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Foreign Agricultural Service

GAIN Global Agricultural Information Network

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Report Highlights:

Despite the challenges delivered by the COVID-19 pandemic, India's food retail sector continues to grow rapidly thanks to the expanding presence of modern retail outlets and e-retail platforms in Tier-2 and Tier-3 cities and rising consumer demand for convenience, value, safety/hygiene, and healthy foods. Opportunities for U.S. exporters exist in consumer-oriented products, especially tree nuts, fruits, and packaged/processed foods.

Executive Summary:

India is one of the fastest growing economies in the world and is expected to become the third largest economy by 2030 according to multiple projections. The country was one of the worst hit major economies by the COVID-19 pandemic, but it is expected to rebound strongly in 2021 with economic growth at 8.3 percent, according to the World Bank. India remains the world's sixth-largest economy by nominal GDP. The country's economy will continue to expand as a result of further economic liberalization, infrastructure modernization, and foreign investment, as per local sources. Another contributor to economic growth is the country's large population. India is the second most populated country in the world with a population of 1.39 billion, out of which 65 percent is below the age of 35 and 50 percent below the age of 25. Based on current projections, India is expected to surpass China and become the world's most populous country by 2026.

Food processors, importers, wholesalers, retailers, and food service operators continue to contribute to a burgeoning agribusiness sector. Apart from being a major food producer/exporter, India's bulk, intermediate, consumer oriented, and agricultural related imports reached USD $23.76 billion, while its exports totaled $39.61 billion.

Imports Of Consumer-Oriented Products:

India's imports of consumer-oriented products, led by tree nuts, fresh fruits, processed fruit, and dairy products, are amongst the fastest growing segments of imported agricultural products, reaching $5.14 billion in 2020, with 19 percent of these food imports from the United States. The rise of millennials, affluent professionals, brand-oriented importers, modern retail outlets, e-commerce platforms, health-driven consumption habits, and trend-setting restaurants are driving the growth of consumer-oriented imports.

Imported tree nuts, fresh fruits, and processed fruits feed into India's traditional and modern retail channels along with the growing e-commerce sector. Imported packaged and consumer ready foods are found in a growing number of gourmet stores, small neighborhood stores, and e-commerce sites. The country's food processing sector, another major importer of U.S. food products, continues to expand and is increasingly seeking high-value ingredients for new, innovative product lines. While the hospitality sector declined significantly as a result of the pandemic in 2020, it is expected to recover during the second half of 2021 and will continue to demand a greater variety of high-quality, imported foods and beverages.

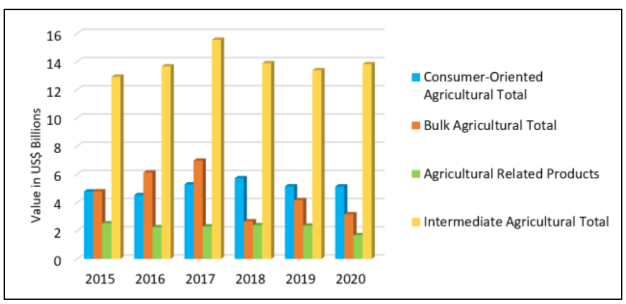

Figure 1. Indian Agricultural Imports from All Sources
Source: Trade data monitor

Food Retail Industry:

India's food and grocery (F&G) retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players and significant consolidation over the past two years. This F&G market is one of the largest in the world and constitutes nearly 70 percent of the total retail market in India. The sector is highly dynamic with domestic and international firms competing for market share while enhancing consumers' experience and safety through home deliveries, as a result of the COVID-19 pandemic. The market is dominated by traditional retail formats, specifically neighborhood shops called *kirana* stores (equivalent to mom & pop stores in the United States), which represent 90 percent of the market (in sales). Modern grocery retailers along with e-commerce represent the remaining 10 percent of India's F&G market. This retail sector is expected to expand rapidly as a result of urbanization and the evolving needs of consumers.

