



IndiaFood

FOODS, BEVERAGES & INGREDIENTS DIGEST
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Executive Summary

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In the past two months, the big debate in India has been about forecasting growth rate of Indian economy for 2008-09 and subsequent years. Surely, economists with all their wisdom must be having some methods to see the future, which eludes lesser mortals like us. One only hopes that the forecasts of economists are more accurate than weather reports.

It is interesting to have a quick look at forecasts by various agencies of GDP growth in India:

Agency	2008-09	Beyond 08-09
	GDP Growth Rate Forecast Per Cent Per Annum	
Economist Intelligence Unit	7.8	7.5
UN Economic and Social Commission for Asia and the Pacific (UNESCAP)	8.5-9.5	8.5-9.5
Planning Commission, Govt. of India	-	9
Associated Chambers of Commerce & Ind.	7.9	-
Morgan Stanley	7.1	-
Asian Development Bank	8	-
International Monetary Fund	7.9	-
CRISIL	8.1	-
Citigroup	7.7	-
Deutsche Bank	8.4	-
JP Morgan Chase	7.0	-
Morgan Stanley	7.0	-
HSBC	7.0	-
UBS	8.2	-
Centre for Monitoring Indian Economy	9.5	-

Without putting our trust in one or the other agency, we can safely conclude that Indian economy will grow by about 7-9 per cent per annum during financial year 2008-09 and also during subsequent years.

Growth rate of around 8 per cent per annum is healthy by any standards. While this throws up opportunities for all food companies, the real picture, as far as food companies are concerned, is even better than GDP growth alone would suggest. Almost every sector of organized food industry in India is experiencing double-digit growth rates.

(Continued on next page)

Underlying factors for this galloping growth can be summed up as follows:

- Population of 1.1 billion is increasing by about 1.4 per cent per annum
- Almost 54 per cent of the population is below 24 years of age
- Urban population is growing at a faster rate due to continued migration from villages. In 2001, 28 per cent of India's population was urban. By 2026, 33 per cent of the population will be living in cities.
- Economy is growing by about 8 per cent per annum
- Shift of consumer preferences from un-branded goods manufactured by unorganized sector to branded quality products of organized industry
- Changing lifestyles induced by increasing globalization and higher prosperity

It, hence, comes as no surprise that beer consumption has jumped by 14.5 per cent in volume terms during financial year 2007-08. Tea and coffee consumption has also been rising.

Milk production has been increasing at about 3 per cent per annum. But, dairy companies and cooperatives have been witnessing a double-digit growth rate for all dairy products. We report in this issue about expansion plans of a few dairy companies. There are many others who are expanding quietly without talking about it. Organized dairy sector players which at present occupy only 18 per cent of the total milk produced in the country, are expected to capture more than 30 per cent of the milk production.

India produced about 104 mio tons of milk during 2007-08. Presently, about 19 mio tons are processed by organized sector. Five years later, when the country will be producing about 120 mio tons, the organized sector may be processing close to 36 mio tons. In other words, in just five years organized dairy sector would have doubled from its present size.

No wonder that most Dairy companies in India, especially the ones in private sector and the dynamic ones in cooperative sector, are expanding capacities as fast as they can. International dairy companies have been slow to jump on to the bandwagon. One of the reasons has been the complexity of dairy industry in India. There are hardly any large dairy farmers in India. Collecting milk from thousands of dairy farmers appears to be a nightmare to international dairy companies. Yet, some companies are finding a way out of this. Wal-Mart, for example, has started purchasing milk from cooperatives.

Wal-Mart is not alone in looking at dairy products segment in India. Beverage companies like Coca-Cola and Pepsi are also studying feasibility of launching milk-based beverages in India.

As consumption of dairy products grows, domestic production of milk is bound to prove inadequate. The first casualty of pressure on demand-supply equation will be dairy exports. First signs of the pressure are already visible. Last year, government banned export of milk powders. The ban was later withdrawn. During April 2008, the government withdrew incentives given under various schemes for exports of skimmed milk and other dairy products.

We have forecast in a recent report prepared on India's dairy industry that India will soon turn into a net importer of dairy products. In case you have some interest in dairy products, you may find the report interesting.

Even in case your focus is some other sector of food & beverage market, we are sure that you will find the Indian market full of interesting possibilities, challenges and opportunities. And if you need any help to explore and understand the market in India, please do remember that you have friends in India at IndiaFood, who are always ready to assist you.

