USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Voluntary _ Public

Date: 4/7/2011

GAIN Report Number: IN1134

India

Post: New Delhi

The Indian Wine Market

Report Categories:

Product Brief

Approved By:

Holly Higgins

Prepared By:

David Williams, Shubhi Mishra

Report Highlights:

With the aid of high import and excise tariffs, India has developed a small wine industry over the past decade as production has expanded nearly 300 percent since 2003 to an estimated 13.5 million liters (1.5 million cases) in 2010. The wine market is still quite small with an estimated one to two million consumers imbibing 1.3-1.4 million cases annually. India lifted its effective ban on wine imports in 2001 and appeared to be on the verge of becoming a promising market for imported wines as imports surged from $1.5 million in 2003 to $16.4 million in 2008. However, concerns about the global financial situation prompted consumers to pare back their spending just as some Indian states introduced extremely high excise tariffs on imported wines. The result was a 40 percent drop in imports during 2009. In addition to high federal central tariffs, Indian wine importers face a complex and cumbersome system of excise taxes and licensing requirements that vary by state and significantly raise the cost of imported wines while adding an extraordinary level of complexity to wine distribution. Preliminary data suggest that imports rebounded slightly during 2010 and importers appear optimistic that import growth will continue, albeit at a much slower pace than originally predicted prior to the imposition of stiff state-level excise taxes.

General Information:

Rapid Growth during the Past Decade

India's first winery was established during the 1980s and by 2000 there were just six operating wineries. However, the industry has expanded significantly over the past decade and there are now an estimated 60 producing wineries with up to 30 additional companies that have registered to become wine producers. A few larger wineries account for the bulk of domestic production and smaller wineries sometimes produce for larger wineries rather than marketing their own brands. Some major liquor companies have invested in wine production, an infusion of capital that could lead to increased production in the future. While there are no official statistics and industry estimates vary significantly, wine production is estimated to have increased rapidly from 3.6 million liters (400,000 cases) in 2003 to an estimated 13.5 million liters (1.5 million cases) during 2010. The rate of growth appears to have slowed over the past three years as concerns following the 2008 Mumbai terror attacks and the global financial situation caused consumers to pare back their spending on non-essential items and some producers faced financial difficulties as a result.

Wine production takes place in the state of Maharashtra in the area around Nashik and Sangli and the state of Karnataka in the Nandi Hills near Bangalore. Maharashtra accounts for about two-thirds of domestic wine production. Production figures also include an estimated 300,000 cases of port that are produced in the state of Goa. Governments in the producing states of Maharashtra, Karnataka and Goa have taken steps to support the domestic wine industry by reducing or eliminating excise duties on wines produced in-state, easing distribution restrictions and providing fiscal incentives to establish wineries and vineyards. These states have also imposed stiff excise taxes on imported wines and wines from other states. In addition, Maharashtra has eased the licensing requirement and regulations for establishing wineries and wine retail outlets and established two wine industrial parks to facilitate investment in the industry.

India's wine industry faces several expansion challenges as state limits on farm size and the high cost of farmland make it difficult for wineries to secure large tracts of land and many must rely on establishing relationships with multiple small farmers (less than ten hectares) to secure sufficient quantities of grapes. In addition, the southern latitude of India's producing areas, while at higher elevations, is such that the climate is not always ideal for wine production. Some industry experts speculate commented that wine production might be better suited to the cooler climate in parts of Northern India.

India -- Domestic Availability of Wine (1,000 liters)

	2003	2004	2005	2006	2007	2008	2009	2010*
Production	3,600	4,725	5,850	8,550	11,250	11,700	12,600	13,500
Imports	446	874	1,421	1,836	3,067	3,307	1,795	1,013
Annual Supply	4,046	5,599	7,271	10,386	14,317	15,007	14,395	NA
Less:								
Exports	423	280	483	752	1,048	1,636	2,078	411
Equals:								
Domestic Availability	3,623	5,319	6,788	9,634	13,269	13,371	12,317	NA
Availability (1,000 cases)	403	591	754	1,070	1,474	1,486	1,369	

*Import and export data are through June 2010.

Trade data are official Indian Statistics, remaining data are Office of Agricultural Affairs estimates.

