



# An Overview of the Spices Market of India

The Strategy Boutique



The Strategy  
Boutique  
*Honest Consulting*





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Introduction

Section 1 & 2

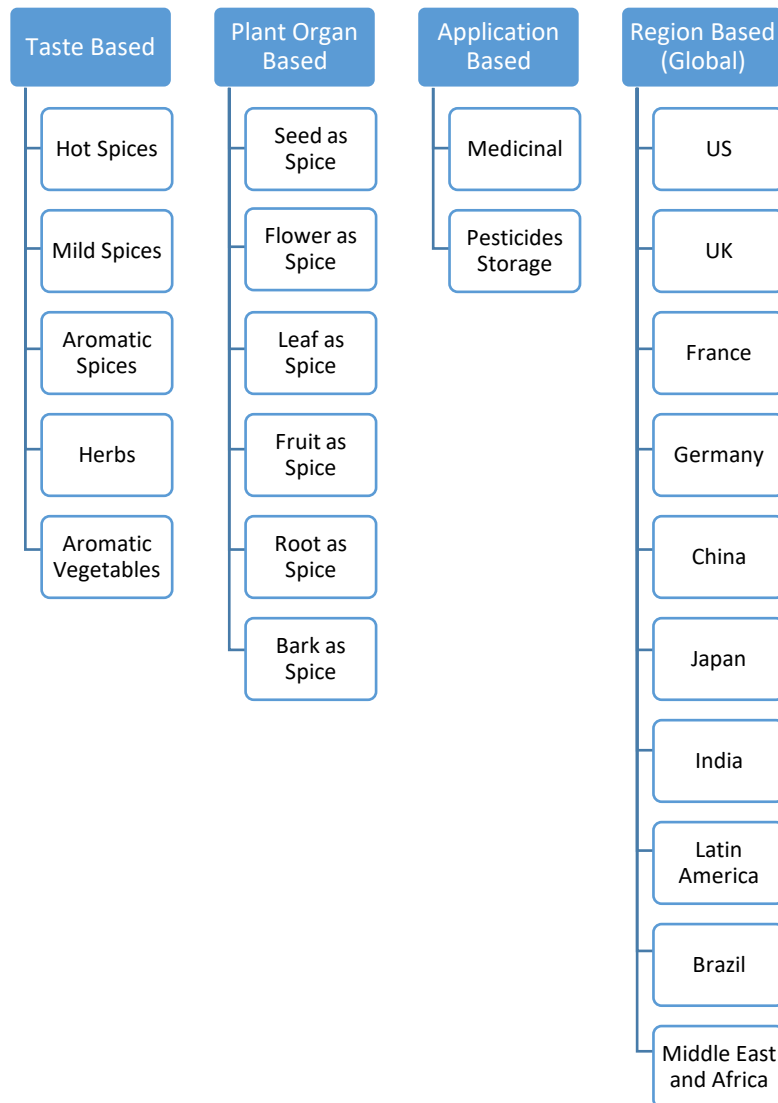


## 1. Introduction

India has been known as the ‘home of spices’. According to the Ministry of Commerce and Industry of India, India is one of the largest producers of spices in the world with about 75 varieties out of the 109 listed by the International Organization for Standardization. Having an exquisite aroma, texture, taste and medicinal value, Indian spices are undoubtedly the most-sought after, at a global level.

