India: Hunger for Growth

December 6, 2016
Agenda

1. **India, An Introduction:**
   - Sudarshan Mazumdar, Regional Director, Almond Board of California

2. **India: The Socio Cultural Environment:**
   - Jasmeet Srivastava, Managing Partner, The Third Eye
   - Gitanjali Ghate, Managing Partner, The Third Eye

3. **Almonds in India:**
   - Sudarshan Mazumdar, Regional Director, Almond Board of California

4. **INC World Nut and Dried Fruit Congress, 2017:**
   - Raju Bhatia, Ambassador for India, INC
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India is a Large and Diverse Country

- Land Area: 3.287 million km² [1]
  - 7th Largest in the world.

- Population: 1.31bn people. 2nd most populous in the world. [2]
  - Expected to become the most populous by 2040.

- 29 states and 7 Union Territories with diverse cultures. [3]

- 22 official languages. 122 Major Languages. 1,652 Total Languages. [4]
  - The only place where the vernacular changes every few kilometers.

- The land of spirituality, it is the birthplace of Hinduism Sikhism, Jainism and Buddhism. [5]

- Median Age: 27 years [6]
  - 2/3rd of our population is under 35, and 50% is under 25yrs with their entire earning & spending life head of them.

And Now, the World’s Fastest Growing Major Economy

India’s GDP growth rate at 7.5% in 2016-17 [1]

- Currently 7th largest economy by nominal GDP (USD 2.25 tn) [1] and expected to be 3rd largest by 2030. [2]
  - Already 3rd largest by purchasing power parity (USD 8.7 tn). [1]
- Per capita incomes rose by 7.4% to INR 93,293 in 2015-16, compared to INR 86,879 in the preceding fiscal. [3]

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**Indian Middle Class** [4]

- 2008: 14% of households, 32 million
- 2030: 46% of households, 147 million

**Urban Population** [5]

- 2016: 14% of households, 430 million
- 2030: 575 million

**Literacy Rate** *

- 2011: 74%
- 2025: 99%

**Discretionary Spending** [4]

- 1995: 39%
- 2016: 61%
- 2025: 71%
Booming Economy Leading to a Growing Retail Market

Organized Retail at 9.5% of total retail, expected to grow to 20% by 2020. [2]

From 2014, the New Government Playing an Aggressive Role to Push Growth

Make in India
46% Jump in FDI inflows

Digital India
Transform India to a digital society

Smart Cities
Build 100 smart cities

Jan Dhan Yojana
Provide financial inclusion to ~ 220 mn people

Skill India
Skill over 400 mn people by 2022

Road Network
Government to invest US$ 250 bn in 240 road projects spanning 50,000 km over the next 5-6 years

Start Up India
Develop entrepreneurship and innovation

Rail Network
Government to invest $142 bn in 5 years

Global Competitiveness Index\(^1\)
India jumped up 16 ranks in 2016 to reach 39th place

Transportation & Logistics Infrastructure
USD 700 mn investment by International Finance Corporation

FDI
100% FDI in Construction, Defense, civil aviation and pharmaceuticals

Goods & Service Tax
around the corner

Single Window e-Clearance Portal

And many more...

Source: \(^1\) World Economic Forum, Government Data Data
Growing International Confidence in India

"India still fastest-growing economy in world gripped by uncertainty."

- International Monetary Fund

"Indian economy is expected to clock 7.9 percent growth in the current fiscal driven by better monsoon, government pay hike, key reforms and FDI inflows."

- Goldman Sachs

"The newly-elected government has begun to implement measures to cut red tape, raise infrastructure investment, deregulate key parts of the economy, and shrink the role of government."

- World Bank

"India has presented the biggest turnaround story in the emerging market as it has been focusing on long-term, gradual GDP growth with slower methods, which help create sustainability in the markets."

- Nomura
India, an Important Market for the California Almond Industry As Well

- India has been the 3rd largest export market for California Almonds since 2014-15, and continues to be in 2015-16.
- The last 10 years have witnessed a 3.15x growth in shipments.

