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Food Industry Overview

- Prime Minister's Economic Advisory Council (PMEAC) sees Indian economy recording 6.4 per cent growth in the current fiscal. The PMEAC sees current account deficit at around USD100 bio or 4.7 per cent of the projected GDP. It pegged Wholesale Price Index inflation at around 6 per cent and food inflation, at 8 per cent. The PMEAC has projected higher inbound Foreign Direct Investment (FDI) at USD 36 bio during 2013-14. The net FDI inflow in 2012-13 was USD 18 bio (USD 26 bio inbound and USD 8 bio outbound). Outbound FDI is also expected to increase, resulting in net FDI inflow of USD 24 bio (this fiscal), PMEAC said.
- According to Prime Minister of India, the economic growth is expected to recover in 2013-14 with the slew of reforms the government has undertaken. Expecting growth to be over 6 per cent in 2013-14, he said that the government has undertaken 42 reforms in financing, banking, industry, infrastructure and taxation.
- International Monetary Fund (IMF), indicating that India's declining growth has bottomed out, said the country's GDP is likely to improve to 5.7 per cent in 2013 and further to 6.2 per cent a year after.
- World Bank sees India regaining economic momentum and recording 6.1 per cent GDP growth in the fiscal year 2013-14. Growth is expected to increase further to 6.7 per cent in 2014-15.
- According to Barclays, India's current account deficit (CAD) is likely to witness a "gradual" improvement in the next two to three years and it is expected to come down to 3.9 per cent of the GDP this fiscal.
- Global rating agency Moody's expects Indian economy to grow in the range of 5.5-6.5 per cent in 2013-14.
- According to Asian Development Bank, the Indian economy will expand by 6 per cent in 2013-14 on account of base effect and improved global prospects. Inflation was pegged at 7.2 per cent in 2013-14, and seen to moderate further to 6.8 per cent in 2014-15.
- According to the international brokerage Credit Suisse Indian economy is set to recover smartly from June onwards, given a litany of good tidings such as falling inflation and interest rates, and an improvement in the fiscal and current account deficits.
- Global rating agency Standard & Poor's projected Indian economy to grow by 6 per cent in the current fiscal.
- Crisil Research has cut India's GDP growth forecast for 2013-14 to 6 per cent from 6.4 per cent.
- International Monetary Fund (IMF) projected India's Current Account Deficit (CAD) at 4.9 per cent of the GDP in 2013. In its World Economic Outlook, the IMF projected India's CAD to come down to 4.6 per cent in 2014. IMF sees the Indian economy recording 5.7 per cent growth during calendar year 2013. For 2014, the Indian economy is expected to record 6.2 per cent GDP growth.
- Supreme Court of India has cleared the hurdles for the implementation of Foreign Direct Investment in multi-brand retail sector.

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Food Industry Overview (Continued)

- Stepping up efforts to tackle tax evasion, the 45-nation grouping on tax administration, which includes India, has agreed to share among themselves information received by member countries from "offshore leaks". A worldwide media expose, described as "offshore leaks" claimed to have unearthed details of 0.25 mio individuals and entities from over 170 countries, including India, who evaded taxes by setting up companies in tax havens.
- India's exports during 2012-13 declined 1.76 per cent to USD 300.6 bio mainly on account of slowdown in the global economy. Imports during the year grew 0.44 per cent to USD 491.48 bio from USD 489.31 bio the previous fiscal. The declining exports have also pushed up the trade deficit during the fiscal to USD 190.91 bio from USD 183.4 bio in the previous financial year. In order to encourage exports, the Government has announced a host of steps including extension of the zero-duty export EPCG scheme beyond March 2013 and incentives for Special Economic Zones (SEZs).
- According to the report '2013 National Trade Estimate: Foreign Trade Barriers', the US goods trade deficit with India was USD 18.2 bio in 2012, up USD 3.5 bio from 2011. US goods exports in 2012 were USD 22.3 bio, up 3.9 per cent from the previous year. Corresponding US imports from India were USD 40.5 bio, up 12.1 per cent.
- Indian exports to Germany declined by over 7 per cent to euro 7 bio and imports shrunk by over 4 per cent to euro 10.4 bio, with trade surplus of about euro 3.4 bio in favour of Germany during 2012. Germany is the 8th largest foreign direct investor in India. The flow of German FDI reached nearly euro 1.16 bio in 2011. Germany's total FDI in India was USD 5.1 bio in the period 2000-2012, constituting about 3 per cent of total FDI to India. There are more than 1,600 Indo-German collaborations and over 600 Indo-German joint ventures.
- With India and Iran having decided to give a major push to their bilateral ties in all aspects, the two sides have agreed to work on a trilateral transit agreement involving India, Iran and Afghanistan.
- A delegation from Argentina and Indian Industries Association signed a Memorandum of Understanding to explore joint ventures, technology transfer and improve understanding of each other's markets.
- India and Eurasian Economic Commission agreed to move towards starting negotiations for a Comprehensive Economic Cooperation Agreement (CECA) between India and Customs Union (CU) which comprises Russia, Belarus and Kazakhstan.
- According to Canadian Consul General, India's bilateral trade with Canada is expected to grow to USD 15 bio by 2015 from the present USD 5.8 bio. Currently there are 700 Canadian companies in India. Both the countries have set a target to conclude a Comprehensive Economic Partnership Agreement (CEPA) by the end of the year 2013.
- India and Malta have renegotiated their Double Taxation Avoidance Agreement (DTAA) to align with global norms and changes in domestic laws. On April 8, 2013, India and Malta signed the new DTAA.
- India's imports from Sri Lanka went up by almost 45 per cent to cross USD 720 mio in 2011-12, making Sri Lanka the largest source of merchandise from the South Asian region for India. Sri Lanka's exports to India had multiplied by over 16 times in this period, while India's exports to Sri Lanka had gone up by less than 7 times.

