



IndiaFood

FOODS, BEVERAGES & INGREDIENTS DIGEST
October / November 2008

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Global economy is in a state of turmoil. It is said to be the worst crisis faced by world economy in decades. Some are calling it financial tsunami, while others use the term global meltdown.

At this time of crisis, the focus is on India and there are questions about India's ability to withstand the turbulence. IndiaFood Editorial Team brings you a report on Indian Economy.

Anil Chawla

Overview of Indian Economy

Indian economy is now a relatively open economy, despite the capital account not being fully open. The current account, as measured by the sum of current receipts and current payments, amounted to about 53 per cent of GDP in 2007-08, up from about 19 per cent of GDP in 1991. Similarly, on the capital account, the sum of gross capital inflows and outflows increased from 12 per cent of GDP in 1990-91 to around 64 per cent in 2007-08. With this degree of openness, developments in international markets are bound to affect Indian economy. Whereas Indian current account has been opened fully, though gradually, over the 1990s, a more calibrated approach has been followed to the opening of the capital account and to opening up of the financial sector. The relatively limited impact of the ongoing turmoil in financial markets of the advanced economies in the Indian financial markets, and more generally the Indian economy, needs to be assessed in this context.

Trends in Capital Flows			
Component	Period	2007-08	2008-09
USD million			
Foreign Direct Investment to India	April-August	8,536	16,733
Foreign Institutional Investments (net)	April-Sept 26	15,508	-6,421
External Commercial Borrowings (net)	April-June	6,990	1,559
Short-term Trade Credits (net)	April-June	1,804	2,173
Memo			
ECB Approvals	April-August	13,375	8,127
Foreign Exchange Reserves (variation)	April-Sept 26	48,583	-17,904
Foreign Exchange Reserves (end-period)	Sept 26, 2008	247,762	291,819
Source: Reserve Bank of India			

As might be expected, the main impact of the global financial turmoil in India has emanated from the significant change experienced in the capital account in 2008-09 so far, relative to the previous year. Total net capital flows fell from USD 17.3 billion in April-June 2007 to USD 13.2 billion in April-June 2008. Nonetheless, capital flows are expected to be more than sufficient to cover the current account deficit this year as well. While Foreign Direct Investment inflows have continued to exhibit accelerated growth (USD 16.7 billion during April-August 2008 as compared with USD 8.5 billion in the corresponding period of 2007), portfolio investments by foreign institutional investors (FIIs) witnessed a net outflow of about USD 6.4 billion in April-September 2008 as compared with a net inflow of USD 15.5 billion in the corresponding period last year.

(Continued on next page)

Overview of Indian Economy (Continued)

Similarly, external commercial borrowings of the corporate sector declined from USD 7.0 billion in April-June 2007 to USD 1.6 billion in April-June 2008, partially in response to policy measures in the face of excess flows in 2007-08, but also due to the current turmoil in advanced economies. With the existence of a merchandise trade deficit of 7.7 per cent of GDP in 2007-08, and a current account deficit of 1.5 per cent, and change in perceptions with respect to capital flows, there has been significant pressure on the Indian exchange rate in recent months. Whereas the real exchange rate appreciated from an index of 104.9 (base 1993-94=100) (USD1 = Rs. 46.12) in September 2006 to 115.0 (USD 1 = Rs. 40.34) in September 2007, it has now depreciated to a level of 101.5 (USD 1 = Rs. 48.74) as on October 8, 2008.

Equity Markets

With the volatility in portfolio flows having been large during 2007 and 2008, the impact of global financial turmoil has been felt particularly in the equity market. The BSE Sensex (1978-79=100) increased significantly from a level of 13,072 as at end-March 2007 to its peak of 20,873 on January 8, 2008 in the presence of heavy portfolio flows responding to the high growth performance of the Indian corporate sector. With portfolio flows reversing in 2008, partly because of international market turmoil, the Sensex dropped to a level of 11,328 on October 8, 2008, in line with similar large declines in other major stock markets. On 18 November, 2008 Sensex dropped to below 9000.

The fall in equity markets is due to the withdrawal of significant sums from Indian equities by foreign institutional investors (FIIs) to meet their financial obligations in their home countries. The outward flow of FII investments is also evidenced in the table of Trends in Capital Flows given above. The fall in share markets has no relation to the fundamentals of industries in India.

Fundamentals of Indian industry as well as banking system continue to be strong. Indian banks are not affected in any significant way by the sub-prime-crisis.

Indian Banks

A detailed study undertaken by the Reserve Bank in September 2007 on the impact of the sub-prime episode on the Indian banks had revealed that none of the Indian banks or the foreign banks, with whom the discussions had been held, had any direct exposure to the sub-prime markets in the USA or other markets. However, a few Indian banks had invested in the collateralised debt obligations (CDOs) / bonds which had a few underlying entities with sub-prime exposures. Thus, no direct impact on account of direct exposure to the sub-prime market was in evidence. However, a few of these banks did suffer some losses on account of the mark-to-market losses caused by the widening of the credit spreads arising from the sub-prime episode on term liquidity in the market, even though the overnight markets remained stable.

(Continued on next page)

Overview of Indian Economy (Continued)

Foreign Exchange

India has by-and-large been spared of global financial contagion due to the sub-prime turmoil for a variety of reasons. **India's growth process has been largely domestic demand driven and its reliance on foreign savings has remained around 1.5 per cent in recent period.** It also has a very comfortable level of foreign exchange reserves (see table below). The credit derivatives market is in an embryonic stage; the originate-to-distribute model in India is not comparable to the ones prevailing in advanced markets; there are restrictions on investments by residents in such products issued abroad; and regulatory guidelines on securitisation do not permit immediate profit recognition.

Foreign Exchange Reserves								
Item	As on Nov. 7, 2008		Variation Over					
			End-March 2008		End-December 2007		Year	
	Rs. Billion	US\$ Mn.	Rs. Billion	US\$ Mn.	Rs. Billion	US\$ Mn.	Rs. Billion	US\$ Mn.
Total Reserves	12,017.61	251,364	-362.04	-58,359	1,167.41	-23,952	1,388.85	-18,817
(a) Foreign Currency Assets	11,583.08	242,527	-377.15	-56,703	1,078.23	-24,026	1,279.03	-19,396
(b) Gold	412.81	8,382	11.57	-1,657	84.62	54	105.69	571
(c) SDRs	0.41	9	-0.33	-9	0.28	6	-0.11	-4
(d) Reserve Position in the IMF	21.31	446	3.87	10	4.28	14	4.24	12
*: Foreign currency assets expressed in US dollar terms include the effect of appreciation/depreciation of non-US currencies (such as Euro, Sterling, Yen) held in reserves.								
Source: Reserve Bank of India								

There has been a significant reduction (almost 23 per cent) in foreign exchange reserves from March 2008 to November 2008. However, the fall is less than 8 per cent when compared on year-to-year basis.

Reserve Bank of India drew on India's foreign exchange reserves to face the situation arising from the withdrawal by foreign institutional investors from India's equity markets. However, the depletion of reserves was not sufficient to prevent an erosion of the value of Indian currency. Indian currency has been losing value against USD during the past few months, as can be seen from the table on next page.

Indian Rupee has lost against the USD and Japanese Yen, but has gained against Euro and GBP.

The devaluation of Indian Rupee vis-à-vis USD will help exporters, who are likely to be facing problems due to adverse market conditions caused by financial turmoil in importing countries. Some analysts are of the opinion that Reserve Bank of India has allowed Indian currency to fall to help exporters. Higher exports can make up for the outflow of capital caused by withdrawals of investments by foreign institutional investors.

