



Market Opportunity Report: INDIA

A custom report compiled by Euromonitor International for

British Columbia Ministry of Agriculture

March 2014



+1 312-922-1115

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INTRODUCTION

Introduction

The following report is part of a series of Market Opportunity reports created by Euromonitor International that explore export opportunities for agrifood and seafood producers in British Columbia (B.C.). The report was commissioned by the B.C. Ministry of Agriculture and funded by Agriculture and Agri-Food Canada and the B.C. Ministry of Agriculture through *Growing Forward 2*, a federal-provincial-territorial initiative.

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Purpose

The purpose of this report is to:

- Identify key trends influencing food purchase and consumption in India
- Analyse the Indian food market to identify the largest and fastest-growing food categories
- Provide insight into India's participation in the global food market, including factors influencing its trade environment
- Highlight commodities offering B.C. exporters the greatest opportunity in the Indian market

Scope

The geographic focus of this report is India. The report is divided into six main sections: Opportunities for B.C. Exporters, Market Opportunity, Barriers to Trade, Overview of India's Economy, Consumers in India, and Retail Landscape. The report begins by looking at the current state of B.C. exports to India in order to understand how this aligns with the dynamics of India's food market and to identify the areas of immediate opportunity. This is followed by the market analysis section, which serves as the support behind the highlighted opportunities. The report provides specific market analysis of two categories: agrifood and seafood. The report does not include analysis of non-alcoholic beverages, but does include a special section on wine. The market analysis includes total market size and growth, largest and fastest-growing subcategories, analysis of imports, and identification of where the largest opportunities reside. This is followed by a discussion on the barriers to market entry, which provide context for the logistics behind a market entry strategy. The final three sections of the report serve to provide context for the principle macro factors influencing India's food market, including economic performance, structure of the economy, participation in foreign trade, demographic shifts, consumer trends, and retailing landscape.

KEY TAKEAWAYS FOR B.C. EXPORTERS

India: A growing country, increasingly looking abroad for food

- **Modernization spurs demand for frozen and packaged foods**

India is becoming an increasingly modernized country. Not only are homes experiencing an upgrade towards modern appliances and increased connectivity, but so is the retail channel for agrifoods. Supermarkets and hypermarkets are being developed across urban India, bringing with them modern conveniences, such as freezers and ample floor space, as well as products that are new to the country. This transition has led to increased purchases of frozen and packaged foods, but also exotic fresh foods such as Gala apples and Chinese broccoli. However, fresh foods still represent the bulk of food consumption.

- **An expanding and increasingly wealthy population increase food consumption**

Total food consumption continues to rise alongside population growth and increasing disposable income. This means that consumer demand for essentials, such as fruits, vegetables, and pulses will rise in concert with demand for value-added packaged, frozen and premium foods. As packaged, frozen and premium are relatively new categories, it is a good time for new manufacturers to enter the market.

- **Growing popularity of Western restaurants influences Indian taste preferences**

As Western restaurants experience double-digit growth across the country, Indian consumers are becoming accustomed to cuisines of the West. Italian foods, including pizza, tomato sauce, pasta and cheese are increasing in popularity. Many imported varieties of fruits, such as Gala apples, are also gaining in popularity, as are frozen meats, such as frozen chicken cutlets, kebabs and nuggets.

- **High levels of bureaucracy complicate trade with India**

India has a somewhat unattractive business environment, ranking very low in terms of ease of doing business as a result of high levels of bureaucracy, poor infrastructure, low literacy, stringent trade regulations and severe income inequality. The government has relaxed some trade regulations; however, domestic companies generally continue to receive preferential treatment.

- **Apples and cherries offer greatest immediate opportunity for B.C.**

Among the products B.C. currently exports to India, apples and cherries offer the greatest immediate opportunity, due to current consumer preferences and dynamics in the Indian market. Canada's most direct competitors in these imported products are the USA, China, and Chile.

OPPORTUNITIES FOR B.C. EXPORTERS

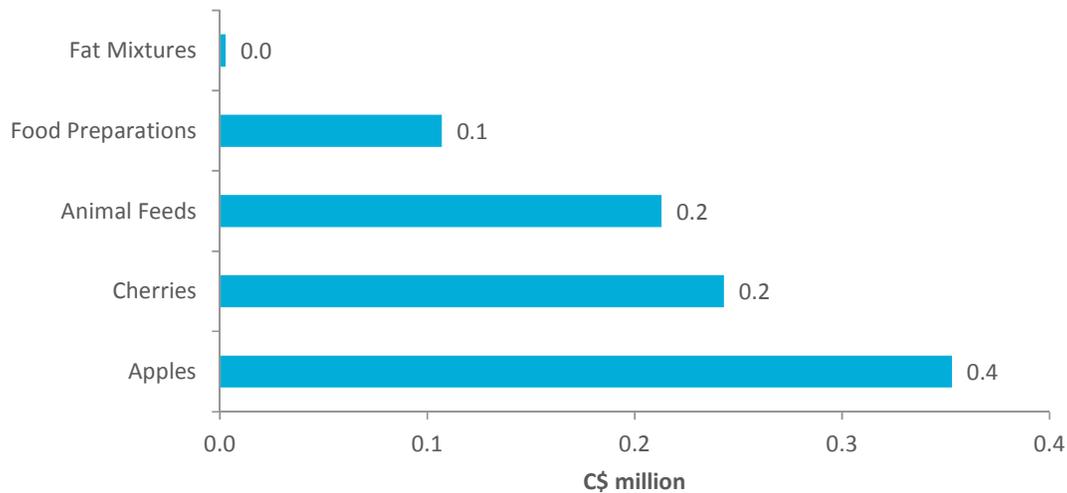
TOP EXPORTS FROM BRITISH COLUMBIA

Agrifood

B.C. exports to India remain small, with fresh apples and cherries leading the way

- B.C. exported C\$0.9 million in agrifood products to India in 2012, representing just 0.1 per cent of total B.C. agrifood exports.
- The top agrifood exports from B.C. to India in 2012 were apples (C\$0.4 million) and cherries (C\$0.2 million).

Chart 1 Top B.C. Agrifood Exports to India: 2012



Source: CATSNET Analytics, January 2013 and Global Trade Atlas, January 2013

Apples and cherries offer B.C. the greatest opportunity in India

- Among British Columbia’s top exports to India, apples and cherries offer the greatest long-term growth, due to India’s high consumption of fresh fruits and the growing interest in non-traditional fruits. Both products are benefiting from rising disposable incomes in India and increased availability in modern retail chains, especially cherries, which are considered a more premium fruit. Additionally, both cherries and apples rely on imports to satisfy growing local demand, suggesting an important role to be played by foreign producers.

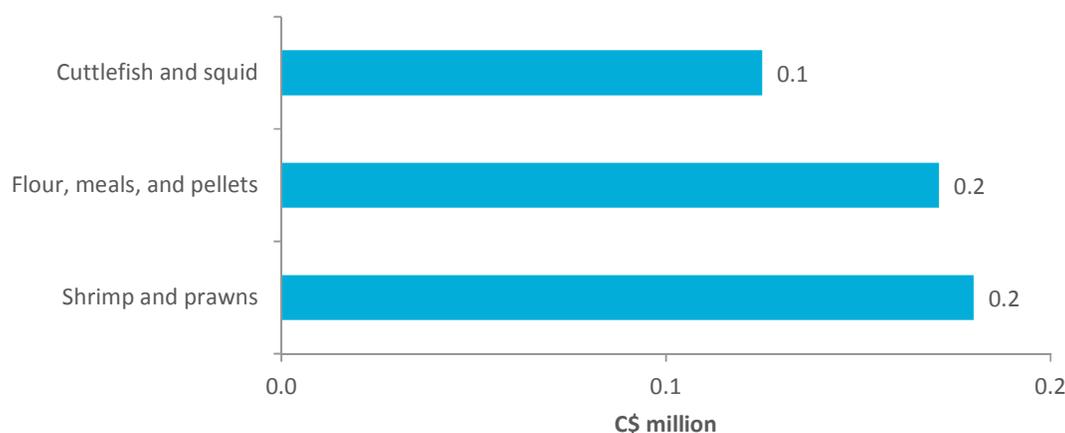
Table 1 Opportunity Assessment of Select B.C. Agrifood Exports to India

Top B.C. Exports	Explanation
Apples	Imports play an important role in meeting growing local demand for non-traditional varieties
Cherries	High-income, urban consumers drive growth of cherries due to their exotic and premium position
Fat Mixtures	Migration from unpackaged/artisanal to packaged products spurs growth, as does increasing demand for healthier, value-added oils

Seafood

India's small appetite for imported seafood contributes to low export volumes for B.C.

- B.C. exported C\$0.5 million in seafood products to India in 2012, representing 0.1 per cent of total B.C. seafood exports.
- The top seafood exports from B.C. to India were shrimp and prawns (C\$0.2 million), flour/meals/pellets (C\$0.2 million), and cuttlefish and squid (C\$0.1 million). The majority of seafood exports were in frozen form (C\$0.3 million).

