

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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India

Retail Foods

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Report Highlights:

Growth, albeit slow, continues for India's retail food market while major, organized food and beverage retailers begin expanding into emerging city-markets or expand their reach through consolidation. High land or rental space prices, stringent food and labeling laws, and rising capital costs hamper organized retail growth, but industry members are exploring new formats and adding more locations to capture economies of scale and constrain costs.

Post:

New Delhi

Executive Summary:**General Economy and Policy Environment**

India has one of the world's fastest growing large economies and, by some estimates, is projected to become the world's third largest economy by 2025. In 2010, annual gross domestic product (GDP) growth reached 8.9 percent but slipped to 6.9 percent in 2013. However, in 2014, the GDP rose to 7.4 percent (based on a revised base year). The governments "Make in India" program encourages the development of the manufacturing sector as a major goal. The International Monetary Fund and World Bank, each, have projected India's growth to remain around 7.5 percent to 8 percent in the medium term.

The Reserve Bank of India has taken measures to control inflation and has benefited by the persistent decline in global oil and agricultural commodity prices. In comparison with last year, inflation has trended down 2 percent as of November 2015. The depreciation of the rupee, however, remains a concern for the economy as during the same period it went from INR 61 to the U.S. dollar to now trading at over INR 66 to the U.S. dollar.

The Government of India has not lowered tariffs or noticeably improved access for imported food and agricultural products over the past several years. Nevertheless, led by commodities such as vegetable oils and pulses for which tariffs are low, India's bulk, intermediate, consumer-oriented, fishery and forestry imports grew from \$13.2 billion in 2009 to \$24.5 billion in 2014 (Note: Exports jumped from \$16.8 billion in 2009 to \$43.0 billion in 2014, as well). Imports of consumer-oriented foods, led by tree nuts and fresh and dried fruits essentially have doubled since 2009 to \$3.89 billion.

Table 1. India: Imports of Ag., Fish, and Forestry Products from the World (U.S. Billion \$)

Category	2009	2014	2015 (YTD) Jan-Sep'15
Bulk	3.871	5.403	4.076
Intermediate	6.152	12.417	8.849
Consumer- Oriented	1.723	3.890	3.419
Fishery and Seafood	0.040	0.059	0.045
Forestry	1.446	2.772	1.844
Total	13.232	24.541	18.233

Source: USDA/FAS Global Trade Database

Snapshot: Indian Food Retail Sector

- FAS Post analysis indicates the total (food and non-food) retail sector was valued at \$600 billion in 2015.
- Retail food sales are estimated at \$360 billion or about 60 percent of total retail sales.
- Estimates indicate that food retail sales in modern outlets carved out about 2 percent of sales (\$7.2 billion) in 2015 which is up from one percent in 2005.

Table 2. India: Size of Food Retail

Sector	Estimated Size in 2015
Total Retail (Food and Non- Food)	\$600 Billion
Food Retail (Modern and Traditional)	\$360 Billion (60% of total retail sales)
Modern Retail (Food and Non-Food)	\$36 Billion (6% of total retail sales)
Modern Food Retail	\$7.2 Billion (2% of total food retail sales)
The food retail market includes the retail sales of all food products, both packaged and unpackaged, as well as beverages (including retail sales of all alcoholic and non- alcoholic beverages)	

Source: FAS India analysis and trade estimates

Foreign Direct Investment in Multi-Brand Remains Cloudy

India has more than 12 million shopkeepers who account for 97% of all retail sales and their opposition to liberalization in the retail sector is vigorous. Though the central government in New Delhi reversed an earlier decision and will now allow foreign supermarkets to open shops in India, individual states can still deny approval for retail FDI.

In May 2015, the Government of India published a [Consolidated FDI Policy 2015](#) that clarified investment procedures in retail (multi-brand and single-brand) trading in an effort to attract foreign investment. In the case of FDI in multi-brand retailing, foreign equity up to 51 percent is allowed subject to a number of conditions and implementation is on a state-by-state basis. Only 12 states/union territories are listed in the circular as having agreed to allow FDI in multi-brand retail. While no official notification restricting FDI in multi-brand retail exists, the Government of India, in principal, has restricted sector growth.

Foreign Direct Investment in Cash and Carry Wholesale Trading Permitted

The Government of India has clarified in the [Consolidated FDI Policy 2015](#) that 100 percent FDI is permitted under the automatic route only in Business to Business (B2B) activities and not in retail trading. Wholesale trading would include resale, processing and thereafter sale, bulk imports with export/ex-bonded warehouse business sales and B2B e-Commerce.

Foreign Direct Investment in E-Commerce Sector Permitted with Limitations

FDI is permitted under an automatic route only in Business to Business (B2B) e-commerce activities and not in retail trading or direct to consumer sale. FDI is not permitted in retail trading, in any form, by means of e-commerce, for companies engaged in the activity of single or multi brand retail trading.

Table 3. India: FDI in Retail Timeline

TIMELINE	SERIES OF EVENT
July 1991	FDI up to 51 percent allowed in certain stores
January 1997	FDI up to 100 percent allowed in “cash and carry “format with automatic government approval
February 10, 2006	FDI up to 51 percent allowed in single brand retail with government approval
November 24, 2011	FDI up to 100 percent in multi-brand retail approved
December 7, 2011	FDI up to 100 percent in multi-brand retail put on hold
January 10, 2011	FDI up to 100 percent in single-brand retail approved
September 14, 2012	FDI up to 100 percent in multi-brand retail approved
September 20, 2012	FDI in single brand sourcing norms amended
December 05, 2012	FDI in multi-brand retail decision wins a confidence vote in Lok Sabha (lower house)
December 07, 2012	FDI in multi-brand retail decision wins a confidence vote in Rajya Sabha (upper house)
June 06, 2013	Clarification issued on queries of prospective investors on FDI Policy of multi-brand retail
August 01, 2013	Union Cabinet approves amendment in FDI policy for multi-brand retail trading
May 27, 2014	FDI in multi-brand retail to be evaluated in a calibrated manner as per the newly elected government
May 12, 2015	FDI in multi-brand retail up to 51 percent allowed in single brand retail with government approval

Consumer Demographics:

With a population of 1.25 billion, India is the world’s second most populous country after China. India is also one of the youngest countries in the world with a median age of 25. Nearly 60 percent of Indians are under the age of 30. However, declining birth rates suggest that the Indian population will age over the next 10 years with the fastest growth occurring among those aged 30 and above - a group that comprises the highest earners.