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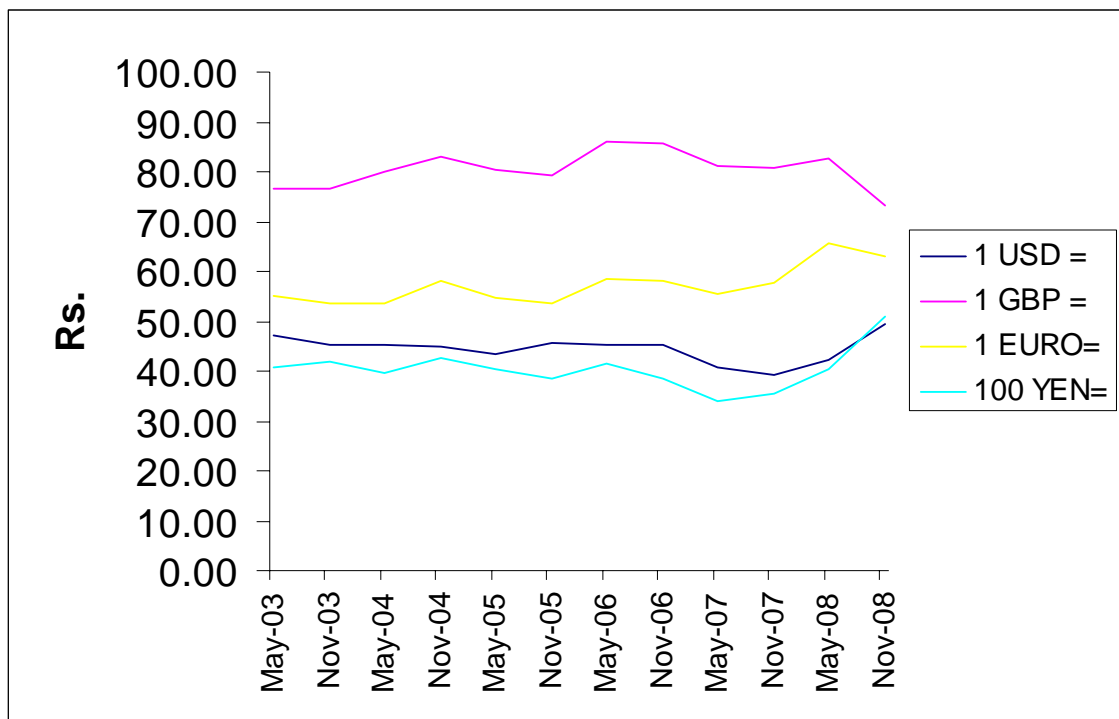
Overview of Indian Economy (Continued)

Date	1 USD =	1 GBP =	1 EURO=	100 YEN=
14-Nov-08	49.46	73.17	62.96	50.87
15-May-08	42.40	82.57	65.84	40.51
15-Nov-07	39.28	80.87	57.68	35.30
15-May-07	40.87	80.99	55.39	33.98
15-Nov-06	45.34	85.82	58.05	38.45
15-May-06	45.39	85.88	58.55	41.34
16-Nov-05	45.82	79.43	53.66	38.41
16-May-05	43.49	80.22	54.75	40.37
16-Nov-04	45.01	83.15	58.21	42.65
14-May-04	45.44	80.05	53.72	39.71
14-Nov-03	45.35	76.63	53.43	41.97
19-May-03	47.06	76.78	55.06	40.84

Source: Reserve Bank of India

Above rates are Rs. per unit of foreign currency
Source: Reserve Bank of India

Importers are, generally speaking, adversely affected due to devaluation of local currency. However, presently due to global meltdown, commodity prices have fallen and hence, Indian importers are not complaining about devaluation of Indian currency.



(Continued on next page)

Overview of Indian Economy (Continued)

Credit Availability

Global financial turmoil has severely affected the banking system in developed countries causing stress on credit availability. In India, banking system continues to be in robust health. There has been no case of any bank default or takeover of any bank in the past few months.

Bank credit to the food sector as well as to non-food sector continues to grow at a healthy rate. Total bank credit (food + non-food) as on October 26, 2008 was more than 22 per cent higher than the figure a year ago. This shows that the crisis of liquidity and trust that has shaken up developed countries has not affected India.

Accommodation Provided by Scheduled Commercial Banks to Commercial Sector in the form of Bank Credit and Investments in Shares/Debentures/Bonds/Commercial Paper etc.							
		2008 - 2009		2007 - 2008		Annual Increase	
		Outstanding as on		Outstanding as on		2008 over 07	
		2008		2007			
		Mar. 28	Oct. 24	Mar. 30	Oct. 26	March	October
Rupees Billion							
1. Bank Credit		23,619	26,150	19,312	20,267	4,307	5,883
A.	Food Credit	444	483	465	359	-21	124
B.	Non-Food Credit	23,175	25,668	18,847	19,908	4,328	5,759
2. Investments		955	952	835	781	120	170
A.	Commercial Paper	130	155	90	69	41	86
B.	Shares Issued by (a+b)	264	280	184	206	81	74
	(a) Public Sector	30	34	21	20	9	14
	(b) Private Corporate Sector	234	245	162	186	72	60
C.	Bonds/Debentures Issued	561	517	562	507	-2	10
	(a) Public Sector	274	232	286	251	-12	-20
	(b) Private Corporate Sector	287	285	276	256	10	30
Total (1B + 2)		24,130	26,619	19,682	20,690	4,448	5,930

Source: Reserve Bank of India

Corporate Sector

There have been no cases of job losses (except a few in American financial institutions).

Sales by the corporate sector grew at a higher rate during the first quarter of 2008-09 in comparison with that of the first quarter of 2007-08. However, growth in net profits in the first quarter of 2008-09 was significantly lower as compared with that of first quarter of 2007-08 and double digit growth rates recorded in the previous quarters. The net profits grew by 8.2 per cent as against 33.9 per cent in first quarter of 2007-08.

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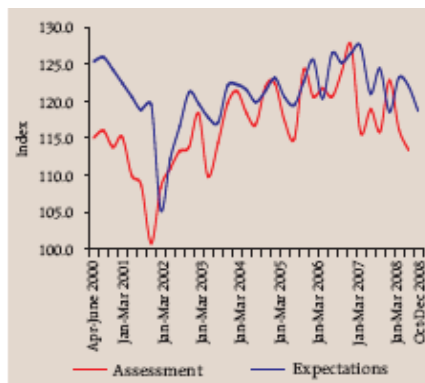
Overview of Indian Economy (Continued)

Business Confidence

According to October 2008 business confidence survey conducted by Federation of Indian Chambers of Commerce and Industry (FICCI), the overall business confidence index during April-June 2008 declined by 5.1 per cent over the previous quarter on account of rise in interest rates and stricter credit availability. FICCI's expectation index for July-December 2008 declined by 5.1 per cent over the previous quarter and 20.3 per cent over the previous year.

The composite business optimism index for October-December 2008 compiled by Dun and Bradstreet (D&B) increased by 1.8 per cent as compared with the previous quarter, while it declined by 28.1 per cent as compared with the previous year. All the six optimism indices – volumes of sales, net profits, selling prices, new orders, inventory levels and employee levels – declined as compared with the corresponding quarter of the previous year. Optimism was particularly low among respondents in the consumer durables and basic goods sectors.

According to the Reserve Bank's Industrial Outlook Survey of manufacturing companies in the private sector, the business expectations indices based on assessment for July-September 2008 and on expectations for October- December 2008 declined by 2.4 per cent and 2.6 per cent, respectively, over the corresponding previous quarters. Similar trend was observed in these indices when compared over the corresponding quarters of the previous year.



Reserve Bank's Industrial Outlook Survey – Business Expectations Index

To sum up the business confidence scenario, it can be said that **though there has been some reduction in optimism levels in Indian businessmen, the levels of confidence and optimism are still quite high.**

(Continued on next page)

Overview of Indian Economy (Continued)

Economic Growth Statistics

Indian economy continued to perform well during 2007-08, although the growth moderated marginally. **This was the third year in succession when Indian economy achieved a growth rate of 9 per cent and above.** This was the highest average growth rate achieved during any three year period in the history of independent India.

Growth Rates of Real GDP							
(Per cent)							
Sector		2000-01 to 2007-08 (Average)	2005-06	2006-07*	2007-08#	2008-09 Q1	
1	Agriculture and Allied Activities	2.9	5.9	3.8	4.5	3.0	
		(20.9)	(19.6)	(18.5)	(17.8)		
2	Industry	7.1	8.0	10.6	8.1	5.2	
		(19.6)	(19.4)	(19.5)	(19.4)		
	2.1	Mining and Quarrying	4.9	4.9	5.7	4.7	4.8
	2.2	Manufacturing	7.8	9.0	12.0	8.8	5.6
	2.3	Electricity, Gas and Water Supply	4.8	4.7	6.0	6.3	2.6
3	Services	9.0	11.0	11.2	10.7	10.2	
		(59.6)	(61.1)	(61.9)	(62.9)		
	3.1	Trade, Hotels, Restaurants, Transport, Storage and Communication	10.3	11.5	11.2	12.0	11.2
	3.2	Financing, Insurance, Real Estate and Business Services	8.8	11.4	13.9	11.8	9.3
	3.3	Community, Social and Personal Services	5.8	7.2	6.9	7.3	8.4
	3.4	Construction	10.6	16.5	12.0	9.8	11.4
4	Real GDP at Factor Cost	7.3	9.4	9.6	9.0	7.9	
		(100)	(100)	(100)	(100)		
Memo:			Amount in Rs. billion				
a)	Real GDP at factor cost (1999-2000)			26,128	28,643	31,229	
b)	GDP at current market prices			35,803	41,458	47,131	

(At 1999-2000 Prices). Figures in brackets denote shares in real GDP.

