



IndiaFood

FOODS, BEVERAGES & INGREDIENTS DIGEST
February / March 2010

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Last week of February is the time for Budget session of Indian Parliament. The Finance Minister presents the budget for the Union Government. A day before the budget, the government presents Economic Survey to the Parliament.

We bring you in this issue of IndiaFood, some extracts from the Economic Survey and a few Highlights of the Budget.

Indian economy is on a revival path even though high levels of food inflation remain a cause of concern. Increase in food prices can be attributed to the worst drought in 3 decades. It is hoped that the crop that is currently being harvested or is getting ready for harvesting will be good. Monsoon of 2010 is about 2 months away. One hopes that a good monsoon will help the agriculture and will provide one more boost for the economy.

The downturn in economy during the past few quarters has led to the fall of an industry which till a few months ago was being pronounced as the new sunrise industry. Indian wine industry started being noticed since a few years ago. Aggressive public relations (in simple words, free bottles to journalists) ensured a media hype that led many new entrepreneurs to jump into the field. Unfortunately, the market did not grow at the pace at which capacities grew. Everyone was living on hopes which crashed with the downturn in economy. In the beginning of the current year's grape-crushing season, wineries in Maharashtra alone were estimated to be holding about 20 mio litre of wine, which is more than two year's production for the state. The revival of the economy may not do much to revive the wine industry since many of the leading wine companies are suffering from severe financial problems. Just as this editorial is being written, news comes in of a Court ordering the winding up of the pioneer of the Indian wine industry. More about that in the next issue!

While the economy and government finances dominated the discussions during the last week of February, the talk during first week of the month was technological. Bt Brinjal, the first GM food crop proposed to be introduced in India, stirred up a controversy across the country. Initially it appeared that since a high-level committee (Genetic Engineering Approval Committee) had approved Bt Brinjal, the Government would be forced to give it a green signal. However, the shrill opposition from activists, scientists and above all various state governments tilted the scales against the GM crop.

The debate about GM food shows the strength of Indian democracy. Yes, democracy tends to delay decisions and often makes the business climate uncertain. Nevertheless, an open society that debates and deliberates each issue is much better than a closed one where decisions are taken by a small coterie behind closed doors.

Talking of discussions and deliberations, can we please have some inputs from you about IndiaFood. We shall like to have your valuable suggestions about improvements that we can make to serve you better. Kindly do take a few minutes of your valuable time and write to info@hindustanstudies.com . A few words from you will help us enormously.

Anil Chawla

Extracts from Economic Survey 2009-2010

(Presented in the Parliament on 25 February 2010)

- The fiscal year 2009-10 began as a difficult one. There was a significant slowdown in the growth rate in the second half of 2008-09, following the financial crisis that began in the industrialized nations in 2007 and spread to the real economy across the world. The growth rate of the gross domestic product (GDP) in 2008-09 was 6.7 per cent, with growth in the last two quarters hovering around 6 per cent. There was apprehension that this trend would persist for some time, as the full impact of the economic slowdown in the developed world worked through the system.
- The real turnaround came in the second quarter of 2009-10 when the economy grew by 7.9 per cent. As per the advance estimates of GDP for 2009-10, released by the Central Statistical Organisation (CSO), the economy is expected to grow at 7.2 per cent in 2009-10, with the industrial and the service sectors growing at 8.2 and 8.7 per cent respectively. This recovery is impressive for at least three reasons. First, it has come about despite a decline of 0.2 per cent in agricultural output, which was the consequence of sub-normal monsoons. Second, it foreshadows renewed momentum in the manufacturing sector, which had seen continuous decline in the growth rate for almost eight quarters since 2007-08. Indeed, manufacturing growth has more than doubled from 3.2 per cent in 2008-09 to 8.9 per cent in 2009-10. Third, there has been a recovery in the growth rate of gross fixed capital formation, which had declined significantly in 2008-09
- A major concern during the year 2009-10, especially in the second half, was the emergence of high double-digit food inflation. On a year-on-year basis, wholesale price index (WPI) headline inflation in December 2009 was 7.3 per cent but for food items (primary and manufactured) with a combined weight of 25.4 per cent in the WPI basket, it was 19.8 per cent. Thus, unlike the first half of 2008-09 when global cost-push factors resulted in WPI inflation touching nearly 13 per cent in August 2008, with inflation in primary and manufactured products just below the overall average and that in the fuel and power group at over 17 per cent, the upsurge in prices in the second half of 2009-10 has been more concentrated and confined to food items only.

Table 1.1 : Rate of growth at factor cost at 2004-2005 prices (per cent)					
	2005-06	2006-07	2007-08	2008-09	2009-10
Agriculture, Forestry & Fishing	5.2	3.7	4.7	1.6	-0.2
Mining & Quarrying	1.3	8.7	3.9	1.6	8.7
Manufacturing	9.6	14.9	10.3	3.2	8.9
Electricity, Gas & Water Supply	6.6	10.0	8.5	3.9	8.2
Construction	12.4	10.6	10.0	5.9	6.5
Trade, Hotels & Restaurants	12.4	11.2	9.5	5.3	8.3*
Transport, Storage & Communication	11.5	12.6	13.0	11.6	
Financing, Insurance, Real Estate & Business Services	12.8	14.5	13.2	10.1	9.9
Community, Social & Personal Services	7.6	2.6	6.7	13.9	8.2
GDP at Factor Cost	9.5	9.7	9.2	6.7	7.2

(Continued on next page)

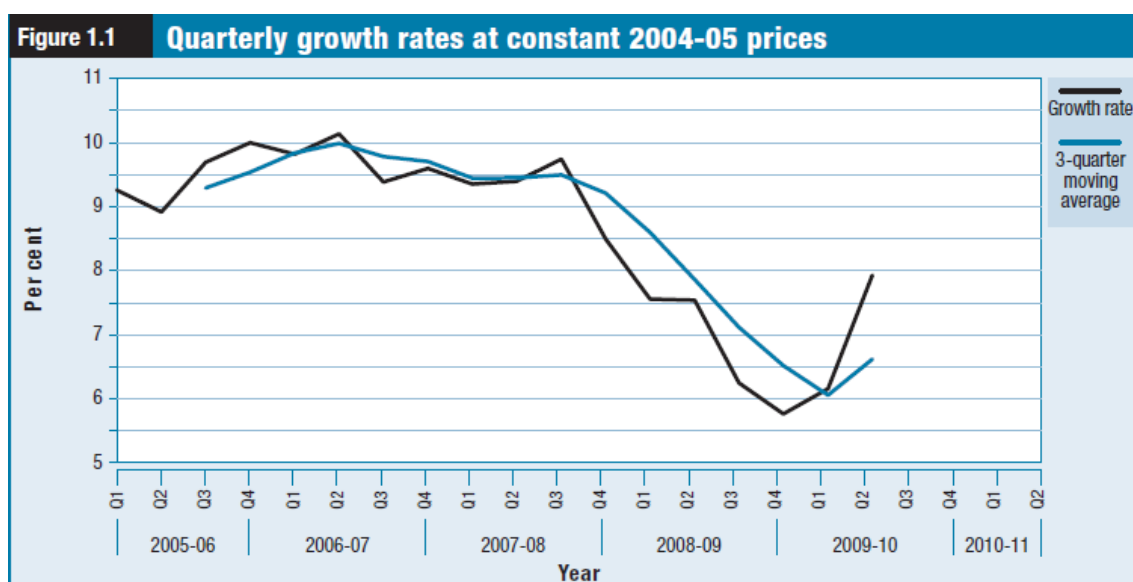
Extracts from Economic Survey 2009-2010 (Continued)

- The growth rates in per capita income and consumption, which are gross measures of welfare in general, have declined in the last two years. This is a reflection of the slowdown in the overall GDP growth. While the growth in per capita income, measured in terms of GDP at constant market prices, has declined from a high of 8.1 per cent in 2007-08 to 3.7 per cent in 2008-09 and then recovered to 5.3 per cent in 2009-10, per capita consumption growth as captured in the private final consumption expenditure (PFCE) shows a declining trend since 2007-08 with its growth rate in 2009-10 falling to one-third of that in 2007-08.

