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India

Retail Foods

Retail Sector Expansion Creates New Opportunities for High-Value Products

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Report Highlights:

The Indian retail sector continues to expand due to sectoral consolidation and efforts to provide greater consumer convenience through alternative grocery outlets (such as e-retail) and payment methods. Sustained economic growth will continue to drive demand for imported products while innovation in the retail sector will create more opportunities to place high-value, consumer-oriented products on store shelves and e-retail platforms.

Post:

New Delhi

Executive Summary:

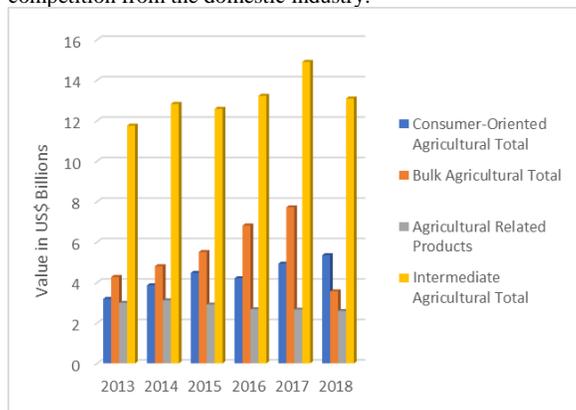
India has emerged as the second fastest growing major economy in the world and is expected to be one of the top three economic powers by 2025, backed by its strong institutions and trade partnerships. India is the second most populated country of the world with a population of 1.37 billion of which 62 percent is below the age of 35. The economy is expected to grow at a rate to 6.9 percent in fiscal year (FY) 2019 from an estimated 7.1 percent in FY 2018. India's population continues to drive annual real GDP growth with private consumption accounting for almost 60 percent of GDP. The Indian rupee is also expected to remain relatively strong which will support consumer purchasing power. The government is forecasting a recovery in the economic growth rate for 2020 at 7 percent through structural reforms, credit growth, lower interest rates, greater cash transfers, lower fuel prices, and more stable macroeconomic conditions. These factors are expected to contribute to a USD \$5 trillion economy by 2025.

Food processors, importers, wholesalers, retailers, food service operators are all part of a developing agribusiness sector. Apart from being a large food producer, India's bulk, intermediate, consumer oriented, and agricultural related imports grew from \$22 billion in 2013 to \$25 billion in 2018, an increase of 10 percent.

Imports of Consumer-Oriented Products:

Imports of consumer-oriented foods, led by tree nuts and fresh fruits, are among the fastest growing segments of imported agricultural products and reached \$5.3 billion in 2018. The market for these imported foods has grown by nearly 68 percent in the past six years at annual growth rate of 9 percent. This growth is facilitated by a growing number of professional, brand-oriented importers and an increase in the number of modern retail outlets and hotels carrying imported products.

Imported nuts and fruits feed into India's traditional retail channels with an estimated 90 percent of imported fresh fruit sold in roadside stands and open markets. Imported packaged and consumer ready foods are found in a growing number of gourmet grocery stores, in the imported foods sections of larger store formats, and in thousands of small neighborhood stores. While opportunities for imported food in the HRI and food processing sectors are improving, the India market remains limited due to high tariffs, ongoing import restrictions, and strong competition from the domestic industry.



Food Retail Industry:

India's food and grocery (F&G) retail market is considered the third largest in the world with over U.S. \$500 billion in sales, according to private estimates. The F&G retail sector is dominated by traditional store formats like neighborhood shops or kirana stores, which hold about 98 percent of the total market share. The market share held by

modern trade formats like supermarkets and hypermarkets is expected to double from two to four percent by 2020 as stores fulfil the evolving needs of consumers. Private independent estimates forecast Indian food retail sales to surpass U.S. \$800 billion by 2023.

Food Retail Sector Key Updates:

This past year has seen noteworthy developments in the retail and e-retail space in India. 7-Eleven, the world's largest convenience store chain, announced its intention to set up its first stores in India after finalizing a franchise deal with Indian retailer Future Group. India's largest food retailer, Reliance, is seeking to tap into the area of traditional groceries (kiranas) through business-to-business ecommerce with a digital wholesale marketplace. This platform intends to serve urban areas to remote villages at various order sizes.

