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LIVESTOCK, DAIRY, MEAT, POULTRY & AQUACULTURE DIGEST

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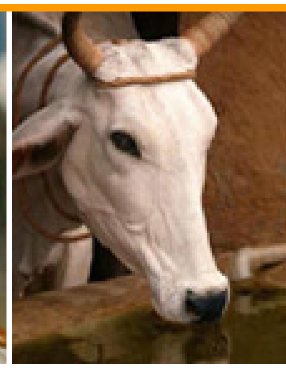

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## Food Industry Overview

- Indian economy is expected to grow at 5.5-6 per cent in the current fiscal and the next year will see a better rate of expansion, Prime Minister's Economic Advisory Council Chairman said.

- India's economy could expand by around 6 per cent in 2013, World Bank Chief Economist Kaushik Basu said

- According to global research firm Dun & Bradstreet, India's GDP is likely to register 5.5 per cent and 6.8 per cent growth during 2012 and 2013 respectively.

- Global rating agency Standard and Poor's has said it expects India to grow by 6.5 per cent during 2013, amidst the possibility of global economic recovery continuing during the year.

- The Indian economy is likely to grow at 6.3 per cent next year largely due to favourable base effect, while inflation is expected to drop to a comfortable 5.4 per cent level in Financial Year 2014, the UK-based bank RBS said.

- India is likely to clock economic growth rate of 5.5 per cent in the current financial year, which would accelerate to 6.5 per cent in 2013-14, driven by demand in domestic consumption according to a DSP BlackRock Mutual Fund Economy and market outlook for 2013.

- Credit ratings agency ICRA cut its forecast for gross domestic product (GDP) growth for the current fiscal to 5.4 per cent from 5.7 per cent it forecast previously.

- Indian economy is expected to grow at a rate of 6.7 per cent in the 2013-14 on account of expectations of cut in the key policy rates by the Reserve Bank of India which may have a positive impact on industrial growth and consumption, a Federation of Indian Chamber of Commerce survey said. The chamber has revised its growth forecast upwards from 6.5 per cent to 6.7 per cent for the 2013-14 fiscal.

- International brokerage Credit Suisse today cut its FY13 growth estimate for the country by a notch to 5.9 per cent attributing it to delay by the Reserve Bank in cutting rates to prop up growth. The brokerage also lowered its FY14 growth forecast to 6.9 per cent from the earlier 7.2 per cent.

- The country's economy is likely to grow by an average of 7.7 per cent during 2012-16, a report by leading financial services firm ING has said.

- Indian economy is likely to grow 6.5 per cent in 2013 driven by favourable external demand outlook and domestic structural reforms push, a Goldman Sachs report said.

- Indian economy is projected to grow by 4.4 per cent in the current fiscal, as the country has experienced "broad—based slowdown", according to Paris—based think tank the Organisation for Economic Cooperation and Development (OECD). However, OECD said that India could grow 6.5 per cent in the next fiscal and further expand to 7.1 per cent in 2014—15 period.

(Food Industry Overview continued on next page)

# Food Industry Overview (Continued)

- Food processing sector has emerged as the fastest growing sub-sector of the manufacturing sector during last financial year. Food processing units, being set up in Mega Food Parks, would be provided with entire basic infrastructural facilities like warehouses, storage facilities, testing labs and fruit-ripening chambers, according to the Ministry of Food Processing Industries.

- New Zealand has said it expects to conclude the negotiations for a Free Trade Agreement (FTA) with India during 2013 and it would work passionately to address the issue of high duties levied on its products in India. High Commissioner of New Zealand in India H E Jan Henderson said her country has brought down the tariff on imported items to zero to all trading nations in an effort towards strengthening bilateral trade relations.

- Experts at the World Allergy Organisation's International Scientific Conference (WISC 2012), held for the first time in India at Hyderabad have suggested a policy on labeling food products, which give important data on ingredients both for exports and domestic consumption, and allergen-specific tests for Indian foods.

