



IndiaLive

LIVESTOCK, DAIRY, MEAT, POULTRY & AQUACULTURE DIGEST

February / March 2012



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IndiaLive is published every 2 months by:

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Food Industry Overview

- India has signed an international agreement that could be an effective tool to help it combat tax avoidance and evasion. This agreement — Multilateral Convention on Mutual Administrative Assistance in Tax Matters — is being seen as the 'gold standard' for co-operation in tax administration. The multilateral convention covers all taxes (direct and indirect), all forms of exchange of information and provides for assistance not just in tax assessment but also in the actual collection.
- The government is likely to modify the guidelines for FDI in single-brand retail to ensure that foreign retailers can have long term relationship with micro and small enterprises (MSEs).
- Australian Trade Commissioner Patrick Kearins said that the trade with India is poised to reach AUD 40 bio in the next three years. "India is Australia's fourth largest trading partner. The growth in two-way trade reached AUD 22 bio (Rs 1.1 trillion) in 2010-11, and is expected to reach AUD 40 bio in the next three years," said Kearins.
- The bilateral goods and services trade between India and the US is expected to cross a record USD 100 bio this year, the US Ambassador-designate to India, Ms Nancy Powell, has said.
- India and China have set an ambitious bilateral trade target of USD 100 bio by 2015 compared to last year's record figure of USD 74 bio, the External Affairs Minister, Mr. S.M. Krishna, has said.
- Despite the US and the EU sanctions on Iran, India's trade and investment with Tehran are headed for an upsurge. The potential of trade and economic relations between the two countries can touch the level of USD 30 bio by 2015 from the current level of USD 13.7 bio dollars in 2010-11.
- The Centre for Monitoring Indian Economy (CMIE) has estimated FY'12 GDP growth at 7 per cent, a notch above the government's own advance estimate of 6.9 per cent, and has said it will improve next fiscal.
- The Prime Minister's Economic Advisory Council has estimated slightly higher growth rate at 7.1 per cent for 2011-12. The Central Statistical Organization had earlier estimated 6.9 per cent growth rate.
- Noting that downside risks to Indian economic growth are high, the World Bank today projected the country's GDP to expand 7-7.5 per cent in 2012-13.
- Impacted by high interest rates and global demand slowdown, Indian economy grew at 6.1 per cent, the slowest in over two years. The economic growth rate in October-December 2011 declined mainly due to poor performance of manufacturing, mining and farm sectors. The economy had expanded by 8.3 per cent during the corresponding quarter a year ago.
- India will be the world's third largest economy by 2030 but its energy demand will slow down to 4.5 per cent, global energy giant BP plc said.
- Indian economy is seeing strong signs of positive momentum, while neighbouring China is heading towards slower growth, Paris-based think tank OECD said.

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Food Industry Overview (Continued)

- Pakistan's cabinet has approved a proposal to ease trade with India by switching to a negative list-based import regime and following it up with a most-favoured-nation (MFN) trade status by the year-end.
- The Economic Survey 2011-12, presented by the Finance Minister, in the Lok Sabha, predicts 7.6 per cent GDP growth in 2012-13 and 8.6 per cent in 2013-14. The services sector continues to be a star performer as its share in GDP has climbed from 58 per cent in 2010-11 to 59 per cent in 2011-12 with a growth rate of 9.4 per cent. Similarly, agriculture and allied sectors are estimated to achieve a growth rate of 2.5 per cent in 2011-12 with foodgrains production likely to cross 250.42 mio tons owing to increase in the production of rice in some States. The industrial sector has performed poorly, retreating to a 27 per cent share of the GDP.
- According to the Economic Survey 2011-12, exports grew @ 40.5 per cent in the first half of this fiscal and imports grew by 30.4 per cent. Foreign trade performance to remain a key driver of growth. Forex reserves enhanced - covering nearly the entire external debt stock.
- India witnessed the second highest growth in FDI (Foreign Direct Investment) inflows in the world during 2011, which helped generate over 200,000 jobs, reflecting robust faith of international investors in Indian growth and allaying fears of its fading global sheen, according to an Ernst & Young attractiveness survey. The report cited potential of the home market, cost competitiveness and qualified workforce as the factors driving FDI into India.
- Foreign direct investment (FDI) in India went up by 31 per cent to USD 27.5 bio (Rs 1.35 trillion) last year, notwithstanding uncertain economic environment globally. FDI inflows in 2010 totaled USD 21 bio (Rs 1.05 trillion). The sectors that attracted maximum FDI last year include services (financial and non-financial), telecom, housing and real estate, and construction and power, according to the industry ministry's latest data. Mauritius, Singapore, the US, the UK, the Netherlands, Japan, Germany and the UAE are the major investors in India.
- Implementation of the free-trade agreement between India and Thailand would double the bilateral trade to USD 14 bio, a Thailand envoy said. "Trade between India and Thailand grew from USD 4.7 bio in 2007 to USD 8.2 bio in 2011, almost double". Royal Thai Consulate Consul General Chanchai Charanvatnakit said.
- India's Internet economy is expected to reach Rs. 10.8 trillion by 2016, as the country's growth rate in this segment is far ahead of many of the developing nations, says a report by Boston Consulting Group. India's Internet economy growth rate of 23 per cent places it as the second fastest across the G—20 and ahead of many other developing nations in the G—20, which are growing at an average of 17.8 per cent. In India Internet economy is driven especially by exports of IT services: net exports make up 59 per cent of the Indian Internet economy, while consumption is only 20 per cent.
- The much anticipated food security law would be implemented by the year-end, the Union Food Minister, Mr. K.V. Thomas, said. The law will endow legal rights to poor Indians to obtain foodgrains at subsidized rates.