## 2. Market Segmentation

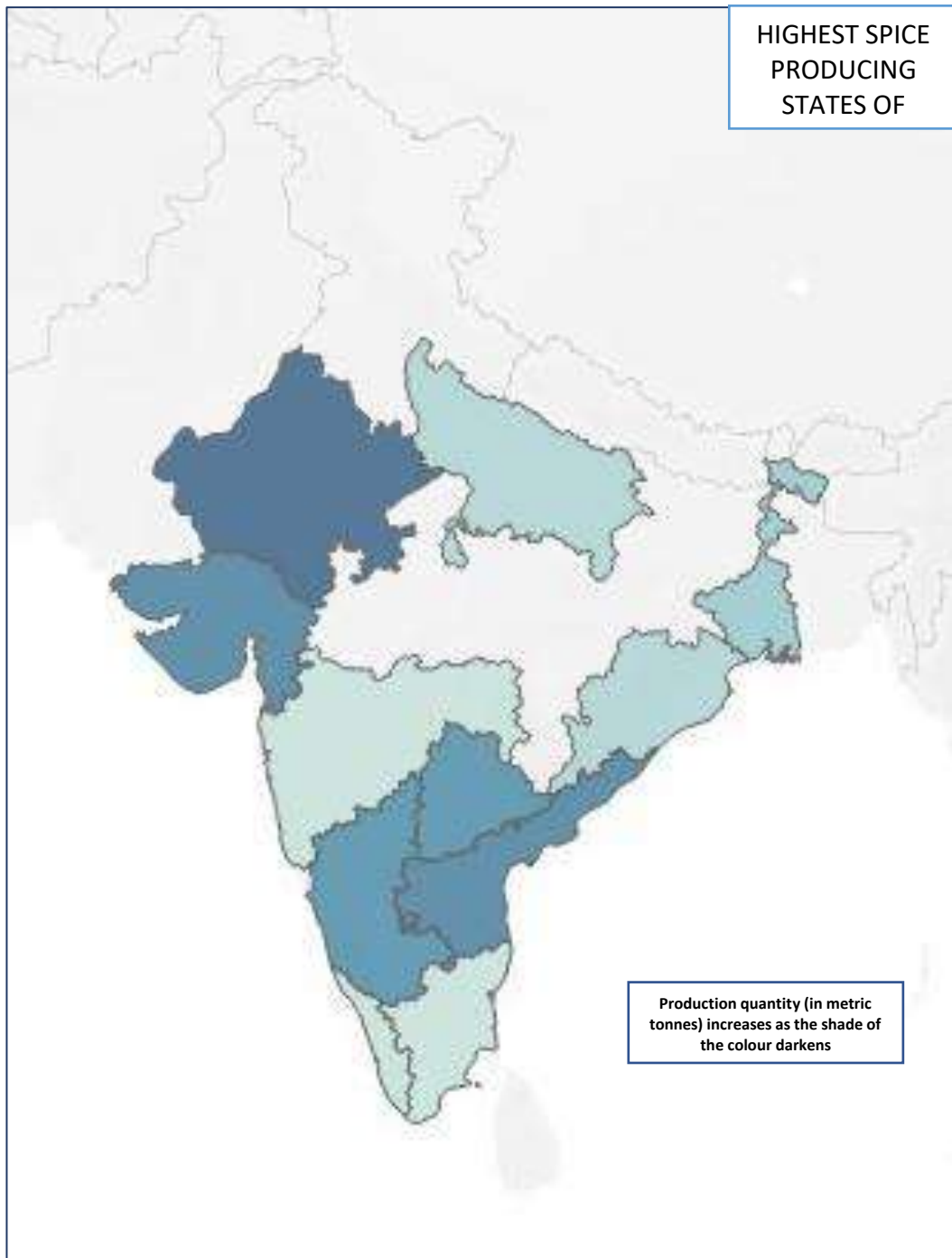
TSB has segmented on the basis of taste, plant organ, region, as well as application, as listed below:





The total estimated spice production of the country equals about 8.2 million metric tons. TSB carried out a state wise analysis on the production estimates and found that the major states producing spices in India are Rajasthan and Andhra Pradesh. One of the top categories of spices produced is 'Chilli'. Below is a map of India, developed by TSB, which illustrates the spice production across states.

The darker shades represent a higher quantity of spices produced. Please note that only the states with large production capabilities over the years have been highlighted. This map does not indicate that the states not highlighted have no production but helps build a relative perspective for the states.







