



IndiaLive

LIVESTOCK, DAIRY, MEAT, POULTRY & AQUACULTURE DIGEST

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Food Industry Overview

- IMF maintained its forecasts for global growth for both 2011 and 2012 at 4.4 per cent and 4.5 per cent, respectively, saying the global recovery was strengthening even though downside risks have risen. The fastest growth was still coming from emerging economies, it said. China was expected to lead the way with growth of 9.6 per cent this year, followed by India's economy, which was projected to expand 8.2 per cent.
- Seven economies are the potential drivers of Asia's rise over the next 40 years into a powerhouse that accounts for just over half of global output, the Asian Development Bank (ADB) said in a report. "Asia's rise will be led by China, India, Indonesia, Japan, (South) Korea, Malaysia, and Thailand," the ADB said.
- Food inflation may have been a key factor behind Finance Minister's decision to give partial tax relief on some of the 130 items that were brought under the tax ambit in the Budget. Tea, coffee, ketchup, soup, food mixes, flavoured milk, coconut water and ready-to-eat packaged food are some of the major items in the list of 35 items to get 35 per cent abatement on the excise levy of one per cent.
- Credit rating agency Fitch has downgraded Indian economy's growth projection to 8.3 per cent for 2011-12 on account of high inflationary pressures that has forced the Reserve Bank to hike key rates. The agency had earlier projected the country's growth for the current fiscal at 8.5 per cent. It, however, kept its projection for 2012-13 unchanged at 8 per cent.
- Surging global oil prices and the RBI's tight monetary policy prompted the ADB to lower its growth forecast for the Indian economy to 8.2 per cent for the current fiscal from the earlier projection of 8.7 per cent.
- Buoyed by robust services sector growth, the Indian economy would grow by 8.8 per cent in the current fiscal, a Dun & Bradstreet report said.
- India's real GDP growth is expected to grow by 8.8 per cent in FY 12 after having grown a tad faster, at 9 per cent in FY 11, the Centre for Monitoring Indian Economy (CMIE) has said.
- Paris-based think tank OECD today pegged India's growth at 8.5 per cent for the current fiscal, indicating that economic expansion would be slower.
- India has the fundamentals to emerge a winner in the super-cycle, potentially becoming the world's third-largest economy by 2030. India is likely to grow faster, on average, than China over the next two decades, Standard Chartered Global Research said in a report.
- Gujarat has leaped ahead of other Indian states in growth, whereas the states in South India are witnessing a slump in growth, according to a report by Mckinsey & Co. Gujarat has witnessed growth at the rate of 11 per cent as compared to the all Indian growth average of nine per cent.
- Food inflation dropped to 7.7 per cent for the week ended April 30, the lowest level in 18 months, due to a fall in the price of pulses and vegetables, especially potatoes.

(Food Industry Overview continued on next page)

Food Industry Overview (Continued)

- A surge in food items such as milk and fruits in March pushed up the overall Consumer Price Index (CPI) to 106 points in March, from the 105 points recorded in February. According to the CPI data, at the all India level, the index for milk and milk products rose by 1.9 per cent to 109 points as compared to the previous month. Also, indices for egg, fish and meat went up by 1.9 per cent to 108 points as compared to February, while fruits were up sharply by 3.5 per cent to 119 points in March on a sequential basis.
- The government has partially opened limited liability partnerships to foreign investments, ending months of wrangling over the extent of foreign ownership in this new form of business structure. Foreign direct investment in LLPs will be allowed only in those sectors where 100 per cent foreign ownership is permitted.
- India will not ban food imports from Japan immediately as no item has yet tested positive for radioactive contamination. All food imports, however, will now need mandatory 'no-radiation' certification from the Japanese authorities and also face radiation checks once they enter India.

