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## SUMMARY

Branding of staple food market continues with gradual introduction of new brands and robust growth of existing ones. Currently, the level of branding is still small – varying from less than 1% for wheat (volume terms) and about 20% for salt. There is, therefore, a big opportunity in branded staples. However, staple foods business is a high volume game and requires tremendous financial muscle for long term survival. Currently, various segment of staple foods business have different leaders. However, the game is just hotting up and with Hindustan Lever having identified this area as a major growth initiative, it is likely to emerge as a clear leader. However, International Best Foods and Conagra are formulating similar big plans and could emerge as serious competitors.

## INTRODUCTION

Staple foods are items of everyday consumption, in India, they are – foodgrains like wheat, rice and pulses. Rice and wheat account for over 75% of food grain consumption in India. Coarse grains are jowar, bajra, barley and maize etc. Salt can also be included in this category. Staple Foods is the largest category in the foods business.

**MARKET****Table: Production of Foodgrains in India.**

| <b>Mn tonnes</b> | <b>Rice</b> | <b>Wheat</b> | <b>Coarse Grain</b> | <b>Pulses</b> | <b>Total Foodgrains</b> |
|------------------|-------------|--------------|---------------------|---------------|-------------------------|
| 1990-91          | 74.91       | 55.13        | 32.7                | 13.65         | 176.39                  |
| 1991-92          | 74.68       | 55.69        | 26.10               | 12.00         | 168.37                  |
| 1992-93          | 72.87       | 57.21        | 36.60               | 12.80         | 179.48                  |
| 1993-94          | 80.30       | 59.84        | 30.80               | 13.30         | 184.26                  |
| 1994-95          | 81.81       | 65.77        | 29.29               | 14.00         | 191.49                  |
| 1995-96          | 76.98       | 62.10        | 29.00               | 12.30         | 180.41                  |
| 1996-97          | 81.74       | 69.35        | 34.10               | 14.30         | 199.44                  |
| 1997-98          | 82.30       | 65.91        | 31.30               | 13.00         | 192.43                  |
| 1998-99          | 84.70       | 71.0         | 30.90               | 15.90         | 202.5                   |
| 1999-2000E       | 86.9        | 71.9         | 28.3                | 14.90         | 202.1                   |

Source: CMIE

Staple food market in India is largely in the un-organized sector. India's socio-economic conditions are largely responsible for this. About 70% of Indian population lives in villages and subsists on agricultural income. This part of the population, either farmers themselves or rural traders are an unlikely market for branded produce as they are the source of the food items in the first place. For the urban and semi-urban population, there is a finely developed system of neighbourhood grocers or 'kirana' stores, which retail all necessary commodities, though unbranded, at affordable prices. Indian consumer has largely been cost-conscious and the market for high-quality staple food items is limited. The local 'kirana' has different grades of rice and pulses. Consumers typically more than one grades of some items like rice and certain pulses – with the lower priced ones for daily use and higher priced ones for special occasions. There are also regional complexities in consumption patterns.

Organized food companies have typically been deterred by these impediments. Initially most companies tried to enter food in specialty foods like jams, ketchups and squashes. However, over time most companies have found out that these markets are limited in size and it is not possible to effect large-scale changes in habit of Indian consumer. Therefore the move to staple foods – or the really Indian foods like atta (wheat flour), kitchen mixes like dosa mix, sambhar mix etc. The market here is vast and the potential immense.

However, the competition is not really other organized food companies, at least not yet. The competition is the unbranded market, which has so far been doing a reasonably efficient job of procurement and distribution. Various studies have pointed out large inefficiencies in Indian food distribution and losses running into tens of thousands of crores as a consequence of that. However, no branded food company is retailing rice or atta yet at prices close to that of the neighbourhood kirana. Large scale penetration levels will be achieved only when the food companies achieve critical mass to build procurement systems which will enable them to reduce wastage and thereby offer cheap, quality products.

Below we take a look the markets for individual segments.

## Wheat

India produces about 70 mn tonnes of wheat annual. Of this, about 70% is consumed as wheat flour and the rest goes into maida and animal feed.

The branded wheat market is just about 300,000 tonnes per annum currently valued at Rs.350 crores. The “Kissan Annapurna” brand of Hindustan Lever is the market leader followed by Shaktibhog and Godrej Pilsbury. Shaktibhog is a regional brand, being a market leader in the Northern India, which is also the largest market for wheat in India. “Captain Cook” is a large brand, which was acquired by International BestFoods from DCW Ltd. This brand is to be re-launched post its launch. Conagra has just entered the market.

