



IndiaFood

FOODS, BEVERAGES & INGREDIENTS DIGEST
June / July 2009

Executive Summary - Contents

- [p.1](#) Editorial
- [p.4](#) Food Industry Overview
- [p.5](#) Aquaculture; Dairy, Meat & Poultry
- [p.7](#) Alcoholic Beverages
- [p.8](#) Non-alcoholic Beverages; Tea
- [p.9](#) Coffee
- [p.10](#) Food Service & Retailing; Snacks
- [p.11](#) Culinary Items; Sugar
- [p.12](#) Oils; Food Additives; Spices & Flavors
- [p.13](#) Foodgrains
- [p.14](#) Fruits & Vegetables
- [p.15](#) Biotech

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June and July are months when everyone in India looks at the sky and makes one's own forecasts about rains and monsoon. This year started on a dark note when India Meteorological Department forecast, released in April 2009, stated that the rainfall during the South-West monsoon season (June-September) 2008 for the country as whole was likely to be 96 per cent of the Long Period Average. This raised eyebrows, but there were hopes that rain-gods will prove the meteorologists wrong.

As months have passed, worries have intensified. North India is the worst affected. The following picture shows the rainfall situation on 22 July. Areas marked in red have received deficient rain (-20% to -59%), yellow – scanty rain (-60% to -99%), green – normal (-19% to +19%), blue-Excess (>+19%).



Unless August proves to be a particularly wet month for north India, it seems that large parts of the country are heading towards a drought. This will impact agricultural production and also rural consumption. A drought can derail the growth engine of India economy. Hopefully, August and September will have more dark clouds than sunshine (It might surprise our readers in Europe and America to know that dark clouds are welcomed with songs and dancing in the hot climate of India).

Even without a drought, food prices have been on the boil during the first half of 2009. Increases in prices of pulses, fruits and vegetables have been really sharp during January-July 2009. This was during the period when inflation had turned negative and there were no environmental factors like drought. One can only wonder what a drought in the agriculturally important North India will mean for the country's food basket.

(Continued on next page)

The following table shows the way food prices have risen in 2009 as well as in the July 2008 to July 2009 period.

Commodity	19Jul '08 to 18Jul '09	3 Jan '09 to 18 July '09
Pulses	16.92	15.36
Fruits & Vegetables	14.17	11.71
Eggs Meat & Fish	4.87	5.12
Milk	4.80	0.90
Food Articles	9.19	6.28

Figures show percentage change in wholesale price index during the period.

Sharp increase in domestic prices coupled with recessionary trends in many global markets has dealt a blow to exports of all commodities and food products are no exception. For example, exports of shrimps and cashew nuts (considered to be luxuries) to Europe and USA have fallen drastically. On the other hand, tea exports have fallen due to high domestic prices caused by lower production and increasing domestic demand. Similarly, in case of coffee, exports during year ending September 2009 are expected to register a 10-year low.

In the midst of this atmosphere of worries and concerns, the Finance Minister presented the budget for year 2009-10. Generally, the budget is presented around 28th February. This year the budget was delayed due to parliamentary elections. The Finance Minister tried to please many sections of the society by giving some sop or the other to everyone, but economic experts were worried by the high fiscal deficit. The budget failed to enthuse the share market and the corporate community. Most business leaders and economists had expected the government to come out with stronger measures to revive the economy.

A day before the budget, Economic Survey was presented. The following two tables from the Survey give an indication of the health of Indian economy at the end of financial year 2008-09.

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Agriculture, forestry & fishing	10.0	0.0	5.8	4.0	4.9	1.6
Mining & quarrying	3.1	8.2	4.9	8.8	3.3	3.6
Manufacturing	6.6	8.7	9.1	11.8	8.2	2.4
Electricity, gas & water supply	4.8	7.9	5.1	5.3	5.3	3.4
Construction	12.0	16.1	16.2	11.8	10.1	7.2
Trade, hotels & restaurants	10.1	7.7	10.3	10.4	10.1	*
Transport, storage & communication	15.3	15.6	14.9	16.3	15.5	*
Financing, insurance, real estate & business services	5.6	8.7	11.4	13.8	11.7	7.8
Community, social & personal services	5.4	6.8	7.1	5.7	6.8	13.1
Total GDP at factor cost	8.5	7.5	9.5	9.7	9.0	6.7

Source : Central Statistical Organisation.

* Trade, hotels & restaurants, transport & communication (together) grew at 9 per cent, 2008-09.

(Continued on next page)

