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THE CHANGING FACE OF FOOD RETAIL IN INDIA

Shalmali Guttal



Shalmali Guttal is Executive Director of [Focus on the Global South](#). She has worked in India, the United States, and mainland South-east Asia. She is a member of the NGO constituency of the Civil Society Mechanism in the Committee on World Food Security and supports several working groups.

[Focus on the Global South \(Focus\)](#) was established in 1995 to challenge neoliberalism, militarism and corporate-driven globalization while strengthening just and equitable alternatives. Focus believes that progressive social change and Global South solidarity are imperative if the needs and aspirations of oppressed peoples, particularly in Asia, Latin America and Africa, are to be met.

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1 KPMG. *India's Food Service Industry: Growth Recipe*. FICCI: 2016. p. 3. Available at: www.kpmg.com/in/Indias-food-service-industry-growth-recipe.

Food is the largest retail consumption category in India, and food and grocery retail constitute 60-65% of India's total retail market. The Indian food retail market is the sixth largest in the world and expected to grow to 61 trillion Indian Rupees (INR) (US \$ 918 billion) by 2020. With growing urbanization, the expansion of a corporate-dominated private sector, increasing numbers of professionals with changing lifestyles, and the push by the Government of India (GoI) towards digitalization, India is a coveted market for corporate food retailers, both domestic and foreign.

More than 85% of India's current food retail value comes from localized, non-corporate retail.¹ Most urban consumers – from small towns to large cities – tend to purchase groceries from local, family run provision stores, (called 'kirana stores'), cooperatives, small fruit/vegetable/meat/poultry/fish shops, wholesale fresh horticulture markets, and local fruit and vegetable vendors with pushcarts. While supermarkets have made significant inroads in numerous cities and large towns, they still compete with more conventional, localized forms of retail that offer fresh, seasonal and culture-specific foods, personalized service, quick home deliveries and the ability to purchase on monthly (or even longer term) credits. Most middle-class shoppers buy fruits, vegetables, dairy, meat and fish in small quantities daily, or once every two to three days. Poorer families depend on subsidized staples from the Public Distribution System (PDS) and other foods from hawkers. Purchasing from localized outlets allows shoppers to purchase affordable quantities, assess quality by seeing and touching, and place orders for specific foods. It also provides opportunities for outings, social interactions, and catching up on neighborhood news.

The story in rural areas is different. About 70% of India's rural households depend primarily on agriculture for their livelihoods. Daily food needs are met through a combination of production, foraging and purchase. Food retail is conducted through direct purchase from producers, markets scheduled at fixed times (for example, weekly, or biweekly), state supported cooperatives, and wholesale markets in small towns. Purchasing power depends on good weather and harvests, family indebtedness, employment, secure access to productive resources (land, water, seeds, livestock, fuel, etc.) and essential services (health, clean water, transportation, electricity, etc.).

The value and importance of such retail is encompassed in the concept of 'territorial markets' articulated by social movements and civil society during a policy process in the Committee on World Food Security (CFS) on Connecting Smallholders to Markets.² Territorial markets are those through which the majority of food consumed in the world is channeled: they are highly diverse, providing flexibility for a variety of small-scale food producers, their organization and management range in scale and formality, and they are crucial in meeting food demands in rural, peri-urban and urban areas. They involve several small-scale actors such as producers, processors, transporters and traders, and they provide spaces where women are actively engaged, can assert some measure of authority, and build new skills and knowledge.³

The expansion of corporate food retailing will surely affect these crucial territorial markets and raises several questions: how will corporate retail affect millions of small-scale food producers, workers and local vendors, and their access to productive resources? How will it influence food cultures, availability of local foods and food production? What will be its impacts on public health, food security and nutrition?

HUNGER AMIDST PLENTY

India is one of the largest food producers in the world and has the potential to be food secure through domestic production.⁴ Yet, India is home to the largest undernourished population in the world: 190.7 million people (14.5% of the population) go hungry everyday; about 48% of children under the age of five are stunted, 20% are wasted and 43% underweight; and about 55% of women and 24% of men are anaemic.⁵ Despite being the world's third largest economy, India's ranking in the 2017 Global Hunger Index is a shocking 100 out of 119 surveyed developing countries.⁶ Hunger is most prevalent in areas where people depend on subsistence agriculture and foraging, among urban destitute peoples, and in conflict and war zones.

