



INDIA

May 2022






FAST FACTS

India is one of the world's largest economies and the second most populous country. After being severely impacted by the pandemic in 2020, India's economy has been recovering rapidly, and is now among the world's fastest growing economies. India has to-date been a comparatively small destination for Australian lamb, comprised of mostly loin cuts in the high-end foodservice sector. When the recently-signed Australia-India Economic Cooperation and Trade Agreement (AI-ECTA) enters into force, the 30% tariff on Australian sheepmeat will be removed. While tariffs on other red meat products and livestock were not reduced under the Agreement, they may be addressed in future negotiations. India's rapid growth in consumer purchasing power and urbanisation, coupled with a tourism recovery, present new opportunities for Australia.

Population		Number of households	Affluent households (>USD35,000 disposable income p.a.)	Wealthy households (>USD75,000 disposable income p.a.)	2019 tourist visitors
1.39bn 2021f	1.45bn 2026f	283,894,100	807,347	82,732	10.9m
Household food spend p.a.		Household restaurant /accommodation spend p.a		India lamb sales*	
USD2,113		USD120		USD29.9bn 2021f	USD17.4bn 2026f
				USD51.9bn 2026f	USD10bn 2021f

(Source: Fitch Solutions 2021 unless otherwise stated. *All retail and foodservice channels combined.)

CONSUMPTION

India 2021e	Total national consumption (tonnes cwe)	Per capita consumption (per person/year)	India consumption volume and value			
 Fish	11,701,000	8.4 kg	Volume in tonnes cwe Sales in USD	2021e	2026f	2021e-2026f*
 Chicken	3,957,000	3.0 kg	Total sheepmeat consumption	2,058,000 t	2,386,000 t	+3.0%
 Sheepmeat & Goatmeat	2,058,000	1.5 kg	Total lamb sales	U\$29.94 bn	U\$51.90 bn	+11.6%
 Beef & Buffalo meat	926,000	0.7 kg	Total beef/buffalo consumption	926,000 t	1,011,000 t	+1.8%
 Pork	410,000	0.3 kg	Total beef sales	U\$10.08 bn	U\$17.43 bn	+11.6%

(Source: GIRA.)

(Sources: GIRA, Fitch Solutions.*CAGR = Compound Annual Growth Rate. Sales forecast last reviewed April 2022.)

- Religion shapes the food consumption habits of many consumers in India. Some 80% of the population is Hindu and follow some dietary restrictions on foods such as meat, particularly beef.
- Muslims and Christians (16.5% of the population) are generally more flexible in their beef and sheepmeat consumption behaviour.
- The rapidly growing middle-upper class is increasing demand for high value proteins, especially those that are less religiously-constrained, such as sheepmeat and goatmeat.

- India is the world's second largest consumer of sheepmeat, after China. Indian cuisine has a rich tradition of featuring sheepmeat in slow cooked dishes such as *rogan josh*, *laal maas* and *alo gosht*.
- While many Indians still consume mostly non-meat proteins, increasing incomes are shifting diets to include higher proportions of animal protein.
- Meat spending growth is skewed towards coastal areas of south-west states where a larger percentage of people consume meat.
- High-end, full-service, independent and hotel restaurants will see growing red meat demand as tourism recovers post-pandemic.

IMPORTS

India sheepmeat & goatmeat balance (tonnes)	India beef market balance (tonnes)	India sheepmeat & goatmeat imports - volume (2021: 22.6 tonnes swt)	India sheepmeat & goatmeat imports - value (2021: A\$ 447,842)
<p>Consumption 2,058,353</p> <p>Imports 23</p> <p>Production 2,067,376</p> <p>Exports 9,023</p>	<p>Consumption 926,178</p> <p>Exports 1,334,337</p> <p>Production 2,260,515</p>	<p>Australia 27%</p> <p>New Zealand 73%</p>	<p>Australia 22%</p> <p>New Zealand 78%</p>

(Source: GIRA, IHS Markit, 2021e)

