



# IndiaLive

LIVESTOCK, DAIRY, MEAT, POULTRY & AQUACULTURE DIGEST

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## *Food Industry Overview*

- India is likely to emerge as the world's third-largest economy by 2030 and grow faster, on an average, than China over the next two decades, says the Standard Chartered report India in the Super Cycle. However, regulatory burden, infrastructure bottlenecks, high oil prices and slowdown in foreign direct investment could affect growth.
- US Assistant Secretary of State (Bureau of South and central Asian affairs) Mr. Robert O Blake said the future of Indian economy seems very bright and the country is likely to become the world's third largest economy by 2030, and the largest by 2050.
- Agriculture and allied sectors showed a marked improvement by registering 6.6 per cent growth in 2010-11 against 0.4 per cent in the previous fiscal helped by a record foodgrain production of 235.88 mio tons.
- Financial service firm Moody's said India's growth prospects over the next few years remain robust and the economy is expected to expand by 8.5-9.5 per cent annually despite the slowdown during the January- March quarter of last fiscal.
- Centre for Monitoring Indian Economy (CMIE) expects real GDP to grow by 8.7 per cent in 2011-12 financial year. CMIE's forecast of an 8.7 per cent increase in real GDP in 2011-12 is much higher than the forecast of most other financial institutions, which hover close to 8 per cent.
- After four successive quarterly dips, the bad news for GDP growth is set to continue. Rising global food and oil prices are projected to dent India's growth story worse than other major Asian economies, such as China, Malaysia or Indonesia, in the coming year.
- Global banking and research giant Citigroup has said that while it expects India's economy to grow by 8.1 per cent in 2011-12, a failure of monsoon could bring down the growth rate to as low as 7.6 per cent.
- After remaining above the 8 per cent mark for almost 18 months, inflation would moderate to 7.93 per cent by the end of July, Institute of Economic Growth (IEG) has said in its forecast. "The WPI (wholesale price index) inflation forecasts are 8.47 per cent, 8.24 per cent and 7.93 per cent for May, June and July 2011, respectively", IEG said in its monthly monitor report.
- The slowdown theory about India's economic growth has been confirmed by the World Bank. The multilateral lending agency said India's growth would ease to 8.2 per cent this financial year (2011-12) against 8.5 per cent a year ago, as high inflation had cut into disposable income and hence demand.
- As the stern anti-inflationary stance of Reserve Bank has started crimping growth and demand, global rating agency Fitch has further lowered forecast for domestic economy to 7.7 percent for 2011 from previous 8.3. "The growth has clearly hit a soft patch, as GDP grew only 7.8 percent in the first quarter of 2011 (Q4 of FY11), down from 8.4 percent in Q4-10 and 8.9 percent in Q3-10", says Fitch Ratings in its global economic outlook.

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## *Food Industry Overview (Continued)*

- Amidst the ongoing debate over economic slowdown in the country, Planning Commission Deputy Chairman Montek Singh Ahluwalia said a reasonable target for Indian economy would be between 8.2 per cent and 8.5 per cent in the current financial year.
- Economists have scaled down their growth expectations and raised inflation forecasts for the Indian economy, compared with their outlook just 10 weeks ago, a Reuters quarterly poll showed. A poll of more than 20 economists, taken over the past week, showed the median estimate for 2011/12 GDP growth in Asia's third largest economy was down to 7.9 percent from 8.3 percent in the previous poll in May.
- India's foreign exchange reserves rose by USD 1.68 bio to USD 310.21 bio for the week ended May 27 on the back of a sharp increase in foreign currency assets.
- Orissa government has earmarked 1,224 acres of land in Khurda, Cuttack and Bhadrak districts for setting up of food parks in Public Private Partnership mode.
- India has extended duty-free market access to Afghanistan as part of its economic package for least developed countries (LDCs). Under the scheme, import of most products from the neighbouring country will be allowed at zero duty.
- The country's organic farming may touch Rs. 100 bio by 2015 on account of rising demand for such products as people are becoming more health conscious. At present, the size is about Rs. 25 bio, an ASSOCHAM study said.
- Indian businesses are expected to invest between USD 40-50 bio overseas this year as global economy improves, after having committed USD 30-35 bio of such investments last year, Lanco Infratech Ltd Executive Director Ajay Kumar Dhir said.
- India was the third largest investor in Britain during 2010-11 with 97 new projects, generating several jobs in a country facing recession and major job losses, according to official figures.
- An Empowered Group of Ministers has approved the draft Food Security Bill, which will provide highly subsidized wheat and rice to the poor as a matter of legal right.
- The government aims to set up 50 new mega food parks across the country in the 12th Plan to minimize damage to huge amount of fruits and vegetables in the absence of wider network of food processing units. "Considering importance of food processing units, the government is aiming to set up 50 new mega food parks across the country in the 12th five year plan (2012-17)", Minister of State for Food Processing and Agriculture Harish Rawat told reporters.
- The Indian government is ranked fifth in wielding economic clout globally after the US, China, Japan and Germany, and ahead of European powers France and the UK, according to a study authored by chief economist advisor Kaushik Basu. The study suggests that India has done well in the last decade. It uses a new four-parameter Index of Government Economic Power (IGEP) to rank 100 countries from 2000 to 2009.

