



# IndiaLive

LIVESTOCK, DAIRY, MEAT, POULTRY & AQUACULTURE DIGEST

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## *Food Industry Overview*

- Global rating agency Fitch has said the Indian economy is projected to grow at 7.5 per cent in 2012-13.
- The Indian economy is expected to expand by 7.6 per cent in the current financial year on robust services sector, research firm Dun & Bradstreet said.
- Finance Minister Pranab Mukherjee in his Budget speech said, "taking a bird's eye view of the entire economy and keeping in mind the difficult global environment, I expect India's GDP growth in 2012-13 to be 7.6 per cent."
- India is expected to grow at 6.1 per cent in calendar 2012, similar to the pace recorded in the fourth quarter of 2011, according to the Ernst & Young's quarterly Rapid Growth Markets Forecast.
- Projecting a moderate increase in growth rate for India to 7 per cent in 2012-13, the Asian Development Bank has said strong economic performance will depend on the country's ability to push reforms agenda and address issues constraining investments.
- US-based investment banker Morgan Stanley has cut India's GDP forecast to 6.3 per cent from its earlier projection of 7 per cent for 2012-13.
- The Government is likely to set minimum investment limit for joint venture partners under foreign direct investment policy. "We have decided to define 'joint venture' under which at least two partners should have a minimum 25 per cent stake each. Till now there was no specific shareholding mentioned in FDI policy to define joint venture", an official source said.
- India has decided in principle to allow foreign direct investment (FDI) from Pakistan, trade minister Anand Sharma said. This is the latest sign of improving commercial ties between the nuclear-armed rivals.
- India's exports rose an annual 21 per cent to USD 303.7 bio for the fiscal year 2011/12, while imports rose 32.1 per cent to USD 488.6 bio, an official said citing provisional data. The trade deficit was at USD 184.9 bio.
- Citing slow fiscal progress and deteriorating economic indicators, global rating agency Standard and Poor's (S&P) has revised India's outlook on long-term rating to 'negative' from 'stable'. But it has kept the long-term rating as 'BBB-'. "We expect India's real GDP per capita growth will likely remain moderately strong at 5.3 per cent in the current fiscal year ending March 31, 2013, compared with about 6 per cent on average over the prior five years, but down from 8 per cent in the middle of the last decade," the agency's credit analyst said.
- The government said the cash and carry sector attracted Foreign Direct Investment worth USD 1.9 bio from April 2000 to February 2012.
- Foreign direct investment (FDI) in India spiked 34 per cent to a record USD 46.8 bio in 2011-12, latest RBI data show. India is ranked third in the list of countries attracting most FDI, after China and the US.

(Food Industry Overview continued on next page)

## *Food Industry Overview (Continued)*

- New Zealand Trade Commissioner to India, has said his country is expecting to conclude the Free Trade Agreement (FTA) with India by next year.
- The Free Trade Agreement between India and Switzerland is expected to be concluded by the end of 2012, Mr. Rolf Frei, Consul General of Switzerland for India, said. The two-way trade between the two countries expanded from USD 7 bio in 2005-06 to USD 35 bio in 2009-10, with India being one of the most important investment destinations for Switzerland.
- The proposed India-EU free trade pact which seeks to liberalize trade in goods and services will include government procurement and is likely to be concluded by this year end.

## *Dairy*

- The World Bank signed an agreement with India to provide USD 352 mio for the National Dairy Support Project, a step that will benefit about 1.7 mio rural milk producing households. National Dairy Support Project aims to increase productivity of milk animals and improve market access of milk producers in project areas. The project will be financed by credit from the International Development Association (IDA), World Bank's concessionary lending arm, which provides interest-free loans with 25 years to maturity and a grace period of five years. The project will cover some 40,000 villages across 14 major dairying states. The ambitious Rs. 22.42 bio National Dairy Plan phase-one (NDP-I) was launched on 19 April by Union agriculture minister Sharad Pawar at NDDDB, Anand.
- Gujarat will soon get its first commercial dairy for processing of camel milk into various products in Kutch district. Gujarat Milk Marketing Federation (GCMMF) or Amul has agreed in principle for marketing of the camel milk which is high in nutrition and low in fat, a state government official said.
- With an estimated seven per cent increase in domestic milk production this year, availability of milk and dairy products has improved. The improved supply, driven by higher production, has led to a fall in domestic prices of dairy products like skimmed milk powder (SMP) and butter oil (ghee).
- "There has been a 20-25 per cent drop in prices of both, SMP and butter oil, since Diwali (November). Export of milk products is banned and domestic availability has improved. Therefore, the higher production is exerting pressure on product prices and milk procurement prices", said Sandeep Aggrawal, director, SMC Foods, which sells SMP under the Madhusudan brand. The SMP is currently priced at Rs. 160 a kg, while butter oil is around Rs. 220 a kg. The industry has reduced the price of milk it procures from farmers to Rs. 24 a litre from Rs. 29 a litre.
- Milk product company, Paras, has invested about Rs. 300 mio in its dairy processing unit at Hardoi district in central Uttar Pradesh.

