

## **Growing Opportunities for U.S. Agricultural Exports in India**

U.S. exporters who want to enter or expand in India's market have an array of opportunities available due to the country's growing population and increasing demand for food and agricultural goods. Despite challenges U.S. exporters encounter when navigating complex business and policy conditions in India, imports of U.S. agricultural goods to the country have grown steadily, particularly in bulk goods and consumer-oriented agricultural products. According to Euromonitor International this growth is projected to continue as India's population of nearly 1.3 billion is set to surpass China as the world's most populous country by 2025. With this strong population uptick, Indian demand for food and agriculture is expected to outpace domestic production, generate greater demand for imported goods and open the door for U.S. agricultural exports to increase its market share.

### **India's Consumer Buying Power**

India's fast growing economy and expanding middle class help increase the buying power for many Indian consumers. According to the International Monetary Fund, between 2016 and 2022 India's per capita GDP growth will increase by 61 percent and overall economic growth is predicted to accelerate from 7.1 percent in 2016 to 7.7 percent in 2018. IHS Global Insight estimates that the middle class is expected to grow from 90.8 million households in 2016 to more than 169 million households in 2021. Households earning above \$150,000 are also projected to increase to over 3 million by 2026. Although the majority of India's population remains low income, disposable income and total consumer expenditure on food continues to grow. Moreover, the high level of income inequality in India generates import opportunities for consumers at both ends of the income spectrum.

The agricultural sector is vital to India's economy. According to the CIA World Factbook, agriculture is responsible for 10 percent of India's exports in 2016, accounts for an estimated 17 percent of Indian GDP in 2016, and employs 47 percent of the Indian labor force. Urban migration is a factor in India as surplus labor is moving away from rural areas and driving up the population of urban areas. However, urban populations tend to use more modern retail outlets and purchase a higher percentage of imported goods. Nonetheless, the Indian countryside still remains an important market for certain imported consumer goods and daily staples such as edible oils and pulses.

India's agricultural imports have seen continued growth and are expected to grow in the future. Imports of bulk and intermediate goods have almost doubled over the past five years. In addition, India's imports of consumer-oriented agricultural products increased 40 percent since 2012, as India's consumers increasingly demand higher-value foods.

## Market Overview and Outlook

India's Agricultural Imports from the World						
Product	Billion USD					U.S. Market Share 2016
	2012	2013	2014	2015	2016	
Vegetable Oils	11.0	9.8	10.7	10.5	10.5	0.1%
<i>Palm oil</i>	8.1	7.2	6.8	6.1	5.7	-
<i>Soybean oil</i>	1.4	1.2	2.0	2.7	3.0	-
<i>Other</i>	1.6	1.5	2.0	1.7	1.8	-
Pulses	2.3	2.3	2.7	3.6	4.0	5%
Tree Nuts	1.5	1.6	2.0	2.4	2.1	27%
<b>TOTAL</b>	<b>20.2</b>	<b>19.2</b>	<b>21.5</b>	<b>22.6</b>	<b>24.2</b>	<b>5%</b>
Source: IHS Markit Data- BICO HS-6, Vegetable oils totals may not sum due to rounding						

Since joining the World Trade Organization (WTO) in 1995, India's agricultural imports from the world increased nearly twelvefold, from just over \$2 billion in 1995 to more than \$24 billion in 2016. In 2016 and counting the European Union as one entity, India ranked as the seventh largest global agricultural importer. India's annual agricultural imports from the world grew 7 percent between 2015 and 2016, from \$22.6 billion to \$24.2 billion. Indonesia and Argentina are the top two agricultural suppliers to India with market shares of 18 percent and 10 percent respectively in 2016. Per IHS Markit data, Malaysia has a 9 percent market share, followed by Ukraine at 7 percent, Brazil and Australia at 6 percent, and the United States at 5 percent. Currently, India's agricultural imports consist primarily of staple foods such as pulses and vegetable oils. Vegetable oils, pulses and tree nuts account for almost 70 percent of India's total agricultural imports by value. Geographic proximity, local preferences and strong competition from low-cost international suppliers keep U.S. market share down.

Although palm oil continues to account for the largest share of India's edible oil imports, the country is also the world's largest soybean oil importer, surpassing China in 2013. When it comes to biotech varieties, India allows soybean oil and canola oil derived from genetically modified beans, however no other biotech food products, bulk grains or processed or semi-processed foods are currently authorized for importation to the country.

India is also a major exporter of agricultural commodities and is the world's largest producer of cotton, pulses, millet and cottonseed. According to UN COMTRADE data, in 2016 India's global value of agricultural exports totaled \$27 billion, with the United States ranking as the second largest destination behind Vietnam. Major U.S. agricultural imports from India in 2016 were spices (\$279 million), guar gum (\$179 million), rice (\$158 million), tree nuts (\$157 million) and essential oils (\$151 million).

Among agricultural-related products such as fish products, forest products, ethanol, and distilled spirits, U.S. imports of forest products from India grew 18 percent from \$67 million in 2015 to \$78.7 million in 2016 and U.S. imports of seafood products from India (comprised mostly of shrimp) grew 17 percent from \$1.4 billion in 2015 to nearly \$1.6 billion in 2016.