: Revised Estimates. * : Quick Estimates. @ : Provisional Estimates. n.a. : Not available.

Source: Reserve Bank of India

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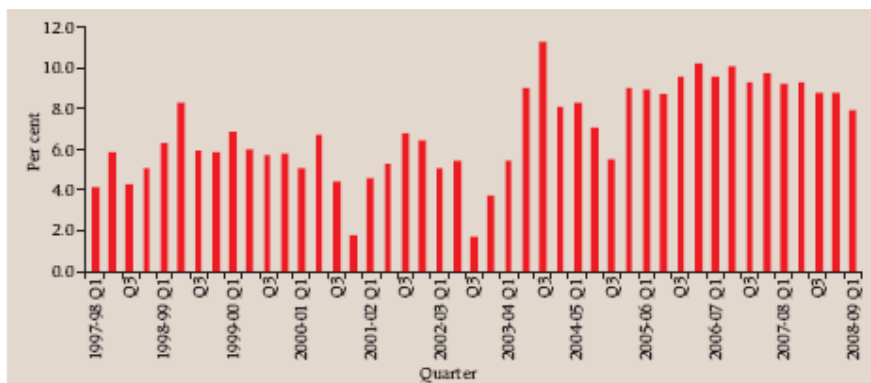
Overview of Indian Economy (Continued)

According to the first quarter estimates of 2008-09 released by the Central Statistical Organisation (CSO) in August 2008, **real GDP growth was placed at 7.9 per cent during the first quarter of 2008-09** as compared with 9.2 per cent during the corresponding quarter of previous year and 9.0 per cent during 2007-08. The deceleration was spread across all the three sectors, viz., agriculture and allied activities, industry and services. Notwithstanding the moderation, the growth rate of Indian economy continues to be one of the highest in the world.

Indian economy continued to record robust growth during the first quarter of 2008-09 (April-June), although the pace of expansion moderated in comparison with the average growth rate of real GDP during last five years.

During each of the last three years, the growth rate of agriculture was well above the trend growth rate with foodgrains production touching a new high in each of the last two years. Industry also registered robust growth with the growth rate in the previous year being in double digits. Services exhibited double digit growth in all the three years. The performance during the last three years was indeed noteworthy and it was second only to China among the major countries.

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Real GDP – Growth Rate

According to the first quarter estimates of 2008-09 released by the Central Statistical Organisation (CSO) in August 2008, **real GDP growth was placed at 7.9 per cent during the first quarter of 2008-09** as compared with 9.2 per cent during the corresponding quarter of previous year and 9.0 per cent during 2007-08. The deceleration was spread across all the three sectors, viz., agriculture and allied activities, industry and services. Notwithstanding the moderation, the growth rate of Indian economy continues to be one of the highest in the world.

Notwithstanding some downside risks to macroeconomic activity in the short run, the medium to long term prospects continue to remain robust. The structural factors underpinning the growth process continue to be as robust as before. The rise in saving and investment rates and gains in productivity experienced in recent years are likely to be sustained.

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Overview of Indian Economy (Continued)

Growth Projections

Projections of Real GDP for India by various Agencies – 2008-09					
Agency	Overall Growth	Agriculture	Industry	Services	Month of Projection
ASSOCHAM	7.6	–	–	–	Jul-08
Confederation of Indian Industry (CII)	above 8.0	-	-	-	Sep-08
	8.0-8.5	-	-	-	Mar-08
Citigroup	7.2	2	6.1	9.4	Oct-08
	7.5	2	6.8	9.6	Aug-08
Merrill Lynch	7.5	3	5.6	9.3	Oct-08
	7.6	3	6.3	9.3	Aug-08
Centre For Monitoring Indian Economy (CME)	8.7	3.2	8.7	10.4	Oct-08
	9.4	3.2	11.1	10.6	Aug-08
National Council for Applied Economic Research (NCAER)	7.6	2.3	8.2	8.9	Oct-08
	7.8	2.5	8.4	9.1	Jul-08
Standard and Poor's CRISIL	7.8	3	7.5	9.5	Jun-08
Asian Development Bank	7.4	-	-	-	Sep-08
	8	-	-	-	Apr-08
International Monetary Fund	7.9 *	-	-	-	Oct-08
	8.0*	-	-	-	Jul-08
UNCTAD	7.6	-	-	-	Sep-08
United Nations Organisation	8.2	-	-	-	Jan-08
Economic Advisory Council to Prime Minister	7.7	2	7.5	9.6	Aug-08
Reserve Bank of India	Around 8.0	–	–	–	Jul-08
Figures in Per Cent					
– : Not Available. * : Calendar Year.					

Source: Reserve Bank of India

(Continued on next page)

Overview of Indian Economy (Continued)

There can be no doubt that Indian economy will continue to face pressures due to the global financial turmoil. Growth is expected to slow down. It is impossible for Indian economy to sustain the growth rate of 9 per cent and above seen during the three years 2005-06, 2006-07 and 2007-08. **The positive side of the scenario is that the slowdown of growth is expected to be marginal. Indian economy is expected to grow at about 7.5-8.5 per cent.**

The results of professional forecasters' survey conducted by Reserve Bank in September 2008 suggest moderation in economic activity for 2008-09 on the whole. The median forecast of real GDP growth for 2008-09 was 7.7 per cent in the fifth round of the survey (September 2008) as compared with 7.9 per cent in the previous round (June 2008). The sectoral growth rate forecasts for agriculture and services were, however, kept unchanged. The sectoral growth rate forecast for industry was placed at 7.0 per cent as compared with 7.5 per cent in the previous round.

Government of India was worried about high inflation rate during 2007-08. The inflationary pressures have eased during October and November 2008 due to reduction in prices of crude oil and other major commodities in global markets.

One of the key factors underlying optimism about Indian economy is the good monsoon during June-September 2008.

Monsoon 2008

In 2008, the seasonal rainfall from 1st June to 30th September was 98 per cent of its Long Period Average (LPA). Seasonal rainfall over NW India, Central India, NE India and South Peninsula was 107 per cent, 96 per cent, 94 per cent and 96 per cent of the LPA respectively.

The spatial distribution of seasonal monsoon rainfall during 2008 was largely uniform with 30 meteorological subdivisions recording normal rainfall. Only 2 (Punjab and Orissa) subdivisions recorded excess and 4 (Nagaland, Manipur, Mizoram & Tripura, West Madhya Pradesh, Vidarbha and Kerala) subdivisions recorded deficient rainfall.

Inflation & Price Rise

Headline inflation in India, based on movement in the wholesale price index (WPI), had been at low single-digit level from 2004 till end of 2007. Prices started rising from the beginning of 2008. During much of the year, inflation level was in double digits. Inflationary pressures were caused primarily by high prices of crude oil and other bulk commodities that India imports. Increasing income levels due to strong growth fundamentals also aided the inflationary spiral. As advanced countries started facing financial turmoil, prices of crude oil and other commodities crashed in the international market. This has brought relief on the inflation front. In November 2008, inflation was below 9 per cent on year-to-year basis.

