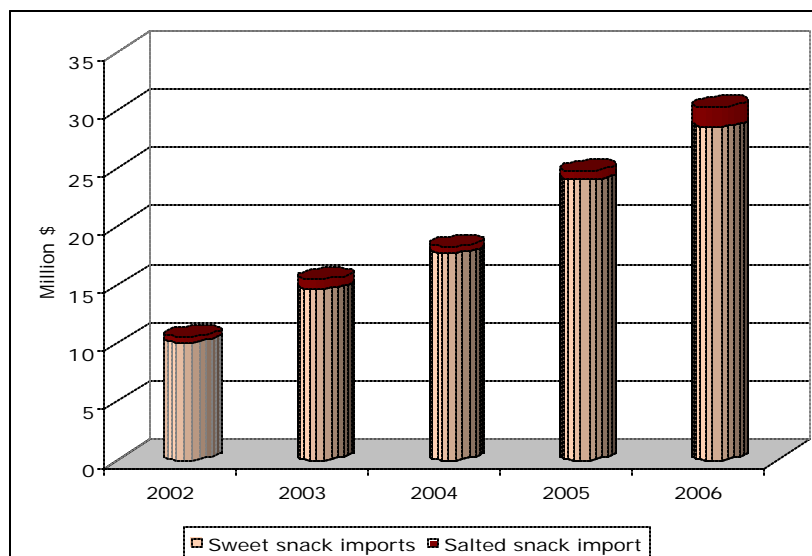
Snack Food Sectors	Market size (\$ billion)	Annual growth rate %	Strengths	Weaknesses
Organized	1.44	15 to 20	Quality certification, competitive pricing, extensive marketing, distribution networks, and strong traditional products.	Higher price, untapped rural market base, large and fragmented supply chain network.
Unorganized (non-branded)	1.56	7 to 8	Accessible to a large section of population, readily available at 'Mom & Pop' stores, relatively cheap.	Improper labeling, storage problems, un-organized distribution network & inadequate marketing.

Import Market

India's imports of snacks/snack food ingredients rose from \$10 million in CY 2002 to \$30 million in CY 2006 (chart 1). Food items under the sweet snack category constituted the major share of imports and imports rose from \$10 million to \$29 million (94 percent of total imports in CY 2006). Major exporters of snack foods/food ingredients to India are the United States, Malaysia, Indonesia, Thailand, China, Singapore, South Korea, Switzerland, UAE, Australia, U.K., Germany, South Africa and Portugal.

¹ Report on snack foods by the Agricultural and Processed Food Products Exports Development Authority (APEDA), New Delhi

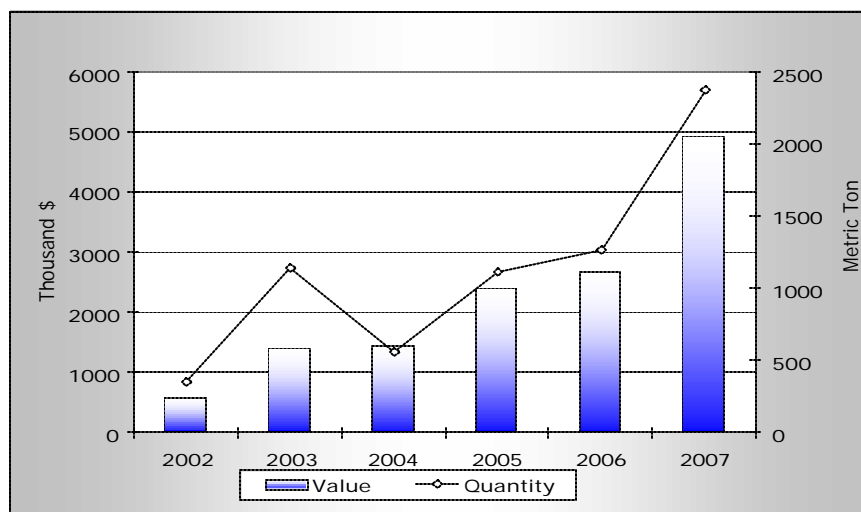
Chart 1: Total Import of Snack Foods/Snack Food Ingredients In India CY 2002-2006



Source: Directorate General of Commercial Intelligence and Statistics, GOI.