Anil Chawla

Food Industry Overview

- Indian economy is set to slow down to a more sustainable rate of 7.8 per cent in 2008-09, mainly on account of expected slower growth in private consumption and decline in net exports, according to the Economist Intelligence Unit (EIU). The EIU has also forecast average GDP growth of 7.5 per cent for financial years 2008-09 and 2009-10.
- "GDP growth for India over the next few years is projected to remain at between 8.5 per cent and 9.5 per cent", UN Economic and Social Commission for Asia and the Pacific (UNESCAP) said.
- India is poised to achieve 9 per cent GDP growth in the next five years despite economic slowdown, Deputy Chairman of Planning Commission Montek Singh Ahluwalia said.
- GDP growth figure may remain close to 7.9 per cent for the fiscal 2008-09, according to 82 per cent of the CEOs surveyed by industry body Associated Chambers of Commerce and Industry.
- Morgan Stanley said it had cut its forecast for India's economic growth to 7.1 percent for the fiscal year starting in April, after the government said last week it was prepared to give up growth to fight inflation. This would be the slowest economic expansion in Asia's third-largest Economy in six years, after a sizzling 9.6 percent rise in 2006/07 and a central bank estimate of 8.5 percent in 2007/08.
- India's economic growth will slow down in fiscal 2008-09 to 8 per cent as the Reserve Bank of India keeps monetary policy tight and the Government takes slew of measures to rein in inflation ahead of Parliamentary elections next year, Asian Development Bank has said.
- Weaker demand for Indian exports and higher financing costs will lead to a deceleration in India's gross domestic product growth rate to 7.9 per cent in 2008, according to International Monetary Fund.
- Centre for Monitoring Indian Economy said slow growth in last fiscal was an aberration and expects growth to rebound in 2008. CMIE has retained its GDP growth projection at 9.5 per cent for the current fiscal.
- Rating agency Crisil has revised its GDP growth forecast to 8.1 per cent for 2008-09 from the earlier forecast of 8.5 per cent in view of the worsening inflation, interest rate and global growth outlook.
- Indian economy is expected to grow 8.1 percent in the 2008/09 fiscal year, a survey of professional forecasters by Reserve Bank of India showed.
- New Zealand has initiated the process for negotiating a free trade agreement with India.
- Egypt said it would explore the possibility of a Free Trade Agreement with India to boost trade and investment between the two countries.
- Bilateral trade between India and China is growing more than 50 per cent year-on-year and is slated to cross the USD 100-bio mark in three years.
- Government said a Free Trade Agreement with China was not a "priority" for India due to "deep divisions" within the government and opposition from the industry.
- Faced with unrelenting price rise in the economy, Government of India has scrapped import duty on all crude form of edible oils, placed a ban on export of non-basmati rice, hiked the minimum export price on basmati rice to USD 1,200 per ton, and extended the existing ban on export of pulses for one more year beginning April 1.
- India and Myanmar have signed Double Taxation Avoidance Agreement, which will enable both nations to prevent tax evasion and ensure that business profits are taxed only in the country where the company has a permanent establishment.

(Food Industry Overview continued on next page)

Food Industry Overview (Continued)

- India and Myanmar have decided to increase border trade between the two countries which at present is limited to 22 select items. Both sides expect that the agreement on the Kaladan multi-modal transit-cum-transport project signed recently would help to increase connectivity between the two countries.
- Good growth in Indian Economy, coupled with a strong desire among Indian consumers to maintain a healthy lifestyle and growing awareness of functional ingredients such as herbs, minerals, vitamins, omega fatty acids and probiotics is driving Indian functional foods and beverages market, said research and analyst firm Frost & Sullivan.
- Indian FMCG industry, valued at Rs. 746.5 bio in 2006-07, grew by 16 per cent in 2007-08 compared to 14.5 per cent growth in the previous fiscal, a survey by industry body FICCI has said.
- The ministry of health had issued a draft notification regarding food labeling which was to be implemented by May 20, but has now deferred the implementation of food labeling notification by another three months.
- Indian processed food industry, which constitutes mere 1.3 per cent of total agricultural products, will see investments of over Rs. 950 bio in the next three years, says a report.
- The government plans to establish 30 mega food-parks in different parts of the country through the public-private partnership route and special purpose vehicle modes, a Central Government Minister said.
- Indian annual inflation rose to a fresh 3-½ year high at 7.61 percent in late April. The wholesale price index rose 7.61 per cent in the 12 months to April 26, marginally higher than previous week's annual rise of 7.57 percent.
- The annual inflation was at 7.83 per cent for the week ended May 03 versus 7.61 per cent the previous week.
- Soaring global crude prices pushed down Rupee to an intraday low of 43.20 against US Dollar on 22 May as domestic oil companies rushed for dollar covers.

Aquaculture

- Seafood exports from India for the current fiscal are likely to end significantly lower than last year's performance, as exports for the first eleven months fall short by 16 per cent.
- National Fisheries Development Board has launched a programme to set up malls across the country to market fish and other seafood.
- Oceanic Edibles International Ltd, part of the Chennai-based shrimp hatcheries major Oceanaa Group, is setting up a full-fledged marine food products, vegetables and fruits processing plant and aseptic packaging unit — at an investment outlay of Rs. 900 mio.
- European Union has emerged as the largest importer of Indian marine products with frozen shrimps continuing to be the most prominent export item in the sector.
- India and Indonesia have rejected the draft agreement on regulating fisheries subsidies that was circulated by the chairman of the negotiating group on rules at the WTO. They have proposed a new draft to safeguard the interests of poor fishermen depending on subsidies from the government for carrying out their trade and building infrastructure.
- Central Institute of Fisheries Technology has demonstrated how fish can be used to make ice cream and noodles.

