



IndiaLive

LIVESTOCK, DAIRY, MEAT, POULTRY & AQUACULTURE DIGEST

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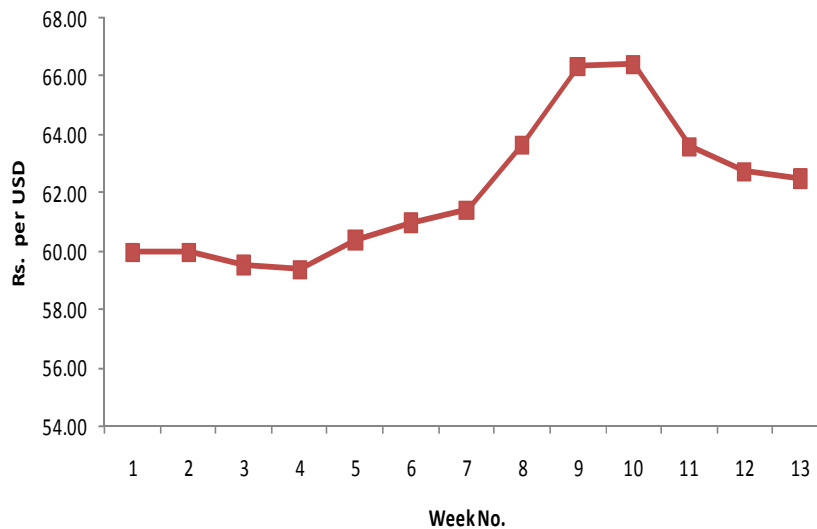
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Food Industry Overview

- Government of India relaxed the foreign direct investment (FDI) policy on multi-brand retail trading, by easing the three mandatory conditions. Firstly, on the 30 per cent sourcing from small domestic industries, the government expanded the definition of micro, small and medium enterprises (MSME), to include companies with a total investment of up to USD 2 mio in plant and machinery for sourcing of 'manufactured and processed' products. Secondly, on the 50 per cent of the investment to be in back-end infrastructure, the 50 per cent investment will be restricted only to the first tranche of USD100 mio, the mandatory initial investment amount, while subsequent investments into back-end will depend on the retailer. Finally, retailers are to now be allowed to open stores in all states that have agreed to implement FDI in multi-brand retail, even if such states do not have cities of more than a mio population.
- Government of India has given greater operational flexibility to Special Economic Zones (SEZ) by reducing the minimum area required for setting up such zones and easing exit norms. The amended SEZ rules have reduced by half the minimum land required for setting up multi-product and sector-specific SEZs to 500 hectares and 50 hectares, respectively. Sector-specific SEZs have been given the freedom to add an additional sector for every 50 hectares of contiguous area.
- The rupee has seen significant volatility during the past three months as can be seen from the following chart.

INR / USD July to September 2013



- According to ITC Agri and IT Business Group Head, investments in the Indian food processing sector grew at 20 per cent per annum in five years and total investment at present is estimated at Rs. 1500 bio, employing over 10 mio persons.

(Food Industry Overview continued on next page)

Food Industry Overview (Continued)

- According to the official data, India's gross domestic product (GDP) growth dived to a four-year low of 4.4 per cent in the April-June quarter of 2013-14, against 4.8 per cent in the fourth quarter of the previous financial year.
- According to the Consumer Affairs Minister, the Indian domestic retail market is poised to touch USD 1.3 trillion by 2020. FMCG industry is growing at 11 per cent annually. The current retail market size is USD 500 bio.
- Leading global brokerages have cut their growth forecasts for the Indian economy. The estimates range from as low as 3.5 per cent to a maximum of 5.4 per cent. Standard Chartered has lowered India's growth forecast for the current financial year to 4.7 per cent from 5.5 per cent earlier. HSBC lowered India's GDP forecast for the financial year 2014 to 4 per cent from 5.5 per cent earlier. CLSA and Nomura lowered their growth expectations from 5 per cent to 4.2 per cent.
- Prime Minister's Economic Advisory Council pegged economic growth at 5-5.5 per cent for the current financial year.
- The GDP growth estimate by Crisil was reduced to a decade-low of 4.8 per cent (from 5.5 per cent as estimated in June) in 2013-14.
- According to UN agency UNCTAD the Indian economy is likely to grow at 5.2 per cent in 2013 calendar year on the back of rising domestic demand.
- Costlier onion and other vegetables pushed up headline inflation for the third month in a row to 6.1 per cent in August 2013. The highest increase was witnessed in case of onion which reported an increase of 245 per cent year on year. The price of vegetables in general rose by 77.81 per cent. The food items became costlier by 18.8 per cent on year on year basis.
- India attracted USD 22.42 bio of FDI in 2012-13 compared with USD 35.12 bio in the previous fiscal.
- According to Thai Trade Center (Mumbai) Executive Director and Consul (Commercial), the trade volume between India and Thailand is expected to double to USD 16 bio by 2015. It increased by an average of 15 per cent annually in past five years. Last year, it was more than USD 8.6 bio.
- India is set to sign bilateral deals with the tax authorities in the US, UK and Japan, accepting corporate disclosures of profitability and tax liability of 29 MNCs without a question for five years, so long as these are computed on the basis of mutually agreed principles. The development signifies a major easing of tension between Indian tax authorities and their US counterparts. These bilateral deals will avoid double taxation of MNCs, and are expected to reduce tax disputes in this area.
- India has slipped to 60th position in terms of its competitiveness globally, while Switzerland has retained its top rank.
- Negotiations are on to sign Preferential Trade Agreement (PTA) between India and South Africa as a part of efforts to boost bilateral trade. Trade between India and South Africa which was USD 5 bio in 2007 grew to USD 15 bio in 2012.
- India signed Double Taxation Avoidance Agreement (DTAA) with Latvia to prevent income tax evasion by entities in both the countries, a move that is also expected to increase economic cooperation. Latvia is the third Baltic country with which DTAA has been signed by India. The pacts have already come into force with Lithuania and Estonia.

