



# IndiaLive

LIVESTOCK, DAIRY, MEAT, POULTRY & AQUACULTURE DIGEST

October / November 2012



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**Anil Chawla Law Associates LLP**

MF-104, Ajay Tower, E5/1 (Comm.)  
Arera Colony, Bhopal – 462 016, India

[info@hindustanstudies.com](mailto:info@hindustanstudies.com) [yogita@hindustanstudies.com](mailto:yogita@hindustanstudies.com)

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## *Food Industry Overview*

- The economy will turn the corner in the next six months as the deceleration of the past several quarters has been arrested, Planning Commission Deputy Chairman Montek Singh Ahluwalia said. Confident of better GDP numbers in the second half, Montek said: "In the first six months of the current year, GDP growth is around 5.5 per cent...and I think the second half will be better. Somewhere around 6 (per cent) is a reasonable basis to start working from. It could be a little better, it could be a little worse."
- India's business climate seems to be improving as latest trends, especially in demand for goods and services, indicate early signs of revival, according to a report. The BluFin Business Cycle Indicator (BCI) — that reflects various macroeconomic trends on a monthly basis — rose to 160.3 in October 2012, higher than 157.4 recorded in September. This is the third consecutive monthly growth.
- All India Consumer price index based inflation for September grew 9.73 per cent, lower than the 10.03 per cent in August.
- Centre for Monitoring Indian Economy (CMIE) has lowered its growth forecast to 6 per cent, from 6.2 per cent projected earlier, for this fiscal, owing to the delay in recovery in industrial sector and the fall in mining, manufacturing and construction segments. The real GDP growth in the second quarter will be the same as in Q1, 5.5 per cent, while the third quarter is expected to show some improvement at 5.9 per cent.
- Rating agency Moody's today said Indian economy is expected to have grown by little more than 5.5 per cent in last quarter, and an initial spike in investor sentiment after recent reforms has faded and the "reality of India's deep-seated structural problems" has begun to set in.
- As Western sanctions squeeze Iran and its currency tumbles, the country's energy minister wooed Indian businesses for more investment and trade. Majid Namjoo told a meeting of Indian business leaders that huge business opportunities exist with Iran's private sector, which remains largely unaffected by sanctions imposed by the United States and the European Union. In February 2012, Iran and India reached an agreement under which India would pay for 45 percent of the oil in Indian rupees, with the rest to be settled through a barter arrangement in goods and services.
- India-Egypt trade has witnessed a healthy increase of 33 per cent from USD 3.2 bio to USD 4.2 bio during the last fiscal, according to official trade figures. India's exports to Egypt during the last one year increased by 29.36 per cent, rising from USD 1.5 bio to USD 1.94 bio. India's imports during the same period grew 36.41 per cent from USD 1.7 bio to USD 2.3 bio. India is now Egypt's seventh largest trading partner. New Delhi's steep increase in imports has made it the second largest destination for Egypt's exports after Italy. India is placed 11th in terms of Egypt's imports.
- India will allow Pakistani products to enter its markets at a maximum duty of 5 per cent by April 2013 while Pakistan is expected to put in place similar arrangements in the next five years, Indian high commissioner Sharat Sabharwal has said. India and Pakistan have agreed on a maximum duty of 5 per cent for trade between the two sides,

(Food Industry Overview continued on next page)

