



India

Opportunities & Challenges for Dutch Processed & Semi-Processed Food Companies

March 2015



About This Report

The Netherlands is the second largest exporter of agricultural and food products in the world. The processed food sector has grown about 35 per cent over the last 10 years, with investments in research growing 75 per cent. The sector's share in total production value is 21 per cent making it the largest industrial sector in the Netherlands.

In spite of this, the share of Dutch processed food products in total imports in this sector India is limited. Keeping the immense growth potential of the Indian market in mind, the Embassy of the Netherlands commissioned a study of the processed food market in India.

The report is the product of extensive research of public and proprietary sources. The facts within this report are believed to be correct at the time of publication but cannot be guaranteed. All information within this study has been reasonably verified, but the authors and the publisher do not accept responsibility for loss arising from decisions based on this report. Any numbers related to the market sectors in India should be taken as indicative, since the market situation is very dynamic.

The industry insights in the report have been gathered from senior officials from retail businesses, restaurants chains, importing organisations and regulatory authorities. However, many of them have provided their inputs on the condition of anonymity and it has not been feasible to attribute information and insights to them by name in the report.



Foreword by A. Wouter Verhey

The food sector is a USD 180 billion industry in India, growing annually at close to 9 per cent, contributing to 13 per cent of the national exports, employing 60 per cent of India's working population directly or indirectly and is the top employer in the registered factory segment. However with 2.6 per cent of overall FDI inflows, less than 1 per cent market capitalization of food processing companies, the true potential of this highly significant sector still remains untapped.

I am delighted to be introducing the study on Opportunities & Challenges for Dutch Processed & Semi-Processed Food Companies in India. This study has the objective to give an insight in developments in the Indian food sector.

Netherlands is the second largest exporter of agricultural and food products in the world. For decades, the Dutch agriculture sector has succeeded in maintaining its lead over international competitors through continual investment in innovation in agri-food value chains. In May 2012 an extensive Indo-Dutch Agriculture Action-plan was signed between the Central Government of India and Government of the Kingdom of the Netherlands. Within this broad agreement, several areas of cooperation in the agriculture/food sector are defined. This study is a tool in implementing the projects being identified in the processing sector under the Action Plan.

This research aims to provide an overview of the economic growth in the food retail & services environment. It provides the knowledge required to distinguish business opportunities for new products and new processes as well as assure the safety of food we supply to our valued. I am very impressed by the level of stakeholder consultation that has occurred in the development of the study and I believe that it is through ongoing collaboration and partnership between the industry, regulatory authorities and academia that the objectives contained herein will be delivered for the benefit of the industry.

It has recognized the food processing sector as an opportunity area for the Dutch companies, giving a complete overview of the market structure of various food categories along with the possible routes to the Indian market.

Finally, I would like to thank and congratulate the Third Eyesight Team for their hard work and dedication in putting together this comprehensive plan, and I look forward to seeing the impact of the outcome of the study. Surely, it will contribute to respective bilateral goals for both India and the Netherlands.



A. Wouter Verhey

Counsellor for Agriculture, Nature & Food Quality (India and Sri Lanka), The Royal Embassy of the Kingdom of the Netherlands



Introduction by Devangshu Dutta

Humanity has been engaged in processing its food since the dawn of history, through cooking, curing, pickling and a variety of other means of changing the form in order to either make food easier to consume and more palatable, or to extend its life in storage. However, it is particularly during the last century or so that industrial techniques have been applied around the world to progressively increase the volume of produce that can be processed, as well as to bring processing costs down.

India's food supply chain offers plenty of opportunities for intervention and innovation by businesses. With produce passing through many steps between the farmer and the consumer, there is the potential of waste and deterioration with time, and on the other hand there is also an opportunity to add value and to improve the produce. The Government of India has recognised these opportunities and has been encouraging the development of processing infrastructure around the country.

On the demand side, as Indian consumer households and lifestyles change from the traditional joint-family structure, consumers' needs as well as the means at their disposal have changed dramatically. With nuclear households, less time is available for both shopping as well as preparation, leading consumers to consider a whole range of processed and semi-processed food options. Therefore, both Indian and international companies can be beneficiaries as Indian consumers are "outsourcing" their food preparation and cooking activities. It is also worth mentioning a key advantage of the Indian market: that the already significant base of consumers is also growing rapidly. This is true regardless of whether you are targeting a consumer base of 5 million or 500 million. Companies that work with the consumer sector are as yet at the early stages of an expanding opportunity, as incomes grow and lifestyles change. Therefore, any company looking at addressing the Indian market must view it as a long-term opportunity, rather than a short-term win.

The Netherlands is recognised a country that certainly "punches above its weight" with regard to food and agriculture. Dutch companies, both large and small, are often leaders in product and technological innovation. The report aims to take the Dutch reader through a holistic journey, describing the background of change and opportunity in India, presenting twenty sectors where there is significant demand in India, and where Dutch industry potentially has strengths to deploy. The report also explores preliminary approaches that companies may take to explore and enter the Indian market. Since each company's information needs and its strategy will be unique, this report is no more than the first step; on behalf of Third Eyesight's team I hope it will help to lay a strong foundation to further investigation and your closer engagement with the Indian market.

We thank the Dutch Embassy for this opportunity to bring this report and our perspectives to you.



Devangshu Dutta
Founder-Chief Executive, Third Eyesight



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Executive Summary

The report was commissioned in order to develop an understanding of India as a market for processed food products and uncover opportunities for Dutch companies. The report provides an overview of the economic growth in India, the consumer base and its key characteristics, the food retail and services environment, market structure of various food product categories, their growth potential and areas of opportunity for imported products within these categories, the regulatory framework governing imports and domestic production and possible routes to the market for the Dutch organisations.

India is the largest democracy on the globe, the second largest country by population, one of the top-10 when measured by the size of its GDP, and one of the fastest growing economies in the world. The ethnic, linguistic and cultural diversity of India's 29 states and 7 Union Territories makes it more like the diversity of the European Union than like that of any other single nation-state. And yet, in political and legal terms, these diversities are managed within one constitutional framework, which possibly makes India unique among the nations around the world.

India has wide variations in the income and tastes which are important for consumer product companies to understand if they are looking to cater to mainstream meal habits. India is the second largest populated country in the world with almost two third of the population living in the villages. The urban population has dramatically been growing from last two decades. Though average income of the urban is higher than the rural average income but there exists a rural rich section who is consumers of premium branded products.

India with the youngest population in the world and a large urban population in the age group 20-34 years of age has observed changes in the consumption pattern. India has been consuming consumer products from multinationals for several decades now and with the growing young population who is well educated and travelled across the globe; the tastes and the choices have been changing.

The middle class households is rising and approaching 30 million households or over 150 million individuals, with increasing number of nuclear families and double income households. This also is creating a socio-economic class across the country, especially in the larger cities, which have some commonality in consumption patterns irrespective of the city the family has originated from or is now staying in. This is the group of consumers who are driving the consumption growth of processed and semi-processed food products.

Some major trends which aid the development of processed, semi-prepared and packaged food options include new consumption occasions, growth in dining out opportunities, the willingness to experiment with unfamiliar cuisines, the growth of convenience options and the need for predictability (quality as well as hygiene).

The evolution of food retail and services is playing a significant role in the growth in consumption of the processed food products.



The retail sector in India comprises of a large majority of traditional retail formats and a small (but growing) slice of modern retail formats. The share of modern retail is estimated to be less than 2 per cent in food and grocery. Both, traditional retail stores as well as modern store formats such as supermarket, hypermarket ad convenience stores chains are growing, and both are platforms for launching and growing processed food products in the Indian market. The Hotels, Restaurant and Catering sector is also a major driver of food processing in the country, due to its need for significant consistency of products, predictability of supplies, and larger-scale requirements.

Although India is an abundant producer of dairy products, meat products, fruits and vegetables and sugar, the value-added processed products in all these categories present a growing market. India is also growing as a market for new products such as breakfast cereals, pasta, infant food, bakery products, foreign liquor and different types of oils and sauces. Many international organisations have engaged with the India market by setting up manufacturing infrastructure here itself and understanding the market in depth. This approach has not only enabled them to offer their international range of products at competitive prices and but also became very powerful brands in India. Others are taking a more cautious, trading-led approach to the market. This report presents the opportunities and challenges in 20 selected product sectors, and also an assessment of different routes to market.

Although imports account for a relatively small share of the total consumption of food products, in some products such as dairy like cheese and whey, processed fruits and vegetables especially processed potatoes, poultry and swine meat, beer, infant food and sauces, Netherland occupies an important position as a source of import.

Product Category	Import Value from Netherlands (2013) - million USD	Total Import Value (2013) - million USD	Share of Netherlands
Infant Food	1.71	3.00	57%
Poultry Meat	0.11	0.28	39%
Processed Potatoes	2.21	8.8	25%
Swine Meat	0.59	3.6	16%
Cheese	0.87	8.1	11%
Beer	0.27	3.9	7%
Sauces	0.67	11.68	6%
Whey	1.08	19.9	5%

Regulations are an intrinsic part of the food industry anywhere in the world, and India is no different. Due to the stress placed on domestic production, import duties are fairly high for finished products. A specific agency related to Food Safety and Standards has also been established by the government in 2006, which consolidates various acts and orders for food-related issues previously handled by various Ministries and Departments. The report describes some of the key regulatory aspects related to imports and distribution of food products in India.



It is important to note that the government has introduced several schemes favouring domestic production in the food processing sector such as providing financial assistance in the form of grants and subsidies for the setting up and modernization of food processing units, the creation of infrastructure, support for research and development and human resource development as well as other promotional measures to encourage growth within the processed food sector. In order to promote faster establishment of food processing industries in the country, the government provides various tax and other incentives to businesses which have been detailed in the report.

To conclude, the market for processed and semi-processed food products is growing in India, and there is significant opportunity for value-added and differentiated products. We hope this report will present a well-rounded view of the market, and serve as a first step for Dutch organisations to productively engage with the Indian industry and Indian customers.



Kingdom of the Netherlands



1. An Overview of India



1. An Overview of India

India is the largest democracy on the globe, the second largest country by population, one of the Top-10 when measured by the size of its GDP, and one of the fastest growing economies in the world.

Figure 1.1 India – States, Union Territories and Capitals





This section aims to describe not only India by these numbers, but also to bring out some of complexity of the nation, and the richness of the opportunity for companies that wish to participate in its growth. While the political entity that is today's India (or "Bharat", as it is called in many Indian languages) has only existed since 1947, the civilizational entity is at least a few thousand years old. This is reflected in the common threads that span its philosophies, the sciences, economic systems, and spiritual beliefs, among others.

The Himalayas in the north and the seas to the south formed natural barriers and a civilizational cradle for this unique subcontinental entity that saw the co-existence of monarchies and democratic assemblies. Also, at various times in documented history, empires spanned very large expanses of the landmass, bringing further integration with them.

As the civilisation flourished, it also had extensive political and trading exchanges with cultures spanning from Europe, Africa and East Asia, and the marks of those still remain not only in archaeological ruins, but also in the living cultures in those areas.

An inward flow of influences also happened through trade, and also through the various religious and political asylum seekers who found a safe haven on the subcontinent over the past 2000 years. These in turn have brought in flavours of their original cultures, including exotic foods that are today routinely treated as "Indian" such as potatoes and chilli peppers. Several military invasions from the west and European colonisation have, of course, also had a significant impact during the recent centuries, whose influence remains visible in all aspects of the society.

The complex combination of all of these factors have not just impacted India so far, but will continue to do so in the future, and for anyone who wishes to explore the market seriously it is important to understand its uniqueness.

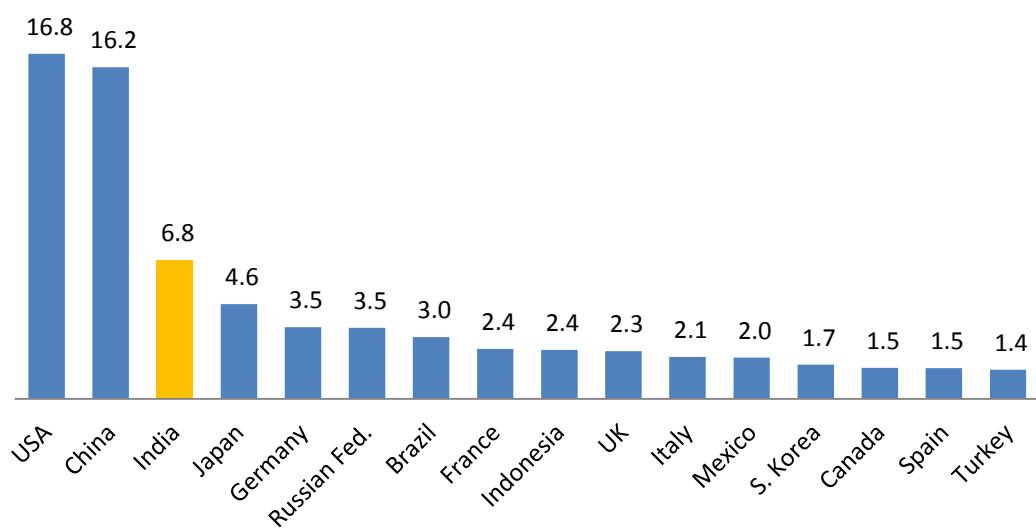


1.1. Economic Growth

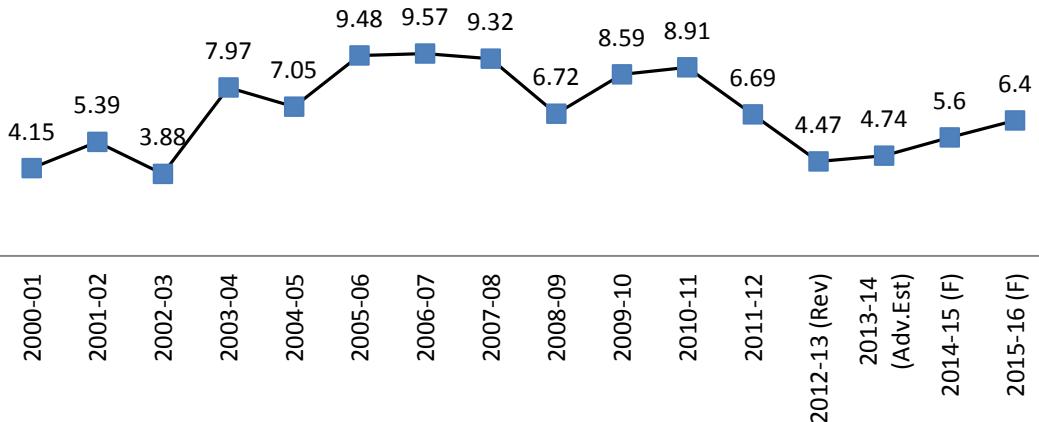
Until 1500 AD, India and China are estimated to have accounted for around half of the global GDP, being not only economic but technological leaders. Their re-emergence as leaders in more recent years began once each country re-opened and re-connected with the global economy (at different times). India is currently the tenth-largest economy in the world (the third largest in purchasing power parity terms) and the second fastest growing among the larger countries. With the burgeoning young and educated middle class being the growth engine for Indian economy, India is expected to become the third largest world economy in absolute terms by 2030.

Figure 1.1.1 GDP - PPP-adjusted -2013

In trillion USD



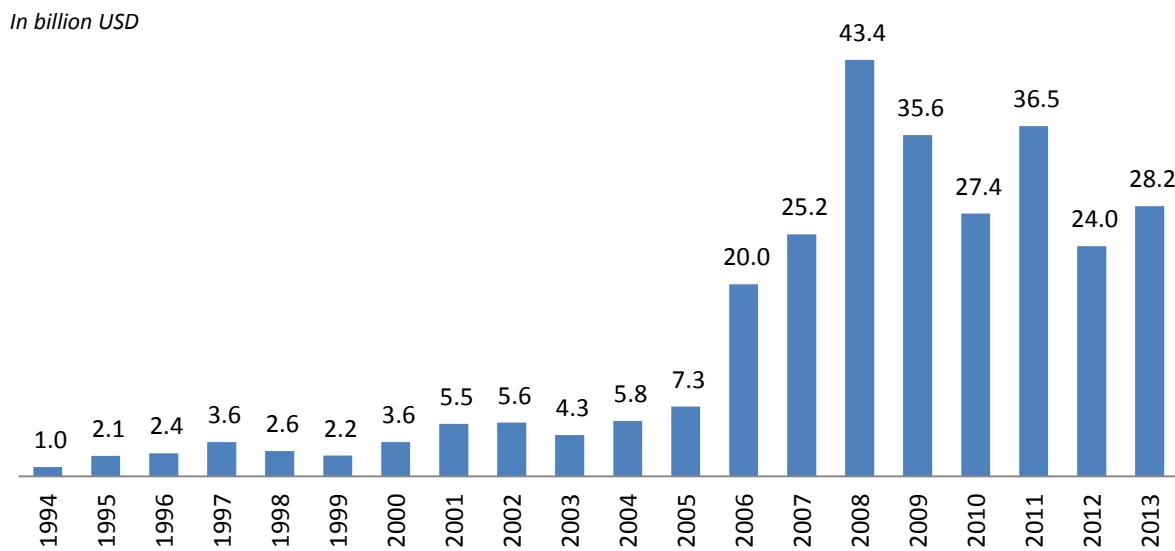
Source: World Bank

**Figure 1.1.2 India's Real GDP Growth Rates (Factor Cost)**

Source: Planning Commission – The Government of India, International Monetary Fund

In January 2015, the Ministry of Statistics & Programme Implementation has announced a change in the way GDP would be measured, to bring it in line with international practices. Using the revised, more commonly accepted international methodology shows that India's GDP at constant prices grew 5.1 per cent in 2012-13 and 6.9 per cent in 2013-14. The growth is expected to be 7.4 per cent in 2014-15 and targeted at 8-8.5 per cent for 2015-16.

Demonstrating growing confidence in the direction the country has taken, foreign investors have stepped up the rate of investment in recent years. Year 2012-13 registered foreign direct investment of USD 22.4 billion while year 2013-14 registered FDI of USD 24.3 billion.

Figure 1.1.3 Foreign Direct Investment Inflow - All sectors

Source: Ministry of Finance, Government of India



1.2. The Diversity of India

India is a market defined by dramatic disparities. There are wide variations in income, tastes and habits, all of which have important implications for consumer products companies. The ethnic, linguistic and cultural diversity of India's 29 states and 7 Union Territories makes it more like the diversity of the European Union than like that of any other single nation-state. And yet, in political and legal terms, these diversities are managed within one constitutional framework, which possibly makes India unique among the nations around the world.

Figure 1.2.1 India: Size and Diversity



Source – Third Eyesight

Figure 1.2.2 Comparison between European Union & India

	European Union	India
Constituents	28 member countries	29 States, 7 Union Territories
Area	4,381,376 km ²	3,287,590 km ²
Population (est.)	507 million	1.21 billion
Languages	24 official, 150 minority	22 major, Over 1600 dialects



By population, India's largest state (Uttar Pradesh) has about 200 million people, while the smallest (Lakshadweep) has just over 64,000. Hindi is the language of a large percentage of people (38 per cent) in India, while English is the common business language. Indian currency notes possibly reflect this linguistic diversity the best, with English, Hindi and 15 other Indian languages used.

The religious demographics of India show a predominance of Hinduism (an "umbrella term" which includes many denominations), accounting for almost 80 per cent of the population. The second largest religion is Islam (over 14 per cent across various sects). About 2.3 per cent of Indians adhere to several denominations of Christianity. Other Indian religions, including Sikhism, Buddhism and Jainism account for about 3.1 per cent. Zoroastrianism and Judaism also both have a centuries-long history in India, but currently have very small populations.

Most of the population still lives in villages (over 60 per cent) but the country's urban population is rising. The country's urban population has dramatically grown over the last two decades, especially through migration into the major metropolises. While average urban incomes are significantly higher than average rural incomes, there is a large proportion of urban poor, as there is a significant population of rural rich who are consumers of a number of premium branded products.

The cuisine of India is considered by among the world's most diverse, characterised by the variety of plant and animal products, and a sophisticated and subtle use of many spices and herbs. Each family of this cuisine is characterised by a wide assortment of dishes and cooking techniques. Though a significant portion of Indian meals are vegetarian, many traditional Indian dishes also include fish, chicken, goat and other meats. While most Hindus do not routinely consume beef (certainly cow meat, but also often buffalo meat), Muslims traditionally shun pork.

The advent of the digital age, and the large number of young and educated populace fluent in English, has made India an important 'back office' destination for global outsourcing of customer services and technical support. India is a major exporter of highly-skilled workers in software and financial services and software engineering. Other sectors like manufacturing, pharmaceuticals, biotechnology, nanotechnology, telecommunication, shipbuilding, aviation and tourism are also showing strong potential and high growth rates.

India has also been a host to consumer products multinationals for several decades. The performance of multinationals in India has varied, with a few of the companies struggling or even failing to gain a foothold.

The main factor that separates winners from losers is the ability to recognise India's unique characteristics and to align their company's business model accordingly. High growth and significant market shares come from recognising the diversity of India and addressing the specific needs of the local consumer.

For instance, changing the packaging sizes of their products to establish a stronger hold over the Indian market is a small example. A classic example is the shampoo market where companies sell shampoo in "single-use" sachets at a retail price of INR 2 to penetrate the market, instead of trying to only sell larger volumes in bottles that would be out of reach of most Indian consumers.



In the food industry, American quick service restaurant chains such as Domino's and Pizza Hut have tailored their menus to Indian tastes, including items such as "Chicken Tikka" Pizza.

McDonald's has created India-specific products to address issues with both ingredients (avoiding beef and pork) and the flavours, and was also the first international quick-service restaurant chain to completely segregate vegetarian and non-vegetarian lines for supply, production and service to avoid cross-contamination.

Dunkin' Donuts has launched Diwali-specific flavours in the Indian market, and has also made sure that its recipes for India are made without eggs.

More recently, PepsiCo's brand Quaker Oats has introduced packaged oats with added vegetables and an Indian savoury flavour ("Masala Oats").





Kingdom of the Netherlands



2. The Changing Consumer



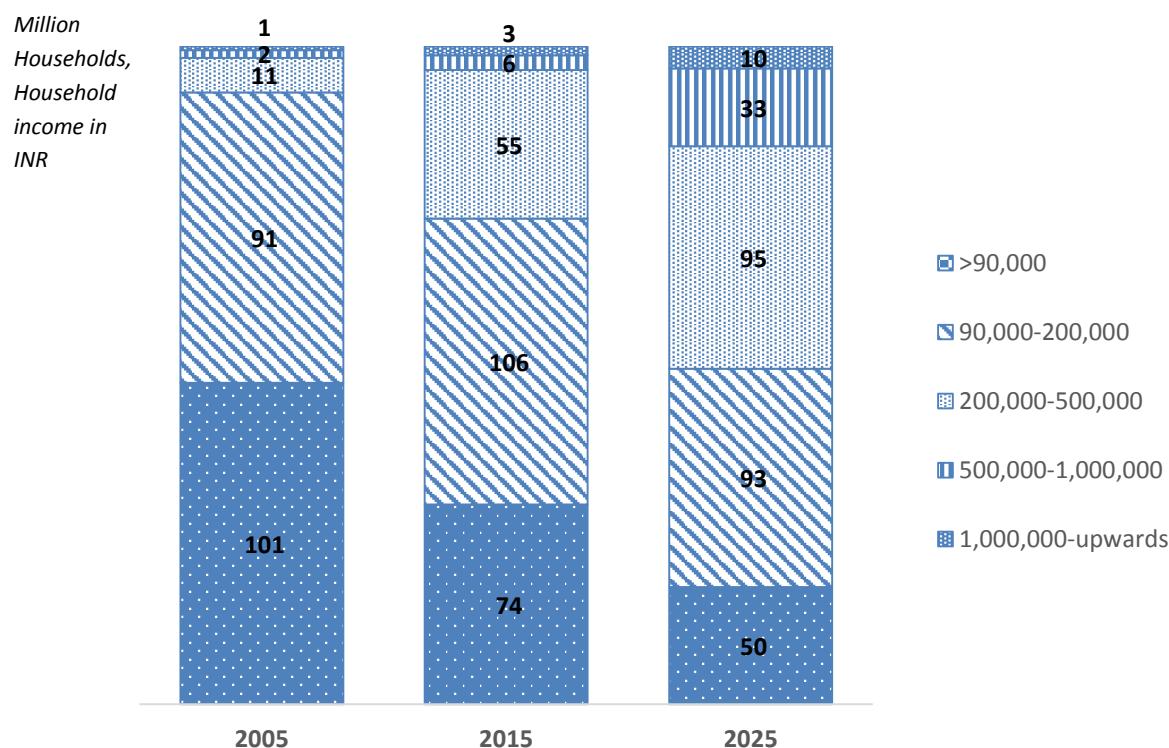
2. The Changing Consumer

The potentially large base of Indian consumers is what first attracts international companies to the Indian market. The first obvious question, then, has to be, "how large are these consumer numbers?"

If one is trying to sell goods in India at prices similar to those in Europe, those looking at assumptions of "200-300 million middle class" would be completely wrong. The opportunity to sell similar offerings does exist, but to a very small fraction of the market. On the positive side, there are few other markets in the world where such a target population is growing at over 20 per cent a year. Moreover, the annual growth rate of the incomes earned among this population is also the highest in the country. Thirdly, a large proportion of this population is concentrated among the metropolises.

However, for companies that are open to taking a more flexible and market-specific approach, there is a clear "Indian" middle class emerging across the country, both in urban and semi-urban/rural areas. For the first time the number of middle class households is approaching 30 million households, or over 150 million individuals. This provides a credible and very attractive base for Indian and international companies who are looking to service the modernising retail and consumer sector.

Figure 2.1 Changing Income Distribution



Source: McKinsey Global Institute projections, 2010

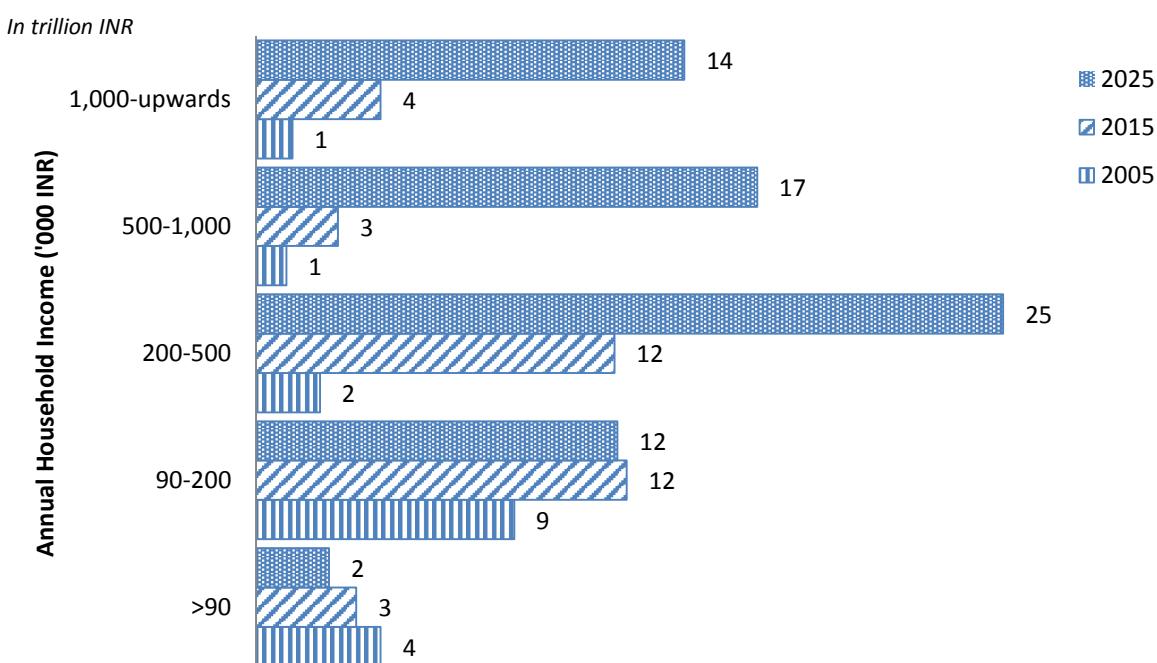


It is worth keeping in mind that the above chart describes the household income in absolute terms, but this should be multiplied with an appropriate Purchasing Power Parity factor for a more accurate picture of the spending capability in the Indian context.

Within this population, double income households and nuclear families (as compared to joint families) are already leading to visible growth in processed food and related segments.

Affordability is also important for a society with as much income disparity as India. The lowest income classes are spending 62-65 per cent of monthly per capita income on food and on the other hand upper class is spending 30-40 per cent.

Figure 2.2 Aggregate Consumption by Income Group



Source: McKinsey Global Institute projections, 2010

The urban population is clearly of the most interest to modern retailers and their suppliers, as it is typically more affluent, more exposed and physically easier to service due to its high concentrations in a few cities and also the better connectivity. The urban Indian population is projected to increase from 30 per cent to 40 per cent of the total population by 2030. Below mentioned are the Indian cities which are not only the most populous cities but also most important as consumption centres.

**Figure 2.3 Highly Populous Cities of India**

City	Population (million)
Delhi & NCR*	26.4
Mumbai*	23.5
Bangalore	10.6
Pune	9.4
Ahmedabad	7.2
Jaipur	6.6
Kanpur	6.4
Surat	6.1
Nashik	6.1
Nagpur	4.7
Chennai	4.6
Lucknow	4.6
Kolkata	4.5
Hyderabad	3.9
Ludhiana	3.5
Coimbatore	3.5
Amritsar	2.5
Bhopal	2.4
Jalandhar	2.2
Chandigarh	1.1



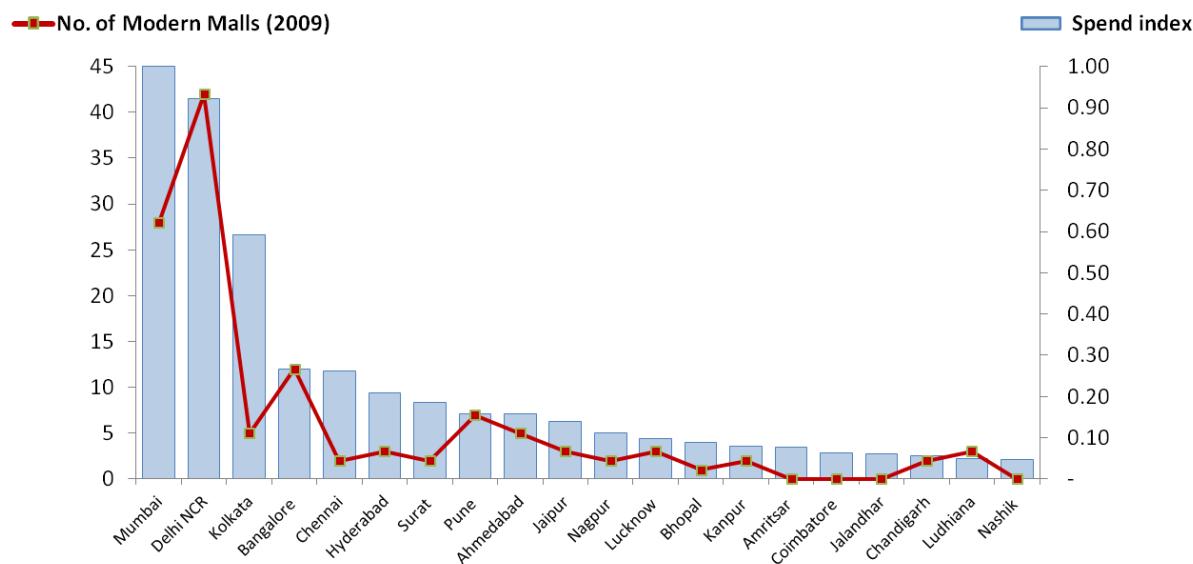
Source: *Census India 2011*

*Note: Delhi & NCR includes Delhi, Noida, Gurgaon, Faridabad and Ghaziabad; Mumbai includes Mumbai, Mumbai Suburban & Thane

The tier I & tier II cities mentioned here have a consumer base that shares a common consumption pattern of food products and has similar socio-economic status. This slice of consumer has high disposable income and is the most travelled one with exposure to the best of the quality products available not only within the country but also across the world.

Below are the top 20 leading cities in India that account for just a tenth of the country's population, but generate around a third of India's disposable income.

Figure 2.4 Spending Skewed Towards Larger Cities



India has the youngest population in the world, with 50 per cent of population below 25 years of age, 80 per cent below 45 years, and a large population between the ages of 20-34 in the urban regions. What is critical to note is that during the years that the population that is currently in the 20-34 years age group has grown up, the overall consumption environment in India has undergone vast changes.

This partly due to concrete changes in the market structure and availability of products, but it is also greatly influenced by the changes in the electronic media.

Starting with the introduction of colour television (1982), to the explosion in the number of television channels in the 1990s, this population has been exposed to media and consumption habits that are in step with the rest of the world.

The power of the youth is evident not just in its large numbers, but also its inclination to consume and in its ability to influence larger household decisions.

With the Indian consumer evolving, some major trends which aid the development of processed, semi-prepared and packaged food options are visible in recent years, including the following:

- The emergence of new consumption occasions,
- More occasions for dining out,
- The willingness to experiment with unfamiliar cuisines, both Indian and international
- The increasing importance of convenience options
- The need for predictability (quality as well as hygiene).

Growth areas with changing lifestyles include the consumption of processed instant foods and other cereal products at breakfast (40 per cent in the past decade), pre-lunch snacks and evening snacks. Also, as the number of food chains and fine dining restaurants has expanded and food-related



programmes on television have increased exponentially, the consumer has become familiar with various food cultures (including those from elsewhere in India and from elsewhere around the world) and often wishes to replicate the same at home. Lunch and dinner, a traditional occasion of food has also seen a change in the accompaniments to the regular meal with increasing use of semi-prepared food. Increasing demand of western foods is seen with an increasing consumption of pasta and other ready to cook foods. With rise in the number of working women, the need for convenience food has increased.