## Industry Overview

### Section 3



## 3. Industry Overview

### 3.1 Key Consumers of Spices

- **Retail Sector:** Grocery Stores, Supermarkets, among other outlets with the end consumer being households and individuals
- **Industrial Sector:** As spices are used as ingredients in other products, this sector includes F&B manufacturing firms, pharmaceutical firms, and cosmetic industries
- **Hospitality, F&B and Catering Sector:** Spices are also used in processed foods like pickles, non-alcoholic beverages, etc., which are served at most eateries across the world. taken a hit.

### 3.2 Major Firms in the Industry

- Everest
- MDH
- Catch
- Mother's Recipe
- TATA Sampan Spices
- Eastern Condiments
- DS Group
- Cookme
- Priya
- Pushp
- Ramdev
- Nilon's
- Fresh and Real

Patterns and usual brand behaviours, as observed over the years have been summarized as follows:

#### THE IMPORTANCE OF BRAND IMAGE

- **Packaging** - Apart from the need to create a brand image and a customer relationship with the help of a strong brand story/ identity, brands such as Everest, Badshah and MDH have come up with low-price products in small packaging
- **Taglines** - Most brands have an attractive tagline to create a brand recall value amongst their consumers  
Eg. Everest: "Taste mein best, mummy aur Everest", MDH: "Asli masala sach sach, MDH MDH"

#### MARKET INSIGHTS

- Everest and MDH together contribute to market share of more than 15% of total packages spices market
- Ensuring quality control measures and adhering to the government policies and practices has, over the years, become more and more essential for brands to retain consumer trust

#### KEY TRENDS AND DEVELOPMENT IN THE SECTOR

- Over the years, consumers have shifted from loose packing to packaged goods. This helps avoid adulteration and also displays the importance of building a brand image among the consumers
- There has been a rise in the demand for Organic spices in Domestic and international Market. The increased use of spices in various food and medicinal aspects can be attributed to this rise

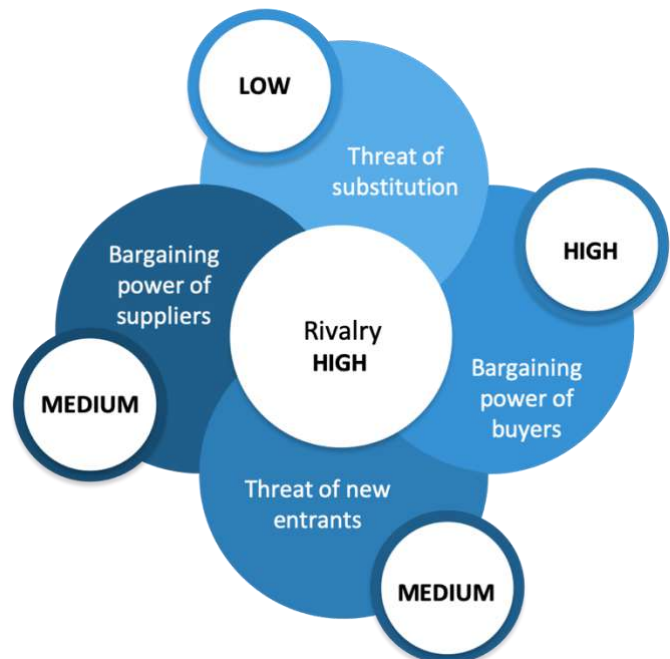




- The Government of India has been launching various initiatives towards improvements in the sector and launching national policies to help enhance quality. Spices Parks – industrial processing units which help ensure quality standards and facilities to be at par with international standards, are one such example. E-auctions, state level policies and subsidies further aid the process
- Swelling demand for blended spices. With investments in innovation and R&D in the sector, new blends as well as creative packaging alternatives are being encouraged
- Alternative Processing Technologies are being adopted, for example, Cryogenic Grinding (also called freezer milling), which offers unique advantages over the conventional grinding process
- Adoption of Spices as ayurvedic ingredients for a host of sectors including Dairy, Nutraceuticals, and Defense has helped give the industry a boost and increase demand for spices as raw materials