## Dairy

- Skimmed milk powder prices have increased from Rs.180 to Rs.200 a kg this summer. A 10-12 per cent jump in skimmed milk powder (SMP) prices to record levels of around Rs.200 a kg has made demand almost negligible this summer. In December, prices were ruling at Rs.165 per kg. Export is banned and cooperatives (one of the main customers of SMP) have imported the product. While the domestic demand is lacklustre, a ban on SMP export imposed in February has closed overseas avenues as well. Along with the SMP, ban on casein export was also imposed. In the last financial year, the country exported SMP and casein worth Rs.5 bio. After imposing an export ban, the government in March allowed the dairy industry to import 30,000 tons milk powder at nil duty.
- India's largest liquid milk marketer in the private sector is Hatsun Agro Food Ltd, which does a business of about 1.1 mio litres a day (MPD) out of the total 1.5 MPD of milk that it procures. This is a fraction of what Amul – India's largest dairy concern – does. The cooperative today procures some 10 MPD, out of which it sells 7.0-7.1 MPD as liquid milk. Besides Hatsun, the other major private players in the liquid milk segment include Heritage Foods India and Tirumala Milk Products, which do 0.6-0.7 MPD each, followed by Dodla Dairy and Creamline Dairy Products Ltd (0.4-0.5 MPD each). Significantly, these are all South-based dairies catering mainly to the Chennai and Bangalore markets. While in the West, the largest private liquid milk marketer is the Chitale Dairy at Sangli (0.3 MPD), the North has only a couple of brands ("Paras" of VRS Foods and "Dairy India" of Gopaljee Dairy Foods Ltd) that sell about 0.2 MPD each. That means a whole lot of catching up to do for the private sector to be anywhere close to the cooperative dairies. But one big factor that could spur further private inroads into liquid milk marketing is growing demand and willingness to pay, especially among urban consumers. This is best illustrated is Chennai, where the local cooperative, Aavin, is selling toned milk (3 per cent fat and 8.5 per cent solids-not-fat) for Rs.20.50 a litre. As against this, the maximum retail price for the same milk variant is Rs.26 for private brands such as Heritage.
- Mother Dairy Fruits & Vegetable Pvt. Limited is a wholly owned subsidiary of National Dairy Development Board (NDDB). Mother Dairy has evolved into a significant dairy products player with presence in the categories of Ice creams, Dahi, Lassi, Flavoured milk, butter, cheese and UHT milk. Mother Dairy also markets nationally frozen foods and juices under the brand name 'Safal'. The Dhara range of edible oil is also manufactured and marketed by Mother Dairy across various markets. The company has also entered new categories such as Probiotics with the launch of Mother Dairy 'b-Activ' Probiotic curd and lassi, 'b-Activ' Plus curd and 'Nutrifit' probiotic.
- Cartoon stars Tom & Jerry will now feature on cheese products in India, with leading private dairy operator Parag Milk Foods Pvt Ltd signing a licencing agreement with Warner Bros Consumer Products.
- Keventer Group is preparing for fresh acquisitions in the dairy sector. Keventer Agro Ltd, a group outfit, has targeted three dairy product manufacturers for takeover for strengthening its presence in the sector, particularly in the northern region. The dairy unit under Keventer Agro Ltd currently churns out about half a mio litre of milk a day. The group's aim is to produce two mio litres of milk every day within the next three years.
- Keventer Group also has plans to develop a food park spread over 125 acres in Bhagalpur, Bihar.