Table 1.3 : Per capita income and consumption at 2004-05 prices

	Income		Consumption	
	Rs	(%) Growth	Rs	(%) Growth
2004-05	29,745		17,620	
2005-06	32,012	7.6	18,909	7.3
2006-07	34,533	7.9	20,168	6.7
2007-08	37,328	8.1	21,841	8.3
2008-09	38,695	3.7	23,012	5.4
2009-10	40,745	5.3	23,626	2.7

- With the release of the Quick Estimates of National Income for 2008-09, the CSO has effected a revision in the base year of its NAS from 1999-2000 to 2004-05. It includes changes on account of certain refinements in definitions of some aggregates, widening of coverage, inclusion of long-term survey results and the normal revision in certain data in respect of 2008-09.



Extracts from Economic Survey 2009-2010 (Continued)

Table 1.6 : Production of selected kharif crops

(million tonnes)				
	2007-08(4th advance estimates)	2008-09 (4th advance estimates)	2009-10 (1st advance estimates)	Difference between 2009-10 and 2007-08
Coarse Cereals	31.89	28.34	22.76	-9.13
Cereals	114.55	112.92	94.41	-20.14
Pulses	6.40	4.78	4.42	-1.98
Foodgrains	120.95	117.70	98.83	-22.12
Oilseeds	20.71	17.88	15.23	-5.48

- The cyclical slowdown in the industrial sector which began in 2007-08 got compounded by the global commodity price shock and the impact of the global slowdown during the course of calendar year 2008 was arrested at the beginning of 2009-10. After the first two months of the current fiscal, there were clear signs of recovery.

Table 2.2 : Doing business : Cross-country experience

Sl. No.	Country	Ease of doing business (rank)	How many days to start a business (days)	Days to enforce a contract (days)	Time to close a business (years)	Days to export
1	Brazil	129	120	616	4.0	12
2	Chile	49	27	480	4.5	21
3	China	89	37	406	1.7	21
4	India	133	30	1,420	7.0	17
5	Indonesia	122	60	570	5.5	21
6	Japan	15	23	360	0.6	10
7	Malaysia	23	11	585	2.3	18
8	Mexico	51	13	415	1.8	14
9	Pakistan	85	20	976	2.8	22
10	Russian Fed.	120	30	281	3.8	36
11	Singapore	1	3	150	0.8	5
12	Sri Lanka	105	38	1,318	1.7	21
13	Thailand	12	32	479	2.7	14
14	USA	4	6	300	1.5	6

Source : World Bank, Doing Business 2010.

Extracts from Economic Survey 2009-2010 (Continued)

Table 2.3 : Doing business in India - Comparison among major cities/capitals

Sl. No.	Places in India	Ease of doing business (rank)	How many days to start a business (days)	Days to enforce a contract (days)	Time to close a business (years)	Days to export
1	Ludhiana	1	33	862	7.3	21
2	Hyderabad	2	33	770	7	26
3	Bhubaneswar	3	37	735	7.5	17
4	Gurgaon	4	33	1,163	7	25
5	Ahmedabad	5	35	1,295	6.8	17
6	New Delhi	6	32	900	7	25
7	Jaipur	7	31	1,033	9.1	22
8	Guwahati	8	38	600	8.3	22
9	Ranchi	9	38	985	8.5	21
10	Mumbai	10	30	1,420	7	17
11	Indore	11	32	990	8	21
12	Noida	12	30	970	8.7	25
13	Bengaluru	13	40	1,058	7.3	25
14	Patna	14	37	792	9.3	19
15	Chennai	15	34	877	7.5	25
16	Kochi	16	41	705	7.5	28
17	Kolkata	17	36	1,183	10.8	20

Source : World Bank, Doing Business in India 2009.

- As per the latest data for fiscal 2009-10, exports and imports showed substantial decline during April-September (H1) of 2009-10 vis-à-vis the corresponding period in 2008-09. However, there has been improvement in the balance of payments (BoP) situation during H1 of 2009-10 over H1 of 2008-09, reflected in higher net capital inflows and lower trade deficit. The trade deficit was lower at USD 58.2 billion during H1 (April-September) of 2009 as compared to US\$ 64.4 billion in April-September 2008 mainly on account of decline in oil import.
- During fiscal 2009-10, foreign exchange reserves increased by USD 31.5 billion from USD 252.0 billion in end March 2009 to US\$ 283.5 billion in end December 2009. Out of the total accretion of US\$ 31.5 billion, US\$ 11.2 billion (35.6 per cent) was on BoP basis (i.e excluding valuation effect), because of higher inflows under FDI and portfolio investments, while accretion of US\$ 20.3 billion (64.4 per cent) was on account of valuation gain due to weakness of the US dollar against major currencies.

Extracts from Economic Survey 2009-2010 (Continued)

- There are several factors that have emerged from the performance of the economy in the last 12 months, which, combined with an analysis of performance over the last couple of years, augur well for the Indian economy. There are some deep changes that have taken place in India, which suggest that the economy's fundamentals are strong. First, the rates of savings and investment have reached levels that even ten years ago would have been dismissed as a pipedream for India. On this important dimension, India is now completely a part of the world's fast-growing economies. In 2008-09 gross domestic savings as a percentage of GDP were 32.5 per cent and gross domestic capital formation 34.9 per cent. These figures, which are a little lower than what had been achieved before the fiscal stimulus was put into place, fall comfortably within the range of figures one traditionally associated with the East Asian economies. In 2007 South Korea had a savings rate of 30 per cent, Japan 28 per cent, Malaysia 38 per cent and Thailand 33 per cent. Since these indicators are some of the strongest correlates of growth and do not fluctuate wildly, they speak very well for India's medium-term growth prospects.
- In the medium term it is reasonable to expect that the economy will go back to the robust growth path of around 9 per cent that it was on before the global crisis slowed it down in 2008. To begin with, there has been a revival in investment and private consumption demand, though the recovery is yet to attain the pre-2008 momentum. Second, Indian exports have recorded impressive growth in November and December 2009 and early indications of the January 2010 data on exports are also encouraging.

Table 6.5 : Summary of changes in foreign exchange reserves (US\$ billion)

Sl. No.	Year	Foreign exchange reserves at the end of financial year (end March)	Total Increase / decrease in reserves	Increase/decrease in reserves on a BoP basis	Increase/decrease in reserves due to valuation effect
1	2004-05	141.5	+ 28.6	+26.2 (91.6%)	+ 2.4 (8.4%)
2	2005-06	151.6	+ 10.1	+15.0 (148.5%)	(-) 4.9 (- 48.5%)
3	2006-07	199.1	+ 47.5	+36.5 (76.8%)	+ 11.0 (23.2%)
4	2007-08	309.7	+ 110.6	+92.2 (83.4%)	+ 18.4 (16.6%)
5	2008-09	252.0	- 57.7	-20.1 (34.8%)	- 37.6 (65.2%)
6	2009-2010 (upto Dec. 2009)	283.5	+31.5	+11.2 (35.6%)	+ 20.3 (64.4%)

Source: RBI.

Note: Figures in parentheses indicate percentage share in total change.

Extracts from Economic Survey 2009-2010 (Continued)

Table 6.2 : Balance of payments : Summary

(US\$ million)

Sl. Items No.	2004-05	2005-06	2006-07	2007-08	2008-09	Apr-Sep. 2008	Apr-Sep. 2009
					PR	PR	P
1 Exports	85206	105152	128888	166162	189001	111085	81139
2 Imports	118908	157056	190670	257629	307651	175483	139356
3 Trade Balance	-33702	-51904	-61782	-91467	-118650	-64398	-58217
4 Invisibles (net)	31232	42002	52217	75731	89923	48549	39599
Non-factor Services	15426	23170	29469	38853	49631	25110	15371
Income	-4979	-5855	-7331	-5068	-4507	-1646	-2353
Private Transfers	20525	24493	29825	41706	44567	25091	26695
5 Goods and Services Balance	-18276	-28734	-32313	-52614	-69019	-39288	-42846
6 Current Account Balance	-2470	-9902	-9565	-15737	-28728	-15849	-18618
7 External Assistance (net)	1923	1702	1775	2114	2637	869	571
8 External Commercial Borrowings (net)	5194	2508	16103	22609	7941	3166	745
9 Non -resident Deposits (net)	-964	2789	4321	179	4290	1072	2864
10 Foreign Investment (net)	13000	15528	14753	43326	3467	8349	32088
of which							
(i) FDI (net)	3713	3034	7693	15893	17498	13867	14142
(ii) Portfolio (net)	9287	12494	7060	27433	-14030	-5518	17946
11 Other Flows (net) ^a	9476	2427	9219	39673	-9687	-106	-8117
12 Total Capital Account (net)	28629	24954	46171	107901	8648	13350	28151
(including errors and omission)							
13 Reserves							
[increase (-) / decrease (+)]	(-)26159	(-)15052	(-)36606	(-)92164	(+)20080	(+)2499	(-)9533

Source : RBI

PR: Partially Revised

P: Preliminary

^a Includes, among others delayed export receipts and errors and omissions.