Dairy

- India, the world's biggest milk producer, hopes to seize on a New Zealand dairy product contamination scare to increase its exports and add market share in China and other emerging Asian countries. With more milk powder, a weaker rupee currency and Chinese restrictions on using some New Zealand products in the wake of Fonterra's whey powder concentrate contamination scare, India expects its SMP exports to jump by more than half to 100,000 tons this year.
- Dairy product exports in the current financial year are poised for a major growth, driven by demand for skimmed milk powder from traditional markets in South Asia and Africa. India's total dairy export shipments stood at around 60,000 tons last year and in value the dairy product exports exceeded Rs. 14 bio. The total dairy shipments could exceed Rs. 25 bio in value with SMP exports set to cross 0.1 mio tons in the year 2013-14.
- According to Rabobank, the country's dairy market will continue to grow at about 13-15 per cent annually till 2019-20, on increasing consumption of value added products and the value chain becoming more and more organized. The market share of value-added products is likely to increase to 31 per cent from the current 21 per cent during this time period. The country's total organized dairy sector is about USD 10 bio in 2012-13, comprising cooperatives and private players who control the supply chain linkages.
- Rs 12.5-bio Indian cheese market is expected to grow 20 per cent annually. India's stores and delis offer about 40 varieties of cheese.
- Expecting fast growth in value-added dairy products such as cheese and milk, foreign entities have started looking at India as a dairy product market. Of the top 20 dairy companies in the world, six have already set foot in India in some way or the other many others are gauging the market.
- National Dairy Development Board will facilitate training and development of dairy development personnel from Uganda to assist the African nation in exploring the prospects of organizing dairy cooperatives there.
- Gujarat Co-operative Milk Marketing Federation (GCMMF), which owns and markets Amul brand of milk and milk products, expects to more than double its exports this fiscal. The co-operative giant hopes to clock revenues of Rs. 4.50 bio from exports of dairy products mainly skimmed milk powder (SMP). Amul has already exported dairy products worth Rs. 1.40-1.50 bio so far this year. Amul's milk products exports stood at Rs. 1.40 bio in 2012-13. Amul had exported around 5,000 tons of SMP in 2012-13 and this year has already exported around 10,000 tons of SMP so far. GCMMF expects to ship 25,000 tons of SMP this year - five times last year's levels.
- GCMMF will upgrade its aseptic processing capacity by adopting Tetra Pak's new generation high speed lines. The high speed lines will enable Amul meet growing consumer demand for Ultra-High Temperature (UHT) milk, a segment where the country's largest dairy cooperative has witnessed growth of 53 per cent in Financial Year 2012-13. Amul sells about 0.4-0.5 mio liters of UHT milk and other value added products per day and expect this demand to continue growing at 25 per cent.

(Dairy continued on next page)

Dairy (Continued)