- The government liberalized Foreign Direct Investment (FDI). policy in sectors including multi-brand retail, single-brand retail, commodity exchanges, power exchanges, broadcasting, non-banking financial institutions (NBFCs) and asset reconstruction companies (ARCs). It allowed 51 per cent FDI in multi-brand retail and 49 per cent investment by foreign airlines in the aviation sector. The slew of reforms included raising FDI cap in broadcasting from 49 per cent to 74 per cent and allowing foreign investment in power exchanges. Besides, it has also increased FDI cap to 74 per cent in the service providers like DTH in broadcasting sector. Foreign institutional investors were also allowed to invest up to 23 per cent in commodity exchanges without seeking prior approval of the government. FDI ceiling in asset reconstruction companies has been increased to 74 per cent from 49 per cent.

- Inflows of foreign direct investment (FDI) into India fell 13.5 percent in 2012, but prospects for attracting these funds are higher in the future as the country liberalized its trade, says the United Nations Conference on Trade & Development. FDI inflows into India declined from USD31.5 billion in 2011 to USD27.3 billion in 2012.

- Although global uncertainties and domestic factors impacted mergers and acquisitions in India in 2012, they are expected to see a sharp jump in 2013, to be driven mainly by cross-border activity, global consultancy firm Ernst & Young has said.

- The value of announced mergers & acquisitions (M&A) deals involving India reached USD 43.4 bio, a 12 per cent growth from 2011. The average M&A deal size for disclosed values involving India increased to USD 91 mio during 2012 compared to USD76.6 million in 2011, according to a research report from Thomson Reuters. Domestic M&A stood at USD 12.3 bio, up 69.4 per cent over the 2011 period, and the highest annual level since 2010 (USD 13.6 bio).

- The government has deferred implementation of the General Anti-Avoidance Rules by two years. The rules were to come into effect from 2013-14 financial year, but the Parthasarathi Shome Committee had recommended putting it off by three years. Now, it will come into effect from 2015-16 financial year or 2016-17 assessment year.

- The Lok Sabha on 18 December 2012 gave its approval for the Companies Bill 2011, paving the way for a new modern company law. The proposed legislation will replace the existing Companies Act 1956, which was enacted 56 years ago. The Bill will now travel to the Rajya Sabha.

## *Companies Bill, 2011 – Ten Key Points*

1) The bill aims at improving corporate governance. It also contains provisions to strengthen regulations for companies and auditing firms.

2) Although the bill does not precisely define what constitutes corporate social responsibility (CSR), it will mandatory for profit-making companies to spend on activities related to CSR.

3) The CSR condition will apply to firms that have a net worth in excess of Rs. 5 bio, or a turnover of Rs. 10 bio or more, or a net profit of Rs. 50 mio or more.

4) The act proposes to tighten the laws for raising money from the public. The move will hit chit funds. Only banking companies, NBFCs and other firms allowed by regulators will be permitted to accept deposits from the public.

5) A director's remuneration should not exceed five per cent of a company's net profit. The new law also aims to strengthen corporate governance. It will be mandatory for independent directors to constitute at least one-third of the board.

6) If a company winds up operations, it must pay two years' salary to its employees.

7) The act provides that: "Shareholders associations or group of shareholders are to be enabled to take legal action in case of any fraudulent action on the part of company and to take part in investor protection activities and class action suits."

8) The legislation grants statutory powers to the Serious Fraud Investigation Office (SFIO) to tackle corporate fraud. The SFIO will get a big fillip once the legislation comes into force.

9) The bill also bans buy back of shares within one year of the last buyback of shares.

10) Audit firms cannot take up more than 20 assignments at any time. The appointment of auditors for five years to be ratified annually.

## *Dairy*

- Milk production in India is expected to rise by 4 per cent to 133.7 mio tons in the current fiscal, the government said. The estimate of milk production in 2011-12 is 127.9 mio tons. India continues to be the largest producer of milk in the world. The per capita availability of milk had risen to 290 gram per day last year from 260 gram per day in 2007-08.

