



IndiaFood

FOODS, BEVERAGES & INGREDIENTS DIGEST
October / November 2009

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IndiaFood Executive Summary is published every 2 months by:

Publisher

Hindustan Studies & Services Ltd.

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The global economy is showing tentative signs of recovery signaling, albeit hesitantly, the winding down of the global recession. For several advanced economies the pace of contraction in output has declined in the second quarter of 2009.

Even in the midst of the downturn India had continued to grow. With the global economy looking up, mood in India is surely upbeat. IndiaFood Editorial Team brings you a report on Indian Economy.

Anil Chawla

Overview of Indian Economy

In India, economic growth in the first quarter of 2009-10 at 6.1 per cent represents a mild recovery over the 5.8 per cent growth recorded during the preceding two quarters in the second half of 2008-09. In comparison to the high average growth of 8.8 per cent recorded during the five-year period 2003-08, however, the first quarter growth in 2009-10 still points to persistence of the slowdown.

Information available on various lead indicators of economic activity in the second quarter of 2009-10 suggests that because of the deficient monsoon, *kharif* (crop sown during June-August) output may be adversely affected. The industrial sector has started exhibiting recovery, with 10.4 per cent growth in August 2009 and 5.8 per cent growth during April-August 2009, as against 1.7 per cent and 4.8 per cent during the corresponding periods of the previous year, respectively. Growth in core infrastructure witnessed notable acceleration in August 2009, and the growth over April-August 2009 was higher at 4.8 per cent as against 3.3 per cent during the corresponding period of the previous year. Lead indicators for services suggest pick up in activities relating to construction and telecommunications, even though external demand dependent services, such as tourism and cargo handled at ports, continue to be depressed.

The deceleration in aggregate demand that was witnessed in the second half of 2008-09 continued during 2009-10. Growth in private consumption demand fell to as low as 1.6 per cent in the first quarter of 2009-10. Investment demand also decelerated further, and the high growth in government consumption demand that was witnessed in the last two quarters of 2008-09 also moderated. Corporate performance data indicate that growth in sales, which had decelerated significantly in the second half of 2008-09, exhibited negative growth in the first quarter of 2009-10, notwithstanding improvement in profitability. The deficient monsoon and the associated drought like conditions in several parts of the country, and the more recent floods could also dampen rural demand. Given the predominant role of domestic demand in conditioning the growth outlook in India, weak private consumption and investment demand, thus, continue to be a key drag on faster recovery.

(Continued on next page)

Overview of Indian Economy (Continued)

Weak external demand conditions persisted, as reflected in the sustained decline in India’s exports. In the first quarter of 2009-10, exports continued to decline while imports increased, primarily reflecting higher oil prices, resulting in a higher trade deficit in the balance of payments in relation to the preceding quarter.

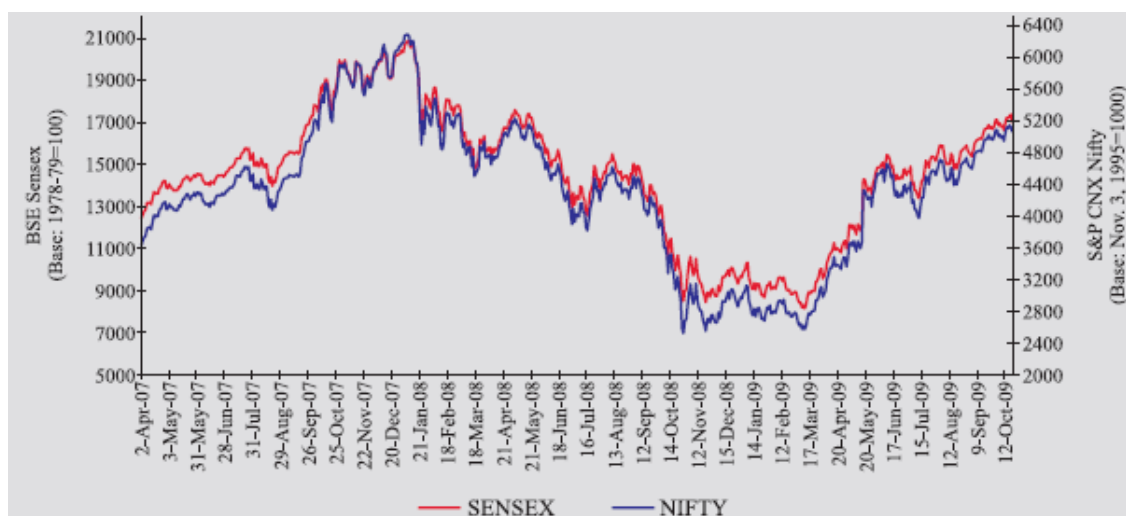
Reflecting India’s resilience to the crisis in 2008-09 and the growth prospects of the economy, capital flows, which had turned negative in the last two quarters of 2008-09, reversed in the first quarter to ensure financing of the current account deficit without any depletion of foreign exchange reserves. The rebound in capital inflows has persisted through the second quarter of 2009-10.

Equity Markets

During 2009-10 so far, the **Indian capital market outperformed most emerging market economies**, recovering a large part of the household wealth that was eroded by the contagion from global financial crisis.

The secondary markets continued to register considerable gains on the back of credible indications of pickup in the domestic industrial activity and emerging signs of recovery in the world economy.

The primary market, which had remained subdued up to May 2009 also resumed activity. Indeed, a few IPOs (Initial Public Offerings) were oversubscribed by more than 20 times. However, the volatility in the stock market during April-September 2009 was higher compared with the same period of last year arising from intermittent uncertainty regarding global economy and the changing perception about the real impact of domestic monsoon situation.



Movements in Indian Stock Markets

(Continued on next page)

Overview of Indian Economy (Continued)

Balance of Payments

The first effect of global slowdown was felt on the foreign exchange reserves of India. Exports had slowed down without a corresponding reduction in imports. Capital flows had turned to a trickle putting further pressure on the balance of payment position.

The first signs of revival are also being seen in the improvement of foreign exchange reserves. In the first half of financial year 2009-10 (1 April-16 October), the reserves increased by 32.9 billion USD against a reduction of 35.8 billion during the same period of previous year.

Variation in Foreign Exchange Reserves	
Period	Variation USD Billion
Full Year	
2004-05	28.6
2005-06	10.1
2006-07	47.6
2007-08	110.5
2008-09	-57.7
Financial Year (up to October 16)	
2008-09	-35.8
2009-10	32.9

Source: Reserve Bank of India

Item	(US \$ billion)						
	April-March		2008-09			2009-10	
	2007-08 PR	2008-09 P	Apr-Jun PR	Jul-Sep PR	Oct-Dec PR	Jan-Mar P	Apr-Jun P
1	2	3	4	5	6	7	8
1. Exports	166.2	175.2	49.1	49.0	37.3	39.8	38.8
2. Imports	257.8	294.6	80.5	87.7	72.0	54.4	64.8
3. Trade Balance (1-2)	-91.6	-119.4	-31.4	-38.7	-34.7	-14.6	-26.0
4. Net Invisibles	74.6	89.6	22.4	26.2	21.7	19.3	20.2
5. Current Account Balance (3+4)	-17.0	-29.8	-9.0	-12.5	-13.0	4.7	-5.8
6. Gross Capital Inflows	433.0	302.5	90.9	85.0	69.5	57.1	78.5
7. Gross Capital Outflows	325.0	293.3	79.7	77.5	73.7	62.4	71.8
8. Net Capital Account (6-7)	108.0	9.1	11.1	7.6	-4.3	-5.3	6.7
9. Overall Balance (5+8)#	92.2	-20.1	2.2	-4.7	-17.9	0.3	0.1

India's Balance of Payments

(Continued on next page)

Overview of Indian Economy (Continued)

Foreign Exchange

After exhibiting appreciating trend in Q1 of 2009-10, the rupee exhibited greater two-way movements during Q2 on the back of return of capital inflows. Resilience shown by Indian economy and continued weakness of the US dollar in international markets contributed to strength of the rupee.

The rupee strengthened against the US dollar during October 2009 on the back of sustained dollar inflows and continued weakness of the US dollar against the euro. As on October 22, 2009, the rupee had appreciated by 9.2 per cent against the US dollar and by 1.7 per cent against the Japanese yen over end-March 2009 level. The rupee, however, depreciated by 5.9 per cent against the pound sterling and 3.4 per cent against the euro.

