KEN RESEARCH

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India Spices Market Outlook to FY'2018

- Spice Mixes and Branded Spices to Augment Industry Revenues

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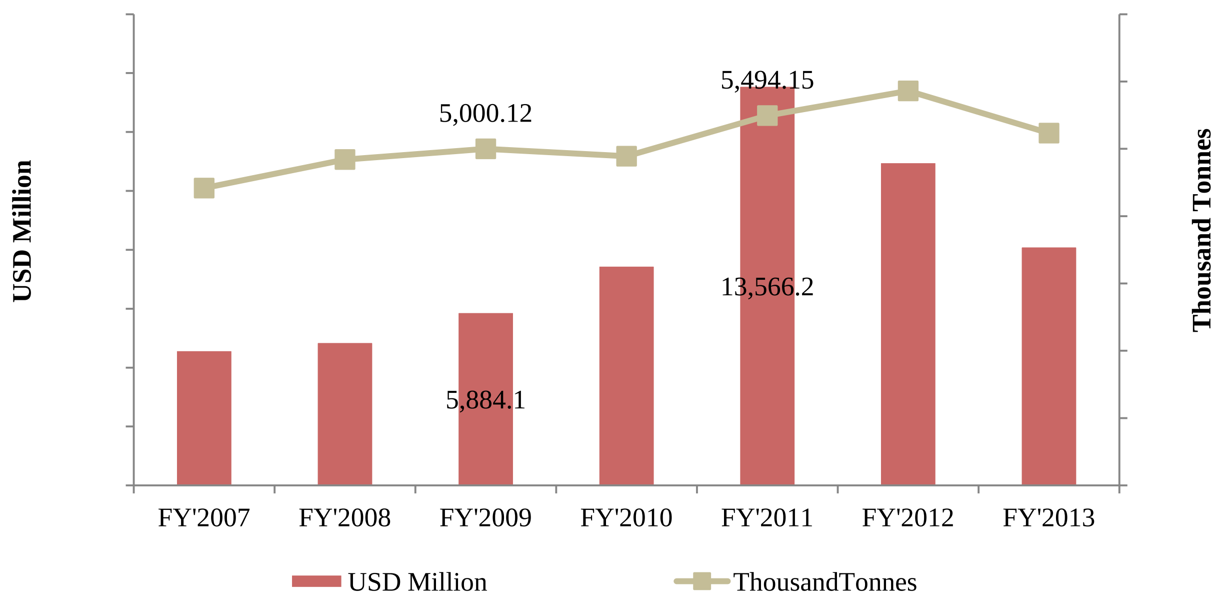
INDIA SPICE MARKET SIZE BY REVENUE AND VOLUME, FY'2007-FY'2013

BY CONSUMPTION, FY'2007-FY'2013

Apart from being the largest exporter of spices on the globe, India consumes approximately 90% of its spice production each year. The consumption of spices in India in FY'2013 was ~ thousand tonnes, declining from ~thousand tonnes in FY'2012 at a rate of ~%. This declined was majorly influenced by low production due to draught in southern parts of India in mid 2012, followed by heavy rainfall in 2013. The revenues from spices plummeted in FY'2013, owing to a steep decline in average prices of all the significant spices. Spice market in India registered a drop in revenues in FY'2012 owing to a fall in average prices of major spice such as turmeric and ginger. However, the consumption volume of spices inclined in FY'2012 on account of a ~% increase in the area of cultivation for spices. The market witnessed an immense growth in consumption in FY'2011 majorly due to a substantial incline in the area under the cultivation and Spice board's expenditure in FY2011….