## *Food Industry Overview (Continued)*

- Bilateral trade between India and the US is expected to touch USD 100 bio in the coming years on increasing economic engagement between the countries, a senior US official has said. In 2011-12, the bilateral trade between the countries stood at about USD 60 bio.
- Australian Prime Minister Julia Gillard has said that India and Australia have targeted doubling bilateral trade to USD40 bio by 2015 as both are embracing changes that was propelling growth. Bilateral trade currently stands at USD21 bio with the balance in Australia's favour. "In recent years, our economic relationship has grown stronger. Two-way trade has grown at 13 per cent per annum in the past five years. Indian investment approvals in Australia grew last year alone to over USD11 bio. This is a one hundred fold increase from about ten years ago", Gillard added.
- India and Spain have signed a protocol for amending the over 19-year old double taxation avoidance pact, a move aimed at checking tax evasion. The two countries had signed the agreement for avoidance of double taxation and prevention of fiscal evasion on February 8, 1993 in New Delhi.
- India today exuded confidence of achieving the USD100-bio bilateral trade target set with China by 2015 and hoped the issue of New Delhi's widening trade deficit with Beijing will be addressed. In 2011-12, the bilateral trade between the two countries stood at USD 75.45 bio. While India's exports were at USD 17.90 bio, imports stood at USD 57.55 bio. Thus, the trade deficit between the two nations stood at USD 39.65 bio in favour of China. More than 200 Indian companies are currently present in China. These companies apart from tapping the domestic market have been using China as their base to produce for other markets.
- New areas of engagement and ways to expand bilateral trade relations were discussed at the India-Mauritius Business Round Table held at the island nation which is the top source of foreign direct investment in India. Mauritius is the top source of Foreign Direct Investment in India, accounting for nearly 45 per cent of the total foreign investment.
- India and South Korea discussed the possibility of revising the double taxation avoidance convention (DTAC) at a high-level meeting between Finance Minister P. Chidambaram and his counterpart Jaewan Bahk.
- India is moving forward in signing free trade agreements with the European Union and the Association of South East Asian Nations (Asean), although the two agreements are unlikely to be inked right away, a senior official of the Ministry of External Affairs said.
- The Supreme Court has refused to stay the Centre's decision to allow Foreign Direct Investment (FDI) in retail sector.
- Following the relaxation of FDI norms in retail, India is expected to see an investment of over Rs. 400 bio in multi-brand segment and the organized market is likely to grow to Rs. 4,800 bio by 2016-17, a report said. According to a joint report by industry chamber Assocham and private sector lender Yes Bank, major foreign players are now expected to create positive atmosphere for farmers, suppliers, consumers, economy and the enterprise itself.

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## *Food Industry Overview (Continued)*

- India is likely to attract foreign direct investment (FDI) to the tune of USD 2.5-3 bio in the next five years if the decision to allow 51 percent foreign stake in multi-brand retail is implemented, a top official of rating agency Crisil said. But the entry of foreign players would not increase the market share of organized retail drastically, he added. "Presently, organized retail consists of around 7 per cent of the total retail. It will possibly increase to around 10 per cent by 2016-17, which is still a very small share of the total market."
- The government is planning to revamp its existing schemes of food parks to promote food processing industries in the country. It plans to remove restrictions over the number of food parks and cold chains inviting more entrepreneurs interested in setting up food parks and cold chains. The ministry proposes to run two parallel schemes in the 12th Five-Year plan (2012-2017), one for food parks spread over 50 acres and other for 30-acre parks. The government is likely to allocate of Rs. 140 bio for ministry of food processing industries in the 12th Five-year plan with a significant amount for the development of food parks. "We will reduce the subsidy amount and split it into capital subsidy and interest subsidy. At present we are giving a subsidy up to 50 per cent of the project cost to the maximum of Rs. 500 mio for food parks and Rs. 100 mio for cold chains", an official said.

## *Dairy*

- India's milk production is estimated to rise by 5 per cent to 129 mio tons in the current calendar year on account of strong prices and growing demand, United States Department of Agriculture (USDA) said. The country had produced 123 mio tons of milk in 2011. India produces approximately 17 per cent of the world's total dairy production and consumes virtually all of this.
- Non-fat Dairy Milk (NFDM) stocks grew significantly in 2012 as output rose in response to remunerative prices and the government's prohibition on milk powder exports. The government had imposed a ban on export of skimmed milk powder (SMP) in February 2011 due to rising prices of milk but had removed the ban in June 2012. The Current Year 2012 production estimate for NFDM remains unchanged at 450,000 tons. According to government data, India, the world's largest producer of milk, had produced about 127 mio tons of milk in the 2011-12 fiscal.
- India's milk production, highest in the world, is estimated to touch a record 135.5 mio tons in 2013 (5 per cent more than 2012) on firming domestic demand and better prices, a study by USDA said. Similarly, production of butter and ghee is estimated to increase by 5 per cent to 4.75 mio tons in 2013. While fluid milk production is expected to continue increasing in 2013, production of non-fat dry milk is only expected to face marginal increases due to large stocks carried over from this year. India has experienced strong growth in demand for dairy products, which is estimated to be 6-8 per cent annually, approximately twice the growth rate of supply. Given Indians' preference for dairy over other proteins and rising dairy prices, the sector is attracting new public and private sector investment. About 30 per cent of Indian dairy production is handled by the organized sector and 70 per cent by the unorganized sector.