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## *Dairy (Continued)*

- The Cream & Fudge Factory (C&FF), a brand of ice cream outlets owned by GFA Global, allows you to build your own ice-cream with an array of toppings and you can thus have a different one every single day of the year.. Chennai's first C&FF outlet (13th in India) was opened in June 2011. The company plans to open two more in the city by the end of financial 2011. GFA Global also owns the Pizza Corner, Coffee World and Donut Baker brands, apart from others not present in India. The company hopes to grow 30 per cent annually for the next few years. Currently, there are 80 outlets across all the four brands, Pizza Corner accounting for the most with 51 stores.
- Milk production goes down as summer reaches its peak ahead of monsoon. Dairy product manufacturers have seen milk procurement prices rise by 10 per cent.
- After 'Utterly Butterly Delicious', it's now 'Health-a-licious' for Amul. The country's leading dairy products player has re-launched Amul Ghee (butter oil) in what the company calls a 'Gen-X' avatar. Amul at present enjoys a 20 per cent market share in the packaged ghee market, which is estimated to be around 100,000 tons per annum. Banking on the new 'avatar' of ghee, the company is eyeing a growth of 20-22 per cent in the segment this fiscal, beating its five year compounded annual growth rate (CAGR) of 10-12 per cent. The industry CAGR is way below at 4-5 per cent.
- The Punjab government has decided to establish four ultra modern cattle mandis (markets) in Amritsar, Jagraon (Ludhiana) and Subhanpur (Kapurthala) on the pattern of France. The mandis would provide modern facilities including veterinary hospital, provision of stay of cattle owners, parking and sheds.
- Gujarat Cooperative Milk Marketing Federation (GCMMF), which markets the popular Amul brand of milk and dairy products, today said it was targetting over 22 per cent growth in revenue this fiscal to touch Rs.120 bio. The company had successfully closed the last financial year (2010-11) with sales of Rs.97.74 bio (USD 2.2 bio). During the financial year 2010-11, GCMMF registered topline growth of 22.1 per cent compared to the previous fiscal.
- After touching a figure of 6,000 parlours across India, Amul, a milk and milk products brand owned and marketed by Gujarat Co-operative Milk Marketing Federation (GCMMF), is now betting on quick service restaurants called Amul Cafes. Tasting success with the two federation owned outlets of Amul Cafes at Ahmedabad, GCMMF is eyeing to spread the network of cafes across the country in the coming two years. GCMMF plans to open at least 10 Amul Cafe outlets across the major cities of Gujarat within this year. "Apart from Gujarat, we are coming up with one outlet in Bangalore shortly. We are working on our pan-India network expansion plan", said R S Sodhi, managing director, GCMMF.
- Amul is aiming to expand its presence out of India. It is considering to open a processing facility in US and subsequently enter the European market.
- In order to keep pace with rising demand of milk in the country, Gujarat Co-operative Milk Marketing Federation (GCMMF) is now increasingly looking beyond Gujarat for procuring milk. This year Amul has started milk procurement from farmers' cooperative societies in Rajasthan, Haryana, Bihar and Orissa.
- Currently, GCMMF pays Rs.425 per kg fat, which is higher by about 20 per cent over the previous year.

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## Dairy (Continued)