Although the share of U.S. snack food in total imports of snack foods is small, it is growing rapidly². Exports of U.S. snack foods to India increased almost ten times over the past six years. The value of U.S. snack food imports rose from \$570,000 in CY 2002 to \$5 million in CY 2007, while quantity grew from 347 MT to 2,374 MT (chart 2).

Chart 2: Import of U.S. Snack Foods to India CY 2002 to 2007



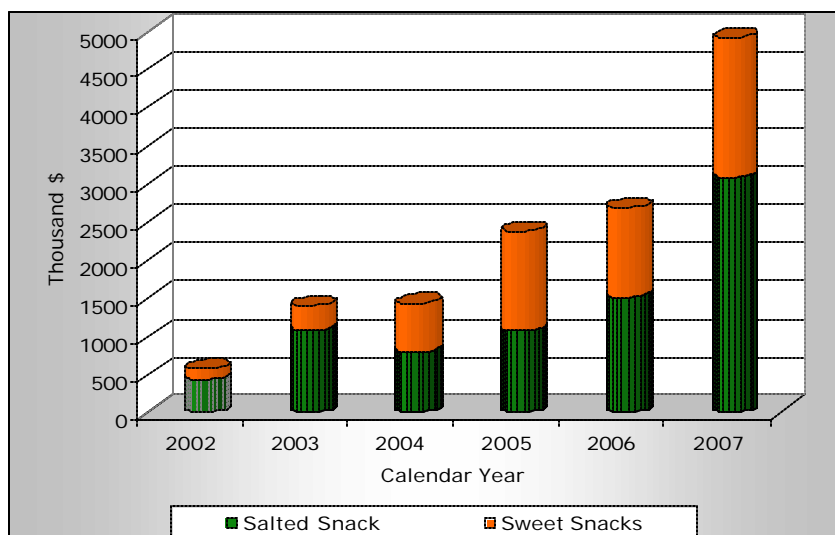
Source: USDA, FAS

The value of U.S. salted snacks increased from \$429,000 in CY 2002 to \$3 million in CY 2007; however its share in total imports of U.S. snack foods declined from 75 to 60 percent in CY 2007. Meanwhile, the value of sweet snacks increased from

² Import of snack foods from U.S. has been increasing at an average annual growth rate of 55 percent.

\$141,000 in CY 2002 to \$ 1.82 million in CY 2007, with its share of total U.S. snack food imports growing from 22 to 37 percent in CY 2007 (chart 3).