Date	1 USD =	1 GBP =	1 EURO=	100 YEN=
16-Nov-09	46.09	77.03	68.99	51.46
15-May-09	49.55	75.30	67.38	51.87
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

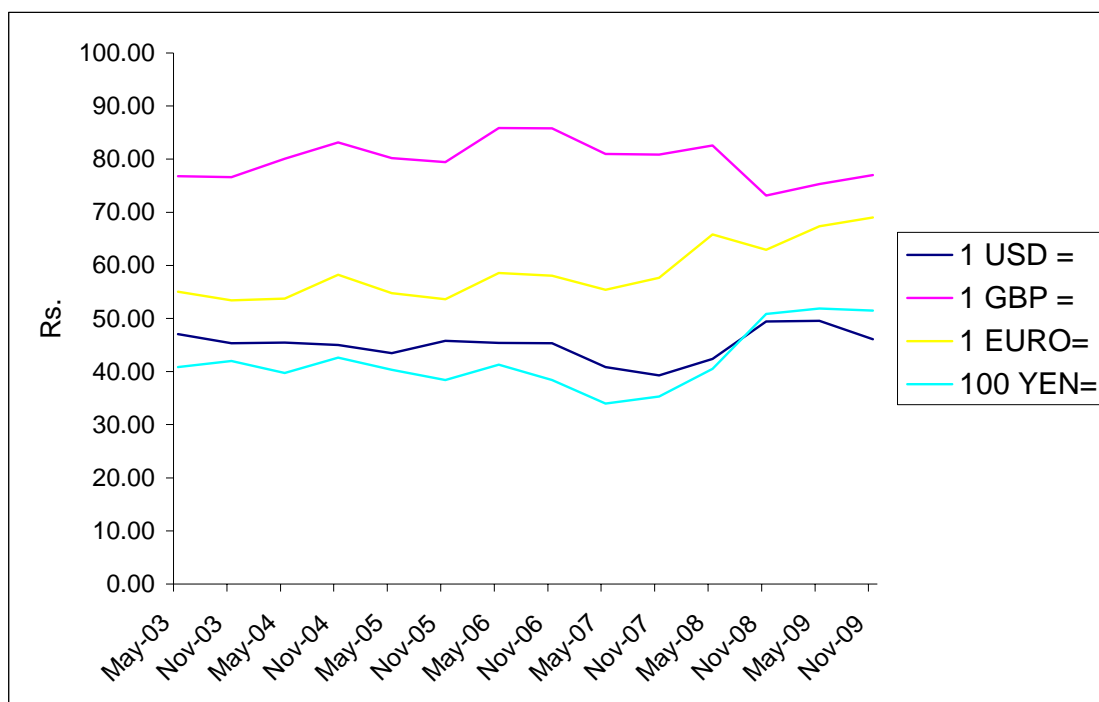
Source: Reserve Bank of India

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

Most of India's exports and imports are designated in USD. Hence, a weakening of the US Dollar or appreciation of rupee against USD will hit Indian exporters and help importers.

(Continued on next page)

Overview of Indian Economy (Continued)



Exchange Rates for Indian Rupee

Business Confidence / Expectations

Business confidence surveys in general exhibit significant optimism, a marked turnaround from the bearish sentiments of the previous quarters. The industrial outlook survey of the Reserve Bank indicates the return of the economy to an expansion path.

Surveys conducted by different agencies to collect lead information on the forward looking assessment of the companies about the prospects of the economy show a general pattern of optimism, with the relevant business confidence indices exhibiting significant increases over the levels in the preceding quarter.

Period Index	NCAER Q3: 2009 Business Confidence Index	FICCI Q1:2009-10 Overall Business Confidence Index	Dun& Bradstreet Q3: 2009 Business Optimism Index
1	2	3	4
Current level of the Index	118.6	67.2	132.1
Index as per previous survey	81.6	64.1	93.8
Index Levels on Year back	125.4	52.5	136.5
% change (Q-on-Q) sequential	45.4	4.8	40.8
% change (Y-on-Y)	-5.7	28.0	-3.2

Business Expectation Surveys

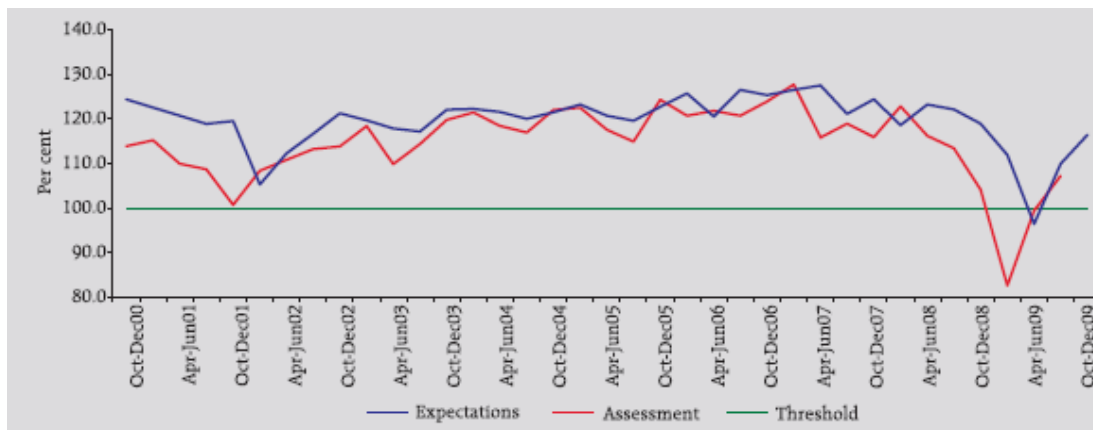
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Overview of Indian Economy (Continued)

The Business Confidence Index (BCI) of the NCAER (National Council of Applied Economic Research) that was released in July 2009 showed a 45 percent increase over the level in the previous quarter, which represents a reversal of the declining trend that was noticed in the previous five quarters. The survey exhibited improvement in all four components of BCI, i.e. “investment climate”, “overall economic conditions”, “financial position of firms” and “capacity utilisation”. The improvement was also broad based across all five sectors, i.e. consumer durables, consumer non-durables, capital goods, intermediates and services.

The Business Confidence Survey of the FICCI for Q1:2009-10 that was released in September 2009 suggests that 70 per cent of the companies felt the overall economic conditions to be “moderately to substantially better” compared to previous six months. The overall business confidence index rose by 4.8 per cent over the previous quarter level, as 50 per cent of the survey respondents expected sales volume to increase, 30 per cent expected investment to increase, and 22 per cent viewed that they would add to the workforce in the next two quarters. While 80 per cent of the respondents recognised the beneficial effects of the fiscal stimulus on economic activity, rising cost of raw materials and manpower, delayed monsoon and high interest rates were expressed as areas of concern.

The Dun and Bradstreet Business Optimism Index for Q3:2009 which was conducted in June 2009 rose sharply by 40.8 per cent over the lowest level of the index in the previous quarter. Five of the six optimism indices, namely volume of sales, net profits, new orders, selling prices, and employee levels recorded improvement over the previous quarter. Inventory levels, however, declined by 2 percentage points.



Reserve Bank of India's Industrial Outlook Survey – Business Expectations Index

The 47th round of Industrial Outlook Survey of the Reserve Bank conducted in July-August 2009 showed further improvement in the sentiments of the manufacturing sector after the turnaround that was seen in the survey findings of the previous quarter.

(Continued on next page)

Overview of Indian Economy (Continued)

The survey covered opinions on “assessment for July-September 2009” and “expectations for October-December 2009”, and both indices remained in the growth terrain (i.e. above 100, which is the threshold that separates contraction from expansion) for the last two quarters of 2009. This suggests that as per expectations of the survey respondents, the industrial recovery already seen up to August 2009 in terms of trends in IIP growth could gain further momentum during 2009-10.

To sum up the business confidence scenario, it can be said that despite the apprehensions caused by poor monsoon, **there is a high level of optimism in Indian businessmen, and the general feeling is that the worst is over for Indian economy**

Economic Growth Statistics

India's GDP growth in 2008-09 at 6.7 per cent was lower than the 9.0 per cent growth in 2007-08 as well as the average growth of 8.8 per cent during 2003-08. The slowdown in growth was largely due to the sharp decline in industrial growth and moderation in the growth of the agriculture and the services sectors. The deceleration in industrial growth was primarily an outcome of a moderate cyclical downturn, which got amplified by the global economic slowdown.

In the second half of 2008-09, the synchronized global slowdown dampened the strong growth impulses of the high performance phase of the previous years. The pace of deceleration in economic growth was the sharpest in the third quarter of 2008-09, and the deceleration was halted in the fourth quarter only due to the growth turnaround in the agriculture sector, as the industrial sector exhibited modest negative growth and the deceleration in the services sector persisted.

After a phase of distinct deceleration in growth during the second half of 2008-09, the Indian economy exhibited signs of recovery with higher growth in GDP during the first quarter of 2009-10 and acceleration in the pace of recovery in industrial output and core infrastructure activities.

Economic growth in the first quarter of 2009-10 at 6.1 per cent represents a mild recovery over the 5.8 per cent growth recorded during the preceding two quarters in the second half of 2008-09. In comparison to the high average growth of 8.8 per cent recorded during the five-year period 2003-08, however, the first quarter growth in 2009-10 still points to persistence of the slowdown. Information available on various lead indicators of economic activity in the second quarter of 2009-10 suggests that because of the deficient monsoon, kharif output may be adversely affected. The industrial sector has started exhibiting recovery, with 10.4 per cent growth in August 2009 and 5.8 per cent growth during April-August 2009, as against 1.7 per cent and 4.8 per cent during the corresponding periods of the previous year, respectively.

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Overview of Indian Economy (Continued)

GROWTH RATES OF REAL GROSS DOMESTIC PRODUCT
(At 1999-2000 Prices)

Growth Rates of Real GDP							
(Per cent)							
Sector		2000-01 to 2007-08 (Average)	2005-06	2006-07	2007-08*	2008-09#	
1	Agriculture and Allied Activities	2.9	5.9	3.8	4.9	1.6	
		(20.9)	(19.6)	(18.5)	(17.8)	(17.0)	
2	Industry	7.1	8.0	10.6	7.4	2.6	
		(19.6)	(19.4)	(19.5)	(19.2)	(18.5)	
	2.1	Mining and Quarrying	4.9	4.9	5.7	3.3	3.6
	2.2	Manufacturing	7.8	9.0	12.0	8.2	2.4
	2.3	Electricity, Gas and Water Supply	4.8	4.7	6.0	5.3	3.4
3	Services	9.0	11.0	11.2	10.8	9.4	
		(59.6)	(61.1)	(61.9)	(63.0)	(64.5)	
	3.1	Trade, Hotels, Restaurants, Transport, Storage and Communication	10.3	11.5	11.2	12.4	9.0
	3.2	Financing, Insurance, Real Estate and Business Services	8.8	11.4	13.9	11.7	7.8
	3.3	Community, Social and Personal Services	5.8	7.2	6.9	6.8	13.1
	3.4	Construction	10.6	16.5	12	10.1	7.2
4	Real GDP at Factor Cost	7.3	9.4	9.6	9.0	6.7	
		(100)	(100)	(100)	(100)	(100)	
Memo:			Amount in Rs. billion				
a)	Real GDP at factor cost (1999-2000)		26,128	28,643	31,297	33,394	
b)	GDP at current market prices		35,803	41,458	47,234	53,218	

Figures in brackets denote shares in real GDP.

