

# Expanding the Exotica

The imported produce category displays immense promise.

By Piasi Sinha

**T**he average urban Indian's weekly shopping basket now carries aromas of distant farms and gardens. Be it authentic French kiwis, Australian grapes or Chinese pears – consumers can have access to hitherto exotic fresh produce at any time of the year now, thanks to the rising number of importers.

The 'organised retail revolution' in the country, and liberalisation-driven globalisation are changing the country's food consumption patterns in unprecedented ways. The taste for world cuisines is being honed, including those for fruits and vegetables from distant shores. Today the category reflects variety, availability and value added services at the retail end. "The country was a closed market until a couple of years ago. The market for most imported fruits and vegetables opened only after 1999. In that sense, we are a very new market, but the category of imported fresh produce, especially fruits, is growing very fast," says Sumit Saran, director of SCS Group, the agribusiness consulting firm.

"Our country has been a seasonal consumer of fruits, but of late it is showing an inclination for fresh fruits and vegetables through the year. India's large population and growing middle class with rising incomes make it a market of significant interest for imported fruits such as apples, grapes, pears, oranges etc.," he adds.

There is no doubt that India's rapid economic growth has set the stage for fundamental changes among the country's consumers, which has led the way for the foreign fresh produce to find acceptance here. "A widespread middle class that is affluent and looking at avenues for discretionary spending and aspiration purchases is the driving force behind the volume growth," concurs Saran.

Discussing the growth of luxuries such as imported fruit, analysts from The McKinsey Group report, "Over the next two decades, the country's middle class will grow from about five percent of the population to more than 40 percent and create the world's fifth largest consumer market."

Not surprisingly, the market of foreign fresh produce is registering maximum growth in metros such as Mumbai, Delhi, Chennai and Hyderabad. "At least 40 percent of our stock goes to Mumbai, followed by Chennai and Delhi at 30 percent each. The East is still yet to show significant demand," states Anil Dwivedi, the director of Dev Bhumi Cold Chain Pvt. Ltd. Some



market researchers however, point out that demand for exotic fresh produce is now permeating smaller cities like Coimbatore, Pune, Nagpur, Indore, Chandigarh, Amritsar etc. as well.

## Category share

Today India is a prominent importer of a wide variety of fruits; the bulk of imports of these products come from countries like USA, China, Chile and Australia.

According to the statistics revealed by the Ministry of Commerce the Indian imports of apples shot up from 48,000 metric tons in 2006-07 to 58,000 MT in 2007-08, showing a sharp 19 percent increase. Simultaneously pear and quince imports rose from 5,500 tons to 8,100 tons – showing an increase of about 50 percent. Orange import tonnage, including dried products, went from 2,600 to 3,300 tons registering an increase of 30 percent. "In the last three years there has been an immense growth

in the import of apples. For example, in 2004 only about 10 metric tonnes of apple used to be imported; that figure has already shot up to 90,000 metric tonnes. There is a gap between the demand for fresh apples and the supply of it and the importers are filling the gap. I believe the growth rate is 300 percent in certain categories," explains Dwivedi.

Fresh fruit imports in India are mainly dominated by apples followed by pears, citrus, dates, grapes, etc. Out of total fresh fruit imports of 77,450 tons in FY 2007-08, apple imports held the largest share. "A major share of the category is occupied by apples because the demand is very high. Though we grow apples in Himachal Pradesh and Kashmir, the stock of domestic produce for apples is depleted by February. The unmet demand is addressed by imported produce," says Tarun Arora, business Head of IG International.

Apart from apples, oranges and pears there is also a growing demand for fresh fruits like grapes, kiwifruit, plums, tamarind, apricots, peaches, figs and strawberries. While apples remain the core import product, but there is increasing diversification of imported items like strawberries and fresh figs. "There were restrictions on importing other fruits, but today with more liberal trade policies we are able to import other variants as well. French Kiwis and Italian Kiwis today account for 20 percent share of our imported fruit basket," adds Dwivedi.

## Marketers and network

The market of foreign fresh produce opened up in 2000 when the Government liberalised trade and relaxed duties. This has allowed hundreds of importers to flourish of which about 25-30 are doing particularly well. "In the last few years the numbers of importers have gone up dramatically," says Saran.

