**Country Profile: India**

**Market Overview**

Euromonitor reports that annual real gross domestic product (GDP) in India continued to expand over 2022 recording 7.2% growth, outperforming growth of 3.9% for the Asia Pacific average. During the year, the country’s economic performance was supported by a release of the post-COVID-19 pent-up demand, elevated private spending, robust government capital expenditures, and growing foreign investment.

India’s economic performance is forecast to moderate in 2023, with annual real GDP growing at a slower rate. Euromonitor forecasts 2023 GDP growth at 6.1% and 6.3% in 2024. During the year, tightened financial conditions in response to elevated inflation, as well as fading pent-up demand, are set to cool down domestic private consumption. Meanwhile, decelerating global demand is expected to subdue exports growth. Despite slowing expansion, India will remain one of the brightest spots in the global economy, with substantial growth coming from its services sector.

Over the medium to long term, India is expected to benefit from favorable demographics, government investments, and a growing presence in global value chains, structural reforms, and higher productivity. As a result, over 2023-2027, India’s economy is forecast to outperform the regional average, with average annual real GDP growth of 6.2% versus 4.4% respectively.

Inflation rose to 5.6% in November from 4.9% in October. Looking ahead, economists see price pressures staying within the Central Bank’s 2%–6% target range on average through the end of FY 2024. El Niño and the Hamas-Israel war pose upside risks due to their possible impacts on commodity prices.

The COVID-19 pandemic has highlighted the risks of relying too heavily on a single country such as China for global supply chains, and India is seen as a viable alternative for diversifying supply chains. India’s favorable demographics, strategic location, and government initiatives such as the "Make in India" campaign create potential for the country to become a major supply chain hub. The Indian government is taking steps to improve infrastructure, reduce bureaucratic hurdles, and attract foreign investment to support the growth of the country's manufacturing sector and supply chain capabilities. In July 2022, the partnership of 18 countries, including India, the U.S. and the European Union (EU), presented a roadmap for building resilience, diversified and more secure supply chains, where India’s role is expected to increase. In addition to petroleum products, India is also stepping up in exports of foodstuffs, machinery and electrical products.

The 2023 population of India was 1.3 billion (CIA World Factbook Est.), and the median age was 29.5 years. The percentage of population over 65 years was 6.8% or about 95 million people. The population growth rate was 0.7%.

USDA’s Office of Agricultural Affairs in New Delhi or “FAS New Delhi” reports that The Indian market remains a bright spot, as its economic growth continues in 2023. India is one of the fastest-growing major economies in the world despite the volatile geopolitical and economic conditions; India is on an upward trajectory. Post pandemic, Indian consumer preferences toward premium products and perceived health foods remains high, despite continued high food price inflation and rupee devaluation. The Gen Z population is interested in novel foods and new ingredients.

The grocery sector is the largest segment of the Indian retail market. It is also the third largest food and grocery market in the world. India’s modern retail sector, including e-retail, which is rapidly developing, presents newfound opportunities for a diverse range of U.S. food product exports. Nevertheless, India persists as a difficult market for U.S. exporters due to supply chain disruptions, high tariffs, a challenging, ever-changing regulatory environment, and competition from domestic and international suppliers.

India is the largest U.S. market for processed food products in South Asia. In 2022 U.S. exports grew by 45% to US$366.3 million, and a new all-time high. That accounted to nearly 87% of the South Asian total. YTD October 2023 processed food exports to India have dropped a whopping 60% to US$135.9 million. That amounts to nearly US$210 million which adds to the U.S. trade deficit in food and agricultural products. Top U.S. processed food exports to India in 2023 included:

* Fats & Oils – down 99%
* Food Preparations & Ingredients – down 5%
* Prepared/Preserved Seafood – down 28%
* Alcoholic Beverages – up 34%
* Canned, Dried & Frozen Fruit – down 33%
* Syrups & Sweeteners - +67%
* Condiments, Sauces, Jams & Jellies – down 2%
* Chocolate & Confectionery – down 55%

**Retail Sector Highlights:**

According to Euromonitor, retail sales in the packaged food market in India reached US$99.1 billion in 2023. That represents a growth rate of 60.8% or US$37.4 billion since 2019. By the year 2028 the retail sales in the packaged food market in India is expected to reach US$166.7 billion, a growth rate of 50.7% and US$56 billion from 2024. High growth products in the forecast include:

* Rice, Pasta & Noodles
* Pet Food
* Sweet Spreads
* Breakfast Cereals
* Cheese
* Sauces, Dips & Condiments
* Dairy (Ex. Cheese)

FAS New Delhi reports that India’s food retail sector will continue its upward trajectory following a decade of market evolution and sustained growth. The increased purchasing power of Indian households, growing awareness and access to gourmet products, and consumer awareness toward international cuisines and food products have acted as primary growth catalysts in the sector. While traditional brick-and-mortar retailers continue to lead sales, the growing e-commerce sector has distinguished itself by offering high-quality imported products at a good value, with the convenience of quick delivery.

India’s retail sector was valued at $835 billion in fiscal year (FY) 2022, making it the world’s third-largest food and grocery market, and it is projected to reach $2 trillion by 2032. India’s food and grocery retail sector continues to grow due to increased demand for a range of healthy and diverse food products. This growth is primarily fueled by India’s aspirational, more affluent younger consumers. India’s food and grocery sector was valued at US$528.7 billion in FY 2022, a 63% share of its total retail sector.

India’s retail sector has been rapidly growing following the COVID-19 pandemic with major retail chains like Nature’s Basket, Spencer’s, Smart Bazaar, among others, increasing their presence throughout India. India’s retail sector is also taking advantage of revolutionary digital payment methods that have facilitated commerce, like Unified Payments Interface (UPI) and other digital applications. In 2022, India registered 88.4 billion digital transactions, a 52% increase 2019’s total of 31 billion digital transactions.

India’s domestic industry is the primary competitor for U.S. retail foods with its competitive pricing against imports. Many third-country competitors enjoy seasonal and freight advantages over the U.S. States due to proximity and lower prices. Consolidators in nearby markets in Dubai and Singapore offer quick delivery of smaller shipment volumes that often include transshipped U.S.-origin products. High import duties, labeling requirements, and restrictions on certain imported packaged retail goods also pose challenges for U.S. products in India.

**Best Product Prospects**

FAS New Delhi reports that India’s food retail market has witnessed major transformation and growth over the last decade, with an estimated US$850 billion reach by 2025. Sectoral growth is driven by factors such as increasing per capita income, urbanization, dual income households, modern retail, cash and carry formats, and e-retail. India currently houses over 12 million grocery stores, and more than a million wholesalers and distributers supplying goods to retail, food processing, and food service industries. FAS contacts report that health and wellness, immunity-boosting, organic, vegan, sugar-free, and gluten-free food products remain popular trends. Additionally, demand for premium, high-quality, hygienic, packaged, and convenient (ready-to-cook and ready-to-eat) food items are growing.

Opportunities for U.S. exporters exist in consumer-oriented products, especially tree nuts, fresh fruits, and packaged/processed foods. Imported products in high demand include tree nuts (almonds, walnuts, pistachios, pecans (HS 0802); leguminous vegetables, dried, shelled pulses (HS 0713); processed, dried fruits, fresh fruits like apples and pears, (HS 0808); beverages, spirits, and vinegar (HS 22). Cocoa products (HS 18), 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 India’s hotel, restaurant and institutional (HRI) sector is set to thrive in 2023, after facing three years of downfall due to COVID-19 pandemic restrictions. The Indian HRI sector is booming in 2023, with an increase in domestic leisurely travel along with a major influx of foreign nationals coming to India to attend G-20 events and the upcoming Cricket World Cup. The U.S. remains the largest supplier of consumer-oriented food products to India, and prospects for more imports in FY 2024 looks bright.

India’s HRI sector has stabilized and recovered after facing severe instability in the past three years. In 2023, India’s hotel industry, which is dominated by major players like Oberoi Hotels & Resorts, The Park Hotel, ITC Hotels, Lemon Tree Hotels, and Taj Hotels, among others is estimated at US$23.5 billion, and it is expected to reach US$29.6 billion by 2028, growing at a compound annual growth rate (CAGR) of 4.7% during the forecast period of 2024-2028. While India’s food service sector is estimated valued at US$69.7 billion in 2023 and is anticipated to grow at a CAGR of 10.2% and reach US$125 billion by 2029.