: Revised Estimates.

* : Quick Estimates.

@ : Provisional Estimates.

n.a. : Not available.

Source: Reserve Bank of India

(Continued on next page)

Overview of Indian Economy (Continued)

Financial conditions have improved significantly in India, ahead of a stronger recovery in growth. This is evident from the return of capital flows, significant recovery in the stock markets, and better transmission from low policy rates to declining lending rates. Deficient monsoon has, however, emerged as the key factor in dampening the pace of recovery in India's growth in the near-term.

Growth Projections

Projections of various domestic and international agencies as well as different forward looking surveys point to an improvement in India's growth outlook. However, the impact of the deficient monsoon on agricultural output and rural demand could inhibit a faster recovery.

The professional forecasters' survey conducted by the Reserve Bank in September 2009, however, suggests a downward revision to the growth outlook, reflecting the expected negative impact of the deficient monsoon on agricultural output.

Projections of Real GDP for India by various Agencies – 2009-10					
Agency	Overall Growth	Agriculture	Industry	Services	Month of Projection
Economic Advisory Council to Prime Minister	6.5	-2.0	8.2	8.2	Oct-09
International Monetary Fund*	5.4	-	-	-	Oct-09
ICRIER Macro Team	5.8-6.1	-	-	-	Oct-09
Asian Development Bank	6.0	-	-	-	Sep-09
National Council for Applied Economic Research (NCAER)	7.2	1.0	6.7	9.4	Jul-09
OECD	5.9	-	-	-	Jun-09
World Bank	5.1	-	-	-	Jun-09
Range	5.1-7.2				
Figures in Per Cent					
– : Not Available. * : Calendar Year.					

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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 2008-09 (9 years)	2004-05	2005-06	2006-07	2007-08	2008-09
1	Real GDP	5.7	7.2	7.5	9.5	9.7	9.0 QE	6.7 RE
	a) Agriculture	3.2	2.8	0.0	5.8	4.0	4.9	1.6
	b) Industry	5.7	6.5	8.5	8.1	10.7	7.4	2.6
	c) Services	7.1	9.0	9.9	11.2	11.3	10.8	9.4
2	Per Capita Income (% Change)	3.6	5.4	5.6	7.9	8.2	7.6	4.9
3	Foodgrains Production (Mio tons)	188.6	209.6	198.4	208.6	217.3	230.8	233.9
4	Trade and Balance of Payments							
	a) Exports in US \$ (% change)	8.6	19.1	28.5	23.4	22.6	28.9	5.4
	b) Imports in US \$ (% change)	9.7	21.3	48.6	32.1	21.4	35.2	14.3
	c) Current Account (% of GDP)	-1.3	-0.4	-0.4	-1.2	-1.1	-1.5	-2.6
	d) Capital Account (% of GDP)	2.2	3.4	4.0	3.1	4.9	9.2	0.8
5	Foreign Exchange Reserves* (USD Billion)	141.5	151.6	199.1	309.7	252.0
6	Exchange Rate (Rs. / US\$)							
	a) High	-	-	43	43	43	39	52
	b) Low	-	-	46	46	47	43	40
7	Population (Million)	1,079	1,096	1,112	1,129	1,145

.. : Not applicable.

RE : Revised Estimates. QE : Quick Estimates.

(Source for data on Indian economy – Reserve Bank of India and Government of India)

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Overview of Indian Economy (Continued)

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, but started declining steadily since August 2008 and reached near zero levels by end-March 2009, driven by reduction in the administered prices of petroleum products and electricity as well as decline in prices of freely priced minerals oil items, iron and steel, oilseeds, edible oils, oil cakes and raw cotton. Significant part of the decline in WPI inflation during this period was also on account of the base effect.

Year-on-year WPI inflation declined further during 2009-10 and turned negative on June 6, 2009. WPI inflation turned positive on September 5, 2009 and has remained marginally above zero since then (1.2 per cent as on October 10, 2009), with the petering out of the strong base effect of the significant increase in administered prices of petroleum products in June 2008. During 2009-10, WPI has increased by 5.9 per cent till October 10, 2009 over the end-March-2009 level. The rise in WPI for all commodities during the period from Jan. 2004 to September 2009 has been 4.98 per cent per annum, while in case of food articles it is 6.43 per cent per annum.

Taking a five-year view of wholesale price index, one notices that inflation has been well under control.

Monsoon 2009

In 2009, the seasonal rainfall from 1st June to 30th September was 77 per cent of its Long Period Average (LPA). Seasonal rainfall over NW India, Central India, NE India and South Peninsula was 64 per cent, 80 per cent, 73 per cent and 96 per cent of the LPA respectively.

Deficiency in rains is the worst recorded in the past three decades.

The rainfall recorded over 23 out of 36 subdivisions was deficient. Out of the remaining 13 subdivisions, only 3 subdivisions (Saurashtra & Kutch, North Interior Karnataka and South Interior Karnataka) recorded excess rainfall and remaining 10 subdivisions recorded normal rainfall. Out of 526 meteorological districts for which data are available, 215 districts (41) % of the meteorological districts received excess/normal rainfall and the remaining 311 districts (59%) received deficient/scanty rainfall during the season.

Thus during the 2009 monsoon season, rainfall activity has been near normal in only the southern parts of the country, while the rest of the country is facing severe drought.

(Continued on next page)

Overview of Indian Economy (Continued)

Rainfall – South-West Monsoon (June-September)					
Year	Cumulative Rainfall	Spatial Distribution			
	Above(+)/Below (-) Normal (Per Cent)	(Number of Sub-Divisions)			
		Excess Rainfall	Normal Rainfall	Deficient Rainfall	Scanty/ No Rain
2000	-8	5	23	8	0
2001	-8	1	30	5	0
2002	-19	1	14	19	2
2003	+2	7	26	3	0
2004	-13	0	23	13	0
2005	-1	9	23	4	0
2006	-1	6	20	10	0
2007	+5	13	17	6	0
2008	+2	2	30	4	0
2009	-23	3	10	23	0
Excess : +20 per cent or more. Normal : +19 per cent to -19 per cent.					
Deficient : -20 per cent to -59 per cent. Scanty : -60 per cent to -99 per cent.					
No Rain : -100 per cent.					

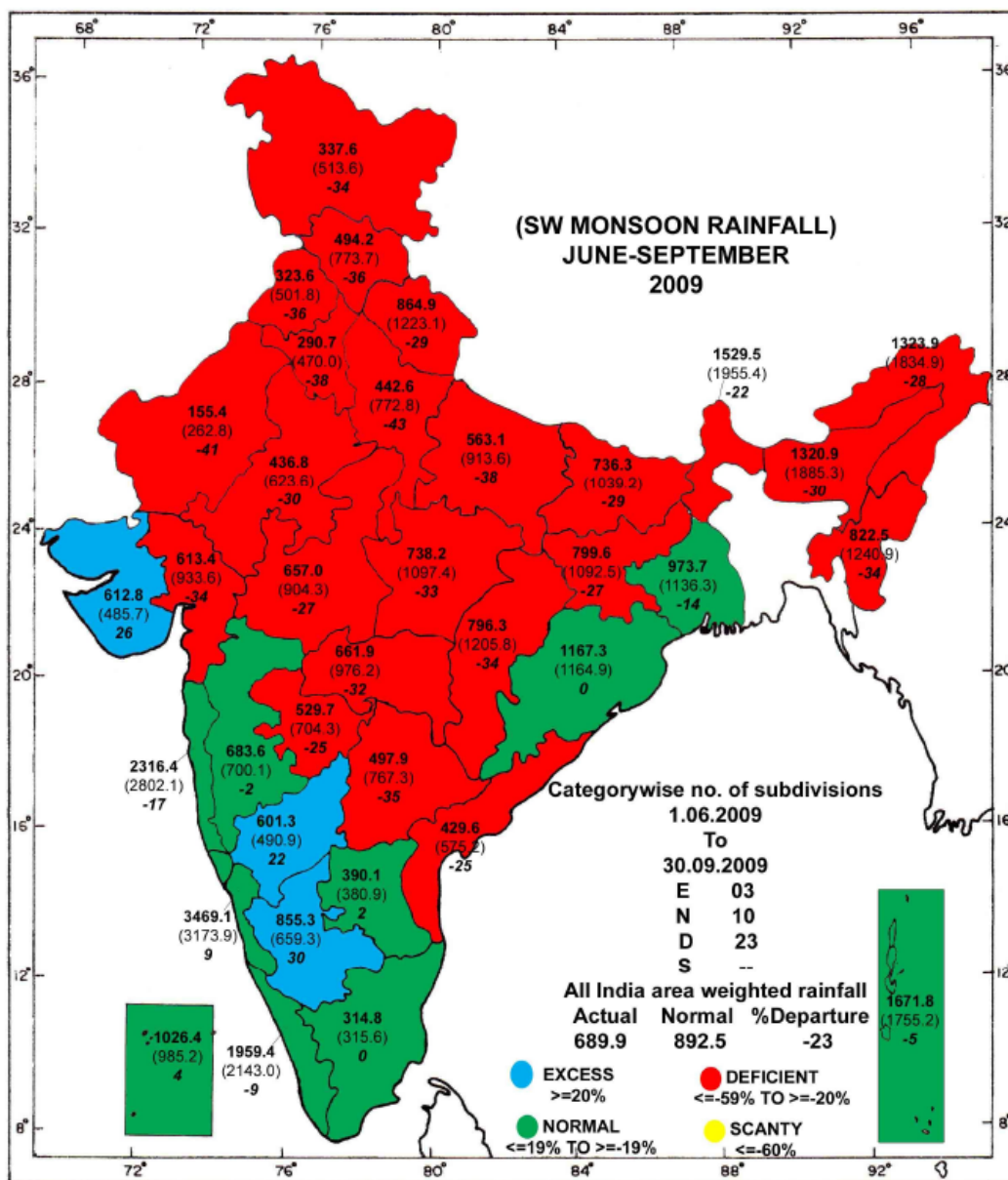
The monthly monsoon rainfall over the country as a whole during all the months was below the respective LPA. However, the rainfall during July (96% of LPA) was within the normal limit. Monsoon rainfall over the country as a whole was 53% of LPA during June, 73% of LPA in August and 79% of LPA during September.