Chart 2 Top B.C. Seafood Exports to India: 2012

Source: CATSNET Analytics, December 2013 and Global Trade Atlas, December 2013

Shrimp and prawns represent small, but growing opportunity

- Overall, India is a small consumer of seafood due to a large population of vegetarians, an under-developed cold supply chain, and supply problems from the local seafood industry. In this sense, short-term opportunities for B.C. exporters are quite limited compared to other export markets. However, seafood consumption is expected to increase, as disposable incomes rise and consumers experiment with new cuisines, suggesting greater long-term potential. Currently, the top B.C. seafood export to India is shrimp and prawns and this is expected to remain the product offering the most opportunity.

Table 2 Opportunity Assessment of Select B.C. Seafood Exports to India

Top B.C. Exports	Explanation
Shrimp and prawns	Among largest imports of frozen seafood, benefiting from growing interest in non-Indian cuisines
Cuttlefish and squid	A popular import across all formats of seafood (fresh, frozen, and packaged)

MARKET OPPORTUNITY

Key Points

- Population growth and rising disposable income lead to high growth across most food categories.
- Development of modern grocery retailing expands access to frozen foods.
- Prevalence of vegetarianism greatly affects food markets.
- Hygiene concerns prompt increased consumption of frozen and packaged foods.
- Increasing Westernization of eating habits drives growth of non-traditional foods.
- Reliance on imports likely to grow as Indian food preferences evolve.

OVERVIEW

Rising disposable income and consistent population growth spur consumption across most food categories

- While many countries are busy dealing with the challenges of an ageing citizenry and declining birth rates, India's population is growing with the largest segment falling in the 0-5 age group. This, coupled with rising disposable income, is partially responsible for strong current and forecast growth across all food groups. A larger number of consumers naturally lead to increased consumption of all categories, while higher disposable incomes are driving sales of value-added foods, such as packaged, frozen, and fortified food.

Frozen food takes off as modern grocers expand

- While fresh food still holds the greatest importance in Indian eating habits, the growth of modern supermarkets and hypermarkets throughout urban India are introducing consumers to modern conveniences, slowly changing the food landscape. These grocery outlets come equipped with increased freezer space, a relatively new concept in the country, which is driving consumption of the frozen foods category. In the near future, domestic and international frozen food manufacturers are expected to provide grocers with freezer displays, further encouraging purchases. Additionally, more Indian households will have freezers, allowing them to purchase and store frozen foods.

Prevalence of vegetarianism greatly affects food markets

- The majority of the Indian population are vegetarians and this has significant influence on food consumption in the country. In fresh foods, the largest and fastest-growing categories all cater to vegetarian diets, with vegetables, fruits, starchy roots, and pulses leading the way. Consumption of meat and seafood, by contrast, is significantly lower than other countries.

Rising hygiene concerns and convenience needs lead to jump in frozen and packaged food sales

- Rising concern over poor hygiene in regard to food handling, especially when it comes to street food, makes frozen and packaged foods more appealing to consumers. Hygiene concerns are apparent in other subcategories as well, such as a growing preference for packaged over loose milk. Increasingly busy Indian consumers also find packaged and frozen foods agreeable because they provide a quick and convenient meal option. For instance, they are switching from unpackaged loose yoghurt to more convenient, spoonable yoghurts.

Modern retailers and foodservice chains introduce Western foods to Indian consumers

- Popular Western foodservice chains, which are experiencing double-digit growth in the country, are introducing Indian consumers to Western foods, such as pizza, pasta and cheese. These consumers are now interested in making Western foods at home, leading retailers to stock up on pasta, tomato sauce, cheese and other foreign edibles in their stores. With floor space to fill, modern supermarkets and hypermarkets are also introducing Western foods, such as Chinese cabbage and mushrooms, capsicums, oriental spinach, broccoli, and Gala, Honey Crisp and Granny Smith apples.

Indians likely to rely more on imports as tastes change

- Until recently, India was fairly self-sufficient in terms of food production. As consumer tastes evolve and become more Westernized, and healthy foods move further into the foreground, Indian consumers will likely need to rely more on imports. Product categories offering the most opportunity include fruits, pulses, starchy roots, frozen foods, hot cereals, yoghurt and sour milk products and pasta.

AGRIFOOD

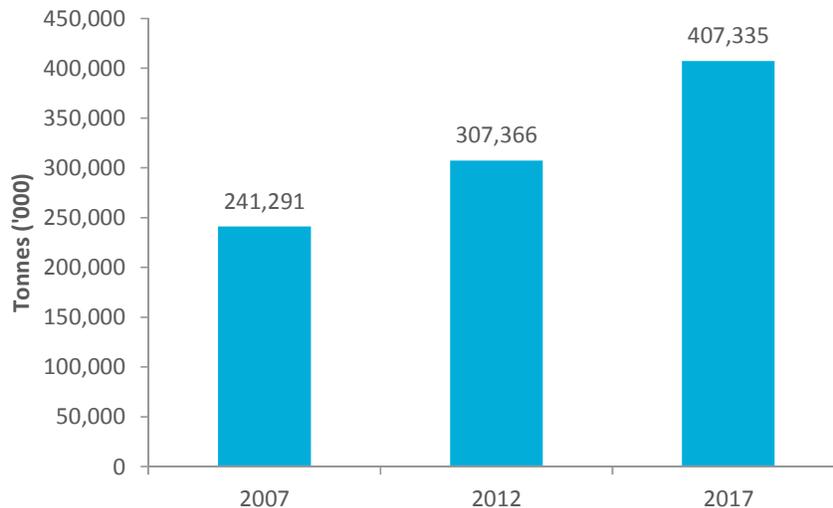
Fresh Food

Key Points

- Rising disposable incomes led to a seven per cent increase in the consumption of fresh foods in India in 2011. Consumption, however, remained stagnant in 2012, due to strong inflationary pressures.
- Priced significantly lower than packaged food and a large part of the Indian diet, fresh food is expected to experience phenomenal growth of 32.5 per cent between 2012 and 2017.
- Total vegetable consumption reached 124 tonnes in 2012, higher than any other fresh food. Onions, a staple of Indian cooking, experienced the highest growth at seven per cent in the same year.
- Fruits, closely followed by pulses and starchy roots, lead forecast growth. Rising disposable incomes, expanded distribution and the growing population drive sales.
- With over 800 thousand tonnes imported in 2012, coconuts far outpace all other fresh food imports in India.
- Onions and apples offer B.C. exporters the most opportunities in fresh food.

Fresh food accounts for a large proportion of total food consumption in India due to availability and large rural population

Chart 3 Total Volume Consumption of Fresh Food: 2007-2017



Source: Euromonitor International

Vegetables lead fresh food consumption with twice the sales of next category, while fruits expected to be the fastest growing due to wider availability in modern retail channels

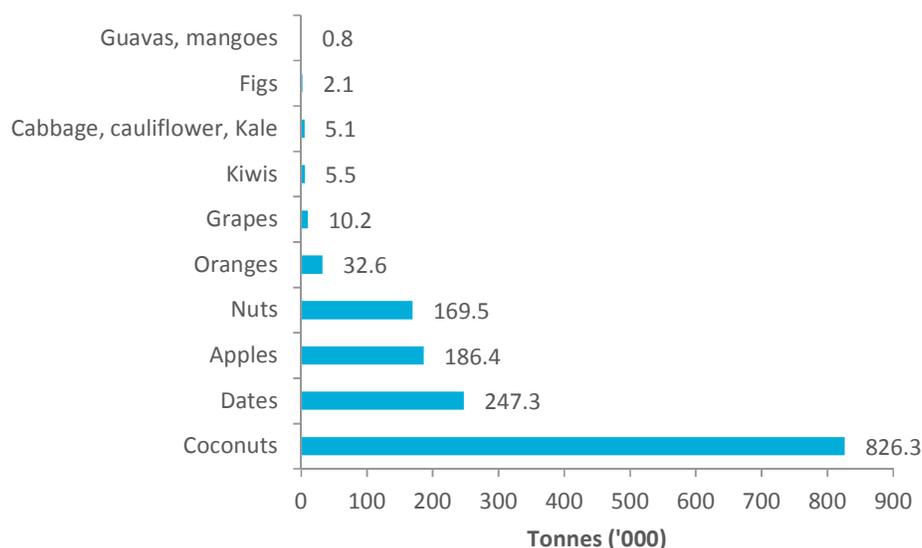
Table 3 Top Fresh Food Categories in India: 2012

Largest Categories	Fastest Growing Categories
1. Vegetables	1. Fruits
2. Starchy Roots	2. Pulses
3. Fruits	3. Starchy Roots
4. Pulses	4. Vegetables
5. Sugar and Sweeteners	5. Eggs