- India has been progressively lowering peak customs duty. Contrary to popular belief, the fall in peak duty has neither led to a fall in revenue collections, nor a wiping out of the domestic manufacturing sector. In fact, peak duty falls have been accompanied by rise in customs duty collections.
- The livestock and fisheries sector contributed over 4.07 per cent of the total GDP during 2008-09 and about 26.84 per cent value of output from total agriculture and allied activities. In 2008-09, this sector contributed 108.5 million tons of milk, 55.6 billion eggs, 42.7 million kg wool and 3.8 million tons of meat.
- India ranks first in world milk production, its production having increased from 17 million tons in 1950-51 to 108.5 million tons by 2008-09. The per capita availability of milk has increased from 112 grams per day in 1968-69 to 258 grams per day in 2008-09, but is still low compared to the world average of 265 grams per day. About 80 per cent of milk produced in the country is handled in the unorganized sector and the remaining 20 per cent is equally shared by cooperatives and private dairies.

Extracts from Economic Survey 2009-2010 (Continued)

Table 1. Peak duty reductions, customs duty collection and import values

Year	Peak duties (per cent)	Customs duty collection (Rs cr.)	Imports (Rs cr.)	Customs duty as a percentage of imports
1999-00	40	47,091	2,15,237	21.88
2000-01	38.5	49,066	2,30,873	21.25
2001-02	35	42,256	2,45,200	17.23
2002-03	30	44,610	2,97,206	15
2003-04	25	48,857	3,59,108	13.6
2004-05	20	55,470	5,01,065	11.08
2005-06	15	63,656	6,60,409	9.64
2006-07	12	81,015	8,40,506	9.64
2007-08	10	97,691	10,12,312	9.65
2008-09	10	1,01,710	13,74,436	7.4

Note – 1 cr. = 10 million, 100 cr. = 1 billion

Table 8.17 : Progress of reforms in agricultural markets (APMC Act) as on 31.12.2009

Sl. No.	Stage of reforms	Name of State/ Union territory
1.	States/ UTs where reforms to the APMC Act have been undertaken as suggested.	Andhra Pradesh, Arunachal Pradesh, Assam, Chattisgarh, Goa, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tripura
2.	States/ UTs where APMC Act has been partially reformed) by amending the APMC Act/ resolution	a) <u>Direct Marketing:</u> NCT of Delhi b) <u>Contract Farming:</u> Haryana, Punjab and Chandigarh c) <u>Private Markets:</u> Punjab and Chandigarh
3.	States/ UTs where there is no APMC Act and hence not requiring reforms	Kerala, Manipur, Bihar*, Andaman & Nicobar Islands, Dadra & Nagar Haveli, Daman & Diu and Lakshadweep
4.	States/ UTs where APMC Act already provides for the reforms	Tamil Nadu
5.	States/ UTs where administrative action has been initiated for reforms	Mizoram, Meghalaya, Haryana, Jammu&Kashmir, Uttarkhand, West Bengal, NCT of Delhi and Pondicherry

Note: * APMC Act has been repealed with effect from September 1, 2006.

Highlights of Union Budget for 2010-2011

- Gross Tax Receipts are estimated at Rs. 7,466.51 bio.
- Non Tax Revenue Receipts are estimated at Rs. 1,481.18 bio.
- Total expenditure proposed in the Budget Estimates is Rs. 11,087.49 bio, which is an increase of 8.6 per cent over last year.
- Fiscal deficit for BE 2010-11 at 5.5 per cent of GDP, which works out to Rs.3,814.08 bio.
- Income tax slabs for individual taxpayers to be as follows:

Income up to Rs 160,000-	NIL
Income above Rs 160,000- and up to Rs. 500,000-	10 per cent
Income above Rs 500,000- and up to Rs. 800,000-	20 per cent
Income above Rs. 800,000-	30 per cent

- Current surcharge of 10 per cent on domestic companies reduced to 7.5 per cent.
- Rate of Minimum Alternate Tax increased from the current rate of 15 per cent to 18 per cent of book profits.
- Limits for turnover over which accounts need to be audited enhanced to Rs. 6 mio for businesses and to Rs. 1.5 mio for professions.
- Rate reduction in Central Excise duties to be partially rolled back and the standard rate on all non-petroleum products enhanced from 8 per cent to 10 per cent ad valorem.
- Provide project import status with a concessional import duty of 5 per cent for the setting up of mechanized handling systems and pallet racking systems in 'mandis' or warehouses for food grains and sugar as well as full exemption from service tax for the installation and commissioning of such equipment.
- Provide project import status at a concessional customs duty of 5 per cent with full exemption from service tax to the initial setting up and expansion of Cold storage, cold room including farm pre-coolers for preservation or storage of agriculture and related sectors produce ; and Processing units for such produce.

(Budget Highlights continued on next page)

Highlights of Union Budget for 2010-2011 (Continued)

- Provide full exemption from customs duty to refrigeration units required for the manufacture of refrigerated vans or trucks.
- Provide concessional customs duty of 5 per cent to specified agricultural machinery not manufactured in India.
- Provide central excise exemption to specified equipment for preservation, storage and processing of agriculture and related sectors and exemption from service tax to the storage and warehousing of their produce.
- Provide full exemption from excise duty to trailers and semi-trailers used in agriculture.
- Concessional import duty to specified machinery for use in the plantation sector to be, extended up to March 31, 2011 along with a CVD exemption.
- Transportation by road of cereals, and pulses to be exempted from service tax. Transportation by rail to remain exempt.
- Reduction in basic customs duty on long pepper from 70 per cent to 30 per cent.
- Reduction in basic customs duty on asafoetida from 30 per cent to 20 per cent.
- Reduction in central excise duty on corrugated boxes and cartons from 8 per cent to 4 per cent.
- In addition to the ten mega food park projects already being set up, the Government has decided to set up five more such parks.
- External Commercial Borrowings to be available for cold storage or cold room facility, including for farm level pre-cooling, for preservation or storage of agricultural and allied produce, marine products and meat.
- Government to address the issue of opening up of retail trade.
- Advance Estimates for Gross Domestic Product (GDP) growth for 2009-10 pegged at 7.2 per cent. The final figure expected to be higher when the third and fourth quarter GDP estimates for 2009-10 become available.
- A major concern during the second half of 2009-10 has been the emergence of double digit food inflation. Government has set in motion steps which should bring down the inflation in the next few months and ensure that there is better management of food security in the country.
- The growth rate in manufacturing sector in December 2009 was 18.5 per cent – the highest in the past two decades.