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Food Industry Overview (Continued)

- According to Assocham, China has expressed interest to help Indian exporters market their products in China. Of the bilateral trade of USD 66.47 bio in 2012, India and China trade imbalance stood at USD 28.87 bio, which is in favour of China.
- India and China signed three deals to step up exports to the Dragon country as part of efforts to address the huge trade imbalance.
- India and China, has set a target to increase two-way trade 47 per cent in two years - from USD68 bio in 2012-13 to USD100 bio by 2015. The two also agreed to work on a new set of measures to settle the border issue and establish a relaxed visa regime to ensure businessmen from both sides could travel to each other's countries without having to go through a long process.
- India and China signed eight agreements - on service trade promotion, sharing of hydrological information of the Brahmaputra River, creating linkages between Indian and Chinese cities, among other issues.
- India and Belarus have agreed to work closely in the fields of trade, commerce and culture to further deepen bilateral ties. The two sides signed an agreement on cooperation.
- According to a report by Associated Chambers of Commerce and Industry of India (Assocham) Odisha has emerged as the second best destination in attracting private investments after Gujarat until December 2012. The state accounts for about 12 per cent share of the total private investment lined up in the country. Odisha has attracted private investments worth Rs. 8 trillion as of December 2012 with the state's total outstanding investment at Rs. 11.7 trillion.

Dairy

- According to a CII-McKinsey report packaged milk, as a category, is projected to grow from USD 7.76 bio to USD 32.9 bio by 2030, registering an annual growth of 8 per cent. About 73 per cent of the milk sold by 2030 would be branded, against 31 per cent at present.
- According to a ASSOCHAM report, Indian yogurt industry may touch Rs. 12 bio by 2015 from the current level of Rs. 7.50 bio as a low-fat and even no-fat alternative. As per the report, the yogurt industry is growing at a compound annual growth rate (CAGR) of 40 per cent to 45 per cent annually in India. The demand of frozen yogurt market is likely to see growth of 70 per cent to 80 per cent each year over the next three years. Consumption in India still stands at a nascent 0.3 kg per capita every year.
- Indian dairy model of supplying daily milk to consumers in the form of pouches is now being adopted by the western world and even in neighbouring Pakistan. A total of 80 mio milk pouches are sold daily across India. Of these, Amul counts for 18 mio milk pouches.
- Dairy cooperatives in Tamil Nadu (TN) are to get a boost with a Rs. 956.6 mio investment to upgrade and expand their milk handling capacity. State-run Aavin dairy's sales had increased to Rs. 35.83 bio in 2012-13 from Rs. 27.91 bio in the previous year. The TN government will grant "Star Status" to milk unions to promote better quality and also provide cash incentives.

