Food Sector – Fruits & Vegetables

- Sector overview and Industry Structure
- Trade Statistics
- Market Size
- Top companies present in the market
- Key players
- Distribution Channels
- Regulatory Framework
- Manufacturing & Consumption Clusters
- Growth drivers
- SWOT Analysis
- Future Projections
- Business Opportunities and Way forward
The Indian F&V market valued at € 66 Bn (2015) is growing at 12%. The F&V market is highly fragmented and unorganized up to 96%. The domestic production of F&V has risen to 265 Million MT in 2015, growing at 5% CAGR.

The Indian imports of F&V increased to 4,791,000 MT in 2015. India imported around 10,200 MT of F&V from Italy mainly Apples and Kiwi Fruit and also exported around 5,000 MT of F&V to Italy

The F&V exports from India dropped to € 1.47 Bn in 2015 from € 1.66 Bn in the previous year. India mainly exports F&V like Bananas, Mangoes, Papayas, Onions, Green peas majorly to middle eastern countries like UAE, Saudi, Qatar and other countries like UK & USA.
India’s Fruits & Vegetable Trade with Italy

- F&V imports from Italy comprise less than 1% of the total F&V Imports by India.
- In 2014-15, India imported 10200 MT of F&V from Italy, primarily comprising of Kiwi Fruit and Fresh Apples.

- India exports of Fruits and Vegetables across the world, especially USA and African countries.
- Indian exports of Fruits & Vegetables to Italy were less than 1% and weighed 5300 MT. The major products included Cashews and Cucumbers.

Source: Director General Foreign Trade, Tecnova Analysis
India is the second largest producer of F&V followed by China and also one of the major consumer market.

The Indian F&V market is majorly dominated by Vegetables with 65% market share followed by Fruits.

Almost all of the International companies supply the F&V through the 200 odd importers present in India who then distribute them to the retailers through wholesalers.

Indian companies have own/contract farming, they also source from Local farmers, Import exotic fruits and sell it through their own retail shops.

Source: Industry Publications, Industry Experts, Tecnova research & analysis
Fruits Market

- Banana holds the major share in the Fruits market followed by Mango and Citrus. India is the largest producer of Banana, Mango, Papaya in the world.
- Imports account for 1% of total Fruits market in terms of volume and in terms of pricing the imported fruits are generally three times expensive than domestic produced.

Source: Director General of Foreign Trade, Tecnova research & analysis
Potato holds the major share in Vegetables market followed by Onions, Tomato and Brinjal.

These vegetables are consumed on a daily basis as a part of meals in India and hence creating a huge demand.

Imports account for 2% of the market as vegetables are imported by neighboring countries like Srilanka, Pakistan, etc.

Source: Director General of Foreign Trade, Tecnova research & analysis
<table>
<thead>
<tr>
<th>S.N</th>
<th>Name of Stores</th>
<th>Parent Company</th>
<th>Nature of Business</th>
<th>Mode of presence</th>
<th>Sourcing Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reliance Fresh</td>
<td>Reliance Group</td>
<td>Retailer</td>
<td>Own Subsidiary</td>
<td>Contract farming</td>
</tr>
<tr>
<td>2</td>
<td>Safal</td>
<td>Mother Dairy</td>
<td>Retailer</td>
<td>Own Subsidiary</td>
<td>Sourced from Mandis/Farmers</td>
</tr>
<tr>
<td>3</td>
<td>More</td>
<td>Aditya Birla Group</td>
<td>Retailer</td>
<td>Own Subsidiary</td>
<td>Sourced from Mandis/Farmers/Imports exotic fruits</td>
</tr>
<tr>
<td>4</td>
<td>Heritage Fresh</td>
<td>-</td>
<td>Retailer</td>
<td>Own Subsidiary</td>
<td>Sourced from Farmers/Contract Farming</td>
</tr>
<tr>
<td>5</td>
<td>Big Bazaar</td>
<td>Future Group</td>
<td>Retailer</td>
<td>Own Subsidiary</td>
<td>Sourced from Farmers</td>
</tr>
<tr>
<td>6</td>
<td>Nature’s Basket</td>
<td>Godrej Group</td>
<td>Retailer</td>
<td>Own Subsidiary</td>
<td>Sourced from Farmers/Imports exotic fruits</td>
</tr>
<tr>
<td>7</td>
<td>Saboro</td>
<td>Mahindra Group</td>
<td>Producer/Exporter</td>
<td>Own Subsidiary</td>
<td>Own Farming</td>
</tr>
<tr>
<td>8</td>
<td>Field Fresh Foods</td>
<td>-</td>
<td>Exporter</td>
<td>JV between Del Monte &amp; Bharti</td>
<td>Sourced from Farmers</td>
</tr>
</tbody>
</table>

