



# IndiaFood

FOODS, BEVERAGES & INGREDIENTS DIGEST  
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**Happy New Year! May the New Year bring the best of prosperity for you and your company!**

In the last issue we presented an overview of Indian economy. India is recovering from the effects of the global slowdown with some recovery in growth statistics. However the poor monsoon of 2009 has created problems.

In this issue, we take a quick look at a few sectors of food & beverage industry and see how each sector has performed during 2009 and is likely to perform during 2010.

### **Aquaculture**

Indian aquaculture sector has been facing difficult times for the past few years. On one hand, slowdown of economy has reduced demand from developed countries. On the other hand, increasing protectionism and regulations are creating problems. Anti-dumping duty imposed by the US Government had been causing significant monetary as well as procedural difficulties for exporters, while requirement of catch-certificates by the EU is a new obstacle that the exporters will need to cross.

As a result of the increasing difficulties of doing business, small exporters have been driven out of business. Number of registered processing and exporting units has reduced from 1700 five years ago to only 500 currently, of which only about 100 are active. On the positive side, exports have continued to grow in spite of all the problems. A bright ray of hope during the last quarter of 2009 was the opening up of Russian market for Indian marine exports.

### **Dairy**

Impact of poor monsoon and soaring costs of cattle feed are taking toll on the dairy sector. The market was witnessing scarcity even in the beginning of winter (November 2009) when the country normally has excess milk and dairies resort to converting the surplus to milk powder to be used during the lean months of summer. During the first few weeks of 2010, dairies across the countries raised alarms about shortages. Union Agriculture Minister admitted that the country was facing a shortage of milk and there may be a need to increase milk prices to curtail consumption. This has created a political storm, but the fact remains that the minister has spoken the truth.

Sad as we are over the milk-shortage, we at Hindustan Studies & Services feel vindicated. Way back in August 2008, we had forecast that India will not be able to continue with milk exports and will have to resort to imports of milk products. Year 2010 may see large-scale imports of milk powder and butter oil to tide over the crisis. In addition, there are demands for banning export of milk powder as well as casein.

Opening up of Indian market for dairy products from across the world is sure to throw up opportunities for global dairy majors. Australians are already knocking at the door. Others may not be too far away.

(Continued on next page)

### **Poultry**

Avian flu continues to raise its ugly head in the region near India-Bangladesh border. Uncontrolled disease in Bangladesh is the biggest threat for Indian poultry industry. The good part, however, is the absence of panic that had been seen in the past with every outbreak. News of outbreak does not, any longer, lead to consumers stopping consumption, so prices do not crash. In fact, chicken prices rose during 2009 by about 29 per cent. This is most noticeable since poultry prices had been steady or had been falling since past many years. Retail price of live broilers, which had touched a low of Rs. 40-50 per kg in the middle of 2007 zoomed up to Rs. 70-80 per kg in November 2008, increasing to Rs. 80-100 per kg in November 2009. Higher prices have led to higher profitability even though high corn and soy-meal prices have eroded much of the advantage.

In a situation where one is always afraid of the future, it is only the ones with deep pockets who can survive. Indian poultry industry is going through a major transformation. Small farmers are increasingly giving out their farms to large companies on contract. In such an arrangement, the company (called "integrator") supplies all inputs, takes all the risks and the farmer gets only a fixed labour charge.

The market share of integrators in India's total poultry meat production is gradually expanding in all parts of the country, which should result in better production efficiency (better bird weight, higher FCR, lower mortality) in the sector.

Notwithstanding the feed supply constraints and fears of avian flu, production growth in Indian poultry industry is supported by strong growth in domestic poultry meat demand in response to affordable prices and increasing incomes. Increasing trend towards integrated poultry operations, improving efficiencies and dynamic entrepreneurship of poultry companies / farmers are also contributing to the growth scenario. We forecast that India poultry sector will grow at about 12 per cent per annum during 2010-15.

### **Sugar**

Two consecutive years of low production have created problems for the government. High sugar prices have become a major political issue, while farmers are rejoicing over high cane prices. Imports have failed to cool domestic prices. The Central Government wants to keep prices in check but does not wish to offend farmers, while governments of sugar-producing states are keen to protect the interests of farmers. This has complicated matters. In view of different pressures, prices are likely to stabilize or take a modest dip rather than a drastic fall.

### **Biotech**

No other food-science-issue has agitated the country as much as Bt Brinjal. Government of India is yet to take a final call on the subject, but their word may not be the final one on the subject since many state governments are keen to keep GM foods out. Watch this space for future action!

**An important announcement – "Fruits and Vegetables – Imports Into And Exports From India"**, our 200-page report dated October 2008 (Price EUR 900) is now available free. Please visit Publications section of our website [www.hindustanstudies.com](http://www.hindustanstudies.com) to download a free copy.