Dairy, Meat & Poultry

- Himmatnagar (Gujarat) based Sabarkantha District Co-operative Milk Producers' Union Ltd, popularly known as Sabar Dairy, is planning to increase its milk processing capacity by setting up another plant. The dairy, which is a member of the Gujarat Co-operative Milk Marketing Federation (GCMMF), plans to invest Rs. 1.50 bio for the expansion.
- Punjab-based Macro Dairy Ventures Private Ltd has proposed to invest Rs. 1 bio on setting up a dairy project in Ludhiana, for producing premium quality milk and mozzarella for domestic and export purposes within one year.
- National Dairy Development Board (NDDB) will now be managing the affairs of cooperative dairying in Assam for the next five years.
- Mother Dairy is expanding its probiotic portfolio with the launch of Nutrifit, a fermented probiotic milk.
- Kolkata-based Thacker Dairy, which sells 'Farm Fresh' milk and 'Cold Rush' ice creams, is looking at a 20 per cent year on year growth on the back of direct milk procurement from farmers thus doing away with middlemen, launch of various dairy products and foray into retail business to stock its products.
- With a view to cash in on the estimated Rs. 5 bio ready-to-drink flavored milk category, Gujarat cooperative milk marketing federation (GCMMF), better known as Amul, has firmed up its plans to widen its portfolio in its flavored milk category and will launch a new flavor across the country very soon.
- European Union and the US have renewed pressure on India, through World Trade Organization, to remove import restrictions on animal products.
- Organized dairy sector players such as Amul, Mother Dairy, Parag and other regional brand which at present occupy only 18 per cent of the total milk produced in the country, are expected to capture more than 30 per cent of the organized markets.
- Groupe Danone has put its India plans on hold. It appears the French food company's Indian partner — the Wadia Group — has still not given the no objection certificate, made mandatory by a government regulation.
- All major players in the Rs. 12-bio ice cream market are all set to adorn a health-oriented look this year by offering more such products.
- Avian influenza is back in Tripura. The disease resurfaced within one week of declaring the state as bird flu-free.
- The government has withdrawn incentives given under various schemes for exports of skimmed milk and other dairy products, a move aimed to boost supplies in the domestic market and contain the high inflation rate.
- Domestic dairies have sought the imposition of a 20 per cent duty on export of oilmeal.
- Wal-Mart, which has been partnering Bharti Retail, is the newest entrant in the dairy procurement and retail business in Punjab. Wal-Mart has been buying milk directly from cooperatives rather than from farmers.
- After Seychelles, Hatsun Agro Product Ltd is now planning to put up a manufacturing facility for its 'Arun' ice-cream in Fiji.

Alcoholic Beverages

- Groupe Pernod Ricard's acquisition of Absolut vodka will help the French drinks giant turn around its fortunes in India's rapidly growing white spirits market, an official said.
- Leading alcohol producer, India Glycol will invest over Rs. 3 bio in this fiscal to raise its capacity in line with its plan to clock a turnover of Rs. 20 bio in 2008-09 fiscal.
- Diageo is exploring the option of supplying its single malts like Talisker and Cardhu in casks imported straight from Scotland.
- Danish brewer Carlsberg has said it will expand its presence in India by adding two more greenfield breweries in the country in partnership with South Asia Breweries.
- Increasing cost of molasses in the country is likely push alcohol prices up by as much as 20 per cent. According to industry experts, lower-end brands in the Indian Made Foreign Liquor (IMFL) category are most likely to be affected by the demand-supply gap of molasses.
- United Spirits Ltd is mulling foray into energy drink segment to add momentum to its vodka sales. The premium vodka sales have seen consumption soar on using energy drinks like Red Bull or Venom as mixers in recent times.
- Asia Pacific Breweries said it was looking at either setting up a brewery in north India or acquiring an existing one, but had not set any timeline for the purpose.
- The world's largest brewer by volume, InBev, is likely to start operations in Bangalore, right at the heart of Vijay Mallya's brewing empire. InBev through its joint venture partner Ravi Jaipuria has taken over operations of Bangalore-based brewery H Dasappa & Sons Pvt Ltd for rolling out beer brands — Tennents and Lowenbrau.
- The government is planning to do away with the licence requirement for manufacture of potable alcohol. At present, companies need licence from state governments for manufacturing potable alcohol whereas there is no such requirement for industrial alcohol.
- India's beer consumption extended robust growth for the third year in a row with 14.5 per cent volume jump in FY08. According to industry estimates, beer shipments touched 158 mio cases (of 7.8 litre each) in 2007-08, up from 137 mio in the previous year.
- UB Group company United Spirits Ltd will invest Rs. 2 bio in augmenting primary distilling capacities in the next two years.
- Bacardi is believed to have told former ally Radico Khaitan that it objects to the new packaging and design of the latter's Magic Moments vodka, alleging that its appearance "is coming very close" to Bacardi's international blockbuster vodka brand Grey Goose.
- Bhopal-based Som Distilleries and Breweries plans to launch its flagship Hunter Beer in the western and southern markets.
- After showing encouraging financial results, Bhopal-based Som Distilleries and Breweries Ltd now has plans to invest Rs. 550 mio in the liquor and beer business.
- Pepsi will procure more than 20,000 tons of barley worth Rs. 200 mio from farmers in Rajasthan for supplying them to beer manufacturer UB Group in the current fiscal.
- In tune with its plan to increase its capacity to 20 mio cases per annum by 2012, UK-based Cobra Beer is looking for acquiring three more breweries in the current year. The company has earmarked around 100 mio dollars for its expansion plans in India.