Source: Industry Experts, Retail visit, Tecnova research & analysis
# Major Companies present in the market

<table>
<thead>
<tr>
<th>S.N</th>
<th>Brand</th>
<th>Parent Company</th>
<th>Nature of Business</th>
<th>Mode of presence</th>
<th>Sourcing Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Desai F&amp;V</td>
<td>-</td>
<td>Exporter</td>
<td>Own Subsidiary</td>
<td>Contract Farming</td>
</tr>
<tr>
<td>10</td>
<td>Champion Agro Fresh</td>
<td>-</td>
<td>Importer/Retailer</td>
<td>Own Subsidiary</td>
<td>Contract Farming</td>
</tr>
<tr>
<td>11</td>
<td>Namdhari’s Fresh</td>
<td>-</td>
<td>Retailer</td>
<td>Own Subsidiary</td>
<td>Sourced from Mandis/Farmers</td>
</tr>
<tr>
<td>12</td>
<td>Gokul Fresh</td>
<td></td>
<td>Importer/Retailer</td>
<td>Own Subsidiary</td>
<td>Own Farming</td>
</tr>
<tr>
<td>13</td>
<td>Farm2Kitchen</td>
<td>Sahyadri Farmers Producer Company Ltd</td>
<td>Producer/Retailer</td>
<td>Own Subsidiary</td>
<td>Own/Contract Farming</td>
</tr>
<tr>
<td>14</td>
<td>Spencers</td>
<td>-</td>
<td>Retailer</td>
<td>Own Subsidiary</td>
<td>Sourced from Farmers</td>
</tr>
<tr>
<td>15</td>
<td>Kovai Palamudhir Nilayam</td>
<td>-</td>
<td>Retailer</td>
<td>Own Subsidiary</td>
<td>Sourced from Farmers</td>
</tr>
</tbody>
</table>

*Source: Industry Experts, Retail visit, Tecnova research & analysis*
### Key Players and Revenue

<table>
<thead>
<tr>
<th>S.N</th>
<th>Brand</th>
<th>Mode of presence</th>
<th>HQ/ Mfg</th>
<th>Year of Entry</th>
<th>Revenue (2015)</th>
<th>Number of Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reliance Fresh</td>
<td>Indian Company – Contract Farming</td>
<td>Mumbai</td>
<td>1999</td>
<td>€ 760 Mn*</td>
<td>700+</td>
</tr>
<tr>
<td>2</td>
<td>Safal</td>
<td>Indian Company – Sourcing from Farmers</td>
<td>Delhi</td>
<td>2000</td>
<td>€ 80 Mn</td>
<td>350+</td>
</tr>
<tr>
<td>3</td>
<td>Nature’s Basket</td>
<td>Indian Company – Imports and Sourcing from Farmers</td>
<td>Mumbai</td>
<td>2005</td>
<td>€ 27 Mn</td>
<td>36</td>
</tr>
<tr>
<td>4</td>
<td>Heritage Fresh</td>
<td>Indian Company – Sourcing from farmers and Contract Farming</td>
<td>Hyderabad</td>
<td>1992</td>
<td>€ 65 Mn</td>
<td>90</td>
</tr>
<tr>
<td>5</td>
<td>Big Bazaar</td>
<td>Indian Company – Sourcing from farmers</td>
<td>Mumbai</td>
<td>2001</td>
<td>€ 48 Mn</td>
<td>185</td>
</tr>
</tbody>
</table>