Source: Euromonitor International

Fruit dominates imported fresh food category, led by coconuts

Chart 4 Top 10 Subcategories by Import Volumes of Fresh Food: 2012



Source: United Nations Comtrade

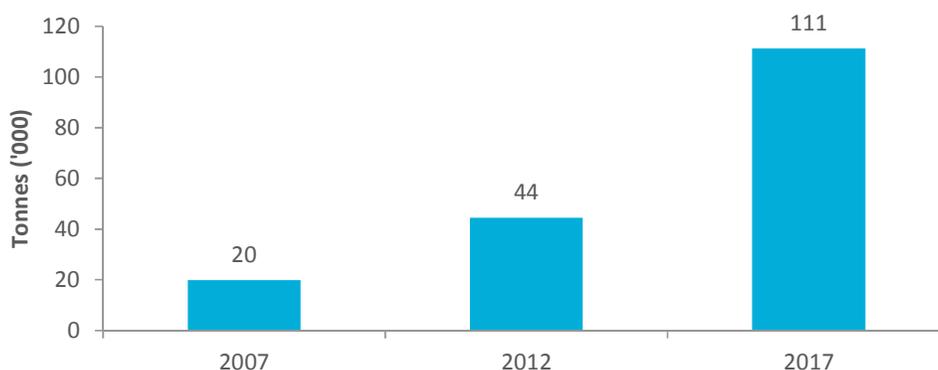
Frozen Food

Key Points

- Frozen processed food is a small, but booming category in India due to the increasing demand for safe and convenient products. Sales stood at 44 thousand tonnes in 2012 and are expected to grow to 111 thousand tonnes by 2017.
- Frozen processed potatoes lead both 2012 volume consumption (21.7 thousand tonnes) and 2012-2017 projected growth (192.6 per cent) within frozen foods due to the popularity of this item in Indian cuisine.
- Frozen processed vegetables are also among the largest and fastest growing categories, due to India's large vegetarian population.
- Innovation at retail stores and from processors gives rise to booming frozen meat sales.
- Frozen potatoes and vegetables offer the most opportunity for B.C. exporters in frozen foods.

Rising hygiene concerns leads to rising demand for frozen snack foods

Chart 5 Total Volume Sales of Frozen Food¹: 2007-2017



Source: Euromonitor International

Frozen potatoes and frozen vegetables are top-selling frozen food categories

Table 4 Top Frozen Food Categories in India: 2012

Largest Categories	Fastest Growing Categories
1. Frozen Processed Potatoes	1. Frozen Processed Potatoes
2. Frozen Processed Vegetables	2. Frozen Processed Vegetables
3. Frozen Processed Poultry	3. Frozen Processed Red Meat
4. Frozen Ready Meals	4. Frozen Ready Meals
5. Frozen Processed Red Meat	5. Frozen Processed Poultry

Source: Euromonitor International

¹Total Sales is the aggregate of products sold through both the retail and foodservice channels. Does not include products that are used for other purposes.

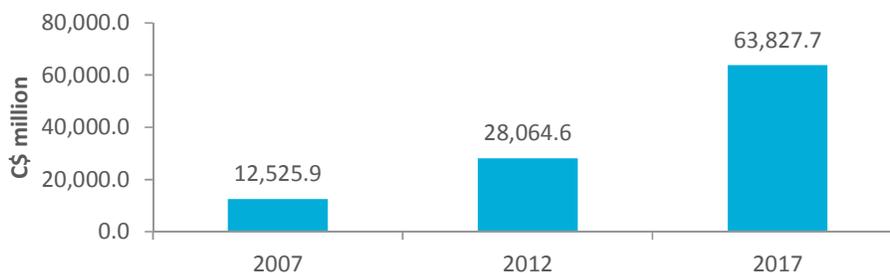
Packaged Food

Key Points

- Packaged food sales are experiencing exceptional growth, increasing by 124.0 per cent from 2007 to 2012. The growth has largely been driven by rising disposable incomes.
- Penetration of Western consumer foodservice is contributing to rising demand for non-traditional packaged foods, such as pasta and pasta sauce.
- Drinking milk products, the largest packaged food category at C\$8.3 billion in sales in 2012, will continue to grow due to a shift away from fresh milk.
- Growing health consciousness and innovative new product launches are behind the fast-growing categories of hot cereals and yoghurt and sour milk products.
- Competitive activity varies greatly by region and food category, due to wide differences in regional taste preferences. Most of the new imported products are typically first launched in West India, where consumers are keen to try out new flavours.
- Drinking milk products, oils and fats, and snack foods offer the greatest opportunities to B.C. exporters.

Growing affluence and increasing Western consumer foodservice drive packaged food sales

Chart 6 Retail Sales of Packaged Food (C\$ million): 2007-2017



Source: Euromonitor International

Drinking milk products and oils and fats are the dominant packaged foods in India, while non-traditional products like hot cereals and pasta lead in forecast growth

Table 5 Top Packaged Food Categories in India: 2012

Largest Categories	Fastest Growing Categories
1. Drinking Milk Products	1. Hot Cereals
2. Oils and Fats	2. Yogurt and Sour Milk Drinks
3. Biscuits	3. Pasta
4. Sweet and Savoury Snacks	4. Cheese
5. Dried Processed Food	5. Ready-To-Eat Cereals

Source: Euromonitor International

SEAFOOD

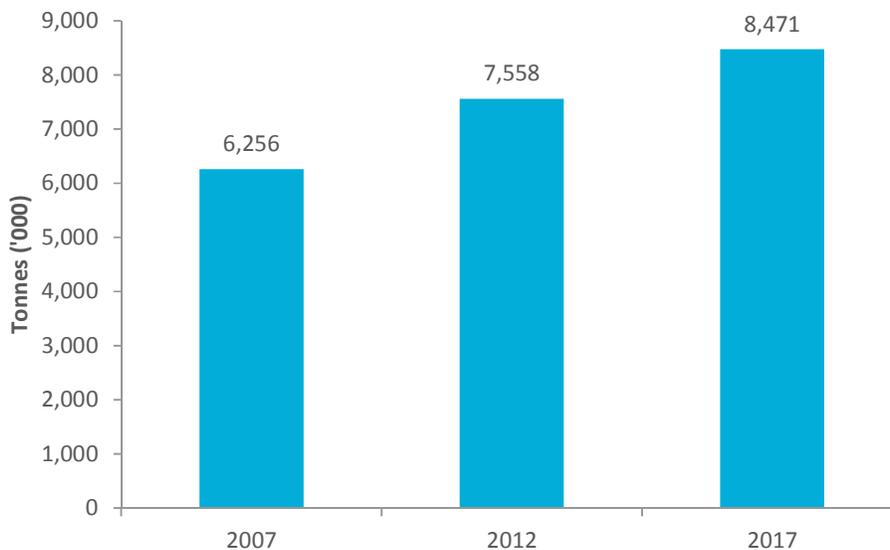
Fresh Seafood

Key Points

- A large population allows India to boast high seafood consumption in absolute terms (7.6 million tonnes in 2012), but per capita consumption is quite low due to low supply, high prices, and consumer preference for other foods.
- India's local fishing industry suffers from many problems, preventing it from being a reliable supply of fresh seafood to local consumers. However, India's government is investing in strengthening these areas of weakness.
- Consumption of fresh seafood is expected to grow to 8.5 million tonnes by 2017 due to increasing disposable incomes, an expanding middle-class, and the growth of modern retail outlets.
- Fish accounts for a 79 per cent share of total category volume sales, followed by crustaceans with 16 per cent and molluscs and cephalopods with a combined five per cent.
- While India imports a small amount of fresh fish and seafood, plans are in the works to turn the country into a major exporter of these products.
- Cuttlefish and squid offer B.C. exporters the most opportunities in the fresh seafood market in the Indian market.

Low per capita seafood consumption in India as a result of a weak local fishing industry, an under-developed cold supply chain, and a large population of vegetarian consumers

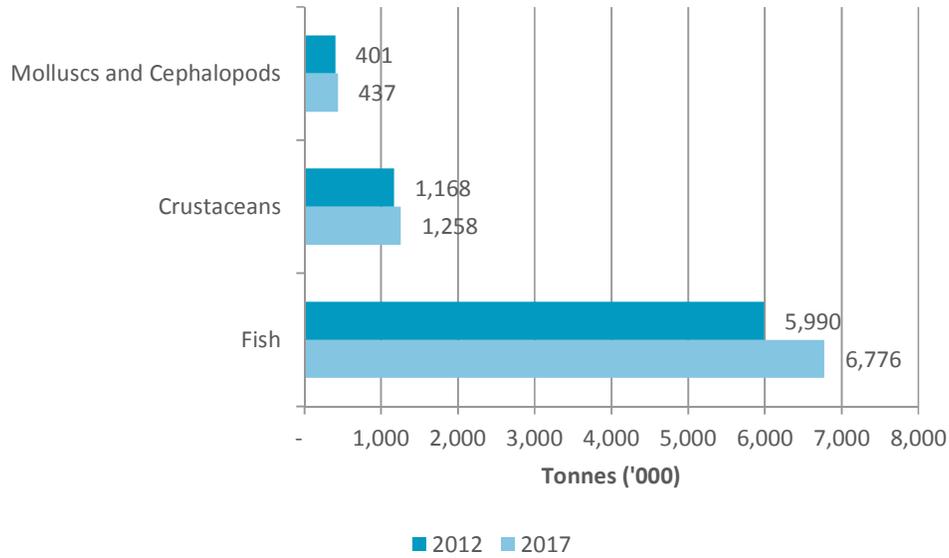
Chart 7 Total Volume Consumption of Fresh Seafood: 2007-2017