(Alcoholic Beverages continued on next page)

Alcoholic Beverages (Continued)

- SABMiller is revisiting the strategy to take on brand Kingfisher — India's top selling beer — and the flagship beer of United Breweries. The result: a new, authentic Indian beer appropriately named Indus Pride and pitched against Kingfisher in the mainstream lager market.
- UK-based beer manufacturer SABMiller plans to more than double its capacity in India in the next five years with an investment of around Rs. 20 bio (approx 500 mio dollars).
- United Breweries Ltd. hopes to draw up a new joint venture agreement with Heineken. The Dutch brewer acquired 37.5 per cent of United Breweries, which makes Kingfisher beer, following a 7.8 bio pound (USD 15 bio) takeover with Carlsberg of the Indian brewer's erstwhile partner, Scottish & Newcastle (S&N).
- In next 50 years, India's growing wine industry is likely to challenge the supremacy of traditional wine-making countries, a report has said.
- Royal Challenge, the iconic Indian premium whisky, appears to be losing steam in a fast-evolving marketplace.
- With the Indian liquor market moving towards premium brands, SABMiller is likely to bring to India, the iconic Dutch premium beer Grolsch, which it acquired for about USD 1.2 bio late last year.
- Food and beverage management firm Finewinesmore will bring premium segment rum 'Rhum Clement' in the domestic market in the price range of Rs. 1,500-2,500 and plans to launch it in 10 states by the end of current year.
- Chadha Group will invest Rs. 5 bio for setting up new alcohol manufacturing distilleries with a total capacity of 360 kilo litres per day in the next three years.
- Maharashtra's grape wine export has jumped 50 per cent in FY 2007-08 to 525,000 litres, against 350,000 litres in the previous FY07. In rupee terms, the export stood at Rs. 105 mio.
- Champagne Indage Ltd has acquired the assets of UK-based Darlington Wines, an independent supplier of wine, for an undisclosed amount.
- United Spirits Ltd is expected to go in for local bottling of Whyte & Mackay Scotch whisky, taking it to the value Scotch business in India. Currently, Whyte & Mackay brand is bottled in origin in Scotland and priced premium alongside Johnnie Walker Black Label and Chivas Regal in India.

Non-alcoholic Beverages

- Ruchi Soya, which has just ventured into beverages, hopes to capture 10 per cent of the estimated Rs. 22.5-bio packaged and branded fruit juice and nectar market in India in two years' time. The edible oil and soya food company's recently launched protein drink N'rich is to be followed up by one or two more products this year in the functional beverage and snack food category.
- Pepsico India is looking at launching vegetable-based drinks in Indian market.
- Soft drink concentrate maker Rasna recently launched a ready-to-drink fruit concentrate named Fruitplus.
- Galla Foods, exporter of tropical fruit purees, concentrates and fresh fruits, has launched "Galla Thick Mango" (GTM) nectar, a fruit beverage targeting mango loving consumers.

(Non-alcoholic Beverages continued on next page)

Non-alcoholic Beverages (Continued)

- The Cabinet Committee on Economic Affairs has given its approval to invest USD 52.4 mio (Rs. 205 bio) in Hindustan Coca Cola Holdings Pvt Ltd by their parent company, to predominantly fund capital expenditure in their subsidiary Hindustan Coca-Cola Beverages Pvt Ltd.
- Ramesh Chauhan, chairman of Bisleri International, and The Coca-Cola company are locked in a dispute over the intellectual property rights for the soft drink trademark 'Maaza' outside India.
- Satyam Food Specialities, a franchisee of Atlantic Industries Ireland (now a wholly-owned subsidiary of The Coca-Cola Company) has slapped a claim of Rs. 3.70 bio on Coca-Cola India, Atlantic Industries Ireland and other group companies alleging breach of contract.
- PepsiCo India Holding — which has sought an exemption from the divestment condition that requires it to offer a part of equity stake to Indian shareholders — will have to wait longer for a Government decision on the issue, as the Foreign Investment Promotion Board has deferred the company's proposal.
- Pepsico India's Tropicana juice brand has landed in a controversy, with a US-based maker of organic juices, Apple Rush Company, planning to drag the soft drink major to court. The controversy centres on Tropicana Twister's recently launched apple-flavored variant—Apple Rush. Illinois-based company has objected to the brand name and has threatened legal action.

Tea

- Tata Tea will launch branded Darjeeling packet tea next year to take on competition.
- Uttam Dairy, a member union of the Gujarat Co-operative Milk Marketing Federation, which markets Amul brands, is planning to get into packaged tea.
- Tea shipments fell in all the traditional markets even as no new major foothold was gained in any market in calendar 2007, an analysis of the latest information available with the Tea Board shows. India's exports fell to decade's low of 156.71 mio kg from 218.73 mio kg in 2006. So, despite the unit price rising to an average of Rs. 97.51 a kg from Rs. 91.73, the overall earnings dropped sharply to Rs. 15.28 bio from Rs. 20.07 bio.
- G D Bangur-promoted Joonktollee Tea & Industries is set to acquire Jamirah Tea Company for a consideration of around Rs. 200 mio.
- Assam Company Ltd proposes to launch four varieties of branded tea, according to company sources.
- It is about a couple of weeks since the new season for North Indian tea started, but with an average auction price increase of Rs. 10-15 a kg compared with the corresponding period last year. This is more or less in keeping with the trend that persisted in the last quarter of 2007.
- Drinking tea seems to be fashionable again in India as domestic consumption props the market even as exports record a fall. Auction prices across the nation have shown an increasing trend as domestic demand absorbs increasing quantities, traders said.
- With tea as a category growing at 4 per cent, Hindustan Unilever Ltd has been taking the 'functionality' route for marketing its Brooke Bond franchise. So its 3 Roses brand, with ayurvedic ingredients, is positioned on the 'mind sharp' category, as is its Red Label brand, with its 'Natural Care' offering, while the Taaza brand harps on its '*Thanda*' concept with its cooling herbs.