Nearly half of all Indians are married and families traditionally live in joint or extended families resulting in an average household size of 4.8 people in 2014. In urban areas, smaller nuclear families are becoming more common as mobility and employment opportunities increase.

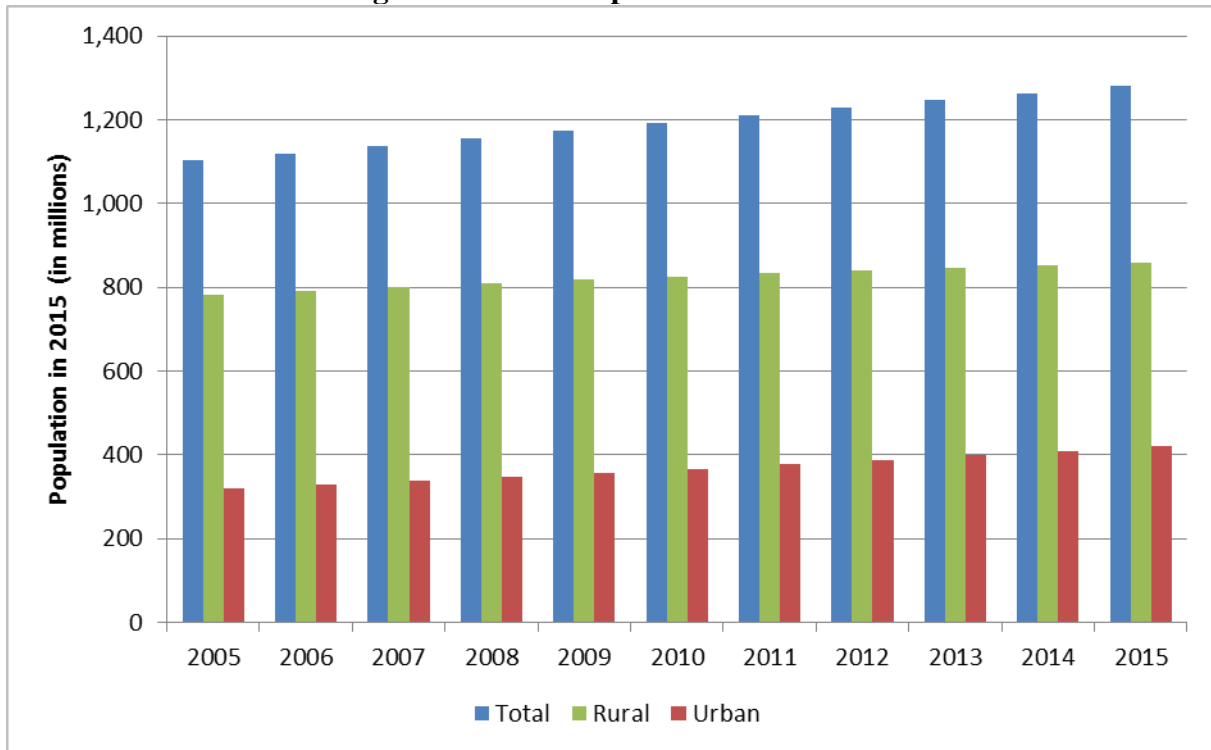
Over 850 million Indians live in rural areas compared to 400 million who live in urban areas. While the urban population is growing at more than double the rate of rural areas as migrants move to cities in search of opportunity, it will likely be several decades before India’s population will become majority urban. Agriculture accounts for an estimated 14 percent of Indian GDP, but over half of Indians are employed in agriculture, suggesting that urban areas will continue to gain population as surplus labor moves to cities. Nevertheless, rural areas are emerging as important markets for fast moving consumer

goods. Aside from vegetable oil and pulses, opportunities for imported value-added or consumer-ready foods are limited in rural areas while showing promise in Tier 1, Tier 2, and some Tier 3 cities.

While consumption of processed foods such as domestically-produced chips, biscuits and vegetable oils penetrates the lower income categories, current opportunities for value-added imported foods are generally thought to be limited to upper and upper-middle class income consumers. According to data provided by Euromonitor, average consumer expenditure (for all products) per household by the top 10 percent of Indian households rose to \$9,429 in 2014 from \$6,457 in 2009.

Trade sources frequently estimate India’s market for luxury goods at 10 million people and data from Euromonitor indicates that during 2007-2012, the luxury goods markets in India recorded real growth of 270 percent. There are nearly 616,000 households with annual incomes in excess of \$150,000, up from 359,000 in 2009. The presence of luxury goods retailers remains limited in India are primarily located in the country’s major Tier 1 and Tier 2 cities; especially, Bangalore, Delhi and Mumbai.