**Table: Market shares – I market**

|                 |    |
|-----------------|----|
| Annapurna       | 23 |
| Shaktibhog      | 19 |
| Godrej-Pilsbury | 11 |

Source – Industry

| Region | Brand           | Market share |
|--------|-----------------|--------------|
| South  | Annapurna       | 45           |
|        | Godrej-Pilsbury | 25           |
| West   | Annapurna       | 45           |
|        | Godrej-Pilsbury | 45           |
| East   | Annapurna       | 40           |
|        | Godrej-Pilsbury | 15           |
| North  | ShaktiBhog      | 50           |
|        | Annapurna       | 20           |
|        | Godrej-Pilsbury | 10           |

Source – Industry

**Salt**

Salt market has the maximum level of branding in India, with about 1mn tonnes of a total 5.5 mn tonnes being sold in branded form.

The higher success for branding in India is due to historical reasons. The government has been trying to promote use of iodized salt due to its health benefits. Tata Chemicals, perhaps taking a cue from this, realized the opportunity in branded salt and launched Tata Salt in the early eighties. Tata Chemicals is the largest producer of soda ash in India. Manufacture of soda ash requires salt. As a result, Tata Chemicals is the largest producer of Salt in India. Manufacture of iodized salt was minor addition in terms of manufacturing processes for Tata Chemicals. Though the company did put in admirable effort in branding and market development. Tata Chemicals can be credited with creating the branded salt market in India, and for many years, was the only national level brand in India in salt. The brand registered 292,000 tonnes of sales in 1998-99, giving it approximately 29% share of the branded salt market.

DCW Home Products entered the market in 1991 with its 'Captain Cook' brand. This brand was priced a good 15-20% above Tata Chemicals. The brand did quite well though as it had a distinct benefit of free flowing salt. This brand registered sales of 207,770 tonnes for the 15-month period ended December 1998.

There are three other new players, which have the potential to garner some market share. Marico has already launched its Saffola brand. Nirma is currently launching a table salt. Dabur has launched a brand called 'Nutra'.

**Rice**

Rice is the largest food grain crop in India, comprising over 40% of annual food grain production. India is a large exporter of rice.

Like wheat, rice consumption is mostly of the un-branded variety, with branded rice consumption less than 1%. In fact, branding activity here is even lower than that of wheat. There is no national level brand and none of the top food companies are actively targeting rice at the moment. The branded rice currently available are brands from large rice exporting companies, like "Kohinoor".

**Table: Indian rice market**

| Year / Mn tonnes | Production | Basmati Exports | Non-Basmati Exports | Total local availability |
|------------------|------------|-----------------|---------------------|--------------------------|
| 1992-93          | 72.87      | 0.32            | 0.26                | 72.29                    |
| 1993-94          | 80.3       | 0.53            | 0.57                | 79.2                     |
| 1994-95          | 81.81      | 0.44            | 0.45                | 80.92                    |
| 1995-96          | 76.98      | 0.37            | 0.45                | 76.16                    |
| 1996-97          | 81.74      | 0.52            | 1.98                | 79.24                    |
| 1997-98          | 82.3       | 0.59            | 1.79                | 79.92                    |
| 1998-99          | 84.7       | 0.6             | 4.34                | 79.76                    |
| 1999-00          | 87.0       | 2.0             |                     |                          |

Source: Ministry of food, consumer affairs & public distribution, Government of India

The Public Distribution system (PDS) is the primary medium through which the Government of India distributes staples to the masses. Below is the performance of the PDS from 1992 onwards.

**PDS: Mn Tonnes**

| Year   | Procurement | Off take | Stocks |
|--------|-------------|----------|--------|
| 1992   | 9.41        | 10.26    | 8.86   |
| 1993   | 12.72       | 9.89     | 9.93   |
| 1994   | 13.56       | 9.46     | 13.55  |
| 1995   | 13.12       | 8.85     | 18.08  |
| 1996   | 9.91        | 14.00    | 13.06  |
| 1997   | 11.87       | 12.44    | 13.17  |
| 1998   | 14.52       | 11.36    | 13.05  |
| 1999   | 11.56       | 11.83    | 11.74  |
| 2000 E | 17.28       | 12.06    | 14.93  |

Source: Ministry of food, consumer affairs & public distribution, Government of India

### WHAT ARE STAPLE FOODS?

(Source: FAO.org)

A staple food is one that is eaten regularly and in such quantities as to constitute the dominant part of the diet and supply a major proportion of energy and nutrient needs.

A staple food does not meet a population's total nutritional needs: a variety of foods is required. This is particularly the case for children and other nutritionally vulnerable groups.

Typically, staple foods are well adapted to the growth conditions in their source areas. For example, they may be tolerant of drought, pests or soils low in nutrients. Farmers often rely on staple crops to reduce risk and increase the resilience of their agricultural systems.

Most people live on a diet based on one or more of the following staples: rice, wheat, maize (corn), millet, sorghum, roots and tubers (potatoes, cassava, yams and taro), and animal products such as meat, milk, eggs, cheese and fish.

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