Key indicators							
Item	Units	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
1. GDP and related indicators							
GDP (current market prices)	Rs. crore	2754620	3149407	3586743	4129173	4723400	5321753 RE
Growth rate	%	12.2	14.3	13.9	15.1	14.4	12.7
GDP (current market prices)	Rs. crore	2402727	2602065	2844942	3120029	3402716	3609425
Growth rate	%	8.4	8.3	9.3	9.7	9.1	6.1
Growth of GDP (factor cost, constant prices)	%	8.5	7.5	9.5	9.7	9.0	6.7
Savings Rate	% of GDP	29.8	31.7	34.2	35.7	37.7	na
Capital formation (rate)	% of GDP	27.6	32.1	35.5	36.9	39.1	na
Per cap NNP (factor cost & current prices)	Rs.	20871	23198	26003	29524	33283	37490
2. Production							
Foodgrains	Mill tonne	213.2	198.4	208.6	217.3	230.8	229.9 ^^
Index of Industrial production (growth)	Per cent	7.0	8.4	8.2	11.6	8.5	2.6
Electricity generation (growth)	Per cent	5.1	5.1	5.2	7.3	6.3	2.7
3. Prices							
Inflation (WPI) (52-week average)	%change	5.5	6.5	4.4	5.4	4.7	8.4
Inflation CPI (IW)	%change	3.9	3.8	4.4	6.7	6.2	9.1
4. External sector							
Export growth (US\$)	%change	21.1	30.8	23.4	22.6	28.9	3.6
Import growth (US\$)	%change	27.3	42.7	33.8	24.5	35.4	14.4
Current account deficit (CAD)/GDP	Per cent	2.3	-0.4	-1.2	-1.1	-1.5	-4.1 ^
Foreign exchange reserves	US\$ bn.	113.0	141.5	151.6	199.2	309.7	252.0 @
Average exchange rate	Rs./US\$	45.95	44.93	44.27	45.28	40.26	45.99
5. Money and credit							
(M ₃) (annual)	%change	16.8	12.3	17.0	21.3	21.2	18.4
Scheduled commercial bank credit (growth)	%change	15.2	30.7	37.0	28.5	22.3	17.5
6. Fiscal indicators (Centre)							
Gross fiscal deficit	% of GDP	4.5	4.0	4.1	3.5	2.7	6.2 ##
Revenue deficit	% of GDP	3.6	2.5	2.6	1.9	1.1	4.6 ##
Primary deficit	% of GDP	0.0	0.0	0.4	-0.2	-0.9	2.6 ##
7. Population							
	Million	1072	1089	1106	1122	1138	1154

RE GDP figures for 2008-09 are Revised Estimates

na not yet available / released for 2008-09

^^ for 2008-09 the figures are the 3rd Advance Estimates

^ CAD to GDP ratio for 2008-09 is for the period Apr-Dec 2008

@ as of March 31, 2009

fiscal indicators for 2008-09 are based on the provisional actuals for 2008-09

1 Crore = 10 million

Food Industry Overview

- India's economy may grow 6.2 per cent in 2009/10, UBS said in a report, revising its estimate from 5.2 per cent, citing lower interest rates, smaller excess capacity and a fall in risk aversion.
- Economic activity is likely to pick up in the second half of 2009/10 as recent indicators of investment activity show sequential improvement and on significant easing of financial conditions, Goldman Sachs said.
- Despite falling exports, the Indian economy would grow by 6.6 per cent in the current fiscal on the back of strong domestic market and resilience, economic think-tank CMIE said.
- India's real GDP growth will average at 7.2 per cent over the next five years even as risks to the global economy continue to remain high, the Economist Intelligence Unit (EIU) has said.
- Global financial major Citigroup has projected that Indian economy would grow at 6.8 per cent in the current fiscal riding on higher investment flow.
- Indian economy is expected to grow at around 7 per cent in the current financial year (2009-10) if the monsoons do not suffer further delay, said Suresh Tendulkar, chairman of Prime Minister's Economic Advisory Council.
- India's economy grew a faster than expected 5.8 per cent in the March quarter from a year earlier, as a still strong services sector offset a decline in manufacturing.
- India Inc has regained the much-needed business confidence with majority of 300 companies stating, in an industry survey, that they see better economic outlook in the next six months. As many as 57 per cent of the companies measured on the quarterly Business Confidence Index (BCI) of FICCI, indicated that they expect the overall economic condition to be 'moderately to substantially' better in the next six months. The FICCI survey of the fourth quarter of fiscal 2008-09 is in sharp contrast with findings of the BCI of the previous quarter when only nine per cent firms had seen a bright outlook.
- India's manufacturing activity expanded for a second straight month in May to its highest level in eight months, reflecting a revival in domestic demand, but weak exports are likely to remain a drag on the economy.
- India's foreign trade front presented a dismal picture in the inaugural month of the current fiscal, with both exports and imports declining by 33.2 per cent and 36.6 per cent respectively in dollar terms, compared to April 2008.
- Government officials said the Asean FTA, as well as a similar pact with South Korea involving free trade of goods, services and investment, could be signed on the sidelines of the summit of Asean nations, scheduled in October this year.
- The sub-regional trading arrangement involving Bangladesh, Bhutan, Nepal, India, Myanmar, Sri Lanka and Thailand is now on the verge of arriving at a free trade agreement (FTA) to promote trade and intensify co-operation on a fast track.
- Deficient rainfall in many parts of the country has started showing stress on progress of sowing of kharif crops. As of the first week of July, the sowing of paddy, the major food grain crop of the season, was down by about 25 per cent compared to last year. Sowing of oilseeds was down by almost 50 per cent.
- Government of India has approved setting up of Mega Food Parks in 10 States.
- On the heels of resolving its two-year dispute with the Wadia Group over control of Britannia, Groupe Danone SA has received Government's permission for a solo entry into food, beverage, biscuits, cereal, dairy and baby food product segment in India.