Figure 1. India: Population 2005-2015



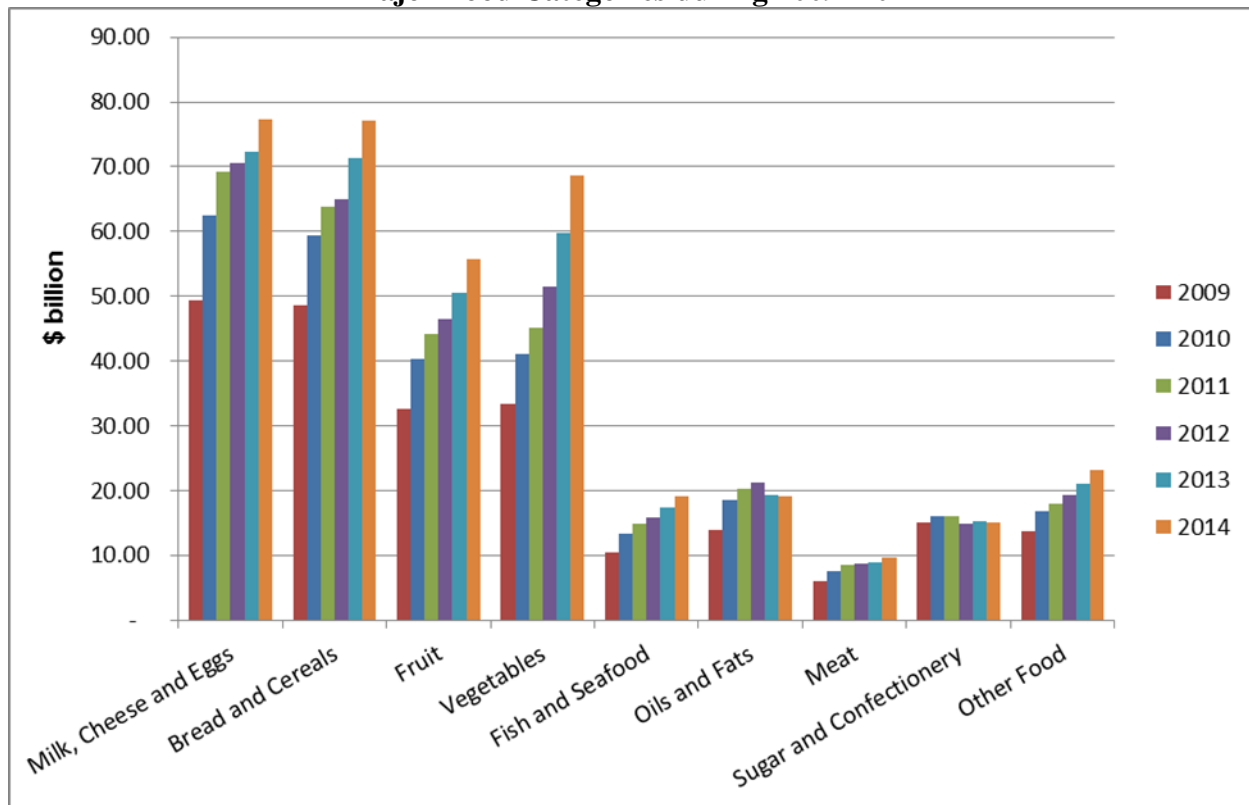
Source: Euromonitor

Table 4. India: Consumer Expenditures on Major Food Categories During 2014

Categories	2014	2009 – 2014
	(U.S. \$ billions)	Growth Percentage
Milk, Cheese and Eggs	77.3	56%
Bread and Cereals	77.2	59%
Fruit	55.7	71%
Vegetables	68.7	106%
Fish and Seafood	19.1	82%
Oils and Fats	19.1	38%
Meat	9.6	60%
Sugar and Confectionery	15.0	-1%
Other Food	23.1	70%
Total	364.8	64%

Source: Euromonitor

Figure 2. India: Growth in Indian Consumer Expenditures on Major Food Categories during 2009- 2014



Source: Euromonitor

Consumer Food Preferences

An estimated 20-30 percent of the Indian population is strictly vegetarian in accordance with the tenets

of Hinduism. Those Hindus who eat meat tend to do so sparingly and beef (cow meat) consumption is taboo among Hindus, Jains and Sikhs who comprise over 80 percent of India's population.

Furthermore, non-vegetarian food is not consumed during special days or religious observances.

India's large Muslim population (estimated at 160 million) does not consume pork and eats Halal animal products that are sourced from livestock that were slaughtered according to the tenets of Islam. Many non-vegetarian members of the Indian population, too, may not eat meat or poultry at home and may only consume it at restaurants or food service establishments.

Indians take pride in the many regional and varied foods that comprise Indian cuisine. In general, Indians have a strong preference for fresh products, traditional spices and ingredients, which has generally slowed the penetration of American and other foreign foods. However, the acceptance of packaged, convenience and ready-to-eat food products is increasing, especially among younger consumers and the urban middle and upper middle class. Many Indians are quite willing to try new foods while eating out, but often return to traditional fare at home. Italian, Chinese, Thai and Mexican foods are reportedly the fastest growing new cuisines in India and consumers are slowly diversifying their consumption patterns.

Imported food items often spotted in retail stores include dry fruits and nuts, cakes and cake mixes, chocolates and chocolate syrups, seasonings, biscuits/cookies, canned/package fruit juices, canned soups, pastas/noodles, popcorn, potato chips, canned fish and vegetables, ketchup and other sauces, breakfast cereals, and fresh fruits such as apples, pears, grapes and kiwis.

Indian consumers still have very traditional habits when it comes to food shopping. They use a variety of small stores such as bakeries and butchers, as well as push cart vendors, but most dry goods and household items are purchased from kirana stores, which are typically family-owned outlets found on almost every street corner that usually offer home delivery.