Food Retail Sector Key Updates:

India's grocery retail sector has experienced many transformations over the past year. With consumers restricted to their homes during the COVID-19 spurred lockdown, consumers relied on neighborhood shops, instead of larger modern retail stores to minimize the time spent in crowded areas and stores. This year also saw a dramatic rise in India's online grocery retail market, which grew by 80 percent in 2020 to $ 2.66 billion. The growth was primarily due to COVID-19, in addition to expanding internet connectivity and rising consumer demand for convenience, value, safety/hygiene, ease of payment, and product variety. Previously, online grocery purchases were made primarily by young and higher income consumers; however, the lockdown compelled consumers across income and age levels to rely on online retail platforms to avoid in-person store visits. Moving forward, consumers are expected to increasingly rely on e-commerce for their grocery purchases due to the adoption of digital lifestyles. This e-commerce trend led to new partnerships between food retailers and delivery aggregators, such as Swiggy and Zomato.

Quick Facts Calendar Year 2020

Imports of Consumer-Oriented Products: $5.14 billion

List of Top Import Growth Products in India:
- Tree nuts (e.g. almonds, pistachios and walnuts)
- Fresh fruits (e.g. apples, pears, and grapes)
- Dairy products
- Food preparations
- Processed fruits
- Distilled spirits
- Condiments and sauces
- Cocoa and cocoa preparations

Food Industry by Channels (U.S. billion) 2020:

Food Industry Output	$358 billion (2018)
Food Exports	$39.6 billion
Food Imports	$23.8 billion
Retail	$500 billion
Food Service	$64 billion

Top Indian Food Retailers:
- Reliance Retail
- Future Group Retail
- Avenue Supermarts Limited
- More Retail Limited
- Tata-Tesco Group
- Spencer's Retail

Top Indian Food E-Retailers:
- Big Basket
- JioMart – Reliance Retail
- Amazon Pantry
- Grofers
- StarQuick

GDP/Population (2021 Projected)
- Population (billions): 1.39 billion
- GDP (billions USD): 3.05 trillion (nominal)
- GDP per capita (USD): $2,191 (nominal)

Sources: Trade Date Monitor, Annual Survey of Industries

SWOT ANALYSIS:

Strengths	Weaknesses
• U.S. products held in high regard	• Lack of awareness regarding the range and value of U.S. products
Opportunities	**Threats**
• Untapped growth potential in organized food retail sector and imported products demand	• Tariff and non-tariff barriers • Strong competition from the domestic and foreign suppliers

Section I. Market Summary

India continues to rank 63rd out of 190 countries in ease of doing business according to the World Bank's Doing Business Report (DBR) thanks to continuous efforts to reduce compliance burdens and expedite import clearances through the use of technology. This year it also managed to earn a place among the world's top 10 improvers for the third consecutive year in a row. These developments are expected to facilitate the entry and growth of imported products for the years to come. While India encountered significant economic contraction in 2020 due to COVID-19, the country’s food retail sector continued to grow and is expected to expand further thanks to the economic rebound of 2021.

Despite advances in the business climate, the Government of India (GOI) continues to raise tariffs on imported food and agricultural commodities. As such, the business climate for imports, though demand is growing, is subject to risk and exporters should conduct their full due diligence when exporting to India.