Aquaculture

- Recession in Europe has taken a toll on 'luxury' shrimp consumption during 2008, which could have serious implications for Indian seafood exports in one of its biggest export destinations. The retail chain segment has reduced its orders significantly across Europe and shrimp stocks are said to be piling up as a result of consumers' lessening purchasing power and reluctance to buy comparatively expensive products.
- For the first time ever, annual earnings from seafood exports have crossed the Rs 85-bio mark. In 2008-09, India exported 602,386 tons of seafood products worth Rs 85.9208 bio (USD 1,905 mio). This was second to the 612,641 tons recorded in 2006-07. The growth in marine exports from the country is promising as the global economic turmoil had badly hit prospects in the later half of the last financial year. The exports recorded 11 per cent growth in volume terms from 541,701 tons in 2007-08 and 12.6 per cent rise in value against Rs 76.20 bio in 2007-08. Maharashtra topped the table of export earnings with 125,196 tons valued at Rs 16.5485 bio.
- Faced with a spate of export rejections and slack demand, production of scampi or freshwater shrimp has registered a 53 per cent fall to 12,806 tons in 2008-09.
- Indian seafood export industry might face a serious threat next year as European Union (EU) has issued a warning saying that it will import only seafood items with a catch certificate. This will be implemented from January 1, 2010, according to the official journal of the EU. The strict requirement of the catch certificate is based on an EU regulation (EC No. 1005/2008) to prevent, deter and eliminate illegal, unreported and unregulated fishing.
- US Department of Commerce has placed an average anti-dumping duty for shrimp imports from India at 0.79 per cent. This ruling was based on the final report of the Third Administrative Review on shrimp imports from India and is in consonance with the interim report which was placed before the US Department of Commerce earlier. The ruling would be applicable to 153 shrimp exporters from India who participated in the review process.
- Russia has dealt a blow to Indian marine product exporters by banning imports from India. The ban has come into effect from the beginning of July.

Dairy, Meat & Poultry

- Global consumption of milk and other liquid dairy products is expected to rise by a compound annual growth rate (CAGR) of 2.2 per cent over the next three years, according to Tetra Pak, one of the major player in food processing and packaging solutions. According to the Tetra Pak Dairy index, driving much of the growth in the global dairy industry—95.8 per cent over the past four years, are emerging markets—such as India, Pakistan, the Middle East and China. The dairy index suggests that India's milk consumption in 2008 was up by more than 2.6 per cent from 2007 to nearly 51.5 bio litres. Over the past four years, milk consumption in India has risen by CAGR of 2.7 per cent - with packed milk growing by CAGR of 4.7 per cent.
- Gujarat Co-operative Milk Marketing Federation Ltd (Amul) posted a turnover of Rs. 67 bio during 2008-09. During the year, the federation spent about Rs. 500 mio on advertisements.
- Amul has been ranked among the top 21 largest dairy businesses in the world according to the findings published by the International Farm Comparison Network (IFCN) at the 10th IFCN Dairy Conference 2009, held at Stockholm during June 14-17.

(Dairy, Meat & Poultry continued on next page)

Dairy, Meat & Poultry (Continued)

- Maharashtra-based Siddharth Milk Foods (I) Pvt Ltd, manufacturers and distributors of quality milk products, has ventured into the Kerala market with an array of milk based products.
- A significant slice of India's indigenous breeds of livestock such as cattle, goats and sheep are threatened and showing declining trends according to India's Fourth National Report to the Convention on Biological Diversity.
- India has banned imports of select livestock and its products in the wake of the spread of swine-flu. Livestock and livestock products, including domestic and wild birds (excluding poultry and captive birds), unprocessed meat and meat products from avian species, wild birds, and the semen of domestic and wild birds, will not be allowed into the country. Imports of live poultry, eggs and their products, live pigs, pathological material, and unprocessed feathers from the countries reporting avian influenza have also been prohibited.
- India has extended the ban for second time on import of milk and milk products from China by six months from June 24.
- Sultanate of Oman has lifted the ban on import of poultry products from India, which was put in place after outbreak of bird flu in the country last year.
- Israeli Ambassador to India, Mr. Mark Sofer, said that an Israeli company is all set to establish one of the largest dairy projects in the world in Andhra Pradesh.
- Hatsun Agro Product Ltd has reported a 29 per cent drop in net profit for the year ended March 2009 as compared with the previous year. The company, the largest private sector dairy in the country, saw a 17 per cent growth in sales taking its business beyond Rs. 10 bio to put it among the top five in the dairy industry, including the cooperative sector dairies.
- India's largest baker, Britannia Industries, is set to stage a comeback into the packaged milk business, four years after it exited this segment. The company, which closed last fiscal with a top line of close to Rs. 35 bio, is expected to play in the ready-to-drink flavored milk market targeted at youth, instead of the mass packaged milk segment.
- Heritage Foods (India) Ltd, a company promoted by the family of Mr. N. Chandrababu Naidu, former Chief Minister of Andhra Pradesh, has posted a loss of Rs. 349.5 mio for the financial year ended March 31, 2009, against a profit of Rs. 9.353 mio in the previous year. The retail business showed a loss of Rs. 483.6 mio (before taxes). Loss from retail business was partly offset by the profit of Rs. 396.8 mio in its bread-and-butter dairy business
- IBM has entered into a 10-year strategic outsourcing deal of over Rs. 800 mio with Gujarat Cooperative Milk Marketing Federation (Amul). Under the terms of the deal, approved by the GCMMF, IBM would help transform the information technology structure of GCMMF and the milk unions to enable and support their accelerated growth plans.
- Kolkata-based Rs.-6.50 bio Amrit Group, which recently forayed into dairy business, plans to tie up with a European company for production of value added liquid milk catering to the nutritional requirements of various age groups.
- Himalayan International, a Himachal Pradesh-based agro export-oriented unit, is set to enter the North Indian market. Himalayan International plans to bring out its full range of 100 per cent natural milk products and ethnic Indian sweets in Delhi, NCR and northern markets within the next month.