Imported Food Market in India

The business of importing food is relatively new in India and consumer awareness of imported foods is limited. In 2014, India's imports of consumer oriented food products was valued at \$3.89 billion, up from \$1.7 billion in 2009. Nuts, dried fruit and fresh fruit account for more than half of consumer-ready imports, but imports of other products are growing at strong rates, albeit from a very small base. The United States (\$643 million) was the largest supplier of consumer oriented agricultural products followed by Cote d'Ivoire (\$353 million), Tanzania (\$184 million), Nepal (\$169 million), China (\$167 million), and Afghanistan (\$164 million). Data available through September 2015, indicates that imports had reached \$3.4 billion, with United States (\$509 million) remaining the largest supplier of consumer oriented agricultural products followed by Cote d'Ivoire (\$392 million), Sri Lanka (\$197), Benin (\$185), Tanzania (\$185 million), Nepal (\$148 million), Afghanistan (\$139 million), and Australia (\$137 million).

For many Indian consumers, even upper income consumers, the option to consume imported foods and foreign cuisines is a new experience. While consumers may be familiar with foreign foods in a restaurant setting or during international travel, many do not know how to prepare foreign foods at home. Consumer education is an important part of introducing new and imported foods to the market as trade sources have suggested that with Indian familiarity with fresh ingredients, it is a challenge to introduce frozen foods. Similarly, "Indianizing" products by altering a product's flavor or

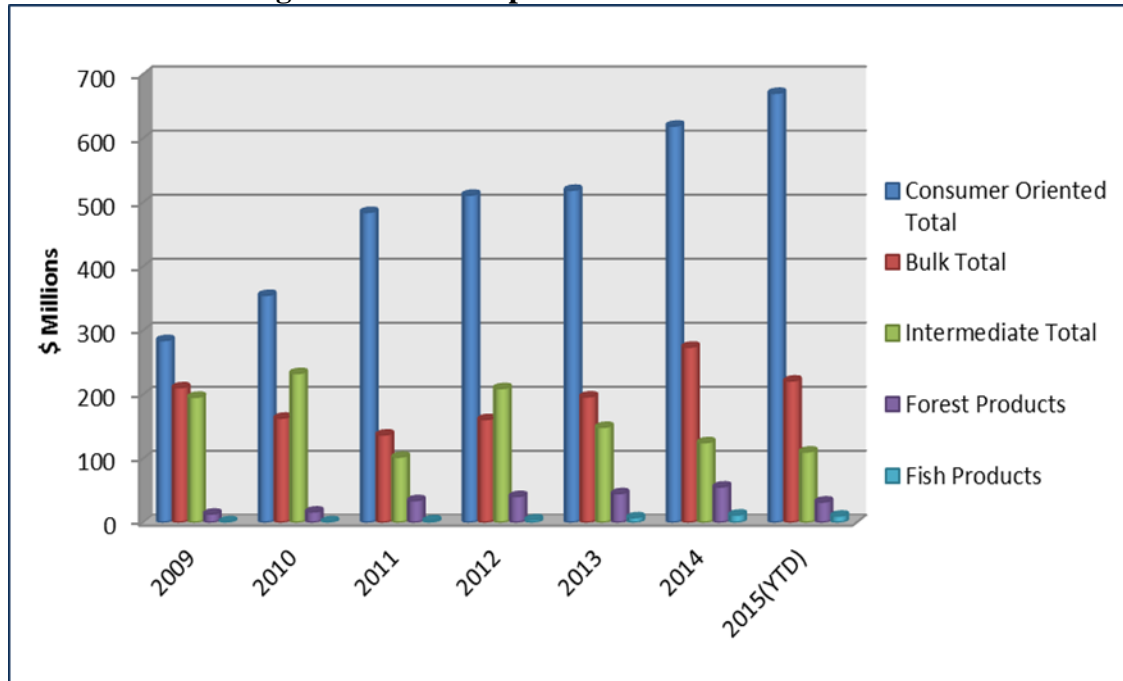
demonstrating how a foreign product can be fused with Indian foods are other ways of introducing new products. As India's modern retail sector develops, it will likely become an increasingly important vehicle for introducing imported food product to consumers before moving those products to the traditional retail sector. India now has several 24-hour food networks and cooking competition shows are becoming popular on television. So much so that retail management has indicated that it is familiar to have shoppers enter stores and look to repeat menus and recipes from shows aired the previous evening. Increased exposure to foreign foods and the opportunity to consume them is expected to lead to continued growth in the sector.

Imported nuts and fruits feed easily into India's traditional retail channels. An estimated 90 percent of imported fresh fruit is sold in roadside stands and open markets. Imported packaged and consumer-ready foods are found primarily in hotels; a small number of gourmet grocery stores that specialize in imported foods; in the imported foods sections of some larger store formats; and in thousands of small neighborhood stores that have some degree of specialization in imported foods. One of the more well-known imported food brands has products in over 22,000 stores across India, of which 19,000 are small traditional retail outlets. Hence, while the modern retail sector is expected to become an increasingly important means of selling imported foods, India's traditional retail system will remain an important way of reaching consumers for years to come.

