



IndiaFood

FOODS, BEVERAGES & INGREDIENTS DIGEST
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A few years back, a leading international pizza chain opened an outlet on the ground floor of our office building. The day, the outlet opened, there was a virtual riot and police had to be called to maintain order. Everyone and his kids wanted a taste of the fancy pizzas that they had heard so much about. Nobody minded the exorbitant prices. The outlet was a small take-away / home-delivery outlet. There was no place for people to sit and eat the pizza.

Everyone used to just stand on the footpath and eat the stuff. The outlet had more than a dozen delivery boys with scooters. For the first few weeks, the boys had no rest. Then things started going wrong. Just three months later, we could see the boys wearing their bright red t-shirts sitting in the corridor and chatting. Six months down the line, it was rare to see a customer walking up to the counter. All the dozen-odd scooters were always neatly parked. Less than a year after the grand opening, the outlet closed. What went wrong? Actually, there was nothing right in the first place. The product was mediocre, the prices were outrageous and the ambience was down-market. Yet, the outlet did roaring business in the first few weeks because it had generated initial euphoria. The excitement of a novel product led to good first month sales but in the absence of good fundamentals, the venture proved unsustainable.

The above story, with some modifications, is being repeated on a larger scale across the country in the retail sector. The charm of organized retail is fading. Consumers are realizing that their neighborhood grocery stores offered them better deals in terms of convenience, credit as well as free home delivery services. Organized retailers are no match for the services and prices offered by small nimble-footed traditional grocers. As the realization has been dawning, consumers have been moving away from the big names of retail.

As consumers withdraw from organized retail, there are casualties all around. Subhiksha, which ran the country's largest chain of convenience stores, has temporarily shut most of its 1,600 stores because of its inability to pay its employees and vendors. Earlier many of the stores had been vandalized by the employees to recover their dues. Subhiksha is planning to close a significant number of its stores, as and when it is able to gather funds to open up again. Catalogue retail major Argos is winding up its two-year trial operations in India. Reliance Retail has dumped its cash & carry business, or wholesale trading plans. Kishore Biyani, the owner of India's largest retailer Future Group, is slowing his expansion plans with an attempt to conserve cash.

The bloodbath in retail is blamed by some on slowdown in economy. We at IndiaFood are of the opinion that macro-economic fundamentals have only a small part to play. Indian consumer is always concerned about value-for-money. A fancy proposition may attract him temporarily but in the long run he displays prudence. Projections of growth of organized retail in India ignored the smartness and calculative nature that an average Indian displays.

Talking of economy, inflation is down to almost zero level raising fears of deflation. Various agencies have been predicting lower rates of growth. But the first signs of recovery seem to be already on the doorsteps. Share market seems to be finding its feet once again. Corporate houses are reworking their expansion plans.

(Continued on next page)

Some industrial projects, that were not viable earlier, have become viable now due to low commodity prices. In many cases the original assumptions have gone completely awry and everything has to be worked out afresh.

As the corporates examine and re-examine their plans, let us take the liberty of advising caution from our own fraternity – consultants. Of course, we at Hindustan Studies & Services Ltd. have moved away from calling ourselves “consultants”. We say that our business is research. We specialize in presenting facts and it is for the client to draw his / her own conclusions. But this creates peculiar problems. Invariably whenever an Indian corporate decides to get research done on a particular segment, someone in the top management team (or owner family) has already decided on a project. Research is supposed to only reconfirm the gut feeling of the all-knowing-top-boss. The research is done also for creating what is called a “bankable project report”. There are consultants who charge a percentage of the project cost for preparing the report. In such a situation, the consultant dare not say that the project is not viable. Quite in contrast, when someone approaches HS&SL, the first question put to him / her is, “Are you prepared to accept that the project that you have in mind is not viable?” We have lost many clients at this stage. Also when a consultant presents facts that show inadvisability of proceeding with a project, he closes a potential steady revenue-stream.

Next time when a consultant calls on you suggesting a new business opportunity in Indian market, please ask him about the projects that he has advised against. Generally speaking, our experience is that for every single potentially viable project, there are at least 5 non-viable projects.

Indian corporate history is littered with many instances when hordes rushed for a gold mine which turned out to be a hoax. For every failure, corporate executives and promoters get the blame and face loss of money, reputation and status just as the promoters of retail companies are facing today. The consultants, on the other hand, move quickly to guiding gullible corporates to fresh dreams. Let us face it, no consultant in India faces any liability for wrong advice. So, there is no substitute to being cautious.

Forecasting the future is a difficult proposition and no one can be always right. Given the risky nature of predicting the future, one is surely glad when one sees one's prediction of future coming true. Less than a year ago, we had forecast in a report prepared on India's dairy industry that India would soon turn into a net importer of dairy products. This seems to be coming true. Sharp decline in international prices has already led to imported butter oil arriving in India. The butter oil, mainly of New Zealand origin, is contracted at USD 1,650-1,700 a ton, cost and freight, which is hardly Rs. 85 a kg. This is much below the Rs. 175 a kg at which ghee is currently wholesaling in Delhi. Given the present international and domestic prices of dairy products, government may have to act quickly to stop large-scale imports.

With elections to the lower house of Indian Parliament currently under way, the government has come to a virtual standstill. Almost every major decision needs approval by Election Commission. By end of May, a new government will be in saddle in Delhi. That is when one can expect a new policy direction.