Overall the food processing industry is growing at a rate of 13 per cent per annum (Source: Federation of Indian Chambers of Commerce & Industry, FICCI). The ready to eat (RTE) and ready to cook (RTC) segments are estimated to be growing annually at over 20 per cent. This is contributed by a range of products including frozen vegetables, meat-based snacks, prepared vegetable snacks, as well as semi-processed meat and chicken. The consumer is increasingly ready to pay a reasonable premium for value-added products which offer convenience, hygiene or other benefits.

Also, the Indian consumer is moving towards chain-stores from the traditional retail formats, gradually overall, but very rapidly in some cities. The modern chain-stores provide them with easy access to products with a variety of brands, and an atmosphere where no one is judging their activities.

According to FICCI, the food industry is expected to grow to INR 13,200 billion (EUR 165 billion) by 2015. Of this, it expects the food processing industry to be about 30 per cent.

Dairy products, beverages (including alcoholic and non-alcoholic), meat and poultry products, marine and fish, breads and bakery, fruits and vegetables and confectionary products are key sectors in the industry which offer significant growth opportunities, among others.

In a subsequent chapter, this report describes some of the sectors that are strength areas of Dutch industry and significantly growing in India.



Kingdom of the Netherlands



3. The Indian Retail Market and Its Evolution



3. The Indian Retail Market and Its Evolution

The retail sector in India comprises of a large majority of traditional retail formats and a small (but growing) slice of modern retail formats. The shares of modern retail in the different product sectors are estimated to be less than 2 per cent in food and grocery, to more than 20 per cent in categories such as footwear.

Several factors are responsible for the fragmentation of the retail sector. One of the biggest barriers to modernisation and consolidation in retail for the last several decades has been the quality of logistics infrastructure. The road, rail and air transport network have been lagging behind demand, limiting the free and quick movement of goods across the country.

Further, on the logistics side, the lack of temperature and humidity controlled conditions in the supply chain meant that perishable products could not be stored and carried over long distances, and had to be consumed in markets that were physically close to the production base. This affected not just farm produce, but even packaged and processed food products which had a limited storage-life.

Multiple tax norms have also meant that there are tax check-points between states, which lead to further bureaucratic delay in the supply chain.

Due to this poor connectivity in the huge country, most brands and manufacturers historically chose to distribute their products through multi-tiered networks of agents, distributors, wholesalers, and semi-wholesale. The taxation structures (excise, sales tax, octroi) which have varied across the states also led companies to create physical distribution presence in multiple states. The side-effect of the multiple tax norms in the past has been under-invoicing and grey market sales.

These are also some of the reasons that have kept modern retail chains from growing in the country. Any chains that have come up earlier have had to resort to multiple local vendors for their requirements, thereby, raising costs and reducing efficiency.

At the same time, on the real-estate side, urban planning regulations previously prevented the development of large shopping centres, thus creating a shortage of A-grade real estate for modern retail stores.

However, in the last 20 years or so, a number of policy changes were brought about, and the cumulative effects have become visible in recent years. VAT has been implemented, and sales taxes have been harmonised progressively each year. This has enabled companies to plan their manufacturing and distribution in a much more logical manner governed more by the market as well as their corporate needs, rather than by sales tax regulations. Now a common Goods & Services Tax system is being put in place.

Similarly, the deregulation of manufacturing over the years has encouraged Indian companies as well as international companies to set up larger scale manufacturing plants for a variety of consumer, intermediary and industrial products. The range of consumer products includes packaged



and processed foods, dairy products and various others. On the industrial and intermediate side also, a number of products related to the retail sector are manufactured within India, including products as diverse as food-grade packaging material to walk-in freezers. As the market has grown the scale of these plants has also grown, and some of these plants are now globally among the most competitive.

During the same time, there has been a tremendous growth in actual disposable incomes across the country. As described in the previous chapter, a consumer group has also now begun emerging which has grown up in this environment of abundant choice. This consumer group is leading in creating the opportunity for modern retailing to grow in India.

A quick assessment of the strengths and weaknesses of the retail sector in India throws up the following factors that are prime drivers or hindrances for modern retail and its associated activities in India:

Figure 3.1 Significant Opportunities and Challenges for India's Retail Sector

OPPORTUNITIES	CHALLENGES
<ul style="list-style-type: none">▪ Demographics changes & their implications▪ Manufacturing competitiveness in several sectors▪ Regulations and laws are progressively more open and business-friendly▪ The “Organised” Market is at a nascent stage, hence potential growth is very high	<ul style="list-style-type: none">▪ Differences within customer groups▪ Tax laws▪ Sub-optimal infrastructure - roads, electricity, cold chains and ports▪ Increasing cost of Real Estate▪ Restrictions on retail operations with foreign investment

Source: Third Eyesight Research

Practically all segments of retail are demonstrating strong growth, and there is certainly enough opportunity for new companies (both domestic and international) to enter the market as well.

Modern retail in the country is still at a nascent stage. Most retail business goes through traditional small retailers including family-run grocery stores, paan shops (kiosks or small shops that sell tobacco products as well as other small-ticket items such as candy, shampoo sachets etc.), hawkers, street markets etc.

However, large corporate groups are taking an increasing share in this pie, through chain-stores as well as through non-store retail channels such as e-commerce.

Some of the chains started as far back as the 1960s (especially fabric stores, and later apparel stores) as individual retail stores began to be appointed by large companies as “Authorised Dealers”, entitling them to display the company’s brand name on the external shop signage and then into franchisees by one company or the other. This led to the emergence of what are now called “exclusive branded outlets” (or EBOs). The late-1980s also saw a new wave of corporate entrants



enter into retailing directly. Some of these initiatives died due to various reasons, while others have grown into large businesses. The late 1990s saw a huge increase among these companies.

The presence of large corporate groups has now become quite visible, including the Future Group, Reliance, Tata, the Aditya Birla Group, Bharti, Landmark Group and many others. Given the rapid changes in the market as well as in the environment, these retailers are almost all in a mode of experimentation and trying out several formats simultaneously in multiple locations.

Figure 3.2 Corporate Retailers in India, and Food-Related Formats

Company	Food-Related Fascia	Number of stores
Reliance Industries	Reliance Fresh, Reliance Super, Reliance Mart	718
Future Group	Big Bazaar/Food Bazaar, Foodhall, KB's Fairprice, Big Apple, Nilgiri's	531
Aditya Birla Group	More	About 500
REI Agro Ltd.	6Ten	About 400
Bharti Group	Easyday	220
RP-Sanjiv Goenka Group	Spencer's	135+
Avenue Supermarkets	D-Mart	82
Godrej Group	Nature's Basket	32
Tata Group	Star Bazaar, Star Market, Star Daily, Star Extra	15
K. Raheja Corp.	Hypercity	15
Landmark Group	Auchan (to be converted to Spar)	13
Mother Dairy	Mother Dairy, Safal	Over 3000+ outlets, plus distribution
Marché Retail (Delhi NCR)	Le Marche Sugar & Spice	7
Nuts 'n' Spices (Chennai)	Nuts 'n' Spices	25

*Source: Third Eyesight research, companies and other sources
(numbers approximate, or as published at the time of compilation)*



Figure 3.3 Various Retail Formats

Modern Retail Format



Traditional Retail Format

(Family Run Grocery Store in an upscale locality)



The Indian market, thus, demonstrates a unique blend of organic growth of modern retail as reflected in European countries over the last 50 years, and the rapid inorganic growth of corporate retailers similar to East Asian countries in the last 20 years. Despite the changing Indian retail landscape, traditional formats continue to co-exist with the modern formats of retailing and, in fact, dominate the landscape. Many consumers remain loyal to the neighbourhood stores that connect with their customers on a more personal level. However, there is a generational gap clearly emerging among consumers, with younger consumers preferring chain-stores for a variety of reasons.



Traditional retail in the urban centres consists of several formats. For food products, at one end there is the “mandi”, an open market place typically operating as a wholesale market that may be specified for a certain type of product. In addition are the “kirana” stores – traditional family-owned food, grocery and general purpose stores typically in residential locations. For any company that is interested in the food and grocery sector, it would be a mistake to ignore the traditional retail channels, where the family-run stores are also busy upgrading themselves in the face of stiff competition from the new corporate retailers. As mentioned by a leading importer of packaged foods, traditional trade is also important for imported products.

On the modern retail side are supermarkets and hypermarkets, and also convenience store chains that are starting to emerge. Supermarkets which are prominently visible in western countries are growing in India, but are significantly smaller in size. Indian supermarkets can be 100 sq m-500 sq m, which in western markets would be the size of a convenience store or a small local supermarket. The reason for the small size is mainly the lack of large real estate in urban residential areas, as well as the cost of real estate. Due to this, smaller convenience stores are also emerging as a test-bed for modern retail, where the shops tend to be 20-50 sq m in size in high-traffic market areas. Although focussed on food and grocery, supermarkets and convenience stores in India face a challenge on the “freshness” platform from the traditional retailers, which is the prime driver of high-frequency customer traffic.

Larger-scale hypermarkets have also begun emerging. Hypermarkets offer consumers the most extensive merchandise mix, product and brand choices under one roof, with product categories on offer ranging from food and grocery and fresh produce, to electronics, apparels, house wares etc., These stores are attempting to pull in the customers for both regular (food & grocery) and high value purchases (such as electronics and white goods). However, hypermarkets have been even more difficult to set up due to the lack of large parcels of urban land. In recent years, mall developers have pushed towards attracting hypermarkets as anchor tenants into their properties, thereby providing them a new platform for growth.

Figure 3.4 Supermarket at a Shopping Mall



Also, realising that they need to counter the high levels of service provided by traditional retailers, Hypercity and Godrej Nature's Basket, Foodhall, Le Marche and Nuts 'n' Spices have taken the approach of focussing on only the upper-income consumer, and have elected to present premium



priced products (including imported and exotic foods). On the other hand Big Bazaar / Food Bazaar (from the Future Group) has attempted to create a traditional atmosphere inside their stores, with initiatives such as Live Chakki (wheat grinder) which allows customers to buy wheat and have it ground into flour in front of them, Fresh Juice Counter, Live Dairy to provide fresh milk and milk products, and Live Kitchen (customers have the option of buying vegetables, getting them chopped, cooked fully or partly).

Foreign retailers have also stepped into the market, many of them seeing India as a strategic, long-term bet. Although policy restrictions remain in place on foreign investment in retail, global leaders such as Wal-Mart, Tesco, Metro and Spar have created footholds in India. Some are currently restricted to cash-and-carry stores mandated to sell only to “businesses”, while others have created franchise relationships that give them a “play” at the retail end as well.

The entry of foreign retailers into India has been highly anticipated for several years to bring about major changes to the supply chain, especially for the agro-food sector. However, the impact that any of these retailers have had so far on India has perhaps been less than the impact India has had on their business models.

In some cases, they have been forced to relook at their business plans completely, such as Carrefour, which decided to exit the market after creating only 3 cash-and-carry stores. Others have changed partnership structures.

Wal-Mart broke off a 50:50 joint-venture with the Bharti Group, which continues to run the chain of Easyday supermarkets while Wal-Mart has acquired the entire cash-and-carry business. Spar exited its franchise relationship with the Landmark Group, which then placed the stores under a relationship with Auchan.

However, Spar and Landmark have announced that they are reviving their relationship, and the Auchan stores would be rebranded under the Spar name.

Recently Wal-Mart has announced that it will continue focussing on growing its wholesale cash-and-carry business in India, and aims to expand it from 20 stores to 70 in the next five years, with a 25-30 per cent annual growth in the business. The company has recently invested INR 6 billion to fund the expansion. Its current outlets are estimated to service about 600,000 “members”.

Similarly, British retailer Tesco is looking to grow its joint-venture with the Tata Group, and has announced plans to invest INR 2.5 billion in growing the retail store network.

**Figure 3.5 Key Foreign Retailers' Presence in India**

Global Company	Indian Partner, Nature of Relationship	Type of Business	Number of Stores
Wal-Mart (Best Price Modern Wholesale)	None as of now	Cash-and-carry & online (limited)	20
Metro	None	Cash-and-carry	16
Tesco	Tata Group 50:50 JV (franchise)	Retail	15
Spar	Landmark Group, franchise	Retail	Yet to change over

Source: Third Eyesight Research, company and other sources



Ecommerce in Food & Grocery – Nascent but Growing Steadily

The Indian online retail industry has been growing phenomenally over the past few years, and the trend is expected to continue. According to a joint report by Boston Consulting Group and the Retailers Association of India, ecommerce sales in India are expected to reach USD 60-70 billion, or about INR 3.72-4.34 trillion, over the next five years. However, the share of online retailing is still very small, currently being approximately 8 per cent of modern retail in India and 0.5 per cent of the total retail sales. While electronics, books, and fashion have led growth in e-commerce, grocery and food too are showing significant growth in the recent months. The category is expected to grow by 25-30 per cent yearly in coming years.

While reasons for the rapid growth of online retail industry in India include the increasing penetration of mobile internet, the ease of shopping, impulsive buying, and time convenience, the major growth driver has been discounting. However, online food retailers are aiming to build on service convenience and differentiated product availability, to create competitive business models.

A few of the e-grocers are BigBasket, LocalBanya, ZopNow, EkStop, AaramShop, MyGrahak, VeggiBazaar, Fresh N Daily and Farm2Kitchen. Most of these players are either selling within single cities or even restricting themselves to certain neighbourhoods. BigBasket is a Bangalore-based company. It started operations in 2011 and currently serves more than 200,000 customers in four cities i.e. Mumbai, Bangalore, Pune and Hyderabad. It plans to expand to 10 cities in a couple of years.

Other e-retailers such as Amazon and Snapdeal that act as marketplaces, have added gourmet food products and grocery to the offerings so as to increase basket size of their existing customers. Also, a few large brick-and-mortar retailers have started e-commerce sites or plan to enter the space soon. Reliance is selling food and grocery from reliancefreshdirect.com in , while the Future Group and Aditya Birla Group have plans to start e-retailing soon. Nature's Basket by Godrej has also started its e-commerce channel and is delivering gourmet and premium products to customers in major metros.

E-retailers operating a marketplace model include Amazon, Snapdeal, Aaramshop.com, Jiffstore whereas Localbanya, BigBasket, SeaToHome and others are working with an inventory-based business, using 'hub-and-spoke' delivery models. In some cases, e-retailers have tie-ups with local suppliers in each location for perishable items like fruits and vegetables, while frozen products and imported products are supplied through the local distributor.

Aaramshop.com is a platform operating in more than 30 cities and works as a bridge between neighborhood kirana store and customers. Orders booked on Aaramshop are delivered by the neighborhood kirana store within a couple of hours. SeaToHome.com, on the other hand, caters to a niche segment, delivering fish to buyers in Delhi, Bengaluru, Kochi, Thiruvananthapuram and Coimbatore, and also beef and duck based on availability.

Ecommerce has become an interesting launchpad for new products. Coca Cola recently launched Coke Zero and Britannia launched its super premium Good Day chocolate chip cookie exclusively through Amazon.in. PepsiCo has plans to launch their imported range of Doritos, Tostitos, crackers and rolls and also premium fruit juice variants of Tropicana juices through online retail channels. This is in addition to the regular brands being sold through online retailers such as BigBasket.com, Localbanya.com, Aaramshop.com.

So far food and grocery sales are largely through physical retail stores, of which even modern retail only represents a small fraction. However, online retailers are aiming to aggressively grow their share of the pie in the years to come.

(Based on Third Eyesight research comprising of industry interviews and information from other sources.)



Kingdom of the Netherlands



4. The Hotels, Restaurants and Catering (HoReCa) Market



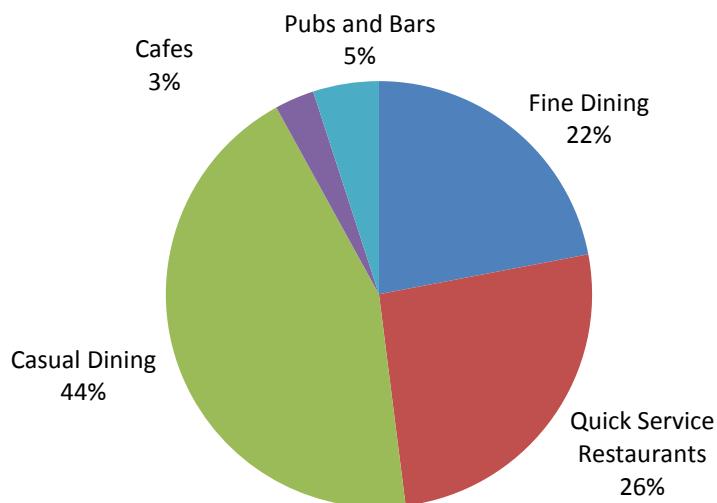
4. The Hotels, Restaurants and Catering (HoReCa) Market

In addition to increasing in-home use of processed and semi-processed food by Indian consumers, the HoReCa Market is also a major driver of food processing in the country, due to its need for significant consistency of products, predictability of supplies, and larger-scale requirements. A case study of McDonald's is being shared later in this section to illustrate the impact that food service brands can create on the food market and the supply chain.

4.1. Restaurant Sector

The restaurant sector is also largely fragmented, but with significant scope for brand building. According to "India Food Service Report 2013" by the National Restaurant Association of India (NRAI), Indian food service industry is worth USD 41 billion and is expected to grow at the rate of 11 per cent on a compounded annual basis and reach USD 68 billion by 2018.

Figure 4.1.1 Restaurant Industry Composition



Source: National Restaurant Association of India

Currently Quick Service Restaurants (QSR) have emerged as the largest segment. Combined with casual dining, they are at the forefront of pushing international cuisines to Indian consumers, and the global cuisines finding a place include those as diverse as Italian, Thai, Mexican and Japanese. There has been a marked increase in spending on fast food in Tier 1 and Tier 2 cities in the last few years. Growth estimates until 2018 are projected at 25 per cent annually, with many more Indian and foreign brands expected to enter the market. In addition to in-restaurant service, many formats are also pushing home delivery to address the convenience needs of the consumer. Several of the casual dining and quick service brands are also utilising the new shopping centres as platforms for growth, through fully-equipped restaurants as well as through counters in the food courts.

**Figure 4.1.2 Global QSR and Casual Dining Brands in India**

A significant and visible presence of cafes in the market today shows their enormous adoption by both young and more mature customers. While they have a small value share of the market, they are rapidly expanding in tier II and tier III cities; hence expected to grow at a CAGR of ~30 per cent

Figure 4.1.3 Global Café Brands in India

Among restaurants, casual dining and fine dining segments are expected to grow around 18-20 per cent annually.



The McDonald's Case Study: Creating a Consistent Platform for Growth, from Ground Up

McDonald's provides an excellent example of an India-specific launch strategy and was one of the earliest major drivers of this trend. The company provides a good case study for most international brands that are looking to set up business in India, in terms of the ground-work done to create a distinctive perishables supply chain.

At the outset, it is worth noting that McDonald's has products specified to a very high degree of consistency, to ensure maximum efficiency in the service operations. In the case of India, McDonald's also had to create a menu from scratch for India, and could not fall back upon its international recipes and processes. These new items had to be approved by authorities in India, and also pass muster with McDonald's headquarters. It had to avoid beef and pork completely, keeping in mind the sentiments of specific customers in India. Cheeses and sauces had to be completely vegetarian and eggless. The vegetarian products line had to be separate from the non-vegetarian line end-to-end, from procurement to serving.

Clearly, the business could not grow on the back of imported raw material and produce, and a fully-capable local supply chain was essential. The company began investigating the Indian market in the early-1990s, and spent enormous amounts of cross-functional management time during the 4-5 years preceding the opening of its office in Delhi. The company carried out exhaustive market scans in each of its menu items and identified potential partners. It then linked up the potential Indian partners with existing McDonald's international suppliers, discussed business plans to each of them, and asked them to present their business plans in return.

McDonald's wanted to ensure that its suppliers in India would not have any baggage from the past. The Indian partners selected were typically not the largest companies present in the area - instead McDonald's chose to push partners to set up greenfield projects as joint ventures with international companies. The company's biggest challenge was changing mindset towards quality and cost management. It found that many of its selected suppliers in India had no visible business processes – that is, consistent and replicable methodologies. Due to this stabilisation and eventually optimisation of operations would be an issue. McDonald's ensured that resources from its global operations, as well as its international supply partners put in hundreds of man-hours into the Indian operations over the first 6-7 years on the ground to bring about the required mind-set and process consistency.

Significant technical inputs were provided for all areas, including bakery (for buns and the pie line), chicken patties, lettuce and dairy products. For instance, in the case of buns, McDonald's worked with Cargill in identifying wheat varieties with higher protein content. It began by using existing facilities of the bakery supplier in Ludhiana, and later had it invest in a greenfield plant near Delhi. Even though the poultry supply base in India was relatively better developed, McDonald's has still managed to bring about improvement in the average size of the birds, with a bone to meat ratio that is on par with international benchmarks.

Another significant challenge at the time was the lack of a cold-chain and the length of the supply chain. Clearly, volumes would not be large enough for a long time after launch, for the company to invest in dedicated facilities for its various inputs. Therefore, McDonald's and its suppliers innovated by creating multi-temperature trucks that could handle a variety of products and consistently operate at full loads. Suppliers were also asked to produce raw material in large batches to gain maximum feasible efficiencies, and the excess was held in distribution centres in Delhi and Mumbai.

During this time, McDonald's has grown to 300 restaurants across the country, and is also now growing its business with the McCafe format (currently about 30 in western India, with plans to expand to 150 over the next 3-5 years).

In creating its own supply chain, McDonald's has created a much wider impact for other companies in the ecosystem. Since the early days, a number of the suppliers have grown businesses beyond their relationship with McDonald's, and are now working with other large customers in India and outside. Some have also developed their own brands to distribute widely in the market, including the domestic brand "Cremica" in sauces and condiments, and McCain, McDonald's international supplier of potato-based products.

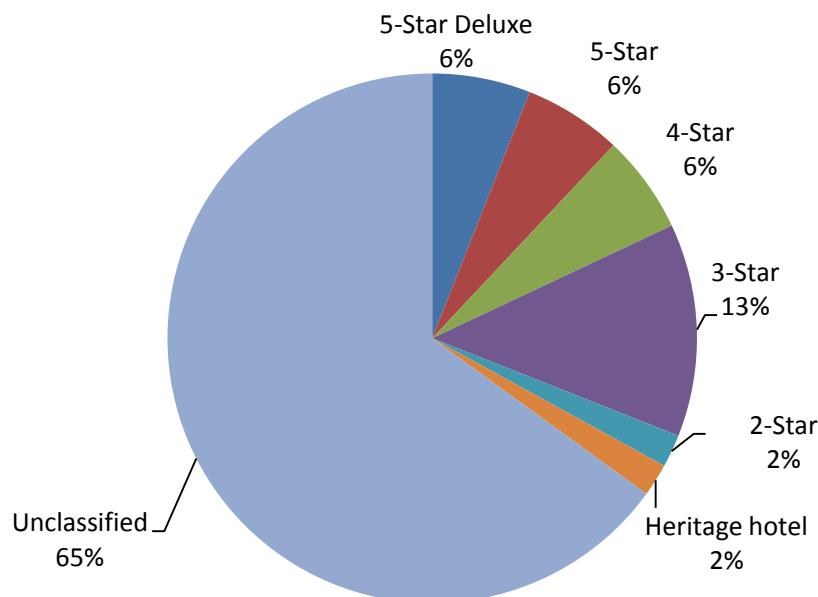
(Based on Third Eyesight research comprising of industry interviews and information from other sources.)

4.2. Hotel Industry

The government announced the National Tourism Policy to promote travel into India in the late 1980s, and in 2002 a new policy was announced to encourage the development of infrastructure. During the decade following various marketing initiatives were created under the “Incredible India” campaign. Other than a rise in foreign leisure tourists, medical tourism has been another vehicle of growth for the industry. In addition, with rising disposable incomes and with the growth of inland transport connectivity, domestic tourism has also been growing significantly.

The hotel industry in India is estimated to be doing INR 70 billion (approximately EUR 870 million) of business currently, and projected to grow to INR 116 billion (EUR 1.45 billion).

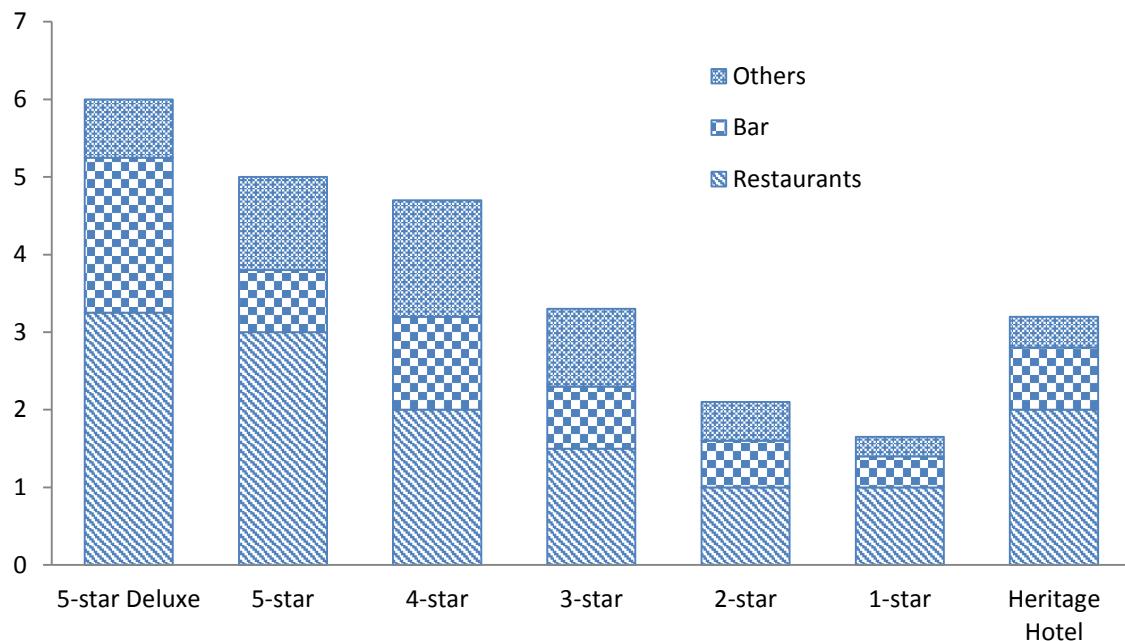
Figure 4.2.1 Breakdown of Hotels in India



Source: The Federation of Hotels and Restaurants Association India

The industry constitutes both domestic chains and several international chains established through partnerships with Indian firms. The tourism and hospitality sector was the second highest in attracting foreign direct investment of USD 3.2 billion in year 2013, targeted into increasing available capacity. In 2014, approximately 4,300 new hotel rooms were projected to open, of which 17per cent was expected for the budget segment 36per cent for mid-scale, 26per cent in the upscale segment, and 20per cent in the luxury segment.

There is also an increasing contribution from Food & Beverage, banquets and conferences to the revenue mix. The contribution of F&B in revenue is reported to have increased from about 26per cent in 2008-09 to 29per cent in 2012-13.

**Figure 4.2.2 Average Number of F&B Outlets by Star Category**

Source: *The Federation of Hotels and Restaurants Association India*

Imported food and alcoholic beverage products destined for the hotel sector are primarily sold to hotels that are three star and above.

The share of imported food products can vary from 5-20 Percent of a hotel's total food budget while imported alcoholic beverages account for an estimated 40-60 percent of the total liquor budget of any individual luxury hotel. The Indian wine industry estimates that half of all wine imports enter India via the hotel sector's duty-free exemption.

In modern hotels and restaurants, opportunities are typically for foods or ingredients that are not readily available in India. Even luxury hotels are very cost conscious and often seek to minimize food costs by using local ingredients. Among four and five-star hotels, imported products include wine, other alcoholic beverages, dairy products, meat, seafood, fruits, frozen French fries, sauces, seasonings, and condiments, drink mixes, and ingredients for foreign cuisines such as Italian, Thai, Japanese, Chinese, Mexican, and Spanish. Most hotels purchase imported food and beverages from Indian importers and distributors. Hotels often deal with multiple importers in order to get the desired range of products. The importers typically bring in mixed containers with a range of products. However, some of the larger chains procure via consolidators from Dubai, Singapore, Europe and Bangkok.



4.3. Outbound Catering and Other Food Services

Catering and food services covers institutional business such as government (armed services, railways, airlines, hospitals, schools, government meal programs) as well as corporate offices. However, as with such institutional business around the world, cost is a major consideration and catering companies procure most of their food and beverage requirements from domestic players.

However, private catering including corporate events and personal events are also a growing market in India.

In many communities around India, weddings are a significant occasion for families to splurge, with multiple events happening over the course of several days. Each such event is a catering opportunity, and certainly among upper and upper-middle income families there is an increasing demand for wide menu choices, various cuisines (sometimes 5 or more cuisines – Indian and international – at a single event) and differentiated menu items.

The imported food items utilised by the caterers are commonly sourced from local firms that import and distribute foreign foods items.

The wedding and banqueting market's growth has attracted the attention of not only some of the established companies in the hospitality industry, but also restaurant chains and brands such as Domino's, Illy Café, Costa Coffee and Haagen-Dazs among others. Some of the companies have seen annual growth rates of 20-40 per cent, and have also found it appropriate to set up separate teams and infrastructure to service this growing market segment.

E-catering services have been started on 108 trains where passengers can order their meals online. The Railway Budget 2015 has announced that the railways is looking to integrate some of the leading food retail chains into their food services on-board for this service. For instance, Jubilant Foodworks (the Indian master franchisee for Domino's and Dunkin' Donuts) is one of the companies with which the Railways have tied up recently.



Kingdom of the Netherlands



5. Market Structure for Processed Food



5. Market Structure for Processed Food

From the report so far it would be evident that several changes in the Indian economy and India's demographics have been favourable to the consumption of processed food and to the development of the processed food industry, and also to the growth of international food consumption in India.

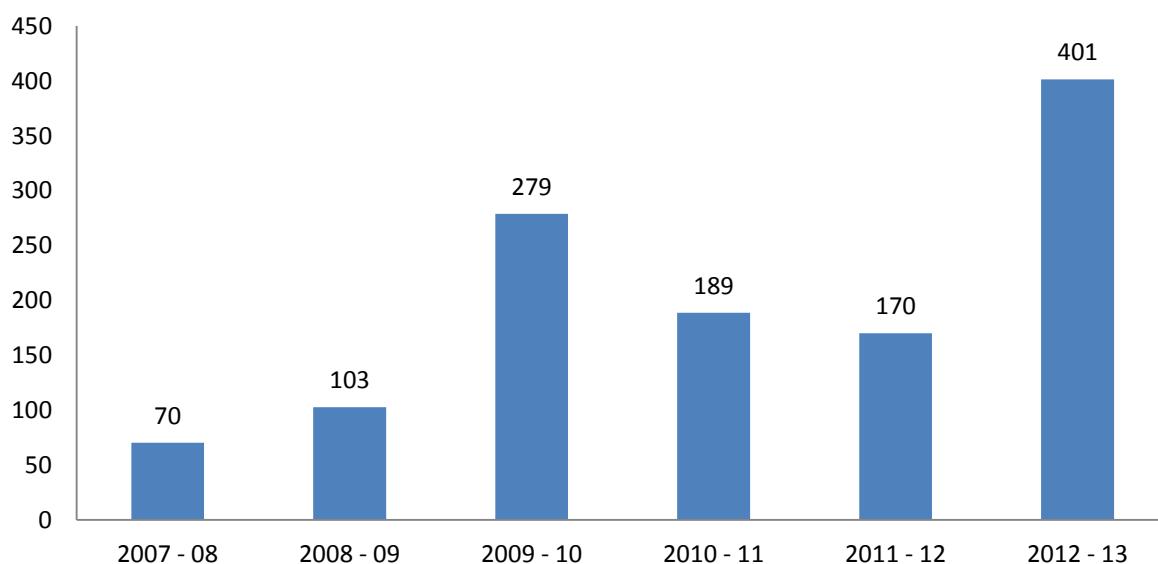
In order to support the development of the food industry, the government formed a Ministry of Food Processing, distinct from the Agriculture Ministry and Ministry of Industry. Over the years food processing has emerged as an important segment of the Indian economy in terms of its contribution to GDP. The sector already constitutes as much as 10 per cent and 12 per cent of GDP contribution of Manufacturing and Agriculture respectively.

During the five years ending 2012-13, the food processing sector has expanded at an average annual growth rate of around 8.4 per cent as compared to around 3.3 per cent growth in Agriculture and 6.6 per cent in Manufacturing. The sector's development in India is aided by government policies and financial incentives to encourage processing of agricultural produce for value-addition as well as to prevent value-loss, and a significant role in the growth is played by Indian companies in this sector.

However, multinationals are also very active, including companies from across the globe such as Hindustan Unilever, Nestle, Pepsi, Coca Cola, Danone, Heinz, Cargill, Yakult, Lotte, to name but a few. It is notable that between April 2000 and January 2014 about USD 5.4 billion of foreign direct investment (FDI) has also flowed into the sector. A significant portion of this FDI has come in during the last few years.

Figure 5.1 Foreign Investment in the Food Processing Sector

In million USD



Source: Annual Report, Ministry of Food Processing Industries



It is beyond the scope of this report to present a comprehensive or exhaustive picture of all processed food sectors that are developing in India.

However, several important product categories have been identified to highlight opportunities for Dutch participation. The selection of these categories has been done to include those areas where the Netherlands is a strong player and where there is a significant potential in the Indian market.

In some of the categories specific “benchmark” products have been identified that Dutch companies could look at. The information presented here describes the existing market size in India for these categories, the products available in India of both Indian and foreign brands, the sources of consumption (domestic and imports), the share of different countries in the import of those products, and existing value chain for the imported products.

Information has been presented on a “best-efforts” basis, since the information availability across sectors varies considerably.