- Reliance Fresh is the one of the largest organized retailers in India followed by Safal and Big Bazaar with considerable market share in the Organized F&V market in India
- Nature’s Basket is another leading player which sells premium F&V which are mostly imported
- Most of the fruits which are imported through importers/own channels in India are Apples (Washington/Fuji), Dragon Fruit(Thailand), Kiwis (Italy), Berries, etc. which are sold through the above players through their own retail shops
- These companies have also initiated online grocery shopping through own portals or through third party portals like Big Basket

*Source: Industry Publication, Ministry of Corporate Affairs, Tecnova research & analysis*
**Distribution Structure**

**International Players**
- Parent Company
  - India Importer
    - Sub Distributors
      - Wholesalers
        - Retailers
      - Modern Trade Chains / Stores

**Un-Organized Players**
- Farmers
  - Agents/Aggregators
    - Collection Hubs/Mandis
      - Wholesalers
        - Retailers
      - Vegetable cart vendors

**Organized Players**
- Indian Company
  - Sourcing from Aggregators/Farmers (e.g. Safal)
    - Own Retail Shops
      - Contract Farming (e.g. Reliance Fresh)
        - The exotic fruits/imported fruits are directly imported or bought through Importers
        - India Importer

Source: Industry Experts, Tecnova research and analysis
Key Production & Consumption clusters

**Fruit/Vegetable** | **Major Producing States** | **ID**
--- | --- | ---
Apples | Jammu & Kashmir, Himachal Pradesh | 🟣
Citrus Fruits | Punjab, Maharashtra, Andhra Pradesh | 🟢
Mango | Uttar Pradesh, Andhra Pradesh | 🟡
Banana | Gujarat, Maharashtra, Karnataka, Tamil Nadu, Bihar | 🔴
Potato | Uttar Pradesh, Bihar, West Bengal | 🟠
Onion | Gujarat, Maharashtra, Karnataka | 💧
Tomato | Karnataka, Orissa | 🍅

**Consumption Cluster:**
- The major consumption centers of F&V are Metro cities where the population is high with much organized retail channels
- The Tier-1/2 cities are also emerging as consumption clusters due to rapid urbanization

Source: Industry Publications, Tecnova research and analysis
# Key Growth drivers

## Growth in Indian organized retail
- Increasing number of Modern trade formats and the entry of e-commerce channels throughout the country.
- Higher penetration and better infrastructure for organized retail in metro cities.

## Increase in population and rapid urbanization
- India is said to become the most populous country in the world surpassing China by the year 2022 and also the youngest country in the world
- The rapid urbanization and young population with more disposable income is a key growth driver for F&V demand in India

## Changing consumer preferences
- Indian consumers are willing to try new exotic/imported F&V due to increased awareness due to exposure to media and globalization
- F&V like Broccoli, Imported Apples, Kiwis are consumed on a daily basis nowadays by an average consumer which was not the case before 10 odd years

*Source: Industry Experts, Industry Publications, Tecnova research and analysis*
The Food Safety and Standards Authority of India (FSSAI) has been established under Food Safety and Standards Act, 2006 (FSS Act) to regulate the Indian manufacture, storage, distribution, sale and import of food to ensure availability of safe and wholesome food for human consumption.

Players importing F&V have taken proprietary food license (product approval) to retail their products in India. Product Approval is a process by which a product gets approved by FSSAI in which the ingredient(s) and/or additive(s) are not as per prescribed standards in act and regulation.

**Key Parameters defined for Dehydrated/Frozen/Dry F&V**

- Frozen Fruit/Vegetables should attain Thermal stabilization below -18°C
- Moisture Not more than 5% - 7%
- Sulphur Dioxide not more than 2000 ppm
- Total ash Not more than 5 per cent on dry basis
- Ash insoluble in dilute HCl (on dry basis). Not more than 0.5 percent
- Plates count not more than 40,000 per gram

Source: Interaction with FSSAI, Industry expert
# Import Duties & Calculation

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Description</th>
<th>Basic Duty (%)</th>
<th>CVD (%)</th>
<th>ACD (%)</th>
<th>Cess (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0701 - 0714</td>
<td>Edible Vegetables</td>
<td>30</td>
<td>0</td>
<td>0-4</td>
<td>3</td>
<td>30.9 – 36.136</td>
</tr>
<tr>
<td>0801 - 0814</td>
<td>Edible Fruit</td>
<td>25 – 100</td>
<td>0</td>
<td>0-4</td>
<td>0-3</td>
<td>25 – 111.12</td>
</tr>
</tbody>
</table>