Figure: India Spices Market Size on the Basis of Domestic Consumption in USD Million and in Thousand Tonnes, FY'2007-FY'2013

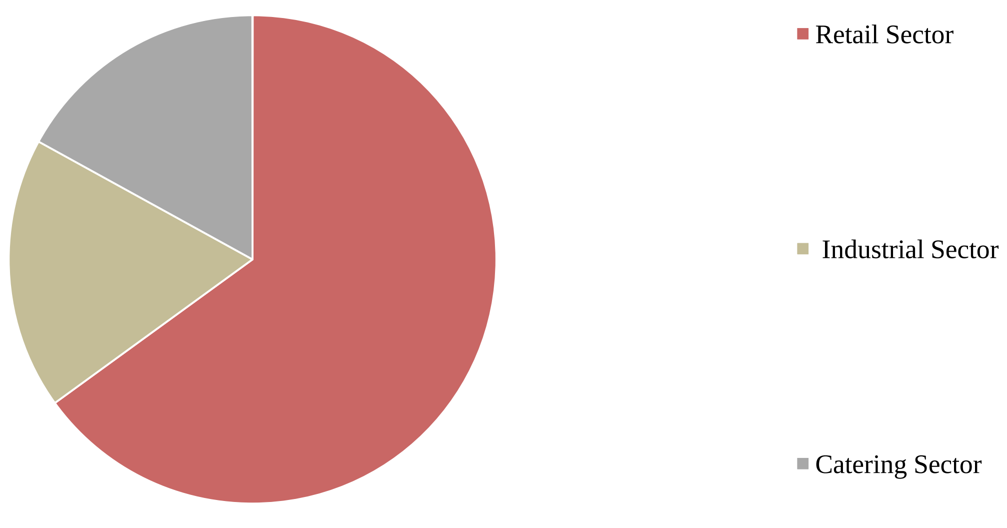


INDIAN SPICES MARKET SEGMENTATION

BY CLIENTS: RETAIL SECTOR, INDUSTRIAL SECTOR AND CATERING SECTOR, FY'2013

The spices in India are channelized to three broad clients namely retail sector, industrial sector and catering sector. The retail sector for spices in India comprises of supermarkets, grocery stores (kirana stores), specialty shops and other such outlets. A major part of revenues for the manufacturer of spices come from this sector as spices are largely consumed by individuals for cooking purposes at home. The share of retail sector in the revenues generated via sale of spices to all three major clients by spices manufacturers was ~% in FY'2013. The industrial sector includes manufacturers of food and beverages, pharmaceutical and cosmetics products. Spices are used as a key ingredient in processed foods such as condiments and pickles and in non-alcoholic beverages

Figure: India Spice Market Segmentation on the Basis of Revenues from Retail, Industrial and Catering Sectors in Percentage, FY'2013



BY CONSUMPTION OF MAJOR SPICES, FY’2007-FY’2013

…On the basis of consumption of major spices, Garlic had the lion’s share of ~% in FY’2013. The demand for garlic in India in FY’2013 was ~thousand tonnes which was less than its production in India. This excess produce was partly exported and partly stored as stock. The demand for ginger in India in FY’2013 was ~thousand tonnes which was greater than its production in India. The production of ginger was ~ thousand tonnes in FY’2013. This excess demand was fulfilled with a combination of import of ginger and running through of the stock of ginger in India. Chilly was the second largest spice consumed in India in FY’2013 with a share of ~%. The demand for chilly in India was less than its production in FY’2013. Only ~ thousand tonnes of chilly were consumed out of ~thousand tonnes of chilly produced in FY’2013 in India.

Figure: India Spice Market Segmentation on the Basis of Consumption of Major Spices in Percentage, FY’2007-FY’2013

