

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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India

Exporter Guide

Position Your Products Now to Leverage the Demographic Dividend

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Report Highlights:

India is a lucrative export market for U.S. agriculture with a large and rapidly expanding middle class, rising disposable incomes, and shifting consumption patterns toward higher-value and processed products. India's modern retail sector is expanding, food processors want access to a global supply chain, and food service chefs want to innovate and attract consumers. The United States is the largest supplier of consumer-oriented exported products to India.

Post:

New Delhi

Executive Summary:**Section 1: Market Overview:**

India is the world's second most populous country with a total population of 1.3 billion and accounts for 17.3 percent of the global population according to Indian data published by the United States Census Bureau. India is projected to be the world's most populous country by 2026. It currently is one of the youngest countries in the world with a median age just under 28 years and nearly 62.3 percent of Indians are under the age of 35. According to India's 2011 census, with a population of 18.4 million, the greater Mumbai area is the most populous urban center in India followed by Delhi (16.3 million), Kolkata (14.1 million), Chennai (8.7 million), and Bengaluru (8.5 million). There were over 53 urban areas with a population over 1 million people in India's 2011 Census.

Nearly half of all Indians are married and live in joint or extended families resulting in an average household size of 4.8 people. In urban areas, smaller nuclear families are becoming more common as mobility and employment opportunities increase. However, geographic, cultural, and socio-economic differences persist throughout the country and create divergent consumer demands and consumer profiles that are varied and dynamic.

The Government of India reports that the gross domestic product (GDP) is forecast to grow at 7-8 percent per annum over the next few years. According to the International Monetary Fund, between 2016 and 2022, India's per capita GDP growth will increase by 61 percent and overall economic growth is predicted to accelerate from 7.1 percent in 2016 to 7.7 percent in 2018. India should become the world's third-largest economy by 2025. However, the GDP rate for the first quarter of Indian Fiscal Year (April-March) 2017-18 was 5.7 percent. Which, although strong, was less than analysts expected and is attributed to India's demonetization of specific currency notes in November 2016 which led to a cash crunch and reduced purchasing which had ripple effects through the economy as factories slowed down, exports declined, and currency uncertainty persisted.

On July 1, 2017, the Government of India (GOI) instituted a nationwide goods and services tax (GST), which replaced existing state-by-state taxes and duties. The country's food safety authorities are moving to risk-based inspections of imported items. The GOI's "Make in India" program encourages domestic manufacturing, including food processing, as a major goal and welcomes Foreign Direct Investment (FDI). According to the [World Bank's Doing Business 2017 report](#), India jumped approximately 30 places from the 2016 report and ranked 100th out of 190 countries. Despite efforts to improve the business environment, the GOI has not lowered tariffs or noticeably improved access for imported food and agricultural products over the past several years.

In nominal terms, total food expenditures is anticipated to reach \$4 trillion by 2025. Demand for specialty and high value foods such as chocolates, nuts and dried fruits, cakes, fresh fruits, confectionary items, and fruit juices peaks during the fall festive season, especially at Diwali - the Hindu festival of lights which occurs during October or November. Industry interlocutors classify this as the best time to introduce new-to-market food products in India.

Euromonitor information indicates there are nearly 960,000 households with annual incomes in excess of \$150,000, up from 791,000 in 2010. There are a large number of wealthy households in smaller cities with aspirations similar to their metro counterparts. These consumers are showing increasing interest in luxury goods. Changing lifestyle trends among these consumers is driving growth for luxury and imported goods. Wealthy consumers in these smaller as well as major metros cities are increasingly shopping for goods with mobile or online commerce. Imported value-added and consumer-ready foods are limited in rural areas, where the majority of India’s population resides, but show promise in metros and emerging city markets (commonly referred to in India as Tier 1, Tier 2, and Tier 3 cities). Current opportunities for value-added imported foods are generally limited to higher income consumers in these markets. Their consumption patterns and preferences are shaped by the emergence of fine dining restaurants, cafes, quick service restaurants, supermarkets, processed foods, larger refrigerators, 24-hour television food channels, easier access to imported foods, dual income earning households, larger disposable incomes and the introduction of international cuisines.

Consumption of processed foods such as domestically produced chips, biscuits and cookies, and vegetable oils penetrates lower income categories in both rural and urban areas. Rural areas are emerging as important markets for fast-moving consumer goods and daily staples like edible oils, pulses, fruits, and vegetables.

Whether rural or urban and regardless of income level, tradition dictates Indian consumer habits. Traditional Indian consumers (i) prefer small neighborhood mom-n-pop stores over large supermarkets; (ii) prefer fresh over frozen as their consumption beliefs assert that taste and quality comes from fresh food and ingredients; and (iii) prefer home cooked meals over food cooked at a restaurant or packaged in a tin. The seasonal availability of food and geographic setting are additional key factors that shape consumption patterns and preferences.

For an additional overview of the Indian agricultural market, read the USDA Foreign Agricultural Service International Agricultural Trade Report from October 2017: [Growing Opportunities for U.S. Agricultural Exports in India](#).