Table 1. India: Grocery Retail Outlets by Channel

	2015	2016	2017	2018	2019	2020	2021
Modern Grocery Retailers	6,152	6,664	6,681	7,283	7,711	7,912	8,488
Traditional Grocery Retailers	12,555,234	12,623,561	12,695,235	12,770,413	12,833,521	12,641,018	12,792,710
Total	**12,561,386**	**12,630,225**	**12,701,916**	**12,777,696**	**12,841,232**	**12,648,930**	**12,801,198**

Source: Euromonitor

Modern Retail Expansion in Tier-Two and Tier-Three Cities

Due to rising incomes, changing tastes and preferences, and urbanization, modern grocery retailers are increasingly expanding into tier-two and tier-three cities for growth opportunities. These cities are very lucrative for modern retailers, specifically brick and mortar supermarket chains, as these cities have low organized retail penetration. E-commerce retailers have also targeted these cities due to growing internet penetration and consumer demand for well-known, quality food brands that are limited in traditional grocery shops in these areas. COVID-19 has accelerated this expansion with retailers building new warehouses and offices in these cities to help build the supply chain networks/infrastructure necessary to supply these areas effectively.

COVID-19 Propels Demand for Healthy and Immunity-Boosting Food Products

As a result of COVID-19, consumers became more aware of preventive healthcare and the importance of consuming healthy and immunity-boosting foods to maintain healthy lifestyle and combat potential illnesses. In response, many food manufacturers and retailers began to market the health improving aspects of their foods to consumers through special packaging and advertising. Foods such as garlic, citrus, berries, ginger, spinach, almonds, other tree nuts, and poultry grew in popularity as they were seen as immunity-boosting. Due to the closure of many food service outlets, consumers prepared more meals at home, which also led to a rise in demand of frozen, ready-to-eat, packaged, and processed foods.

Traditional Grocery Retailers Flourish Due to Close Proximity to Consumers
In 2020, traditional grocery retailers were one of the few retail segments that were least impacted by COVID-19, maintaining growth rates similar to previous years. This channel offered consumers fast home deliveries and expanded payment methods (credit, debit, and e-wallet), making traditional shops more appealing and easier to order from. Moreover, these traditional grocery shops were less affected by mobility restrictions, which limited the supply of labor for modern retailers and slowed down their operations. These traditional shops also partnered with major modern retailers, such as Reliance-JioMart, to procure inputs more directly and facilitate home deliveries.

Section II. Roadmap for Market Entry

A. Entry Strategy:

Key factors to consider before entering the market:

- **Can your product come into India and comply with the local laws**
  - √ Conduct due diligence when exporting to India and determine if your product has market access in Indian commerce.
  - √ Study India's varied laws, particularly those pertaining to foods and beverages.
  - √ Review FAS policy and market reports and consider engaging a market research firm to assist with opportunities and challenges.

- **Find the Right Partner**
  - √ Identify a reliable importer/distributor who services the food retail sector.
  - √ Avoid conflicts of interest.
  - √ Consider whether participating in an Indian trade show would be an effective means of identifying a key importer/distributer/partner.
  - √ Consider if collaborating/ participating in USDA-endorsed promotional activities would be an effective way to create and/or increase market awareness and penetration.

- **Secure Payment Terms**
  - √ Until a successful working relationship is established, exporters may wish to consider vehicles such as an irrevocable Letter of Credit, advance payment, payment at sight.

FAS-India's offices do not have the authority to mediate contractual disputes, or to serve as a collection agent when differences over payment or other commercial issues arise. For information about local legal services, please refer to GAIN report IN6155.

B. Import Procedure and Regulations:

Laws regulating Indian imports of food and agricultural products are under the jurisdiction of multiple GOI authorities. For more information, exporters should refer to FAS-India's GAIN report Food and

Agricultural Import Regulations and Standards - Country Report and the GOI's Food Import Clearance Manual.

C. **Market Structure:**

India's food retail sector is divided into two categories modern formats (hypermarkets, supermarkets, cash and carry stores, and e-retail) and traditional ones (kirana stores/mom and pop stores, mobile pushcarts/vans selling fresh produce). The grocery retail business in India operates through a multidimensional network comprised of importers, clearing and forwarding agents, wholesalers, and distributors that supply goods to both modern and traditional grocery retailers. The majority of imported food procurement decisions are based on consumer demand and the latest market trends. Retailers and importers also attend domestic and international trade expos to experience the latest food products from suppliers across the world. The COVID-19 pandemic led to major supply chain disruptions due to labor shortages, market uncertainty, and logistical bottlenecks at the initial stages of the national lockdown last year (April-August 2020). However, industry contacts report that the supply chain situation has returned back to normal since then.