(Dairy continued on next page)

## *Dairy (Continued)*

- Hit by increasing surplus and crashing prices, the dairy industry is demanding removal of the year-long export ban on milk products. Compared to milk production of 123 mio tons last year, the dairy industry is expecting production of 130-132 mio tons. In February 2011, the government had banned export of milk powder (including skimmed milk powder, whole milk powder, dairy whitener and infant milk foods), casein and casein products to cool food inflation that had crossed 11 per cent.
- The government has allowed exports of casein and its products, a value added milk item, "Export of casein and casein products has been moved from prohibited to restricted category. Export of casein is now permitted under license", Directorate General of Foreign Trade said in a notification.
- Milk procurement is increasing now as producers are getting very remunerative prices. Amul itself has increased prices by about 22 per cent in the last two years. Its milk farmer-members are getting Rs. 32 / litre for buffalo milk (with 7 per cent fat) and Rs. 21 for cow milk, besides a Rs. 2 / litre bonus at year-end. The GCMMF currently pays including bonus Rs. 34.40 for buffalo milk and Rs. 22.50 for cow milk.
- Gujarat Cooperative Milk Marketing Federation has decided to hike prices of Amul brand milk by up to Rs. 2 per litre in Delhi and NCR region from mid-April. "Amul Taaza (toned) milk will cost Rs. 30 per litre in Delhi and NCR compared to Rs. 29 per litre, while slim and trim shall cost Rs. 26 per litre in place of Rs. 25, and Amul Gold (full cream) will be Rs. 40 per litre against Rs. 38 per litre", the Federation's Managing Director told reporters.
- Frozen desserts, which look and taste like ice cream but are made out of vegetable fat, have silently grabbed a 40 per cent share in India's 18 bio organised ice-cream market without most consumers realizing they are not ice cream. Led by Hindustan Unilever's Kwality Walls, Vadilal, Lazza Ice Creams and Cream Bell, frozen desserts- served in identical cups, cones and sticks as ice cream-have found a strong foothold in the country in less than two decades since Kwality Walls introduced them. But food authority officials and original ice-cream makers such as Amul and Mother Dairy feel these companies are misleading consumers by masquerading frozen dessert as ice cream. While real ice cream is made with milk fat, frozen dessert is made with vegetable fat, which is almost 80 per cent cheaper.
- Two decades ago the Karnataka Milk Federation used to procure 2 mio litres of milk per day and at present it procures 4.5 mio litres. All efforts are being made to increase the milk procurement to 10 mio litres in the next two years.
- Maharashtra government has issued a government resolution to give Rs. 2 / litre subsidy for conversion of excess milk into milk powder. The decision of giving the subsidy will be applicable till further order of the government or till May 31, whichever is early.
- Mother Dairy has launched its entire range of dairy products including yogurt, mishti doi, butter milk, Butter and cheese in Jaipur.
- The Tamil Nadu government has announced that it would procure 10,000 milch cows with financial assistance from banks. The move was part of the government's efforts to usher in a 'Second White Revolution.

(Dairy continued on next page)

## *Dairy (Continued)*

- Amul, has launched its protein-rich product for children at a competitive price of Rs. 25 less than its nearest competitor Bournvita from the Cadbury stable.
- Gujarat Milk Marketing Federation (GCMMF) will invest around Rs. 30 bio in the next five years to set up new plants and enhance its daily milk processing capacity from the existing 14.5 mio litres to 18.0 mio litres. Currently it has 52 such plants. GCMMF hopes to achieve a turnover of Rs. 300 bio by 2018.
- Gujarat Milk Marketing Federation (GCMMF) will hike milk prices by 5-7 per cent in 2012-13. Consumers are already paying 11-12 per cent more for milk currently over what they were paying a year back.
- Gujarat Co-operative Milk Marketing Federation (GCMMF), owners of Amul brand of milk and dairy products, posted sales of Rs. 116.70 bio for the year ended March 2012, almost 55 per cent more than Nestle India's Rs. 75.41 bio sales.



- Amul, the country's largest food brand, is rolling out Prolife lassee and buttermilk, to compete in a category created by probiotic yogurt drink Yakult in India.
- Amul India plans to rejig its chocolate portfolio. On the cards is focus on larger bars of over 100 grams to shore up topline and ramping up of chocolate production capacity at Anand. Currently chocolates account for less than two per cent of the group's Rs. 120 bio turnover. Amul enjoys 8 to 10 per cent share in the Rs. 15 bio chocolates market in India.
- Dairy brand Amul has filed a suit against an Ahmedabad-based company for launching five products with similar packaging and names. The five brands in question are Vimal Shrikhand, Vimal Butter Milk, Vimal Paneer Fresh, Pizza Cheese Mozzarella and Mast Dahi.
- Parag Milk Foods, the owner of dairy brands such as Gowardhan and Go, is all set to open 150 milk, cheese and yoghurt outlets, through the franchise route. The company will be launching more natural and seasonal fruit flavoured yoghurt and lassi (sweetened butter-milk). Parag has already launched chocolate flavoured cheese in tubes for kids.
- Tea major Goodricke Group is planning to foray into dairy business and will soon seek the Reserve Bank of India's approval for it. The company, currently carrying out research and development on a dairy project in West Bengal's Jalpaiguri district, is likely to seek permission from the apex bank after June this year for the commercial venture. When the project would be in its full scale of operation, commercial production of milk would be 10,000 litres per day.

