



# IndiaLive

LIVESTOCK, DAIRY, MEAT, POULTRY & AQUACULTURE DIGEST

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## *Food Industry Overview*

- India's Gross Domestic Product (GDP) is estimated to grow at 5 per cent in 2012-13, lowest since 2003-04, on account of slower growth in industry, agriculture and services sector according to the Minister of State for Finance.
- India's economy will grow by 5.5 percent this fiscal year and 6-7 percent in the next fiscal year, as Asia's third-largest economy shows signs of reviving, Finance Minister said.
- Economic growth may improve to 6.1 per cent in the next financial year, from the decade low of 5 per cent in 2012-13, on the back of reform measures announced after mid-September 2012, India Ratings said.
- Global ratings major Standard & Poor's (S&P), has said it sees economic growth improving to 6.4 per cent next fiscal. The agency also retained its growth forecast for the current fiscal at 5.5 per cent.
- Global ratings agency Moody's anticipated a steady acceleration in GDP growth in the coming year. The rating agency pushed India's 2013 GDP forecast to 6.2 per cent from 5.1 per cent and said that all the major headwinds were likely to turn into mild positives.
- HSBC cut its GDP forecast for the year ending in March 2013 to 5.2 percent from 5.7 percent, and its forecast for the next fiscal year to 6.2 percent from 6.9 per cent.
- Credit Suisse has lowered India's economic growth forecast for 2012-13 to 5.7 per cent from 5.9 per cent, while opting to leave 2013-14 forecast at 6.9 per cent but said the economy has bottomed and will see a moderate recovery during 2013. Adding that growth is likely to average an above-trend 7.5 per cent in 2014-15.
- Morgan Stanley lowered India's GDP growth forecast for 2013-14 to 6 per cent, from 6.2 per cent estimated earlier.
- Planning Commission Deputy Chairman said given the past track record, the Indian economy will grow in the range of 7-8 per cent in the next four to five years.
- World Bank has said the Indian economy will soon get back to high growth path of 6 per cent next year and more thereafter, backing the government's assessment presented in the budget
- The Commerce Department has launched a trade portal enabling exporters to access information related to various trade deals struck with countries and regions that could help them target potential markets. The portal has an online database of preferential tariff of top 25 destinations with which India has entered into regional or bilateral agreements or variants of them. It also provides the normal tariffs existing in these countries so that the exporters know the margin of preference and the advantage they would enjoy in each market. There is special focus on information related to the South Asian and South East Asian countries.
- Commerce and Industry Minister, Government of India said it would be up to global retail chains to source products from across India or from a state depending on logistics as 100 per cent FDI is allowed in back-end chain.

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## *Food Industry Overview (Continued)*

- India is the 19th largest exporter with a share of 1.7 per cent in the worldwide merchandise trade, Parliament was informed. The country is the 12th largest importer with a share of 2.5 per cent in 2011. In commercial services, the country is the eighth largest exporter in the world with a share of 3.3 per cent and the seventh largest importer with a share of 3.1 per cent. Recently, the government has extended a 2 per cent interest subsidy scheme for labour intensive sectors till March 2014.
- Government has announced disinvestment in certain public sector undertakings, liberalization of Foreign Direct Investment in multi- brand retail, aviation, broadcasting, reduction in subsidy in diesel. The government has also set up the Cabinet Committee on Investment (CCI) chaired by the Prime Minister to expedite decisions on approvals and clearances for implementation of projects.
- Government will address the restrictive clause which requires foreign multi-brand retailers to compulsorily source 30 per cent of the value of their manufactured products from small and medium enterprises (SMEs). In single-brand, the “mandatory” 30 per cent sourcing from SMEs has been changed to “preferably” and the clause on USD1 mio has been removed.
- Finance Minister in his budget 2013 speech announced measures to streamline and simplify norms to make investment easier for both domestic and foreign investors. The Securities and Exchange Board of India will simplify Know Your Customer (KYC) norms governing foreign investors. It is proposed to streamline the registration of Foreign Institutional Investors (FIIs) via designated brokers.
- Minister of State for Commerce and Industry informed the Parliament that the country has negative trade balance with as many as 110 countries including China, Singapore, Germany, Indonesia, Australia and the United Kingdom.
- The government is considering an export development fund to help exporters in their marketing initiatives as a slowdown in the global economy is hurting export volumes. The fund, with a likely corpus of about Rs. 50 bio to Rs. 100 bio (USD 1.5 bio), will fund exporters participation in trade fairs and road shows. The fund will help exporters get reimbursements for their marketing initiatives in other countries. The fund will have a specific target, like achieving USD 750 bio exports in the next 5 years or so.
- The government intends to give an incentive package worth Rs. 15-20 bio as part of the annual review of the Foreign Trade Policy (FTP) 2009-2014. As part of the package, the government was expected to enhance the duty drawback rates by at least three per cent. In the Budget for 2013-14, the government has allocated Rs. 44.13 bio for export promotion. Besides, the government is expected to give incentives for the engineering and textiles sectors, which have seen a massive fall this year, in the form of interest subvention
- According to the Minister Counselor for Commercial Affairs, Embassy of the United States of America the small and medium enterprises (SMEs) would be the key focus area for the Indo-US bilateral trade in the coming years. India is the fourth fastest-growing country in terms of doing investments in the US, and the investments have seen a 40 per cent growth over the last five years. The bilateral goods and services trade between India and the US is expected to cross a record USD 100 bio in the coming years. Currently, the trade is at USD 60 bio.