Figure 2. India: Distribution Flow Chart for Retail Food and Beverage Products

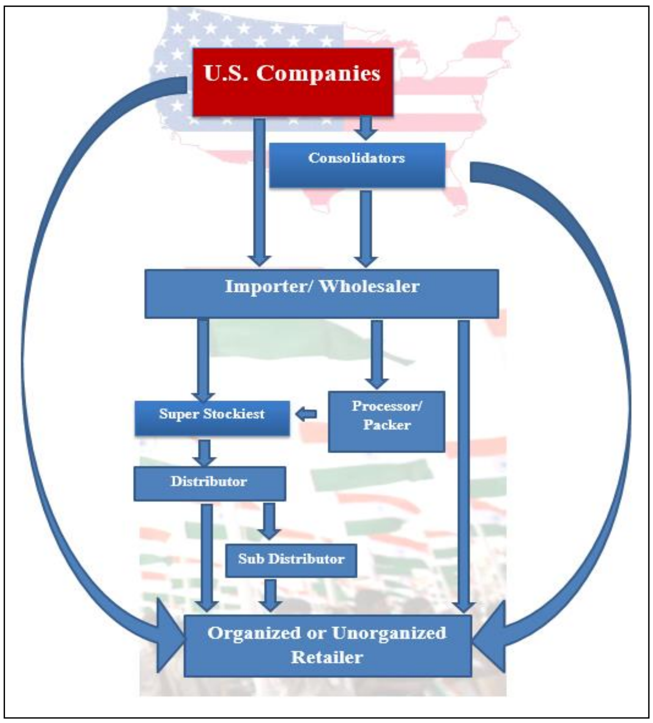

Table 2. India: Major Food Retail Chains

Company	Website
Reliance Retail: Reliance Fresh and Reliance SMART	https://relianceretail.com/
Future Retail: Big Bazaar, Food Bazaar, Easy Day Stores, FoodHall,	http://www.futureretail.in/

HyperCITY, HeritageFresh, Foodworld, WHSmith, etc.	
Avenue Supermarts Limited: DMart	http://www.dmartindia.com/
More Retail Limited	https://www.moreretail.in/
Star (Tata & TESCO Enterprise): Star Hyper, Star Market	https://starbazaarindia.com/
Spencer's Retail: Nature's Basket, Spencer's Retail	http://www.spencersretail.com/
Walmart India: Best Price Modern Wholesale, Flipkart	http://www.wal-martindia.in/
Spar Hypermarket	https://www.sparindia.com/
Namdhari's Fresh	http://www.namdharifarmfresh.com/

Table 3. India: Major Food E-Retailers

Company	Website
Big Basket	https://www.bigbasket.com/
Grofers	https://grofers.com/
Nature's Basket	https://naturesbasket.co.in/
Amazon Pantry	https://www.amazon.com/gp/pantry/info
Amazon Fresh	https://www.amazon.com/alm/storefront?almBrandId=QW1hem9uIEZyZXNo
Jio Mart	https://www.jiomart.com/
Flipkart Grocery	https://www.flipkart.com/grocery/pr?sid=73z&marketplace=GROCERY
Spencer's	https://www.spencers.in/
Easyday	https://www.easyday.in/
DMart	https://www.dmart.in/
STAR Quik	https://www.starquik.com/

Section III. Competition

India's domestic industry is the primary competitor for U.S. retail foods and beverages. India, with its diverse and favorable climatic conditions, produces a variety of foods and food ingredients at prices below most imported products. In addition, many third-country competitors enjoy a seasonal as well as freight advantage over the United States due to their proximity to India and lower prices. High import duties, labeling requirements, and restrictions on a number of imported packaged retail goods also pose challenges for U.S. products in India.

