Indian Confectionery Market

INVEST INDIA
NATIONAL INVESTMENT PROMOTION & FACILITATION AGENCY

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Market Overview

Current Scenario

- The Indian Confectionery market is one of the fastest growing in the world with a strong revenue of USD 11.56 billion in 2019.
- The market is expected to grow annually by 6.7% (CAGR 2019-23).
- The average volume per person in the Confectionery segment amounts to 2.3 kg in 2019.
- India ranks in the *top 10* countries of the world in terms of revenue generation in this industry.
- According to Euromonitor, chocolate confectionery is projected to see a 4% retail value CAGR at constant 2017 prices and expected to reach INR 148 billion in 2022.
- Major cities in India, such as Delhi/NCR, Mumbai, Hyderabad, Bengaluru, Chandigarh, Chennai, and Kolkata are among the leading demand generators of candies in the country.

Figure 1: Global Comparison- Revenue (USD Mn)

Top 5	
United States	US$74,844m
China	US$52,343m
Brazil	US$16,722m
Germany	US$15,498m
United Kingdom	US$14,452m
India	**US$11,567m**

Source 1: Statista, September 2019

- Jaggery is a natural product extracted out of sugarcane. Its main use in the food processing industry is for confectionery items such as toffees, chocolates, chewing gums. It is used a natural sweetener and natural flavor for various confectionery items. India already accounts for more than 60% of world's jaggery production.

Top Exporters of Jaggery & Confectioneries in 2018-19 (State-Wise)

Table 1: Top Exporters of Jaggery & Confectioneries State-Wise (2018-19)

State	In USD Million
Maharashtra	119.45
Gujarat	37.9
Tamil Nadu	16.24
Uttar Pradesh	12.98
Andhra Pradesh	10.37

Source: APEDA

Major Export Destinations for India's Confectionery Market (2018-19): Sri Lanka, Nepal, Benin, USA, and Indonesia.

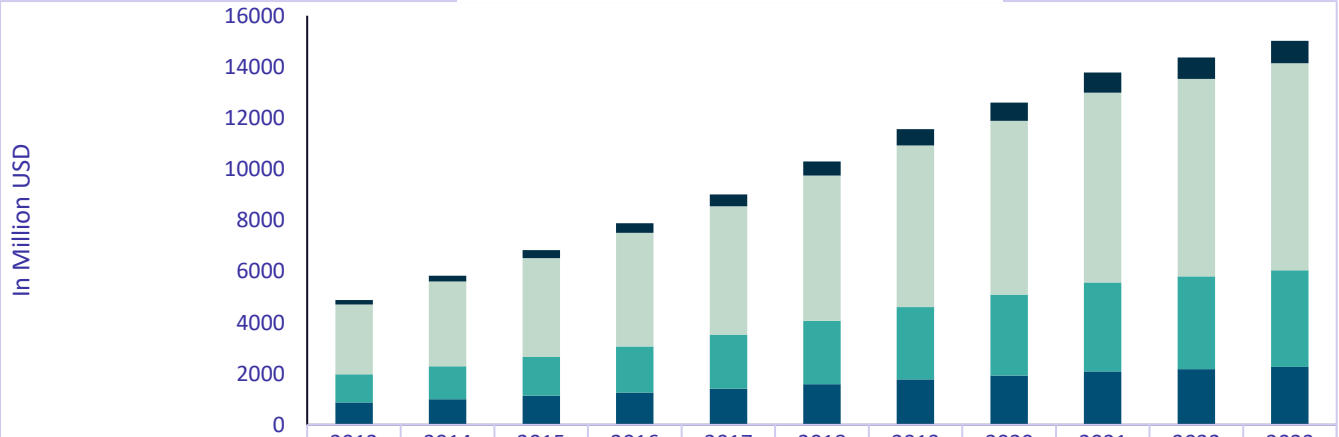
Segmental Analysis

Segment's Turnover Value for the Indian Confectionery Industry (USD Million)

The four major segments of the Indian Confectionery Industry are chocolate & chocolate products, sugar confectionery, cookies & crackers and Ice cream.

- Chocolate confectionery primarily includes chocolate bars, candy bars and pralines. In 2019, the revenue generated by this segment amounted to USD 1771.5 million.
- The sugar confectionery segment includes chewing gum, toffees, dragees, hard & soft candies and candied fruit. The segment generated a revenue of USD 2838 million in 2019.
- Cookies & crackers primarily refer to sweet baked goods where in the average per capita consumption stands at 1.4 kg in 2019.
- Dairy ice creams, frozen yogurt and sorbets constitute the ice cream segment. The revenue in this segment amounts to USD 637 million in 2019 and is expected to grow annually by 8.2% (CAGR 2019-23).

