



IndiaLive

LIVESTOCK, DAIRY, MEAT, POULTRY & AQUACULTURE DIGEST

June / July 2013



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Food Industry Overview

- India's economic growth is expected to be in the 6-6.5 per cent range in 2013-14, while wholesale price index inflation may be above 7 per cent, according to Confederation of Indian Industries (CII).
- Gross Domestic Product (GDP) growth was decade's low of 5 per cent for the entire 2012-13. In 2011-12, India's economic growth was at 6.2 per cent.
- The Asian Development Bank has lowered India's growth forecast to 5.8 per cent for 2013-14 from 6 per cent
- Bank of America Merrill Lynch revised India's GDP growth forecast to 5.5 per cent from 5.8 per cent for the financial year 2013-14 earlier, as the Reserve Bank's tightening measure is likely to push back lending rate cuts.
- According to Finance Minister the economy is likely to grow at 6 per cent or slightly more for the current fiscal year to March 2014.
- Macquarie has lowered India's growth forecast for the financial year 2013-14 to 5.3 per cent from 6.2 per cent estimated earlier citing significant capital outflows and rupee depreciation.
- India's gross domestic product will grow by around six per cent in Financial Year 2013-14, with the first quarter growth in the range of five per cent, according to an economic outlook survey by the Federation of Indian Chambers of Commerce and Industry.
- The Indian Rupee touched an all-time low of 60 against the US Dollar.
- India received 38 per cent less inflows (Foreign Direct Investment) into the country at USD 22.4 bio in 2012-13 against USD 35.1 bio in the previous year.
- Government of India in the Budget had proposed to lower fiscal deficit to 4.8 per cent of GDP in 2013-14 and reduce it gradually to 3 per cent by 2016-17.
- According to a newly released World Bank report, growth in India is projected to rise to 5.7 percent in the 2013 fiscal year and firm to 6.5 percent and 6.7 percent in FY2014 and FY2015 respectively.
- According to the Organization for Economic Cooperation and Development Indian economy is seeing signs of upward momentum helped by gradual reduction of inflationary pressure though the country's growth still remains "relatively weak".
- Moody's current rating of "Baa3" for India - the lowest investment-grade level - incorporates macro-economic imbalances and recent trends in the current account, capital flows, and the exchange rate. Moody's currently has a "stable" outlook on India's ratings, in line with Fitch Ratings. Standard & Poor's maintains a "negative" outlook.
- According to the Reserve Bank, India's external debt rose by nearly 13 per cent to USD 390 bio in 2012-13, mainly due to rise in short-term trade credit and external commercial borrowings (ECBs) in the back of high current account deficit. The total external debt was about USD 345.5 bio at end-March 2012. The ratio of foreign exchange reserves to external debt as at end-March 2013 at 74.9 per cent was lower than the level of end-March 2012 (85.2 per cent). NRI deposits increased by USD 12.2 bio to USD 70.8 bio as at end-March 2013.

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Food Industry Overview (Continued)

- Indian government issued guidelines defining clearly the concept of 'group company' in the foreign direct investment (FDI) policy, which is expected to address concerns over backdoor entry of foreign retailers into India through the wholesale route. The foreign direct investment policy allows 100 per cent FDI in cash & carry wholesale trade but puts a limit on sale by such a foreign investment funded venture to its 'group company'.
- DIPP has issued a new list of states that have agreed to allow FDI funded multi-brand retail taking the total number of such states and Union Territories to 12.
- Government of India has announced new FDI rules requiring foreign supermarkets to set up their own warehouses and stores in India. Under the new rules, global supermarket operators cannot acquire existing assets of Indian companies and the initial mandatory USD100 mio investment to set up supply chain infrastructure and stores must be new.
- According to a report by global valuation firm American Appraisal the slowdown in the domestic market is pushing several Indian companies to scout for cheap assets overseas, especially in Europe.
- Singapore and India are working on a regional comprehensive economic partnership covering the 10-member ASEAN plus six major Asian markets of Japan, South Korea, China, Australia, Singapore and India.
- According to Consulate General of Israel in Mumbai, India-Israel free trade agreement (FTA) is likely to be concluded at the earliest and the pact would be a "strategic game changer" in trade relations. The FTA is expected to give a huge fillip to the bilateral trade volume between the two countries and would jump from the current USD 5 bio to USD 10-15 bio.
- India and Afghanistan have pledged to enhance their bilateral cooperation in various sectors, particularly in education.
- Sri Lanka and India are aiming at doubling the bilateral trade volume. Bilateral trade between the two countries has now reached USD5 bio. It has been agreed to expand bilateral trade further to the tune of USD10 bio in the next 3 years.
- Government of India signed an Agreement for Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on Income and on Capital (DTAA) with Government of Albania.
- India and Thailand agreed to conclude negotiations on a comprehensive free-trade agreement "soon after June-July 2013". The two countries also clinched an extradition and signed a cooperation agreement on anti-money laundering. Plan to have a physical link between Thailand and India via Myanmar is also being implemented with a trilateral highway project as it would enhance the connectivity between the Mekong sub-region and India. The project is expected to be completed by 2016. Thailand-India Business Forum has been established to expand the role of the private sector in business partnerships. The two sides also agreed to provide fast-track business visa service.
- Indo-Italian trade declined by 15 per cent to 7.1 bio Euros during 2012-13. It was 8.5 bio Euros in year 2011-12.
- Poland is keen to develop ties with Punjab and Haryana in food processing and renewable energy sectors.