Source: Euromonitor International

Fish make up the majority of consumption

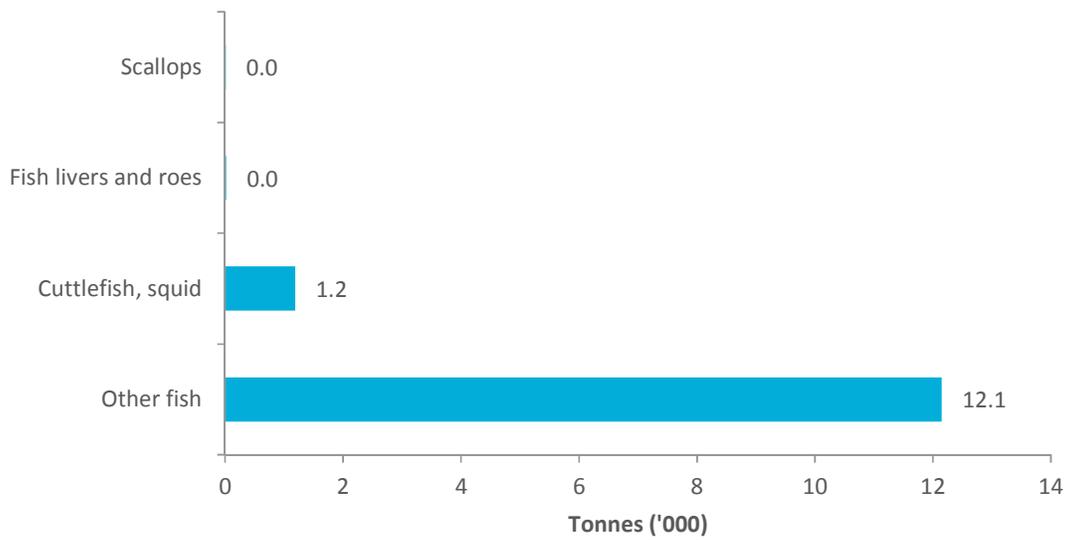
Chart 8 Volume Consumption by Fresh Seafood Category: 2012-2017



Source: Euromonitor International

Imports of fish and seafood are insubstantial, with no one variety of seafood standing out

Chart 9 Top Categories of Fresh Seafood by Import Volumes: 2012



Source: United Nations Comtrade

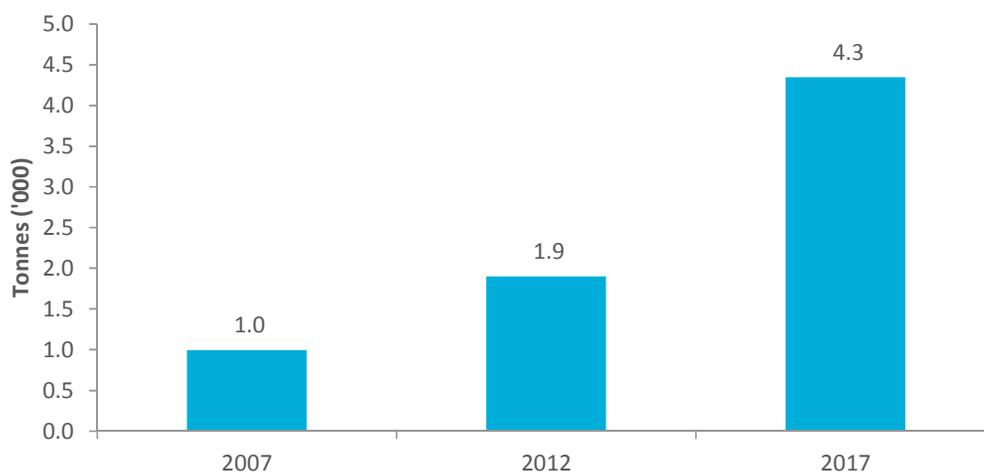
Frozen Seafood

Key Points

- At 1.9 thousand tonnes in 2012, consumption of frozen seafood in India is low compared to other emerging markets.
- Growth, however, is expected to be high over the 2012-2017 period, as consumer attitudes toward frozen food changes and availability expands at retail stores, allowing consumption to increase to 4.3 thousand tonnes by 2017.
- The Sumero brand leads retail frozen processed seafood sales with a 30 per cent market share. Frozen food manufacturers are expected to step up advertising in order to stave off newcomers to the growing category.
- Vietnam is the top supplier of imported frozen seafood in India, benefiting from the ASEAN free trade agreement in 2010.
- Cuttlefish/squid and shrimp/prawns offer B.C. exporters the most opportunities in the frozen seafood market in India.

Changing perception of frozen seafood and proliferation of freezers at retail outlets lead to increased consumption

Chart 10 Total Volume Sales of Frozen Seafood²: 2007-2017

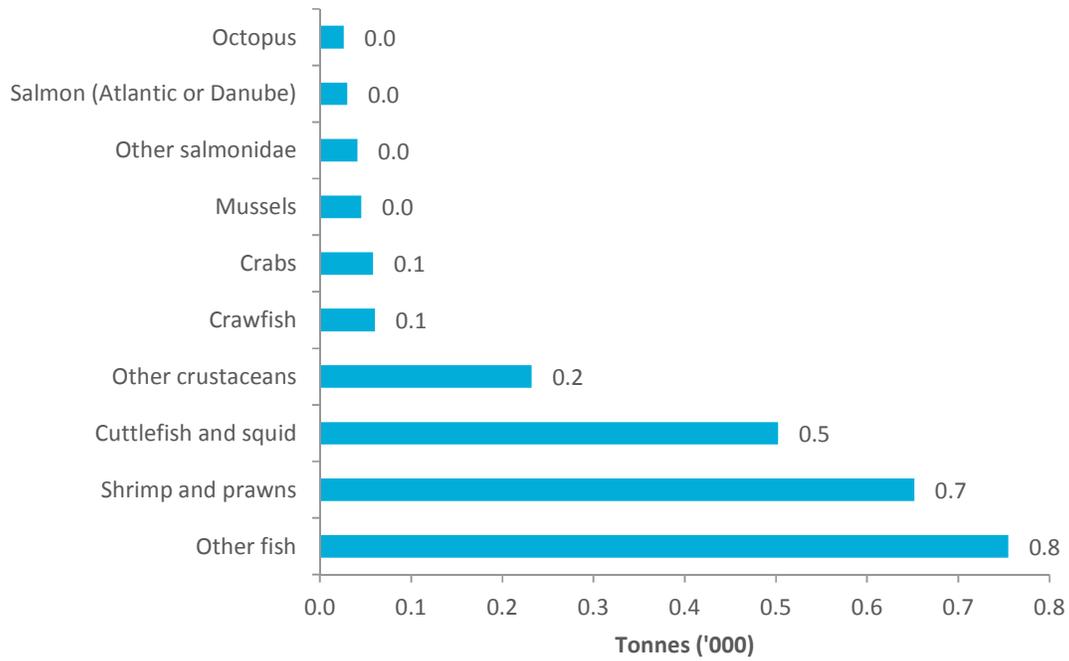


Source: Euromonitor International

²Total Sales is the aggregate of products sold through both the retail and foodservice channels. Does not include fish that is used for other purposes.

Shrimp/prawns and cuttlefish/squid are the most important frozen seafood imports

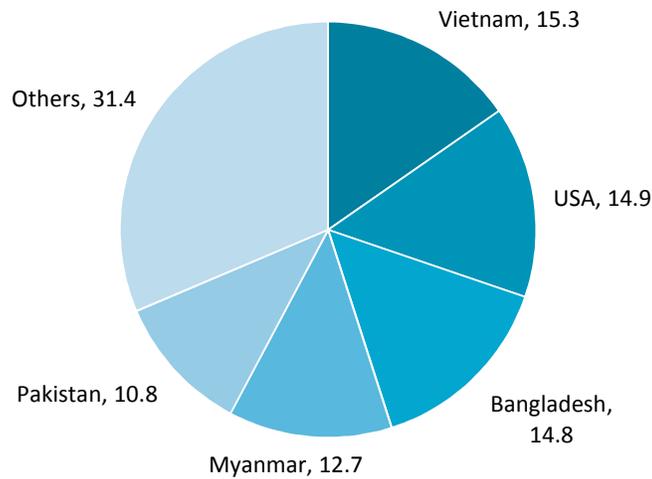
Chart 11 Top Categories of Frozen Seafood by Import Volumes: 2012



Source: United Nations Comtrade

Vietnam takes advantage of ASEAN FTA to become leading frozen seafood supplier

Chart 12 Top Suppliers of Frozen Seafood by Import Volumes (per cent share): 2012