(Dairy continued on next page)

## *Dairy (Continued)*

- Nestle India has opened its 2nd unit costing about Rs. 6 bio at Samalkha in district Panipat, Haryana.
- Amul's new processing plant with an investment of Rs. 4.50 bio was inaugurated at Dhuruhera in Haryana with a capacity of 3 mio litres per day. It will help meet growing demand of Delhi-NCR market. Its all-India capacity has increased to 17 mio litres per day. GCMMF, which has 17 district unions and 3.18 mio members, had sales turnover of Rs. 116.68 bio in 2011-12 fiscal.
- After commissioning three mio litres per day (LPD) milk plant by Dudhsagar Dairy in Haryana, another member of Gujarat Co-operative Milk Marketing Federation (GCMMF) is all set to start its plant in Mumbai. Kaira District Co-operative Milk Producers' Union, popularly known as Amul Dairy, is gearing up to commission its one mio LPD milk plant in Mumbai by December end. The investment for the new plant is around Rs. 1.50 bio. In addition to this, Sabarkantha District Co-operative Milk Producers' Union Limited, also known as Sabar Dairy, is setting up new plant in Rohtak, Haryana.
- Gujarat Co-operative Milk Marketing Federation (GCMMF), which owns and markets Amul brand of milk and milk products in India, plans to triple its cheese production capacity over the period of next two years. Amul's cheese production capacity currently stands at 40 ton per day, which will be increased to 120 ton per day. Amul is the market leader in Rs. 6 bio cheese market in India with 65-66 per cent market share.
- In a bid to ramp up sales of its cheese products and enhance its consumer friendly approach amidst competition, Amul has given cheese packaging a new design.
- Gujarat Co-operative Milk Marketing Federation has launched "Amul Diamond" in the Ahmedabad and Saurashtra markets, an offering in the premium category. The pouch milk variant would have a minimum of 7 per cent Fat content and 9 per cent Solid-not-Fat (SNF). Amul Diamond is targeted at customers looking for more creamy milk. The distinguishing features of this milk are creamy taste, thicker texture and richer aroma. The product would be sold at price point of Rs. 22 per 500 ml pouch (Rs 44 per litre).
- The Gujarat High Court has refused to set aside an order which cancelled Amul's registration of its trademark 'TRIX', on which a US firm has claimed its right. A Division Bench dismissed the petition filed by Kaira District Cooperative Milk Producers Union Ltd, owner of Amul, seeking cancellation of trademark 'TRIX' registered in favour of US food giant General Mills.
- The Government is likely to consider handing over assets of loss-making Delhi Milk Scheme (DMS) to the Gujarat Co-operative Milk Marketing Federation (GCMMF) on lease basis.
- After Amul, Bihar State Cooperative Milk Producers' Federation (COMFED) that owns Sudha brand has evinced interest in acquiring processing and distribution units of the loss-making DMS on rental basis. The DMS has milk production and packaging capacity of 0.5 mio litres per day, besides a network of 1298 outlets in the NCR. The government-owned dairy unit has 800 employees, but the milk production is only about 0.25 mio litres per day.