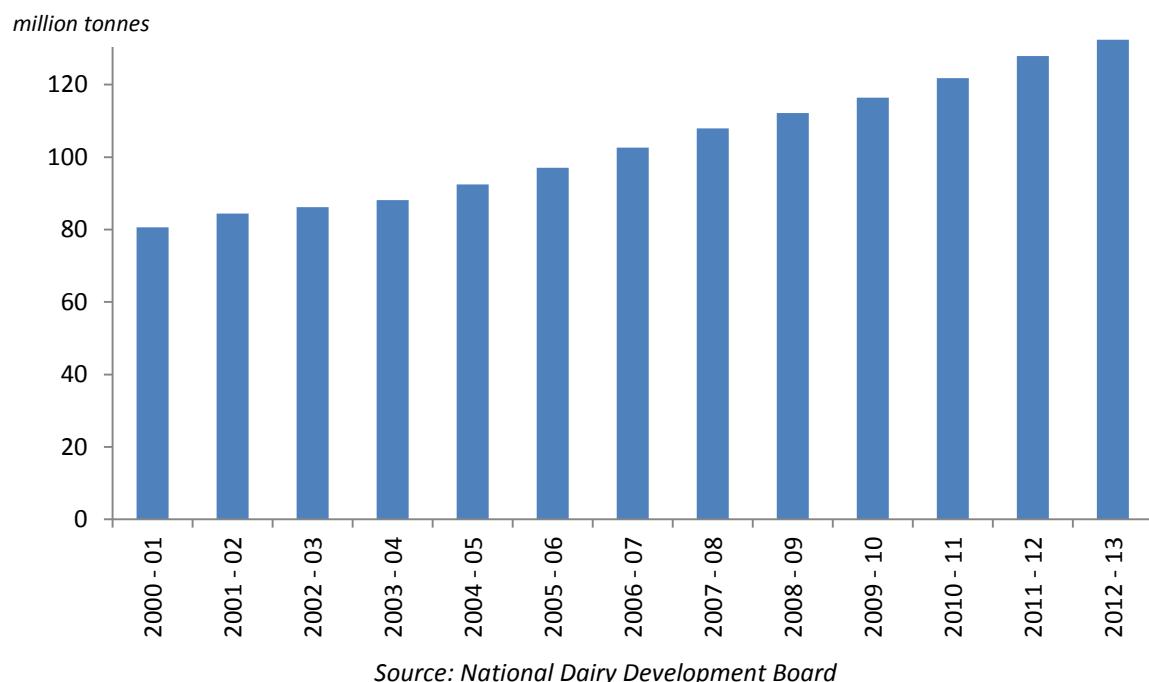
Imports for these product categories may be such that in some cases the product can be directly be sold through retail channels while in others it may be brought in bulk forms to be utilised by hotels, restaurants and cafés as well as by food products manufacturers for use in further manufacturing processes.



5.1. Dairy

India is today the largest producer of milk in the world. The measures launched in 1970 with an objective to increase milk production in India and make India a milk-sufficient nation have brought about the “white revolution” in India.

Figure 5.1.1 Milk Production in India



Source: National Dairy Development Board

However, the market is fragmented, with only about an estimated 15-18 per cent being taken up by organised players. The sales of the organised dairy market were estimated to be around INR 600 billion (EUR 7.5 billion) in 2012-13. Within this, the market is dominated by cooperative dairies, followed by the private dairies, though now the number of large private dairies is also growing. On the processing side, with consumer preference shifting towards value-added products, many global dairy product companies are engaging with India, including companies such as Danone and Le Groupe Lactalis.

The brands operating in India include brands developed by Indian state co-operatives like Amul, Mother Dairy and many others listed below, by private players like Britannia, Parag Milk Foods (Gowardhan, Go), Vadilal, Heritage Foods, Neo Milk Products as well as international ones such as Nestle and Danone.

**Figure 5.1.2 State Cooperative Milk Marketing Federations**

State	Co-operative	Brand
Andhra Pradesh	APDDCF	Vijaya
Bihar	COMFED	Sudha
Delhi	NDDB	Mother Dairy
Gujarat	GCMMF	Amul
Jammu & Kashmir	JKMPCL	Snowcap
Karnataka	KMF	Nandini
Kerala	KCMMF	Milma
Maharashtra	Mahasangh	Gokul
Punjab	MILKFED	Verka
Rajasthan	RCDFL	Saras
Tamil Nadu	TCMPF	Aavin
Uttar Pradesh	PCDF	Parag

Milk, cream and butter are generally consumed fresh, the opportunity in these segments lie in the value-added or niche products. However, as Ms. Shradha Singh, Deputy Managing Director at L'Opera (French Bakery Pvt. Ltd.) mentions, special varieties of butter – for instance, that with high fat content – are being imported.

To describe the market opportunities, cheese and whey have been picked as example products for the purpose of this report, and the following sections outline the market structure, volumes, pricing etc.



Cheese

The “organised” market size for cheese in India is estimated to be INR 12 billion (EUR 50 million) in 2012 and growing at a rate of 15-20 per cent annually. The estimated share of processed cheese in the form of cheese blocks or bars, cubes and slices is approximately 60 per cent and that of processed spreadable cheese is 30 per cent. The balance share is taken by the natural varieties of cheese.

There is a huge scope of expansion in varieties of cheese, as consumer tastes are expanding and channels such as modern retail and restaurants are looking to present new products to their customers.

The processed un-spreadable cheese market is expected to grow at a rate of 25 per cent annually. The segment has both domestic and international products available in the market.

The category of natural cheese (excluding traditional Indian cheeses such as paneer) has been growing at a rate 30 per cent annually.

While some natural cheese is imported, there are also Indian companies producing European varieties of natural cheese including Flanders Dairy (example below), Acres Wild, Himalaya International Company, Kodai Cheese, La Ferme Cheese, ABC Farms, Exito Gourmet and Cinnabar Farms. These organisations are making available natural varieties of cheese at prices which are not beyond the reach of most consumers as compared to that of the imported products which are extremely high.

Figure 5.1.3 Flanders Dairy's Varieties of Natural Cheese



Figure 5.1.4 Cheese Imports into India

	2002	2013
Import Value (million USD)	1.74	8.10
Import Quantity (million kg)	0.52	1.25



It is notable that during the above period, while import volumes have grown about 8 per cent annually, the value has grown in USD terms at 15 per cent each year. In fact, in Indian Rupee terms the imports have grown even faster, at 18 per cent per annum. This clearly indicates the significant growth of higher value, more specialised products, rather than an emphasis on processed varieties.

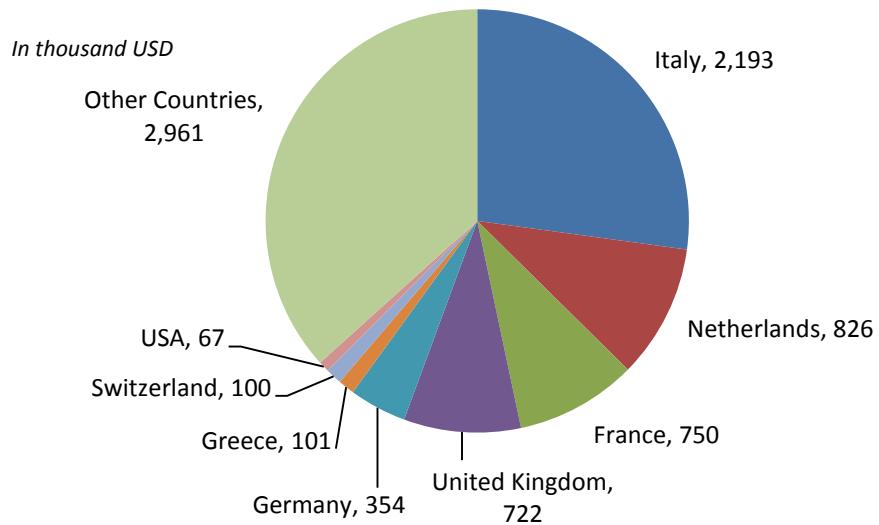
Cheese which uses animal rennet is not allowed to be imported into India. Mr. Pankaj Singhal, Director, RP Gourmet Foods Pvt. Ltd. says that, although many European countries have started devising techniques to replace animal rennet from their traditional method of cheesemaking, the adoption is gradual. However, adoption of these techniques would be important for companies that are interested in entering the Indian market.

The growth of the gourmet varieties of cheese is also indicated in the countries of origin, with increasing quantities coming from European countries at fairly high average unit values.

In 2013, about 27 per cent of imported cheese in India originated from Italy and 10 per cent from Netherlands. Other significant import sources include Germany, France, Greece, United Kingdom and USA.

Figure 5.1.5 Imported Varieties of Natural Cheese



**Figure 5.1.6 Cheese Import - Share of countries by value (2013)****Figure 5.1.7 Top Cheese Import Sources for India (2013)**

Country	Import Quantity (thousand kg)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/kg)
Greece	10	101	10.1
Italy	235	2193	9.3
Netherlands	102	826	8.1
United Kingdom	104	722	6.9
Switzerland	15	100	6.7
France	131	750	5.7
USA	15	67	4.5
Germany	92	354	3.8

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations

Imported cheese varieties available in India include cheddar, mozzarella, romano, parmesan, mascarpone, brie, grana padano, feta, emmental, Gouda, edam, blue cheese etc. Institutional business like hotels, restaurants, cafes and catering which are rapidly growing contribute 80 per cent to this segment of cheese business. These cheeses are usually made available in the form of retail packs of 1 kg and 2 kg. However, these imported products are also available at modern retailers as well as traditional retailers in upmarket locations. Retailers usually break down the cheese into smaller portions for selling to individual consumers. Lack of availability and awareness and high prices come in the way of rapid growth in household consumption

The key challenge in dealing with cheese is handling of the product which requires a temperature controlled environment across the value chain.



Some of the international brands that have a long-standing presence in India for both processed and natural matured cheeses include Bongrain, Kraft Foods, Fromageries Bel and Arla Foods with its brand Puck. In-store promotions been conducted by Arla Foods for Puck in one of the hypermarkets in Mumbai is in the graphic below.

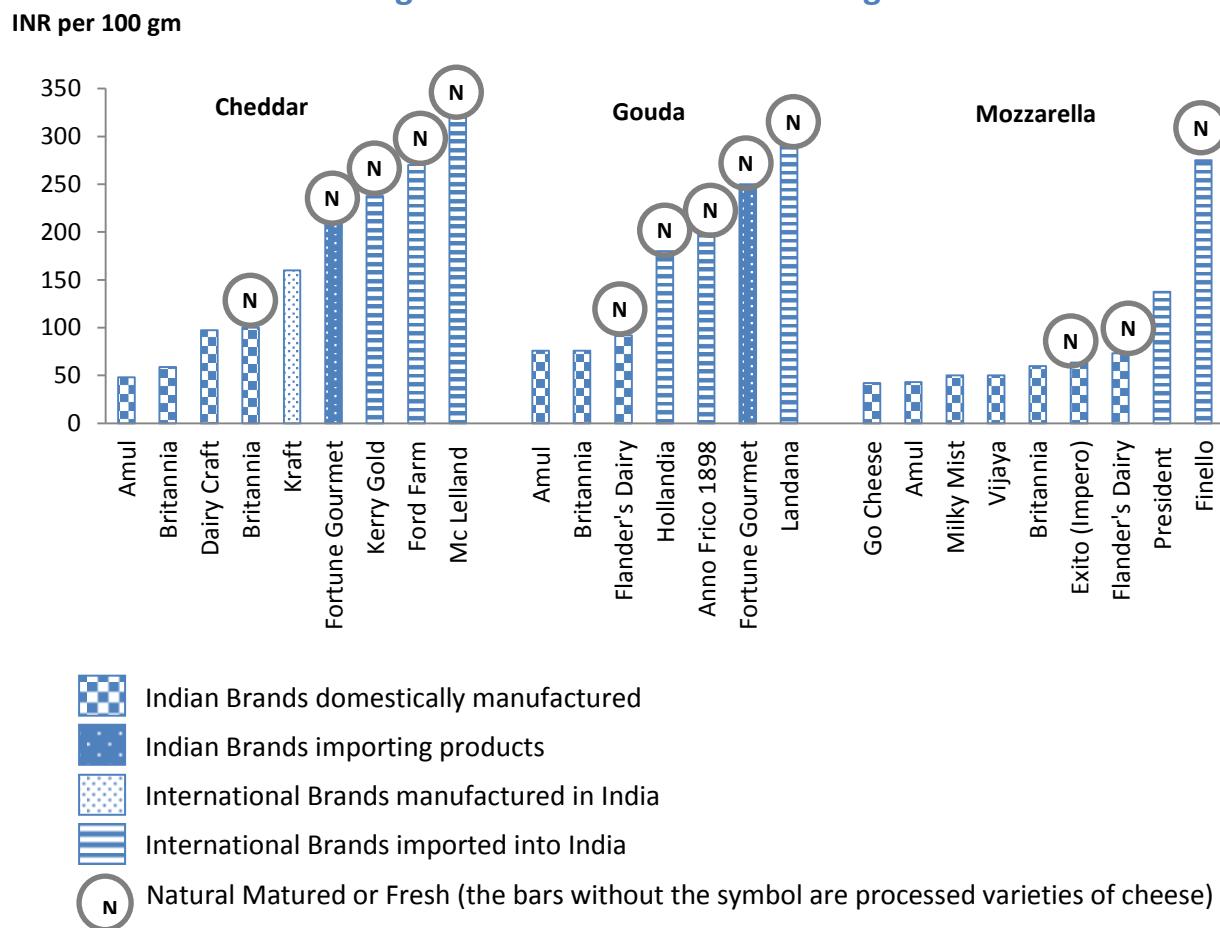
Figure 5.1.8 In-Store Promotions for International Cheese Brands



A retail price comparison between domestically produced and imported cheeses demonstrates the wide difference in prices within specific types of cheese. (Since the products are packaged in various weights, the prices have been translated into a standard unit weight for comparison.)



Figure 5.1.9 Cheese Retail Pricing



Source: Price comparison based on a retail price survey is only indicative (prices may vary across markets)



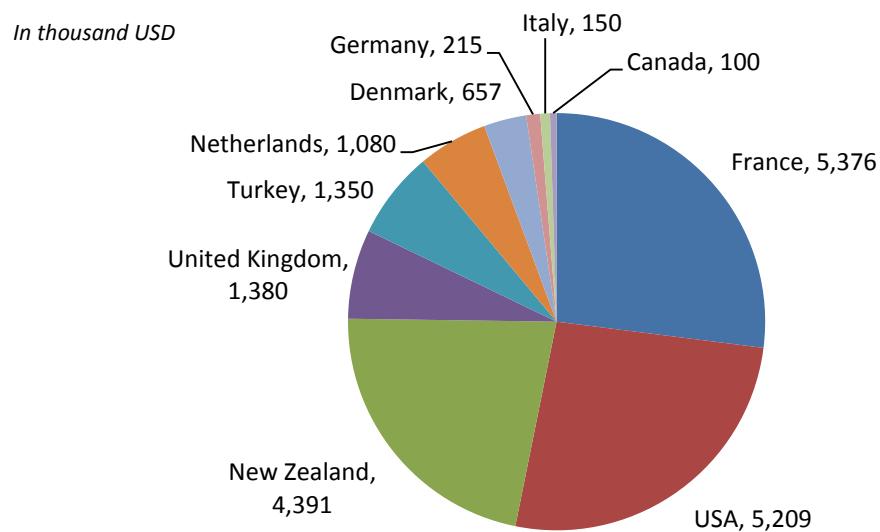
Whey

Whey proteins have become a subject of significant focus only in the last couple of decades as dietary supplements and as an ingredient for food processing.

Figure 5.1.10 Whey Imports into India

	2002	2013
Import Value (million USD)	0.80	19.90
Import Quantity (million kg)	0.67	5.79

Figure 5.1.11 Whey Import - Share of countries by value (2013)



**Figure 5.1.12 Top Whey Import Sources for India (2013)**

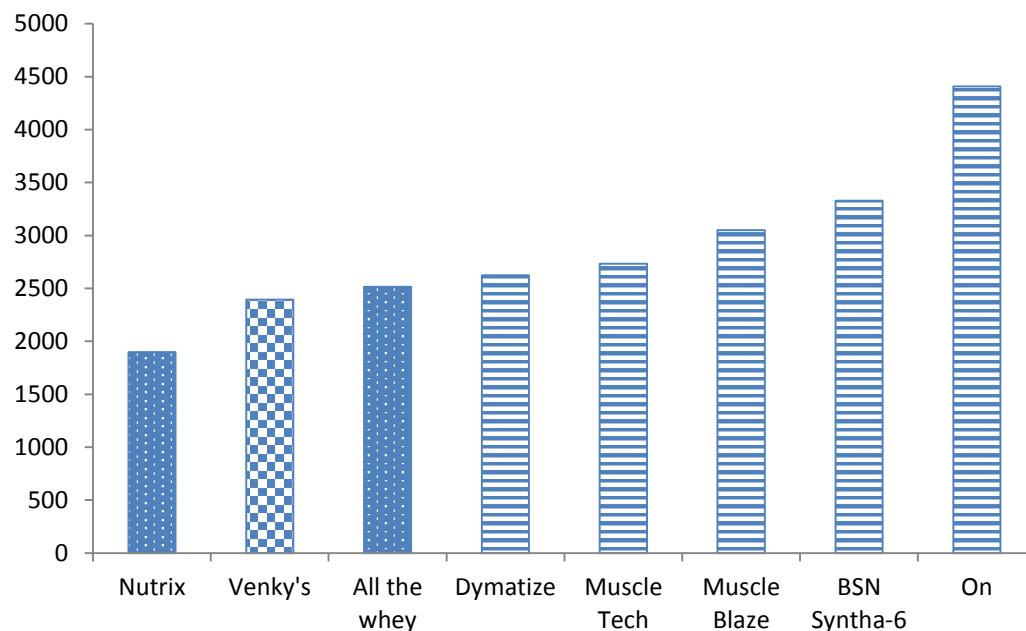
Country	Import Volume (thousand kg)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/kg)
Netherlands	106	1,080	10.4
Denmark	65	657	10.12
USA	520	5,209	10
New Zealand	531	4,391	8.3
Italy	35	150	4.3
France	2,043	5,376	2.6
Germany	109	215	2
United Kingdom	861	1,380	1.6
Turkey	1,418	1,350	1

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations

Amul has launched its whey product Amul Pro which is a malt-based milk additive priced at INR 160 for 500 gm. Parag Milk Foods is soon to step into the market with its whey based milk additive. Nutrix Health Care Private Limited (Nutrix), VH Group (Venky's) and All the whey are some of the Indian organisations into nutraceutical products having whey proteins in their product portfolio while Dymatize Nutrition (Dymatize), Muscle Tech, Bright Lifecare Pvt. Ltd. (Muscle Blaze), Bio-Engineered Supplements and Nutrition, Inc. (BSN Syntha-6), Optimum Nutrition, Inc. (ON) are some international brands selling their products in India.



Figure 5.1.13 Whey Proteins Retail Pricing



-  Indian Brands domestically manufactured
-  Indian Brands importing products
-  International Brands manufactured in India
-  International Brands imported into India

Source: Price comparison based on a retail price survey is only indicative (prices may vary across markets)

The wellness industry was estimated to be at INR 490 billion (EUR 6 billion) in 2011 by Federation of Indian Chambers of Commerce and Industry and was forecasted to grow at a steady rate of 20 per cent. Out of this, wellness nutrition accounted for INR 130 billion (EUR 1.6 billion). Dietary supplements such as herbal and traditional supplements, mineral supplements, vitamins and protein powders accounted for almost 25 per cent of the total wellness nutrition market. Gymnasium and fitness centres play a catalytic role in promoting the dietary supplements to the youth segment.

As of now, domestically produced whey as a by-product of the dairy industry is not being put to nutraceutical usage and most of the whey protein is being imported. Eventually the dairy co-operatives and organisations may assess the growing opportunity in this area and become significant suppliers of domestically produced whey owing to the large volumes of milk production.



5.2. Potato and Related Products

For a crop that was only introduced to India about 400 years ago, it is remarkable as to how important an ingredient it has become in the Indian cuisine. The country is also one of the largest producers of potato, with the crop being grown in 14 states in the country.

Potato production in India in 2013-14 was 46.6 million tonnes and the table consumption was 24.8 million tonnes. Table consumption per capita per year currently stands at 19-20 kg.

Indian crops have been mainly of the table variety, and it is only since the late 1990s that processing-specific varieties were begun to be cultivated. Last year it is estimated that about 7 per cent of the total potatoes produced were processed. However, the processing industry for potato is also growing at 5-6 per cent annually, with growth in market demand for more processed products.

Figure 5.2.1 Potato Production & Utilisation

Year (Nov-Oct)	Production (million tonnes)	Table Consumption (million tonnes)	Processing purpose (million tonnes)
2010-11	42.34	22.91	2.80
2011-12	41.48	23.79	2.94
2012-13	45.34	24.60	3.12
2013-14	46.61	24.80	3.31

Source: Department of Agriculture and Cooperation

The potato processing industry mainly comprises of segments such potato chips, frozen french fries and potato flakes/powder. Not only are potato snacks very popular among the Indian consumer but potato products are also used widely in the catering businesses.

Potato flakes are the most important form of dehydrated potato products, which also include potato granules, pellets, powder, shredded and sliced potato. Potato flakes or powder is an important ingredient for bakery products and Indian savoury snacks like aloo bhujia, both of which are intensely consumed in India. Fast food chains use flakes for production of formed products like cutlets and patties, as well as for Indian dishes like pav bhaji, samosa and others where it can replace mashed potatoes. There is also some retail consumption of potato flakes.

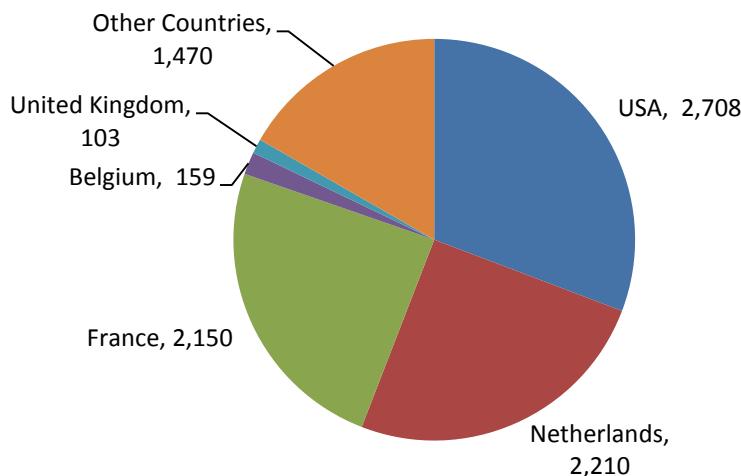
The processed potato products that being imported are frozen potatoes, potato flour, meal, powder, flakes, granules and pellets and potato starch.

Figure 5.2.2 Processed Potatoes Imports into India

	2002	2013
Import Value (million USD)	2.76	8.8
Import Quantity (million kg)	2.36	6.6

**Figure 5.2.3 Processed Potatoes Import - Share of Categories (2013)**

Category	Import Quantity (million kg)	Import Value (million USD)
Frozen Potatoes	3.34	5.8
Potato Starch	2.43	2.1
Potato Flakes, Granules, Pellets	0.81	0.8

Figure 5.2.4 Processed Potatoes Import - Share of countries by value (2013)**Figure 5.2.5 Top Potato and Related Products Import Sources for India (2013)**

Country	Import Quantity (thousand kg)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/kg)
United Kingdom	30	100	3.33
Belgium	110	160	1.45
France	1,482	2,150	1.45
USA	1,890	2,710	1.43
Netherlands	1,706	2,210	1.30

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations

French fries are now perhaps among the fastest-growing snacks, not just in chains such as McDonald's and KFC but for packaged retail sales, too. This product is growing at an annual rate of more than 30 per cent. Major players selling frozen french fries include McCain, Sumeru, Golden fries, and Welga Foods amongst others. McCain holds approximately 90 per cent of the market share. McCain Foods (India) is a wholly-owned subsidiary of McCain Foods Limited in Canada engaged with India since 1998. McCain products are used by leading fast food chains, hotels,



restaurants, catering companies and are popular for in-home consumption. McCain is the biggest supplier of potato products to the fast food chains like McDonalds and KFC. McCain fries are priced at INR 90 for 450 gm. The lack of infrastructure such as cold chain facility across the value chain is a major challenge faced by players in the frozen potatoes segment.

Figure 5.2.6 McCain Foods India – Few Products

Aloo Tikki (Potato Patty)



French Fries

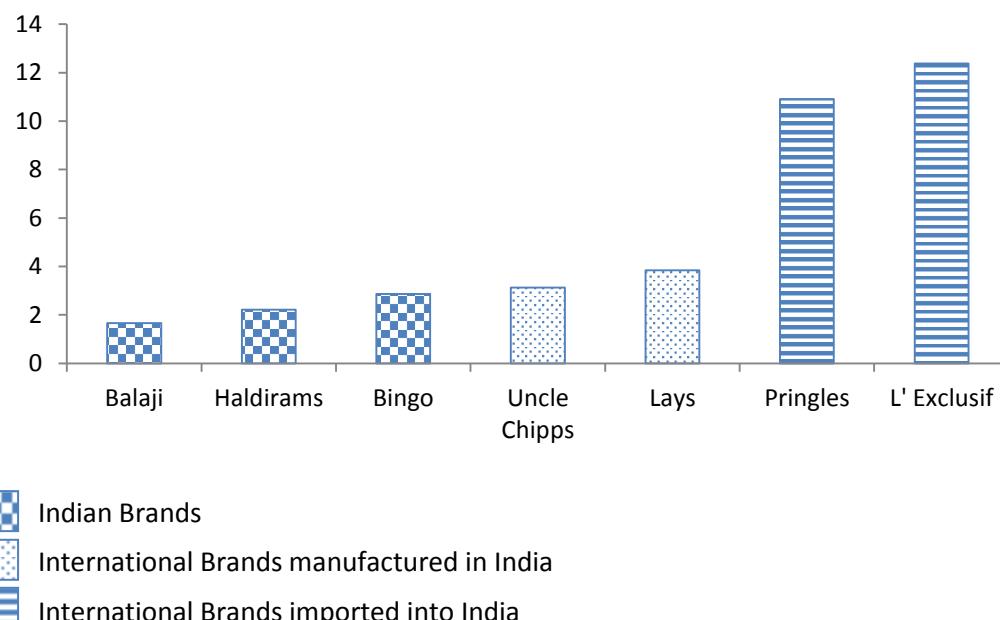


Potato chips have been the leading product category in savoury snacks. PepsiCo is the market leader with its brands Lays and Uncle Chipps. Domestic players include Balaji, Haldiram's, and ITC amongst many others. Imported chips are also available, but are a tiny fraction of the market. Alongside, a large unorganised market also thrives for potato chips.

A comparison of retail prices of various brands of chips is being provided here for reference.

Figure 5.2.7 Potato-Based Chips Retail Pricing

INR per 10 gm



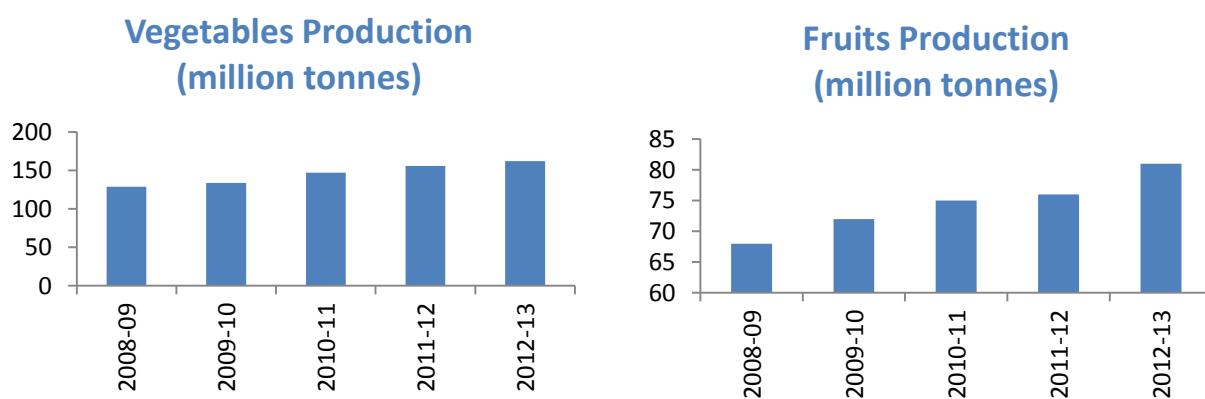
Source: Price comparison based on a retail price survey is only indicative (prices may vary across markets)



5.3. Processed Fruits & Vegetables

India ranks first in the world for production fruits (81.2 million tonnes) and second for the vegetables (162.9 million tonnes) contributing 12.6 per cent and 14 per cent in the produce of the world respectively. India has production conditions for almost all the tropical and exotic vegetables and fruits because of the varied climate and topography. The per capita availability of vegetables is 363.3 gm and 182 gm for fruits per day. The vast production base offers India tremendous opportunities for export as well.

Figure 5.3.1 Fruits & Vegetables Production



Sources: Indian Horticulture Database, National Horticulture Board, Department of Agriculture & Cooperation

The major vegetables grown in India include potato (dealt with in the previous section), onion, tomato, cauliflower, cabbage, bean, cucumber, peas, garlic and okra. The major fruits grown in India include a variety of berries, mangoes, banana, papaya, grapes, apricots, orange, kinnow, apple, avocado, guava, lychee, sapota and water melons. Bananas account for 32.6 per cent and mangoes account for 22.1 per cent of the national fruit production. Amongst vegetables, potatoes account for 28 per cent followed by tomatoes and onions accounting for 11.2 per cent and 10.4 per cent respectively. Indian mangoes have a share of 44 per cent in the world production, bananas have a share of 25 per cent, cauliflower has a share of 35 per cent, okra is 37 per cent and onion is 20 per cent.

India is merely utilising 2.2 per cent of the total fruits and vegetable produce for processing annually i.e. 5.64 million tonnes in FY 2012-13. This is comparatively very low as compared to other countries like Brazil (30 per cent), USA (70 per cent), Malaysia (82 per cent). The national policy aims to increase the percentage to 25 per cent by 2025. While earlier processing of fruits and vegetables was done domestically in every household, with changing lifestyles domestic processing has dropped dramatically, while factory processing is growing. The key processed categories include:

- Frozen and Canned fruits and vegetables (including pickles)
- Dried or dehydrated fruits and vegetables
- Juices, Pulp, Concentrates, Puree/Paste



- Jams and jellies
- Sauces and condiments - Preparation with added salt or sugar with vinegar or oils which are fermented or unfermented.

The fruits and vegetables processing industry in India is highly decentralised. It comprises of a large number of small scale sector with capacity of up to 250 tonnes per annum, while there are also multinational companies with factory capacities of up to 30 tonnes per hour or so. The biggest challenge for this industry is that there is an inclination in India to consume fresh fruits and vegetables and do the required processing at home itself.

The growth in these products is apparent because of growth in modern retail and hotels, restaurant and catering businesses, but traditional retailers in urban areas also stock products such as frozen peas, frozen or canned corn, tomato paste, garlic paste, ginger paste, and canned fruits. The major driver for these products is convenience and more predictable availability in all seasons. With the market growing for ready-to-eat products such as prepared dishes and ready-to-cook products such as instant noodles, pasta and soups, the potential for dried vegetable powder and flakes is also growing. A senior executive at a leading retail chain says that young urban Indians now do not have as much time to prepare fruits and vegetables (peeling, cutting, chopping etc.), hence ready-to-cook and ready-to-eat are growing in importance.

Safal, the fruits and vegetables arm of Mother Dairy is one of the pioneers in organising the processed fruits and vegetables business in India. It was also the first brand in India to launch frozen vegetables in the mid-1990s. Other companies which are now present include McCain, Godrej Tyson Foods, Sumeru Food, Allana, Welga and Pagro Food. Allana Foods and ice-cream maker Vadilal are supplying frozen products to domestic hotels and restaurants, and also exporting their products.

Figure 5.3.2 Safal Outlet



Some major products in the canned or bottled vegetables include beans, olives, corn, zucchini and tomatoes and amongst canned fruits are pineapples, cherries, apples, peaches, mangoes, berries. Del Monte, the processed foods brand of FieldFresh Foods Private Limited is an important brand present in this category with a range of products including fruit drinks, ketchup, sauces, mustard and mayonnaise. Del Monte services QSRs like Domino's, Pizza Hut, KFC, Cafe Coffee Day, Subway, and McDonalds besides being available in consumer packaging across 50 cities in nearly 50,000 stores.



There are many regional players (such as Morton, Ken Agritech, and others) who are majorly into exports and institutional business but also have a retail brand.

Figure 5.3.3 Del Monte India – A Few Products



Figure 5.3.4 Frozen Peas Retail Pricing

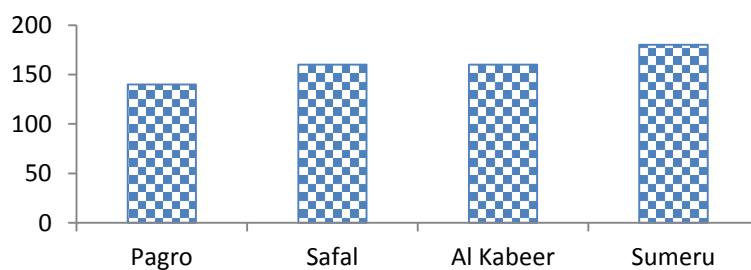
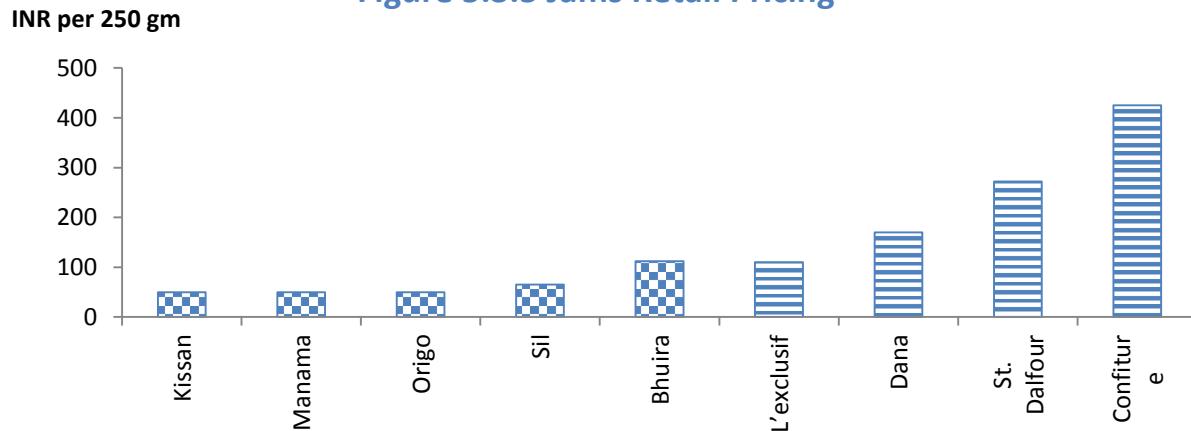


Figure 5.3.5 Jams Retail Pricing



-  Indian Brands (originated in India, including those presently owned by MNCs)
-  International Brands manufactured in India
-  International Brands imported into India

Source: Price comparison based on a retail price survey is only indicative (prices may vary across markets)



98 per cent of the imports in the fruits and vegetables category account for pulses (seeds of leguminous plants). However, amongst the processed varieties of fruits, India imports bottled olives, frozen strawberries, raspberries, blackberries, mulberries, loganberries, black, white or red currant, gooseberries, preserved cherries, dried apricots, prunes, apples, mixtures of nuts and dried fruits, peel of citrus fruit or melons, jams, fruit jellies, marmalades, fruit puree and fruit pastes, prepared pineapples, citrus fruits, pears, apricots, cherries, peaches, strawberries, cranberries and mixtures. Amongst the processed varieties of vegetables, India imports frozen sweet corn, beans, preserved and prepared olives, cucumbers, gherkins, mushrooms, mixture of vegetables, peas, beans, asparagus, sweet corn, bamboo shoots, tomatoes, dried (whole, cut, sliced, broken or in powder) onions, mushrooms, mixture of vegetables. Some of the important source countries for processed fruit and vegetables are USA, Thailand, Netherlands, France and Italy.