Top 10 Export Market 2015-16
(in Million Pounds)

<table>
<thead>
<tr>
<th>Country</th>
<th>Export (Million Pounds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>201</td>
</tr>
<tr>
<td>China/Hong Kong</td>
<td>142</td>
</tr>
<tr>
<td>India</td>
<td>126</td>
</tr>
<tr>
<td>Germany</td>
<td>103</td>
</tr>
<tr>
<td>Japan</td>
<td>61</td>
</tr>
<tr>
<td>Italy</td>
<td>58</td>
</tr>
<tr>
<td>UAE</td>
<td>57</td>
</tr>
<tr>
<td>Netherlands</td>
<td>47</td>
</tr>
<tr>
<td>South Korea</td>
<td>46</td>
</tr>
<tr>
<td>Canada</td>
<td>45</td>
</tr>
</tbody>
</table>
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India as an emerging market presents interesting opportunities.
India: a nation of 1.3 billion people, with 65% below the age of 35 years - is set to be the world’s youngest country by 2020.
Fundamental Shifts that are shaping the new India & the changing mindsets within it

Urbanization → Access

The mobile revolution:
India has 1 billion users
And is slated to become the world’s second largest market for smart phones

Exposure → Aspiration & Ambition
Many more opportunities in the emerging India today
AND
Culture moving from one of Privilege, to that of Potential

→ Democratization of Success:
Doesn’t matter where you come from, what matters is where you are going
Breeding a much more Achievement & Action oriented discourse

Moving from Fatalism & Destiny → to much bigger dreams & aspirations
Fueling a strong drive to succeed, 
And also a willingness to enjoy the rewards of their success 
in the here & now

Enjoying True Success

A move from Denial → to Desire
from Saving → to Spending
Yet growing hyper competition - Want to not just race ahead, but constantly better self to stay ahead - ‘Consistently’ maintain a lead
Growing Health Consciousness also making an entry into this discourse
In this conversation, both Energy & Endurance becoming key

Energy – not just to stay active in the now...

...but also building strength for Endurance to stay ahead in the long run
And the need for health further amplified, given:

**Increased importance of Health**

- **Limited control over diet & lifestyle AND**
  - Growing popularity & temptation of ‘junk food’

- **Deteriorating Environment**:
  - Increasing pollution, fast spreading insect & airborne diseases

- **Lifestyle changes**:
  - Hectic schedules, increasing stress levels, sedentary living

- **Degraded quality of basic foods**:
  - Growing use of pesticides, chemicals, even steroids to boost growth of fruits, vegetables & food crops
The growing health consciousness being fueled further by socio cultural discourse shapers
Within this growing ‘buzz’ of health conversations, Weight Management & Figure Consciousness - a big driver for active adoption of healthier choices

Rooted in their desire for Self Showcasing

Seek to
- Look good, be attractive & youthful
- Project a positive body & self image

Visible across genders & lifestages
Health also becoming a Lifestyle Statement today

‘Unhealthy’ is ‘Uncool’

Health for Participation & Projection
- Another big driver for healthier choices
The Meta Trend:
Health has gone beyond being just a conversation, to now being about more conscious health behaviors.
What we are seeing more of across consumers

**Moderation** of unhealthy foods & ‘bad’ lifestyle habits:
- Cannot overdo the oily & junk foods
- Limiting ‘indulgences’ to weekends

**Compensation**:
- Cover binging with a day or two of
  - slowing down, eating healthy, eating light

**Substitution** of the less healthy, with healthier options:
- Brown vs. White bread
- Green vs. Black tea
- Lighter cooking oil
- Baked vs. fried snacks
Inclusion behaviors also slowly emerging

Inclusion of healthy foods:
Oats, cereals, increased quantities of fruits & vegetables; and some form of exercise

YET, Issues with Inclusions:
Taste vs. Health debate

Indians very particular about taste. Must suit their palate:
- Flavorful, Not bland
- Preferably spicy, savory
Saffola Masala Oats: A case study

Oats as a category:
Bland, Not flavorful
Rejected by the Indian consumers

Masala Oats from Saffola:
Spicy & Savory
In familiar Indian, regional flavors
Also pitched as an ingredient for traditional Indian snacks & breakfast foods
Thus, Healthy & tasty
→ A BIG HIT!
Some Emerging Trends
Snacking - a core part of the Indian DNA:
Has essentially been about taste & indulgence
Now an element of health conversation sneaking in here as well
A strong culture of snacking has always existed across India