**Definitions**

- **Basic Duty**: Duty levied on imported goods at prescribed standard rates.
- **CVD**: As the name suggests, CVD is equivalent to Central excise duty levied on a like article manufactured in India; some of the packaged consumer goods are charged this duty based on their MRP (Maximum Retail price).
- **Education Cess**: Education Cess of 2%+1% is charged on the total customs duty (except special CVD).
- **ACD**: The special CVD or additional customs duty (ACD) is applicable to all imports (except for few exemptions), this duty is not included in the assessable value for levy of educational CESS on imported goods. Also, manufacturers can take credit for payment of excise duty on their finished products.

### Kiwi Fruit (HS Code – 0810 50 00)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIF Value</td>
<td>100</td>
</tr>
<tr>
<td>Assessable Value</td>
<td>1.00%</td>
</tr>
<tr>
<td><strong>Basic Customs Duty</strong></td>
<td>30.00%</td>
</tr>
<tr>
<td>Sub-Total for Calculating CVD</td>
<td>131.3</td>
</tr>
<tr>
<td><strong>CVD</strong></td>
<td>0.00%</td>
</tr>
<tr>
<td>Education Cess on Customs &amp; CVD</td>
<td>3.00%</td>
</tr>
<tr>
<td>Sub-total for ACD</td>
<td>132.24</td>
</tr>
<tr>
<td><strong>ACD</strong></td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Landed Cost</strong></td>
<td>132.24</td>
</tr>
<tr>
<td>Company Margin</td>
<td>25.00%</td>
</tr>
<tr>
<td>Price to Distributor/Wholesaler</td>
<td>165.3</td>
</tr>
<tr>
<td>Distributor Margin</td>
<td>10.00%</td>
</tr>
<tr>
<td>Price to Retailer</td>
<td>181.83</td>
</tr>
<tr>
<td>Retailer Margin</td>
<td>25.00%</td>
</tr>
<tr>
<td>MRP before VAT</td>
<td>227.3</td>
</tr>
<tr>
<td>VAT (Value Added Tax)</td>
<td>12.50%</td>
</tr>
<tr>
<td><strong>MRP (Maximum Retail Price)</strong></td>
<td><strong>255.7</strong></td>
</tr>
</tbody>
</table>

Margins across pricing assumed based in industry standard

*Source: Interaction with FSSAI, Industry expert*
SWOT Analysis – F&V

**Strengths:**
- Established market of €66 Bn, growing at 12% CAGR.
- Increasing organized retail chains
- Consumer preference towards exotic/imported F&V

**Opportunities:**
- Increase in youth population and rapid urbanization
- Increase in the disposable income
- Increasing awareness of new F&V products due to exposure through media and globalization

**Weaknesses:**
- Highly unorganized market with 96% share
- Lack of cold chain infrastructure to get the products to towns/villages
- Stringent FSSAI regulations make importers reluctant to introduce new F&V products

**Threats:**
- Indian companies trying to grow foreign F&V in India
- Increase in import duties in order to protect local farmers

*Source: Industry Experts, Industry Publications, Tecnova research and analysis*
The demand for F&V in India is expected to grow at a CAGR of 12% due to increase in the population and also due to development in the Cold chain infrastructure to preserve the F&V which increases the availability of F&V irrespective of seasonality.

The increase in the organized retail is another driver to increase the demand for F&V as more consumers are preferring to try exotic/imported F&V due to increased awareness and disposable income.

Source: Industry Experts, Industry Publications, Tecnova research and analysis
Way forward for Italian Companies

Although, the Indian F&V market is highly unorganized and scattered. There is a growth in organized retail space and preference towards new imported and exotic F&V. Entering now with long term vision shall help companies gain leverage and brand equity during the coming years.

Entry Options including Importer, Own subsidiary or JV are available for Italian companies. Starting with import distribution model is proven as a successful model by other companies.

Established market of € 66 Billion, expected to reach € 93 Billion by 2018 growing at 12% CAGR

Increasing preference towards imported and exotic F&V

Increasing organized retail structure

Availability of Importers and Distributors in India

Source: Tecnova research and analysis