

FUNCTIONAL AND LUXURY FOODS OPPORTUNITIES FOR SOUTH AUSTRALIA IN INDIA

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FUNCTIONAL & LUXURY FOODS

PREMIUM
FOOD AND WINE FROM OUR
CLEAN
ENVIRONMENT





This fact sheet presents a high level summary of the opportunities for South Australia to supply luxury and functional foods to India.

Country context

The total value of India's nutraceutical market (functional foods and dietary supplements) was valued at USD3billion in 2014, and is growing at 7-8% per year. Functional foods comprise 70% of this market share (or USD2.1billion per year).

Up to 30% of the Indian population is strictly vegetarian, but meat consumption is rising, in tandem with more liberal attitudes and western influence.

India is currently addressing the double challenge of malnutrition and obesity. Over 50% of the population is reportedly under-nourished, and the world's highest population of low birth weight infants. Conversely, India's obese and diabetic populations are fuelling the country's health food industry. As a result, children's nutrition is now an established sector for functional food manufacturers in India, and heart health ingredients for adult products are particularly popular.

Indian consumers tend to regard a product as luxury if it is exclusively available at high-end restaurants or five-star hotels, and not available for purchase or consumption elsewhere at a cheaper price. The desire for aspirational living is considerable in India, and this fuels luxury purchasing decisions.

Indian places imported products in a premium bracket, which could work to South Australia's advantage.

Functional food opportunities

ALOE VERA

Australia's aloe vera market is largely an export one, catering to cosmetics and functional beverages containing aloe vera extracts. Demand is driven by interest in the plant's native medicinal and antioxidant properties. The fact that aloe vera is locally-sourced contributes much of its product appeal in the domestic market. South Australia currently produces a minor crop of aloe vera, but could expand operations to capitalise on the growing demand.

India's aloe vera products are typically grown in the north of the country for use in cosmetics. As more retail chains continue to stock aloe vera food products (juices and dairy forms), demand is expected to grow.

CAROTENOIDS

Carotenoids are naturally-produced pigments found in plants, algae, bacteria, yeasts and moulds and are used in fruit and vegetable juices and as a natural food colouring. Although industry growth will be confined to beverages in the short-term, the dairy and baked-good sectors will also see market interest in the coming period. South Australia does have a variety of agricultural sources of carotenoids, as well as a growing algal carotenoid production industry.

India's carotenoids market is growing rapidly, driven by a growing awareness of antioxidants and demand for healthier food options. Algae-based carotenoids are a native Indian industry. Beta-carotene forms the largest segment of India's market and is primarily used in beverages and juices. Other carotenoids are used in the dietary supplements sector, with beverages proving the most popular delivery mechanism, but usage in the processed food sector is still minimal.



GLUTEN-FREE FOOD

Australia is the largest established gluten-free market in the Asia Pacific region. As gluten-free awareness continues to grow there is a trend towards cutting gluten out of consumer diets, and heightened customer awareness is driving IT-based packaging innovations on gluten-free products.

The consumption of gluten-free products in India is usually after a person has been diagnosed with coeliac disease, awareness of which is still very low. As diagnoses increase, demand is expected to grow. Bakery and confectionery products with gluten-free ingredients account for 40% of India's total gluten-free market, particularly available through health food channels. For staple foods, prices for gluten-free products are up to 300% higher than for normal food. Such a high price makes it unaffordable for many consumers, so product usage is largely restricted to medically-supervised nutrition.

LACTOSE-FREE FOOD

Still largely restricted to liquid milk and baby milk powder, lactose-free products are generally perceived to be less-fattening and easier for people to digest. Lactose-intolerance is more widely spread among non-European populations, and continued development of digestive-related product options, beyond dairy and into confectionery and baked goods, will drive consumer demand in this market.

Up to 40% of India's population has some level of lactose malabsorption. Soy milk, tofu and almond milk are proving popular substitutes to dairy products, and India launched its first lactose-free milk in September 2015. It is priced at a premium, which could drive international competition. Local options for soy-based cheese, as well as margarine are causing global manufacturers to identify an emerging market for lactose-free foods.

OTHER 'FREE FROM' FOODS

Sugar-free and other 'free from' markets do not currently exist in India. With the exception of gluten-free food and lactose-free food, this sector holds little significance for the Indian market.

PHYTOSTEROL

The Australian market for phytosterol tends to revolve around oils, seeds and nut products, used as heart health ingredients and for their potential to lower cholesterol. South Australia could explore how to use its canola industry to develop phytosterol extraction capabilities.

India's phytosterol market is largely focused on high-end premium segments for heart-healthy baked goods and processed dairy products, like spreads. India's dairy market is looking to fortify its products further, and this serves as a key opportunity for South Australia to supply these products.