### 3.3 Porter's Five Forces Analysis

TSB analyzed the industry using the Porters' five forces – a strategic methodology used to analyze the attractiveness of an industry in terms of competitiveness, profitability and a host of factors. This tool typically functions by evaluating the factors that can affect a firm in the industry, namely, it's competitive environment; the bargaining power of the consumers of that industry; the bargaining power of the suppliers in that industry defining the supplier manufacturer relationship and everything that supports that; barriers to entry for new firms defining the threat posed by new entrants; and finally, the threat of substitute products which can replace the current products in the industry. For the spice industry, specifically, using of the below chart we have elaborated on the most powerful and weakest sources as per the size of the bubble and the respective factors mentioned in the pointers that follow.







#### Threat of substitutes – LOW

Spices have a unique taste and flavor and are a very big part of Indian cuisine. With a large domestic population and an increasingly large population of expats, coupled with the growing popularity of Indian food amongst other ethnic groups, the demand for spices in their original form has been immense. While there is artificial flavoring, which to some extent, can recreate the same flavors, they are not very popular due to 'not being authentic' and growing health concerns over their use. Hence, there are very few substitutes to this product.

#### Competition – HIGH

The competition in this industry is intense, with firms of all sizes proliferating in different spice producing regions of the country. Moreover, there are some firms that are very strong in their local markets, and compete on aggressive footing with bigger national players. With the growth in production and an increasing popularity of organic spices, these firms sometimes have easier access to organic farming and ingredients in their regions. Also, competition persists at all levels, from top giants like Everest and MDH to a local manufacturer selling in bulk at a Tier 3 'kirana' shop.

#### Bargaining of suppliers – MEDIUM

This has historically been an industry that requires intensive labour and a ready supply of raw materials. Around 98% of the spice in India is produced by small scale farmers who form the suppliers of raw materials while that of services are daily wage laborers and workers. These are hard to find as well as retain due to difficult work environments, insufficient mechanization and various health hazards of working close to spice processing units for long periods of time. However, due to

the lack of opportunities in the farming and industrial labor segment, coupled with huge income inequalities and unemployment rates, many suppliers of their services, might be forced to work in this industry to fight poverty. Hence, a medium level of power has been estimated for this section of suppliers.

#### Bargaining power of buyers – HIGH

Buyers have a very high bargaining power in this industry, since there are a great number of firms offering the desired products, both large scale and artisan firms, and the extent of price differentiation is very low, thereby making the switching costs from using one brand to the other extremely low.

With increasing competition among brands, there has been high supply and hence, competitive prices. This coupled with the growth of household incomes, has increased the purchasing power of an average Indian consumer who buys these products through numerous retail outlets and other direct and indirect channels. Moreover, most purchasing decisions are taken by households and particularly, housewives, who normally are very price sensitive, and would readily switch even for small savings / convenience of buying. This aspect, however, might be perceived differently with huge age-old brands which hold a sentimental value to the consumer and hence, will continue to dominate their share in the market.

#### Barriers to entry – MEDIUM

Historically, the barriers to entry have been quite low, and many small traditional families have been able to produce their own artisan varieties. However, with growing automation on recent times, these barriers are rising, and costs of setting up a fully automated plant are



becoming quite high. Also, goodwill and the reputation of the parent company and brand are becoming more and more important, with the threat of spurious and unhygienic products increasing. This is a very tough attribute for a new firm, unless backed by a big parent group, to match, thereby making it even harder for new entrants in this space.





# Export Highlights and Key Markets

## Section 4



## 4. Export Highlights and Key Markets

India supplies around 180 spices to more than 150 nations in the world, apart from catering to its domestic needs, hence making this a large export industry.