Food Industry Overview

- The latest Economic Survey Outlook carried out by FICCI has put the GDP growth forecast for 2009-10 at 6.9 per cent. The survey was carried out amongst economists from banking and financial sectors. The survey forecasts agriculture to recede by 1 per cent while industry should grow by 8.5 per cent.
- India's economy is likely to grow more than 8 per cent in the fiscal year 2010-11, deputy chairman of the Planning Commission said. India's industrial output rose at a faster-than-expected 16.8 per cent in December from a year earlier, helped by stimulus measures that boosted domestic demand.
- India's economy is poised to grow by 7.5 per cent this fiscal and will top 8.5 per cent in the next on the back of a strong industrial recovery, Finance Minister Pranab Mukherjee said.
- The Prime Minister's Economic Advisory Council, or PMEAC, pegged growth in the next financial year (2010-11) at 8.2 per cent as the agriculture sector is expected to turn around next year. It also predicted that the country would return to 9 per cent growth in 2011-12.
- Tamil Nadu Foodgrains Merchants Association has taken strong exception to the implementation of Food Safety and Standards Act 2006. In a memorandum submitted to the Union Government of India, the association said the Act has been a death blow to Indian food industry and many of the clauses are not appropriate to the prevailing trade situation and are ambiguous.
- The Union Government has decided to set up a national seed reserve to ensure that there is no shortage of seeds for sowing. To begin with, the proposed seed reserve would have 5 to 10 varieties of crops including a few pulses and oilseeds. However, vegetables would not be part of the above reserve.
- A far-reaching free trade agreement will be "ready to be signed" between India and the European Union by the end of this year even as child labour and intellectual property rights regime in this country remain sore points, EU ambassador has said.
- The annual Wholesale Price Index-based food inflation eased to 17.58 per cent for the week ended February 13 against the previous week's annual rise of 17.97 per cent. The moderation in the inflation rate, after having increased for four consecutive weeks, was mainly on account of lower price levels in primary items such as pulses and vegetables.
- Empowered Group of Ministers (EGoM) has cleared the draft Food Security Bill that seeks to give legal right to the poor to get 25 kg of foodgrain in a month at Rs. 3 per kg.
- Early onset of summer and soaring temperatures could herald bad tidings for South Indian plantation industry. With temperatures soaring to unprecedented levels of 42 degrees Celsius in early March in the plains of Kerala, the outlook for rubber, tea, cardamom, cocoa, coffee and cinnamon plantations is cloudy.
- Six food processing companies, including Mrs. Bector's Food (Cremica Group) and Brattle Foods Ltd have evinced interest in setting up Punjab's first Mega Food Park, which will be the first ever in Punjab. The investment envisaged is in the range of Rs. 1.5-2.0 bio.
- The Union Budget presented for 2010-11 is a pragmatic one as it attempts to address some pressing issues of the economy within the strict contours of managing the fiscal deficit. Recognizing the high level of wastage in the farm sector, the Budget focuses sharply on creating an environment for higher investment in the warehousing space, with emphasis on cold storage, where there are limited facilities today.
- Private equity funds are looking to bite deeper into the fast growing processed food and beverages sector, encouraged by the healthy profit margins and growth opportunities in the recession-proof sector.

Aquaculture

- Rejections of Indian shrimp (scampi) by the European Union have fallen drastically after the modalities of testing the exports for banned antibiotic nitrofurans were modified last September.
- Finding fault with the residue monitoring and testing methodology employed by India, the European Union might decide to check 20 per cent of Indian aquaculture exports to the region. The proposed move, if it materializes, will prove a major barrier to Indian exporters and an inherent advantage to competitors.
- US Department of Commerce has announced its fifth administrative review of the anti-dumping duty imposed on frozen warm water shrimp imported from India, Brazil, China, Thailand and Vietnam. This review will examine the details of import of shrimp to the US between February 1, 2009 and January 31, 2010. This is likely to be the final review of the duty, carried out parallel to five-year review ('Sunset Review') announced in January. The Sunset review will examine details of import of marine products to the US for five years beginning from 2004-05. In February 2005, the US imposed a duty of 10.16 per cent against India and this, as well as a customs bond requirement, badly hit shrimp exports to the US. Washington withdrew the bond requirement after a verdict of the Appellate Authority of the World Trade Organisation in August 2008.
- The US department of commerce on 10 March said the anti-dumping duty on shrimp imported from India was being increased from 0.79 per cent to 2.67 per cent. This was a blow to the export industry, as it was expecting a reduction in duty.
- Although Indian shrimp exports to the US are lower than the levels prevalent before anti-dumping duties were imposed on the country, export volumes made a decent recovery during the first half of 2009. Indian shrimp exports to the US fell from 7,100 tons during January-June 2006 to 5,900 tons in 2007 and further to 5,400 tons in 2008. Shrimp exports recovered to 8,600 tons during the first-half of 2009. But India remains a small player in the US shrimp import industry. Thailand is the top supplier, accounting for over 31 per cent of import volumes at 73,367 tons.
- Fishermen are harvesting lobsters through the cage culture process in the sea off Mandapam in Tamil Nadu's Ramanathapuram district. Cage culture is a practice of growing fish in confined areas and they are fed until they reach the marketing stage. The process is becoming popular in South India.
- Kerala State Fishing Boat Operators Association has protested against the proposed Marine Fisheries (Regulation and Management) Act 2009, saying that it contains 'hidden ideas' of granting permission to foreign vessels to conduct industrial fishing in Indian seawaters.
- The controversy over the marine fisheries Bill has arisen because it seeks to completely alter a key provision under the old law that allows fishing by Indian citizens in the Indian EEZ. The new legal regime will require all Indian fishing vessels, irrespective of their size, to get a special permit from the Central administration for undertaking any fishing activity outside the territorial waters. What irks fishermen the most is the clause relating to imprisonment and fine of up to Rs. 0.9 mio for any violation of this rule. Since several smaller fishing vessels, equipped with modern gear, have now begun to routinely venture into relatively deeper waters in search of fish catches, they feel that by restricting them to the over-exploited coastal zone, the new law will hurt their livelihood.
- About eighty per cent of India's marine food processing capacity is lying idle, says The Seafood Exporters Association of India. The marine food industry today has a capacity to process 14,000 tons of fish a day (mostly for freezing), but about 80 per cent of the capacity is not being used currently. This is because of two reasons. First, sea catch is stagnating. Second, the capacity is built to process peak catch.

Dairy, Meat & Poultry

- Gujarat Cooperative Milk Marketing Federation (GCMF) plans to increase prices of “Amul” milk within the State by Re 1-Rs 2 a litre from February 1. From February 1, full cream milk containing six per cent fat will cost Rs. 28 a litre to consumers (from Rs. 26 now). In the case of toned milk with 3.5 per cent fat, the increase will be from Rs. 23 to Rs. 24 a litre.
- Milk prices in Karnataka are slated to rise by Rs. 2-3 a litre, with the State Government accepting a request to this effect from the Karnataka Milk Federation.
- Pune-based Parag Milk Foods Pvt Ltd, makers of ‘Gowardhan’ brand of dairy products, and its sister concern Bhagyalaxmi Dairy Farms Pvt. Ltd are together investing nearly Rs. 1.60 bio this year to expand capacities for processing a total of 2.0 mio litre of milk daily.
- According to media planning & buying agency Maxus India, as of 2008, the penetration of long life (UHT) milk was at 5 per cent across India. It grew 19 per cent over 2007, primarily led by metros where organized retail is stronger. While metros accounted for 61 per cent of all long life milk users in 2007, it dropped to 56 per cent in 2008, the study said. The milk-deficient states such as Kerala and those in the north-east are prime targets for branded UHT players, accounting for a third of industry sales. Tetra Brik packs are rapidly substituting core milk powder consumption in the north east states.
- Amul milk has overtaken Mother Dairy’s products in New Delhi and National Capital Region in branded packaged milk segment and become the number one brand there selling 1.5 mio litre a day. NDDDB has rubbished the claim. Mother Dairy issued a statement that its milk sales are set to cross the 3-mio litre mark in the NCR region.
- Foreseeing shortages in milk supplies to cities ahead of the summer season, the Centre has permitted duty-free imports of up to 30,000 tons of milk powder and 15,000 tons of butter oil. The imports are, however, subject to a tariff rate quota (TRQ) arrangement, allowing only certain designated agencies (National Dairy Development Board and some state-owned agencies) to bring in these goods at nil duty. Milk powder imports ordinarily attract 60 per cent basic customs duty, while being 30 per cent for butter oil.
- Despite being world’s largest producer of milk, India will face a milk shortage if production does not increase to the level required, Chairman of National Dairy Development Board Amrita Patel said. “Demand for milk in the country is increasing at much faster rate than its production”, she said while stressing that in order to meet the projected demand of 180 mio tons of milk by 2021-22, milk production in the country has to grow by five mio tons annually — double the present growth which is 2.5 mio tons per annum.
- Domestic consumers may be feeling the pinch of an increase in milk prices but milk production in India is still among the most competitive in the world. In fact, experts say, Indian dairy sector is poised for consolidation, higher efficiency and growth with the entry of big players.
- As many as 147,512 birds have been culled and 17,420 eggs destroyed in bird flu-infected districts of Bengal till now since the fresh outbreak was first reported from Hazrabati and Nagar villages in Khargram blocks of Murshidabad district on January 14. (2 Feb)
- Demand to scrap export subsidies for meat is gaining momentum as it’s found skewing the dairy economics where killing animals is turning out to be more profitable in the short term, than milking for years.
- Exports of meat and meat products are likely to cross Rs. 60 bio in the current financial year. Between, April-December 2009, India exported meat and meat products worth Rs. 58.59 bio.
- Leading poultry conglomerate Venkateshwara Hatcheries plans to set up five manufacturing units abroad including an avian vaccine unit in Switzerland by end of next fiscal. The plan is to set up one poultry feed unit each in Bangladesh and Vietnam, and one hatchery each in Muscat and Bangladesh.