A Small Wine Culture Develops

While there are over 200 million regular drinkers of whisky, rum and beer, consuming an estimated 200 million cases of alcoholic beverages annually, the wine drinking community is estimated at just one to two million people drinking an estimated 12-13 million liters (1.3 to 1.4 million cases) annually. Reliable consumption figures are not available and this report includes an estimate of the domestic availability of wine (production plus imports less exports) in an effort to approximate consumption. This calculation does not include beginning or ending stocks of bottled wine or wine in tanks, which, if included, would likely point to a slightly lower consumption figure.

Wine drinkers are drawn largely from the estimated 20 million upper income consumers (one-to-two percent of the population) in India. With India's steadily expanding economy these consumers tend to have rising levels of disposable income, greater exposure to foreign foods through travel and a willingness to try new products. Other factors bode well for the development of a wine market in India such as high levels of education, a young population in which 50 percent of people are under the age of 25 and fluency in English. A growing awareness of health issues is also prompting some consumers to switch to wine from beverages with higher alcohol content. In urban areas, serving wine at dinner events is becoming increasingly common and consuming wine can be considered a sign of status. Given high costs, imported wines are typically consumed on special occasions or given as gifts. European wines are often preferred in these situations, but there is emerging interest in New World wines. Indian wineries are working to develop wine tourism with restaurants and guesthouses looking to attract global wine enthusiasts.

Wine consumption appears to have dropped in 2009 the introduction of higher excise taxes in some states. While concrete data are lacking, declining imports, rising exports and slowing production growth all suggest that the domestic availability of wine (production plus imports minus exports) fell slightly from nearly 1.5 million cases in 2008 to under 1.4 million cases in 2009, but preliminary data suggest that 2010 consumption may have improved slightly from 2009 levels.

India does not have a culture of wine drinking and many Indians do not consume alcoholic beverages for religious reasons. Consequently, wine marketers are generally faced with convincing drinkers accustomed to harder liquor to try wine. Access to reasonably priced quality wines is considered by some to be key to speeding the development of a wine culture in India. Access to affordable imported wines would likely help to increase consumer demand for both imported and domestic wines. Unfortunately, in some states the high effective tariffs (federal tariffs plus state excise taxes and other fees) serve to boost the cost of even the cheapest imported wines to $20-$25 per bottle at retail, serving as an impediment to imports. Excise taxes on alcoholic beverages are often a major source of revenue for state governments.

Mumbai, Delhi, Chandigarh and Bangalore are typically considered the major wine consuming cities. However, the state of Haryana, which contains a number of Delhi suburbs and has less restrictive excise and licensing requirements, is emerging as a significant consumer of wine.

An estimated 50 percent of wine is sold through restaurants, bars, hotels and pubs. Hotels ranked at three stars and above and some restaurants have the ability to acquire wine (and other products ranging from equipment to food) free of federal tariffs (hotels are still subject to excise taxes and other local fees) based the amount of their hard currency earnings. Unfortunately, hotels do not typically pass the savings (from not paying the federal tariff) on to consumers because they use the margins to cover the high cost of obtaining and maintaining alcohol licenses. If hotels were able to pass these tariff savings on, they could serve as a gateway to introducing consumers to quality affordable wines. Hotels typically rely on local importers and distributors for their supplies, but will occasionally make recommendations to importers based on direct contact with wineries. Hotels tend to operate on annual contracts with specific suppliers and some have centralized procurement operations. Only a few hotel chains have sommeliers. There are a few local wine academies that provide training to hotel staff and others interested in learning more about wine.

Retail accounts for the balance of wine sales. Traditionally, wine has been sold through small "wine shops" which are essentially liquor stores carrying a range of alcoholic beverages. These stores do not market wine or other beverages beyond carrying signage or other promotional materials. Additionally, acquiring a retail license can be difficult and expensive, which limits the opportunity to open new stores thereby restricting growth in the retail sales channel. Recently, some states (Maharashtra, Goa, Haryana, Karnataka, Delhi) have allowed the sale of wine in supermarkets. India's modern retail food industry is beginning to develop and accounts for less than five percent of retail food sales, but the expected growth in the industry could serve as a new outlet for exposing consumers to wine.