(Source: IHS Markit, Calendar Year)

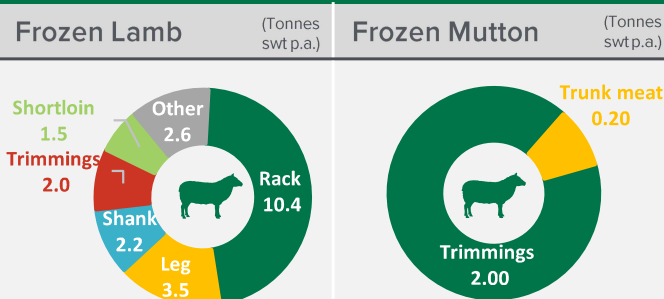


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TRADE INSIGHTS

Australian exports to India - Top 5 Cuts (Annual average 2017-2021)

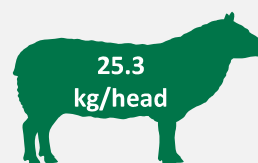


(Source: DAWE. In shipped weight tonnes. Average annual export volumes by cut between 2017-2021)

- Australia and New Zealand are the only import suppliers of sheepmeat reported through India customs.
- Australia has been mostly exporting frozen high value lamb cuts to supply five-star hotels and high-end restaurants.
- The removal of the 30% tariff on Australian sheepmeat will enhance Australia's competitiveness with New Zealand sheepmeat and improve affordability.

(Source: India Ministry of Tourism, 2019)

Average sheep/goat carcass weight (2020)



Australia



India

(Sources: GIRA, ABS, Australia: sheep & lamb average, India: sheep & goat average)

- The main destination ports for Australian sheepmeat are New Delhi for air freight and Mumbai for sea freight.
- Priced at a premium and entering high-end segments, imported sheepmeat does not directly compete with local product.
- Australia produces sheep with an average carcass weight around twice the size of Indian animals. Australian lamb cuts are, hence, larger and more fatty, suitable for grilling and roasting, while Indian sheepmeat/goatmeat cuts are smaller, leaner and considered better suited to slow cooked dishes.

EXPORTS

Historical Australian exports to India

Volume in tonnes swt	2012-2016 5-Year Average		2017	2018	2019	2020	2021	2017-2021 5-Year Average	
	Volume (tonnes swt)	Value (AUD p.a.)						Volume (p.a.)	Value (AUD p.a.)
Lamb	31.9	434,104	35.3	25.7	32.1	11.8	6.2	19.5	325,378
Mutton	1.5	8,897	1.0	10.0	0	0	0	2.2	9,885

(Sources: DAWE, ABS, IHS Markit. A\$ FOB.)

IMPORT REQUIREMENTS

Australia-India Economic Cooperation and Trade Agreement (AI-ECTA)

- Australia and India signed an interim agreement, the Australia-India Economic Cooperation and Trade Agreement, on 2 April 2022.
- Following signing, the AI-ECTA will be presented to the Australian Parliament and considered by the Joint Standing Committee on Treaties. Once domestic procedures have been completed by India and Australia, each country will exchange the completion through diplomatic notes, and the agreement will enter into force on a mutually agreed date.
- Once the AI-ECTA agreement enters into force, the 30% tariff on Australian sheepmeat will be immediately removed. AI-ECTA will also bind the tariff on raw skins and hides at zero and eliminate the 10% tariff on processed skins and hides.
- AI-ECTA will enhance the competitiveness of Australian sheepmeat products and create a tariff advantage over New Zealand product.
- AI-ECTA is a key milestone on the way towards a broader and deeper Comprehensive Economic Cooperation Agreement where improved access for other red meat products and livestock may be addressed.

Key Elements of Current Market Access to India

- India currently applies a 30% tariff on all sheepmeat, goatmeat, offal and boxed beef products imported into the country. India maintains an import ban on beef on religious grounds. Live sheep, goats and breeding cattle face a 5% applied tariff.
- Products derived from sheep and goats must be from properties free for at least 2-years from Border disease (ovine pestivirus or hairy shaker disease), ovine epididymitis, anthrax, blackleg, leptospirosis and caprine arthritis/encephalitis.