India’s Agricultural Trade Situation

India continues running a trade surplus in agricultural products. India’s bulk, intermediate, consumer-oriented, and agricultural related imports grew from \$23.1 billion in 2012 to \$26.9 billion in 2016. Imports of consumer-oriented foods, led by tree nuts, are among the fastest growing segment of imported agricultural products and reached \$4.2 billion in 2016. India’s food and agricultural exports went from \$41.7 billion in 2012 to \$33.7 billion in 2016 owing largely to a decline in bulk and intermediate exports that dropped off owing to market conditions and weather-related issues that drove Indian agricultural product prices higher.

Table 1. India: Imports of Bulk, Intermediate, Consumer Oriented and Agricultural Related Products from the World (U.S. \$ Billion)			
Category	2012	2016	2017 (YTD) Jan- Nov' 17
Bulk	4.422	6.817	6.208

Intermediate	12.780	13.226	11.507
Consumer- Oriented	3.008	4.207	3.748
Agricultural Related Products	2.915	2.676	1.937
• Fish Products	.071	.065	.048
• Forest Products	2.604	2.147	1.493
Total	23.125	26.926	23.401

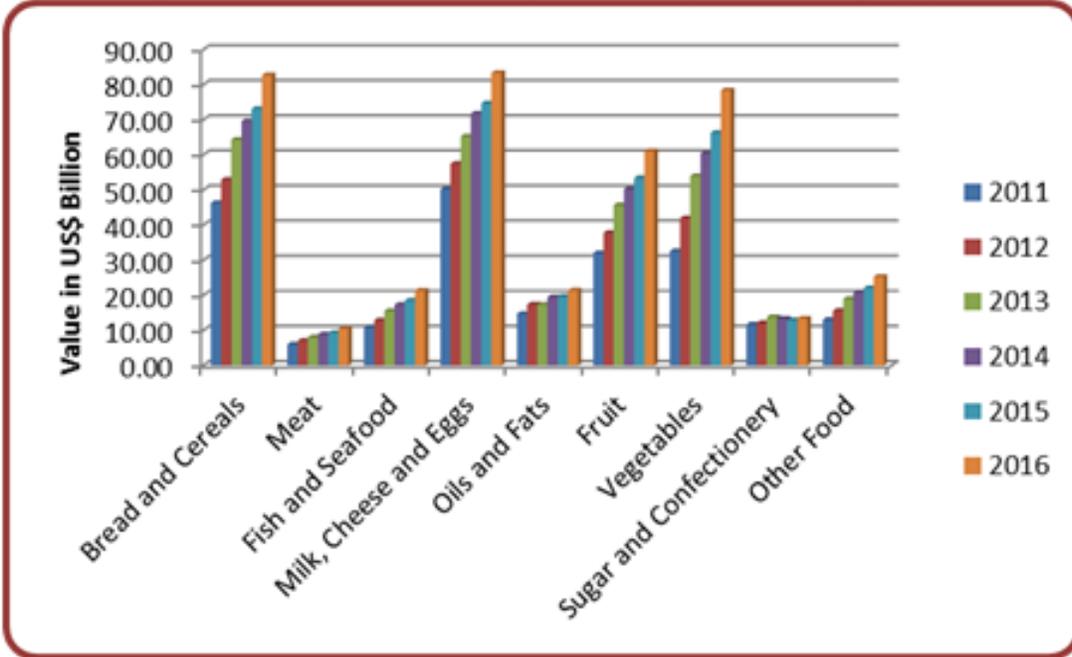
Source: Ministry of Commerce and Industries, GOI

Table 2. India: Exports of Bulk, Intermediate, Consumer Oriented and Agricultural Related Products from the World (U.S. \$ Billion)

Category	2012	2016	2017 (YTD) Jan- Nov'17
Bulk	15.877	10.138	9.370
Intermediate	12.547	5.841	5.017
Consumer- Oriented	9.359	11.587	9.098
Agricultural Related Products	3.917	6.174	5.492
• Fish Products	3.354	5.516	4.984
• Forest Products	.250	.397	.309
Total	41.700	33.740	28.977