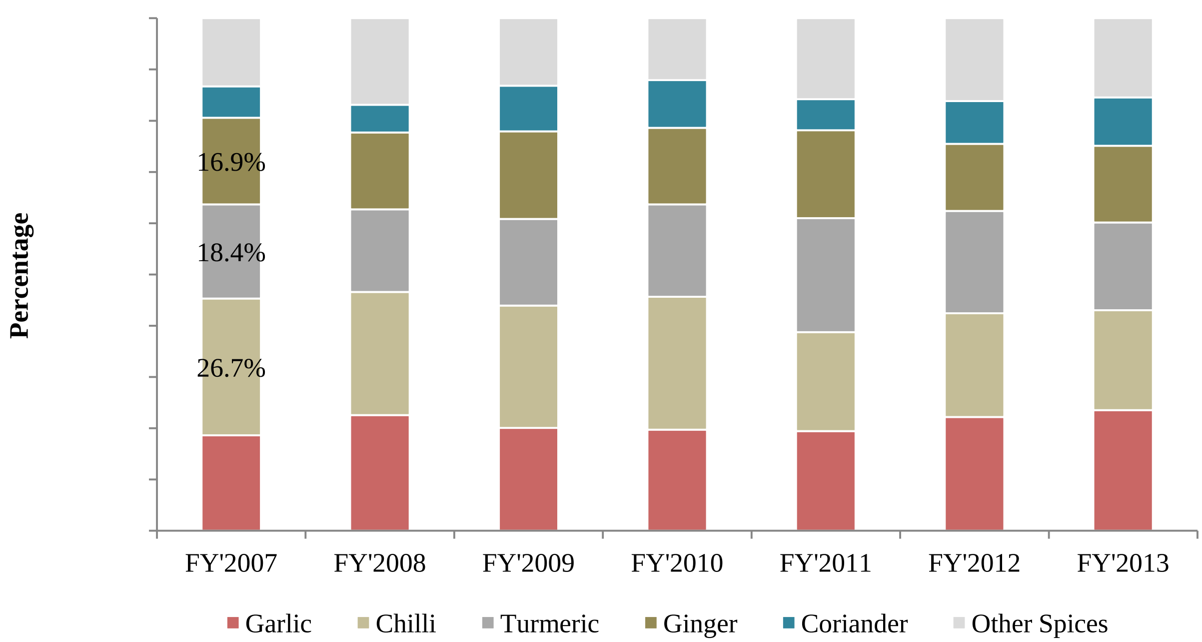


Table: India Spice Market Segmentation on the basis of Consumption of Major Spices in Thousand Tonnes, FY'2007-FY'2013

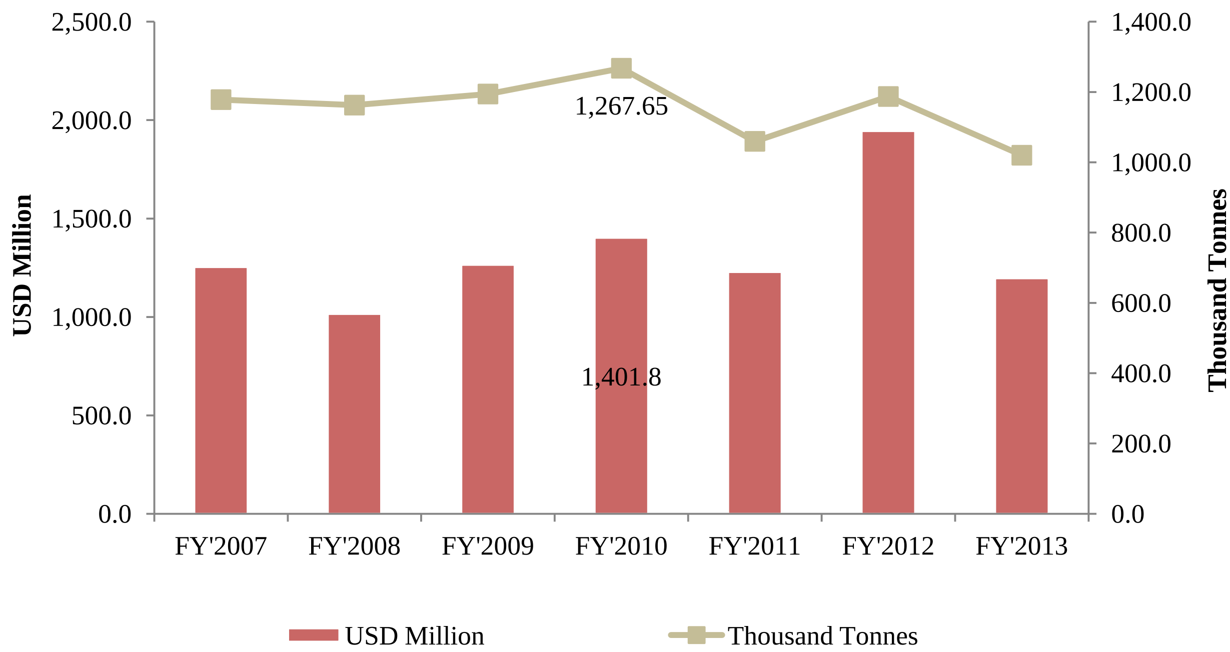
Spice	FY'2007	FY'2008	FY'2009	FY'2010	FY'2011	FY'2012	FY'2013
Garlic	822.73						
Chilly							
Turmeric							
Ginger							
Coriander							
Other Spices		817.52					
Total							