## Market Potential for U.S. Agricultural Goods

Top U.S. Agricultural Exports to India						
Product	Million USD					U.S. Market Share 2016*
	2012	2013	2014	2015	2016	
Tree Nuts	329	368	473	605	521	27%
Cotton	72	89	88	114	251	26%
Pulses	85	102	182	136	142	5%
Fresh Fruit	110	81	78	112	71	18%
Planting Seeds	8	5	6	8	32	8%
Prepared Food	22	19	20	19	25	22%
Chocolate/Cocoa Products	1	4	6	10	13	2%
Feeds & Fodder	8	12	13	14	12	8%
<b>TOTAL</b>	<b>882</b>	<b>864</b>	<b>1,018</b>	<b>1,186</b>	<b>1,270</b>	<b>5%</b>
Source: Global Agricultural Trade System- BICO –HS 10						
* Market Share Based on India Import Data from IHS Markit						

U.S. agricultural exports to India grew 7 percent last year, from \$1.2 billion in 2015 to nearly \$1.3 billion in 2016. Top U.S. agricultural exports include: tree nuts, cotton, pulses and fresh fruit. Together, these commodities accounted for 78 percent of total U.S. agricultural exports to India last year. Since 2012, U.S. agricultural exports to India with the largest growth include fresh fruit, chocolate and chocolate products and fresh vegetables.

In addition to agricultural products, the value of U.S. agricultural-related exports to India (such as ethanol, distilled spirits, forest and seafood products) has quadrupled since 2012, reaching a record \$233 million in 2016. The United States is the largest supplier of ethanol to India, exporting \$175.8 million in 2016. Based on India's import data obtained from IHS Markit, the United States has a nearly 76-percent market share of India's ethanol imports. India's demand for fish products from the United States is also growing. U.S. exports of fish products to India increased 98 percent, from \$12 million in 2015 to nearly \$24 million in 2016. U.S. exports of distilled spirits, mainly whiskey, grew 9 percent from \$4.8 million in 2015 to \$5.2 million in 2016.

### Top Export Commodities Summaries

**Tree Nuts:** The United States is India's largest supplier of tree nuts by value (\$521 million) with a market share of 27 percent in 2016. The second largest supplier, Cote d'Ivoire, has a 15 percent market share by value. Top U.S. tree nut exports to India in 2016 are almonds (\$490 million) and walnuts (\$28 million). A weaker Indian rupee (INR) and higher global and domestic market prices led to a 6-percent decrease in U.S. almond exports to the country from 2015 to 2016. Nevertheless, U.S. tree nut exports are expected to grow with consumer perception of tree nuts as healthy.

**Cotton:** Cotton exports account for 20 percent of total U.S. agricultural exports to India. Although U.S. cotton shipments to India grew 118 percent, from \$114 million in 2015 to \$250 million in 2016, Australia is India's top cotton supplier with a 33-percent market share, followed by the United States with a 26-percent market share.

**Pulses:** India is the world's largest importer of pulses, valued at \$4.0 billion in 2016. The United States is the sixth largest exporter of pulses to India, primarily dried peas and lentils, valued at \$142 million and representing 11 percent of total U.S. agricultural exports to the country. By value, Canada and Burma are the leading exporters of pulses to India, with a market share of 28 percent and 21 percent, respectively. Australia has 16 percent of the market, followed by Russia and Tanzania with 5 percent. The United States follows also with a 5 percent market share. U.S. exports of pulses to India grew 4 percent in 2016.

## **India's Policies Impede Growth of U.S. Agricultural Exports**

In the pursuit of self-sufficiency for many staple commodities, India maintains politicized export controls and a highly restrictive import regime. According to the WTO, India's average tariff on agricultural products is nearly 36 percent. High Indian agricultural tariffs hinder many U.S. agricultural exports, such as fresh and dried fruits, vegetables, some nuts, and various processed food products and food ingredients. Moreover, India has domestic subsidies that distort markets.

Many experts also attribute India's high rates of malnutrition to its domestic self-sufficiency policies that restrict food imports. According to the World Bank, India has one of the world's highest rates of malnutrition. The International Food Policy Research Institute's Global Hunger Index also reported fifteen percent of India's children under age five are underweight for their height, and 15 percent of the total population is undernourished. As India's population continues to expand the government may be forced to relax import restrictions to meet the demand for inexpensive foodstuffs for the marginalized, undernourished population.

For some products that India produces, such as poultry, rising consumer demand will encourage more imports. India's minimal poultry imports include prepared or preserved turkey mainly from EU countries and Thailand. The tariffs applied are 30 percent basic tariff on imports of most poultry products, but 100 percent for cuts and offal of fowl species ([GAIN](#)). The growth in the broiler segment is expected to remain strong with consumer preference for chicken meat, increasing income levels and changing food habits. While demand for meat grows and evolves, Indian consumers will require more production and more choice, thereby pressuring domestic capacity to expand and government-imposed import restrictions to adjust. However, the India market is currently closed to U.S. poultry exports pending resolution of a WTO case.

On November 8, 2016, the Indian Government withdrew currency notes of INR 500 and INR 1,000 from circulation. According to Euromonitor International, while this led to a currency crunch and a loss in economic momentum, the government saw this as a catalyst for growth of card/online payments and a reduction in the dependence on cash transactions. The growth in online transactions led to a nearly 80 percent growth in online retail orders. However, traditional grocery outlets still account for more than 90 percent of packaged food sales in India. The

advancement of online sales, however, has steered traditional retailers to supply more quality products to satisfy changing consumer demand.

U.S. agricultural exports to India are anticipated to flourish in the future as growing demand from its population exceeds production capabilities. A steadily rising number of middle- and high-income households along with improved access to credit will all support India's consumer demand. Further, the recent appreciation of the rupee will increase purchasing power, thus driving import growth. Another great example of India's future trade potential is that according to Euromonitor International, in an effort to boost trade, the Indian government is constructing seven new ports at a cost of \$7.6 billion.

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