The southwest monsoon rainfall (June to September) for the period 1 June to 30 September 2009 for the country as a whole and the four broad homogeneous regions are as follows:

Region	Actual	Long Period Average (LPA)	Actual % of LPA
	mm	mm	%
All-India	689.9	892.5	77
Northwest India	392.1	611.7	64
Central India	795.4	995.1	80
South Peninsula	692.9	722.5	96
Northeast India	1,037.7	1,427.3	73

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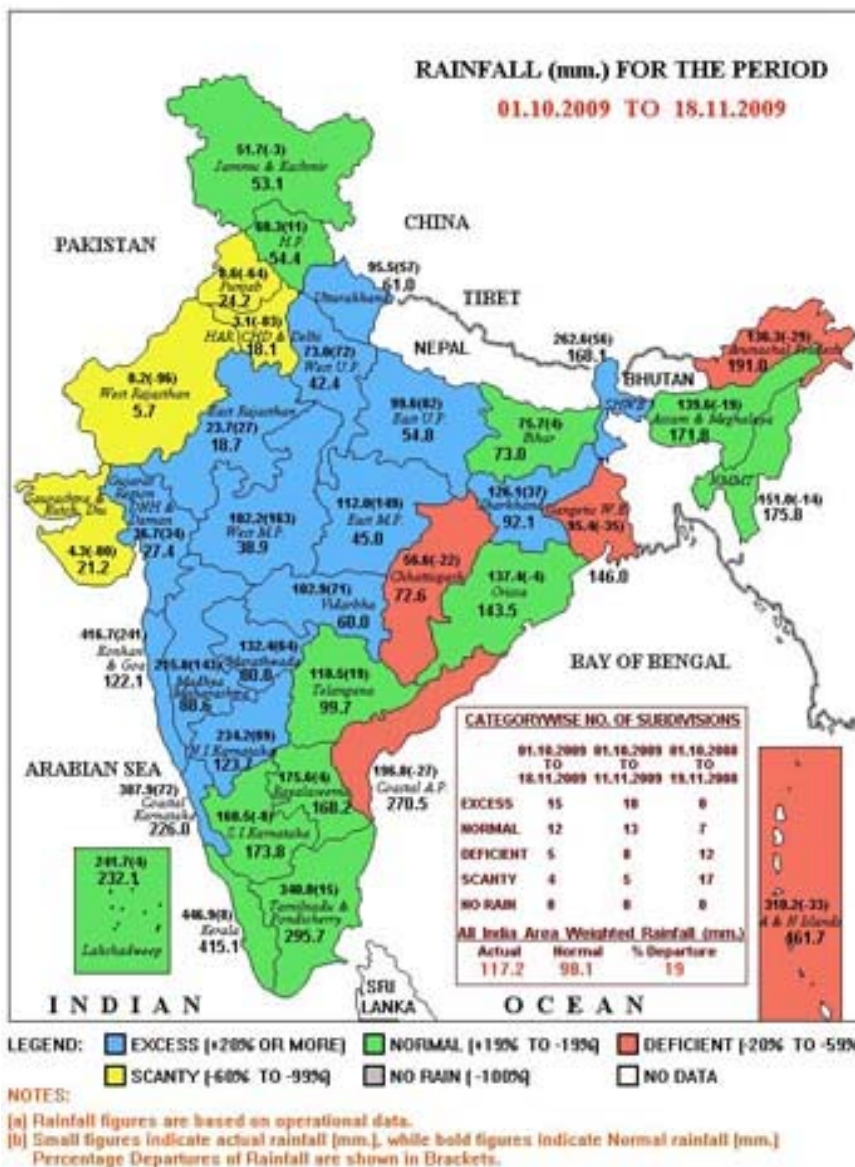
Overview of Indian Economy (Continued)



After a bad monsoon, saving grace was provided across much of the country by rains during the months of October and November. The figure below shows the rains during the period from 1 October 2009 to 18 November 2009.

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Overview of Indian Economy (Continued)



During the period from 1 October to 18 Nov. 2009, rainfall was excess in 15, normal in 12, deficient in 5 and scanty in 4 out of 36 meteorological sub-divisions. During the same period last year, rainfall was excess in 00, normal in 07, deficient in 12 and scanty in 17 sub-divisions.

Post-monsoon rains have done wonders for all rabi crops (sowing during November-December, harvesting during February-April). The damage caused by deficient rains during monsoon might get covered to some extent due to these rains.

(Source for data on monsoon – Indian Meteorological Department)

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Food Industry Overview

- The government has decided to continue a scheme that includes setting up new food testing laboratories as well as upgrading the existing ones with an allocation of Rs. 2.50 bio during the current Five Year Plan. The scheme's four components include research and development in the processed food sector, setting up and upgrading of quality control and food testing laboratories, implementation of Hazard Analysis and Critical Control Points (HACCP), ISO certifications and other safety management systems.
- India's economy is expected to grow between 5.2-5.8 per cent in 2009-10, much lower than last year as the agriculture output is estimated to decline significantly because of drought in 276 districts of the country, an industry paper has said. The GDP projections for the current fiscal made by the Federation of Indian Chambers of Commerce and Industry (FICCI) are far dismal than the estimates of 6 per cent by the Reserve Bank of India and 6.3 per cent by the Planning Commission.
- Confederation of Women Entrepreneurs is setting up a food park at Kucharam village in Medak district of Andhra Pradesh, which is expected to attract 100 companies in four-five clusters and investments to the tune of Rs. 2 bio.
- West Bengal government is likely to amend the Agriculture Produce Marketing Committee (APMC) Act of 1972 to guarantee better price realization to farmers. Once amended, it will allow self-help groups (SHGs) and corporates to procure farm produce directly from farmers. The state's APMC Act, which was last amended in 2003, is likely to undergo changes in this fiscal itself, official sources said.
- Indian Council of Agricultural Research is working on new crop varieties in rice and potato to cope with climate change. These varieties are not just expected to be flood or drought resistant; they are also expected to withstand rising carbon dioxide emissions without suffering metabolic changes.
- India's food industry is poised to grow by a huge 42.5 per cent to USD 258 bio by 2015 from the present USD 181 bio, throwing up opportunities for investments across the entire value chain, says a study. The study by FICCI-Ernst & Young said the per capita disposable income has increased by 8 per cent over the last five years. And "a large part of the increase in income will go towards expenditure on food".
- In the last one year, potato prices have gone up by over 104 per cent, sugar by 45 per cent, onions by 35 per cent, pulses by 23 per cent, rice by 13 per cent and milk 10 per cent. Processed food items, consumed mainly by the well-off, also shot up by 16 per cent on an annual basis. However, the headline inflation rate (Wholesale Price Index) has gone up by only 1.21 per cent. This masks the explosive surge in year-on-year inflation in food products, mainly due to low weights assigned to food articles in the WPI.
- India's summer-sown harvest may have fallen at least 10 per cent this year, setting the stage for large sugar imports, the country's first imports of rice in decades and record vegetable oil imports.
- Bihar government is focusing on food processing industry to achieve a "faster" and "all-inclusive" economic growth. Government of Bihar has recently approved a very liberal policy under which 35-40 per cent capital subsidy is available to individual units and special purpose vehicles.
- India and Australia have "ignited a sense of urgency" in resolving quarantine issues that affect trade in meat, dairy and horticulture products. According to Australian Minister for Agriculture, Fisheries and Forestry, both the nations have resolved to accord high priority to settle these issues that have been hanging fire for quite some years.

(Food Industry Overview continued on next page)

Food Industry Overview (Continued)

- Pro-biotic products could soon have to prove the legitimacy of health benefit claims. New guidelines could see pro-biotic food products being labeled with the kind of bacteria it uses and the number of bacteria used in the product. Companies may also be required to clinically prove health benefits before claiming their products provide certain specific health benefits.