Source: United Nations Comtrade

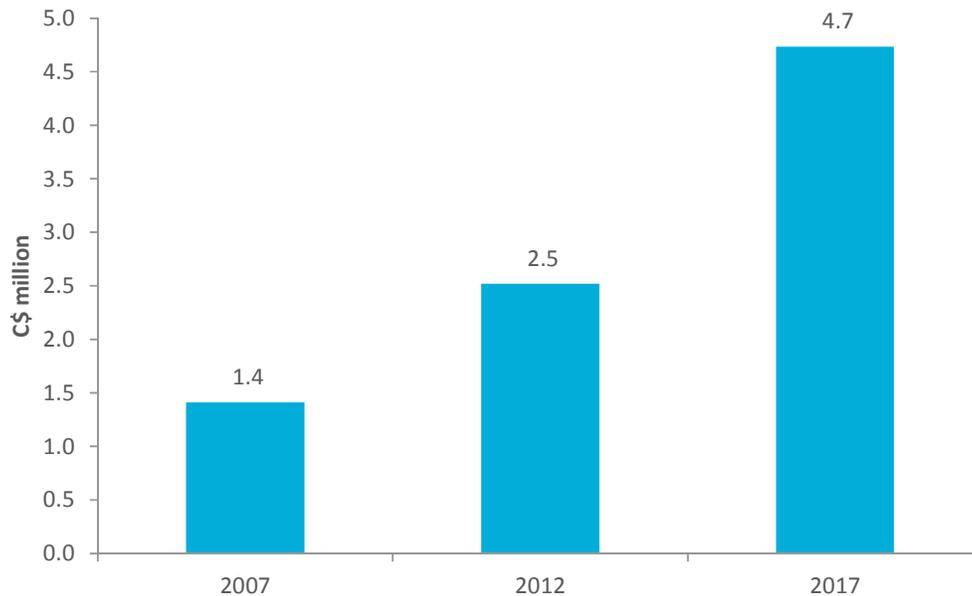
Canned/Preserved/Processed Seafood

Key Points

- Canned/preserved/processed seafood is a very small, but growing market in India. In 2012, sales reached C\$2.5 million and are expected to grow to C\$4.7 million by 2017.
- The primary drivers of growth are increasing consumer awareness, rising disposable incomes, and expanding product distribution.
- Market share of canned/preserved seafood is highly fragmented, with other brands accounting for the majority of sales.
- Low consumer demand is met mostly by local production, causing low import volumes of canned/preserved/processed seafood. Crab is the most imported product and most of these volumes are sourced from China.

Manufacturers educate consumers about benefits of canned seafood, but growth still lags behind frozen seafood

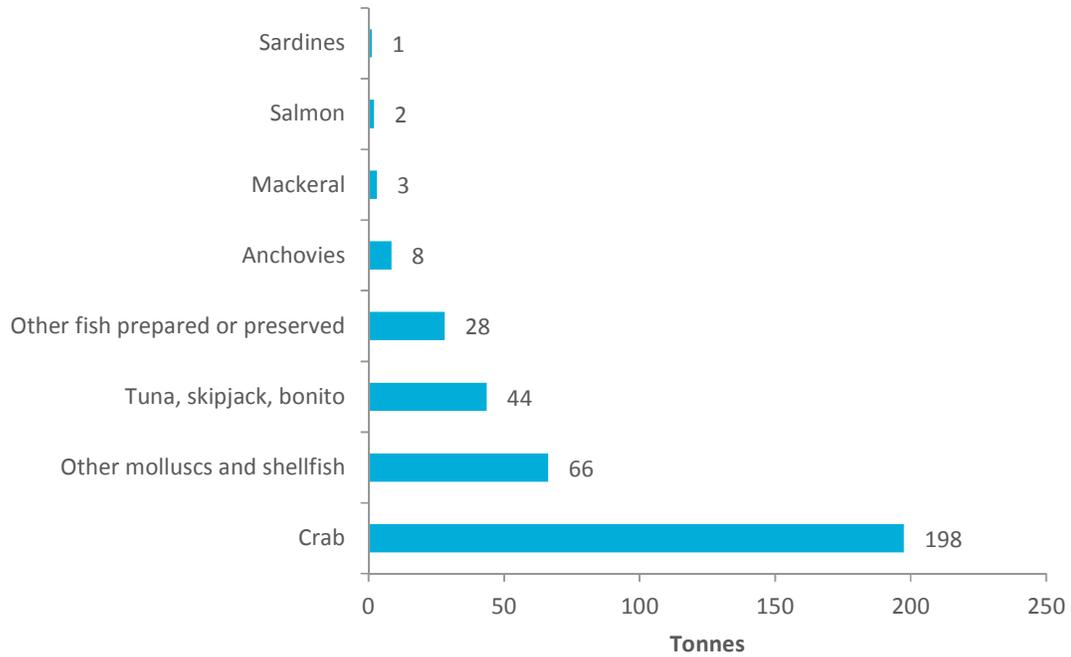
Chart 13 Retail Sales of Canned/Preserved/Processed Seafood (C\$ million): 2007-2017



Source: Euromonitor International

Crab leads in preserved seafood imports

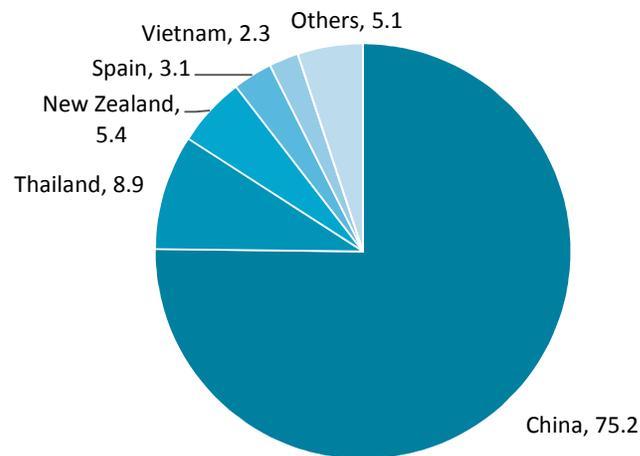
Chart 14 Top Categories of Preserved Seafood by Import Volumes: 2012



Source: United Nations Comtrade

China supplies the majority of preserved seafood imports

Chart 15 Top Suppliers of Preserved Seafood by Import Volumes (per cent share): 2012



Source: United Nations Comtrade

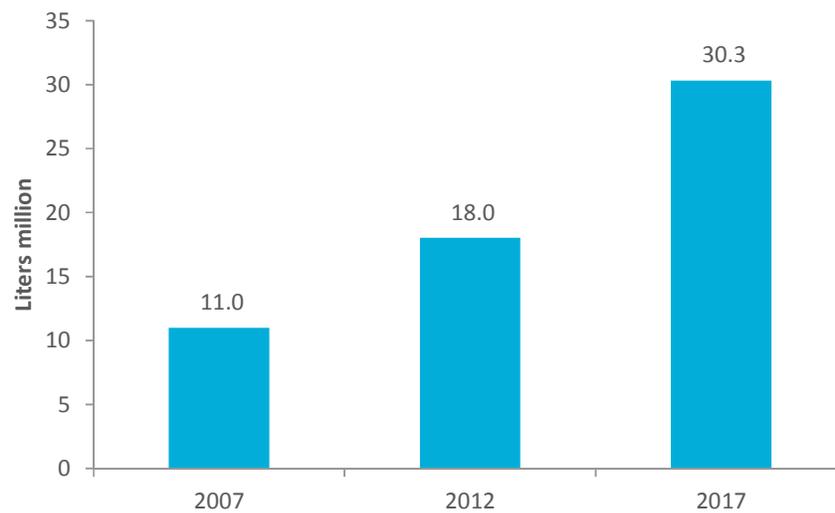
WINE

Key Points

- Wine consumption grew by 10 per cent in 2012, reaching 18 million litres, driven by increased consumer exposure.
- Urban women are the primary consumers of wine, but this is expected to change as an increasing percentage of young professionals find this alcoholic drink more appealing.
- High tariffs are an obstacle to growth, especially given the importance of imported wine to the local market.

Increased consumer exposure helps to drive sales of wine in India, with urban female consumers leading the way