Alcoholic Beverages

- Decks have been cleared for the merger of the Indian operations of Asia Pacific Breweries (APB), makers of Tiger beer, with Vijay Mallya-led United Breweries (UB). Heineken acquired 37.5 per cent in UB following a worldwide takeover of Scottish & Newcastle (S&N) in January last year. Mr. Mallya had been arguing that Heineken, which holds 42 per cent interest in APB, cannot be allowed to run parallel market operations while being a substantial shareholder in UB. APB ended its local joint venture with CK Jaipuria as a precursor to a settlement between Mr. Mallya and Heineken.
- Private equity giant Kohlberg Kravis Roberts (KKR) and Diageo may buy a chunk of equity in the Vijay Mallya-led United Spirits, India's largest liquor marketer and the parent of Scottish distiller Whyte & Mackay (W&M). The two firms could buy 10 per cent and 14.99 per cent, respectively, in the company.
- Goa's humble feni, that comes under the category of "country liquor", is now joining the ranks of Darjeeling Tea, Mysore Sandalwood and Scotch Whiskey. The cashew brew has been assigned a Geographical Indication Certificate, from the GI Registry in Chennai, making it the first such alcoholic beverage in the country to get the honour.
- Two Indian vodka brands pipped several pedigreed East European counterparts to figure in the list of the world's fastest growing vodkas in 2008. According to UK-based research digest, The Spirits Business, both White Mischief and Romanov figured among the top-five fast growing vodka list. White Mischief came fourth with 25 per cent rise in volume with Romanov following in the fifth slot with 19 per cent jump in the last calendar year.
- Cobra Beer founder Karan Billimoria is planning to raise funds separately for investing in India to ramp up its business in the country, even as the firm entered into joint venture with UK-based brewing major, Molson Coors.
- Tamil Nadu government has cleared the decks for the world's largest spirits marketer Diageo to start bottling in the state, making it the first MNC drinks company to list brands in the local retail trade.
- TVB Craft Breweries, a Delhi-based brewer of specialised beer, plans to invest USD 12 mio to set up a brewery in Himachal Pradesh. The company, the first to market flavored beers in the country, has rolled out a new brand of beer -- Little Devils - in five flavors.
- Mumbai-based Chougule family, promoters of Indage Vintners, intends to scale up their shareholding in the company as a precursor to divest the majority stake in the firm's domestic winery business to a strategic investor.
- India's largest winemaker Indage Vintners has scaled down operations in most regions outside its home base in Maharashtra as it battles to survive a deep financial crisis.
- The fastest growing Indian spirits brands during the last financial year were an unusual list. United Spirits' (USL) low-key whisky Old Tavern topped the charts with a 61 per cent jump in volume sales, while Tilaknagar Industries' Mansion House brandy followed second, reporting a 54 per cent rise, and Jagatjit Industries' AC Black whisky claimed a 53 per cent growth, in the third slot, during the year. Radico Khaitan's Magic Moments vodka and Kishore Chhabria's Officer's Choice whisky shared the fourth place with a 41 per cent upswing in volume. Another USL brand Old Cask rum booked a slot in the top-five list with a 40 per cent spike.
- Diageo India is pulling out of Indian wine market by taking its only wine brand Nilaya off the retail shelves as it wants to stabilize the domestic operations with locally bottled brands such as Shark Tooth vodka, Smirnoff vodka, Haig scotch whisky and the import business of Johnnie Walker.
- California-based E&J Gallo, the world's second-largest winery by the number of cases sold, has drawn elaborate plans to introduce brands from its global portfolio in India.

Non-alcoholic Beverages

- Aqua Montana, one of the largest soft beverage producers in Germany, is in advanced stages of discussions to ink two separate joint ventures with Indian business groups for bottling operations in north and west India. The privately-held beverage maker is likely to pick up minority stakes of around 26 per cent in each of the two JVs.
- Dabur India has launched a new variant under its flagship brand Real – Apple Nectar. With the launch of Apple Nectar, Real is now available in 12 variants.
- PepsiCo India has announced a Rs. 10-bio investment for this calendar year that will see the food and beverage major expanding its manufacturing capacity and supply chain, among others, in the country.
- PepsiCo India is poised to make its Frito-Lay manufacturing unit in West Bengal its largest in the country by 2011-12. The factory's capacity will increase from 25,000 tons per annum to 50,000 tons per annum by 2011-12.
- In a bid to combat under-nutrition, PepsiCo India expects to test-market its products to fight anaemia among rural women sometime next year. The soft-drinks major is working on low-cost prototypes of both beverages and snacks that can deliver the benefit.
- Jain Irrigation Systems has bagged Rs. 1.58 bio order for the supply of mango pulp to Coca-Cola in India and abroad. The current order is 85 per cent higher compared with the previous season.
- Bisleri International is investing Rs. 500 mio in setting up an additional 25 bottling plants across the country in a span of three years. Bisleri, which expects a growth rate in sales of 40 per cent, intends enhancing its distribution and penetration across the country. It already has 52 bottling plants and with the additional plants it intends reaching out to smaller towns in States such as Tamil Nadu, Kerala, Punjab, J&K and Orissa.
- The feud between soft drinks maker Coca-Cola and the Ramesh Chauhan-promoted bottled water company Bisleri International over the international rights for the 'Maaza' brand got a fresh twist. Mr. Chauhan says he wants to settle the case out of court.
- Mr Chauhan, Chairman of Bisleri International, is working on a new water product, which he has code-worded 'Water Plus,' ("that's not the brand name", he clarified). The product would be launched this year. Priced at "may be Rs. 5 more" than the existing one-litre bottles, this would be the preferred drink of people who shop at premium malls, he said.
- Delhi High Court has directed Intellectual Property Appellate Board (IPAB) not to pass a final order in the ongoing trademark dispute between mineral water maker Bisleri and Tata Group-controlled Mount Everest. Mount Everest and Ramesh Chauhan-promoted Bisleri are engaged in a legal dispute over the use of the word 'Himalayan' as trademark for mineral water.