- The Government has asked the Gujarat Cooperative Milk Marketing Federation (GCMMF), which owns the Amul brand, to submit a detailed proposal for taking over operations of loss-making Delhi Milk Scheme (DMS). DMS, which comes under the Agriculture Ministry, has been running losses for the past several years. The Ministry had moved a Cabinet proposal for corporatization of DMS.

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# *Dairy (Continued)*

- Milk giant Amul will soon set up a dairy unit in Thane district of Maharashtra. The first unit will come up in the Vasai area. The Rs. 1.40 bio plant will collect around 1 mio litres of milk daily.

- National Bank for Agriculture and Rural Development (NABARD) would provide a credit flow of Rs. 4 bio to Punjab's dairy sector during the next three years to boost milk production and promote dairy farming in the state. NABARD has identified three districts namely Ludhiana, Jalandhar and Ropar for modernization and capacity building in the dairy sector. Milking machines would be provided to dairy farmers and milk coolers would be given to both farmers and societies, under the project. Punjab's dairy farming has 9 per cent share in country's milk output with less than 2 per cent livestock. Per capita availability of milk in the state stood at 931 gram, which is highest in the country. For Cheaper and economic milk production, resources of green fodder would be further developed in the state for sustainable dairy farming. The Government would provide about 30,000 quintals fodder seeds to the farmers annually for enhancing green fodder production according to the animal husbandry minister Punjab.

- Mumbai-based Parag Milk Foods Private Limited is planning to expand its procurement and manufacturing footprint beyond Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu by setting up one plant each in the North and the Eastern parts of India for which it seeks to raise money from public. Parag would be investing Rs. 800 mio in two tranches for the capacity expansion by March 2013 in a processing and value added products manufacturing plant at Palamaner in Chittoor district in Andhra Pradesh (AP). The company's plant has a capacity to process 800,000 liters of milk and it would go up to 0.13 mio liters after the capacity expansion. The company would increase the daily procurement of milk in AP to 1 mio liters from the present 600,000 liters level as the expansion progresses. This is part of the overall Rs. 4.5 bio investment plan lined up by the firm for the next five to seven years that includes setting up its third and fourth processing plants in the country and see its total procurement capacity move up to 5 mio liters a day from the present 2 mio liters.

- With nearly 7 mio liters of milk being handled daily by the cooperative and the organized players in the private sector, Tamil Nadu has emerged the second largest dairy player after Gujarat.

- Hatsun Agro Product Ltd is set to expand milk processing capacity and more than double the production of branded curd. The company will add about 70,000 liters of curd production and packaging capacity which will take its total daily output to 0.12 mio liters. The facility at Palacode, coming up with an investment of about Rs. 330 mio, will commence production in February 2013.

- With Tamil Nadu emerging as one of the major milk producers in the country, efforts are being made to modernise dairies to increase procurement and preservation of milk products. A Rs. 214.1-mio plan is on to upgrade the dairies at Vellore, Ambattur, Krishnagiri, Kakalur, Madhavaram, Sholinganallur, Erode and Villupuram, Dairy Development Department sources said. Installation of mobile parlours across Chennai is on.

- New Zealand-based dairy giant Fonterra, is setting up a local office in Delhi in a bid to step up its presence in India. It is expected to go solo in the country.

(Dairy continued on next page)

## Dairy (Continued)

- Making its foray into food processing in Bihar, FMCG major ITC began construction of a milk processing plant in Munger district. The plant will be constructed at an estimated cost of Rs. 1.50 bio and the work will be completed in one year. It will have milk processing capacity of 0.2 mio liters per day and produce 10 tons of ghee, 20 tons milk powder and 20 tons milk in pouches for domestic consumption per day. The state government has decided to set up milk processing units with capacity of 3.2 mio liters milk production per day in Khagaria, Bhojpur and Munger districts.