Figure 5.3.6 Processed Fruits & Vegetables Imports into India

	2002	2013
Processed Fruits (fruit juices not included)		
Import Value (million USD)	4.1	36
Import Quantity (million kg)	3	12
Processed Vegetables (processed potatoes and legumes not included)		
Import Value (million USD)	2.1	21.5
Import Quantity (million kg)	1.8	14

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations



5.4. Animal Products – Overview

A majority of the Indian population is meat-eating. While the most preferred meat is poultry meat, other varieties of meat consumed are mutton, beef (including buffalo and cow meat) and pork. In the Indian context tradition, religion and social norms influence meat consumption to a great extent.

A large proportion of non-vegetarians have no religious or social taboo for consumption of sheep, goat and poultry meat. However, while Islam prohibits the consumption of pork, cow meat consumption is not common among Hindus. According to FAO Food Outlook, 2013, the share of bovine meat in the total meat production in 2012 is about 6.6 million tonnes (43 per cent) as against ovine, swine and poultry which are 1 million tonnes (14 per cent), 0.32 million tonnes (5 per cent) and 2.4 million tonnes (38 per cent) respectively.

Figure 5.4.1 Share of Various Types of Meat Production in India

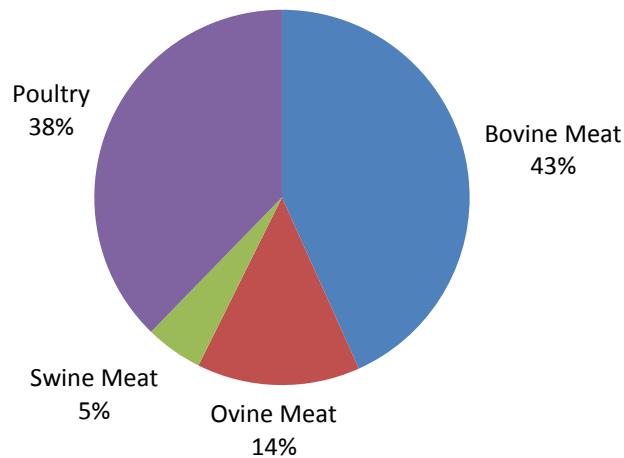


Figure 5.4.2 Meat Production & Utilisation

	Production (thousand tonnes)		Import (thousand tonnes)		Export (thousand tonnes)		Utilisation (thousand tonnes)	
	2012 (estim.)	2013 (estim.)	2012	2013	2012	2013	2012 (estim.)	2013 (estim.)
Bovine	2,761	3,032	0	0	1,035	1,610	1,726	1,485
Swine	329	329	1	1	0	0	330	330
Poultry	2,447	2,643	0.06	0.04	10	11	2,437	2,632

Source: Food and Agriculture Organisation, United Nations Publication - Food Outlook, 2013, Third Eyesight



Largely chicken, pork and beef is consumed fresh in India which is made available through domestic farming and distributed by local vendors. A high rate of growth is apparent in frozen and prepared forms in household consumption and hotel, restaurant and catering businesses.

Figure 5.4.3 Frozen & Prepared forms of Meat at a Local Retail Store



Urbanisation and increasing incomes have significantly boosted demand for meat products. Many corporate players such as Godrej Agrovet, Venkateshwara Hatcheries, Suguna Poultry etc. have entered into meat processing and packaging, further accelerating the growth of this product segment through increased visibility and availability in retail channels and with product formats that are aligned to the needs of the upwardly mobile consumer. As mentioned by one of the leading retailers of the country, cold cuts are the fastest growing category today in meat products.

Meat consumption is expected to rise further and so will the demand for high quality, competitively priced products. As per the Food and Agriculture Organisation, United Nations reports, per capita meat consumption per annum in India is projected to increase from 4.3 kg in 2000 to 10.1 kg in 2030.

The following sections present the changes taking place in the areas of poultry (meat as well as egg), swine meat, bovine meat (mainly buffalo) and marine products.



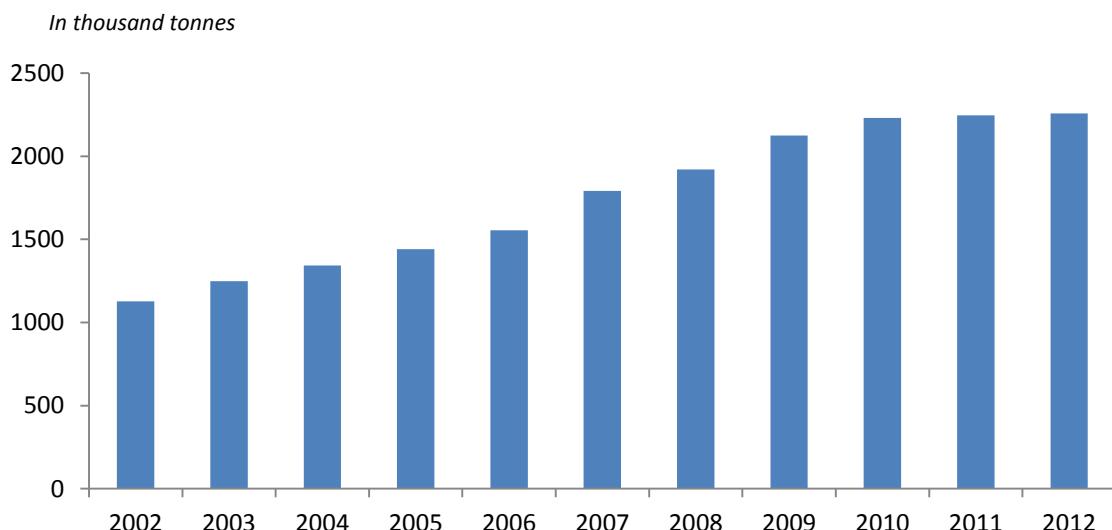
5.5. Poultry & Egg

Poultry Meat

India is the world's fifth largest producer of poultry meat (2.64 million tonnes in 2013). The poultry meat market is estimated to be INR 400 billion (EUR 5 billion) in 2012 and has grown at a compounded annual growth rate of 7.7 per cent between 2007-08 and 2010-11. The consumption in 2013 was estimated to be 2.62 million tonnes.

The Indian poultry industry has seen a shift in structure and operation in the last four decades, and has transformed from being a mere backyard activity. The industry has grown largely due to the initiatives of private enterprises and the development of efficient distribution system and cold chains.

Figure 5.5.1 Poultry Production



Source: Food and Agriculture Organisation, United Nations

While fresh and chilled meat can be found in retail markets all across the country, frozen meat can be found at selective retail shops in major cities. In few regions the processors have developed their own retail chains as well. The frozen poultry meat market is growing at a rate of 25-30 per cent annually. The growing number of hotels, fine dining restaurants, quick service restaurants and other catering businesses has resulted in a greater demand for frozen poultry meat.

The market for processed chicken is growing with a rate of 15-20 per cent. The forms of processed poultry meat include sausages, salamis, ham, meat balls, nuggets, burger patties and other semi-prepared forms.

Domestic brands available for poultry products (fresh and chilled meat, frozen meat and processed products) are Real Good Yummiez, Sumeru, Zorabian, Suguna, Meatzza, Prabhat Poultry Farms,



Venky's, James Smith. Real Good Yummiez is a brand from Godrej Tyson Foods Limited, a joint venture between Tyson Inc. and Godrej Agrovet Ltd.

Import of poultry meat into India is fairly small, due to the large domestic production and cost considerations. Mr. Rakesh Banga, Director, Farmland Premium Foods, mentions that imports of turkey meat take place around Christmas and holidays.

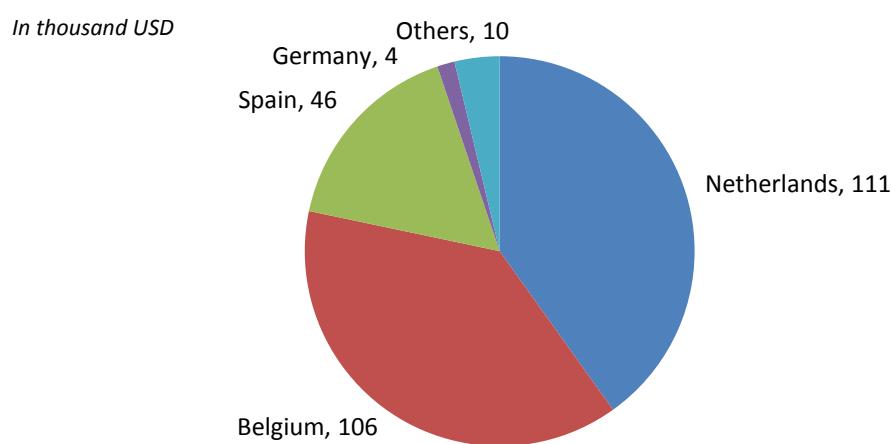
Figure 5.5.2 Poultry Meat Imports into India

	2002	2013
Import Value (thousand USD)	75	276
Import Quantity (thousand kg)	40	40

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations

While the imports by weight have not changed over a decade, there has been an annualised value growth of over 13 per cent in INR terms. Import trends indicate that it is the frozen and prepared forms of meat that are being imported than the chilled or fresh forms of meat demonstrating that there are better growth prospects for value-added and semi-finished products. The Netherlands alone has 40 per cent share in the total value of imports to India for poultry meat

Figure 5.5.3 Poultry Meat Import - Share of countries by value (2013)



**Figure 5.5.4 Top Poultry Meat Import Sources for India (2013)**

Country	Import Quantity (thousand kg)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/kg)
France	0.15	2	13.51
Italy	0.4	3.7	9.59
Belgium	13.5	106	7.82
Netherlands	16.7	111	6.64
Spain	7.7	46	5.95
Germany	0.8	4	5.46
Thailand	0.8	3.3	4.06

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations

Recently, India received a WTO ruling against blocking poultry imports from the USA, potentially opening “an estimated USD 300 million a year export market for USA products”.

As India prepares to contest the WTO order, it is now tightening its norms by proposing to keep out frozen chicken older than six months, those that have consumed hormones or genetically modified feed, as well as those that have been slaughtered in production facilities that also slaughter and process bovine meat.

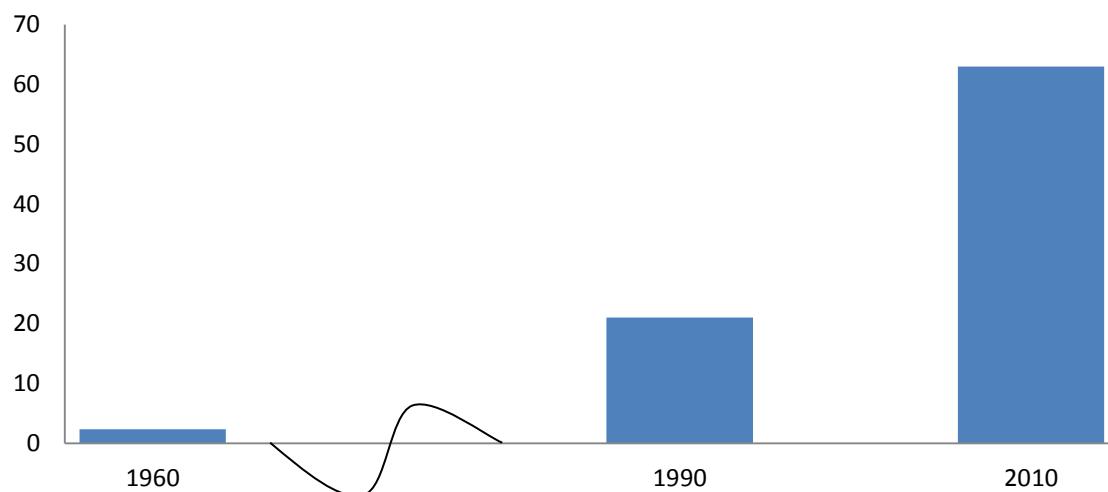


Eggs

The current per capita availability of eggs is 57 eggs per annum. India now accounts for about 5 percent of the global egg production and is the third largest producer of poultry eggs.

Figure 5.5.5 Egg Production in India

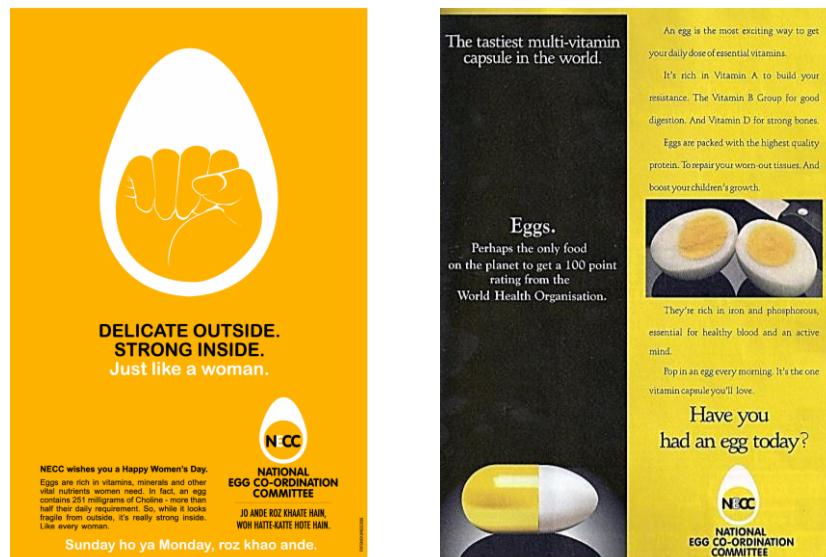
In billions



Source: Department of Animal Husbandry, Dairying & Fisheries, Ministry of Agriculture, Government of India

The market size for eggs is growing at a higher rate than poultry meat as the per capita consumption occasions are more for eggs than poultry meat. Over the last 25 years, the National Egg Coordination committee's has run a consistent marketing campaign to promote the consumption of eggs on the grounds of health and completeness of nutritional needs, and have even positioned unfertilised eggs as being "vegetarian". India is possibly the only country where a description such as "eggetarian" (i.e. someone who is otherwise a vegetarian, with no consumption of meat, but consumes eggs).

Figure 5.5.6 Advertisements from the Marketing Campaign for Eggs in India





While largely fresh eggs are made available through local players, there is a market for the branded fresh eggs which is very small but evolving and registering a growth of 20 per cent per annum.

The value addition in the branded eggs is done by incorporating special nutrient value to meet different dietary requirements such as making them low in cholesterol, high in DHA content (docosahexaenoic acid – otherwise found in oily fish) and folic acid, odourless and suited to different age groups. They are available at higher prices as compared to local eggs in the market.

Retail prices of regular eggs from the local produce range typically between INR 5-6 per egg while the value-added ones are priced at INR 10-15 per egg. A good example is the Suguna range of eggs that includes four types of value-added products: Suguna Active, Suguna Heart, Suguna Pro and Suguna Shakti. Other domestic brands available in India are Kegg's, SKM Eggs, Bajaj Sk and Prabhat eggs. Because of the lack of orientation towards branded eggs and lack of communication of its differentiation, consumers are hesitant to pay a premium for that.

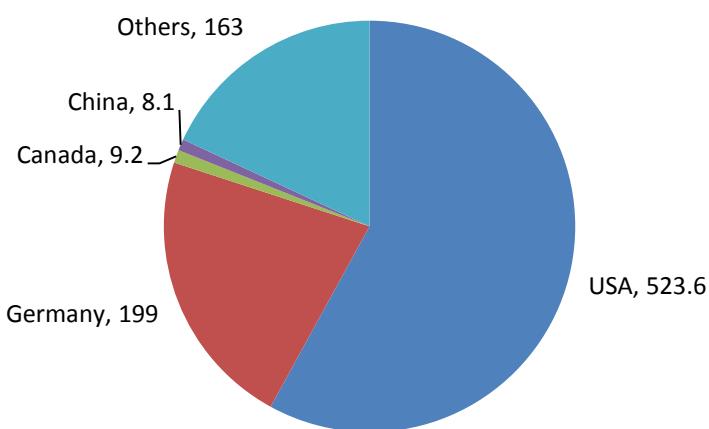
Figure 5.5.7 Suguna Range of Eggs



Eggs are also an important ingredient for the processed food industry like bakery, confectionery, dairy and many others, and the growth in processed food industry directly impacts the consumption of eggs. These industries can be a potential customer for egg powders (dehydrated forms) or pasteurised eggs (in egg shells or liquid forms) in order to reduce the number of processes involved, bring consistency in the quality and supply of the product and reducing wastage due to breakage and spoilage.

**Figure 5.5.8 Egg Imports into India**

	2002	2013
Import Value (thousand USD)	746	903
Import Quantity (thousand kg)	279	342

Figure 5.5.9 Egg Imports - Share of countries by import value (2013)*In thousand USD***Figure 5.5.10 Top Egg Import Sources for India (2013)**

Country	Import Quantity (thousand kg)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/kg)
China	1	8.1	8.1
Canada	1.6	9.2	5.8
USA	227.5	523.6	2.3
Germany	107	199	1.9

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations

USA is the biggest source of imports of eggs in India. India imports 209 tonnes eggs and USD 390,000, i.e. 49 per cent of total number of eggs import from USA. It is largely egg in shells that are imported from all the countries.



5.6. Swine Meat

According to the Department of Agriculture and Research India, pork consumption estimated for the year 2012-13 was 330 thousand tonnes and per capita consumption is 0.3 kg per annum.

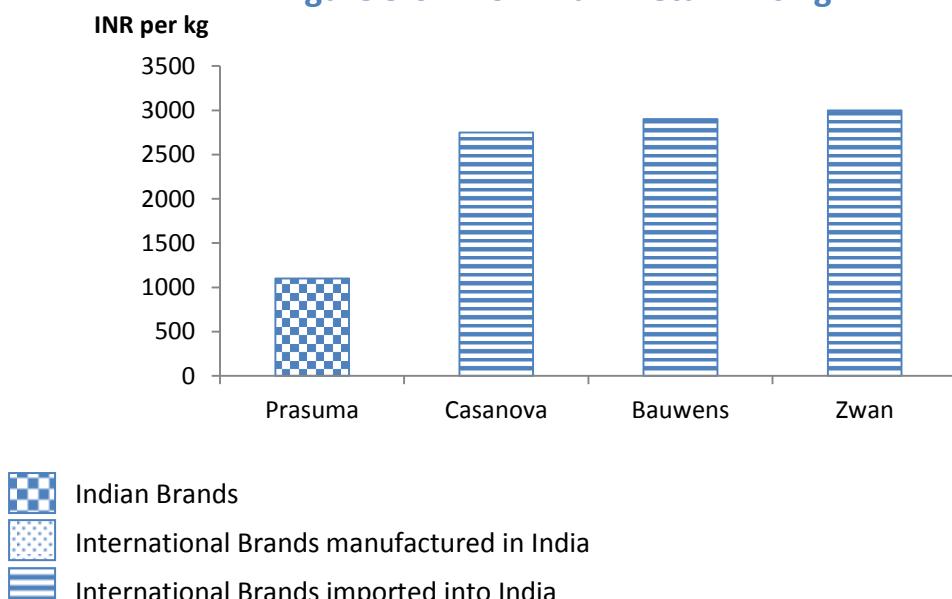
This is largely an informal, fragmented sector in the form of locally raised fresh pork meat. This meat is not widely distributed in modern retail channels, given the religious taboo against pork in Islam and considering the fact that Muslims are significant part of the population of India. Consumption of fresh local meat is more in north eastern and southern parts of India.

However, one segment of the pork market also comprises of the processed products, most of which are imported and high value. These products include cured meats such as sausages, ham, bacon and canned meat products, as well as small quantities of frozen meat. They are typically purchased by leading Indian hotels catering to international business travellers and tourists, and retailers catering to some upmarket consumer catchment areas.

The product pricing for bulk customers is driven by the supply and demand similar to any other commodity. As mentioned by Mr. Rakesh Banga, Director, Farmland Premium Foods, since there is no fixed price for products sold in bulk to customers such as hotel chains, there is a wide range of margin for suppliers.

Although there are some domestic organisations which manufacture processed pork products as well, quantities are limited. Brands available in the Indian market for pork meat products are Arohan Foods, Accord Foods, Suguna Foods, Arthurs Food Company, Zwan, Casanova, Bauwens, D'autore, Rima, Prasuma amongst others.

Figure 5.6.1 Pork Ham Retail Pricing



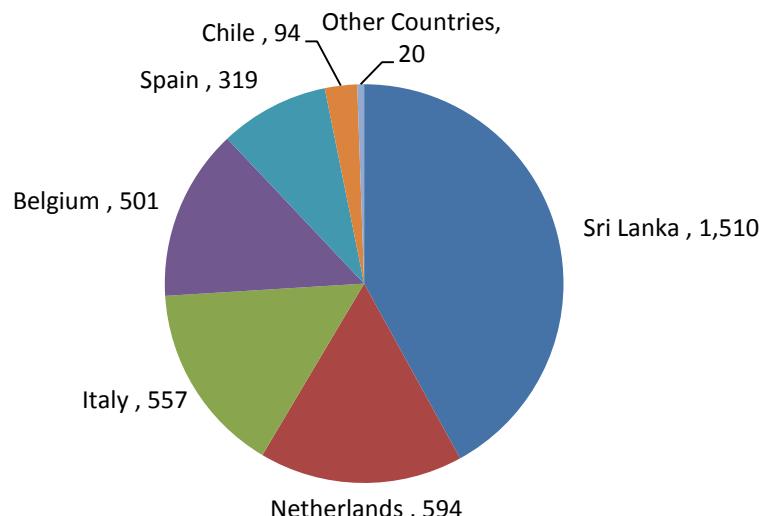
Source: Price comparison based on a retail price survey is only indicative (prices may vary across markets)

**Figure 5.6.2 Swine Meat Imports into India**

	2002	2013
Import Value (million USD)	0.319	3.60
Import Quantity (million kg)	0.127	0.773

Although small, (USD 3.6 million in 2013), imports have grown faster in value terms, indicating higher priced processed products being asked for in the market. 95 per cent of India's imports are in prepared forms such as sausages, ham and bacon.

The Netherlands is the second major supplier of pork products into India, after Sri Lanka, but is also the second highest in terms of average unit value of imports after Italy.

Figure 5.6.3 Swine Meat Import - Share of countries by value (2013)**Figure 5.6.4 Top Swine Meat Import Sources for India (2013)**

Country	Import Quantity (thousand kg)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/kg)
Italy	56.6	557	9.8
Netherlands	81.3	594	7.3
Spain	48.2	319	6.6
Chile	15.1	94	6.2
Belgium	83.4	501	6
Sri Lanka	485	1,510	3

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations

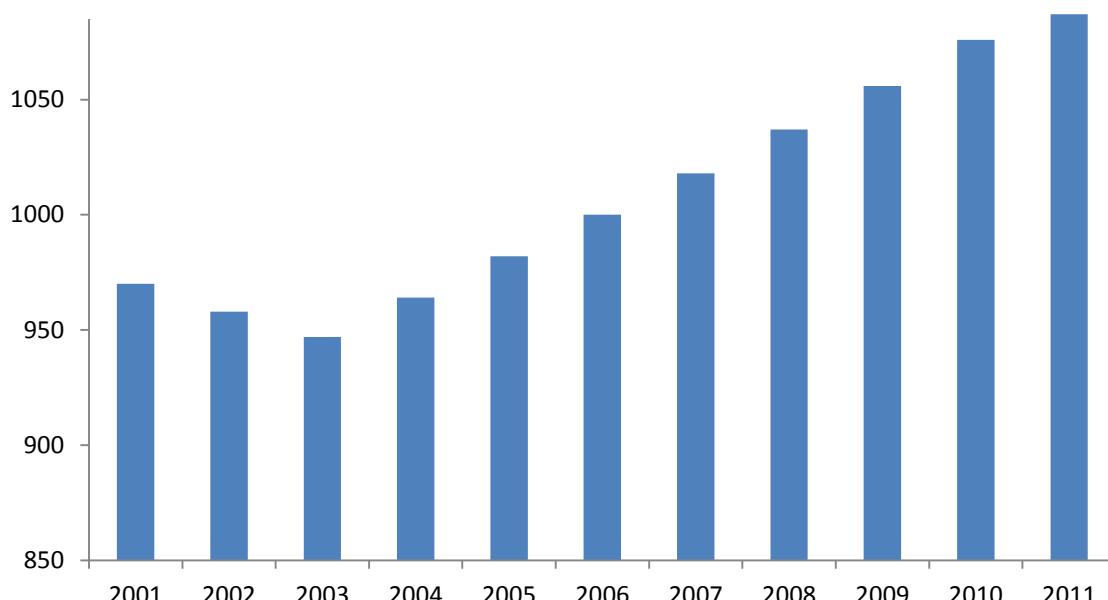


5.7. Bovine Meat

As per FAO statistics, per capita consumption of bovine meat in India was 1.3 kg per annum (estimated for the period 2008-10). India has also become a major exporter with a 20 per cent market share after Brazil. (The term bovine meat and beef in this report includes buffalo as well as cow meat.)

Figure 5.7.1 Production of Cattle Meat

In thousand tonnes



Source: Department of Animal Husbandry, Dairying & Fisheries, Ministry of Agriculture, Government of India

The pattern of bovine meat consumption for both buffalo and cow meat in India differ from state to state due to differences in social customs and preference. While there is a battle over eating and serving cow meat in few states of the country, states such as Kerala and Goa serve beef products in street foods as well.

Bovine meat used to be one of the cheaper options for animal protein. But now because of the Government approved abattoirs moving away from farms and transportation costs being added, the average price of beef is INR 200-250 per kg whereas the average price for mutton is INR 380 per kg, pork is INR 220 per kg, fish is INR 200-500 per kg, and chicken is INR 180 per kg as per prices stated by local vendors in Mumbai and Delhi.

The domestic Indian beef market is largely unorganised. Production is concentrated mainly in the north-eastern corner and southern parts of the country, and consists primarily of informal sector producers and government owned slaughter houses, with sales taking place through traditional butcher shops to the consumer. However, with growing exports, the government has heavily regulated the infrastructure and certification of modern slaughter houses, with a view to developing the sector further.



However, it is worth noting that the policy of slaughter of cattle varies across states in India. While some impose no restrictions, some allow the slaughter of cattle with restrictions with "fit-for-slaughter" certificate issued depending on the age and gender of cattle and continued economic viability, and others completely ban cattle slaughter.

Recently due to political changes, the state of Maharashtra (which includes Mumbai city) imposed a ban on not only cow slaughter (which has been in place since 1976) but also slaughter of bulls, bullocks and calves, as well as the sale and consumption of beef. This has been followed by the state of Haryana banning cow slaughtering, export of cows for slaughtering and the sale of beef. However, at the same time the state government of Goa has refused to enact similar bans keeping in mind that a significant proportion of the local population is reported to consume beef regularly. These regulatory shifts need to be kept in mind when companies look at estimating the demand pattern of beef and related products in India.

So far India has been reporting negligible imports for bovine meat, whether fresh or frozen. These products are imported to cater to the hospitality sector. Netherlands is one of the sources for such preparations, but the volume imported in 2013 was a minuscule 580 kg.

There is a growing demand for good quality beef especially by the hotel and hospitality industry. These customers are increasingly looking at quality and provenance of the meat being used, whether domestic or imported.

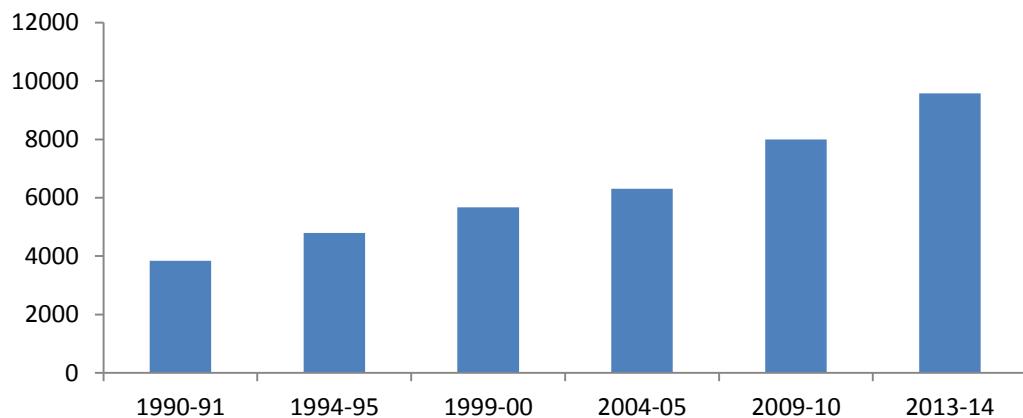


5.8. Marine Products

The production output of fisheries and marine products in India (in FY 2013-2014) was estimated to be 9.58 million tonnes out of which marine accounted for 3.44 million tonnes and inland fisheries accounted for 6.14 million tonnes. In many communities around the country, fish is an integral part of the cuisine, while in others it may be an item of occasional consumption.

Figure 5.8.1 Fish Production in India

In thousand tonnes



Source: Department of Animal Husbandry, Dairying & Fisheries, Ministry of Agriculture, Government of India

The fishery resources are still under-utilised and there is tremendous scope to increase the output further which implies that there is a huge scope of investment in marine products processing plants.

**Figure 5.8.2 Fish Counter – Metro Cash and carry**

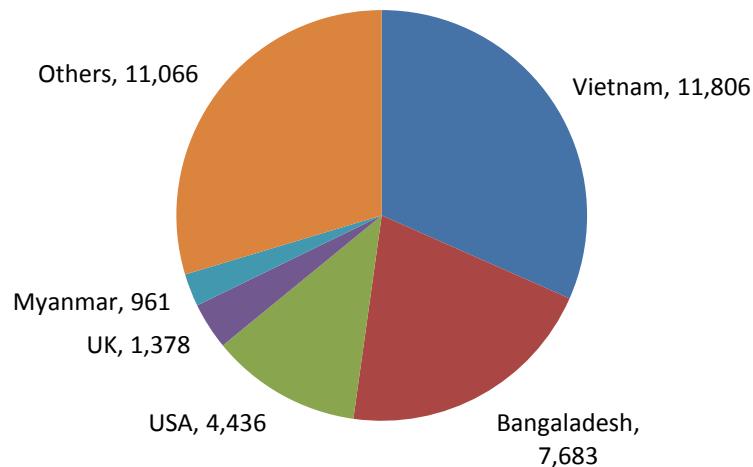
Some of the Indian players in the seafood business are Allanasons, Innovative Foods (Sumeru), IFB Agro and ABAD Food (Sea Sparkle) while some imported brands available in the market are Cambay Tiger, Grace, Brunswick.

Among imported varieties of fish, salmon, basa and tuna are in demand mainly by the HoReCa sector. However, retailers have also reported an increase in demand for salmon. Apart from chilled and frozen whole fish, there is increased demand for preparations i.e. processed and ready-to-eat marine products.

Prices vary widely, depending on the type and quality of fish, and the location being served. However, retail pricing of packaged products by the few brands that are catering to the market is more consistent. As an example, retail prices for 180 gm of prawn (peeled, semi-prepared, packaged) are between INR 280-380 while for 160 gm basa fish is between INR 250-300.

Figure 5.8.3 Fish Imports into India

	2002	2013
Import Value (million USD)	5.6	37.3
Import Quantity (million kg)	2.5	14.0

**Figure 5.8.4 Fish Import - Share of countries by value (2013)***In thousand USD***Figure 5.8.5 Top Fish Import Sources for India (2013)**

Country	Import Quantity (thousand kg)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/kg)
USA	354	4,435	12.5
UK	168	1,377	8.2
Myanmar	469	961	2.0
Bangladesh	3,920	7,682	2.0
Vietnam	6,613	11,806	1.8

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations

The variety of marine products imported includes fish, crabs, lobsters and prawns. The source countries for these imports are India are Malaysia, Indonesia, Thailand, Singapore, Sri Lanka, China, UK, Poland, Bangladesh, Chile, Japan, Norway, Denmark, Netherlands, Vietnam, Ireland, Sweden, Italy, New Zealand, Greece, Canada, Spain, USA, Rep. of Korea, Myanmar.

Out of the total marine products imports, fish oil constituted 918,000 kg in volume and USD 3.2 million in 2013. This includes fish liver oil and all other oils from marine products for application primarily in the nutraceutical industry as a dietary supplement.



5.9. Breakfast Cereals

Cereal has been a longstanding part of the Indian breakfast including cooked rice, flattened rice, wheat grits (daliya) or in preparations of dough (such as roti or paratha), or batter (such as rice dumplings, idli) and pancakes (such as dosas).

With growing income and busy lifestyles of families and the influence of western lifestyles, convenience products as such as bread were adopted widely. However, in recent years packaged cereal preparations have begun to be adopted as “healthier” convenient options.