Girls and women face deeply entrenched social-cultural discrimination that manifests in unequal access to food, health care, education, paid work and resources. Policies to address hunger tend to be gender biased, focused on children while bypassing mothers and female care providers in households, and blind to entrenched family preferences for male over female children. In poor families, women often eat last, after working full days and feeding their families.

The reasons for this dismal situation include lack of political will, dysfunctional bureaucracies, inadequate infrastructure, post-harvest losses and food waste, and entrenched social-cultural prejudices.⁷ Nearly 40% of the fruits and vegetables and 20% of the grain produced are lost because of poor storage and distribution. Some estimate that the value of food lost is enough to feed over 500 million people.⁸

2 For more information, please see: Goita, Mamadou, McKeon, Nora and Nadjirou Sall. "Insight 4.1 Peoples' Markets or Corporate Supply Systems? Negotiating in the Committee on World Food Security". *Right to Food and Nutrition Watch* (2016): 41-43. Available at: www.righttofoodandnutrition.org.

3 For a comprehensive analysis of territorial markets, please see: Food Security and Nutrition Civil Society Mechanism (CSM). *Connecting Smallholders to Markets, An Analytical Guide*. 2016. Available at: www.csm4cfs.org/wp-content/uploads/2016/10/ENG-ConnectingSmallholdersToMarkets-web.pdf

4 For more information, please visit: www.fao.org/india.

5 *Ibid.*

6 IFPRI. *Global hunger index: the inequalities of hunger*. 2017. Available at: www.ifpri.org/publication/2017-global-hunger-index-inequalities-hunger.

7 Singh, Jaginder. "India is self-sufficient, but millions go hungry". *The Pioneer*, October 3, 2016. Available at: www.dailypioneer.com/columnists/edit/india-is-self-sufficient-but-millions-go-hungry.html.

8 Bas, Paris. "Reducing Food Loss and Waste in India". *India Food Security Portal*, May 4, 2016. Available at: india.foodsecurityportal.org/regional-sub-portal-blog-entry/india/725/food-access.

9 *The National Food Security Act (2013)*. Available at: www.egazette.nic.in/WriteReadData/2013/E_29_2013_429.pdf.

10 For more information, please visit: www.righttofoodcampaign.in/site/bodhirights/food-act/campaign-material-1.

11 *The Aadhaar (Targeted Delivery Of Financial And Other Subsidies, Benefits And Services) Act (2016)*. Available at: uidai.gov.in/images/the_aadhaar_act_2016.pdf.

12 Pachisia, Stuti. "No Aadhaar, no food rations: 11 stories that show the Jharkhand child death was no aberration". *Scroll.in*, October 20, 2017. Available at: scroll.in/article/854587/no-aadhaar-no-food-ration-11-stories-that-show-the-jharkhand-child-death-was-not-an-aberration; and Johari, Areefa. "Yet another Aadhaar-linked death? Denied rations for 4 months, Jharkhand woman dies of hunger". *Scroll.in*, February 3, 2018. Available at: scroll.in/article/867352/yet-another-aadhaar-linked-death-jharkhand-woman-dies-of-hunger-after-denial-of-rations.

13 Ghosh, Jayati. "De-digitisation of India". *Frontline*, October 27, 2017. Available at: www.frontline.in/columns/Jayati_Ghosh/dedigitisation-of-india/article9892253.ece.

In 2013, following a public interest litigation and years of campaigning by rights and justice advocates, the Indian Parliament enacted *The National Food Security Act (2013)* (NFSA).⁹ The NFSA brings under a single umbrella several entitlements aimed at ensuring food security and realizing the human right to adequate food and nutrition, which is enshrined in the Indian Constitution. However, the NFSA has faced significant criticism for being: narrow in scope and vision; focused more on grain hand-outs through the PDS than on peoples' entitlements and preventing malnutrition and starvation; meagre in maternity benefits; giving the government sweeping powers to modify entitlements; and limiting government accountability.¹⁰

Since economic liberalization in the early 1990s, economic inequality has steadily risen and land, nature, labor and peoples wellbeing have become targets of aggressive capitalist exploitation. All governments in power have embraced neoliberal economic policies, large infrastructure development and information technology in the guise of modernization, poverty reduction, combating hunger, etc. In 2015, the GoI launched Digital India, a program purportedly aimed at digitally empowering all Indians by: expanding internet connectivity to rural areas; establishing digital infrastructure for banking, financial transactions, public records, delivery of government services (e-governance), data storage services, marketing, etc.; and increasing information technology jobs.

