

Country Market Profile: India

Focus Economics reports that the Indian gross domestic product (GDP) is forecast to remain sturdy in 2022 despite a waning base effect. Stronger private spending should be at the forefront of the overall expansion, with upbeat fiscal expenditure adding further support. But they add that rising prices—especially for imported commodities—and twin deficits pose risks to the outlook. The Consensus projects GDP to expand 7.5% in 2022, and 6.4% in 2023.

One of largest consumer markets globally: With a total population of 1.6 billion by 2040, which is expected to increase by 13.2% over 2022-2040, India will be the most populous country in the world by the end of this period. Population growth will continue to be supported by high fertility and birth rates for most of the period, although the fertility rate is expected to drop to below the replacement rate of 2.1 by the end of the forecast timeframe.

This bodes well for consumer facing-businesses, particularly those engaged in selling goods and services to lower-middle and middle-class consumers, given the strong anticipated rise in the middle classes. India's relatively young population should also create a demographic dividend for the country, if the authorities are able to create sufficient jobs to support the growth in the working-age population. The median age of the population is expected to be 35 years compared to 38.9 years for the Asia Pacific average in 2040.

Those aged 35-49 are forecast to be the highest earners per capita over 2022-2040, shaping the consumer market in India. The consumer group that comprises current-day Generation Z (Gen Z) and younger Millennials is the first to be digitally native in the country, and can be profiled as more concerned with sustainability, brand ethics, tolerance, and dependent on connectivity. Furthermore, the Gen Z consumer group aged 40-44 will be prevalent in the top income band (those with an annual gross income over US\$250,000) by 2040, defining the country's luxury spending patterns.

USDA's Office of Agricultural Affairs (OAA), in New Delhi reports that India is world's sixth largest economy and is considered amongst the fastest developing major economies. India is expected to become world's third largest economy over the next decade. As the second-most populated country, India is on the verge of surpassing China and becoming the world's most populated country by 2024. As of March 2022, India's population stands at 1.4 billion, around 18% of the total world population.

The median age in India is 28.4 years and over 65% of Indian population is young (below the age of 35 years) with rising income levels creating a large market for food products. According to the IMF's Jan 2022 World Economic Outlook Report, Indian economy contracted by 7.3% in fiscal year (FY) 2020-21 due to the ongoing COVID-19 pandemic, which resulted in a nationwide lockdown and concerns over the impact of a spread of new variant of coronavirus. The IMF's latest projections forecast that Indian economy is likely to bounce back with a growth rate of 9% in FY 2022-23.

India's imports of consumer-oriented foods, led by tree nuts, spices, and fresh fruits, are one of the fastest growing imported agricultural product segments in the country. In 2021, India imported US\$6.1 billion worth of consumer-oriented products, out of which 15% were from the United States. A rising number of brand-oriented importers, modern and e-retail platforms, and trendsetting restaurants are some of the major contributors to the growth of consumer-oriented products imports.

Market Opportunities and Key Issues

Market Opportunities:

- U.S. products perceived as safe and high quality.
- Growth potential for imported ingredients and intermediate products
- Aspiration of growing middle class and increased exposure to international products and western lifestyles
- Changing buying habits and a preference to purchase for quality over price
- Emerging consumer trends favor healthier, natural, and organic food options
- Increased tourism
- More foreign restaurants and brand franchises

Key Issues

- Inability of U.S. exporters to meet Indian importers' requirements
- Preferential trade agreements with competing countries that supply similar products.
- Lack of awareness in the range/value of U.S. products
- High tariffs, persistent phytosanitary conditions prohibiting or restrict imports, foreign competition
- Fluctuating Indian Rupee to U.S. dollar
- Stringent food rules for biotech foods, additives, ingredients
- Competition from countries with geographical proximity and a freight advantage. • Product substitutes and competition from local/ international suppliers
- U.S. exporters not ready for small orders
- Often onerous labeling requirements

2021 U.S. exports of agricultural products to India totaled just over US\$1.8 billion, an increase of 3% compared to the prior year. India is the 14th largest agricultural export market from the U.S. US\$1 billion were of the consumer oriented variety or just over 55% of the agricultural total, with a decline of 2%. U.S. exports of processed foods to India, totaled US\$259.7 million in 2021, which was up 70% from that of 2020. Top U.S. processed food exports to India in 2021 included:

- Fats & Oils
- Food Preparations & Ingredients
- Prepared/Preserved Seafood

- Syrups & Sweeteners
- Canned, Dried & Frozen Fruit
- Chocolate & Confectionery
- Alcoholic Beverages
- Processed Vegetables & Pulses

Retail Sector Highlights:

According to Euromonitor, retail sales in the packaged food market in India will reach US\$93 billion in 2022. That represents a phenomenal growth rate of 40.7% or US\$26.9 billion since 2018. India now is the world's 6th largest packaged food market. By the year 2026 the retail sales in the packaged food market in India is expected to reach US\$135.8 billion, a growth rate of 45.9% and US\$42.7 billion from 2022. High growth products in the forecast include:

- Ice Cream
- Cheese
- Breakfast Cereals
- Rice, Pasta & Noodles
- Edible Oils
- Sweet Spreads
- Ready Meals

India's food and grocery (F&G) retail market is the third largest in the world with sales expected to surpass US\$850 billion by 2025. The Indian F&G retail is experiencing rapid changes with the emergence of new hypermarkets, organized retail outlets and online retail platforms across the country. The F&G market constitutes almost 66% of country's total retail market. The market is dominated by traditional retail formats, specifically neighborhood shops called kirana stores (equivalent to mom-and-pop stores in the United States), which hold over 85% of the total market share.

The market share held by modern trade formats including supermarkets and hypermarkets is expanding rapidly over the next few years, as stores fulfill the evolving needs of consumers. Increasing urbanization, dual income households, and disposable incomes are some of the major factors contributing to the growth of the Indian F&G retail market. Moreover, COVID-19 led to a significant increase in the use of e-retail platforms for food purchases, which will lead to a massive expansion of the country's food e-retail sector. The pandemic has also led to significant changes in the consumption patterns of Indian consumers, who now demand healthier, immunity-boosting foods, along with vegan items and probiotics.

Best Prospects:

India's food and grocery retail market is expected to exceed US\$800 billion by 2023. As such, market observers believe there is huge potential for imported products, especially post-COVID as consumers are expected to procure more premium food products. So far, the pandemic has

contributed to the growth of vegan, gluten-free, and organic foods, in addition to ready-to-eat and ready-to-cook products as a result of higher home consumption.

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

Foodservice Sector Highlights:

FAS New Delhi reports that the COVID-19 pandemic severely impacted India's hospitality sector, which is expected take another year to reach pre-COVID conditions and sales. Nonetheless, the sector is undergoing a rapid recovery thanks to growing domestic travel and a rise in restaurant dining and catered events. Contacts report that rising vaccinations, waning government restrictions, and more workers returning to the office will allow the Indian hospitality sector to fully recover in 2022.

The Indian food service market is valued at U.S. US\$63.7 billion and is expected to reach US\$95.7 billion by 2025, achieving a compound annual growth rate (CAGR) of 10.3% in 2012-2025. Rapid urbanization, an expanding youth population, rising disposable incomes, improved lifestyles, changing habits, and interest in foreign cuisines are key factors contributing to the growth of this sector in addition to tourism and business travel.

The sector is divided into two segments with the organized segment (standalone, QSR's, and chain restaurants) with a market share of 35% and the unorganized segment at 65%. There is strong interest from international food service companies, especially QSRs, to enter Indian market and these firms are actively working towards launching innovative menus suitable for local tastes. The Indian hotel, restaurant, and institutional (HRI) sector is valued at over US\$250 billion, contributing nearly 10% to the country's GDP and 43 million jobs. Despite the pandemic, the hotel sector has opened 5,000 new rooms in FY 2020-21, demonstrating a recovery is underway.

Although most imported foods (tree nuts, fruits, and processed products) are directed towards retail channels, there is significant opportunity for these products in the HRI sector, whose menus demand the use of high-quality imported ingredients. The majority of Indian four- and five-star hotel chains house specialty restaurants serving authentic global cuisines (Chinese, Japanese, Italian, Mexican, etc.) which require imported food ingredients and beverages to meet quality and taste standards.

Many five-star hotels across India have their central purchasing departments procure imported tree nuts, meats, cheese, alcoholic beverages, fresh fruits and consumer-oriented products through wholesale markets or importers. Interestingly, chefs and bar managers are increasingly driving the selection of imported ingredients through food trade shows and direct outreach to suppliers. While opportunities for imported foods are improving in the HRI sector, there remain

challenges such as high tariffs, ongoing import restrictions, price sensitivity, and strong competition from its domestic industry.

Best Product Prospects:

Opportunities for U.S. exporters exist in consumer-oriented products, especially high-value food products such as tree nuts, chocolate, fresh fruit, distilled spirits, condiments, and processed foods.