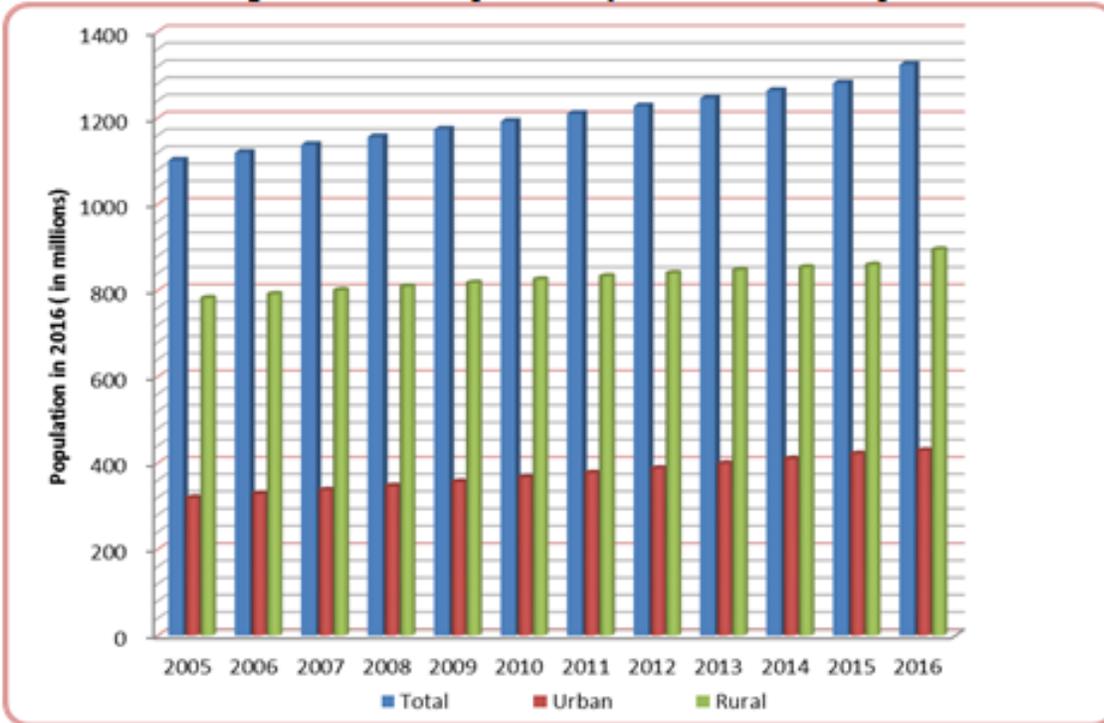
Source: Ministry of Commerce and Industries, GOI

Figure 1. India: Consumer Expenditures by Food Category (2010-2016)



Source: Euromonitor

Figure 2. India: Population by Rural/Urban Composition



Source: Euromonitor

Advantages	Challenges
<ul style="list-style-type: none"> Expanding number of middle and upper income consumers willing to diversify diets and experiment with various cuisines. 	<ul style="list-style-type: none"> Stringent food regulations regarding biotech foods and ingredients and certain food additives.
<ul style="list-style-type: none"> Increasing urbanization and growing number of working women that has led to 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 international lifestyle by media and food channels that increase the visibility and awareness around imported food products. 	<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 and intermediate products that can be used by the food processing sector under the Make in India campaign. 	<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"> 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 income consumers are spread throughout the country.
<ul style="list-style-type: none"> Strong U.S.-India ties and political stability in India. 	<ul style="list-style-type: none"> Competition from countries having geographical proximity and freight advantage.
<ul style="list-style-type: none"> Growing domestic and international tourism and rise in food/lifestyle media creating opportunities for niche and high-value products. 	<ul style="list-style-type: none"> Preferential Trade Agreements with some countries e.g., Chile, affords them tariff benefits for a similar range of products.

SECTION II: EXPORTER BUSINESS TIPS

Local Business Customs, Climate, and Etiquette

American companies who are looking towards India as the next destination for their product should take

into consideration many factors:

- “Does my product have market access?” is the most important question exporters can ask as they research the Indian market. See the trade policy section of this report for more details.
- If yes, then the next thing to consider is ‘Pricing’ – Exporters need to analyze the landed post-duty cost of a product. As a rule of thumb, a product is likely to be two to three times more costly than the U.S. FOB price once it reaches the retail shelf.
- Consequently determining whether a product should target the small number of high-income consumers or larger numbers of middle-income consumers is key in assessing market potential.
- Exporters should consider whether they are willing to start small, meet special labeling requirements, and ship mixed or partial containers. Patience and persistence are key factors for any exporter or foreign investor who looks to India as a potential market.
- When targeting the retail or food service sector, it is a necessity to have an importer or an importer/distributor as very few retailers or hotels/restaurants import directly. Key considerations with importers/distributors often are on whether they have a city-by-city, region, or pan-India presence; their capabilities and experience in handling fresh, perishable products; and, their interest-level and structure for marketing of your products.
- A visit to India to gain a first-hand feel of the Indian market, preferably coinciding with a major food show at which USDA has an active offers an opportunity to learn about the Indian market and meet prospective buyers.
- It is encouraged that American exporters reach out to USDA’s Foreign Agricultural Service offices present in India when they are looking towards India as potential market and when they need to establish a relationship with Indian stakeholders.
- Be patient – Be Persistent – Look at India for the Long-Run and not as a One-Off Sale.

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 four to six 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 five to seven percent. The wholesalers provide the final link to those rural and smaller retailers who cannot purchase directly from the distributors.

Wholesalers receive a margin of four to six percent and margins for retailers vary from 15 to 40 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.

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.

Table 3. India: Imported Food Product Pricing (Margins at Various Channels)

Distribution Channel	Margins
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Clearing and forwarding agents	4-6 percent
Wholesalers	4-6 percent
Super Stockists	5-7 percent
Distributor	8-12 percent
Importers	10-35 percent
Retailer	15-40 percent

Source: USDA/FAS Analysis

India offers one of the largest English-speaking workforces in the world. Although Hindi is India's leading national language, most Indian officials and business people have an excellent command of English. Most Indian businesspersons have traveled abroad and are familiar with western culture. Business is not conducted during religious holidays that are observed throughout the many regions and states of India. Verify holiday information with the Consulate or Embassy before scheduling a visit. Indian executives prefer late morning or afternoon appointments between 11:00 a.m. and 5:00 p.m.