INDIA CHILLY MARKET INTRODUCTION AND SIZE, FY'2007-FY'2013

…Chilly is the largest produced spice in India. This spice is used majorly in curried cuisines. It is also used in curry power, seasoning and other such spice mixes. The range of chilies cultivated in India is Sannam, LC 334, Byadgi, Wonder Hot and Jwala. The market for chilies is influenced by cyclic price fluctuations and production in India. Andhra Pradesh is the dominating state for chilly production in India followed by Karnataka, West Bengal, Madhya Pradesh and Orissa. India chilly market was the third largest and second largest segment on the basis of consumption in thousand tonnes and revenues, respectively in FY'2013.

The market clocked revenue of USD ~ Million and a domestic consumption of ~thousand tonnes in FY'2013, declining from FY'2012 at ~% and ~% respectively. This decline was majorly due to the slump in production caused by the severe draught in mid 2012 and heavy rainfall in 2013. Furthermore, the decline in revenues was on account of a decline in the average price of chilly. The average price of chilly in India witnessed a decline of ~% in FY'2013. Consumption and revenues from chilly in India in FY'2012 grew at ~% and ~% respectively. The growth in consumption and revenues can be attributed to the boom in the production of chilly and a substantial rise of ~% in the average prices of chilly. Revenues from and consumption of chilly registered a decline of ~% and ~% respectively owing to a steep fall in the domestic production and average prices of chilly in India in FY'2011…

Figure: India Chilly Market Size on the Basis of Consumption in Thousand Tonnes and Revenues in USD Million, FY'2007-FY'2013



INDIA CHILLY MARKET SEGMENTATION ON THE BASIS OF TOP FIVE CHILLY PRODUCING STATES, FY'2008-FY'2013

Andhra Pradesh accounted for ~% of the total production of chilly in India in FY'2013. Chilly in Andhra Pradesh is produced in the districts of Guntur, Prakasam, Warangal and Khammam. The state has been the leading producer of chilly in India for many past years due to its near perfect climatic condition and highly fertile soil combined with the state government's initiatives including setting up of regional research center in LAM near Guntur. However, Andhra Pradesh's share in the total production of chilly has been declining for the last six years owing to less rainfall from monsoon in the southern states of India. Karnataka comes after Andhra Pradesh in terms of share in the total production of spices in India. Karnataka had a share of ~% in the chilly production in fiscal year 2013. Major chilly producing districts in Karnataka include Bagalkot, Belgaum, Bellary, Bidar and Bijapur. West Bengal, Madhya Pradesh and Orissa accounted for ~%, ~%, and ~% of the total production of chilly in India in FY'2013. The share of these states has registered a growth over the period of FY'2008-FY'2013, majorly due to the irrigation programs by the respective state governments...