Chart 3: Import of U.S. Sweet and Salted Snacks CY 2002 to 2007

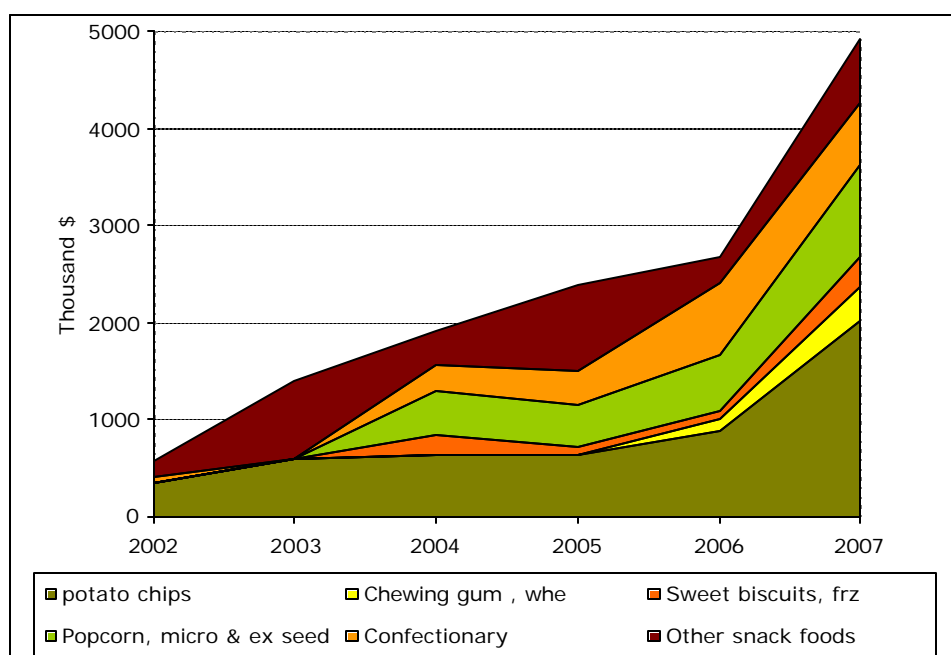


Source: USDA, FAS

Snack foods that registered significant growth in U.S. exports from CY 2002 to CY 2007 were potato chips (prepared/preserved), confectionery (containing sweetening agent instead of sugar), popcorn (microwaveable package & ex seed), confectionery, sweetmeats (without containing cocoa), chewing gum (whether or not sugar coated), cookies (sweet biscuits), corn chips and similar crisp savory snacks.

In CY 2007 potato chips, confectionery and popcorn constituted almost 68 percent of India's snack food imports from the United States. Imports of potato chips rose from \$332,000 in CY 2002 to \$2 million in CY 2007, popcorn rose from \$454,000 to \$936,000 and confectionery (sweetening agent) rose from \$70,000 to \$253,000 (chart 4).

The market for frozen snack foods is limited due to lack of refrigerated warehousing and transportation facilities. Imported food items are largely confined to organized retail and grocery stores, catering mostly to high end consumers.

Chart 4: Major U.S. Snack Foods Imported to India CY 2002 to 2007

Source: USDA, FAS

Most U.S. products are trans-shipped through regional hubs, such as Dubai and Singapore, due to their more liberal trade policies, efficient handling, and reduced transport times. Transport time from California to India is at least 30 days, and in some cases as long as 45 days. The primary points of entry are Mumbai followed by Chennai and Calcutta. Container handling facilities are available at most major ports and in several cities.

Trade policy

Presently the import of food including snack food comes under the purview of several food laws, particularly those pertaining to the use of additives and colors, labeling requirements, packaging, weights and measures, shelf-life, and sanitary and phyto-sanitary regulations. Details on India's food laws are available in the "Food and Agricultural Import Regulations and Standards Country Report 2007" (IN7068). However, with the establishment of a unified Food Safety & Standard Authority of India, it is hoped that more emphasis will be given to science based standards, participatory decisions and adopting a contemporary approach in both standard setting and implementation (for details please refer to IN7033).

Import tariffs on snack foods currently range from 30 to 65 percent. Non-tariff barriers include onerous food labeling requirements for packaged goods and compulsory detention and laboratory testing of samples of each item, which results in higher costs. Indian food import regulations require that imported snack foods have at least two-thirds of their shelf life remaining at the time the product arrives at the port. According to industry sources, this is a major constraint for the import of snacks foods items to India.

Consumption behavior

The average annual per capita consumption of commercial savory snacks is 500 gm with urban consumers consuming 10 times more than rural consumers. Western India is the top snack consuming region, followed by the North. With rising disposable income³, consumer spending on food continues to increase. According to a research study by McKinsey & Co, the market size for the food consumption category in India is expected to grow from \$155 billion in 2005 to \$344 billion in 2025 at a compound annual growth rate of 4.1%. Growing incomes, falling poverty, changing lifestyles and companies racing to capture India's middle and upper middle class consumers will cause the food market to evolve dramatically in the coming years.

Opportunities and challenges

Consumers are willing to pay a premium for both value added private and branded products creating immense opportunities for manufacturers and retailers. There is a widespread recognition in India that consumers are likely to replace light meals with snacks⁴.