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Overview of Indian Economy (Continued)

Select Macroeconomic and Financial Indicators

	Item	Average 1990-91 to 1999-2000 (10 years)	Average 2000-01 to 2007-08 (8 years)	2003-04	2004-05	2005-06	2006-07	2007-08
1	Real GDP	5.7	7.3	8.5	7.5	9.4 (QE)	9.6 (QE)	9.0 (RE)
	a) Agriculture	3.2	2.9	10.0	0.0	5.9	3.8	4.5
	b) Industry	5.7	7.1	6.0	8.5	8	10.6	8.1
	c) Services	7.1	9.0	8.8	9.9	11	11.2	10.7
2	Per Capita Income (% Change)	3.6	5.5	7.1	5.5	7.9 (PE)	8.1 (QE)	7.8 (RE)
4	Foodgrains Production (Mio tons)	188.6	206.1	213.2	198.4	208.6	217.3	230.7
5	Trade and Balance of Payments							
	a) Exports in US \$ (% change)	8.6	20.1	23.3	28.5	23.4	21.8	23.7
	b) Imports in US \$ (% change)	9.7	21.6	24.1	48.6	32.1	21.8	29.9
	c) Current Account (% of GDP)	-1.3	-0.1	2.3	-0.4	-1.2	-1.1	-1.5
	d) Capital Account (% of GDP)	2.2	3.7	2.8	4.0	3.1	5.0	9.2
6	Foreign Exchange Reserves* (USD Billion)	..	..	113.0	141.5	151.6	199.1	309.7
7	Exchange Rate (Rs. / US\$)							
	a) High	..	..	43.45	43.36	43.30	43.14	39.26
	b) Low	..	..	47.46	46.46	46.33	46.97	43.15
8	Population (Million)	..	..	1,062	1,079	1,096	1,112	1,129

P : Provisional Estimates

* : As at the end of the period.

.. : Not applicable.

RE : Revised Estimates. QE : Quick Estimates.

Change in Wholesale Price Index		
Date	All	Food
	Commodities	Articles
Jan 04 to Jan 05	5.72	2.05
Jan 05 to Jan 06	4.08	6.58
Jan 06 to Jan 07	6.37	9.85
Jan 07 to Jan 08	3.83	1.77
Jan 08 to Nov 08	7.89	10.72
Jan04 to Nov08	32.08	35.54

Change in Per Cent

Food Industry Overview

- India and the 10-nation ASEAN will sign around December 18 this year Free Trade Agreement in goods, negotiations for which have been wrapped up.
- India's trade with China will touch the 100-bio USD mark in the next five years, coming close to bilateral trade target with the European Union by 2013. The bilateral trade with China is expected to cross 50-bio USD in the fiscal ending March 2009.
- Dismissing fears of global financial contagion impacting India, International Monetary Fund has said that the country's economy will continue to perform well. According to projections released recently by the IMF, India is likely to register a Gross Domestic Product growth of 7.9 per cent in 2008-09, which may slip to 6.9 per cent in 2009-10.
- Exports of organic products, which have risen to Rs. 3.28 bio in 2007-08, are unlikely to be affected by the current global slowdown, says an expert. Cotton, tea, cashew, rice and honey are some of the major organic products exported from the country. For India, Europe is the biggest market, followed by the US.
- Centre for Monitoring Indian Economy (CMIE) has said that there will be lower growth in 2008-09. CMIE revised the real GDP growth forecast for the current fiscal from 9.4 per cent to 8.7 per cent, and later in a forecast dated 20 November to 8.2 per cent.
- The widely tracked 30-share Sensex, on 17 October, plunged below the 10,000-level for the first time since July 2006, leaving market participants aghast. While it took more than two years for the Sensex to move from 10,000 to 21,200 in January this year, it took just three quarters to slip back all the way.
- The Finance Minister, Mr. P. Chidambaram, on 20 October, said that the Indian economy is expected to grow close to 8 per cent in fiscal 2008-09 despite the global financial turmoil.
- On 24 October, the rupee fell to its all-time low when it touched 50 per dollar intraday after local shares plunged 11-12 per cent to their three-year lows in keeping with falling markets everywhere from Tokyo to New York.
- India's growth rate will slow to 7.2 per cent in 2008/09 from 9 per cent a year ago as investment spending slows due to restricted access to finance, weaker demand and rising economic uncertainty, Nomura said.
- India's economic growth may slip to about 7 per cent in the current fiscal in the wake of the ongoing global financial meltdown, Chairman of the Prime Minister's Economic Advisory Council, Suresh Tendulkar, has said.
- Goldman Sachs has cut its India growth estimate to 6.7 percent from 9 percent in the year ending March 2009 due to the knock-on effects of the global financial crisis.
- India's exports declined in October this fiscal, for the first time in five years, due to the global slowdown, a senior Commerce Ministry official said on 10 November.
- India is closer to signing a free trade agreement with South Korea. "The deal is done and the agreement will be signed by December", a senior Commerce Ministry official told reporters.
- In a bid to bail out food processing industry from the current financial crisis, the Government has allocated Rs. 10 bio to National Bank for Agriculture and Rural Development (Nabard). Nabard will utilise the fund to refinance banks that lend to food processing sector.
- Indian food industry estimated at USD 200 bio in the year 2006-07 is slated to reach USD 300 bio by 2015 with the share of processed food in value terms increasing from 43 per cent to 50 per cent, a report by FICCI-Technopak said.

(Food Industry Overview continued on next page)

Food Industry Overview (Continued)

- India and Tajikistan signed a Double Taxation Avoidance Agreement on 20 November.
- With a view to reducing the use of chemical fertilizers and increasing value of farm produce, Andhra Pradesh Government has finalized a draft policy on organic farming.

Aquaculture

- The US Department of Commerce (DoC) has formally announced to postpone by 120 days the announcement of preliminary and final results of the third administrative review of the anti-dumping duty on import of warm water shrimp from India, China, Ecuador and Thailand. According to the latest announcement, the deadline for releasing the preliminary result has been extended to March 2, 2009. Accordingly, the final result will be issued by July 2. The original schedule announced on April 7 this year had the deadline of October 31, 2008 for the preliminary result.
- Failure of several banks and the uncertainty in the global financial system is giving sleepless nights to seafood exporters, who were hoping for a good time with rupee weakening against the dollar and catch of several species being on the increase. Exporters also expect the consumption of high-value species like shrimp and codfish, which bring most of the export revenue, to decline in the recessionary market as consumers turn more value conscious.
- The Union agriculture ministry has finally granted permission to cultivate the *Litopenaeus Vannamei* species of shrimp in India, a long-pending demand of aquaculture and seafood export industry of the country. Department of Animal Husbandry, Dairying and Fisheries under the ministry has notified the guidelines for import of the species and for cultivating it in India. A separate notification carries the guidelines for hatchery production and culture of the species.
- Increased availability of squid and mackerel has helped Indian seafood exports register a marginal increase in volume and value for the first quarter of the FY 2008-09. Exports have increased by 6 per cent in volume and value for the period, while dollar revenue registered an increase of 8.6 per cent during the same period. Although frozen shrimp continued to be the major export item from India, its share in the total export basket dropped to 42 per cent from 52 per cent last fiscal. A marked increase was seen in the case of frozen squid in percentage terms. On the other hand, the share of frozen fish fell to 14 per cent from 17 per cent, and cuttle fish to 6 per cent from 10 per cent.
- A sea change seems to have overtaken Indian marine exports. While the composition of shrimps in the Indian marine export basket has fallen from close to 60 per cent to 40 per cent recently, the European Union has emerged as the biggest marine export destination this year, and Pipavav has become the biggest port of marine export in value.
- The volume and value of seafood exports have dropped dramatically in the second quarter of 2008-09 after recording an increase in the first quarter. During the April-September period in 2008-09, India exported 218,708 tons of seafood products valued at Rs. 35.3905 bio (USD 848.86 mio) as against 216,191 tons valued at Rs. 36.8683 bio (USD 900.67 mio) in the first half of 2007-08.
- According to the latest estimates of the Department of Commerce, India's seafood imports dropped by 13.20 per cent in 2006-07 at 10,256 tons against 12,126 tons in the previous fiscal. However, in value terms, they increased by 10.08 per cent at Rs. 1.0905 bio against Rs. 990.6 mio in the previous fiscal. Bangladesh is a major exporter of seafood items to India, according to the estimates. Of the total value of imports, 51.17 per cent were contributed by Bangladesh at Rs. 680.9 mio.