Quick Facts Calendar Year 2018

Imports of Consumer-Oriented Products: \$5.3 billion

List of Top Import Growth Products in India

- Tree Nuts (e.g. almonds and walnuts)
- Apples, Pears, Grapes, Non-Local/Seasonal Fruit
- Leguminous Vegetables and Dried Pulses
- Intermediate Products (e.g., malt, starch, insulin, wheat, gluten)
- Beverages, Spirits and Vinegar
- Cocoa and Cocoa Preparations

Food Industry by Channels (U.S. billion) 2018

Food Industry Output	\$258 billion
Food Exports	\$40 billion
Food Imports	\$25 billion
Retail	\$500 billion
Food Service	\$57 billion

Top Indian Food Retailers:

- [Reliance Retail](#) – Reliance Fresh, Reliance Smart
- [Aditya Birla Retail Limited](#) – More HyperMarket
- [Avenue Supermarts Limited](#) – DMart
- [Future Value Retail](#) – Big Bazaar, Food Bazaar, KB Fair Price, FoodHall, Food Right, Big Apple, Nilgiris, HyperCITY, Easy Day Stores
- [Star Bazaar \(Tata Group\)](#) - HyperMarket, SuperMarket
- [Godrej Industries Limited](#) – Godrej Nature's Basket
- [Walmart India](#) – Best Price Modern Wholesale, Flipkart

Top Indian Food E-Retailers:

- [Amazon Pantry](#)
- [Big Basket](#)
- [Grofers](#)

GDP/Population:

- Population (billions): 1.37 billion
- GDP (billions USD): \$2.7 trillion
- GDP per capita (USD): \$2,015

Sources: Global Trade Atlas, World Bank

SWOT Analysis:

Strengths	Weaknesses
U.S. products held in high regard	Awareness of the range and value of U.S. products
Opportunities	Threats
Growth Potential in Food Retail and E-Retail	Tariff and Non-Tariff Barriers

Section I. Market Summary

India has emerged as one of the world’s fastest growing large economies and is projected to become the world’s third largest economy by 2025. The Government of India (GOI) reports that the gross domestic product (GDP) is forecast to grow at 6.9 percent in fiscal year FY 2019 and will continue to grow at a similar rate in FY 2020. India has made significant reforms over the past years to encourage greater domestic consumption and investment. These reforms include simplification of the tax system through the introduction of the Goods and Services Tax (GST) which replaced various indirect taxes. The government has reduced the time and cost to import through the implementation of electronic sealing of containers, the upgrading of port infrastructure and permitting the electronic submission of supporting documents with digital signatures. These reforms helped India jump 23 places to move to 77 out of 190 countries in the most recent [World Bank’s Doing Business 2018 report](#).

Despite its efforts to improve the business investment climate, the GOI continues to raise tariffs for 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. Moreover, the opportunities in the Indian retail market are not evenly distributed across the country and could more closely be considered as unique opportunities in many of India’s leading Tier-1, Tier-2, Tier-3 and beyond cities, though the sense of a national marketplace is emerging.

Table 1. India: Grocery Retailers Outlets by Channel

	2013	2014	2015	2016	2017	2018
Modern Grocery Retailers	5,852	5,902	6,152	6,545	6,670	7,162
Traditional Grocery Retailers	12,426,472	12,488,703	12,555,234	12,623,561	12,695,235	12,770,413
Total	12,432,324	12,494,605	12,561,386	12,630,106	12,701,905	12,777,575

Source: Euromonitor

India Food Retail Sector Growth Driven by Evolving Consumer Preferences and Convenience

Both store-based and e-commerce retailing continues to experience strong growth as urban households adopt more modern lifestyles, resulting in a preference for modern retail outlets due to their convenience. In response, modern grocery retailers are developing new marketing strategies to attract these households to their stores. These strategies include new payment schemes and options along pricing strategies via the creation of private label products. In addition, supermarkets and hypermarkets such as FoodHall and Star Bazaar are allowing their customers to shop online through their own mobile apps and providing free home delivery. Due to evolving lifestyles and purchasing habits, more consumers are choosing to shop at modern retail stores (hypermarkets and supermarkets) on a weekly or monthly basis, instead of shopping at traditional grocers on a daily basis. This developing pattern is encouraging modern retailers to expand their product range and invest in innovative product displays, in-store food service, and other comforts to enhance the consumer’s shopping experience. Modern retail outlets are becoming one-stop shops, providing goods from farm to table. Moreover, these outlets have begun to provide organic, natural and vegan grocery options to their customers as part of an ongoing healthy eating trend emerging in India.