Aquaculture

- Subsequent to the directive from Europe making it mandatory for all marine product exports to the EU to be accompanied by a catch certificate from a Government-authorized body from the beginning of next January, the Union Government has introduced the Marine Fisheries (Regulation and Management) Act in Parliament. The EU has become the biggest destination for Indian marine exports in recent years and today accounts for over 32 per cent of the country's total seafood exports.
- Setting at rest apprehensions over catch certification for seafood exports to the EU region, the Government is reported to have chosen the Marine Products Export Development Authority (MPEDA) as the nodal agency for implementing the certification process.
- According to Mr. Anwar Hashim, President of the Seafood Exporters Association of India, there is a sharp decline in catch along both the East and West coasts due to over fishing and pollution of the coastal waters.
- The share of value added products in total seafood exports from India is likely to double in the next few years after the sea freight assistance scheme by Marine Products Export Development Authority (MPEDA) is introduced, traders said. Currently, value added products constitute hardly 10 per cent in volume of the total exports which come to nearly 600,000 ton per annum.
- Lifting the ban on seafood imports from India imposed in June this year, Russia has granted a formal approval to 39 Indian seafood processing companies to export marine products to the country. The Federal Service for Veterinary and Phytosanitary Surveillance (FSVPS), the Russian agency that regulates imports of food products, has announced the list of companies getting the export permission. Seafood export to Russia had grown 110 per cent in 2008-09. Total exports were 4,500 tons valued at Rs. 350 mio in 2007-08, which went up to 9,400 tons valued at Rs. 1.15 bio in 2008-09.
- A comprehensive chart of fish species listed under the Negative List of the India-Asean Free Trade Agreement with details such as photographs of fishes, harmonized code, species name, common trade and local names, description of the species and significance of inclusion under the Negative List has been brought out by Prof Ramachandran, School of Industrial Fisheries of Cochin University of Science and Technology, for the benefit of the fishermen and trade. FTA has given protection for the livelihood of the Indian fishermen and fish producers at the grass-root level by including almost all major fish and fish products in the Negative list. The list also contains several dominant fishes not native to the Indian subcontinent as a measure to prevent such fishes and products from competing with Indian fishes in the local markets.
- The FAO estimates that aquaculture sector in the country grew by 2.5 per cent to 51.6 mio kg in 2008, accounting for 45 per cent of the global fish food supply. Global per-capita fish consumption remained stable at 16.9 kg with an almost equal contribution coming from local capture fisheries and aquaculture.
- Seafood exporters in Andhra Pradesh have decided not to purchase black tiger shrimp (aquaculture shrimp) from aqua farmers, who are not registered with the Coastal Aquaculture Authority of India or the Andhra Pradesh fisheries department. The move is aimed at meeting international standards.

Dairy, Meat & Poultry

- Hardening international prices may play spoiler in the National Dairy Development Board's plans to import up to 10,000 tons of skimmed milk powder (SMP) at five per cent duty under the tariff rate quota (TRQ) regime. The average price of whole milk powder at *globalDairyTrade* – the Internet-based sales platform of the world's largest dairy company, New Zealand's Fonterra – for September stood at USD 2,858 a ton. This is way above the average auction prices of USD 2,301 a ton for August and USD1,829 a ton for July. Even low-grade SMP from East Europe, which was available at USD1,600-1,800 a ton a couple of months ago, is now selling at USD2,300-2,400. "After adding freight, port handling charges and the five per cent Customs duty, the imported powder will cost at least Rs. 125 a kg, which is roughly the price of domestic powder now", industry sources noted.
- With global milk powder prices hitting a 15-month high, the overall dairy scenario has undergone a sudden change, significantly impacting the milk supply dynamics in India as well. For the current month, the average price of whole milk powder (WMP) in *globalDairyTrade* – the Internet-based sales platform of the world's No. 1 milk processor, Fonterra – stood at USD 3,437 a ton, ex-New Zealand ports. This is the highest level touched since the USD 3,705 a ton hit for August 2008 and an 88 per cent jump over the low of USD1,829 reached only four months back. The turnaround has been ascribed mainly to increased demand from food processors on the back of a general global economic recovery. How does all this affect India? For one, it virtually rules out any import options. During this calendar year, the country has so far imported around 20,000 tons of butter oil at landed prices starting at USD1,700-1,800 a ton. Today, the same oil from New Zealand is quoting at over USD 4700 a ton or Rs. 220 a kg, which, after including 30 per cent import duty and port handling charges, would be way above domestic ex-factory ghee prices of Rs. 240 to Rs. 270 a kg. Likewise with powder, where, only three months back, the National Dairy Development Board was planning to import 10,000 tons of SMP. In fact, the situation has now changed to make dairy exports feasible at the margin, more so for casein (milk protein).
- Dairy co-operatives have reiterated their demand for imposing a duty on de-oiled cake exports along with excise duty waiver on molasses used for manufacture of cattle-feed.
- A large Israeli infrastructure company, a part of the Elbit group, is planning an integrated dairy farm in Andhra Pradesh.
- Government of India has launched various projects to raise the country's milk production to 180 mio tons by 2021-22, according to the Union Minister of State for Agriculture.
- Chennai-based Hatsun Agro Product Ltd has expanded its presence into Maharashtra through a 'working tie-up' with a dairy unit there.
- French cheese-maker Fromageries Bel is in advanced talks with Parag Milk Foods Pvt Ltd for an alliance to produce and market its brands of cheese in India, according to market sources. Based at Manchar, around 60 km from Pune, Parag is a Rs. 5.40-bio company that makes and sells a range of cow milk-based products under its Govardhan brand. It is now ready to scale up with a new facility for the manufacture of cheese, set up with Rs. 800-mio investment. Here it will produce mozzarella, raw cheddar and seven offerings of premium processed cheese, under a new brand name 'Go'.
- Ahmedabad-based Havmor Icecream makers have come out with non-alcoholic whisky-flavored ice cream.
- Reliance Dairy Foods, the milk and other dairy products subsidiary of petrochemicals and refining major Reliance Industries, is looking for refrigerator space at mom and pop stores, in addition to vending from Reliance Retail stores. Reliance Retail is trying to lure customers with 10 per cent extra milk in every packet than that of its rivals for the same price.

Alcoholic Beverages

- France has said that the dispute with India over import duty on wines and spirits would be sorted out through discussions without approaching the WTO. The European Union had recently threatened to drag India to the WTO if taxes on wines and spirits imported from Europe are not slashed.
- The Delhi High Court has rejected a claim of exclusivity by global alcoholic giant Pernod Ricard over usage of the word 'Imperial', thus allowing other liquor makers to use it in their respective brands.
- Empee Distilleries Ltd, part of Empee Group, is planning to invest around Rs. 2 bio in various projects during the current fiscal. Besides, the company is also planning to re-enter into beer business. The company is setting up 60 KL per day grain based distillery project at Sanga Reddy District in Andhra Pradesh for which necessary land has been purchased and orders for the supply and erection of plant and machineries have been placed with Praj Industries.
- Stock 84, one of the leading brandy brands in Europe, made its debut in Kerala, the state being the first choice for brandy brands to open their account as it is the largest market for the spirit in India. Liquor shops in the state are called 'Brandy Shops'. This year, brandy is clocking 35 per cent rise in volumes in southern markets, where it sells mostly, even as rum is inching up slowly at 8 per cent.
- Cobra Beer founder Karan Bilimoria is on a drive to raise 4.5 mio GBP for his Indian business after partly selling the British arm in a pre-pack administration deal. Cobra Beer went into administration in May with debts of around 70 mio GBP owed to suppliers before Bilimoria sold 50.1 per cent of the shares to the North American company Molson Coors for 14 mio GBP.
- Directorate of Revenue Intelligence has started a probe into global drinks giant Diageo's India unit, with officials searching the company's corporate headquarters in Mumbai.
- Kals Distilleries Pvt Ltd has entered into an exclusive agreement with United Spirits Ltd to bottle a range of liquor brands. Kals Distilleries, a new entrant into the Indian Made Foreign Liquor (IMFL) business, has set up a liquor manufacturing unit with 16 bottling lines in Pudukottai, Tamil Nadu. Under the agreement, Kals will manufacture 16 brands of liquor for United Spirits with 15 of them being new brands in the market.

Non-alcoholic Beverages

- Sil has launched an all new fruit beverage. It is available in four flavors - Happily Appily, Orange Oye, Mango Fantasy and Fruit Fusion.
- Coca-Cola India will print calorie information on the front-pack labels of all its beverages from next year, in line with a move by its parent company, which is trying to avert a possible soft drink tax in the US. In India, labels will be put on all Coca-Cola beverages — aerated drinks Coca-Cola, Thums Up, Sprite, Limca, Fanta, juice drinks Maaza and Minute Maid and packaged water Kinley. All packs of Coca-Cola beverages — PET bottles, Tetra Pak cartons and cans — will be re-labeled with detailed nutritional information. Returnable glass bottles, however, have been exempted from the initiative, as it would involve technical complications.
- Soft drink makers PepsiCo and Coca-Cola are contemplating a price hike for the first time in three years, with soaring sugar prices and a 15-day stock cap on the sweetener denting their profitability.

(Non-alcoholic Beverages continued on next page)

Non-alcoholic Beverages (Continued)

- Indra Nooyi, the Chairman and Chief Executive of PepsiCo said that India is among the top three markets for the company. India is a small yet growing market for Pepsi and in the last quarter (July to September) its beverages business grew by 50 per cent over the same period last year.

Tea

- India's tea import bill has shot up by 46 per cent with Nepal, Vietnam and Argentina emerging as largest exporters during the January-July 2009 period. Indian tea industry is importing these teas, which are primarily meant for re-export, for maintaining a competitive advantage in the global markets. The country has imported teas worth Rs. 1.10 bio between January and July this year compared to Rs. 0.75 bio in the previous corresponding period. Import volumes have gone up to 13.2 mio kg in the first seven months of 2009, which was 10.3 mio kg in 2008.
- Tea production during April-August slipped 0.7 per cent to 595 mio kg against 599 mio kg last year. The bulk of the fall was registered from South Indian plantations. Assam registered a growth in production but plantations in West Bengal recorded a fall. All the major tea-producing States in the South – Tamil Nadu, Kerala and Karnataka – registered a fall in production from last year.
- India's tea exports in the period January to August in the current year has dwindled to 112.8 mio kg as compared to 130.7 mio kg in the corresponding period of the previous year. In value terms, however, the export has risen this year. The country exported tea worth close to Rs. 15.1881 bio till August this year and that compared with Rs. 14.2305 bio in the year-ago period despite a dip in volume.
- Production of tea in the first 8 months of this year stood at 595 mio kg, which is 5 mio kg lower than the production of 600 mio kg in the period January to August 2008.
- In order to set quality benchmark and attract global buyers to quality tea, the Assam government will initiate two-pronged certification measures. Under this method, tea gardens will be graded on the basis of manufacturing practices adopted and price realized at auction sale.
- With India having signed the free trade agreement with ASEAN countries, the country's tea plantations and tea industry would get more global and integrated into the international commodity trade.
- Hindustan Unilever has launched Lipton Clear Green, green tea variant in four flavors – jasmine, mint, citrus and pure. It will be available in teabags across India in major supermarkets.
- After having remained closed for about eight years, Chamurchi tea estate in Dooars, West Bengal, has reopened. Spread over an estimated 400 hectares, the garden had on its pay roll nearly 1,100 people at the time of closure.
- Kanan Devan Hills Plantations Company has launched a new tea brand. The product, Ripple is a blend of premium South Indian dust and North Assam teas and is directly positioned against the likes of 3 Roses of Hindustan Unilever, targeting the booming middle income group who are seeking quality dust grades.
- Kanan Devan Hill Plantations, India's first labour-owned plantation management company, is scouting for acquisition opportunities in North India.
- Dhunseri Tea & Industries Ltd is looking for suitable opportunities outside the country to acquire tea gardens.
- Glenworth Estate Ltd, which owns 450 hectares of the 148-year-old Glendale Estate in the Nilgiris, has launched two 'Tea Gift Boxes' as part of its contribution to the Indian tea industry's constant call for value-added marketing.