Alcoholic Beverages

- To capture the growing consumer segment of 'young men and women,' United Breweries Ltd plans to launch a range of flavored alcohol beverages during the second quarter of the next financial year. To be called Kingfisher Buzz, the beverage would be available in three flavors — cola, lime and berry.
- The country's nascent wine industry, with per head consumption of a little over a tablespoon, will crush much smaller quantities of grapes this season. The grape-crushing season begins early February, and expectations are that it will be a modest 10,000-16,000 tons, yielding 6.25 mio to 10 mio litre of wine. With an estimated 20 mio litre of wine lying with wineries across Maharashtra, the country's leading producer, it's no surprise that sentiment among wine makers is subdued despite increased sales over the past couple of months.
- Wineries in Maharashtra no longer sparkle. More than half of the state's 58 wineries have either closed down or stopped producing wine due to the glut in the market.
- United Breweries Group has launched the all season 'Kingfisher' beer across the country and said it aims to sell 0.8-1.0 mio cases of the newly launched beer in 2010-11. 'Kingfisher Red' is developed following a unique process whereby the beer is golden light oaky brown and can be consumed even at 14-17 degree Celsius without any change in the taste of beer.
- At least three major States have either brought down taxes on foreign liquor brands or allowed their sale in retail outlets on pressure from the European Union. Most of these States including Delhi and Tamil Nadu were on the radar of the EU for not complying with WTO (World Trade Organization) norms. According to these norms, States have to ensure that goods traded by the countries should be compatible to "national treatment" which means a country has to treat imported products on par with those produced locally.
- Spirits and wine major Radico Khaitan, a company owned by the Delhi-based Lalit Khaitan Group, is looking to ramp up its wine sales by introducing the 'Carlo Rossi' brand in the Indian market. Carlo Rossi is the world's largest-selling wine brand and is produced by the California-headquartered E&J Gallo.
- UB Group is eyeing to sell 100 mio cases of beer by the end of current fiscal against 83 mio cases sold in 2008-09.

Non-alcoholic Beverages

- Romanov Red, a premium non-alcoholic all natural beverage has been launched by United Spirits Ltd a wing of United Breweries in the Kerala market. This non-alcoholic all-natural beverage has "natural Guarana", a native herb from Brazil, known for its energy boosting properties as a main ingredient.
- The US-based Natural Growers, one of the largest citrus co-operatives in Florida, is close to acquiring land near Kandla port for setting up a bottling plant. The company recently launched fruit juices called 'Florida's Natural' in Mumbai. The products – pure pasteurized juice without water and preservatives – include varieties such as original orange, home-squeezed-style orange, growers' style orange and orange juice plus calcium with added Vitamin C.
- Soft drink majors PepsiCo and Coca-Cola have increased prices of some of their products by up to 20 per cent, giving in to surging input costs at last.
- PepsiCo has announced its entry in the ready-to-mix powder category with the launch of Gatorade Sports Mix.
- PepsiCo India clocked its highest volume growth in a decade – with its beverage business growing over 32 per cent in calendar year 2009.

(Non-alcoholic Beverages continued on next page)

Non-alcoholic Beverages (Continued)

- Groupe Danone has begun test-marketing flavored milk in India, marking the French food multinational's entry into the country. The brand, Danone Choco Plus milk, is priced at Rs. 15 for a 200-ml tetra pack and is being tested in Hyderabad.
- Tata Tea is moving down the price value chain to target the masses with a new brand of fortified mineral water. The new brand will carry the prefix of the Tata brand name and will be priced at a slightly lower premium than its existing premium mineral water brand – Himalayan.
- Undeterred by 30-year-high world market prices, beverage companies Coca-Cola & PepsiCo are scrambling to buy sugar overseas to make sure they are not compelled to slow down bottling lines during the peak demand months of summer.
- Heinz India (P) Ltd, a market leader in nutrition and wellness, has launched Glucon-D Isotonik –an isotonic energy drink. It will be initially available in a carton containing eight single serve powder sachets and a unique carry along sipper containing three powder sachets, in two refreshing flavors – Lime Burst and Orange Rush.
- Parle Agro has launched its apple nectar, Appy Classic, in a 1-litre carton.
- Groupe Danone is close to formalizing a joint venture with Mumbai-based Narang Hospitality Services for manufacturing, marketing and distributing nutritional beverages such as fortified water and juices in India. Danone India, a wholly owned subsidiary of the French food group, will hold a minority stake in the joint-venture company, Quarisma Beverages, which will be controlled by the Rs. 3-bio Narang group. Danone India already has a tie-up with Narang Hospitality for importing and distributing its premium packaged water brand Evian in India.
- The legal battle between the Tatas and Bisleri over the registered Himalayan trademark has led to the latter changing the name of its mountain water brand. Bisleri Mountain Water brand from the Himalayas is now being sold as Vedica Mountain Water from the Himalayas.
- Coca-cola should pay Rs. 2.16 bio compensation for pollution and depleting groundwater, a Kerala government panel has said.

Tea

- Tea import bill in calendar 2009 had risen by 4.91 per cent over that in 2008 as more volume was imported at a higher price. Till November, the latest period for which official data is available with the Tea Board, the country imported 22.95 mio kg against 18.47 mio kg in the corresponding period of 2008.
- The lady in black & white with a wicker-basket of three tea leaves strapped to her head — the 34-year-old India Tea logo — may soon fade into history. Government of India has set up a task force to improve the brand image of Indian tea, complete with a new logo.
- Amul is planning to launch a tea brand. Some member unions of the Rs. 67.11-bio Gujarat Co-operative Milk Marketing Federation, which markets the Amul brand, already sell tea at concessional rates to their milk producers.
- Tea production for the year 2009 has dipped, due to lower production reported from plantations in various States in the South. Unusual weather conditions, drought-like conditions followed by incessant rains were the prime causes for the production shortfall.

(Tea continued on next page)

Tea (Continued)

- The year 2010 is likely to open on a firm note for the tea industry. With a global shortage of 53.6 mio kg in calendar 2009, the country's tea industry hopes prices will remain stable this year and even rise depending on the availability of the tea crop.
- UK-based premium tea company Newby Teas has announced its foray into the estimated Rs. 75-bio Indian branded tea market with plans to introduce about 150 varieties within the next three years. The Indian arm of the company, Newby India has already invested about Rs. 250 mio in setting up a research and packaging facility in Kolkata with a capacity of about 360 tons per day. It will be investing about Rs. 200 mio next fiscal to ramp up its overall operations in India
- Tea exports from India have failed to exceed 200 mio kg in 2009, like it did last year after a long gap. The total tea exports touched 191.49 mio kg for the year, showing a deficit of 11.63 mio kg over 2008.
- The tea industry is very happy with Budget 2010-11. Extension of concessional import duty on imported plantation machinery, like tea bagging machines, till March 31, 2011, will help the industry in value adding and hiking exports in the long run.
- Twinings, the premium specialty tea brand, has launched Twinings Selection Pack. This assorted pack has a selection of five blended teas.
- Recent visit of tea importers from the US and Canada has brightened up the possibility of increased shipments of Nilgiris teas to these destinations.
- Year 2010-11 may come good for Indian tea exports as the world is gradually coming out of a recession. While the export prospects look bright for the tea industry in 2010-11, the industry is hopeful of achieving a 200 mio kg export mark in 2009-2010.