Dairy, Meat & Poultry

- India banned the import of Chinese milk and milk-related products. This follows reports that Chinese dairy products have been found to be contaminated with toxic chemicals.
- Gujarat Co-operative Milk Marketing Federation has generated revenue of around Rs. 2 bio in the last 12 months from 3,000 Amul parlours across the country. By March 2009, Amul intends to set up around 5,000 parlours. By the end of the next calendar year, the federation plans to have around 10,000 parlours.
- Andhra Pradesh Dairy Development Co-operative Federation Ltd will be investing Rs. 600 mio for dairy development in the state. The federation has already invested Rs. 523.6 mio in modernization and strengthening of dairy plants and establishing 132 bulk milk cooling units across the State.
- Chennai-based CavinKare Pvt. Ltd, a Rs. 5-bio company in personal care and food products, is diversifying into dairy products including branded liquid milk and value added milk products.
- India's milk production is expected to go up to 108 mio tons next year from an estimated 105 mio ton this year, according to the US Department of Agriculture (USDA). India's non-fat dry milk powder production is likely to increase by 7 per cent to 370,000 tons in 2009-10 on increased demand for reconstituted milk during the lean production season. Butter production is projected to rise by 10 per cent at 4.1 mio tons on the back of growing domestic demand and the greater purchasing power of the average Indian consumer.
- With export orders drying up and global prices crashing, leading private dairies are planning to sharply cut back their milk procurement operations. Among the big players contemplating 'milk holidays' or refusing to buy beyond a certain quantity include the Chennai-based Hatsun Agro Product Ltd and Schreiber Dynamix Dairies Ltd at Baramati (Maharashtra). Prices of skimmed milk powder have fallen to USD 1,800-1,900 a ton, from USD 3,200 levels till six months back. Casein prices have plummeted to USD 5,400 a ton, having touched USD 10,500 in April-May.
- In order to diversify its product portfolio, Andhra Pradesh Dairy Development Co-operative Federation Ltd is looking at launching ice creams and bakery products soon.
- Britannia Industries is planning to expand its dairy business arm with an investment of Rs. 1.5 bio. The company is also mulling to buy out its New Zealand-based partner Fonterra Co-operative's stake in the joint venture, which was set up in 2002. The JV, Britannia New Zealand Foods, in which Britannia controls 51 per cent stake, is a Rs. 2 bio business.

Alcoholic Beverages

- Low-priced regular and economy brands are suddenly out of favour as companies look for higher margins with premium products. The liquor industry is undergoing "premium-isation" at a rate of 30-50 per cent varying from wine to spirits on a year-on-year basis. Retailers across the country are reporting the apparent slow death of low-end brands like McDowell's No 1, Romanov and Aristocrat compared to Blender's Pride and Bacardi for instance.
- United Spirits' Four Seasons Wines plans to offer shares of its company to grape growers and enter into such contracts for over 2,000 acres.

(Alcoholic Beverages continued on next page)

Alcoholic Beverages (Continued)

- SABMiller India has just launched new beer brand, Indus Pride, in Rajasthan and will also bring it to the South. Indus Pride is a 100 per cent malt-based beverage. In addition, its global brand, Peroni, which has been launched in Mumbai, Delhi and Bangalore, will also be introduced in Andhra Pradesh. SABMiller has about 35-per cent share in the Indian beer market.
- UB Group has launched Bouchard Aine and Fils selection of wines in the country. Bouchard Aine and Fil wines are produced by Bosset group, which is based in the Burgundy region of France.
- UB Group has decided to sell South African wines from 10 Chapter Pty in India soon.
- India's annual vodka consumption is estimated at 4.5 mio cases still accounting for under 5 per cent of the mainstream spirits market. But the colourless drink is breaking away from the urban centric growth story.
- United Spirits is betting big on the luxury spirits sector in India with a major revamp of the recently acquired Whyte & Mackay product portfolio, mainly, The Dalmore. With the face-lift of The Dalmore, the 160-year old popular single malt scotch, United Spirits is eyeing about 10 per cent of the total 28,000 cases of high-end single malt whisky market in India. The company has also plans to revamp other brands such as Isle of Jura and Viadvir vodka soon.
- One of India's largest wine makers, Sula Vineyards is set to scale down its harvest next year by as much as one-third as the wine industry reels under over capacity and steep increases in duties by several states.
- The luxury brand of Italian wines Ferragamo will be launched in India in November as Mumbai-based wine distributor Finewinesmore is planning to import five labels exclusively across Marriot hotels in the country.
- Government of India has cleared the establishment of independent Boards for the wine and meat processing industries. National Wine Board will be headquartered in Pune and be headed by a member from the industry. Apart from promoting Indian wines, it will set standards for quality, marketing and labels.
- Simbhaoli Sugars Ltd has announced completion of its new distillery with a capacity of 60 kilo litres per day (KLD) of ethanol/alcohol. The distillery takes the company's total installed ethanol/alcohol capacity to 210 KLD.
- United Spirits Ltd is likely to invest around Rs. 500 mio in West Bengal for expanding the capacity of its Asansol distillery.
- The international drinks industry clinched a decisive breakthrough with Tamil Nadu, among the largest alcoholic beverage markets in the country, opening doors to imported brands formally. The move comes barely a week before European Union team's visit to kick off WTO proceedings against India for failing to remove discriminatory trade practices in two states—Tamil Nadu and Maharashtra.
- Amit Burman-promoted Nature's Bounty plans to diversify its business by including scotch whiskey, vodka, beer and gin in its portfolio in the domestic market.
- India's beer consumption reported a moderate 6-7 per cent growth in the first six months of the financial year, as short summer and the boycott of Andhra Pradesh market by the top two brewers impacted volume sales significantly.
- Vijay Mallya's flagship, United Spirits Ltd, has entered into exclusive talks with the world's largest drinks company, Diageo, for a partnership including a minority stake sale.

(Alcoholic Beverages continued on next page)

Alcoholic Beverages (Continued)

- There will be an increase of 8-10 per cent in the price of bottled spirits (rum, vodka, whisky and brandy) across the industry in the coming financial year as there seems to be no let down in input costs even in the coming year.
- Radico Khaitan, the second largest domestic liquor major, is set to enter the premium liquor market all by itself. The company plans to launch three new brands—two in whisky and one in brandy—in the near future.
- Salvatore Ferragamo — the global fashion wear and shoe brand — has launched premium wines for the Indian market in association with Finewinesmore, a leading distributor of imported wines.
- The 200 year-old Dutch drinks company UTO has written to Indian excise authorities asking for cancellation of labels carrying 'Mansion House Brandy' trademark, which belongs to Tilaknagar Industries, one of the surviving independent spirits companies in the country. Tilaknagar is vehemently opposing UTO's attempts to stake claim on the brand, and both companies are in the midst of a full-fledged legal battle.
- According to industry estimates, India imports over 200,000 cases of wine, with 35 per cent being from France, 20 per cent from Australia and Italian wines accounting for 15 per cent. Wine imports are growing at 25 per cent CAGR (Compounded Annual Growth Rate).
- With a view to gaining a foothold in the rapidly growing Indian wine market, UK-based Cobra Beer is looking at setting up wineries in the country besides investing more in expanding the company's beer business in the domestic market.

Non-alcoholic Beverages

- More than three decades after it was launched, Thums Up remains India's largest selling aerated drink. Market research data by AC Nielsen shows that, thanks to Thums Up, Sprite, Limca and Fanta, Coca-Cola India has a huge lead over rival PepsiCo across all categories of drinks-colas, orange, clear lime and cloudy lemon. While Coca-Cola India's consolidated share of carbonated soft drinks is 57.8 per cent, PepsiCo follows at a distant second with 35.6 per cent share.
- In a bid to expand its beverages portfolio, Parle Agro, the maker of mango drink Frooti, is set to foray into the 100 per cent juice market with a new brand — Saint Juice.
- Bisleri International Ltd, Mumbai-based bottled water company, is planning to invest Rs. 3 bio in the next two years towards capacity building and is planning to open one factory every month for the next two years. It is also looking at expanding its brand portfolio with a product, which will be a combination of an energy drink and a flavoured drink.
- The Coca-Cola Company (TCCC) is understood to have reconsidered its plans to sell the beverage brand, Maaza abroad to avoid brand disputes and legal wrangles with Bisleri International. While TCCC is withdrawing registration of the trademark in some Benelux countries, it has also withdrawn an application made in Turkey.
- Galla Foods (from the house of Amara Raja batteries) has launched a new drink called Galla Thick Mango nectar claiming high mango pulp content.
- PepsiCo announced its entry into energy supplement segment with its SoBe Adrenaline Rush energy supplement.
- Amway India Enterprises, has launched two energy drinks under the name of Amway XL.