Two recent GoI ventures involving digitalization, however, have proved detrimental to arresting poverty and hunger: the *Aadhaar* and demonetization. In 2016, the Indian Parliament passed an act called *The Aadhaar Act (2016)*,¹¹ intended to provide efficient, transparent and targeted delivery of benefits and services through the assigning of unique identity numbers to individuals residing in India. The GoI demands that peoples' *Aadhaar* numbers be linked to their earlier, official forms of identification for them to have access to governmental services and programs. This has proved disastrous for hundreds of thousands of rural peoples, who have been denied their legally recognized rights to work, fuel subsidies and food entitlements, and have in some cases starved to death.¹²

In November 2016, the GoI removed from circulation 500 and 1000 INR notes (which made up 86% of the country's currency) in a supposed bid to flush out undeclared cash ('black money') and digitalize the economy by forcing a shift to electronic payments. This was brought into force without adequate public notice and facilities to exchange the demonetized notes to other denominations. Within days, daily waged workers, farmers, poor families, small traders, retailers and contractors, lost much of their savings. The construction industry, agriculture, small businesses and health services ground to a halt: there was no cash to pay workers, buy seeds for planting or fuel to transport produce, pay medical fees, provide midday meals for poor children, etc. Indebtedness among poor families increased and farmers' suicides rose sharply. Demonetization precipitated an economic crisis whose full impacts on people and the economy has still to be fully assessed. Little 'black money' was recovered and barely a year later, the use of cash over online payments was back in almost full force, showing digitalization of the economy to be a hugely damaging exercise.¹³

CASHING IN ON FOOD

Till about five years ago, food retail in the country was dominated by Indian corporations, some of which started venturing into online retailing with varying degrees of success. This is changing gradually as the GoI opens India's retail sector to For-

sign Direct Investment (FDI) in a bid to attract foreign investment capital, but at the same time also placate Indian businesses that are important vote banks.

In June 2016, the GoI permitted 100% FDI in food retail including through brick and mortar (B&M) outlets and e-commerce, provided all the goods sold were produced, processed and manufactured in India. Proponents claimed that FDI in food retail would reduce food waste, encourage agricultural diversification, strengthen the domestic food industry, build food supply chains and markets that benefit farmers/fishers, develop entrepreneurship, create jobs and accelerate employment, eliminate middlemen and associated transaction costs (which would benefit both producers and consumers), and ensure food security. To date, however, there is little evidence to back these claims.

In July 2017, Amazon won approval for a proposal to invest about US \$500 million to build a food retail business through a new entity, Amazon Retail (the first in India). Amazon already had a significant presence in India through Amazon Pantry.¹⁴ Amazon Retail can directly source and sell groceries, including food, build its own inventories and control the supply chain. Amazon is preparing to secure a sizable chunk of India's grocery market through both B&M and online retail. It is also negotiating a possible alliance with the Future Group, one of India's largest retailers that controls nearly a third of the domestic grocery market.¹⁵

Amazon faces competition from Indian retailers who are using domestic and foreign capital investment to shore up their presence in digital food retail, including Flipkart, Grofers and most significantly, BigBasket. Founded in 2011, BigBasket operates across 26 cities and is considered a pioneer and leader in online food retail.¹⁶ It manages its own supply chains, runs its own warehouses and offers a large assortment of food and beverage products. BigBasket aims to build the largest grocery retail in India (B&M and online) and is tailoring its operations to meet the needs of consumers, as well as of small neighborhood shops. BigBasket recently secured financing of about US \$300 million from its largest shareholder, The Alibaba group.¹⁷ The Alibaba group is a Chinese Internet conglomerate that owns investments in top Indian online retail spaces such as Paytm (a digital wallet firm) and PaytmMall (an online marketplace), and is a global competitor of Amazon. The new financing will strengthen BigBasket's ability to compete with Amazon and other online retailers.