Food Processing Sector Highlights:

FAS New Delhi reports that the Indian government is prioritizing the country's food processing sector. The sector has a key role in connecting Indian farmers to domestic and international markets. The HRI sector plays a crucial role in the economy's recovery from the pandemic. There is good potential for introducing U.S.-origin ingredients and processed products in India, especially in the snacking and consumer-oriented foods categories; however, global supply chain issues, high freight costs, and a complicated regulatory environment impose significant challenges to imports

The Indian food industry is the world's third largest food industry and is experiencing robust growth over the past few years. India is the world's second largest food producer after China and is expected to become number one in coming years. Food processors, importers, wholesalers, retailers, and food service operators are contributing to a rapidly expanding, lucrative agribusiness sector in India. In 2021, India imported \$33.6 billion worth of processed foods and related products from all sources, while exports from India totaled \$51.4 billion.

The Indian food processing sector is one of the country's largest sectors, contributing 12.8% to nation's GDP and ranks fifth in terms of production, consumption, and exports. Accounting for 32% of the country's total food market, the Indian food processing industry is expected to grow at an annual growth rate of 12% and generate employment for 9 million between 2019 and 2024. According to sources, India's food processing sector output may reach US\$535 billion by 2025-26. The sector's primary industries include the processing of milled grain, sugar, edible oils, beverages, dairy products, fresh fruits and vegetables, poultry, meat, and fishery products. To enhance the growth of Indian food processing sector, the Indian government has invested in infrastructure projects such as developing food parks, agro-processing clusters, and cold chain facilities. The government has also authorized 100% FDI to attract international food processing firms. The government continues to enact reforms to improve the ease of doing business, from a single dedicated investor facilitation cell to custom clearance reforms.

Food and agricultural products processing levels in India remain significantly lower in comparison to global standards. India processes less than 10% of its agricultural output. There are immense opportunities to boost processing levels and attract investments in the sector, in a country that is one of the largest markets in the world for consumer food products. For example, just in the first half of 2020, India's food processing sector received over US\$463 million in foreign direct investment (FDI). The entry of multinational food firms has been beneficial to country, leading to supply chain advances, and an improved manufacturing environment. At the

same time, the climate for importing food and beverage products continues to face significant challenges. India routinely throws up changing tariff rates, experiences exchange rate fluctuations (which impact the affordability of imported goods) and implements a host of technical barriers to trade (TBT) and sanitary-phytosanitary (SPS) barriers.

The Indian food processing industry is primarily dependent on domestic agricultural ingredients and inputs. India's domestic industry is the main competitor for U.S. exporters of food ingredients. Thanks to its diverse climatic conditions and terrain, India produces a variety of foods and ingredients in bulk with seasonal crops at prices below most imported products. Moreover, the quality of these products is steadily increasing, making them more attractive for local processors. Most third-country competitors enjoy a freight advantage over the United States due to their proximity and can often supply at lower costs. Consolidators in neighboring markets in Dubai and Singapore offer quick delivery of smaller shipment volumes that often include transshipped U.S.-origin ingredients. High import duties and restrictions on several imported raw materials pose challenges for direct U.S. exports to the market.

The Indian food processing industry is highly fragmented with thousands of unorganized players made up of mills, processing units, and bakeries. Yet, there are major domestic firms, including Amul, Dabur India Limited, ITC Limited, HUL, and Mother Dairy who continue to expand their market share and regional distribution. These domestic food processors are taking advantage of Indian consumers' growing taste for international flavors by producing local substitutes/versions. Products like ketchup, mayonnaise, chipotle southwest dressing, American-style mustard sauce, and Mexican-style sauces, are now being supplied by Indian manufactures. Previously, local consumers only experienced these products in foreign restaurant chains or in hotels. The industry is also seeing the entry of more foreign firms including Mondelez, Kraft, General Mills, among others due to advances being made in local infrastructure and tremendous growth opportunities.

Best Product Prospects:

FAS New Delhi reports that India's food processing and manufacturing industry expansion has led to increased demand for imports of food and beverage ingredients, as well as food additives. Products in high demand include tree nuts (almonds, walnuts, pistachios, hazelnuts, chestnuts - products for the milling industry mainly malt, starches, insulin, wheat gluten; leguminous vegetables, dried shelled/pulses; fresh fruit such as apples, pears, and quinces; beverages, spirits, and vinegar; albuminoidal substances, modified starches, glues, enzymes; and essential oils and related products.

Products such as cocoa and cocoa preparations; grapes, fresh or dried; fruit juices; fruit pulps; additives/seasonings/sweeteners; and seasonings, condiments, and sauces while not imported in quantity from the United States, do have good market potential. During the COVID-19 pandemic the Indian government encouraged consumers to buy local produce (e.g., fresh fruits and vegetables). Thanks to seasonal complementarity with Indian production, the demand for U.S. products (including fresh fruits and tree nuts) also grew. Meat substitute products and ingredients increasingly offer good market prospects. U.S.-origin pork and pork products also offer good potential.