The following imported food products from the United States and other countries can be easily seen on the shelves of the organized retail stores:

- Beverages (Fruit juices, concentrates, alcoholic beverages, and carbonated drinks)
- Confectionary Items
- Dry fruits and nuts
- Breakfast cereals
- Fresh fruits and vegetables
- Canned and frozen food
- Preserves, jam, jellies, and marmalades
- Health food products
- Pasta and noodles
- Soups, syrups, and seasonings
- Sauces and salad dressings

Figure 3. India: Imports from the United States



Source: USDA/FAS Global Trade Database

Impediments to Imported Food Products:

- **High Tariffs:** Tariffs are generally 30-50 percent on imported food products, which, when coupled with local excise and sales taxes, distributor margins, and transportation costs, retail prices can be double or triple the FOB price of an imported product.
- **Infrastructure:** Refrigerated warehousing and transportation facilities are limited and costly, but facilities are improving. In some cases, high electricity costs and/or erratic power supplies have constrained cold chain development. Whereas infrastructure projects were previously reserved for the public sector, private investors are now being encouraged to participate in developing roads, warehouses markets and transportation links. The recent decision to allow FDI in the retail sector may eventually lead to some improvement in infrastructure in states where stores are allowed to open.
- **Stringent Food Laws:** The Government of India has recently consolidated its food laws under a single regulatory authority, the Food Safety and Standard Authority of India (FSSAI). For more information on food laws related to food products imported into India please refer to Food and Agricultural Import Regulations and Standards (FAIRS) - Narrative report (available from the “Exporter Assistance” category of the FAS [GAIN](#) website)
- **Diverse Food Habits:** Indians have a number of food preferences that are derived from religious requirements such as Halal and vegetarianism. In addition, food habits and preferences can change dramatically from region to region, presenting a challenge for food marketers.

Table 5. India: Advantages and Challenges Faced by U.S. Products in India

Advantages	Challenges
<ul style="list-style-type: none"> Expanding number of middle and upper income consumers willing to diversify diets. 	<ul style="list-style-type: none"> High income consumers are spread throughout the country.
<ul style="list-style-type: none"> Increasing urbanization and growing number of working women that has led to rise of dual-income households. 	<ul style="list-style-type: none"> Diverse agro-industrial base offering many products at competitive prices and preference for fresh traditional foods.
<ul style="list-style-type: none"> Increasing exposure to international products and western lifestyle. 	<ul style="list-style-type: none"> Indian food companies (including many multinational companies) produce western-style food products at competitive prices.
<ul style="list-style-type: none"> Opportunities for bulk, intermediate, and consumer ready products that can be used by growing food processing sector under Make in India campaign run by Government of India 	<ul style="list-style-type: none"> Stringent food regulations regarding biotech foods and certain food additives.
<ul style="list-style-type: none"> A slow but, gradual transformation of the retail food sector in urban and rural areas. 	<ul style="list-style-type: none"> Difficulties in accessing vast semi-urban and rural markets due to infrastructure limitations.
<ul style="list-style-type: none"> U.S. food products are considered safe and of high quality. 	<ul style="list-style-type: none"> High tariffs, persistent sanitary and phyto-sanitary requirements that effectively prohibit or restrict imports and competition from other countries.
<ul style="list-style-type: none"> Strong U.S.-India ties and political stability in India. 	<ul style="list-style-type: none"> Unwillingness of U.S. exporters to meet Indian importers' requirements (mixed shipments, changing product specifications to conform to Indian food laws, etc.).
<ul style="list-style-type: none"> Growing domestic and international tourism and rise in food/lifestyle media creating opportunities for niche products. 	<ul style="list-style-type: none"> Competition from countries having geographical proximity and freight advantage.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

The best way to begin exporting to India is to identify a firm that imports and distributes food and beverages. These firms are experts at navigating the import and distribution processes and are able to engage directly with India-based food retailers. Some retailers are importing directly but only products that they source in large volumes. With time, more retailers will likely import more products directly.

- Survey existing and potential opportunities by reviewing FAS policy and market reports and consider engaging a market research firm to assist in analyzing market opportunities and challenges.
- Determine if your product has market access in India.
- Analyze the likely landed post-duty cost of a product. Recognize that after local margins and transportation, a product may be significantly more expensive.
- Establish a relationship with an Indian importer/distributor that provides services to the food retailing sector.
- Be prepared to start small by shipping a few pallets or cases of a product and recognize that it could take several months or years before an importer is ready to order full containers.
- Be willing to meet India specific labeling requirements.
- U.S. firms should examine all distributor prospects and thoroughly research the more promising ones. Check the potential agent's reputation through local industry or trade associations, potential clients or bankers.
- Consider whether participating in an Indian trade show would be an effective means of identifying a distributor.
- For products with a potentially longer shelf life and/or larger order volumes (e.g., from medium or large food processing chains), U.S. exporters may identify and explore supplying through consolidators based in Dubai, Singapore and Europe.