Anil Chawla

## *Food Industry Overview*

- "Food processing industry in India is one of the largest in terms of production, consumption, export and growth prospects. The food industry is expected to reach USD 258 bio by FY 15 and USD 318 bio by FY 20 from the current level of USD 181 bio", Ficci Food Processing Committee Chairman, Shrijeet Mishra, said at 'Foodworld India 2009' conference.
- Taxation of over 18 per cent on branded processed agricultural products is adversely affecting the competitiveness of the sector, an industry lobby has said in a report.
- India's food price index was up 17.47 per cent in the 12 months to Nov. 21. The worst monsoon rains since 1972 and floods in some parts of the country have hurt summer crops and pushed up food prices. There has been a surge in the prices of potatoes and onions, which were up 94.17 per cent and 30.89 per cent respectively year-on-year. Pulses were up 37.83 per cent.
- India raised charges fourfold on detention of imported sugar and lentils at ports to prevent hoarding of the food items. The higher demurrage charges will apply if the commodities are held for more than 21 days. The rates will remain valid until March 31.
- Federation of Indian Chambers of Commerce and Industry (Ficci) has taken up the cause of the food and beverage industry to oppose a government move to make celebrity brand endorsers responsible for product claims as part of a new advertisement code. Food companies such as PepsiCo, Hindustan Unilever and Nestle have united under the industry association to take up the matter with the Food Safety & Standards Authority of India, an autonomous statutory body under the health ministry that recently announced regulations on food advertisements.
- The government will import essential commodities to improve supplies, Finance Minister said, as food inflation touched a ten-year high. A host of steps, including zero import duty on wheat, pulses and crude edible oil and allowing imports of various commodities like sugar and rice, have already been taken by the government to tame food prices.
- Indian food processing sector is in a transformation mode. Strong macro-economic fundamentals and changing socio-economic scene are driving what was once a traditional, small-scale processed food production system into a modern industry aimed at catering to the evolving tastes and needs of discerning consumers. Currently, the food processing industry is both nascent and highly fragmented. It employs an estimated 15 mio people. The output from the sector is estimated at USD 70-75 bio or about Rs. 3500 bio.
- The central government is envisaging an investment of Rs. 1000 bio in the food processing industry over the next five years, a major chunk of which it plans to attract from the private sector and financial institutions. Ministry of Food Processing Industries wants to provide a fillip to the agricultural sector and reduce wastage by setting up mega food parks, cold storage chains as well as make investments in research and development and in training of personnel.

## *Aquaculture*

- While Indian marine exports have increased over 30 per cent during the last five years, the number of seafood processing units and exporters has shrunk 70 per cent. While nearly 1,700 seafood processing and exporting units functioned five years ago, their numbers have fallen to around 500 currently. Even among the 500 registered units, only about 100 are active and account for close to 70 per cent of the processing and export turnover, sources in the Seafood Exporters Association of India said.
- Organic aquaculture can change the lives and livelihood of thousands of fishermen. While the technology for organic aquaculture is readily available social re-engineering and participatory approach remain the biggest challenge before the transformation, Dr G. Syda Rao, Director of the Central Marine Fisheries Research Institute, said.
- Government of India has ordered strict implementation of registration of aquaculture farms with the Coastal Aquaculture Authority of India (CAAI) or any other designated agency. Without registration, the produce from the farm cannot be sold in the market. The government issued a notification in this regard in October, which stated that processing / export houses should procure products only from aquaculture farms registered with CAAI or any of the designated agencies. The step has been taken keeping in mind the increased number of complaints and rejections of consignments by importing nations, especially European Union.
- As the US economy continues to reel under the impact of the global economic slowdown and recession persists in the Japanese economy, Indian seafood exporters are focusing on the EU.
- US Department of Commerce and the US International Trade Commission will initiate two reviews – the Fifth Administrative Review and the Sunset Review – next year for examining the anti-dumping duty imposed on import of shrimp from India. The marine products export sector expects the final verdict of the reviews would be favourable for India and the anti-dumping duty might be withdrawn fully or reduced to a nominal level.
- The Government has informed the EU that the Marine Products Export Development Authority (MPEDA) will be the authorized agency to issue catch certificates for seafood products caught from Indian coastline and destined for exports to Europe. Meanwhile, the catch certificate issue has taken a serious turn as the Kerala State Fishing Boat Operators Association, an organization of 2,200 fishing boat owners, has decided to revolt against the concept of issue of catch certificates.
- Citing a UN Resolution A 208 (VII), the Seafood Exporters Association of India (SEAI) has questioned the need for providing detailed catch certificates for exports to the European Union. The International Maritime Organization Resolution and its Annexure states that catches obtained from a fishing vessel without a superstructure would require only simplified catch certificate. The SEAI has pointed out that almost all fishing vessels in the country will fall into this category, except for a few deep sea trawlers that operate out of Visakhapatnam.
- In a move destined to increase the catch of yellow fin tuna along the Indian coast, beach landing boats fitted with diesel engines and equipped with hand line fishing gear specially designed to catch tuna is being launched by Moon Fishery India Private Ltd.
- The Southern Shrimp Alliance, an association of eight southern US States engaged in warm water shrimp fishery, has alleged that the Indian seafood exports are sub-standard and sought the intervention of the US Food and Drug Administration to increase testing of Indian seafood imports. It has also demanded that an alert be issued on all shrimp imports from India.