The market was estimated to be INR 9.5 billion (EUR 119 million) in 2013 and is expected to grow in double digits annually. Product variants within the category include flaked cereals (wheat, corn), oats in rolled and roasted forms and muesli. Corn flakes have the largest share of the market followed by oats and muesli.

The newest growth area is packaged, flavoured oats in savoury Indian flavours which combine the convenience of prepared cereals with the Indian consumer's need for hot and savoury breakfasts.

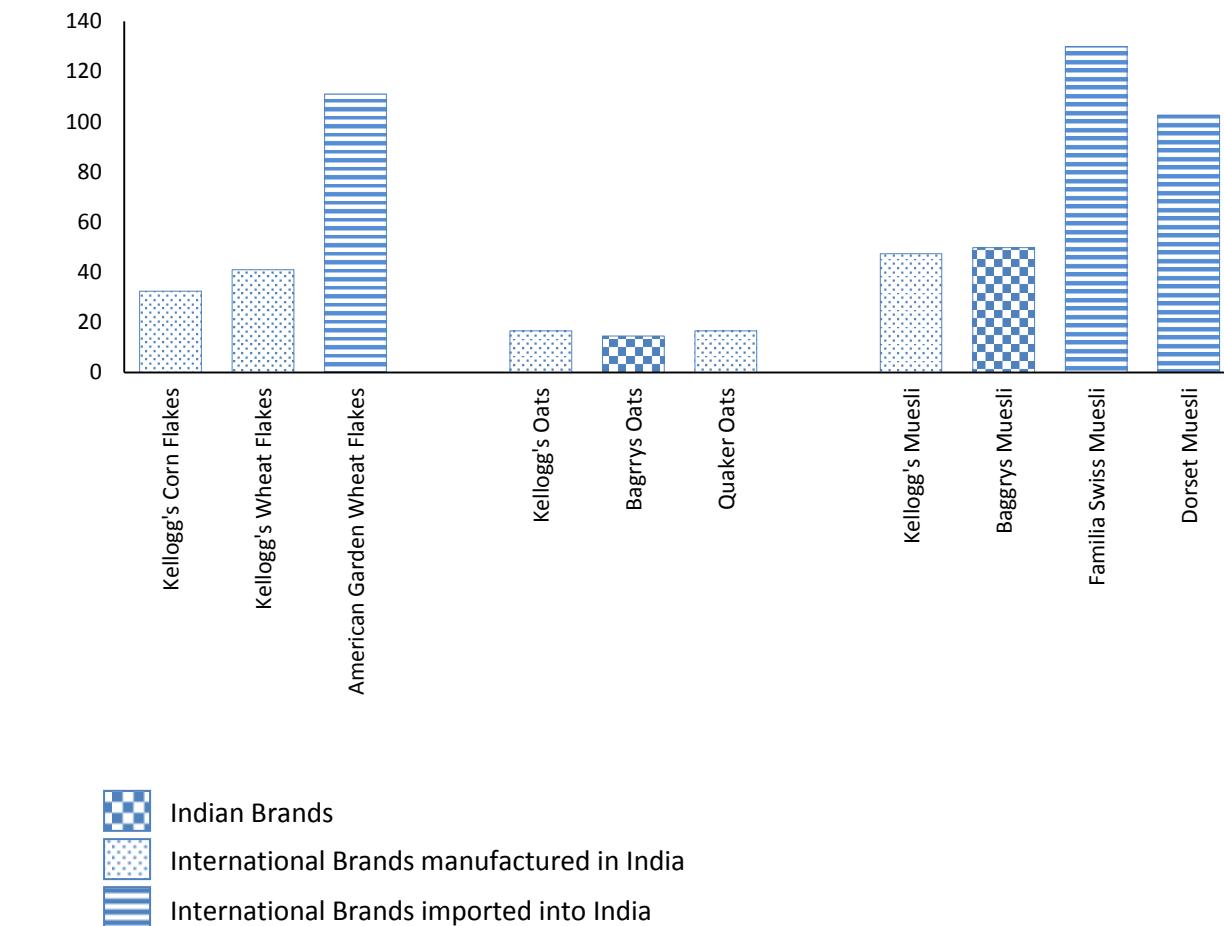
These are being aggressively marketed not only by Indian companies such as Marico (Saffola) and Britannia (Healthy Start) to drive consumer adoption but also by multinational companies such as Pepsi (Quaker), Nestle (Maggi) and GlaxoSmithKline (Horlicks).

Marico was the first to launch the Indian flavoured savoury oats, and created 6 flavours to account for changing taste preferences across the country.





Figure 5.9.1 Breakfast Cereals Retail Pricing



Source: Price comparison based on a retail price survey is only indicative (prices may vary across markets)

Brands available in Indian market are Kellogg's, Bagrrys, Saffola, Quaker, Mohan's etc. and private brands by retailers. Among international players brands available are American Garden, Dorset, Heinz etc.

The breakfast cereals market is dominated by Kellogg's with approximately 70 per cent market share. Kellogg's has offered special variants in products keeping in mind the preferences of different target segments (for children, nutrient rich products all- family segment, and for ageing adults).

The recent growth can be gauged by the fact that the market leader Kellogg's entered India as far back as 1994, but has grown its sales 10-times between 2001 and 2013.

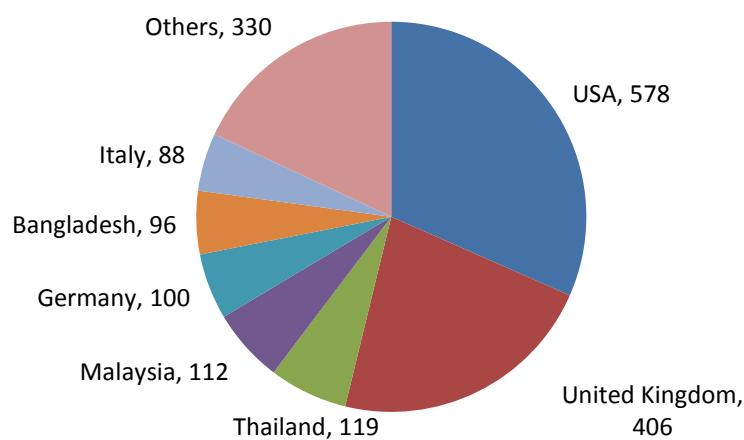
While some imports do occur, as consumption has grown in the market, companies have moved in with locally situated plants to cater to the demand, due to the significant difference in cost.

In fact, imports between 2002 and 2013 have declined at an annualised rate of 30 per cent each year by volume. The value decline is slower (14 per cent each year) due to the import of packaged product of brands and flavours that are not manufactured in India.

However, imports comprise currently mainly of unroasted cereal that is further processed in India.

**Figure 5.9.2 Breakfast Cereal Imports into India**

	2002	2013
Import Value (million USD)	10.0	1.8
Import Quantity (million kg)	33.5	0.7

Figure 5.9.3 Breakfast Cereal Import - Share of countries by value (2013)*In thousand USD***Figure 5.9.4 Top Breakfast Cereal Import Sources for India (2013)**

Country	Import Quantity (thousand kg)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/kg)
USA	139	578	4.15
United Kingdom	136	406	2.98
Thailand	362	119	3.30
Malaysia	36	112	3.10
Germany	36	100	2.78
Bangladesh	35	96	2.74
Italy	111	88	0.79

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations

Keeping in mind the fact that the market is barely penetrated, there is significant opportunity for new companies to create a business in this category at the local and regional level by introducing new product variants.



5.10. Pasta

India's consumption of pasta has increased significantly because of exposure to Italian cuisine through media and the availability of these foods in an increasing number of restaurants.

As per an International Pasta Organisation survey in 2012, production of pasta in India was reckoned to be 100,000 tonnes. Most of this capacity lies in the unorganised sector. However, in recent times, Indian companies like Rajdhani and Bambino have expanded their product portfolio to include certain varieties of pasta, as well as United Agro (Blue Bird) are offering these products at affordable prices. Adding to the domestic consumption is also instant pasta variants including Nestle's Pazzta, ITC's Sunfeast Pasta Treat and Bambino's Passta.

In addition, pasta imports have almost doubled from USD 4.7 million in 2002 to USD 7.7 million in 2013. Currently, international brands of pasta available in India include Del Monte, Borges, Barilla, Buitoni, Agnesi, De Cecco, Barilla, San Remo, Colavita, Garafalo, Delverde.

Pasta packs are available in both modern retail stores and in general trade and the products are purchased in bulk by HoReCa businesses. Del Monte is one of the suppliers to the leading restaurant chains.

Figure 5.10.1 Penne Rigate Pasta Retail Pricing

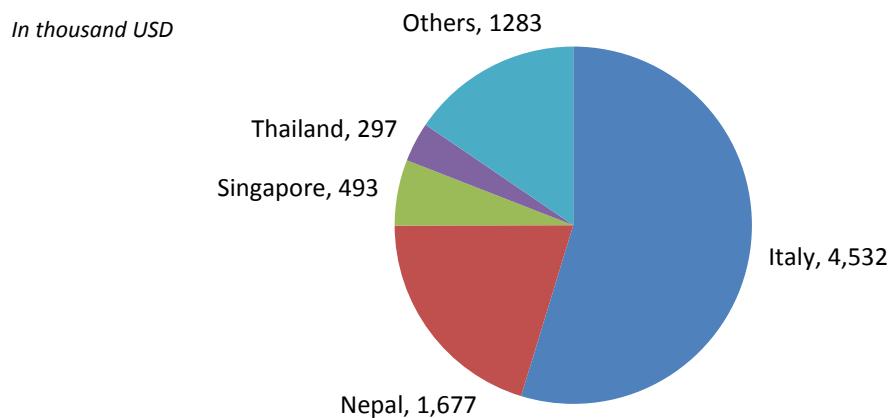


Source: Price comparison based on a retail price survey is only indicative (prices may vary across markets)

**Figure 5.10.2 Pasta Imports into India**

	2002	2013
Import Value (million USD)	4.7	8.3
Import Quantity (million kg)	4.4	6.3

Traditional pasta typically addresses a core large meal requirement and core meal habits are slower to change. The annual import growth during this period has been relatively slow due to this and the growth of domestic production as well. However, in the recent years imports have grown faster than earlier. Couscous import on the other hand was negligible in 2002 and has grown at a rate of almost 50 per cent every year in terms of quantity since then. The imports are now 257 tonnes and 559 thousand USD in terms of volume and value respectively. It indicates that while a broad category may register a slower growth, the growth pattern for pockets within it may be entirely different.

Figure 5.10.3 Pasta Import - Share of countries by value (2013)**Figure 5.10.4 Top Pasta Import Sources for India (2013)**

Country	Import Quantity (thousand kg)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/kg)
Thailand	133	297	2.23
Singapore	242	493	2.03
Nepal	1,072	1,678	1.57
Italy	3,952	4,532	1.14

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations

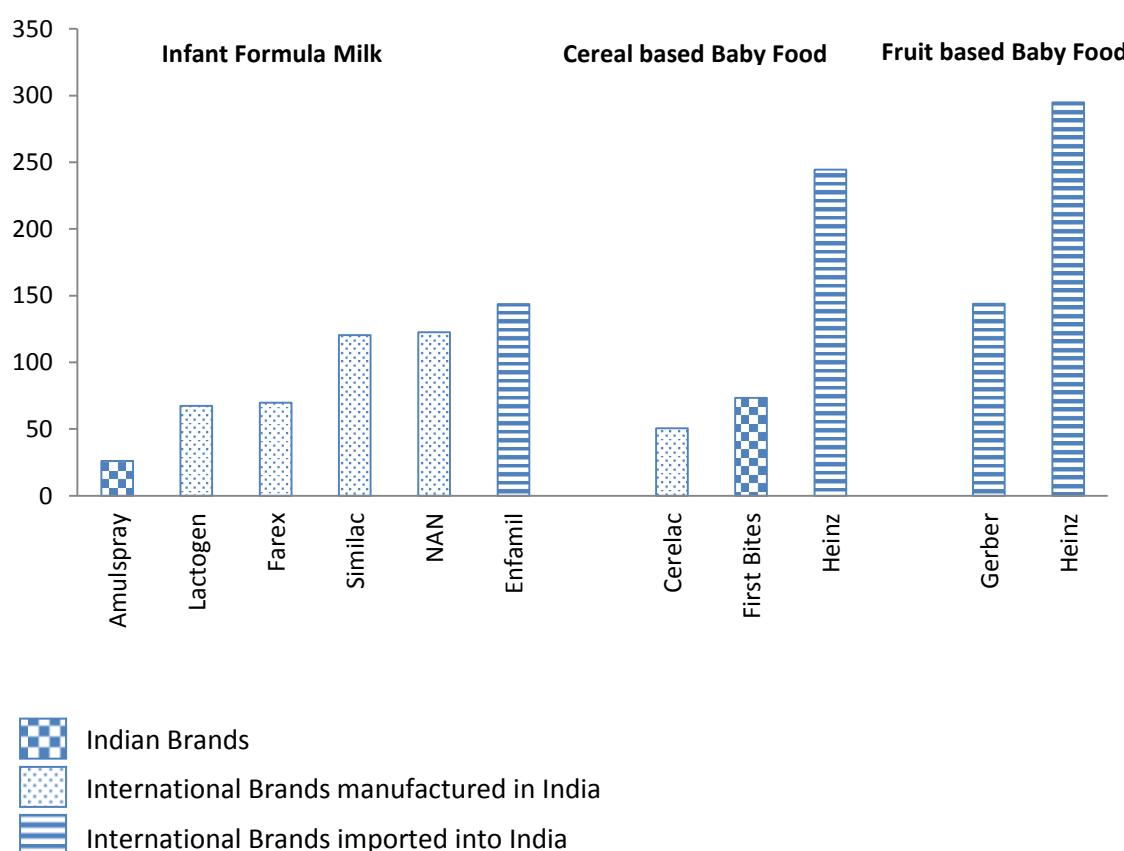


5.11. Infant Food

The baby food market in India is reported to be growing at an annual growth of 15-17 per cent and is estimated to be INR 15000 million (EUR 187.5 million) in 2014. It basically comprises of three categories – infant formula milk, cereal based baby food and fruit based baby food. While the milk based food dominates the Indian market, cereal based baby food is estimated to be INR 3000 million (EUR 37.5 million). Rapid urbanisation, growing middle class and increasing numbers of women in the workforce has led to the demand of nutritious and good quality food for babies as a supplement.

Nestle is the market leader with their product portfolio including infant milk formula brands such as Lactogen 1, Lactogen 2, Nan 1, Nan2 and infant cereal brands like Cerelac and Nestum. While Cerelac is wheat based, Nestum is rice based. The other players in this segment are Nutricia International (Danone's arm) with its brands like Farex, Dexolac, Nusobee, Mead Johnson Nutrition with its brand Enfamil, Heinz and Abbot Nutrition with its brand Similac. Domestic players like Amul with its infant food milk brand Amulspray and Pristine Organics with its organic cereal food for babies are also present in the market.

INR per 100 gm

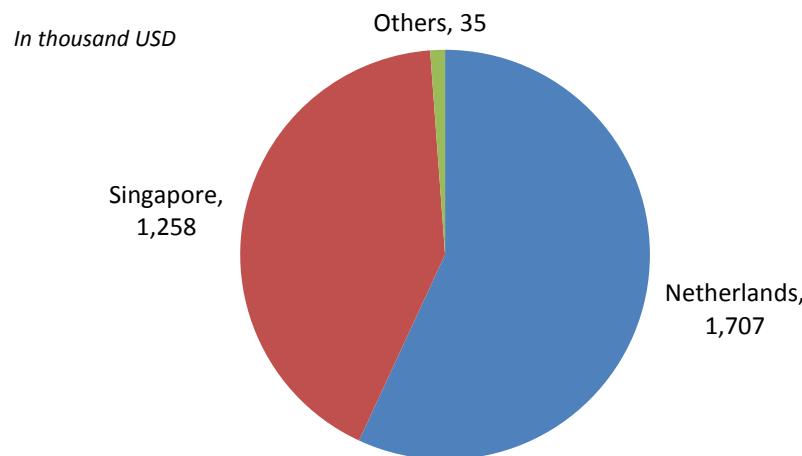
Figure 5.11.1 Baby Food Retail Pricing

Source: Price comparison based on a retail price survey is only indicative (prices may vary across markets)

**Figure 5.11.2 Infant Food Imports (Cereal based) into India**

	2002	2013
Import Value (million USD)	0.53	3.0
Import Quantity (million kg)	0.28	0.48

Imports have grown from 0.5 million USD in 2002 to 3 million USD in a period of ten years with more than 50 per cent imports coming in from Netherlands.

Figure 5.11.3 Infant Food Import (Cereal based) - Share of countries by value (2013)**Figure 5.11.4 Top Infant Food Import Sources for India (2013)**

Country	Import Quantity (thousand kg)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/kg)
Netherlands	186.45	1,707	9.15
Singapore	294.16	1,258	4.28

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations



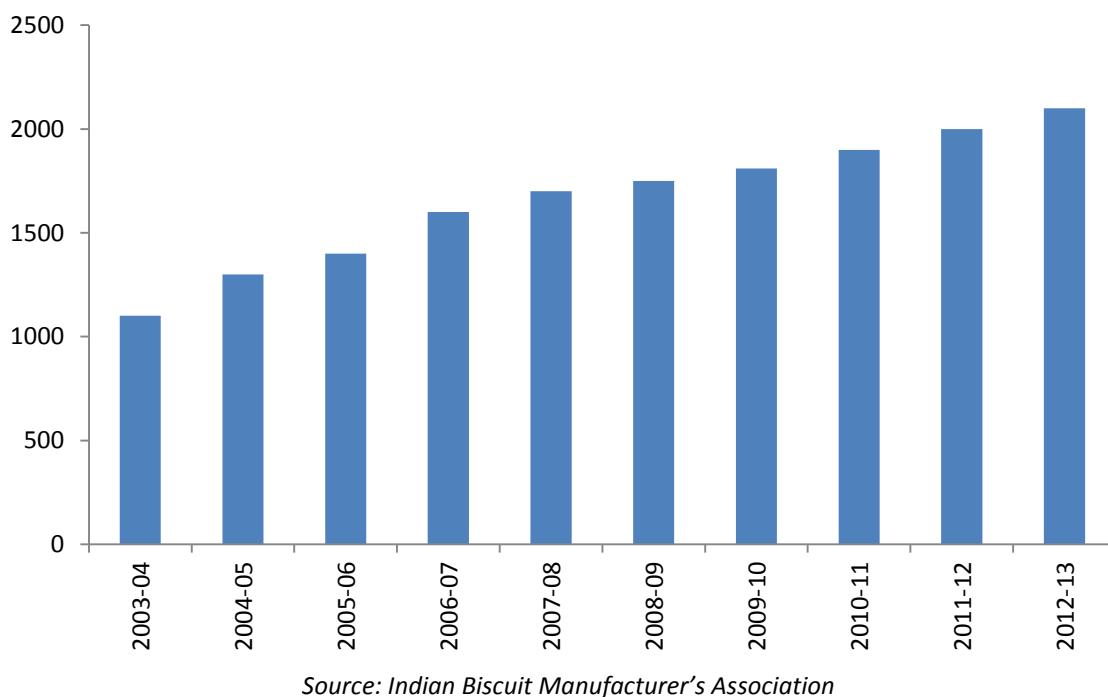
5.12. Bakery Products

The bakery products sector includes mainly includes biscuits and cookies, breads, rusks, wafers and cakes. As the need for convenient ready to eat food has increased, the consumption of bakery products have grown.

The production of biscuits in India is growing at a rate of almost 7.5 per cent annually. Biscuits in India are one of the cheapest available ready-to-eat snacks.

Major companies in the organised sector for the biscuits category are Parle, ITC, Surya Food & Agro and Britannia. There are some international players manufacturing in India including Kraft Foods, United Biscuits and Unibic, while others who have so far gone through only the import route to India include Tiffany, Pepperidge Farm, Cookies Bergen, Pierre, Griffins, Arnotts, Grisbi, Loacker, Huntley & Palmers and Vicenzi amongst others. Biscuits imported were 4.2 million kg by weight in 2013, a minuscule 0.2 per cent of the market.

Figure 5.12.1 Production of Biscuits
In million kg



Source: Indian Biscuit Manufacturer's Association

The market for biscuits can be segmented broadly as follows: first, the segment which is low to mid-priced, appeals to a large consumer group and is consumed in great volumes and second, which is priced at a premium and differentiated in terms of gourmet ingredients. The latter is growing at a much faster rate – albeit on a small base – and holds opportunities for imported products.

Other bakery products such as breads, cakes, rusks are mostly catered to by local players with a few national (or, more accurately, multi-regional) companies such as Britannia, Modern Food and



Mongini's because of a shorter shelf life for the products and the consumer's inclination to buy them fresh.

Figure 5.12.2 Bakery Products Imports into India

	2002	2013
Import Value (million USD)	2.46	20.00
Import Quantity (million kg)	2.29	7.7

Figure 5.12.3 Bakery Product Import - Share of countries by value (2013)

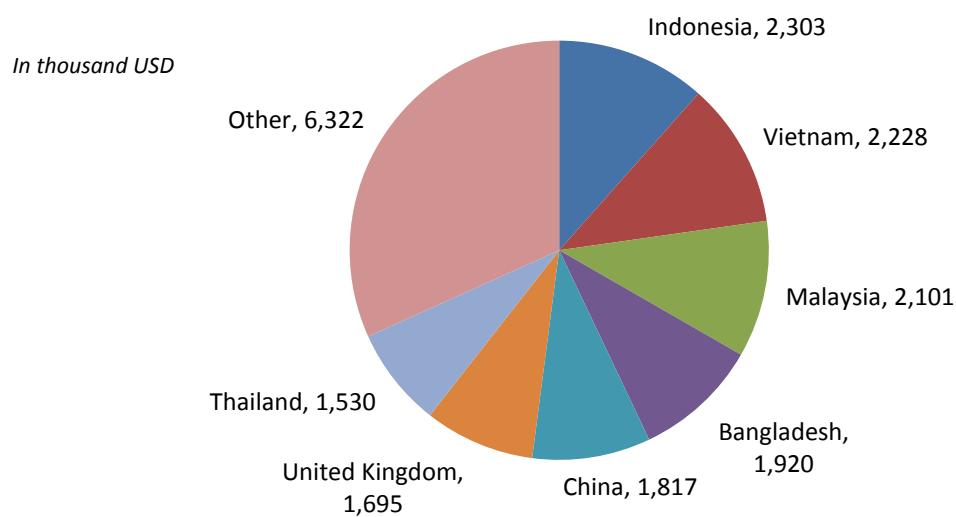


Figure 5.12.4 Top Bakery Products Import Sources for India (2013)

Country	Import Quantity (thousand kg)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/kg)
China	311	1,817	5.85
United Kingdom	475	1696	3.57
Malaysia	668	2,101	3.15
Vietnam	884	2,228	2.52
Thailand	814	1,530	1.89
Bangladesh	1038	1920	1.85
Indonesia	1,382	2,303	1.67

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations



5.13. Beer

European-style beer was introduced to India by the British, first through imports and in 1830 the first brewery was set up in Kasauli in northern India. According to the reckoning of United Breweries, the Indian market is 270 million cases in 2013-2014. India's beer consumption is only 1.64 litres per person per year, compared to the Netherlands 75 litres and China's 32 litres per person per year. However, the sector is expected to grow to 452 million cases by 2017.

The market is dominated by few players like United Breweries, SABMiller and Carlsberg. Domestic brands include Kingfisher, Thunder Bolt, Golden Eagle, Haywards, Royal Challenge among several others while international brands such as Budweiser, Cobra, Heineken, Carlsberg, Tuborg, Fosters are also brewed in India.

However, acceptability of social drinking is a major contributor to the industry's growth and this has opened the market to new consumers including women, who earlier comprised only a small proportion of alcohol consumers in the country. The market scenario for beer has changed drastically with entry of beer cafés and microbreweries in the country, which are developed to attract a wider, more eclectic audience. The Beer Café and The Pint Room are two chains of such beer cafes, while microbreweries tend to be local in nature and have been set up in or near the metropolitan cities so far.

Figure 5.13.1 Beer Cafe in New Delhi



Source: Third Eyesight

For the beer cafes, microbreweries and also many restaurants, a differentiated mix of beer varieties including imported beers, is a strong selling point. Some international brands which are imported include Hoegaarden, Corona, Shepherd Neame, Singha, and Carling, to name a few.

In India the distribution structure and regulations for alcoholic beverages vary from state to state. The distribution structure consist three types of market channels: government-controlled, open



market and the auction market. In India, companies have their breweries in different locations across country because land, licenses and distribution laws vary state by state. Each state has the autonomy to decide the excise and sales taxes. Tax rates vary from 15 per cent to 43 per cent.

Import for 2013 of beer was 4.6 million litres in volume and USD 3.9 million in value. While the import value has doubled between 2002 and 2013, there was only a small increase in import volumes. However, both volumes and value are projected to grow more rapidly now.

Figure 5.13.2 Beer Imports into India

	2002	2013
Import Value (million USD)	1.9	3.9
Import Quantity (million litres)	4.0	4.6

Figure 5.13.3 Beer Import - Share of countries by value (2013)

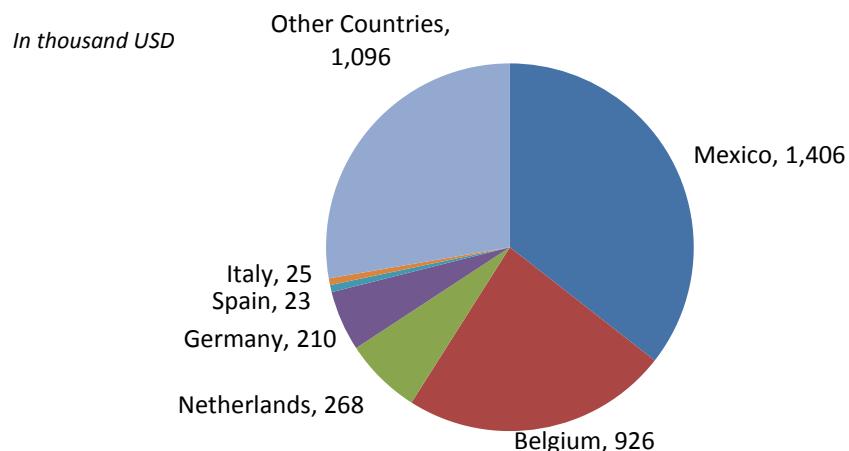


Figure 5.13.4 Top Beer Import Sources for India (2013)

Country	Import Quantity (thousand l)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/l)
Netherlands	248	268	1.08
Belgium	954	926	0.97
Spain	26	23	0.89
Italy	31	25	0.81
Mexico	1,939	1,406	0.73
Germany	309	210	0.68

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations



Kingdom of the Netherlands



The imports of hop cones and malt extract, two key ingredients for producing beer, have grown from USD 2.4 million in 2002 to USD 13.2 million in 2013 in value and 23 tonnes in 2002 to 9940 tonnes in 2013.



5.14. Wine

India is a relatively small wine producer and consumer, but both activities are growing.

Wine production in 2014 was estimated to be 17.3 million litres. Indian wines are largely produced in Nashik (Maharashtra), in the outskirts of Bengaluru (Karnataka) and a small part in Goa. About 98 per cent of grapes production goes for table use and only 2 per cent of total produce is estimated to be utilised for all processing activities including jams, dried fruits, grape juice and wine.

Figure 5.14.1 Wine Production in India

Year	Total Production (thousand l)	Imports (thousand l)	Exports (thousand l)	Consumption (thousand l)
2009	14900	1795	2093	14602
2010	16000	2551	696	17855
2011	14150	449	1114	13485
2012	14600	4262	963	17899
2013	17100	3946	1776	19270
2014*	17300	3360	1800	18860

Source: Directorate General of Foreign Trade, FAS Mumbai, Third Eyesight

The Government has introduced special wine policies to encourage grape cultivation and wineries in Maharashtra and Karnataka. Maharashtra has taken initiatives such as an “excise holiday” for wine makers till 2011, sales tax concessions, fixed license fees for ten years and creation of a Wine Institute and a Grape Board for quality control.

Wine companies operating in the market include Sula Vineyards, Chateau Indage, Grover Vineyards, Sankalp Wines, Heritage Grape Winery, Chateau d’Ori, Vallee de Vin, Vinsura, Vallonne Vineyards, UB Group (Bouvey Ladubay, Four Seasons), Pernod-Ricard (Nine Hills, distributed brand Jacob Creek, GH Mumm Champagne).

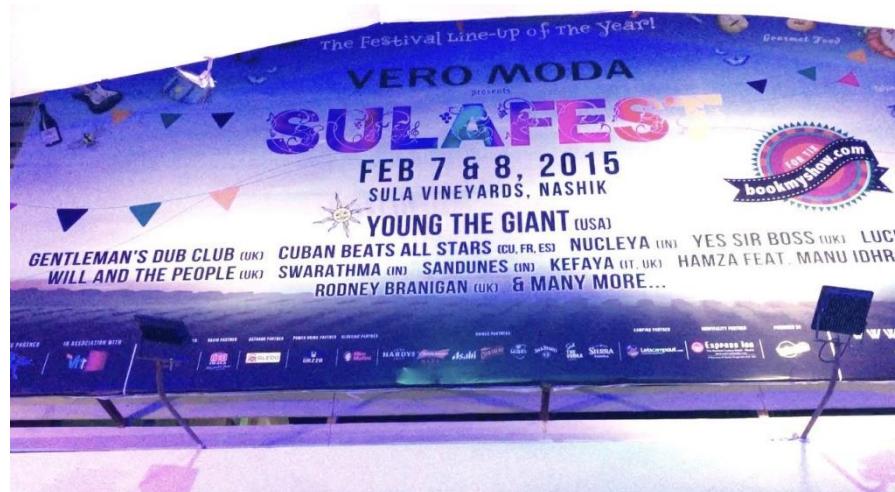
Sula Vineyards in Nashik is the largest producer of wine by volume in India. Sula and UB Group are also importing wines from different parts of the world.

Red wines are most popular wines followed by white wine, sparkling, rose wines and dessert wines. The customer base is growing with the growing acceptability of wine by women.

To cater to this customer group, special varieties with low alcohol content have been designed. Modern retail stores have also played the role of a catalyst as women can comfortably buy products from the shelf in a good environment. Wine is also being promoted through wine tourism in India, with vineyards tours, wine festivals and wine tasting sessions.



Figure 5.14.2 Wine Production and Wine Tourism in India



As per ASSOCHAM, nearly 85 per cent of the demand for wine is accounted from the major cities namely New Delhi, Mumbai, Chennai, Kolkata, Pune, Bengaluru and the states of Goa and Punjab. A large share of the volumes is through off-trade channel i.e. five-star hotels, pubs and bar-restaurants, which also serve significant quantities of imported wines sourced from importers or distributors.

A key challenge in dealing with both imported and domestically produced wines is the handling of the product in the supply chain, with hot and dusty climatic conditions being common through the year for most of the country. Maintenance of temperature as needed, protection from direct sunlight and maintenance of humidity of the corks get often overlooked. This is especially true for the retail sales channel, but often also an issue in the restaurant and hotel business.



Wine is being imported into India in both bottled and bulk forms. Although there are no preferential tariffs for bulk wines, Indian wineries are importing wine for bottling in India, and also for blending with domestic wines, impacting the overall cost of the product significantly.

Figure 5.14.3 Wine Imports into India

	2002	2013
Import Value (million USD)	0.8	25.2
Import Quantity (million litres)	0.2	4

Figure 5.14.4 Wine Import - Share of countries by value (2013)

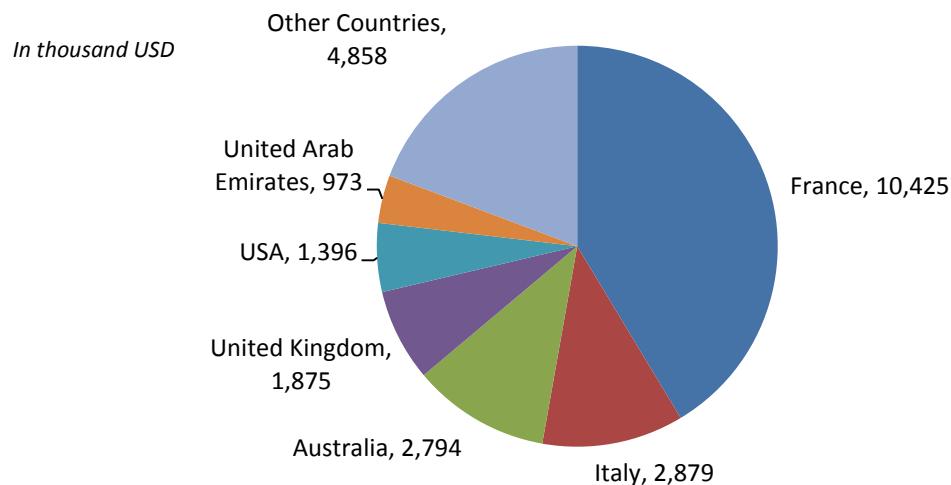


Figure 5.14.5 Top Wine Import Sources for India (2013)

Country	Import Quantity (thousand l)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/l)
France	1,302	10,425	8.0
Australia	415	2,794	6.7
USA	204	1,396	6.8
United Kingdom	315	1,875	6.0
United Arab Emirates	179	973	5.4
Italy	593	2,879	4.9

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations



5.15. Spirits

The spirits category includes brandy, whisky, rum, gin and vodka out of which whisky, rum and brandy are most consumed in India. Further, the Indian market is divided into various categories like imported liquor, Indian-made foreign liquor (IMFL) and country liquor (consumed by lower income groups, and distilled from raw materials available locally).

The Indian-made foreign liquor category comprises of western-style distilled beverages such as whisky, rum, gin, vodka and brandy. These are made under government licenses and maximum alcohol content allowed is 42.8 per cent. The sector is dominated by a few Indian and international companies with multiple production units and nationwide marketing networks. In 1992 under liberalised industrial laws, some Indian companies developed joint ventures with international corporations. These collaborations have helped international brands to enter India by leveraging the production capacity and marketing networks of the existing Indian players.