(Food Industry Overview continued on next page)

Food Industry Overview (Continued)

- India-Pakistan Joint Business Forum has constituted 10 task forces on sectors, including agriculture, automobiles, engineering and IT, to increase bilateral trade and investment. Currently, trade between India and Pakistan stands at USD 2.5 bio.
- According to PricewaterhouseCoopers's report around 875 cross-border deals between Europe and India worth about 90 bio euro were struck during 2006-2012 and deal flow is likely to see a significant growth in coming days.
- Mauritius wants Indian companies to use its platform for their outward investments to Africa, having been a preferred route for foreign investors coming to India for a long time. According to Board of Investment, India is the second most important trading partner of Mauritius and accounts for about one-fourth of total imports done by Mauritius. It offers a host of benefits to companies looking to invest in Africa, given its Investment Promotion and Protection Agreements and Double Taxation Avoidance Agreements with various African jurisdictions.
- Prime Minister of India expressed the hope that free trade agreement with European Union would be sealed soon. India has entered into Comprehensive Economic Partnership Agreement with the ASEAN countries as well as the Republic of Korea.
- Gujarat, which accounts for about a quarter of India's total exports, is mulling a five-year export policy to focus on value-added exports in sectors such as textiles, agriculture and dairy. Gujarat plans to increase the share of exports from the state from 25 per cent to 30 per cent in five years. The government may announce incentives ranging from exemption from value-added tax (VAT) in some sectors to focus market scheme and focus product scheme to offset high freight cost and other externalities to select international markets and promote products with high-export intensity.

Dairy

- The Indian dairy sector expects a surge in its export to Southeast Asia (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam), where local entities seem unable to satisfy a growing demand for milk. Skimmed milk powder (SMP) export to the region could rise to 10,000 tons from the present 5,000 tons.
- Government of India has extended the prohibition on import of milk and milk products from China for one more year, i.e., till 23rd June 2014.
- A project to revive the dwindling buffalo population and decreasing milk yield in Punjab is showing results with 61,000 calves of upgraded breeds having been born through artificial insemination in the last two years. This has been apart from 50,000 cow calves. At the time the project was launched, the number of buffaloes in Punjab had reduced from 6.1 mio to just 3.2 mio in a little over a decade till 2010.
- Mother Dairy announced an increase of up to Rs. 3 per liter in milk prices in Delhi-NCR region, citing rise in input costs. Full cream milk will be dearer by Rs. 3 per liter, while other variants will be costlier by Rs. 2 per liter. One liter of full cream milk (poly pack) will now cost Rs. 42, toned milk (poly pack) Rs. 32, token milk Rs. 30, double toned Rs. 28. However, prices of skimmed milk have been kept unchanged at Rs. 22 per liter.

(Dairy continued on next page)

Dairy (Continued)