Imports of Wine Rise and then Fall

Except for imports by hotels under a special licensing scheme, imports of wine in India were effectively banned until 2001. Despite a high federal tariff, wine imports grew steadily from $1.5 million in 2003 to $16.4 million in 2008. However, the Mumbai terror attacks of November 2008, the global financial situation and the imposition of stiff excise fees in the major consuming state of Maharashtra in 2007 and 2008, followed by similar actions in other wine producing states, caused imports to drop 40 percent in 2009 to just over $9.0 million. Imports were also likely affected by hotels and distributors drawing down stocks rather than purchasing new wine in the months following the terror attacks. Export data compiled from major exporters confirm the drop reflected in Indian import statistics, indicating that exports of wine to India dropped from 4.3 million liters in 2007 to 2.2 million liters in 2009. Exporter data point to a modest rebound in Indian wine imports during 2010 to 2.6 million liters, 40 percent below the 2007 peak. Complete 2010 Indian import data are not yet available.

In terms of volume, Australia was the largest exporter of wine to India during three of the past four years, consistently supplying wines with a base unit value of US$2.5 to $3.0 per liter. France and Italy are the other major suppliers and Singapore, an important global transshipment point, has emerged as the fifth largest supplier of wines in the years following the hike in excise tariffs. The United States was the fourth largest supplier in 2010. While there are no preferential tariffs for bulk wines, Indian wineries also import variable quantities of bulk wine for blending with domestic wines or bottling in India. Assuming that these wines are marketed as domestic wines, they enjoy the same state tax benefits as locally produced wine. The European Union is currently engaged in negotiating a free trade agreement with India. While it is not yet clear if EU wines will gain preferential access to the Indian market as a result of these negotiations, a significant reduction in tariffs for EU wines would almost certainly lead to greater imports of wine from the European Union.

Imports into India from Major Suppliers (1,000 liters)

S. No.	Country	Values in US$ Million							
		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 (Apr-June)
1	FRANCE	0.73	2.3	4.41	3.94	8.48	5.22	2.96	0.5
2	ITALY	0.06	0.76	1.15	1.45	1.95	1.65	1.2	0.29
3	AUSTRALIA	0.19	0.59	1.38	1.2	2.68	2.07	1.01	0.44
4	SINGAPORE	0.04	0.05	0.03	0.03	0.19	0.28	0.96	0.03
5	U S A	0.14	0.34	0.51	0.79	0.8	0.91	0.85	0.1
6	U K	0.11	0.14	0.28	0.73	0.74	0.69	0.55	0.22
7	CHILE	0.08	0.23	0.26	0.28	0.44	0.5	0.27	0.01
9	NEW ZEALAND	0.02	0.04	0.14	0.04	0.33	0.19	0.26	0.04
10	SOUTH AFRICA	0.06	0.05	0.19	0.07	0.64	0.66	0.21	0.06
11	ARGENTINA	0	0.05	0.11	0.29	0.25	0.17	0.04	0.03
12	Others	0.44	0.68	1	1.78	1.08	1.08	1.07	0.69
	Total	1.87	5.23	9.46	10.6	17.58	13.42	9.38	2.4

***Data from Indian Fiscal year (April/March)**

Data reflect official country import statistics as reported by the Ministry of Commerce and Industries India.

Despite the recent reduction in imports and stiff trade barriers, foreign wine exporters have been present in significant numbers at recent food shows such as Annapoorna (Mumbai, November 2010), the International Food and Drink Expo (Delhi, December 2010) and the Taste Show (Mumbai 2011). Their presence appears to be indicative of continued interest in the Indian market, despite the obvious market challenges.

Given the strong competition from the domestic industry, complex distribution and licensing systems and high import and excise tariffs, it seems unlikely that India’s wine imports will return to the heady growth of a few years ago in the current policy environment. Nevertheless, importers are optimistic that import volumes will grow, albeit at a slower rate, as India’s economy expands and consumer confidence grows.