The climate in India can be hot for most of the year; it is advisable to wear lightweight clothing to avoid discomfort. Men should wear a jacket and tie (and women should wear corresponding attire) when making official calls or attending formal occasions. Always present a business card when introducing yourself and refer to business contacts by their surname, rather than by their given name. Use courtesy titles such as "Mr.," "Mrs.," or "Ms." Talking about your family and friends is an important part of establishing a relationship with those involved in the business process. Hospitality is a key part of doing business in India; most business discussions will not begin until "chai" (tea), coffee, or a soft drink is served and there has been some preliminary "small talk." To refuse any beverage outright will likely be perceived as an insult. Business lunches are preferred to dinners and breakfasts are seldom used for a meeting. Voice over Internet Protocol (VoIP) tools are used as a more real time means of communication for Indian businesses especially when time-zones come into play and WhatsApp and similar other messaging tools are common.

The best time of year to visit India is between October and March, so that the seasons of extreme heat and rains can be avoided. Although Delhi (the capital) has a cool, pleasant winter (November - February), summers (April - July) are fierce with temperatures of up to 120 degrees Fahrenheit. Mumbai (the business hub) and most other major cities have a subtropical climate - hot and humid year around. Most Indian cities have good hotels and are well connected by domestic airlines.

Advertising and trade promotion in India are creative and well developed. Advertising through television is especially popular in India and with the growth of cooking shows, there are often opportunities to co-brand or market products indirectly with the shows or celebrity television chefs. Although the traditional advertising tools such as radio and television do play an important role in branding and marketing there is a developing shift and increase in the use of more constant and real-time social media platforms. With the younger and urban generation of Indian population having an increased access to technology, social media is becoming a cost effective and penetrative tool of marketing.

For smaller and new-to-market exporters, targeted promotions are likely a more appropriate and cost-effective approach to marketing. Indian importers and distributors are generally eager to support marketing campaigns (e.g., tastings, demonstrations, and point-of-sale information), but often note that

foreign suppliers are unwilling to provide adequate marketing support.

There are a large number of annual trade shows focusing on various aspects of the food sector. These shows cater to Indian exporters and the domestic food industry, but a few shows are starting to become viable options for foreign food exporters. Check for FAS India's GAIN report on [agricultural trade shows for 2017](#).

General Consumer Tastes and Preferences

Twenty to thirty percent of the Indian population remains strictly vegetarian in accordance with the tenets of Hinduism. Those Hindus who eat meat tend to do so sparingly, either by choice or due to depressed supplies and distribution, 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 (i.e., chicken, lamb/mutton, etc.) 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. Many of the non-vegetarians in India may not eat meat or poultry at home and may consume it only at restaurants or at food service establishments.

Like its geography and population, India's cuisine is varied and diverse and is a source of pride to each region. In general, Indians have a strong preference for freshly cooked products, traditional spices, and local ingredients. 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 willing to try new foods while eating out, but often return to traditional fare at home. Italian, Chinese, Japanese, Thai, and Mexican foods are among 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/packaged fruit juices, canned soups, pastas/noodles and sauces, olive oils, popcorn, potato chips, canned fish and vegetables, ketchup and other sauces, breakfast cereals, as well as fresh fruits such as apples, pears, grapes and kiwis. Exotic items like truffle oil, artisanal cheeses, quinoa, fresh and dried berries like cranberries and blueberries, etc. are also making their way into the Indian market.

Indian consumers 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 mom-and-pop (or, *kirana*) stores, which are typically family-owned outlets found on almost every street corner that usually offer home delivery and a monthly credit system. The demonetization of 500 and 1000 rupee currency notes in November 2016, led to increased usage of electronic payment methods including mobile wallets across modern retail as well as *kirana* shops and street vendors. Urban, young consumers are bypassing brick-and-mortar retail and increasingly shopping via e-commerce platforms.

A growing number of people in urban areas are widely travelled and have experienced international cuisines and branded food products. These consumer groups (mostly young professionals) have higher levels of disposable income and generally prefer making weekly/monthly purchases of processed foods and branded products. In general, most of the shopping and food purchasing decisions are made by women. In households that can afford hired help, domestic employees often do much of the

shopping. Availability of many fresh foods, particularly fruits and vegetables, is seasonal, and people are accustomed to adjusting their diet to the season.

A typical Indian household will make regular purchases of wheat flours, pulses, rice, edible oils, ghee (clarified butter), dairy items (milk, butter, yogurt, paneer (cottage cheese), spices and condiments, pickles, noodles, snack foods, jams and sauces. Most packaged food items are sold in small containers to keep pricing low and to accommodate limited storage space.

Food Standards and Regulations

On August 5, 2011, the Food Safety and Standards Authority of India (FSSAI) formally implemented its Food Safety and Standards Rules, 2011 as published in the Indian Official Gazette Notification No. G.S.R. 362 (E). The Food Safety and Standards Rules, 2011 contain the provisions for establishing enforcement mechanisms, sampling techniques, and other legal aspects instituted under Section 91 of the Food Safety and Standards Act 2006. The full text of the final Food Safety and Standard Rules, 2011, as well as the later amendments can be accessed on the FSSAI website: www.fssai.gov.in.