Pre-AI-ECTA Market Access

Sheepmeat	Beef, offal & goatmeat	Livestock
30% Tariff	30% Tariff Beef import ban on religious grounds	Live Animal Tariff: • Breeder cattle: 5% • Slaughter cattle: 30% • Sheep: 5% • Goat: 5%

Post-AI-ECTA Market Access

Sheepmeat	Beef, offal & goatmeat	Livestock
0% Tariff Once AI-ECTA enters into force	30% Tariff Beef import ban on religious grounds	Live Animal Tariff: • Breeder Cattle: 5% • Slaughter cattle: 30% • Sheep: 5% • Goat: 5%

(Source: DFAT)



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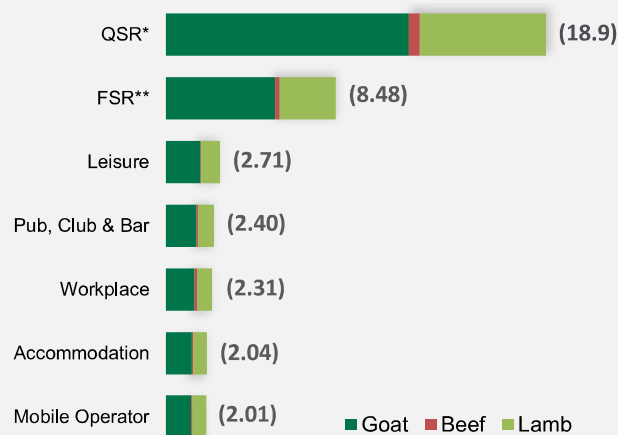
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- India's foodservice sector is highly fragmented and dominated by independent operators.
- Australian lamb is mostly sold in premium restaurants and five-star hotels targeting affluent consumers and tourists.

India red meat sales channels



Lamb, Goat and Beef Sales in Foodservice in 2021



(Total Value in USD Million)

(Source: GlobalData. Profit operators. *Quick service restaurants & fast food, ** Full Service Restaurants)

- India's foodservice sector adapted to pandemic restrictions by developing digital capabilities, shifting menus to take-away and partnering with delivery apps. These capabilities will likely remain part of the foodservice landscape post-pandemic.
- With restrictions easing, consumers have been gradually returning to enjoy dine-in experiences.
- While local cuisines are the most popular, many diners are seeking greater variety of cuisines and dining concepts when they eat out.



(Lamb cutlet dish, most imported Australian sheep meat cut for high-end restaurants)

Top 10 Indian destination for international tourist visitors and hotels

State ranking by number of international tourists (2018)	City ranking by number of hotels (2017)
Tamil Nadu	New Delhi
Maharashtra	Mumbai
Uttar Pradesh	Bengaluru
Delhi	Chennai
Rajasthan	Pune
West Bengal	Goa
Punjab	Hyderabad
Kerala	Gurugram
Bihar	Jaipur
Goa	Kolkata

(Sources: GlobalData, India Ministry of Tourism, 2019)

- India is a popular tourist destination, with over 10 million people visiting the country in 2019 before the COVID-19 pandemic. Over a quarter are from high meat-eating regions such as North America and the UK.



Selected* India foodservice operators

FSR	QSR	Hotels
Pizza Hut	Domino's Pizza	Indian Hotels Company Ltd.
Adyar Ananda Bhavan	McDonald's	ITC Hotels
Barbeque Nation	KFC	EIH Ltd.
Empire	Subway	The Leela
Dindigul Thalappakatti	Burger King	Radisson Hotel Group
Paradise	Haldiram's	InterContinental Hotels Group PLC
Mainland China Asia Kitchen	Taco Bell	Marriott International, Inc
Chili's Grill & Bar	The Chocolate Room	Sarovar Hotels
Absolute Barbecues	Firangi Bake	Hyatt Hotels Corporation
Sagar Ratna	Keverters	The Park Hotels

(Source: GlobalData. *These lists are not intended to be complete and are for reference only.)