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## *Food Industry Overview (Continued)*

- India's imports from the US have gone up by 3.88 per cent from USD 21.5 bio to USD 22.34 bio and exports have gone up by 13 per cent from USD 36.15 bio to USD 40.85 bio during 2012. The total Indo-US trade in merchandise goods for the calendar year 2012 (January-December) was USD 62.85 bio with a balance-of-trade surplus of USD 18.18 bio in favour of India. This is an increase of 9.66 per cent over the same period in the previous year.
- India seeks to strengthen bilateral relations with the United Kingdom in all sectors especially in trade and investment, and defense, President of India has said. Both countries have intensified their multi-faceted bilateral agenda.
- The British government has announced plans to invest over 1.1 mio pound (about Rs. 90 mio) in a new pan-India network of British Business Centres. The first centre will be set up in New Delhi later this year, followed by Mumbai soon after, with the ultimate aim of establishing up to six such facilities across the country by 2017. The centres are designed to transform the quantity and quality of support available to British businesses, especially small and medium enterprises (SMEs), seeking to enter or expand in India.
- The India-France bilateral trade had grown by 6 per cent to EUR 7.46 bio. The European country is the 9th largest foreign investor in India with a cumulative investment of approximately USD 3 bio during the period April 2000 to June 2012. India is the 13th largest foreign investor in France in terms of project numbers.
- Switzerland Government is looking at strengthening the bilateral ties in trade and commerce. Biotech and IT offices have been opened with an investment of USD 1 bio by Indians in Switzerland. The Swiss investment in India is of the order of USD 4 bio.
- Bilateral trade between India and Slovenia is expected to double in the next three to four years, Deputy Prime Minister of Slovenia said. The bilateral trade between the countries is growing at 20 per cent since last few years and is expected to continue in future. The current bilateral trade is 400 mio Euro.
- India and UAE have in-principle agreed to ink Bilateral Investment Promotion and Protection Agreement to boost the two-way trade, and allocate USD 2 bio for investments in infrastructure projects and in establishing strategic oil reserve in the South Asian nation.
- Bahrain is looking at India in a 'big way' and Kerala appears as a gateway. 30 per cent of the population in Bahrain is from India. Total trade between Bahrain and India was USD 1.4 bio in 2011 and the country expects a 3-4 per cent growth in 2013.
- South Africa's bilateral trade with India is likely to reach USD 15 bio by 2014. In 2012, the bilateral trade between India and South Africa was over USD 14 bio.
- India and Africa revised upwards their bilateral trade target for 2015 to USD 100 bio. Trade between India and Africa totaled USD 70 bio in 2011-12. Indian investments in Africa are now close to USD 50 bio. A Joint Study Group for examining the feasibility of a Free Trade Agreement between India and Common Market for Eastern and Southern Africa (COMESA) has been set up. Besides, the Preferential Trade Agreement talks with Southern African Customs Union (SACU) countries are underway.