Exports to India from Major Suppliers (1,000 liters)									
	2002	2003	2004	2005	2006	2007	2008	2009	2010*

Australia	89	148	211	255	632	1,335	1,054	451	722
France	410	552	571	950	881	1,125	906	879	587
Italy	45	35	97	149	254	328	273	186	269
United States	64	241	124	133	286	558	156	135	250
Singapore	4	26	16	20	37	25	75	159	214
Chile	78	145	230	143	104	176	180	143	187
South Africa	27	34	17	63	48	516	686	54	152
Spain	45	19	23	36	62	105	108	95	129
Argentina	-	3	13	11	90	55	41	40	39
United Kingdom	44	67	42	50	52	45	70	37	38
New Zealand	5	11	17	16	9	25	20	24	36
Total	811	1,281	1,361	1,826	2,455	4,293	3,569	2,203	2,623

***Data from Italy, Spain, and the United Kingdom are through November 2010.**
Data reflect official country export statistics as reported to the Global Trade Atlas

Tariffs, Taxes and Distribution Policies

Marketing of liquor, including wine, is largely a state subject in India and imported wines have to grapple with the highly controlled and complex domestic marketing and taxation procedures followed in each state. Besides the high import duty, every state charges varying state excise taxes, sales tax and vending fees. Wine importers also face the challenge of procuring licensing clearances for distribution and sales of wine/liquor in every state where they intend to market their product. With each state having their own licensing procedure, it is a substantial task to achieve clearance from state governments. This report provides a sampling of some of the domestic fees and taxes that apply to imported wines, but does not include a comprehensive description of these complex and varied systems. Potential exporters should work closely with importers in discussing the effects of these requirements on the retail pricing of their products. A summary of policy developments, tax policies and licensing requirements follows.

Federal Import Tariffs—A Brief History

In April 2001, the federal government allowed the importation of wine for general consumption. Previously, imports were effectively banned except for a few exceptions for the tourism industry.

In May 2003, the Government of India (GOI) exempted luxury hotels (3-star and above) and other tourism sector providers from the import duty on liquor and wine up to five percent of their average foreign exchange earnings over the preceding three years. Hotels effectively receive a permit that enables them to procure wine directly from importers' bonded warehouses without paying the federal import tariff. Alternatively, hotels can import directly, but typically prefer the relative ease of drawing from the stocks of importers' warehouses.

On July 3, 2007, in response to issues raised at the World Trade Organization, the government of India removed the additional import duty of 20-75 percent which, depending on the landed value of the wine, was applied in addition to the then base tariff of 100 percent. While eliminating the additional duty, the government of India raised the import tariff on wine to 150 percent, equivalent to the bound level established during the Uruguay Round of the World Trade Organization. Other added levies push the federal tariff to the equivalent of 160 percent.

State, Excise, Sales Taxes and other Fees

State governments impose a range of state taxes such as licensing fees, excise tariffs and vend fees on imported wine marketed from other states in their geographical boundaries. Although exempted from central import duties, hotels and restaurants have to pay the state excise taxes and other fees and taxes. Excise taxes and fees vary by state, and excise policies in the major consuming state of Maharashtra are discussed below as an example of how excise taxes are applied.

When the federal government established an import tariff of 150 percent in July 2007, it suggested that state governments could impose excise duties and taxes on imported wines and liquors similar to the applicable taxes being levied on domestically produced wines and liquors. In July 2007, the state of Maharashtra announced a new excise policy for imported wines raising the special fee on wine from Rs. 202 ($5.00) per bulk liter to 150 percent of the assessed value of imported wine. This fee was subsequently increased to 200 percent in April of 2008, placing the effective tariff on wines imported and consumed in Maharashtra, a major wine producing and consuming state, at well over 300 percent. In addition, an annual "K-1" form fee of Rs. 250,000 ($5,700) was established for distributors dealing in imported wines and liquor.