Figure: India Chilly Market Segmentation on the Basis of Contribution from Different Chilly Producing States in Percentage, FY'2008-FY'2013

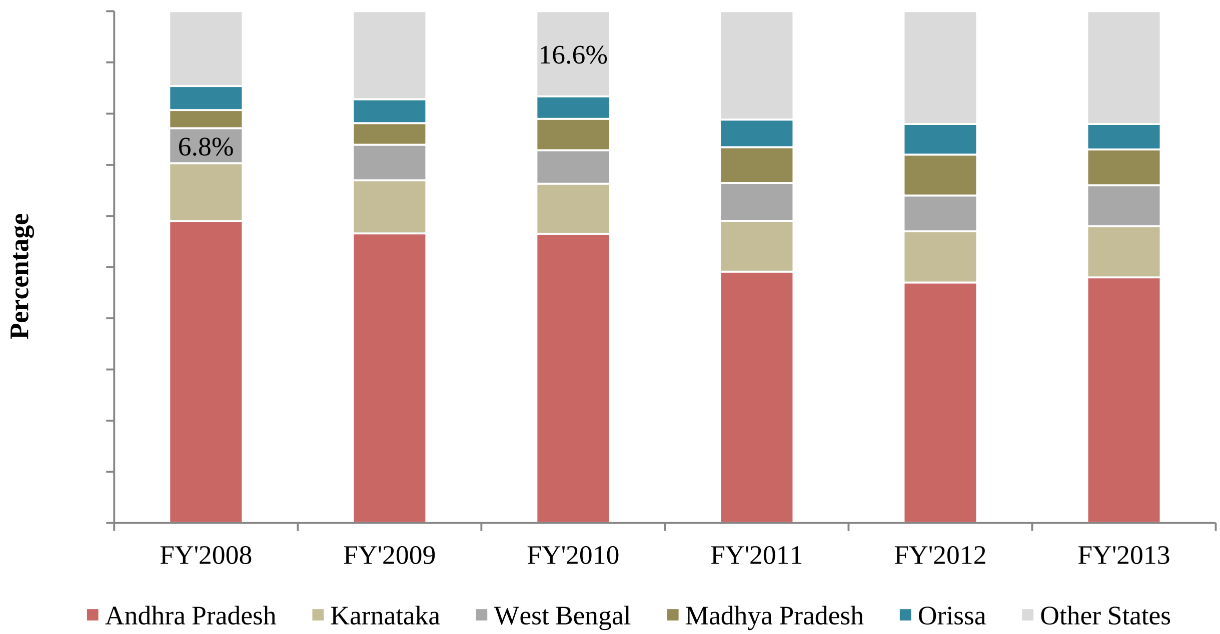


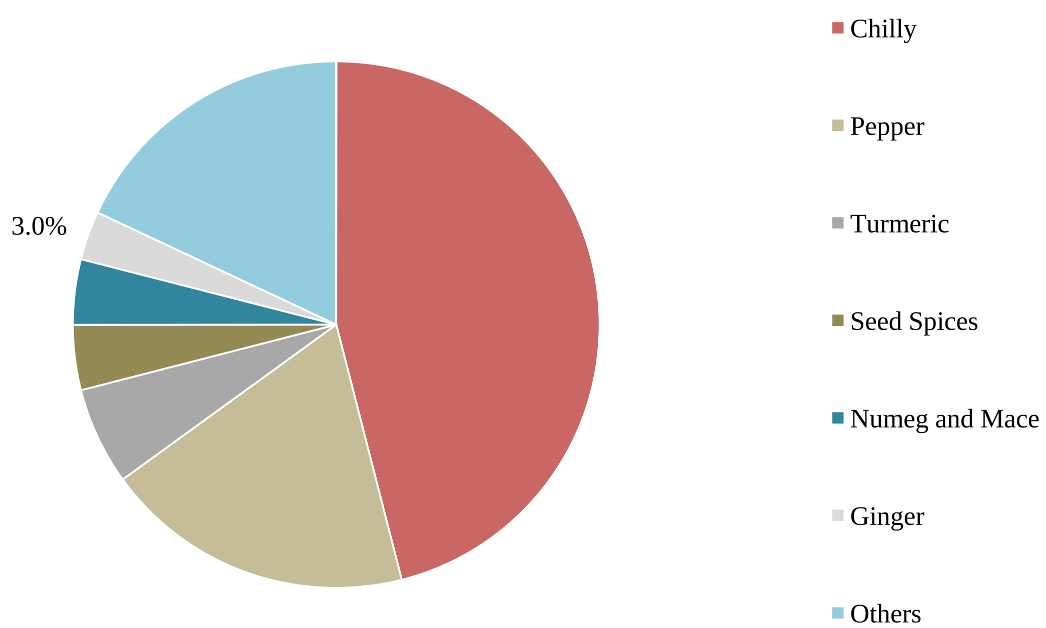
Table: India Chilly Market Segmentation on the basis of Contribution from Different Chilly Producing States in Thousand Tonnes, FY'2008-FY'2013