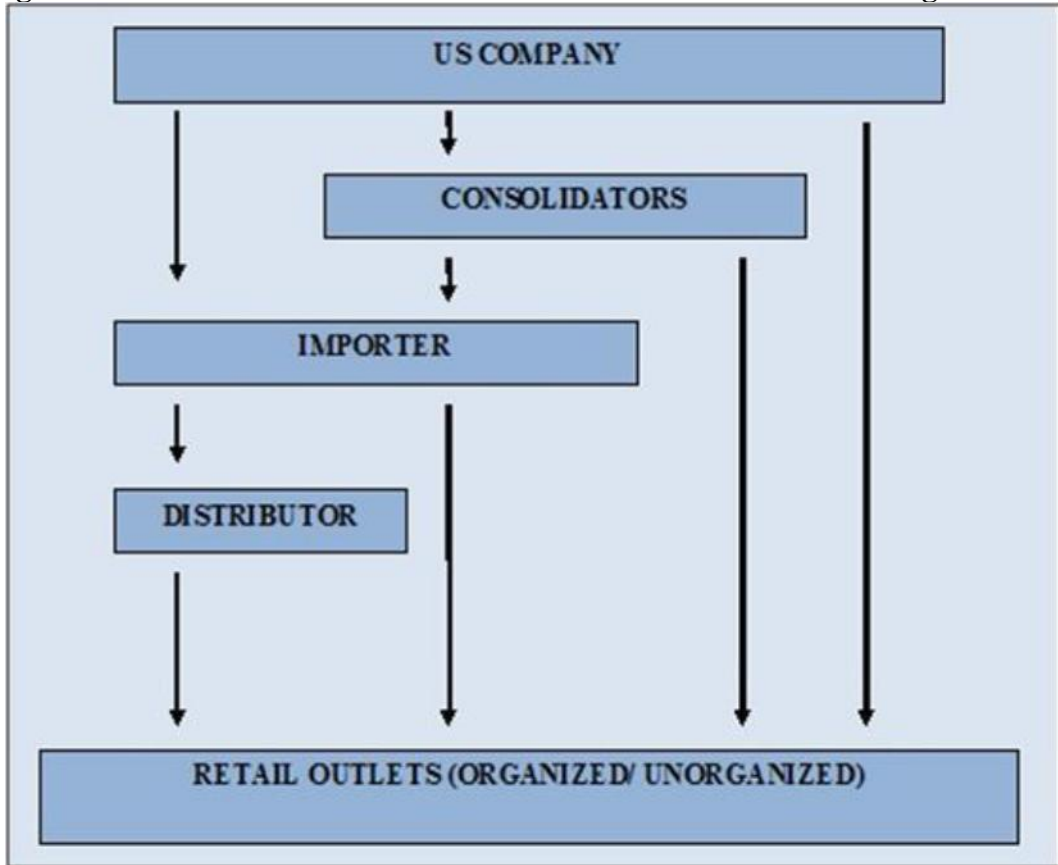
Participation in trade shows offers a good opportunity to get a sense of the Indian market and engage directly with potential importers or distributors. USDA currently endorses one annual trade show in India. The Mumbai-based show, Annapoorna – World of Food India, typically takes place in September. While this show is not geared specifically to food retail, it typically draws many of the major Indian importers and retailers. Indian importers also travel to major international shows such as SIAL, ANUGA and Gulfood.

Ensuring payment is another important consideration when establishing a relationship with an importer. Until a successful working relationship is established, exporters may wish to consider vehicles such as an irrevocable letter of credit. Alternatively, Indian importers are accustomed to operating without credit and may be willing to pay cash prior to shipment. While FAS India receives few queries concerning delinquent Indian importers, our offices do not have the authority or expertise to mediate contractual disputes or serve as a collection agent when differences over payment arise. FAS India can recommend local legal services (refer [IN5099](#)), but these situations can be avoided with proper preparation and sale terms. For firms that qualify, the Export Import Bank of the United States provides exporter insurance. USDA's Export Credit Guarantee Program (GSM-102) is not operational in India.

Market Structure

The following chart gives an overview of the distribution network for imported food products:

Figure 4. India: Distribution Flow Chart for Retail Food and Beverage Products



Distribution Structure

Marketing channels for imported foods often involve several intermediaries. Indian firms typically import, with the help of a clearing and forwarding agent, and distribute food products to retailers. While a number of importers have their own warehouses, others may utilize clearing and forwarding agents to facilitate the storage, movement and distribution of goods given the high cost of building and maintaining warehouses and maintaining truck fleets.

Importer/distributors with national distribution typically have sub-offices in regional cities or appoint other distributors to market their products in specific regions.

For domestically produced foods, clearing and forwarding agents transport merchandise from the factory or warehouse to “stockists” or distributors. While the agents do not take title to the product, they receive 2 to 4 percent margins, then invoice the stockist, and receive payment on behalf of the manufacturer. The stockists have exclusive geographical territories and a sales force that calls on both the wholesalers and on large retailers in urban areas. They usually offer credit to their customers and receive margins in the range of three to nine percent. The wholesalers provide the final link to those

rural and smaller retailers who cannot purchase directly from the distributors.

Sales to these retailers are typically in cash only and the wholesalers receive a margin of two to three percent. Margins for retailers vary from 10 to 35 percent, and the total cost of the distribution network represents between 10 and 20 percent of the final retail price. As a rule of thumb, retail prices of imported foods are typically two to three times higher than FOB export prices after tariffs, excise, margins and transportation costs added on. Added costs for products requiring refrigeration or special handling are even higher.

Table 6. India: Imported Food Product Pricing (Margins at Various Channels)

Distribution Channel	Margins
Clearing and forwarding agents	3-5 percent
Wholesalers	4-6 percent
Super Stockists	5-7 percent
Distributor	8-12 percent
Retailer	10- 35 percent

Source: USDA/FAS Analysis

With the rise of chain restaurants, modern companies specializing in the handling of food have also emerged. These firms are equipped to comply with rigorous temperature and quality specifications on behalf of their clients and offer modern warehousing and transportation facilities.

Retailers rarely import directly, relying on importers and distributors to handle the clearing and storage of products. However, a few of the larger modern retail chains have started to import certain products directly. Imported foods enter India from regional trading hubs such as Dubai, Singapore and Hong Kong as well directly from supplying countries. Major importers are located in Mumbai, Delhi, Bengaluru, Hyderabad, Kolkata and Chennai.

Infrastructure

Refrigerated warehousing and transportation facilities are limited and costly, but facilities are reported to be improving. In some cases, high electricity costs and/or erratic power supplies have constrained cold chain development. India has 3.34 million kilometers (2 million miles) of roads and roads in some areas have improved considerably over the past 10 years. Nevertheless, road travel can be slow and difficult. India also has over 65,000 km (40,389 miles) of railroads that carry over 30 million passengers and 2.8 million tons of freight per day.

India has a coastline of 7,600 kilometers and is serviced by 13 major ports in Kandla, Mumbai, Mundra, Cochin, Murmagoa, and New Mangalore on the west coast, and Chennai, Tuticorin, Vishakhapatnam, Paradeep, Ennore and Kolkata on the east coast. Container handling facilities are available at most major ports and in several major cities. Mumbai, followed by Chennai, is India's largest container port and the port where most containerized food enters India. Air shipments typically land at the Mumbai or Delhi airports. Freezer and refrigeration facilities at the Mumbai and Delhi airport are limited and present a challenge for importers seeking to clear high value food products with a short shelf life.