Tea

- Tea exports continued to decline, while production dropped 17 per cent in April compared with the same period a year ago. According to data from the Tea Board, exports in April were down at 11.36 mio kg (mkg) against 11.89 mkg last April. For the calendar year, exports are down 12.57 mio kg at 50.26 mio kg. Exports are down since domestic prices are ruling stronger due to internal demand.
- Tea prospects are looking bleak. The five month figures ended May 2009 showed a decline in both production and export compared with the same period in the previous year. Production has fallen by almost 25 mio kg while export is down by 13 mio kg.

(Tea continued on next page)

Tea

- Tata Tea has initiated the process of consolidating its holding in varied global beverages businesses in a move to operate as a single-beverages entity and simplify operational issues. The company has purchased an additional 4.3 per cent stake in Mount Everest Mineral Water from the market, increasing its stake to 36 per cent. Also, an additional 16.7 per cent stake was acquired in Consolidated Coffee by Tata Tea (GB) Capital, a UK subsidiary. As a result, the entire shareholding will be held by the group.
- Tea prices are expected to rise by 10 per cent on low supply and higher global demand in 2009, Centre for Monitoring Indian Economy (CMIE) said in its monthly review. The average monthly auction tea price rose by 36.6 per cent to Rs. 106.8 per cent in May 2009 compared to a 15.1 per cent rise in the year-ago quarter, CMIE said.
- Jay Shree Tea & Industries, a B K Birla group company, has firmed up plans to acquire tea estates in Uganda and Kenya. At present, the company has 21 estates within its fold spread across the tea producing regions of Assam, Darjeeling, Jalpaiguri, Uttar Dinajpur and Tamil Nadu.

Coffee

- India's coffee exports fell 17 per cent in the first five months of 2009 as higher Indian prices amid the global economic downturn kept buyers away, an official from the Coffee Board said.
- Reduced global demand (due to economic meltdown) and low coffee output have had their combined effect on Indian coffee exports. For the coffee year ending September 2009, exports are set to register a 10-year low. According to industry estimates, the current coffee year would conclude with exports in the range of 180,000 - 190,000 tons, which would be 14 - 18 per cent lower compared with the previous coffee year (Oct 2007 - Sept 2008).
- The berry borer menace threatens to affect the country's 2009-10 coffee crop prospects, but the state-run Coffee Board said it was taking preventive measures to curb the impact of the pest that has infested plantations in some 13,000 hectares, mainly in Karnataka.
- Café chain Barista has completed its brand integration process with Lavazza, a coffee company from Italy which bought over Barista Coffee Company in 2007. All the elements at the store – merchandising, signage, crockery, packaging and the signature walls – have been integrated to reflect the values and imagery of Italian coffee linked to Brand Lavazza.
- Keeping up with its plans of opening 100 stores every year, Cafe chain Barista Lavazza is all set to roll out 300 coffee shops in the next three years. Out of these, the company plans to have 30 highway stores across the country.
- India's coffee output is pegged at 0.31 mio tons in 2009-2010, 4.4 per cent higher compared to 2008-09, according to the post-blossom estimates released by the Coffee Board. The higher estimate in 2009-2010 is on the back of an anticipated 5.7 per cent year-on-year rise in the output of the Robusta variety.
- Caffe Pascucci, leading Italian coffee brand, announced its foray into India with its first coffee outlet in Bangalore becoming operational. Caffe Pascucci has appointed Madhura Beverages India as its master franchisee for India.

Food Service & Retailing

- McDonald's India said it plans to open 180-190 company-owned restaurants by 2015 with an estimated investment of up to Rs. 5.70 bio.
- The UK's leading cash and carry wholesaler, the Booker Group, is going to debut in India. The first Booker cash-and-carry outlet will open in Mumbai in a few months.
- Kishore Biyani-promoted Pantaloon Retail said it has received shareholders' approval for restructuring the company into three separate entities catering to FMCG, retail and fashion, and rechristening the group as Future Markets & Consumer Group.
- Wal-Mart, the world's largest retailer, plans to sub-lease additional space in its cash and carry stores to smaller retailers in the country to earn additional revenues, according to a person close to the development.
- Bharti Wal-Mart, the joint venture between Bharti Enterprises and US-based Wal-Mart Stores Inc, is likely to invest about 100 mio dollars in the next 3-4 years to open 15 cash-and-carry stores in India.
- Bharti Wal-Mart Pvt Ltd, the joint venture between Bharti Enterprises and retail giant Wal-Mart, opened its first cash-and-carry (wholesale) store in India at Amritsar in Punjab albeit without its famous brand name. Christened Best Price Modern Wholesale, the 50,000 sq feet store, opening almost two years since they both first announced their plans, will retail a range of 6,000 food and non-food items to licensed institutional buyers such as hotels, hospitals and restaurants. The joint venture will invest over USD 100 mio (about Rs. 4.70 bio) in setting up 15 more such outlets in the next three-four years.
- India has been ranked as the most attractive nation for retail investment among 30 emerging markets by US-based global management consulting firm, AT Kearney.
- Enthused by the fall in rentals and eyeing large business volumes in the current downturn, India's largest retailers like Kishore Biyani's Future Group, Aditya Birla Retail, Reliance Retail, Tata's Trent, RPG group's Spencer's and others are preparing aggressive plans to open hypermarkets in the country.
- The government has no plans to change the present policy on foreign direct investment in retail trade, the junior trade minister said in a written reply to parliament.