In July of 2009, the government of Maharashtra again modified its excise policy when it published the "Maharashtra Potable Liquor (Fixation of Maximum Retail Prices) (4^{th} Amendment) Rules 2009." The rules establish a special fee (equivalent to an excise tax) of Rs. 400 ($8.90) per bulk liter for wines with a maximum retail price of up to Rs. 900 ($20); a special fee of Rs. 300 ($6.70) per bulk liter for wines with a maximum retail price of Rs. 901 to Rs. 6,000 ($6.71 to $134); and, a special fee of five percent if the maximum retail price is more than Rs. 6,000 ($134). Wine produced in the State of Maharashtra is currently exempt from these fees. Note that these fees apply to liters and must be multiplied by 0.75 to arrive at the rate for a 750 ml bottle of wine. All processed foods are subject to a maximum retail price which sets a ceiling at which a retailer can sell a particular product. The maximum retail price (MRP) calculation is determined as follows:

MRP = (2 X manufacturing cost) + Special Fee + Customs Duty (160%) + Sales Tax (25%)

For a 750 ml bottle of wine with a manufacturing cost of Rs. 100 and an assessed value of Rs. 125, the MRP is determined as follows:

Manufacturing Cost (MC) of Rs. 200 which is 2 X manufacturing cost
Plus
Special Fee (SF) of Rs. 300 which is equivalent to Rs. 400 X 0.75
Plus
Customs Duty (CD) of Rs. 200 which is equivalent to 160 percent of the assessed value of Rs. 125
Plus
Sales tax of Rs. 175 which is equivalent to 25 percent of (MC plus SF plus CD)
Equals
An MRP of Rs. 875 ($19.55 per bottle of imported wine with an assessed value of Rs. 125 ($2.80))

The above calculation does not include costs such as warehouse charges, distributor margins and retail margins, all of which must be absorbed within the MRP. Establishing a higher manufacturing cost would provide added flexibility for covering these costs, while increasing the MRP.

Marketing Regulations

Marketing policies related to alcoholic beverages, including wine, are determined at the state level in India. Every state (29) and union territory (8) has its own excise policy on the manufacturing and marketing of alcoholic beverages that includes warehousing, distribution, retailing, and labeling and disclosure requirements. For additional information on labeling see (GAIN IN1104)

Wholesale or Distribution License

An importer/distributor either has to apply for a foreign liquor-marketing license (FL-1 license) to the state excise department or market his/her wine through an approved FL-1 licensed distributor. For the FL-1 license, the licensee must have a registered office in the state and meet other requirements that may vary from state to state. The FL-1 licensee has to pay a fixed fee every year. In Karnataka, a state owned entity ('Karnataka State Beverage Corporation Ltd. -KSBCL) has the monopoly marketing/distribution rights and an importer has to market all products through the KSBCL.

Brand/Label Registration

FL-1 licensees (importer or distributor) are required to apply for the brand (and label in some cases) registration with the state excise department for marketing the brand and/or label in the state. The state excise department charges a fixed registration fee, and the registration has to be renewed every year. In some states, importers are also required to declare the maximum retail price (MRP) for the wine at the time of registration.

At the time of registration, the state excise department provides guidelines on specific labeling requirements for sale. State specific labeling regulations may include -

1. 'Alcohol Consumption is Injurious to Health' in English (and local language in some states)
2. 'For Sale in the state of xxxxxxx only'.
3. Maximum Retail Price (MRP) Rs. xxx.xx only.

Upon registration of the brand, the licensed wholesaler/distributor can market their product in the state, either through government approved retail outlets or hotels and restaurants that have a license to serve liquor. In Karnataka, the importer must apply to the KSBCL for the registration of the brand.

Transport Permit

Upon receiving an order from a buyer (hotel or retailer), the licensed wholesaler/distributor places a request for a transport permit or order with the excise department to allow transfer of the specified quantity (number of bottles/ cases) of the product from the customs bonded warehouse to the retailer/hotel.

The state excise department will issue the transport permit after receiving the payment of the state excise duty, vend fee, and other taxes as applicable in that state. Upon presentation of the transport permit, the bonded warehouse will release the specified quantity of wine to the retailer/hotel and the licensed distributors will transfer the product to the retailer/hotel after paying the sales (value added) tax.

Storage Regulations

Imported wines and all other alcoholic beverages must be stored at a government approved custom bonded warehouse or excise department bonded warehouse. Importers can keep the imported wine in an excise approved warehouse after paying the import duty. Imported wine is often kept in a customs bonded warehouse for up to six months without payment of the import duty. Importers are charged interest on the duty if the product is cleared after six months. Wines can be released from the bonded warehouse for distribution only after the importer/distributor meets all the mandatory requirements of the state where they plan to market the product.