(Non-alcoholic Beverages continued on next page)

Non-alcoholic Beverages (Continued)

- Buoyed by the success of its own brand of packaged water, Rail Neer, the IRCTC now plans to come up with two more bottling units and augment the capacity of the existing units.
- Delhi High Court has directed Pepsico India to remove the picture of a “snow capped mountain” from the packaging of its bottled water brand Aquafina. The court passed the direction on a petition filed by Bureau of Indian Standards. The objection was to the suggestion that the packaged mineral water originated in the mountains.
- Tata Tea is gearing up to make an entry into the energy drinks segment.

Tea

- Tea production in the country went up by 17 mio kg in first seven months of this calendar year compared to the previous year. It touched 476.6 mio kg during the January-July period this year against 459.7 mio kg in the same period last year. The rise in tea production is largely due to south India tea, which increased by 16 mio kg.
- One of the top brands in organic teas and supplements market, Organic India, plans to invest around 10 mio USD in the next two-three years, to achieve a turnover of 40 mio USD by 2010-11.
- Borelli Tea Holdings (Borelli), the 100 per cent subsidiary of Mcleod Russel India, has signed a term sheet with Belgium-based SA SIPEF NV for acquisition of 100 per cent equity stake in Vietnam-based Phu Ben Tea Company at a cost of USD 2 mio. Phu Ben Tea Co. produces 4.5 mio kg of CTC black tea annually and has an annual turnover of about Rs. 250 mio.
- India may become the second non-European country to gain protection under the European Union protected designation of origin status brand for one of its most famous exports — Darjeeling tea.
- Strong demand from emerging markets such as Egypt, Russia and Pakistan would see tea exports grow to about 210 mio kg this year, according to the United Planters Association of South India. Tea exports had slumped to 156.8 mio kg in 2007, mainly due to fall in exports to Iraq.
- Pharmaceutical companies are stepping up their purchase of Nilgiri green tea for medicine manufacturing. Green tea is manufactured by steaming, rolling and drying of tea leaves. There is no fermentation unlike in black tea manufacture. So, the green tea brew is light. Green tea is, therefore, said to retain more therapeutic values of tea.
- Tea Board of India has finally rolled out its fully computerised, redesigned electronic auction system in Kolkata, in a bid to create a national web-based integrated platform for tea auction by the end of September 2009.
- Armed with the permission to export tea through land route, India is looking to almost triple its tea exports to Pakistan in 2008.

Coffee

- India's coffee exports for the crop year (October 2007 to September 2008) have increased by 2.54 per cent at 230,910 tons as against 225,187 tons exported during the previous year, according to Coffee Board statistics. In dollar terms, the exports were up 32.09 per cent higher at USD 586.27 mio as against USD 443.83 mio last year. In rupee terms coffee exports have gone up by 27.45 per cent at Rs. 24.2786 bio as against Rs. 19.0495 bio realized last year. In terms of unit value realization, exports were up 24.29 per cent at Rs. 105,143 a ton as against Rs. 84,594 a ton fetched last year.

(Coffee continued on next page)

Coffee (Continued)

- Coffee production in India is expected to drop by about 20 to 22 per cent as against the post blossom (April 2008) estimate of 293,000 tons for the crop year October 2007 - September 2008. The fall in production is mainly attributed to untimely rain in the coffee growing regions early part of this crop year and at the end of monsoon season with interspersed drought.
- Indian specialty and value-added coffee exports have declined 5.09 per cent to 69,704 tons during the last coffee crop year (October 2007-September 2008) compared to the previous crop year (2006-07). In value terms, the exports are up 9.38 per cent at Rs. 7.5833 bio as against Rs. 6.9329 bio registered in the previous year.
- India's biggest cafe chain Coffee Day will unfurl three new premium formats as it brews the next phase of growth. Coffee Day Square, which will become the chain's flagship outlets, will roll-out into four metros over the next six months, specialising in 'single origin' coffees—classic beans sourced from a single estate in a single country across the world—targeted at a more discerning consumer. Coffee Day Lounge will be cafes where beverage is paired with food, where people "meet over a meal" and not just coffee. The third format, still to be named, may be resembling a cafe nightclub. At present, the chain has 694 outlets and is seen adding 20-25 every month in a slowing market.
- Coffee Board has pruned the production estimate for the current season to September 2009 by 5.6 per cent to 276,000 tons. In its post-monsoon estimate, the board said arabica would make up 90,050 tons of the total estimated production and robusta 186,000 tons. In its post-blossom estimate, it projected the production at 293,000 tons with arabica production pegged at 100,000 tons and robusta the rest.
- In addition to Tata Coffee, two private players are setting up freeze dried instant coffee plants in the country.

Food Service & Retailing

- The food and bakeries section of the flagship food and grocery retail chain Spencer's is looking at expanding its number of restaurants through exclusive tie ups. Spencer's in partnership with Sankalp, specializing in Gujarati thali food, Rajdhani specializing in Indian authentic cuisine, Yo China, another fast food outlet specializing in Chinese cuisine and Singapore based Bread Talk will set up such a chain of outlets.
- German wholesale retailer Metro Cash & Carry could exit West Bengal over political differences within the ruling Left Front. Left Front constituent Forward Bloc, which runs West Bengal's agriculture marketing board, today rejected the proposal to renew the Agricultural Produce Marketing Committee licence for Metro Cash & Carry.
- According to a report prepared by global consultancy Northbridge Capital, the retail market, which is currently worth USD 400 bio, is clocking an annual growth rate of 30 per cent. Of the total retail market, the share of organised retail in 2008 is only 7.5 per cent, valued at USD 300 mio. Noting that organised retail market is growing at the rate of 40 per cent, Northbridge Capital said that faster growth rate would be maintained in the next three years.
- Kishore Biyani-promoted Future Group's retail chain Big Bazaar is planning to have 300 hypermarkets in the country by 2010-11. The company is also mulling to increase its annual turnover to Rs. 130 bio by 2010-11, up from Rs. 36 bio last fiscal on the back of its expansion.
- Apparel retailer and mall developer Provogue India is exploring an entry into the crowded food and grocery retailing sector in the country.

(Food Service & Retailing continued on next page)

Food Service & Retailing (Continued)

- Metro Cash & Carry, the German wholesale retailer, received its Agricultural Produce Marketing Committee licence in Kolkata on condition that the minimum bill amount for Metro Cash & Carry, per item and per customer, should not be less than Rs. 1,000 and only to traders with Regulated Market Committee (RMC) licence.
- Major metros have started witnessing a dip in rental property prices between 20 per cent to 40 per cent for retail and commercial, nationally.
- Subhiksha Trading Services, which owns the popular retail chain brand Subhiksha, is planning to invest up to Rs. 10 bio to fuel its expansion plans, including its foray into new verticals.
- Subhiksha's plans to set up consumer durables stores may be delayed by six months due to a slowdown in retail and real estate sectors.
- Max Hypermarket India Pvt. Ltd, a subsidiary of the Dubai-based Landmark Group and promoter of the Spar food retail chain, is looking at investing Rs. 1 bio in developing supermarkets and hypermarkets in three southern States and Maharashtra by end of 2009.
- Mumbai-based Wadhawan Food Retail (WFRL), which runs Spinach, Sabka Bazaar, S Mart stores and Sangam online format, plans to launch five new private labels in food and non-food categories, in the next one year. With this move, the share of private labels to the total business will double. Currently, WFRL has private labels in 10 categories such as staples, spices, rice and so on and private labels constitute 10-15 per cent of the company's business.
- Home grown fast food chain Nirula's will be rolling out its outlets across the country besides tapping the overseas market. The company has earmarked Rs. 1.50 bio for increasing the number of its stores from 60 to 200 by 2011.
- Bharti Wal-Mart, grocery and retail chain operator, will be going ahead with its plans to launch its cash and carry stores despite the current market instability.
- RPG Enterprises will be investing Rs. 15 bio in the next 15 months in expanding its retail business across India.
- Nilgiri's Dairy Farm has exited from the hospitality business. The Bangalore-headquartered South India-focused retail chain has sold its three prime properties in Bangalore, Chennai and Coimbatore to Chennai-based Shabari Hotels for around Rs. 1 bio.
- Indian retail sector will feel the heat of the global financial crisis, though growth momentum may stay in some areas, experts feel.
- Reliance Retail (RRL) and UK-based supply chain powerhouse Wincanton have called off their proposed joint venture, which was to manage RRL's transportation, warehouses and inventory. According to sources, the deal was shelved after Wincanton realized RRL was unlikely to meet its initial growth projections and generate the expected volume of business.