Food service sector is divided into categories like food service types which includes cafes, bars, cloud kitchen, full-service restaurants, quick service restaurants, outlets like chained outlets, independent outlets and location for example, leisure, lodging, retail, standalone and travel. Rapid growth of this sector is due to India’s expanding youth population, which comprises of 65% of its population, increasing disposable incomes and aspiration for better and healthier lifestyle.

Capitalizing on its global appeal in food and culture, the Indian hospitality sector has successfully marketed India as a “must-go” destination. The market penetration for imported food and beverages in the near-term is positive. Despite a highly price sensitive sector, the HRI industry is willing their clientele in its four and five-star hotels and in-house specialty restaurants. Some of these products are unavailable in India and must be imported; including certain wines and spirits, dairy products, meat, seafood, fresh and dried fruits, tree nuts, frozen food products, sauces, drink mixes, specialty flours, and condiments and sauces. Additionally, the HRI sector typically imports ingredients for international cuisines such as Korean, Italian, Thai, Japanese, Chinese, Mexican, and Spanish foods.

Constantly changing import requirements including opaque labeling requirements, coupled with high import tariffs, increasing import restrictions, and the depreciating rupee are major factors impacting Indian food and beverage importers. India’s domestic food industry remains the primary competitor for U.S. foods and beverages within the HRI sector. In addition, many third country competitors enjoy advantages over the United States such as seasonality of certain crops/products, lower freight costs due to their proximity to India, and preferential trade agreements that give advantage over the U.S.

**Best Product Prospects**

FAS New Delhi reports that new trends such as demand for local and regional recipes elevated with high quality imported ingredients, healthier snacking quick grab and go meal options and use of artificial intelligence to personalize hospitality are becoming more popular in India. Prospects for U.S. consumer-oriented food products including tree nuts, fresh fruits, berries, wines, distilled spirits, condiments, and processed foods continues to remain high.

Recent expanded market access and tariff reduction for U.S. origin frozen turkey, frozen duck, and all forms of blueberries, and cranberries (fresh, frozen, dried, and processed) also present good opportunities for trade expansion.

**Food Processing Sector Highlights**

FAS New Delhi report that the potential to introduce U.S. origin food processing ingredients into the Indian market remains strong, due to rising demand for snacking and consumer-oriented food products. The Indian government has highlighted the food processing sector under the “Make in India” initiative, a Government of India program designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property, and build a good manufacturing infrastructure. The food processing sector has emerged as an important segment of the Indian economy in terms of its contribution to the gross domestic product, exports, investment, and employment.

India’s food processing sector contributes nearly 13% to Gross Domestic Product (GDP), and ranks fifth in terms of production, consumption, and exports. According to sources, the sector is expected to grow at a Compound Annual Growth Rate (CAGR) of 15% and reach US$535 billion by 2025-2026. This growth is driven by increased consumption in Tier-II and III cities, government impetus, and foreign investments.

India’s food processing sector is one of the key sectors in which growth runs parallel with changing demographics, lifestyle, affordable workforce availability, improved transportation, and changing consumer perceptions of quality and safety. The sector employs almost two million workers in nearly 40,579 registered processing units, with a fixed capital of US$3 billion, and an aggregate output of US$160 billion. The sector is growing at 11%, and is further enhanced with growing export opportunities.

**Best Product Prospects**

FAS New Delhi reports that the market for imported foods has steadily grown and is impacted by a growing middle-class, affluent professional, brand-oriented importers, modern retail outlets, e-commerce retailers, and trend setting restaurants that do a fusion of national and international foods. High demand imported food products include tree nuts (almonds, walnuts, pistachios, hazelnuts, chestnuts - Harmonized Tariff System - HS 0802); products for the milling industry to include malt, starches, insulin, wheat gluten (HS 11); leguminous vegetables, dried shelled/pulses (HS 0713); fresh fruit such as pears and quinces (HS 0808); beverages, spirits, and vinegar (HS 22); albuminoidal substances, modified starches, glues, enzymes (HS 35); and essential oils and related products (HS 33). Products such as cocoa and cocoa preparations (HS 18); grapes, fresh or dried (HS 0806); fruit juices (HS 2009); additives/flavorings/sweeteners (HS 2106); and seasonings, condiments, and sauces (HS 2103) while not imported in quantity from the U.S., do have good market potential. U.S.-origin pecans, pork and pork products offer good market potential.