On September 11, 2017, India published its new product approval procedures in the Official Gazette of India and these regulations were termed as [Food Safety and Standards \(Approval for Non-Specified Food and Food Ingredients\) Regulations, 2017](#)

All food business operators (FBOs) who had earlier submitted applications for approval of their products before the discontinuation of the product approval system were notified to submit additional documents/information as per the requirements of the new regulation as well mention their application number for consideration of their pending applications. The following food and/or food ingredients are subject to product approval procedures.

- a. Novel foods or food containing novel ingredients with no history of human consumption in India;
- b. Food ingredients with a history of human consumption in India, but are not specified under any other regulations made under the Food Safety and Standards Act, 2006;
- c. New additives and processing aids; and
- d. Foods manufactured or processed through novel technologies.

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).

General Import and Inspection Procedures

Imported food products can be subject to multiple regulatory authorities that sometimes have overlapping responsibilities. Importers may need to have an import permit for some consumer-oriented food products that will subject the item to FSSAI as well as Indian animal health or plant health scrutiny. Sampling and testing of products is generally coordinated through Indian Customs “Single Window”. In addition to coordinating product testing, Customs officials will also coordinate with regulatory authorities to check for items like product label compliance before releasing shipments.

Marketing channels for imported foods often involve several intermediaries. Retailers generally rely on importers and distributors to handle the clearing and storage of products. Indian firms typically import, with the help of a clearing and forwarding agent, and distribute food products to retailers or food service establishments through a few larger, modern retailers have started importing directly for a limited range of products. 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. Imported foods enter India from regional trading hubs such as Dubai, Singapore and Hong Kong as well as directly from supplying countries. Major importers are located in Mumbai, Delhi, Bengaluru, Hyderabad, and Chennai.

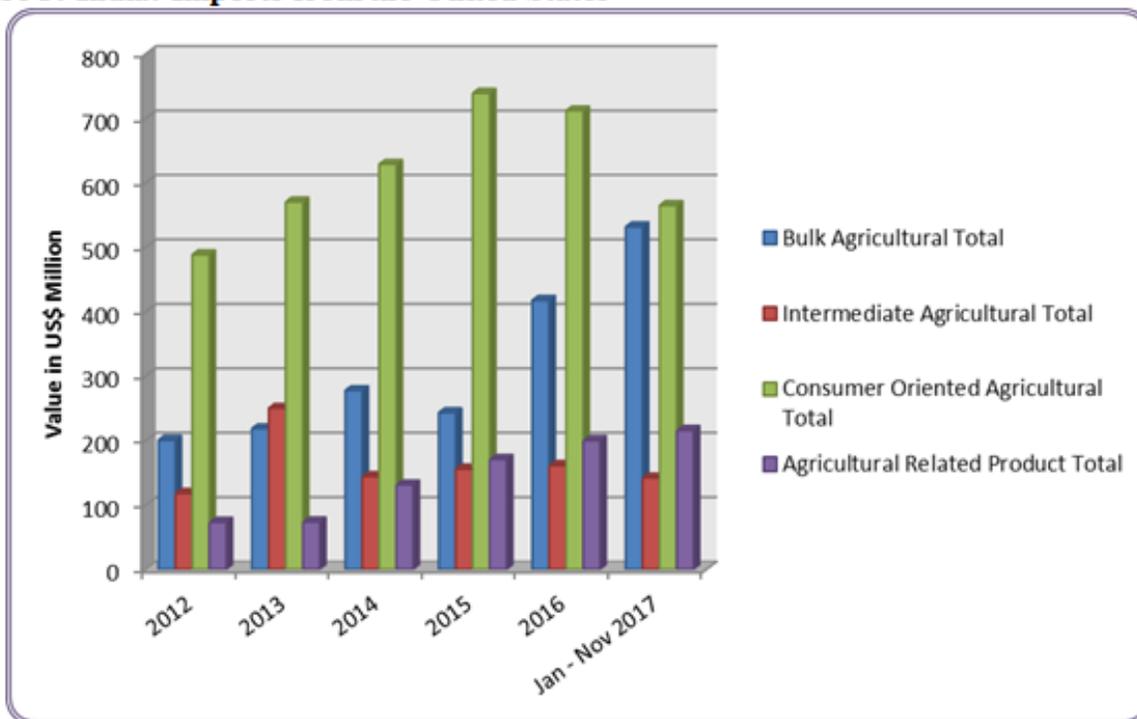
Currently, there are several trade restrictions that limit market access for U.S. food products. Imports of most animal and livestock-derived food products are effectively banned due to established Indian import requirements. This includes certain sub-categories in the Harmonized Tariff Schedule under Chapters 2, 3, 4, 5, 16 and 21 (e.g., milk and dairy products, poultry meat, certain seafood, sheep and goat products, as well as pork products and pet food). Furthermore, imports of beef are banned due to religious concerns. If allowed, some of these products (e.g., cheeses and poultry) may have good sales potential for the retail sector.

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 and canola oil derived from select events are the only biotech food/agricultural product currently approved for import. For more information on India's biotech import policy, please see –IN7135 Agricultural Biotechnology Annual 2017.