Massive infusions of investment capital in India's grocery retail sector have set the stage for corporate retailers to simultaneously expand in B&M and online retail. To ensure competitiveness, retailers will seek greater control over food supplies and influence over consumer preferences and behavior. Controlling supply chains implies control over land, water, plant and animal varieties, labor, materials, energy and transportation for production, processing, storage, refrigeration, shops, packaging, delivery, etc., which have far reaching economic, social, environmental and climate impacts.

The expansion of corporate food retail is also linked to the aspirations of middle class consumers, especially in small towns for whom corporate supermarket type consumption implies modernity and cosmopolitanism. And there are practical aspects to this: with the expansion of the corporate private sector, migration of middle class professionals across the country is increasing, and families have to purchase food in unfamiliar places. India's urban areas are becoming more crowded and expensive. More women are entering the work force and spend substantial amounts

¹⁴ For more information, please visit: www.amazon.in/gp/pantry/info.

¹⁵ Malviya, Sagar. "Kishore Biyani explores Future Group's journey with Amazon". *The Economic Times*, February 6, 2018. Available at: economictimes.india-times.com/industry/services/retail/kishore-biyani-explores-future-groups-journey-with-amazon/articleshow/62798408.cms.

¹⁶ Big Basket. *The Abraaj Group - Partner Company Case Study*. 2016. Available at: www.abraaj.com/wp-content/uploads/2017/02/Abraaj-Case-Study-Big-Basket.pdf

¹⁷ Bansal, Varsha. "BigBasket receives \$200 million in a round led by Alibaba". *The Economic Times*, February 2, 2018. Available at: economictimes.indiatimes.com/small-biz/startups/newsbuzz/big-basket-receives-200-million-in-a-round-led-by-alibaba/articleshow/62744825.cms.

of time at work and commuting. These make supermarket retail – particularly on-line retail – more attractive. Since women remain largely responsible for stocking kitchens and feeding their families, they will be the main targets of aggressive advertising by corporate retailers with promises of familiar foods, convenience, lower prices, freshness and hygiene.

SUPPORT PEOPLE, NOT CORPORATIONS

To date, there is little reliable evidence to back the claims that corporate food retail will enhance food security and employment. Global experience shows that supermarkets tend to restructure food production and markets to cater to expanding global value chains and international markets. In India, such restructuring will undermine territorial markets that are vital to the survival and wellbeing of majority of the population, particularly women.

Agrarian distress in India shows little sign of abating as farmers and fisherfolk continue to face indebtedness, land and resource grabbing, and near absence of supportive policies. More than 90% of India's workforce is engaged in informal labor without written contracts, social security, workplace benefits and job security. Agriculture is the biggest informal work employer followed by manufacturing, construction and trade. A significant proportion of workers in the organized sector are informal workers,¹⁸ and 'contractualization' of labor is on the rise as businesses seek to cut costs and increase competitiveness.¹⁹

Supermarkets have long promoted contract farming in which, farmers have little negotiating power, and are not assured of protection against market vagaries, price volatility, production failures and changes in corporate plans. Conflicts between rural communities, companies and the government over control of land and water for extractive, industrial and development projects have increased over the past decade. Land acquisition for food production, processing and storage will escalate such conflicts even further. Processing and packaging plants will suck water and resources from their environments and create huge amounts of waste.

Corporate food retail will indeed provide employment at various skill levels and even absorb some of those who lose their lands, but it will also lead to the closure of local groceries, endangering the livelihoods and food access of millions of people.²⁰ Evidence gathered through various CFS processes attests to the importance of small-scale food production and territorial markets in battling hunger and poverty, and enhancing the right to food. Territorial markets are directly linked to local, national and regional food systems and economies where, value-adding processes circulate among and benefit those who contribute to the creation of value. The value created is not only financial, but includes (among others) nutrition, dietary diversity, employment, knowledge exchange, social support, services, and empowerment of women and youth.