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Food Industry Overview (Continued)

Budget Highlights

Direct Taxes

- Personal income tax exemption limit for general category raised to Rs. 200,000 from Rs. 180,000
- Income tax on income between Rs. 200,000 and Rs. 500,000 at 10 per cent
- Income tax on income between Rs. 500,000 and Rs. 1,000,000 at 20 per cent
- Upper limit raised from Rs. 800,000 to Rs. 1,000,000 for 20 per cent bracket
- Income tax on income above Rs. 1,000,000 at 30 per cent
- No change in corporate tax rates
- Remove cascading effect of dividend distribution tax
- Withholding tax reduced to 5 per cent from 20 per cent
- Exempts up to Rs. 10,000 of interest income from tax
- Deduction of 50 per cent on investments of up to Rs. 50,000 in savings scheme

Customs Duty

- Doubled custom duty on refined gold
- 5 per cent customs duty exempted on fertiliser plant
- Reduced customs duty on cigarettes
- Thermal power projects exempt from customs for 2 yrs
- LNG exempt from customs duty
- Automated shuttle looms exempted from customs duty
- Full exemption on customs duty on coal

Excise Duty

- Large cars excise duty raised from 22 per cent to 24 per cent
- No change in peak customs duty
- Common tax code for service tax and excise

Service Tax

- Service tax raised from 10 per cent to 12 per cent
- All services to be taxed except 17
- Some infra construction services exempted from service tax

Miscellaneous Provisions

- Compulsory reporting of assets held abroad
- Qualified foreign investors allowed to invest in corporate bond market
- National Mission on Food Processing to be started in 2012-13
- Attempt to curb / regulate 'treaty shopping'