Preparations for election of President are also going on in Iran where I visited in first week of March to study the meat market. Iran is a beautiful country with nice hospitable people. While I enjoyed interacting with the people of Iran, my brush with the bureaucracy was not pleasant. I realized there that while the Indian officialdom has a tendency to be slow and lethargic, India is still an open, democratic and free country. And that does mean a lot.

Anil Chawla

Food Industry Overview

- India's fiscal deficit during April to December jumped to USD 44.5 bio as the cash-strapped government stepped up spending to stimulate a slowing economy.
- Given the impact of the global financial meltdown, the government has projected Indian economic growth to slow down to 7.1 per cent in the current fiscal against 9 per cent in 2007-08.
- Standard & Poor's Ratings Services has revised the outlook, on the long-term sovereign credit rating on India, to negative from stable. The global credit rating agency reasoned that the revision in outlook reflects its view that India's fiscal position has deteriorated to a level that is unsustainable in the medium term.
- Global rating agency Standard & Poor's said it expects India's economic growth to slow down to about 6 per cent in the calendar year 2009.
- India's economic growth is likely to slow down further in 2009-10, to 5 per cent as against the Government's estimate of above 7 per cent, Economist Intelligence Unit said.
- IMF forecast that India's gross domestic product growth would slow to 6.3 per cent in 2008-2009 fiscal year, and to 5.3 per cent the following year. That would be well below the 9 per cent growth rate in 2007-2008.
- Inflation rate based on wholesale price index (WPI) stood at 0.44 per cent for the week ended March 7 this year, against 7.78 per cent in the corresponding week a year ago. It was 2.43 per cent in the previous week. Experts cite record low inflation as evidence of weakening economic demand because of the global financial crisis and see scope for India's central bank to cut key interest rates further to boost economic activity.
- India and the five-nation South African Customs Union (SACU), a regional sub-group of African countries, are likely to sign a preferential trade agreement by the year end.
- India is likely to sign a trade pact with the 10-nation economic bloc ASEAN (Association of Southeast Asian Nations) in April, Commerce and Industry Minister Kamal Nath said.
- Chile's trade engagement with India is poised for a big leap with the two countries looking to transform the preferential trade agreement (PTA) in March 8, 2006 into a free trade agreement (FTA).
- Russia's ban on imports of agricultural commodities from India is expected to be lifted soon due to persistent effort by groups from both countries. Moscow had imposed restriction on import of rice, groundnut and sesame seeds from India in June 2007 after the alleged finding of pests in some of the consignments.
- Madhya Pradesh government will set up food parks in the state through public-private partnership (PPP).
- The first mega food park in western India under the Ministry of Food Processing Industries Mega Food Park scheme will be launched at Shirwal in Satara District, about 55 km from Pune.
- Mahindra & Mahindra (M&M) group's agri-business initiative, Mahindra ShubhLaabh Services (MSSL), has signed a strategic alliance with the Netherlands-based HZPC, the world's largest seed potato supplier. The move will help the EUR 225-mio HZPC get an easy entry into the Indian market. MSSL, in turn, will get access to high quality seeds for the Indian, as well as, export markets.

(Food Industry Overview continued on next page)

Food Industry Overview (Continued)

- As a result of deteriorating indo-Pak relations post the Mumbai terror attacks, cross-border trade is likely to witness a sixty per cent decline in fiscal 2009-10. Trade relations have hit the new low because Indian exporters are scared of doing business with Pakistani businessmen.
- India's agricultural and processed food products exports growth will shrink to 20 per cent this fiscal from the 46 per cent recorded in the previous year, according to Agricultural and Processed Food Products Export Development Authority (APEDA).

Aquaculture

- Decline in strength of USD against some major global currencies, slower growth of the US economy, anti-dumping tariff disputes and reduction in consumer confidence have all weakened the world's biggest shrimp importer, the US, which accounts for an annual shrimp import of 550,000 tons valued at around USD4 bio. This decline has seriously affected shrimp exporting countries, including India.
- The scheme to promote tuna exports launched by Marine Products Export Development Authority (MPEDA) seems to have got off to a good start. The export of tuna, which stood at USD 13 mio, 2 years back when the scheme was announced, has registered a 307 per cent increase to touch USD 53 mio last year. This year the export is likely to increase to USD 70 mio.
- US Department of Commerce (DoC) has initiated action for the fourth administrative review (4th AR) on anti-dumping duty on frozen warm water shrimp from India, Brazil, China, Thailand and Vietnam. In the second review, DoC dropped the average duty to 1.69 per cent from 7.5 per cent. Preliminary findings of the Third Administrative Review on anti-dumping duty for Indian shrimp exports to the US have slashed the rates sharply to 0.79 per cent.
- Seafood exports have managed to record growth in volume and value for the first three quarters of the current fiscal despite exports to the US recording a negative growth. Other markets like China, the Middle East and South East Asia have helped Indian marine exports stay afloat in the recessionary market. India exported 438,768 tons of seafood valued at Rs. 63.9191 bio during April-December 2008 as against 413,768 tons valued at Rs. 59.2058 bio during April-December 2007.