Coffee

- International Coffee Organization (ICO) has appealed to the producing countries to increase their productivity as coffee consumption has increased at appreciable levels in the past 10 years. Speaking at the India International Coffee Festival-2009 (IICF-2009) in Bangalore, ICO executive director Nestor Osorio said the annual world coffee consumption increased steadily at an average rate of 2.4 per cent from 2000 to 2008. In 2008, world coffee consumption stood at 130 mio bags against a production of 128.6 mio bags, he said.
- The growth of café culture is helping expand domestic coffee consumption. According to the Coffee Board, domestic coffee consumption during 2008-09 was 95,000 tons, up some 40,000 tons in the last seven years. "Coffee consumption in the country is increasing 5 per cent every year. Against this, global growth in consumption is only 2 per cent.
- Coffee consumption in India increased to 94,400 tons in 2008 from 18,400 tons in 1951.
- India's coffee exports fell 24 per cent in the first nine months of 2009 due to a domestic crop shortage and the economic downturn that hit traditional buyers. Total exports were 124,774 tons during the first nine months, compared with 164,093 tons in the year-ago period.
- India's coffee export earnings have fallen 20 per cent for the first seven months of the financial year 2009-10. Export earnings stood at Rs. 11.19 bio during April-October 2009, as against Rs. 14.04 bio during the corresponding period of the last fiscal. In volume terms, exports were down 16 per cent at 104,530 tons as compared to 124,155 tons in the corresponding months last year.
- The country's coffee exports declined by over 25 per cent to 2.53 mio bags in 2008-09 crop year, according to the International Coffee Organization.
- Crop year October 2008 to September 2009 has been one of the worst for the Indian coffee. The country, which exports more than 75 per cent of its coffee output witnessed a sharp decline of over 20 per cent in exports owing to poor demand in consuming countries following the global slowdown. In addition, the domestic coffee production was hit due to erratic rainfall.
- According to post-blossom estimates of the Coffee Board, output in coffee year 2009-10 will be around 3,06,300 tons, of which arabica output will be at 101,525 ton and robusta at 2,04,775 tons.
- India's coffee crop for the current coffee year (October-September) could see a potential 10-15 per cent drop on the back of heavy rains in August and September this year.
- India has a bright chance of becoming the fifth largest coffee producer in the world. Currently, it is placed in the sixth position.
- Coffee production in Kerala is projected to touch 59,000 tons in 2009-10. The production represents a slight increase from last year's output level of 57,000 tons.
- In an isolated move some progressive farmers in Himachal Pradesh keen to move out of the wheat and maize cycle are experimenting with coffee plantation. Rising domestic consumption and firming of coffee prices are seen as two key incentives for this move towards coffee plantation in the northern state.
- Italian coffee chain Lavazza has launched liqueur coffees in India and said it will expand its cafe outlets Barista as part of plans to clock Rs. 3 bio revenue from the country by next year. Lavazza, which is looking at closing the year with Rs. 2.20 bio revenue from India, plans to expand its Barista chain by adding another 20-25 outlets within the next few months with an investment of around Rs. 100-150 mio.
- Lavazza SpA is setting up a large roasting facility at Porur in Chennai to cater to its growing needs in the domestic market.

Food Service & Retailing

- India has once again ruled out the possibility of allowing international multi-brand retailers to enter the country saying it will stick to the current single-brand foreign investor model.
- Key players in the over Rs.15-bio branded food retail market in India are on an expansion overdrive. They're reaching out to more consumers by setting up shop in railway stations, airport or reducing prices of premium offerings.
- McDonalds plans to spend around Rs.4-5 bio over the next three-years to open 120 restaurants. McDonalds in India currently runs a total of 170 quick service restaurants (QSR).
- Ravi Jaipuria-owned Devyani International (DIL) has inked a 60:40 joint venture with GMR to set up multiple food retail outlets at the Delhi International Airport. The details of the JV are still being worked out. DIL, which is the Indian franchisee of global food retail chains Pizza Hut, KFC and coffee chain Costa Coffee, is also venturing into the restaurant retail chain space under its own brands.
- NRI promoted fast food chain ChickKing Fried Chicken is planning to open 200 global outlets, including 100 in India, by 2012 with a Rs.2 bio investment.
- Kentucky Fried Chicken fast-food restaurant, joins the growing number of foods and beverages companies that have put calorie counts on their labels. The move would be kicked off within three months in India.
- Wal-Mart Stores Inc plans to open 40 more cash and carry stores in the country.
- Bambino, one of the largest producer of vermicelli, has announced it has tied up with Domino's Pizza for pasta distribution through the latter's international chain of restaurants.
- In what could prove to be a breather for the troubled retail chain Subhiksha, the Supreme Court has granted a stay over cases pending against it at the Madras High Court. The apex court has stayed a merger petition of the retail entity with Madras Stock Exchange-listed NBFC Blue Green Constructions and Investments and a host of winding up petitions pending against it, including those by Kotak Mahindra Bank and HCL Infosystems and Adlab Films. Subhiksha owes upwards of Rs.8 bio to 13 banks.

Snacks

- Chocolate companies are under pressure to raise the product costs with cocoa bean prices showing no signs of letup. The prices of dry cocoa beans are ruling in the range of Rs. 130 to 135 per kg in Kerala, the largest cocoa producing state in the country. A year ago the prices hovered between Rs. 110 to 115 per kg.
- Parle-G, the country's largest selling biscuit brand, and other glucose biscuits are fast losing their market share to premium products, to the delight of companies such as Parle, Britannia Industries and ITC. The three largest biscuit makers have started reworking their sales mix in favor of the more premium categories that offer higher profit margins as the prospering Indian consumer develops an appetite for cookies and cream biscuits. Experts say the share of glucose biscuits – accounting for more than half of the Rs. 95-bio organized biscuit market in India — has been decreasing 2-3 per cent a year for the last three-four years.
- Kochi-based Grove Ltd, a snacks food company, has introduced a range of flavored savories such as banana and cassava (tapioca) chips and mixed and premium nuts.

(Snacks continued on next page)

Snacks (Continued)

- East West Ethnic Foods, the company that owns the Kaati Zone brand had kicked off its first outlet in Bangalore almost five years ago. The company is planning to go national now. *Kaati* roll or *paratha* roll is a popular street food in many cities of India.
- Agro Tech Foods Ltd, an affiliate of ConAgra Foods, has announced the launch of 'Sundrop Snack Break' – a sweet snack. This marks the company's entry into the shelf-stable pudding category.
- Britannia Industries Ltd, the biscuits major has launched small packs of biscuits, priced Rs. 5, in transparent jars. The small-pack strategy is paying off big for the company and is tracking to be a Rs. 2.5-3.0 bio business this year.
- Del Monte has launched corn kernels with ready-to-add seasonings. The seasoning is available in three flavors – Green Chutney, Tomato Salsa and Oriental Chilli Garlic.
- With an eye on growing the chocolate market in the country, Cadbury's India has launched a new variant of its coated wafer chocolate Perk. Although priced at Rs. 5 as before, the new variant comes with 50 per cent more grams, making it a value-for-money proposition.
- Nestle India has launched a new range of instant pasta products. 'Maggi Nutri-Licious Pazzta' has been launched in two flavors.

Culinary Items

- Yakult Danone India, which markets the probiotic drink Yakult, hopes to increase sales tenfold by 2011. The company, a joint venture between Yakult Honsha of Japan and Groupe Danone of France, is expanding its business in the country.
- Hindustan Unilever is under government lens for making tall claims on its malted beverage 'Kissan Amaze' by declaring that it gives 33 per cent key brain nutrients required by children daily. The multinational's claims are being investigated by a committee set up by the Food Safety and Standards Authority.
- Britannia Industries Ltd, has launched 'Actimind' health drink. The milk-based health drink has, the company says, seven active nutrients which improve mental sharpness and help children stay alert for long periods.
- Basmati rice brand Kohinoor announced its entry into the ready-to-eat foods market with the launch of its range of India dishes. The new range is branded "India on Platter" and offers 16 varieties of dishes including different curries, rice dishes and desserts.
- Dabur India has launched its culinary brand 'Hommade' in an all new packaging, revamping the entire category. The new look reportedly complies with premium, international standards of packaging. The shelf life of ginger, garlic and ginger-garlic pastes has been increased from nine months to 12 months.
- Heinz, the makers of the energy drink Complian, has introduced its new product - Complian Family. The new product, promising nutrition and good health for every member of the family, is specially created in two variants such as Delicious Malt and Lite for adults aged 13 years and above.
- Horlicks is for the first time tapping the bottom-of-the-pyramid with a new sub-brand – Horlicks Asha. While the Rs. 10-bio-plus health food drink brand from GlaxoSmithKline Consumer Healthcare has undergone category segmentation at various levels, this is for the first time that Horlicks is gunning for the price-sensitive, mass consumer. Priced about 40 per cent cheaper than the mainstream brand, Horlicks Asha is being test-marketed in pockets of Andhra Pradesh.

