

Packaged Rice Market in India

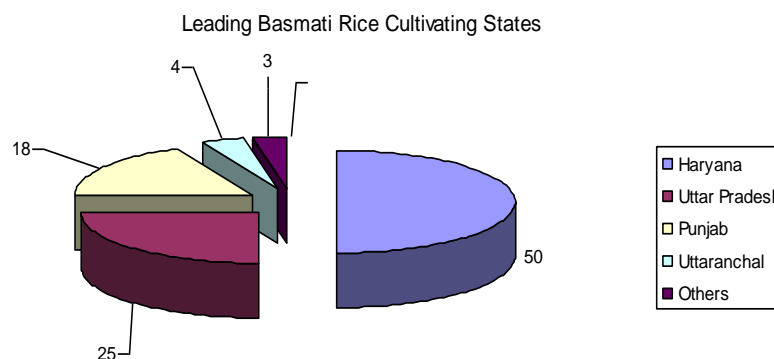
The popularity of packaged rice is a consequence of the comparative convenience and ease of procuring clean, high quality rice as opposed to the labor-intensive processing required in the traditional purchase from wholesale grocery markets or rice mills. The growing middle class populace, with its double income households, does not mind the additional expense on a staple product, especially given the hectic lifestyles and high time paucity which heightens the attention given to quality and health. This is an added boost to the burgeoning of the packaged rice market in India.

In a country where thousands of rice varieties are grown, branding has come to play a role in both the domestic as well as the export market. The brand is the new mantra for success and Basmati, also known as the 'king of rice', is in the middle of the action. It is the urban affluent and the upper middle class which is gradually warming to the concept of buying branded rice.

The packaged rice market in India was valued at INR 122 billion in 2012, and is growing at a CAGR of over 30% for the past three years. It is projected to reach ~INR 333 billion by 2016. Basmati rice dominates the packaged rice market in India with a nearly ~75% market share. However, there are some other varieties present, e.g. Sona Masoori, long-grain, Patna rice, Navarra rice, etc.

Key Facts on Basmati Rice produce and packaging

India leads globally in the production and export of Basmati rice, but this variety accounts for less than 2% of the total Indian rice production. It is estimated that India produced approximately 4.25 million metric tons of basmati rice which accounts for ~75% of the entire global production of this rice type. Two-thirds of the Basmati rice produced in India is exported. The yield/hectare of Basmati paddy in India is approximately 30% less than the yield/hectare of non-basmati paddy. Basmati is exported across the globe, with a majority of consumers (by volume) in the Middle East, UK and US. The main Basmati varieties grown in India are Basmati 370, Basmati 217, Taraori (Karnal, Local, HBC-19), Haryana Basmati (HKR 228/IET 0367), Mahi Suganda, Dehradun (Type 3), Basmati 386, Ranbir Basmati (IET 11348), and Kasturi (IET 8580).



The number of players in the packaged rice market has doubled in the past three years, reflecting the confidence of the new entrants in the future of the packaged rice segment in India. Furthermore, the major existing brands are expanding their distribution network and focusing on their cost structure to cash in on the value-for-money and also the high quality proposition to capture a share of the domestic market, e.g. by splurging on promotional marketing techniques. Such brands include Lal Qilla, Double Diamond Brand Basmati Rice, Hanuman Brand Basmati Rice, RST Brand Basmati Rice, Resham Brand, Tilda Basmati rice, Pari Basmati Rice, Adora Basmati, Daawat Basmati, Kohinoor Basmati, Blue Label Basmati, Lal Haveli Basmati, Doon Basmati, etc.

There are many private brands of basmati rice available in the market. These are bought, packaged, and put on the shelves by retailers through their own individual procurement and supply chain systems. Some of the popular private labels are Max Economy, Max Premium, More_PL, Shoprite_PL, Spencer's Smart Choice Regular, Spencer's Smart Choice Premium, Nilgiris_PL, Food Bazaar, Metro_PL, Heritage_PL, V Fresh – Vishal Mega Mart, Reliance Select, etc.

The evolution of rice retail mechanisms, which has provided such platforms as hypermarkets, supermarkets, standalone stores, online portals, etc., has promoted branding in this segment. The increasing brand awareness among consumers has helped in widening its presence into non-premium products. In the past, premium basmati rice brands were available through a limited number of players; now, however, a large number of brands are present not only in the premium range but also in the value range for basmati rice, and even in non-basmati rice brands. The growing trend of brand consciousness is facilitating the growth of the

segment that is in turn providing opportunities to both existing players and new entrants to streamline their businesses and products and move in tandem with the segment.

India, being a large market with a widening middle-income group and an increasing number of double-income households, holds great potential for the packaged rice segment, even in the Ready to Eat / Ready to Cook categories which make for healthy, convenient and tasty options. The success story of Kohinoor, ITC Kitchens of India, MTR Foods Limited, etc. reinforces the belief in the potential of the packaged Ready to Eat segment. The packaged rice market, though still at a growing stage, with few national and international players capturing a large share of the market, has witnessed a healthy year-on-year growth in the past couple of years. Also, players are positive about future business growth from the revenue and profitability perspectives, reflecting their confidence in the market's potential and also in consumer acceptance. In terms of product offerings, the players will focus more on enhancement in terms of variety and innovation and also make efforts to ensure a higher number of consumer trials.

There is no doubting the promising growth potential of the packaged rice market in India, but it is not going to be an easy climb with challenges looming ahead. The major challenge is competition as there are more than 100 regional players in the segment apart from the major players like Kohinoor, LT Overseas Ltd. (Daawat), etc. The confidence of the existing players will intensify this competition, with new players and private label brands pumping in further competition. The scenario will be even further jittery in the future for both new players entering the segment as well as existing brands which may enhance their reach. The existing competition will also be heightened due to the entry of other FMCG chains which are currently not focusing on packaged rice as their core product offering, including Ready to Eat brands, e.g. Britannia's range of ready-to-cook under the Britannia Healthy Start brand.

Ensuring market penetration through better distribution while remaining economical poses another challenge for players who want to enhance their market presence and foray into new market segments like low income group settlements. Regional players have a competitive edge over bigger brands with a strong and robust distribution network as they are targeting not only "kiranas" or neighborhood stores but also using multilevel marketing and a consumer-to-consumer marketing approach to extend their market penetration. These players are not spending aggressively in branding; however, they offer relatively better margins to kirana owners to push their products. Their products are relatively economical when compared to the bigger brands and suit the pockets of the middle and lower economic classes. Bigger brands will have to develop a business model that can extend their scope to prosper in this cutting edge competition.

Inflation in the prices of raw materials is another big stumbling block which is limiting not only any increase in product prices but is also squeezing profit margins. This in turn is spiking the cost of a lunch/dinner plate to the final consumer who might then be attracted to switch to relatively more economical options.

The surge in demand will drive innovation in the packaged rice market, with better product offerings and the introduction of international brands foreseen in the future. Packaged rice in India is an evolving market, but as it evolves, it will allow for apprehending the consumers' awareness of products, acknowledging brand loyalty, understanding consumers' buying behavior, and developing products that tantalize the palette of the Indian consumer, especially in the ready to eat segment.

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