



Exporter Guide

FOOD & BEVERAGE IN INDIA

Market Profile
August 2011

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1 MARKET STRUCTURE

1.1 Market Overview

India is one of the largest countries in the world, with a growing population of 1.2 billion people. India's GDP was US\$1,538 billion in 2010 and is forecast to rise to US\$1,777 billion in 2011. GDP is expected to continue growing at rates around 8–9 percent per annum for the next few years.ⁱ There has been a discernible increase in purchasing power in many parts of the country and rising affluence in many urban pockets. Changes such as economic growth, globalisation, urbanisation, the relaxation of import policies, the growth of organised retailing, the impact of visual media, along with changing lifestyles and food habits have opened the doors for imported food products from across the globe. With rising incomes, Indian urban consumers now have the willingness and means to try new products.

However, the income distribution in India remains uneven between a wealthy urban population and a low income rural population. Almost a quarter of the population is living on less than US\$1 per day, even though GDP per capita is US\$3,787. The income split essentially means that India has two separate consumer segments, which are further split by strong regional differences.ⁱ Throughout India there are 20 official languages, 3 main religions and 14 main cuisine styles.ⁱⁱ

Consumption of food and beverages was approximately US\$343.9 billion in 2010. This figure is expected to grow 6.7 percent in 2011 to US\$366.8 billion. Consumption of meat, fish, fruit and vegetables per person are all increasing.ⁱ

India is one of the world's largest food producers and has a large agriculture industry. This, combined with a cultural preference for fresh food, means that India supplies the majority of its own food for consumption. However, India is a growing market for processed food imports which are becoming more popular with the younger population, especially in urban areas.ⁱ

1.2 Market Drivers

There are a number of trends driving growth in the food and beverage industry. These include:

- **Rising Incomes:** India's strong economic growth is increasing consumers' incomes. It is estimated that by 2025, India will have 583 million people living on incomes of above US\$4,380 (around US\$23,530 after accounting for the purchasing power parity). Furthermore, around 65 percent of the population are under the age of 35, which means there is an increasing number of people who are capable of earning and

have rising disposable incomes. Rising incomes are also driving up demand for specialty and value-added food products.ⁱⁱⁱ

- **Urbanisation:** The typical Indian lifestyle is becoming more urbanised and Western. This is leading to higher consumption of processed, packaged, branded and value-added food and beverage products. Urban consumers are increasingly willing to pay for premium products. However, the majority of the population are still located in rural areas and consume only subsistence foods such as cereals and breads.ⁱ
- **Diet Diversification:** Indian consumers, particularly the younger population, are becoming more accepting of different food and drink products. There is increased demand for product variety, as well as products from different countries. The number of imported food products is increasing in retail stores.^{iv} This trend is evident not only in organised retail, but also in the small family-owned stores which dominate the market.
- **'Glocalization':** Glocalization has caused international food products to be adapted to suit Indian consumers. For example, McDonald's in India provide vegetarian rather than beef burgers and pizza chains serve pizzas with Indian toppings such as curry. This has resulted in greater acceptance and increased demand for international food and beverage products in India.^{iv}
- **Meal Portions & Timings:** With busier lifestyles, Indian consumers are moving away from the traditional three meals per day schedule. Smaller and more frequent meals are becoming common, resulting in higher demand for convenient products and snacks.^{iv}
- **Health Consciousness:** Indian consumers are becoming more careful about their health. Nutrition is starting to become an important consideration when purchasing food. In general, older and female consumers tend to be the most health conscious when making purchase decisions.^{iv}

1.3 Market Potential

Overall food and beverage consumption is expected to grow at rates between 6–11 percent for the next few years.ⁱ The products and sectors that are expected to have the highest potential for growth are:

- **Meat:** For religious and cultural reasons, many Indians are either vegetarian, or do not eat certain types of meat. Meat consumption is low, at 5.6 kg per person in 2010, but is forecasted to grow at around 4.4 percent per annum for the next few years. This growth is primarily driven by the demand for poultry, which is becoming increasingly popular. Additionally, the meat market is primarily fresh meat. The

current small size of the market for imported meat can also be attributed to the regulatory environment and the higher cost of imported meat products.