Chart 16 Total Wine Consumption in India: 2007-2017



Source: Euromonitor International

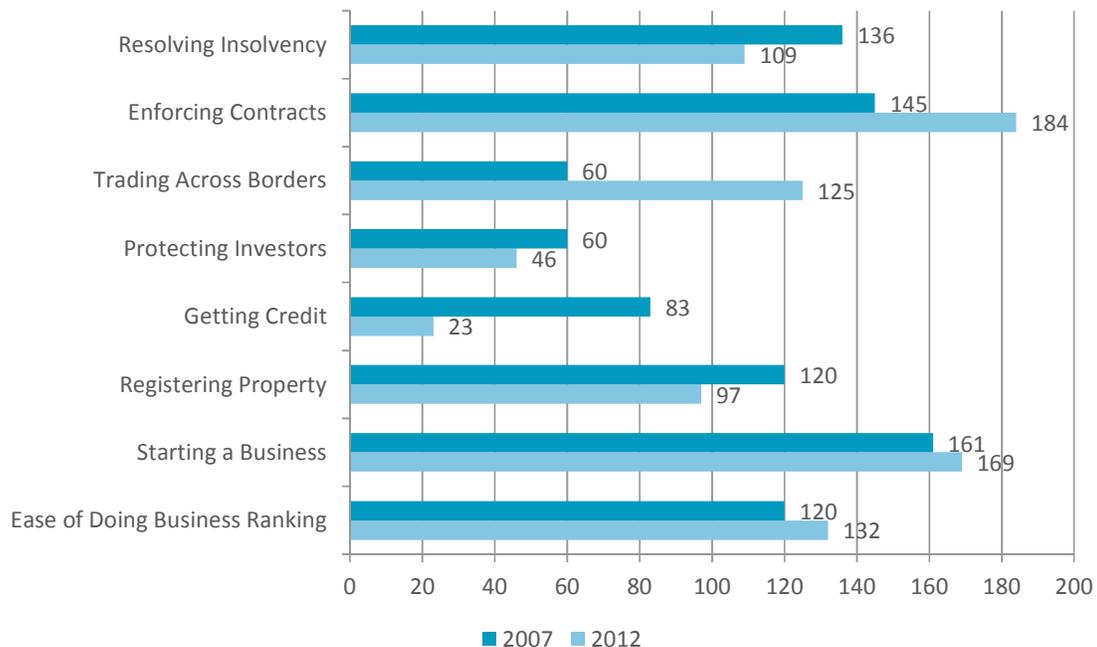
BARRIERS TO MARKET ENTRY

Key Points

- India ranked 132nd globally in Ease of Doing Business according to the World Bank. Its business environment continues to be negatively affected by a high level of bureaucracy, poor infrastructure, rigid labour and investment regulations and relatively high tax rates.
- Competitive wages and strong IT sector are highlights in a mostly poorly rated business environment.
- In an effort to attract more FDI, the government has slowly eased investment regulations since 2010. Foreign investors, however, are still far from receiving equal treatment to domestic counterparts.
- The customs process is strict and standardized, while packaging and labeling laws are rigid.

There are many obstacles to doing business in India, but a growing ICT sector and low labour costs are bright spots for foreign investors

Chart 17 Ease of Doing Business Ranking: 2007 vs. 2012³



Source: *Doing Business, World Bank*

Note: *This chart does not include all of the metrics that factor into the total ease of doing business, but rather highlights ones that are more applicable to foreign exporters.*

³ Note: (1) Regulations in Doing Business 2012 are measured from June 2010 until May 2011. The data for all sets of indicators in Doing Business 2012 are from June 2010 until June 2011 (except for paying taxes data which refers to January–December 2010). (2) Rankings are based on data sets across 183 countries. (3) Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies. A high ranking means the regulatory environment is conducive to the operation of business.

OVERVIEW OF INDIA'S ECONOMY

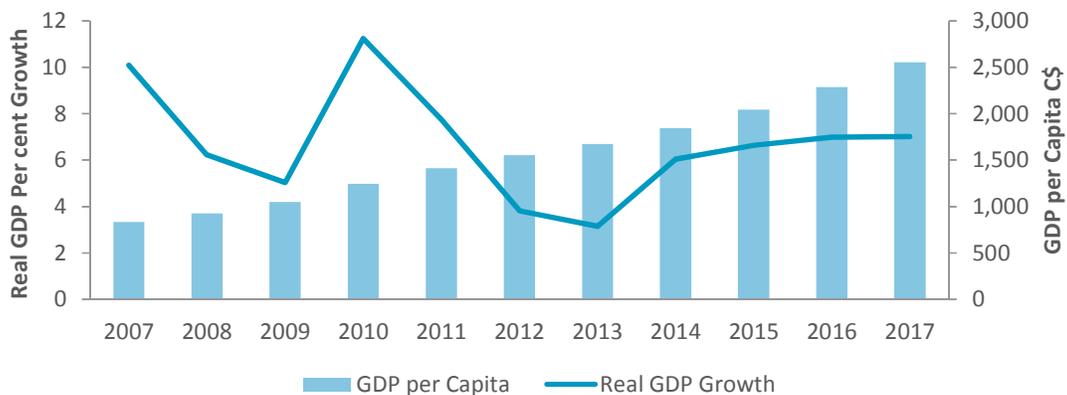
Key Points

- Real GDP grew by 3.1 per cent in 2013. This performance cannot create enough salaried jobs for the country's expanding workforce. The economy has been hurt by a slowdown in key sectors such as mining and manufacturing.
- A rebound is expected in 2014. By 2015, India's consumer market could match that of Italy's in absolute terms, and is expected to be approaching that of France by 2020.
- A lack of reforms has caught up with India in the form of a crisis precipitated by a plunge in its currency. The economy had been overheating with high inflation; an overpriced property market; power shortages; and a large trade account deficit.
- To alleviate infrastructure constraints, the government plans to invest C\$1 trillion in ports, roads and power plants in the five years to March 2017, including significant improvements to the rail system. The move is expected to help reduce transportation costs and spur economic growth
- India's large domestic market means that it is less dependent on trade than most Asian countries. In 2013, exports represented just 16.9 per cent of GDP.

PERFORMANCE

Economic growth in India stalls due to imbalances from an overheating economy and financial turmoil stemming from large capital outflows

Chart 18 Real GDP Growth and Per Capita GDP: 2007-2017

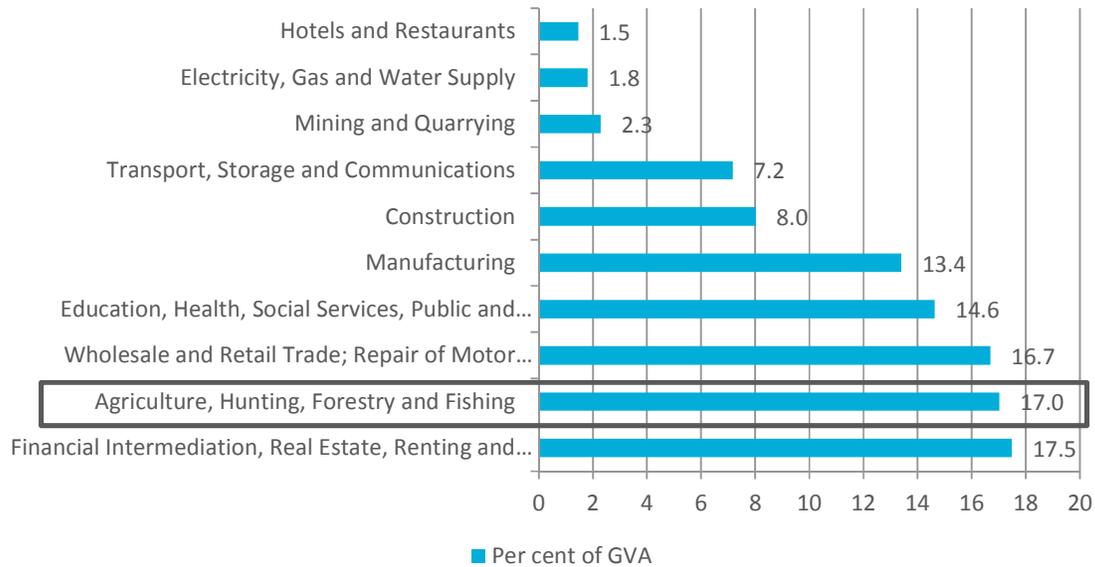


Source: Euromonitor International

STRUCTURE AND MAJOR INDUSTRIES

Financial Intermediation, Real Estate, Renting and Business is the largest and one of the fastest growing sectors in India

Chart 19 Gross Value Added by Sector in India: 2012



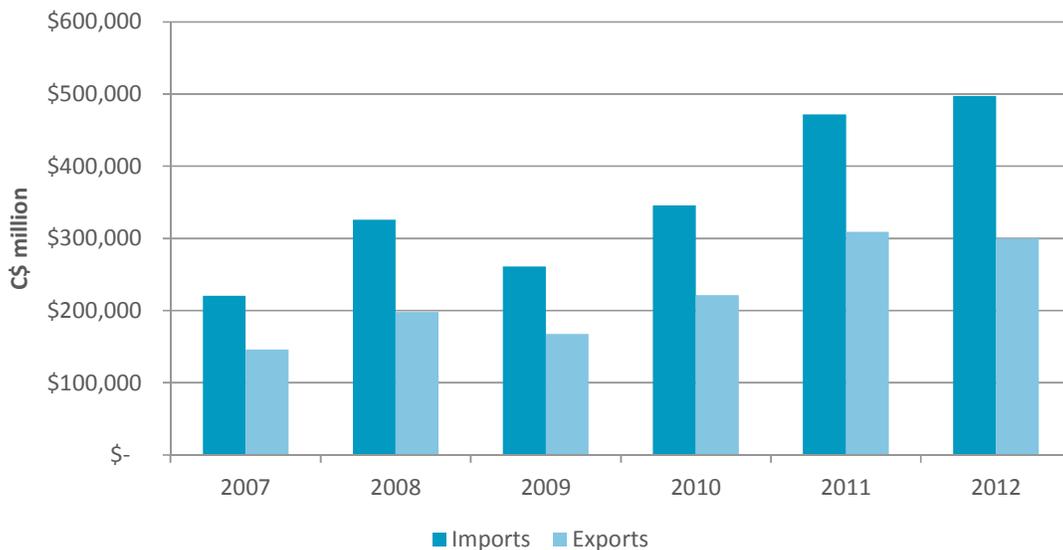
Source: Euromonitor International from national statistics

