

FOODS MARKET REPORT



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Ministero dello Sviluppo Economico



ITALIAN TRADE AGENCY
ICE - Italian Trade Commission
Trade Promotion Office of the Italian Consulate

Market Brief

The consumption of imported foods even amongst high-end consumers is fairly a new trend and experience that is catching on in India. Although most consumers may be familiar with the taste of imported food products in high-end restaurant set up, many of them would not be familiar with the preparation of these same imported foods at home. Thus, consumer education does become a vital part of the introduction of a new imported food or beverage in the Indian market. Imported foods in India are generally found in hotels, gourmet grocery stores, the imported foods section of large hypermarkets, and on the shelves of many of the neighborhood stores who carry a certain amount of imported foods.

Recent times have seen growth of the middle-class segment of consumers who are now moving into the higher middle-class segment owing to higher incomes, greater number of earning members in a household, and increased exposure to global brands and foods.

The following imported food products/categories of several countries can be easily found on the shelves of several retail chain stores:

- Beverages (fruit juices, concentrates, alcoholic beverages, and carbonated drinks)
- Confectionary Items
- Cheeses
- Dry fruits and nuts
- Breakfast cereals
- Fresh fruits and vegetables
- Canned and frozen food
- Preserves, jams and marmalades
- Health food products
- Pastas and noodles
- Soups, syrups, and seasonings
- Sauces and salad dressings

Key to note: India remains an important player in the global agriculture markets as an importer of agriculture commodities such as edible oils, pulses, lentils, wood and wood products.

Presence and Growth of Modern Retail

India's food retail business is still dominated by the traditional locally termed as "kirana stores". These stores occupy more than 98% of food sales in the Indian market. The emergence of larger retail chains and stores began around 2005 and the sector has since grown to over 3,200 modern retail outlets across India.

Some of the key players in the Food Retail Segment of India include:

- Future Value Retail (Big Bazaar, FoodHall, Big Bazaar GenNext, Food World, HyperCity, etc)
- Reliance Retail (Reliance Fresh, Reliance Mart)
- Godrej Industries Limited (Godrej Natures' Basket)
- Tata Trent (Star Bazaar)
- Metro Cash and Carry
- Avenue Supermart Limited (D-Mart)

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- Big Basket (online retail)
- Amazon Pantry (online retail)
- RPG Retail (Spencer's)
- Aditya Birla Retail (More)

Increase in Private Labels

The "Private Label" concept is rather new in the Indian market (food retail). However, a large number of retailers have begun to launch their own private label brands. This gives retailers better control over the entire supply chain of their products. Some of the popular categories of private labels include staple foods such as packaged rice, cereals and pulses, flour, sugar, breakfast cereals and packaged tea which have begun to find greater acceptance among consumers. This possesses a great opportunity for Italian private label manufacturers.

Emergence of Online Shopping, E-Retailing, E-Commerce

With the growth of social media and the domination of the internet amongst the urban population, there has been sudden growth of the "Online Food and Grocery Ordering Business" in India. Although at its nascent stage, this segment is now witnessing exponential growth. Indian consumers are overcoming biases against purchasing items without prior inspection and the safety of automated/online transactions. This shifting tendency is brought about by competitive pricing and the convenience of shopping for groceries from the comfort of one's own home. Online retailers are competing with "kirana" stores that provide quick (often within an hour) home delivery and credit to neighborhood consumers.

The organized food business in India is worth US\$ 48 billion, of which food delivery is valued at US\$ 15 billion. With online food and grocery delivery players like Amazon, Grofers, BigBasket, FoodPanda, Zomato, TinyOwl and Swiggy building scale through partnerships, the organised food business has huge potential and a promising future not only for locally processed foods but also for globally imported food and beverage brands.

E-Retailing Boom in Tier 2 & Tier 3 Cities: Mobile technology is revolutionizing the tier 2 and 3 markets. Hence, accessibility for shoppers is getting better by the day. Subsequently, e-commerce is witnessing a huge surge in demand from the tier 2 and 3 cities. To grow their presence faster in the tier 2 and tier 3 cities and improve their delivery network, e-commerce players are partnering/acquiring hyperlocal delivery networks and local logistics companies to cater to the demand in small towns.

Thus, the growth of the online retail sector will be driven by these unexplored towns and cities. Most of these tier 2 and 3 towns are currently not in the picture due to the inefficiency of the last-mile delivery by e-commerce companies. However, logistics companies are now beginning to streamline the delivery process to make it work for their e-commerce clients.

a. Potential challenges for Italian companies and exporters in the Indian market

Securing a long-term successful entry into the Indian market for imported food and beverage companies comes with its own share of challenges and Italian companies should be prepared and compliant to successfully arrive into this complex yet opportune market.