Dairy, Meat & Poultry

- Britannia has launched new variants of flavored cheese. The cubes will be available in three flavors — Masala Mania, Mirchi Poppers and Cream 'n Onion.
- India needs to raise the milk production from the current 100 mio ton to around 180 mio tons by 2021-22. It implies an annual growth of 4 per cent during the period, but in absolute terms the incremental production of 2.5 mio tons per annum will have to increase to 5 mio tons per annum. For India, the largest milk producer in the world, there are innumerable challenges to raise production without putting pressure on land and water resources. Estimates by researchers during the last few years have indicated that the supply of green fodder in 2003, when statistics were last released, was only 389.81 mio tons, while the demand was 1,025 mio tons, revealing a deficit of 61.96 per cent.
- Recognizing the potential for growth in the meat and poultry industry, the government has announced setting up of an autonomous National Meat and Poultry Processing Board (NMPPB). An initial allocation of Rs. 146.4 mio has been made for initial two years of its operation. Subsequently, the meat industry would support functioning of the board. NMPPB would serve as a single-window service-provider for producers, manufacturers and exporters of meat and meat products. The body would also promote and regulate meat industry in the country.

Dairy, Meat & Poultry (Continued)

- India's egg exports dropped over 70 per cent year-on-year to 6 bio eggs in 2008, as demand for the country's poultry products fell sharply due to successive bird flu outbreaks.
- Mother Dairy has launched its fresh milk in Pune. Mother Dairy is a wholly owned subsidiary of the National Dairy Development Board.
- Gujarat Cooperative Milk Marketing Federation, better known for its brand name Amul, is looking at a turnover of Rs. 65 bio this fiscal.
- Parag Milk & Milk Products has launched Gowardhan curd. The company claims the curd will not turn sour on storage during its shelf life of 15 days.
- With the European Union announcing a second round of export subsidies on dairy products, pressure is mounting on the Centre to raise import duties on butter oil and skimmed milk powder (SMP). The sharp decline in international prices has already led to imported butter oil arriving in the country. The butter oil is mainly of New Zealand origin and contracted at USD1,650-1,700 a ton, cost and freight, which is hardly Rs. 85 a kg. This is much below the Rs. 175 a kg at which ghee is currently wholesaling in Delhi. Butter oil imports attract 35.2 per cent duty, including a basic rate of 30 per cent and a special additional customs duty of 4 per cent (computed on 130). The Centre had, on April 29, reduced the basic customs duty on butter oil imports from 40 to 30 per cent, while also lowering that on SMP from 15 to 5 per cent. At that point, both butter oil as well as SMP prices ruled at over USD4,000 a ton, which has since dipped well below USD2,000 levels.

Alcoholic Beverages

- Kyndal India, the largest independent liquor distribution company in the country, will take the financial joint venture route to launch key foreign brands. The first off the block is the joint venture with the Dutch company, Lucas Bols BV, through which it has launched Bols brandy in India. Bols brandy is being bottled at Netravathi Distillery near Bangalore making it the first global brandy brand to be bottled in India. The joint venture will also launch Galliano, an Italian liqueur which is also known as an essential ingredient for making 'Harvey Wallbanger' and 'Hot Shot' cocktails.
- India's beer consumption vaulted 14 per cent in the third quarter shrugging off recessions blues. The robust third quarter pulled up the year-to-date growth to 9 per cent after a sedate beginning in FY09.
- Prices of liquor are all set to increase from April this year, with liquor manufacturers planning to hike prices to offset the expected price rise in molasses, a key raw material.
- United Spirits (USL) is adding 10 new bottling units in the next 12 months through regional alliances, as its liquor volumes continue to remain buoyant well past the peak season. India's largest liquor company is expected to post over 19 per cent volume rise in FY09. The company's sales volume will rise to 89 mio cases, up from 74 mio last year.
- United Spirits (USL), the Rs. 35-bio flagship of the UB Group, has stated that it was open to divesting up to 49 per cent in Whyte & Mackay (W&M), the Scotland-based whisky firm which it acquired during May 2007 for Rs. 48 bio.
- Scotch Whisky Association is exploring ways to appeal against a ruling by the Supreme court on a review petition that allows Indian made foreign liquor company Khoday India to retain its popular brand Peter Scot. SWA is a UK-based trade association for promoting Scotch whisky of Scotland.

(Alcoholic Beverages continued on next page)

Alcoholic Beverages (Continued)