## *Dairy, Meat & Poultry*

- Impact of poor monsoon and soaring costs of cattle feed are taking toll on the dairy sector. The market is witnessing scarcity in the beginning of winter as dairy players are avoiding releasing their stocks fearing milk scarcity during the lean summer ahead. Industry sources are not ruling out price hike of dairy products by the end of winter. The shortage of dairy products is so severe that the Rs. 67.11-bio dairy giant Gujarat Cooperative Milk Marketing Federation Limited is compelled to buy milk powder from Karnataka Co-operative Milk Producers' Federation Ltd. It is learnt to have procured close to 1,000 tons of skimmed milk powder.
- Australia, which accounts for an estimated two per cent of the world's milk production, is looking at India to export its premium dairy products. "In India we are exploring opportunities available in niche segments like specialty dairy cheese, cultured dairy powders and other products that are not traditional", International Market Development Program, Victorian Department of Primary Industries Manager, Peter Myers said.
- India's 3.9 per cent annual growth of milk production between 1996-97 and 2006-07 surpassed the 1.8 per cent growth in population. According to NDDDB figures, per capita availability of milk in India had gone up to 246 gm a day in 2006-07 from just 112 gm in 1968-69. The net increase in availability is around 2 per cent a year. To meet the projected demand of 180 mio tons by 2021-22, average daily milk production per cattle will need to increase suitably.
- India shall continue to be the world's largest milk producer. "India's milk production was 104.8 mio tons in 2007-08 and in 2008-09 it is expected to be 110 mio tons", National Dairy Development Board said in a statement. On an aggregate, the co-operatives procured around 14 per cent of the national marketable surplus covering around 21 per cent of the country's villages and 18 per cent of the rural milk producing households, India's leading dairy development agency said. The milk co-operatives marketed around 7.3 mio tons of liquid milk, an annual increase of 5.7 per cent, the statement said.
- India extended the ban on imports of milk and milk products from China for another six months. In December last year, the government had prohibited import of dairy products from China following reports of contamination in milk in China. China had earlier sought lifting of the ban.
- The month-long agitations in Telangana and Andhra-Rayalaseema regions over the issue of bifurcation of Andhra Pradesh have hit the poultry industry very hard. While the bandh days stalled the movement of trucks that carry eggs to other parts of Andhra Pradesh and other States, normal days witnessed movement of additional trucks, resulting in glut at the retail markets.
- The Centre is all set to restrict export of casein from the country in view of the shortfall in milk procurement experienced by dairies, particularly in the North. To produce one kg of casein, a dairy consumes roughly 35 litres of milk. The 7,000-tons exports during this period would, in other words, have used up 245 mio litres or over 1.6 mio litres a day. Major exporters of casein — which is basically protein extracted from skimmed milk — include northern players such as VRS Foods, Bhole Baba Dairy Industries, Modern Dairies and Industrial Progressive (India) Ltd and Kohinoor Foods and also the Baramati (Maharashtra)-based Schreiber Dynamix Dairies Ltd.

## *Alcoholic Beverages*

- Indian spirit companies, who export Indian Made Foreign Liquor (IMFL) brands to Dubai, are not overtly worried over the brewing financial crisis in Dubai. Most of them do not foresee demand dwindling in the foreseeable future. This is on account of the fact that most exports to Dubai are later sent to other destinations like Africa. The IMFL exports to Dubai is around four mio cases a year. In value terms, this is worth Rs. 7 bio.
- Producers in India's wine capital – Nashik in Maharashtra – long used to targeting the classes, are looking at ways to take the drink to the masses, the latest in a growing list of industries to discover value at the bottom of the pyramid.
- The year 2010 may well turn out to be a shake-up year for Maharashtra's wine industry. The country's wine bowl, Nashik, finds itself wondering what to do with the unsold stocks of wine still lying idle in tanks. With the new crushing season approaching this month, major players like the UB Group and Sula Wines believe that only players with effective sales strategies and makers of quality wines would make the grade.
- Gusto Imports plans to serve select Portugese wines from a 200-year-old label, Jose Maria de Fonseca, in 200 ml bottle priced at just Rs. 266. Gusto – a month-old company – is promoted by one of the country's oldest logistics firms, ABC India.
- Liquor baron Vijay Mallya has announced UB's deal with global beer major Heineken NV. In 2009, the Indian beer market is expected to grow at 9-10 per cent to 14.4 mio hectolitres.
- Bacardi Limited, leading global premium spirit manufacturers, announced the launch of Barcardi 'O', orange-flavoured rum in Karnataka and its growth strategy of focusing on Tier II and III markets in the country. The spirit firm is also looking at the imminent launch of their golden rum Bacardi gold in Karnataka.
- The Centre has turned down the proposal of the empowered group of state finance ministers to keep alcohol out of goods and services tax (GST). The government has in fact suggested that both alcohol and tobacco, which are demerit goods and considered harmful for health, should be kept under GST, with the states getting the power to levy excise duty over and above GST on alcohol. The Centre would have the same power in case of tobacco.
- Maharashtra government will go ahead with its decision to allow use of grains like maize, jowar and bajra for the production of liquor.
- USL Wines, a division of United Spirits, part of the United Breweries (UB) group, is looking at the US, Britain, Germany, Hong Kong and Singapore to export its non-premium brands, named Four Seasons and Zinzi. These brands were launched earlier this year. The company also plans to expand the presence of its premium wine, Bouvet-Ladubay, in the same period. USL acquired Bouvet-Ladubay, a premium French wine, 18 months earlier.
- The UB Group plans to give a big push to its wine business with investments of Rs. 1 bio in the next two years, according to Mr. Abhay Kewadkar, Chief Winemaker and Business Head, Wines.
- European Union (EU) has proposed to resolve 'high' duties on liquor imports levied by a few Indian states through video consultations, a move aimed at expediting talks on an issue that has been dragging on for many months. EU has accused Delhi, Maharashtra, Karnataka, Tamil Nadu and Andhra Pradesh of imposing high levies as high as 200-790 per cent of an imported liquor brand's sale price, depending on the liquor type, its price and the state where it is sold.