(Tea continued on next page)

Tea (Continued)

- India's tea exports to Russia are being hit by price disadvantage over the beverage sourced from Sri Lanka, China and some African countries, according to consul-general of the Russian Federation Vladimir Lazarev.
- India's existing tea production at 945 mio kg annually is likely to remain unchanged but the country's export of tea to Egypt may increase from 5 mio kg in 2007 to 8 to 10 mio kg this year.
- India's tea exports in the current fiscal should increase at least by 20 mio kg, according to Mr. Aditya Khaitan, Chairman of Indian Tea Association and Managing Director of McLeod Russel India Ltd, the world's largest tea producing company.
- The tea industry in the country is unlikely to witness a significant surge in exports. The Tea Board of India estimates the tea exports to remain flat in 2008. India had exported around 200 mio kg tea last year.

Coffee

- Italian coffee brand illycaffè announced the arrival of its luxury cafe chain in India. The company has partnered with Narang Group, distributor of high end beverages, as master franchisee for the same.
- Monsooned Malabar, the specialty coffee cured by the unique monsoon rains of the Malabar Coast, is all set to receive geographical indication (GI) status, sources said. The coffee is well known for its defined characteristics like good body, mild acidity, pleasant aroma and flavor.
- Coffee exports (permit issued) in 2007-08 dropped 12.09 per cent to 224,966 tons compared with 255,908 tons previous year, according to the Coffee Board. The export realization in rupee terms is up 5.09 per cent at Rs. 21.0231 bio in 2007-08 as against Rs. 20.0047 bio in 2006-07. In dollar terms, it is at USD 505.10 mio, 13.42 per cent more than USD 445.33 mio in 2006-07.
- Private equity arm of Franklin Templeton Investments Darby Overseas Investments has picked up an undisclosed stake in coffee chain Cafe Coffee Day for USD 25 mio.
- J Rodrigues Coffee, a family-run coffee plantation company, is the latest among growers to move up the value chain by setting up a cafe in Bangalore.
- In tune with its plan to increase the total number of outlets to 300 in the current fiscal, Barista Coffee will open 80 new stores in the country with an investment of around Rs. 320 mio.
- India's recent export incentives and weakening rupee against dollar are likely to push country's coffee exports upward by 4.34 per cent to 0.24 mio tons during 2008 marketing season, the US Grain Report says.

Food Service & Retailing

- Kishore Biyani's Future Group has picked up 70 per cent stake in Godrej Aadhaar. The stake has been bought for an undisclosed amount by Future Ventures.
- Delhi-based Vishal Retail has opened an outlet at Jabalpur in Madhya Pradesh, its 100th store in the country.
- British retail giant Tesco has identified a "preferred partner" for entering the Indian retail market "through the back door", a media report said.

(Food Service & Retailing continued on next page)

Food Service & Retailing (Continued)

- Reliance Retail is facing its first major challenge in Andhra Pradesh, with the fishermen threatening to intensify their agitation protesting against its non-vegetarian format.
- Hyderabad-based agri inputs and services retail chain Viswas Business Synergies Pvt. Ltd (VBSPL) is planning to open 20 agri hypermarkets in major cities across the country by the end of FY2008-09.
- Bennett, Coleman & Co, publishers of *The Times of India* and *The Economic Times*, has acquired 3.3 per cent stake in Chennai-based SKC Retail Limited for a consideration of approximately Rs. 100 mio.
- UK-based Wimpy International Ltd said it has clocked a 50 per cent increase in its sales in India within a month, following introduction of Indian food items in its outlets.
- Big Bazaar is planning to position itself as a value retailer after being hived off as an independent company within the Future Group.
- India was identified as the most sought-after market by retailers who are looking to the world's emerging markets to drive the success of their businesses in the future, according to new research by CB Richard Ellis.
- UK retailer Marks and Spencer Group and Reliance Retail, part of the USD 27.13-bio Reliance Industries Group, have announced a joint venture in India. The value of the initial investment in the venture will be up to GBP 29 mio (in cash or in kind) or Rs. 2.30 bio between the parties, with both agreeing to provide further funding in the future.
- The Rs. 5-bio Oceanaa group plans to enter retailing with a chain of stores under the brand 'Fish 'n' Fresh'.
- Shoppers Stop will be investing around Rs. 15 bio over the next three years to double its outlets to 48.
- German wholesaler Metro Cash & Carry is planning a training programme to make conventional retailers organised. The company intends to increase its workforce in India from current 1,800 to 5,000 in next two years.
- Indiabulls Real Estate Ltd plans to invest 10 bio rupees to expand its retail business in the next 2-½ years.
- RPG Group company Spencer's Retail on Friday said it would invest Rs. 15 bio to open around 250 new retail outlets across the country within a year.
- World's third largest pizza chain, Papa John's will open 100 outlets in different parts of the country with an investment of Rs. 2.50 bio.
- Delhi-based food chain, Nirula's, is in the growth mode and plans to invest Rs. 1.5-2.0 bio over the next three years to expand nationally.