I.G. International, one of the oldest and major players in the category, entered the fresh produce business in 2000. The company currently imports a varieties of apples, kiwis, grapes, tamarind, pears, plums, peaches, cherry, strawberries, java fruit, durian, dragon fruit and oranges from across the world. "When we started out, our turnover was only of a few crores of rupees, but we

have registered a double fold increase since then," says Arora. With its state-of-the-art infrastructure of 10 cold storages and 11 refrigerated distribution centres across India, the company is supplying imported fresh produce to various modern traders including Reliance Fresh, Food World, Spinach and More. It is also supplying to various hospitality industry suppliers, street vendors and to catering businesses as well. "At least 60 percent of our total stock goes to the street vendors, 20 percent to hotel suppliers, 15 percent to modern retailers and 5 percent to the catering business," says Arora. The company is currently focussing on creating brand value in the segment. "We are looking into details such as packaging, transit etc to ensure that our brand stands for quality," he adds.

Another major player in the foreign fresh produce category is Dev Bhumi Cold Chain Pvt. Ltd. In 2000 the promoter of the company, Sanjay Aggarwal, decided against the general market opinion on whether an advanced cold chain would be viable in the Indian context, and went ahead and invested more than a million dollars in setting up facilities for storage and cold chain. Today this Delhi-based import house has an advanced integrated (cold) supply chain and provides farm procurement, refrigerated storage, logistics and allied services. Having the largest presence in Azadpur Mandi (the largest wholesale fruit & vegetable market in the world), the company aims to provide complete solutions in the supply chain management to support the growing organised retail industry in India. The company is also one of India's largest fruit importers and suppliers with a large state-of-the-art cold chain infrastructure housing specialised storages like Deep Freeze, Chill Store, Controlled Atmosphere Storage, Modified Atmosphere storage etc. This unique



positioning makes Dev Bhumi a strong contender in the end-to-end fresh produce category.

Dev Bhumi supplies imported fresh fruits to the organised and traditional retail sector in India and is engaged in aggressive development of its brand in India. It is already importing in its own packaging from France and China. In 2009 the company plans to import more than 50 containers from around the world including countries such as USA, China, France, Australia and Chile. The import basket will include:

- Apples - Washington, Fuji and Gala from USA, China and New Zealand
- Kiwis - Hayward from Chile and France
- Pears - Red Anjou and Shandong from USA and China
- Grapes - Red Globes from Australia, USA and Chile

"We are already supplying to the metros and are trying to develop penetration in cities like Bangalore, Ahmedabad and Kolkata," says Aggarwal. To support the distribution process, the company has a huge back-end infrastructure in place with Strategic Distribution Centers with dry and cold storage facilities as well as facilities for palletising and repackaging. The company is also planning to set up a 5,000 MT cold storage in Mumbai.

With a track record of 150 years, NGK Gourmet Foods Pvt. Ltd. is

also a leading name in the foreign fresh produce market. NGK has a pan-India dealer network and an impressive import basket that includes Northern Fruits from USA and Cope from Fruit, Chile,

Apart from hundreds of importers and brands who are shaping up the FFP market, there are also consulting firms like SCS Group who are helping the category and the market to evolve and match international standards. The SCS Group, an agribusiness consulting firm specialising in marketing, international trade and communications strategy, offer services related to food, beverage and agricultural products. The group undertakes research that focuses on identifying trade channels and consumer behaviour to estimate market size, forecast challenges and work out possible routes.

"The firm helps international companies and agencies set up and implement market entry and sustainability strategies. The SCS Group has been a pioneer in nutrition-based marketing in the country. For the products that we promote, the work is based on what is called as ROM or Result Oriented Management. The emphasis is on defining a long term strategy for the market, identifying the constraints that are present in the market and designing activities accordingly to meet those constraints. We share our vision and plans with the

VOLUME IMPORTS IN METRIC TONES (MT) FOR FRESH FRUITS						
S. NO.	HS Code	Commodity	Unit	2006-07	2007-08	%Growth
1	8081000	APPLES FRESH	MT	48,982.29	58,401.18	19.23
2	8082000	PEARS & QUINCES FRSH	MT	5,451.50	8,183.12	50.11
3	8051000	ORANGES FRESH OR DRIED	MT	2,595.48	3,374.47	30.01
4	8061000	GRAPES FRESH	MT	1,975.92	2,722.56	37.79
5	8105000	KIWI FRUIT	MT	1,225.88	1,339.75	9.29
6	8094000	PLUMS AND SLOES, FRESH	MT	361.04	580.18	60.7
7	81090	OTHERS FRESH FRUITS	MT	819.83	1,647.20	100.92

SOURCE: DGCIS, GOVERNMENT OF INDIA

importers, institutional or food service distributors and the retailers at the start of every season. We get their feedback and then design and implement various promotion strategies. At the end of the season, we go back to the drawing board and evaluate the result of our efforts and make changes if required,” says Saran at SCS Group.