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## *Food Industry Overview (Continued)*

- Implementation of the proposed free-trade agreement between India and Thailand will help increase the bilateral trade to USD 16 bio in the next three years. The bilateral trade has grown from USD 4.7 bio in 2007 to USD 8.34 bio in 2012. India and Thailand have already implemented a preferential trade pact, officially dubbed as Early Harvest Scheme, under which duties have been eliminated or drastically reduced on about 80 products. Currently, both the sides are intensely engaged in widening the base of the pact by reducing duties on over 90 per cent of the products traded between them. To promote more investment from India and vice-versa, an overseas office of Thailand Board of Investment will be opened in Mumbai soon.
- India and South African nations are expected to conclude a preferential trade agreement (PTA) by the end of this year, which aims at reducing tariffs on certain items traded between the two sides. The Southern African Customs Union (SACU) consists of Botswana, Lesotho, Namibia, South Africa, and Swaziland. The PTA is slightly different from the free trade agreement (FTA).
- India and Egypt have agreed to work towards early resolution of some of the issues being faced by major Indian companies that are operating projects in different parts of the African country. According to data released by Egypt's official Central Agency for Public Mobilization and Statistics (CAPMAS), trade has grown from USD 2.5 bio in 2006-07 to USD 4.3 bio in 2011-12. The trade balance currently lies in Egypt's favour with its exports to India touching USD 2.3 bio as against imports of a little under USD 2 bio.



Colours of spring in India

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## *Food Industry Overview (Continued)*

### **Highlights of the Economic Survey 2012-13 presented in Parliament by Finance Minister:**

- Economic growth pegged at 6.1-6.7 per cent in 2013-14
- March 2013 inflation estimated at 6.2-6.6 per cent
- Priority will be to rein in high inflation
- FDI in retail to pave the way for investment in new technology and marketing of agriculture produce
- Calls for curbing gold imports to contain current account deficit
- With subsidies bill increasing, danger of missing fiscal targets is real in FY13
- Foreign Exchange reserves remains steady at USD 295.6 bio at December, 2012-end
- At present, overall energy deficit is about 8.6 per cent and peak shortage of power is about 9 per cent.
- Infrastructure bottlenecks affecting industrial sector performance
- Prospects for world trade as well as of India are still uncertain.
- Pitches for further opening of sectors for FDI

### **Budget 2013 Highlights:**

- Economic space constraints due to high fiscal deficit, lower savings and investment and tight monetary policy
- Current account deficit continues to be high due to excessive dependence on oil, coal and gold imports and slowdown in exports
- Brought down headline WPI inflation to 7 per cent and core inflation to 4.2 per cent. Food inflation is worrying
- No review of income tax slabs for this year, tax credit of Rs. 2,000 for incomes up to Rs. 500,000-
- Small and medium companies to be allowed to listed on MSME exchange without making a public offer
- Average annual agriculture and allied services growth rate estimated at 3.6 per cent in 2012-13 when 250 MT foodgrains produced
- Two new major ports to be set up in West Bengal and Andhra Pradesh