High tariffs on the majority of food items along with prohibitory requirements on certain products hinder the growth of food imports from the United States. Import tariffs on consumer food products range from zero to 150 percent, but most products face tariffs in the range of 30 to 40 percent. India's tariff structure is such that there is considerable flexibility to raise or lower tariffs as India's 2016 average bound tariff on agricultural products was 113.5 percent though its average applied tariff was 32.7 percent. Tariffs are subject to review and change, especially at the start of the Indian fiscal year on April 1. India routinely uses tariff measures to encourage or limit trade and to keep domestic food price inflation in check and to attempt at ensuring certain commodity prices for local producers.

As mentioned earlier, on July 1, 2017, the GOI enacted a [GST](#), which applies varied rates (zero, five, twelve, eighteen, and twenty-eight percent) on food products based on their level of importance in the Indian food basket as well as the level of product processing.

Figure 3: India: Imports from the United States



Source: USDA/FAS Global Trade Database

SECTION III: MARKET SECTORS: STRUCTURE AND TRENDS

Food Retail & E-Retail/Online Shopping Growth

India's food retail business is part of the "unorganized" sector and is dominated largely by *kirana* stores. These stores account for more than 98 percent of food sales. The emergence of larger chains and stores began around 2005 and the sector has since grown to over 4,800 supermarkets and 500 hypermarkets across India.

There are thousands of *kirana* stores around India and some are the only source of imported food products in their cities. These small stores are an important sales platform for imported food and beverages. The modern retail sector, which includes a mix of supermarkets, hypermarkets, specialty and gourmet stores, and convenience stores, is dominated by large Indian companies. Several foreign retailers have established wholesale operations or "cash and carry" formats in line with India's previous foreign direct investment regulations. (Refer to GAIN IN7166: Foreign Direct Investment in Retail Permitted with Limitations)

Owing to India's growing access to the internet, e-retail/online shopping is seeing steady growth. Indian consumers are gaining confidence when it comes to purchasing products over the internet and transacting business online. Convenience in shopping from the comfort of one's home, competitive pricing, and innovative offers are pulling consumers towards online shopping for groceries and other fast-moving consumer goods.

For more information, see the GAIN report IN7151 Retail Foods Annual 2017.

Food Service – Hotels, Restaurants and Institutional sector

As per the 2016 India food service report published by the National Restaurant Association of India (NRAI), the total food service market is valued at U.S. \$48.3 billion (INR 309,110 crores) and is expected to grow to U.S. \$77.8 billion (INR 498,130 crores) by 2021.

India has strong domestic hotel chains, including Indian Hotels Ltd. (Taj Group), East India Hotels Company Ltd. (Oberoi Group), ITC Ltd. (Welcome Group), as well as Asian Hotel and Leela Venture. Several international chains such as Starwood Group, Radisson, Four Seasons, Best Western, Hilton, Marriott, Country Inn and Suites by Carlson, and Quality Inn have an established presence through franchising.

India has a vast hotel sector, but only a small percentage of hotels are considered three stars and above. The overwhelming majority of hotels are small, traditional outlets that provide inexpensive accommodations for travelers and source all of their food locally. According to the GOI, Ministry of Tourism, there are over 1903 hotels and resorts in India that constitute the “organized” or modern sector. Hotels in this segment are concentrated in major metropolitan cities such as New Delhi, Mumbai, Chennai, Bengaluru, Pune, Hyderabad, and Kolkata, and are now spreading to middle-tier cities and along major tourist circuits. Most of the 5-star business is generated from business travelers. The mid-market segment (comprised of 3- and 4-star hotels) caters to a mix of business and leisure travelers and is concentrated in second-tier cities and in major tourist locations. The budget segment (2-star ratings or below) is present in most towns and cities and would not be an opportunity for imported consumer-food products aside from some rare instances.

Premium and mid-market hotels source most of their food needs from local distributors who present the best opportunity for accessing the hotel sector. Hotels typically contract with local distributors on centralized annual supply contracts. Some hotels import directly through consolidators in Europe, the Middle East or Asia. Some hotels have the option of obtaining products duty-free against their foreign exchange earnings and typically do so via distributors who have bonded warehouses that can supply duty-free goods. When sourcing imported goods from local distributors, hotels tend to focus on branded specialty products that are not available in the local market and may often choose to make some goods in house from both imported and local ingredients.

India has witnessed a sizeable shift in its Casual Dining Restaurant (CDR) and Quick Service Restaurant (QSR) sector. CDRs and QSRs have gone from largely serving Indian snacks to now serving western foods with an Indian flavor. Chains and franchises, both international and local, are doing well in major urban areas and are spreading into smaller cities. Restaurants and hotels are “Indianizing” foods to better meet consumer preferences. Some outlets serve exclusively vegetarian food, catering to the country’s large vegetarian population.

Although fast food chains source most of their raw materials locally, some ingredients that are not available in India are imported. In the past few years, the “coffee shop” culture has spread throughout major cities and seems poised for further growth. While coffee import tariffs are high, suppliers of specialty ingredients and syrups may find opportunities in this sector.

For additional information, please refer to GAIN report IN7149 Food Service – 2017 Hotel, Restaurant,

and Institutional Annual as well as GAIN report IN7160 – Restaurant Sector Growing Back on Course.