The group has been instrumental in developing three major categories in fresh food: Washington Apples, USA Pears and California Grapes. According to Saran, the firm follows a four-step method to build up a category in the market and is currently involved in creating brand identities for various other fresh produce categories across India.

### Marketing & distribution

While still in its early days, the imported produce category is evolving rapidly. “India is a huge market with varied tastes and patterns. If marketed and promoted properly, there is tremendous potential for foods across categories. Naturally some categories will grow faster than the others but opportunities exist across the board. What is important for the global food marketers is to spend time and effort in understanding the market and the target consumer base and then launch their products accordingly,” suggests Saran.

The major part of the imported produce distribution chain is constituted by the traditional wholesalers of fruits at the ‘sabji mandis’. Despite changing consumer patterns and demographics, 65 percent of the total consumption happens through wholesalers and street vendors. However, currently the market is witnessing consolidation in terms of operations and marketing

strategies; importers and organisations in the business are taking initiatives to strengthen direct linkages with the wholesalers and street vendors.

“I wish there were a thumb rule. But in imported fresh food, there are various categories and each requires a different strategy,” says Saran. In sync with this, SCS follows a four-step method for marketing. “In the first stage the company looks into the requirements of all the stakeholders including wholesalers, importers, retailers and end-consumers. In the second stage the firm intimates importers on the more lucrative opportunities – how foreign fresh produce complements the Indian season and the market and also on strategising. At the third stage we work with the wholesalers to impart knowledge about the category and necessary infrastructure. At times we also support them with POS materials such as posters, danglers, shelf stickers and other display ideas. The last stage involves working with the consumers where we conduct a lot of theme-oriented events, roping in celebrities etc,” explains Saran.

### Roadblocks

While demand may be growing, a closer look at the system highlights areas that require long-term strategic solutions. The requirement of a modern supply chain to support this seems to have become a key issue for the trade. On the other hand, in spite of modern retail growth, the organised sector is relatively tiny and still remain at the fringes of the mainstream markets. Fresh fruits including imported fruits are mainly marketed through a network of wholesale agricultural markets (mandis). Most retailers have established direct contacts with importers for procuring fresh produce. Additionally, some retailers prefer to import fruits directly. According to trade sources, more than 90 percent of imported fruits are currently marketed through small vendors, at the street level.

The distribution and marketing channel is still dominated by a traditional set up, creating a huge area of concern for all partners in the chain.

“India continues to grapple with the lack of infrastructure especially cold chain network for fresh produce. The distribution system unfortunately is primitive. Refrigerated warehousing and transportation facilities are limited and costly, which results in high losses and greatly restricts product movement especially to the small and medium cities,” Saran says. “It is ironical that in comparatively smaller cities beyond the metros, there is a discerning consumer base that is ready

to spend but does not have the avenues to buy. Although the first signs of change are getting slightly more visible, the supply chain invigoration by leading conglomerates will need more time to deliver tangible results.”

There is also a lack of uniformity when it comes to the pricing of imported produce. The pricing takes into account various factors such as quality, size, taste of the product along with freight costs, packaging, import duties etc. “It is therefore very difficult to have a uniform pricing formula in place. So, the prices of the same product will be different in different places,” explains Saran. “Import duties and high distribution costs make imported produce expensive when compared to their domestic counterparts. Price is a market phenomenon that is based on demand and supply theory. However, in general, the retail price of imported fresh produce has declined in the last three years as volumes have increased.”

### The road ahead

According to analysts, despite the challenges, domestic demand for imported fresh produce will continue to grow at 25-30 percent in the coming few years. This will also result from the market friendly policies for the food processing industry and the produce market as a whole. “These policies will prove to be long term beneficiaries for the market and will act as catalysts in expanding the foreign produce category in India,” says Arora at I.G. International.

“The imported fresh food business has also unveiled new opportunities for domestic agri produce sector. It has helped farmers to be exposed to marketing aspects such as pricing and packaging. Imports have created a competitive environment by ensuring better quality and made the farmers cognizant of justified pricing,” Arora points out.

“With the brand building efforts and consolidation processes becoming organised, the day is not far when we will have a robust supply chain infrastructure ensuring value-added services at the retail counters,” Saran says. ■