## Dairy

- National Dairy Plan (NDP) has an outlay of Rs. 1.307 bio for the year 2012-13. NDP is a central sector scheme funded by the World Bank and being implemented by the National Dairy Development Board (NDDB). The outlay covers 49 proposals. A focused and scientific process to increase productivity of milch animals and thereby increase milk production to meet the rapidly growing demand for milk is being adopted under the NDP.
- Dairy brand Amul marketed by the Gujarat Co-operative Milk Marketing Federation has been listed as India's Most Trusted Food & Beverage (F&B) brand out of 123 brands. After Amul are Aarey and Mother Dairy. Another brand from Gujarat, Vadilal has been ranked as the Most Trusted Brand in the Ice-Cream sub-category of the F&B list.
- Gujarat Cooperative Milk Marketing Federation (GCMMF) will set up a milk processing plant of 1 mio litre a day in Kanpur. It will be the largest milk processing plant in the state and will market products of Amul brand. GCMMF has bought 40 acres of land in Jainpur industrial area of Kanpur Dehat to set up the plant with an investment of Rs. 1.25 bio. The plant might be completed in one-and-a-half years.
- Ice cream major, Vadilal Industries Ltd is set to sell its flavoured milk 'Power Sip' in Uttar. The company looks to capture 5-7 per cent share in the India's flavoured milk market in the next three years. The company's long term strategy is to offer a wider range of frozen food products to consumers. Vadilal will sell Power Sip in a 180 ml bottle priced at Rs. 18 with three flavours - rose, elaichi (cardamom) and kesar (saffron). More flavours like chocolate, badam (almond) and coffee will be followed over the next few months.
- Nestle India Ltd has acquired 26 per cent stake in a dairy company Indocon Agro and Allied Activities Pvt Ltd.
- ITC is set to enter the dairy market in 14 months. ITC's first set of dairy products will be shelf-stable. The product portfolio includes milk powder, long-life packaged milk, fortified milk, etc. ITC started the dairy business as part of its integrated animal husbandry programme, the firm's corporate social responsibility initiative (CSR). ITC's sustainability report for 2012 states that starting with 102 litres from 31 farmers in July 2011, the average monthly collection increased to 9,400 litres a day in March 2012, with about 1,300 farmers pouring milk on a regular basis. The total milk handled during the year was nearly 1.2 mio litres. A Rs. 1.50-bio processing plant is under construction at Munger in Bihar.
- Haryana Dairy Development Cooperative Federation (HDDCF) has doubled the milk handling capacity of its five plants from 0.47 mio litres a day to 0.88 mio litres a day during the year 2012-13. The average milk procurement in Haryana during the current financial year touched the mark of 0.364 mio litres a day. During the year 2011-12, the Federation had recorded sales turnover of Rs. 9.40 bio and net profit was Rs. 0.276 mio. The tentative profit during the current financial year would be Rs. 60 mio. The State Government has decided to set up another plant at Ujhana village in district Kaithal where a milk chilling centre is already in operation. The milk plants of Rohtak, Ballabgarh, Ambala and Jind have obtained ISO-9002 and IS-15000 certificates. There was a plan to provide Automatic Milk Collection Units and Milko Testers to all the societies in the next five years.
- Uttar Pradesh Government plans to set up a dairy plant near Lucknow with milk processing capacity of 0.5 mio litres a day.

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## Dairy (Continued)

- MokshaYug Access (MYA) has launched a dairy brand 'Milk Route'. The Milk Route brand encompasses a liquid milk product range that will include pasteurized toned milk, UHT toned milk and UHT low fat milk in various packing options and will be available across Bangalore city. MYA was active in B2B segment i.e. selling milk to business establishments. Now it has entered the mass market consumer segment. Over the next three years MYA aims to spread its network in southern and western India and generate revenues of more than Rs. 5 bio.



- After the recent milk glut that resulted in huge losses, farmers in Andhra Pradesh (AP) have resolved to form a cooperative to procure milk, process it and market the same by creating its own brand. AP has about 4 mio dairy farmers, small and big, who are by and large unorganized. With a cattle population (cows and buffaloes) of 24.5 mio, the State produces 12.1 mio tons of milk comprising 10 per cent of country's annual production of 122 mio tons. Only 30 per cent of the 12.1 mio tons of milk is procured by organized players such as Vijaya-Visakha, Heritage, Tirumala and Jersey dairies.

## Aquaculture

- Tamil Nadu Chief Minister has announced a proposal to set up 13 fish processing parks in the coastal districts to ensure more exports and income to the fishing community. The parks would be set up under public-private partnership mode. As a first step, the government has allotted Rs. 370 mio for setting up two parks under a pilot project in Cuddalore and Nagapattinam districts.
- The upgraded infrastructure at Cochin Fisheries Harbour was inaugurated recently. The upgradation of the existing infrastructure and construction of additional facilities were taken up to meet international standards of hygiene and cleanliness and for assuring fish quality and food safety of the fish handled through the harbor.
- The post harvest fish wastage leads to annual losses worth over Rs. 150 bio in India's marine and inland fisheries sector, according to an analysis by The Associated Chambers of Commerce and Industry of India (Assocham). The wastage accounts for about 25 per cent of the total fisheries resources in major maritime states in India.
- This year's seafood exports will be less than last year's with exporters facing problems in major markets and operational cost increasing due to an increase in freight and diesel prices. "Exports have shown a decline of 11 per cent in value in dollar terms and about 5 per cent in quantity till December. There is a marginal improvement in value in rupee terms. We may not reach last year's figure this year", said Elias Sait, secretary general of Seafood Exporters Association of India.



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