State	FY'2008	FY'2009	FY'2010	FY'2011	FY'2012	FY'2013
Andhra Pradesh						
Karnataka		143.48				
West Bengal						
Madhya Pradesh		58.46				
Orissa						
Other States		237.62				
Total						

INDIA SPICE OILS AND OLEORESINS MARKET SEGMENTATION ON THE BASIS OF DIFFERENT SPICES, FY'2012

Oils and oleoresins from chilly contributed almost ~% of the total oils and oleoresins extracted from the spices in FY'2012. This was majorly on account of a variety of uses of chilly extracts in food products and cosmetics industry in India. Additionally, chilly is produced at a large scale in India and the extracted oils and oleoresins give the companies in India a cost advantage in terms of economies of scales. Pepper was the second most used spice for the extraction of oils and oleoresins in India. Pepper accounted for a ~% share in the use of spices for the extraction of oils and oleoresins in India in FY'2012. Peppers are available locally, on a large scale basis in Kerala, which is the hub of oils and oleoresin industry. Turmeric contributed a ~% share in the extraction of oils and oleoresins from spices in fiscal year 2012.

Figure: India Spice Oils and Oleoresins Market Segmentation on the Basis of Contribution from Different Spices in Percentage, FY'2012

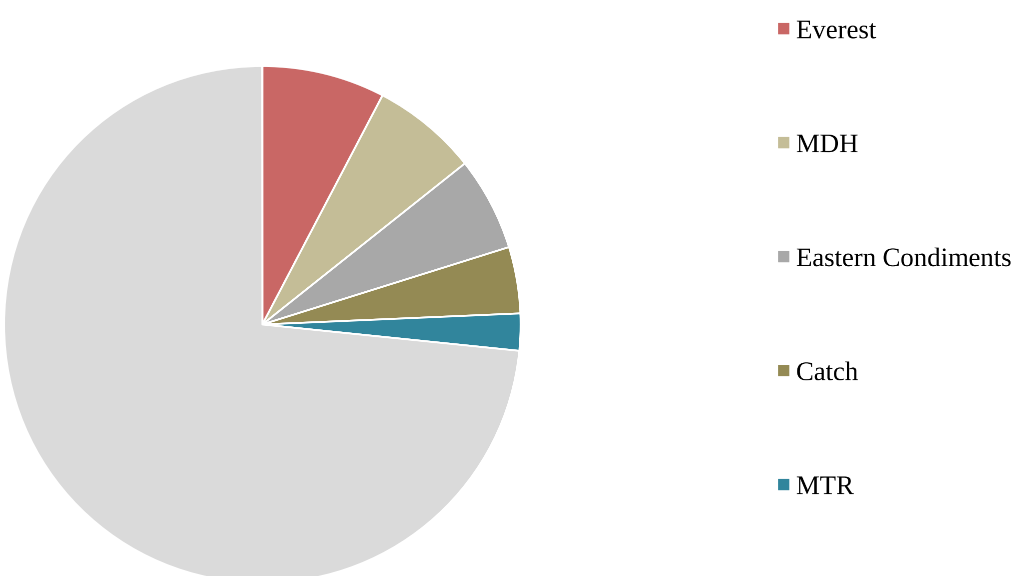


MARKET SHARE OF MAJOR SPICES COMPANIES IN INDIA, FY'2013

The organized spices market in India is an extremely fragmented market with the presence of many regional players. An attractive growth at a CAGR of ~% paired with huge profit margins in the spice mixes have been able to attract many more regional as well as foreign players to venture into the Indian market lately. Everest was the dominating player in FY'2013, with a market share of ~% in the total revenues generated from the sales of spices in the organized segment. The major factor for the dominance of Everest in the market includes a strong brand portfolio of spice mixes and premium spices. The spice mixes account for approximately ~% volume sales of spices by Everest.