Table 4. India: Competition in Major Product Categories

Product Category	Total Imports (USD Million) CY 2020	Major Supply Sources	Strengths of Key Supply Countries/ Domestic Industry	Advantages (A) and Disadvantages (D) of Local Suppliers
Edible fruit and nuts; peel of citrus fruit or melons	3,189	USA Afganistán UAE	Preference for specific quality, freight advantage	Domestic production of some major fruits and nuts is insignificant (A)

		Tanzania Benin		
Sugars & sugar confectionery	756	Brazil Germany Netherlands USA South Africa	Price competitiveness	India is a net exporter of sugar (D)
Miscellaneous edible preparations	178	USA China Ireland Netherlands UK	Price competitiveness, and freight advantage	Domestic processing industry willing to replicate several recipes using low-cost inputs (D)
Preparations of vegetables, fruit, nuts, or other parts of plants	82	China USA Thailand Israel Spain	Price competitiveness, and freight advantage	Domestic processing industry willing to replicate several recipes using low-cost inputs (D)
Animal or vegetable fats and oils	10,590	Indonesia Argentina Ukraine Malaysia Russia	Major production hubs and competitive prices	Local production is inadequate, and more than 40 percent of total edible oil consumption is dependent on imports (A)

Source: Trade Data Monitor

Table 5. India: Imports of Consumer-Oriented Agricultural Products by Top 25 Suppliers

Partner (Unit $1,000)	2017	2018	2019	2020	Jan - Feb 2020	Jan - Feb 2021
World	5,283,638	5,719,524	5,149,479	5,139,198	1,013,890	935,063
United States	876,834	993,604	977,664	979,805	204,706	203,818
Afghanistan	290,517	298,217	338,566	381,527	88,546	93,385
United Arab Emirates	43,382	182,283	252,628	306,552	63,413	65,289
Indonesia	188,662	201,380	247,561	277,752	56,598	67,552
Tanzania	321,537	232,314	26,967	249,502	131,903	54,250
Vietnam	184,608	193,050	193,330	208,238	35,056	33,687
Benin	121,300	277,194	226,418	175,483	228	1,460
United Kingdom	227,856	213,334	189,861	143,481	9,816	34,008
Ghana	111,123	198,138	149,937	142,444	627	3,283
Sri Lanka	194,907	161,585	164,498	135,057	23,270	28,898
Guinea-Bissau	254,785	123,370	120,915	128,283	3,441	1,614
Nepal	166,094	130,327	114,226	122,753	18,152	16,826
Iran	155,869	118,852	67,408	121,672	35,464	42,886
Cote d'Ivoire	302,548	329,991	170,410	104,803	1,228	6,788
Netherlands	56,073	96,021	91,443	86,132	20,940	11,729
Thailand	59,181	74,775	88,073	83,486	15,496	13,299
Singapore	55,237	211,024	209,016	82,413	16,963	11,742

China	175,644	63,336	79,589	78,872	17,294	13,715
Turkey	27,960	30,729	55,555	78,840	34,689	22,030
Iraq	61,439	67,995	55,889	74,589	28,760	32,889
Madagascar	85,057	83,282	28,891	74,480	41,217	13,212
Chile	54,065	96,930	77,161	73,118	1,709	4,815
Italy	70,478	56,342	110,541	67,594	15,716	14,137
Australia	141,741	117,630	81,639	65,641	2,578	4,234
New Zealand	38,460	68,514	53,105	63,359	4,778	4,124
All Others	1,018,277	1,099,307	978,187	833,323	121,302	135,395

Source: Trade Data Monitor

Section IV. Best Product Prospects

India's food and grocery retail market is expected to exceed $800 billion by 2023. As such, market observers believe there is huge potential for imported products, especially post-COVID as consumers are expected to procure more premium food products. So far, the pandemic has contributed to the growth of vegan, gluten-free, and organic foods, in addition to ready-to-eat and ready-to-cook products as a result of higher home consumption.