Encompasses a very large variety of tastes, flavors & formats

More Savory vs. Sweet

In & Out of home
Packaged & Freshly made

And now a rapid assimilation & fusion of Indian & International

Snacking more mood & mind-state driven VS. being led just by time of day, or need for stomach fill

Snacking – largely about
- indulging the taste buds
- and ‘letting go’

However, an emerging conversation about
- moderation of the ‘unhealthy’
- ‘baked vs. fried’
- ‘diet snacks’
#2

The occasions that are now becoming more about ‘Health’ & ‘Energy’
- Breakfast & Evening Snack
Both are ‘Energy’ occasions

**Breakfast time**
Need for Energy to face the day
→ Be Active & Alert

**Therefore**
Seek foods that give them Energy & Sustenance
Yet, are not heavy to digest
→ Do not make them lazy & lethargic

Wholesome, yet inherently healthy traditional Indian savory preparations like – upma, idli, dosa, poha, continue to be popular
Fried parathas giving away to roasted ones
Breakfast cereals (with fruits & nuts) & masala oats making an emergence
Milk & Milk food drinks – stay mandatory for kids

**Evening Snack**
Need for Energy to ’Recharge’
→ the ‘Second Wind’

**Therefore**
Seek foods that give them A ‘boost’ of energy
To ensure that there is no ‘break in stride’

Taste rules supreme at this moment
Savory snacks continue to rule the roost
Yet, ‘healthier’ versions of these making an emergence (masala oats, whole wheat / multigrain noodles, biscuits etc.)
Also fruit juices, cereal bars for an instant boost of energy
Some emergence of nuts (including almonds) as a snack
#3
Consumers more willing to pay a premium for upgraded and value added offerings
Growing desire for accelerated progress & getting ahead in a hyper competitive world making consumers more willing to spend extra for products and brands that offer additional value like

- Enhanced performance
- Promise of superiority

Take your first step towards a better life.

Begin your journey towards a healthy life with Real Activ, filled with goodness of fruits and vegetables together.
11 REASONS WHY YOU SHOULD DRINK GREEN TEA

1. It is an excellent anti-oxidant
2. It burns fat & enables you to exercise longer
3. It prolongs your life
4. It lowers stress brain power.
5. It reduces high blood pressure.
6. It helps to protect your lungs
7. It helps to protect your liver from alcohol
8. It prevents high blood and cures bad breath
9. It rehydrates you better than water
10. It boosts your immunity against illnesses
11. It helps preserve and build bone.
Given the hyper competitive environment, parents want to give their children a head start at a very young age.
Within this context, emerging conversations by leading brands propagating notions of early brain development.
Almonds in the Indian context conform to all these emerging trends:

- Strong associations with enhancing brain power / memory
- Universally acclaimed to be the healthiest dry fruit & an emerging association with energy
- A highly ‘valued’ category that commands a premium
- A healthy snack
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Almonds in India
Almonds in India are primarily sold loose with only 5%* being sold in packed form.

In Shell Almonds: Cracked in India

Wholesale Market

Semi Wholesale

Mom n Pop Stores/ Specialized Dry Fruit Stores

Organized Retail

How Almonds are sold in India - Loose by Weight and Packaged Forms

Loose by Weight

Private Labels

Packaged in India

Imported Packs

Source: GMDA
Almond Consumption in India is Driven by Tradition

- Consumed raw, soaked and peeled or raw first thing in the morning.
- Given by mothers to children.
- Good for the brain.
- Provide energy that lasts through the day.
- Gifted during festivals and with wedding invitations.
- Integral part of prayer offerings.
- Usually eat 4-5 almonds per consumption occasion.
The Almond Opportunity in India

• As India’s middle class expands from 32 mn (2008) to 147 mn (2030 est.), so will the share of addressable population.[1]
  • Addressable population: The percentage of a total population that is conceivably a potential consumer of almonds based on the development and urbanization of a region.
  • India’s per capita consumption (addressable population) at 0.27 is very low compared to other regions like Canada (2.21) and USA & Germany (2.03 each), showing an opportunity for market expansion. [2]

Enhancing the Frequency of Consumption

• Only 40% consumers claim they eat almonds everyday.
  – Opportunity to increase frequency of consumption among 41% people eating almonds between several times a week to several times a month.