Snacks

- PepsiCo's snack foods arm, has announced its entry in the biscuits category, to challenge majors like Britannia and Parle. Its new brand – Aliva -- is a locally developed, baked cracker and has been positioned as a healthy snack food.
- Lotte Foods, a 100 per cent subsidiary of Korea's fifth largest company, Lotte Confectionery, is investing Rs. 2 bio on a Greenfield confectionery plant in Tamil Nadu.
- GlaxoSmithKline Consumer Healthcare has expanded its portfolio by launching biscuits for toddlers under its flagship Horlicks brand and plans to achieve sales worth Rs. 500 mio from the product in next three years.
- Parle Agro, which makes Frooti and Appy, has entered the growing branded snacks market in India with the launch of 'Hippo'.

(Snacks continued on next page)

Snacks (Continued)

- Wadhawan Hospitality, the food and beverages arm of Wadhawan Enterprises, has entered into a tie-up with US-based Focus Brands to open Cinnabon bakeries in India. Cinnabon will retail a range of baked goods, sandwiches and also beverages.
- Confectionery makers have seen input costs gnaw at their margins so far this year as a steep drop in India's sugar production has caused prices to soar by nearly 50 per cent.
- Godrej Hershey Ltd, the 49:51 joint venture between the Godrej group and Hershey of the US, is looking at 20 per cent growth in the current fiscal. The company is entering into the chocolates segment with a range of products.

Culinary Items

- FieldFresh Foods Pvt Ltd, a 50-50 joint venture between Bharti Enterprises and Del Monte Pacific Ltd, will invest Rs. 1 bio in establishing a greenfield food processing facility near Hosur, Karnataka. The facility will start (manufacturing) two products — juice drinks and culinary products like ketchup and mayonnaise — in the first phase.
- Indian kitchens seem to be the new target for the cocoa-based products of Central Arecanut and Cocoa Marketing and Processing Cooperative (Campco) Ltd, Mangalore. The cooperative is all set to launch two new chocolate products – 'Milk Choco Mass' and 'Dark Choco Mass' – basically aimed at kitchens.
- GS Ltd has entered the ready-to-cook foods market with Buzy Woman ready-to-cook meals. Buzy Woman comes in five varieties – Punjabi Chholey, Shahi Paneer, Kashmiri Rajma, Daal Makhani and Dal Tadka.
- Nestle India Ltd has discontinued the production of its energy drink 'Milo' because of dropping sales.
- GlaxoSmithKline Consumer Healthcare (GSKCH) is planning to extend its Rs. 12-bio flagship brand Horlicks into 8-10 new product segments over the next 12-18 months. The FMCG major expects nearly 30 per cent of Horlicks's future growth in India will come from such new products.

Sugar

- Chennai-based Ponni Sugars (Erode) Limited is planning to set up a distillery near Erode, close to its sugar mill, with an investment of Rs. 720 mio. The distillery will have a capacity of 60 kilolitre per day
- Tamil Nadu is set to attract over Rs. 30 bio investment into the sugar processing segment with the State Government having cleared the setting up of nine integrated sugar complexes in the private sector.
- As the uncertainty over sugarcane prices plays havoc with growers, an increasing number of farmers in the state's sugar bowl of western Maharashtra are turning to banana plantation since it offers more consistent returns.
- Sugar mills will continue to pay higher than the statutory minimum price of Rs. 107.76 a quintal for sugarcane due to competition for cane and attractiveness of sugar prices in 2009-10 season. Commenting on the increase of sugarcane statutory minimum price (SMP), which has been hiked from Rs. 81.18 a quintal level, rating agency ICRA said, it would push up cost of production in the long run.
- Sugar production in the state of Uttar Pradesh is likely to take a hit for the second consecutive year with a weak monsoon and growing reluctance among farmers for resorting to cane cultivation.

Oils

- India's soybean acreage may rise for a seventh year in a row to touch 10 mio hectares (24.71 mio acres) this sowing season on better returns than most crops, experts said. The 4 per cent jump in acreage in 2009/10 from last year's 9.62 mio hectares, is seen across top growing states of Madhya Pradesh, Maharashtra, Andhra Pradesh and Karnataka.
- India's dependence on global edible oil market is likely to rise 20 per cent this year due to lower domestic output and rising consumption following a drastic price slump.
- Groundnut exports will face more stringent norms from July as the government will make quality standards mandatory ahead of a visit to some processing units in Gujarat by a European Union delegation in October.
- Madhya Pradesh-based edible oil manufacturing company, KS Oils has acquired an additional 35,000 acres in Indonesia for oil palm plantations. With this acquisition, the total land acquired by the company stands at 85,000 acres and it plans to invest Rs. 7.50 bio over a three year period in palm plantations and production of crude palm oil there.
- Shipments of oilmeals declined by 57 per cent in the first quarter of current financial year due to poor overseas demand.
- Jaiprakash Associates, best known for its presence in the construction and hydroelectric power sectors, plans to process and market edible oil under its own brand as part of a surprise foray into the agribusiness segment. The Delhi-based group plans to invest Rs. 800 mio initially in the venture that will process soya and mustard oil and produce oil cakes, all of which will be sold under its own brands.
- Hong Kong's Noble Group has sold its majority stake in the Rs. 6.5 bio Noble Grain India, a joint venture with Mansingka family, to Thailand's GP Group. With this, Noble Group has exited India's vegetable oils and oilseeds sector.