Snacks

- Cadbury India has launched its dark chocolates--Cadbury Bournville Fine Dark Chocolate-in the Indian market.

(Snacks continued on next page)

Snacks (Continued)

- Nusli Wadia Group is set to acquire Groupe Danone's stake in biscuit major Britannia Industries with a committed USD 200-mio funding from ICICI Bank. Wadias will buy Danone's 50 per cent equity in the UK incorporated holding company, Associated Biscuits International Holding. The deal will bring curtains down on two-year-old acrimonious shareholder dispute between Wadias and Danone, with the French food giant walking out of a decade-long joint venture to chart independent course in India.
- Britannia's efforts to drive biscuit sales through personal-consumption packs, priced between Rs. 2 and Rs. 5, have taken off with the newly carved out nano segment, possibly adding over Rs. 1 bio in FY09, the first full financial year of the roll-out.
- As part of its plans to expand the company's confectionery business, food and beverage company Parle Agro has said it will set up five factories by next year.
- Agro Tech Foods Limited, a subsidiary of global food major ConAgra, is setting up its second food manufacturing plant for the production of its Act II brand of popcorn.
- Nestle and Cadbury are increasing chocolate prices that come in small pack of Rs. 2 to Rs. 3, for the first time since 2002.
- Priya Food Products, makers of biscuits, cookies and cakes under the 'Priya' brand name, is investing Rs. 100 mio in setting up four new plants in West Bengal. The new plants will increase its production capacity to 100 tons per day in three years, from 60 tons per day right now. Currently the company has eight plants in West Bengal.
- Britannia Industries Ltd. has shown interest to set up a unit in Orissa. The proposed unit, costing about Rs. 250 mio will come up near Bhubaneswar. The unit will have an installed capacity to produce about 2,500 tons of biscuits per month.

Culinary Items

- Bagrrys India has launched Hi Fibre Lo Cal Muesli, an instant cereal that is rich in fibre and low on calories. The cereal contains no almonds or raisins and has reduced the content of cornflakes. The ingredients used are rolled oats, malted wheat flakes, invert syrup, malted cornflakes, wheat bran, honey and oat bran.
- Food Bazaar (part of the Future Group) has launched 'Tasty Treat Ketchup in a Standee Pouch, in a one-kg pack. The standee pouch is claimed to be a first in the country in a one-kg special multilayered spout pack.
- Chennai-based EID Parry India, a Murugappa Group company, has acquired 48 per cent stake in a US-based nutraceutical company Valensa International. EID Parry is a leading manufacturer and exporter of certified Spirulina and carotenoids such as natural beta carotene, astaxanthin and tomato lycopene.

Sugar

- India's sugar exports are estimated to have surged almost three-fold to over 5 mio tons, though output declined to 26.5 mio tons in the 2007-08 season. Sugar production stood at 28.3 mio tons in the 2006-07 season, which runs from October to September, while exports were at about 17 mio tons last season.

(Sugar continued on next page)

Sugar (Continued)

- Sugar production in Maharashtra is likely to decline by over 30 per cent to around 6 mio tons in the ongoing 2008-09 season mainly due to lower sugarcane crop. Maharashtra produced about 9.1 mio tons during 2007-08 season (October-September) making the state the largest sugar producer in the country.
- "The global financial crisis will knock prices of sugar from New York to New Delhi, pushing prices below the cost of production and hurting expansion plans for mills", Yatin Wadhwana, managing director, Sucden India Pvt. Ltd, said.
- Shree Renuka Sugars Ltd (SRSL) has acquired a majority stake in Gokak Sugars Ltd in Karnataka that augments its crushing capacity by 2,500 tons crushed per day. SRSL has acquired 87 per cent stake for Rs. 693 mio that includes a cash outflow of Rs. 43 mio and an assumption of long-term debt of Rs. 650 mio.
- India, the world's largest consumer and second-largest producer of sugar, is turning into a net importer of the sweetener as growth in population and household incomes leads to higher consumption and forces the country to meet domestic demand from other nations. Sugar consumption has increased by two mio tons in the past two years, pushing up annual domestic consumption to about 23 mio tons from only 19 mio tons in 2005-06. Consumption is growing by over 4 per cent annually.
- Shrinking acreage under sugarcane cultivation in India in marketing year 2008-09 resulting in lower production would impact exports of sugar by a record 4.6 mio tons, according to the latest sugar report from the US Department of Agriculture (USDA).

Oils

- India, Asia's biggest supplier of soybean meal, may export a record quantity next year as higher prices and early rains encouraged farmers to boost planting. Exports of meal, used as an animal feed, in the year from October may total 6 mio metric ton, 9 per cent more than 5.5 mio tons this year, said Davish Jain, chairman of the Central Organization for Oil Industry and Trade.
- Country's soya meal exports surged by 38.64 per cent to 4.8 mio tons during the oil year 2007-08, according to Soyabean Processor Association of India. Overseas sale of soya meal in the last year same period stood at 3.5 mio tons, it said. Oil year runs from October to September.
- Hyderabad-based Rs. 1.5 bio Variety Group has entered into edible oil business with the launch of 'Manchi' brand of sunflower oil.
- Castor oil exports may reach a new high of 300,000 tons in the calendar year of 2008 spurred by the depreciating value of rupee against the US dollar and higher crude oil prices worldwide.
- According to a survey conducted by Religare Commodities, India's soybean output is set to rise to 10.8 mio tons during 2008-09 as compared to 9.5 mio tons in the previous year.
- India has registered a record import of 6.31 mio tons of vegetable oil, for 2007-08 (November-October) as against 5.59 mio tons for 2006-07, that includes edible oil, non-edible oil and vanaspati.
- Indonesia's edible oil associations, including GAPKI, have blacklisted 30 Indian companies for defaults and have suggested that public-sector firms such as MMTC, PEC and STC should not encourage these companies to import edible oil on their behalf.

(Oils continued on next page)

Oils (Continued)

- In partial modification to the total ban imposed on the export of edible oil from the country, the Government said it would permit export of edible oils in branded consumer packs of up to 5 kg, subject to a quantitative ceiling of 10,000 tons during the next one year up to October 2009.
- Madhya Pradesh-based integrated edible oil player KS Oils has acquired an edible oil refinery in Haldia port from Kolkata-based Ambo Agro Products for a consideration of Rs. 1.25 - Rs. 1.50 bio.

Food Additives

- The country is expected to produce 30 per cent more guarseed this season, thanks to good rainfall and better yield. According to trading sources and commodity analysts, the overall production is expected to reach 10 mio bags (each 100 kg) compared with 7.5 mio bags last year.
- Guar gum exports from the country could be lower than last year as the US and European Union witness a slowdown in their economy, while China may also cut purchase.
- Vanilla prices are showing some resurgence after a gap of several years, much to the relief of growers. But this time it is the shortage of green beans rather than demand that is triggering the rise. The supply squeeze has lifted prices of the commodity to above Rs. 100 per kg. The premium quality beans are fetching anywhere between Rs. 110 and Rs. 125 per kg in the market.
- Fall in textile exports due to global financial crisis has affected Indian starch industry, which is witnessing a fall in demand. At the same time, supplies of starch and other related products have increased due to creation of additional capacities. Manufacturers feel that the situation is unlikely to improve soon with prices of maize ruling high and demand remaining subdued.