Snacks

- Australian Foods, owner of the Cookie Man brand, is on an expansion drive to double its number of stores across India in the next one year.
- Balaji Wafers Pvt. Ltd, a Rajkot-based company, is planning to double its production capacity. The company is setting up a wafers processing unit on over 35 acres in Valsad in south Gujarat with an investment of Rs. 1 bio.

(Snacks continued on next page)

Snacks (Continued)

- Rasna, one of the leaders in the soft drink concentrate category, is looking at entering the ready-to-drink and instant snacks segments by 2009.
- Korean confectionery major Lotte is setting up a separate wholly-owned subsidiary in India, which would operate parallel to its existing public-listed firm Lotte India Corp.

Culinary Items

- Nestle India is introducing Maggi Cuppa Mania Instant Noodles in two flavors.
- Bagrrys India has launched Sugar Free Crunchy Muesli, a wholegrain cereal that contains no sugar or honey. The ingredients used are sugar-free wheat flakes (not malted) and oats, pure apple concentrate and it contains no invert syrup.
- Germany-based Humana Milchunion eG, one of the largest baby food products and therapeutic multivitamins manufacturers, will soon foray into India and neighbouring markets in a big way.
- Kerala State Cashew Development Corp is all set to launch four value-added products, including cashew-based health drink and instant soup, in the market soon.
- Unseasonal rains have sharply brought down the yield of wild honey in Kerala's Wayanad region this year.

Sugar

- Brazil has thrown open its doors to investment by Indian companies in sugarcane farming, extracting ethanol and exporting it back home for mixing in petrol.
- India is expected to export about 3.5 mio tons of sugar in the crop year ending in September, and exports will be about 1 mio tons lower in the next crop year, an official of consultancy LMC International said.
- Maharashtra, the country's largest sugar producer, may make about 20 per cent less next year than previously forecast because of a reduction in cane acreage and as farmers shift to other crops.
- Satara (Maharashtra)-based Veer Kisan Ahir Sugar Cooperative has recently inked a memorandum of understanding with German biofuel company, Biogas-Nord, to set up the country's first plant to produce compressed natural gas (CNG) from spent-wash, a byproduct.
- Sugar production for the season 2008-09 (October – September) is expected to fall around 14 per cent to 21.7 mio tons, as there could be a shift in acreage from sugarcane to other crops, a trade source said. The next season may start with marginal higher opening stocks of 9.85 mio tons. Total supply would be around 32.04 mio tons for the season 2008-09, down from 35.40 mio ton in 2007-08.
- A first shipment of Indian raw sugar is heading to Saudi Arabia, and is believed to be destined for Savola Group's plant in Jeddah, the Middle East's second largest sugar refinery, trade sources said.
- The government may withdraw export subsidies on sugar as the country has already reached sugar exports of 3 mio tons during the current season, the limit set by the finance ministry.
- For the first time ever, the country's raw sugar export has overtaken the export of plantation white sugar. During the current sugar season (October-September), the country has shipped 1.6 mio tons of raw sugar so far, significantly higher than the 900,000 tons of white sugar.

Oils and Oilseeds

- Sesame seed exports from the country are estimated to surge over 300,000 tons in 2008-09 on account of lower production in Sudan and Ethiopia.
- Eyeing the edible oil markets in the eastern states of the country, Ahmedabad-based edible oil manufacturer Gokul Group is setting up an edible oil refinery at the port city of Haldia in West Bengal.
- Gujarat Ambuja Exports Limited, is set to invest around Rs. 850 mio this year in two different ventures. The company has decided to set up a 1,200-ton per day soybean processing plant at Mandsaur in Madhya Pradesh at an investment of Rs. 500 mio, besides infusing the remaining funds into its venture that envisages procurement of products directly from farmers.
- The government has decided to lift the ban on exports of castor oil, coconut oil and edible oils of minor forest produce with effect from April 1, 2008.
- Thanks to better realization, India's earning from oilmeals export jumped 65 per cent to Rs. 71.09 bio during 2007-08 from Rs. 43 bio last year. The overall export of oilmeals for the fiscal was the highest at 5,442,132 tons as compared to 5,170,700 tons last year, Solvent Extractors' Association of India Executive Director said.
- The government has reduced customs duty levied on all grades of olive oil to 7.5 per cent from the previous rates of 45 per cent on virgin olive oil and 40 per cent each on refined olive oil and olive pomace oil.
- The Union Government has clarified that the stock limit, being enforced under the Essential Commodities Act, 1955 will not apply to imported edible oils.
- In a relief for domestic producers of vanaspati (hydrogenated vegetable fats), the Centre has now stipulated that the total quantum of import of vegetable fats under the Indo-Sri Lanka Free Trade Agreement will be restricted to 0.25 mio tons a year.
- A proposal by the Animal Husbandry Department, functioning under the Ministry of Agriculture, to ban exports of select oilmeals has been withdrawn. The Animal Husbandry Department had proposed to the Cabinet to consider ban on oilmeals in view of rising prices of milk, eggs and meat.
- Total import of edible oil into the country has increased by 31 per cent to 2.611 mio tons during the first six months (November 2007 to April 2008) of oil season 2007-08 compared to 1.999 mio tons in the same period last season.