- Amul turnover reached Rs. 191 bio or USD3.2 bio. There has been 20 per cent growth in milk procurement to 13.1 mio kg. Long-life UHT milk has shown value growth of 53 per cent and sales of cream also increased by 57 per cent in value terms. Innovative milk beverages range showed quantum value growth of 27 per cent. In ghee, the two mega-brands, Amul and Sagar, together achieved growth of 31 per cent. Sales of butter and cheese grew 18 per cent and 19 per cent, respectively, while ice-cream sales grew 21 per cent.
- Gujarat Cooperative Milk Marketing Federation (GCMMF) is expanding and strengthening its four distribution highways to ensure that its products reach consumers in the remotest areas. In 2012-13, Amul expanded its distribution footprint to reach new geographical markets. It added 306 distributors, 65 super-stockists and 900 sub-stockists. The plan for 2013-14 includes expanding the distribution reach to 700 new markets by adding more distributors and super-stockists. It plans to add seven new branch offices within the next few months.
- Amul consolidated its status as the largest single-brand retailer in the country by adding at least three exclusive parlours every day in 2012-13, taking the total tally of its exclusive stores to 7,000. The federation plans to increase the parlour network to 10,000 within the next two years.
- Gujarat Cooperative Milk Marketing Federation (GCMMF) will begin manufacturing some of its dairy products in the US over the next 6-8 months. The move is being viewed as a dry run for the Indian co-operative sector dairy giant to set up its own manufacturing facility in the US at a later stage. Amul (Kaira) District Cooperative Milk Producers Union, through a third party agreement with an existing manufacturing plant owner having a plant near New Jersey in the US, will begin producing a few dairy products there. GCMMF's current annual exports of dairy products to US is pegged close to Rs. 350 mio. With this arrangement, the federation is looking to quadruple its sales in the key market. Initially, paneer and ghee will be manufactured there.
- Amul will now graduate to camel milk, low on fat content and seen as curing lifestyle diseases. It will commence marketing camel milk from August 15 this year. Camel milk will be collected and processed by the Kutch District Cooperative Milk Producers Union, popularly known as Sarhad Dairy and marketed by the GCMMF. Sarhad Dairy will initially collect and process about 1,000-1,500 liters of camel milk every day. At present, camel milk is priced at Rs. 12 to 15 a liter, which is expected to increase up to Rs. 40 after processing that will increase its shelf-life.
- Punjab state-owned Milkfed will set up four mega milk plants of Rs. 2.50 bio each in the state. Government of Punjab has approved a specialized scheme for encouraging women in the dairy sector that will provide subsidized loan to them to set up farms, technical know-how for setting up of dairy farms and support to such units by providing veterinary care and farm feed to dairy entrepreneurs. New diversification plan has a special incentive for the farmers, who switch over from Paddy or wheat farming to complete fodder farming for combating shortage of green fodder.
- Dabur India announced expansion of its packaged food business with the launch of fruit juice-based drinking yoghurts under the Real Activ brand. Real Activ Drinking Yoghurt range is a unique combination of yoghurt and fruit juice in a drinkable format. The new Real Activ Drinking Yoghurt will be available in two delicious variants of Mango and Strawberry. It will be available in two stock keeping units of 1 liter and 200 ml priced at Rs. 105 and Rs. 25, respectively.

(Dairy continued on next page)

Dairy (Continued)

- Milk has contributed around Rs. 2 bio to the rural economy in Dakshina Kannada and Udupi districts during 2012-13 in the state of Karnataka. Nearly 47,000 farmers in these districts are supplying milk, through the milk cooperatives, to the union. As many as 648 primary milk producers' cooperative societies in Dakshina Kannada and Udupi districts come under the jurisdiction of the union.
- According to Tetra Pak the rising demand for flavoured milk, the second most consumed liquid dairy product after white milk, will spur growth for dairy companies in countries such as India and China.
- Sarhad Dairy is set to quadruple its milk processing capacity to 400,000 liters a day at a total, phased investment of Rs. 500 mio in the next few months.
- American Private Equity fund Carlyle Asia Growth Capital will sell its 20 per cent stake in Hyderabad-based dairy company Tirumala Milk Products. Tirumala Milk clocked Rs. 15 bio sales during 2012-13 and has milk processing centers spread across the three Southern states of Andhra Pradesh, Karnataka and Tamil Nadu with a cumulative milk processing capacity of 1.2 mio liters a day.
- Parag Milk Foods, the makers of the Gowardhan brand of milk, curd, ghee and cheese, plans to double its production capacity for milk and cheese by 2015. During 2012-13 the turnover of the company was Rs. 10 bio and is eyeing 40 per cent growth in its revenue this fiscal to Rs. 14 bio. The company also plans to expand its presence to the North this fiscal for fresh products like yogurt, flavoured milk, dahi, lassi, paneer and is mulling the joint venture route for the same. It also plans to increase its product portfolio and will launch 'Srikhand' in the near future.
- To increase the shelf-life of milk for retail sales, the Dakshina Kannada District Cooperative Milk Union Ltd will set up a new packing unit at Mangalore dairy at a cost of Rs. 260.5 mio. Once completed, the milk packets produced at the new unit will have a shelf life of 30 days. The union has reduced the price of 'mango lassi' by Rs. 2 during the monsoon months. It will release cashew barfi to the market soon. To boost the production of green fodder, the union is encouraging farmers to grow green grass in their fields. Those farmers who grow green grass on one acre of land and supply milk to the union get Rs. 10,000 as subsidy amount.
- Vaishno Devi Dairy Products will invest Rs. 1.0 bio to expand its current processing capacity of 300,000 liters of milk per day to 1.6 mio liters by 2014-15. Post-expansion its ghee producing capacity will triple to 900 tons per month. It launched Shubhi brand of cow ghee in Gujarat. The company will invest Rs. 250 mio to add 0.8 mio liters of new capacity in Pune. It is also planning to set up new milk processing plants in Madhya Pradesh and Andhra Pradesh with a total investment of Rs. 800 mio, with processing capacity of each plant at 400,000 liters daily.