Dairy

- With the introduction of a 1 per cent excise duty on ice cream in the 2011-12 budget, the industry thinks the prices have to be increased by 5 per cent. A few ice cream manufacturers who are keen on not losing their market share are lowering the quantity.
- In a strategic move aimed at grabbing a larger share of the growing demand for milk in the country, Amul's parent Gujarat Cooperative Milk Marketing Federation (GCMMF) has, for the first time, gone beyond its Gujarat boundary and procured milk from other states as well. Over the last six months, GCMMF, which is the largest distributor of milk in the country, has procured 7-8 per cent of its milk from states like Maharashtra, West Bengal, Bihar, Haryana and Rajasthan.
- Gujarat Co-operative Milk Marketing Federation (GCMMF) that markets brand Amul has reported a sales turnover of Rs. 97.80 bio for the fiscal year 2010-11, a growth of 22 per cent over previous year when it had registered Rs. 80.02 bio annual turnover.
- Expecting to grow at 40 per cent this year, Vadilal Industries Ltd (VIL), India's second largest ice-cream maker after Amul, has increased its production capacity from 0.225 mio litres a day to 0.325 mio litres. VIL has invested Rs. 400 mio on expansion-cum-modernisation plans at each of its two manufacturing plants in Pundhara, Gandhinagar district (Gujarat) and Bareilly (Uttar Pradesh) to ramp up capacities. VIL, whose turnover in 2010-11 was around Rs. 2.70 bio with a PAT of Rs. 100 mio, is increasing the network of retailers from the current 50,000 to 70,000 across India. At present, it procures 70,000 litres of milk a day and is planning a backward integration to increase it in the near future.
- French dairy firm Danone is chalking out a measured expansion plan in India. The corporation, which reported USD 20 bio in global revenues for 2010, has been in India for a little over a year and has introduced yogurt, dahi (curd) and smoothie product range in Pune and Mumbai. It is now focusing on Hyderabad. The multinational is expected to stir up some action in the market by planning to bring its blockbuster products.

(Dairy continued on next page)

Dairy (Continued)

- Hatsun Agro Product Ltd will double its exclusive Arun Ice Creams Unlimited outlets by June, said Mr. R.G. Chandramogan, Chairman and Managing Director, Hatsun Agro. The flagship ice cream brand of the dairy company has more than doubled sales in the last three years and is set to touch about Rs. 1 bio in the current year, up from about Rs. 350 mio. Last year, ice cream sales were about Rs. 720 mio on total turnover of Rs. 11.40 bio from branded liquid milk, dairy ingredients and milk-based products.
- After foraying into the packaged milk segment with the launch of Kissan Soya Milk, Unilever is now entering the branded dairy products category with the launch of Kissan Creamy Spread in 22 towns across the country. With this move, Unilever will directly compete with Gujarat Co-operative Milk Marketing Federation (GCMMF)'s Amul and Britannia Industries milk products in the domestic markets.
- After making a mark in almost all areas it has touched so far, diversified conglomerate Jaypee Group has now set its eyes on the dairy sector, where the growing demand-supply gap is only set to widen further. The group initially plans to set up a one mio litre per day milk processing plant near Mathura in Uttar Pradesh with an investment of Rs. 1 bio.
- After increasing milk prices, milk cooperatives and private players are now planning to raise butter, cheese and ghee prices. Dairy products have been contributing to high food inflation for more than a year now. Pune's cheese exporter Parag Milk Foods expects prices to be stable after the monsoon. The company that sells the Go cheese brands has been raising prices of milk and milk products simultaneously. "We are increasing prices after every 20-25 days by 15 per cent. It is not impacting sales and we have to do so to ensure that farmers get good returns", said Parag Milk Foods chairman Devendra Shah.
- Dairy major Amul raised prices of its different varieties of milk by Rs. 2 a litre from today in the national capital and surrounding areas due to increase in input costs. However Mother Dairy, that has a major hold over the milk market in the national capital region and its surrounding areas, has not raised its milk prices. (1 May)
- Karnataka Milk Federation (KMF) is planning to boost its milk processing capacity by setting up a mega dairy in Bangalore. The proposed dairy in Bangalore will have a processing capacity of 1 mio litres a day, and the project cost is estimated at Rs. 750-800 mio.
- KMF has entered into an agreement with Central Arecanut and Cocoa Marketing and Processing Cooperative (Campco) Ltd for the manufacture of chocolates under KMF's brand name, Nandini. Within a few months of launching the product, KMF has been able to sell around 15 tons of chocolate under its 'Nandini' brand name in the market.
- With a new head, a new goal and a new strategy, Mother Dairy is putting together a new plan. By 2014-15, the company wants to almost double its revenue and headcount to Rs. 100 bio and 9000, respectively. This will come on the back of an aggressive business expansion. Heavily focused on the national capital region (NCR), which contributes 75 per cent of its revenues, it hopes to expand to India's top 20-30 cities, with a focus on the south and west and generate 35 per cent of its revenues outside of NCR.