Coffee

- A hand-held coffee bean plucking machine is being actively marketed in the current harvesting season. The machine is expected to prevent disruption in the fruit picking process due to chronic labor shortage.
- The jury is still out on whether the coffee crop for 2009-10 will be lower than the post-monsoon estimate of the Coffee Board of 289,000 tons, as a result of the rain in November and December. Most growers and coffee researchers agree that a 15 per cent reduction in output of the premium arabica parchment variety – which accounts for 80 per cent of the estimated arabica output of about 100,000 tons – and a corresponding rise in the proportion of the lower-value arabica cherry variety is a distinct likelihood.
- The sharp upturn in coffee exports – including the premium arabica parchment variety – since January suggests that the post-monsoon production estimate of the Coffee Board of 0.29 mio tons in 2009-10 may be surpassed. However, Mr. Ajoy Thipaiah, Member, Coffee Board, said: "To infer from the exports this year that there has been no damage to the arabica crop would be misleading. Exports have been pushed on the expectation that world market prices will increase. However, this trend will come to a halt after recent reports of a strong Brazilian crop in the region of 55-60 mio bags."
- Coffee exports are expected to touch the 2008-09 level of 197,000 tons this fiscal on account of encouraging arrivals of the current season's (November 2009-October 2010) crop. Industry observers say that while the previous year's crop was bad, the current year points to a return to the normal pattern.

Food Service & Retailing

- United Spirits, spirits arm of the UB group, has launched Spiritz&More @ House of Spirits, a liquor hypermall in partnership with Bangalore-based entrepreneur Subba Reddy. Spiritz&More @ House of Spirits will offer over 1,000 brands in the store.
- Starbucks, the world's largest retailer of coffee, has revived its plans for India and has begun talks with Shyam and Hari Bhartia controlled Jubilant Group for a possible alliance. Jubilant Foodworks, part of Delhi-based Jubilant Group, is the India franchisee for Domino's, the pizza chain.
- The Prime Minister, Dr Manmohan Singh, pitched for opening up of retail trade to bridge the wide difference between the retail and farm gate prices. He stated that greater competition was necessary in the wake of retail prices having shot up more than the wholesale prices. Opening up the retail trade could imply foreign companies being allowed entry in multi-brand retail businesses. Currently, no foreign participation is allowed in multi-brand retail. But foreign companies are allowed to take up to 51 per cent stake in single-brand retail.
- South India-based retail chain Nilgiri's has taken a contrarian approach to the private label practice that's generally followed by retailers across the country. "Instead of competing with Class 3 and 4 levels of brands available in the market, our private labels in jams, jellies and chutneys will cater to the top end of the consumer needs", Mr. Vikram Seth, CEO, The Nilgiri Dairy Farm Pvt Ltd, told reporters.
- Indian market has emerged as the fastest growing one in 2009-10 for Domino's, with the company opening 65 stores till date in the financial year. The company expects to open 500 more stores in the next three years. "Indian market is the fastest growing market for Domino's. We are launching the 300th store in the country. It is the 9,000th store worldwide. As of now, India is among the top 10 earners for Domino's. In the next three years, we expect India to be among the top five earners", Domino's Pizza President and CEO J Patrick Doyle said.
- Speciality Restaurants Private Limited, which owns the Mainland China brand of food outlets, will soon add a South Indian eatery chain to its bouquet of offerings. The company claims to have lined up investments of Rs. 1 bio, in the next 18 months, for expansion.
- An increasing number of Indians seem to be cooking up a gourmet storm in their kitchens and this passion for fine food, variously hailed as a mark of refinement and reviled as a sign of gluttony and snobbery, is translating into brisk business for a number of retailers and importers, all of whom seem to be on an expansion course. On an average, players in this elite segment report a 30-35 per cent year-on-year growth, and all of them agree on one thing: that the market is hugely underserved. Le Marche, which opened its first outlet in 2005, has seven stores today. Godrej Nature's Basket started in 2005 as a chain selling premium fresh vegetables, fruit, herbs and organic produce. Two years later, it changed course and reinvented itself as "world-class gourmet retailer selling authentic world food". Gourmet retailing is an emerging category where standalone chains might do better than large-format shopping destinations.
- Segafredo Zanetti, Italy's leading espresso producer (it serves 50 mio cups of espresso each day all over the world), has recently launched in India (in Gurgaon).
- Private equity investor Texas Pacific Group looks set to take over the assets of beleaguered retail firm Vishal Retail Ltd. in a classic distress buyout the firm is reputed for.
- KKR is all set to lead a private equity consortium into Café Coffee Day Holdings with an investment of roughly Rs. 10 bio. Standard Chartered PE and New Silk Route will partner KKR in this investment that will give the private equity group a strategic minority stake.

Snacks

- Soaring commodity prices have put small sized biscuit companies in a spot, as they are forced to cut retailer margins to combat input costs and stay in business. Close to 25-30 such firms, including Bonn, Priyagold and Anmol, have dropped retailer margins by 2-5 per cent from mid-January. These companies constitute almost a half of India's Rs. 65-bio organised biscuits market, and most of them admit that lower retailer margins will impact sales.
- Nestle is keeping the buzz alive in both urban as well as rural markets through frequent launches of new flavors at lower price points. Last month, Nestle launched Maggi Nutri-licious Pazzta in two flavors, 'Masala Penne' and 'Cheese Macaroni'. A couple of weeks later, it came out with two new products, this time for the rural and semi-urban markets at lower price points.
- Cadbury India has launched Cadbury Dairy Milk Silk, its premium offering under the Cadbury Dairy Milk brand (CDM). It comes in premium, internationally developed packaging.
- The Rs. 10-bio instant noodles market now has a new twist. Glaxo SmithKline's Foodles, launched late last year, is focusing on "changing the centre of gravity from convenience to the health zone". Foodles is positioned as different because of the innovation in the product: Vitamin-fortified and the four-grain version.
- Perfetti Van Melle India has launched its new product Alpenliebe Mangofillz. The product has been completely developed by the R&D team in India and marks Perfetti's foray into the fruit candy segment. Mangofillz is claimed to be the first liquid-filled mango flavored candy in India. The sourness of the candy is intended to remind one of raw mango.
- Kellogg's Corn Flakes, the flagship brand of Kellogg India, has been launched in a Kpak format.

Culinary Items

- With steep spurt in demand of canned vegetables, especially 'Saag, Rajmah and Kurhi Pakora' from abroad, the Punjab government-owned Markfed is set to achieve a target of Rs. 100 to 120 mio of export turnover in the current financial year.
- Marico Ltd has introduced Saffola Arise. It is claimed to be better than regular rice, and intended to ensure that one stays fuller, lighter and active for longer. One bowl of cooked Arise is claimed to have up to 20 per cent lesser calories and up to 20 per cent lesser carbohydrates than regular rice. It is available in select cities.
- Scandic Food India has launched the 1 kg variants of Sil Funmato (pure tomato) and Hotmato (hot and sweet) ketchups.
- Ready-to-eat food making company Capital Foods today said it plans to launch at least 40 products by June as a part of its strategy to achieve 100 per cent annual growth. Capital Foods owns brands such as Ching's Secret, Smith & Jones, Mama Maria, Raji and Kaeng Thai. The company, which is growing at 70 per cent y-o-y, also aims to triple its revenue from Rs. 3 bio to Rs. 10 bio over the next two-years.
- With Indian consumers getting more health-conscious, FMCG companies have begun to focus on cheaper, instant, healthy and yet tasty products. FMCG majors like Britannia, HUL and Coca-Cola along with smaller players like Amalgam and The Connoisseurs, will be rolling out a number of products in the instant and ready-to-eat food category for such consumers.
- General Mills has launched Pillsbury 'Celebration Cake and Icing Kit'. Each kit comes with a chocolate cake mix, creamy chocolate icing and colorful sprinkles to decorate the cake.