Emergence of Modern Retail

India's food retail industry is dominated by thousands of small "kirana" stores which account for 98 percent of food sales. During the mid-1990s, there were an estimated 200 modern grocery stores operating in India. These were typically chains in south Indian cities (mainly Bengaluru) that were not much larger than kirana stores. These stores were distinguished by their emphasis on a more modern self-service shopping environment that offered a range of products. A few cities also had cooperative stores that were owned by consumer societies. However, the Indian market was dominated by small kirana stores and government-run food distribution outlets supplying essential commodities. The emergence of larger chains and stores began around 2005 and the sector has since grown to over 3,000 modern retail outlets across India. While many retailers are expanding and opening new stores, profitability continues to be an issue for many as factors such as high real estate costs, high capital borrowing costs, shrinkage, high debt levels, training of qualified staff and a costly supply chain add significantly to operating costs. For more information on the retail store formats and factors facing the development of the industry, see [IN4120](#) and [IN3059](#).

Table 7. India: Modern Retail Segmentation

Store Format	Store Size (sq ft.)	Number of outlets	
		Jun-2014	Jun-2015
Grocery Store	500-3,000	1,891	1852
Supermarket	10,000-30,000	867	695
Convenience Stores	1,000-1,500	360	413
Hypermarket	60,000-120,000	464	490
Gourmet Store	500-5,000	47	49
Total		3,629	3,499

Source – Post Analysis

Table 8. India: Modern Convenience Stores

Company	Store	2013	2014	2015
Bharat Petroleum	In & Out	320	320	375
Godfrey Philips India	Twenty Four Seven	10	40	38
Total		330	360	413

Source - Company websites

Table 9. India: Cash and Carry Stores

Company	Store	2013	2014	2015
Wal-Mart India	Best Price Modern Wholesale	20	20	21
Carrefour Group	Carrefour Wholesale Cash & Carry	4	5	0
Future Group (Aadhar Retailing)	Aadhar Wholesale	1	40	40
Metro AG	Metro	15	16	19
Reliance	Reliance Market	0	32	32
Total		40	113	112

Source – Company websites

Note: The above information has been sourced from industry sources or through company websites. Therefore, USDA does not guarantee the accuracy of the information contained in the above table.

Internet Retailing: Several internet grocery retailers have launched over the past few years and India's first e-retailer dedicated to imported foods recently opened. Some brick and mortar stores have also begun selling food on line or announced plans to do so. Shopping at traditional kirana stores can be unpleasant due to the lack of parking, air conditioning and occasionally less than hygienic conditions outside the stores. As a result, many well-to-do consumers are accustomed to having their groceries delivered from their local kirana store or having their household help do the shopping. The ability to order on line could enable modern retailers to better compete with the services that kirana stores provide. For more information on the e-retailing grocery market, please refer to [IN5155](#) and [IN4079](#).

Private Label: These products are a relatively new in India, but a number of large format retailers have launched their own private label brands. Retailers have a greater control over the supply chain with their own private labels, minimizing stock-outs. Among the many categories under private labels, staple foods such as packaged rice, cereals and pulses, flour, sugar, breakfast cereals and packaged tea are the most popular categories and find greater acceptance among consumers. For certain specialty items, retailers could turn to foreign private label manufacturers.

Cash and Carry Format: The presence of cash and carry remains very limited in India, with most of the companies involved in the channel engaging mainly in business-to-business sales. Cash and carry companies operating in India generally operate purely as business-to-business entities, positioning themselves as inexpensive mass retailers through which businesses can purchase stock in bulk and save substantial sums of money in the process. Indian consumers have access to these cash carry outlets only when their employers or a business body has a membership card with the retailer, and this membership card is presented by the individual customer at the time of purchase.

SECTION III. COMPETITION

Imported food products in the Indian retail market face a high level of competition from domestic products. India is a significant agricultural producer and a net exporter of food products. Domestic production has the added advantage of low-cost labor, easy access to raw materials and the protection of high tariffs, which provides an edge over imported food products. A growing number of international brands are now made and marketed in India. Products from the United States also face competition from products coming from various other countries, which enjoy geographical proximity with India.

In 2014, India’s total imports for consumer oriented products were valued at \$3.89 billion with dry fruits (almonds, pistachios) and fresh fruits (apples, oranges) among the dominant categories. Packaged food categories such as sugar based confectionery, juices, non-alcoholic beverages, bakery items and wine also registered positive growth during 2014 (see table below). The total share of consumer oriented imports from the United States was 17 percent valued at \$643 million, due in large part to exports of almonds and fresh fruit.

Table 10. India: Products Present in the Market with Competition from Other Countries

Description	Major Supply Sources (Percentage Share by Value)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Almonds Imports: 98,374 tons \$627 million	<ul style="list-style-type: none"> USA – 76% Australia - 17% Afghanistan – 2% 	Seasonal availability.	Products not sufficiently available on local market.
Pistachios Imports: 10,297 tons \$75 million	<ul style="list-style-type: none"> Iran -72% USA –10% Afghanistan –18% 	Historical trade relationship. U.S .brands locally packed from imported ingredients.	Products not sufficiently available on local market.
Grapes Fresh Imports: 4,078 tons \$9 million	<ul style="list-style-type: none"> USA – 47% Peru – 16% Chile –15% Australia - 16% 	Seasonal availability.	Seasonal domestic production, priced competitively.
Apples Fresh Imports: 204,570tons \$236million	<ul style="list-style-type: none"> USA –29% China –37% Chile -23% New Zealand –7% 	Price, Seasonal availability.	Products not sufficiently available on local market.
Pears Imports: 16,308tons \$15 million	<ul style="list-style-type: none"> China –42% South Africa – 32% USA –24% Belgium – 1% 	Price competitive, Seasonal availability.	Products not sufficiently available on local market.
Sugars and sugar Confectionary Imports:1,474,761 tons \$635 million	<ul style="list-style-type: none"> Brazil – 85% Germany – 3% USA - 2% Netherlands - 2% 	Rising demand for sugar and sugar confections.	Developed confectionary industry, Products not sufficiently available on local market.
Fruit and Vegetable Juices	<ul style="list-style-type: none"> China –22% USA- 13% 	New juices are attractive, e.g. cranberry	Locally manufactured juices include well known