(Dairy continued on next page)

Dairy (Continued)

- When Zydus Cadila launched Nutralite margarine with a mega marketing push in the largely butter-dominated Indian market, Gujarat Cooperative Milk Marketing Federation (GCMMF), the maker of Amul, did not anticipate the kind of impact it would have in a territory it has ruled for so many decades. If the lion's share of around 70 per cent garnered by Nutralite in the butter-like market is anything to go by, the brand has surely left a bitter taste for Amul. GCMMF's late entry into margarine with brand Delicious, which was launched mainly to restrict Nutralite from making a dent into the butter segment, has been relegated to the second position with a share of under 30 per cent.
- Modern Dairies registered a net loss of Rs. 410.7 mio in the year ended March 31,2011 as against a net loss of Rs. 17.7 mio in the year-ago period. However, in the period under review, the total income of the company rose by 5.14 per cent to Rs. 4.6891 bio as against Rs. 4.4598 bio.
- A 10-12 per cent jump in skimmed milk powder (SMP) prices to record levels of around Rs. 200 a kg has made demand almost negligible this summer. Producers apprehend they will have to cut price as they cannot carry stocks for long. This summer, SMP prices have increased from Rs. 180 to Rs. 200 per kg. In December, prices were ruling at Rs. 165 per kg. Export is banned and cooperatives (one of the main customers of SMP) have imported the product. (25 May)

Meat

- Karnataka Sheep and Wool Development Corporation has initiated a Rs. 1.37-bio plan to improve sheep rearing and help farmers in revenue generation. The corporation plans to shift sheep rearing from traditional to modern 'stall' feeding.
- Researchers at the National Research Centre on Meat are working to extract enzymes from the rumen contents of three animals – buffalo, sheep and goat. Once the project is completed, they will develop methods to extract the enzymes: Amylase, Xylanase, Carboxymethyl Cellulase from the slaughter waste.

Aquaculture

- India's seafood exports to calamity-hit Japan will be affected for next six months due to the prevailing situation there, according to industry bodies.
- Mangalore City Corporation, with financial assistance from National Fisheries Development Board, will construct two modern fish markets in Mangalore city.
- India's shrimp exports are back on track largely due to a global shortage, pushing up growth of the seafood sector. With shrimp production in Asian countries such as Indonesia affected by disease, global prices for shrimp have surged during 2010 by 10-20 per cent.

(Aquaculture continued on next page)

Aquaculture (Continued)

- Seafood exports during the last financial year have crossed the USD 2.67-bio mark mainly due to rise in demand from the US, Marine Exports Product Development Authority (MPEDA), sources said. Exports to US registered a remarkable growth of 104 per cent in dollar realization and 47 per cent in terms of volume, while the total exports increased by 10.96 per cent in volume, 20.42 per cent in value (rupee) and 25.55 per cent in dollar realization compared to the same period of last year. According to the provisional export figures released by MPEDA, seafood exports during the last financial year surged to 752,791 tons, against 678,436 tons during 2009-10. Despite a marginal decline of one per cent in quantum of exports, the European Union remained the largest export destination with a market share at 26 per cent while the US regained the second spot with 16 per cent along with South East Asia, which also accounted for 16 per cent. China with 15 per cent, Japan with 14 per cent and West Asia with 5 per cent were some of the other major export destinations. The most spectacular growth was reported in exports to the US, which grew by 104 per cent while quantity increased by 47 per cent.
- According to the provisional export figures released by MPEDA, frozen shrimp continues to be the major export item accounting 46 per cent of the total dollar earnings. Shrimp exports during the period increased by 13 per cent in volume, 35 per cent in rupee value and 41 per cent in dollar term, respectively. Unit value realization of shrimps has increased by 24 per cent during the period. Shrimp export to Japan also showed an increase of 17 per cent, and 43 per cent in volume and dollar value, respectively. Export of Vannamei shrimp touched close to 10,000 ton during the last fiscal.
- The work done so far in India has resulted in the country emerging as a significant producer of soya-based extruded floating feeds and sinking pellets for fish. Currently, there are as many as seven feed mills with installed capacity of 72 tons an hour which is set to soon expand to 203 tons an hour.



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