Sugar

- Lower area and drought will see India, the world's top consumer and the biggest producer of sugar after Brazil, fall severely short of domestic consumption for a second straight year in 2009-10, a Reuters poll showed. The poll of 10 respondents, including Indian millers and commodity brokerages, forecast an average estimate of 15.3 mio ton for the sugar year, a little more than last year's output of 15 mio ton, and much below 2007-08's 26.3 mio ton.
- The Centre hiked the levy sugar quota for sugar mills from the current 10 per cent (of the total output) to 20 per cent for the new 2009-10 sugar year starting October 1. Levy sugar is that portion of sugar production that the government takes away from mills at lower than market prices for supplying to the public distribution system.
- Sugarcane acreages for 2009-10 season (October-September) across all the major sugar producing States are either down or showing a marginal increase over 2008-09, according to industry representatives.
- India has extended tax-free white sugar imports until December 2010. India, the world's top consumer of sugar, has permitted duty-free imports of raws and whites to help improve supplies to tide over a shortage.
- The government is planning to raise the cap on duty-free refined sugar import by one mio tons once the current limit is exhausted, to prevent upward spiral of domestic prices triggered by supply concern.
- India, the world's largest sugar consuming nation, may import a record of six mio ton in the 2009-10 season due to a sharp dip in domestic production, the US Department of Agriculture (USDA) said in a report.
- India imported 2.518 mio tons of sugar during the 2008-09 season to augment domestic supply.
- India's biggest sugar refiner Shree Renuka Sugars Ltd said that it had acquired Brazilian sugar and ethanol producer Vale Do Ivaí S.A. Acucar E Alcool for USD 82 mio. The acquisition includes two sugar and ethanol production facilities with a cane crushing capacity of 3.1 mio tons per annum.
- With their crushing capacities far outstripping sugarcane availability and growers moving to more remunerative crops, northern sugar mills are seeking to promote inter-cropping alternatives to retain farmer interest in cane.
- Late rains in sugarcane rich western and central parts of Maharashtra could push up sugar production during the current crushing season to around 4.8 mio tons as against an earlier estimate of around 4.3 mio tons.
- Punjab Government has fixed the State Assured Price (SAP) of advanced, medium and late variety of Sugarcane at Rs. 200, Rs. 195 and Rs. 190 per quintal for the crushing season of 2010-11.
- Sugarcane production in Haryana is expected to fall to around 49 mio quintals in 2009-10 (October-September), around 4.5 per cent less than last year, maintaining a trend that started two years back as farmers shifted from cane to more remunerative crops like wheat and paddy.
- Sugar production in Uttar Pradesh is likely to decline marginally at nearly 4 mio tons as the sugarcane area is estimated to have dipped by 17 per cent in 2009-10 season with more farmers switching to other crops.

(Sugar continued on next page)

Sugar (Continued)

- Sugar mill representatives and farmers have welcomed the Centre amending the Sugarcane (Control) Order 1966 to enable a “fair and remunerative price” (FRP) and doing away with the multiple system of Statutory Minimum Price (SMP), State Advised Price (SAP) and additional price for sugarcane.
- The government today approved a remunerative price of Rs. 129.84 for a quintal of sugarcane during the 2009-10 season, beginning this month. The sugarcane price will be uniformly applicable to all the states and will replace the statutory minimum price of Rs. 107.76 a quintal, declared in June this year. (30 Oct)
- Sugar millers in Uttar Pradesh are believed to have agreed to pay sugarcane farmers about Rs. 180 a quintal for buying their produce that may allow early resumption of sugar production. Though the price offered by the millers is higher than the centre’s Fair and Remunerative price (FRP) of Rs. 129 and the State Advised Price (SAP) of Rs. 160-170, it is much lower than the Rs. 280 a quintal that farmers have been demanding.
- With millers still finding it difficult to get enough sugar cane for crushing, the Uttar Pradesh Sugar Mills Association has decided to increase the incentive offered to farmers from Rs. 15 to Rs. 25 taking the effective price of cane to Rs. 190/quintal.
- The recent omission of Section 5A from the Sugarcane (Control) Order has come under severe criticism from the sugarcane growers in the country. The farmers feel their rights have been curtailed by the amendment. According to the earlier regulation, mills had to pay an advance amount mutually agreed between the mill and farmers at the beginning of the crushing season and share their profits with farmers after drawing a final balance sheet at the end of the season. With this, they were getting little extra and above the SMP.
- The government on 20 Nov. said it would amend a new sugarcane pricing rule, bowing to protests held in the capital by farmers demanding higher prices for their produce.
- The Centre’s decision to scrap the newly introduced Clause 3B of the Sugarcane Control Order, 1966 has reduced the so-called fair and remunerative price (FRP) for cane to a virtual dead letter for sugar mills.
- Sugarcane farmers in Uttar Pradesh (UP) are up in arms against the ‘forcible closure’ of *kolhus* (jaggery-making units) by district authorities in some parts of the State.
- Simbhaoli Sugars, the country’s second largest sugar refiner, is planning to introduce new hybrid variety of sugarcane which has a potential to increase yield by 20 per cent and improve recovery by at least 0.5 per cent.
- E.I.D.-Parry (India) Ltd has acquired a 76 per cent stake in Sadashiva Sugars Ltd, a company promoted by the Ugar Group of Karnataka, for a consideration of about Rs. 500 mio.
- Dharani Sugars and Chemicals Ltd is set to complete its Rs. 3.35-bio integrated sugar mill complex with the launch of a 100 kilolitre a day (klpd) distillery.

Oils

- The gap between demand and supply of edible oils is expected to widen to over 8.1 mio tons in the country by 2020 from the present 4.71 mio tons as its consumption is increasing at a brisk pace, says a study. The situation might aggravate further if the country fails to maintain the growth in domestic vegetable oil production, the study by Assocham said.
- For the first time, India has a carryover stock of soybean for the next season. According to industry estimates, the country has more than 800,000 tons of soybean for the season beginning October. Farmers, crushers and other market participants held stocks in anticipation of higher realization.
- Estimated national production of soybean during this year (October 2009-September 2010) would be 9.72 mio tons, compared with that of 10.82 mio tons in the last season, Indore-based Soybean Processors Association said.
- Oilmeal exports fell by 51 per cent in the first half of the current financial year due to weak demand and lower crushing and processing by local mills. According to data compiled by the Solvent Extractors Association (SEA), the premier industry body, oilmeal exports slumped to 1.23 mio tons between April and September 2009, as compared to 2.53 mio tons in the corresponding period last year.
- The country's vegetable oil import has touched a record 8.66 mio tons in the 2008-09 oil year ending October, as zero import duty and a sliding dollar boosted shipments amid rising demand. A feature of this is rising shipments of RBD (refined, bleached and deodorized) palmolein. Import of RBD palmolein is rising very fast as the effective import duty is low.
- India's vegetable oil imports are likely to rise by at least Rs. 20 bio to Rs. 270 bio this year (November 2008 –October 2009), as traders take advantage of a low-duty regime to pile up "cheaper" products from overseas.
- Oilseed output is estimated to decline 9 per cent during the current kharif harvesting season (September/October) due to a decline in acreage and low yield. Drought in the kharif sowing season followed by floods during the flowering period led to a 5 per cent fall in the acreage.
- The availability of groundnut oil during the current year is estimated to decline 60 per cent due to low production and increased use of the commodity for purposes other than producing edible oil. However, this may not affect the prices as stocks of other edible oils such as palm, soy, and cotton are sufficient.
- Oilmeal exports doubled in October on renewed demand from Asian markets and higher availability from domestic crushing mills. According to data compiled by the Solvent Extractors' Association (SEA), oilmeal shipment rose sharply by 102 per cent to 309,886 tons in October as against 153,436 tons in the corresponding month last year.

Food Additives

- An unusually hot weather during October in Rajasthan is likely to affect the production of guar crop this year.
- An ever-increasing demand and a drop in yield, due to unfavorable weather conditions, by an estimated 10-20 per cent in already deficient cocoa production in the country, is expected to push up its prices this year. The output in Kerala, which produces around 60 per cent of cocoa in the country, is estimated to be less by around 1,000 tons. The production in the State last year was estimated at 6,200 tons, while that of Tamil Nadu was 2,800 tons, Karnataka 250 tons and Andhra Pradesh 1,650 tons. The total production was estimated at 10,900 tons, and is likely to be somewhere around 10,000 tons this year.
- Vanilla production in the country, which has been on the slide in the last few years, is set to drop further this year following fungus attack and the general disinterest shown by the farmers to maintain cultivation in the absence of remunerative prices.

Spices & Flavors

- Less demand for big volume spices like chilli, pepper and mint products has impacted spices exports from India, which has decreased by almost 5 per cent in volume and value during the first half of the current fiscal. Dollar realization has plummeted by 17 per cent to USD 519.72 mio from USD 624.15 mio during the first half of the last fiscal. According to data released by the state-run Spices Board, volume has shrunk 5.6 per cent to 239,300 tons during April-September 2009-10 from 253,550 tons during the same period of the last fiscal. Meanwhile, value of spices exported has decreased 5 per cent in rupee terms to Rs. 25.2586 bio as against Rs. 26.6075 bio during April-September 2008-09.
- Manjilas Double Horse Brand has entered the masala powder segment with the launch of 10 masala (spices) variants and five condiments in its product portfolio.
- Shortfall in Chinese chilli crop is likely to add fuel to the domestic markets and help in better exports.
- Indian Institute of Spices Research (IISR) has released new varieties of black pepper for cultivation. These include IISR Thevam, IISR Malabar Excel, IISR Girimunda and IISR Sakthi. Of them, IISR Thevam is specially suited for high altitude regions of South India and is field-tolerant to foot rot disease. It is ideal as an intercrop in coffee and tea plantations under rain-fed cultivation.
- IISR has released two ginger varieties, IISR Rejatha and IISR Mahima, for cultivation in Kerala and two high-yielding turmeric varieties, IISR Kedaram and IISR Alleppey, which are recommended for all turmeric growing tracts of the country.