Food Additives

- Ajinomoto is planning to open its manufacturing facility in India. "Once the consumption level comes to 25,000 tons a year, we will be setting up a plant, quite likely in Tamil Nadu, perhaps in two years", said Managing Director of Ajinomoto India Pvt. Ltd.
- Heavy rainfall and extended spells of cold weather in western India is expected to cut the country's salt production by 12 percent in 2008, making salt dearer at home and curtailing exports.
- Vanilla farming is likely to come down by another 30 per cent for the current year with farmers neglecting and abandoning their plants with prices of other commodities and land shooting up.
- India's guar gum exports for the year ended March 2008 are estimated to have risen about 6 per cent on year to 200,000 tons on strong industrial demand, a top trade official said.

Spices & Flavors

- India's spices export crossed USD 1-bio mark in 2007-08 by registering an increase of 19 per cent in volume, 24 per cent in rupee value and 39 per cent in dollar terms of value. During the year, a total of 444,250 tons of spices and spice products valued at Rs. 44.355 bio (USD 101.80 mio) were exported from the country as against 373,750 tons valued at Rs. 35.7575 bio (USD792.95 mio) in the previous year.
- India, the world's second largest cardamom producer, shipped 1,565 tons during the first 11 months of financial year 2007-08, down 15.17 per cent due to high domestic prices and supply crunch.
- Thanks to heavy rainfall in Turkey, Syria and Iran and favorable weather conditions at home, India's exports of cumin seed is looking up. Raw cumin production is likely to exceed 2.5 mio bags (60 kg a bag) during 2007-2008 up from 1.6 mio bags recorded during 2006-7, a hefty increase of 56 per cent.
- A microbial technology developed by National Institute for Interdisciplinary Science and Technology promises to provide a cost-effective and hassle-free means of white pepper production.
- Tribals of Periyar Tiger Reserve in Kerala have struck a deal with German co-operative Ecoland Herbs and Spices to export the organic pepper that they cultivate.
- A major fire broke out in Guntur (Andhra Pradesh) chilli market yard, the biggest one in the country for the spice. As per the initial enquiry conducted by the state Government, out of 201,000 bags of chillies, 190,000 bags were burnt.
- Indian cardamom production is likely to double within four years to touch 24,000 tons, Spices Board said.

Foodgrains

- The Government hiked minimum export price on basmati rice further to USD 1,100 per ton (Rs. 44,000) and to USD 1,000 per ton (Rs 40,000) on non-basmati rice.
- Coarse grains have recorded sharp price increase this year with the hike ranging between 15 to 28 per cent. Sorghum (*jowar*) touched a peak of Rs. 10,500 per ton in the last week of March as compared to its peak rate of Rs. 7,700 the same time last year, a rise of about 26 per cent.
- India on 31 March scrapped import duties on crude edible oils and banned exports of non-basmati rice amid a raft of measures to stem rising inflation.
- Indian restrictions on rice exports will spur global prices and help fellow exporters like Pakistan and Thailand because overseas sales from India will fall to a fraction of last year's, a trade body said.
- India's decision to ban export of non-basmati rice will badly impact consumers in the UAE and other Gulf states, as the country supplies a large amount of the region's staple food requirements.
- Export of basmati rice shall not be entitled for DEPB (Duty Entitlement Pass Book) benefits.
- India revised upwards its wheat output estimate for 2008 to 76.78 mio tons. A farm ministry official forecast rice output in the 2007/08 crop year would reach 95.68 mio tons.
- India's decision to ban non-basmati rice exports is likely to stoke inflation in importing countries that have few substitutes for rice. Economies likely to take the biggest hit are African countries such as Cameroon, Cote d'Ivoire, Nigeria, Somalia and South Africa, which are the top non-basmati rice importers from India.

(Foodgrains continued on next page)

Foodgrains (Continued)

- Foodgrains production in crop year 2007-08 (July-June) is estimated to have touched a record 227.32 mio tons, with output of rice, wheat, coarse grains, pulses, oilseeds and cotton crossing previous highs.
- The third advance crop estimates from the Union Government released recently has put the country's maize production for 2007-08 season at 18.54 mio tons, higher than last year's production of 15.1 mio tons, and even higher than the second estimate released earlier for the current season.
- The Government's decision to lower the minimum export price of basmati from USD 1200 a ton to USD 1000 a ton and simultaneously impose an export duty of USD 200 or Rs. 8,000 per ton on basmati rice exports has derailed the predominantly export-oriented industry's business calculations.
- PepsiCo India is hoping to procure 5,500 tons of barley grown in Rajasthan at the end of this season, turning profitable the contract farming initiative it has undertaken for UB group.
- Bayer BioScience Private Limited has launched the rice hybrid called Arize Dhani that offers high resistance to bacterial leaf blight (BLB), which causes significant losses to paddy farmers.
- Indian Institute of Pulses Research has developed a high yielding hybrid of "*Arhar dal*" that has about 40 per cent higher productivity than its popular form.
- The government has decided to import 1.5 mio tons of pulses in 2008-09 fiscal through public sector trading agencies, a move aimed at increasing the domestic availability and curb rising prices of the commodity.
- Prices of barley, a major animal feed crop and also used for malting, rose to Rs. 1,200 per quintal from Rs. 900 per quintal during January-May period.
- Wheat procurement by the government has reached a record high in recent times, making it easier for the state to fight inflation in food prices. According to official figures, wheat procurement had touched 20 mio tons by mid-May.