> "Everest was the dominating player in FY'2013, with a market share of % in the total revenues generated from the sales of spices in the organized segment."

Figure: Market Share of Major Spice Companies in India on the Basis of Revenue in Percentage, FY'2013

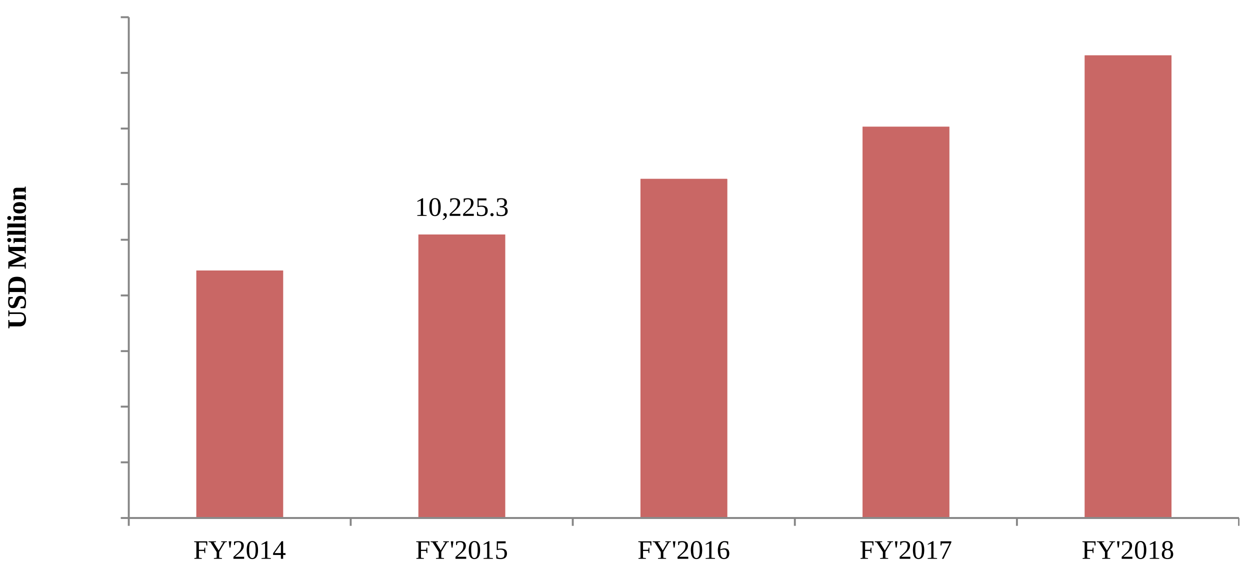


INDIA SPICES MARKET FUTURE OUTLOOK AND PROJECTIONS, FY2014-FY2018

India spices market has grown tremendously over the last six years, having registered a CAGR of ~% in terms of value through FY’2007-FY’2013. This double digit growth over the years can be attributed to a blend of growth drivers including rising population, increasing consumer expenditure on food, expanding area under the cultivation of spices, surging restaurant market in India, mounting Spices Board of India’s expenditure, swelling demand for packaged spices and spice mixes, and influx of more players in the organized spice market.

Revenues from the unorganized segment are expected to continue dominating the spices market in India. However, the revenue share of unorganized segment is expected to register a decline given the surging demand for packaged spices and spice mixes in India. Inorganic spices are expected to maintain their dominance in the future. Nonetheless, the revenue share of inorganic spices is likely to witness a dip in the future on account of increasing demand for organic spices.

Figure: India Spices Market Future Projections on the Basis of Revenues in USD Million, FY’2014-FY’2018



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