Notes: (1) Wholesale & Retail Trade includes Repair of Motor Vehicles, Motorcycles and Personal and Household Goods. (2) Financial Intermediation includes Real Estate, Renting and Business Activities. (3) Public Administration includes Defence and Compulsory Social Security. (4) Education, Health & Social Work includes Other Community, Social & Personal Service Activities

FOREIGN TRADE

Overregulation and lack of infrastructure hamper export growth, but the Indian government is trying to lower trade barriers through reduced tariffs and free trade agreements

Chart 20 India's Foreign Trade: 2007-2012



Source: Euromonitor International from national statistics/OECD/IMF

CONSUMERS IN INDIA

Key Points

- By 2020, India is expected to have the largest population in the world.
- The Indian government projects that there will be 400-500 million people in the work force before 2025. And if female empowerment grows nationally, that figure might increase to 600-700 million.
- During the period 2012-2020, total disposable income will increase by a cumulative 44.5 per cent in real terms – growing at an average annual rate of 4.7 per cent.
- Vegetarianism is still the norm, but traditionally taboo products -- alcohol, red meat and pork - see strong rise in consumption levels.
- Strong double-digit growth is expected for consumer foodservice in India. Dining out is popular amongst many Indian consumers, particularly in urban areas, facilitated by busier lifestyles and higher levels of disposable income.

DEMOGRAPHICS

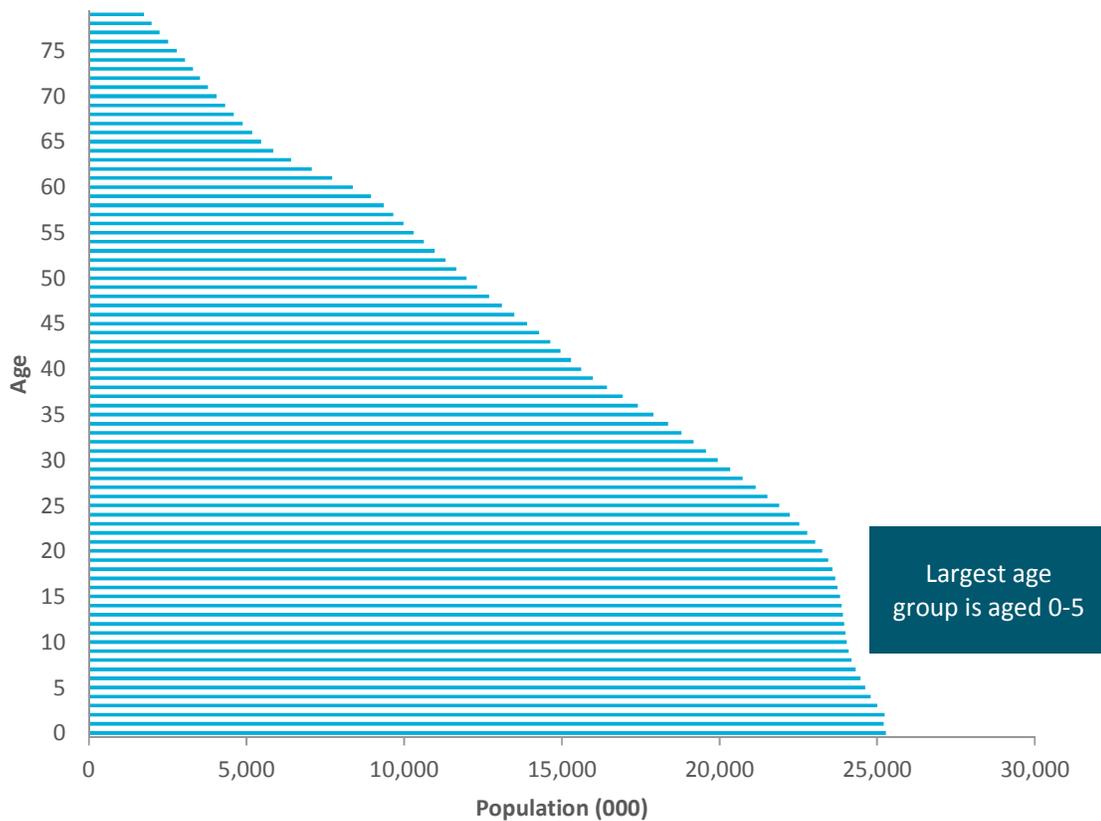
India close to surpassing China as world's most populous country

- India's current population is nearly 1.3 billion, up from 670 million in 1980. The pace of growth is slowing but the country's youthful age structure promises continued gains for some time. The median age is rising over time but is still relatively low – just 26.0 years in 2013. In 1980, the country had 266 million between the ages of 0 and 14 years. Today, the number is more than 368 million, and it will gradually rise throughout the course of this decade.
- India will overtake China as the world's most populous country within 20 years. The country should benefit significantly from its “demographic dividend⁴,” in part, because it occurs at a time when other large emerging markets (including China) are seeing their populations age. In India, conversely, the largest demographic is the 0-14 age group, which accounts for 30 per cent of the total population. Thus, the consumer market is expected to expand in the near future rather than contract as is the case for most markets, both emerging and developed.

Women delaying childbirth but enter spinster status at age 30

- Despite going to university and building their careers, many Indian women still feel pressure to get married by the time they are 30 years old. A recent report on website openthemagazine.com noted that many women see reaching 30 as a defining moment in their lives when they take stock of their marriage status, looks and career.
- Regardless, there are certainly a growing number of women who are waiting longer to get married and have children, particularly in urban areas. The country's fertility rate is dropping, but it is still relatively high at 2.5 births per female. Fertility will continue to surpass the replacement level throughout the course of this decade.

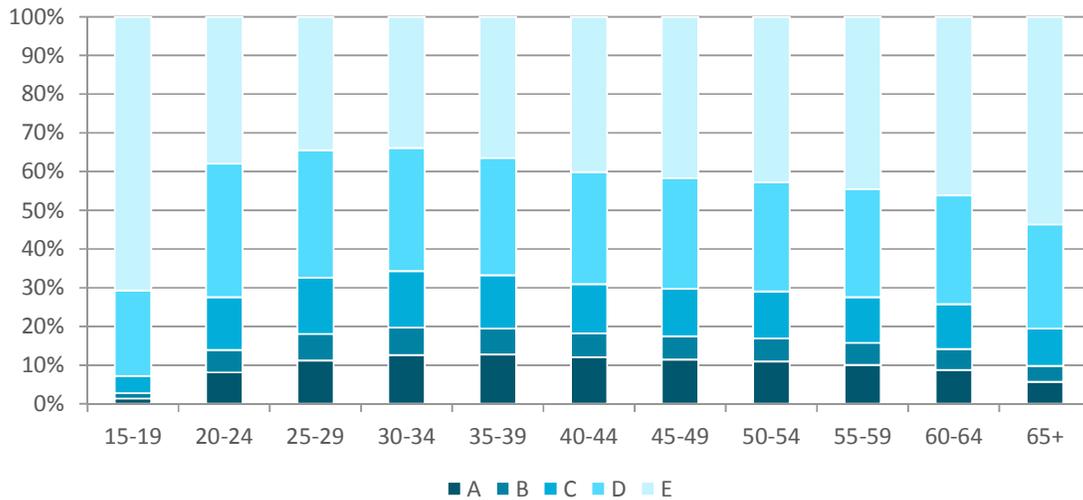
⁴ Demographic dividend refers to a period when fertility rates fall due to significant reductions in child and infant mortality rates. This fall is often accompanied by an extension in average life expectancy that increases the portion of the population that is in the working age-group.

Chart 21 Age Pyramid in 2012

Source: Euromonitor International from national statistics/UN

Wealth is evenly divided among age groups within the population

- A and B socioeconomic classes are somewhat evenly distributed among age groups. Distribution forms a slight bell curve with more middle-aged consumers earning higher salaries, while the very old and very young earn less. This, however, is typical in most countries. No more than 20 per cent of A or B consumers fall into any one age group, resulting in a high poverty rate across the general population.
- The number of young adults in India (those between 18 and 29 years-old) reached 266.5 million in 2012, accounting for nearly 22 per cent of the total population. Long ignored as a consumer segment—marketers continually tended to target older middle-class consumers—young adults entering the workforce are beginning to have a greater influence in the market.
- In 2012, there were 255.3 million Indians aged 30 to 44 years-old (accounting for nearly 21 per cent of the total population), up from 218.6 million in 2005. For the most part, these individuals are in the midst of their working careers, married and raising families. Increased incomes and changing attitudes have facilitated a trend amongst some toward marrying later in life. Unlike many of their parents, many members of this cohort are eager to “experience” life before establishing households.