- New Zealand-based cooperative dairy giant Fonterra is keen to work with Indian local industry in a bid to establish its presence in the region and to meet the strong consumer demand for quality dairy. Fonterra is only in the very early stages of its operations in India.
- Britannia plans to give a leg up to its dairy business, aiming for high growth rates in less saturated categories such as cheese and yogurt. It is set to market these products with its extensive biscuit distribution network. In the cheese category, Britannia has managed to garner 21 per cent market value share reaching out to 30,000 outlets already. Branded cheese is still a relatively smaller category at Rs. 6 bio, with single digit growth rates between 7 per cent and 10 per cent, compared to the Rs. 18-bio branded yogurt segment with a compounded annual growth rate (CAGR) of 20 per cent. The dairy segment currently contributes 10 per cent of Britannia's turnover.
- Parag Milk Products (Pvt.) Ltd, manufacturers of Gowardhan and Go brands of milk products, has forayed into the Indian cottage cheese market with Gowardhan Fresh Paneer made from cow's milk. The company is strengthening distribution of fresh paneer in the top 50 cities across the country over the next three months. The plan is to touch 200 tons per month immediately and 500 tons per month by next year.
- Parag Milk Products Ltd is looking to more than double exports to Rs. 3 bio in 2013-14. The share of export in the turnover last fiscal was Rs. 1.20 bio. The company is also targeting 40 per cent increase in its domestic sales on the back of increased focus on value added products. In the domestic market, the company is looking at increasing sales to Rs. 14 bio. Value added products account for about 70-80 per cent of the company's total sales. The company had reported domestic sales of Rs. 10 bio in 2012-13. It has recently entered into fresh paneer category. The company is also looking at expanding its distribution reach by adding 14 more depots. At present, the company has 18 distribution depots.
- Prabhat Dairy Pvt Ltd raised Rs. 1.40 bio (USD 21.71 mio) from India Agribusiness Fund, a private equity fund sponsored by Rabobank and France's Proparco. Prabhat, which supplies dairy-based food ingredients to multinationals and leading Indian food and beverage companies, will use the proceeds to set up a new manufacturing facility in the suburbs of Mumbai.
- Madhya Pradesh State Co-operative Dairy Federation (MPCDF) plans to have a pan India presence by supplying milk throughout the country. MPCDF will restart modern tetra pack milk packaging plant in Indore and set up a skimmed milk plant in Ujjain for this purpose. The plant, once functional, will have a capacity to process and pack around 50,000 liter milk a day. The tetra pack milk will have a shelf life of around 90-120 days. Federation plans to market the milk in metro cities and large organizations like railways, army and others. Madhya Pradesh has made good progress in milk production in the last 10 years as the state now ranks 7th nationally. State produces around 1.2 mio liter milk a day and around one mio liter is consumed daily leaving 0.2 mio liter surplus.
- Hatsun Agro, manufacturers of popular milk brand "Arokya" will focus on strengthening its presence in the domestic curd market. The company also plans to take ahead its retail ice cream parlour IBACO during the year 2013-14.
- Hatsun had shipped about 12,000 tons of SMP last fiscal, accounting for a fifth of India's shipments. The average SMP realizations this year are at around Rs. 200 a kg.

Poultry & Meat

- India emerged as a top exporter of buffalo meat in 2012-13, with 50 per cent market share and it is growing. Buffalo meat export, growing at 15 per cent per annum in the last decade, was USD 3.2 bio in 2012-13. India exported 1.1 mio tons in 2012-13. The export realization in terms of price was average USD 2,900 per ton in 2012-13 and has been quoted now at USD 3,200 per ton. India's export potential is growing further as Brazil, another major meat supplier to the world, is facing issues in exporting, while China's demand is rising.
- India and China have signed a memorandum of understanding to export buffalo meat directly to China, which otherwise was routed through Vietnam.
- Allana Sons is a 146-year-old buffalo meat export house, with the fifth generation running the business at present. The group's total export in 2012-13 was USD 225 bio with half the revenue from buffalo meat. Al Kabeer, another exporter, sold meat worth Rs. 6.50 bio abroad in 2012-13.
- Vietnam has been the single largest buyer of Indian buffalo meat with 30 per cent share. Malaysia, Egypt, Saudi Arabia and the Philippines are next in line, each having 7-11 per cent share. The list of importers is as big as 85 countries. Exports to Vietnam are mostly to meet Chinese demand.
- According to All India Meat and Livestock Exporters Association, there are 42 abattoirs-cum-meat processing plants in India and 32 buffalo meat processing plants are registered with the export regulatory authority Apeda, employing 74,000 persons directly and 150,000 indirectly. India has 50 per cent of the world's buffalo population, which, as per the latest census of 2007, stood at 105.3 mio.
- The Supreme Court in its order dated 23rd August 2012 in the Writ Petition (Civil) No. 309 of 2003 - Laxmi Narain Modi versus Union of India and others - directed all the State and Union Territory Governments to constitute committees for modernization of slaughterhouses, check child labor, close illegal slaughterhouses etc. As a result of the Supreme Court's order, the municipal boards across the country will take initiatives to provide facilities for safe and hygienic production of meat. They will also address the problem of availability of suitable land for modernization of abattoirs.
- Government of India has been implementing an infrastructure scheme for modernization of abattoirs since the 11th Plan. In the 12th Plan, under the National Mission on Food Processing, it has introduced a scheme for modernization of meat shops, under which a grant of Rs. 0.5 mio can be given by State Governments for modernization of each meat shop. State Governments have been asked to identify cities where this scheme will be started in 2013-14.

Aquaculture

- The United States International Trade Commission (USITC) has said 'no' to the countervailing duty on shrimp from India imposed by the US Department of Commerce. In 2012, the US had imported USD551 mio worth of shrimp from India. It also spared shrimp imports from China, Ecuador, Vietnam and Malaysia from the duty. The USITC, in its final determination, ruled that the US shrimp industry was "neither materially injured nor threatened with material injury" by the imports of frozen warm-water shrimp from these countries.
- India's seafood exports including frozen shrimps stood at USD3.5 bio in the 2012/13 fiscal year according to industry estimates. About a fifth of the exports were to the United States.

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