Food Additives

- The global downturn had its impact on the prices of guar seeds and guar gum, used as an emulsifier in commercial food processing. There is around 30 per cent dip in the export of guar gum.
- Production of vanilla beans in Kerala is likely to be confined to a mere 200-300 tons in the coming season that begins in October, as a major chunk of plantations in the state is spoiled completely due to wide spread fungus infection.

Spices & Flavors

- Spices exports crossed the Rs. 50-bio mark, for the first time, during the last fiscal, despite the global economic recession. Exports during 2008-09 were 470,520 tons valued at Rs. 53.00 bio (USD 1.168 bio) against 444,250 tons valued at Rs. 44.355 bio (USD 1.102 bio) in the previous fiscal. Compared with last year, exports have increased 19 per cent in rupee terms and 6 per cent in quantity. In dollar terms, the increase is 6 per cent. However, anticipating a deceleration in exports due to recession, the Spices Board was projecting exports worth Rs. 45 bio only in 2009-10.
- Import of spices during 2008-09 is estimated at 83,545 tons valued at Rs. 7.654 bio (USD 167.55 mio) against 90,000 tons valued at Rs. 6.455 bio (USD 160.60 mio) during the previous year.

(Spices & Flavors Continued on next page)

Spices & Flavors (Continued)

- Curry powder exports during 2008-09 were at an all-time high both in terms of quantity and value. The UK is the largest buyer of Indian curry and spice blends accounting for 2,685 tons (20 per cent), followed by Saudi Arabia (1430 tons), UAE (1205 tons) and US (1070 tons).
- Export of pepper has dropped sharply both in volume and value. In 2008-09, pepper exports declined to 25,250 tons valued at Rs. 4.137 bio against 35,000 tons valued at Rs. 5.195 bio, registering a fall of 28 per cent in volume and 20 per cent in value.
- Black pepper exports have suffered a serious setback in the first quarter of the current financial year. The exports registered a drop of 46 per cent at 4,084 tons during April-June 2009 against 7,550 tons in the same period last year.
- Despite an all-time high performance in 2008-09, the current financial year has commenced with a pessimistic note on the export of major spices. Exports have dropped by 23 per cent in volume and 10 per cent in value during April and May of this fiscal, as compared to last year.

Foodgrains

- India's corn acreage may decline in the coming sowing season making way for soyabean, turmeric and to a lesser extent, sugarcane. Farmers may reduce their corn crop size as prices of competing crops like soybean and turmeric have been higher and may remain strong this year also, said Amit Sachdev, India-based representative of US Grains Council.
- India's basmati rice exports are likely to top 2 mio tons in the current marketing year ending September 30, boosted by high demand from Iran and inclusion of Pusa-1121 in the premium rice category, industry officials said.
- Kohinoor Foods has introduced three premium varieties of basmati rice—Platinum, the authentic traditional variety, Gold, extra long basmati and Silver, new-generation super Basmati rice.
- India allowed and then withdrew export of 900,000 tons of wheat by state-run firms and 650,000 tons of wheat products by private trade as monsoon rains revived after a dry spell. Permission to export was issued on 3 July and withdrawn just ten days later.
- Prices of tur dal (pigeon peas), used in most Indian curries, have surged by up to 33 per cent in just one month across the country on fears of lower output due to deficient rains and lack of options to import the commodity. Currently, price of tur dal is ruling at Rs. 80 a kg in Delhi, Rs. 73 a kg in Mumbai, Rs. 70 a kg in Chennai and Rs. 62 a kg in Kolkata, according to the data collated by the ministry of consumer affairs.
- The country's foodgrains production during 2008-09 rose to 233.88 mio tons against 230.8 mio tons recorded during a year before period, the fourth advance estimates released in the second half of July by the ministry of agriculture said. While the foodgrains production rose by only about 1.1 per cent, country's wheat production clocked a record 80.58 mio tons during 2008-09 season, from a high of 78.57 mio tons achieved during the previous year, According to the estimate, the rice production rose to an all-time high of 99.15 mio tons during 2008-09, compared to 96.69 mio tons in 2007-08.
- India's rice (paddy) output is likely to decline by a marginal 2.55 per cent this year on delayed monsoon and uncertainty over follow-up rain in the agriculturally crucial month of July. According to the latest estimate by the United Nations Food and Agriculture Organisation (FAO), the country's paddy output may decline to 145.2 mio tons in 2009 after hitting a record of 149 mio tons in the previous year. In 2007, total paddy output was recorded at 145 mio tons.