(Alcoholic Beverages continued on next page)

### *Alcoholic Beverages (Continued)*

- Maharashtra Government's offer of a Rs. 10 subsidy for every litre of alcohol produced from grain has led to a virtual scramble for setting up non-molasses based distilleries in the State.
- Nepal Distilleries Pvt Ltd., the oldest operating distillery in Nepal, has launched for the first time in the India its popular brands Khukri Rum and its sister variant Khukri Spice Rum. To start with, the two brands will be available in Kolkata.
- Vijay mallya-led United Spirits, the number-one spirits company in India, has emerged as the world's second-largest spirits firm in terms of volume. It displaced French conglomerate Pernod Ricard, makers of Chivas Regal and Absolut Vodka.

### *Non-alcoholic Beverages*

- Coca-Cola is giving a second shot at energy drinks, after its first one – Shock – failed to make a mark. The company has brought in Burn, one of its global energy drink brands. Unlike its other carbonated drinks and juices, Burn will not be mass distributed through conventional retail channels. Instead, going by the category, the brand's availability will be restricted to pubs, select modern trade outlets, gyms and so on, it is learnt
- Ramesh Chauhan is poised to extend his Bisleri packaged water business to the premium segment with the imminent launch of Vedica, the first water brand in four decades from the pioneer of the packaged water industry. The water is being sourced from a spring in Uttaranchal, and will be bottled and packaged at Bisleri International's plant, also in the same state.
- Warana milk producers' cooperative located in Kolhapur, Maharashtra has been a contract manufacturer for products such as Cadbury's Bournvita, butter for Britannia Industires and soya milk for Ruchi Soya. Now, the cooperative is preparing to assert its own identity through the launch of Warana Joy, its national brand. Among its new products is sugarcane juice in aseptic packs (Tetra Pak). The sugarcane juice will initially have a shelf life of six months, which will be later extended to nine months without using any preservatives.
- Yakult Danone India Pvt. Ltd is expanding its footprint in India. It has launched its probiotic drink Yakult in Pune. The company will roll out the product in Bangalore, Chennai and Hyderabad by the end of this fiscal. The drink is currently being retailed in Delhi, Chandigarh, Punjab, Jaipur and Mumbai.
- Amrita Drugs, a manufacturer of ayurvedic products and preparations, has announced the launch of Brahmi Power, an ayurvedic health drink, which the company claims is also a memory booster.
- In a bid to offer consumers a lemon-based drink to counter PepsiCo's Nimbooz and Parle Agro's LMN, Coca Cola India has come up with a lemon juice offering Nimbu Fresh under its Minute Maid brand. Coca-Cola has rolled out the product only in Tamil Nadu now and the national launch is expected later this year.
- Billbury Food and Beverages Pvt. Ltd has launched three mineral water products in the country under the brand names 'Glaciers', 'Vitalife' and 'Hangover Over'. 'Glaciers' is a natural mineral water. 'Vitalife' is a wellness beverage with an alkaline base. 'Hangover Over' will prevent hangovers after alcohol consumption, officials claim.



## Tea

- After successfully kicking off electronic auction in three centers in south India, Tea Board of India will start electronic trading in North India by January 2010.
- Tea industry hotshots like Aditya Khaitan of McLeod Russel, Tata Tea's Sangeeta Talwar, Hindustan Unilever's Sanjiv Chatterjee and Bharat Arya of JV Gokal will be part of a core committee that will formulate a global branding strategy to market Indian teas worldwide. What's more, iconic adman Piyush Pandey, who used to be a tea taster in Kolkata many moons ago before he joined the advertising industry in 1982, will hand-hold this elite panel to ensure teas of other origins don't masquerade as Indian tea in overseas locations.
- Tata Tea Ltd. had shut down all five outlets of Chai Unchai, targeted at the out-of-home segment that was launched last year. Retailing is not a priority for us now, we are instead focussing on building our range of 'Good for you' beverages which stand for wellness and indulgence, said a company official.
- It was a reasonably good year for the South Indian tea industry as the prices continued to escalate despite slight drop in production when compared to 2008. But, the general perception is that the rising manufacturing cost will hamper the industry's growth in 2010. After nine gloomy years, the tea industry entered a positive phase with two continuous good years in 2008 and 2009.
- At a time when Darjeeling tea price is ruling high in the domestic market, orthodox tea from Nepal, which tastes similar to that of the Darjeeling variety, is making inroads into the market through private selling. Industry sources said the Nepal crop costs half of the Darjeeling variety and is a favourite with retailers.
- Tea industry is considering to undertake research and development to diversify the use of tea. Top on the list of choices are use of tea in cosmetic products and also as an antibiotic, and extraction of tea oil for varied usages.
- The government has provided nearly Rs. 490 mio subsidy till November 2009 under the special purpose tea fund for redeveloping old tea gardens. The government had set up the special purpose tea fund on April 1, 2007, with the objective of large scale replanting/rejuvenation of old tea gardens for improving their production and productivity. Under the scheme, the government provides 25 per cent of the cost of replanting or rejuvenation of a unit as subsidy and 50 per cent as loan. The rest has to come from the beneficiaries.
- Tea production in the Nilgiris, the largest tea producing district in South India, was down by 12 per cent in calendar 2009 over 2008. Hostile weather conditions experienced during most part of the year adversely affected production. Except for a couple of months, production was lower than 2008 all through the year.
- Tetley has introduced 'Tulsi & Lemon' flavoured tea bags.