- Simbaholi Sugars (SSL) has announced the launch of a Vodka brand 'Xing' in the white spirits category. SSL has launched the Vodka in some selected outlets in Uttar Pradesh.
- Vijay Mallya's stake sale of up to 14.9 per cent in United Spirits to the world's largest liquor maker, Diageo, seems to have got stuck with the chief executive of the latter saying that his company is not ready to sign a deal at the moment.
- On his first visit to India, Seamus McBride, president & CEO of the world's largest family-run spirits company Bacardi, has sent a strong message to his rivals: Don't expect Bacardi to be on holiday here again. "We have been an acquisitive company traditionally. And we are now in the market to buy out brands, and that includes India", Mr. McBride said as he unveiled plans to build stronger operations for Bacardi locally.
- Karnataka imposed additional excise duties on Indian made foreign liquor, beer and other low alcohol beverages to net Rs. 8.20 bio more excise in the coming year.
- According to CMIE data, beer production in the last year ended December '08 grew 11 per cent over previous year, while Indian-Made Foreign Liquor (IMFL) production increased by 13.28 per cent and country liquor grew a huge 34 per cent.
- Vijay Mallya's flagship McDowell's No.1 brand recorded a retail value — what the end consumer paid on the street — of USD 1.6 bio or Rs. 83 bio during 2008. The brand sold 30.59 mio cases across whisky, brandy and rum flavors to notch up this street value, which will make it one among the world's top 10 spirits brands.
- Vijay Mallya-led United Spirits' Celebration Rum is now among the world's top three selling rum brands. With 26.7 per cent volume spurt in 2008, it pipped Diageo's legendary Captain Morgan Rum to occupy the third slot behind Bacardi and Tanduay brands in the global pecking order.
- Domestic alcohol-based chemical producers like Jubilant Organosys and India Glycols have largely stopped sourcing alcohol from Indian sugar companies and have shifted to cheaper imports from Brazil. While all this is not so good news for the sugar industry, it is a positive one for the liquor industry since this implies virtually no price competition even in a year of shortage.
- The long-drawn out sibling rivalry at India's oldest liquor company Jagatjit Industries, makers of Aristocrat Whisky, is nearing an end, with the Company Law Board upholding a resolution to allot preferential shares with differential voting rights to firms controlled by incumbent promoter Karamjit Jaiswal.
- Aspri Spirits, a distributor of premium wines and spirits, will be introducing South African fruit-based cream liqueur Amarula Cream in the country.
- United Spirits is going to expand its sole winery in Baramati near Pune from the present 75 acre to 400 acre in the next three years. This would involve an investment of Rs. 1 bio.

Non-alcoholic Beverages

- With consumers increasingly opting for healthier beverages, Carbonated Soft Drinks market in India is seeing colas losing value share to flavored drinks. Colas, by industry estimates, now comprise only 38 per cent of the Rs. 75 bio domestic market for sparkling drinks, while flavors (clear lime, cloudy lime, orange, apple) command 54 per cent. Until three years ago, cola products had 46 per cent share of the total soft drinks market, while non-colas had 47 per cent.

(Non-alcoholic Beverages continued on next page)

Non-alcoholic Beverages (Continued)

- Coca-Cola has announced national roll-out of Fanta Apple, the second variant in Fanta franchise after orange.
- Sprite, the clear lemon drink from the Coca-Cola India stable, has trounced PepsiCo's flagship brand Pepsi to emerge as No 2 in the pecking order of soft drink sales in India. Thums Up retains the top slot, according to latest data by AC Nielsen.
- Even as its overall profit fell 18 per cent on the back of global recession, beverages company Coca-Cola has reported a 28 per cent growth in volumes in India for the December quarter as against 18 per cent in the corresponding quarter last year. Coming on the back of nine quarters of growth and 18 per cent increase in unit case volume sales in July-September 2008, this consistent performance puts the company on track for strong growth in the country.
- Cola majors Pepsi and Coca-Cola India stand to lose Rs. 3 bio or more annually from the recent hardening of sugar prices.
- PepsiCo has rolled out a new brand called Nimbooz –a packaged lemonade drink -- under its 7-Up umbrella. Rival Coca-Cola is also believed to be working on a similar product.
- Parle Agro has pitted itself against Pepsi to make an entry into the unbranded *nimbu pani* (lemonade) segment. With its new brand LMN (the name is derived from the SMS version of the name Lemon), the home-grown beverage maker intends creating the lemonade category on the back of its already established indigenous beverage brands such as Frooti and Appy.
- Parle Agro has raised prices of its Frooti and Appy Classic drinks after a decade. Parle has raised prices of these drinks by Rs. 2 each for a 200 ml pack, to Rs. 12. This, it says, will help it offer higher margin to retailers.
- Dumping aside plans to re-enter the branded fruit drinks sector (Bisleri had planned to launch its mango drink Alfaa last year), Ramesh Chauhan, chairman of Bisleri International, is now betting big on the water business.
- Bottling, restaurant and foods chain entrepreneur Ravi Jaipuria is expected to buy PepsiCo India's West Bengal bottling plant in Sonarpur in a deal that will make him the global beverage-to-foods giant's single largest bottler in India.
- Tata Tea has announced its foray into the branded cold drink market with launch of its cold beverage T!ON.

Tea

- Tea exports from India rose about 10 per cent in 2008 to 196.03 mio kg (2007 – 178.75 mio kg), riding lower output in the largest tea exporting nation Kenya, and high prices, while output rose about four per cent to 981 mio kg.
- India's tea exports are expected to touch 203 mio kg in 2008-09, slightly up from 200 mio kg a year ago as the country benefits from a crop shortfall in main rival Kenya.
- Indian tea exports are slated to look up in 2009-10. Iraq, where Indian tea shippers were facing a payment problem, has assured the Union commerce ministry it will resolve the crisis. So much so, Iraq has just placed an order for 3 mio kg of tea imports.