Imported products in high demand include tree nuts (almonds, walnuts, pistachios, hazelnuts, chestnuts (HS 0802), leguminous vegetables, dried shelled/pulses (HS 0713), fresh apples, pears, quinces (HS 0808), beverages, spirits, and vinegar (HS 22). Other products such as cocoa and cocoa preparations (HS 18), grapes (HS 0806), fruit juices (HS 2009), fruit pulps (HS 2202), seasonings, condiments, and sauces (2103) although not imported in large quantities from the United States, have good potential.

Table 6. India: Products Present in the Market Which Have Good Sales Potential

Product Types	Import Value (USD Million) CY 2020	Import Volume (Metric Tons) CY 2020	Basic Import Tariff	Key Constraints	Market Attractiveness for USA
Tree Nuts (mainly almonds and walnuts)	2,383	1,185,124	Almonds Shelled (INR 120/Kg) Almonds In-Shell (INR 42/Kg) Walnuts Shelled (100%) Walnuts In-Shell (120%) Pistachios Shelled and In-Shell (30%)	Competition from other suppliers, high tariff	Greater health awareness, aspiring middle class, and growing retail industry
Chocolate and Cocoa Products	178	55,848	30%	Strong competition from domestic and international suppliers	Strong brand and quality preference

Fresh Fruits	338	352,097	25% to 105%	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
Fruit and Vegetable Juices	43	29,531 liters	35-50%	Competition from domestic manufactures and foreign suppliers from neighboring countries	Increasing health awareness and shortage of quality products
Beverages, Spirits and Vinegar	641	751,489,016 liters	30-150%	High import duty and competition from domestic suppliers	Growing consumption and lack of domestic production

Source: Trade Data Monitor and Central Board of Indirect Taxes and Customs, India

Products Not Present Because of Significant Barriers

Currently, there are several trade restrictions that limit market access for U.S. food products. With the exception of poultry meat and poultry products, imports of most animal and livestock derived food products are 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.

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, Forest and Climate Change. The policy also made a biotech declaration mandatory. The only GE food products currently authorized for import into India are soybean oil and canola oil derived from select events. For more information on India's biotech import policy, please refer to USDA FAS India GAIN report Agricultural Biotechnology Annual 2020.

Table 7. India: Top Consumer-Oriented Product Imports

Table 7.A: Top Consumer-Oriented Products Imported from the World			**Table 7.B: Top Consumer-Oriented Products Imported from the United States**		
Description	**United States Dollars (in Million)**		**Description**	**United States Dollars (in Million)**	
	2019	**2020**		**2019**	**2020**
Cashew Nuts, Fresh or Dried, In Shell	1,101	1,080	Almonds, Fresh or	701	797

			Dried, In Shell		
Almonds, Fresh or Dried, In Shell	802	874	Apples, Fresh	59	40
Apples, Fresh	246	200	Walnuts, Fresh or Dried, In Shell	14	20
Dates, Fresh or Dried	163	226	Almonds, Fresh or Dried, Shelled	7	7
Pepper of Genus Piper, Neither Crushed nor Ground	93	85	Food Preparations Nesoi	23	17
Others	2,744	2,674	Others	174	99
Total	**5,149**	**5,139**	**Total**	**978**	**980**

Source: Trade Data Monitor

Section V: Post Contacts and Further Information

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For additional information please visit the FAS websites and review relevant FAS India GAIN reports

- FAS Homepage
- FAS India - Exporter Guide
- India's Online Grocery Market
- FAS India - Food Processing Ingredients Report 2021
- FAS India - Food Service - Hotel Restaurant Institution
- FAS India - Food and Agricultural Trade Show Calendar
- India Emerges as a Burgeoning Market for Plant-based Meat Substitutes

Attachments:

No Attachments