Sugar

- India produced 7.84 mio ton sugar till January 15 in the current season (October-September), lower by 0.2 mio ton compared to the output in the same period last year, industry body Indian Sugar Mills Association (ISMA) said. ISMA attributed the fall in output to sluggish supply of cane in Uttar Pradesh, the second largest sugar producing state.
- The government has said sugar production in India may cross 17 mio tons in 2009-10 season, 2-3 mio tons higher than the earlier estimate, but ruled out imposing duty to discourage imports.
- India, the biggest sugar consumer, may produce as much as 23 mio to 24 mio tons in the 2010-11 season, as farmers increase planting to benefit from record prices, according to Indian Sugar Mills Association.
- In an encouraging sign for sugarcane crop in Haryana, area under it has registered a significant rise during the autumn sowing in 2009. According to agriculture officials, during the autumn season farming, area under the crop registered around 18,000 hectares as compared to 5,000 hectares in the corresponding period last year.
- Owing to shortage in cane crop and lower crushing, sugar output in Punjab is all set to touch a historic low of 0.175 mio tons in the current crushing season as compared with 0.25 mio tons during the corresponding period last year.
- Maharashtra Government has revised upwards the sugar output during the 09-10 crushing season by 10-15 per cent against previous estimates. The State is now expected to crush 45 mio ton of cane and produce 5.1 mio ton of sugar during the current season.
- Uttar Pradesh sugar mills have started shutting down early this year due to cane shortage and high diversion to the gur (jaggery) producing units. Owing to the acute sugarcane shortage, the mills have been paying Rs 260-265 a quintal for sugarcane against the State Advised Price of Rs 165 a quintal.
- Belying earlier estimates of a shortfall in production, Uttar Pradesh millers have produced 4.184 mio tons of sugar till now, and by the end of the crushing season are expected to produce a total 4.528 mio tons of sugar.
- The government has formally extended duty-free white sugar imports by nine months. The deadline expires on Dec. 31, 2010.
- The government plans to import one mio ton of ready-to-eat white sugar through state-owned trading companies for selling to local consumers at subsidised prices, amid growing concerns that India's sugar production may not fully recover even in the next season beginning October.
- The staggering 22 per cent decline in sugar prices since January has come as a setback to sugar companies. Sugar mills, that were expecting better profits during the fourth quarter of the current financial year, are now sceptical about their growth prospects.
- In the backdrop of remunerative prices to sugarcane farmers during the 2009-10 crushing season, cane acreage in the country is likely to increase by 15 per cent for 2010-11.
- A stringent stock limit rule by the Indian government is prompting bulk consumers of sugar to source some of their requirement from overseas markets to build inventory as a shield from any sudden spurt in domestic prices. Beverage companies, Coca Cola and Pepsi, are scrambling to buy sugar overseas to make sure they are not compelled to slow down bottling lines during summer.

(Sugar continued on next page)

Sugar (Continued)

- Simbhaoli Sugars plans to set up a greenfield sugar refinery at Kandla in Gujarat with a capacity of refine 1,000 tons of raw sugar a day.
- Shree Renuka Sugars Ltd is setting up a refinery to process and refine raw imported sugar near Kandla Port in Kutch district of Gujarat. If Simbhaoli Sugars Ltd plans are taken into account, then nearly Rs 4 bio will be invested by both these firms for setting up refineries.
- Shree Renuka Sugars today announced that it has entered into definitive agreements with Brazilian company, Grupo Equipav for an investment of Rs 15.30-bio (USD 329 mio) for a majority controlling stake of 51 per cent. The Brazilian facilities are likely to carry a low cost structure, substantially improve cane (or raw sugar) availability to feed the company's Indian facilities and allow the company to take advantage of the unregulated global markets for ethanol, alcohol and sugar, when the sugar cycle is on an uptrend.
- Farmer-turned-producer kolhu (jaggery unit) owners in Kolhapur, who produce some of the best quality jaggery in the country, became nervous when they recently got an order to supply 150 tons of jaggery to USA. They refused to accept the order even though their samples had passed US FDA tests. Kolhapur-based Shree Chhtrapati Shahu Sahakari Gul Kharedi Vikri Sangh had to reject this offer as it does not have the capacity to produce such a large quantity of best quality jaggery.
- Sugar buyers in India, the world's biggest user, may renegotiate some import contracts as a decline in domestic prices to a four-month low makes overseas purchases unprofitable. Reworking contracts or possible defaults by buyers in India may pressure global prices that have dropped 28 per cent from the three-decade high reached February 1.

Oils

- The adverse impact of allowing huge speculative interest to build in soyabean that has kept prices at elevated levels is now showing in soyameal export numbers. Shipment volumes have fallen by almost half to 1.11 mio tons in the last four months (October 2009 to January 2010). In the corresponding period last year, soyameal exports were 1.98 mio tons. The picture is more alarming when looked at on a financial year basis. Soyabean extraction export in the first ten months (April 2009 to January 2010) of the current fiscal recorded a mere 1.75 mio tons, a steep decline from 3.64 mio tons during the same period the previous year.
- India's vegetable oil imports are likely to increase further this year (November 2009-October 2010) due to lower production of mustard seed in Rajasthan, where 0.45 mio hectares has been diverted to wheat and other crops. Edible oil imports are likely to increase by 0.9 mio ton to 9.5 mio ton, said executive director of industry body Solvent Extractors' Association of India. The country's production of edible oils such as sunflower, soya, groundnut, etc, ranges between 7-7.5 mio ton against an annual consumption of 13-14 mio ton.
- Even as the Centre managed to put the controversial Bt Brinjal in cold storage, India is importing thousands of tons of soya oil extracted from genetically modified seeds. The Government had lifted all restrictions such as GM certification for import of soya oil after prices in the international markets hit a historic high in 2008.
- India's castor seed production in 2009-10 is projected to fall by 4 per cent in the wake lower acreage and scanty rainfall. The Castor Crop Survey: 2009-10, carried out by Nielsen India on behalf of The Solvent Extractors' Association of India, has pegged India's castor output at 0.934 mio tons as against 0.976 mio tons in 2008-09.

(Oils continued on next page)

Oils (Continued)

- Emami Biotech, an unlisted edible oil outfit of the Kolkata-based Emami Group, is setting up two new plants one in Andhra Pradesh and another in Gujarat.
- Ruchi Soya Industries said it would increase palm plantation acreage four-fold to 0.2 mio hectares in India in next three years so as to bridge the country's demand-supply gap for palm oil.
- India's refined edible oil imports in the current oil year that ends in October might spurt as domestic traders were able to source it competitively compared with crude edible oil. Last year, India had imported 1.2 mio ton of refined edible oils, mainly refined bleached and deodorised palmolein, 6.9 mio ton crude edible oil, and 460,000 ton of non-edible oils. The share of refined oils was nearly 15 per cent of total edible oil import of 8.1 mio ton. In the current oil year, refined oil import could increase to 3 mio ton, or over 30 per cent of total edible oil imports, if the base import price remains unchanged.
- India's vegetable oil production declined over 10 per cent in the last three years due to a reduction in the overall oilseed cultivation area, as farmers moved to better remunerative crops, including wheat, sugarcane and pulses. India's vegetable oil production is estimated at 6.4 mio tons in 2009-10, a decline from 6.7 mio tons and 7.1 mio tons in 2008-09 and 2007-08 respectively. Consumption is estimated to have risen 18.5 per cent from 12.99 mio tons to 15.40 mio tons.
- India's vegetable oil availability from captive sources is estimated to decline a marginal 4 per cent during the ongoing 2009-10 oil year (November-October). The total vegetable oil availability in the country in 2009-10 is likely to be 7.88 mio tons compared with 8.21 mio tons in the previous year, according to the Central Organisation for Oil Industry & Trade.

Food Additives

- Cocoa imports to the country have shot up this year due to spiraling consumption and a shortfall in cocoa production. Chocolate companies have gone for more import of cocoa beans to meet their rising requirement despite high international prices. The annual cocoa import to the country was 7,026 tons in 2008-09. But this year it could be in the range of 10,000 to 15,000 tons given the rising demand.
- Indian cocoa prices continued to surge in February. Indian cocoa prices, currently quoting around Rs. 162-165 a kg, are close to their all-time highs.

Spices & Flavors

- Spices exports from India will cross the USD 1-bio mark in the current financial year, according to the Spices Board. Till December, the country had exported spices worth USD 830 mio, despite the economic recession.
- Cardamom exports have increased substantially this fiscal due to non-availability from other sources. Shipments crossed 1,000 tons during April – December to 1,190 tons at a unit value of Rs. 756.62 a kg. Against this, exports in the same period last fiscal were 435 tons at a unit value of Rs. 640.73 a kg.
- There is a demand for organic spices in the world. Fortunately, more than 80 per cent of Indian spices are made organically. Growing demand for natural color and flavor is opening doors for chilly and turmeric.