Labeling Regulations

Bottled-in-origin (BIO) wines are subject to the labeling provisions of the Standards and Weight and Measures (Packaged Commodities) Rule, 1997, when imported into India. Compliance with this rule should be ensured before the import consignment is cleared by customs. The labeling declaration on a wine bottle should include:
Name and address of the importer.
Generic or common name of the packaged commodity.
Net quantity in terms of standard units of weights and measures. In the case of wine, the unit is milliliters or liters.
Month and year in which the commodity was manufactured, packed, or imported.
In addition, the Standards and Weights and Measures (National Standards) Rules, 1988, prescribe that the alcoholic strength be declared on the label as a percentage of volume with the symbol "% Vol".

Although the Bureau of Indian Standards (BIS) prescribes standards for various alcoholic beverages, these specifications are not mandatory for imported products. Market sources report that India does not impose any specified standard regarding approved composition and additives for imported wines.

Promotion Regulations

The government of India has banned direct or surrogate advertisement (sponsoring major sport events, brand related promotions, etc) in the mass media for promotion of consumption of liquor including wine. Most liquor and wine promotions are done through organizing on-premise promotions such as wine tasting events, sponsoring cultural/entertainment events, POS and gift materials.

Import and Distribution Structure

The procedure to import and distribute imported wines is quite complex [1] . Imported wine is initially cleared at the port and stored at a custom bonded warehouse (public and private). An importer must register the wine brand individually with the excise department of the state where the wine is to be marketed either through an approved wholesaler/distributor (FL-1 license) or directly by applying for the FL-1 license. Wine can be sold through approved hotels/restaurants (FL-2 licensee) and retailers (FL-3 licensees).

Imported wines in India are marketed to retailers, hotels and restaurants directly by an importer and/or through approved distributors. The importer or distributor has to regularly coordinate wine orders from his customers and plan well in advance given shipping and clearance times for imported wines. Based on the total orders for a specific period, an importer or distributor will issue a purchase order to the custom bonded warehouse, pay customs duty and receive a custom delivery order, pay state excise taxes and obtain a transport permit from the state excise department. The wine is then moved from the custom bonded warehouse to the state excise bonded warehouse for distribution to hotels, restaurants and retailers. Industry sources report that it may take anywhere between 6-9 months for the wine to reach the customer after arrival in India.

The distribution structure is divided into four broad categories:

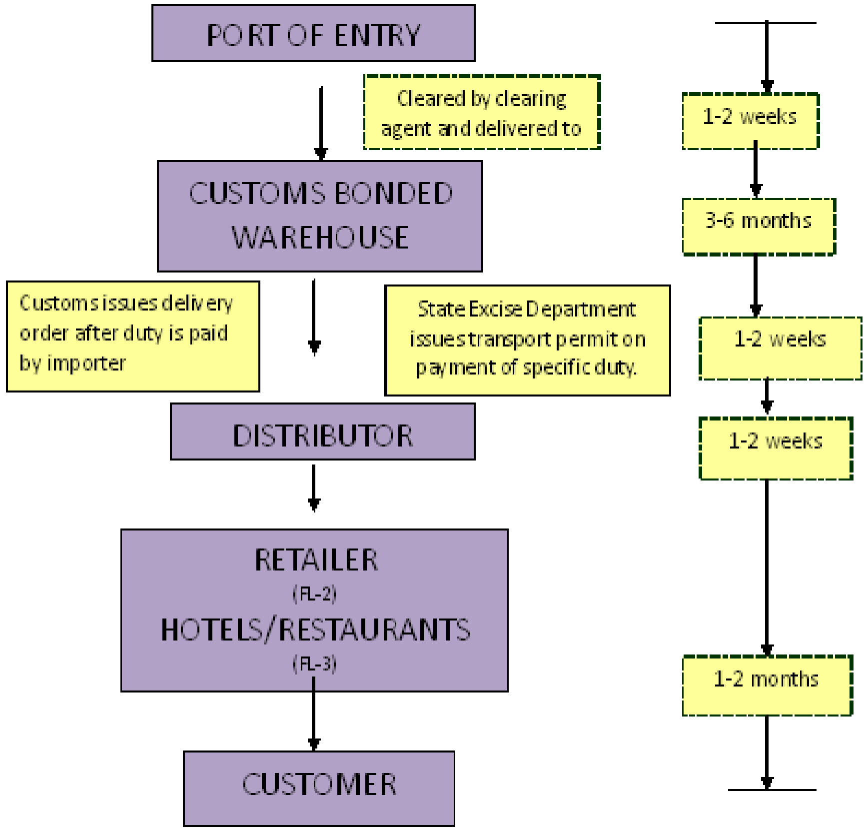
Open Markets: Private sector sales are allowed subject to a retail license. Maharashtra, West Bengal, Goa, Assam, Meghalaya, Arunanchal and Tripura.