(Tea continued on next page)

Tea (Continued)

- Tea exports to Egypt and Russia are likely to show a quantum jump in 2009.
- Tea has really become the cup that cheers in times of economic downturn. People drink more tea in times of slowdown as it is a cheaper source of beverage.
- South Indian tea output during the first three months of the current year is estimated to be substantially lower by around 35 per cent compared with the same period a year ago. The reason attributed to the sharp fall is the severe drought conditions prevailing in the growing areas of three southern States.
- Tea production in India's leading tea-producing state, Assam, has dipped in February and March due to the ongoing dry spell in the state, raising fears of an overall dip in production and a consequent price escalation later in the year.
- The United Kingdom Tea Council, is in the final stages of discussing an appropriate system that would define Darjeeling tea and the mechanism to ensure that the Darjeeling tea planters get the right price in the European markets.
- Tata Tea has kicked off a major restructuring exercise of its US operations to scale down costs and grow revenues in a challenging environment. For starters, the Tatas have shut down Tetley's office in Shelton, Connecticut.
- Duncans Tea Ltd has announced its expansion of 'Taste of Life' series by entering the Darjeeling tea category.
- Supplyco, which has introduced Sabari brand of tea, aims to capture 25 per cent of Kerala tea market. The product will exceed proposed target of 4,000 tons for year 2008-09 as against 2,439 tons in 2007-08.
- Gujarat-based tea maker Wagh Bakri Tea Group plans to establish its presence as a national brand across 30 cities by the end of 2010, with a targeted turnover of Rs. 4 bio.
- Organic tea produced by traditional communities in Assam is fast gaining market, globally. After making its presence felt in Canada, the tea is now ready to enter Hong Kong.
- The Singpho community of Assam, credited for being pioneers in the discovery of tea, has developed a tea coin. The product is sold under the brand name Phalap (tea is called phalap in Singpho language). Two grams of tea are packed in coin shape and can be consumed by dissolving it in hot water.
- Mcleod Russel India Ltd has completed its 100 per cent buyout of Phu Ben Tea Co of Vietnam for a consideration of USD 2 mio.

Coffee

- The economic crisis may have dented budgets of households but consumers across the globe are unlikely to cut back on their coffee intake, rather may shift to cheaper brands, according to International Coffee Organisation (ICO).
- Indian coffee exports have taken a beating from global financial crisis and low domestic output. Coffee exports from India fell by 14.5 per cent in January-February 2009, as compared to the year-ago period. Total exports were 33,120 tons from January up to March 5 of the present calendar year compared with 38,766 tons in the year-ago period.

Food Service & Retailing

- The charm of organized retail seems to be fading among consumers as they find *kirana* stores and street vendors offering them better deals in terms of credit as well as free home delivery services, thus saving on time and petrol used for travel. Organized retailers such as Reliance Fresh, Subhiksha, Spencer's and Sabka Bazar cannot match these facilities that give a consumer cushion during a slowdown.
- Catalogue retail major Argos is winding up its two-year trial operations in India that include five stores in Mumbai and a telephone and internet ordering service.
- Subhiksha Trading Services, a food and grocery chain, today admitted to its first quarterly loss in about a decade as it shrunk operations and struggled to raise working capital funds to stock up its stores. The Chennai-based retailer's monthly turnover has dropped to a fourth, or Rs. 1 bio, in the last two months from Rs. 4 bio earlier as it did not have money to stock up and continued to struggle for funds.
- Neighborhood retailer Subhiksha is closing a significant number of its 1,600 stores across the country to cope with a cash crunch that has held up store rent and salary cheques, but says it would survive the crisis.
- Kishore Biyani, the owner of India's largest retailer Future Group, is slowing his expansion plans with an attempt to conserve cash.
- Scheduled to open in Punjab later this year, Bharti Wal-Mart Private Ltd's cash-and-carry and back-end supply chain management operations in India will be named 'BestPrice Modern Wholesale'.
- Multinational food service majors such as Sodexo, Aramark and Sofra are in talks separately to pick up a majority stake in Radhakrishna Hospitality Services, India's largest food service firm. If a deal materializes, it could be in the Rs. 4.0-4.5 bio range.
- Aditya Birla Retail, a venture of the A V Birla Group, aims to boost its sales 18-fold in the next five years by opening new stores and adding more private labels. The retailer, which runs a supermarket chain under the More brand, is targeting annual sales of USD 4.5 bio (Rs 220 bio) by March 2014 from Rs. 12 bio in the current financial year (previous year - Rs. 5 bio).
- Aditya Birla Retail Ltd plans to set up eight hypermarkets in 2009-10, including one each in Hyderabad and in Visakhapatnam, in addition to 100 additional More supermarkets.
- The Union Commerce and Industry Minister said that the 49 per cent cap on Foreign Direct Investment in single-brand retail would remain and there would be no change in sectoral limits.
- Fast-food retailer McDonald's will step up expansions in India after recording a 20 per cent year-on-year growth early this year. The retailer plans to open 40 new restaurants by 2009-end.
- Dubai-based Kilachand family's proposed deal to sell 30-40 per cent stake in the Dodsall Group, one of the two large franchises of Pizza Hut and KFC in India, to private equity firm New Silk Route for USD100 mio has fallen through on account of differences on valuations. Dodsall has been looking to exit the restaurant franchise business for some time now.
- Following the sharp decline in valuation of retail businesses, the divestment of Nirula's, the New Delhi-based fast-food chain, has hit a major roadblock due to substantial differences over its worth. By the original plan, Navis Capital was aiming to exit from the venture within three years of the investment.