Dairy

- Demand for milk in India will rise 29 per cent to 150 mio tons in the next five years on account of the rising population, an industry body said today. The country is estimated to have produced 116 mio tons of milk in 2011, Indian Dairy Association President, Dr N.R. Bhasin, told reporters.
- Amul is heating up the country's frozen yoghurt battle. India's numero uno food brand is entering the category with Flaavyo, which is being launched across the country later this month. Being offered in mango and strawberry flavours, Amul is pricing Flaavyo at Rs. 30 for a 125 ml cup, officials said. This is more than half the price of such products currently available in the market.
- The Gujarat Co-operative Milk Marketing Federation Ltd (GCMMF) that owns the Amul brand plans to invest USD 600 mio (Rs 30 bio) in doubling its processing capacity for milk and milk products over the next six years. The co-operative is also enhancing its retail presence to widen market reach by opening more distribution outlets, parlours and cafes, apart from strengthening backward linkages to enhance milk production. "We are setting up five new dairies in Saurashtra, two in Delhi and one in Mumbai, besides expanding the existing plants. This will double our processing capacity to 22 mio litres per day", said Mr. R.S. Sodhi, Managing Director, GCMMF.
- Capitalizing on the flush season, Mother Dairy's daily procurement of milk has increased by around 12 per cent, which has helped the dairy major to pile up stock for the lean summer season. "Mother Dairy is collecting about 6 mio litres of milk daily. Out of this 3.8 mio litres is sold daily and the rest gets converted for the lean season", Mother Dairy Fruit and Vegetable Managing Director Shiva Nagarajan said.
- Mother Dairy Pvt. Ltd will look at setting up a production facility in South India for its ice-creams and fresh dairy products in the next 18 months. Currently, they are manufactured in nine facilities (eight of which are outsourced units) in the North and West. The company, which launched its ice-creams in Bangalore yesterday, will enter Chennai and Hyderabad during the course of the year.
- In a move to consolidate its dairy business, FMCG major CavinKare today launched Ultra High Temperature (UHT)-treated milk sachets, which it aims to generate Rs. 650-mio revenue this year. The company has fixed the price for the new product at Rs. 19 for a 500-ml double toned milk, Rs. 20 for 500-ml toned milk, Rs. 22 for 500-ml standardized milk and Rs. 22 for 500-ml diet milk.
- Chennai-based Hatsun Agro Product Ltd will invest over Rs. 500 mio to set up a national chain of ice cream parlours over the next one year. The exclusive chain, under the brand name Ibaco, will be a stand alone format, offering a range distinct from its flagship Arun Ice Creams brand. The company plans to set up a chain of 250 Ibaco outlets including 70 in Tamil Nadu. As of now, there are 45 Arun Ice Creams Unlimited exclusive ice cream parlours which will be rebranded, and in the next one month 25 Ibaco outlets will be added.
- After launching ice creams and curds in the Mumbai market, the Rs. 55-bio Mother Dairy is now getting set to flood the Western metropolis with fruit yoghurts and sweetened curd (mishti doi) this summer. Mother Dairy has been slowly building up its distribution network in Mumbai market and its curds and ice creams now reach 4,000 outlets across the city. It has set up four production facilities in the region.

(Dairy continued on next page)

Dairy (Continued)

- The government has announced launching of a Rs. 22.42 bio project with World Bank assistance to improve productivity in the dairy sector. The World Bank has approved a USD 352-mio credit for the National Dairy Support Project. The project will cover over 40,000 villages across 14 major dairying states in the country, benefiting an estimated 1.7 mio rural households. The States included in the project, such as Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh, account for more than 90 per cent of the national milk production, according to a World Bank report. The project aims at increasing the animal productivity, expanding infrastructure for milk procurement at the village level and enhancing milk processing capacity and marketing, among other things. Special thrust is being given in the eastern states of Bihar, West Bengal and Odisha to enhance milk productivity in the country.
- Milk production in the country is expected to increase by over 4 per cent to 127.29 mio tons in the current fiscal according to the Minister of State for Agriculture. Milk output was 121.84 mio tons in 2010-11.

Poultry

- The poultry industry can look forward to better times now with exports looking up and appreciation in the farm-gate price of egg. The industry that had a roller-coaster ride last year is set to reap fortunes this year. Mr P Selvaraj, Chairman, National Egg Coordination Committee (Namakkal zone), told reporters, "Exports have started looking up. We are now shipping considerable containers of eggs to Afghanistan".
- Altogether 5,000 poultry birds were culled at a Government-owned farm in Tripura's Gandhigram where bird flu surfaced in the first week of March, a top government official said. All precautionary measures were taken to prevent fresh outbreak of bird flu in the State, he said. Over 300 birds were culled within a three-km radius area of the government-owned Lembucherra poultry farm in the district, about 20 km from Gandhigram, only in the last week of January.

Aquaculture

- Exports of marine products from April 2011 to January 2012 have registered a growth of 3.48 per cent in quantity, 25.55 per cent in rupee value and 20.96 per cent in US dollar realization, compared to the same period last year. The unit value realization has also improved by 16.89 per cent, according to the latest Marine Products Export Development Authority (MPEDA) statistics. In the export basket, frozen shrimp continued to be the major item accounting for 50.75 per cent of the total US dollar earnings. Shrimp exports during the period increased by 21.89 per cent, 39.75 per cent and 36.16 per cent in quantity, rupee value and dollar value respectively. Exports of Vannamei shrimp during the period increased tremendously by 263 per cent, 314 per cent and 300 per cent in quantity, rupee and dollar terms respectively, when compared to the same period an year ago period, said the MPEDA statement.
- The US government has raised the anti-dumping duty on import of frozen shrimps from India. The average duty has been increased to 2.51 per cent from 1.69 per cent. The revised duty is applicable from February 2011 to January 2012.

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