Figure 5.15.1 A Local Alcohol Retail Outlet



Internationally, whisky and gin are made from grain spirit, brandy from fruit spirit, rum from sugarcane and vodka from grain, potatoes or sugarcane. However, most Indian liquors are predominantly sugarcane-based, albeit with a portion of appropriate grain or fruit spirit added to them.

**Figure 5.15.2 Alcohol Production in India**

Year	Alcohol Production from Molasses (million litres)
2006-07	2,045
2007-08	2,458
2008-09	2,007
2009-10	1,444
2010-11	1,829
2011-12	2,211
2012-13	2,360

Source: Ministry of Chemicals

(Note: Compiled on the basis of the top-10 molasses producing states (Bihar, Gujarat, Haryana, Karnataka, Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh, Uttarakhand and Andhra Pradesh; 30-40 per cent of total alcohol production is utilised in the production of potable alcohol.)

Globally, the consumption of drinks with lower alcoholic content (beer, wine) exceeds that of spirits and also shows higher growth. There is also a preference for white spirits (vodka, white rum, gin) over dark spirits (whisky, dark rum, brandy). In India, on the other hand, consumption of spirits exceeds that of beer and wine.

There is a visible growth in consumption as the number of occasions of consuming alcohol is increasing and so is the number of people who can afford it.

Whisky

Whisky was introduced to India during the British colonisation. India is now one of the major consumers of whisky in the world and most of it is produced domestically. While at one end in the international market most Indian whiskies are not accepted under that nomenclature due to their molasses-based production, on the other hand, Amrut Single Malt has won international awards.

Market players include market leader United Spirits, Radico Khaitan, Pernod Ricard, Mohan Meakins, Tilaknagar Industries, and Amrut Distilleries.

Moët Hennessy India Private Limited, a subsidiary of Moët Hennessy, has been present in India since 2001. The company undertakes import, sales and marketing of MH luxury portfolio of wines and spirits in India. The company's international whisky brands that are available in the country today are Ardbeg and Glenmorangie.

Diageo had their own distribution company for their international spirits brands and in 2014, they expanded their route to market through a sales promotion agreement with United Spirits Limited (USL). Diageo is now also the largest shareholder in USL with a 54.78 per cent equity interest. Its mainstay, Johnnie Walker is an important brand in India.



White Spirits, Specialty Spirits, Flavoured Liquors, Liqueurs

Vodka is a fast growing spirits category in the IMFL segment in India due to its popularity as a cocktail base. Its consumption is rapidly increasing due to the growing number of pubs, hotels, restaurants, the evolving nightlife and growing acceptance by women. Key players in India are Pernod Ricard (Fuel and Absolut), Radico Khaitan (Magic Moments), Diageo (Smirnoff), Bacardi (Grey Goose and Eristoff), Moet Hennessy (Belvedere), United Spirits (Romanov, Vladivar, White Mischief). There are other premium imported vodkas that are mainly available through restaurants and hotels.

India is reportedly the fifth largest gin consuming market in the world. However, gin consumption is about half that of vodka in India, and its growth is also significantly slower. The Indian brands available include Blue Riband, Carew, Hayward's, Aristocrat, while international brands available include Beefeater and Bombay Sapphire.

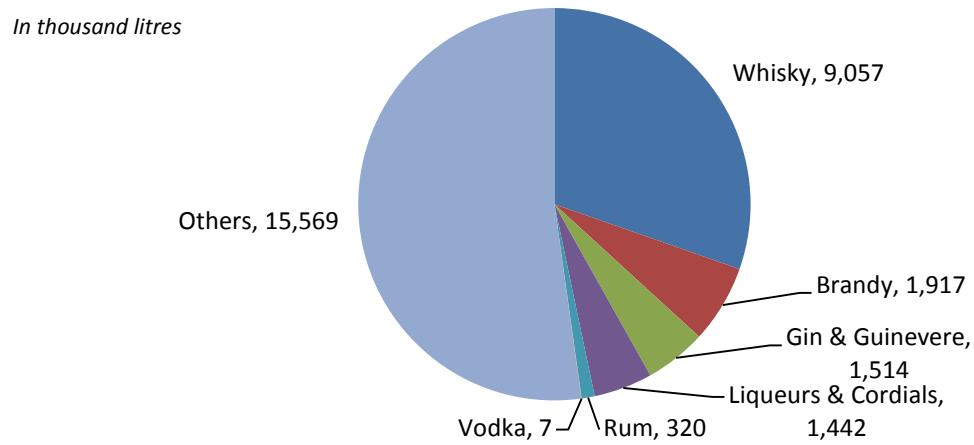
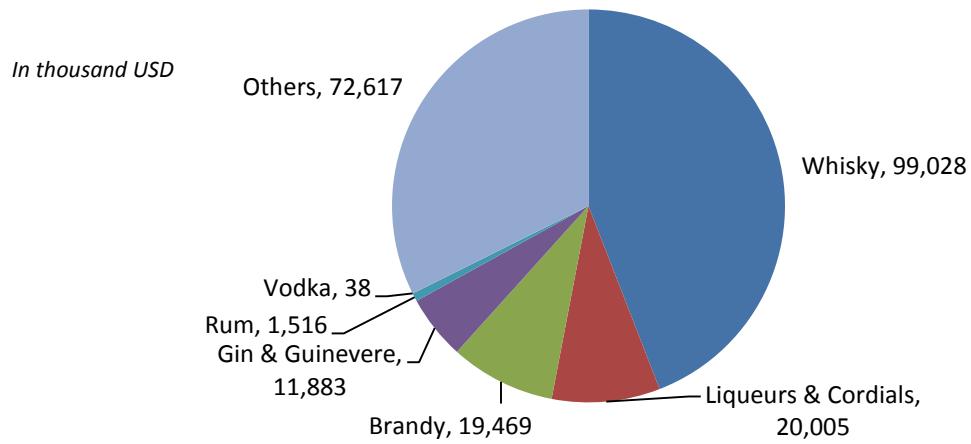
There is also a growing market for ready-to-drink alcoholic beverages. Bacardi Breezer dominates this category in India with its low alcohol content (4.8 per cent), and available in many flavours. The recently added flavours are specifically India-oriented (aam panna, based on a drink made from raw mangoes, and nimbu paani, i.e. Indian lemonade). Gin pre-mixes have also been introduced to promote gin consumption, including gin and lime "Duet" under various brands.

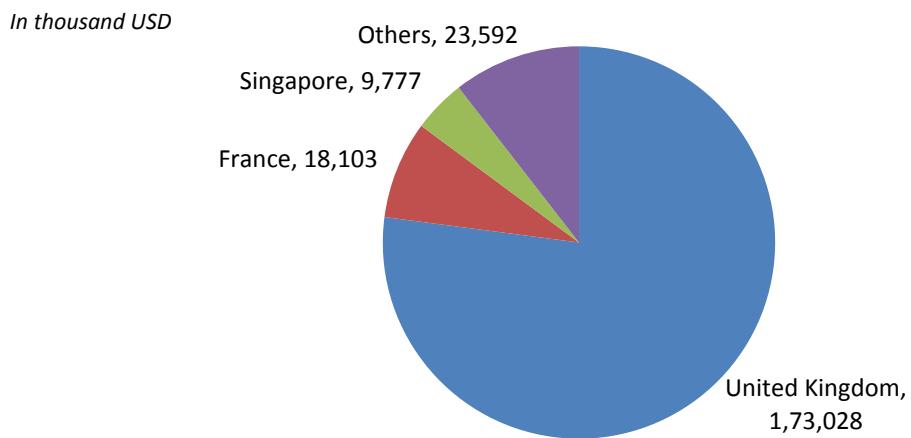
The Indian consumer is increasingly becoming interested in not just the top-end spirits but also the different varieties of liquor that are unique in their own ways. The growing popularity of cocktails also makes it necessary to use different types of special spirits as required in the recipe. Some examples of spirits in this category are Tequila, Bailey's Irish Cream, Archers Schnapps, Campari and Kahlua Liqueur.

The growth of imported spirits in the market is evident, and also shows the trend of consumers asking for better and higher-priced brands. While volume growth between 2002 and 2013 is 11 per cent on an annualised basis, value growth has jumped 33 per cent annually.

Figure 5.15.3 Spirits Imports into India

	2002	2013
Import Value (million USD)	9.6	224.5
Import Quantity (million litres)	9.4	29.8

**Figure 5.15.4 Spirits Import - Share of Categories by Volume (2013)****Figure 5.15.5 Spirits Import - Share of Categories by Value (2013)**

**Figure 5.15.6 Spirits Import - Share of countries by value (2013)**

Whisky is the largest consumption and import category, and it is no surprise that the United Kingdom is the largest source of imports into India. However, this is also supported by the presence of Diageo as a leading player in the Indian market across other products as well.

Figure 5.15.7 Top Spirits Import Sources for India (2013)

Country	Import Quantity (thousand l)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/l)
Singapore	724	9777	13.5
France	1887	18103	9.6
United Kingdom	24173	173028	7.15

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations



5.16. Oils and Fats

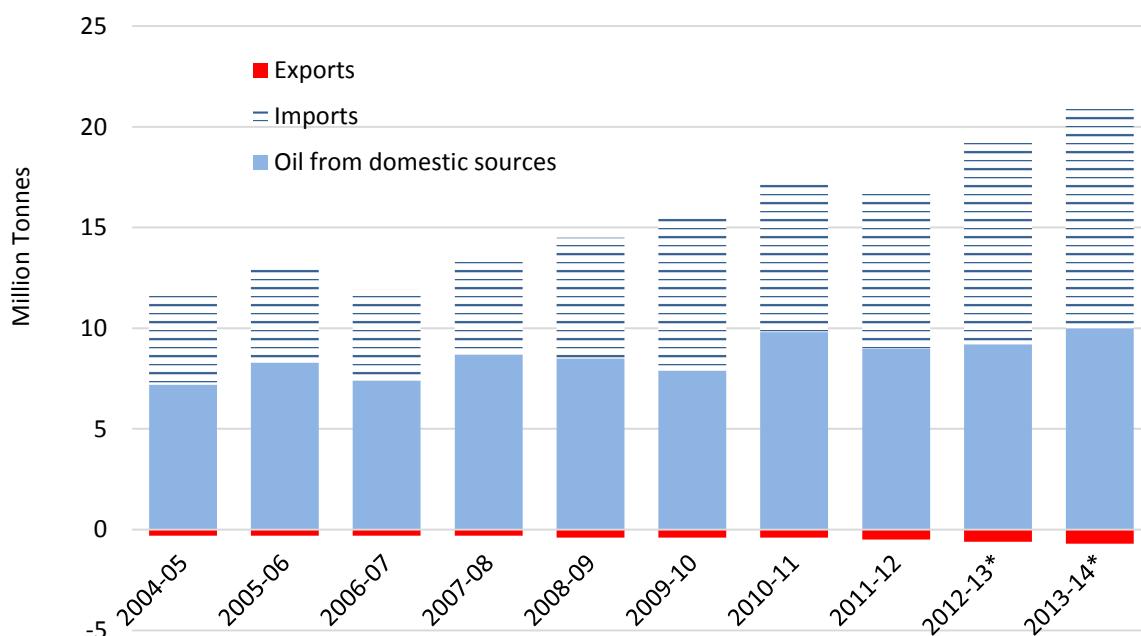
Edible vegetable oil production and consumption has increased to 10 million tons and 20.28 million tons respectively in year 2013-2014. While the demand for oil is growing at 3 - 4 per cent per annum, the domestic production is unable to meet the oil consumption because of limited availability of oil seeds and shifting of acreage to other crops in the domestic market. The difference in the two is met by imports accounting to almost 11 million tonnes for 2013 which is 55 per cent of the total oil consumption.

While India's per capita edible oil consumption is increasing (as estimated at 14.1 kg in 2012 - 13), it still remains far below the world average per capita consumption of 21.6 kg.

India is fortunate in having a wide range of oilseeds crops grown in its different agro climatic zones. Groundnut, mustard/rapeseed, sesame, safflower, linseed, nigerseed/castor are the major traditionally cultivated oilseeds. Soyabean and sunflower have also assumed importance in recent years. Coconut is most important amongst the plantation crops.

Efforts are being made to grow oil palm in the states of Andhra Pradesh, Karnataka, Tamil Nadu in addition to Kerala and Andaman & Nicobar Islands. Among the non-conventional oils, ricebran oil and cottonseed oil are the most important. In addition, oilseeds of tree and forest origin, which grow mostly in tribal inhabited areas, are also a significant source of oils.

Figure 5.16.1 Oil Availability Growth in India



Source: Ministry of Agriculture & Directorate of Vanaspati, Vegetables Oils and Fats, Third Eyesight

* Based on Final Advance Estimates (dated 14.02.2014) released by the Ministry of Agriculture



The inhabitants of various regions around the vast country have developed specific preference for certain oils largely depending upon the oils available in the region.

For example, people in the South and West prefer groundnut oil while those in the East and North use mustard/rapeseed oil. Likewise several pockets in the South have a preference for coconut and sesame oil. Inhabitants of the northern plain also prefer vanaspati, a term used to denote a partially hydrogenated edible oil mixture.

Vanaspati has an important role in India's edible oil economy. It has the ability to absorb a heterogeneous variety of oils, which do not generally have direct consumption. For example, newer oils like soyabean, sunflower, ricebran, palm oil or its liquid fraction (palmolein), cottonseed, and oils from oilseeds of tree and forest origin have found their way to the edible pool largely through vanaspati route.

Some oils, like rapeseed oil and palm oil, also find application in the manufacturing of many food products like chocolates, bakery products.

The share of raw oil, refined oil and vanaspati in the total edible oil market is estimated roughly at 35 per cent, 55 per cent and 10 per cent respectively.

The market is highly fragmented, but the market also includes large industry participants who have oil extraction and refining facilities. There are some which import crude or refined forms of oil, process and package it here, and service segments like retail, catering and food product manufacturers. As blended oils are gaining ground in household consumption for health reasons, blending of different types of oils has also become an important area in processing.

Some of the big players are Adani Wilmar (Fortune - refined forms of rice bran, soyabean oil, sunflower oil, groundnut oil, cottonseed oil, pure mustard oil), Ruchi Soya (Mahakosh - refined forms of soyabean oil, cotton seed, sunflower, rice bran, filtered groundnut, pure mustard, Nutrela – low absorb oils, Ruchi Gold - palmolein, Sunrich - sunflower oil, Nutrigold and Ruchi No. 1 - vanaspati), KS Oils (Kalash – pure mustard oil, refined forms of sunflower oil, soybean oil and palmolein oil, Double Sher – mustard oil, KS Gold - vanaspati), Saraiwala Agro Refineries (Naturralle – Refined forms of sunflower oil, soya bean oil, cotton seed oil, palm oil, rice bran oil, blended groundnut oil, vanaspati), Gemini Edible and Fats (Freedom – refined forms of sunflower & vegetable oil, First Klass - Palmolein Oil and Vanaspati), Agro Tech Foods (Sundrop – refined forms of sunflower oil, groundnut and mustard oil), Marico (Saffola), Cargill Foods India (Nature Fresh, Gemini - refined forms of sunflower, soya bean, palmolein, olive oil and ground nut oils, Leonardo – olive oil).



Figure 5.16.2 Refined Sunflower Oil Retail Pricing

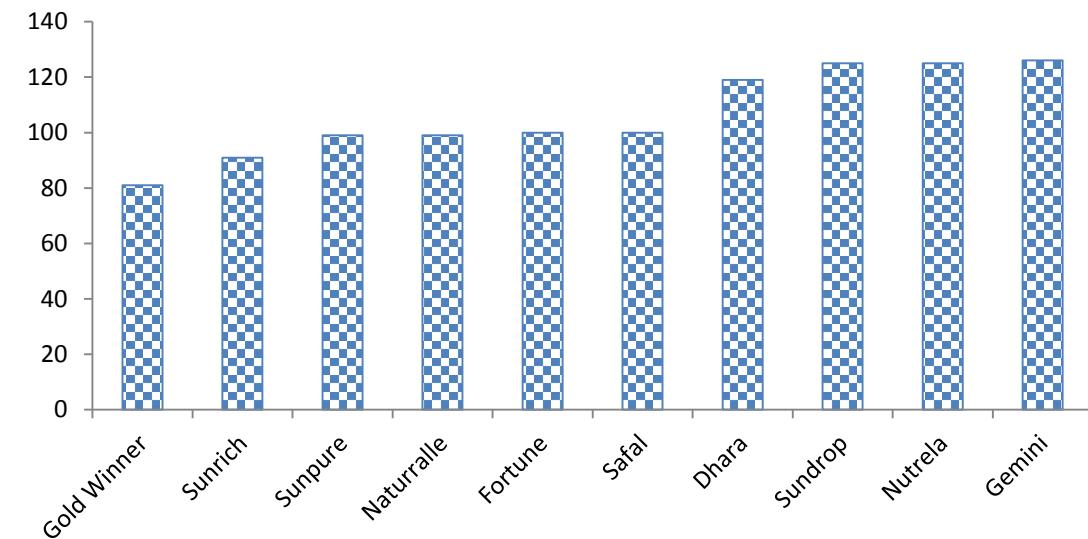
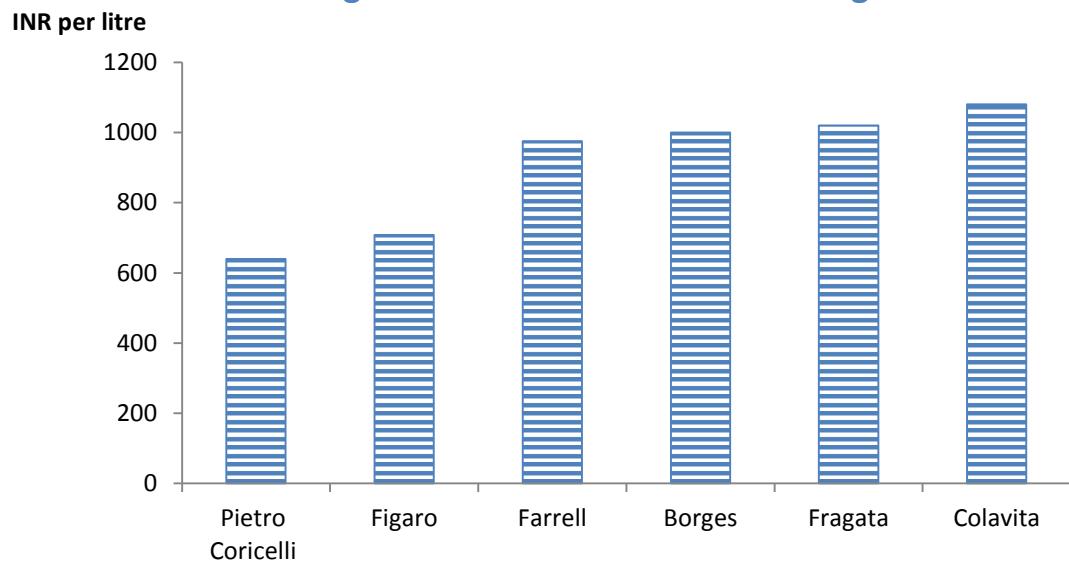


Figure 5.16.3 Olive Oil Retail Pricing



-  Indian Brands
-  International Brands manufactured in India
-  International Brands imported into India

Source: Price comparison based on a retail price survey is only indicative (prices may vary across markets)

**Figure 5.16.4 Edible Oils Imports into India**

	2002	2013
Import Value (mn USD)	1,676	9,803
Import Quantity (mn kg)	4,304	10,982

Oil imported into India includes 8.3 million tonnes of palm oil (76 per cent), 1.1 million tonnes of soya bean oil (10 per cent), 1.1 million tonnes of sunflower oil (10 per cent) and 0.4 million tonnes of other edible oils.

In the period from 2001 to 2008, import duties on crude oil were in a prohibitively high range of 40-90 per cent. In order to curtail inflation, the Government revised these protectionist tariffs downwards to 7.5 per cent for refined oil and 0 per cent for crude oil in April 2008.

Thereafter, the customs duty on crude oil has been recently increased to 7.5 per cent from 2.5 per cent earlier, while the duty on refined edible oil has been raised to 15 per cent from 10 per cent, as per the notification issued by the Central Board of Excise and Customs (CBEC).

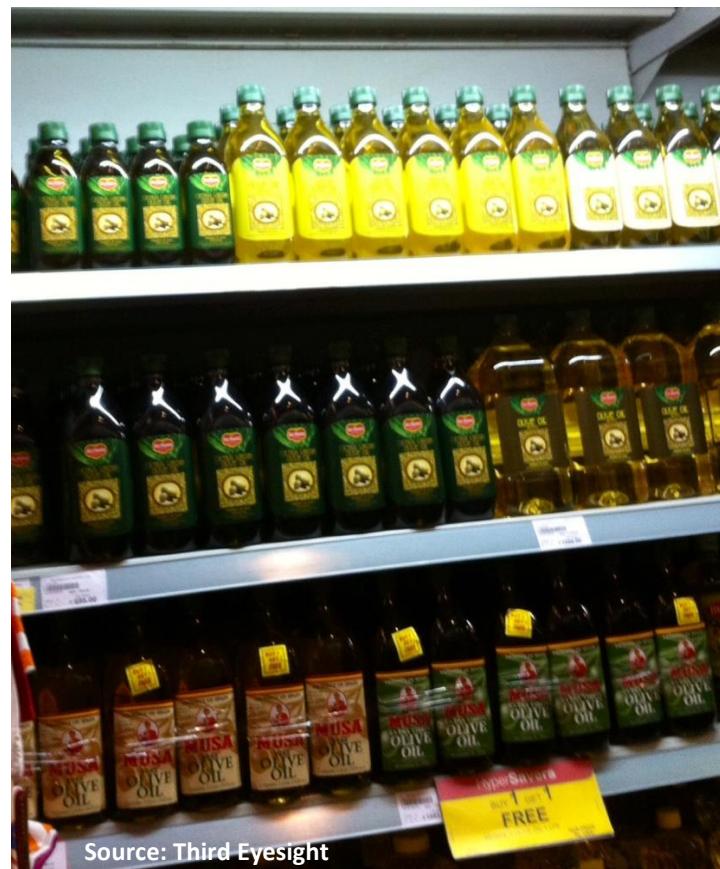
Figure 5.16.5 Edible Oils – Category wise Imports into India (2013)

	Oil Seeds	Crude Oil	Refined oil
Import Quantity (million kg) - 2013	142	8,468	2,479
Import Value (million USD) - 2013	192	7,632	2,130

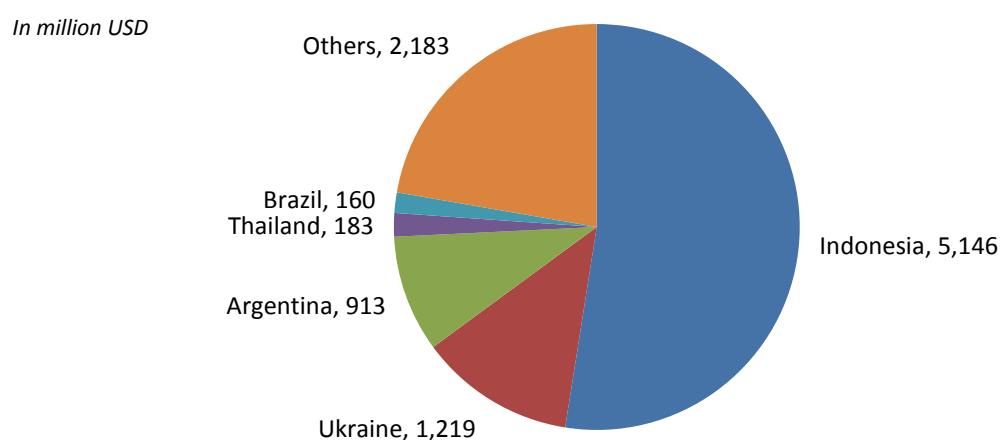
Indonesia contributes 53 per cent of India's total oil imports. Some other countries exporting to India include Ukraine, Brazil and Argentina.

With increasing concerns about health and exposure to foreign cuisines, olive oil and rice bran oils are gaining popularity, although consumption is still low. The imports volume for olive oil has rapidly grown to 12,000 tonnes in 2013 from 6,065 tonnes in 2011 and 3,100 tonnes in 2008.

According to Mr. Rajneesh Bhasin, ASOLIVA (the Spanish Olive Oil Exporters Association) has identified India and Indonesia as important markets for their products and is aggressively taking up promotional as well as educational initiatives to help the category grow in these markets.

**Figure 5.16.6 Olive Oil counter at a Retail Store**

Oil imported is largely in crude oil form and is further processed and packed in India. Oil is cost-sensitive and as the imports are high, prices of oil are dependent on the global oil prices.

Figure 5.16.7 Edible Oil Import - Share of countries by value (2013)

**Figure 5.16.8 Top Edible Oils Import Sources for India (2013)**

Country	Import Quantity (thousand kg)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/kg)
Ukraine	1,068	1,219	1.14
Argentina	842	913	1.08
Brazil	151	160	1.06
Thailand	217	183	0.84
Indonesia	6,217	5,146	0.83

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations



5.17. Fruit-Based and Non-Alcoholic Beverages

The non-alcoholic beverages market in India is comprised of fruit based beverages, carbonated drinks, packaged water, energy drinks and some other categories. Traditional grocers are the leading distribution channel for these beverages.

Consumers have traditionally bought freshly extracted fruit juices from vendors present in every neighbourhood. But now owing to convenience, easy availability, consistency of taste and hygiene, the preference is shifting towards packaged fruit drinks.

The organised market is currently dominated by Dabur, Parle Agro, PepsiCo India and Coca Cola India. The growth in this category has been dynamic not only because of the growing demand but driven by new products and variant launches. In recent years, the preference has also shifted from carbonated drinks to non-carbonated fruit based drinks, due to the rising health awareness.

The fruit beverage market is divided into fruit-flavoured drinks and fruit-based drinks, including 100 per cent fruit juices and other drinks with fruit pulp in a diluted form. While the 100 per cent fruit juice category has a limited number of companies, there are many players in all other categories.

Pure (100 per cent) fruit or vegetable juice is a fast growing category at a rate of 20-25 per cent annually. The leaders in this category are Dabur's Real accounting for 55 per cent and PepsiCo India's Tropicana accounting for 30 per cent. Both the brands are similarly priced for their 1 litre packs, with Dabur's Real being priced at INR 110 and Tropicana priced at INR 105. The other players include Safal (Mother Dairy), Ladakh Foods, Surya Foods and Agro (Fresh Gold) and Tunip Agro (Onjus).

Fruit flavoured and fruit-based drinks include Pepsico India's Slice, Coco Cola India's Maaza and Minute Maid, Hershey India's Jumpin', Parle Agro's Frooti and Del Monte's fruit drinks are some examples in this category in the ready to drink form. Pioma Industries' Rasna and Mondelēz's Tang are examples of drink concentrates that are available.

Recently, Hector Beverages has mapped traditional beverages of various states of India and introduced a variety of flavours under their brand Paper Boat including chilled rasam, sattu, ginger lemon tea, tulsi tea, aamras, jaljeera, kokum, jamun, aam panna, imli and golgappe.

Although the individual-sized (200 ml) packs are very popular, there is also a growing demand for the family pack size (1 litre) for consumption at home as part of breakfast and also to be served at social gatherings, and their use for preparing cocktails, mocktails, smoothies and desserts is also growing.

Consumers have also shown willingness to pay a premium for newer flavours and fruit varieties, as well as for health-promoting qualities such as fibre-enrichment and products without added sugar.

While carbonated drinks face significant pressure, low prices and deep penetration in the markets are helping them to continue the growth momentum. Coca Cola India and PepsiCo are two key players in the market, and they both have product portfolios that include carbonated drinks, bottled water, energy drinks and fruit based beverages to capture all segments.



Energy drinks and functional drinks are another rapidly growing category. Currently the energy drinks market in India is dominated by the multinational brand Red Bull. The other players in this space include Hector Beverages (Tzinga), Coca Cola (Burn), PepsiCo (Gatorade, Monster Beverage), JK Ansell (KamaSutra), K G Functional Beverages (Restless), Parle Bisleri (Urzza), Goldwin Healthcare (Cloud 9) and Viking Ventures (XXX).

The most important beverage category is the bottled water market, which is also growing at a rate of around 20 per annum, due to the increasing concern for hygiene in out-of-home consumption. The organised bottled water business in India can be divided broadly into three segments in terms of cost: natural, mineral water and regular packaged water. Due to lower price and widespread availability, regular packaged drinking water dominates the market. The share of natural and mineral water is growing slowly, especially through upscale hotels and restaurants. Packaged water is sold in a variety of pouches and bottle sizes including 200 ml, 330 ml, 500 ml, one-litre and even 20 to 50 litre bulk water packs. More than three quarters of the water is supplied in PET bottles. Parle was the first major Indian company to enter the packaged water market in the country when it bought over the previously Italian-owned Bisleri in 1969. Besides Bisleri mineral water, it has now introduced Vedica packaged spring water. Other brands available in market include Coca Cola (Kinley), PepsiCo (Aquafina), Manikchand (Oxyrich), Tata (Himalayan), Narang Group (Owned Brands: B'luo, Qua, Distributed Brand: Evian, Perrier).

Beverage Imports into India

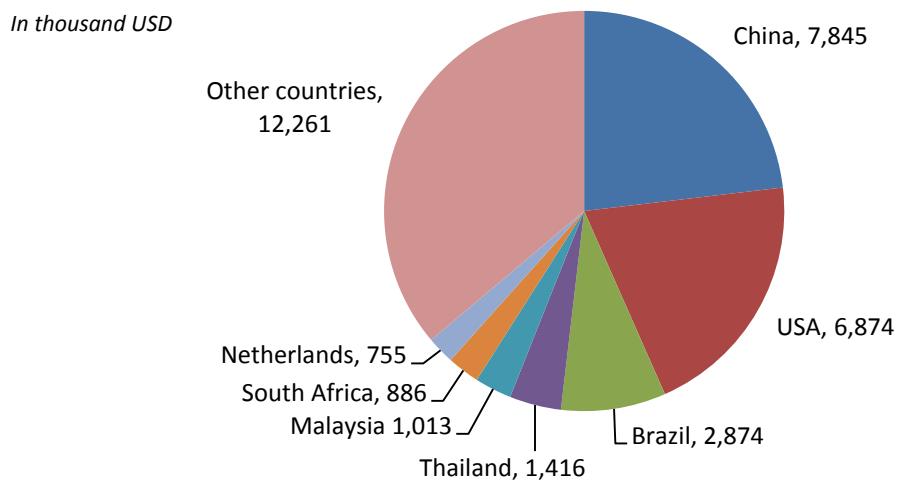
India imported non-alcoholic beverages worth USD 125 million in 2013.

Imports of fruit juices accounted for 21,000 tons in 2013 in terms of volume and USD 34 million in terms of value. The key source countries for importing fruit juices were Brazil, China, Thailand, USA, Netherlands, Malaysia and Germany. The Netherlands accounted for 2 per cent of the total import of fruit juices by value. Amongst different juices, orange juice accounted for 22 per cent, apple juice accounted for 25 per cent and mixed fruit accounted for 23 per cent by value.

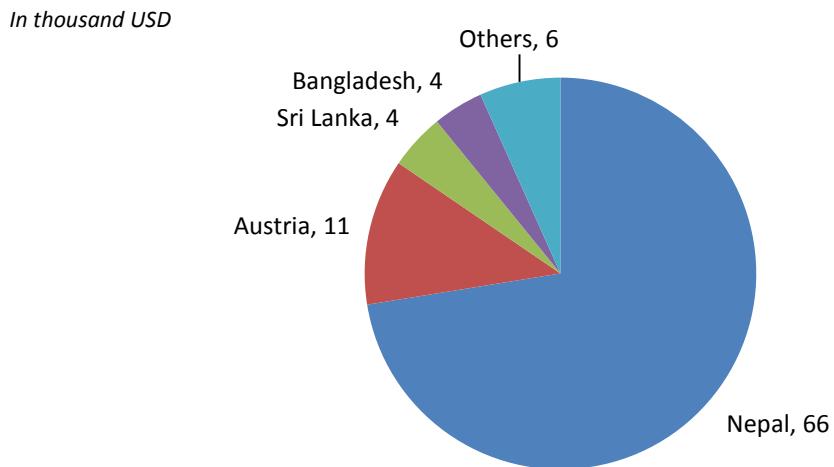
The other beverages imported are mineral water, water in sweetened or flavoured form, and some other non-alcoholic beverages. The key source countries for these products were Nepal, Austria, Bangladesh, Sri Lanka, Australia and USA.

Figure 5.17.1 Fruit Juice Imports into India

	2002	2013
Fruit Juices		
Import Value (mn USD)	9	34
Import Quantity (mn kg)	8.5	21
Other Beverages		
Import Value (mn USD)	1.5	91
Import Quantity (mn kg)	2.7	118

**Figure 5.17.2 Fruit Juices Import - Share of countries by value (2013)****Figure 5.17.3 Top Fruit Juice Import Sources for India (2013)**

Country	Import Quantity (thousand kg)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/kg)
Netherlands	212	755	3.56
Brazil	1,228	2,874	2.34
Germany	182	418	2.30
Thailand	931	1,416	1.52
China	5,254	7,845	1.49
Malaysia	696	1,013	1.46
South Africa	696	886	1.27
USA	5,643	6,874	1.22

**Figure 5.17.4 Other Beverages Import - Share of countries by value (2013)****Figure 5.17.5 Top Other Beverages Import Sources for India (2013)**

Country	Import Quantity (thousand litres)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/l)
Austria	8,889	11,240	1.26
Sri Lanka	4,977	4,217	0.85
Nepal	89,870	65,837	0.73
Bangladesh	8,437	3,767	0.45

Source: UN Comtrade, Department of Economic and Social Affairs, United Nations



5.18. Sugar Confectionary

The consumption of sweets is intrinsic to Indian culture and there is a huge variety of traditional sweets given the diversity of the Indian culture. Sugar, milk products, fruits, and even pulses, and vegetables are used as ingredients of these sweets.

Western choices such as sugar confectionery and chocolate confectionery have not replaced traditional sweets but have become an integral part of this category, and aggressive marketing campaigns have helped this product category to grow in India.

India is one of the largest producers of sugar and its sugar confectionery industry is fairly developed amongst the other food processing sectors in the country.