(Spices & Flavors Continued on next page)

Spices & Flavors (Continued)

- Spices exports continued their declining trend, falling 2 per cent in volume and 4 per cent in value during the April-December period of 2009-10. During the period, 358,205 tons of spices valued at Rs. 39.5374 bio (USD 825.55 mio) were exported as against 366,100 tons valued at Rs. 41.1631 bio (USD 926.95 mio) during the same period in 2008.
- A fall in the production of nutmeg in the 2009-10 season has affected the supply, causing a swelling of prices since December. According to the latest estimates of growers and traders, there has been a fall of at least 20 per cent in production this time compared with the last season. There are two crop seasons for nutmeg. The first begins by April–May and ends by August, the main season. The next is December–January. In 2008-09, production was 3,200 tons. The extra-hot summer of 2009 had hit the production and so did a weak winter in December–January. Output is estimated to be 2,500-2,600 tons only.
- The Indian pepper remained out priced in the world market, despite declining trend in the futures market, due to strengthening of the rupee against dollar. As a result, no demand has been coming to India.
- Turmeric prices are ruling high in global and domestic markets on good demand. Due to high unit value of Rs. 70.76 a kg during April-December 2010 against Rs. 46.60 in the same period year ago, exports of turmeric declined to 40,000 tons from 41,425 tons.
- An estimated fall in production may lead to an appreciation in prices of black pepper by the second half of the current year. The latest estimates from the top producing states, Karnataka and Kerala, indicate an all-India output of 37,000 tons, 26 per cent less from the normal output of 50,000 tons.
- Despite a bumper yield, jeera (cumin seed) prices in the country have been largely stable in the last few weeks because of low carryover stocks and good export demand. According to traders at Unjha, the main jeera trading centre in the country, prices have been in the range of Rs. 2,100– Rs. 2,400 per 20 kg from Rs. 1,800–Rs 2,000 per 20 kg prevailing in June last year.

Foodgrains

- Indian wheat products are finding no takers in the global market because of the high domestic prices. Only 35,000 tons of wheat products have been exported against 650,000 tons allowed for exports. Wholesale wheat prices were at least Rs. 2000/ton higher than global prices. In June last year the government had removed the two-year-old export ban on wheat products in order to clear out warehouses to make way for the new crop.
- Despite a drop in the overall kharif rice production, exports of the high-value aromatic basmati rice from India is set to surpass the Rs. 120 bio target fixed for the current financial year that ends in March, mainly due to strong demand from Iran, United Arab Emirates, Saudi Arabia and United States. India exported basmati rice worth around Rs. 94.76 bio in 2008-09.
- Basmati exports can touch anywhere around 2.5-2.8 mio tons, as against 1.8 mio tons last year as demand for Pusa 1121 is rising all over the world.
- Area under basmati rice has increased by around 30 per cent this year in comparison to last year, as it requires less water for cultivation and gives better return to farmers. The country is likely to produce 4 mio tons basmati in 2009-10 (July-June), as against 3 mio tons last year.

(Foodgrains continued on next page)

Foodgrains (Continued)

- India's foodgrain production is estimated to decline by 7.51 per cent to 216.85 mio tons in the 2009-10 season mainly due to a fall in summer output owing to the worst drought in 30 years.
- India's wheat acreage till mid-February was estimated to be around 27.78 mio hectares, up from last year's acreage of 27.5 mio hectares. The government expects wheat production in the current crop marketing year that started in June 2009 to be just marginally less than last year at 80.28 mio tons, as against 80.68 mio tons produced in 2008-09.
- India, sitting on a huge stockpile of grains, will soon discuss lifting a ban on exports of wheat and common grades of rice, the farm minister said. After almost close to two years of the ban on export of non-basmati rice in the wake of fears of domestic shortage of rice from early 2008, the Government has partially lifted the ban on export of non-basmati rice by permitting its exports to Sri Lanka and Nepal.
- Hyderabad-based International Crops Research Institute for the Semi-Arid Tropics (Icrisat), a non-profit, non-political agricultural research organisation, is set to release three new hybrid varieties of pigeon pea (tur or red gram) for commercial multiplication by seed companies.
- National Agricultural Co-operative Marketing Federation (Nafed) has invited bids for importing 33,000 ton of pulses for sale in the domestic market.
- After a long period of continuous decline, the area under paddy cultivation in Kerala has increased from 0.229 mio hectares in 2007-08 to 0.234 mio hectares in 2008-09 thanks to the state government's initiatives.
- A team of scientists has discovered rare variations of a maize gene (crtRB1) that can lead to an 18-fold increase in beta-carotene content of maize in an academic research setting. Plant breeders are starting to use these naturally occurring genetic variations to breed maize that can provide more beta-carotene to malnourished people. The body converts beta-carotene into vitamin A.

Fruits & Vegetables

- India appears to be capitalizing on the shortage of onion and has exported the commodity at a record Rs. 23 a kg in the beginning of 2010.
- Nadukkara Agro Processing Co Ltd, the manufacturer of fruit drink Jive, is all set to commission an integrated pack house to provide facilities for pre-cooling, grading and sorting, washing, pre-treatment and packing of pineapples according to international standards.
- Overall exports of cashew kernels during April-February period of the current fiscal declined in terms of volume and value, though the shipments in January-February increased marginally. Total exports during the 11 months of the current financial year stood at 92,645 tons valued at Rs. 24.889 bio (USD 522.66 mio) against 100,124 tons valued at Rs. 27.5518 bio (USD 605.40 mio) in the same period a year ago. In terms of value, the drop was at Rs. 2.6628 bio.
- A Mangalore-based cashew processing company has come out with biodynamic cashew for the domestic and export markets. India's first biodynamic cashew, likely to command a 45 per cent premium over conventional cashew in the global market. Achal Industries is the first Demeter-certified biodynamic cashew producer in India. Biodynamic farming is an approach based on the work of Austrian philosopher Rudolf Steiner. In addition to organic practices such as crop rotation and composting, biodynamic farmers rely on special plant, animal and mineral preparations and the rhythmic influences of the sun, moon, planets and stars.

(Fruits & Vegetables continued on next page)

Fruits & Vegetables (Continued)

- India is the largest producer of ginger in the world, with 0.391 mio tons produced from an area of 110,600 ha in 2005-06 and a yield of 3,537 kg a hectare. However, in terms of area, Nigeria and China occupy the top spots. On an average, Indian export of ginger is about 10 per cent of the domestic production.
- After hitting a rough patch last year, there may be a bumper mango production this year, say experts. Though figures on crop production vary, experts are unanimous that major mango producers like UP, Gujarat and Maharashtra will reap the bounty this year. Experts foresee 50 per cent rise in mango production at 20 mio tons, compared to average of 12 mio tons.
- Though the famed Alphonso mango from the Konkan belt of Maharashtra is beginning to make an appearance in the urban marketplace, farmers in Ratnagiri and Sindhudurg districts estimate that its production in 2010 will be around half that of the 10-year average.
- Mango production in South India may see a 35-40 per cent drop this year.
- In the backdrop of expected bumper mango crop this season, the Uttar Pradesh government is keen to augment mango exports from the state.
- India has surpassed the US as the largest consumer of cashews to reach the number one slot. Around 80 per cent of the commodity is now used as snack nut and the remaining as food ingredient.
- Air-conditioning and refrigeration major, Blue Star, is offering the right solution to ripening banana. The company has tied up with Italy-based Fruit Control to offer a gas-based emission system, which is said to bring wastage to near zero.
- Punjab Agro Export Corporation has drawn up plans to set up 10 pack houses in Punjab so as to develop cold chain infrastructure in the vegetable and fruit growing clusters of the state.
- Jammu & Kashmir sold a record amount of fruit worth Rs. 1.97 bio in 2008-09. Apple, walnut and almonds form the state's main exports.

Biotech

- India has decided to put a moratorium on the implementation of Bt Brinjal across the nation. Environment Minister Jairam Ramesh came under the pressure of severe protest from scientists, farmers and the common man as he went across the nation trying to get a view of it. (9 Feb)
- The main issue that seemed to have worked against granting clearance to Mahyco's Bt brinjal was the tests undertaken for establishing its safety, both from the human consumption as well as the environment angle. In this case, the data as well as the tests were carried out by the developer itself and not in any independent laboratory.
- Union environment minister Jairam Ramesh's open-ended moratorium on the commercialization of Bt Brinjal could last a minimum six years, which is the time needed to set up a bio-safety laboratory by the government if work begins immediately. Such a laboratory is essential if the government is to give clearances on the basis of fresh, independent tests.

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