## Coffee

- Brewberrys Hospitality Pvt Ltd (BbH), which operates the Brewberrys chain of cafes in India, plans to increase its footprint by over 200 per cent in the coming months, by adding at least 50 stores by the end of 2010.
- Coffee exports from India have started picking up from October, the first month of new coffee year 2009-10, after a steep fall in 2008-09. According to statistics available with the government-run Coffee Board, exports have touched 31,606 tons in the first two months of the current crop year, up by 21 per cent from 26,073 tons in the same period a year ago.

(Coffee continued on next page)

### *Coffee (Continued)*

- Coffee bars are becoming as hot as the brew with many international players entering the arena. French company Segafredo Zannetti has entered India in a licensing agreement while South Africa's News Café too has made its debut. Players like the Seattle-based Starbucks are looking to debut in India later this year.
- Coffee chain Barista was fined Rs. 100,000 by a consumer court for not disclosing how much coffee was there in a mug. The forum directed Barista to supply coffee in a transparent glass or mug, showing the quantity therein. Barista argued it was not necessary to detail the quantity in the menu list. The court rejected this argument.

### *Food Service & Retailing*

- Feeling the pinch from soaring food prices, the Rs. 30-bio fast-food industry is revisiting the menu. Walking the tightrope between margin pressures and hiking prices that could hurt volumes, food chains are now either increasing rates or reworking strategies. McDonald's is set to increase prices by 5-10 per cent in the New Year, and Mainland China is following suit.
- Bharti Walmart Pvt. Ltd has announced the opening of its first Agricultural Co-operative Centre in Sirhind, Punjab. The centre aims to build a robust aggregating, handling, packing and delivering system of fresh produce to Bharti Wal-Mart's Best Price store and Bharti Retail's Easyday stores.

### *Snacks*

- Distribution hurdles have led General Mills to withdraw its cookie brand — Dip Trix. The cookie-and-cream biscuits targeting children primarily were launched in 2006 in three flavors. General Mills will now be focussing on building its flagship brand Pillsbury and granola bars under Nature Valley.
- Pepsico India is planning to launch more products under the brand "Cheetos" and "Kurkure" over the next two months.
- Frito-Lay India has introduced Cheesy Bugs, a 'healthier' variant of its snacks brand Cheetos Whoosh. Called Cheesy Bugs, the new variant will be available in shapes like snakes, scorpions, lizards and spiders. The product contains whole grain, with no artificial flavours or colours and zero trans-fats.
- Confectionery makers such as Cadbury and Nestle have added chocolate to the growing list of food products promising nutrition and good health that includes biscuits, energy drinks and fast food. The latest 'fortified' chocolate in the market is Cadbury's new Glucose Perk. It will take on Nestle's Milky Bar Choo, which is doing well since its launch in July 2008.
- Parle Products, which recently launched Monaco Smart Chips, hopes the product will grab a 10 per cent share of the market by the end of next year. The flour-based snacks are "not fried" but baked. The company says its goal of 10 per cent share in the Rs 25-bio market (organised) for snacks (largely comprising savoury and extruded snacks and chips) is "realistic."
- Things could turn out to be bitter for the chocolate industry this year. Despite doubling of the area under cocoa and an almost doubling of production in recent years, around 50 per cent of the domestic industry's requirements have still to be imported. The spiraling cocoa price in the global market could leave the Indian chocolate industry in troubled waters.

(Snacks continued on next page)

## *Snacks (Continued)*

- Chataka Pataka Tangy Tomato Snacks happens to be all over Gujarat — present in almost every *paan* shop and organised retail outlet, but with no jumbo billboards screaming its delights. With simple ideas that may seem outlandish in this age of brazen marketing, Chataka creator Balaji Wafers Pvt Ltd has managed to fend off bigger players like Pepsico and Haldiram's in the Rs 6-bio Gujarat market for over two decades since launch.
- Nestle India has launched two new products – Maggi Masala-ae-Magic and Maggi Rasile Chow. A press release states that it is pioneering low-price concepts for the bottom of the pyramid.
- Extending its franchise beyond cakes, the Mumbai-based Monginis Foods is planning to enter the 'ready to eat segment'.

## *Culinary Items*

- Kohinoor Foods has introduced ready-to-eat Indian dishes. This new range is branded as "India on Platter", which offers around 16 varieties including curries, rice dishes and desserts.
- GlaxoSmithKline has launched Horlicks ProHeight, claimed to be a specialised protein formulation. It reportedly contains a combination of soya and whey protein in the ratio of 60:40, 23 vital nutrients and no added preservatives.