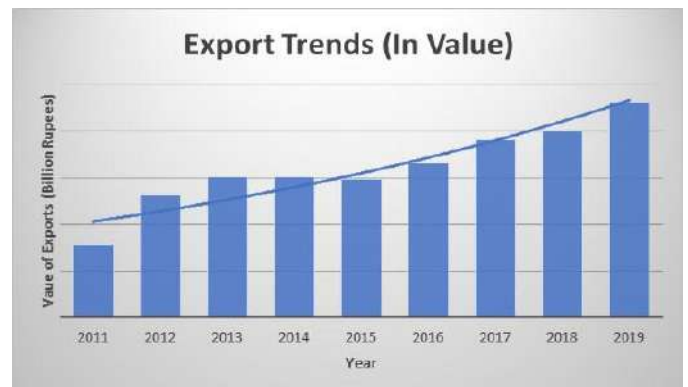
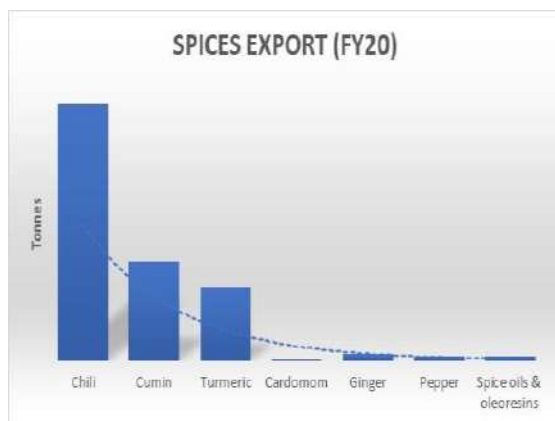
- Thailand
- UK
- UAE
- Malaysia
- Sri Lanka

According to the Ministry of Commerce and Industry of India:  
The Top 10 exported spices (in terms of value, 2018-19), are as follows:

- Chilli
- Mint products
- Spice Oils & Oleoresins
- Cumin
- Turmeric
- Pepper
- Curry powders/paste
- Garlic
- Cardamom seeds
- Tamarind
- Asafoetida
- Cassia

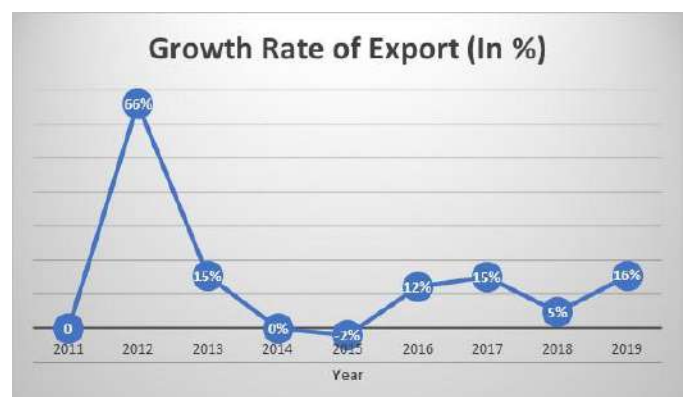


The export of spices has been growing exponentially, particularly, over the last 5 years and India contributes over 48% volume and 25% value-based exports on the global spice exchange market.



Top 10 importers (countries) of Indian spices (2018-19):

- US
- China
- Vietnam
- Hong Kong
- Bangladesh







Growth Potential  
Section 5



## 5. Growth Potential

Prospects and Trends for growth:

- Drawing inferences from an analysis of Tier 2 and 3 cities, it can be stated that advancements in technology and R&D will help stimulate the growth of the spices industry.
- With an increased economic growth and development, income and hence, purchasing power of the Indian consumers are growing. This helps maintain a stable demand and competitive prices in domestic markets.
- According to the estimates by Zion Market Research, the CAGR (Compound Annual Growth Rate) of the Indian Spice Industry (2019 to 2026) is expected to grow at 4.6% along with an average yearly development rate for spices request at 3.19%. However, keeping in mind the current market scenario, TSB analysis predicts a decline in the projected growth rate. In view of the general economic slowdown and export restrictions, TSB estimates the CAGR to reduce and appear in the range of 3.5 -4% over the next few years.
- There is immense scope for expansion of spice blends and marked spices segments as well as increasingly widening future prospects for seed spices

The Ministry of Commerce along with the Spices Board of India, is also aggressively propelling to export the Indian spices in order to capture the market share and market value prominently. They are supporting the growth of exports through promotions, brandings and participation in food exhibitions, trade shows and international fairs, apart from organizing various domestic events.