- **Fish:** Fish consumption is currently low due to low incomes. However, as incomes rise, the consumption of fish is expected to increase 17 percent by 2015. The challenge for fish consumption growth is that it is not traditionally part of Indian cuisine and, similar to meat, Indians primarily prefer fresh fish so inland areas tend not to consume it.ⁱ
- **Milk & Dairy:** Due to urbanisation and rising incomes, there is high growth for processed dairy and milk products. Additionally, the dairy processing industry in India is growing and demanding milk and dairy ingredients. Cheese, butter, whey, yoghurt and ice cream are some of the major dairy products that are imported with cheese being the most popular.
- **Packaged & Processed Products:** As more women join the work force and households become smaller, packaged and processed products such as ready to eat meals, canned foods and snacks will be in higher demand.ⁱ The ready to eat meals market was only around US\$24 million in 2009 but it is expected to double by 2014. The most popular ready to eat products are those based on traditional Indian recipes.^{iv}
- **Beverages:** In India, tea is one of the only beverage products that has a mature market. Other beverages such as coffee, carbonated drinks and functional drinks all are experiencing high growth. Coffee consumption is expected to grow 20–30 percent per year for the next few years.ⁱ Demand for wine is also growing, but the market is captured mostly by domestic suppliers due to high tariffs on imported wines. The domestic wine production in India grew almost 300 percent in the past 10 years.^v

1.4 Import Trends

New Zealand exported NZ\$178 million of food and beverage products to India in 2010, an increase of 106 percent from 2009. Food and beverage exports to India are dominated by dairy products which have been performing well in recent years. Butter exports to India increased by 4,156 percent in 2009 and milk and cream exports increased by 4,032 percent in 2010.

New Zealand's top food and beverage exports to India in 2010 were:^{vi}

Product	2010 Exports (\$NZ millions)	Increase from 2009	% of NZ's Food & Beverage Exports to India
Butter & Other Fats	87.5	31.7%	49.2%
Milk & Cream	63.7	4,031.7%	35.8%
Apples, Pears & Quinces (Fresh)	8.81	10%	4.95%
Sugars & Other Sugar Products	3.86	24.1%	2.17%
Whey	3.66	1,455.7%	2.06%
Bovine, Sheep & Goat Fats	2.58	41.3%	1.45%
Cheese & Curd	2.22	77,553.5%	1.25%
Fruit Not Elsewhere Specified (Fresh)	2.19	21.2%	1.23%

1.5 Key Players in the Market

Retail Channels

The food and beverage retail market is primarily made up of small and independent family owned stores, which held 65.4 percent of market share in 2009.^{vii} However, modern retail formats such as hypermarkets, supermarkets and convenience stores are starting to take away market share from these smaller stores.ⁱ

- **Independent, Convenience & Gas Station Stores:** The majority of small retailers are independent family owned stores. It is estimated that India has eight million independent neighbourhood stores. These stores offer fresh food and are easy to access for consumers. With the exception of stores located in wealthy urban areas, these small retailers typically do not sell imported products.ⁱⁱⁱ
- **Large Retailers:** Hypermarkets, supermarkets and discount stores had 1.3 percent of market share in 2009. Large retailers are growing as they are able to benefit from economies of scale and offer lower prices.^{vii} These retailers cater to consumers who want variety in products and are able to store food in their homes by owning a fridge. Large retailers primarily operate in urban areas where around 20 percent of the population shop with them.ⁱⁱⁱ

- **Food & Drink Specialists:** In 2009, food and drink specialists had 32.9 percent of market share. Food specialists typically operate in niche markets so that they do not need to compete on price.^{vii}

Leading Retail Companies

Pantaloons Retail (India) Ltd is the flagship company of Future Group and the largest Indian retail conglomerate. The company operates around 1000 retail stores and recorded sales of US\$1.3 billion in 2009. Pantaloons is a diverse company, operating multiple retail formats in different industries. In the food and beverage industry, Pantaloons operates the following brands:^{vii}

- **Brew Bar:** Provides beer (domestic and imported), snacks and set meals.
- **Cafe Bollywood:** Fast food retail chain that provides street food, burgers, pizzas and juices.
- **Chamosa:** Provides Indian counter snacks in high traffic areas.
- **Big Bazaar:** Hypermarket stores.
- **Food Bazaar:** Supermarket stores.
- **Sports Bar:** Sports oriented bar that provides domestic and imported alcoholic beverages.
- **Food Hall:** High end food supermarket that has several varieties of higher end imported food and beverage products.