(Dairy continued on next page)

Dairy (Continued)

- The dairy industry, led by the country's largest milk cooperative that owns the Amul brand, has opposed the proposed India-EU free trade agreement (FTA) on the ground that it would lead to subsidized dairy products from Europe flooding India. Farmer body Bharatiya Kisan Union (BKU) is also opposed to the proposed trade pact which it claimed would benefit the EU more as more than 60 per cent of Indian farm exports already go to the EU duty free. So far, India has protected the dairy sector in all the free trade pacts signed.
- Dairy scientists at the National Dairy Research Institute have successfully developed a technology for fortifying milk with multiple micro-nutrients. Two variants of milk were formulated, one contained iron in combination with vitamin A and the second variant was fortified with calcium and vitamin D. A 250 ml serving of the iron and vitamin A fortified milk will provide 30-35 per cent of iron and vitamin A requirement on daily basis. Similarly, A 250 ml serving of the calcium and vitamin D fortified milk will provide 40-45 per cent of calcium and vitamin D requirement on daily basis. The product has high heat stability and good sensory acceptability up to 7 days storage.
- Amul, the country's largest dairy brand, has clocked sales revenue of Rs. 137.50 bio in 2012-13, registering a growth of 18 per cent over the previous year's turnover of Rs. 116.68 bio. It has been growing at a compounded growth rate of 20 per cent for the past five years. Sales turnover of the Amul group, owned by close to 3.2 mio farmers from 17 district cooperatives, is estimated at almost Rs. 200 bio. GCMMF chairman said the dairy was focusing on expanding its capacity across plants by 30 per cent to process 20-mio liter milk per day as milk procurement is rising.
- Amul has increased its prices by Rs. 2 a liter across all categories. The 5-7 per cent increase in prices in Mumbai, Delhi NCR and Uttar Pradesh. Amul commands 42 per cent share in the Delhi NCR pouched milk market, estimated at 5.5 mio liters a day. It sells about 2.3 mio liters of pouched milk in Delhi, while Mother Dairy, including its bulk sales, vends about 3 mio liters a day.
- Gujarat Cooperative Milk Marketing Federation, the maker of Amul brand milk products, will begin offering its select products to global buyers through an international auction site. It will begin selling our SMP (Skimmed Milk Products) and WMP (Whole Milk Powder) products through Global Dairy Trade platform from June this year.
- Mother Dairy Fruit & Vegetable Ltd. plans to scale up business from the eastern region to Rs. 1 bio from the current Rs. 250 mio in the next three years. It is currently present only in the ice cream segment in the eastern region and has launched fresh dairy products including mishti doi (sweet curd), lassi in bottles and frozen yoghurts in flavours such as mango and blueberry in the Kolkata market. Fresh dairy products account for nearly 10 per cent of the company's turnover, which was close to Rs. 60 bio in 2012-13. The company aims to achieve over 30 per cent growth in business in 2013-14.
- Chief Minister of Bihar inaugurated a dairy project in Rohtas district. The project is the first plant in the state for production of cheese. He informed that Bihar government had increased milk production from 0.45 mio liters in 2005 to 1.8 mio liters now.
- Sterling Agro has launched the Nova brand of pouched milk in Delhi.
- Pune-based Vaishnodevi Dairy Products Pvt. Ltd. has chalked out plans to double processing capacity and add new products. It launched fresh packaged cow's milk under the Shubhi brand and has begun supplying 20,000 liters per day in Pune and Thane. In the second phase, volume will touch 50,000 liters per day.

(Dairy continued on next page)

Dairy (Continued)