1. **Duties and Tariffs:** Tariffs are generally 30-50 percent on imported food products, which, when coupled with local excise and sales taxes, distributor margins, and transportation costs, can double or triple retail prices from the FOB price of an imported product. Please visit the website www.cbec.gov.in.
2. **Cold Chain and Supply Infrastructure:** Refrigerated warehousing and transportation facilities are limited, but facilities are improving. In some cases, high electricity costs and/or erratic power supplies have constrained cold chain development. Whereas infrastructure projects were previously reserved for the public sector, private investors are now being encouraged to participate in developing roads, warehouses markets and transportation links.
3. **Regulatory Framework and Stringent Food Laws:** The Government of India has consolidated its food laws under a single regulatory authority, the Food Safety and Standard Authority of India (FSSAI). Exporters from other countries have to follow an array of food laws covering use of additives, colors, labeling requirements, packaging, weights and measures, and shelf-life. For more information on the regulatory framework, labelling requirements, permissible ingredients and product approval. www.fssai.gov.in
4. **Diverse Food Habits:** Indians have a number of food preferences that are derived from religious requirements such as Halal and vegetarianism. In addition, food habits and preferences can change dramatically from region to region, presenting a challenge for food marketers.
5. **Competitive Pricing by Local Players:** Indian food companies can offer products at competitive prices which does make it rather challenging for foreign players to convince the Indian consumer. It is key to remember that the Indian consumer is highly price conscious.
6. **Stringent Plant Quarantine and Animal Health Requirements:** Unprocessed food products require the following certification from the Ministry of Agriculture:
 - o Plant Products: Phytosanitary Certificate
 - o Animal Products: Sanitary Health Certificate

Processed food products generally do not require certification, with the exception of livestock products (which require export certificates from the country of origin) and biotechnology products (which require approval from the Genetic Engineering Appraisal Committee and the Ministry of Environment, Forest and Climate Change).

GENERAL NOTES REGARDING IMPORT POLICY

Food Safety & Standards Act, 2006:

This Act, and rules framed thereunder (as amended from time to time), can be accessed from the website of the Food Safety and Standards Authority of India: www.fssai.gov.in

(A) Quality and Packaging requirements:

Import of all such edible/food products including tea, domestic sale and manufacture of which are governed by Food Safety & Standards Act, 2006 and rules thereunder, shall also be subject to the conditions laid down in the aforesaid Act and rules framed thereunder. Import of all these products will have to comply with the quality and packaging requirements as laid down in the Act. Compliance of these conditions is to be ensured before allowing customs clearance of the consignment.

(B) Shelf Life:

Import of all such edible /food products, domestic sale and manufacture of which are governed by Food Safety & Standards Act, 2006 and rules thereunder shall also be subject to the condition that, at the time of importation, the products are having a valid shelf life of not less than 60% of its original shelf life. Shelf life of the product is to be calculated, based on the declaration given on the label of the product, regarding its date

of manufacture and the due date for expiry.

However, this condition of 60% shelf life stipulated above is not applicable to re-import for export purpose under para 2.49 of Foreign Trade Policy. Re-import for export purpose will be subject to following conditions:

- (i) Re-imported edible/food products to meet stipulated phytosanitary conditions;
- (ii) Importers to give an undertaking to Customs that re-imported the goods are not sold in the domestic market;
- (iii) Importers to submit a certificate to Customs that such goods have been reexported.

(C) Meat and Meat Products including Poultry products:

Import of meat and poultry products will be subject to the compliance of conditions regarding manufacture, slaughter, packing, labeling and quality conditions as laid down in Food Safety & Standards Act, 2006 and rules thereunder. All manufacturers of meat/poultry products exporting their goods to India shall be required to meet the sanitary and hygienic requirements as stipulated under the aforementioned Act and rules framed

thereunder. The imported product shall also comply with the specified packaging, labeling and quality standards as laid down therein. Compliance of these conditions is to be ensured before allowing customs clearance of the consignment.

Packaged Products:

All such packaged products, which are subject to provisions of the Legal Metrology (Packaged Commodities) Rules, 2011(as amended from time to time) when produced/packed/ sold in domestic market, shall be subject to compliance of all the provisions of the said rules, when imported into India (These rules can be accessed from the website of the Department of Consumer Affairs, Ministry of Food and Consumer Affairs -

All prepackaged commodities, imported into India, shall in particular carry the following declarations:

- (a) Name and address of the importer;
- (b) Generic or common name of the commodity packed;
- (c) Net quantity in terms of standard unit of weights and measures. If the net quantity in the imported package is given in any other unit, its equivalent in terms of standard units shall be declared by the importer;
- (d) Month and year of packing in which the commodity is manufactured or packed or imported;
- (e) Maximum retail sale price at which the commodity in packaged form may be sold to the ultimate consumer. This price shall include all taxes local or otherwise, freight, transport charges, commission payable to dealers, and all charges towards advertising, delivery, packing, forwarding and the like, as the case may be.
- (f) Consumer Care details, etc.