Bharti Retail operates convenience stores and hypermarkets under the brand Easyday. The company currently operates around 12 stores and is in a joint venture with Wal-Mart.^{vii}

Reliance Retail is a publicly listed company that operates a variety of retail operations. Food retail formats operated by Reliance include supermarkets, mini-marts and neighbourhood stores. The company had a net profit of US\$3.27 billion in 2009.^{vii}

Spencer's Retail is a multi-format retail company that operates different sized stores. Spencer's Retail's hyperstores sell both food and non-food items. The company operates in 66 Indian cities and is one of the largest retailers in the country.^{vii}

Spar currently has 7 stores across India, with a focus on the South Indian markets. They have plans to double their stores this financial year. All stores operate under the hypermarket format.

TataTrent - Tesco has entered into a deal with Trent, the retail arm of the Tata Group, to supply products, services and expertise to its hypermarket business, under the brand Star Bazaar.

Aditya Birla Retail launched its first supermarket 'More' in 2007. Since its launch the group has aggressively rolled out new stores, totalling over 640 stores across India.

Hotels, Restaurants & Institutions (HRI)

India's hospitality sector is worth US\$23 billion and investments into the sector for 2011 – 2012 are expected to total US\$11 billion. The sector is forecast to be worth US\$42 billion by 2018.ⁱⁱⁱ Due to Indian consumers having a preference for fresh food products, the HRI sector is the primary market that buys chilled or frozen foods.ⁱ

- **Hotels:** The hotel industry is dominated by the top end of the market (5 star hotels) which account for 65 percent of revenues. These premium hotels are primarily located in major cities such as New Dehli and Mumbai, but are starting to expand to medium sized cities and popular tourist destinations. Customers of this segment are mainly business people and international tourists. Premium hotels import their food and beverage products through agents that work with consolidators in Dubai, Amsterdam, Singapore and Australia.ⁱⁱⁱ
- **Fast Food Outlets:** The fast food industry in India is populated by chains and franchises of both Indian and international companies. Outlets attract consumers by adapting food to suit Indian culture and tastes. The fast food industry buys mainly local ingredients, but they do import certain products such as cheese, meat, fish, flavours and condiments.ⁱⁱⁱ
- **Restaurants:** Indians have a culture of eating home cooked meals or at least, eating at home, so the restaurant sector is small. Indian consumers will prefer to order a take out meal to eat at home rather than dining out. Restaurant meals tend to be perceived as less healthy and more expensive than home cooked meals.ⁱⁱⁱ

1.6 Regulatory

Information provided in this section is for reference only. When negotiating supply contracts and before beginning actual export, companies are advised to consult closely with their importer or distributor.

Duties and tariffs

Import tariffs vary depending on the product, but in general are quite high. Overall tariffs paid on products generally range from 26 – 74.6 percent. Furthermore, the tariff system can be complex as there are a range of taxes which must be paid on imports. The main duties and tariffs are:ⁱⁱⁱ

- **Basic Duty:** This tax is applicable to most imported goods and the rate is 30 percent for most products.

- **Additional Duty (AD) or Countervailing Duty (CVD):** An additional duty to match the domestic Central Value Added Tax (CENVAT) for goods produced and manufactured in India. The CVD rate is based on a product's Maximum Retail Price (MRP).
- **Special Additional Duty (SAD) or Special Countervailing Duty (SCVD):** A 4 percent duty on most imported products. This tax is designed to match domestic taxes such as Sales Tax and Value Added Tax.

Due to food inflation concerns and unpredictable weather that affects agriculture, there are certain products that are exempted from import tariffs such as wheat, rice, corn and crude vegetable oils.ⁱⁱⁱ

For more information on duties and tariffs, visit the website: www.cbec.gov.in.