(Food Service & Retailing continued on next page)

Food Service & Retailing (Continued)

- New Delhi-based Vishal Retail may need to shut down more stores to conserve cash and carry inventory in the next two quarters, as sales are slowing.
- Morarka Organics launched its brand 'Down to Earth' with the opening of the country's first organic retail store in Mumbai.
- Dabur India will be going slow on expansion of its retail business in the wake of a decrease in footfalls.
- Future Group has downsized its target for retail expansion for the year to 2.5 mio sq ft from 4 mio sq ft of space following the economic slowdown.
- Reliance Retail has dumped its cash & carry business, or wholesale trading plans, with the entire operational team heading for an exit. The move is part of the firm's strategy to conserve cash in a deteriorating market.

Snacks

- ITC Foods is planning to extend its presence in the branded health foods sector in India with the launch of energy and nutrient bars. On the other hand, ITC's arch rival Hindustan Unilever Ltd is currently test marketing its health brand Amaze in Tamil Nadu, Andhra Pradesh and Karnataka.
- Lotte India Corporation Ltd is set to delist the company from stock exchanges. The company has received a proposal from its Korean parent Lotte Confectionery Co, which holds 80.39 per cent of the equity, capital to acquire the other 19.61 per cent of equity shares of the company. For the last fiscal it had reported a net loss of Rs 58 mio on a turnover of Rs 1.541 bio.

Culinary Items

- Agro Tech Foods, an arm of the US-based ConAgra Foods, has expanded its basket by launching Sundrop peanut butter.
- Veetee Fine Foods Ltd, a producer and marketer of basmati rice, is strengthening its line of products in the ready-to-eat-food segment.

Sugar

- The government has approved changes in norms for import of raw sugar under the advanced licence scheme to keep local prices under check as production falls. The change would involve switching to a ton-to-ton import policy compared to the prevailing grain-to-grain policy. This means while earlier mills had to refine and export the same consignment of raw sugar that they had imported, now they can use imported cargo for domestic sale provided they export a similar quantity within two years.
- The outlook for India sugar in 2009 is positive and the sweetener may buck the commodity trend, said Fitch Ratings in its latest assessment of the sugar sector. Sugar price increase was unavoidable because of lower output, the report pointed out. The report said the worst days for sugar are over, and prices are expected to remain range-bound through various regulatory measures.

(Sugar continued on next page)

Sugar (Continued)

- Due to a sharp reduction in crop area, sugar production in Uttar Pradesh has fallen by 50 per cent. For the first time in the last seven years, the crushing season in the state has failed to complete 90 days.
- An inadequate sugarcane availability has forced as many as 69 of the total 145 sugar mills in Maharashtra to close down halfway in the current season. As of end-February, sugar mills had crushed 36.905 mio tons to produce 4.212 mio tons of sugar with a recovery of 11.41 per cent compared to 45.778 mio tons with an output of 5.305 mio tons at 11.59 per cent recovery in the corresponding period last year.
- The latest state-wise estimates suggest that the country's sugar production in the current 2008-09 season (October-September) will not touch even 16.0 mio tons, compared to the previous year's 26.328 mio tons.
- Sugar output in India, the world's second-biggest producer, may rebound by 25 per cent next year as farmers boost sugarcane plantations to benefit from a rally in prices, reducing the nation's reliance on imports. The production may increase to 20 mio tons in the year beginning October 1.
- Sugar imports — both raws and whites even at zero duty — have become unviable in the present scenario where the Centre is going all out to ensure that prices do not cross Rs. 25 a kg level at retail end in run-up to elections.
- Global agri-commodity powerhouse, the USD 44.8 bio Bunge has initiated talks with GMR Industries to pick up a "strategic stake" in the company.
- Balrampur Chini Mills Ltd expects its sugar output to fall 38 per cent in the year to September 2009 on lower cane availability, which is likely to boost prices of the sweetener in the period.
- In view of the economic meltdown in the US and Europe and consequent liquidity crisis caused by sharp reduction in getting orders, the subsidiaries of Sakthi Sugars in Germany and Sweden have filed for bankruptcy.
- The government has initiated ten per cent ethanol-blending programme on a pilot basis in two districts - Belgaum in Karnataka and Bareilly in Uttar Pradesh - despite a sharp decline in crude oil prices.
- Taking advantage of the Centre's move to liberalize norms for importing raw sugar, Simbhaoli Sugars has contracted to import 20,000 tons of raw sugar from Brazil. The imported raw sugar will be processed at the company's plants in Uttar Pradesh during off season.
- India's raw sugar imports may reach 1.2 mio tons in 2008-09 sugar season, even as many mills have closed down due to non-availability of sugarcane.
- A shortfall in production has thrown out of gear the government's plans to blend ethanol with petrol. The government made it mandatory to blend petrol with 5 per cent ethanol 16 months ago but the plan never stabilized and the October-2008 deadline to raise it to 10 per cent has been missed.
- Sugar mills in Karnataka are facing a severe shortage of sugarcane ranging from 40 per cent to 60 per cent during the current sugar season (October 2008 to September 2009).