Labelling Requirements

- Name of the food
- List of Ingredients
- Nutritional Information
- Declaration regarding Vegetarian or Non-Vegetarian
- Declaration regarding Food Additives
- Name and Address of the Manufacturer
- Net Quantity

- Code No./Lot No./Batch No
- Date of Manufacture and Best Before & Use By Date
- Country of Origin for Imported Food
- Instructions for Use

Basic Market Entry Strategies

Italian companies who are looking to enter the Indian market should act on the following points before making major investments and other commitments:

Marketing:

- Marketing and branding strategies should be adapted and suitable for the Indian market. The branding style and language should be familiar to Indian consumers;
- Market acceptance of a product should be determined early; often by further identifying appropriate local product flavours (taste tests), packaging sizes, and consumption patterns.

Business:

- Through the assistance of *The Italian Trade Agency's Services in India*, it is recommended that Italian exporters should establish a relationship with Indian importers/distributors that provide services to the food retailing sector;
- Exporters need to thoroughly analyse the likely landed post-duty cost of a product. Recognize that after local margins and transportation, their product will become significantly more expensive;
- Italian exporters must be prepared to start small by shipping a few pallets or cases of a product and recognize that it could take several months or years before an importer is ready to order full containers;
- A thorough study and understanding of logistics, transportation and warehousing should be undertaken;
- Consider whether participating in an Indian trade show would be an effective means of identifying a distributor. Participation in trade shows offers a good opportunity to get a sense of the Indian market and engage directly with potential importers or distributors.
- Establishing a corporate presence in India should be considered. This could include one or more of: a representative office, formal joint venture, or other forms as permitted under the Indian law;



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- Understand local tax, invoicing and payment schedules – which includes local payments and the identification of legal means of repatriating money;
- Understand customs clearance requirements, including export/import fees, product certification or designation requirements.

Product-wise Import Duty Structure

OLIVE OILS

HS Code	1509
Product Description	Olive Oil and its fractions, Whether or not Refined, but not chemically modified
Value & Duty Description	Duty Rates
Basic Duty	45
Social Welfare Surcharge	10
IGST Levy	5
Applicable Import Duties (%)	56.97

Imports in India: 1509					
No	Countries	2016-2017	2017-2018	Growth %	2018-19 (Apr-Jan)
Values in Million \$					
1	Spain	31.34	38.88	24.06	38.32
2	Italy	9.09	9.47	4.15	5.72
3	Turkey	0.80	0.52	-34.93	0.52
4	Greece	0.24	0.10	-58.16	0.07
TOTAL IMPORTS		37.53	42.26	49.48	45.41



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FRESH FRUITS

HS Code	0810
Product Description	Fresh Fruits
Value & Duty Description	Duty Rates
Basic Duty	30
Social Welfare Surcharge	10
IGST Levy	5
Applicable Import Duties (%)	39.65

Imports in India: 0810

No	Countries	FY 2016-17	FY 2017-18	FY 2018-19	Growth %
1	New Zealand	13.75	8.96	17.64	96.78
2	Italy	8.14	2.46	1.54	-37.31
3	Chile	4.30	7.59	14.36	89.04
4	Vietnam	3.39	4.82	4.94	2.40
5	Thailand	3.24	5.19	6.22	19.85
	Total Imports	44.07	47.92	68.13	42.17

CHOCOLATES

HS Code	18069010
Product Description	Chocolate & other Food Preparations containing Cocoa
Value & Duty Description	Duty Rates
Basic Duty	30
Social Welfare Surcharge	10
IGST Levy	18
Applicable Import Duties (%)	56.94



Imports in India: 18069010					
No	Countries	FY 2016-17	FY 2017-18	FY 2018-19	Growth %
1	Italy	7.63	9.07	7.64	-15.72
2	Belgium	4.01	3.72	1.61	-56.75
3	Netherlands	2.22	4.99	2.57	-48.56
4	Switzerland	1.67	3.47	8.93	157.65
	Total Imports	22.85	32.21	30.90	-4.04

CONFECTIONERY

HS Code	1704				
Product Description	Sugar Confectionery (including White Chocolate)				
Value & Duty Description	Duty Rates				
Basic Duty	30				
Social Welfare Surcharge	10				
IGST Levy	18				
Applicable Import Duties (%)	56.94				
Imports in India: 1704					
No	Countries	FY 2016-17	FY 2017-18	FY 2018-19	Growth %
1	Bangladesh PR	3.20	4.20	3.82	-8.94
2	Oman	1.98	1.92	1.41	-26.64
3	China	1.84	3.07	4.14	35.12
4	Malaysia	1.50	2.09	2.28	9.19
5	Italy	0.02	0.12	0.29	140.11
	Total Imports	18.09	20.92	21.91	4.73