## *Sugar*

- The government has allowed traders to import refined sugar at zero duty without restrictions on quantity till 31 December 2010. Earlier in April, the government had allowed PSUs to import duty-free refined sugar but with a cap of 1 mio tons which is almost exhausted. The government had this month also allowed duty-free import of raw sugar till January 1, 2011, extending its deadline from March 31, 2010.
- The Union government has finally accepted that in spite of a major setback in cane production during the season ended September 2009, the country's sugar production would not have been as dismal as 14.6 mio tons compared with 26.33 mio tons in 2007-08, had there not been such a massive diversion of the crop to gur and khandsari units.
- Parliament has passed a bill that introduces a new sugarcane price regime, after government allayed concerns of Opposition that the states will not be required to pay the difference between the Central and the State Advised Price to farmers. The Rajya Sabha passed the Essential Commodities (Amendment and Validation) Bill which had already been approved by the Lok Sabha. Instead of Statutory Minimum Price the Central benchmark would be the Fair and Remunerative Price.
- Despite an 11 per cent increase projected in the sugar output, India will be the major engine for growth in world sugar imports, Food and Agriculture Organization said in its latest report.
- The government has decided to extend the ban on futures trading in sugar for another nine months till September 2010.

(Sugar continued on next page)

### *Sugar (Continued)*

- The government has given 15 more months to sugar mills to meet their export obligations in the wake of spiraling prices in the retail market. The mills have an obligation to export around one mio tons of sugar against raw sugar imported between September 2004 and April 2008 under the Advance Licence Scheme of the commerce ministry.
- The recent surge in domestic sugar prices along with a strengthening rupee has made imports viable once again. About 400,000 tons of raw and refined sugar is estimated to have been contracted over the last two weeks. For last couple of months, millers had stopped contracting imports due to lack of price parity.
- Empee Sugars' Rs. 5.15-bio integrated sugar mill complex at Tirunelveli (Tamil Nadu) is set to commence commercial production in mid-February. The company plans to expand sugarcane crushing capacity to 8,000 tons a day (tcd) from 5,000 tcd at launch. A sugar refinery to cater to the export market is also among its long-term plans.
- Facing acute shortage of sugarcane due to less production of the crop this year, a sugar mill in Phagwara (Punjab) has launched a unique scheme to promote cultivation of sugarcane — "Grow sugarcane and get a motorcycle".
- Dhanalakshmi Srinivasan Sugars Pvt Ltd is set to commence operations at its Rs. 3.50-bio integrated sugar mill complex in Tamil Nadu.

### *Oils*

- The government said edible oil output is likely to decline 7.4 per cent to 7.96 mio tons in the 2009-10. Edible oil production, last year, stood at 8.6 mio tons. Oil season runs from November to October. There is a wide gap in the production and demand of edible oil in the country and imports are resorted to bridge the gap.
- A study by Delhi-based Centre for Science and Environment has shown that Trans Fatty Acid levels in samples of leading vanaspati brands range from 9.4 per cent and 12.7 per cent in 'Dalda' and 'Gemini' to above 23 per cent in 'Raag'. National Institute of Nutrition, Hyderabad has recommended a 10 per cent TFA cap (as a proportion of total fatty acids) by considering a per capita daily fat consumption of 20 grams in rural India and 30 grams in urban India.
- India surpassed China as the world's biggest buyer of palm oil as rising incomes increased demand for fried and processed foods and drought reduced domestic cooking oil production. Import of crude edible oil to India saw a huge jump of 35 per cent to a record 8.4 mio tons in 2009 crossing China for the first time in the last six years. Palm oil comprises almost 80 per cent of India's edible oil imports.
- Encouraged by low prices, India's per capita vegetable oil consumption rose by five per cent to 13.5 kg per capita in the oil year November 2008 - October 2009, thereby forcing India to import large quantity of sunflower oil and soyoil, which had hitherto been neglected. India is a typical price-elastic market, where lower prices encourage higher per capita consumption.

(Oils continued on next page)

### *Oils (Continued)*

- Kaleesuwari Refinery has launched Dheepam Lamp Oil. It is a new type of offering for those wishing to use a lamp oil which is claimed to be a combination of various vegetable oils as recommended by Vedic pundits. It is available in Tamil Nadu.
- Groundnut has witnessed a turnaround in consumption pattern — from a major oilseed for premium class consumers to a preferred choice for direct users. Direct consumption of groundnut doubled to 60 per cent of its total production, from 30 per cent three years ago.
- Fall in castor acreage and scanty rainfall seem to have taken its toll on the production of the commodity this season. Industry estimates indicate that castor output may not be more than 0.9 mio tons in 2009-10.
- Solvent extracting units face a tough period ahead with soyameal exports dropping over 50 per cent in the first nine months of this fiscal. "Soyameal exports have dropped due to a variety of reasons, including lack of demand and the rise of rupee against the dollar", a spokesperson of Soyabean Processors Association of India said.