## Poultry

- The US has sought to impress upon India to lift the ban on American poultry products, arguing that they do not pose a human health risk as is being asserted by India.
- American poultry industry has welcomed the decision of the US Government to approach the World Trade Organization against India for imposing restrictions on imports of its agriculture products. The US Trade Representative (USTR) has requested the WTO to establish a dispute settlement panel to decide American claims regarding Indian restrictions on imports of various US agricultural products, including poultry meat and chicken eggs.



- Oman has imposed a ban on import of Indian live birds and their by-products such as poultry meat and eggs. With Oman banning egg imports from India, egg prices have plummeted by 30 per cent in the wholesale market. The ban came into effect from March 27. One-third of India's poultry exports go to Oman - around 20 mio eggs a month. The ban was based on the OIE (World Organisation for Animal Health) norms. The ban will be lifted only three months after the OIE declares a country free from bird flu. The ban follows the flu's outbreak in Odisha.
- The poultry industry in Andhra Pradesh is facing a severe crisis due to abnormally high prices of maize and soyabean, which are used in making the poultry feed. The industry, which provides employment to over 600,000 people in the state, is seeking government intervention to bring down the prices of ingredients used in making the feed. Prices of maize and soyameal have doubled even while the selling prices of eggs and broilers have halved due to summer. The state produces over seventy mio eggs a day, which is one-third of country's egg production, and thirty mio broilers per month, which is about one-tenth of country's broiler production.
- Suguna Group, makers of poultry and poultry-based products, has entered the education sector with the setting up of Suguna Institute for Poultry Management.

## Meat

- India is likely to become the world's largest beef (buffalo meat) exporter by 2013 as there is consistent demand from price sensitive importers, primarily in Southeast Asia, West Asia and Africa, USDA has said. According to USDA, India's export of buffalo meat is estimated to rise 25 per cent to 1.52 mio tons in 2012 from 1.22 mt in 2011. Export growth is largely on account of consistent demand from price sensitive importers, primarily in Vietnam and Southeast Asia, West Asia and Africa. As a result, the number of export production units is increasing to meet growing export demand for low-cost Indian buffalo meat.

## Aquaculture

- The Karnataka Coastal Area Development Authority is planning to set up 20 fish markets in the next fiscal.
- All seafood exports from India to the EU are coming to a halt. In a notification dated March 15, the Export Inspection Agency (EIA) has stated that it will not be giving health certificates and Q certificates to exporters unless the product is sourced from fishing boats and landing centres registered with the agency. Without the health certificate from the EIA no European Port will entertain Indian seafood export consignments. Q Certificate is mandatory for the Indian customs to release the consignments for exports.



- South East Asia became the top consumer of Indian sea food items with a market share of 39.79 per cent in volume of exports and 25.66 per cent in Re value realization during April–January period of 2011-12. The South East Asian market which has been showing interest in Indian seafood items for the last 10 years, surpassed European Union.
- Seafood exporters from Gujarat and Maharashtra are at a loss as China has decided to stop imports of Indian seafood on quality grounds from June 1. India has been excluded from the list of countries that have cleared China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) certification norms for the export of aquatic products.
- Seafood processing industry is facing a serious crisis due to labour shortage. Seafood processing units in the coastal states are employing migrant labourers from the northeastern states due to shortage of local labour. The peeling industry, which is, highly skill based and completely dominated by women, is finding it difficult to find adequate number of labourers due to competition from other sectors. The implementation of Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) scheme has aggravated the situation and several peeling sheds in Kerala have stopped operations, officials of the Chamber of Kerala Seafood Industry said.
- Karnataka has registered the highest growth in fish production among the coastal States in the country. According to an independent study conducted by The Associated Chambers of Commerce and Industry of India (Assocham), Karnataka posted a compounded annual growth rate of about 11.5 per cent in the last five years. It produced 0.5 mio tons of fish last year (Rs 40 bio in value terms), and accounted for 6 per cent of overall fish production in the country estimated at 9.1 mio tons. Andhra Pradesh, with 8 per cent growth, ranks second in terms of growth in fish production, followed by West Bengal (4.9 per cent), Tamil Nadu (4.5 per cent) and Odisha (3.25 per cent). According to the study, Kerala and Goa have recorded a fall in fish production, mostly due to over-exploitation of fishery resources, highlights the study.

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