Spices & Flavors

- Cumin exports from the country are likely to increase with reports of supply and quality concerns in other origins. Cumin seed shipments during April-September 2008 increased 97 per cent to 23,500 tons valued Rs. 2.4173 bio from 11,920 tons valued Rs. 1.2533 bio in the corresponding period last year. The unit value realized during the first half of this fiscal is Rs. 102.86 against Rs. 105.14 a kg in the same period a year ago.
- Total spices exports in the first half of 2008/09 rose 8.4 per cent in volume terms as exporters shipped more quantity of cumin, turmeric and coriander.
- Orissa's Kandhamal district produces some of the world's best organically grown turmeric. What's more, turmeric production is likely to increase this year due to favourable climatic conditions. Last year the district produced about 9,000 tons of turmeric. This year the produce will be more than 10,000 tons.
- Continuous decline in pepper production in Kerala, main producer of the commodity in India, mainly due to neglect of the crop, has resulted in national output hovering around 45,000 tons a year from 80,000 tons in 2001-02.
- Cardamom exports are likely to increase this fiscal due to easing domestic prices and reports of crop failure in other origins. It is reported that crop in Guatemala has failed in volume and quality. Exports from India had declined due to premium on Indian cardamom as compared to Guatemala commodity. According to figures of Spices Board, Indian exports came down to 500 tons in 2007-08 as against 650 tons in 2006-07. India lost traditional markets like Kuwait, Japan and Oman to Guatemala while retaining Saudi Arabia.

(Spices & Flavors continued on next page)

Spices & Flavors (Continued)

- If the latest trend in pace of growth in value-added spices exports such as curry powder/paste and spices oils and oleoresins is any indication, the shipments of bulk spices would face a gradual decline in the coming years, restricting it to certain spices only. In the total exports during April–October 2008 of 284,560 tons valued at Rs. 30.8025 bio, the contribution of spices oils and oleoresins including mint products stood at 41 per cent.

Foodgrains

- Country's non-basmati rice exports have plunged by 79 per cent in volume terms during April 16 to September after the government banned shipments of the commodity. Basmati rice exports, however, recorded a marginal fall in exports volumes despite high minimum export price.
- Basmati rice exports are estimated to have jumped 13 per cent despite a cess of Rs. 8,000 a ton, while shipment of non-basmati varieties fell by 31 per cent in the crop year ending September 2008 due to ban. Basmati rice exports during the 2007-08 season (October-September) are estimated at 1.19 mio ton, compared with 1.05 mio tons in the previous season.
- The government has raised minimum support price (MSP) of crops in the range of 39-79 per cent in the last four years to increase remunerations for farmers and boost production for meeting growing domestic demand. The MSP of paddy, a staple diet for most Indians, has been raised by 49 per cent to Rs. 880 a quintal for grade A variety for 2008-09 from Rs. 590, four years ago.
- Production of *Kharif* pulses, including *tur* and *urad*, may dip up to 30 per cent this year due to inadequate rainfall after the sowing. Lack of rainfall in Maharashtra, north Karnataka and north Andhra Pradesh, the major producing areas of pulses, during June-July, just after the sowing, damaged the early seedlings, according to Karvy Comtrade's Chowda Reddy.
- Indian Institute of Pulses Research has developed a new variety of red lentil (*masoor dal*) seed — WBL 77, which can increase yield by about 20 per cent.
- Adani Agro Logistics Ltd. has launched the country's first bulk foodgrain rake. This is the first time that a private player, in synergy with Food Corporation of India, has put up state-of-the-art infrastructure for storing and transporting wheat. The total capacity of the entire network is 650,000 mio tons. The specially designed rake is a state-of-the-art wagon loading system that allows wagons to be filled at 700 metric tons per hour and takes 2 minutes 30 seconds to fill a wagon. Adani Agri Logistics has specially designed the top loading bottom discharge rail cars to move foodgrain in bulk from storage depots to field depots without any spillage. The wagons are rodent-proof and sealed in a manner such that no moisture can enter.
- The Union Agriculture Minister, Mr. Sharad Pawar, has ruled out lifting the ban on non-basmati rice exports, even while being open to scrapping the Rs. 8,000 a ton export duty on basmati shipments.
- Union Agriculture Ministry has at long last notified evolved basmati rice Pusa 1121 as basmati after it said so five months ago while bringing about a new definition of what constitutes basmati rice in May 2008. However, the notification issued on October 29, 2008 clearly spelt out a restrictive clause by substituting the words "the whole of India" under the Seeds Act, 1966 relating to Pusa Basmati 1121 as applicable to "Delhi, Punjab and Haryana".
- India and Pakistan have decided to mount a joint defense to prevent unauthorized use of basmati rice, a common heritage of the two countries. At the conclusion of two-day talks on registering the "Geographical Indication" of basmati rice in the US and Europe to prevent the product from being copied by other countries, the two nations said they had ironed out a "number of differences".

(Foodgrains continued on next page)

Foodgrains (Continued)

- India's corn exports are set to crash to 200,000 tons in 2008-09 from 3 mio tons as a three-month export ban from July to September hit the trade and more attractive shipments are available from Brazil after its currency weakened and freight rates have gone down.
- India's basmati exports may fall by 33 per cent in 2008, as the government has made shipments expensive by imposing a cess of Rs. 8,000 per ton along with a high minimum export price, raising basmati prices for overseas buyers. "Basmati exports this year are likely to fall to around 0.8 mio tons from 1.2 mio tons last year", former All India Rice Exporters Association president Gurnam Arora said. Besides, he said that Pakistan had a bumper crop and the quality of their Basmati was also a bit better this year than that of India's variety.
- Rice that can survive under floodwaters and grow well after the waters drain will be available to farmers in India, Bangladesh and other South Asian countries within two years. Field trials of the 'water-proof' versions of popular varieties of rice, which can withstand two weeks of complete submergence, have been completed by the scientists of the International Rice Research Institute, Philippines.

Fruits & Vegetables

- Farmers in Kutch, Vadodara and Saurashtra districts of Gujarat have now shifted from traditional wheat and cotton crops to cultivating exotic Japanese watermelon. Selling for Rs. 15,000 a ton, the crop fetches more than three times higher returns than the traditional watermelon variety.
- Cashew exports to the US have suffered a major blow with some consignments being rejected and returned, due to contamination by chlorphenol, sources said. Based on the quality-reports being released many big retailers in Europe and US have deferred purchasing cashews from India. Export volumes are likely to suffer as big buyers accumulate in October for year-end celebrations.
- Wholesale prices of imported and indigenous dry fruits including almond, pistachio and walnut have increased by nearly 15 per cent-20 per cent during the current festival season as landed cost of imported dry fruits mainly from the US and Iran have gone up by over 10 per cent over the first week of October, thanks to a weakening in the value of the rupee against the dollar.
- Garlic prices have dropped by almost 90 per cent as compared to last year. Usually sold at Rs. 5,000-7,000 a quintal, the crop was hardly fetching Rs. 700 in mid-October.
- Cashew kernel exports showed an upward trend in the first half of the current financial year by registering a jump of 44.5 per cent in value terms. Exports amounted to Rs. 15,8561 bio for the six-month period ended September 2008 compared to the corresponding period last year. The rise was mainly attributed to a 67 per cent increase in prices of the commodity in international markets. In volume terms, however, the exports were only marginally up by 2.6 per cent to 58,647 tons compared to the same period last financial year.
- Cashew exports have increased dramatically during the first half of the current fiscal (2008-09) on the back of supply shortage and default by Vietnam exporters.
- Declining demand for cashew from the US and European markets is turning to be a major concern for importers re-negotiating contracts as some shipments have been rejected on the slightest pretext. After a nominal decline in trading volumes in September, shipments have come down by 20 per cent in October including rejection of some consignments. Trade experts forecast the price falling down further with recession-affected households turning value-conscious.

(Fruits & Vegetables continued on next page)

Fruits & Vegetables (Continued)

- Onion production in the country is likely to decline by 18 per cent in this Kharif season due to inadequate and delayed rains at the time of planting and excess rains before harvest. The total area under onion during the Kharif is also expected to dip by about 20 per cent.
- The governments of Kerala and Tanzania have signed a memorandum of understanding for importing raw cashew nuts directly to avoid middlemen apart from maintaining consistency in supply.

Biotech

- "Indian biotechnology sector has excellent potential and is expected to touch five bio-dollar mark by 2010", a report jointly prepared by industry chamber CII and consultancy firm KPMG said.
- A campaign is gaining momentum against the introduction of genetically modified food crops, particularly Bt brinjal (egg-plant), the first-ever transgenic food crop, which is now undergoing trials.
- Genetic Engineering Approval Committee has permitted Monsanto India Ltd to conduct limited field trials of corn hybrids that are genetically modified to confer resistance to corn borer insect pest and application of its 'Roundup' herbicide.



28 October was Diwali – a major festival of India
Diwali is also known as a festival of lights.

We wish all our readers

*Happy festive season &
Happy New Year*

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