Traditional Grocery Retailers/Kirana Stores

Independent small grocery retailers, also known as kirana stores, remain the most popular retail format in India with over 12 million stores, particularly in lower-tier cities and rural areas. While kirana store sales are expected to grow by nearly 10 percent in 2019, they are facing significant competition from modern grocery retailers in first tier cities. Due to their convenient neighborhood locations, independent small grocers complement modern grocery retailers, as they can provide timely service to customers, they have established a close relationship with due to the family or individual ownership of each store. Few of these retailers are chained and as such, their expansion into a more organized retail sector is unlikely. These retailers operate through a fragmented distribution network with the presence of many intermediaries by sourcing product from relatively local wholesale markets or distributors associated with larger food suppliers or manufactures.

The Emergence of Modern Retail Outlets

Supermarkets and hypermarkets will continue to expand due to increasing incomes and evolving consumer preferences. In 2019, supermarket sales are expected to grow by 12 percent thanks to expanding outlets. Reliance Retail continues to dominate with a 22 percent market share, followed by Aditya Birla Retail and Nilgiris Franchises (combined these stores have about 45 percent market share). Proximity is allowing modern retailers to compete with kirana stores as more grocery stores are built within major urban areas and neighborhoods, providing consumers the convenience to purchase fresh fruit and vegetables, milk, bread and eggs on a regular basis. The modern retail sector continues to be dominated by domestic companies with foreign firms focused on expansion into the hypermarket sector.

Internet Retailing in India

While online grocery retailing is the smallest retail channel (representing 5 percent of total retail grocery sales), it is the fastest growing retail segment and the one with the highest potential. Internet retailing is expected to increase by almost 27 percent in 2019. At present, analysts estimate online grocery sales between USD \$500 million to a little over USD \$1 billion with expectations of sales growing to over USD \$5 billion in the next 3-4 years. Prospects look good for the sector as the consumer base is made up of millennial and affluent consumers who prioritize convenience and quality over price and who are more open to popular foreign brands. Amazon first launched its online grocery business in 2016 in Bangalore. As of 2018, Amazon's grocery business has expanded to 40 cities. Last year, Amazon launched a network of 15 specialized fulfillment centers to increase delivery speeds. These fulfillment centers are equipped with temperature-controlled zones, to store and deliver perishables and frozen products.

However, the sector continues to be limited to metropolitan cities, and expansion into smaller cities and rural areas is hindered by serious logistical obstacles. In addition, most rural consumers are oblivious to shopping online or digital transactions. It is also expected that rural consumers will be initially skeptical of fresh vegetables, fruit, meat and poultry online, which was an initial concern of urban consumers, but this has shifted.

Section II. Road Map for Market Entry

Entry Strategy:

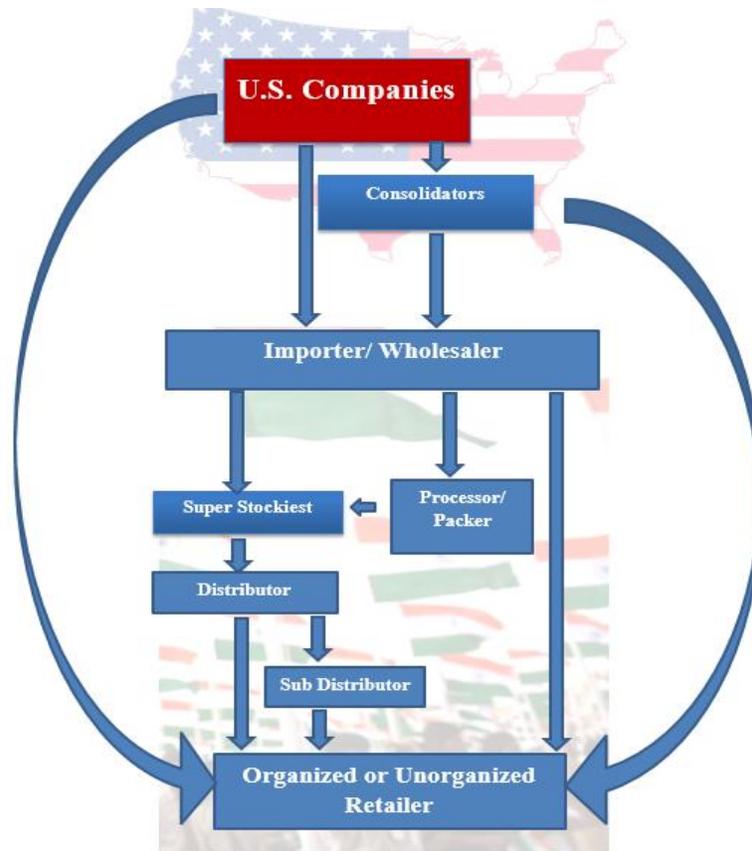
- **Can your product come into India and the local laws:**
 1. Determine if your product has market access in Indian commerce

2. Study India's varied laws, particularly those pertaining to food and beverages
 3. Review FAS policy and market reports and consider engaging a market research firm to assist with opportunities and challenges
- **Find the Right Partner:**
 1. Identify a reliable importer/distributor who services the food retail sector
 2. Avoid conflicts of interest
 3. Consider whether participating in an Indian trade show would be an effective means of identifying a key importer/distributors/partner
 4. Consider if collaborating/ participating in USDA endorsed promotional activities would be an effective way to create market awareness and penetration
 - **Secure Payment Terms:**
 1. 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.
 2. FAS India offices do not have the authority to mediate contractual disputes or serve as a collection agent when differences over payment or other commercial issues arise. For information about local legal services, refer to [IN6155](#).

Market Structure:

Organized and unorganized retailers procure imported food and beverage items based on their target audience and current market trends. With the rise in organized retail chains and their expansion across value formats, there is an increasing awareness and specialization among companies to supply these businesses.

Figure 1. India: Distribution Flow Chart for Retail Food and Beverage Products



Section III. Competition

India's domestic industry is the primary competitor for U.S. retail food products. India, with its diverse climatic conditions, produces a variety of foods and food ingredients at prices below most imported products or products made from imported ingredients. In addition, many third-country competitors enjoy a freight advantage and can supply at lower costs. High import duties, labeling requirements (currently under draft revision), and restrictions on a number of imported packaged retail goods pose additional challenges for direct U.S. exports to the market.

Table 2. India: Competition in Major Product Categories

Product Category	Total Imports (In USD \$ Million) CY 2018	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	3,767	USA Côte d'Ivoire Benin Afghanistan Tanzania	Preference for specific quality, freight advantage	Domestic production of some of the major fruits and nuts is insignificant (A)
Sugars and sugar confectionery	682	Brazil Netherlands Germany USA China	Price competitiveness.	India is usually a net exporter of sugar (D)
Miscellaneous Edible Preparations	210	USA China Vietnam Netherlands Thailand	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	117	China Thailand USA Netherlands 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	10,198	Indonesia Ukraine Argentina Malaysia Brazil	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: Global Trade Atlas