• Compared to other nuts, Almonds are well positioned to take on the opportunity of ‘year long’ consumption
  – 60% consume Almonds throughout the year. For Cashews, it’s only 22%.

<table>
<thead>
<tr>
<th>Frequency of Consumption</th>
<th>Almonds (2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once a day or more</td>
<td>40%</td>
</tr>
<tr>
<td>Several times a week</td>
<td>41%</td>
</tr>
<tr>
<td>Once a week</td>
<td>21%</td>
</tr>
<tr>
<td>Several times a month</td>
<td>13%</td>
</tr>
<tr>
<td>Once a month or less often/ Never</td>
<td>7%</td>
</tr>
<tr>
<td></td>
<td>20%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Best Dry Fruit Described by Positioning and Personality Trait (Total Sample n=1,986)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almonds</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>Is eaten throughout the year</td>
</tr>
<tr>
<td>60%</td>
</tr>
</tbody>
</table>
Increasing Gifting of Almonds During Festivals

- Among all people in our target who give gifts during festivals, only 11.9% gift dry fruits during the festival season.

<table>
<thead>
<tr>
<th>% share of Dry Fruits Among Gift Givers (During Festivals)</th>
<th>% Incidence</th>
<th>Best Dry Fruit Described by Positioning and Personality Trait</th>
<th>Almonds 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Audience (22-50, F, NCCS A, NW)</td>
<td>11.9%</td>
<td>Perfect dry fruit for gifting</td>
<td>57%</td>
</tr>
</tbody>
</table>

Harnessing the Opportunity: Trade
Informal trade meetings are held with select importers to discuss issues and to provide market access updates.
Harnessing the Opportunity: Consumers
Telling Consumers What They Know of Almonds is the Biggest Motivator for Enhanced Consumption
Till 2013-14, the India program was aimed at reinforcing existing traditions and beliefs to grow almond consumption and its gifting.

- **Primary audience:** Mother/nurturer
- **Psychographic Orientation:** Stay at home moms taking care of family’s well being.
- **Primary Driver:** Success for the family
- **Key Benefits:** Mental Alertness + Energy Through the Day -> Long term success

In 2014, after a 4 stage research, we expanded the program to include Affluent Adults for the self consumption of almonds for the same benefits.

- **Primary audience:** Housewives, Working Men & Working Women
- **Psychographic Orientation:** Highly oriented towards healthy living.
- **Primary Driver:** Success both at home and at work.
- **Key Benefits:** Mental Alertness + Energy Through the Day -> Long term success

**Expanded Target: Family Consumption Campaign**

**Almonds: Their Partner to Success**

Mental Alertness + Energy Through The Day -> Productivity -> Success -> Prosperity
The Positioning

Small investments today, build into the big successes of tomorrow. Almonds are a small investment into my and my family’s future.

Why this works

- Reinforces daily consumption
- Permission to have more
- ‘Investment’ justifies premium price
- Focuses on the ‘long term’ benefits
CONSUMER MARKETING PROGRAM

- Family Consumption Campaign
- Media Events
- Festive Campaign
- Media Outreach
- Print Advertorials
- Nutrition PR
- Encouraging Gifting
- Consumer Education
- Programme
- Enhancing Frequency
Program Impact
Gaining Strength in Consumer Minds

**Top of Mind (ToM)**
Almonds out-performed all other dry-fruits and saw a healthy jump in all mind-measures.

<table>
<thead>
<tr>
<th>Top of Mind Awareness</th>
<th>Total (Overall)</th>
<th>Total (Snack)</th>
<th>Total (Ingredient)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almonds</td>
<td>47%</td>
<td>52%</td>
<td>28%</td>
</tr>
<tr>
<td>Cashews</td>
<td>38%</td>
<td>36%</td>
<td>40%</td>
</tr>
<tr>
<td>Dates</td>
<td>5%</td>
<td>4%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Attributes**
Almonds out-scored all other dry fruits on all parameters of importance and went on to increase it’s lead.