Opportunities	Challenges
Growing economy (8-9 %/annum).	High cost of imports due to high import duties and distribution cost.
Expanding middle class (> 300 million) and increasing purchasing power.	Rapid growth of domestic organized snack foods.
Increasing popularity of imported brands.	Competition from domestic suppliers and the grey market, preference for traditional Indian savories.
Preference for healthy foods and health supplements among urban consumers.	Competition from countries in geographical proximity to India.
Consumer perception that U.S. food products are safe and of high quality.	Dated food laws, unscientific sanitary & phyto-sanitary regulations.
Expanding retail food sector in urban areas.	Untapped semi-urban and rural markets due to poor infrastructure.

SECTION II: Road Map for Market Entry

Entry Strategy

- In the 'untapped' Indian market, it is critical for U.S. exporters to survey existing and potential markets for their product before initiating sales. They should also visit India to gain a first-hand feel for the Indian market, preferably around one of the trade shows (see Promotion Opportunities

³ India's real aggregate disposable income has grown from 7,527 billion rupees (\$165 billion) in 1985 to 23,526 billion Indian rupees (\$515 billion) in 2005- a compound annual growth rate of 5.9 percent basis.

⁴ According to a market report, a growing percentage of the global population, in both developed and developing countries, is replacing light meals with snacks. Convenience foods manufacturers could therefore market some of their products as snacks to try and gain more market share," the report adds. Convenience foods, culinary food (wheat and rice based products like noodles, vermicelli, macaroni & spaghetti) and sweetmeats are likely to be considered as snack foods.

Report). Exporters are welcome to contact FAS-New Delhi for assistance in setting up initial meetings with potential importers or representatives.

- Success in introducing new products in this market depends on good local representation and an effective pricing strategy. The local representative should preferably be the importer and distributor. Companies should avoid the temptation to establish a relationship with an agent/distributor merely because he/she is the most persistent suitor. Consider the following before selecting an agent:
 - Determine through surveys, who are the potential customers and in which region they are concentrated.
 - Recognize that agents with fewer principals are often more adaptable and committed than those with large and more well-known agents.
 - There may be a conflict of interest where the potential agent handles similar product lines, as many agents do.
 - U.S. firms should evaluate all distributor prospects, and thoroughly research the more promising ones. Check the potential agent's reputation through local industry/trade associations, potential clients, bankers, and other foreign companies.
- Due to the vast regional diversity in India, it is common to appoint more than one representative covering specified regional markets. FAS-New Delhi maintains listings of potential importers, and assists exporters in meeting members of the Indian trade.
- Most Indian importers prefer to:
 - Purchase mixed containers of smaller quantities of individual products.
 - Seek exclusive agreements from exporters.
 - Use services of freight consolidators to handle their orders from various exporters.
- The key to success for exporters is to focus on 'reasonable' entry pricing for their products, which is specifically targeted at the desired consumer base.

Market Structure

a) Organized Sector

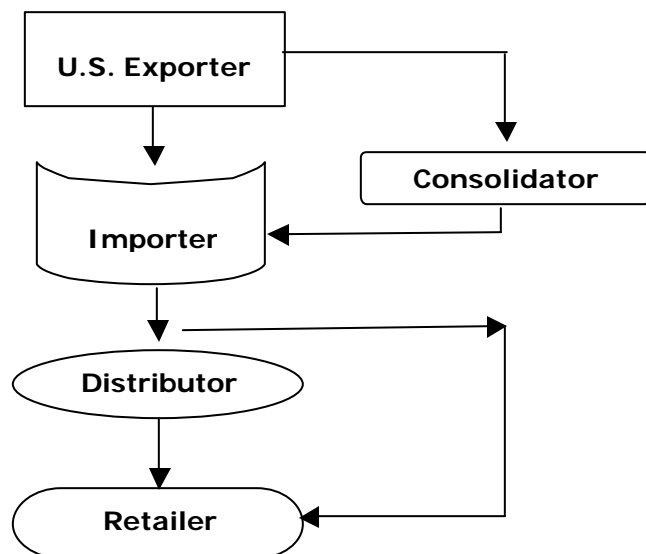
Due to a relatively limited number of outlets and resultant low total sales, most organized retailers source their imported products through distributors. Established patterns are slowly giving way to more streamlined operations, such as importers sourcing mixed containers directly from the country of origin and larger retailers sourcing products directly through importers. Most distributors have a localized distribution area limited to a large metropolitan city and adjoining smaller cities. Typically, "Indian Super Markets" deal with more than 400 distributors or suppliers, each handling three to four products.