POLYPHENOLS

Australia has a wide raw materials base for polyphenol development, but the industry is largely import dependent and focused on the beverage sector. As more Australian manufacturers begin to promote the antioxidant benefits of polyphenols, demand will grow beyond wine, apples, and tea, and there will be a shift to explore use of polyphenols in a broader range of functional foods. Waste products from South Australia's large wine industry is a key source of raw materials for polyphenols, as well as other fruits and vegetables grown across the State.

India has a large polyphenol raw materials industry, and exports to other Asia Pacific markets. Green tea polyphenols are the largest segment of the country's market and soy isoflavones are popular in the women's health segment (beverages and cereal bars). There is a growing interest in using green tea polyphenols in dairy products such as ice cream and a niche market in confectionery.

POLYUNSATURATED FATTY ACIDS

Polyunsaturated fatty acids (PUFA) are one of the most well-established classes of functional products in Australia. South Australia's large aquaculture industry is a prime sourcing point to provide marine-based fish oil to the industry, and flax used in the development of vegetarian omega-3 products.

India's PUFA market is restricted largely to powdered formats of algae oil, fish oil and flax. Demand is growing for products to cater to the care of infants and pregnant women. Vegetarian omega-3 products are a key requirement. Malt beverages currently dominate the market, but demand is growing for fortified eggs, cereals, biscuits and beverages.



PREBIOTICS AND PROBIOTICS

Prebiotics support beneficial bacteria in the gut and are most commonly combined with probiotics. Future growth will be driven by innovations in pro and prebiotic formulations, and increased consumer awareness of the relationship between their digestive health, immunity, and overall wellness. South Australia's large grain industry is a key source for dietary fibre, while fruit and berry processing side streams are sources of soluble fibre, which could also provide opportunities in this space.

There is growing interest in India particularly in the use of prebiotics as digestive health ingredients in food products. Since 2011, India has allowed regulatory approval for prebiotics in sweets, dairy products, frozen desserts, ice cream, baked goods, cereals, chocolates, and meat products. With more than 37 million diabetics and 400 million overweight people in India, there is growing demand for low-sugar foods, which will continue to drive demand for prebiotic ingredients. Meanwhile, India's probiotics market is largely focused on animal feed, and probiotic products for human consumption is still a niche sector. The small, existing market focuses on dairy products such as yoghurts, buttermilk drinks, and curds. Awareness-raising activities by companies such as Yakult has driven consumer awareness about probiotic products that will continue to fuel market growth.

PROTEINS AND PEPTIDES

Australia is a key producer of mainly dairy-based proteins and peptides, and also manufactures fish, egg, gelatin and soy protein products. The growth of the sports nutrition sector has also driven consumer interest in these products, particularly in protein-rich beverages. Downstream processing of South Australia's dairy exports provides a large market opportunity for proteins and peptides as functional ingredients.

India's protein and peptides market is largely dominated by local manufacturers focusing on milk, soy and egg proteins (included in sports nutrition products, including protein bars). India has a large soy industry which is increasingly entering the processed food and convenience sector. The market is plagued by a lack of clarity in labelling for protein ingredients, due to a lack of specific regulations. This will hinder the growth of the protein market unless it is addressed.

VITAMIN D

Products rich in vitamin D are particularly important for older persons, to address bone and joint health issues such as osteoporosis. Post-menopausal women are also target customers in this sector, and the primary market for dairy products and beverages fortified with vitamin D. Beverages and baked goods with added vitamin D are also proving popular with younger consumers.

Up to 80% of India's population suffers a vitamin D deficiency which has caused bone health concerns across the country and led to vitamin D being India's most popular supplement product. This has driven an increased interest in vitamin D fortified products, particularly beverages for women and children.

Luxury food opportunities in India

BLUEFIN TUNA

The rise of the sushi and sashimi markets in Japan and in other parts of the world has created a strong and growing demand for Bluefin tuna. Opportunities exist in differentiating how South Australia captures and farms Bluefin tuna and developing an industry-wide marketing program in export markets beyond Japan.

The VTT researchers did not indicate specific opportunities for South Australia's Bluefin tuna in India. However, they did suggest that a larger addressable market for Bluefin tuna is likely to develop outside Japan as consumers buy more value-added products. This will translate into increased demand for loins (as opposed to whole carcasses); and more consumers willing to pay a higher price per kilogram for fresh tuna. However, specific marketing strategies will need to be developed to support the premium positioning of South Australian product in this context.



BRANDY, COGNAC AND DISTILLED SPIRITS

The Asian luxury market for brandy is currently dominated by products from major French cognac houses. While St Agnes distillery has recently launched some luxury products, overall exports of brandy from Australia are negligible. Opportunities exist for South Australian producers to invest in an 'origin' story for our niche distilled spirits, potentially modelled on Tasmania's success in the export whisky market.