### *Food Additives*

- With subdued production and growing domestic demand, prices of cocoa beans have scaled 10-year highs in the Indian market. Dry beans are quoting at Rs. 140-150 per kg, a 30 per cent growth over the average Rs. 110 per kg quoted last year. Price of wet beans has increased by 50 per cent in nine months. Central Arecanut and Cocoa Marketing and Processing Cooperative (Campco) Ltd that bought wet cocoa beans at Rs. 28 a kg till mid-March is now (December '09) buying it at Rs. 42 a kg.
- Mr. Venkatesh Hubballi, Director at the Directorate of Cashew and Cocoa Development, said the domestic production of cocoa would constitute only about 50 per cent of the demand and the rest would have to be imported from international markets where prices have been rising sharply.
- Lower maize production and increased consumption may firm up starch prices. Manufacturers expect a 10-15 per cent rise in the days to come. In the wake of low output in Andhra Pradesh and Uttar Pradesh due to scanty rainfall, country's maize production during the current crop year (July to June) may decline by 1 mio tons compared with the last year. Maize is sown in both the kharif (harvesting in October-November) and rabi seasons of the year. Kharif output of maize this year is estimated to be lower by 1.5 mio tons from 14 mio tons in the last kharif season.
- Starch finds application in food, textile and adhesives. Also, the use of starch in sugar derivatives has risen. Liquid glucose, which is produced from starch, is used increasingly as a sugar substitute for manufacturing confectionery. Firm sugar prices have forced many to use starch as its substitute. This would further boost the demand of the commodity.

## *Spices & Flavors*

- India is likely to become a net importer of pepper in the current fiscal with imports matching exports in the first eight months of the year and availability in the domestic market continuing to be low. While trade sources maintain that imports are more than exports by approximately 500 tons during April-October period, Spices Board sources said that exports and imports match at 11,500 tons.
- Chances of Indian pepper getting overseas orders appear to be remote at present as the MG 1 remained outpriced in the world market due to a strong rupee against the dollar and the rise in the futures contracts. Indian parity fluctuated between USD 3,450-3,550 a ton (c&f), while all other origins were much below this level.
- India is losing out to Vietnam in black pepper exports. According to the Vietnam Pepper Association, the country exported 7.5 times more than India this year. It exported 128,000 tons during January-November compared with 17,150 tons exported by India. The main reason for this sharp fall in Indian exports is the high prices offered by India in the past two-three years. Rising domestic consumption is the main reason for the high prices. The average annual domestic consumption is around 40,000 tons against an average annual production of 55,000 tons. Vietnam which has the highest global output of 120,000 tons is consuming only 3,500 tons annually.
- Cardamom prices are inching closer to the Rs. 1000 per kg mark riding on unprecedented export demand triggered by a slump in production in Guatemala, the largest cardamom producer. According to trading sources, cardamom prices are reaching such a level after about 25 year, when a severe drought drove the price to peak at Rs. 1000 per kg. for a short period. But this time the prices have remained consistently above Rs. 700 per kg for about six weeks and from last week (December first week) the prices have hit the Rs. 800 mark.
- Exports of cardamom doubled during April-October at 620 tons as against 310 tons in the same period last year.
- Cloves output in the country this year is expected to be 25-35 per cent higher from the previous year going by the harvesting trends in Kerala and Tamil Nadu. Last year, the crop was lower at around 1,500 tons due to unfavourable weather conditions. This year, in general, the crop is good and the output is estimated at 2,500 tons.
- Cumin prices have come down in the last few weeks (January 2010) because of low exports and reports of good crop in the coming season. The harvest period in India for cumin starts around February-March. The country is the world's largest producer and consumer of cumin. While India consumes 75-80 per cent of the commodity produced, the other producing countries export most of the product. Besides India, cumin seed is cultivated in Iran, Turkey and in Syria mainly for exports. The new crop in Syria and Turkey is harvested in August-September, so until then, Indian cumin seed will find good market in overseas countries.
- Ginger imports into India have risen sharply because of strong demand for fresh ginger and poor local supplies. Imports, which rose sharply in October and November, could remain so until the new crop hits the market because of strong demand.

## *Foodgrains*

- Anxious over continuing tight rice supplies and high prices for the staple in the open market, an empowered group of ministers on food (EGoM) headed by finance minister Pranab Mukherjee is understood to have okayed a proposal to ensure that the effective minimum export price (MEP) for basmati rice is stringently enforced at USD 900/ton instead of USD 788/ton as currently prevailing. The EGoM has given its nod to withdraw a notification that allows for 12.5 per cent commission allowed to traders to be considered when computing the MEP for basmati; the move effectively diluted the MEP by USD 122 / ton although the officially stated MEP was USD 900 / ton
- According to the Union Agriculture Ministry's latest data on rabi sowing trends, the area under virtually every rabi pulse crop, barring peas and lathyrus, has gone up this year, compared to the progressive coverage during the corresponding period of 2008-09. The increased acreage is especially visible in gram (*chana*), where already 8.2 mio hectares have been planted – the highest since the 8.47 mio hectares of 1998-99. Last year, gram output hit an all-time-high of 7.05 mio tons. If current sowing trends are any indication, 2009-10 might witness a yet another bumper, if not record, harvest.
- Andhra Pradesh seems to have lost interest in millets, with farmers diverting more than half of the area to other crops in the last one decade. Jowar that used to be grown in 0.736 mio hectares in 1999-2000 is now sown in 0.289 mio hectares. Of this kharif area has plummeted to 0.118 mio hectares from 0.329 mio hectares and the rabi area to 0.171 mio hectares from 0.407 mio hectares. As a result, the production has dropped to 0.437 mio tons from 0.535 mio tons. The yield level that was hovering at 700 kg a hectare has more than doubled to 1,500 kg/ha.
- National Agricultural Co-operative Marketing Federation (NAFED) has floated a tender for import of 25,000 tons of yellow peas for shipment on March 10 on the eastern ports. The company has also tendered to import 2,000 tons, or in multiples of 1,000 tons each, of black matpe, green moong, tur whole, red lentils and chick peas for the Feb-Mar shipment.