Fruits & Vegetables

- Domestic cashew sector is again in the forefront of delivering a niche product – biodynamic cashew – to the world market. Mangalore-based cashew manufacturer and exporter Achal Industries, in association with 31 farmers in Goa, has become successful in producing world's first biodynamic cashew and delivering the first shipment to an overseas buyer. Biodynamic agriculture is a method of farming that aims to treat the farm as a living system that interacts with the environment, to build healthy living soil and to produce food that nourishes and helps to develop humanity.
- Pal and Partners, a Switzerland-based company, along with Gujarat-based Desai Fruits and Vegetables (in which Pal and Partners have a stake), has been conducting surveys in Vidarbha (Maharashtra) to examine the feasibility of processing Nagpur's mandarin oranges.
- Kerala State-owned Cashew Development Corporation will be launching four innovative products. First among them is "Cashew soup", which is an instant soup mix. Second product is "cashew vita", a health drink targeting growing children. "Cashew powder" is the third product, which can be used as an ingredient for preparing curries. Fourth product, "cashew bits" is a snack.
- Cashew exports from India are on a declining trend with the drop evident in value, volume and unit realization. Exports have fallen by 6 per cent in value terms and almost 4 per cent in volume terms during fiscal 2007-08, as compared to 2006-07. Strengthening of the Indian rupee and cheaper competition from new origins, particularly Vietnam, are seen affecting the Indian cashew industry.

(Fruits & Vegetables continued on next page)

Fruits & Vegetables (Continued)

- Potato growers of Uttar Pradesh, reeling under a bumper crop this year, have more disappointment in store. The state government recently fixed the purchase price for potato, which is much lower than the prevailing market rates.
- Retail giants seem to have caught the fancy of mangoes grown in Gujarat. Large companies engaged in retailing and exports of mangoes are making a beeline to Gujarat for sourcing the fruit. At least half a dozen companies are learnt to have approached mango growers in Junagadh, Valsad and other districts of South Gujarat.
- Keshar, a juicy mango variety grown in the Marathwada (Maharashtra) region, is becoming so popular globally that Mango Growers Association of Aurangabad has started exporting the fruit to Japan, Hong Kong and the US. Nobody knows how Keshar of Junagarh in Gujarat landed on the Marathwada soil.
- Kerala Government will implement a comprehensive organic vegetables farming programme aimed at making the State self-reliant in vegetables production. The programme, to be launched this year, envisages bringing 5,000 hectares of land, spread over 1,000 villages, under vegetable cultivation.
- Himachal Pradesh government is expecting almost 33 per cent fall in apple production this year, compared to last year's output as unfavorable weather condition is affecting production of the fruit.
- Khet-Se Agriproduce India Pvt. Ltd, a joint venture of Tata Chemicals and Ireland's Total Produce for procurement and distribution of fruits and vegetables began operations in Punjab, the company said.
- Gujarat-based Desai Fruits and Vegetables has signed a multi-million dollar contract with a Gulf company for supply of bananas round-the-year and flagged off an 18-ton container of bananas there.
- Jain Irrigation Systems Ltd will set up two projects in Jalgaon in Maharashtra with an investment of Rs. 55 bio. The company has signed an agreement with the state government for these projects, which include production of micro-irrigation equipment, fruit and vegetable processing, and tissue culture.
- Food & beverage players are pitching the king of fruits as an indulgence in an attempt to attract a wider range of consumers. Mangoes have always been exotic. This season, however, they are outright sensuous. With more takers than ever, the fruit and its derivatives are hot enough to be pitched as an indulgence that equals the romance of chocolates, coffee and liqueur.
- Wholesale prices of copra and coconut oil have shot up by 50 per cent from around Rs. 4,000 to Rs. 6,000 a quintal on the back of short supply of copra.

Biotech

- Department of biotechnology in collaboration with the Hyderabad based Centre for DNA Fingerprinting and Diagnostics has developed a diagnostic kit for rapid detection of genetically modified traces in food by going to the level of DNA.
- India and Australia are likely to create a joint corpus to fund research in transgenic crops in public sector. Crops of common interest like cotton, wheat, chickpea and banana have been selected.
- Domestic biotechnology industry is now a USD 3-bio (around Rs. 120 bio) sector, registering 30 per cent growth in 2007-08 over the previous year.
- Ahmedabad-based Platinum Corporation plans to pump in around Rs. 1.60 bio for its agri-biotechnology ventures.

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