Food Processing

According to the India Brand Equity Foundation (IBEF) 2017 Indian Food Processing report, the Indian food processing industry accounts for 32 percent of the country’s total food market. It contributes around 8.8 and 8.4 percent of Gross Value Added (GVA) in Manufacturing and Agriculture, respectively. In addition, it accounts for 13 percent of India’s exports and six percent of total industrial investment. According to the latest Annual Survey of Industries, there are 37,175 registered food processing units in the country with 1.7 million people employed in the sector, including substantial women participation of approximately 0.26 million, in the manufacturing of food products and beverages. According to the Ministry of Commerce, the food processing industry has attracted investment valued at U.S. \$8.3 million during 2000-17. A large segment of the Indian FPI still operates in the “unorganized” sector or informal sector.

The almost year-round availability of fresh products across the country, combined with consumers’ preference for fresh products and freshly cooked foods, has tempered the demand for processed food products in the past. However, changing lifestyle, rising consumer health consciousness and consumption patterns cited in this report, have proved to be a key influence on the demand for convenient and hygienic foods is on the rise. Industry sources estimate that over 400 million consumers consume some type of processed food regularly.

Food processors are introducing new products and traditional recipes using improved technology, innovative packaging, and aggressive marketing. For ingredients that are not available in India, processors turn to imports and typically source through importers specializing in food ingredients. Food ingredients sourced by Indian food processing companies from the U.S. were valued at \$160 million in 2016 and include protein concentrates, animal feed preparations, peptones, vegetable seeds, mucilage and thickeners, mixtures odoriferous substances, palmitic acid, stearic acid, essential oils, vegetable saps and extracts

Domestic food laws restrict the use of a number of ingredients, flavors, colors, and additives. Exporters should work with potential importers to ensure that their ingredients have market access. For details about India’s Food Processing Industry, please see GAIN report IN7150 Food Processing Ingredients Annual 2017.

SECTION IV. BEST CONSUMER-ORIENTED PRODUCT PROSPECTS:

Category 1: Products Present in the Market that Have Good Sales Potential

Product Types	Import Value (\$ Million) CY 2016	Import Volume (Metric Tons) CY 2016	5-yr. Import growth by value (in %)	Basic Import Tariff	Key Constraints	Market Attractiveness For USA
Tree Nuts (mainly Almonds and	1,066	200,384	18	In shell Almond (Rs. 35/	Competition from other suppliers exists	High demand and growing retail industry

walnuts)*				Kg) Pistachio (10%)	but is not substantial	
Cocoa and Cocoa Preparations	205	53,715	10	30%	Strong competition from domestic and international suppliers	Strong quality and brand preference
Leguminous Vegetables, Dried Shelled/Pulses	3,613	5,414,320	12	30% to 50%	Price competitiveness, freight advantage and the ability to produce specific kind of pulses demanded in India.	Local production is inadequate and more than 20% of total demand for pulses is met through imports.
Apples, Pears and Quinces Fresh	236	215,676	10	Apples 50% Pears 30%	Competition from domestic and foreign suppliers like Chile, and New Zealand	Seasonal shortages and high prices, increasing interest in quality fruits and growth of organized retail
Grapes Fresh or Dried	66	202,259	21	30%	Competition from domestic and foreign suppliers	Seasonal shortages and high prices, increasing interest in quality fruits and growth of organized retail
Fruit Juices	33	20,542 liters	3	30%	Competition from domestic manufactures and foreign suppliers from neighboring countries	Increasing health awareness and shortage of quality products
Beverages, Spirits and	569	392,140,302 liters	16	150%	High import duty	Growing consumption

Vinegar						and lack of domestic production
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SECTION V. POST CONTACT AND FURTHER INFORMATION

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Mumbai - 400 051

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Twitter: @USDAIndia

Web: <http://mumbai.usconsulate.gov/business/agriculture-related-business.html>

The following reports may be of interest to U.S. exporters. 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.

Report Number	Subject
IN 7149	Food Service - HRI 2017
IN 7150	Food Processing Ingredients 2017
IN 7151	Retail Foods 2017
IN 7152	Food and Agricultural Import Regulations and Standards – Narrative
IN 7135	Agricultural Biotechnology Annual 2017
IN 7153	India Food and Agricultural Trade Show Calendar 2017

APPENDIX A – STATISTICS

TABLE A: India. Key Trade and Demographic Information

Agricultural imports from all countries (USD billion) ¹ / U.S. market share	24/5.35 %
Consumer Food Imports from all countries (USD billion) ¹ / U.S. market share	4.25/17.26%
Edible fishery imports from all countries ³ (USD million) ¹ / U.S. market share	64/20.14%
Total Population ²	1.282 billion
Urban population ²	429 million
Rural population ²	853 million
Number of major metropolitan areas ³ (with a population of a million or more)	53
Population Density ⁴ (People per square kilometer)	431
Proportion of population below 6 years ² / percentage	10.8 percent
Proportion of population above 7 years ²	87.4 percent
Per capita Gross Domestic Product in CY 16 (USD) ⁴	\$6,700
Unemployment Rate 2016 ⁴	8 percent
Exchange Rate Rs. Per USD (as of December 20, 2017) ⁵	64.0577