## *Fruits & Vegetables*

- The Union Government has launched a pilot project proposed by Coconut Development Board for replanting and rejuvenation of coconut. The replanting and rejuvenation programme aims to remove all senile and disease-affected palms and replanting with quality planting material as well as rejuvenation of coconut gardens. The total cost of the project in Kerala is Rs. 22.61 bio with a central subsidy component of Rs. 4.74 bio.
- Indian Institute of Foreign Trade, which has conducted an Export Potential Survey in China and Russia for valued added cashew products of Kerala State-owned Cashew Development Corporation, has found these two non-traditional markets as new opportunities for Indian cashew. Cashew consumption in China increased from 7,000 tons in 2003 to 18,000 tons in 2007. It is expected to increase to 25,000 tons in 2010.
- If everything falls in place, apples will be grown in arid region of Kutch in Gujarat. A local agriculture company named Shree Ashapura Farm and Nursery has taken up apple farming in Bhuj on experimental basis. Apple farming is being done for the first time in the state.

(Fruits & Vegetables continued on next page)

### *Fruits & Vegetables (Continued)*

- Cashew Export Promotion Council sources reported that total exports during the first eight months of the current fiscal stood at 71,918 tons valued at Rs. 19.2688 bio against 75,806 tons valued at Rs. 20.9114 bio in the same period a year ago. The average unit value during the April – November 2009 was at Rs. 267.93 a kg against Rs. 275.85 a kg in the same period of previous year.
- India's cashew kernel exports have showed an overall drop of a marginal 4 per cent to 107,496 tons during the calendar year 2009 compared to the previous year. During the period January to December 2009, the value of kernel exports was marginally lower by 2.2 per cent to Rs. 28.69 bio as against the year ago period. The drop in exports was mainly attributed to a sharp rise in domestic consumption. The local consumption is pegged at around 130,000 tons for the year.
- The processors from India imported 727,814 tons of raw cashew nuts during the year 2009, a growth of 12.1 per cent over the previous year. The value of imported nuts witnessed a marginal rise of 4.3 per cent to Rs. 28.7333 bio. In terms of unit value the processors were beneficial as the price of imported nuts came down by 7 per cent to Rs. 39.48 per kg compared to the previous year.
- A Chinese rally in garlic, which made it this year's best performing asset there, has quadrupled Indian prices and fuelled an unprecedented eight-fold jump in exports. India's April-October garlic exports jumped to 4,210 tons compared with 520 tons a year ago. At Delhi spot market garlic price has surged 375 per cent to Rs. 4,750 (USD 101.5) per 100 kg since March. The trigger for the bull-run in China may have been the idea that the potent bulb can ward off H1N1 swine flu, Morgan Stanley economists said.
- There is a standing offer of a mio rupees from the Kerala government for an invention to harvest coconuts from the palms' lofty heights, without involving human climbing – such is the difficulty in getting palm climbers in the state. What is falling, meanwhile, is the price of coconuts. Growers have been facing many problems: The nuts cannot be harvested, the price is not remunerative, procurement plans do not seem to be realistic, production is down, and root wilt and mite are gnawing away at productivity.
- India has raised the minimum export price (MEP) of onion by USD 50 a ton for all destinations to discourage exports and curb price spiral in the commodity. With the latest revision, the average MEP for West Asian nations is USD 505 a ton for containerized cargo and USD 500 for break bulk cargo. (1 Jan).
- The country's onion export dipped by over 21 per cent in December 2009 after the government hiked the benchmark export price in order to keep a check on domestic rates of the edible bulb. India shipped 78,924 tons of onion in December 2009 against 100,379 tons in the same month in 2008.



## Biotech

- Maharashtra is leading in organic farming, despite the fact that most organic farmers in the country face trouble in practising the chemical-free method. This is because the farmers in the state have done more research on this method than the agricultural universities. Organic farming has gained momentum in the state in the past five-six years.
- The first of the genetically modified seed varieties developed in India will make it to the market soon as the government has registered two such wheat varieties developed by Mahyco, an Indian seeds company. The new wheat varieties are being registered under the Protection of Plant Varieties and Farmers' Rights Act.
- Application of transgenic technology in agriculture has become a controversial issue in the country. Though the regulator, Genetic Engineering Approval Committee (GEAC) has approved commercialization of the country's first genetically modified (GM) food crop, Bt Brinjal, the Union minister for environment and forests, Jairam Ramesh has withheld the approval and has decided to seek public view on "this sensitive issue". In the series of public consultations which has already begun, the minister is facing widespread public protests against the GEAC's approval of Bt brinjal.
- A three-member committee on Bt brinjal, appointed by the Andhra Pradesh government, has recommended not to allow commercial cultivation of Bt brinjal in the state.
- West Bengal chief minister Buddhadeb Bhattacharjee has expressed concern over the proposal to allow commercial cultivation of genetically-modified Bt-brinjal.
- Orissa agriculture minister has stated that the state has no plans to go for Bt brinjal.



Spring is in the air in India. End of February brings the spring festival of Holi. IndiaFood wishes all readers a very Happy Holi.

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