b) Unorganized Sector

The unorganized sector sources most of its product from the local industry, with the overall share of imported food products almost negligible. Imported consumer food products are restricted to traditional outlets in the up-market segment of the larger cities that cater to upper-middle income classes of consumers. The main difference is

that most retailers source from distributors. A significant share of imported food products in the traditional market comes through illegal channels. The share of imported food products currently handled by these retailers is increasing because of the products' higher sales margin (15-20% vs. 6-12% for local).

Chart 5: Imported Food Distribution Channel



SECTION III: Competition

A significant competitor to U.S. imported snacks foods in the domestic snack food market is the domestic food industry (Table-2). Potential U.S. exporters should understand that India's diverse agro-industrial base already offers many products at competitive prices. Leading multinational companies have established food processing operations in India in association with major snack food players and offer a diverse range of products suited to regional preferences and tastes. Snack food item exports from other countries such as Malaysia, Singapore, Thailand and the European Union have a definite freight cost advantage and are more responsive to importers' demands for smaller shipment sizes.

Table 2: Indian/Multi-national Companies in the Snack Food Segment

Major Players	Products
Salted Snacks	
Pepsico India, Fritolay	Potato chips, crisps (flavored) & wafers, flakes, tortilla chips and cheese flavored snacks etc
ITC, Foods Division	Potato chips, finger snacks, potato wafers etc
Haldirams	Potato chips and wafers, namkeen (salty) dal (edible pulses) mix
Bikano	Potato noodles, chips and crisps, corn flakes mixture, dal mixture and other crunchy snacks
SM Foods Pvt Ltd.	cheese balls, potato chips, pellets (rice, wheat and tapioca flour), tortilla chips,
McCain foods	French fries and other food products
Agro Tech Food Ltd.	Act-II microwave popcorn and instant popcorn
Balaji Wafers Pvt Ltd.	Potato & banana wafers, namkeen dal mix and other crunchy foods.
Ethnic Ready-To-Eat- Foods	
Amul	Processed cheese, nutramul and gulab jamuns (sweet-meats) among its offerings.
Capital Foods.	RTE Indian delicacies
Gits	Variety of ethnic Indian cuisine, where the recipes have "global palette acceptance".
Haldirams	Packaged Indian snacks like samosa (pastries filled with potatoes/peas), pao bhaji (bread loaf stuffed with vegetables), dhokla
ITC	Ready to cook foods and dishes, exotic cuisines, curry pastes and dishes
MTR.	Twenty-two Indian curries, gravies and rice
Priya Foods	Traditional snacks
Rajbhog Foods Inc.	Manufacturing and distribution of sweets, snacks, savories, frozen foods, ice cream and beverages
Rainbow Foods India.	All types of Indian frozen vegetables, meals, snacks, frozen vegetables, fruits, pickles, pastes & snacks
Satnam Overseas Ltd.	Ready-to- Eat traditional Indian curries.
Tasty Bite.	Range of entrées and Ready meals
Confectionary	
Cadbury India	Dairy Milk, Eclairs, Nutties