Rather than allowing corporations to control its food markets and food cultures, the GoI should enact public policies that support small-scale food producers, workers and territorial markets.²¹ These include policies on pricing, public procurement, production of safe and nutritious food, appropriate credit and infrastructure, knowledge enhancement, capacity building, etc.²² In the absence of such proactive policies, corporate food retail will increase gaps in income, wealth, food access and nutrition across class, gender, and between rural and urban areas.

18 For example, employing 1.2 million people – of whom 70% are women – the tea industry is India's second largest employer in the organized sector. For more information on their situation, please see: Longley, Sue. "The Price of Your Cup of Tea: Human Rights Violations in India's Tea Plantations". *Right to Food and Nutrition Watch* (2016): 60-61. Available at: www.righttofoodandnutrition.org.

19 Himanshu. "Is informal the new normal?". *Livemint*, May 22, 2017. Available at: www.livemint.com/is-informal-the-new-normal.

20 For example, in the USA, Amazon pays below average wages and many of its workers cannot afford to put food on the table without federal safety nets. Brown, H. Claire. "One third of Amazon employees in Arizona need food stamps to feed themselves". *The New Food Economy*, April 19, 2018. Available at: newfoodeconomy.org/amazon-snap-employees-five-states.

21 CSM. *Supra* note 5.

22 Committee on World Food Security (CFS). *Policy Recommendations, Connecting Smallholders to Markets*. 2015. Available at: www.fao.org/3/a-bq853e.pdf.



IN BRIEF

With growing urbanization, changing lifestyles and digital commerce, India is a coveted market for corporate food retailers. However, most urban consumers purchase food from local, family run stores, fresh markets and vendors with pushcarts. Poorer families depend on subsidized staples from the Public Distribution System. In rural areas, daily food needs are met through own production, foraging and small-scale trading. The importance of such retail can be understood through the concept of “territorial markets”, through which the majority of the food consumed in the world is channeled.

Despite being one of the world’s largest food producers, India is home to the largest undernourished population in the world. Hunger is most prevalent in areas where people depend on subsistence agriculture and foraging, among urban poor, and in conflict zones. Girls and women bear the brunt of hunger and hardship because of deeply entrenched social-cultural discrimination and policies that tend to be gender biased. In poor families, women often eat last and least.

Global experience shows that supermarkets tend to restructure food production and markets to cater to expanding global value chains and international markets. In India, such restructuring will increase gaps in income, food access and nutrition across classes, gender, and between rural and urban areas, and undermine the human right to adequate food.

On the other hand, territorial markets are directly linked to local, national and regional food systems and economies, and contribute positively to nutrition, dietary diversity, employment, knowledge exchange, social support, services, and empowerment of women and youth. Rather than allowing corporations to control food markets and shape food cultures, the Indian Government should enact public policies that support small-scale food producers, workers, the poor and especially women, and strengthen territorial markets that are vital to the survival and wellbeing of majority of the population.



KEY CONCEPTS

- Food is the largest retail consumption category in India, and food and grocery retail constitute 60-65 % of India’s total retail market, which is greatly coveted by corporate food and grocery retailers.
- More than 85 % of India’s current food retail value comes from localized, non-corporate retail, which is encompassed in the concept of territorial markets: markets that are diverse and flexible in terms of scale, organization and formality, and crucial in meeting food demands in rural, peri-urban and urban areas.
- Despite being one of the largest food producers in the world, India is home to the largest undernourished population in the world. Girls and women face unequal access to food, health care, education, paid

work and resources because of deeply entrenched social-cultural discrimination and policies that tend to be gender biased.

- Global experience shows that supermarkets tend to restructure food production and markets to cater to expanding global value chains and international markets. In India, such restructuring will undermine territorial markets that are vital to the survival and wellbeing of majority of the population.
- Rather than allowing corporations to control food markets and food cultures, the Indian Government should enact public policies that support small-scale food producers, workers and territorial markets, including policies on pricing, public procurement, production of safe and nutrition food, appropriate credit and infrastructure, knowledge enhancement, capacity-building, etc.



KEY WORDS

- Corporate food retail
- Digitalization
- Territorial markets
- Supermarkets