Chart 22 Age Composition of Social Classes ABCDE: 2011⁵

Source: Euromonitor International from national statistics

CONSUMER HABITS

General Purchase Habits

Rural consumers driving growth

- Urban dwellers in India have deeply felt the impact of the recent economic slowdown and this has affected their levels of income and, in turn, their levels of spending. In contrast, rural dwellers appear to be less affected by the downturn and their disposable income and spending levels continue to rise. In part, this is due to the significantly lower cost of living in rural areas. Indeed, surveys indicate that there is a growing demand amongst rural consumers to own the brands and products that are now common in urban households. Increased consumer awareness in rural areas has been driven, in part, by the growth of cable TV services and the continuing popularity of Bollywood movies, both of which have boosted rural consumers' aspirations.

More consumers buying from modern retail outlets

- Recent surveys and other reports appear to confirm that Indian consumers are turning to modern retailers at a rapidly increasing rate. Shopping malls and specialist retailers are taking the place of markets and other traditional retail venues due to their superior shopping

⁵ Social Class A presents data referring to the number of individuals with a gross income over 200per cent of an average gross income of all individuals aged 15+.

Social Class B presents data referring to the number of individuals with a gross income between 150per cent and 200per cent of an average gross income of all individuals aged 15+.

Social Class C presents data referring to the number of individuals with a gross income between 100per cent and 150per cent of an average gross income of all individuals aged 15+.

Social Class D presents data referring to the number of individuals with a gross income between 50.0per cent and 100per cent of an average gross income of all individuals aged 15+.

Social Class E presents data referring to the number of individuals with a gross income less than 50.0per cent of an average gross income of all individuals aged 15+.

experience (air conditioning, clean atmosphere, less crowded) and the availability of a plethora of brands, giving them a wider range of choices.

- Buying from modern retailers is fast being adopted by small town consumers as well, as chains expand into suburbs and rural areas. “Aspirations of consumers in smaller towns are similar to those in the metros. Exposure and affordability are driving this parity,” said Ankur Bisen, Vice-President of management consultant Technopak in a recent interview.

Eating and Drinking Habits

Indians still enjoy homecooked, vegetarian meals

- Traditionally, Indian families dine together. The majority of Indians still prepare home cooked meals made from scratch. Fresh vegetables, pulses, rice, food made from wheat (roti, chapati, paratha), milk and milk products (yoghurt, curd) and butter and ghee (refined butter) are considered staples. Of course, India being a huge country means that consumers in different provinces have different eating habits.
- According to a recent report from Hindu-CNN-IBN, 31 per cent of Indians are vegetarians for religious and cultural reasons, while the rest of the population eats fish and meat. Depending on income and purchasing power, households’ intake of animal protein varies widely, from daily to weekly. On the whole, consumers eat all types of meat but Hindus, the dominant element of the population, strictly abstain from eating beef. Consumption of pork is also limited to a relatively small base. Poultry products, including eggs, are popular considering their low cost, wide availability and high nutrition value.

Growing number of consumers changing traditional eating habits

- Traditionally, the diet of most Indians has been carbohydrate rich, but as awareness of the benefits of a balanced diet spreads, consumers are adding more animal protein, fruit, seeds and nuts to their meals. Lean protein and low-calorie dairy products are especially popular. On the other hand, many foods that are considered new and healthier alternatives are still out of financial reach for most Indians. At the same time, demand for sugar and sugar confectionery has declined, reflected by per capita spending on this products falling by nearly 57 per cent between 2000 and 2012. Among the reasons for this has been the increase in diabetes and heart disease amongst Indians and doctors and the media actively promoting healthier diets.

Rise in disposable income leads to corresponding increase in dining out

- Consumer foodservice showed double-digit growth in 2012 despite the economic slowdown. A rise in disposable incomes, coupled with companies expanding their reach in tier II and tier III cities, helped the robust growth. Strong performances by fast food players and pizza full-service restaurants helped in attaining solid growth. Despite challenges like high rent and inflation, the category showed a strong potential for growth. It is also becoming more common for some consumers to order food for takeaway to eat at home during the week and then to dine out in restaurants over the weekend. Of course, the frequency of dining out depends largely on income levels.
- Fast food has become highly palatable to the teens and consumers in their early twenties, with international fast food chains like KFC and McDonalds particularly popular. Young consumers consider eating at these places to be fashionable, allowing them to feel a part of the international youth culture. Of course, the menus in Indian outlets tend to differ

from those in other countries with high consumption of beef. There is also high demand for indigenous meals from independent fast food venues. As well, many consumers purchase snacks and other food items from the numerous street stalls and kiosks.

Multinationals expanding their vegetarian food offerings

- In an effort to appeal to the palates of Indian consumers, operators of multinational brands like McDonald's, KFC and Subway have changed their food offerings, particularly increasing the vegetarian options. Multinationals are known to adjust their menus to suit the countries in which they are present, and this is evident in India.
- The first meatless McDonald's opened in India in latter part of 2013 in northern India, near the famous Golden Temple in Amritsar. The second is expected to open at the Vaishno Devi cave shrine. Yum! Brands Inc (global brand owner of KFC), is following the same strategy. KFC has increased its vegetarian offerings in 2013 with more vegetarian burgers at an affordable price point, as well as premium ranges, in addition to rolls and "twisters" (KFC's version of a wrap sandwich).

Quick Facts on Dining Out in India

- Most popular formats:
 - **Full-service restaurants**
 - **Fast food**
 - **Street stalls/kiosks**
- Top foodservice chains
 1. **McDonald's**
 2. **Domino's Pizza**
 3. **KFC**
 4. **Café Coffee Day**
 5. **Indian Hotels Co**

Health & Wellness Habits

India's health is a concern – and an opportunity

- India has already one of the world's largest populations afflicted with diabetes and cardiac diseases. Both of these have been exacerbated by the rapid development of new age jobs that cut across time zones, creating erratic eating and diet habits, much more income than ever before in hands of a younger-than-ever population and consumption of products that are perceived to boost energy, health and stamina. This is a serious concern for public health, and the costs of addressing health issues, like hospitals and medicines, are mounting.
- The current impact of awareness about health and the effects of neglecting it is a drive towards a solution involving food and drink changes along with structured exercise regimes. Companies, realising that the urge to consume is still very strong, have started packaging health benefits with their products, also realising that consumers would be less likely to balk at higher price for such benefits. A rush of products in food and beverages flooded shelves in 2012, offering low or reduced fat, sugar, calories and trans-fatty acids, and offering to make up for deficiencies in diets, vitamins and minerals. Inevitably, there have been tall claims along the way, which prompted regulators to keep a watchful eye on companies and campaigns.

RETAIL LANDSCAPE

Key Points

- Hypermarkets and supermarkets are gradually gaining sales in urban areas due to the convenience of buying all grocery items under one roof and increased per capita incomes.
- Despite the rising popularity of supermarkets and hypermarkets, independent food stores make up the great majority of grocery retail sales. Supermarkets and hypermarkets are only based in urban areas.

Indian grocery retailing slowly modernizes in urban areas

- The majority of the grocery retailers in India are dominated by the unorganised or traditional grocery retailers. However, following the 51 per cent FDI in multi-branding which was approved in 2011, India is slowly opening up to the concept of supermarkets and hypermarkets. In fact, the numbers of supermarket and hypermarket outlets are expected to grow, with this trend being especially evident in urban areas like metropolitan cities such as Delhi, Mumbai, Bangalore and Kolkata.
- India is undergoing a shift in consumerism with a rise in per capita income each year. With their fast-paced lifestyle, consumers increasingly prefer to buy all grocery items such as vegetables, chicken, meat and cereals under one roof in a clean and air-conditioned environment. This will also benefit convenience stores, as consumers increasingly want to a quick in-and-out shopping experience. Even independent food stores will continue to expand due to an ever-increasing Indian population.
- Grocery shopping is slowly changing in urban India. Previously, the main priority of grocery shopping was to buy fresh food at the best price possible. Due to changing lifestyles, working hours and an increase in per capita income, the priority for grocery shopping is changing among consumers. Urban consumers with higher disposable income are preferring supermarkets and hypermarkets where the products sometimes are priced slightly higher than the traditional market but are available in a much more hygienic environment and in one location. Rural India, however, is still ruled by traditional grocery retailers for fresh foods as per capita income is considerably low in these areas.

Table 6 Ranking of Largest Retail Distribution Channels in India by Outlets: 2012

1. Independent Food Stores
2. Food/Drink Specialists
3. Supermarkets
4. Convenience Stores

Source: Trade associations, trade press, company research, trade interviews, Euromonitor International estimates

REFERENCES

For data sources and more information on topics discussed in this report, please visit the links listed below.

Description	Source
Export Tools for British Columbians	http://www.britishcolumbia.ca/Export/Index.aspx
Exporting Your Products from British Columbia	http://www.britishcolumbia.ca/Export/Exporting-Your-Products.aspx
Contact our Trade and Investment Representative Office in India	https://www.britishcolumbia.ca/global/trade-and-investment-representatives/india.aspx
Agriculture and Agri-Food Canada - Agri-Food Trade Policy	http://www.agr.gc.ca/itpd-dpci/index-eng.htm
Foreign Affairs, Trade and Development Canada	http://www.international.gc.ca/trade-agreements-accords-commerciaux/index.aspx
Government of India – Ministry of Agriculture	http://agricoop.nic.in/welcome.html
Government of India – Ministry of Food Processing Industries	http://mofpi.nic.in/