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Importance</th>
<th>Almonds 2012</th>
<th>Almonds 2014</th>
<th>Leadership Gap vs Cashews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the healthiest dry fruit</td>
<td>70%</td>
<td>74%</td>
<td>81%</td>
<td>68%</td>
</tr>
<tr>
<td>My favorite dry fruit</td>
<td>70%</td>
<td>44%</td>
<td>58%</td>
<td>26%</td>
</tr>
<tr>
<td>Good for brain / concentration</td>
<td>69%</td>
<td>65%</td>
<td>74%</td>
<td>60%</td>
</tr>
<tr>
<td>Helps children to be successful</td>
<td>67%</td>
<td>New</td>
<td>69%</td>
<td>49%</td>
</tr>
<tr>
<td>Provides energy</td>
<td>67%</td>
<td>62%</td>
<td>67%</td>
<td>46%</td>
</tr>
</tbody>
</table>

**Attitudes**
Almonds are the dry fruit liked best by consumers and are also considered the healthiest.

<table>
<thead>
<tr>
<th>Dry Fruit</th>
<th>Total (Liking)</th>
<th>Total (Health)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey Year</td>
<td>2012</td>
<td>2014</td>
</tr>
<tr>
<td>Cashews</td>
<td>9.06</td>
<td>9.00</td>
</tr>
<tr>
<td>Raisins</td>
<td>8.53</td>
<td>8.32</td>
</tr>
</tbody>
</table>

**Barriers**
‘Already Eat Enough’ dropped from 47% to 38%
Almond Health Ratings

- Almonds scored better in 2014 on helping to lower cholesterol, being good for diabetes, and a good source of antioxidants.

Source: AAU, 2014
## Increased Almond Consumption

### Average Number of Almonds consumed

<table>
<thead>
<tr>
<th>Family Member</th>
<th>2012</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self</td>
<td>3.5</td>
<td>4.6</td>
</tr>
<tr>
<td>Spouse</td>
<td>3.6</td>
<td>4.8</td>
</tr>
<tr>
<td>Son</td>
<td>3.8</td>
<td>4.6</td>
</tr>
<tr>
<td>Daughter</td>
<td>3.8</td>
<td>4.6</td>
</tr>
</tbody>
</table>

### When Almonds Consumed

<table>
<thead>
<tr>
<th>Time</th>
<th>Self 2012</th>
<th>Self 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>First thing in the morning (empty stomach)</td>
<td>61%</td>
<td>50%</td>
</tr>
<tr>
<td>With breakfast</td>
<td>21%</td>
<td>31%</td>
</tr>
<tr>
<td>Mid-morning</td>
<td>8%</td>
<td>11%</td>
</tr>
<tr>
<td>With Lunch</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Afternoon</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Late-afternoon/early evening</td>
<td>6%</td>
<td>15%</td>
</tr>
<tr>
<td>With dinner</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Late night</td>
<td>1%</td>
<td>11%</td>
</tr>
</tbody>
</table>

**Total Daily Occasions per Person:**

- 2012: 1.01
- 2014: 1.24

### Almonds Eaten Most Often as a Snack (% selecting)

<table>
<thead>
<tr>
<th>Location</th>
<th>2014</th>
<th>2015</th>
<th>Pt. Chg vs. YAG</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>24%</td>
<td>29%</td>
<td>5</td>
</tr>
<tr>
<td>Canada</td>
<td>34%</td>
<td>34%</td>
<td>0</td>
</tr>
<tr>
<td>Brazil</td>
<td>3%</td>
<td>5%</td>
<td>2</td>
</tr>
<tr>
<td>UK</td>
<td>12%</td>
<td>11%</td>
<td>-1</td>
</tr>
<tr>
<td>Germany</td>
<td>7%</td>
<td>8%</td>
<td>1</td>
</tr>
<tr>
<td>France</td>
<td>21%</td>
<td>26%</td>
<td>5</td>
</tr>
<tr>
<td>China</td>
<td>10%</td>
<td>11%</td>
<td>1</td>
</tr>
<tr>
<td>India</td>
<td>31%</td>
<td>50%</td>
<td>19</td>
</tr>
<tr>
<td>S. Korea</td>
<td>40%</td>
<td>42%</td>
<td>2</td>
</tr>
</tbody>
</table>

A Look At The Year Gone By…
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