Figure 2: Segmental Revenue (2013-23)



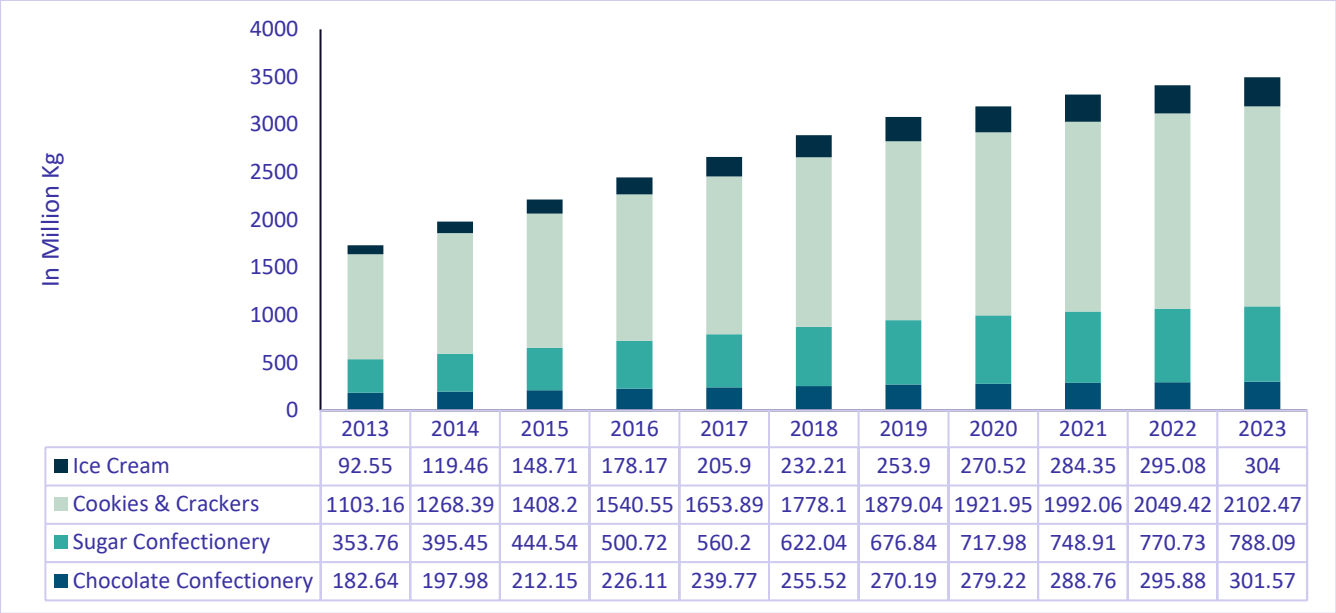
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Ice Cream	171.1	232.5	304.7	383	465.7	553.4	637.2	714.2	790.1	830.7	873.6
Cookies & Crackers	2733.4	3308.5	3866.4	4438.8	5012.9	5678.8	6320.5	6800.1	7418.9	7732.7	8097.7
Sugar Confectionery	1092.6	1285.7	1521.4	1798.3	2116.5	2476.3	2837.8	3166.4	3476.6	3624.8	3783.5
Chocolate Confectionery	882.1	1006.6	1135.4	1269.9	1416.6	1590.7	1771.5	1925.7	2096.2	2176.1	2264

Source 2: Statista, September 2019

Segment's Volume for the Indian Confectionery Industry (In Million Kg)

With increasing economic development in the country, the standard of living of consumers is improving significantly, which is driving up the demand for confectionery products across the cities. The volume of production is expected to reach 3496.1 mKg by 2023.

Figure 3: Segmental Volume (2013-23)



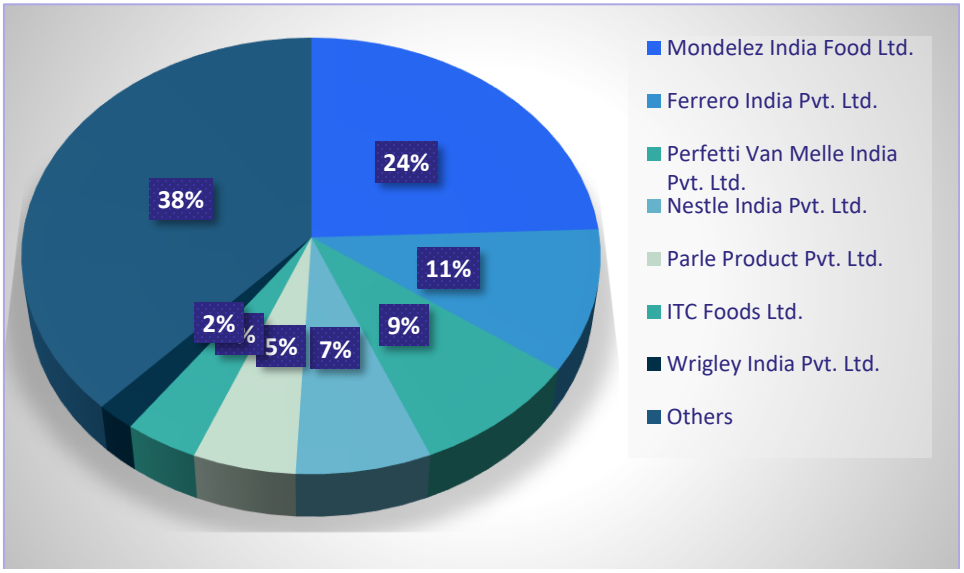
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Ice Cream	92.55	119.46	148.71	178.17	205.9	232.21	253.9	270.52	284.35	295.08	304
Cookies & Crackers	1103.16	1268.39	1408.2	1540.55	1653.89	1778.1	1879.04	1921.95	1992.06	2049.42	2102.47
Sugar Confectionery	353.76	395.45	444.54	500.72	560.2	622.04	676.84	717.98	748.91	770.73	788.09
Chocolate Confectionery	182.64	197.98	212.15	226.11	239.77	255.52	270.19	279.22	288.76	295.88	301.57