- Delhi-based Mother Dairy Fruit & Vegetable Private Limited, a wholly-owned subsidiary of the National Dairy Development Board (NDDB), is planning to set up a manufacturing and marketing base either in Hyderabad or Bangalore by the end of this year. Mother Dairy was expanding its ice-cream market and would be completing its national footprint in 2013-14. Mother Dairy, which launched its entire range of ice-creams in Hyderabad, would be foraying into Chennai in a couple months and subsequently to Patna and Ahmedabad.

- Italian ice-cream brand Milano is all set to open its first Indian outlet in Kochi. The ice-cream producing unit and display console were already brought from Italy to make the product maintain its fresh appeal. Certain ingredients are imported and rest of the items will be locally purchased from reliable vendors in the city. The company plans to offer local flavours, free home delivery, offer for children below 10 years during Christmas and New Year. The company will offer 24 flavours.

## Poultry & Meat

- Egg production in India is likely to surge from the current level of about 75 bio to about 95 bio by 2015, as per a sector specific analysis by The Associated Chambers of Commerce and Industry of India (ASSOCHAM). Egg production in India is growing at a compounded annual growth rate (CAGR) of over 8 per cent. With over 28 bio eggs produced in the state per year, Andhra Pradesh accounts for the highest share of over 30 per cent in the total egg production across India. Tamil Nadu, with a share of about 20 per cent, ranks second with about 20 bio eggs produced in the state each year. Maharashtra, Haryana, Punjab and West Bengal are other leading egg producing states in India but each has a share of less than 10 per cent in the total egg produced in India. Karnataka, Kerala and Odisha are other significant egg producing states with over five per cent share in egg production across India. India exports over fifty mio eggs worth over Rs. 2.5 bio each year and the winter season is the peak season for exports. Afghanistan, Algeria, Hong Kong, Maldives, Middle East and African countries are leading export markets for eggs produced across India.

- The production of various animal products has shown a steady increase over the years, the government said. Total meat production from cattle, buffalo, sheep, goat, pig and poultry is estimated to reach 5.9 mio ton in 2012-13, as against 5.51 mio tons last year. Similarly, egg production is likely to touch 72,500 mio this fiscal, from 66,450 mio in the last year.

# *Aquaculture*

- India has raised with the World Trade Organization the issue of health standards imposed by Japan on its shrimp exports. Japan, which has recently lowered the acceptable level of ethoxyquin in shrimps, has since August 2012 rejected seven Indian consignments of the seafood. Ethoxyquin is an anti-oxidant widely used in shrimp feed. In some shrimps ethoxyquin was found to be in the 0.02-0.04 ppm range. Japan's newly introduced health standards tolerate ethoxyquin levels up to 0.01 ppm.

- The United States' move for imposing a countervailing duty on Indian seafood exports has come as a double whammy for the industry as it is struggling to cope with the increase in shipping freight rates for reefer cargo. The US is the largest buyer of Indian marine products with a share of 24.28 per cent for the six months ended September 2012. Indian seafood exports touched 349,009 tons, valued at Rs. 79.80 bio, for the first six months of 2012-13.

- The shrimp aquaculture production and revenue is expected to increase by five-fold, with the inauguration of new expansion of Aquatic Quarantine Facility in Chennai. According to Department of Animal Husbandry Dairying and Fisheries, Ministry of Agriculture, Seafood exports recorded an all time high figure of Rs. 165.97 bio (around USD 3508.45 mio), an increase of around 29 per cent in Rupee terms and around 23 per cent in dollar terms. Shrimp accounted for around 50 per cent of the value of seafood exports, an all time high of USD 1740 mio foreign exchange earnings. The increase in shrimp export was achieved mainly by surge in production from aquaculture mainly contributed by the native shrimp species, the black tiger shrimp. The increased production of vannamei shrimp was also one of the reasons for setting the new high benchmark in seafood exports.



  

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