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WINES

HS Code	2204
Product Description	Wine of Fresh Grapes, including Fortified Wines
Value & Duty Description	Duty Rates
Basic Duty	150
Social Welfare Surcharge	10
IGST Levy	0
Applicable Import Duties (%)	165

Imports in India: 2204					
No	Countries	FY 2016-17	FY 2017-18	FY 2018-19	Growth %
					Values in Million \$
1	France	7.92	9.56	5.34	-44.07
2	Australia	2.77	4.56	6.35	39.54
3	Italy	2.26	2.85	2.93	2.80
4	UK	1.90	1.86	0.80	-56.82
5	Chile	1.33	1.28	1.22	-4.92
	Total Imports	19.65	25.28	28.05	10.94

PASTA

HS Code	1902
Product Description	Pasta (whether or not cooked or stuffed)
Value & Duty Description	Duty Rates
Basic Duty	30
Social Welfare Surcharge	10
IGST Levy	12
Applicable Import Duties (%)	48.96



Imports in India: 1902					
No	Countries	FY 2016-17	FY 2017-18	2018-19	Growth %
Values in Million \$					
1	Italy	4.65	5.36	5.41	0.90
2	Nepal	6.90	4.86	6.52	34.18
3	Singapore	0.70	0.84	1.13	34.49
4	Thailand	0.74	0.74	0.83	12.48
5	Turkey	0.48	0.39	0.30	-23.31
	Total Imports	14.43	13.63	16.87	23.82

Main Bodies & Trade Associations

Association	Address	Tel. & Email
FSSAI (Food Safety & Standards Authority of India)	FDA Bhawan near Bal Bhavan, Kotla Road, New Delhi - 110002	EPABX : 011-23236975 Telefax : 011-23220994 Toll free Number: 1800112100
<p>The Food Safety and Standards Authority of India (FSSAI) has been established under Food Safety and Standards, 2006 which consolidates various acts & orders that have hitherto handled food related issues in various Ministries and Departments. FSSAI has been created for laying down science based standards for articles of food and to regulate their manufacture, storage, distribution, sale and import to ensure availability of safe and wholesome food for human consumption.</p>		
Forum of Food Importers (FIFI)	B - 226 Ashok Vihar, Phase - 1 New Delhi - 110052, India.	Mobile:+919811158889 Email : convenor@fifi.in
<p>The formation of Forum of Indian Food Importers was initiated by couple of like-minded importers of food products into India in August 2009. Rounds of initial interactions and deliberations led to the formation of the group by eight key importers as a platform to interact on regular basis to share and resolve common issues. A few such interactions were all that were required to agree on the need to formalize the platform. The Forum of Indian Food Importers, or FIFI as it is popularly referred to, was in place by end 2009. Forum of Indian Food Importers represents Food & Beverage Importers from India.</p>		

Major Fairs in India for Food & Beverage

Fair	Venue	Exhibition space	Visitors in previous edition	Dates
Annapoorna AnuFood India	Mumbai	45,000 sqm	8,305	29-31 August 2019
<p>Annapoorna World of Food India, by its increasing quality in the exhibitors and visitors has paved a way as a most sought-after trade fair in India. The 14th edition of Annapoorna World of Food India will be synchronized with the world's No.1 trade fair for the food & beverage industry- ANUGA and is scheduled to be organized during August 29-21 2019 at the Bombay Exhibition Centre, Mumbai. The event is an extraordinary B2B platform for the Indian food & beverage market; organized by Koelnmesse YA Tradefair Pvt. Ltd and Federation of Indian Chamber of Commerce and Industry (FICCI).</p>				
Food India by SIAL	New Delhi	3,500 sqm	+5,000	19-21 September 2019
<p>The 2nd edition of SIAL India is scheduled from 19th to 21st September 2019 in Pragati Maidan, New Delhi. The last edition of Food India by SIAL witnessed 150+ exhibitors from 13 countries with approx 5,000+ trade visitors, making it the ideal networking & business platform for the food & beverage industry stakeholders.</p> <p>SIAL made its debut in the international market in the year 1964 at Paris followed by France, China, Canada, Philippines, Indonesia, Dubai and India, wherein 14,535 exhibitors from 109 countries have participated to grow their business. All over the globe SIAL network represents a forum for exchange, meetings and discussions and is truly unique.</p>				
Aahar	New Delhi	58,000 sqm	67,472	13-17 March 2019
<p>AAHAR is a premier international food and hospitality fair and one of the most successful shows in India and South Asia. In 2018, there were 1,141 exhibitors representing 17 countries and 67,472 business visitors attended the show. The 5-day fair attracts all the leading Indian retail chains, as well as importers and distributors for processed foods, ready-to-eat snacks, beverages and commodities.</p>				