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RETAIL CHANNEL

India red meat sales channels



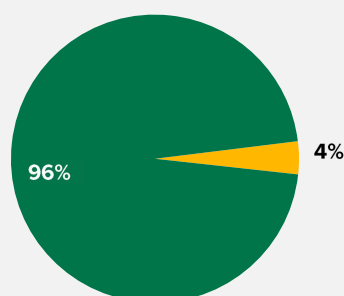
Total Grocery Retail Sales

Modern channels

(Included: supermarkets, hypermarkets, online retail and convenience stores)

Traditional & Other modern channels

(Included but not limited to street vendors, kiosks, food markets, mini-markets and other autonomous or small scale food stores)



(Source: IGD, 2021. Sales value based on USD. Total Grocery Sales, all categories.)

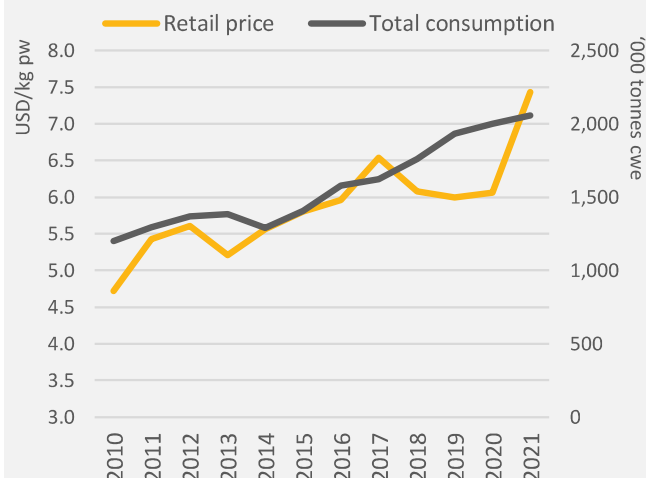
- India's retail sector is dominated by traditional independent trade. The largest share of the smaller modern retail sector is occupied by supermarkets.
- Although modern trade represents a small proportion, its share is forecast to grow in the coming years due to the expansion of supermarkets, convenience stores and e-commerce.
- While all modern retail will grow rapidly in the next 5 years, online retail is expected to see the fastest growth.
- Recovering from the pandemic, modern retailers have enhanced premium grocery offers to attract consumers. This may provide opportunities for Australian sheepmeat cuts.

Top selected* Indian modern grocery retailers

Retailer	No. of Stores (2021)	Total Sales (USDm 2021)
Reliance Retail	960	4,679
D-Mart	255	4,064
Future Group	1,210	3,298
Big Basket	Online Retail	1,277
More Retail	835	833
Amazon	Online retail	450
Spencer's Retail	191	378
Trent Ltd	79	221
SPAR International	26	105
Grofers	Online retail	66
Walmart	30	57

(Source: IGD. No. of stores and sales in India in 2021. All formats combined. *These lists are not intended to be complete and are for reference only.)

Indian sheep & goat meat retail price and total consumption



(Source: GIRA)

- While sheep and goat meat are the most expensive animal proteins, strong demand growth has outpaced Indian supply. Australian sheepmeat will compliment local product, filling a gap in premium segments.
- Australian sheepmeat will cater to the needs of affluent consumers through the growing modern retail sector, benefiting from a premiumisation trend.

Top 5 cities with households earning incomes over US\$40,000 p.a. (2021)

City	State
Mumbai	Maharashtra
Delhi	Delhi
Bangalore	Karnataka
Chennai	Tamil Nadu
Kolkata	West Bengal

(Source: GlobalData.)



(Among the most popular lamb dishes in India, lamb curry comes in many local varieties)