Fruits & Vegetables

- Jain Irrigation plans to expand the profile of dehydrated vegetable business by adding carrot, capsicum, green peas and leek following good export orders for dehydrated onions and garlic. The company has onion dehydration capacity of 16,000 tons a year in India and 12,000 tons in the US. Jain Irrigation purchased the majority interest of Cascade Specialties Inc, an onion dehydrator based in Boardman, US, specialising in natural low bacteria onion products and organic dehydrated onion.
- Cashew industry has been hit by the direction from the Customs for 100 per cent open inspection of imported containers at a time when raw cashewnut import from Africa is in full swing. Due to the inspection, which is said to be for security reasons, over 1000 containers with cashew worth Rs. 640 mio have piled up in the port pending clearance.
- French retailer Carrefour India is in the process of stepping up its sourcing from India which includes field fresh vegetables and garments. Carrefour currently procures mangoes, pomegranates, onions, cucumber as also mixed vegetables. It works with over 90 suppliers/farmers in Uttar Pradesh, Andhra Pradesh, Delhi, Punjab and Haryana; directly dealing with the farmers for quality production and effective supply chain management.
- The presence of pesticide residues in fruits and vegetables is getting higher than the maximum permissible levels (MPL), revealed a recent survey by the Union government. Besides, vegetables from some parts of Uttar Pradesh were found to have presence of banned pesticides. The survey, conducted over a year from November 2007 to October 2008 across the country by the Union agriculture and cooperation ministry, found that 18 per cent vegetables and 12 per cent fruits, both home grown and imported, contained pesticide residues, including banned pesticides. In 4 per cent vegetables and 2 per cent fruits, these residues are higher than the maximum permissible levels.
- Cyclonic storm Aila which hit West Bengal on May 25 has caused severe damage to mango cultivations in the state, wiping off some valuable varieties.
- Mango producers in Uttar Pradesh, who have been hit by poor production this year, have at least one reason to cheer as exporters from the state have bagged off-shore deals to export the 'Nawab' brand of 'Dussehari' mango to Russia and Kuwait.
- Scientists at the Pune-based Interactive Research School for Health Affairs have identified and isolated the gene that produces Omega 3 in flaxseed, one of the richest natural sources of the fatty acid, and are working on introducing it in a host of vegetables such as tomatoes, okra, and corn amongst others.
- After relishing juicy Indian mango, there is yet another good news for American consumers. They would soon get to eat the famous Muzzafarpur Litchi from next year onwards. Talks between India and United States are going on to sought out safety related issues and two countries are expected to sign an agreement soon. India is already exporting a small quantity of Litchi to Netherlands, United Arab Emirates, Saudi Arabia, Russia etc.
- Assam is all set to get a cashew processing plant of 4 tons per day capacity at Mankachar in Dhubri district. The unit is slated to become operational by early next year.
- Economic recession in major consuming countries continues to impact the Indian cashew exports, which have shown a decline during the first two months of the current fiscal. The US is the major market for Indian cashew kernels and the recession has severely impacted this market.

(Fruits & Vegetables continued on next page)

Fruits & Vegetables (Continued)

- Gujarat, one the major banana growing states, has shipped 1,430 tons of the fruit to the Middle East in the first three months of this fiscal, becoming the second state to export banana after Kerala.
- Soaring temperatures coupled with insufficient rain have taken a toll on apple production in Himachal Pradesh with 25 per cent of the crop suffering damage.
- From Himachal Pradesh to Gujarat, the stalled monsoon rains are taking a toll on fruit yields with apples and bananas among the worst hit.
- Cashew production during 2008-09 is estimated to have increased nominally by around 3-4 per cent. According to the crop estimate prepared by Directorate of Cashew and Cocoa Development the agency, the country's production would be around 690,000 tons as against 660,000 tons in 2007-08. Production is seen increasing only in Maharashtra. In other states the production is more or less stagnant. Cashew is mainly cultivated in Maharashtra, Andhra Pradesh, Orissa, Kerala, Karnataka, and Tamil Nadu. India has to import more than half of its requirement of raw cashew due to poor productivity. Indian productivity is lower by three to four times than Vietnam. The credit for highest productivity in India goes to Maharashtra with 1.1 ton per hectare. The state has also displaced Kerala as the largest producer of cashew with 25 per cent of the total production.
- A sudden shortage of potatoes accompanied by sharply higher prices is eroding profit margins for large potato wafer brands and could force several smaller ones to temporarily exit the snack foods market. Prices of chipping potatoes used to make wafers have risen by 60 per cent in recent days and companies, such as PepsiCo, are trying to cope with it by improving their storage so that stocks last longer.

Biotech

- Andhra Pradesh Industrial Infrastructure Corporation is planning to develop a biotech Special Economic Zone (SEZ) in Hindupur in Anantapur district. The SEZ, to come up on 70 acres, will be developed by Bengaluru-based developer Salarpuria as a world-class hub for biotech companies.
- BT brinjal - the first food crop under evaluation - is all set to be introduced in the Indian market before year-end. It is awaiting central government clearance for commercial release.
- The biotech industry in India, which was growing at the rate of 30-40 per cent per annum, for the last four years, has suffered a setback with growth declining to 18 per cent last fiscal (2008-09). In the previous fiscal (2007-08) the growth rate was 34 per cent. Indian biotech industry posted a turnover of Rs 121.37 bio in 2008-09, compared to Rs 102.74 bio in 2007-08, registering a growth of 18 per cent. Global recession has impacted growth. Exports accounted for 60 per cent (Rs.71.52 bio) of the revenue, registering a growth of 25 per cent.
- Karnataka Cabinet has approved the revised biotechnology policy that includes a Rs 1-bio fund for manufacturing companies and Rs 500-mio corpus for R&D. New companies get tax concessions and privileges that are given to other industries in Zone 3 or industrially backward areas.

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