(Dairy continued on next page)

## Dairy (Continued)

- French dairy major Danone said its new business unit which is dedicated for developing products for the masses, will be rolled out to other cities by 2013. The dedicated Danone unit is called Danone BOP (bottom of the pyramid) and makes the Fundooz brand of yoghurts and was set up in 2011. India is the first country where Danone has launched such a dedicated unit for the bottom of the pyramid. Danone, is currently present in Mumbai, Delhi, Hyderabad, Pune and Bangalore, and Soubeiran.
- Mother Dairy has entered the category of traditional milk-based sweets as part of its diversification strategy. The traditional sweets' pack of 800 gram consists of an assortment of *kaju barfi*, *kaju pista rolls*, *dodda burfi* and milk cake priced at Rs. 450 a pack. Mother Dairy has also strengthened its dairy desserts range by launching *chhana kheer* and *khoya*.
- CavinKare has launched Cavin's Pure+, a range of ultra high temperature-treated milk the company claims would last for 120 days. A 'new gen' pouch pack will keep the milk fresh, which does away with the need for refrigeration. Cavin's Pure+ is available in a range of regular variants, including 'diet milk' for the health-conscious. The packs are priced at Rs. 20 for 500-ml double toned milk; Rs. 21 for 500 ml toned milk; Rs. 23 for 500 ml standardized milk; and Rs. 22 for 500-ml diet milk.
- Dairy giants Danone and Fonterra are among potential acquirers of a controlling stake in Hyderabad-based Tirumala Milk Products after promoters and private equity investor Carlyle Group started work on a share sale plan. The 15-year-old Tirumala, the second largest private supplier of liquid milk in the southern states, will ask around Rs. 25 bio, or USD 450 mio, in enterprise valuation, said sources directly familiar with the process. Carlyle, which invested less than three years ago, holds 20 per cent stake. A group of five first-generation rural entrepreneurs jointly own the remaining majority shares. Tirumala is expected to end the current fiscal with Rs. 15-bio revenue, with an operating profit estimated at 9-10 per cent. Another large private dairy firm, New Delhi-based Sterling Agro, has mandated NM Rothschild to find buyers, leading to another potentially big deal in the sector.
- Faced with surplus stock of milk powder in the country, agriculture minister said that the ministry was working on a proposal in consultation with various ministries to distribute the product under welfare schemes like mid-day meal scheme. There is a huge stock of 0.112 mio tons of milk powder. The ministry is also discussing with external affairs ministry, distributing milk powder along with grain as part of foreign aid to the developing countries.
- The government has lifted export ban on some milk products, including whole milk powder and dairy whitener, in view of surplus availability. The Directorate General of Foreign Trade (DGFT) has notified the lifting of ban on export of milk and cream, concentrated or containing added sugar or other sweetening matter including whole milk powder, dairy whitener and infant milk foods. "There is no change in the policy regarding export of skimmed milk powder, which continues to be free", DGFT said. In February 2011, the government had imposed ban on export of all kinds of milk products - skimmed milk powder (SMP), whole milk powder (WMP), dairy whitener, infant milk foods, casein and casein products — to boost domestic supply. The ban was, however, withdrawn in the case of casein in April and SMP in June this year.
- The New Zealand government has evinced interest in setting up joint ventures with Punjab government in the fields of agriculture and milk processing by offering technical know-how in these segments.

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## *Dairy (Continued)*

- A little over two years since the country's first dedicated milk train, christened the 'Amul Train' began plying between Palanpur and Kanpur, a second milk train has begun to run between Daund in Pune division to New Delhi since the last couple of months. The 15-rake train transports 0.6 mio litres of processed cow's milk for a trip from four milk producing districts of Maharashtra to Mother Dairy – counted amongst the country's largest dairies - for distribution mainly in the National Capital Region.
- Venkateshwara Hatcheries entered the business of pelleted cattle feed in Haryana, Punjab and Rajasthan a few months ago and is working to increase the yield of milk in India. "We are putting up a plant in Switzerland to make mineral mix," Venkatesh Rao, Managing Director said, adding that discussions were currently under way and the plant is expected to become operational in around eight months.
- Tea major Goodricke Group has firmed up plans to diversify into the dairy sector. "Currently, we are running a research and development dairy project at Jalpaiguri district in North Bengal. Goodricke plans to scale up the project into a commercial venture. We are part of the UK-based Camellia Plc, and permitted only to do tea and tea-related businesses in India. For any diversification, we need RBI approval and so we are proceeding accordingly, The estimated project cost is Rs. 250 mio", said Mr. A.N. Singh, managing director of the company.