- GCMMF has been growing at a rapid pace and the demand for milk has also been rising. As many as 3 mio farmers in Gujarat are currently associated with Amul brand. Now nearly 200,000 farmers from other states too have joined the federation. Overall, the total milk procurement by all the 13 member unions of GCMMF averaged at 9.45 mio kgs per day during the year 2010-11, representing a growth of 1.88 per cent over 9.28 mio kgs per day achieved during 2009-10.
- Gujarat Cooperative Milk Marketing Federation (GCMMF)-owned Amul has been ranked the leading Indian brand in a study on Asia's top 1,000 brands. The study, by Campaign magazine published from Hong Kong and Singapore, has ranked Amul as the No 1 Indian brand for the third consecutive year. Amul is also ranked as the leading dairy brand, ahead of Asian rivals like Dutch Lady, Dumex and Magnolia.
- Fonterra Co-operative Group, a New Zealand based group, is keen to enter Indian market by setting up a state-of-art dairy farm in Andhra Pradesh. Last year, Fonterra Group, the Indian Farmers Fertiliser Co-operative (Iffco) and Global Dairy Health had inked a memorandum of understanding in Auckland to jointly conduct a feasibility study into a pilot dairy farm in India as a first step towards the vision of establishing large-scale world-class dairy farms in India.
- ITC Ltd is planning to foray into dairy and beverage in its quest to become the country's largest fast moving consumer goods company. It is also looking to take its various food and personal product brands global in the next five years. "Yes, we will get into dairy products. We are experimenting with a programme in Munger in Bihar, under which we are helping cattle-owners improve yield from one litre to 10 litres. With so much milk, the next step will be to get into value-added products. We will collect the milk, process it and then market it", said Chairman Y C Deveshwar, who recently got a five-year extension effective February 2012.
- Mother Dairy's tryst with mishti doi (sweetened yoghurt) began sometime back. Then a novelty, consumers just lapped up the Rs.5 a pack delicacy. The honeymoon, however, didn't last long as the cooperative increased prices by a stiff 60 per cent due to input cost spike. A newly formulated mishti doi in vibrant coloured packages with a certain Bengali touch in the form of imprints of Goddess Durga and Rangoli was launched in January this year. The response was overwhelming. Since its launch, Mother Dairy's misthi doi sales have doubled. Buoyed by the success of the product, the company is looking at expanding beyond the capital city and the NCR region. Mother Dairy will launch the product in Maharashtra, Bangalore, Hyderabad and Pune markets by September-October this year. The cooperative is also planning to add new flavours, which will include fruits, within three-four months. A sugar-free version is also being planned for the health-conscious.
- The Cremica Group, a widely diversified food products company, is planning to launch an initial public offer (IPO) in 2012.
- After expensively packaged bottled drinking water, milk seems bent on acquiring the "luxury" tag. Govardhan, a private dairy, has targeted the niche luxury milk sector and has signed up a select group of South Mumbai families to avail Pride of Cows, its new milk delivery initiative. The milk comes from a herd of specially-imported Jersey-Holstein cross-bred cows. The brand will be available in one-litre bottles priced at Rs. 75 per litre, a jump from the average price of Rs.28 per litre. These cows are being given a special diet that abounds in iron, vitamins and Omega-3 fatty acids.

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## Dairy (Continued)

- Punjab State Cooperative Milk Producers' Federation Ltd (Punjab MilkFed) plans to export traditional beverage 'lassi' to a host of countries including US, UK, Dubai and Australia next year, even as it eyes total sales of Rs.17.5 bio in current fiscal. Currently, Milkfed is selling 'lassi' in domestic market only with expected sales volume of over 4 mio packets a year. Milkfed on an average exports 500 ton of Ghee to other countries with average export value of Rs.150 mio. With the launch of new product and expansion of Ghee market, the company expects exports to go up to Rs.250 mio.
- Danone, the USD 20 bio French dairy major, has taken another measured step and has expanded its presence in India. The company, which has over the past one year expanded its presence to Mumbai, Pune and Hyderabad markets, has now started selling its range of fresh dairy products — *dahi* (yoghurt) and flavoured yoghurts in Bangalore. The company, which is up against Nestle, Britannia and Amul, has entered the Indian yogurt and dahi market estimated to be a little over Rs.5 bio in the organised sector.
- One year after setting up shop in India on its own, French dairy firm Danone has said its priority is to strengthen in the pockets where it currently operates rather than expanding across the country. The company is currently present in Mumbai, Pune, Hyderabad and Bangalore and will concentrate only in the four metros. Apart from selling 'dahi' and flavoured yoghurt, Danone also has a joint venture with Japanese firm Yakult in India marketing probiotic dairy products.
- Britannia Industries (BIL) has completed the national launch of Britannia Milk (ultra heat treated) in key metro towns across the country. BIL has now tied up with Schreiber Dynamix Dairy of Baramati in Maharashtra to manufacture its packaged milk brands.
- Bihar, which until recently was dependent on milk supply from Punjab and Andhra Pradesh to meet its domestic consumption, is turning out to be a frontline state in milk production. From a low average milk procurement of 281.81 thousand litre per day in 1999-2000, the state is now obtaining nearly 1.4 mio litre per day milk from farmers in 2011-12, General Manager COMFED (Bihar State Cooperative Milk Producer's Federation) Ashok Java told reporters. Bihar is fast emerging as "milk feeding bowl" for eastern states and also supplying the nutritious drink to neighbouring countries like Nepal and Bangladesh, Java added. Out of 11 lakh litre of milk procured daily, the state is sending around 3.5 lakh litre of processed milk everyday to Mother Dairy, Amul and Delhi Milk Scheme (DMS) in the national capital, and other states like Assam, Orissa, West Bengal besides Nepal, he said.
- The domestic dairy industry has opposed inclusion of milk products within the ambit of the proposed India-New Zealand Free Trade Agreement (FTA).
- Milk prices in Maharashtra have been increased by Rs. 1 per litre for third time in a year. This time the increase is due to hike in diesel and petrol prices. The price rise has become effective from 11 July in Mumbai and will soon become effective in the rest of the state.
- The project to genetically upgrade India's breeding bulls will be taken up by the National Dairy Development Board starting October with the aim of creating 900 of the finest bulls in about five years.