Oils

- As against the requirement of nearly 13 mio tons, India would be able to produce 7.04 mio tons of vegetable oils in 2008-09. The rest of the demand will be fulfilled through imports, according to the US Department of Agriculture.
- Export of oilmeals for the period April 2008 to January 2009 (10 months) of the current fiscal year was reported at 4.616 mio tons compared to 3.825 mio tons, up by 21 per cent during same period of last year due to an increase in the export of soybean meal from 2.68 mio ton to 3.577 mio tons and rapeseed meal from 0.691 mio tons to 0.73 mio tons.
- Export of castorseed extraction declined to 171,194 tons during the ten month period ended January 2009. The export stood at 253,400 during April 2007 to January 2008.
- The government has clarified that import duty exemption on crude edible oils would be applicable to virgin olive oil imports as well.
- Domestic edible oil industry is looking to acquire palm plantations in Malaysia/Indonesia since prices of such plantations have crashed by 50-60 per cent in the past 5-6 months following a fall in palm oil prices.
- Centre for Science and Environment has conducted a study on major vanaspati (hydrogenated oil) brands and found high levels of dangerous trans fats in all these samples. Some of these brands are manufactured by multinationals like Cargill and Bunge. The tests found that in all vanaspati brands, trans fat levels were five to 12 times higher than the world's only standard for trans fats in oil, set in Denmark, at 2 per cent.
- Sanwaria Agro Oils Ltd has completed its ongoing capacity expansion of core solvent extraction and refining business with an investment of Rs. 250 mio. The group's total soya crushing capacity after the expansion stands at 3,250 tons a day.
- Finding soybean crushing a non-profitable business, a majority of small and medium oil extraction units have shut shop while larger ones have reduced their capacity tremendously.
- Thanks to sharp drop in international and domestic prices of edible oils; as well as higher domestic consumption, total import of edible oils into the country has increased by 68 per cent in four months (November 2008-February 2009). The overall import of vegetable oils during the review period was reported at 2.951 mio tons compared to 1.762 mio tons.
- The government has extended ban on export of edible oil by one year, up to March 16, 2010.
- India may witness the record highest castorseed crop at 1.1 mio tons for the 2008-09 season.
- Delhi-based Mustard Research Promotion Council said that production of mustard seed is expected to be close to 7 mio tons as against 4.6 mio tons achieved last year.
- Total exports of oilmeals from the country may reach to a record level of 5.5 mio tons valued at nearly Rs. 85 bio (FOB value) for current financial year 2008-09, thanks to overall good crop of major oilseeds last year supported by higher price realization in international markets.
- Carotino India, Malaysia-based diversified JC Chang Group Company, has launched globally recognized rich premium red cooking oil brand Carotino in Maharashtra. The company intends to launch the product in other states soon.
- Edible oil manufacturer Adani Wilmar is aiming at more than doubling sales to 2.5 mio tons across segments including mustard and palmoline by 2011-12, up from the current 1.2 mio tons.

Food Additives

- The pinch of economic slow down is felt in the sales of cocoa's end-products mainly in south Indian rural markets. The worst hit is Mangalore-based Central Arecanut and Cocoa Marketing and Processing Cooperative Ltd (Campco), which is estimated to have faced a decline in sales of 30 per cent.
- Food industry (including confectioneries) and paper sector have shown good demand for starch. With this, in the northern market, the starch prices have jumped by Rs. 100 a bag or Rs. 2,000 a ton.

Spices & Flavors

- Indian spices exports for first eleven months of the current financial year has crossed the USD 1 bio-mark despite slowdown in global trade. During April-February 2008-09, India exported 395,775 tons of spices and spice products valued at Rs. 45,905 bio (USD 1,020.95 mio) as against 386,875 tons valued at Rs. 39,505 bio in the corresponding period of the last financial year. During the financial year 2007-08, India exported 444,250 tons of spices and spice products valued at Rs. 44,355 bio (USD 1,101.80 mio).
- As ginger production season is at its peak in Kerala, price of dried ginger has plummeted to Rs. 10,200-10,500 per quintal. The market had opened this year in a range of Rs. 11,300-11,500.
- Unfavorable weather conditions are likely to bring down production of *jeera* (cumin) crop by 20-25 per cent this year as compared to last year.
- The brand 'Indian vanilla' is all set to position its identity in the global market with aroma profile map being prepared for this purpose.
- Vanilla industry is unlikely to witness a change in price at least till the middle of 2010 because of the existing vanilla inventories in the global market and the current economic slowdown. This opinion emerged at a technical session during the national seminar on vanilla, organized by Vanilla Growers' Association of India.
- Natural vanilla farmers have been hit by declining offtake by ice cream companies. In the past few years ice cream companies particularly Amul have been the main buyers of natural vanilla while international demand has almost petered out. However, impacted by the current meltdown, ice cream companies have gone slow on procurement of vanilla from Kerala. Amul used to take around 1500 kg a month from Vanilco. In the last two months, the purchase has come down to 500 kg a month.
- Pepper market is likely to firm up with the export oriented oil and oleoresin units turning to the domestic market for inputs due to the prohibitive cost of imports.

Foodgrains

- The Central Government has extended imports of pulses at zero Customs duty by one more year, while extending the ban on their exports, barring chickpeas (or *Kabuli chana*) for a similar period till March 31 next year to help improve domestic supply.
- A bumper rice output may prompt India to lift export curbs on non-Basmati varieties by May, Food and Agriculture Organisation (FAO) of United Nations (UN) said in a report. "The curbs are expected to be lifted either in April or May 2009", FAO said in its February Rice Market Monitor. However, India is expected to go to polls in a couple of months and the new government, which can take policy decisions, will be in place in late May or early June only.