Source: USDA/FAS Global Trade Database¹; U.S. Census Bureau² Census of India 2011³; CIA World Factbook⁴; Reserve Bank of India⁵

TABLE B: India. Consumer Food and Fish Product Imports (U.S. Thousand Dollars)

Product	World			United States		
	2015	2016	Jan - Nov 2017	2015	2016	Jan - Nov 2017
Consumer and Fish Total	4,543,790	4,271,656	3,796,800	751,345	724,868	574,643
Consumer Food Total	4,474,923	4,206,934	3,748,408	739,030	711,836	565,003
-Tree Nuts	2,405,417	2,120,591	2,009,402	558,672	580,963	407,133
-Spices	574,075	599,064	477,361	1,013	1,058	543
-Processed Fruit	359,235	359,542	275,419	3,383	3,303	2,817
-Fresh Fruit	318,935	357,116	370,661	125,842	64,434	88,452
-Chocolate & Cocoa Products	157,355	152,666	122,068	2,421	2,478	2,338
-Non-Alcoholic Bev. (ex. juices, coffee, tea)	123,280	137,306	105,385	1,208	698	263
-Dairy Products	128,340	124,829	114,517	15,768	19,308	27,273
-Prepared Foods	87,368	90,782	64,294	13,292	20,297	17,649
-Tea	64,034	50,919	37,318	511	1,032	345
-Fruit & Vegetable Juices	33,312	39,979	37,424	6,325	9,333	11,392
-Wine & Beer	31,756	33,137	22,152	1,145	887	738
-Snack Foods NESOI	36,386	32,326	23,786	865	510	269
-Dog & Cat Food	21,299	23,839	24,144	88	76	197
-Processed Vegetables	20,175	20,389	15,209	1,921	795	588
-Nursery Products & Cut Flowers	17,834	20,350	14,955	313	191	280
-Condiments & Sauces	18,243	19,739	15,104	4,627	5,205	4,350
-Coffee, Roasted and Extracts	8,755	14,311	10,196	482	333	203
-Eggs & Products	3,717	4,060	1,398	1,155	933	111
-Pork & Pork Products	2,932	2,453	2,763	0	0	0
-Meat Products NESOI	1,265	1,698	1,870	0	3	61
-Fresh Vegetables	60,923	1,571	2,695	0	0	0
-Poultry Meat & Prods. (ex. eggs)	288	266	289	0	0	0
-Beef & Beef Products	0	0	0	0	0	0
Fish Products Total	68,867	64,722	48,392	12,315	13,032	9,640

Source: Global Agricultural Trade System Online, GOI Monthly Data

Table C. Top 15 Suppliers of Consumer Foods and Fish Products (U.S. Thousand Dollars)

	2015	2016	Jan - Nov 2017
World	4,543,790	4,271,656	3,796,800
1 United States	751,345	724,868	574,643
2 Ivory Coast	414,936	325,977	274,238
3 Tanzania	223,673	241,381	250,824
4 Guinea-Bissau	197,157	210,392	193,906
5 Vietnam	165,481	196,939	145,880
6 Afghanistan	227,563	189,436	166,628
7 Indonesia	170,819	179,074	125,337
8 Nepal	191,676	175,847	128,220
9 China	79,714	164,680	161,727
10 Sri Lanka	260,781	135,478	151,475
12 Pakistan	101,877	123,940	85,506
11 Benin	191,943	123,627	119,981
13 Iran	117,884	111,873	99,895
14 Australia	162,411	97,584	122,861
15 Madagascar	101,694	74,501	73,469
All Others	1,184,836	1,196,059	1,122,210

Source: Global Agricultural Trade System Online, GOI Monthly Data

APPENDIX B: U.S. BASED COOPERATORS OR STATE AND REGIONAL TRADE GROUPS RECENTLY ACTIVE IN INDIA

Almond Board of California www.almondboard.com

American Pistachio Growers www.americanpistachios.org/

American Hardwood Export Council <http://www.americanhardwood.org/>

California Table Grape Commission www.tablegrape.com

California Walnut Board & Commission <http://www.walnuts.org/walnuts/>

California Olive Committee <http://calolive.org>

Cotton Council International www.cottonusa.org

Cranberry Marketing Committee <http://www.uscranberries.com/>

Distilled Spirits Council of the United States <http://www.discus.org/index.asp>

Food Export Association of the Midwest USA www.foodexport.org

Food Export USA-Northeast www.foodexport.usa.org

Pear Bureau Northwest www.usapears.org

Softwood Export Council <http://www.softwood.org/>

Southern United States Trade Association www.susta.org

U.S. Apple Export Council <http://www.usaapples.com/en/index.html>
U.S. Dry Bean Council <https://www.usdrybeans.com/>
U.S. Dry Pea and Lentil Council www.pea-lentil.com
U.S. Highbush Blueberry Council <http://www.blueberry.us/home.html>
U.S. Grains Council www.grains.org
U.S. Pecan Council <http://www.uspecans.org/>
U.S. Soybean Export Council, Inc. www.ussec.org
Washington State Apple Commission www.bestapples.com