The Spices Board of India further plays an integral role in the development and worldwide promotion of Indian spices. It provides efficient management support through quality control and certifications, registration of exporters, documentation of trade information and inputs to the central government on policy matters





# Challenges and Conclusion

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## Section 6





## 6. Challenges and Conclusion

### 6.1 Challenges in the Industry

- Lack of Legal Provisions
- Supply issues and frequent rejection of Export Materials due to quality, shipping and other factors
- Fading of traditional practices and some indigenous species of spices
- Large number of quality concerns, insufficient quantities and low productivity
- High level of competition with big and small players holding on to market shares with brand building and quality products
- Low Productivity
- Insufficient Mechanization of Spice Production and Processing

### 6.2 Impact of Coronavirus

The spices industry, like many others, should be expected to witness a slowdown due to the Coronavirus outbreak. This sector seems especially vulnerable as the harvest of various rabi spice crops is in the period between late Feb to April.

According to Rajiv Palicha, the chairman of the All India Spices Exporters' Forum, exports will decline if the pandemic continues for another 2 months. India is one of the biggest exporters of spices in the world. UN estimates suggest that the overall trade impact of Covid-19 for India is expected to be about 348 million dollars. Being a highly traded commodity, Indian exports of spices might be hit, particularly that of cumin and chilli.

However, on the other side, the Trade Promotion Council of India (TPCI) recently revealed that there is an over 100 per cent

increase in demand in essential commodities and other food categories like - confectioneries, sweets, organic processed food and spices have also witnessed 15-20% rise in March 2020.

Indian exports are also getting enquires for exporting spices including - chilli, ginger and seed spices (cumin, fennel, etc), and sesame seeds/oil, especially in areas where the overall India food sector has witnessed demand i.e. - US, Europe, Australia, New Zealand, Israel, Palestine and Egypt.

Owing to the supply chain disruption hitting China, demand for certain food products and spices, which possess medicinal properties, like Turmeric, has expanded, across UK, Germany as well as for domestic use as people stock up healthy food items for the lockdown period. Even though turmeric is harvested in the months of November to January, a sudden spike in the export demand in corona-affected countries for raw turmeric has been reported according to a report by Economic Times.

To meet this demand exporters are further faced with challenges like export bans, restrictions, shortage of containers, delays due to fumigation and clearances and different country compliances and standards and payment delays. These together pose a mixed image for the spice industry as there is a fall in demand in some areas which have further reduced prices as well, whereas, there is an unusually increased demand in others.





### 6.3 Key Takeaways

- The Spices market in India is not only an essential sector for global trade but also is a significant contributor to India's GDP as well as stature of being the 'Home of Spices'.
- For centuries now, there has been a massive demand for Indian spices desired by different cuisines across the world. Due to this growing demand and a wide extent of end users from industries to households, the future holds great growth potential for this sector. As per TSB estimates, and keeping into the current scenario due to the Covid-19 pandemic, the sector is expected to grow at CAGR 3.5-4% over the next few years.
- As a one of the key recommendations of this report, spice production and trading must be promoted amongst MSMEs in the sector and they should be encouraged, both financially and otherwise to grow in the space. The small and mid-level spice manufacturers, processing units and exporters deserve the much-needed acknowledgment and priority by public and private sector institutions and there is a need for increased provisions for them.

Further, as per the analysis conducted by TSB (as stated earlier in this report), there is a disparity in the production of spices across various states. The states with a lower production can unlock their full potential by utilizing the favorable Indian climate as well as the resources available without affecting their existing produce. Hence, leveraging the growth in this

sector, both domestically and through exports. There is also an immense scope of new innovations and blends and thus, the need for a more focused approach towards research and development.

Overall, the findings and analysis from this report help establish India as a continued leading producer of spices across the world for many more years to come as well as a motivation to deliver innovative, high quality solutions to the market in the long run.



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