Source 3: Statista, September 2019

Major Players in the Indian Confectionery Industry

Figure 4: Share of Major Players in the Indian Market

Multinational players such as Mondelez, Nestle, Ferrero, Mars India & Lotte as well as large domestic players such as Amul, Parle, ITC & Candico have a well-entrenched presence in the Indian confectionery market.



Investment Trends[1]

- Mondelez International Inc plans to launch more premium range products under its popular mid-priced brand 5 Star. It considers its Indian business to be crucial in achieving its global online sales target by 2020.
- Ferrero India Pvt Ltd is planning to invest INR2,000 crore in India over three years to manufacture products suited to local needs. Due to the hot climate conditions in India, the company is developing innovative chocolate confectionery products with higher melting points.
- Chocolate maker Mars Inc. will bring more of its global products to India. It is also developing more local products for the Indian market.

Market Drivers

- **Rising Income and Affordability**

  In the past few years, the rising trend of nuclear families and the surge in the number of working couples is leading to a rise in the disposable income of families. This surge in income has aided the affordability of confectionary products which is further leading to a growing demand for premium chocolates as well as innovation in these chocolates. The availability of premium chocolates remains limited to only a few global brands in retailing despite growing demand.

- **Emerging Trend of Gifting Confectionery Items**

  Consumers preference towards gifting premium confectionery items on festive and celebratory occasions has been increasing over the past decade. The festive packs of confectionery products have become quite popular among consumers with many shifting from mithai to chocolates and other confectionery gift hampers. This in turn is providing many companies expansive opportunities in this segment.

- **Increasing Young Population**

  The economic variable that will transform business the most over the next five years is demographic shifts. Companies will need to mold their economic growth plans to fit the demographic trends. The young population in India is contributing to the consumption boom. As a big chunk of the population shifts into the working age group, their increasing disposable income contributes to the population's propensity to spend, thereby increasing their demand for the confectionary products due to their rising standards of living. Hence, the demographic dividend in India is a cause for the increase in demand of such products.

[1] Euromonitor International

- **Untapped Rural Market**
  Rural India is coming up as a major provider of growth opportunities for packaged food and beverages. Almost 65 per cent of the Indian population lives in rural regions. The rural population benefits from investment in infrastructure and rising wages, which has improved drastically in recent years. A boom in e-commerce is propelling higher sales and enabling global confectioners to tap the small yet rapidly expanding rural market.

Key Trends

- **Wellness Trends in Confectionery Industry**
  Manufacturers of chocolate and non-chocolate confectioneries are keeping a close eye on the growing consumer affinity for health and wellness lifestyle aspects. In that respect, companies are shifting toward recipes that have more natural and organic ingredients which tend to eliminate GMOs, artificial additives, and high fructose corn syrup in the product. Apart from this, candy companies are expected to incorporate more nutritious add-ins like nuts, seeds, and fruits to appeal to the health-conscious demographic.
  Companies have started adopting new packing strategies with convenient packs such as a smaller size of candies as calorie packs or multipacks or flexible packs. The small healthier size of candies, with reduced calories, have gained preference among consumers.

- **Increased focus on Innovation**
  For the confectionery sector, manufacturers are expected to experiment with more flavorful products to catch the consumers' eyes. Hence, novel experiences will serve as a propellent for growth in this industry. Also, companies are bringing innovative marketing strategies by focusing on the promotion of stories behind their products like a bean to bar, farm to table, 70% cocoa and cereal in breakfast (bar).

- **Sustainability Initiatives to court Eco-Conscious consumers**
  Eco-conscious consumers are increasingly looking for improved transparency and sustainability in the food production and supply chain. A few notable examples are-
  - **Mars**: Mars announced plans to invest $1 billion over the next few years to fight climate change, including investment in wind and solar energy, renewable food sourcing, and renewable farming practices.
  - **Hershey:** Hershey is planning to invest $500 million through 2030 to expand its Cocoa for Good program, which is focused on improving sustainable practices in cocoa production.
  - **Mondelēz:** Mondelēz operates the Cocoa Life sustainability program, which is intended to improve sustainability and profitability for cocoa-growing farmers in Ghana, Côte d'Ivoire, Indonesia, India, the Dominican Republic, and Brazil.