The confectionery market can be segmented into three main segments; chocolate confectioneries, sugar confectioneries and the chewing gum segment. The total market size for confectionery was estimated to be INR 95 billion (EUR 1.2 billion) in 2012-13 and was expected to grow at a rate of 10-12 per cent annually. Sugar confectionery holds around 50 per cent share in terms of value, but with lower unit prices than chocolate confectioneries, sugar confectionery takes a much larger share of the volumes consumed.

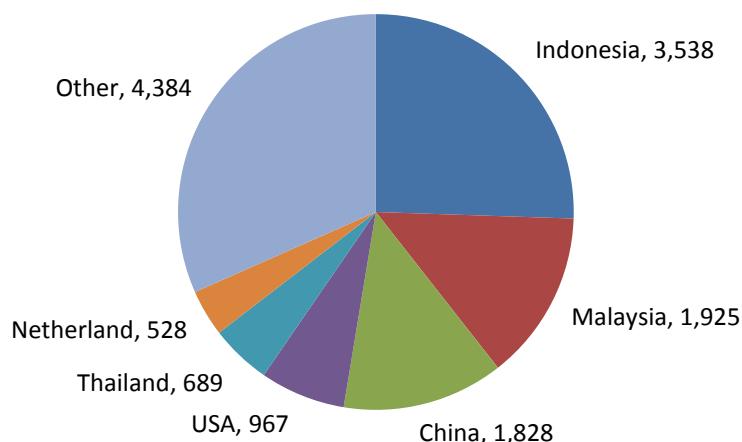
From the consumer's purchase pattern standpoint, India is primarily a mono-pack market. The category is an impulse driven product, so availability and visibility at the point of sales is very crucial.

The market in India is consolidated with the local subsidiaries of the global brands being the leading players in the market. Many Indian companies with a regional or national presence that had a sizable base in the market have been acquired by the international companies.

The key players include Mondelez, Nestle, Perfetti Van Melle, Mars, Wrigley, Hershey's, Lotte Hindustan Unilever, and domestic companies such as Amul, Parle, ITC, Ravalgon and Candico. Most of the international companies operating in the market find it cost-effective to produce within the country. However, imports have also been growing.

Figure 5.18.1 Sugar Confectionery Imports into India

	2002	2013
Import Value (million USD)	2	13.9
Import Quantity (million kg)	1	6.9

**Figure 5.18.2 Sugar Confectionery Import - Share of countries by value (2013)***In thousand USD***Figure 5.18.3 Top Sugar Confectionery Import Sources for India (2013)**

Country	Import Quantity (thousand kg)	Import Value (thousand USD)	Avg Unit Value (CIF, USD/kg)
USA	155	967	6.24
Netherlands	117	528	4.50
Thailand	224	689	3.07
Indonesia	1,575	3,538	2.24
China	1,029	1,828	1.77
Malaysia	1,477	1,925	1.30



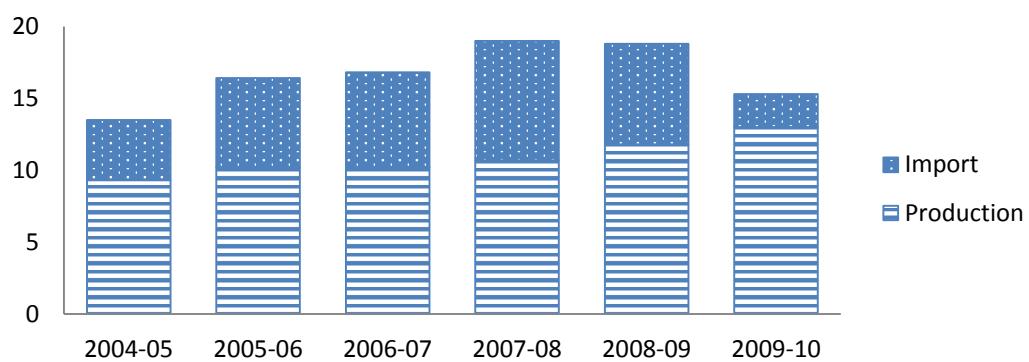
5.19. Chocolate & Cocoa Products

Cocoa got its entry as a crop in India in the first half of the 20th century. The tropical diversified congenial climate available in India provides immense scope for its cultivation. At present it is mostly grown in the southern states of Karnataka, Kerala, Andhra Pradesh and Tamil Nadu.

India produced 13 million kg of cocoa beans in 2009-10 was and the per capita consumption of cocoa and cocoa products has more than doubled between 2002 and 2010, from 12g per capita per annum to 27g per capita per annum according to the World Cocoa Economy 2012 reports.

India's chocolate industry is expected to annually grow at 16 per cent.

Figure 5.19.1 Cocoa Production and Imports (million kg)



Source: Dir. of Cashewnut & Cocoa Development, Dept. of Agriculture & Co-operation, Ministry of Agriculture

Processed cocoa in different forms is an important raw material for confectionery, beverages, chocolates, bakery products and ice creams. Majority of the processed cocoa products produced in India are consumed within India.

The industry is dominated by Cadbury India Limited (now Mondelez India Foods Limited) and Nestlé India, the two companies accounting for a large share in the market. Mondelez has been in India for over 6 decades, having started in 1948 as an importer of chocolates, and it now has six manufacturing facilities at Thane, Bengaluru, Hyderabad, Induri (Pune), Malanpur (Gwalior) and Baddi (Himachal Pradesh). Nestlé India set up its first manufacturing facility at Moga (Punjab) in 1961 followed by 7 others manufacturing different products in its portfolio including chocolates.

The trend of using chocolates over traditional Indian sweets for gifting is one of the prime reasons for the growth of the industry. Consumption of chocolates in urban cities is higher compared with rural areas. Although, distribution in rural India is improving, this segment still remains largely untapped due to inadequate transportation and storage infrastructure.

While milk chocolate is the most popular category in India, dark chocolates are also growing rapidly as a more adult, evolved taste, demonstrating annual growth of 30-40 per cent.



Premium chocolates are also growing, aided by the trend of gifting. Mostly the premium chocolates are imported but Mars and Ferrero are gaining ground with products manufactured within India. Japan's gourmet chocolate maker Royce also started operations lately in premium segment in India by rolling out 4 exclusive brand outlets in Mumbai, Bangalore and New Delhi. Other than that, the major metropolises also have local gourmet chocolatiers growing their businesses.

Lindt has stopped its operations in India after two of its imported consignments were sent back due to non-compliance with labelling and composition standards regulated by the Food Safety and Standards Authority of India.

Other cocoa products available include cocoa powder, drinking chocolate powder and chocolate syrups. While Mondelez, Nestle, and Hershey's sell drinking chocolate powder, Hershey's is the only major branded player in the chocolate syrups category.

Other than retail brands, companies such as Jindal Cocoa, Morde Foods and Campo sell to the HoReCa segment. Chocolate products imported in bulk also cater to this segment.

Figure 5.19.2 Chocolate and Cocoa Products Imports into India

	2002	2013
Import Value (mn USD)	10.5	154.9
Import Quantity (mn kg)	4.9	44.4

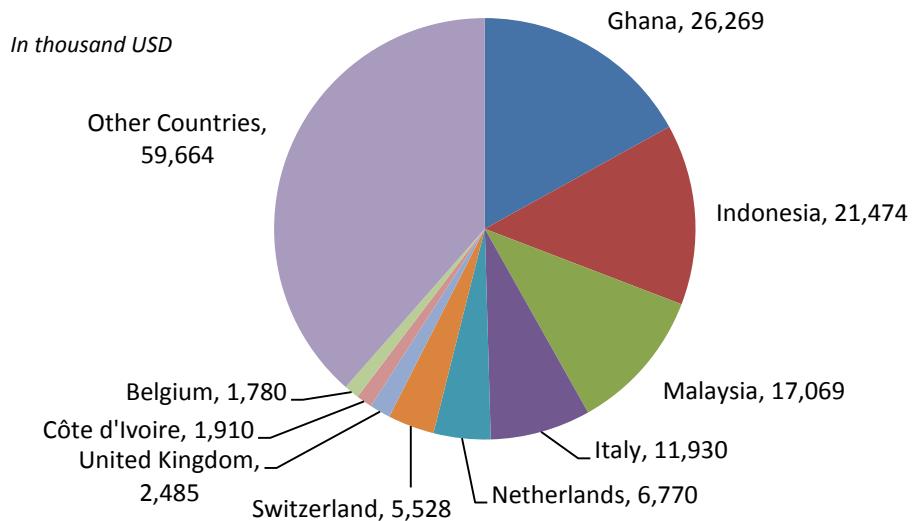
An indication of the sector's growth in India is available in the import statistics. Chocolate and cocoa product imports have demonstrated 28 per cent annualised value growth and 22 per cent growth by volume between 2002 and 2013. This includes cocoa beans, whole or broken, raw or roasted, cocoa shells, husks, skins and other cocoa waste, cocoa paste, cocoa butter, fat and oil, cocoa powder, other preparations in blocks, slabs or bars.

Source countries for cocoa and cocoa products are Ghana, Italy, Netherlands, Malaysia, Belgium, Indonesia, Switzerland, United Kingdom and few others.

The imports for cocoa beans have increased from 1 million kg in 2002 to 13 million kg in 2013 in volume. The cocoa beans are imported and further processed in India into different cocoa products by chocolate, confectionery and bakery industry. India is also importing certain processed forms of cocoa such as 4 million kg of cocoa paste (beans ground into cocoa mass), 2 million kg of cocoa butter, oil and fat and almost 6 million kg of unsweetened cocoa powder. The imports for cocoa products in the forms of preparations have increased from 2 million kg in 2002 to 18 million kg in 2013 in volume.



Figure 5.19.3 Chocolate and Cocoa Products Import - Share of countries by value (2013)



Source: UN Comtrade, Department of Economic and Social Affairs, United Nations



5.20. Sauces and Condiments

Traditionally there are many sauces and condiments which form an integral part of Indian cuisine including a variety of chutneys and pastes, made of coconut, onion, tomato, cilantro (coriander leaves), mint, tamarind, ginger, mango, lime and many other ingredients. While traditionally all these were prepared at home, due to time pressures and declining culinary skills, consumers are increasingly inclined to pick up ready-to-use products.

Among table sauces, tomato ketchup is the most widely consumed along. Approximately 1000 tonnes of tomato ketchup worth INR 0.39 billion was sold in India in 2013. Nestle's Maggi has a market share of 41 per cent, followed by Hindustan Unilever's Kissan having 26 per cent. The other players are Heinz India, Mrs. Bector's Cremica and Tops India. The growth of tomato ketchup is also being aided by the growth of the HoReCa segment, especially quick service restaurants.

However, Indian consumers have also expanded their choice to include a variety of other sauces, salad dressings, dips and spreads, and the quick service restaurants have a role to play in the expansion of the consumers' choice. For instance, while the international sandwich-salad chain Subway popularised sauces and dressings such as sweet onion, chipotle and others, the Indian restaurant chain Barbeque Nation, with their live barbecue concept, exposed the consumers to various marinades.

Along with sauces for table consumption, there is also growth of a large range of cooking sauces and pastes. Although consumption of sauces in this segment in households is still small, it is growing at a high pace of 35-40 per cent.

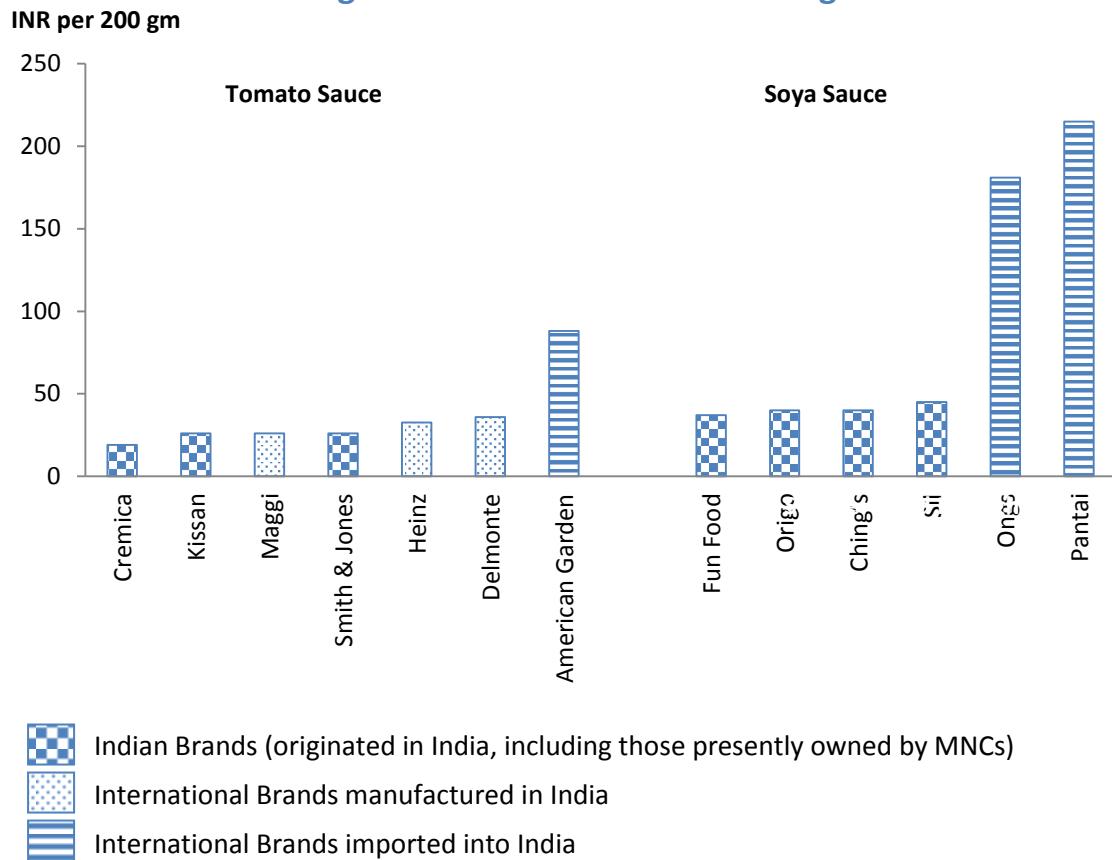
Nestle and Hindustan Unilever have the lion's share of the tomato ketchup market, while other companies have leading positions in other varieties of sauces and dressings. Capital Foods sells a range of Chinese condiments and cooking sauces under the brand Ching's and under the brand name Smith & Jones it sells tomato ketchup, garlic chilli sauce, masala chilli sauce, sweet & hot sauce, bhel puri chutney, garlic paste, ginger paste and ginger-garlic paste. Dr. Oetker acquired the Indian brand Fun Foods and produces spreads, dips, mayonnaise, salad dressings, Italian, Mexican, oriental sauces. Del Monte introduced Zingo (blend of red chillies, red bell pepper, garlic and ginger) and Twango (blend of tomatoes and pineapple) variants.

Imported products are also available including cooking sauces and condiments by Ragu, Tabasco, Homechef, Remia, Barilla and Prego. From 2002, imports have increased from a negligible quantity to 5.44 million kg in 2013 and in terms of value from USD 0.68 million in 2002 to USD 11.68 million in 2013.



Figure 5.20.1 Sauces, Mayonnaise and Dressings at a Local Retail Store

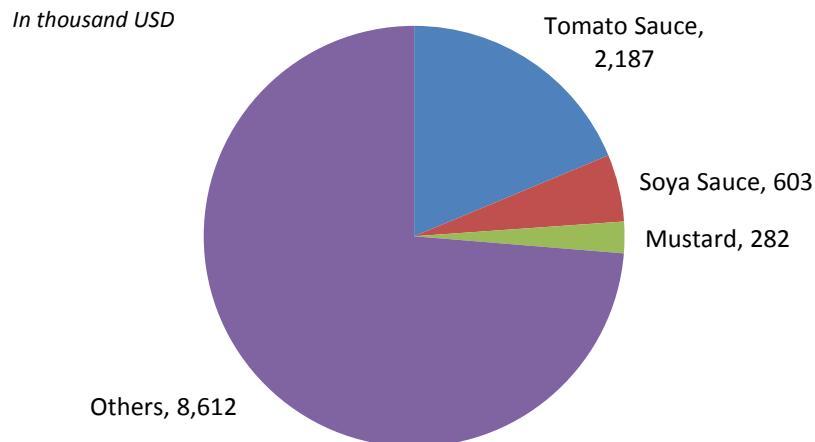
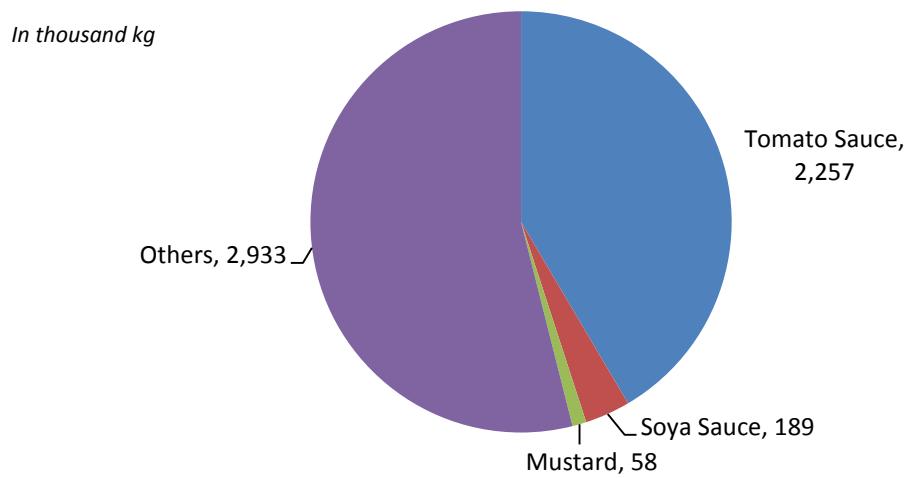


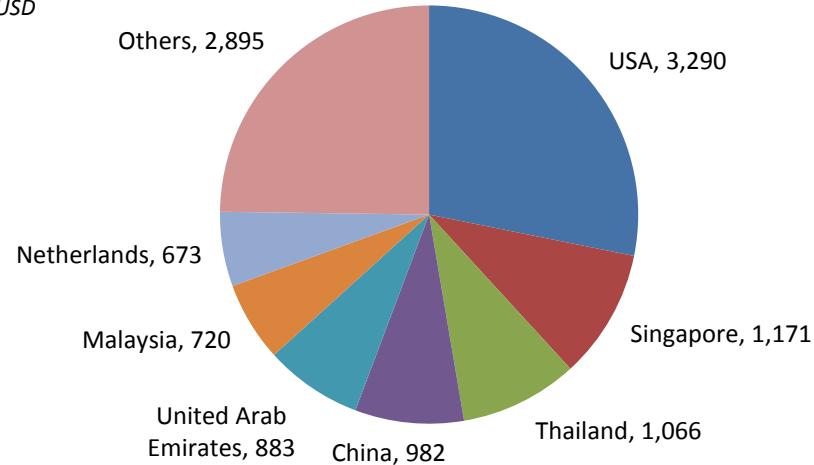
**Figure 5.20.2 Sauces Retail Pricing**

Source: Price comparison based on a retail price survey is only indicative (prices may vary across markets)

Figure 5.20.3 Sauces and Condiments Imports into India

	2002	2013
Import Value (mn USD)	0.68	11.68
Import Quantity (mn kg)	0.2	5.44

**Figure 5.20.4 Sauces Import - Share of Categories by value (2013)****Figure 5.20.5 Sauces Import - Share of Categories by volume (2013)**

**Figure 5.20.6 Sauces Import - Share of countries by value (2013)***In thousand USD**Source: UN Comtrade, Department of Economic and Social Affairs, United Nations*



Remia's Case Study: Entering in India, Sustaining the Business and Steadily Growing

Remia International is a good example of a mid-sized Dutch organisation that has begun created a visible and viable presence in India..

Established in 1925, Remia International is a family business with over 400 employees offering a wide range of sauces, dressings, margarines and fats which are produced in Den Dolder, Netherlands. Remia's products are used by consumers as well as by food services and industrial customers, both in the Netherlands and abroad.

Although their international range of products include sauces, dressings, margarine and frying fats, in India they offer only dressings and sauces. Remia has been present in India for more than fifteen years i.e. from a time when they were not directly exporting to India. At that time, their products were available in countries such as the United Arab Emirates which were seen as potential markets by Western companies. Indian importers would buy these products from consolidators in those markets. As India began catching the company's attention and Remia began to develop direct relationships with the importers in India. Subsequently they appointed a designated distributor for the Indian market and continue working with that partner so far.

Currently, the distributor is reportedly importing 15-20 containers of Remia products each year, each having 6,000 cases of 24 jars or bottles and the market is expected to grow further. The products are placed on the shelves of both traditional and modern retail stores all over the country through a network of more than 100 distributors. The pricing has been kept moderate, according to market sources. A 250g jar of mayonnaise or a 250g bottle of barbecue sauce is priced at INR 175. There are around 10 variants of Remia's products in India.

The brand is well accepted in India because of its long standing presence, good quality, affordable prices, availability and a wide variety. The parent company and the importer work in a collaborative way to grow the business, be it in terms of adhering to the regulatory framework in India, or in terms of planning and implementing marketing initiatives such as in-store promotions and placement on prime display shelves.



(Based on Third Eyesight research comprising of industry interviews and information from other sources)



Kingdom of the Netherlands



6. Value Chain for the Imported Food Products



6. Value Chain for the Imported Food Products

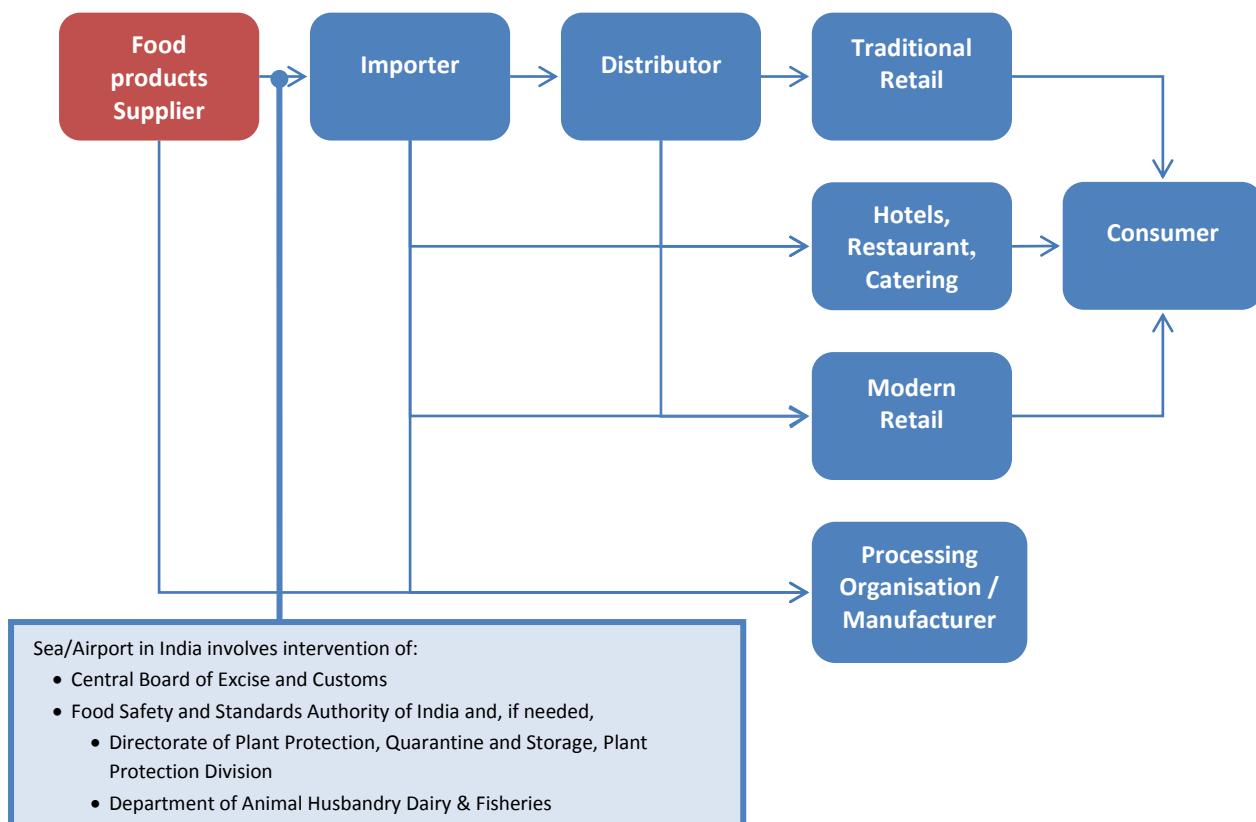
Most imported food and beverage products go through several intermediaries before reaching the consumer.

There are several Indian agencies involved in importing and supplying the products to the various customer groups like retail, hotels, restaurants, catering businesses, food product manufacturers and also their distribution network to fulfil the demands of domestic businesses requiring smaller volumes of those products.

Food product manufacturers often import directly depending on the product's demand pattern and quantities required.

Logistics involving transportation (international shipping, domestic distribution) and warehousing, as well as import regulations are usually the importer's responsibility and the related costs are borne by the importer. The Retail Selling Prices of the products are decided by the importer. The retail prices may be communicated to the international suppliers so that the India-appropriate packaging and labelling can be done.

Figure 6.1 Schematic of the Value Chain for Imported Processed Foods



Source: Research by Third Eyesight



Compliance with the regulatory framework laid down by the authorities mentioned in the above graphic is handled by the Custom House Agent (CHA). The CHA is licensed to act as an agent for transaction of any business relating to the import or export of goods at any Customs station complying with all regulations laid down by Central Board of Excise and Customs, Food Safety and Standards Authority of India, Directorate of Plant Protection, Quarantine and Storage, Plant Protection Division & Department of Animal Husbandry Dairying & Fisheries.

Once cleared at the ports, products are stored at a warehouse maintained by the importer or regional distributor, and shipped to customers as per their orders. If the product is to be kept in temperature control environment, the distributor typically outsources the cold storage facilities.

Not only do duties and freight vary by product, so do the margins for different intermediaries. Importers' margins can range from 30 per cent to 100 per cent, or even more at times. In many cases, importers mention the requirement of the high margin to compensate for the risk inherent in the business – for instance, non-compliances or delays in approvals from any of the government may cause a shipment to be delayed or returned.

One of the operational challenges mentioned by the importers is the unpredictability of both demand and supply. Most of these food products are not yet main stream enough to generate steady demand. Accordingly, supply side predictability can also be low, affected by long lead times and delay in deliveries, since many suppliers do not yet treat India as a priority market. This makes it difficult to maintain adequate buffer stocks, due to the limited shelf life of the products and the cost of holding excess inventory.

Distributors' margins typically lie between 5 per cent and 10 per cent, while a retailer's margin usually varies between 30 per cent and 35 per cent. Retailers also charge a onetime listing fee which can have a wide range depending in the negotiation power of the retailer and the trader or the strength of the brand and the product.

The channels for imports are also restricted as the ports which have been handling imports of food products have developed capability in terms of expertise of the executive team and infrastructure like warehouses, cold storages and food testing laboratories but these are also the busier ports that suffer congestion. Inevitably, the business ports are also closer to major consumer markets.



Kingdom of the Netherlands



7. The Regulatory Framework and Its Impact on the sector



7. The Regulatory Framework and Its Impact on the Sector

It is not feasible to provide an exhaustive list of all the regulations impacting the processed food sector in this report. However, this section covers highlights of significant areas such as:

- Import duties
- Food Safety and Standards Authority of India
- Licensing
- Import clearance process
- Packaging and Labelling
- Foreign Investment
- Manufacturing

Import Duties

In India, the Central Board of Excise & Customs (CBEC) is the apex body for customs matters. It is a part of the Department of Revenue under the Ministry of Finance, Government of India. Import duties are generally of the following types:

- Basic Duty: It may be at the standard rate or, in the case of import from some countries, at the preferential rate. Standard rate for product categories which are of interest to the Dutch organisations have been listed below.
- Additional Customs Duty
- True Countervailing duty or additional duty of customs
- Anti-dumping Duty/ Safeguard Duty
- Education Cess

Typical import duties ranging 30 per cent upwards add a significant cost to the CIF rates of finished product imports. The import duty structure proves favourable to those businesses that can take strategic pricing decisions, with longer-term market acquisition goals in mind, or companies that establish at least partial production or processing operations within the country.

The rates of basic customs duty for the products covered in this report are mentioned below.

(Note: these may be changed from time-to-time, and should be verified from customs sources at the time of transacting business.)



Figure 7.1 Basic Customs Import Duties for Some Products Covered in the Report

Commodity	Unit	Rate of Basic Duty (Standard)
Alcohol: Beer	l	100 per cent
Alcohol: Wine, Whisky, Rum Vodka, Gin etc.	l	150 per cent
Bakery Products: Bread, Pastry, Cakes, Biscuits	kg	30 per cent (45 per cent for biscuits, waffles)
Cereals	kg	30 per cent
Cheese	kg	30 per cent (40 per cent for some types)
Cocoa	kg	30 per cent
Coffee	kg	100 per cent
Edible Oil	kg	7.5 per cent for crude, 15 per cent for refined
Fruit Juices, Fruits (processed)	kg	30 per cent (35 per cent for orange juices)
Infant Food	kg	50 per cent
Meat (Bovine, Swine, Poultry, Eggs, Marine products)	kg	30 per cent (100 per cent for sausages)
Pasta	kg	30 per cent
Potatoes (Processed)	kg	30 per cent (35 per cent for some types of processing)
Sauces, Condiments	kg	30 per cent
Sugar Confectionery		30 per cent (45 per cent for chewing gums)
Vegetables (Processed)	kg	30 per cent

Source: Central Board of Excise and Customs



Food Safety and Standards Authority of India – Licensing, Import Clearance

The Ministry of Health & Family Welfare, Government of India is the Administrative Ministry for the implementation of the relatively recently formed Food Safety and Standards Authority of India. The FSSAI has been established under Food Safety and Standards Act, 2006 which consolidates various acts and orders for food-related issues previously handled by various Ministries and Departments.

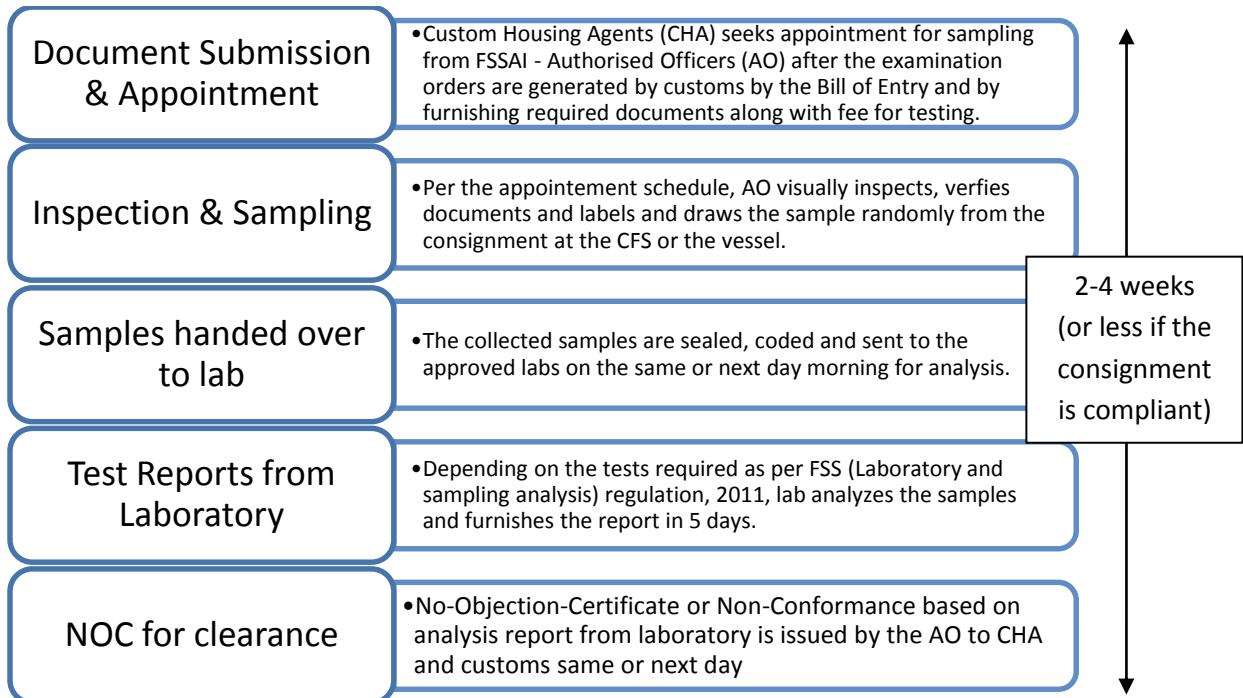
The FSSAI has been created for laying down standards for food articles and to regulate their manufacture, storage, distribution, sale and import to ensure availability of safe and wholesome food.

Eligible food business operators including importers, 100 per cent export-oriented units, manufacturers, operators in Central Government, agencies, airports, seaports etc. need to take a License from any of FSSAI's regional offices.

The fee structure for Licensing is as follows, and licenses are granted is for a maximum period of 5 years. The fee for one year is INR 7,500 and is applicable for new applications, renewals and modification of licenses.

For the import of products, the prescribed process is described in the diagram below.

Figure 7.2 Food Import Clearance Process



Source: Food Safety and Standards Authority of India (FSSAI)

For any food product being imported into India, the importer needs to apply online for a no-objection certificate (NOC), and pay laboratory testing fees (INR 3000 per sample + service tax). If



any clarification is sought by the authorised FSSAI officer, this must be submitted within the time period stipulated, and any inspection and drawal of food samples must be facilitated. Any visual defects or labelling defects need to be corrected within the Customs Area within a defined time. Once this is done, the signed NOC may be collected from the authorised officer, and the shipment may be cleared after completing necessary formalities at the Customs Desk.

In the event that the sample receives a rejection from the authorised officer, an appeal may be filed for re-testing of a second sample after paying the required laboratory fee. In case the importer prefers to not appeal, the rejected food consignment needs to be re-exported or destroyed by the importer.