Candico (I)	Loco Poco, Koffi Toffies
Lotte India Corp	Coffee bite, Lacto King, Caramilk, Coconut Punch
Nestle India	Kit Kat, Milky Bar
Parle	Melody, Poppins, Kismi, Mangobite
Perfetti Vanmelle Products	Mentos, Centerfresh, Alpenliebe, Chloromint, Happydent
Ravalgaon Sugar Farms Ltd.	Coffee break, Mango Moods, Pan Pasand, Klearmint
Milling Products, Bread, Biscuits, Breakfast Cereals	
Bagrrys India	Oats, Sugar-free Crunchy Muesli
Bambino Agro Industries	Pasta, Idlis (baked rice & black matpe flour), Gulab Jamuns
Britannia Industries	Biscuits, Bread, Cakes
Godrej Foods Ltd	Cereal, Cookies
Hindustan Vegetable Oils Corporation	Porridge, Cornflakes, Oats
ITC	Atta, Pasta
Kellogg's	Cornflakes, Biscuits
Modern Foods Industries	Bread
Parle	Biscuits
Priya Food	Products Biscuits, RTE
Shakti Bhog Foods	Wheat flour, Semolina, Porridge, Corn Flour
Surya Foods and Agro	Biscuits
Diet Snacks	
Eternal Health & Organic Foods	Variety of Health and Organic Foods
Anjali Mukherjee Products	Breadsticks, Soya Nuts
Emami Foods	Variety of Snacks

Note: - data compiled from industries web sites and Processed Food Report, FICCI.

SECTION IV: Post contacts and further information

For additional queries and assistance in exporting to India, please contact the Office of Agricultural Affairs, New Delhi, at the following address:

Agricultural Counselor
Foreign Agricultural Service
Embassy of the United States of America
Chanakyapuri, New Delhi - 110 021
Ph: (91-11) 2419-8000, Fax: (91-11) 2419-8530
E-Mail: agnewdelhi@usda.gov

The following reports may be of interest to U.S. exporters. These, and related reports prepared by this office, can be accessed via the FAS Home Page, (www.fas.usda.gov) by clicking on "Attaché Reports," and typing the report number.

Report Number	Report Title
IN7095	Exporter Guide
IN7068	FAIRS Annual
IN6111	India: Retail Food Sector

The Country Commercial Guide prepared by the Commercial Section of the US Embassy will also be of interest to exporters. This can be accessed through www.stat-usa.gov.

Appendix 1: Snack Food Items/Ingredients Imports (thousand US \$) CY 2001 to 2006

		2001	2002	2003	2004	2005	2006
Salted Snacks	HS Code	World	World	World	World	World	World
Potato p/p, not frozen	20052000	30	194	245	6	56	910
Corn, not seed	10059000	566	243	140	346	559	643
Other Nuts & Seeds nes *	20081990	0	0	359	177	128	125
	Sub-total	596	437	744	529	743	1,678
Sweet snacks							
Chocolate food-cocoa prep, not in bulk, nes	18069000	4	4,144	5,367	6,422	8,495	10,498
Choc prep nes, above 2 kg	18062000	415	416	470	712	1,059	848
Choc food, not bulk, filled	18063100	80	55	31	50	46	9
Choc prep, Not bulk, not filled	18063200	2	91	64	58	241	31
Conf no cocoa others (Toffees & Caramels)	17049030	0	0	192	222	474	362
Confectionary, no cocoa (chewi-gum)	17041000	431	321	381	595	523	1,086
Crisp bread	19051000	8	4	13	10	28	50
Ginger bread	19052000	0	8	37	14	33	32
Cookie, Waffle , Wafer (sweet biscuits)	19053003	615	478	24	0	0	0
Cookies (sweet biscuits)	19053100	0	0	683	879	1,593	1,727
Waffles and wafers	190532/11 /19/90	0	0	359	522	946	1,238
Toasted bread	19054000	9	3	9	5	6	5
Food prep nes	21069060	4,495	4,600	6,791	8,004	10,220	11,803
Pastries & cakes	19059010	0	0	298	240	355	842
	Sub-total	6,058	10,120	14,719	17,733	24,019	28,531
	Grand total	6,654	10,557	15,463	18,262	24,762	30,209

* Nes - not elsewhere specified