Imports: 16,051liters \$30 million	<ul style="list-style-type: none"> • UAE –11% • Brazil – 8% 	juice.	international brands.
Sauces, Preparations Mixes, Condiments, and Seasonings Imports: 5,989tons \$12 million	<ul style="list-style-type: none"> • USA –31% • China- 16% • Singapore –6% • Thailand –15% • Malaysia- 6% 	<p>Rising preference for Asian style cuisines</p> <p>Singapore supplies high quality price competitive Asian sauces</p> <p>China is a major supplier of Asian sauces such soy sauce, oyster sauce, and plum sauce.</p> <p>The USA is a major supplier of western sauces such as salad dressing, spaghetti sauce, mixed condiments, and barbeque sauce.</p>	Local products dominate the snacks market with widespread national distribution. Locally produced sauces have a strong presence in the market
Wine Imports: 3,334,711liters \$20 million	<ul style="list-style-type: none"> • France –40% • Australia –17% • Italy – 10% • United Kingdom - 9% • United States- 7% 	<p>Growing demand in hospitality sector, High import duty and competition from domestic suppliers</p> <p>New concepts in wine are attractive.</p>	Domestic manufactured wines dominate the market. India has one major brand that is aggressive brand driven business which proactively protects its market shares.
Source: Global Trade Atlas, market observations and trade comments			

SECTION IV: BEST PRODUCT PROSPECTS:

Category A: Products present in market and have good sales potential

Description	Total	Total	5-yr.	Base	Key Constraints	Market
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	Imports CY 2014 - Value (\$ millions)	Imports CY 2014 - Quantity (metric tons)	Import growth by value (in %)	tariff	Over Market Development	Attractiveness for US
Almonds	627	98,374	18	Rs. 35/ kg (in- Shelled)	Competition from Afghanistan and Australia	High seasonal demand, health consciousness
Pistachios	75	10,297	8	10%	Competition from Iran and Afghanistan	High seasonal demand, health consciousness
Grapes Fresh or dried	52	18,792	19	30%	Competition from domestic and foreign suppliers	Seasonal shortages and high prices, diverse fruits among India's middle income population and growing retail industry
Apples Fresh, Pears And Quinces, Fresh	252	220,878	18	Apples 50% Pears 30%	Competition from domestic and foreign suppliers like China, Chile, and New Zealand.	Seasonal shortages and high prices, increasing interest in quality fruits and growth of organized retail.
Sugars and sugar Confectionery	635	1,474,761	(8)	up to 100%	Competition from domestic and other foreign suppliers	Consumer preference for imported products/ brands
Cocoa and Cocoa Preparations	264	69,754	26	up to 30%	Competition from domestic and other foreign suppliers	Consumer preference for imported products and brands
Fruit Juices	30	16,051 Liters	5	up to 30%	Competition from domestic brands and neighboring countries	Increasing health awareness and shortage of domestic products
Sauces, Preparations Mixes, Condiments, and Seasonings	9	5,989	5	30%	Competition from domestic brands	Consumer preference for imported products and brands and growing fast food culture
Beverages, Spirits, and Vinegar	511	290,425, 827 Liters	10	up to 150%	High import duty, complex state laws, and competition from other suppliers	Increasing consumption and growing middle income population

Category B: Products not present Due to Significant Trade Barriers

There are several key trade restrictions that limit market access for U.S. food products. Imports of most animal and livestock-derived food products are effectively 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 (e.g., milk and dairy products, poultry meat, certain seafood, ovine and caprine products, as well as pork products and pet food). Furthermore, imports of beef are banned due to religious concerns.

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 and Forests. The policy also made a biotech declaration mandatory. Soybean oil derived from GE soybeans (select events) remains the only biotech food/agricultural product currently approved for import. For more information on India's biotech import policy, please see [IN5088](#) – 'Agricultural Biotechnology Annual 2015.

SECTION IV. POST CONTACT AND FURTHER INFORMATION

The following reports may be of interest to U.S. exporters interested in India. These, and related reports, can be accessed via the FAS Home Page: www.fas.usda.gov by clicking on "Data & Analysis" and then selecting GAIN reports and choosing the "search reports" function to refine the desired criteria (e.g., category and date range).

Report Number	Subject
IN5162	Exporter Guide Annual 2015
IN5163	Food Service- Hotel Restaurant Institution 2015
IN5165	Food Processing Ingredients 2015
IN5167	Food and Agricultural Import Regulations and Standards – Narrative
IN4045	Update on India's Quick Service Restaurant Sector
IN4079	Rise of Online Grocery Retail
IN4085	Agricultural and Agribusiness Consultants 2014
IN4095	Wine Production and Trade Update 2014
IN5088	Agricultural Biotechnology Annual 2015
IN5089	Casual Dining and QSR Sector See Fast Track Growth in India
IN5106	Livestock and Products Annual 2015
IN5131	Dairy and Products Annual 2015
IN5155	Mobile and E-Commerce Grocery Retail and Food Service Bloom

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