Industry standards

Unprocessed food products require the following certification from the Ministry of Agriculture:^{viii}

- **Plant Products:** Phytosanitary certificate
- **Animal Products:** Sanitary Health Certificate

Processed food products generally do not require certification, with the exception of livestock products (which require export certificates from the country of origin) and biotechnology products (which require approval from the Genetic Engineering Approval Committee and the Ministry of Environment and Forests).

Food and beverage products exported to India will also need to conform to domestic laws depending on the specific product. Standards are governed by the Food Safety Standards Authority of India (FSSAI). The five major Indian ports all have FSSAI inspection officers to ensure that imported goods conform to standards.

The primary reference document for requirements is the Food Safety and Standards Regulations, 2010.^{vii} For more information, visit the website: www.fssai.gov.in.

Labelling requirements

Chapter IV of the Food Safety and Standards Regulations 2010 outlines labelling requirements of food and beverage products. In general, the following information should be provided:^{ix}

- Name or description
- Ingredients (except where the product is a single ingredient)
- Net content by weight, volume, number or drained weight (in metric units)

- Unique lot number, code number or batch number
- Date of manufacturing and / or packing and name / address of manufacturer
- Best before date and instructions for use (if applicable) and expiry date
- Maximum Retail Price (MRP)

All of the above information must now be printed in the exporting country and cannot be added onto the packaging in India.

For packaged food products, the following nutritional information should be provided:^{ix}

- Energy value (kcal)
- Amount of protein, carbohydrates (particularly the amount of sugar) and fat
- Numerical information on vitamins and minerals
- Amounts of other nutrient if a health claim is made

Where applicable for all food products, the following information should be provided on labels:^{ix}

- Purpose and license number for irradiated food
- Declaration of additives (such as colours and flavours)
- Declaration of 'Vegetarian' or 'Non-vegetarian' (this is indicated by green and red dots on the label)

For imported products, the following additional information is required on labels:^{ix}

- Name and address of Indian importer
- Common name of the product
- Month and year it was manufactured, packaged or imported
- Country of origin

1.7 Sustainability

The Indian population is relatively aware and concerned about sustainability and environmental issues. A survey in 2009 showed that 67 percent of Indians consider global warming a serious problem. In addition, 84 percent of Indians hold the opinion that the environment should be protected even if it slows economic growth and job creation.^x

2 MARKET ENTRY AND DEVELOPMENT

2.1 Market Entry Strategies

Survey Markets: It is recommended that potential products are surveyed in order to find the best potential market and to understand the import requirements. This should also include competitor analysis. There are market research firms in India that are able to assist or conduct the research.ⁱⁱⁱ

Business Partner: Companies should aim to find a reliable agent or importer / distributor to partner with. It is very important to ensure time and money are allocated towards identifying the right local partners and companies, which can help establish a brand in the Indian market. As India only lifted the ban on most food and beverage imports in 2000, many food and beverage importers are not yet well established. Companies should research potential business partners carefully before entering into business agreements. Many large importers who are able to manage brands and distribute nationally are currently interested in expanding product lines. These importers will usually require exclusive rights to a particular product or brand. The following factors are important to consider when selecting a business partner.ⁱⁱⁱ

- Who and where their customers are and whether they are suitable for your product.
- Whether or not you need flexibility in your business partner. Agents and importers / distributors that are smaller tend to be more adaptable than larger companies.
- If there are any conflicts of interest with other products that the agent / importer / distributor is involved with.
- Reputation through checking with their associations, clients and bankers.

Visits & Trade Shows: India has a complex food and beverage market so it is recommended that companies interested in exporting to India visit the country itself and participate in major trade shows.ⁱⁱⁱ

Common strategies in marketing / promotion: It is essential to understand the kind of product and the level of knowledge the consumer has of the product. The market is being flooded with international products and the only way to create awareness and educate the consumers is by large promotions, offers, and sampling activities, for which a reasonably large budget is necessary. Retail chains insist on manufacturers' support for promotions, sampling, and education.

Advice on packaging: Packaging sizes are very important, usually for Indian consumers, the bigger the better. That being said, in most cases while packaging is large, the contents are half the size. This gives the impression of getting better value for money, even though

it may not necessarily be the case. Indian importers and distributors generally have the best knowledge and should be consulted when making packaging decisions.