The documents needed for clearance of shipments by the importer or the CHA are as follows:

- Bill of entry
- Examination order from the customs
- Country of origin certificate
- Declaration stating that the imported food articles comply with the laws of India and meet the standards defined by the food authority.
- Declaration of end-use.
- Declaration indicating whether the food is genetically modified or not

According to the Food Safety and Standards Regulations, 2011, there are certain general packaging requirements such as regarding the container material and some product specific packaging requirements for milk and milk products, edible oils and fats, fruits and vegetables products, canned meat products and drinking water.

According to the Regulations, the language on the label needs to be in English or Hindi, other than any other language, with its application such that it is not separate from the container, and should also display of the FSSAI License number.

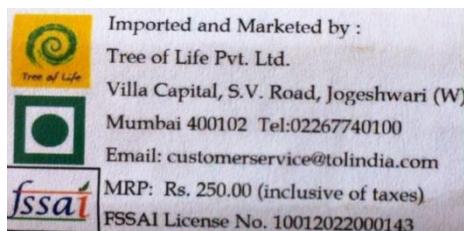
In addition pre-packaged food should carry the name of the food, the list of ingredients, nutritional information, declaration regarding whether the product is vegetarian or containing ingredients of animal origin, declaration regarding food additives, the name and complete address of the manufacturer, net quantity, lot/code/batch identification, date of manufacture or packing, best before or use by date, country of origin for imported food, and any instructions for use. Also, as mentioned by Mr. Rajneesh Bhasin (ASOLIVA), any product that is not currently included in the standards laid down by FSSAI, must receive prior approval by the authority.

So far, imported products have been allowed in with the additional information being placed on stickers on the packaging (as indicated in the graphic below). However, the FSSAI seems to be getting more stringent now, requiring the information to be printed on the actual package.

Mr. Manav Suri from Suri Agro Fresh (a fresh fruits importer) points out that the delays in getting clearances result not only in additional holding costs of INR 10,000 per container per day at the ports but also reduce the remaining available shelf life for the produce. While this is most critical for fresh produce that his company deals with due to the already limited shelf life, it is also a problem for processed products.

**Figure 7.3 FSSAI Sticker Illustration**

Green/Red dot indicating whether the product is vegetarian or contains animal origin ingredients



Policies Favouring Production in India

The Indian government has been favouring industrial processing of food products as a growth area, and has provided several financial incentives and other policy initiatives. The latest campaign for "Make in India" only strengthens this pitch. ([Food Processing](#) is one of the sectors identified as a focus area in the programme.)

In many cases international companies themselves have realised that, given the long term potential of the Indian market and significant cost differences when servicing the market, it is feasible for them to set up production facilities in India.

This is aided by the fact that 100 per cent foreign ownership is permitted without prior approvals for the investment inflow for most food products, except for specific items reserved for micro and small enterprises.



For items reserved for the micro, small and medium sector such as pickles, mustard oil, groundnut oil and bread, 24 per cent foreign direct investment is allowed under the automatic route, and the requirement of prior approval from the Foreign Investment Promotion Board for foreign equity amounting to more than 24 per cent.

For alcoholic beverages 100 per cent FDI is permitted, with the requirement of an industrial License.

In addition, the Ministry of Food Processing Industries has budgeted for specific activities to promote and support manufacturing of processed food in India.



Figure 7.4 Ministry of Food Processing Industries – Budget Allocation for 2014-15

S. No.	Scheme	Allocation (INR million)
A	Central Sector Scheme	
1	Infrastructure Development	
	Mega Food Park	1,200
	Cold Chain, Value Addition & Preservation Infrastructure	1,600
	Setting up / Modernisation of Abattoirs	350
2	Technology Upgradation / Establishment / Modernisation of Industries	1,600
3	Quality Assurance, Codex Standard, R&D & other promotional activities	360
4	Human Resource Development	40
5	Strengthening of Institutions-Grants-in-Aid (Revenue)	312
	Grants-in-Aid for creation of Capital Assets (Revenue Section)	362
	Economic Services (Revenue Section)	76
B	Centrally Sponsored Scheme	
1	National Mission on Food Processing	1,800
	TOTAL	7,700

Source: Ministry of Food Processing Industries

The government's long term strategies include setting up of a National Mission on Food Processing to improve coordination and implementation of schemes and to enable greater involvement of State Governments, the expansion and modification of existing infrastructure development schemes such as the Mega Food Parks Scheme, Integrated Cold Chain Scheme, and Modernisation of Abattoirs.

The government is also encouraging skill development of rural youths under the Ministry of Rural Development.

On the technical side, a network of food testing labs (both government and private) is being created by providing incentives and there is encouragement for larger participation in Codex deliberations and setting up/ strengthening of Codex cell in FSSAI.



Fiscal Incentives for Growth of the Food Processing Sector

To encourage innovation and technology development, an Innovation Fund and Venture Capital Fund for Food Processing have also been set up. There are tax exemptions available as well, including the following:

- **Income Tax:** Businesses are allowed 100-150 per cent deduction for expenditure incurred on investment for setting cold chain facility, warehouse facility, bee keeping and production of honey and bee wax. 100 per cent Income Tax exemption is allowed for the first 5 years of operation for businesses in processing, preservation, packaging of fruits or vegetables, meat & meat product, poultry, marine, dairy products and after that, at the rate of 25% of the profits being exempted from tax. This benefit is available only for ten years provided that such business.
- **Service Tax:** Service tax exemptions are available for installing post-harvest storage facilities, mechanised food grain handling, transporting fruits, vegetables, egg, milk, food grains, pulses, loading, unloading, packing, storage or warehousing of agricultural produce. In the most recent budget presented on 28 March 2015, pre-cooling, ripening, retail packing and labelling of fruits and vegetables have also been exempted from service tax to encourage processing of these items.
- **Customs Duty:** All goods related to Food Processing, imported as a part of the project, irrespective of their tariff classification would be entitled to uniform assessment at concessional basic customs duty.
- **Central Excise Tax:** Manufacturing of some products is also exempt from excise duty. These include
 - **Food Products**
 - 0 per cent duty in milk, milk products, vegetables, nuts and fruits (fresh and dried)
 - Processed fruits & vegetables, soya milk drinks, flavoured milk of animal origin carry a merit rate of 2 per cent without CENVAT or 6 per cent with CENVAT
 - **Food Processing Machinery:** Excise duty exemptions are available to refrigeration machinery or refrigerated vehicle manufacturing, and to pasteurising, drying, and evaporating machinery used in dairy sector. Excise duty on machinery for the preparation of meat, poultry, fruits, nuts or vegetables and on presses, crushers and similar machinery used in the manufacturing of wine, cider, fruit juices or similar beverages and on packing machinery is being reduced from 10% to 6%.

A special fund of INR 20 billion has been earmarked by National Bank for Agriculture and Rural Development (NABARD) to make available affordable credit to agro-processing units. State governments, entities promoted by the state or central governments, joint ventures, cooperatives, federation of cooperatives, special purpose vehicles, farmers' producers organisations, corporates, companies, entrepreneurs may avail loans from this fund for establishing the designated food parks and also for setting up of individual food processing units in the designated Food Parks.

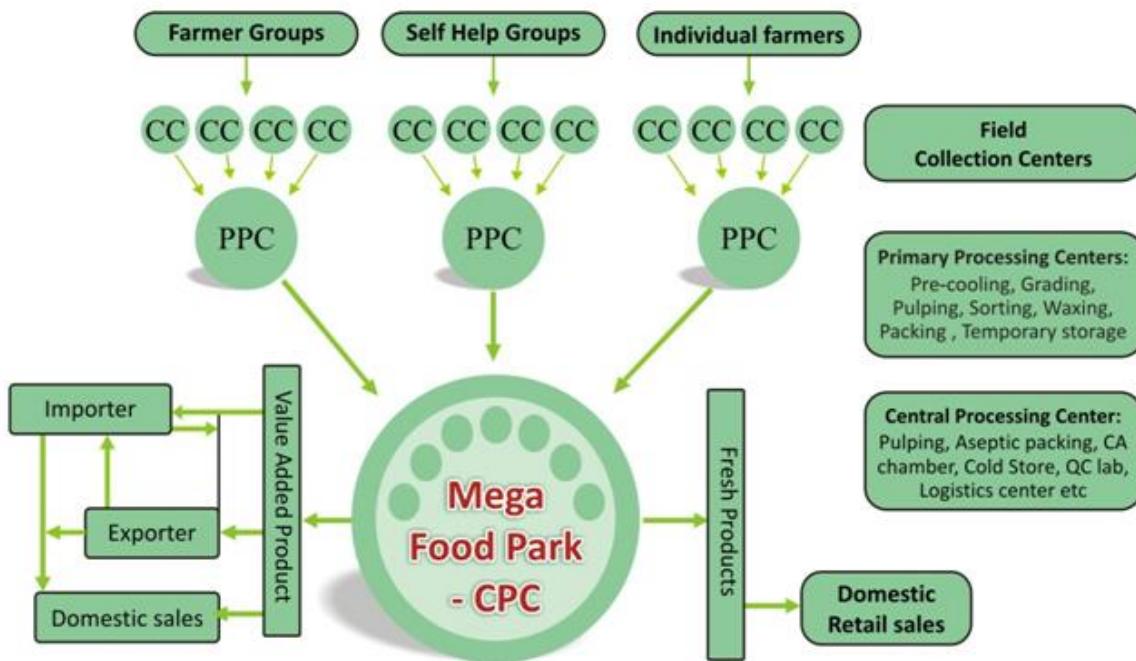
The extent of term loan assistance out of the fund will be variable up to a maximum of 95 per cent of the eligible total project outlay as assessed by NABARD for the state governments and entities promoted by state government. For all other categories of borrowing entities, the extent of term loan will be up to a maximum of 75 per cent of eligible total project outlay as assessed by NABARD.



Further, initiated by the Indian Government in 2008, the Mega Food Parks scheme aims to facilitate the establishment of a strong food processing industry backed by an efficient supply chain, which includes collection centres (CC), primary processing centres (PPC), central processing centre (CPC) and cold chain infrastructure.

- **Collection Centres and Primary Processing Centres (PPC):** These components have facility for cleaning, grading, sorting and packing facilities, dry warehouses, specialized cold stores including pre-cooling chambers, ripening chambers, reefer vans, mobile pre-coolers and mobile collection vans.
- **Central Processing Centres (CPC):** They include common facilities like testing laboratory, cleaning, grading, sorting and packing facilities, dry warehouses, specialized storage facilities including controlled atmosphere chambers, pressure ventilators, variable humidity stores, pre-cooling chambers, ripening chambers, cold chain infrastructure including reefer vans, packaging unit, irradiation facilities, steam sterilization units, steam generating units, food incubation cum development centres.

Figure 7.5 Food Park Model



The scheme envisages a onetime capital grant of 50 per cent of the project cost (excluding land cost) subject to a maximum of INR 500 million in general areas and 75 per cent of the project cost (excluding land cost) subject to a ceiling of INR 50 million in difficult and hilly areas i.e. North East Region (including Sikkim), Jammu & Kashmir, Himachal Pradesh, Uttarakhand and other areas notified by the Institute for Transportation and Development Policy (ITDP).

So far a limited number of Mega Food Parks have been set up. The most recent and notable example is the Integrated Food Park in Karnataka launched by the Future Group, one of India's largest retail



groups. A total investment of about INR 10 billion is envisaged in this Food Park over the next 4-5 years, and it proposes to integrate procurement of agricultural products, food processing and packaging, to manufacture products that would be also retailed through Future Group's retail formats such as Big Bazaar/Food Bazaar, Foodhall, KB's Fairprice, Big Apple and Aadhaar, and also through other modern retailers and the traditional retail channels. The facility is being planned keeping in mind the presence of multiple manufacturing and packaging companies, and related businesses, and is offering land of 1 acre to 5 acres, integrated power management and common effluent treatment, as well as other facilities.

Alcohol-Related Regulations

As has been briefly mentioned earlier, the alcoholic beverages sector is regulated heavily. Manufacturing is licensed and the movement and pricing of raw materials as well as finished products are tightly controlled. Alcoholic products are not allowed to be advertised directly. Hence, companies use proxy marketing media such as events as well as surrogate products such as similarly branded bottled water.

Figure 7.6 Surrogate Advertisement of Alcohol Brands



The retail of alcoholic products is also regulated stringently in most states, including limiting opening hours for the stores and zoning-controls.

Financial Incentives for Business through Other Regulations

In the annual budget announcements on 28 February 2015, the rate of corporate tax has been proposed to be reduced from 30% to 25% over the next four years to encourage higher levels of investment, higher growth and more jobs. Also, for revival of growth and investment, and promotion of domestic manufacturing, a tax 'pass through' is proposed to be allowed to both Category-1 and Category-2 alternative investment fund, so that tax is levied on the investors in these funds and not on the funds. Taxes on Technical Services as well as on Royalty Income are proposed to be reduced from 25% to 10% to encourage new businesses being set up with assistance from existing companies (including international businesses).



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8. Routes-to-Market for Dutch Companies



8. Routes-to-Market for Dutch Companies

As the report has described so far, there are both significant opportunities and specific challenges for a processed food company related to creating a presence in the Indian market.

On the opportunities front, per capita consumption of processed food products is increasing, both for individual consumers as well as in food service businesses and by food production companies. For some products the current demand numbers are small, but the market uptake and annual growth rates are impressive. Just by the weight of sheer numbers, economic momentum, changes in lifestyle and expanding food habits, the market for processed food is set for tremendous growth, and also embraces products from around the world.

With rising numbers of women in the workforce and the disintegration of joint family households, there is a growing need for convenience products. Food safety and consistency are also growing concerns.

On the other hand, the sheer geographic expanse, the different operating environments in various states around the country, the regulatory framework, as well as the price-value expectations that are very different from those of European customers, are some of the challenges that must be addressed effectively.

International companies use a variety of methodologies and structures to engage with the Indian market, which may include the following:

Figure 8.1 Various Structures to Engage with India

		Type of Presence in India		
Type of Operation		Indian Representative	Partially Owned (JV)	Own Presence
Trading/Export to India	Liaison / Representation	✓		✓
	Distribution presence	✓	✓	✓
Manufacturing in India	Partial processing locally, or repackaging	✓*	✓	✓
	Local Manufacturing	✓*	✓	✓

* Under brand license, or tolling structure

Considering the above graphic, the level of involvement with the Indian market and environment gets stronger as we move across left-to-right and top-to-bottom.



The decision on the route to market is entirely dependent on the capacity and willingness of the international company to engage with the market, especially since any level of direct financial investment (in a joint-venture or owned operation) is seen as requiring management time and attention. Companies may use any one type of structure at a given time, or even a combination of multiple structures simultaneously, depending on what their business objectives are.

Some companies gauge the Indian market to be strategic to their growth plans, and with a long-term view, launch their operations directly with an owned presence, or at the very least a joint-venture where they have a significant stake. This is true especially in products where import costs and logistics can be a significant barrier, and transfer pricing decisions can make a significant difference to the selling prices that can be supported in India. In such instances a direct presence in the market can facilitate the operations significantly. A few importers also think that a partnership is the best option to sustain business and steadily grow in the Indian market, and suggest setting up joint venture agreements.

Many other companies, however, choose to take a staged approach, where they may begin with an "export-led" structure, by appointing representatives or distributors to trade in their products, and then gradually step up to a more committed direct presence, whether in terms of trading or even manufacturing.

Another route to the market could be thought providing technology and know-how to the Indian organisations to manufacturing in India.

"Technology support would significantly help in raising the bar on efficiencies and innovation and much more contribution can happen in this area from international companies." Quote from Mr. Sriram, Director National Supply chain and QA, Hardcastle Restaurant Pvt. Ltd. (McDonald's India).

The modes of entering India for International market players can perhaps be described in three broad stages:



Sell

- Export-oriented approach
- Send products to India from existing factories



Bridge

- Bulk imports of finished products or base materials
- Partial processing or repackaging in India



Make

- Manufacture in India from local, imported or mixed ingredient inputs



The examples of the bridge and make strategies include the following:

- **Bridge:** Cargill supplies pork and chicken sausages from Sri Lanka to Sumeru in India, which then repacks the product for sales in the market under its own brand name. Similarly, international distillers are manufacturing their brands in India with bulk imports and local blending and bottling.
- **Make:** Ferrero Rocher started producing their Kinder Joy Egg Chocolate in India in 2007 for cost and market-service advantages.



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9. List of Organisations



9. List of Organisations

Government Organisations

- Central Board of Excise & Customs, Ministry of Finance
North Block, New Delhi – 11001, India
Tel: +91-11-2309 4828
<http://www.cbec.gov.in/>
- Department of Animal Husbandry Dairying & Fisheries, Ministry of Agriculture, India
<http://dahd.nic.in/dahd/default.aspx>
- Directorate General of Foreign Trade, Ministry of Commerce and Industry
Udyog Bhawan, New Delhi, India
Tel: +91-11-23061562
<http://dgft.gov.in/>
- Directorate of Plant Protection, Quarantine and Storage, Plant Protection Division, Department of Agriculture and Cooperation, Ministry of Agriculture
NH-IV, Faridabad- 121 001, India
Tel: +91-129-2413985, +91-129-2410056, +91-129-2476376
<http://ppqs.gov.in/home.html>
- Food Safety and Standards Authority of India, Ministry of Health & Family Welfare
FDA Bhawan near Bal Bhavan, Kotla Road, New Delhi – 110002, India
<http://www.fssai.gov.in/>

Apex Trade Body

- Forum of Indian Food Importers
B - 226 Ashok Vihar , Phase - 1 New Delhi - 110052, India
Mobile: +91 98111 58889
<http://www.fifi.in/>
Email - convenor@fifi.in

Retailers

- Food Hall - Future Group
247 Park, Lal Bahadur Shastri Road, Vikroli (West), Mumbai - 400091, India
<http://www.foodhallonline.com/>
- Food Bazaar - Future Group
247 Park, Lal Bahadur Shastri Road, Vikroli (West), Mumbai- 400091, India
<http://www.futuregroup.in/businesses/food-bazaar.html>
- Hypercity
Paradigm - 'A' Wing, 1st Floor, MindSpace, Malad (West), Mumbai – 400064, India
Tel: +91-22 40695555
<http://www.hypercityindia.com/>



- Le Marche – Marche Retail Private Limited
77 B, IFFCO Road, Sector-18, Gurgaon, India
Tel: +91 8130461144
<http://www.marcheretail.com/>
- Natures Basket Ltd.
Gate No. 4, Pirojshanagar, Vikhroli (East), Eastern Express Highway, Mumbai - 400079, India
Tel: +91-22-25197788
<http://www.naturesbasket.co.in/>
- Nuts n Spices
#11, Chinniah Street, T.Nagar, Chennai - 600 017, India
Tel: +91-44-28341240, +91-44-4202 5939
<http://www.nutsnspices.in/>
- Spencer's Retail Limited
31, Netaji Subhas Road, Duncan House, 1st Floor, Kolkata - 700001, India
Tel: +91-33-66257863
<http://www.spencersretail.com/>

Hotels & Restaurant Chains

- Hyatt Regency, New Delhi
Bhikaiji Cama Place, Ring Road, New Delhi - 110066, India
Tel: +91-11 26791234
<http://delhi.regency.hyatt.com/en/hotel/home.html>
Email - delhi.regency@hyatt.com
- L'Opera - French Bakery Pvt. Ltd.
B-126, Noida Sector 2, Noida - 201301, India
Tel: +91-120-4066887
<http://loperaindia.com/>
Email - contact@frenchbakery.in
- Taj Hotels Resorts and Palaces
Oxford House, 15/17 N.F. Road, Apollo Bunder, Mumbai - 400001, India
Tel: +91-22-66651000
<http://www.tajhotels.com/>
- TajSATS Air Catering Ltd.
International Airport Approach Road, Sahar, Mumbai - 400099, India
Tel: +91-22-67057005
<http://www.tajsats.com/>
Email - inquiries.tajsats@tajhotels.com



- Tata Starbucks Ltd.
Tower 2, 10th Floor, Indiabulls Financial, Elphinstone Road, Lower Parel, Mumbai – 400013, India
Tel: +91-22-66113939
<http://www.starbucks.in/>
- The Ambassador Group
16-A, Sunder Nagar Market, New Delhi – 110003, India
Tel: +91-11-43489023, +91-11-43489024, +91-11-43489025
<http://www.ambassadorindia.com/>

Logistics

- Container Corporation of India Ltd.
CONCOR Bhawan, C-3, Mathura Road, Opposite Apollo Hospital, New Delhi - 110076, India
Tel: +91-11-41673093, +91-11-41673094, +91-11-41673095, +91-11-41673096
<http://www.concorindia.com/>
Email – co.pro@concorindia.com
- DHL Express (India) Pvt. Ltd.
801 A, Silver Utopia, 8th Floor, Cardinal Gracias Road, Chakala, Andheri (East), Mumbai – 400 099, India
Tel: +91-22-66789000
<http://www.dhl.co.in/en.html>
- Radhakrishna Foodland Pvt. Ltd.
Radhakrishna House, Majiwade Village Road, Thane West, Majiwade, Thane - 400601, India
Tel: +91-22-25372882, +91-22-25372881
<http://www.rkfoodland.com/>
- Snowman Logistics Ltd.
54, Old Madras Road, Virgonagar, Bangalore – 560049, India
Tel: +91-80-39939500
<http://www.snowman.in/>

Importers

- Bajoria Foods Pvt. Ltd.
409, 4th Floor, Sunshine Building, No.: T/39, Opp. Shastri Nagar, Above Union bank of India, Andheri (West), Mumbai - 400053, India
Tel: +91-22-26367200
<http://www.bajoriafoods.com/>
Email – info@bajoriafoods.com, sanjay@bajoria.com, bajoriafoods@gmail.com
Key Products – Mayonnaise, Sauces, Salad Dressings, Peanut Butter, Lemon Juice, Vinegar, Pickles, Jams, Canned Vegetables and Beans, Spices & Seasonings, Honey



- Brindco Sales Ltd.
Shop No. B - 118, S-53, Phase I, Okhla Industrial Area, New Delhi - 110020, India
Tel: +91-11 4946 6667
<http://www.brindco.com/>
Email – contact@brindco.com
Key Products - Wines
- Calpro Food Essentials Pvt. Ltd.
Saraswati House, A5 Naraina Industrial Area, Phase - II, New Delhi - 110028, India
Tel: +91-11-41418600
<http://www.calprofoods.com/calprofoods/>
Email – info@calprofoods.com
Key Products – Bakery Products (Ingredients)
- Chenab Impex Pvt. Ltd.
J1A, Ansa Ind. Estate, Saki Vihar Road, Sakinaka, Andheri (East), Mumbai – 400072, India
Tel: +91-22-28478880, +91-22-28471623
<http://www.chenabimpex.com/>
Email – sales@chenabimpex.com
Key Products – Caviar, Cheese, Chocolate, Biscuits, Olives, Olive Oil, Pasta, Fruit Juices, Thai Spices and Curry Pastes, Mushrooms, Polenta, Wheat Flour, Seafood, Jams, Nuts, Breakfast Cereals, Confectionery, Biscuits, Mexican Products
- Dalmia Continental Pvt. Ltd.
Ground Floor, 880, Udyog Vihar Phase V, Gurgaon - 122016, India
Tel: +91-124-4353800
<http://dalmiaglobal.com/>
Key Products – Canola Oil, Pasta, Olives
- Farmland Premium Foods LLP.
Strategic House, 44 Mint Road, Fort, Mumbai – 400001, India
Tel: +91-22-66349946, +91-22-66349947, +91-22-66349948, +91-22-66349949
Key Products – Swine Meat
- Fortune Gourmet Specialities Pvt. Ltd.
Galla Nos. 108 & 227, 107, Adhyaru Industrial Estate, Sun Mill Compound, Lower Parel, Mumbai - 400013, India
Tel: +91-22-43664444
<http://www.fortunegourmet.com/>
Key Products – Cheese, Meat, Seafood, Pasta
- Hema Connoisseur Collections (P) Ltd.
B-179, Okhla Industrial Area, Phase 1, New Delhi-110020, India
+91-11-41032500
Tel: <http://www.hema.in/>
Email – info@hema.in
Key Products – Wine, Liqueurs, Beer



- Max Foods Corporation
B 226, Ashok Vihar, New Delhi 110052, India
Mobile: +91 9811158889
<http://www.maxfoods.in/>
Email – amit@maxfoods.in
Key Products – Sugar & Chocolate Confectionery

- Manisha International Pvt. Ltd
1A, First Floor, Khasra No.- 275, Westend Marg, Saidulajab, New Delhi - 110030, India
Tel: +91-11 29536601, +91-11 29536605, +91-11 40523435, +91-11 29536602
Email – sales@mipl.biz
Key Products – Olive Oil, Pasta

- Rian Imports & Marketing
504, Madhu Industrial Park, Avadh Narayan Tiwari Marg, Off New Nagardas Road, Andheri (East), Mumbai - 400003, India
Tel: +91-22-61161616
<http://rian.co.in/>
Email – info@rian.co.in
Key Products – Olive Oil, Pasta

- RP Gourmet Foods Pvt. Ltd.
Plot No. 53, Khasra No. 501/502, Village Jonapur, Mehrauli, New Delhi – 110047, India
Tel: +91-11-26658047, +91-11-26658048
Key Products - Cheese

- Sonarys Co-Brands Pvt. Ltd.
119 Creative Industrial Estate, Sitaram Mill Compound, N.M. Joshi Marg, Lower Parel (East), Mumbai - 400 011, India
Tel: +91-22-66669111
<http://www.sonarys.biz/>
Email – sonarys@sonarys.biz
Key Products - Wines

- Sri Roda Foods
M.D.Bhawan, Old Delhi Gurgaon Road Samalka (Kapashera), New Delhi- 110037, India
Tel: +91-11 65155055
<http://www.srirodafoods.com/>
Email - admin@srirodafoods.com
Key Products – Pasta, Olives, Mushrooms, Herbs & Spices, Sauces, Pickles, Vinegar, Olive Oil

- Suri Agro Fresh Pvt. Ltd.
C-129, N.S.M., Azadpur, Delhi - 110003, India
Tel: +91-11 27675562, +91-11-27673563
<http://suriagrofresh.com/>
Email – info@suriagrofresh.com
Key Products – Fresh Fruits



- Suresh Kumar & Co. (Impex) Pvt. Ltd.
A-17, Sonu Tower, 2nd Floor, Dr Mukherjee Nagar, Commercial Complex, New Delhi - 110009, India
Tel: +91-11 - 4343 4848
<http://www.skco.in/>
Email – info@skco.in
Key Products – Olive Oil, Olives, Pasta, Sauces, Salad Dressings, Mayonnaise, Peanut Butter, Meat, Jams, Tofu, Pitted Prunes and other dried fruits, Breakfast Cereals, Canned Seafood, Canned Meat, Canned Vegetables, Bar Mixes, Non-alcoholic Wines, Aerated Drinks
- Tree of Life Pvt. Ltd.
Villa Capital, Sadhana Compound, S.V. Road, Off Oshiwara Bridge, Jogeshwari (West), Mumbai- 400102, India
Tel: +91-22-67740100
Key Products – Mixed portfolio of packaged food and beverages
- West Coast Frozen Foods Pvt. Ltd.
Victor House, Level 3,142-C, N.M. Joshi Marg, Lower Parel West, Mumbai- 400013, India
Tel: +91-22-4343 3333
<http://www.westcoast.in/>
Email – info@westcoast.in
Key Products – Frozen Meat, Frozen Fish



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10. Prominent Trade Shows



10. Prominent Trade Shows

It may be noted that there is a wide range of exhibitions and trade shows happening across the food and related sectors. Many of them are regular annual or biannual events, and some of these are listed here. However, there are also other specific on-time promotional events that are organised sporadically (including specific country focussed events organised by the respective embassies and trade missions), which can also be good platforms for launching new products. However, due to their nature, it is not possible to list these events.

The following list is based on the events relevant to processed food (finished products) scheduled in the coming months, and this list may vary when prepared for another year. This is not a complete or exhaustive list, as the event calendar in India is currently very dynamic.

- Aahar International, 10 - 14 March 2015, New Delhi, India
<http://www.aaharinternationalfair.com/>
- Annapoorna World of Food India, 14 - 16 September 2015, Mumbai, India
<http://www.worldoffoodindia.com/>
- Fine Foods India, 03 - 05 December 2015, New Delhi, India
<http://www.finefood.in/>
- Finex India (Food Ingredients) 2015, 19 - 20 May 2015, New Delhi, India
<http://www.finexindia.in/>
- Food Beverage & Hospitality Expo, 24 - 26 April 2015, Noida, India
<http://www.foodexpoindia.com/>
- Food and Grocery Forum, January 2016, Mumbai, India
<http://www.foodandgroceryforumindia.com/>
- Food Trade Expo 2015, 11 – 13 August 2015, Ahmedabad, India
<http://www.foodtradeexpo.com/exhibition.html>
- India International Trade Fair, New Delhi, India
<http://www.iitf.in/>
- Instant Foodie Expo 2015, 06 - 08 March 2015, Bengaluru, India
- Food Hospitality World, June 2015, Bengaluru, India
<http://www.fhwexpo.com/>
- Sweet and Snack Factory India, 14 - 16 November 2015, Mumbai, India



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11. Information Sources



11. Information Sources

- All India Bread Manufacturer's Association
www.aibma.com
- All India Distilleries Association
www.aidaindia.org
- Associated Chambers of Commerce of India (ASSOCHAM)
www.assocham.org
- Agricultural and Processed Food Products Export Development Authority (APEDA)
www.apeda.gov.in
- Confederation of Indian Industry (CII)
www.cii.in
- Directorate of Cashew nut and Cocoa Development, Ministry of Agriculture
dccd.gov.in
- Department of Animal Husbandry, Dairying & Fisheries, Ministry of Agriculture
dahd.nic.in
- Department of Agricultural Research and Education, Ministry of Agriculture
dare.nic.in
- Directorate of Vanaspati, Vegetables Oils and Fats, Ministry of Agriculture
dfpd.nic.in/?q=node/131
- Federation of Biscuits Manufacturer in India
www.biscuitfederation.com
- Department of Agriculture & Co-operation, Ministry of Agriculture
www.agricoop.nic.in
- Federation of Hotels and Restaurants Association India
fhrai.com
- Federation of Indian Chambers of Commerce and Industry (FICCI)
www.ficci.com
- Foreign Agricultural Service (FAS) Mumbai , United States Department of Agriculture
www.fas.usda.gov/offices/consular-office-mumbai
- Hospitality Development and Promotion Board India, Ministry of Tourism
tourism.gov.in
- India Biscuits Manufacturer's Association
www.ibmabiscuits.in
- India Bakery Manufacturer's Association
www.aibma.com
- International Cocoa Organisation
www.icco.org



- Indian Confectionery Manufacturer's Association
www.icmaconfy.com
- Indian Olive association
www.indolive.org
- International Pasta Organisation
www.internationalpasta.org
- India Pulses and Grains Association
www.ipga.co.in
- Ministry of Chemicals
chemicals.nic.in
- Ministry of Food Processing Industries
www.mofpi.nic.in
- Investor's Portal (for information on various aspects related to different sectors and states, regulatory framework): foodprocessingindia.co.in
- National Dairy Development Board
www.nddb.org
- National Egg Coordination Committee
www.e2necc.com
- National Horticulture Board
nhb.gov.in
- National Meat & Poultry Processing Board
nmppb.gov.in
- National Restaurant Association of India
www.nrai.org
- Planning Commission, Government of India
planningcommission.nic.in
- Solvent Extractors' Association of India
www.seaofindia.com



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12. Annexure



12. Annexure

VETERINARY CERTIFICATE FOR IMPORT OF MILK AND MILK PRODUCTS INTO INDIA

I. GENERAL INFORMATION FOR IMPORTATION

1. Consignor (name and address in full)	2. Health Certificate No: _____ Date: _____
3. Consignee (name and address in full)	4. Country of origin
5. Competent Authority Ministry: Department:	6. Place of loading:
7. Identification of the product: Type of product: Details of product: Number of packages: Identification Marks: Quantity:	8. Name and address of the Registration / Accreditation Authority
9. Mode of Transport	10. Destination (name and address in full)

II. GENERAL CONDITIONS

- a) If milk product contains animal rennet, it should be labelled
- b) The source animals have never been fed with feeds produced from internal organs, blood meal and tissues from ruminant origin.

III. SANITARY INFORMATION

The undersigned official veterinarian certifies that the product described above satisfies the following requirements:

1. The milk has been processed to make it fit for human consumption
2. The milk has been processed to a temperature, which ensures destruction of organisms causing Tuberculosis, Listeriosis, Para tuberculosis, Q fever and Brucellosis.
3. The animals from which the milk has been derived were not exposed to Bovine Growth Hormones (BGH), Bovine Somatotropin Hormones (BST).
4. The source animals were not subject to estrogenic treatment in last 90 days.
5. The milk does not contain drug / pesticides / heavy metal residues above the limits prescribed by the Codex Alimentarius Commission.
6. Milk / milk products do not contain preformed bacterial toxins such as those produced by bacteria belonging to Staph, aureus, Bacillus cereus, Clostridium perfringens and Clostridium botulinum and the level of mycotoxins should not be above the limits prescribed by the Codex Alimentarius Commission.

Official Stamp:

Issued at _____ on

Signature _____

Name and address of Veterinarian



About Third Eyesight

Third Eyesight is a consulting and management solutions firm focussed on sectors retailer to retail and consumer products. Clients who have benefited from our experience and expertise include retailers, brands and manufacturers, technology suppliers, private equity & venture investors, educational institutions and organisations servicing the consumer products and retail sectors.

Third Eyesight has worked with companies that are market leaders (with sizes up to USD 80 billion in annual sales) to early-stage and start-up businesses, on engagements of strategic significance to the top management.

Strategy and operations support provided by Third Eyesight include: identifying and evaluating new business areas, market and industry research, business strategy and business plan development, development of sales and distribution networks, including support with acquiring key client relationships, business due diligence, partner evaluation, strategic alliances, mergers & acquisitions, sourcing and supply chain strategy, merchandising support, operational audits & assessment and a variety of other operational support.

Tel: +91 124 4293478

Email: services@thirdeyesight.in

Website: <http://thirdeyesight.in>

Insights: <http://thirdeyesight.in/blog>

Twitter: <http://twitter.com/thirdeyesight>

LinkedIn: <http://linkedin.com/company/third-eyesight>