- Nestle India will invest Rs. 2.5 bio on expansion and modernization of its existing milk plant at Moga in Punjab. It had made investment of Rs. 95 bio in the country. The company was procuring milk from as many as 110,000 dairy farmers across the state. The company has agreed in principle to upgrade 3-4 existing private dairy farms in the state of Punjab to demonstrate modern dairy practices.
- Parag Milk Foods Pvt Ltd. nationally launched cheese spread in six flavours. Parag, which also opened its exclusive outlets in Mumbai and Pune, plans to open 10-150 such retail outlets in Gujarat alone in the next two years. Parag Milk invested Rs. 1.65 bio in expanding its cheese business. It had set up a cheese processing plant with a capacity to produce 40 tons of cheese daily. In 2013, it is increasing the number of distribution depots from the existing nine to 20. Of the company's Rs. 10 bio turnover, cheese has 25 per cent share.
- Parag Milk Foods (P) Ltd will invest Rs. 7 bio to create new facilities in East and North India and upgrade its infrastructure in near future to meet the demand for dairy products in India. It aspires to be a Rs. 50 bio company by 2017.
- International Finance Corporation (IFC) will invest up to Rs. 930 mio in Pune-based Parag Milk Foods for the latter's expansion activities. The maker of Go Cheese and Gowardhan ghee, which plans to expand its facilities at Manchar in Maharashtra and Palamaner in Andhra Pradesh, will spend close to Rs. 1.79 bio on these projects.
- Tirumala Milk Products has prepared a Rs. 2-bio expansion plan. This includes a Rs. 1-bio processing facility at Melamuthur, Andhra Pradesh with a capacity to process 0.4 mio liters a day. When it is ready, the total capacity of the dairy would go up to 1.9 mio liters a day. The company is also planning to set up an integrated dairy at Vinukonda in Guntur district of Andhra Pradesh with an investment of Rs. 1 bio. It has seven milk processing plants and 115 chilling centers across south India. It is procuring 1.1 mio liters of milk a day from 200,000 farmers.
- Tirumala Milk Products registered a turnover of Rs. 15 bio and a profit of Rs. 1.10 bio in 2012-13 and is targeting a turnover of Rs. 20 bio this financial year.
- Tirumala Milk Products has announced a change in its logo as part of revamped branding.
- Tirumala Milk Products has launched "Tringo" range of flavoured milk in mango and strawberry-banana flavours.
- Visakha Dairy released a new product - 100 ml toned milk in Tetra Pak at Rs. 5. It is aiming at a target of 0.1 mio liters per day by the end of the year 2013. The 100-ml Visakha Tetra Pak is aimed at the lower end consumer, combining the twin features of affordability and single use. The product will be sold in Andhra Pradesh, Chhattisgarh and Odisha.
- Visakha Dairy is setting up Rangampeta (Andhra Pradesh) processing plant at a cost of Rs. 200 mio with a capacity of 0.25 mio liters to 0.3 mio liters. It is selling 75,000 liters of high quality milk per day with varying fat content in toned, double-toned, skimmed and standard milk variants. The Dairy was procuring milk from more than 0.2 mio farmers in the five districts, covering 2,800 villages.

(Dairy continued on next page)

Dairy (Continued)

- Puducherry State owned Cooperative Milk Producers Union, popularly known as `PONLAIT` has drawn up plans to modernize its milk chilling plant here at a cost of Rs. 100 mio in a phased manner. With the government encouraging dairy projects by extending subsidy for purchase of milch cows under the Rashtriya Vikas Kisan Yojana, the Union Territory is expected to register higher production of milk.
- Milk production and marketing in Dakshina Kannada and Udupi districts of Karnataka saw a growth of around 14 per cent and 4 per cent, respectively, during 2012-13. The average milk procurement of the union stood at 0.223 mio liters a day during 2012-13 against 0.196 mio liters a day in 2011-12, recording a growth of 13.77 per cent. Karnataka Government has decided to increase subsidy to milk producers from Rs. 2 a liter to Rs. 4 a liter. This will help milk farmers in the district.
- Dakshina Kannada Co-operative Milk Union Ltd is planning to open 30 primary milk producers' cooperative societies this year. Currently, 647 primary milk producers' cooperative societies come under the jurisdiction of Dakshina Kannada Co-operative Milk Union Ltd in Dakshina Kannada and Udupi districts. Another 28 primary milk producers' cooperative societies and 114 automatic milk collection units will be set up in 2014-15, and additional 27 societies and 74 automatic milk collection units will be set up in 2015-16. During 2013-14, the union is planning to introduce banana and pineapple flavoured milk and ready-to-eat gulab jamoon in the market.

Meat & Poultry

- Processed poultry products will clock the fastest growth of 17 per cent per a year to USD 8.34 bio by 2030, against USD 398 mio in 2010 according to the CII-McKinsey report on "India as an agriculture and high value food powerhouse by 2030".
- Hit by a spurt in raw material costs and non-remunerative prices, the poultry industry has sought a relief package to ride out the downturn. A delegation of National Egg Coordination Committee met the Agriculture Minister, Government of India and urged the Government to extend a revival package for the Rs. 570-bio industry.
- India and China have signed eight agreements related mainly to trade between the two countries. Out of which, three agreements were to give access to three of India's exports to address the imbalanced trade between the two countries. Memorandum of Understandings on buffalo meat and other products were among the agreements signed. The agreements will allow India to export buffalo meat, fisheries and pharmaceuticals and also feed and feed ingredients.



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