2.3 Long Term Strategic Issues for Exporters to Consider

While India is a growing market and is open to most new products, it is essential to recognise that achieving high sales volumes and brand recognition can take at least a year. Allocating more funds to advertising, marketing, promotions and sales will help achieve targets.

It is worthwhile spending time to find the right importers and distributors initially, as they have good knowledge of the local customs and import regulations and it can be difficult dealing with the bureaucracy and red tape. An experienced partner will also have a national network. It is important to note that logistics in India are at a nascent stage and cold storage facilities and transportation are lacking.

2.4 Distribution Channels

In India, most domestic and imported food and beverage products go through several intermediaries:

- **Clearing & Forwarding Agents:** Clearing and forwarding agents (CFA) typically work with exporters to aid transactions with stockists (distributors). CFA will transport goods to stockists, invoice them and receive payments on behalf of the exporters.
- **Stockists:** These are distributors that typically operate in their own exclusive geographical area. Stockists also usually have a sales force that works with wholesalers and large retailers.
- **Wholesalers:** Wholesalers distribute products to rural retailers who are not large enough to purchase from stockists.

Currently, retailers have a preference for buying from distributors or wholesalers rather than directly importing products themselves. However, the distribution channels vary based on the type of product imported into India.

Logistics in India are extremely underdeveloped. A lack of cold storage facilities and transportation means that some products get air-freighted in India, which is expensive. Large retail chains are trying to develop their own logistics and distribution channels to ensure products reach the end consumer in a good condition.

2.5 Pricing

India is a very price sensitive market. The market is open to exports from several countries and there is no shortage of competitive products. A long-term pricing strategy is essential to sustained competition in the market.

The mark ups at each stage of the distribution process are around the following rates:ⁱⁱⁱ

- **Clearing & Forwarding Agents:** 2 – 2.5 percent
- **Stockists:** 3 – 9 percent
- **Wholesalers:** 5 – 30 percent

The whole distribution process usually represents 10 – 20 percent of the final retail price.ⁱⁱⁱ

3 MARKET RESOURCES AND CONTACTS

ASSOCIATIONS	
ORGANISATION	WEBLINK
Food Safety Standards Authority of India	www.fssai.gov.in
Ministry of Consumer Affairs, Food and Public Distribution	www.fcamin.nic.in
Plant Quarantine Organisation of India	www.plantquarantineindia.org
Department of Animal Husbandry, Dairying & Fisheries	www.dahd.nic.in
Central Board of Excise and Customs	www.cbec.gov.in
TRADE EVENTS	
AAHAR International Food & Hospitality Fair	www.aaharinternationalfair.com
Fine Food India	www.indiafooddrinkexpo.com
Annapoorna - World of Food India	www.worldoffoodindia.com
OTHER NZTE PUBLICATIONS	
REPORT	WEBLINK
India Country Profile	www.nzte.govt.nz
Food Processing Market in India	www.nzte.govt.nz
ICT Payments Market in India	www.nzte.govt.nz

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- ⁱ International Monetary Fund: World Economic Outlook Database
- ⁱⁱ The Economist, India Retail: Send for the Supermarketers, published April 2011, Link: www.economist.com
- ⁱⁱⁱ USDA Foreign Agricultural Service, India Exporter Guide, published December 2010, Link: www.usda.gov
- ^{iv} Datamonitor, Emerging Opportunities in the Indian Ready-to-Eat Foods Market, published April 2010
- ^v Acquire Media – NewsEdge, India Drinks: Domestic Wine Grows Nearly 300% Ten Years, published April 2011

- ^{vi} World Trade Atlas, Link: www.qtis.com
- ^{vii} Datamonitor, Food Retail in India, published June 2010
- ^{viii} USDA Foreign Agricultural Service, India Food and Agricultural Import Regulations and Standards - Certification, published November 2010, Link: www.usda.gov
- ^{ix} USDA Foreign Agricultural Service, India Food and Agricultural Import Regulations and Standards - Narrative, published December 2010, Link: www.usda.gov
- ^x Pew Global Attitudes Project, Global Attitudes Survey, published July 2009, Link: www.pewglobal.org