Though Cognac has been available in India since 1818, the market is significantly underdeveloped. Cognac is very highly priced and is sold at high-end hotels only. Hennessy, a major cognac company that sells only to high-end hotels, claims to have sustained a 28-30% growth in sales over the last year in India. The price of a bottle of cognac is typically upwards of USD280. India drinks more whisky each year than Scotland produces, and whisky accounts for 88% of India's alcohol market. There is a huge market for imported whisky in India with prices per bottle varying depending on the product's age and brand.

CAVIAR

Sturgeon is a prohibited (noxious) species in Australia so there is currently no sturgeon farming undertaken in Australia and establishment of aquaculture operations would require licensing. Opportunities exist in pursuing exemption permits, considered on a case-by-case basis, to enable a sturgeon fish production facility in South Australia. This would be subject to stringent environmental assessment and evaluation.

Caviar is a prominent imported delicacy in India. It is selectively available, found at fine dining or five-star luxury hotels only. Caviar is typically consumed as a way of indicating sophistication and western exposure, as opposed to any real dietary preference. South Australia does not currently have a caviar industry.

CHOCOLATE

It is feasible for South Australian companies to produce, export and enter the luxury chocolate market, leveraging Australia's reputation in Asia as a reliable manufacturer of high-quality product. Opportunities exist in specifically marketing luxury product to affluent local and international tourists at exclusive airport boutiques, and in high-end and flagship stores.

Global chocolate manufacturers offer Indian consumers small serving packages that are easily affordable to residents in cities and rural areas. There has been a growth in gifting chocolates in big basket sizes, over the traditional Indian sweets for festive occasions across the country. Japan's luxury chocolate maker Royce recently introduced their special range of chocolates in the Indian market.

OLIVE OIL

South Australia has a relatively small and niche olive oil industry. However, markets for olive oil are developing strongly in Asia, where the health benefits are increasingly recognised. The opportunity for South Australia lies in the luxury olive oil market, leveraging the purity and reliability of our product, relying on a heritage narrative and appropriate luxury packaging and branding.

In India, olive oil is a healthy, premium product (not luxury), but awareness of its use as a food ingredient is relatively low. The general price of olive oil ranges from USD20-25 per litre, a high price in India, where high-end olive oils like the Castillo brand can cost up to USD80 per litre. The past few years in India have seen increased imports of olive oil from Mediterranean countries, especially from Spain and Italy alongside the United States and other European countries like Greece. Infused or flavoured oils, like truffle oil, are the most expensive with some products selling for over USD100 per litre.



RED WINE

The perceived sole origin for luxury wines in the market has traditionally been in the Bordeaux region of France; however, this perception is shifting thanks to growing customer sophistication. Ensuring traceability across the value chain will be important for South Australian wines, requiring enhanced consideration of processing and packaging technologies.

Approximately 75% of the wine consumed in India is produced locally. Wine is becoming popular amongst younger Indians, particularly young urban professionals. Major metropolitan cities such as Mumbai and Delhi have the highest consumption of wine due to the prominence of High Net Worth Individuals, families, and western expatriates. Over the past few years, Goa's tourism industry has also contributed to increased wine consumption. Bangalore, the IT hub of India, is home to a large population of professional young Indians with relatively high disposable incomes who have developed a taste for wine.

ROCK LOBSTER

Rock lobster is Australia's largest seafood export by value, and South Australia's southern rock lobster accounts for 19% of total Australian production value. South Australia's high environmental standards should sustain the State's competitive advantage going forward, but the main challenge will be the relatively higher product price compared with other exporters. South Australian producers could also consider value-added luxury product opportunities for rock lobster, including lobster portions, ravioli, and pizza.

India is a major exporter of lobster, therefore the demand for imported product is low. India has its own production of high quality lobsters that are appreciated by customers, but not considered luxury items. Indian seafood lovers prefer fresh local seafood over imports, but there is some demand in the luxury sector, currently serviced by Canadian lobsters (retailing at almost USD50 per serving).

TRUFFLES

Australia is the world's fifth largest producer of truffles, with production occurring across the cooler climates of southern Australia. Producers in South Australia are small-scale in comparison with counterparts in other states and tend to rely on local distribution channels such as farmers' markets. South Australian producers could consider growing white truffles, which are more highly valued in Asia and would offer product differentiation against other Australian and Chinese producers. Luxury packaging will also need to be developed to complement the product.

In India, truffles are considered a very luxurious imported food item. However, they are not easily available at high-end retail outlets and are generally found in heritage and five-star hotels. Demand for these is limited but increasing gradually due to growing awareness among Indian consumers.