(Foodgrains continued on next page)

Foodgrains (Continued)

- Following breakdown of talks between India and Pakistan over joint registration of Basmati rice under Geographical Indication (GI) regime for protecting its exclusivity, both countries have now decided to first individually register the premium aromatic rice.
- International Crops Research Institute for Semi-Arid Tropics (ICRISAT) has claimed that Pushkal, the protein-rich pea developed by scientists at the institute, would be the first commercially available hybrid legume in the world.
- KRBL Ltd, a leading exporter of branded basmati rice, has launched organic basmati rice in the domestic market. The company has introduced organically cultivated basmati rice in Chennai and will in stages make it available in the other markets.

Fruits & Vegetables

- Potato export to Pakistan has stopped completely as it has become economically not viable with the import levy of 25 per cent by the border country.
- Potato production in West Bengal is likely to be 30 per cent less than the previous year on account of late blight disease. This comes after a record potato production of around 8 mio tons last year, an increase of nearly 60 per cent over the previous year's production of 5 mio tons, in the state.
- Despite the rejection of several export consignments due to the presence of chlorophenol, Indian cashew exports have managed to post a remarkable growth in revenue for the current fiscal on lower volumes. India has gained in a shrinking market due to problems faced by Vietnamese cashew industry. The performance for the first eleven months of 2008-09 is 33 per cent higher by value and 3.6 per cent lower by volume, when compared with the same period of last financial year. In dollar terms, the exports performance is seen higher by 18 per cent..
- Indian Grape Processing Board has been established. It will primarily work towards promotion of the wine industry in the country.
- Supply of wine grapes this season is far in excess of demand, sparking fears that over 30 per cent of the 2009 production may find no takers and hence remain uncrushed. The worst hit by the dearth of takers for their produce are several hundred farmers with small land holdings in Nashik region (Maharashtra) which has the largest concentration by number (50 per cent) of vintners in the country. Driven by 30-odd per cent growth year on year in the wine industry over the last few years, wine-grapes were in short supply in 2008 season, and fetched prices as high as Rs. 35 a kg. This year, the picture is drastically different and price is around Rs. 10/kg. Table grapes, ironically are going at Rs. 15-20/kg.
- "We want Indian Government to impose a fixed specific import duty of pistachios similar to the one existing for almonds", said an official of Paramount Farms. Pistachios currently attract an ad valorem duty of 36 per cent, which is computed on the landed value. By contrast, almonds are chargeable to a specific duty of Rs. 35 a kg. At today's landed prices, the Rs. 35 a kg duty applicable on almonds translates into roughly 10 per cent.
- India had exported mangoes to the US after 18 years in 2008, but the volume remained low at just 143 tons as the quality of the fruit was affected by unseasonal rains while exporters too faced problems of high costs of compliance and freight, among others.

(Fruits & Vegetables continued on next page)

Fruits & Vegetables (Continued)

- A Swiss company, Citrus International, has signed a memorandum of understanding with Maharashtra Government to set up an orange processing plant with capacity to crush 400,000 tons annually. The plant at Amravati will be set up with an investment of about Rs. 1.7 bio.
- Mahindra Shubhlaabh Services, an agri-business firm of Mahindra & Mahindra Ltd group, has entered into an alliance with HZPC Holland BV to produce, market and export high-quality seed potatoes from India.
- At least three firms had applied for permission to import nearly 1.3 mio plants of strawberry from Europe and the US for growing in India. However, the agriculture ministry has allowed only Delhi-based Sheel Biotech to import 600,000 tissue culture plants of strawberry and denied permission to Mizoram's Zopar Exports and Delhi's Dev Bhumi Cold Chain for want of dealer licence. The agri-business firms feel that by growing imported plants in Himachal Pradesh and in the north-east, the quality of the fruit can be improved. Currently, strawberry is mainly grown in Maharashtra, while a small quantity also comes from Jammu and Kashmir.

Biotech

- Avesthagen Ltd, a systems biology platform company focusing on convergence of food, pharma and population genetics, is looking at phase II and phase III expansion plans with an estimated investment of over Rs. 2 bio in the next three to five years in Andhra Pradesh, subject to availability of right sites and government clearances.
- With an aim of making Karnataka the leader in biotechnology sector in Asia, the state government is planning to come out with a revised 'millennium biotech policy' which will be announced shortly.
- India has overtaken Canada to emerge as the country with the fourth largest area under genetically modified (GM) crops. According to the International Service for the Acquisition of Agri-Biotech Application, the country's GM acreage in 2008, at 7.605 mio hectares (ha), stood behind the US (62.5 mio ha), Argentina (21 mio ha) and Brazil (15.8 mio ha), while being ahead of Canada (7.582 mio ha) and China (3.8 mio ha). The GM area in India consisted entirely of Bt cotton.
- Currently under controlled field trials - the second stage of strict examination of any transgenic seed - genetically modified drought trait rice would take at least 8 years for commercialization in India.
- Anticipating a green-signal soon for commercial cultivation of biotechnologically-improved variety of brinjal (Bt brinjal) from Genetic Engineering Approval Committee (GEAC) of Union Ministry of Environment, Maharashtra Hybrid Seed Company Ltd (Mahyco) is now getting ready to go commercial with the Bt varieties of staple crops such as rice and wheat and some vegetables in India.



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