Auction Markets: Licenses are auctioned to the highest bidder. Uttar Pradesh, Rajasthan, Madhya Pradesh, Bihar, Punjab, Haryana and Chandigarh.

Government Controlled [2] : Tamil Nadu, Delhi, Kerala, Andhra Pradesh and Karnataka.

Prohibition States: Sales of alcohol are prohibited. Gujarat, Manipur, Mizoram and Nagaland.

Marketing Channels for Imported Wine:



Entry Strategy

Despite the recent drop in imports, importers are optimistic that wine imports will grow, albeit at a much slower pace than was predicted a few years ago. There are a relatively large number of wine importers in India with estimates ranging from 50 to 90 companies and the market is already filled with different wines and origins--a handful of companies account for an estimated 70 percent of wine imports. Finding a good distributor who has strong contacts in the hotel and retail sectors is key to accessing the Indian market. Given the large number of small wine importers in such a small market for imported wines, exporters should exercise caution when working to identify a partner. Some of the largest wine importers were originally importers of spirits and other alcoholic beverages that had established distribution networks and familiarity with the complex tax and licensing policies and expanded into wine. Most of the major importers are able to distribute nationally and already carry U.S. wines. Some Indian wine producers also carry imported wines in order to round out their portfolios. At least one Indian spirits company has invested in Europe and is producing wine there. While importers are open to direct inquiries from exporters, they often stress that they do not wish to compete with existing U.S. wines in their portfolio and are seeking wines from different regions or producing areas in the United States.

Points to consider as an approach to the Indian market follow:

Survey potential opportunities for the wines in the market. The Office of Agricultural Affairs can assist new exporters in identifying market research firms who can do this survey.

Given the complexities of the local import system, identifying a potential distributor will be key.

Recognize that India is large and diverse with varying state policies, consider whether you wish to enter the market by focusing on a particular city or region before expanding nationally.

Consider whether you are willing to provide promotional funding to your distributor for your wines.

Consider participating in a local food or drink show.

U.S. exporters should consider the following before selecting an importer/agent:

Examine all prospective candidates, and thoroughly research the promising ones through local industry and trade associations or a market research firm.

Identify importers/agents with an established marketing network, and client base among the hotels/restaurants and retailers in various states.

Recognize that distributors with fewer suppliers may be more adaptable and committed than larger distributors with multiple brands.

Review the other wines carried by a distributor to avoid potential conflicts of interest with other companies and countries.

An exporter could also seek to work directly with end users such as retailers and hotels to generate interest in their wines. This is a somewhat more cumbersome approach, but could help to convince an importer to carry a new wine.

Selected Food and Wine Shows

India has a number of small food shows that are geared to varying degrees to imported foods and beverages. While these shows appear to be principally intended as food shows, significant numbers of wine exporters have exhibited at recent shows. There are also a few shows that cater specifically to spirits or wine. A list of shows that may be of interest to wine exporters follows.

Annapoorna—annual show held during November in Mumbai.

Fine Food India—a new show to be held during December 2011 in New Delhi, replacing the International Food and Drink Exhibition.

Taste—annual show generally held during January in Mumbai.

AAHAR—annual show held during March in New Delhi, little or no wine exhibitor presence.

Upper Crust—annual shows held in Bangalore (September) and Mumbai (December). The shows are sponsored by "Upper Crust" magazine and cater to consumers. These shows might be appropriate for companies that are already established in India.