Meat & Poultry

- "Poultry demand continued to remain strong in second quarter (April-June 2013) with the holiday season setting. If demand and supply is not moderated correctly, Q3 could prove to be the most challenging part of the year," Rabobank said in a report. The market is currently well balanced in terms of supply and demand, although profitability in the first quarter was still below the four-year historic average, it said. During the January-March period, poultry prices in India reached historic highs of more than Rs. 90 per kg. However, prices softened in March with increased supply but started to recover in April, it added. On poultry feed, the report said the prices of corn have declined since the beginning of 2013 but the benefit of reasonable poultry prices was negated by an increase in soyameal prices. Soyameal prices in the domestic market increased sharply to Rs. 38,000 per ton from Rs. 27,000 per ton in February last year, driven by shipments to Iran. "If the trend continues, the industry will continue to face challenging times due to higher soyameal prices," it said. The report further said the government has clarified that import of genetically modified soyameal are allowed into India. Also, the industry is mulling import of meal as global prices are lower than the domestic market.
- Cattle smuggling has become a lucrative business for many border villages in West Bengal. The trade is driven by demand for beef across the India-Bangladesh border. Old bulls, non-milch cows or infirm animals incapable of reproduction are picked up at distant fairs in Haryana, Andhra Pradesh, Bihar, Jharkhand, Rajasthan and sometimes West Bengal for as much as Rs. 20,000. The animals are sent to the border villages. Across the border, the animals are sold for double their price in India. In 2011, Border Security Force seized 140,000 cattle. In 2012, the number was 122,000, still a fraction of the total.



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Aquaculture

- India's seafood export has touched an all-time high of 928,215 tons worth Rs. 188.56 bio for 2012-13. This showed 7.68 per cent increase in quantity and 13.6 per cent rise in value. In dollar terms the increase was negligible 0.1 per cent (from USD 3.50 bio to USD 3.51 bio).
- The export of vannamei shrimp to the US increased by 141 per cent in quantity and 100 per cent in value in dollars. One-fourth of the total maritime exports consisted of frozen shrimp; but in terms of value it earned 51.35 per cent of the total marine export dollars. There was a 21 per cent increase in the quantity of shrimp exported, but because of the steep fall in the prices, it could add only 3.56 per cent to the export value in dollars. Frozen fish, which made up 37 per cent (343,876 tons) of the total maritime exports, was the leading maritime export item. South-East Asia is India's largest seafood buyer with a share of 23 per cent in value, followed by European Union at 22 per cent and the US at 21 per cent followed by Japan at 11 per cent, China at eight per cent and West Asia.
- Marine Products Export Development Authority has set seafood export target of USD4.3 bio for the year 2013-14.
- The seafood export industry, smarting under a 5.91 per cent countervailing duty imposed by the US Department of Commerce on the shrimps imported from India, is pinning its hopes on the 'final determination' of the duty by the US authorities in September. Both exporters and Marine Products Export Development Authority functionaries hope that the Department of Commerce will scale down the duty during the final determination, expected early September 2013.
- Pipavav port (Gujarat) continued to top the table for the second consecutive year in seafood exports in FY13 in terms of quantity. The port has registered an increase of six per cent over the previous fiscal. The export figures available with the Marine Products Export Development Authority showed that the port had handled 233,738 tons of marine exports as against 219,801 tons in FY12. However, in value terms, both Vizag and Kochi maintained an almost equal share in earnings of Rs. 33.45 bio and Rs. 32.66 bio respectively in FY13. While Vizag registered a 26.12 per cent increase in value terms, Kochi registered 14.22 per cent. Kochi port has emerged as No. 2 in quantity-wise exports, touching 162,109 tons, an increase of 6.34 per cent over the previous year. JNPT was closely behind, handling 145,723 tons in FY 13.
- International Container Transshipment Terminal at Vallarpadam, Kochi had installed a modern power supply system for reefer containers. Besides, an additional storage facility at the Q-9 berth in the Ernakulam Wharf was available for seafood exporters for interim storage of reefer containers.
- Establishment of new fishing harbours and development of link roads to fisheries centers are proposed in the Karnataka Budget for 2013-14. Karnataka Chief Minister Siddaramaiah, who presented the Budget for 2013-14 on Friday, has provided Rs. 2.29 bio for fisheries sector. He has proposed to construct two new fishing harbours at Kulai in Mangalore and Hejmadikodi in Udupi, Roads connecting fisheries centers will be developed at a cost of Rs. 300 mio. Fishermen will get 150,000 kilo liters of tax-free diesel for mechanized fishing boats during the year.
- A seafood park will be established in the state of Odisha. The park will be jointly developed by Industrial Infrastructure Development Corporation and Seafood Exporters Association of India (Odisha region) near Deras in Khurda district.

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