## Meat

- An investment of around Rs. 40- 50 bio is required in the meat and poultry processing sector, a senior official from the Ministry of Food Processing Industries said. The sector needs to be modernized to increase the profits but immediate requirement is for the establishment of modern slaughter houses. India has 3,600 registered slaughter houses and 25,000 unregistered ones, but there are only 5-6 modern slaughter houses.

## Poultry

- Poultry farmers are an unhappy lot this summer, as rise in input costs and lower consumption during the season have made it hard for them to even recover the cost of production, amid a drop in retail prices in the last few weeks.
- Indian poultry sector is growing at a rate of 12 per cent to 14 per cent at present. The slowdown in the world economy affected the sector which saw a negative growth for two years starting from 2008. Growth started picking up in 2010 and today the meat segment of the industry is growing at 12 per cent to 14 per cent. It has a turnover of 250 bio to 270 bio. The egg segment is growing at 7 per cent and has achieved a turnover of 110 bio.
- Venkys India Ltd, a leading producer of poultry products in the country, has decided to undertake expansion-cum-modernisation programme at an estimated cost of Rs. 1.07 bio to augment poultry, poultry produce and animal health products' capacities.
- Indian domestic broiler meat demand is set to grow at the rate of 15-18 per cent, while table egg demand will grow at 5- 7 per cent in medium to long-term on back of favourable socio economic factors like healthy GDP growth, rising purchasing power, changing food habits and increasing urbanization. The growth will be supported by implementation of large scale contract poultry farming by integrated players, Icra has said in its report. Overall domestic poultry market size is estimated at Rs. 470 bio with broiler meat and table eggs contributing more than 95 per cent of the market. Broiler meat market is estimated at Rs. 300 bio, while table egg market size is Rs. 150 bio with products like animal health care, egg powder, SPF (specific pathogen free) eggs and other poultry birds forming rest of the market. Globally India ranks fourth in broiler meat production with annual production of 2.9 mio tons. India is ranked third in egg production after the US and China with annual production of 57 bio eggs. The annual per capita poultry meat consumption in India though up from 0.7 kg in 2001 to 2.5 kg in 2010 remains one of the lowest globally with a vast gap even between NIN (National Institute of Nutrition) recommended levels of 180 eggs and 11 kg of poultry meat per person.

## Aquaculture

- Consumption of fish in India is increasing significantly due to life style changes and higher cost of meat, officials of Seafood Exporters Association of India said.
- After the slight blip in exports during the first couple of months of the current fiscal, seafood exports are poised to look up.
- Vannamei, the new shrimp variety introduced in the country a year ago, is making waves. Apart from registering a huge increase in its production this year, the product has also become a star performer in the export basket. The Vannamei share in exports is close to Rs. 3.65 bio in 2010-11 as compared to Rs. 277 mio in the previous year.



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