IndSpirit—annual show held during December in Mumbai. Focus is on all alcoholic beverages including wine.
Mumbai Wine Fest—annual show held during November in Mumbai that caters to consumers—more appropriate for brands with established local distributors.

Licenses/ Marketing Fees/Labeling Regulations for Imported Wine in Major Wine Consuming States:

A: Maharashtra (including Mumbai [3]): Three types of licenses are issued for imported liquor by the state government FL1; FL2; FL3

FL1- Permit for purchase of liquor directly from the distilleries and sale to FL2 or FL3 license holders. The license holder is allowed to transport the wine and act as distributing agents.

FL2- Permit for purchase of liquor directly from FL1 license holder and sale to direct public but cannot sell liquor to FL1 license holder. License holder is not allowed to transport the wine. An annual fee of INR 80,000 (USD 1834) is charged for issuing of the license No. FL-BR2 in Maharashtra. (Duration of license is 1st April to 31st march).

FL3- Permit for purchase of liquor from FL1 license holder but not from FL2 license holders, sale to all. This license is generally given to the hotel owners.

Wine Sale license: wine will be permitted for sale by Beer Bars and also license will be given to the wine bars to sell wine on the basis on beer bars.

Label Registration Fee: Rs. 5,000 per annum up to 10 labels; and Rs. 2,500 per label from 11th label onwards.

Labeling Regulations:
"MRP = Rs. xxx.xx"
"For Sale in Maharashtra Only".

B: Delhi

The prime job of the Excise Department is to regulate import and supply of liquor, intoxicants and narcotics (for medicinal purposes), The Department grants:
L -1: Wholesale license of IMFL (Indian made Foreign Liquor) and import permits are issued to L-1 license holder.
L 2: Retail vend of Indian Made Foreign Liquor/Beer.
L- 3: Service of liquor in a hotel (to the residents in their rooms).
L-4: Granted to Independent restaurants for service of liquor
L -5: Service of liquor in a bar/ restaurant attached to a hotel.
L- 5A: Retail vend of foreign liquor in a bar/ dining car in a luxury train.
L- 6: Retail vend of IMFL in a duty free shop.
L-6A: Retail vend of foreign liquor in duty free shops off the premises.
L-7: Retail vend of IMFL in military canteen.
L -49 A: Service of liquor in a party hosted anywhere in Delhi.
L-52: Private owned retail liquor vends.
L -53: for retail sale of Beer and Mixed Alcoholic Beverages through Departmental Stores for "off-site" consumption in the Excise Year

Brand/Label Registration Fee: Rs. 5,000 per annum
(Each label of a brand has to be registered)
Vend Fee: Rs. 150 per bottle (750 ml)
Labeling Regulations
"MRP Rs. xxx.xx"

C: Karnataka (including Bangalore).

Brand/Label Registration Fee: Rs. 10,000 per annum
Literage Fee: Rs. 1.45 per bulk liter

Additional Special Fee [4] : Rs. 300 per bulk liter

KEY CONTACTS AND FURTHER INFORMATION

The following reports may be of interest to US exporters interested in India. 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 searching by the report number.

Report No.	Title
IN1111	Exporters Guide Annual
IN1104	FSSAI-Towards Implementing Food Safety Standards in India
IN1106	Export Certificate FAIRS Report
IN7114	HRI Food Service Sector Report
IN1005	Retail Food Sector Report

For additional information please contact:

Agricultural Counselor
Foreign Agricultural Service
Embassy of the United States of America
Chanakyapuri
New Delhi – 110 021
Phone: 91-11-24198000
Fax: 91-11-24198530
E-mail: agnewdelhi@usda.gov

[1] The custom bonded warehouse and the FL-1/excise bonded warehouse operations involve financial investments and fees. Most of the importers use the services of existing service providers, who charge commissions varying between 10 to 20 percent of the cost of wine.
[2] The government controlled markets have different models. Karnataka is the most open state, with the lowest trade margins. Whereas, in Delhi, Kerala and Tamil Nadu retail shops are run by the state government.
[3 In Mumbai, the city authorities charge an Octroi fee of 8 percent on the total cost of the product (includes CIF value, all duties and taxes and market margins).

[4] The wine produced in the state of Karnataka is exempted from the special fee.