

# PMA FRESH SUMMIT WORKSHOPS



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## Incredible India: A Land Brimming with Opportunity

**Thomas Reardon, Phd**  
Professor  
Michigan State University

**Robert Nugan**  
Managing Director  
Fresh Produce Group of Australia

**Sanjeev Asthana**  
President & CEO, Agri & Food Supply Chain  
Reliance Industries Ltd

**Vikram Puri**  
Chief Executive Officer  
Mahindra ShubhLabh Services Ltd.

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*India = incredible opportunities & market for exporters & home of potential joint venture partners & exporter of quality produce to food industry worldwide & produce economy churning with change and growth*

→ **1. OPPORTUNITY INDIA: INCREDIBLE OVERALL CONSUMER MARKET GROWTH**

- a) Rapid income growth: liberalization 1990 unleashed market development - in 2007 income growth at 9.5% a year (China 10%) = a “reawakening”; India and China = two richest nations in world for most of humanity’s history.
- b) Rapid growth of middle class as “consumer market motor”; estimated at 100 to 300 million persons - so we present average estimate of 200 million (of a population of 1.1 billion (latter to be 1.43 billion 2025)). Middle class projected to be 580 million by 2025
- c) Powerpoint graph shows rapid growth of segment “consumers” (essentially the middle class and upper working class), a measure interesting to local produce suppliers and exporters. This “consumers” segment goes from 7% in 1985, 46% 2005 to 65% in 2015 to 78%.
- d) Private consumption spending: 370 billion dollars today → grow 4x to 1.5 trillion in 2025 (with 80% of the growth from income growth). 2025: India 5<sup>th</sup> ranked consumer market (after US, Japan, China, UK). → India moved from tiny market in 1985 to a vast market 2007 to a mega-market in 2015 and 2025.

e) Rapid economic growth fueled by booms in IT (information technology), telecommunications, entertainment, energy, steel, construction, migration remittances, and rapid export growth.

f) **Rapid Modernization: Urbanization & women in workforce & infrastructure upgrading & cell phone revolution (70 million)).**

→ **2. OPPORTUNITY INDIA: INCREDIBLE PRODUCE MARKET GROWTH**

- a) India = 1.1 billion people & 51% of income spent on food & many vegetarians & incomes rising rapidly & preference for fresh produce → India = produce seller’s paradise
- b) Growth fruit, nuts, vegetables (FNV) % in food budget: urban: 1983, 12%; 2005, 16%; rural: 9% to 15%
- c) Growth in FNV in value terms = 650% growth in 20 years – to 17 billion dollar produce market
- d) Produce market growth: driven by income & urbanization & health consciousness
- e) Food Processing industry growing (looking for imported ingredients)
- f) Imports growing and diversifying: FNV imports dominated by apples, grapes, potatoes, peas, nuts. Examples of rapid growth: 1995 → 2005: Apples: \$5 m. → \$21 m.; Almonds: \$54 m. → 159 m.
- f) US FVN exports to India, some spectacular successes: Examples: Washington apples, \$10k in 1998, \$20 m in 2006; California grapes, \$140k in 2001, \$6.3 m in 2006; California almonds fast growth.
- g) But still challenges to imports: import tariffs, non-tariff trade barriers, import wholesale/logistics
- h) Exports growing and diversifying: \$1.3 billion in 2005, mainly nuts, mangoes, grapes, onions
- i) Examples of rapid growth: grapes, 1995, \$16m, 2005, 49m. Mango: 2005, \$98m (with 20% yearly growth rate) and entry of US market.
- h) 80% of produce exports now to South Asia, Middle East, East Asia; 10% to Western Europe – but – mango deal with US & FTA with Chile and FTA talks with Brazil, South Africa, ASEAN, EU, and others.
- i) But still challenges to exports: India produces 15% and 11% of world’s fruit & vegetables – but only 0.5% and 1.7% of exports. Due to: big internal market, problems with transport/logistics costs, quality/safety

→ **3. OPPORTUNITY INDIA: MODERNIZATION DOWNSTREAM: TAKE-OFF OF SUPERMARKETS IN THE 2000s:**

- a) Slow supermarket growth 1996-2000 - then extremely quick growth starting at “takeoff” in 2000 and crescendo
- b) Supermarkets: only 4% of all retail, and 1% of food retail in 2006 - but estimates = 15-20% by 2015:
- c) top 5 chains’ sales 50% growth/year 2000-2006: top 5 chains: \$ 1 billion in 2007 → 15 billion in 2012
- d) Drivers: necessary but not sufficient: Income growth and urbanization
- e) PLUS huge investments of domestic conglomerates and other large companies flush with cash from the economic booms: Bharti, Birla, ITC, Reliance, Tata, RPG, FutureGroup → plan: 20-25 billion dollars investment in retail in next 5 years!
- f) Retail FDI blocked since 1996, under intense debate; allowed are foreign wholesalers in cash&carry (Metro, now Wal-mart in JV with Bharti) & allowed are investments in backend/supply chain (e.g. Wal-mart) & franchising; all top-5 global chains plan to enter
- g) Retail experimentation and innovation: multiple formats right away & produce sales right away & secondary and tertiary cities right away & even rural hubs/retailing underway & chains of pushcarts!

→ **4. OPPORTUNITY INDIA: NASCENT but ACCELERATING MODERNIZATION UPSTREAM: SUPPLY CHAINS**

- a) Back-end operations of major retail chains: Examples: Reliance; Bharti/FieldFresh
- b) Cash&Carry chains as wholesalers: Examples: Metro (Germany) and now Wal-mart; other domestic chains
- c) Major agribusiness companies: Examples: Mahindra; Namdhari
- d) links between export development and domestic supply chain modernization

→ **5. CHALLENGES INDIA**

- a) Wholesale market system: uneven pace of reform of law (reform to allow direct purchase instead of via commission agents); BUT: a number of states have reformed system & launch of Modern terminal markets; Food Parks
- b) Infrastructure/logistics poor overall: high transport costs; high wastage rates; poor cold chain; insufficient highways, ports
- c) Technical and policy trade barriers (nominal protection coefficients relatively high; non-tariff trade barriers)
- d) Supermarkets under Siege! : retail FDI still blocked & small retailers and traders resisting & some states blocking domestic chains
- e) Food Safety challenges: traceability and control difficult in internal traditional supply chains; new Food Safety Act implement end 2007

→ **6. CONCLUSIONS**

- a) India rapidly emerging as major opportunity for exporters, importers, and joint-venture seekers: booming market & modernizing retail & modernizing supply chains
- b) Challenges remain --But early-entering business partners who stay the course will be long-term friends of... and co-winners with.... Incredible India