**Table 3. India: Imports of Consumer-Oriented Ag. Products by Top 25 Suppliers
(in USD \$1,000)**

Partner (Unit \$1,000)	2015	2016	2017	2018	Jan - Apr 2018	Jan - Apr 2019
World	4,474,923	4,206,934	4,931,203	5,348,140	1,537,651	1,333,289
United States	739,030	711,836	867,697	984,594	360,033	323,397
Cote d Ivoire	414,936	325,977	302,548	329,992	16,698	37,782
Afghanistan	227,563	189,436	290,517	298,217	83,085	101,694
Benin	191,943	123,627	121,300	277,194	228	9,394
Tanzania	223,673	241,381	321,537	232,314	222,496	2,323
Indonesia	169,746	177,065	185,866	199,698	59,989	73,952
Ghana	98,198	70,394	111,123	198,138	68,635	58,438
Vietnam	148,537	180,403	177,558	191,911	62,349	50,555
United Arab Emirates	46,452	34,611	36,214	175,525	23,094	71,577
Sri Lanka	260,781	135,470	190,393	155,242	41,478	47,971
Singapore	35,681	37,059	29,853	145,132	15,952	27,466
Nigeria	64,010	58,796	72,321	130,976	8,273	12,269
Nepal	191,676	175,847	165,911	130,324	46,204	27,760
Guinea-Bissau	197,157	210,392	254,785	123,371	1,254	419
Pakistan	101,360	122,135	125,390	121,067	29,606	15,872
Iran	117,884	111,872	155,869	118,852	72,697	21,224
Australia	162,411	97,584	141,639	117,585	6,155	8,967
Chile	29,258	42,451	54,055	96,926	5,967	8,426
Netherlands	50,189	45,564	53,234	86,324	25,346	30,116
Madagascar	101,694	74,501	85,057	83,282	57,416	6,505
Thailand	45,499	48,125	56,024	74,386	24,040	26,020
Burkina Faso	15,197	37,941	41,917	68,911	640	2,775
New Zealand	47,690	45,661	38,458	68,504	11,952	12,005
Iraq	56,392	58,675	59,042	67,995	35,609	35,312
China	79,151	163,862	174,187	62,253	19,244	21,684
All Others	658,817	686,266	818,707	809,427	239,210	299,386

Source: Global Trade Atlas

Section IV. Best Product Prospects

Table 4. India: Products present in the market which have good sales potential

Product Types	Import Value (\$ Million) CY 2018	Import Volume (Metric Tons) CY 2018	Basic Import Tariff*	Key Constraints	Market Attractiveness For USA
Tree Nuts (mainly almonds and walnuts) *	2,861	1,091,119	Almonds Shell (INR120/Kg) Almonds In-Shell (INR 42/Kg) Walnuts In-Shell (120%) Pistachios (10%)	Competition from other suppliers. High tariff	Health awareness, aspiring middle class, and growing retail industry
Cocoa and Cocoa Products	188	54,680	30%	Strong competition from domestic and international suppliers	Strong brand and quality preference
Fresh Fruits	461	451,084	30% to 75%	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	48	30,480 liters	30%	Competition from domestic manufactures and foreign suppliers from neighboring countries	Increasing health awareness and shortage of quality products
Beverages, Spirits and Vinegar	742	706,783,072 liters	30-150%	High import duty and competition from domestic suppliers	Growing consumption and lack of domestic production

*NOTE: Several tariffs of the above items have proposals that will increase them. To date, however, the new proposed rates are not implemented, and the above information uses existing information.

Products Not Present Because They Face 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. Soybean oil and canola oil derived from select events are the only biotech food/agricultural product currently approved for import. (Refer GAIN: IN7135 Agricultural Biotechnology Annual 2017).

Table 5. India: Top Consumer-Oriented Product Imports

Table 5.A: Top Consumer-Oriented Products Imported From the World

Description	United States Dollars (in Million)	
	2017	2018
Cashew Nuts, Fresh Or Dried, In Shell	1,455	1,706
Almonds, Fresh Or Dried, In Shell	701	763
Apples, Fresh	307	304
Dates, Fresh Or Dried	242	257
Pepper Of Genus Piper, Neither Crushed Nor Ground	165	136
Others	2,061	2,183
Total	4,931	5,348

Source: Global Trade Atlas

Table 5.B: Top Consumer-Oriented Products Imported From the United States

Description	United States Dollars (in Million)	
	2017	2018
Almonds, Fresh Or Dried, In Shell	581	645
Apples, Fresh	97	165
Walnuts, Fresh Or Dried, In Shell	43	24
Almonds, Fresh Or Dried, Shelled	29	12
Food Preparations Nesoi	24	23
Others	94	115
Total	867	984

Section V. Post Contact Information

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