Foodgrains

- The worst recorded South-West monsoon since 1972 has taken a heavy toll this year's kharif crop, with rice and sugarcane being the most prominent casualties.
- The government's rice procurement in the 2009-10 *kharif* (harvesting in October-November) marketing season beginning October is likely to be lower than the target by around 20 per cent. The total procurement is expected at 27 mio tons as compared with the food ministry's target of 29.4 mio tons. Procurement in 2008-09 was at a record 33.3 mio tons.
- Exports of Pusa 1121 basmati rice variety could go up to 1.3 mio tons this fiscal year from around 1 mio tons exported last year.
- A reduction in exports from India and possible imports to the tune of two mio tons plus is unlikely to spark another global food crisis. The UN Food and Agriculture Organization (FAO) has said that drought in India may slash rice output in the world's second-largest grower by about 18 per cent this year, cutting global supplies available for importers.
- The overall rice production in the country is likely to decline by around 12 mio tons to 87 mio tons during the current kharif season. In the same season last year, the rice production stood at 99 mio tons.
- The government has scrapped its rice import duty after severe weather hit output, raising the prospect that the world's second-biggest rice consumer could flip over to become a net importer. Government sources said the 70 percent import tax had been scrapped until September next year, the end of the 2009/10 marketing year, as the worst monsoon in 37 years hit sowing and subsequent floods damaged the crop in some regions. India is likely to consume about 90 mio tons in 2009/10, leaving a gap of about 8 mio tons, but part of the deficit would be bridged from surplus stocks after bumper harvests in the last two years.
- The export price of basmati rice might come down by 40-50 per cent this year due to higher production and better supply of the Pusa 1121 variety rice, according to Mr. Gurnam Arora, Joint Managing Director of Kohinoor Foods Ltd. Pusa 1121 will account for almost 50 per cent of the total basmati production of five mio tons this year, he said.
- Iran's Ministry of Health and Medical Education has certified Indian rice as safe for human consumption. This comes more than a month after Institute of Standards and Industrial Research of Iran – the Islamic republic's products standards-setting authority – reportedly detected high levels of arsenic, cadmium and lead in rice shipments from India.
- Saudi Arabia, the country's biggest buyer of traditional basmati, is feeling the pinch of financial downturn and consequently, is set to abruptly withdraw import subsidy of USD 267/ton from November 29 on the contention that exporters mainly benefited from it so far. A directive issued by the Saudi consumer affairs department to their importers has, to boot, also made it mandatory for them to not hike consumer prices from last year's level of only USD 1350 / ton, at least for six months, notwithstanding high expectations of export price realization this year by Indian exporters.
- Indian scientists claim to have developed a rice variety that requires no cooking, only soaking in water. The rice variety developed at the government-run Central Rice Research Institute (CRR) at Cuttack in Orissa is characterized by low amylase content and becomes soft on soaking in water. The new variety, named Aghanibora, tested by the institute is of 145 days duration with a yield of 4-4.5 tons per hectare and is at par with the currently grown rice varieties in the country.

(Foodgrains continued on next page)

Foodgrains (Continued)

- To ward off any spike in prices of wheat because of fears of low kharif foodgrain output and floods in several parts of Andhra Pradesh, Karnataka and Maharashtra, the central government has decided to sell 1 mio ton of wheat from its reserves under the open market sale scheme. This is part of an earlier government plan to sell around 3 mio ton of wheat in the open market from October 2009 to March 2010.
- India's wheat carryover stock may rise 140 per cent in the next financial year on favorable climate leading to a near bumper crop estimates during the ensuing rabi season.
- Roller flour mills in South India have begun importing wheat from Australia despite stiff plant quarantine and phyto-sanitary norms. A couple of consignments have arrived and the premium the mills have to pay for sellers to meet the requirements has begun to drop.
- Indian importers have bought small volumes of Australian wheat in recent weeks, the first such purchases in two years, but bulk purchases are unlikely as stockpiles amount to nearly 3 times reserve targets.
- The government said prices of pulses had surged by up to 80 per cent in the national capital over the last one year. Even import of about 1.6 mio tons of pulses between April and October has not eased pressure on the prices, the data showed.
- Production of pulses and oilseeds could be affected adversely as crops in at least 300,000 hectares of area have been hit by floods in Karnataka and Andhra Pradesh and heavy rains in Maharashtra.
- Agri processing company Usher Agro Ltd is planning to expand paddy milling capacity at Mathura, Uttar Pradesh, from the existing 200,000 tons to 500,000 tons at an investment of Rs. 800 mio. The plant also has wheat grinding capacity of 80,000 tons per annum.
- Heavy rains in southern states have washed away the hopes of a bumper maize crop this year. According to market sources, about 100,000 tons of maize has been lost due to excess rain.
- A decline in the overseas demand for barley and higher production in the country have put the coarse grain commodity under pressure. The barley market is continuously facing low demand from the domestic market too, which has resulted in a 20 per cent drop in its prices this season.

Fruits & Vegetables

- It looks like India is emerging as the global consumer No.1 of cashewnut beating the US. The ratio of export-domestic cashewnut consumption, which once stood at 60:40, has now reached 40:60. The domestic market of cashew nuts has seen a robust growth across the board in the recent past. The market has been growing at an annual average growth rate of 15 per cent in the last decade.
- Mainly on account of the global economic recession, there was a four per cent decrease in cashew kernels exported at 109,523 tons valued at Rs. 29.884 bio last year. The total foreign exchange earned through export of cashew kernels, cashew nut shell liquid and allied products last year was USD 656 mio or Rs. 30.14 bio. The American zone accounted for 34 per cent of the exports, followed by Europe with 30 per cent, West Asia with 25 per cent, South and Far East contributing eight per cent each and Oceania two per cent.
- Even as cashew exports picked up in October on a decline in unit value and rise in demand probably due to the winter months, the total shipments during April-October 2009 fell by 7.6 per cent from that of the same period last fiscal.

(Fruits and Vegetables continued on next page)

Fruits & Vegetables (Continued)

- Coco Freshco Cart, a tender coconut water dispenser made of fibreglass and stainless steel was displayed at the 2nd Agro Protech Expo in Kolkata. The cart can store up to 100 coconuts and comes with an inbuilt piercer to pierce the nut. The cart has been designed and manufactured by Fruit Hut Beverages, a Hyderabad-based company. It is priced at Rs. 22,000.
- India has the distinction of being the world's largest banana producer – about 15-16 mio tons (a fourth of global output). In 2006-07 banana was cultivated on nearly 460,000 hectares and production was at a record 15.9 mio tons with an average yield of a little over 34 tons a hectare.
- Demand for Indian onion in overseas markets have been hit by exports by Pakistan with the outbound shipment of the farm item from India declining by about 29 per cent in September. India's onion export in September fell to 94,836 tons against 134,040 tons a year earlier.
- The minimum export price for onion has been raised by USD145 to an average of USD445-450 a ton for November against USD 300 for October. The decision to raise the MEP sharply has been taken to discourage massive export, as prices in domestic markets have spiraled upward. The MEP was USD 185 in July.
- Onion output may touch last year's level of about 8 mio tons despite floods and drought in this kharif season, easing pressure on prices, which have risen up to 65 per cent in the last one month.
- After a production decline of 40 per cent last year on the back of drought, garlic acreage in the country is expected to be substantially higher this year. The area under garlic and its production in Madhya Pradesh, which accounts for a third of the country's total garlic production, had declined by 65 per cent in 2008-09 due to inadequate rains. In 2007-08, MP produced about 360,000 tons of garlic of the total production of 0.92 mio tons in the country.
- Kerala State Horticulture Mission has significantly enhanced the area under cultivation of pineapple in Kerala this year. The area under pineapple cultivation in the State has been increased by 30 per cent. In Kerala, pineapple was cultivated in an area of 12,486 hectares with a production of 1,02,449 tons in 2006-07. The area and production has gone up substantially since then.
- In some parts of Kerala, farmers have to part with coconut for as low as Rs. 2 per nut, while eggs sell distinctly higher.
- Himachal Pradesh has witnessed one of the lowest apple-producing seasons this year. Harvest is expected to settle at around 12.5 mio boxes this year, less than half of last year's 26 mio boxes.
- Pomegranate exports from Karnataka have hit an all-time low of 1,865 tons during 2008-09, a drop of 41 per cent compared to previous fiscal. The state, which had seen a peak export of 30,000 tons in 2004-05, has been witnessing drop in both production and exports since then due to the attack of devastating bacterial blight disease (BBD) in all the growing areas of the state.
- Coconut production in the country has recorded a drop of almost seven per cent for 2007-08. It is after a gap of nearly five years that coconut production is showing a dip. The production has dropped to 14,743 mio nuts from an all-time-high of 15,840 mio nuts in 2006-07. Both Kerala and Tamil Nadu have recorded a decline in production and productivity.

Biotech

- Indian biotechnology regulator Genetic Engineering Approval Committee has given its green signal to the environmental release of Bt brinjal, the first genetically modified food crop to be allowed in the country. However, the Government is said to have reserved its opinion on allowing Bt brinjal against the backdrop of the controversy over commercially allowing a GM food product and the impact it could have on the health of people.

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