## *Poultry*

- In October, Oman lifted its ban on Indian poultry shipments. The ban was lifted three months after the OIE (World Organisation for Animal Health) declared India free from bird flu. However, the happiness of poultry exporters was short lived. Around 10 November, Oman barred import of poultry and poultry products from India for a second time this year following an outbreak of bird flu virus in Karnataka.
- Six years after it was controlled in the country, the avian influenza (H5N1) has reared its head again. The bird flu has resurfaced at a poultry breeding farm near Bangalore causing death of 3,481 Turkeys, the Karnataka government announced on 27 October 2012. As a precautionary measure, the breeding farm has culled as many as 784 birds and buried them scientifically. There were 4,565 Turkeys at the farm. The flu had not affected other birds like chicken, ducks and Emu birds.
- As the poultry industry is rocked by yet another avian flu attack in Karnataka, major companies and states are taking precautionary measures fearing a ban on sales and exports. Kerala has imposed a ban on poultry products from Karnataka. The poultry prices have not been affected in general except in some regions close to Karnataka. "In border areas, the wholesale rates have dropped by Rs. 5 to Rs. 45 per kg," said Ram Reddy, president of Andhra Pradesh Poultry Breeders Association. The ban imposed by Kerala was lifted within a few days' time.
- A spate of avian flu outbreaks in the last few years has dashed India's hopes of becoming a major egg exporter. Oman, the largest buyer of Indian eggs, has now imposed a second ban on Indian shipments this year following the avian flu incidence in a research farm in Karnataka.

## Meat

- India's buffalo meat exports are expected to rise by 29 per cent to a record 2.16 mio tons in 2013. helped by strong demand from emerging and price sensitive Asian and Middle Eastern markets, a USDA report said. India accounts for almost a quarter of the global beef trade. India, is estimated to have exported 1.68 mio tons of buffalo meat this year. India's bovine herd continues to expand in response to strong demand for dairy products, resulting in a 1 per cent growth forecast during 2013 to almost 330 mio head. Beef production is forecast to climb 14 per cent to nearly 4.2 mio tons fuelled by robust foreign demand, the US agency on the farm sector noted.

## Aquaculture

- Fish production in India is set to cross 13 mio tons (MT) mark by 2016 from the current level of over nine mio tons, according to a study brought out by the top industry body Assocham. "With appropriate incentives, coupled with robust investments in infrastructure, fish production in India can grow at a compounded annual growth rate (CAGR) of about 7 per cent during the next four-five years from the current level of over 3.5 per cent CAGR", according to the study titled 'Fisheries – A Prize Catch in Indian Export Basket'. India is the second largest source of aquaculture production in the world after China. Indian marine waters are home to over 1,700 fish species, including 200 commercially significant species, while the sector employs over 15 mio people. Fish eaters account for over half of India's total population. Export accounts for 8 to 10 per cent of the total fish production in India. Fisheries' export currently stood at about USD 3 bio and it is expected to reach about USD 4.7 bio by 2014. The global fish trade is estimated at USD 138 bio with China, Norway and Thailand occupying the top three slots, according to the study. India's share in fisheries production globally is about 5 per cent and marine inland fishery exports account for just 2 per cent of the global trade in the sector.



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Website – [www.hindustanstudies.com](http://www.hindustanstudies.com)

Contact Person: Mr. Anil Chawla (Mobile +91-94250-09280 / +91-97130-09280)

E-mail: [info@hindustanstudies.com](mailto:info@hindustanstudies.com)

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Website – [www.indialegalhelp.com](http://www.indialegalhelp.com)

Contact Person: Ms. Yogita Pant (Mobile +91-94065-28010)

E-mail: [info@indialegalhelp.com](mailto:info@indialegalhelp.com)

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